



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF THE STATE BUDGET  
LANSING

ROBERT L. EMERSON  
DIRECTOR

January 8, 2009

The Honorable Ron Jelinek, Chair  
Senate Appropriations Committee  
Michigan State Senate  
State Capitol  
Lansing, Michigan 48901

The Honorable George Cushingberry, Chair  
House Appropriations Committee  
Michigan House of Representatives  
State Capitol  
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending October 31, 2008. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

[www.michigan.gov/budget](http://www.michigan.gov/budget) under "Financial Reports."

This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2008. Final year-end activity will be reflected in the fiscal year 2008 Comprehensive Annual Financial Report which, by law, must be issued on or before March 29, 2009.

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in cursive script that reads "Robert L. Emerson".

Robert L. Emerson  
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm  
Mike Bishop, Senate Majority Leader  
Andy Dillon, Speaker of the House  
Mike Prusi, Senate Minority Leader  
Kevin Elsenheimer, House Minority Leader  
Senate Appropriations Committee  
House Appropriations Committee  
Nancy Cassis, Chair, Senate  
Finance Committee

Steve Bieda, Chair, House Tax Policy Committee  
Dan Krichbaum, Executive Office  
Tim Hughes, Executive Office  
Senate Fiscal Agency  
House Fiscal Agency  
Mike Moody, Financial Management  
Nancy Duncan, Deputy Director  
State Budget Office  
Internal Office of the State Budget  
Distribution

**GENERAL FUND, GENERAL PURPOSE**  
**Fiscal Year 2009**  
**Projected Revenues and Expenditures**  
**October 31, 2008**  
(\$ in millions)

**FISCAL**  
**2009**

<b>Beginning Balance, October 1, 2008</b>	<b>\$ 146.9</b>
<b>Revenues, Current Law:</b>	
<b>Current Year GF/GP Revenues, May 2008 Consensus Estimate Treasury Estimate - November 2008</b>	<b>\$ 8,884.6</b>
<b>Revenue Adjustments:</b>	
Revenue Sharing Freeze (PA 127 of 2007 and May 2008 Consensus)	\$ 348.3
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 205.4
Charge School Aid Fund for Short Term Borrowing Costs	\$ 45.0
Renewable Energy (PA 286, 287, and 295 of 2008)	\$ (14.0)
<b>Subtotal Additional Revenue Adjustments</b>	<b>\$ 584.7</b>
<b>Anticipated Revenue Adjustments:</b>	
21st Century Jobs Trust Fund Revenue to GF	\$ 20.0
Transportation Economic Development Fund Revenue to GF	\$ 6.0
Insurance Escheats	\$ 25.0
Secondary Collections	\$ 6.0
Contract Efficiencies	\$ 20.0
<b>Subtotal Anticipated Revenue Adjustments</b>	<b>\$ 77.0</b>
<b>Total FY Resources Available For Expenditure GF/GP</b>	<b>9,693.2</b>
<b>Expenditures, Current Law:</b>	
FY 2009 Enacted with Vetoes	\$ 9,701.4
<b>Anticipated Expenditure Adjustments:</b>	
Supplemental Request (8-18-2008)	\$ 0.4
<b>Total Expenditures Projected</b>	<b>\$ 9,701.8</b>
<b>Projected Ending Balance, September 30, 2009</b>	<b>\$ (8.6)</b>

<sup>1</sup> This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2008. Final year-end activity will be reflected in the fiscal year 2008 Comprehensive Annual Financial Report which, by law, must be issued on or before March 29, 2009. Current estimated year-end balance for fiscal year 2008 is approximately \$450 million

<sup>2</sup> Subsequent to the date of this report, the State Treasurer revised earlier revenue forecasts and determined GF/GP revenue to be \$540 million below May 2008 consensus revenue estimates. Year-end balances for 2008 and the likelihood of a federal stimulus package will provide unanticipated revenue; however, the Governor issued Executive Order 2008-21 as part of an overall corrective action plan to address an estimated \$240 million shortfall. Executive Order 2008-21 reduced GF/GP spending by \$134 million and was approved by the Senate and House Appropriations Committees on December 10, 2008. The Governor will continue to work with the Legislature to eliminate the remaining \$106 million shortfall, ensuring a balanced budget for fiscal year 2009.

# OFFICIAL BALANCE SHEET

**SCHOOL AID FUND**  
**Fiscal Year 2009**  
**Projected Revenues and Expenditures**  
**October 31, 2008**  
(\$ in millions)

**FISCAL**  
**2009**

<b>Beginning Balance, October 1, 2008</b>	<b>\$</b>	<b>68.6</b>	<sup>1</sup>
<b>Revenues, Current Law:</b>			
<b>Current Year School Aid Fund Revenues, May 2008 Consensus</b>	<b>\$</b>	<b>11,707.4</b>	
<b>Additional Revenue Adjustments:</b>			
General Fund Subsidy	\$	40.8	
Federal Aid	\$	1,562.0	
Rounding	\$	0.1	
<b>Subtotal Additional Revenue Adjustments</b>	<b>\$</b>	<b>1,602.9</b>	
<b>Total FY Resources Available for Expenditure SAF</b>	<b>\$</b>	<b>13,378.9</b>	
<b>Expenditures, Current Law:</b>			
PA 268 of 2008 as Enacted	\$	13,378.9	
<b>Adjusted Appropriations</b>	<b>\$</b>	<b>13,378.9</b>	
<b>Projected School Aid Fund Ending Balance September 30, 2009</b>	<b>\$</b>	<b>-</b>	<sup>2</sup>

<sup>1</sup> This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2008. Final year end activity will be reflected in the fiscal year 2008 Comprehensive Annual Financial Report which, by law, must be issued on or before March 29, 2009. Current estimated year-end balance for fiscal year 2008 is approximately \$247 million.

<sup>2</sup> The Department of Treasury continues to monitor actual revenue collections for the School Aid Fund. Subsequent to the date of this report, it appears that, although fiscal year 2009 revenues have declined somewhat from the May consensus estimates, the actual ending balance for fiscal year 2008 will be larger than anticipated, offsetting the revenue decline.

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

October 31, 2008  
(\$ IN MILLIONS)

**FISCAL YEAR 2007-08**

**FISCAL YEAR 2008-09**

October 2007	Yr-to-date 2007-08	Fiscal Yr end SEP 30, 2008	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc October 2008	Exp & Enc Yr-to-date 2008-09
6.5	6.5	83.4	Agriculture	91.4	10.2	8.6	8.6
1.4	1.4	67.1	Attorney General	75.4	0.0	3.6	3.6
0.4	0.4	16.5	Auditor General	15.9	0.0	1.1	1.1
37.7	37.7	233.7	Capital Outlay**	481.8	0.0	37.6	37.6
0.3	0.3	13.4	Civil Rights	14.5	0.0	0.8	0.8
0.6	0.6	25.3	Civil Service	70.2	0.0	3.7	3.7
349.0	349.0	2,080.3	Colleges & Universities	1,952.7	0.0	209.7	209.7
811.8	811.8	11,192.8	Community Health	12,472.3	0.0	1,068.1	1,068.1
75.5	75.5	1,952.6	Corrections	2,019.7	0.0	147.3	147.3
0.5	0.5	58.2	Education	95.1	0.0	6.0	6.0
4.2	4.2	200.9	Environmental Quality	327.8	0.0	(5.6)	(5.6)
0.1	0.1	5.3	Executive Office	5.3	0.0	0.4	0.4
0.4	0.4	46.3	History, Arts & Library	52.8	0.0	5.0	5.0
303.0	303.0	4,361.4	Human Services	4,571.4	0.0	300.5	300.5
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
4.2	4.2	209.0	Judiciary	261.9	0.0	7.6	7.6
17.2	17.2	740.1	Labor & Economic Growth	990.5	2.5	61.3	61.3
6.1	6.1	120.8	Legislature	114.5	0.0	8.6	8.6
11.4	11.4	169.8	Management & Budget	183.6	0.0	17.8	17.8
7.1	7.1	29.6	Michigan Strategic Fund	29.6	0.0	7.0	7.0
4.3	4.3	120.9	Military Affairs	123.9	0.0	14.7	14.7
6.3	6.3	60.2	Natural Resources	62.4	0.0	(2.1)	(2.1)
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
17.1	17.1	214.7	State	214.8	0.0	25.2	25.2
8.7	8.7	437.8	State Police	530.3	0.0	22.9	22.9
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
238.4	238.4	2,876.0	Treasury	1,511.2	0.0	256.8	256.8
<b>\$1,912.2</b>	<b>\$1,912.2</b>	<b>\$25,316.1</b>		<b>\$26,268.9</b>	<b>\$12.7</b>	<b>\$2,206.6</b>	<b>\$2,206.6</b>

\*Includes boilerplate appropriations.

\*\*Includes State Building Authority appropriated in Management and Budget.

# ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2009  
October 2008  
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	16,079.4	0.0	16,079.4
Total state spending from state resources	28,412.0	12.7	28,424.7
Percentage of state spending from state resources paid to local units	56.59%		56.57%
Required payments to local units (48.97%)	13,913.4		13,919.6
<b>Surplus/(deficit)</b>	<b>\$2,166.0</b>		<b>\$2,159.8</b>

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND**  
OCTOBER 1, 2008 THROUGH OCTOBER 31, 2008  
(in thousands)

**REVENUES**

Taxes	\$	-
From federal agencies		-
Miscellaneous		-
		<hr style="border-top: 1px solid black;"/>
Total Revenues		-

**EXPENDITURES**

Current:		
General government		-
Education		-
Family Independence services		-
Public safety and corrections		-
		<hr style="border-top: 1px solid black;"/>
Total Expenditures		-
Excess of Revenues over (under)		
Expenditures		<hr style="border-top: 1px solid black;"/>

**OTHER FINANCING SOURCES (USES)**

Proceeds from Bond Issues		-
Operating transfers from:		
State Lottery Fund		-
Other funds		-
Total operating transfers from other funds		<hr style="border-top: 1px solid black;"/>
Operating transfers to other funds		-
		<hr style="border-top: 1px solid black;"/>
Total Other Financing Sources (Uses)		-
Excess of Revenues and Other		
Sources over (under) Expenditures		
and Other Uses	\$	<hr style="border-top: 3px double black;"/>

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

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES**  
**MICHIGAN STRATEGIC FUND**  
OCTOBER 1, 2008 THROUGH OCTOBER 31, 2008  
(in thousands)

**OPERATING REVENUES**

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	222
Other	-
Total miscellaneous	<u>222</u>
Total Operating Revenues	<u>222</u>

**OPERATING EXPENSES**

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	-
Total other operating expenses	<u>-</u>
Total Operating Expenses	<u>-</u>
Operating Income (Loss)	<u>222</u>

**NONOPERATING REVENUES (EXPENSES)**

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	-
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>222</u>

**OPERATING TRANSFERS**

Operating transfers from primary government	-
Operating transfers to primary government	-
Total Operating Transfers In (Out)	<u>-</u>
Net Income (Loss)	<u>\$ 222</u> <sup>1</sup>

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

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**MICHIGAN NATURAL RESOURCES TRUST FUND**  
OCTOBER 1, 2008 THROUGH OCTOBER 31, 2008  
(in thousands)

**REVENUES**

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>10,745</u>
Total Revenues	<u>10,745</u>

**EXPENDITURES**

Current:	
General government	-
Conservation, environment, recreation, and agriculture	328
Capital outlay	<u>6,368</u>
Total Expenditures	<u>6,695</u>
Excess of Revenues over (under) Expenditures	<u>4,050</u>

**OTHER FINANCING SOURCES (USES)**

Proceeds from bond issues	-
Operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 4,050</u> <sup>1</sup>

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

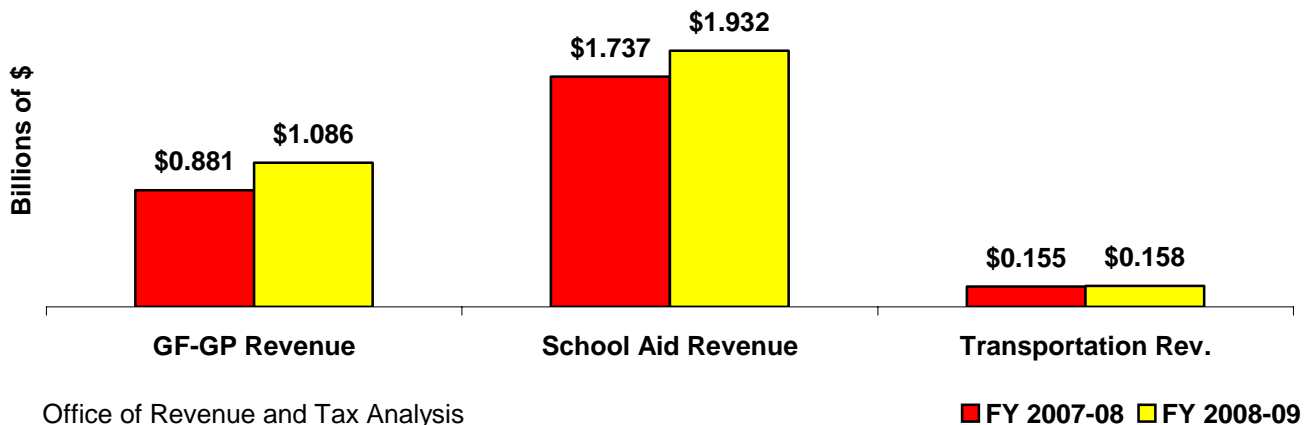
**REVENUE OVERVIEW**  
 Economic and Revenue Forecasting Division  
 Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for October 2008, representing some September and some October economic activity in Michigan.

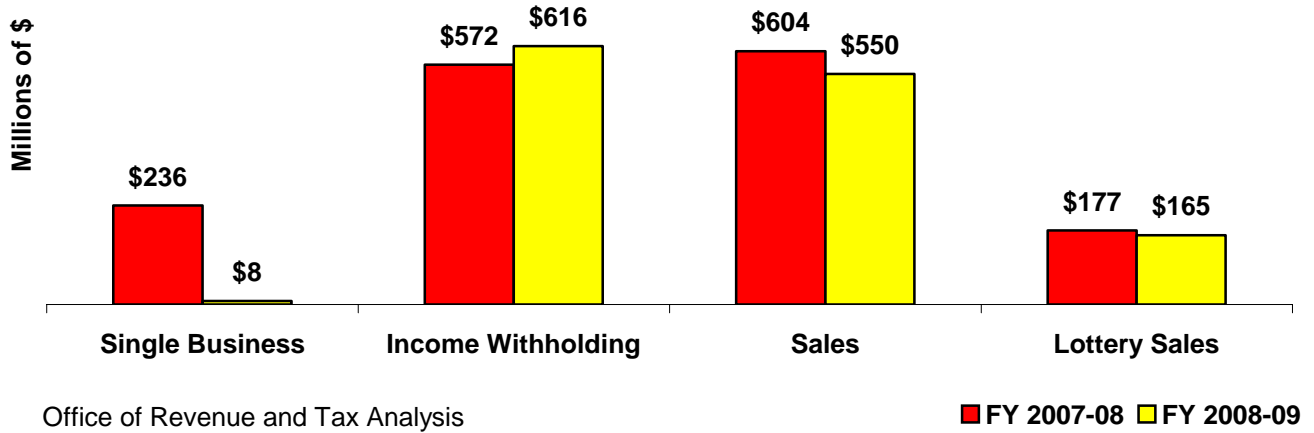
Total General Fund-General Purpose revenues were \$250.3 million (28.4 percent) higher in October 2008 than in October 2007. School Aid Fund revenues were \$194.7 million (11.2 percent) higher than in October 2007. This increase is due to the timing of when the State Education Tax payments were collected versus projected. Transportation revenues were \$2.7 million (1.7 percent) higher than in October 2007 (see revenue table). October is the first month of the State's fiscal year. Tax revenue received in October relating to economic activity prior to October will be accrued back to fiscal year 2008. Likewise, any refunds paid out in October relating to fiscal year 2008 liabilities will also be accrued back. Final 2008 revenue totals should be available in late December or early January.

FY 2008-2009 revenue forecasts presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 16, 2008. The Statutory estimate revenue totals are also the May 2008 Consensus estimates. The net General Fund-General Purpose revenue forecast for FY 2008-2009 is \$8,884.6 million. The net School Aid Fund revenue forecast is \$11,707.4 million, and the major Transportation Funds revenue forecast is \$2,110.9 million. The next revenue conference is scheduled for January 9, 2009.

**October Collections**  
**Fiscal Years 2007-08 and 2008-09**



## October Revenue Collections Fiscal Years 2007-08 and 2008-09



**Revenue Summary 2008-09**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: October 31, 2008**

SOURCE OF REVENUE	MONTH-END CASH COLLECTIONS DATA				REVENUE PROJECTIONS		
	October		Difference		2007-2008	2008-2009	2008-2009
	2007	2008	Amount	Percent	May 2008 Consensus	Statutory Estimate	May 2008 Consensus
<b>Income Taxes</b>							
Withholding	\$571,919	\$616,493	\$44,575	7.8%	\$7,293,600	\$7,327,900	\$7,327,900
Quarterlies	12,936	11,565	(1,371)	-10.6%	839,100	848,100	848,100
Annuals	35,724	37,062	1,338	3.7%	866,700	879,700	879,700
Gross Collections	620,579	665,120	44,541	7.2%	\$8,999,400	\$9,055,700	\$9,055,700
Less: Refunds	33,435	40,326	6,891	20.6%	1,825,500	2,046,100	2,046,100
State Campaign Fund	0	0	0	na	1,500	1,500	1,500
Net Personal Income	587,143	624,793	37,650	6.4%	\$7,172,400	\$7,008,100	\$7,008,100
Less: Disbursements to SAF	144,347	154,840	10,493	7.3%	\$2,118,200	\$2,111,500	\$2,111,500
<b>NET PERSONAL INCOME TO GF-GP</b>	<b>\$442,797</b>	<b>\$469,954</b>	<b>\$27,157</b>	<b>6.1%</b>	<b>\$5,054,200</b>	<b>\$4,896,600</b>	<b>\$4,896,600</b>
<b>Consumption Taxes</b>							
Sales (a)	\$7,915	\$6,690	(\$1,225)	-15.5%	\$72,100	\$89,600	\$89,600
Use	89,404	73,989	(15,416)	-17.2%	892,000	877,400	877,400
Tobacco	22,187	17,697	(4,490)	-20.2%	216,000	211,600	211,600
Beer, Wine & Mixed Spirits	4,565	4,327	(239)	-5.2%	51,000	51,500	51,500
Liquor Specific	21	21	(0)	-0.3%	36,600	37,000	37,000
<b>TOTAL CONSUMPTION TAXES</b>	<b>\$124,093</b>	<b>\$102,723</b>	<b>(\$21,369)</b>	<b>-17.2%</b>	<b>\$1,267,700</b>	<b>\$1,267,100</b>	<b>\$1,267,100</b>
<b>Other Taxes</b>							
Single Business	\$236,341	\$8,491	(\$227,850)	-96.4%	\$560,600	\$0	\$0
Insurance Premiums Taxes	31,687	53,514	21,827	68.9%	244,000	260,000	260,000
Sub-total SBT & Insurance	268,028	62,005	(206,023)	-76.9%	804,600	260,000	260,000
Michigan Business Tax	0	404,013	404,013	na	1,475,300	1,931,600	1,931,600
Inheritance / Estate	49	(171)	(220)	na	0	0	0
Telephone & Telegraph	49	42	(7)	-14.5%	79,000	75,000	75,000
Oil & Gas Severance	4,306	8,821	4,515	105.0%	86,000	83,000	83,000
Casino Wagering	1,647	0	(1,647)	-100.0%	16,900	0	0
Penalties & Interest	14,798	13,883	(915)	-6.2%	150,000	151,000	151,000
Miscellaneous Other/Railroad	(81)	14	95	na	1,000	1,000	1,000
Treasury Enforcement Programs (f)	(9,250)	(9,417)	(167)	1.8%	(111,000)	(113,000)	(113,000)
<b>TOTAL OTHER TAXES</b>	<b>\$279,545</b>	<b>\$479,190</b>	<b>\$199,644</b>	<b>71.4%</b>	<b>\$2,501,800</b>	<b>\$2,388,600</b>	<b>\$2,388,600</b>
<b>SUBTOTAL GF-GP TAXES</b>	<b>\$846,435</b>	<b>\$1,051,867</b>	<b>\$205,432</b>	<b>24.3%</b>	<b>\$8,823,800</b>	<b>\$8,552,300</b>	<b>\$8,552,300</b>

*continued*

**Revenue Summary 2008-09**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: October 31, 2008**

SOURCE OF REVENUE	MONTH-END CASH COLLECTIONS DATA				REVENUE PROJECTIONS		
	October		Difference		2007-2008	2008-2009	2008-2009
	2007	2008	Amount	Percent	May 2008 Consensus	Statutory Estimate	May 2008 Consensus
<b>Non-Tax Revenue (f)</b>							
Federal Aid	\$1,667	\$1,667	\$0	0.0%	\$20,000	\$20,000	\$20,000
Local Agencies	58	58	0	0.0%	700	700	700
Services	675	675	0	0.0%	8,100	8,100	8,100
Licenses & Permits	1,917	1,917	0	0.0%	23,000	23,000	23,000
Investments/Interest Costs	0	0	0	na	(75,000)	(81,000)	(81,000)
Misc. Non-tax Revenue	12,375	12,375	0	0.0%	148,500	148,500	148,500
Liquor Purchase Revolving Fund	12,917	12,917	0	0.0%	155,000	155,000	155,000
From Other Funds-Lottery & Escheats	5,000	5,000	0	0.0%	60,000	58,000	58,000
<b>TOTAL NON-TAX REVENUE</b>	<b>\$34,608</b>	<b>\$34,608</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$340,300</b>	<b>\$332,300</b>	<b>\$332,300</b>
<b>TOTAL GF-GP REVENUE</b>	<b>\$881,043</b>	<b>\$1,086,475</b>	<b>\$205,432</b>	<b>23.3%</b>	<b>\$9,164,100</b>	<b>\$8,884,600</b>	<b>\$8,884,600</b>
<b>School Aid Fund</b>							
Sales Tax 4%	\$246,593	\$225,371	(\$21,222)	-8.6%	2,717,800	2,715,300	2,715,300
Sales Tax 2%	193,014	174,546	(18,468)	-9.6%	2,118,900	2,117,700	2,117,700
Use Tax 2%	44,702	36,994	(7,708)	-17.2%	446,000	438,600	438,600
Michigan Business Tax	0	119,872	119,872	na	341,000	729,000	729,000
State Education Property Tax	973,020	1,139,687	166,667	17.1%	2,028,300	2,015,500	2,015,500
Real Estate Transfer Tax	19,890	14,042	(5,848)	-29.4%	189,000	177,000	177,000
Lottery Transfer (b)	0	0	0	na	749,200	747,600	747,600
Casino Wagering Tax	11,802	10,476	(1,326)	-11.2%	120,800	118,600	118,600
Liquor Excise Tax	0	1	1	na	36,600	37,000	37,000
Cigarette/Tobacco Tax	45,043	35,928	(9,115)	-20.2%	431,200	421,500	421,500
Indus. & Comm. Facilities Taxes	57,522	18,881	(38,641)	-67.2%	60,900	60,900	60,900
Specific Other	1,020	1,049	29	2.9%	17,100	17,100	17,100
Income Tax Earmarking	144,347	154,840	10,493	7.3%	\$2,118,200	\$2,111,500	\$2,111,500
<b>TOTAL SCHOOL AID FUND</b>	<b>\$1,736,952</b>	<b>\$1,931,687</b>	<b>\$194,735</b>	<b>11.2%</b>	<b>\$11,375,100</b>	<b>\$11,707,400</b>	<b>\$11,707,400</b>
SALES TAX 6%	\$604,001	\$550,163	(\$53,838)	-8.9%	\$6,648,800	\$6,645,000	\$6,645,000
SALES TAX 4%(d)	410,988	375,618	(35,370)	-8.6%	4,529,900	4,527,300	4,527,300
SALES TAX 2%	193,014	174,546	(18,468)	-9.6%	2,118,900	2,117,700	2,117,700
USE TAX 6%	134,106	110,983	(23,123)	-17.2%	1,338,000	1,316,000	1,316,000
MICHIGAN BUSINESS TAX	0	443,970	443,970	na	1,816,300	2,660,700	2,660,700
CASINO WAGERING TAX	13,723	10,476	(3,247)	-23.7%	140,100	118,600	118,600
TOBACCO TAXES	111,492	88,931	(22,562)	-20.2%	1,081,000	1,058,700	1,058,700
TOBACCO SETTLEMENT	0	0	0	na	na	na	na
CIGARETTE INVENTORY TAX	0	0	0	na	na	na	na

*continued*

**Revenue Summary 2008-09**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
**(in thousands)**

**For The Month Ended: October 31, 2008**

SOURCE OF REVENUE	MONTH-END CASH COLLECTIONS DATA				REVENUE PROJECTIONS		
	October		Difference		2007-2008	2008-2009	2008-2009
	2007	2008	Amount	Percent	May 2008 Consensus	Statutory Estimate	May 2008 Consensus
<b>Major Transportation Revenues</b>							
Diesel Fuel / Motor Carrier Fuel Tax (e)	\$12,196	\$10,919	(\$1,276)	-10.5%	\$142,500	\$143,000	\$143,000
Gasoline	69,105	68,729	(376)	-0.5%	841,000	830,100	830,100
Motor Vehicle Registration	63,350	67,824	4,474	7.1%	868,000	870,000	870,000
Other Taxes, Fees & Misc.	3,446	3,152	(295)	-8.6%	161,223	178,879	178,879
Comprehensive Transportation (c)	7,277	7,413	136	1.9%	87,319	88,950	88,950
<b>TOTAL MAJOR TRANS. REVENUES</b>	<b>\$155,373</b>	<b>\$158,036</b>	<b>\$2,663</b>	<b>1.7%</b>	<b>\$2,100,042</b>	<b>\$2,110,929</b>	<b>\$2,110,929</b>
<b>Lottery Sales By Games</b>							
Instant Games	57,666	53,601	(4,065)	-7.0%	na	na	na
Daily Games	52,535	49,636	(2,899)	-5.5%	na	na	na
Lotto and Big Game	20,078	17,914	(2,164)	-10.8%	na	na	na
Keno Game	1,074	1,028	(46)	-4.3%	na	na	na
Changeplay Game	0	0	0	na	na	na	na
Millionaires Raffle	2,717	2,493	(223)	-8.2%	na	na	na
Club Games	43,049	40,485	(2,564)	-6.0%	na	na	na
<b>TOTAL LOTTERY SALES</b>	<b>\$177,118</b>	<b>\$165,157</b>	<b>(\$11,961)</b>	<b>-6.8%</b>	<b>na</b>	<b>na</b>	<b>na</b>

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Starting in January 2005, totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carr

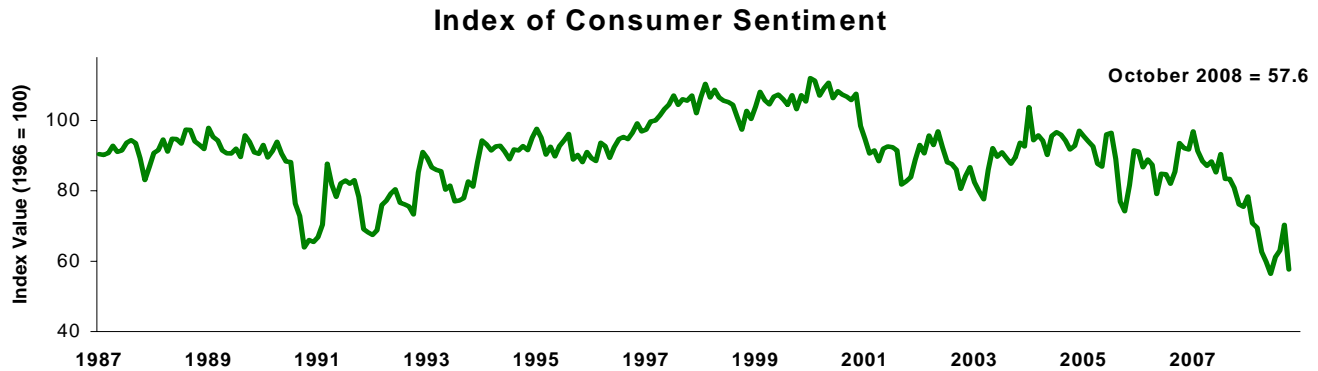
f Non-tax revenue items other than interest are estimates.

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

## Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

### U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 57.6 in October, down 12.7 index-points from the September value and 23.3 index-points below October 2007. In response to the sharp decline in consumer confidence, Survey Director Richard Curtin observed, “Confidence is likely to post significant additional declines in the months ahead. To be sure, consumer confidence has already declined more than prior to any past recession and indicates continued cutbacks in spending during the months ahead. Indeed, the October decline was the largest monthly decline in the history of the surveys.” Curtin also noted, “Consumers held the least favorable assessments of their finances in more than half a century and viewed their job prospects more negatively than at any other time since the end of 1980.” For the holiday season, Curtin observed, “This will be the bleakest holiday spending season since the 1980s recession. Buying plans for household durables plunged in October; only in one other survey in 1980 did consumers hold more negative views. Job and income uncertainty was cited by more than half of all consumers, the largest proportion ever recorded.” In October, consumers in all of the four regions reported a decrease in confidence. Midwestern consumers reported the smallest decrease in confidence of 10.3 index-points with Northeastern consumers reporting the largest decrease in confidence of 15.4 index-points. The gap across regions decreased from last month to 5.6 index-points, with Southern consumers on top and Northeastern consumers on the bottom.

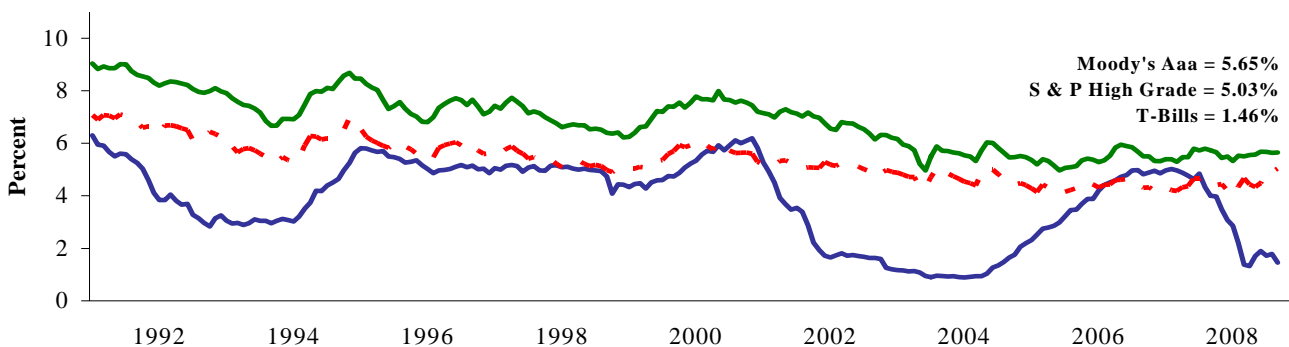
The advance estimate of real **Gross Domestic Product** for the third quarter of 2008 is \$11,720.0 billion (chained 2000 dollars), a decrease of 0.3 percent at an annual rate. In the second quarter of 2008, real gross domestic product increased 2.8 percent. The decrease in real GDP was led by personal consumption expenditures and residential fixed investment. Government spending, exports and private inventory investment provided positive contributions to GDP growth. Imports, which are a subtraction in calculating GDP, decreased. Real personal consumption expenditures decreased 3.1 percent in the third quarter, compared to a 1.2 percent increase in the second quarter. Real residential fixed investment decreased 19.1 percent in the third quarter compared to a decrease of 13.3 percent in the second quarter. Real nonresidential fixed investment decreased 1.0 percent in the third quarter with a decrease in equipment and software of 5.5 percent. Real federal government expenditures increased 13.8 percent in the third quarter, compared to an increase of 6.6 percent in the second quarter. Real state and local government spending increased 1.4 percent in the third quarter, compared to an increase of 2.5 percent in the second quarter. Exports of goods and services

increased 5.9 percent in the third quarter, compared to a 12.3 percent increase in the second quarter. Imports decreased 1.9 percent in the third quarter compared to a decrease of 7.3 percent in the second quarter. Private inventory investment decreased \$38.5 billion in the third quarter, up from a \$50.6 billion decrease in the second quarter. Real final sales decreased 0.8 percent in the third quarter compared to an increase of 4.4 percent in the second quarter. On the inflation front, the **implicit price deflator** increased at a 4.1 percent annual rate in the third quarter, compared to a 1.3 percent increase observed in the second quarter.

**U. S. retail prices**, as measured by the Consumer Price Index (CPI-U), decreased 1.0 percent in October, down from no change in September. Energy decreased 8.6 percent in October, compared to a decrease of 1.9 percent in September, while the all-items less food and energy component decreased 0.1 percent. For the six months since April, the all-items index increased 2.8 percent.

Compared to October 2007, the all-items index increased 3.7 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 6.1 percent; housing, 3.2 percent; medical care, 2.8 percent; education and communication, 3.4 percent; transportation 4.2 percent, with gasoline prices up 12.0 percent; apparel, 0.3 percent; recreation, 2.2 percent; and other goods and services, 4.1 percent.

### Selected Key Interest Rates



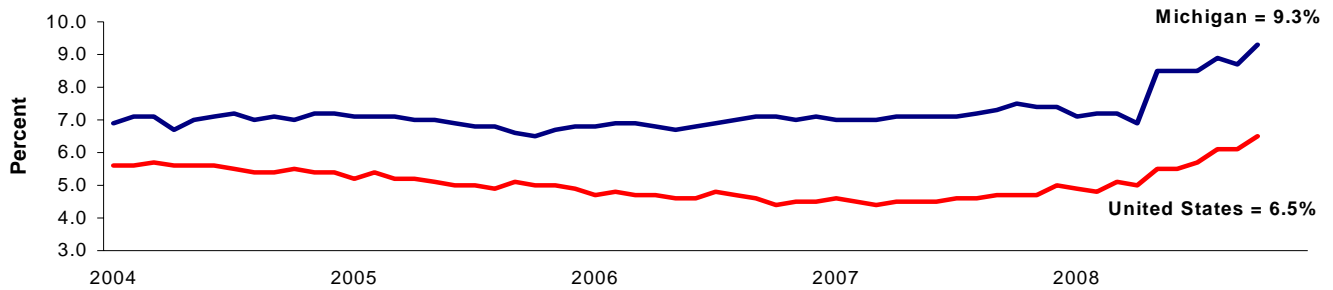
Source: Economic Indicators

Short-term **interest rates** decreased 0.33 percentage points in September as the 3-month Treasury bill (T-bill) rate averaged 1.46 percent. Compared to one year ago, the T-bill rate is down 2.55 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.01 percentage points to an interest yield of 5.65 percent in September. Compared to one year ago, the Aaa bond yield is down 0.09 percentage points. The interest rate on High-grade municipal bonds increased 0.13 percentage points to 5.03 percent in September, and is up 0.46 percentage points from its year ago level. The Federal Open Market Committee (FOMC) lowered the federal funds rate by 50 basis points at the October 29<sup>th</sup> meeting to 1.00 percent. The FOMC stated that, “The pace of economic activity appears to have slowed markedly, owing importantly to a decline in consumer expenditures. Recent policy actions, including today’s rate reduction, coordinated interest rate cuts by central banks, extraordinary liquidity measures, and official steps to strengthen financial systems, should help over time to improve credit conditions and promote a return to moderate growth.” The Committee “will monitor economic and financial developments carefully and will act as needed to promote sustainable economic growth and price stability.”

In October, the **U. S. unemployment rate** increased 0.4 percentage points from a month ago at 6.5 percent and was 1.7 percentage points above one year ago. Civilian employment totaled 145.0 million

persons in October, a decrease of 0.3 million from September. The number of unemployed was 10.1 million nationwide.

### Unemployment Rates 2004 - 2008



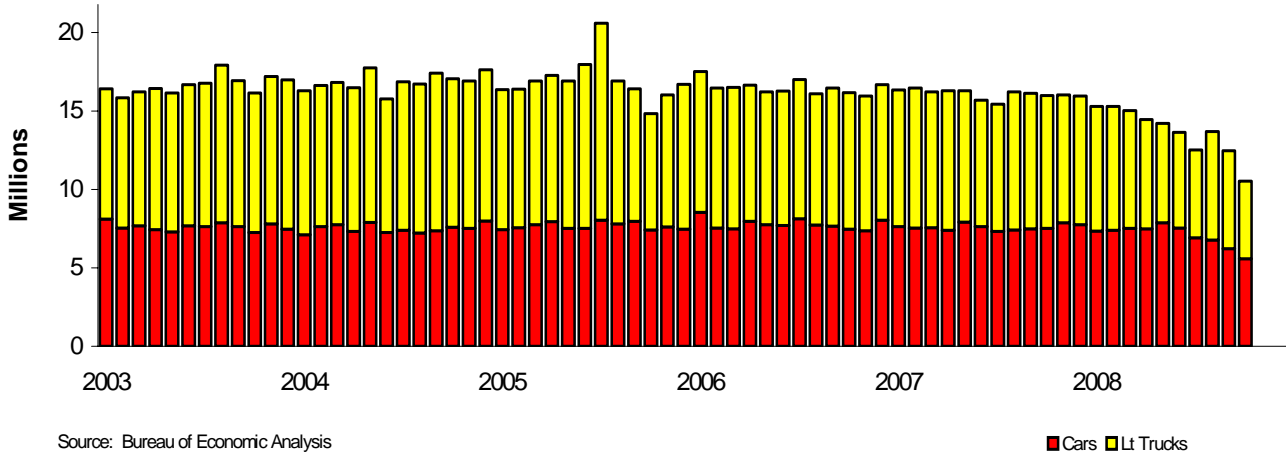
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In October, the **Michigan jobless rate** increased 0.6 percentage points to 9.3 percent. Compared to a year ago, Michigan's jobless rate was 1.8 percentage points higher. From a month ago, the labor force increased by 4,000 to 4,931,000, while the number of people employed decreased by 22,000 to 4,474,000. In October, there were 457,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors.

**Detroit retail prices**, as measured by the Consumer Price Index (CPI-U), decreased 2.0 percent from August to October, down from a 0.9 percent increase from June to August. The all-items less food and energy index decreased 0.6 percent from August to October. The food index increased 1.5 percent from August to October while the energy index decreased 14.9 percent. Compared to October 2007, the all-items index increased 1.7 percent. For individual component items, the increases from one year ago were: food and beverages, 4.4 percent; housing, 1.3 percent; education and communication, 1.8 percent; transportation, 1.7 percent; apparel, 6.1 percent; unadjusted decreases from one year ago were: other goods and services, 0.1 percent; medical care, 0.7 percent.

**Motor Vehicle Sector**

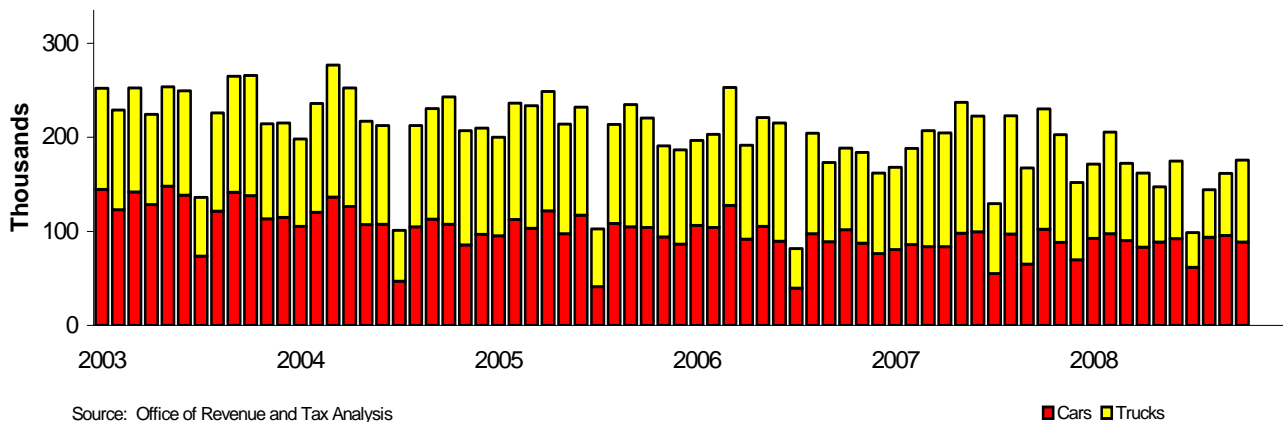
**U. S. Light Vehicle Sales**



**U. S. light vehicle sales** (cars + light trucks) decreased 2.0 million units in October compared to last month, selling at a 10.5 million unit seasonally adjusted annual rate. Domestic car sales decreased 14.7 percent while domestic light truck sales decreased 22.4 percent. Import car sales increased 0.1 percent while import light truck sales decreased 13.3 percent. Compared to last year, light vehicle sales decreased 34.2 percent. Domestic car sales were down 28.7 percent while domestic light truck sales decreased 42.4 percent. Import car sales were down 19.7 percent while import truck sales decreased 36.9 percent from last year. As a result, the domestic share decreased 2.8 percentage points from a year ago. For fiscal year 2008, domestic light vehicles have recorded a 73.5 percent share of a 10.5 million-unit market.

**Michigan motor vehicle production** increased to 175,979 units in October. From a year ago, motor vehicle production decreased 24 percent in Michigan and fell 23 percent nationally. In October, Michigan's car production was 88,657 units while the state's truck production was 87,322 units. Compared with a year ago, car production decreased 13 percent in Michigan and rose 2 percent nationwide. The state's truck production decreased 32 percent while national truck production decreased 37 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

**Michigan Motor Vehicle Production**



**Summary Estimates of the Constitutional Revenue Limit  
Based on the May 16, 2008 Consensus Revenue Agreement  
(Article IX, Section 26)  
(in millions)**

	<b>Fiscal Year 2006-2007 Actual</b>	<b>Fiscal Year 2007-2008 Estimate</b>	<b>Fiscal Year 2008-2009 Estimate</b>
Applicable Calendar Year Personal Income Section 26 Base Ratio Revenue Limit	\$331,304 9.49% \$31,440.7	\$341,075 9.49% \$32,368.0	\$353,376 9.49% \$33,535.4
Revenue Limit	\$31,440.7	\$32,368.0	\$33,535.4
State Revenue Subject to Limit	\$26,118.4	\$27,390.5	\$27,606.3
<b>Amount Under (Over) Limit</b>	<b>\$5,322.4</b>	<b>\$4,977.5</b>	<b>\$5,929.1</b>

Sources:

Personal Income Estimate

The FY 2006-07 calculation uses the official personal income estimate for calendar year 2005 (Survey of Current Business, October 2006).

The FY 2007-08 calculation uses the official personal income estimate for calendar year 2006 (Survey of Current Business, October 2007).

The FY 2008-09 calculation uses the preliminary personal income estimate for calendar year 2007 released March of 2008.

Revenue Subject to the Limit

The FY 2006-07 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2007.

The FY 2007-08 calculation uses the May 16, 2008 Consensus Revenue Agreement.

The FY 2008-09 calculation uses the May 16, 2008 Consensus Revenue Agreement.

Column detail may not add to totals because of rounding

Prepared By: Office of Revenue and Forecasting, Michigan Department of Treasury