Administration Estimates Michigan Economic and Revenue Outlook

FY 2007-08 and FY 2008-09

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Revenue Review and Outlook

- FY 2007 General Fund-General Purpose (GF-GP) revenue increased to $8,317.7 million, a 0.6 percent increase over FY 2006. The GF-GP total is $133.3 million above the May 2007 Consensus estimate. School Aid Fund (SAF) revenue rose 0.6 percent to $11,153.1 million. SAF revenues were $76.0 million above the May 2007 Consensus estimate.
- The January FY 2008 GF-GP and SAF estimates include some revenue items that were not included in the May 2007 Consensus estimates. The May 2007 Consensus estimates have been adjusted to make them directly comparable with the January estimates. Three major tax changes were implemented which increased overall FY 2008 revenue after the May 2007 Consensus Conference. First, the Michigan Business Tax (MBT) fully replaced the Single Business Tax which had been repealed. Second, revenue enhancements were passed into law which increased the state income tax rate and created a new service tax. Third, an MBT surcharge was implemented to replace the newly enacted service tax. The MBT surcharge revenue is estimated to be approximately $115 million lower than what the repealed service tax would have raised. Overall FY 2008 GF-GP revenue is projected to increase 11.7 percent to $9,290.0 million. This total is $190.7 million below the adjusted May 2007 Consensus estimate including the $115 million reduction due to the service tax repeal. SAF revenue is projected to increase 1.9 percent to $11,360.5 million, $128.4 million less than the adjusted May 2007 Consensus estimate.
- FY 2009 GF-GP revenue is forecast to decrease 0.4 percent to $9,254.7 million, down $35.3 million from the FY 2008 January administration estimate. FY 2009 SAF revenue is forecast to grow 4.5 percent to $11,871.4 million, $510.9 million more than the FY 2008 January administration estimate. Approximately $340 million of the SAF increase represents MBT revenues that will be used to reimburse local school districts for the newly enacted personal property tax exemptions. Adjusting for these revenues, SAF revenues will be up approximately 1.5 percent in FY 2009. A portion of the revenue from the newly enacted MBT surcharge is earmarked to the School Aid Fund, which accounts for $250 million, or nearly half of the increase in SAF revenues.

2008 and 2009 U.S. Economic Outlook

- Real gross domestic product growth is forecast to average 1.7 percent in 2008 and 2.4 percent in 2009, following 2.1 percent growth in 2007.
- Employment is projected to stagnate in the first quarter of 2008 and then grow over the balance of the forecast horizon. The U.S. unemployment rate is forecast to average 5.3 in 2008 and 5.6 percent in 2009.
- Housing starts are projected to average less than 1.0 million units in both 2008 and 2009.
- Light vehicle sales are forecast to be 15.6 million units in both 2008 and 2009.

- Consumer price inflation is forecast to average 2.9 percent in 2008 and 2.4 percent in 2009.

2008 and 2009 Michigan Economic Outlook

- Michigan wage and salary employment is forecast to fall by 2.0 percent in 2008 and by 1.1 percent in 2009, the ninth straight year of State employment declines. In 2008, private non-manufacturing employment is projected to fall by 35,900 jobs, followed by a 12,100 jobs decline in 2009. Manufacturing employment is forecast to decline 36,400 in 2008 and 29,800 in 2009.
- After averaging 7.2 percent in 2007, the Michigan unemployment rate is forecast to rise to 8.3 percent in 2008 and 8.9 percent in 2009.
- Wages and salaries are forecast to decrease 0.8 percent in CY 2008 and rise 1.0 percent in CY 2009, down from 1.7 percent growth in 2007. Personal income will rise 1.2 percent in 2008 and 2.5 percent in 2009.
- In FY 2008, Michigan wages and salaries income is expected to decline 0.5 percent before rising 0.6 percent in FY 2009.
- Disposable income is forecast to rise 1.1 percent in FY 2008 and 2.1 percent in FY 2009.

Forecast Risks

- Less steep housing market downturn.
- More severe and broader than expected fallout from the subprime crisis.
- Higher oil prices.
- Precipitous decline in the value of the dollar.
- Lower interest rates.
- Geopolitical factors.
- Michigan hit disproportionately harder.

ECONOMIC REVIEW AND OUTLOOK
January 11, 2008

Current U.S. Economic Situation

Summary

The current U.S. economic expansion is six years old, having begun in November 2001. Since the expansion began (through the third quarter of 2007), real gross domestic product (GDP) has grown at a 2.9 percent annual rate. Over this time period, real consumption expenditures grew at a 3.0 percent rate. However, durable consumption rose at a substantially faster rate over this time, increasing at a 4.6 percent annual rate. Business fixed investment rose at a 2.6 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 up slightly (1.5 percent). Residential construction has increased at a 0.6 percent growth rate since the expansion began. Export growth slightly outpaced import growth (6.9 percent vs. 6.2 percent). Government spending has grown at only a 2.0 percent annual rate with state and local government spending expanding at just 1.0 percent per year.

Through the first three quarters of 2007, real GDP grew 2.1 percent compared to a year ago. Real consumption increased at a 3.0 percent rate with durable consumption growing 4.8 percent. Business fixed investment rose 3.9 percent with equipment and software up only slightly (0.7 percent increase) but structures increasing sharply (12.0 percent). However, residential investment declined 16.4 percent. Exports substantially outpaced imports (8.0 percent vs. 2.2 percent). Government spending grew only 1.9 percent with state and local government spending rising by 2.1 percent.

Residential investment in 2007Q3, fell to its lowest level since early 2000. Compared to its peak set in 2005Q4, 2007Q3 residential investment is down 23.5 percent. In each of the past six quarters, residential investment has declined at a double-digit rate -- the first such string in over 30 years.

Through the first eleven months of 2007, national payroll employment has risen 1.4 percent compared to a year ago. The U.S. unemployment rate averaged 4.6 percent, matching the eleven month average from a year ago.

Even in the face of recent sharp declines in residential construction, overall economic growth has held up well. Over the past two quarters, the U.S. economy has grown at a 4.4 percent annual rate -- the strongest two-quarter growth rate in nearly four years. The foreign trade sector, inventory investment, *non*-residential investment and consumption have bolstered growth even in the face of sharp declines in residential construction. Nevertheless there are several indicators that fourth quarter growth was/will be substantially weaker. (See Economic Indicators below).

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 meetings between August 2006 and August 2007, the FOMC kept the federal funds rate unchanged. Faced with credit market tightening, turmoil in the financial markets and the floundering housing market, the FOMC cut the federal funds target rate by 50 basis points at its September 2007 meeting, 25 basis points at its October meeting and another 25 points in December, pushing the target rate down to 4.25 percent.

In the light of the credit crunch, the FOMC took additional actions: The FOMC cut the discount rate so that the gap between the discount rate and the federal funds rate shrank from 100 basis points to 50 basis points. The Fed also announced that draws at the discount window would not – as has traditionally been the case – be viewed as a sign of financial weakness. Following its December meeting, the Federal Reserve, the European Central Bank, and other G-10 central banks announced a coordinated effort to add liquidity to the inter-bank markets as means to counteract the credit crunch.

As a result of the Federal Reserve's rate cuts and additional actions, short-term rates (e.g., three month Treasury bill rate) have fallen significantly over the past few months. While the three-month Treasury bill rate averaged 4.84 percent in July, the rate fell to 3.49 percent in November. Over the same period, long-term rates have also fallen, but not as sharply. In November, the 10 year Treasury note averaged 4.15 percent while the 30 year Treasury bond averaged 4.52 percent. Thus, the yield curve (the difference between long-term rates and short-term rates) has steepened.

Inflation

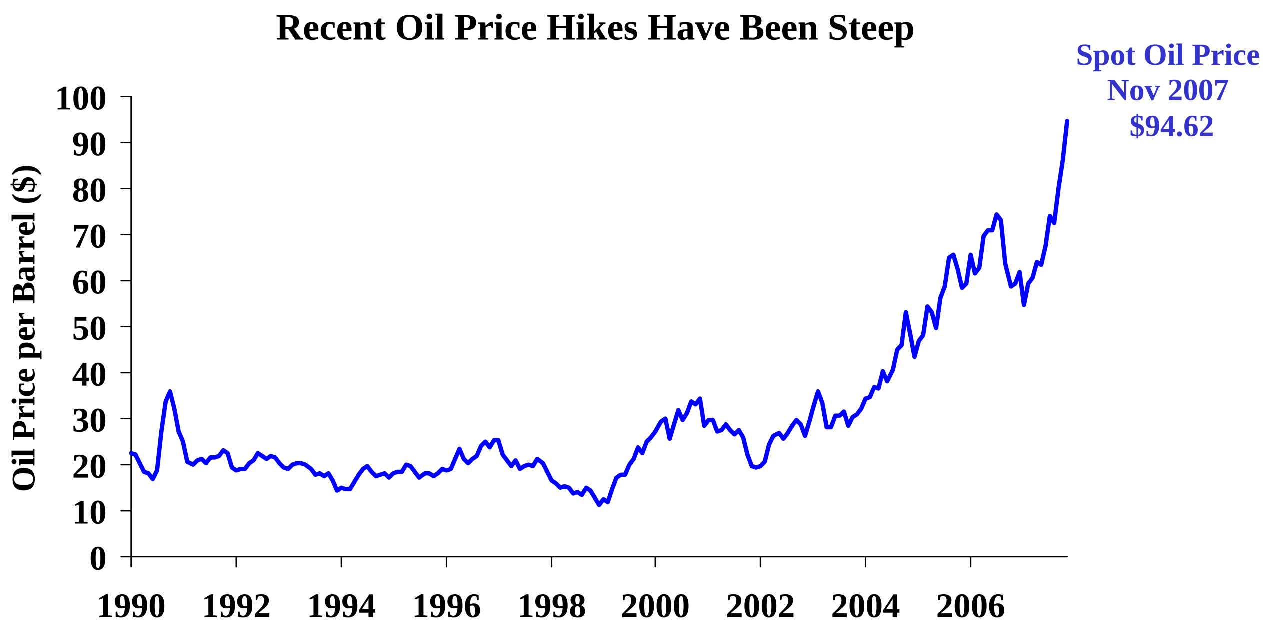
Overall inflation pressures are mounting as a result of sharp increases in energy.

After subsiding in late 2005 to slightly below $60 a barrel, oil prices began trending upward through July 2006. In July, oil prices averaged $74 a barrel. Oil prices then fell substantially in both September and October. Between October 2006 and June 2007, monthly oil prices ranged between the mid-50's and mid-60's.

However, since July 2007, oil prices have risen substantially. October oil prices averaged $86 a barrel before rising to $95 a barrel in November. Several factors have helped drive prices sharply higher including geopolitical tensions, poor weather and diminishing stocks. In early December, the price of oil moderated slightly, falling below $90 a barrel.

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. Through the first eleven months of 2007, natural gas prices have fallen 1.7 percent.

The Federal Reserve's November 2007 *Beige Book* reported, "Increases in prices of final goods and services generally remained modest, except for food and energy."



Source: Federal Reserve Bank of St. Louis.

In November, the ISM manufacturing price index was up sharply (14 points) from a year ago. Even using a three-month average, which helps to smooth out monthly fluctuations, the ISM manufacturing price index was up 9.3 points compared to a year ago. Similarly, the ISM non-manufacturing price index rose by 19.3 points with its three-month average increasing 12.7 points.

Through November 2007, hourly earnings have risen substantially (3.9 percent); this follows a similar percentage increase in 2006. In the third quarter, a sharp rise in productivity (6.3 percent annual rate compared with the second quarter) resulted in unit labor costs actually falling in the third quarter, declining at a 2.0 percent annual rate.

In November 2007, the three-month moving average of the overall producer price index rose 5.9 percent, led by outsized increases in energy prices. Excluding food and energy, the three month average rose only 2.2 percent.

In November, the three-month moving average of the overall consumer price index rose 3.5 percent. Excluding food and energy, the three month average rose only 2.2 percent. Through November 2007, overall consumer prices have risen 2.7 percent; core inflation has risen 2.3 percent.

Housing Market

The housing market has seen a substantial downturn in recent quarters. Through October 2007, housing starts have averaged 1.4 million units, down 25.0 percent compared to a year ago. This contrasts with housing starts between 1.8 million and 2.0 million over the prior four years. With these declines, residential construction has fallen precipitously, and home builder sentiment has hit a record low. The National Association of Home Builders (NAHB) index for October and for November registered a 19, the lowest reading since the survey began.

The National Association of Realtors' (NAR) data show that the slowdown has not been contained to new residential construction. Three findings stand out:

- Home sales dropped to 4.97 million annualized units in October, a 5.1 percent decrease from September and a 20.7 percent decline compared to a year ago.

- In October the NAR months supply of existing one-family homes rose to 10.5 months, its highest level in 22 years.

- The NAR index, based on signed contracts for previously owned homes (pending sales), was 18.4% below the level of 106.8 in October 2006. While up from August's record low, October's reading remained below the September 2001 levels when the terrorist attacks shook the housing market.

The Federal Reserve's November 2007 *Beige Book* further corroborates the slowdown, reporting that

> Demand for residential real estate remained quite depressed, with only a few tentative and scattered signs of stabilization amidst the ongoing slowdown. Most Districts pointed to further increases in the inventory of available homes, with the earlier tightening of credit conditions for mortgage lending continuing to create barriers for some buyers. . . . The pace of homebuilding remained very low in general, and builders continued to shelve projects and lay off workers in many areas; contacts generally do not expect a significant pickup in homebuilding until well into next year at the earliest.

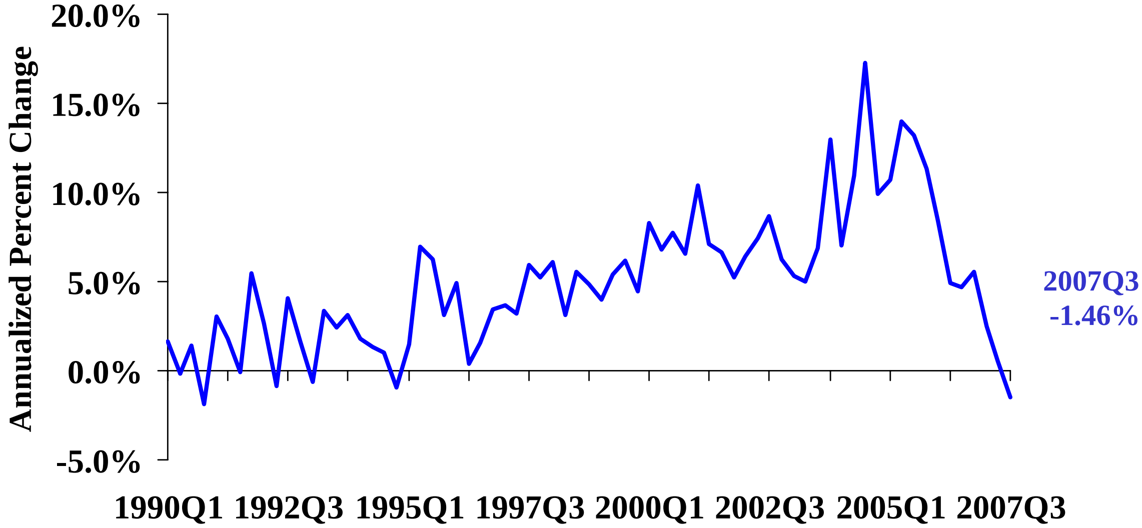
Housing Prices

All three major housing price measures point to a sharp retrenchment in housing prices. In September 2007, the Case-Shiller 20-metro area index was down 4.9 percent from a year ago, while the 10-metro area index fell 5.5 percent. On a year-over-year basis housing prices have declined every month since January 2007, with the rate of decline accelerating each month.

The Office of Federal Housing Enterprise Oversight (OFHEO), which excludes mortgages over $417,000, reports similar findings, although not as dramatic. OFHEO reported the first quarterly decline in its house price index in thirteen years with a 1.5 percent annual rate of decline between the second and third quarters of 2007. Compared to a year ago, the OFHEO index was up a slight 1.8 percent.

The National Association of Realtors (NAR) reported that the October 2007 median existing home price was down 5.1 percent compared to a year ago. NAR also reports that 2007 will be the first full year on record to post an existing home price decline from the previous year.

Housing Prices Decline



Source: Office of Federal Housing Enterprise Oversight

The Federal Reserve's November *Beige Book* similarly reports that as a result of the slowdown, "prices on new and existing homes sold were reported to be down on a short-term or year-earlier basis in most Districts."

Repercussions

The sharp housing market downturn and concomitant home price declines have had serious repercussions. In the third quarter of 2007, the Mortgage Bankers Association (MBA) reported that a record 0.78 percent of mortgages entered the foreclosure process. That figure is up from 0.65 percent in the second quarter - the previous record high - and more than double the 0.32 percent rate a year earlier.

The MBA also reported that 5.59 percent of borrowers are now at least 30 days late making their mortgage payments, just below the record high of 5.68 percent set in 1986. Further, a record 1.26 percent of the borrowers were 90-plus days late, putting them at significant risk of going into foreclosure.

Further indicating that housing market weakness will continue, a substantial number of variable rate mortgages will reset (rise to a higher interest rate) over the next couple of years. This will likely boost delinquencies and foreclosures as more and more home owners are unable to afford the higher mortgage payments.

When the housing market was booming, lenders relaxed their lending standards and extended credit to subprime (more risky, less qualified) borrowers. Now that the booming market has gone bust, lenders in turn have tightened their lending standards – even beyond what they were prior to the boom. The Federal Reserve reported a significant tightening of credit conditions in its survey of senior loan officers in October 2007 – the percent of reporting banks indicating tighter credit conditions for mortgages rose to a historical high of 44.9%.

With more and more borrowers defaulting on their loans, financial institutions have written down large sums of sub-prime loans. Because many loan originators packaged and sold their loans to other companies, the housing market bust has extended beyond the original lenders. The write-offs are in the billions of dollars for many high-profile companies (e.g., Citigroup, Merrill Lynch). According to CNN Money, as of the beginning of December 2007, the total amount of sub-prime related writedowns was $36 billion and the figures continue to grow. These writedowns have served to reduce monies available to lend (even outside the mortgage market). The writedowns have also reduced funds to invest and impacted the stock market as publicly held companies holding risky loans have seen their stock values decline. The result has been a credit crunch with repercussions that extend beyond the housing and mortgage markets, let alone just beyond the subprime mortgage market.

Martin Feldstein provides an excellent description of the current credit crunch:

> The current credit crunch reflects not only a lack of liquidity, but also a lack of confidence in the creditworthiness of counterparties and in the accuracy of asset prices. This problem is now being compounded by the banks' loss of capital as they recognize past losses, and by their need to use large amounts of the remaining capital to support existing off-balance-sheet credits that have to be shifted to their balance sheets. (Wall Street Journal, December 5, 2007)

Major Economic Indicators

On balance, major economic indicators suggest that growth slowed markedly in the 2007Q4 and signal continued weakness in the U.S. economy.

In the first quarter of 2007, the ISM manufacturing index (PMI) averaged 50.8. The index picked up in the second quarter, averaging 55.2 before falling to 52.9 in the third quarter. The index has fallen further in the fourth quarter with the quarter's first two months averaging 50.9, indicating only slight growth. Throughout 2007, the non-manufacturing ISM index has signaled moderate growth. However, compared to a year ago, the non-manufacturing index's November reading was down 4.2 points.

Compared to a year ago, October new durable good orders fell slightly (0.4 percent, three-month average). However, excluding defense and aircraft, the three-month average of new durable good orders fell 2.5 percent – its largest decline since March 2007 and its ninth straight monthly decline.

Industrial production has increased at a mild pace. In October 2007, the three-month average was up 1.8 percent compared to a year ago, its sixth straight sub-2.0 percent reading.

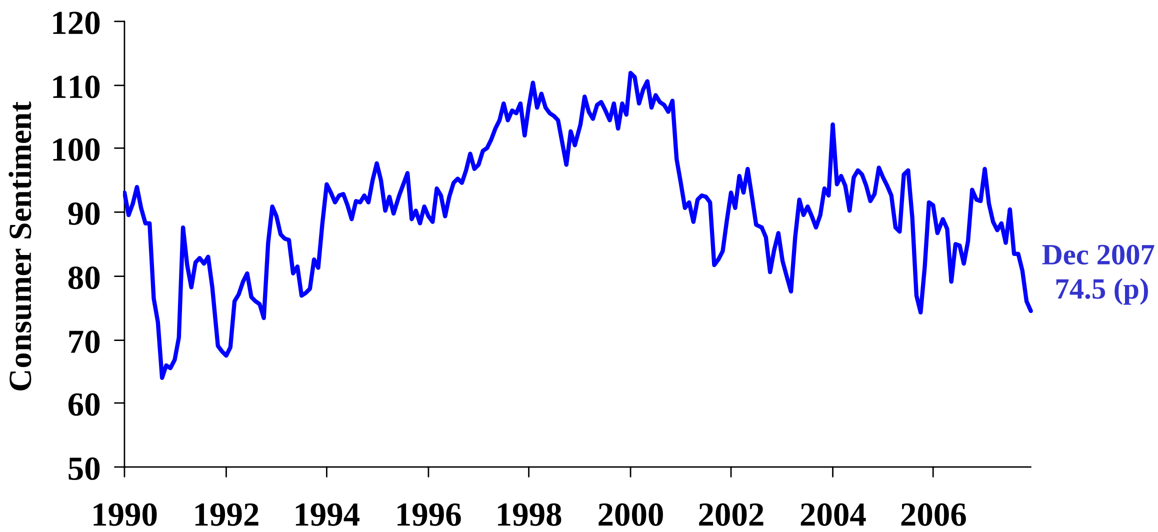
Compared to a year ago, the three-month average of retail sales, excluding motor vehicle and gasoline sales, increased 4.5 percent in November 2007.

In early December, the University of Michigan's index of consumer sentiment fell to 74.5, the lowest reading since Hurricane Katrina and the second lowest reading since the early 1990's. The Conference Board index of consumer confidence fell sharply in November to 87.3 from a downwardly revised 95.2 in October (previously 95.6). The latest decline puts the index at its lowest level since October 2005. Weakness was broad-based with both the expectations and present situation components declining over the month.

According to the ABC News/Washington Post consumer comfort index, sentiment rose one point to -23 in the week ending December 9. Despite the slight improvement, sentiment remains near its lowest level in four years.

Investors' attitudes were similarly dismal. In November 2007, the UBS Index of Investor Optimism plummeted 26 points to fall to 44, its lowest level since Hurricane Katrina. Since the beginning of the year, the index is down 59 points.

Consumer Sentiment
Near Lowest Level in Over a Decade

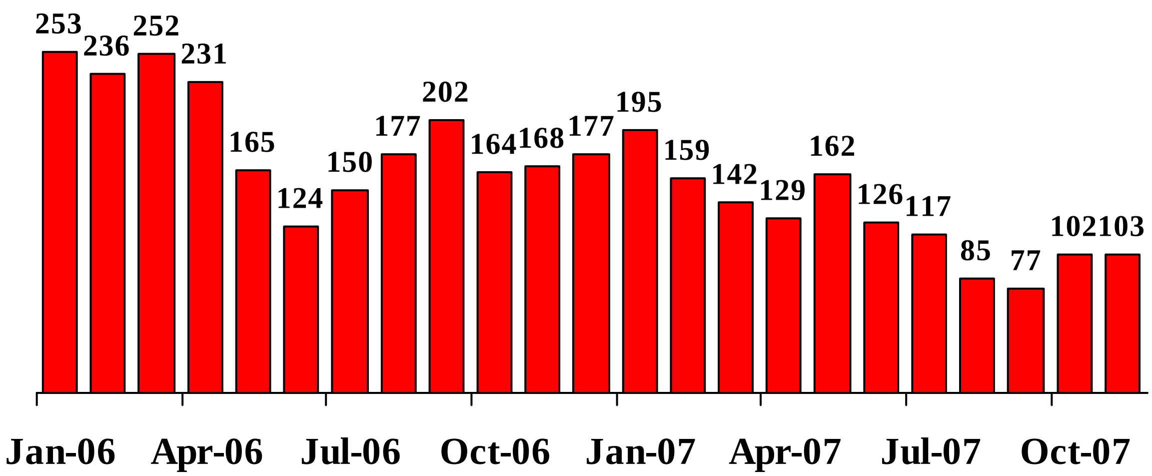


Source: University of Michigan Survey of Consumers.

The Conference Board index of leading indicators fell in October, declining 0.5 percent after being essentially flat in September. The six-month annualized growth rate, in the past used as a rule of thumb for recession, was negative for the second straight month. At -1.0 percent, however, this average rate is still above the low for the expansion set in July 2006 at -2.3 percent.

The Economic Cycle Research Institute (ECRI) weekly leading index growth rate moved consistently lower through November 2007 and early December 2007, bringing it to its lowest point in five years.

U.S. Employment Growth Slows
(Monthly Change in Thousands, Three Month Average)



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. November 2007 employment exceeded its pre-recession peak (February 2001) by 5.9 million jobs. However, monthly employment gains have slowed recently. In 2006, monthly increases averaged approximately 185,000 jobs. Through the first eleven months of 2007, payroll employment monthly increase has averaged only 120,000 jobs. While the three-month average of monthly employment gains stood around 250,000 jobs at the beginning of 2006, the average was half that by late 2007.

Manufacturing employment remains hard hit. Between its March 1998 pre-recession peak and November 2007, the U.S. economy shed one out of five manufacturing jobs (3.7 million jobs).

Several other employment indicators also point to a weakening labor market.

The four-week moving average of initial unemployment claims has risen sharply in recent months. While starting the 2007Q4 at 310,000, the four-week moving average rose to about 340,000 by early December.

In November 2007, the ISM manufacturing employment index read 47.8, indicating shrinking employment in the manufacturing sector. November follows six straight months where the sub-index signaled slow employment growth.

With the exception of August, which indicated declining non-manufacturing employment, the ISM non-manufacturing component index has signaled slight to moderate employment growth in 2007. The November 2007 reading signaled very slow employment growth at 50.8; compared to a year ago November's reading was down slightly.

While most employment indicators suggest a weaker labor market, some suggest a flattening out. November 2007 marked the fifth consecutive month that the average workweek was unchanged at 33.8 hours. Over the past three years, the average workweek has remained in an extremely narrow range between 33.7 and 33.9 hours. In November 2007, the U.S. unemployment rate was 4.7 percent for the third consecutive month. November's rate was 0.2 of a percentage point higher than a year ago. Through November, the simple average of the U.S. unemployment rate (4.6 percent) was unchanged compared to the first eleven months of last year. According to the Challenger Report, November 2007 layoff announcements were down 4.7 percent compared to a year ago. However, the Challenger Report includes only public announcements; many smaller residential contractors do not make public announcements.

Vehicle Sales and Production

The 2007 vehicle sales and production data reveal a slightly slower vehicle market compared with 2006.

In 2006, light vehicle sales averaged 16.5 million units, down from 16.9 million units in 2005. Through the first eleven months of 2007, light vehicle sales have averaged 16.1 million units, down 2.4 percent compared to same period a year ago. Domestically produced vehicle sales have fallen 3.8 percent while import sales have risen 2.5 percent. Year-to-date, the foreign share of vehicle sales has increased by 1.1 percentage points to 23.3 percent – more than double imports' share in 1996 (11.3 percent).

The decrease in Big Three market share (domestic sales less foreign nameplate transplants) has been dramatic. Through the first three quarters of 2007, the Big Three's share declined 5.4 percentage points compared to the same period a year ago to 50.5 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.

October 2007 U.S. vehicle production was down 2.5 percent (three-month moving average) compared to a year ago. National car production was down 13.1 percent while truck production was up 4.5 percent. Year-to-date overall vehicle production was down 4.2 percent through October.

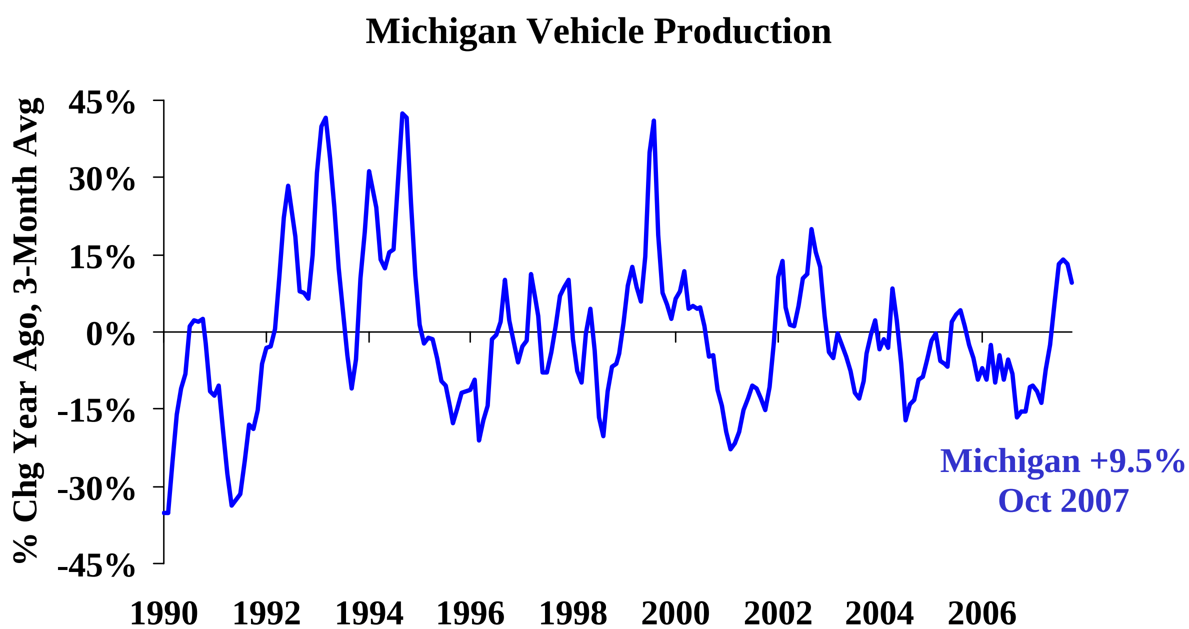
Current Michigan Economic Conditions

Vehicle Production

Through the first ten months of 2007, Michigan vehicle production is up 2.4 percent. State auto production was down 10.6 percent while Michigan truck production rose by 15.1 percent. The three-month average of State vehicle production was up 9.5 percent from a year ago.

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 performance, 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.



Source: Automotive News and Michigan Department of Treasury.

Through November 2007, calendar year Michigan wage and salary employment has declined by 1.4 percent compared to a year ago. From November 2006 to November 2007, Michigan's monthly employment level has fallen by 77,000 jobs. Manufacturing employment accounted for 27,000 of the overall jobs decline, while construction comprised 16,000 of the total jobs decline. Compared to a year ago, government employment was down by 19,000 jobs while retail employment declined by 9,000 jobs.

CY 2007 will mark the seventh year that the State's employment level has fallen and the eighth consecutive year that calendar year manufacturing has declined.

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 to November 2007, Michigan has lost nearly 450,000 jobs (-9.5 percent). Since June 2000, Michigan manufacturing employment has fallen by 297,000 jobs. Michigan has lost nearly three out of every ten manufacturing jobs it had at the State's employment peak.

Through November 2007, Michigan's unemployment rate has averaged 7.1 percent, 0.2 percentage point above the State's 2006 calendar year average (6.9 percent). Michigan's November 2007 unemployment rate was 7.4 percent, down from October's reading (7.7 percent), which was the State's highest monthly rate in nearly 15 years.

Housing Market

Despite not being one of the major participants in the housing boom, Michigan has been hit disproportionately hard from the housing bust. According to the OFHEO, among all states, Michigan saw the largest quarterly annualized home price decline in 2007Q3 (-9.6 percent) and the second largest quarterly fall in 2007Q2 (-5.9 percent). As a result, Michigan recorded the largest 2007Q3 decline in housing prices from a year ago (-3.7 percent). Case-Shiller house price measures similarly find that the Detroit MSA recorded the third largest year-over-year September 2007 house price decline (-9.6 percent).

The fallout from the State's housing market downturn is evident in foreclosure and delinquency data. According to Realty Trac Inc., which tracks foreclosures, Michigan has one the highest foreclosure rates among all states. Michigan also reported the second highest state mortgage delinquency rate, behind Mississippi.

According to First American CoreLogic, Michigan has three metro areas in the top ten for mortgage delinquency risk. Detroit ranks first in the nation; Warren is second nationally and Grand Rapids is seventh (CNNMoney.com, October 19, 2007).

Personal Income

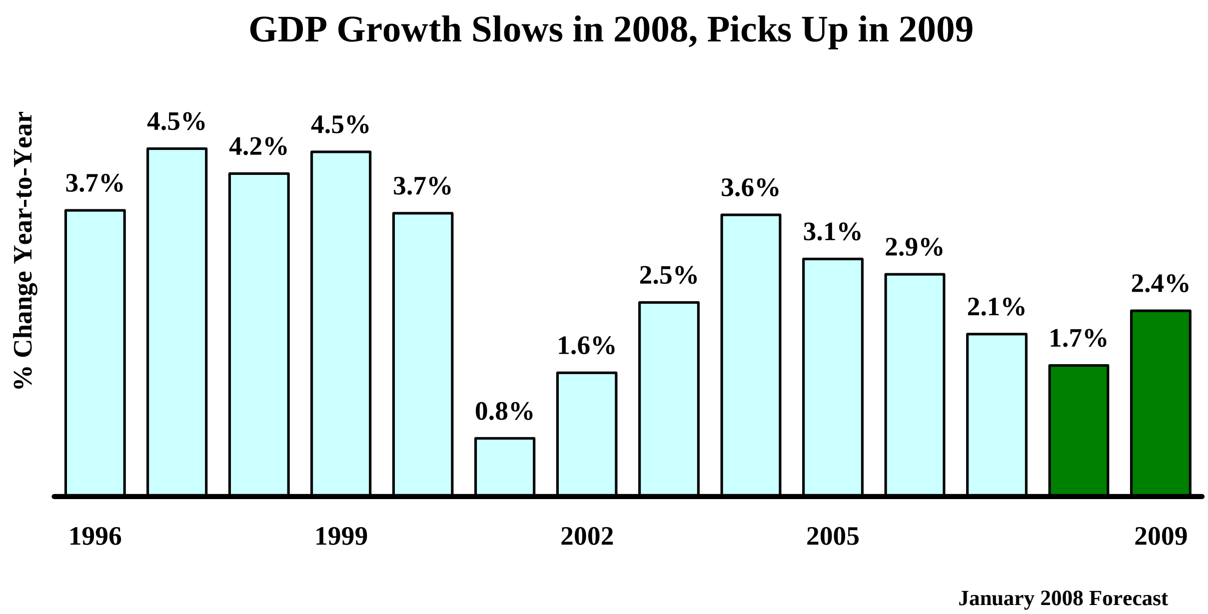
Michigan has reported anemic income growth. Michigan personal income growth slowed in 2006 compared to 2005 (3.2 percent vs. 3.7 percent). At the same time, U.S. personal income growth accelerated from 5.9 percent to 6.6 percent. Michigan wages and salaries income grew 0.8 percent in 2006 compared to 1.8 percent growth in 2005. Nationally, wages and salaries income rose 6.2 percent in 2006.

Through the first three quarters of 2007, Michigan personal income has grown at a 4.3 percent rate. State wages and salaries income has increased at a 2.4 percent rate. In contrast, personal income has risen at a 6.6 percent rate nationally; national wages and salaries income has grown at a 5.2 percent annual rate.

2008 and 2009 U.S. Economic Outlook

Summary

In 2008, real GDP growth is forecast to slow from 2.1 percent to 1.7 percent. Growth is then expected to accelerate to 2.4 percent in 2009. High consumer debt levels, high energy prices, the credit crunch and a weak housing market are expected to depress growth.



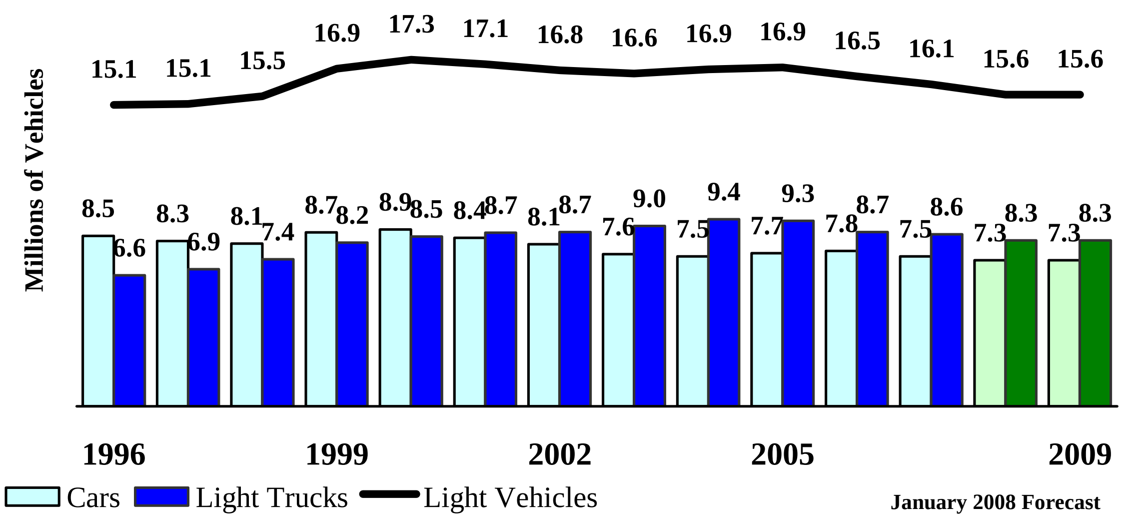
Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Administration Forecast, January 2008.

Light vehicle sales are projected to decline to 15.6 million units in both 2008 and 2009 -- their lowest level in 10 years.

As measured by the consumer price index (CPI), consumer inflation is expected to remain moderate, recording 2.9 percent and 2.4 percent growth in 2008 and 2009, respectively. Short-term interest rates are projected to decline from 4.4 percent to 3.6 percent in 2008, before rising to 4.2 percent in 2009. The Aaa corporate bond rate remains relatively flat at 5.5 percent in 2008 and then rises to 5.8 percent in 2009. By the fourth quarter of 2009, the Treasury bill rate and Aaa corporate bond rate stand at 4.7 percent and 6.1 percent, respectively.

U.S. wage and salary employment is forecast to rise -- though more slowly -- in 2008 and 2009. Employment will rise by 0.5 percent in 2008 and 0.6 percent in 2009. The U.S. unemployment rate rises to 5.3 percent and 5.6 percent in 2008 and 2009, respectively.

Motor Vehicle Sales Decline Slightly



Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Administration Forecast, January 2008.

<u>Assumptions</u>

Oil prices are assumed to remain in the $80 to $85 a barrel range in the second half of 2008 and in 2009.

The housing market is assumed to fare poorly over the forecast. Housing starts are expected to remain below 1.0 million in both 2008 and 2009. However, it is assumed that the spillover to other sectors of the economy will be moderate.

After having lowered the federal funds rate to 4.25 percent in December 2007, the Federal Reserve is expected to keep interest rates unchanged through 2008 before raising rates in mid-2008. By the end of 2009, the federal funds rate is expected to rise to 5.00 percent. Containing inflation remains forefront for the Federal Reserve in its interest rate decisions.

The U.S. dollar is expected to post moderate declines through the forecast horizon. From the 2007Q4 to 2009Q4, the dollar is expected to decline by 5.8 percent.

The household savings rate is forecast to remain flat in 2008 at 0.7 percent before rising to 1.2 percent in 2009. Stock market gains are projected to be mild with 2.8 percent annual growth.

Forecast Risks

Housing Market. The baseline forecast assumes an extremely weak housing market with housing starts remaining below 1.0 million for both 2008 and 2009. The severe stressors on the housing market suggest that such assumed weakness is justified. However, such poor performance would be unprecedented since at least 1959. Given this, the baseline forecast may be too pessimistic. A stronger housing market would boost the overall economy.

Credit Crunch Impact. On the other hand, the forecast assumes only moderate spillover from the housing market weakness and the mortgage market troubles. Given this, the baseline forecast may be too optimistic. Greater spillover would weaken the overall economy.

Oil Prices. The baseline forecast assumes that the price of a barrel of oil will essentially range between the low- to mid- $80 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. Higher oil prices may also lead the Federal Reserve to hike rates sooner than is assumed.

Value of the Dollar. The baseline forecast assumes that the value of the dollar will post moderate declines. However, under the weight of a yawning 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.

Interest Rates. The forecast assumes that the Federal Reserve takes a fairly aggressive posture against inflation and is less concerned with poor economic growth. However, given the severity of the housing market decline assumed in the baseline forecast, it is likely that the Federal Reserve will shift its concern to weak growth. If this is the case, the Federal Reserve would likely lower rates throughout 2008 and keep them steady in 2009.

There remains a growing likelihood that a collapsing housing market, combined with other risk factors such as the credit crunch and high oil prices, could send the U.S. economy into a recession.

Geopolitical Factors. Geopolitical factors (such as a domestic terrorist impact) remain a downside risk to the baseline forecast.

Recession Risk

As the discussion of forecast risks indicates, most risks are on the down side and that, given the confluence of stressors on the economy (housing market bust, credit crunch, high oil prices, and high consumer debt) there is a significant likelihood that the U.S. economy could fall into recession. Over the course of 2007, economists have raised the probabilities of a recession. Results from the monthly Wall Street Journal (WSJ) surveys conducted in 2007 demonstrate this point well.

In December 2007, the average survey probability of a recession grew to 38.0 percent (the highest level in more than three years). From the December 2007 Survey: Ten of the 52 economists surveyed see the probability of a recession in the next 12 months as 50 percent or greater. Five economists see the probability of a recession as greater than 50 percent. Twenty-five see the probability of a recession as 40 percent or greater. Below are the average probability results of the WSJ's 2007 surveys:

Survey Month	**Probability of Recession**
February 2007	22.9%
March 2007	24.6
April 2007	26.1
May 2007	25.9
June 2007	23.1
August 2007	28.2
September 2007	36.3
October 2007	33.7
November 2007	33.5
December 2007	38.0

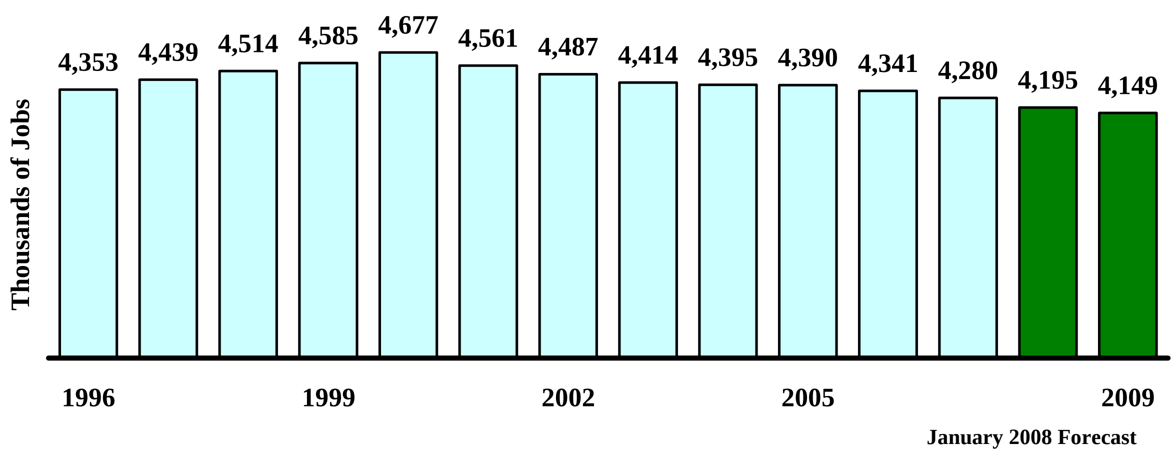
Economists in general differ as to whether there will be (or already is) a recession as a set of op-ed pieces in the New York Times demonstrates (New York Times, December 16, 2007). However, several prominent economists see the chances of a recession as a toss-up. In particular, former Federal Reserve Chairman Alan Greenspan assigns approximately a 50 percent probability to a recession (Wall Street Journal, December 16, 2007). Nobel Laureate Joseph Stiglitz similarly assigns a 50 percent probability to a recession (Bloomberg, November 16, 2007).

2008 and 2009 Michigan Economic Outlook

Michigan employment is forecast to fall 2.0 percent in 2008 and 1.1 percent in 2009. Private non-manufacturing employment is projected to decline by 35,900 jobs in calendar year 2008 and by 12,100 in 2009.

Manufacturing employment is forecast to fall by 5.9 percent in 2008 and by 5.1 percent in 2009. Struggles at the domestic Big 3 automakers and concomitant restructurings will depress manufacturing employment along with continued rationalization among vehicle suppliers. Total Michigan employment is forecast to decline by approximately 19,100 jobs per quarter during 2008. Declines are then forecast to slow throughout 2009 with net employment changes averaging -5,700 jobs. Only in 2009Q4 does Michigan employment rise and then only slightly. Michigan's unemployment rate is expected to rise from 7.2 percent to 8.3 percent in 2008 and to 8.9 percent in 2009.

Michigan Wage and Salary Employment



Source: Michigan Department of Labor and Economic Growth, U.S. Bureau of Labor Statistics, and January 2008 Administration Forecast.

Michigan wages and salaries are projected to fall 0.8 percent in CY 2008 and to rise 1.0 percent in CY 2009. Michigan personal income is forecast to rise 1.2 percent in 2008 and 2.5 percent in 2009. Inflation, as measured by the Detroit CPI, is forecast to be 2.7 percent in 2008 and 2.2 percent in 2009. As a result, real Michigan personal income (inflation adjusted) is expected to fall 1.5 percent in 2008 and rise 0.3 percent in 2009.

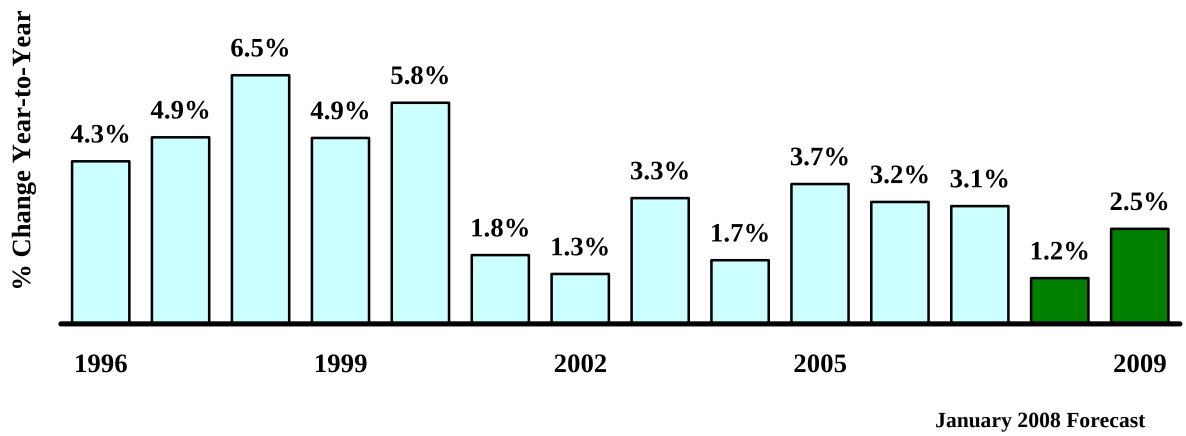
Table 1

Administration Economic Forecast

January 2008

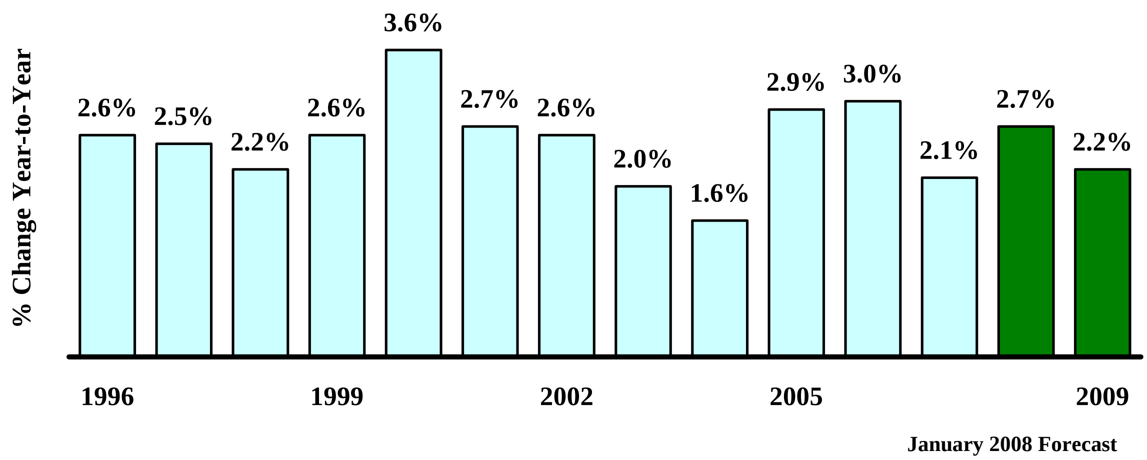
	Calendar 2006 Actual	Calendar 2007 Actual	Percent Change from Prior Year	Calendar 2008 Forecast	Percent Change from Prior Year	Calendar 2009 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	$11,319	$11,557	2.1%	$11,753	1.7%	$12,035	2.4%
Implicit Price Deflator GDP (2000 = 100)	116.6	119.0	2.5%	121.5	2.1%	124.7	2.6%
Consumer Price Index (1982-84 = 100)	201.6	207.2	2.8%	213.2	2.9%	218.3	2.4%
Personal Consumption Deflator (2000 = 100)	114.7	117.5	2.5%	120.1	2.2%	122.3	1.8%
3-month Treasury Bills Interest Rate (percent)	4.7	4.4		3.6		4.2	
Aaa Corporate Bonds Interest Rate (percent)	5.6	5.6		5.5		5.8	
Unemployment Rate - Civilian (percent)	4.6	4.6		5.3		5.6	
Light Vehicle Sales (millions of units)	16.5	16.1	-2.5%	15.6	-3.1%	15.6	0.0%
Passenger Car Sales (millions of units)	7.8	7.5	-3.6%	7.3	-2.7%	7.3	0.0%
Light Truck Sales (millions of units)	8.7	8.6	-1.4%	8.3	-3.5%	8.3	0.0%
Import Share of Light Vehicles (percent)	22.4	23.3		23.9		24.3	
Michigan							
Wage and Salary Employment (thousands)	4,341	4,280	-1.4%	4,195	-2.0%	4,149	-1.1%
Unemployment Rate (percent)	6.9	7.2		8.3		8.9	
Personal Income (millions of dollars)	$341,075	$351,648	3.1%	$355,868	1.2%	$364,765	2.5%
Real Personal Income (millions of 1982-84 dollars)	$173,487	$175,211	1.0%	$172,668	-1.5%	$173,203	0.3%
Wages and Salaries (millions of dollars)	$185,173	$188,321	1.7%	$186,815	-0.8%	$188,683	1.0%
Detroit Consumer Price Index (1982-84 = 100)	196.6	200.7	2.1%	206.1	2.7%	210.6	2.2%
Detroit CPI Fiscal Year (1982-84 = 100)	195.9	199.2	1.7%	204.8	2.8%	209.5	2.3%

Michigan Personal Income Growth Weaker



Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Administration Forecast, January 2008.

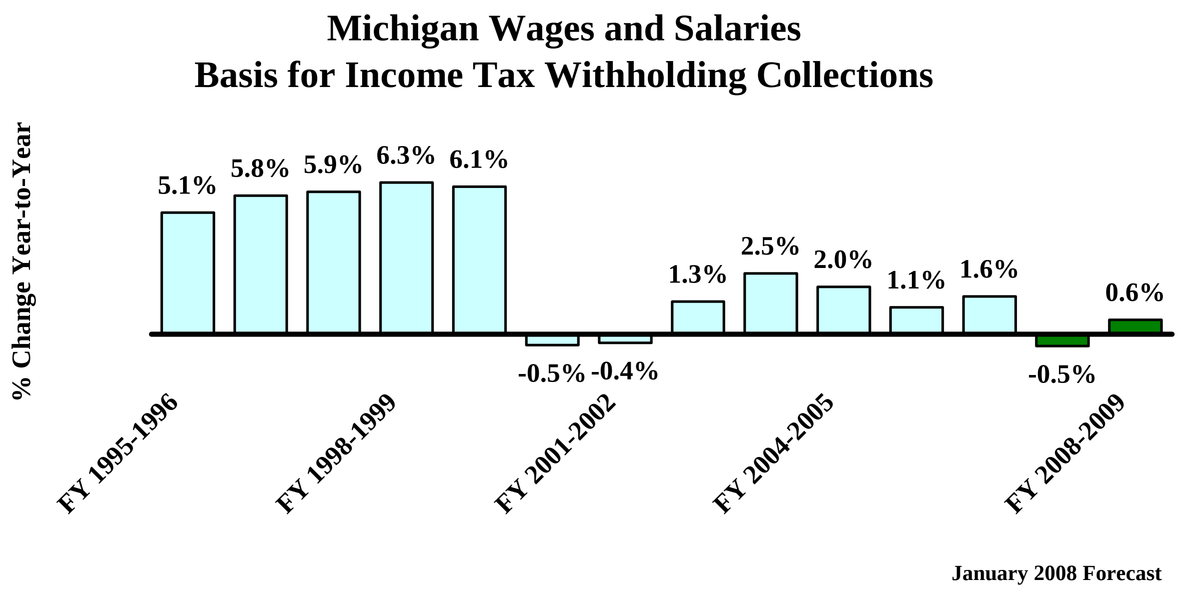
Inflation Accelerates in 2008, Slows in 2009
Detroit CPI



Source: U.S. Bureau of Labor Statistics and Administration Forecast, January 2008.

Fiscal Year Economics

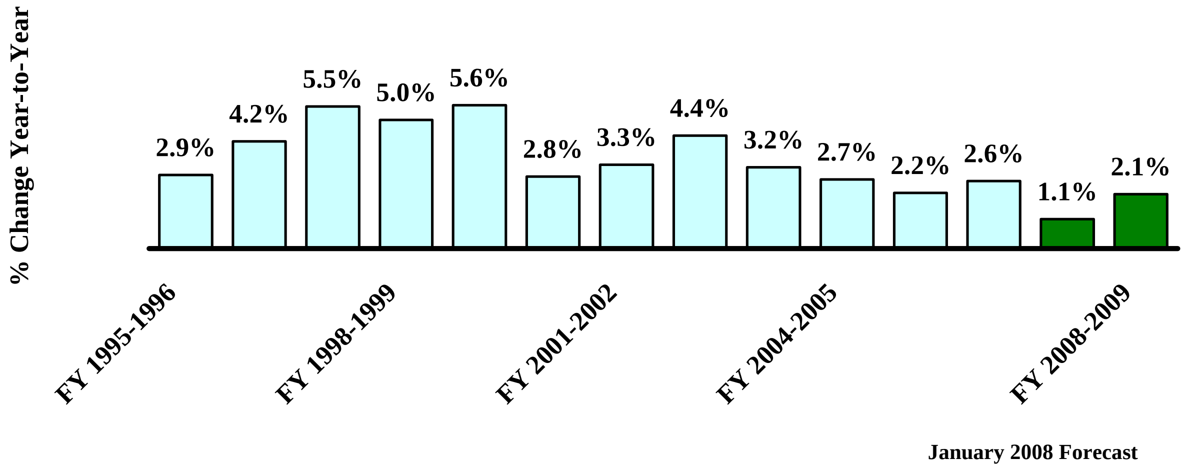
Michigan's largest taxes are the individual income tax ($7.0 billion), which includes refunds, and sales and use taxes ($8.0 billion). Income tax withholding is the largest income tax component. Withholding ($7.3 billion) is most affected by growth in wages and salaries. Michigan wages and salaries are expected to decline 0.5 percent in FY 2008 and rise 0.6 percent in FY 2009.



Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Administration Forecast, January 2008.

Sales and use taxes depend primarily on Michigan disposable (after tax) income and inflation. Disposable income is expected to increase 1.1 percent in FY 2008 and increase 2.1 percent in FY 2009. The inflation rate is forecast to average 2.8 percent in FY 2008 and is expected to slow to 2.3 percent in FY 2009.

Michigan Disposable Income
Basis for Sales and Use Tax Collections



Source: Research Seminar in Quantitative Economics, University of Michigan, and Administration Forecast, January 2008.

Given Michigan's manufacturing mix and that Michigan has been hit disproportionately harder by the housing bust, it is very possible that Michigan manufacturing would grow substantially more slowly than U.S. economic growth itself would imply. This would retard Michigan economic growth, employment and income growth.

ADMINISTRATION REVENUE ESTIMATES
January 11, 2008

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 2007 is the base year. Any non-economic changes to the taxes occurring in FY 2008 and FY 2009 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 2007 Revenue Review

FY 2007 GF-GP revenue totaled $8,317.7 million on a Consensus basis, a 0.6 percent increase over FY 2006. SAF revenue totaled $11,153.1 million, a 0.6 percent increase compared to FY 2006 (See Table 2).

Table 2

FY 2006-07 Administration Revenue Estimates

(millions)

	Consensus May 18, 2007		Actual		
	Amount	**Growth**	**Amount**	**Growth**	**Change**
General Fund - General Purpose					
Baseline Revenue	$8,203.7		$8,279.7		
Tax Cut Adjustments	($19.4)		$38.0		
Net Resources	$8,184.3	-0.9%	$8,317.7	0.6%	$133.3
School Aid Fund					
Baseline Revenue	$11,081.4		$11,144.0		
Tax Cut Adjustments	($4.3)		$9.1		
Net Resources	$11,077.2	0.0%	$11,153.1	0.6%	$76.0
Combined					
Baseline Revenue	$19,285.2		$19,423.7		
Tax Cut Adjustments	($23.7)		$47.1		
Net Resources	$19,261.5	-0.4%	$19,470.8	0.7%	$209.3

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

FY 2008 Revenue Outlook

FY 2008 GF-GP revenue is expected to be $9,290.0 million, a 1.3 percent baseline decrease, but an 11.7 percent increase after tax adjustments. The FY 2008 estimate is $190.7 million below the adjusted May 2007 Consensus estimate. Overall, FY 2008 revenues include the new Michigan Business Tax (MBT) which fully replaced the repealed Single Business Tax. Revenue enhancements enacted into law included an income tax rate increase and MBT surcharge. The MBT surcharge replaced the enacted changes to the use tax. Thus, $115 million of the $190.7 decline results from replacing the use tax increase with the MBT surcharge. SAF revenue is forecast to be $11,360.5 million, representing 0.1 percent increase for baseline revenue and 1.9 percent growth after tax adjustments. The FY 2008 SAF estimate is $128.4 million below the adjusted May 2007 Consensus estimate (See Table 3).

Table 3

FY 2007-08 Administration Revenue Estimates

(millions)

	Consensus May 18, 2007		Administration January 11, 2008		
	Amount	Growth	Amount	Growth	Change
General Fund - General Purpose					
Baseline Revenue			$8,173.9	-1.3%	
Tax Cut Adjustments			$1,116.1		
Net Resources	$9,480.7	-15.5%	$9,290.0	11.7%	($190.7)
School Aid Fund					
Baseline Revenue			$11,153.9	0.1%	
Tax Cut Adjustments			$206.7		
Net Resources	$11,488.9	1.9%	$11,360.5	1.9%	($128.4)
Combined					
Baseline Revenue			$19,327.7	-0.5%	
Tax Cut Adjustments			$1,322.8		
Net Resources	$20,969.6	-5.5%	$20,650.5	6.1%	($319.1)

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

FY 2009 Revenue Outlook

FY 2009 GF-GP revenue is estimated to be $9,254.7 million, a 1.1 percent baseline increase, but a 0.4 percent decrease after tax adjustments. FY 2009 GF-GP revenue is $35.3 million below FY 2008 levels. SAF revenue is forecast to be $11,871.4 million; representing 1.1 percent baseline increase and 4.5 percent net growth (see Table 4). Adjusting for MBT revenues earmarked to the SAF to replace exempted local school taxes, the SAF is up approximately 1.5 percent.

Table 4
FY 2008-09 Administration Revenue Estimates
(millions)

	Administration January 11, 2008	
	Amount	**Growth**
General Fund - General Purpose		
Baseline Revenue	$8,264.6	1.1%
Tax Cut Adjustments	$990.1	
Net Resources	$9,254.7	-0.4%
School Aid Fund		
Baseline Revenue	$11,279.7	1.1%
Tax Cut Adjustments	$591.6	
Net Resources	$11,871.4	4.5%
Combined		
Baseline Revenue	$19,544.3	1.1%
Tax Cut Adjustments	$1,581.7	
Net Resources	$21,126.1	2.3%

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

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 2006 revenue is compared to CY 2004 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 2006 revenues were $4.9 billion below the revenue limit, while FY 2007 revenues are expected to be $5.4 billion below the limit. State revenues will also be well below the limit for FY 2008 and FY 2009. FY 2008 revenues are expected to be $5.0 billion below the limit, while FY 2009 revenues are expected to fall further below the limit at nearly $5.4 billion (See Table 5).

Table 5

Administration Constitutional Revenue Limit Calculation

(millions)

	FY 2006	FY 2007	FY 2008	FY 2009
	Actual May 2007	Admin Jan 2008	Admin Jan 2008	Admin Jan 2008
Revenue Subject to Limit	$25,814.2	$25,995.4	$27,339.7	$27,986.9
Revenue Limit	**CY 2004**	**CY 2005**	**CY 2006**	**CY 2007**
Personal Income	$324,134	$331,304	$341,075	$351,648
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	$30,760.3	$31,440.8	$32,368.0	$33,371.4
Amount Under (Over) Limit	**$4,946.2**	**$5,445.4**	**$5,028.3**	**$5,384.5**

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 2.3 percent in 2008. Thus, the formula has a withdrawal of $213.7 million for FY 2008 (See Table 6). In 2009, real calendar year personal income for Michigan is forecast to decrease 0.7 percent. Therefore, the formula has a withdrawal of $64.8 million for FY 2009 (See Table 8).

Table 6

Budget and Economic Stabilization Fund Calculation Based on CY 2008 Personal Income Growth Administration Calculation

	CY 2007	CY 2008
Michigan Personal Income	$ 351,648 [1]	$ 355,868 [1]
less Transfer Payments	$ 59,425 [1]	$ 62,893 [1]
Income Net of Transfers	$ 292,223	$ 292,975
Detroit CPI	1.984 [2]	2.035 [3]
for 12 months ending	(June 2007)	(June 2008)
Real Adjusted Michigan Personal Income	$ 147,290	$ 143,968
Change in Real Adjusted Personal Income		-2.3%
Amount Under 0%		-2.3%
GF-GP Revenue Fiscal Year 2007-2008		$ 9,290.0

	FY 2007-2008
BSF Pay-Out Calculated for FY 2008	$ (213.7)

Notes:

[1] Personal Income and Transfer Payments, Adminstration Forecast, January 2008.

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

[3] Detroit Consumer Price Index, Administration Forecast, January 2008.

Table 7

Budget and Economic Stabilization Fund Calculation
Based on CY 2009 Personal Income Growth
Administration Calculation

	CY 2008	CY 2009
Michigan Personal Income	$ 355,868	$ 364,765 [1]
less Transfer Payments	$ 62,893	$ 66,951 [1]
Income Net of Transfers	$ 292,975	$ 297,814
Detroit CPI	2.035 [2]	2.084 [3]
for 12 months ending	(June 2008)	(June 2009)
Real Adjusted Michigan Personal Income	$ 143,968	$ 142,905
Change in Real Adjusted Personal Income		-0.7%
Amount Under 0%		-0.7%
GF-GP Revenue Fiscal Year 2008-2009		$ 9,254.7

	FY 2008-2009
BSF Pay-Out Calculated for FY 2009	$ (64.8)

Notes:

[1] Personal Income and Transfer Payments, Administration Forecast, January 2008.

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

[3] Detroit Consumer Price Index, Administration Forecast, January 2008.

School Aid Fund Revenue Adjustment Factor

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 2009 SAF revenue adjustment factor is calculated by dividing the sum of FY 2008 and FY 2009 SAF revenue by the sum of FY 2007 and FY 2008 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 for any tax adjustments. For FY 2009, the SAF revenue adjustment factor is calculated to be 1.0058 (See Table 8).

Table 8

Administration School Aid Revenue Adjustment Factor

For Fiscal Year FY 2009

	FY 2007	FY 2008	FY 2009
Baseline SAF Revenue	$11,144.0	$11,153.9	$11,279.7
Balance Sheet Adjustments	$9.1	$206.7	$591.6
Net SAF Estimates	$11,153.1	$11,360.5	$11,871.4
Adjustments to FY 2009 Base Year	$582.5	$385.0	$0.0
Baseline Revenue on a FY 2009 Base	$11,735.6	$11,745.5	$11,871.4

School Aid Fund Revenue Adjustment Calculation for FY 2009

Sum of FY 2007 & FY 2008	$11,735.6	+	$11,745.5	=	$23,481.1
Sum of FY 2008 & FY 2009	$11,745.5	+	$11,871.4	=	$23,616.9

FY 2009 Revenue Adjustment Factor	**1.0058**

Note: Factor is calculated off a FY 2009 base year.

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 9 and 10). Tax totals for the income, sales, use, tobacco and casino taxes for all funds are also included (See Table 11).

Table 9

Administration General Fund General Purpose Revenue Detail

(millions)

	FY 2007		FY 2008		FY 2009	
	Amount	**Growth**	**Amount**	**Growth**	**Amount**	**Growth**
GF-GP Tax Amounts						
Income Tax	$4,330.7	3.5%	$4,969.0	14.7%	$4,893.3	-1.5%
Sales	$83.2	-3.2%	$83.5	0.4%	$92.9	11.3%
Use	$920.0	0.3%	$919.0	-0.1%	$921.7	0.3%
Cigarette	$225.4	-1.6%	$221.2	-1.9%	$216.8	-2.0%
Beer & Wine	$51.5	0.6%	$52.2	1.4%	$53.0	1.5%
Liquor Specific	$36.2	3.7%	$35.7	-1.4%	$36.0	0.8%
Single Business Tax	$1,816.1	-1.4%	$643.6	-64.6%	$0.0	-100.0%
Insurance Co. Premium	$223.8	2.0%	$251.2	12.2%	$268.0	6.7%
Michigan Business Tax	NA	NA	$1,583.3	NA	$2,266.8	43.2%
Telephone & Telegraph	$87.3	4.6%	$76.0	-12.9%	$68.0	-10.5%
Inheritance Estate	$0.7	16.7%	$0.0	0.0%	$0.0	0.0%
Intangibles	$0.0	-100.0%	$0.0	0.0%	$0.0	0.0%
Casino Wagering	$46.1	2.5%	$15.1	-67.2%	$0.0	-100.0%
Horse Racing	$0.0	-100.0%	$0.0	0.0%	$0.0	0.0%
Oil & Gas Severance	$72.0	-11.7%	$63.5	-11.8%	$66.0	3.9%
GF-GP Other Taxes	$51.7	0.8%	$36.7	-29.0%	$36.0	-1.9%
Total GF-GP Taxes	$7,944.7	1.6%	$8,950.0	12.7%	$8,918.6	-0.4%
GF-GP Non-Tax Revenue						
Federal Aid	$18.8	-6.5%	$20.0	6.4%	$20.0	0.0%
From Local Agencies	$0.4	100.0%	$0.4	0.0%	$0.4	0.0%
From Services	$8.2	2.5%	$8.1	-1.2%	$8.1	0.0%
From Licenses & Permits	$25.6	-49.5%	$22.0	-14.1%	$22.0	0.0%
Miscellaneous	$48.2	-69.2%	$45.0	-6.6%	$45.0	0.0%
Driver Responsibility Fees	$102.5	6.5%	$100.5	-2.0%	$100.5	0.0%
Short Term Note Interest	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%
Interfund Interest	($65.5)	NA	($77.0)	NA	($81.0)	NA
Liquor Purchase	$154.5	4.0%	$156.0	1.0%	$156.0	0.0%
Charitable Games	$10.8	1.9%	$11.0	1.9%	$11.2	1.8%
Transfer From Escheats	$69.5	-38.5%	$54.0	-22.3%	$54.0	0.0%
Other Non Tax	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%
Total Non Tax	$373.0	-17.0%	$340.0	-8.8%	$336.2	-1.1%
Total GF-GP Revenue	$8,317.7	0.6%	$9,290.0	11.7%	$9,254.7	-0.4%

Table 10

Administration School Aid Fund Revenue Detail

	FY 2007		FY 2008		FY 2009	
	Amount	Growth	Amount	Growth	Amount	Growth
School Aid Fund						
Income Tax	$2,110.2	3.5%	$2,101.7	-0.4%	$2,121.1	0.9%
Sales Tax	$4,768.5	-1.3%	$4,764.4	-0.1%	$4,786.3	0.5%
Use Tax	$460.4	0.3%	$459.5	-0.2%	$460.8	0.3%
Liquor Excise Tax	$35.7	3.5%	$35.7	0.0%	$36.0	0.8%
Cigarette	$450.4	-4.6%	$441.6	-1.9%	$431.9	-2.2%
Other Tobacco	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%
State Education Tax	$2,081.0	3.9%	$2,082.4	0.1%	$2,156.2	3.5%
Real Estate Transfer	$237.5	-20.2%	$206.0	-13.3%	$220.0	6.8%
Michigan Business Tax	NA	NA	$341.0	NA	$729.0	113.8%
Industrial Facilities Tax	$136.7	0.8%	$47.8	-65.0%	$50.1	4.8%
Casino (45% of 18%)	$106.7	2.5%	$118.3	10.9%	$121.9	3.0%
Commercial Forest	$3.1	6.9%	$3.1	0.0%	$3.1	0.0%
Other Spec Taxes	$14.0	-2.8%	$14.0	0.0%	$14.0	0.0%
Subtotal Taxes	$10,404.2	0.1%	$10,615.5	2.0%	$11,130.4	4.9%
Lottery Transfer	$748.9	8.9%	$745.0	-0.5%	$741.0	-0.5%
Total SAF Revenue	$11,153.1	0.6%	$11,360.5	1.9%	$11,871.4	4.5%

Table 11

Administration Major Tax Totals

	FY 2007		FY 2008		FY 2009	
	Amount	Growth	Amount	Growth	Amount	Growth
Major Tax Totals (Includes all Funds)						
Income Tax	$6,442.1	3.5%	$7,072.2	9.8%	$7,015.9	-0.8%
Sales Tax	$6,552.2	-1.3%	$6,551.3	0.0%	$6,581.3	0.5%
Use Tax	$1,380.4	0.3%	$1,378.5	-0.1%	$1,382.5	0.3%
Cigarette and Tobacco	$1,129.7	-3.4%	$1,107.0	-2.0%	$1,084.7	-2.0%
Casino Tax	$159.4	2.5%	$135.6	-14.9%	$121.8	-10.2%