



STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT L. EMERSON
DIRECTOR

March 17, 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 January 31, 2009. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

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

Sincerely,

A handwritten signature in black ink 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

Kate Ebli, 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
January 31, 2009
(\$ in millions)

	FISCAL 2009
Beginning Balance, October 1, 2008	\$ 457.9
Revenues, Current Law:	
Current Year GF/GP Revenues, January 2009 Consensus Estimate	\$ 8,306.1
Revenue Adjustments:	
Revenue Sharing Freeze (PA 127 of 2007 and January 2009 Consensus)	\$ 331.2
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 205.4
Charge School Aid Fund for Short Term Borrowing Costs	\$ 45.0
Transportation Economic Development Fund Revenue to GF (PA 346 of 2008)	\$ 6.0
Exempt certain foreign person from MBT (PA 435 of 2008)	\$ (8.1)
Increase investment credit (PA 572 of 2008)	\$ (0.3)
Brokers payment to realtors (PA 472 of 2008)	\$ (6.5)
Exhibition facility credit (PA 507 of 2008)	\$ (0.3)
Subtotal Additional Revenue Adjustments	\$ 572.4
Anticipated Revenue Adjustments:	
Use Tax (PA 440 of 2008) legislation needed	\$ 161.5
21st Century Jobs Trust Fund Revenue to GF	\$ 20.0
Insurance Escheats	\$ 25.0
Secondary Collections	\$ 6.0
Subtotal Anticipated Revenue Adjustments	\$ 212.5
Total FY Resources Available For Expenditure GF/GP	9,548.9
Expenditures, Current Law:	
FY 2009 Enacted with Vetoes	\$ 9,701.4
Executive Order 2008-21	\$ (134.0)
Anticipated Expenditure Adjustments:	
Supplemental Request (8-18-2008)	\$ 0.4
Contract savings	\$ (20.0)
Total Expenditures Projected	\$ 9,547.8
Projected Ending Balance, September 30, 2009	\$ 1.1

¹ Subsequent to the date of this report, the Governor presented fiscal year 2010 Executive Budget Recommendations on February 12, 2009. At the same time, estimated fiscal year 2009 supplemental spending needs of \$313.7 million general fund were identified as pending; funding for supplemental spending contingent upon enactment of a federal economic stimulus package, including a Federal Medical Assistance Percentage (FMAP) rate increase.

OFFICIAL BALANCE SHEET

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

**FISCAL
2009**

Beginning Balance, October 1, 2008	\$ 247.1
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Revenues, Current Law:	
Current Year School Aid Fund Revenues, January 2009 Consensus	\$ 11,368.7
Additional Revenue Adjustments:	
General Fund Subsidy	\$ 40.8
Federal Aid	\$ 1,562.0
Subtotal Additional Revenue Adjustments	\$ 1,602.8
Total FY Resources Available for Expenditure SAF	\$ 13,218.6

Expenditures, Current Law:	
PA 268 of 2008 as Enacted	\$ 13,378.9
Revised Cost Estimates	\$ (122.0)
Adjusted Appropriations	\$ 13,256.9

Projected School Aid Fund Ending Balance September 30, 2009	\$ (38.3)
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¹ Subsequent to this report, other changes to fiscal year 2009 cost estimates caused the shortfall to increase to an estimated \$44.2 million. As part of her Executive Recommendation for fiscal year 2010, the Governor will recommend a general fund supplemental payment of \$44.2 million to ensure a balanced budget for fiscal year 2009.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2009

January 2009

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	16,079.4	-0.7	16,078.7
Total state spending from state resources	28,412.0	-131.3	28,280.7
Percentage of state spending from state resources paid to local units	56.59%		56.85%
Required payments to local units (48.97%)	13,913.4		13,849.1
Surplus/(deficit)	\$2,166.0		\$2,229.6

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2008 THROUGH JANUARY 31, 2009
(in thousands)

REVENUES

Taxes	\$	-
From federal agencies		-
Miscellaneous		<u>11</u>
Total Revenues		<u>11</u>

EXPENDITURES

Current:		
General government		-
Education		-
Family Independence services		-
Public safety and corrections		<u>-</u>
Total Expenditures		<u>-</u>
Excess of Revenues over (under)		
Expenditures		<u>11</u>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues		-
Operating transfers from:		
State Lottery Fund		-
Other funds		<u>-</u>
Total operating transfers from other funds		<u>-</u>
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><u>11</u></u> ¹

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

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
OCTOBER 1, 2008 THROUGH JANUARY 31, 2009
(in thousands)

OPERATING REVENUES	
Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	1,024
Other	-
Total miscellaneous	<u>1,024</u>
Total Operating Revenues	<u>1,024</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	916
Total other operating expenses	<u>916</u>
Total Operating Expenses	<u>916</u>
Operating Income (Loss)	<u>108</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>108</u>
OPERATING TRANSFERS	
Operating transfers from primary government	-
Operating transfers to primary government	-
Total Operating Transfers In (Out)	<u>-</u>
Net Income (Loss)	<u>\$ 108</u> ¹

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

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2008 THROUGH JANUARY 31, 2009
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>19,748</u>
Total Revenues	<u>19,748</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	891
Capital outlay	<u>10,292</u>
Total Expenditures	<u>11,182</u>
Excess of Revenues over (under) Expenditures	<u>8,565</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Operating transfers from other funds	-
Operating transfers to other funds	<u>(8,817)</u>
Total Other Financing Sources (Uses)	<u>(8,817)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ (251) ¹</u>

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

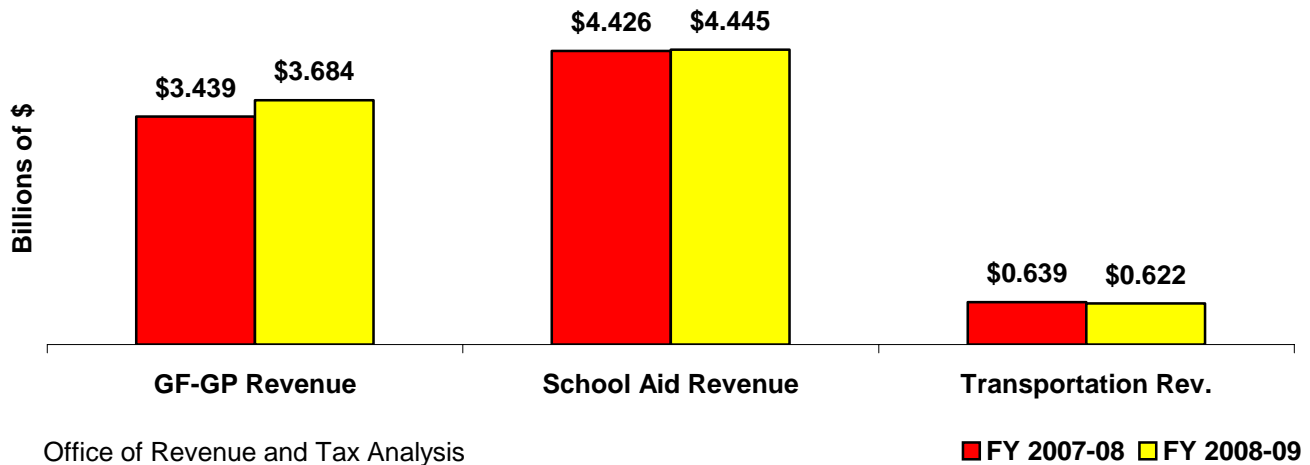
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for January 2009, representing some December and some January economic activity in Michigan.

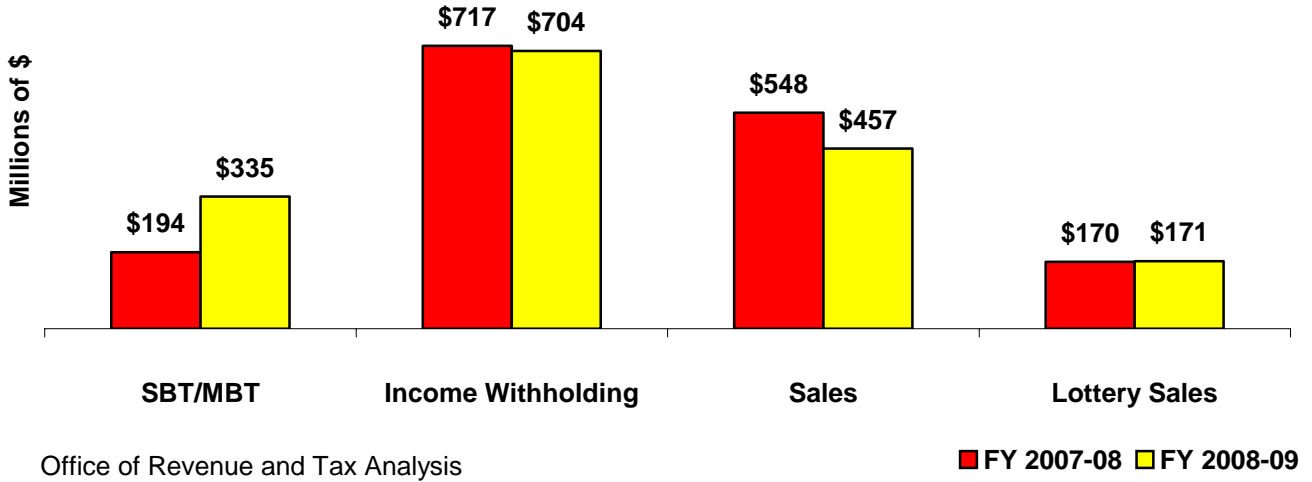
Total General Fund - General Purpose cash collections were \$119.1 million (11.6 percent) higher in January 2009 than in January 2008. The increase was due mainly to MBT collections. After adjusting for MBT/SBT, revenues were down \$8.7 million in General Purpose collections compared to January 2008 and on a year-to-date basis revenues are down \$51.1 million in General Purpose. January School Aid Fund cash collections were \$19.7 million (2.4 percent) lower than in January 2008. January transportation collections were \$2.9 million (1.7 percent) lower than in January 2008 (see revenue table). January is the fourth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$244.7 million (7.1 percent) from a year ago. School Aid Fund cash collections are up \$18.9 million (0.4 percent) and transportation collections are down \$17.1 million (2.7 percent).

The FY 2008-2009 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on January 9, 2009. The revenue estimate for net General Fund – General Purpose revenue for FY 2008-2009 is \$8,306.1 million and the net School Aid revenue forecast is \$11,368.7 million. The Transportation Funds revenue forecast is \$2,069.2 million. The next regularly scheduled revenue conference will be held in May 2009.

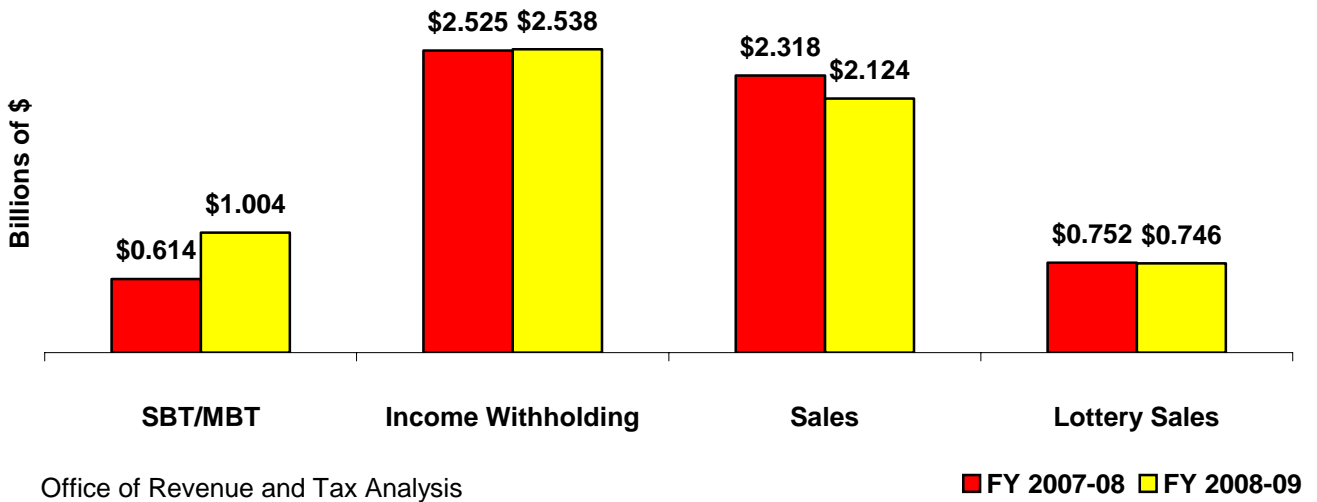
**October through January Collections
Fiscal Years 2007-08 and 2008-09**



January Revenue Collections Fiscal Years 2007-08 and 2008-09



October through January 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: January 31, 2009

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JANUARY CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
January		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2007-2008	2008-2009	2008-2009
2008	2009	Amount	Percent		2007-08	2008-09	Amount	Percent	CAFR Totals(g)	Statutory Estimate	January 2009 Consensus
Income Taxes											
\$717,279	\$704,084	(\$13,195)	-1.8%	Withholding	\$2,525,392	\$2,538,075	\$12,683	0.5%	\$7,282,000	\$7,327,900	\$6,995,300
211,513	186,831	(24,683)	-11.7%	Quarterlies	297,925	256,547	(41,378)	-13.9%	848,900	848,100	770,800
10,551	6,030	(4,521)	-42.8%	Annuals	68,132	62,525	(5,607)	-8.2%	884,900	879,700	787,000
939,343	896,945	(42,398)	-4.5%	Gross Collections	2,891,449	2,857,147	(34,302)	-1.2%	\$9,015,800	\$9,055,700	\$8,553,100
63,360	32,665	(30,695)	-48.4%	Less: Refunds	131,961	105,356	(26,605)	-20.2%	1,790,300	2,046,100	2,051,900
0	0	0	na	State Campaign Fund	0	0	0	na	1,200	1,500	1,500
875,984	864,280	(11,703)	-1.3%	Net Personal Income	2,759,488	2,751,791	(7,697)	-0.3%	\$7,224,300	\$7,008,100	\$6,499,700
218,491	208,809	(9,682)	-4.4%	Less: Disbursements to SAF	672,551	665,144	(7,407)	-1.1%	\$2,117,700	\$2,111,500	\$1,989,500
\$657,492	\$655,472	(\$2,021)	-0.3%	NET PERSONAL INCOME TO GF-GP	\$2,086,937	\$2,086,647	(\$290)	0.0%	\$5,106,600	\$4,896,600	\$4,510,200
Consumption Taxes											
\$5,807	\$4,845	(\$962)	-16.6%	Sales (a)	\$26,337	\$26,696	\$358	1.4%	\$76,500	\$89,600	\$66,900
76,801	62,060	(14,741)	-19.2%	Use	307,513	230,445	(77,068)	-25.1%	911,600	877,400	845,000
16,079	17,660	1,582	9.8%	Tobacco	70,317	69,847	(470)	-0.7%	212,900	211,600	208,700
3,441	3,750	310	9.0%	Beer, Wine & Mixed Spirits	16,514	15,795	(719)	-4.4%	50,900	51,500	51,500
3,735	4,081	345	9.2%	Liquor Specific	10,507	9,190	(1,318)	-12.5%	37,300	37,000	37,000
\$105,862	\$92,396	(\$13,466)	-12.7%	TOTAL CONSUMPTION TAXES	\$431,188	\$351,972	(\$79,216)	-18.4%	\$1,289,200	\$1,267,100	\$1,209,100
Other Taxes											
\$193,507	(\$11,904)	(\$205,411)	na	Single Business	\$614,215	(\$38,005)	(\$652,220)	na	\$573,800	\$0	(\$43,200)
30,891	56,815	25,924	83.9%	Insurance Premiums Taxes	87,038	117,024	29,986	34.5%	223,200	260,000	238,800
224,399	44,912	(179,487)	-80.0%	Sub-total SBT & Insurance	701,253	79,019	(622,234)	-88.7%	797,000	260,000	195,600
0	315,881	315,881	na	Michigan Business Tax	0	948,100	948,100	na	1,551,600	1,931,600	1,857,700
30	22	(8)	-27.9%	Inheritance / Estate	49	(145)	(194)	na	200	0	0
68	(50)	(118)	na	Telephone & Telegraph	41,210	37,154	(4,056)	-9.8%	80,800	75,000	74,000
6,299	4,028	(2,271)	-36.0%	Oil & Gas Severance	24,635	25,155	520	2.1%	97,100	83,000	66,000
1,236	963	(272)	-22.0%	Casino Wagering	5,733	3,902	(1,831)	-31.9%	15,400	0	4,100
12,749	9,498	(3,251)	-25.5%	Penalties & Interest	49,734	54,218	4,483	9.0%	160,600	151,000	157,000
0	(2)	(2)	na	Miscellaneous Other/Railroad	36	412	376	na	1,700	1,000	1,000
(9,517)	(9,667)	(150)	1.6%	Treasury Enforcement Programs (f)	(38,067)	(38,667)	(600)	1.6%	(114,200)	(113,000)	(116,000)
\$235,264	\$365,586	\$130,322	55.4%	TOTAL OTHER TAXES	\$784,583	\$1,109,148	\$324,564	41.4%	\$2,590,200	\$2,388,600	\$2,239,400
\$998,619	\$1,113,453	\$114,835	11.5%	SUBTOTAL GF-GP TAXES	\$3,302,709	\$3,547,767	\$245,058	7.4%	\$8,986,000	\$8,552,300	\$7,958,700

continued

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

For The Month Ended: January 31, 2009

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JANUARY CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
January		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2007-2008	2008-2009	2008-2009
2008	2009	Amount	Percent		2007-08	2008-09	Amount	Percent	CAFR Totals(g)	Statutory Estimate	January 2009 Consensus
Non-Tax Revenue (f)											
\$1,233	\$1,417	\$183	14.9%	Federal Aid	\$4,933	\$5,667	\$733	14.9%	\$14,800	\$20,000	\$17,000
8	42	33	400.0%	Local Agencies	33	167	133	400.0%	100	700	500
1,533	108	(1,425)	-92.9%	Services	6,133	433	(5,700)	-92.9%	18,400	8,100	13,000
1,858	2,000	142	7.6%	Licenses & Permits	7,433	8,000	567	7.6%	22,300	23,000	24,000
(5,924)	(105)	5,818	-98.2%	Investments/Interest Costs	(5,924)	(105)	5,818	-98.2%	(54,400)	(81,000)	(74,000)
12,675	12,475	(200)	-1.6%	Misc. Non-tax Revenue	50,700	49,900	(800)	-1.6%	152,100	148,500	149,700
13,267	13,267	0	0.0%	Liquor Purchase Revolving Fund	53,067	53,067	0	0.0%	159,200	155,000	159,200
5,100	4,833	(267)	-5.2%	From Other Funds-Lottery & Escheats	20,400	19,333	(1,067)	-5.2%	61,200	58,000	58,000
\$29,751	\$34,036	\$4,285	14.4%	TOTAL NON-TAX REVENUE	\$136,776	\$136,461	(\$315)	-0.2%	\$373,700	\$332,300	\$347,400
\$1,028,370	\$1,147,490	\$119,120	11.6%	TOTAL GF-GP REVENUE	\$3,439,485	\$3,684,229	\$244,743	7.1%	\$9,359,700	\$8,884,600	\$8,306,100
School Aid Fund											
\$224,033	\$188,028	(\$36,005)	-16.1%	Sales Tax 4%	\$946,551	\$870,741	(\$75,810)	-8.0%	2,767,700	2,715,300	2,653,300
174,347	143,525	(30,822)	-17.7%	Sales Tax 2%	740,125	672,674	(67,451)	-9.1%	2,160,400	2,117,700	2,066,600
38,400	31,030	(7,371)	-19.2%	Use Tax 2%	153,757	115,223	(38,534)	-25.1%	459,300	438,600	422,500
0	93,723	93,723	na	Michigan Business Tax	0	281,304	281,304	na	341,000	729,000	729,000
18,238	17,134	(1,104)	-6.1%	State Education Property Tax	1,377,756	1,400,843	23,087	1.7%	2,079,700	2,015,500	2,010,200
11,796	7,224	(4,572)	-38.8%	Real Estate Transfer Tax	68,139	43,375	(24,763)	-36.3%	169,800	177,000	144,300
75,000	55,000	(20,000)	-26.7%	Lottery Transfer (b)	195,901	176,735	(19,165)	-9.8%	740,700	747,600	700,100
8,856	8,670	(186)	-2.1%	Casino Wagering Tax	41,087	35,119	(5,969)	-14.5%	112,100	118,600	113,900
3,700	4,043	343	9.3%	Liquor Excise Tax	10,385	9,079	(1,306)	-12.6%	36,900	37,000	37,000
32,642	35,853	3,211	9.8%	Cigarette/Tobacco Tax	142,753	141,800	(953)	-0.7%	424,700	421,500	415,200
8,173	1,545	(6,628)	-81.1%	Indus. & Comm. Facilities Taxes	74,356	29,627	(44,728)	-60.2%	86,100	60,900	69,900
1,041	424	(617)	-59.3%	Specific Other	3,049	3,692	643	21.1%	17,100	17,100	17,100
218,491	208,809	(9,682)	-4.4%	Income Tax Earmarking	672,551	665,144	(7,407)	-1.1%	\$2,117,700	\$2,111,500	\$1,989,500
\$814,717	\$795,007	(\$19,710)	-2.4%	TOTAL SCHOOL AID FUND	\$4,426,409	\$4,445,356	\$18,947	0.4%	\$11,513,200	\$11,707,400	\$11,368,700
\$547,735	\$456,904	(\$90,830)	-16.6%	SALES TAX 6%	\$2,317,709	\$2,123,909	(\$193,800)	-8.4%	\$6,773,300	\$6,645,000	\$6,491,700
373,388	313,379	(60,008)	-16.1%	SALES TAX 4%(d)	1,577,584	1,451,235	(126,350)	-8.0%	4,612,900	4,527,300	4,425,100
174,347	143,525	(30,822)	-17.7%	SALES TAX 2%	740,125	672,674	(67,451)	-9.1%	2,160,400	2,117,700	2,066,600
115,201	93,089	(22,112)	-19.2%	USE TAX 6%	461,270	345,668	(115,602)	-25.1%	1,377,000	1,316,000	1,267,500
0	347,122	347,122	na	MICHIGAN BUSINESS TAX	0	1,041,868	1,041,868	na	1,892,600	2,660,700	2,586,700
10,298	9,633	(665)	-6.5%	CASINO WAGERING TAX	47,776	39,021	(8,755)	-18.3%	129,700	118,600	118,600
80,797	88,746	7,949	9.8%	TOBACCO TAXES	353,350	350,990	(2,360)	-0.7%	1,073,600	1,058,700	1,043,700
0	0	0	na	TOBACCO SETTLEMENT	0	0	0	na	na	na	na
0	0	0	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: January 31, 2009

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JANUARY CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
January		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2007-2008	2008-2009	2008-2009
2008	2009	Amount	Percent		2007-08	2008-09	Amount	Percent	CAFR Totals(g)	Statutory Estimate	January 2009 Consensus
Major Transportation Revenues											
\$10,326	\$11,190	\$865	8.4%	Diesel Fuel / Motor Carrier Fuel Tax (e)	\$49,061	\$42,899	(\$6,163)	-12.6%	\$140,057	\$143,000	\$137,000
70,996	72,692	1,696	2.4%	Gasoline	287,717	279,465	(8,252)	-2.9%	848,864	830,100	840,000
81,861	76,726	(5,135)	-6.3%	Motor Vehicle Registration	259,987	258,375	(1,612)	-0.6%	855,036	870,000	838,000
3,784	3,338	(446)	-11.8%	Other Taxes, Fees & Misc.	13,152	11,567	(1,584)	-12.0%	140,730	178,879	168,958
7,277	7,413	136	1.9%	Comprehensive Transportation (c)	29,106	29,650	544	1.9%	83,795	88,950	85,278
<u>\$174,243</u>	<u>\$171,358</u>	<u>(\$2,885)</u>	<u>-1.7%</u>	TOTAL MAJOR TRANS. REVENUES	<u>\$639,024</u>	<u>\$621,956</u>	<u>(\$17,067)</u>	<u>-2.7%</u>	<u>\$2,068,482</u>	<u>\$2,110,929</u>	<u>\$2,069,236</u>
Lottery Sales By Games											
53,619	56,317	2,698	5.0%	Instant Games	238,067	242,272	4,205	1.8%	na	na	na
49,847	50,997	1,150	2.3%	Daily Games	220,356	212,810	(7,546)	-3.4%	na	na	na
21,220	19,114	(2,107)	-9.9%	Lotto and Big Game	91,378	96,964	5,586	6.1%	na	na	na
1,030	1,060	31	3.0%	Keno Game	4,414	4,445	31	0.7%	na	na	na
0	0	0	na	Changeplay Game	0	0	0	na	na	na	na
(3)	1,655	1,658	na	Millionaires Raffle	14,711	15,759	1,048	7.1%	na	na	na
43,853	42,203	(1,650)	-3.8%	Club Games	182,749	174,054	(8,695)	-4.8%	na	na	na
<u>\$169,566</u>	<u>\$171,346</u>	<u>\$1,780</u>	<u>1.0%</u>	TOTAL LOTTERY SALES	<u>\$751,676</u>	<u>\$746,304</u>	<u>(\$5,371)</u>	<u>-0.7%</u>	<u>na</u>	<u>na</u>	<u>na</u>

-12-

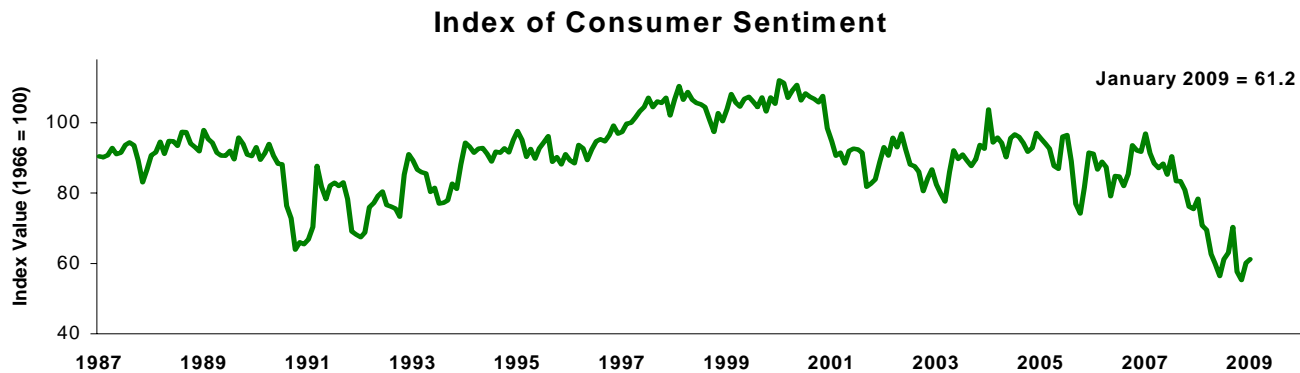
- a GF-GP Sales has been estimated based on CTF and Health Initiative shares.
- b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.
- c The CTF distributions have been estimated (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 Carrier Fuel Tax.
- f Non-tax revenue items other than interest are estimates.
- g Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

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

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 61.2 in January, up 1.1 index-points from the December value but 17.2 index-points below January 2008. On current confidence, Survey Director Richard Curtin observed, “Consumer confidence is at a watershed. It could continue to hover near its half century low and indicate that consumers expect the recession will eventually yield to corrective economic policies. Or consumer confidence could resume its decline and indicate that consumers anticipate a more serious downturn, more comparable to the 1930’s. To be sure, nearly all consumers now anticipate the deepest and longest recession in the post WWII era, but consumers do not expect the economy to sink into a 1930’s style depression.” Curtin also noted, “Most American families view their financial prospects as dismal. The majority of all consumers reported that their finances had worsened during the past year due to lost jobs, declining work hours and smaller income gains. Consumers in the January survey anticipated the smallest year-ahead income gains during the past quarter century.” On spending plans, Curtin observed, “Consumers were hesitant to make large purchases due to their heightened uncertainty about their future job and income prospects even though most consumers thought that current prices were now quite attractive. Buying plans for large household durables posted the largest loss in January, while attitudes toward purchase conditions for homes and vehicles edged upward. Consumers widely believe that there were good deals available on vehicles, but resist purchases because of their uncertainty about their future income.” In January, consumers in two of the four regions reported an increase in confidence. Western consumers reported an increase in confidence of 8.1 index-points followed by Midwestern consumers with an increase of 3.8 index-points. Northeastern consumers reported the largest decrease in confidence of 7.7 index-points. The gap across regions increased from last month to 9.3 index-points, with Southern consumers on top and Northeastern consumers on the bottom.

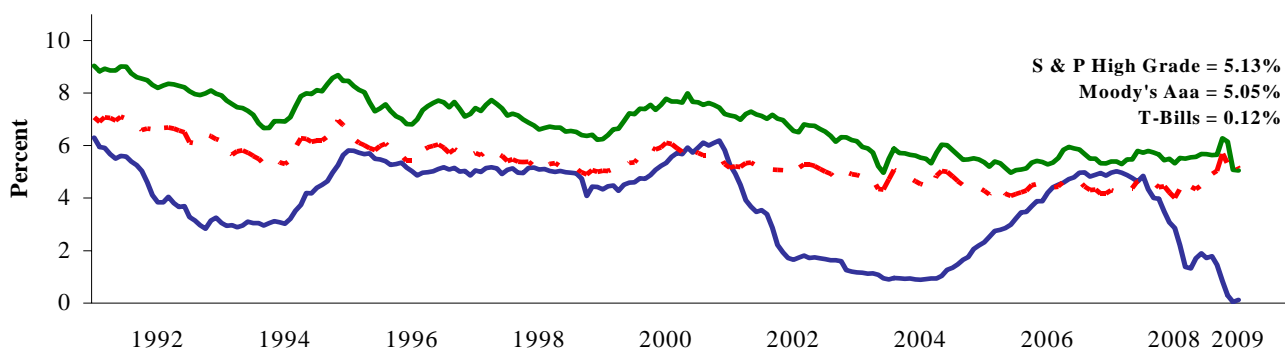
The revised estimate of real **Gross Domestic Product** for the fourth quarter of 2008 is \$11,599.4 billion (chained 2000 dollars), a decrease of 3.8 percent at an annual rate. In the third quarter of 2008, real gross domestic product decreased 0.5 percent. The decrease in real GDP was mainly reflected by exports, personal consumption expenditures, equipment and software, and residential fixed investment. Government spending and private inventory investment provided positive contributions to GDP growth. Imports, which are a subtraction in calculating GDP, decreased. Real personal consumption expenditures decreased 3.5 percent in the fourth quarter, compared to a 3.8 percent decrease in the third quarter. Real residential fixed investment decreased 23.6 percent in the fourth quarter compared

to a decrease of 16.0 percent in the third quarter. Real nonresidential fixed investment decreased 19.1 percent in the fourth quarter with a decrease in equipment and software of 27.8 percent. Real federal government expenditures increased 5.8 percent in the fourth quarter, compared to an increase of 13.8 percent in the third quarter. Real state and local government spending decreased 0.5 percent in the fourth quarter, compared to an increase of 1.3 percent in the third quarter. Exports of goods and services decreased 19.7 percent in the fourth quarter, compared to a 3.0 percent increase in the third quarter. Imports decreased 15.7 percent in the fourth quarter compared to a decrease of 3.5 percent in the third quarter. Private inventory investment increased \$6.2 billion in the fourth quarter, up from a \$29.6 billion decrease in the third quarter. Real final sales decreased 5.1 percent in the fourth quarter compared to a decrease of 1.3 percent in the third quarter. On the inflation front, the **implicit price deflator** decreased at a 0.3 percent annual rate in the fourth quarter, compared to a 3.9 percent increase observed in the third quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.3 percent in January, up from a 0.8 percent decline in December. Energy increased 1.7 percent in January, compared to a decrease of 9.3 percent in December, while the all-items less food and energy component increased 0.2 percent. For the six months since July, the all-items index decreased 5.8 percent.

Compared to January 2008, the all-items index remained unchanged. For major component groups, the unadjusted increases from one year ago were: food and beverages, 5.2 percent; housing, 2.2 percent; medical care, 2.6 percent; education and communication, 3.6 percent; other goods and services, 3.3 percent; recreation, 1.6 percent; unadjusted decreases from one year ago were: apparel, 0.9 percent and transportation, 12.6 percent, with gasoline prices down 40.4 percent.

Selected Key Interest Rates



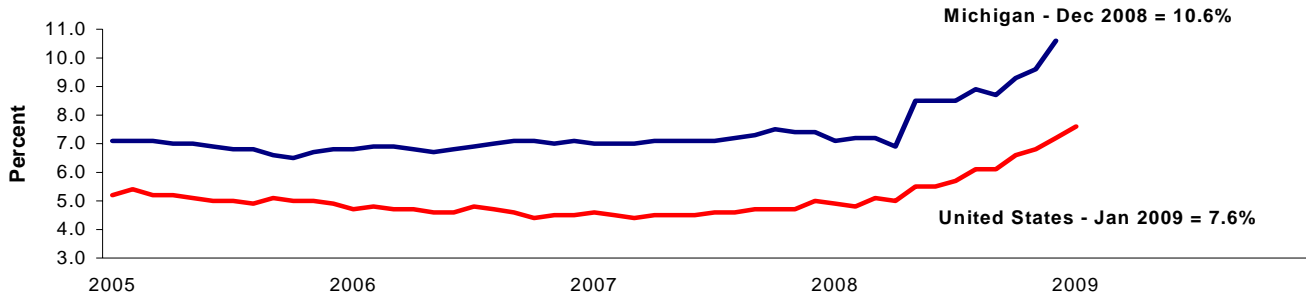
Source: Economic Indicators

Short-term **interest rates** increased 0.08 percentage points in January as the 3-month Treasury bill (T-bill) rate averaged 0.12 percent. Compared to one year ago, the T-bill rate is down 2.74 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, decreased 0.03 percentage points to an interest yield of 5.05 percent in January. Compared to one year ago, the Aaa bond yield is down 0.28 percentage points. The interest rate on High-grade municipal bonds decreased 0.40 percentage points to 5.13 percent in January, and is up 1.13 percentage points from its year ago level. The Federal Open Market Committee (FOMC) kept the target range for the federal funds rate between 0 and 0.25 percent at the January 28th meeting. The FOMC stated that, “The Federal Reserve will employ all available tools to promote the resumption of sustainable economic growth and to preserve price stability. The Committee continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.” The Federal Reserve “will continue to

monitor carefully the size and composition of the Federal Reserve’s balance sheet in light of evolving financial market developments and to assess whether expansions or modifications to lending facilities would serve to further support credit markets and economic activity and help preserve price stability.”

In January, the **U. S. unemployment rate** increased 0.4 percentage points from a month ago to 7.6 percent and was 2.3 percentage points above one year ago. Civilian employment totaled 142.1 million persons in January, a decrease of 1.2 million from December. The number of unemployed was 11.6 million nationwide.

Unemployment Rates 2005 - 2009

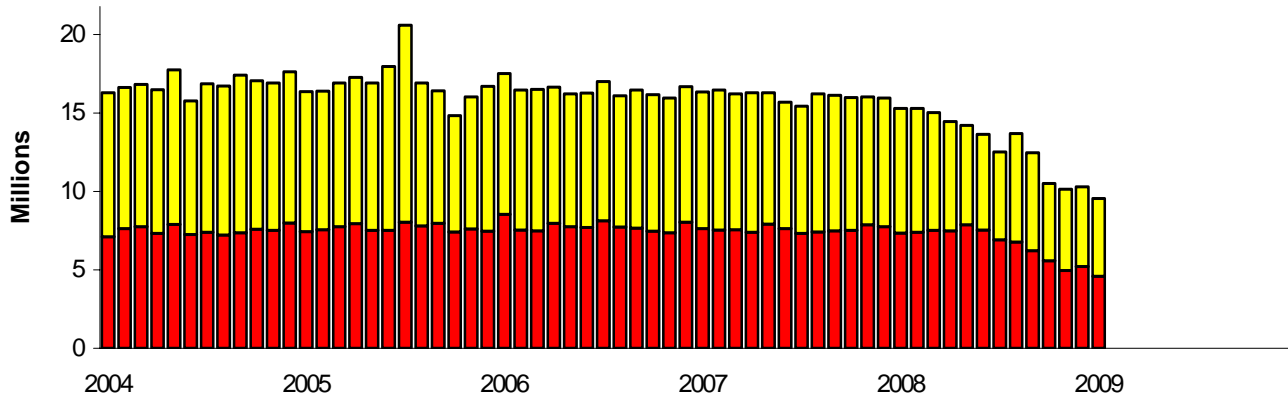


Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In December, the latest month available, the **Michigan jobless rate** increased 1.0 percentage points to 10.6 percent. Compared to a year ago, Michigan’s jobless rate was 3.2 percentage points higher. From a month ago, the labor force decreased by 21,000 to 4,894,000, while the number of people employed decreased by 68,000 to 4,375,000. In December, there were 519,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors.

Motor Vehicle Sector

U. S. Light Vehicle Sales



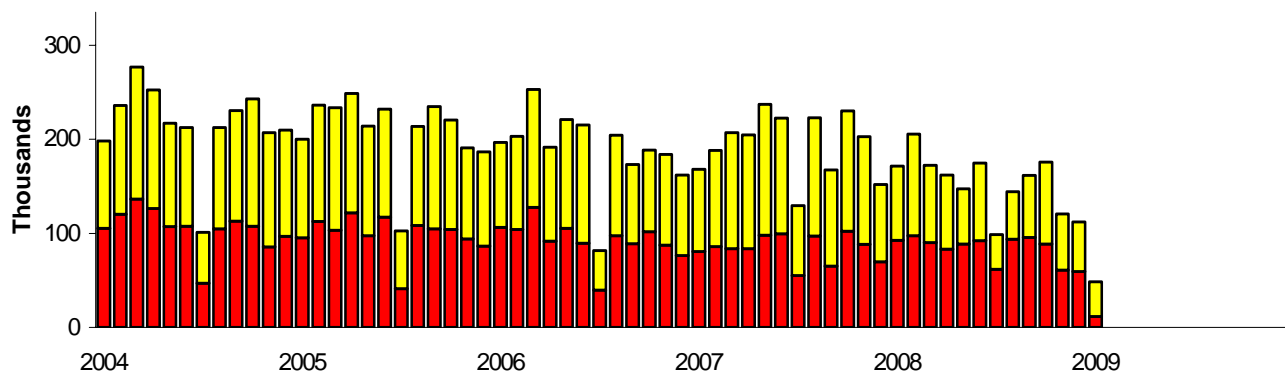
Source: Bureau of Economic Analysis

■ Cars ■ Lt Trucks

U. S. light vehicle sales (cars + light trucks) decreased 0.8 million units in January compared to last month, selling at a 9.5 million unit seasonally adjusted annual rate. Domestic car sales decreased 19.5 percent while domestic light truck sales decreased 4.1 percent. Import car sales increased 5.3 percent while import light truck sales increased 6.4 percent. Compared to last year, light vehicle sales decreased 37.6 percent. Domestic car sales were down 43.0 percent while domestic light truck sales decreased 40.2 percent. Import car sales were down 25.2 percent while import truck sales decreased 24.5 percent from last year. As a result, the domestic share decreased 4.7 percentage points from a year ago. For fiscal year 2009 year-to-date, domestic light vehicles have recorded a 74.1 percent share of a 10.1 million-unit market.

Michigan motor vehicle production decreased to 48,384 units in January. Due to decreased sales, many automotive plants have been on an extended shutdown. From a year ago, motor vehicle production decreased 72 percent in Michigan and fell 66 percent nationally. In January, Michigan's car production was 11,554 units while the state's truck production was 36,830 units. Compared with a year ago, car production decreased 88 percent in Michigan and fell 69 percent nationwide. The state's truck production decreased 53 percent while national truck production decreased 64 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



Source: Office of Revenue and Tax Analysis

■ Cars ■ Trucks

**Summary Estimates of the Constitutional Revenue Limit
Based on the January 9, 2009 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2006-2007 Actual	Fiscal Year 2007-2008 Estimate	Fiscal Year 2008-2009 Estimate
Applicable Calendar Year Personal Income	\$331,304	\$341,075	\$345,885
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	<u>\$31,440.7</u>	<u>\$32,368.0</u>	<u>\$32,824.5</u>
Revenue Limit	\$31,440.7	\$32,368.0	\$32,824.5
State Revenue Subject to Limit	<u>\$26,118.4</u>	<u>\$27,671.1</u>	<u>\$26,583.8</u>
Amount Under (Over) Limit	\$5,322.4	\$4,696.9	\$6,240.6

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 official personal income estimate for calendar year 2007 (Survey of Current Business, October 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 January 9, 2009 Consensus Revenue Agreement.

The FY 2008-09 calculation uses the January 9, 2009 Consensus Revenue Agreement.

Column detail may not add to totals because of rounding

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