



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN S. ROBERTS
DIRECTOR

January 28, 2016

The Honorable Dave Hildenbrand, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Al Pscholka, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

Dear Legislators:

Attached is the monthly financial report for the month ending December 31, 2015. 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,



John S. Roberts
State Budget Director

Attachment

c: Governor Rick Snyder
Arlan Meekhof, Sen. Maj. Leader
Jim Ananich, Senate Min. Leader
Kevin Cotter, Speaker of the House
Tim Greimel, House Min. Leader
Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency

House Fiscal Agency
Jack Brandenburg, Chair, Senate Finance Com.
Jeff Farrington, Chair, House Tax Policy Com.
Beth Clement, Deputy Chief of Staff
Dick Posthumus, Executive Office
Mike Moody, Office of Financial Management
Nancy Duncan, Deputy State Budget Director
Internal State Budget Office Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2016
Projected Revenues and Expenditures
December 31, 2015
(\$ in millions)

	FISCAL 2016
Beginning Balance, October 1, 2015	see one-time revenue
Current Year GF/GP Revenues, May 2015 Consensus Estimate	\$ 9,881.9
Revenue Adjustments:	
Local Government Program Payments	\$ (462.7)
General Fund share of HMO use tax collections - PA 161 of 2014	\$ 406.7
Other revenue adjustments	\$ 1.7
Subtotal Additional Revenue Adjustments	\$ (54.3)
Total FY Resources Available For Expenditure GF/GP - Ongoing	\$ 9,827.6
Expenditures, Current Law:	
FY 2016 Enacted with Vetoes	\$ 9,517.8
Total Expenditures Projected - Ongoing	\$ 9,517.8
Current Year Revenues minus Ongoing Costs	\$ 309.8
Beginning Balance (One-Time Revenue)	\$ 694.7
Local Government Program Payments	\$ (5.8)
Total FY Resources Available For Expenditure GF/GP - One-Time	\$ 688.9
One-Time Spending Items:	
PA 79, PA 84, PA 143, PA 241, and PA 268 of 2015	\$ 463.7
One-Time Revenue minus One-Time Spending	\$ 225.2
Projected Ending Balance, September 30, 2016	\$ 535.0

¹ Subsequent to the date of this report, the Consensus Revenue Estimating Conference was held on January 14, 2016. Revenue adjustments will be reflected in the January monthly financial report.

² On December 31, 2015, the fiscal year 2015 Comprehensive Annual Financial Report was finalized with an unassigned fund balance for the fiscal year ending September 30, 2015, of \$694.7 million.

**School Aid Fund
Fiscal Year 2016
Projected Revenues and Expenditures
December 31, 2015
(\$ in millions)**

		FISCAL 2016
Beginning Balance , October 1, 2015		see one-time revenue
Current Year School Aid Fund Revenues, May 2015 Consensus Estimate	\$	12,242.9 ¹
Revenue Adjustments:		
Use Tax Revision (PA 161 of 2014)	\$	203.3
General Fund	\$	45.9
Federal Revenue	\$	1,775.8
Subtotal Additional Revenue Adjustments	\$	2,025.0
Total FY Resources Available for Expenditure School Aid Fund	\$	14,267.9
School Aid Ongoing Costs		
PA 85 of 2015	\$	13,846.6
Community Colleges Ongoing Costs		
PA 85 of 2015	\$	256.7
Universities Ongoing Costs		
PA 85 of 2015	\$	205.2
Total School Aid Fund Ongoing Costs Projected	\$	14,308.5
Current Year Revenues minus Ongoing Costs	\$	(40.6)
Beginning Balance (One-Time Revenue)	\$	190.2 ²
One-Time Spending Items		
PA 85 of 2015 School Aid	\$	49.8
PA 139 of 2015 School Aid	\$	4.3
One-Time Revenue minus One-Time Spending	\$	136.1
Projected Ending Balance, September 30, 2016	\$	95.5

¹ Subsequent to this report, the January revenue consensus conference met. Both revenue and expenditure estimates were revised. Those changes will be reflected in the January monthly financial report.

² On December 31, 2015, the fiscal year 2015 Comprehensive Annual Financial Report was finalized. The School Aid Stabilization Fund ending fund balance is \$190.2 million for fiscal year 2015.

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

December 31, 2015
(\$ IN MILLIONS)

FISCAL YEAR 2015 **FISCAL YEAR 2016**

Exp & Enc December 2014	Exp & Enc Yr-to-date FY 2015	Fiscal Year End**** SEP 30, 2015	DEPARTMENT	Initial Approp	Exec. Orders and Supplm. Approp.*	Exp & Enc December 2015	Exp & Enc Yr-to-date FY 2016
7.1	15.8	75.7	Agriculture and Rural Development	86.6	11.2	6.5	14.7
9.7	19.3	82.7	Attorney General	90.9	0.0	8.5	17.2
20.8	79.3	476.5	Capital Outlay**	324.0	0.0	19.1	76.0
1.7	3.3	15.2	Civil Rights	16.1	0.0	1.5	3.1
149.2	422.7	1,299.1	Colleges & Universities	1,460.7	0.0	148.2	421.0
200.0	458.9	1,971.9	Corrections	1,952.2	0.0	201.8	423.9
18.9	44.3	281.9	Education	305.9	9.0	22.5	49.5
16.1	32.1	163.5	Environmental Quality	463.6	42.9	16.9	37.6
0.6	1.8	5.7	Executive Office	5.5	0.0	0.5	1.1
1,803.1	5,364.6	23,498.2	Health and Human Services	24,967.9	545.9	1,943.2	5,481.0
5.2	10.2	50.6	Insurance and Financial Services	65.1	0.0	5.1	10.1
24.2	40.3	253.0	Judiciary	284.7	0.0	22.3	37.6
0.0	1.1	4.0	Land Bank Fast Track Authority	4.0	0.0	1.1	1.1
2.3	4.7	20.8	Legislative Auditor General	22.8	0.0	2.5	4.8
15.3	31.9	120.1	Legislature	133.4	11.4	14.8	31.8
33.1	99.7	261.0	Licensing and Regulatory Affairs	359.0	52.7	28.5	105.7
12.7	28.7	130.8	Military Affairs	140.7	0.0	12.5	27.2
5.9	14.4	91.3	Natural Resources	122.4	14.1	7.4	15.7
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
19.2	40.4	204.7	State	225.3	9.7	19.3	38.6
66.9	120.8	607.4	State Police	620.0	17.7	55.2	109.2
0.0	0.0	0.0	Talent and Economic Development	435.3	44.0	2.0	37.7
34.9	80.1	627.1	Technology, Management & Budget***	420.2	95.0	35.8	80.8
0.0	22.0	1.5	Transportation	398.5	0.0	0.6	60.2
258.1	642.0	3,168.1	Treasury****	1,879.3	49.3	276.1	682.4
0.9	41.5	221.1	Michigan Strategic Fund	171.3	0.0	1.0	67.2
\$2,705.9	\$7,619.9	\$33,631.8		\$34,955.2	\$902.8	\$2,852.9	\$7,835.1

*Includes boilerplate appropriations.

**Includes all capital outlay activity regardless of agency

***Includes Civil Service Commission

****Boilerplate appropriations, which are not included in the initial or supplemental appropriations account for the majority of the difference between Treasury's total appropriations and total expenditure/encumbrances for the fiscal year.

*****FY15 Transportation and other agency expenditure totals within the September report are different as a result of changes in capital outlay appropriations.

**ESTIMATED BALANCE OF STATE PAYMENTS
TO LOCAL UNITS OF GOVERNMENT**

Fiscal Year 2016
December, 2015
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	16,794.5	10.3	16,804.8
Total state spending from state resources	30,216.6	13.9	30,230.5
Percentage of state spending from state resources paid to local units	55.58%		55.59%
Required payments to local units (48.97%)	14,797.1		14,803.9
Surplus/(deficit)	\$1,997.4		\$2,000.9

STATE OF MICHIGAN
 YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
 COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
 October 1, 2015 Through December 31, 2015
 (in thousands)

REVENUES

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

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

Transfers from other funds		23,750
Transfers to other funds		<u> -</u>
Total Other Financing Sources (Uses)		<u>23,750</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		<u>\$ 23,750</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, 2015 through December 31, 2015
 (in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>12,004</u>
Total Revenues	<u>12,004</u>

EXPENDITURES

Current:	
General government	132
Conservation, environment, recreation, and agriculture	355
Capital outlay	<u>(2,032)</u>
Total Expenditures	<u>(1,546)</u>
Excess of Revenues over (under) Expenditures	<u>13,550</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	1
Transfers from other funds	-
Transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>1</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 13,551</u> ¹

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

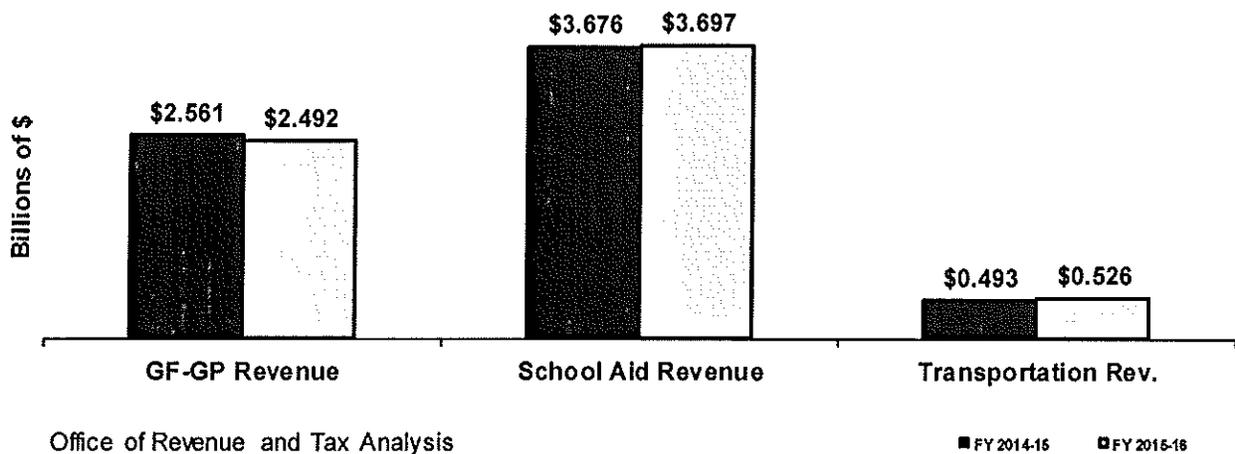
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for December 2015, representing some November and some December economic activity in Michigan.

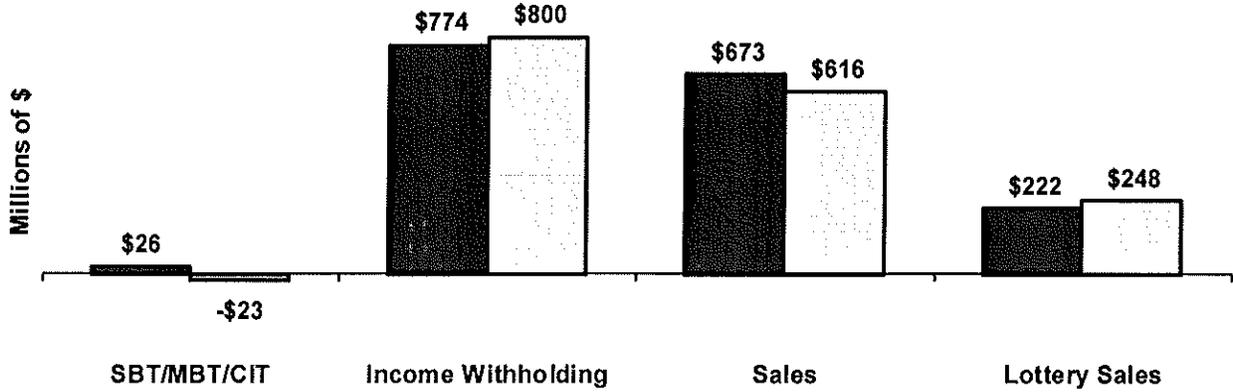
Total General Fund - General Purpose cash collections were \$48.1 million (5.2 percent) lower in December 2015 than in December 2014. The December 2015 School Aid Fund cash collections were \$38.1 million (4.0 percent) lower than in December 2014. December 2015 transportation collections were \$2.4 million (1.4 percent) lower than in December 2014 (see revenue table). December is the third month of the state's fiscal year (FY). Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are down \$68.6 million (2.7 percent) from a year ago. School Aid Fund cash collections are up \$21.2 million (0.6 percent) and transportation collections are up \$32.1 million (6.5 percent).

The FY 2015-16 revenue projections presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 15, 2015. The revenue estimate for net General Fund – General Purpose revenue for FY 2015-16 is \$9,881.9 million and the net School Aid revenue forecast is \$12,242.9 million. The Transportation Funds revenue forecast is \$2,199.0 million. The next regularly scheduled Consensus Revenue Estimating Conference will be on January 14, 2016.

**October through December Collections
FY 2014-15 and FY 2015-16**



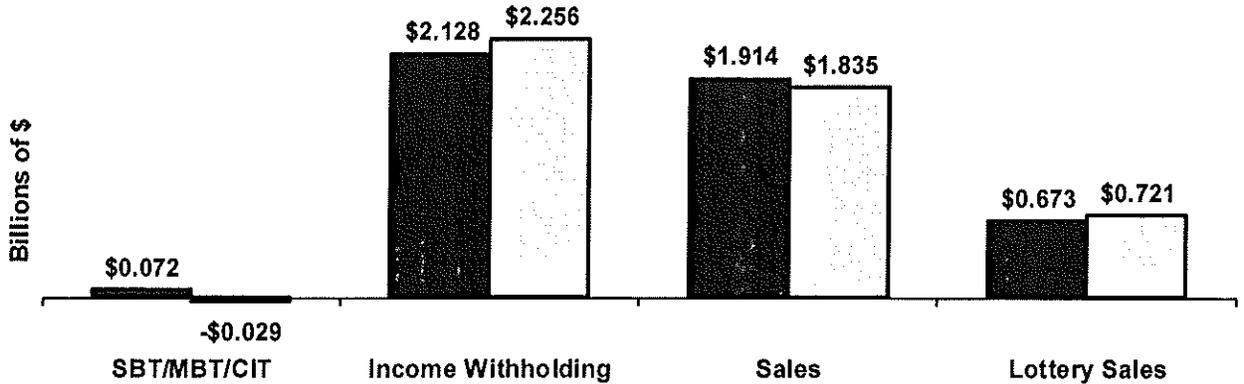
December Revenue Collections FY 2014-15 and FY 2015-16



Office of Revenue and Tax Analysis

■ FY 2014-15 ▨ FY 2015-16

October through December Collections FY 2014-15 and FY 2015-16



Office of Revenue and Tax Analysis

■ FY 2014-15 ▨ FY 2015-16

Revenue Summary FY 2015-16
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2015

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS				
December	Difference			Year-to-Date			Difference		FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16
2014	2015	Amount	Percent	FY 2014-15	FY 2015-16	Amount	Percent	May 2015	Statutory Estimate	Consensus	May 2015	Consensus
\$774,308	\$799,909	\$25,601	3.3%	\$2,128,013	\$2,256,471	\$128,458	6.0%	\$8,575,000	\$8,898,300	\$8,898,300	\$8,898,300	\$8,898,300
101,987	105,648	3,661	3.6%	127,635	134,819	7,184	5.6%	960,400	982,400	982,400	982,400	982,400
14,391	18,199	3,808	26.5%	69,315	81,919	12,604	18.2%	925,200	879,000	879,000	879,000	879,000
890,866	923,756	33,090	3.7%	2,324,962	2,473,209	148,247	6.4%	\$10,460,600	\$10,759,700	\$10,759,700	\$10,759,700	\$10,759,700
22,100	35,958	13,858	62.7%	100,136	122,447	22,312	22.3%	1,770,100	1,820,000	1,820,000	1,820,000	1,820,000
0	0	0	na	0	0	0	na	800	800	800	800	800
868,566	887,799	19,233	2.2%	2,224,826	2,350,762	125,935	5.7%	\$8,689,700	\$8,938,900	\$8,938,900	\$8,938,900	\$8,938,900
205,685	213,308	7,622	3.7%	537,016	570,723	33,707	6.3%	\$2,480,700	\$2,561,900	\$2,561,900	\$2,561,900	\$2,561,900
\$662,880	\$674,491	\$11,611	1.8%	\$1,687,811	\$1,780,039	\$92,228	5.5%	\$6,199,000	\$6,377,000	\$6,377,000	\$6,377,000	\$6,377,000
\$105,533	\$95,881	(\$9,652)	-9.1%	\$299,019	\$284,995	(\$14,024)	-4.7%	\$1,190,700	\$1,247,100	\$1,247,100	\$1,247,100	\$1,247,100
70,492	73,717	3,225	4.6%	225,627	221,569	(4,058)	-1.8%	946,200	898,900	898,900	898,900	898,900
15,477	14,694	(782)	-5.1%	46,917	47,523	605	1.3%	182,400	180,500	180,500	180,500	180,500
3,864	3,937	72	1.9%	12,694	12,782	88	0.7%	45,500	52,500	52,500	52,500	52,500
3,873	4,332	459	11.9%	8,354	8,842	488	5.8%	47,000	48,000	48,000	48,000	48,000
\$199,239	\$192,561	(\$6,678)	-3.4%	\$592,612	\$575,711	(\$16,901)	-2.9%	\$2,411,800	\$2,427,000	\$2,427,000	\$2,427,000	\$2,427,000
\$3,839	\$8,968	\$5,129	134.0%	(\$7,012)	\$4,139	\$11,151	na	(\$20,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
5,435	3,350	(2,086)	-38.4%	93,233	60,962	(32,271)	-34.6%	402,000	412,500	412,500	412,500	412,500
9,275	12,318	3,043	32.8%	86,221	65,101	(21,120)	-24.5%	382,000	402,500	402,500	402,500	402,500
(136,306)	(159,034)	(22,728)	-16.7%	(182,649)	(279,235)	(96,587)	-52.9%	(751,100)	(889,400)	(889,400)	(889,400)	(889,400)
157,991	126,862	(31,129)	-19.7%	281,810	246,033	(15,777)	-6.0%	1,029,700	1,060,200	1,060,200	1,060,200	1,060,200
1	0	(1)	-100.0%	(149)	10	159	na	0	0	0	0	0
418	153	(264)	-37.1%	18,922	14,959	(3,962)	-20.9%	47,000	46,000	46,000	46,000	46,000
4,218	1,910	(2,308)	-54.7%	10,926	5,374	(5,552)	-50.8%	39,000	41,300	41,300	41,300	41,300
9,046	9,073	26	0.3%	28,151	26,687	(1,464)	-5.2%	138,000	139,500	139,500	139,500	139,500
0	0	0	na	0	0	0	na	0	0	0	0	0
(358)	13	371	na	(353)	58	410	na	1,500	1,500	1,500	1,500	1,500
(11,167)	(11,167)	0	0.0%	(33,500)	(33,500)	0	0.0%	(139,000)	(140,000)	(140,000)	(140,000)	(140,000)
\$33,118	(\$19,872)	(\$52,990)	na	\$189,380	\$45,487	(\$143,893)	-76.0%	\$747,100	\$716,600	\$716,600	\$716,600	\$716,600
\$895,237	\$847,180	(\$48,058)	-5.4%	\$2,469,803	\$2,401,237	(\$68,566)	-2.8%	\$9,357,900	\$9,520,600	\$9,520,600	\$9,520,600	\$9,520,600

continued

Revenue Summary FY 2015-16
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2015

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS					
December		Difference		Year-to-Date		Difference		FY 2014-15		FY 2015-16		FY 2015-16	
2014	2015	Amount	Percent	FY 2014-15	FY 2015-16	Amount	Percent	May 2015 Consensus	Statutory Estimate	Statutory Estimate	May 2015 Consensus		
\$1,667	\$1,667	\$0	0.0%	\$5,000	\$5,000	\$0	0.0%	\$30,000	\$30,000	\$30,000	\$30,000		
83	83	0	0.0%	250	250	0	0.0%	100	100	100	100		
833	833	0	0.0%	2,500	2,500	0	0.0%	8,000	8,000	8,000	8,000		
833	833	0	0.0%	2,500	2,500	0	0.0%	13,000	13,000	13,000	13,000		
0	0	0	na	0	0	0	na	0	(2,000)	(2,000)	(2,000)		
8,417	8,417	0	0.0%	25,250	25,250	0	0.0%	81,400	78,700	78,700	78,700		
14,333	14,333	0	0.0%	43,000	43,000	0	0.0%	178,500	182,500	182,500	182,500		
4,250	4,250	0	0.0%	12,750	12,750	0	0.0%	56,000	51,000	51,000	51,000		
\$30,417	\$30,417	\$0	0.0%	\$91,250	\$91,250	\$0	0.0%	\$367,000	\$361,300	\$361,300	\$361,300		
\$925,654	\$877,596	(\$48,058)	-5.2%	\$2,561,053	\$2,492,487	(\$68,566)	-2.7%	\$9,724,900	\$9,881,900	\$9,881,900	\$9,881,900		
\$275,378	\$252,214	(\$23,164)	-8.4%	\$783,946	\$750,288	(\$33,658)	-4.3%	3,087,500	3,196,200	3,196,200	3,196,200		
214,219	196,045	(18,174)	-8.5%	607,626	584,100	(23,526)	-3.9%	2,391,300	2,494,600	2,494,600	2,494,600		
79,203	89,014	9,811	12.4%	242,998	267,917	24,918	10.3%	473,000	487,500	487,500	487,500		
52,942	35,687	(17,255)	-32.6%	1,159,243	1,177,469	18,226	1.6%	1,850,300	1,861,900	1,861,900	1,861,900		
15,845	20,008	4,163	26.3%	73,663	71,731	(1,932)	-2.6%	256,800	268,400	268,400	268,400		
55,000	55,000	0	0.0%	128,759	130,118	1,358	1.1%	780,000	791,000	791,000	791,000		
9,569	10,163	594	6.2%	27,805	28,766	961	3.5%	111,000	112,700	112,700	112,700		
3,852	4,307	454	11.8%	8,290	8,742	452	5.5%	46,600	47,600	47,600	47,600		
31,420	29,832	(1,588)	-5.1%	95,250	96,478	1,229	1.3%	347,600	341,600	341,600	341,600		
889	245	(644)	-72.5%	10,059	8,944	(1,115)	-11.1%	36,500	37,600	37,600	37,600		
435	494	59	13.6%	1,448	1,991	543	37.5%	31,900	31,900	31,900	31,900		
205,685	213,308	7,622	3.7%	537,016	570,723	33,707	6.3%	\$2,480,700	\$2,561,900	\$2,561,900	\$2,561,900		
\$944,437	\$906,316	(\$38,121)	-4.0%	\$3,676,103	\$3,697,267	\$21,164	0.6%	\$11,883,200	\$12,242,900	\$12,242,900	\$12,242,900		
\$673,163	\$616,403	(\$56,760)	-8.4%	\$1,914,203	\$1,834,580	(\$79,622)	-4.2%	\$7,503,800	\$7,821,700	\$7,821,700	\$7,821,700		
458,964	420,357	(38,606)	-8.4%	1,306,577	1,250,480	(56,096)	-4.3%	5,112,500	5,327,100	5,327,100	5,327,100		
214,219	196,045	(18,174)	-8.5%	607,626	584,100	(23,526)	-3.9%	2,391,300	2,494,600	2,494,600	2,494,600		
149,695	162,731	13,036	8.7%	486,625	489,486	2,860	4.5%	1,419,200	1,396,400	1,396,400	1,396,400		
77,772	73,940	(3,832)	-5.1%	235,766	238,807	3,041	1.3%	924,400	913,800	913,800	913,800		
0	0	0	na	0	0	0	na	na	na	na	na		

continued

Revenue Summary FY 2015-16
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2015

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS					
December		Difference		Year-to-Date		Difference		FY 2014-15		FY 2015-16		FY 2015-16	
2014	2015	Amount	Percent	2014-15	2015-16	2014-15	2015-16	Amount	Percent	May 2015 Consensus	Statutory Estimate	May 2015 Consensus	
\$10,891	\$9,515	(\$1,376)	-12.6%	Major Transportation Revenues				\$1,923	5.3%	\$135,500	\$132,500	\$132,500	
67,570	69,865	2,095	3.1%	Diesel Fuel / Motor Carrier Fuel Tax				20,319	9.5%	820,000	811,500	811,500	
77,855	74,667	(3,188)	-4.1%	Gasoline				9,412	4.6%	965,000	966,000	966,000	
3,214	3,270	57	1.8%	Motor Vehicle Registration				444	4.5%	178,816	178,263	178,263	
9,161	9,161	0	0.0%	Other Taxes, Fees & Misc.				0	0.0%	104,955	110,719	110,719	
\$166,691	\$166,278	(\$413)	-1.4%	Comprehensive Transportation (c)				\$32,087	6.5%	\$2,204,271	\$2,198,982	\$2,198,982	
				TOTAL MAJOR TRANS. REVENUES									
Lottery Sales By Games													
91,662	105,162	13,500	14.7%	Instant Games (g)				36,967	14.9%	na	na	na	
57,594	63,888	6,294	10.9%	Daily Games				11,748	6.4%	na	na	na	
23,773	26,636	2,863	12.0%	Lotto and Big Game				(11,994)	-13.9%	na	na	na	
766	563	(202)	-26.4%	Keno Game				(247)	-10.0%	na	na	na	
1,329	1,097	(232)	-17.5%	Other				1,381	30.8%	na	na	na	
46,959	49,029	2,070	4.4%	Club Games				5,657	3.8%	na	na	na	
\$222,063	\$247,722	\$25,659	11.5%	TOTAL LOTTERY SALES				\$47,860	7.1%	na	na	na	

a GF-GP Sales has been adjusted based on Comprehensive Transportation Fund, Health Initiative, and Constitutional Revenue shares.

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

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

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

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

f In June, 2014 Public Act 161 retroactively (back to April 2014) expanded the use tax to include Health Maintenance Organizations.

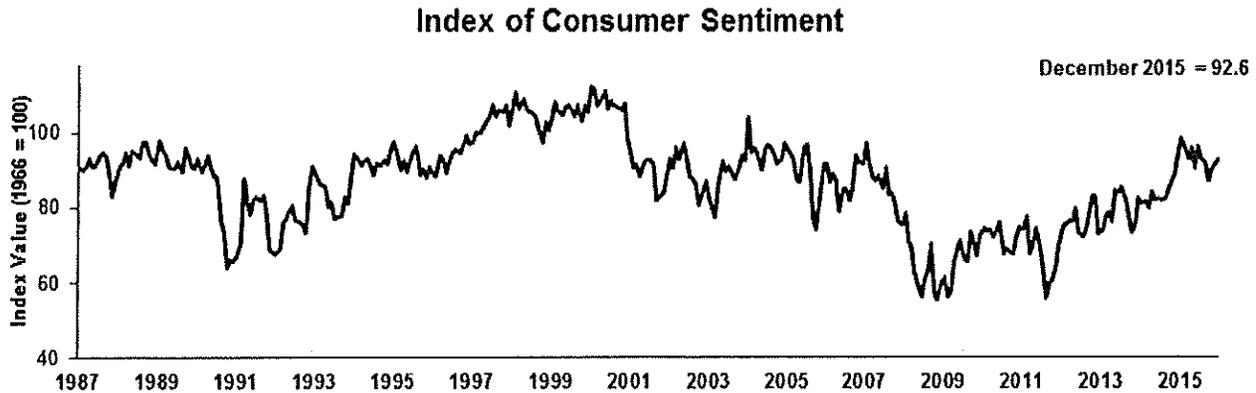
g Beginning in October 2014, Instant Games includes iLottery net win amounts.

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

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



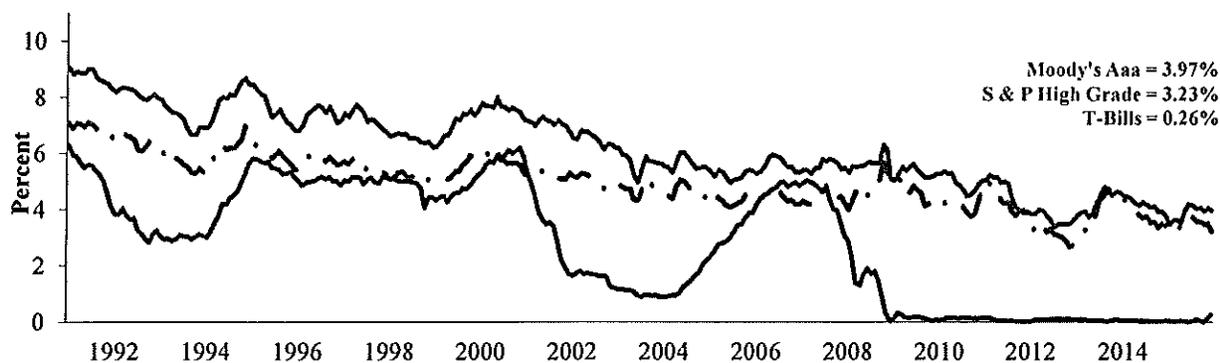
The *Index of Consumer Sentiment* increased in December to 92.6 index-points, 0.8 of an index-point above the November value but 1.0 index-point below December 2014. For the December survey, Survey Director Richard Curtin noted, "Consumer confidence rose to its highest level since July, with the December reading nearly equal to the 2015 average of 92.9, which was the highest since 2004. Importantly, the gain was concentrated in current rather than expected conditions. The latest gain was largely due to lower inflation, which bolstered real incomes and brightened buying plans for household durables. Indeed, there have been only three surveys in more than the past half century in which a higher proportion mentioned the availability of price discounts for durables." Curtin observed, "An improved personal financial situation was reported by 44% of all consumers in December, not much below January's peak of 48%. While the smallest proportion of consumers in ten years complained that inflation had eroded their living standards, favorable references to net household wealth were significantly lower at year-end than prior to the stock swoon in late August." On buying plans, Curtin reported, "Attitudes toward purchases of household durables rose to their most favorable in a decade. Half of all consumers cited the availability of price discounts when asked to explain their views." In December, consumers in two of the four regions reported an increase in confidence. Midwestern consumers reported the largest increase in confidence of 5.0 index-points, followed by the Southern region with an increase in confidence of 2.2 index-points. The gap across regions increased from last month to 4.6 index-points, with Midwestern consumers on top and Northeastern consumers on the bottom.

The revised estimate of real *Gross Domestic Product* for the third quarter of 2015 is \$16,414.0 billion (chained 2005 dollars), an increase of 2.0 percent at an annual rate. In the second quarter of 2015, real gross domestic product increased 3.9 percent. The increase in third quarter real GDP was mainly due to personal consumption expenditures, nonresidential fixed investment, exports, and state and local government spending. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 3.0 percent in the third quarter, compared to a 3.6 percent increase in the second quarter. Real residential fixed investment increased 8.2 percent in the third quarter compared to an increase of 9.3 percent in the second quarter. Real nonresidential fixed investment increased 2.6 percent in the third quarter while real equipment expenditures increased 9.9 percent. Real federal government spending increased 0.2 percent in the third quarter, compared to no

change in the second quarter. Real state and local government spending increased 2.8 percent in the third quarter, compared to a 4.3 percent increase in the second quarter. Exports of goods and services increased 0.7 percent in the third quarter, compared to a 5.1 percent increase in the second quarter. Imports increased 2.3 percent in the third quarter, compared to an increase of 3.0 percent in the second quarter. Private inventory investment increased \$85.5 billion in the third quarter, following a \$113.5 billion increase in the second quarter. Real final sales increased 2.7 percent in the third quarter compared to an increase of 3.9 percent in the second quarter. On the inflation front, the **implicit price deflator** increased 1.3 percent in the third quarter compared to a 2.1 percent increase observed in the second quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), decreased 0.1 percent in December, down from no change in November. Energy prices decreased 2.4 percent in December, down from a 1.3 percent decrease in November, while the all-items less food and energy component increased 0.1 percent in December. Compared to December 2014, the all-items index increased 0.7 percent. For major component groups, the unadjusted changes from one year ago were: food and beverages, 0.8 percent; medical care, 2.6 percent; apparel, -0.9 percent; education and communication, 1.4 percent; other goods and services, 1.9 percent; recreation, 0.6 percent; housing, 2.1 percent; and transportation, -4.4 percent, with gasoline prices down -19.7 percent.

Selected Key Interest Rates

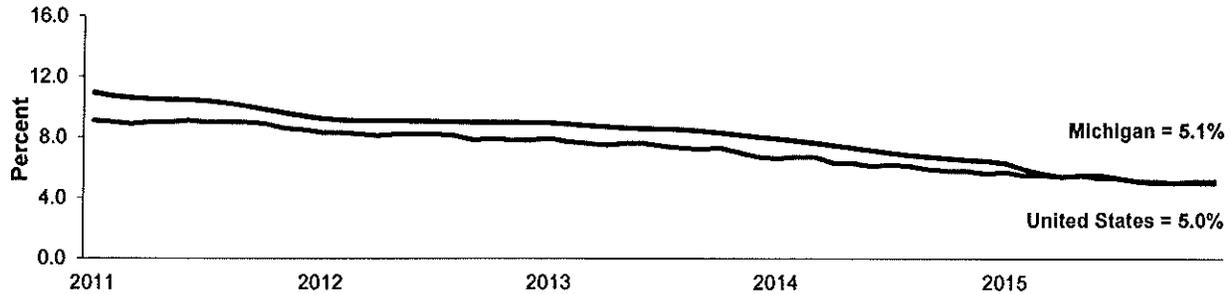


Source: Economic Indicators

Short-term interest rates increased 0.13 percentage point in December as the 3-month Treasury bill (T-bill) rate was 0.26 percent. Compared to one year ago, the T-bill rate increased 0.22 percentage point. The Aaa corporate bond rate, a long-term interest rate, decreased 0.09 percentage point to an interest yield of 3.97 percent in December. The Aaa bond yield was up 0.18 percentage point from its year-ago level. The interest rate on High-grade municipal bonds decreased 0.27 percentage point from the November level to 3.23 percent in December and was down 0.16 percentage point from its year-ago level. The Federal Open Market Committee raised the target range for the federal funds rate to 0.25-0.50 percent at the December 16th meeting. The FOMC stated "In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation." The Committee "seeks to foster maximum employment and price stability."

In December, the **U. S. unemployment rate** remained unchanged from a month ago at 5.0 percent and was 0.8 percentage point lower than a year ago. Civilian employment totaled 149.9 million persons in November. The number unemployed was 7.9 million nationwide.

Unemployment Rates 2011 - 2015



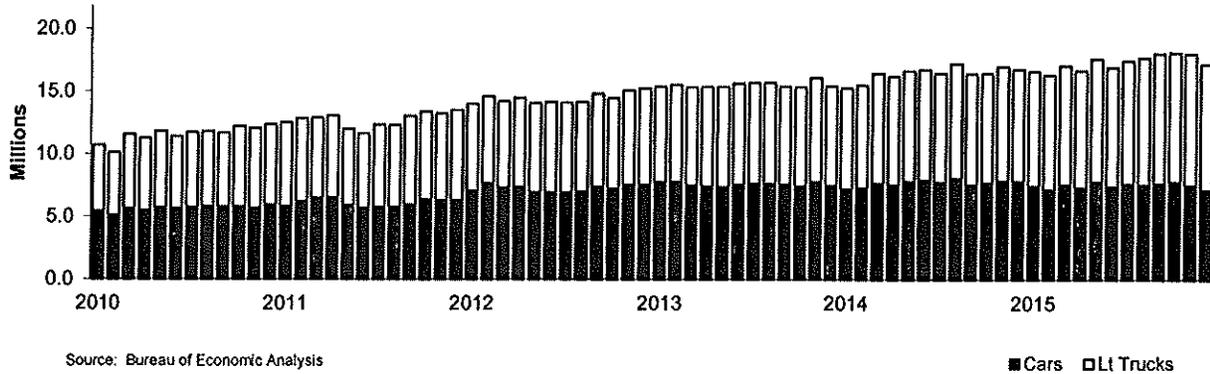
Source: Bureau of Labor Statistics and Michigan Department of Technology, Management & Budget

In December, the **Michigan jobless rate** remained unchanged at 5.1 percent. The December unemployment rate is 1.3 percentage points below the year ago level. In December, the labor force grew 22,000 to 4,787,000, while the number of people employed increased 20,000 to 4,541,000. In December, there were 246,000 unemployed people. Monthly unemployment rates fluctuate in part due to statistical sampling errors.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), decreased 1.2 percent from October to December compared to a 0.1 percent increase from August to October. The all-items less food and energy index decreased 0.2 percent from October to December. The food index decreased 0.1 percent from October to December while the energy index decreased 12.0 percent. Compared to December 2014, the all-items index decreased 0.1 percent. For individual component items, the changes from one year ago were: food and beverages, -0.3 percent; apparel, 2.4 percent; education and communication, 1.6 percent; transportation, -5.4 percent; recreation, 1.6 percent; medical care, 1.9 percent; housing, 0.9 percent; and other goods and services, 1.3 percent.

Motor Vehicle Sector

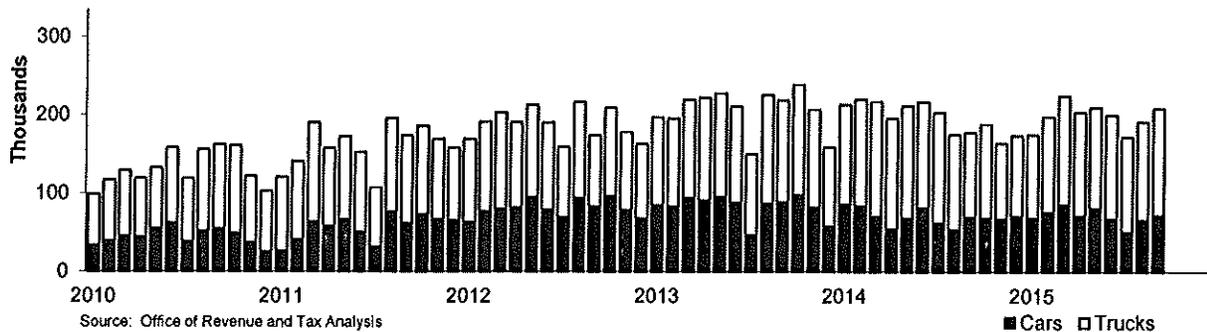
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) decreased 4.7 percent in December compared to November, selling at a 17.2 million unit seasonally adjusted annual rate. Domestic car sales decreased 3.3 percent from November while domestic light truck sales decreased 4.2 percent. Import car sales decreased 10.8 percent while import light truck sales decreased 4.3 percent. Compared to last year, light vehicle sales increased 2.5 percent. Domestic car sales decreased 6.5 percent from the year ago level while domestic light truck sales increased 5.5 percent. Import car sales were down 16.0 percent from last year while import truck sales increased 53.9 percent. As a result, the domestic share of U.S. light vehicle sales decreased 1.6 percentage points from a year ago. For fiscal year 2016 year-to-date, domestic light vehicles recorded a 77.9 percent share of a 17.8 million-unit market.

Michigan motor vehicle production decreased to 200,635 units in October from 208,895 units in September. From a year ago, motor vehicle production increased 7 percent in Michigan but decreased 3 percent nationally. In October, Michigan's car production was 60,630 units while the state's truck production was 140,005 units. Compared with a year ago, car production decreased 12 percent in Michigan and fell 19 percent nationwide. The state's truck production increased 17 percent while national truck production increased 8 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 15, 2015 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	<u>Fiscal Year 2013-14 Actual</u>	<u>Fiscal Year 2014-15 Estimate</u>	<u>Fiscal Year 2015-16 Estimate</u>
Applicable Calendar Year Personal Income	\$378,443	\$386,471	\$401,901
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	<u>\$35,914.2</u>	<u>\$36,676.1</u>	<u>\$38,140.4</u>
Revenue Limit	\$35,914.2	\$36,676.1	\$38,140.4
State Revenue Subject to Limit	<u>\$27,432.5</u>	<u>\$28,486.3</u>	<u>\$29,126.1</u>
Amount Under (Over) Limit	\$8,481.7	\$8,189.8	\$9,014.3

Sources:

Personal Income Estimate

The FY 2013-14 calculation uses the official personal income estimate for calendar year 2012 (Survey of Current Business, October 2013).

The FY 2014-15 calculation uses the official personal income estimate for calendar year 2013 (Survey of Current Business, October 2014).

The FY 2015-16 calculation uses the May 15, 2015 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2013-14 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2014.

The FY 2014-15 calculation uses the May 15, 2015 Consensus Revenue Agreement.

The FY 2015-16 calculation uses the May 15, 2015 Consensus Revenue Agreement.

Column detail may not add to totals due to rounding

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