

STATE
OF
MICHIGAN



REVENUE

SOURCE

and

DISTRIBUTION



Mitchell E. Bean, Director

August 2002

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August 2002

TO: Members of the House of Representatives

This report provides information on the source and distribution of revenues for the State of Michigan and comparisons of projected FY 2001-02 revenues with estimated FY 2002-03 revenues. Estimates in this report are based upon those agreed to at the Consensus Revenue Estimating Conference on May 16, 2002, and include implementation of the following enacted legislation:

- **2002 PA 504:** BSF transfer to the SAF of \$350.0 million for FY 2001-02 and elimination of BSF transfer to the State Trunkline Fund of \$35.0 million for FY 2002-03.
- **2002 PA 244:** State education changes resulting in an estimated \$469.0 million increase to the SAF for FY 2002-03.
- **2002 PA 503:** Cigarette and tobacco tax changes that increase revenue by an estimated \$58.9 million in FY 2001-02 and by \$291.5 million in FY 2002-03.
- **2002 PA 528:** Sunday lottery draws allowed resulting in an estimated \$27.0 million increase to the SAF for FY 2002-03.
- **2002 PA 531:** Increase in the SBT gross receipts filing threshold, in combination with an estimated rate reduction suspension, resulting in an SBT revenue increase of \$68.8 million to the GF/GP for FY 2002-03.

Not included in this report are the anticipated effects of HBs 5734, 5735, and 5736 which would increase the diesel and motor carrier fuel tax by an estimated \$44.0 million and use tax by \$4.5 million in FY 2002-03.

This publication includes FY 2001-02 estimates for taxes, by type of tax, and provides information for each tax with regard to the tax base, rate, and disposition. It also includes state revenue dedication information including tax type, dedicated amount, and recipient of dedicated funds.

This report was prepared by Rebecca Ross, Senior Economist. Report graphics and format were produced by Jeanne Dee, Administrative Assistant.

Please do not hesitate to contact me if you have questions regarding the information in this report.

Mitchell E. Bean
Director

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**SOURCES
OF
REVENUE**



Overview of State Revenue by Source

**FYs
2001-02
and
2002-03**

**OVERVIEW
OF
STATE
REVENUE
BY
SOURCE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

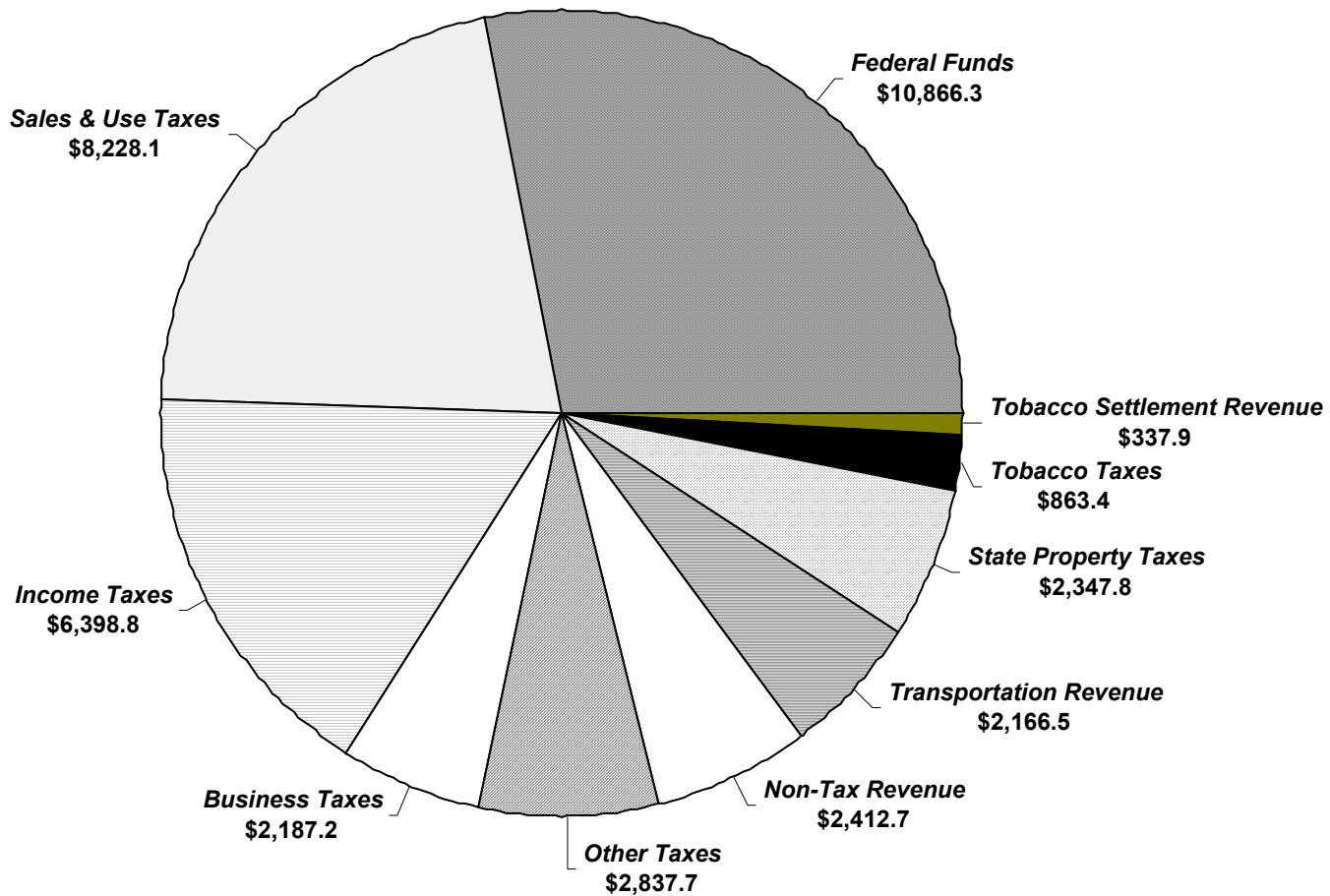
	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
FEDERAL FUNDS	\$10,146.4	27.5%	\$10,866.3	28.1%
SALES AND USE TAXES	7,863.4	21.3%	8,228.1	21.3%
INCOME TAXES	6,266.4	17.0%	6,398.8	16.6%
OTHER TAXES	2,960.2	8.0%	2,837.7	7.3%
NON-TAX REVENUE	2,664.8	7.2%	2,412.7	6.2%
BUSINESS TAXES	2,133.4	5.8%	2,187.2	5.7%
TRANSPORTATION REVENUE	2,111.1	5.7%	2,166.5	5.6%
STATE PROPERTY TAXES	1,799.0	4.9%	2,347.8	6.1%
TOBACCO TAXES	646.5	1.8%	863.4	2.2%
TOBACCO SETTLEMENT REVENUE	<u>331.5</u>	0.9%	<u>337.9</u>	0.9%
TOTAL	\$36,922.7		\$38,646.4	

DEFINITIONS AND OTHER NOTES

FEDERAL FUNDS	Total federal funds used in the state budget.
SALES AND USE TAXES	Use tax is a specific excise tax on the use, storage, or consumption of tangible personal property not subject to the sales tax. Tax rate is currently 6% for both sales and use taxes.
INCOME TAXES	Includes withholding, annual, and quarterly collections less refunds. Tax rate is currently 4.1%. Beginning January 1, 2002, the rate is reduced 0.1% per year until it reaches 3.9% on January 1, 2004.
NON-TAX REVENUE	Includes revenue from local agencies, state-provided services, licenses, permits not related to transportation, Budget Stabilization Fund (BSF) transfers to the School Aid Fund (SAF), and lottery transfers to the SAF.
BUSINESS TAXES	Includes single business tax and insurance company tax. Beginning January 1, 1999, the rate is reduced 0.1% per year until the tax is completely phased out – as long as the BSF balance does not fall below \$250 million. In calendar year 2002, the single business tax rate will be 1.9% of adjusted tax base for most firms
TRANSPORTATION REVENUE	Includes gas, diesel fuel, and aviation fuel taxes; fees; and other transportation revenue. Excludes federal aid and sales tax transportation revenue.
OTHER TAXES	Includes liquor, beer, wine, gas and oil severance, and estate taxes.
STATE PROPERTY TAXES	A 6-mill tax (State Education Tax) levied on all property and a 0.75% tax on the transfer of real estate property; 100% dedicated to the School Aid Fund (SAF).
TOBACCO TAXES	Effective August 1, 2002, the cigarette tax is \$1.25 per pack and the tax on other tobacco products is 20%.
TOBACCO SETTLEMENT	Revenue to the state resulting from settlement with the tobacco companies.

STATE OF MICHIGAN
TOTAL
REVENUE BY SOURCE
FY 2002-03

TOTAL RESOURCES: \$38,646.4 MILLION
(Chart dollars in millions)





**General
Fund/
General
Purpose
Revenue
by
Source**

**FYs
2001-02
and
2002-03**

GENERAL FUND/ GENERAL PURPOSE REVENUE BY SOURCE		FY 2001-02	% OF TOTAL	FY 2002-03	% OF TOTAL
	INCOME TAX	\$4,380.9	51.9%	\$4,424.0	51.4%
	SINGLE BUSINESS TAX	1,893.4	22.4%	1,933.2	22.5%
	SALES AND USE TAXES	999.1	11.8%	1,066.2	12.4%
	OTHER SOURCES	540.3	6.4%	489.6	5.7%
	INSURANCE COMPANY TAX	240.0	2.8%	254.0	3.0%
	CIGARETTE TAX	185.6	2.2%	281.7	3.3%
	INHERITANCE/ESTATE TAX	127.0	1.5%	76.0	0.9%
	LIQUOR, BEER AND WINE TAXES	<u>80.6</u>	1.0%	<u>81.3</u>	0.9%
	TOTAL	\$8,446.9		\$8,606.0	

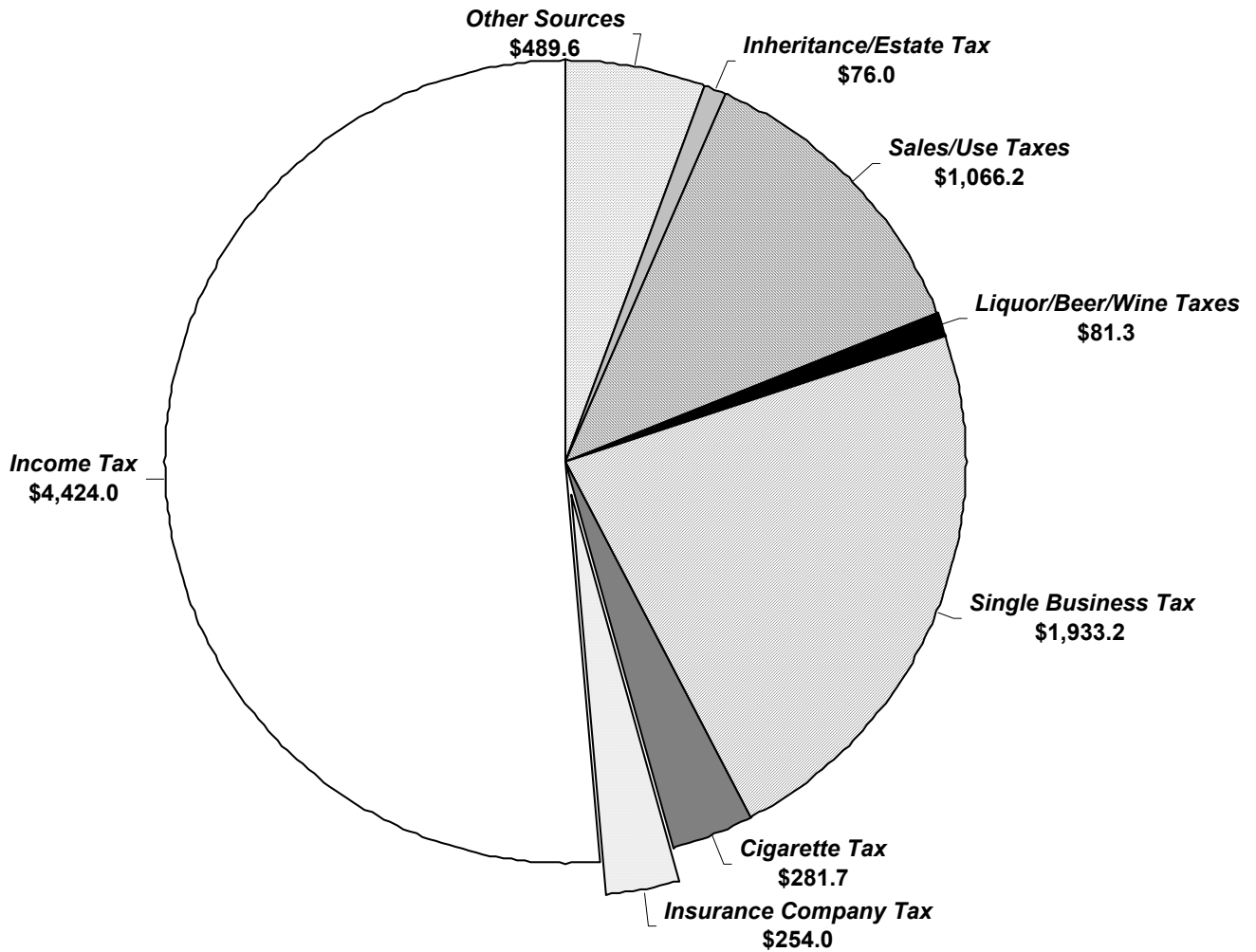
(MILLIONS OF DOLLARS)

DEFINITIONS AND OTHER NOTES

INCOME TAXES	The GF/GP receives income tax revenue not allocated to the School Aid Fund. On January 1, 2002, the rate was reduced to 4.1%. Beginning January 1, 2002, the rate will be reduced 0.1% per year until it is reduced to 3.9% on January 1, 2004.
SINGLE BUSINESS TAX	The GF/GP receives 100% of single business tax revenue. Beginning January 1, 1999, the rate is reduced 0.1% per year until the tax is completely phased out – as long as the BSF balance does not fall below \$250 million. On January 1, 2002, the rate was reduced to 1.9% of adjusted tax base for most firms.
SALES TAX	The GF/GP receives sales tax revenue not allocated to local units of government for revenue sharing, the School Aid Fund, the Comprehensive Transportation Fund, or public health programs. Tax rate is currently 6%.
USE TAX	A specific excise tax on the use, storage, or consumption of tangible personal property not subject to the sales tax. Tax rate is currently 6%; GF/GP receives 66.7% of total and School Aid Fund receives 33.3% of total.
OTHER SOURCES	Includes taxes on gas and oil severance, utility property, corporate income, and horse race wagering; certain penalty and interest payments; federal funds; and balance sheet adjustments; does not include the beginning balance.

STATE OF MICHIGAN
GENERAL FUND/GENERAL PURPOSE
REVENUE BY SOURCE
FY 2002-03

TOTAL RESOURCES: \$8,606.0 MILLION
(Chart dollars in millions)





**Michigan
School
Aid
Fund
Revenue
by
Source**

**FYs
2001-02
and
2002-03**

**MICHIGAN
SCHOOL
AID
FUND
REVENUE
BY
SOURCE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

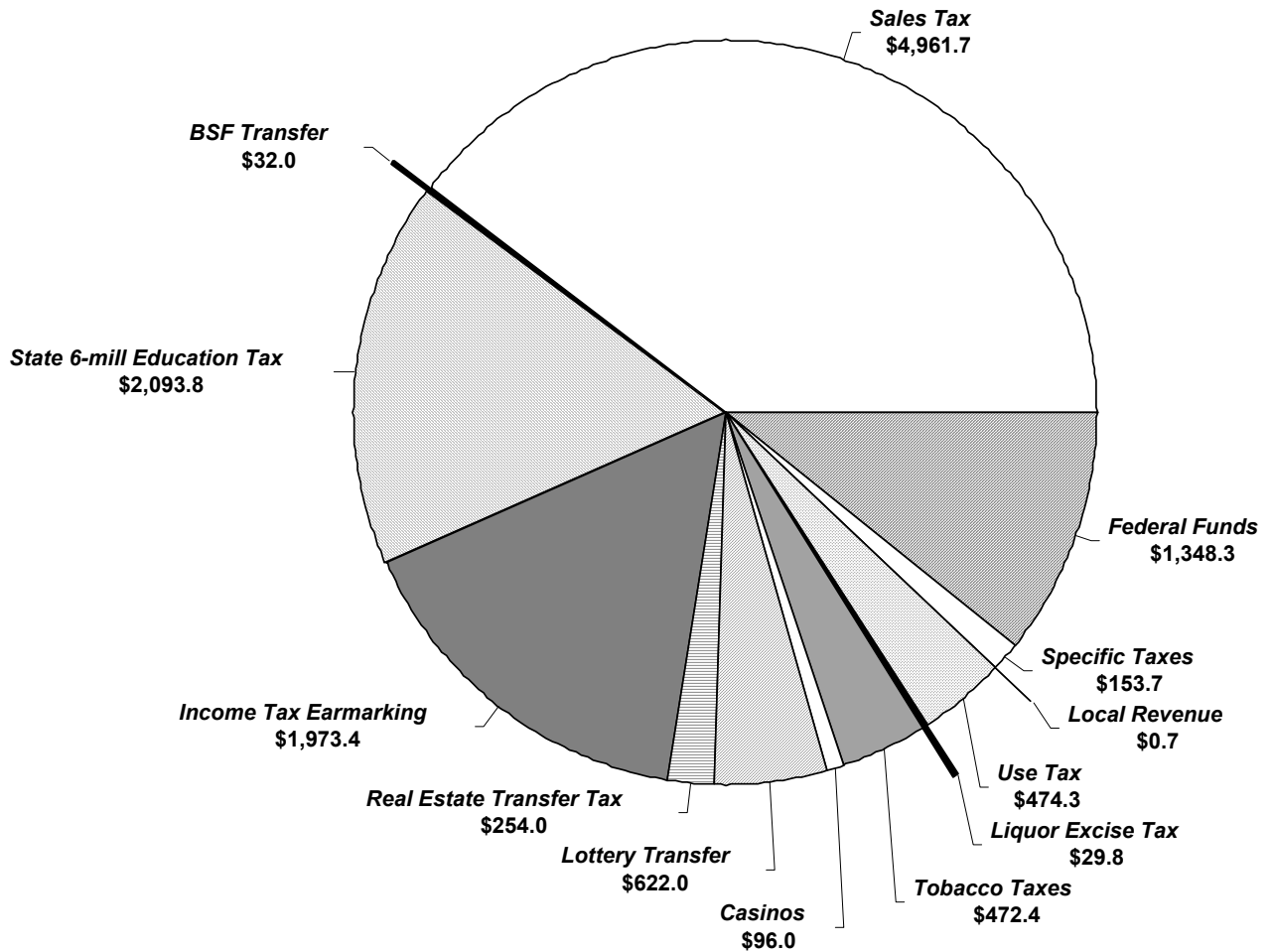
	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
SALES TAX	\$4,735.8	44.1%	\$4,961.7	39.7%
INCOME TAX EARMARKING	1,884.1	17.6%	1,973.4	15.8%
STATE 6-MILL EDUCATION TAX	1,558.0	14.5%	2,093.8	16.7%
LOTTERY TRANSFER	605.0	5.6%	622.0	5.0%
USE TAX	456.0	4.3%	474.3	3.8%
BSF TRANSFER	382.0	3.6%	32.0	0.3%
TOBACCO TAXES	389.9	3.6%	472.4	3.8%
REAL ESTATE TRANSFER TAX	241.0	2.2%	254.0	2.0%
FEDERAL FUNDS	203.0	1.9%	1,348.3	10.8%
SPECIFIC TAXES	150.7	1.4%	153.7	1.2%
CASINOS	92.0	0.9%	96.0	0.8%
LIQUOR EXCISE TAX	29.6	0.3%	29.8	0.2%
LOCAL REVENUE	<u>0.0</u>	0.0%	<u>0.7</u>	0.0%
TOTAL	\$10,727.1		\$12,512.1	

DEFINITIONS AND OTHER NOTES

SALES TAX	The SAF receives 73.3% of gross sales tax revenue. Tax rate is currently 6%.
INCOME TAX EARMARKING	The SAF receives 23% of gross income tax revenue with adjustments for rate changes.
STATE 6-MILL EDUCATION TAX	A 6-mill tax levied on all property; 100% dedicated to the School Aid Fund (SAF).
LOTTERY TRANSFER	The SAF receives the net revenue from lottery sales.
USE TAX	The SAF receives 33% of gross use tax revenue. Tax rate is currently 6%.
TOBACCO TAXES	Effective August 1, 2002, the SAF receives 54.2% of cigarette tax revenue and 75.6% of other tobacco tax revenue.
REAL ESTATE TRANSFER TAX	The SAF receives 100% of the real estate transfer tax. Tax rate is 0.75% of the sale price of real estate.
SPECIFIC TAXES	Includes industrial and commercial facilities tax and commercial forest tax.
CASINOS	The SAF receives 8.1% of the gross gaming revenue.
BUDGET STABILIZATION FUND (BSF) TRANSFER	BSF transfer in accordance with the Durant settlement, 1997 PA 144 and 2002 PA 504.

**STATE OF MICHIGAN
SCHOOL AID FUND REVENUE
BY SOURCE
FY 2002-03**

**TOTAL RESOURCES: \$12,512.1 MILLION
(Chart dollars in millions)**





Transportation Revenue by Source

**FYs
2001-02
and
2002-03**

**TRANSPORTATION
REVENUE
BY
SOURCE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

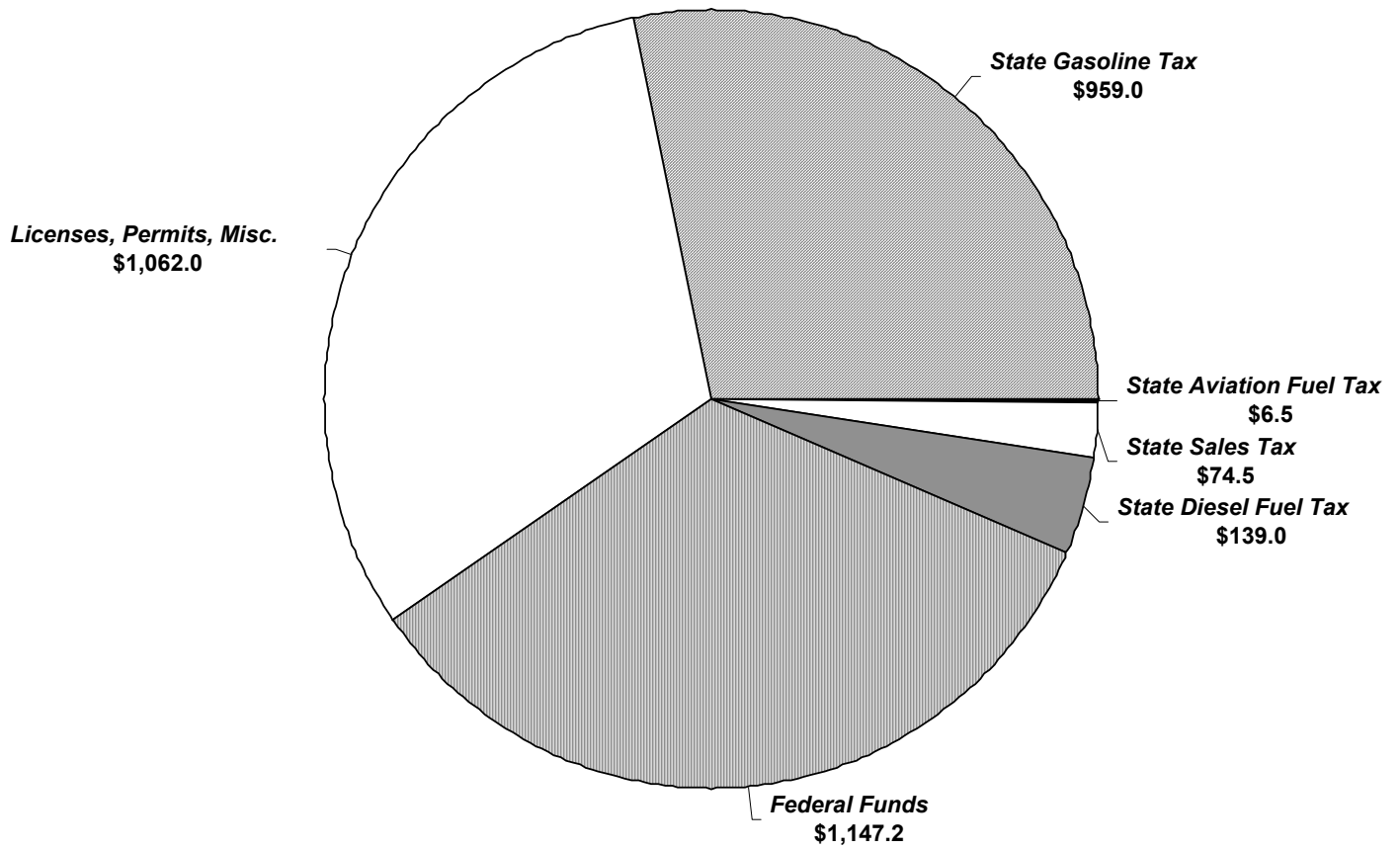
	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
FEDERAL FUNDS	\$1,123.2	33.9%	\$1,147.2	33.9%
LICENSES, PERMITS, MISC	1,022.7	30.9%	1,062.0	31.3%
STATE GASOLINE TAX	946.0	28.6%	959.0	28.3%
STATE DIESEL FUEL TAX	136.0	4.1%	139.0	4.1%
STATE SALES TAX	74.5	2.3%	74.5	2.2%
STATE AVIATION FUEL TAX	<u>6.4</u>	0.2%	<u>6.5</u>	0.2%
TOTAL	\$3,308.8		\$3,388.2	

DEFINITIONS AND OTHER NOTES

LICENSES, PERMITS, MISC	Vehicle license fees, various registration fees, permits, interest earnings, and other miscellaneous income dedicated for transportation purposes.
STATE GASOLINE TAX	Levied at \$0.19 per gallon.
STATE DIESEL FUEL TAX	Levied at \$0.15 per gallon.
STATE SALES TAX	Approximately 1.3% of gross sales tax revenue is dedicated to Comprehensive Transportation Fund (CTF).
STATE AVIATION FUEL TAX	Levied at \$0.03 per gallon with a \$0.015 rebate to interstate scheduled operations.

**STATE OF MICHIGAN
TRANSPORTATION REVENUE
BY SOURCE
FY 2002-03**

TOTAL RESOURCES: \$3,388.2 MILLION
(Chart dollars in millions)





DISTRIBUTION OF REVENUE



Distribution of Federal Funds

**FYs
2001-02
and
2002-03**

**DISTRIBUTION
OF
FEDERAL
FUNDS**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
GENERAL FUND/ SPECIAL PURPOSE	\$8,790.2	86.6%	\$8,340.8	76.8%
TRANSPORTATION	1,123.2	11.1%	1,147.2	10.6%
SCHOOL AID FUND	203.0	2.0%	1,348.3	12.4%
GENERAL FUND/ GENERAL PURPOSE	<u>30.0</u>	0.3%	<u>30.0</u>	0.3%
TOTAL	\$10,146.4		\$10,866.3	

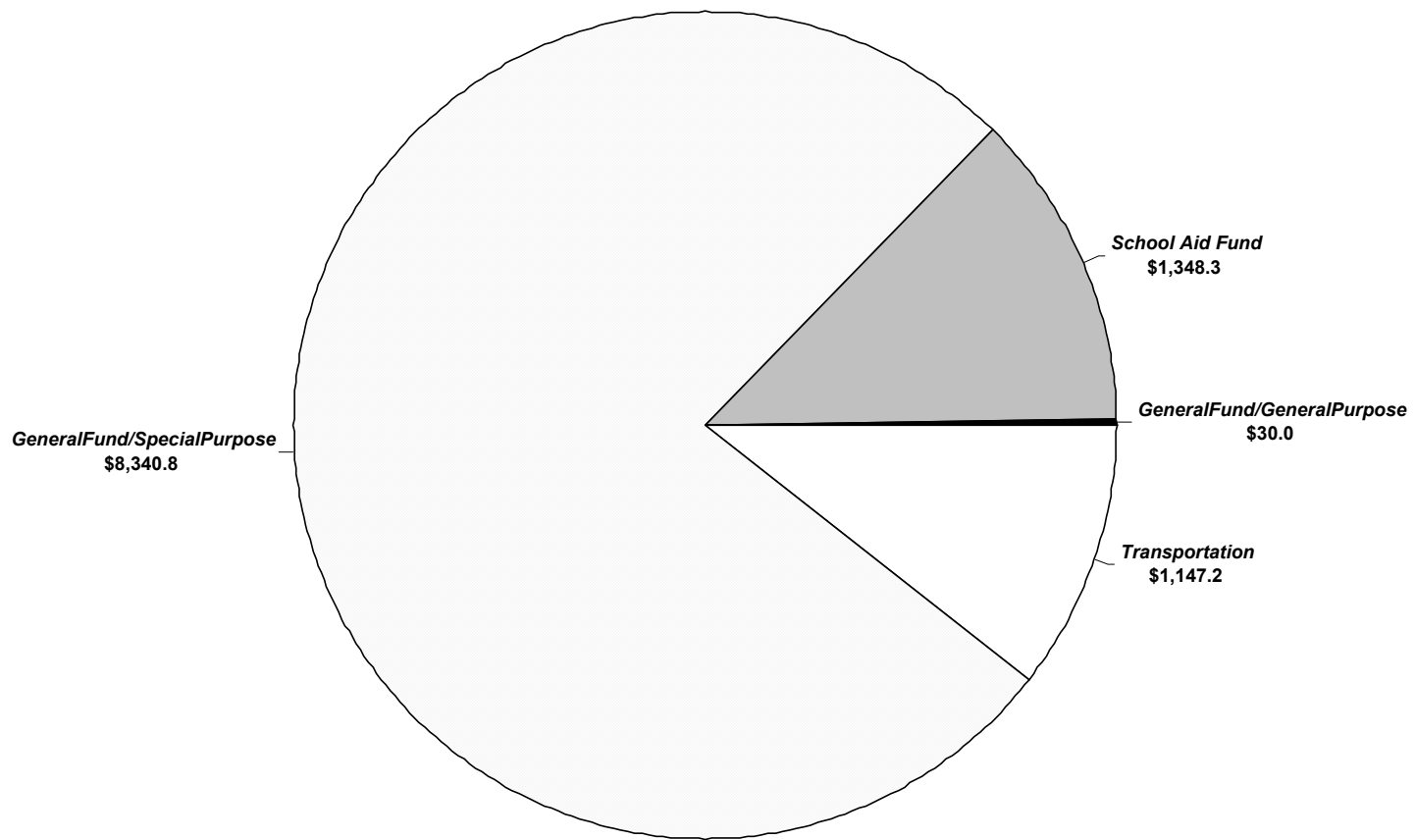
GENERAL FUND/SPECIAL PURPOSE: ESTIMATED FEDERAL REVENUE*

	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>EXECUTIVE RECOMMEND FY 2002-03</u>	<u>% OF TOTAL</u>
AGRICULTURE	\$7.7	0.09%	\$8.3	0.10%
ATTORNEY GENERAL	7.6	0.09%	7.6	0.09%
CAPITAL OUTLAY (excluding Transportation)	13.9	0.16%	1.5	0.02%
CAREER DEVELOPMENT	463.7	5.28%	472.6	5.67%
CIVIL RIGHTS	0.9	0.01%	0.9	0.01%
CIVIL SERVICE	4.8	0.05%	4.8	0.06%
COMMUNITY HEALTH	4,443.3	50.55%	4,801.7	57.57%
CONSUMER & INDUSTRY SERVICES	128.2	1.46%	134.3	1.61%
CORRECTIONS	22.4	0.25%	34.7	0.42%
EDUCATION	942.6	10.72%	39.9	0.48%
ENVIRONMENTAL QUALITY	88.0	1.00%	79.4	0.95%
FAMILY INDEPENDENCE	2,501.3	28.46%	2,604.6	31.23%
HISTORY, ARTS, AND LIBRARIES	7.1	0.08%	7.1	0.09%
HIGHER EDUCATION	4.9	0.06%	5.5	0.07%
JUDICIARY	3.4	0.04%	3.9	0.05%
MANAGEMENT AND BUDGET	0.4	0.00%	0.3	0.00%
MILITARY AND VETERANS AFFAIRS	36.6	0.42%	47.4	0.57%
NATURAL RESOURCES	29.3	0.33%	28.7	0.34%
STATE	1.3	0.01%	1.3	0.02%
STATE POLICE	82.7	0.94%	45.6	0.55%
TREASURY	<u>0.0</u>	<u>0.00%</u>	<u>10.7</u>	<u>0.13%</u>
TOTAL GF/SPECIAL PURPOSE	\$8,790.1	100.00%	\$8,340.8	100.00%

**As shown in February 2002 Executive Recommendation*

STATE OF MICHIGAN
FEDERAL FUNDS
DISTRIBUTION
FY 2002-03

TOTAL RESOURCES: \$10,866.3 MILLION
(Chart dollars in millions)





Distribution of Income Tax Revenue

**FYs
2001-02
and
2002-03**

**DISTRIBUTION
OF
INCOME
TAX
REVENUE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
GROSS COLLECTION	\$7,679.4		\$7,844.3	
REFUNDS	<u>(1,413.0)</u>		<u>(1,445.5)</u>	
NET COLLECTIONS	\$6,266.4		\$6,398.8	
GENERAL FUND/ GENERAL PURPOSE	\$4,380.9	69.9%	\$4,424.0	69.1%
SCHOOL AID FUND	1,884.1	30.1%	1,973.4	30.8%
STATE CAMPAIGN FUND	<u>1.5</u>	0.0%	<u>1.5</u>	0.0%
TOTAL	\$6,266.4		\$6,398.8	

DEFINITIONS AND OTHER NOTES

GENERAL
FUND/GENERAL
PURPOSE

Receives income tax revenue not dedicated for other purposes.

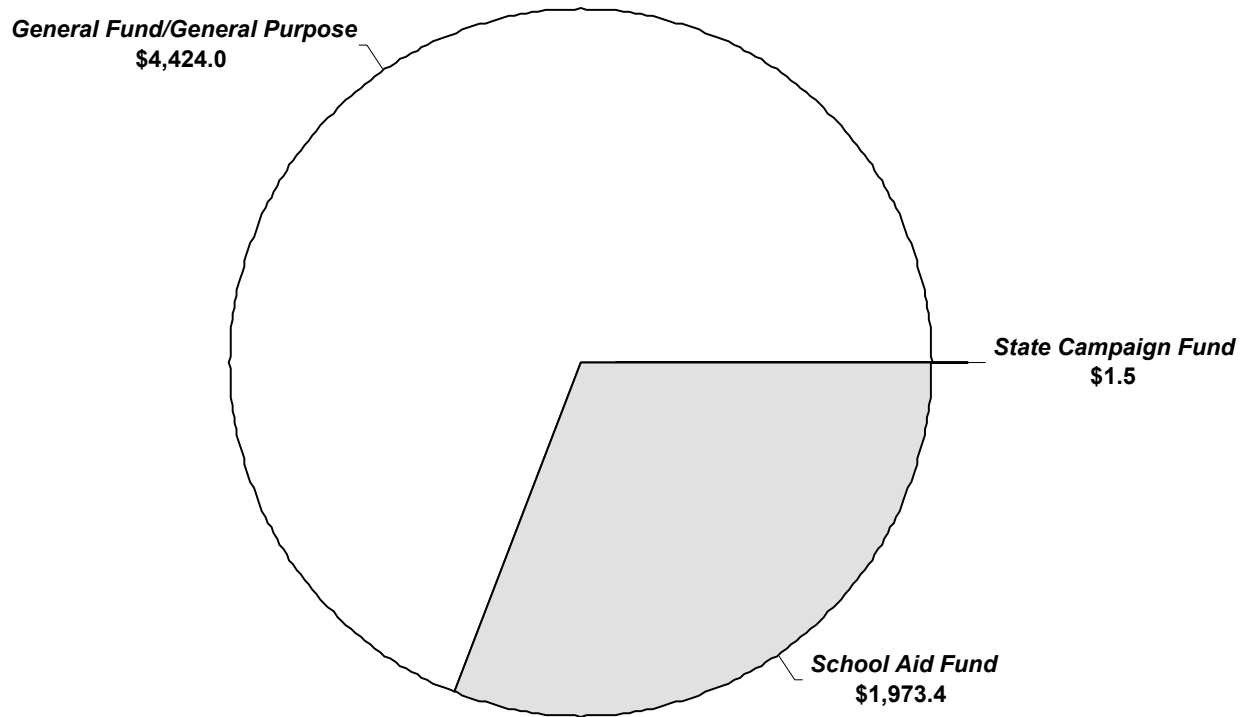
SCHOOL AID FUND

The amount dedicated to the School Aid Fund is 23% of gross collections with hold harmless adjustments for rate reductions.

STATE CAMPAIGN
FUND

Taxpayers can choose to dedicate \$3.00 of income tax paid to this fund. Funds are distributed to all candidates for Governor who meet certain requirements.

**STATE OF MICHIGAN
INCOME TAX REVENUE
DISTRIBUTION
FY 2002-03
TOTAL RESOURCES: \$6,398.9 MILLION
(Chart dollars in millions)**





Distribution of Sales Tax Revenue

**FYs
2001-02
and
2002-03**

**DISTRIBUTION
OF
SALES
TAX
REVENUE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

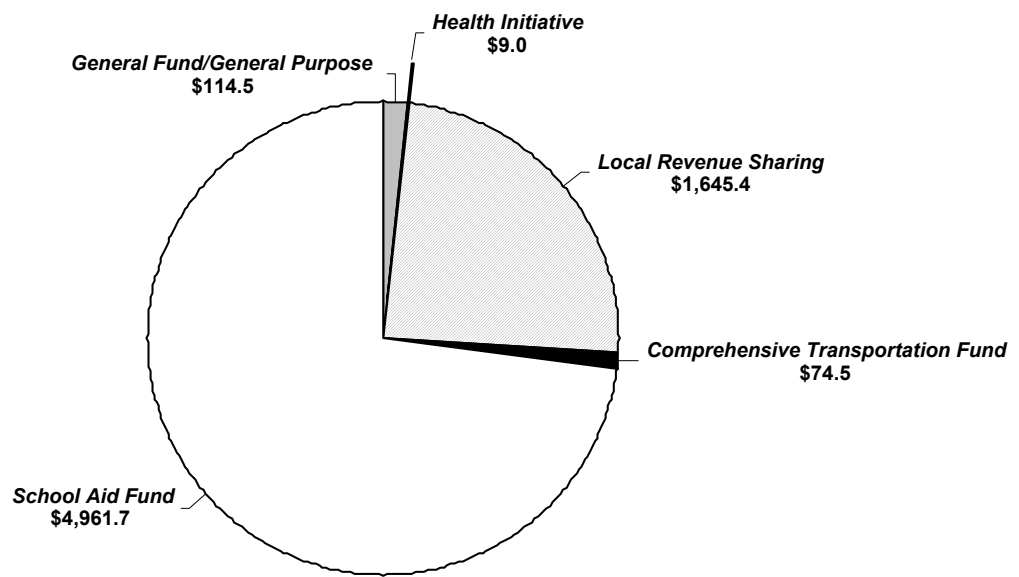
	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
SCHOOL AID FUND	\$4,735.8	72.9%	\$4,961.7	72.9%
LOCAL REVENUE SHARING	1,586.9	24.4%	1,645.4	24.2%
GENERAL FUND/ GENERAL PURPOSE	89.1	1.4%	114.5	1.7%
COMPREHENSIVE TRANSPORTATION FUND	74.5	1.1%	74.5	1.1%
HEALTH INITIATIVE	<u>9.0</u>	0.1%	<u>9.0</u>	0.1%
TOTAL	\$6,495.4		\$6,805.1	

DEFINITIONS AND OTHER NOTES

SCHOOL AID FUND	The State Constitution provides that the School Aid Fund is to receive 60% of the gross sales tax collections levied at a rate of 4% and 100% of gross sales tax collections levied at a rate of 2%.
LOCAL REVENUE SHARING	The Constitution provides that 15% of gross collections from the 4% sales tax be distributed to local government units through revenue sharing payments. Statute provides that an amount equal to 21.3% of sales tax collections at the 4% rate is to be allotted for revenue sharing. The total amount is subject to appropriation.
GENERAL FUND/ GENERAL PURPOSE	Receives sales tax revenue not dedicated for other purposes.
COMPREHENSIVE TRANSPORTATION FUND	Receives approximately 1.3% of gross sales tax revenue. Revenue is used to plan and develop public transportation systems and finance bus and rail services.
HEALTH INITIATIVE	Annual appropriation for AIDS and workplace health programs.

STATE OF MICHIGAN
SALES TAX REVENUE
DISTRIBUTION
FY 2002-03

TOTAL RESOURCES: \$6,805.1 MILLION
(Chart dollars in millions)





Distribution of Single Business Tax Revenue

**FYs
2001-02
and
2002-03**

**DISTRIBUTION
OF
SINGLE
BUSINESS
TAX
REVENUE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
GENERAL FUND/ GENERAL PURPOSE	\$1,893.4		\$1,933.2	
TOTAL	\$1,893.4		\$1,933.2	

DEFINITIONS AND OTHER NOTES

**SINGLE BUSINESS
TAX**

The GF/GP receives 100% of single business tax revenue. Beginning January 1, 1999, the rate will be reduced 0.1% per year until the tax is completely phased out – as long as the BSF balance does not fall below \$250 million. In calendar year 2002, the rate will be 1.9% of adjusted tax base for most firms.

**STATE OF MICHIGAN
SINGLE BUSINESS TAX REVENUE
DISTRIBUTION
FY 2002-03**

TOTAL RESOURCES: \$1,933.2 MILLION

**ALL
GENERAL FUND/GENERAL PURPOSE**



Distribution of Tobacco Tax Revenue

**FYs
2001-02
and
2002-03**

**DISTRIBUTION
OF
TOBACCO
TAX
REVENUE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

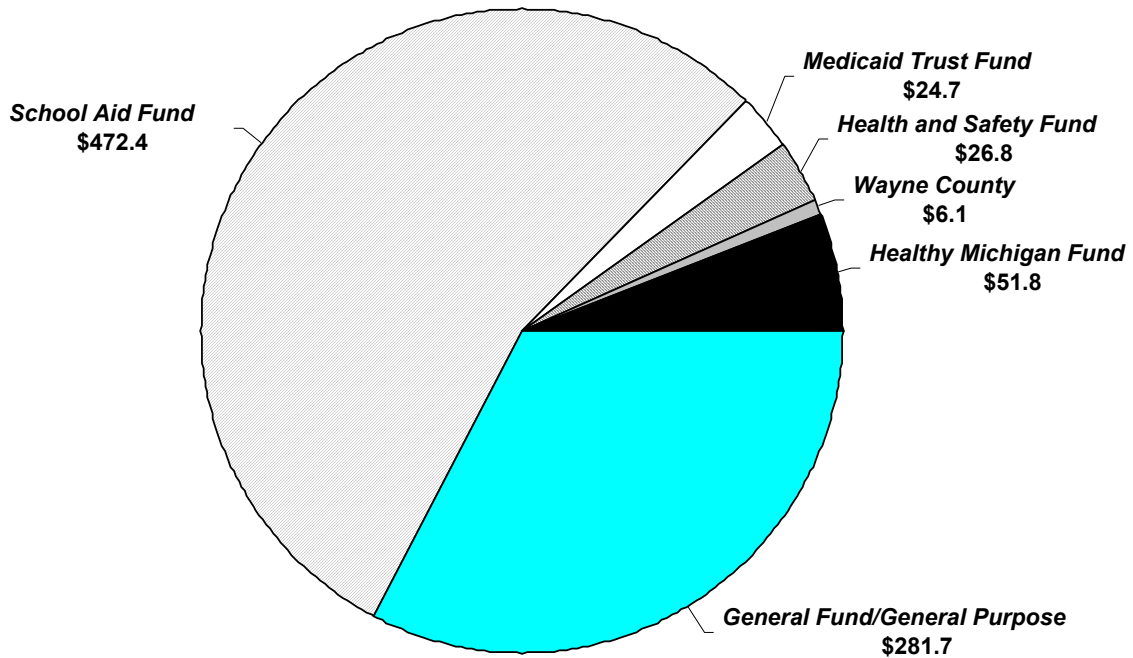
	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
SCHOOL AID FUND	\$389.9	60.3%	\$472.4	54.7%
GENERAL FUND/ GENERAL PURPOSE	185.6	28.7%	281.7	32.6%
HEALTHY MICHIGAN FUND	37.3	5.8%	51.8	6.0%
HEALTH AND SAFETY FUND	29.8	4.6%	26.8	3.1%
MEDICAID TRUST FUND	3.1	0.5%	24.7	2.9%
WAYNE COUNTY	<u>0.8</u>	0.1%	<u>6.1</u>	0.7%
TOTAL	\$646.5		\$863.4	

DEFINITIONS AND OTHER NOTES

SCHOOL AID FUND	Effective August 1, 2002, receives 54.2% of cigarette tax proceeds and 75.6% of the other tobacco products tax revenue.
GENERAL FUND/ GENERAL PURPOSE	Effective August 1, 2002, receives 33.0% of the cigarette tax revenue and 18.4% of the other tobacco products tax revenue.
HEALTHY MICHIGAN FUND	Administered by the state for various health prevention programs. Receives 6% of the tobacco products tax revenue.
HEALTH AND SAFETY FUND	Provides support for Medicaid indigent payments to Detroit hospitals, certain debt obligations for Wayne County, and local public health and criminal justice at the county level. Effective August 1, 2002, receives 3.2% of the cigarette tax.
MEDICAID TRUST FUND	Effective August 1, 2002, receives 2.9% of the cigarette tax revenue.
WAYNE COUNTY	Effective August 1, 2002, receives 0.7% of the cigarette tax revenue to be used for indigent health care.

**STATE OF MICHIGAN
TOBACCO TAX REVENUE
DISTRIBUTION
FY 2002-03**

**TOTAL RESOURCES: \$863.4 MILLION
(Chart dollars in millions)**





Distribution of Transportation Revenue

**FYs
2001-02
and
2002-03**

**DISTRIBUTION
OF
TRANSPORTATION
REVENUE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
MICHIGAN TRANSPORTATION	\$1,961.5	59.3%	\$2,011.7	59.4%
STATE TRUNKLINE	1,015.2	30.7%	1,019.5	30.1%
STATE AERONAUTICS	187.6	5.7%	216.9	6.4%
COMPREHENSIVE TRANSPORTATION	133.1	4.0%	128.1	3.8%
BLUE WATER BRIDGE FUND	<u>11.4</u>	0.3%	<u>12.0</u>	0.4%
TOTAL	\$3,308.8		\$3,388.2	

DEFINITIONS AND OTHER NOTES

MICHIGAN
TRANSPORTATION
FUND

Administered by Michigan Department of Transportation (MDOT). Expenditures are for highways and include grants to county road commissions, cities, and villages for highway purposes, and other departments for collection and enforcement costs.

STATE TRUNKLINE
FUND

Administered by MDOT. Funds used for highway maintenance and construction, debt service, bridge construction, and administration costs.

COMPREHENSIVE
TRANSPORTATION
FUND

Created to fund planning and development of public transportation systems. Provides funds for direct expenditures and financing for bus and rail services.

STATE
AERONAUTICS
FUND

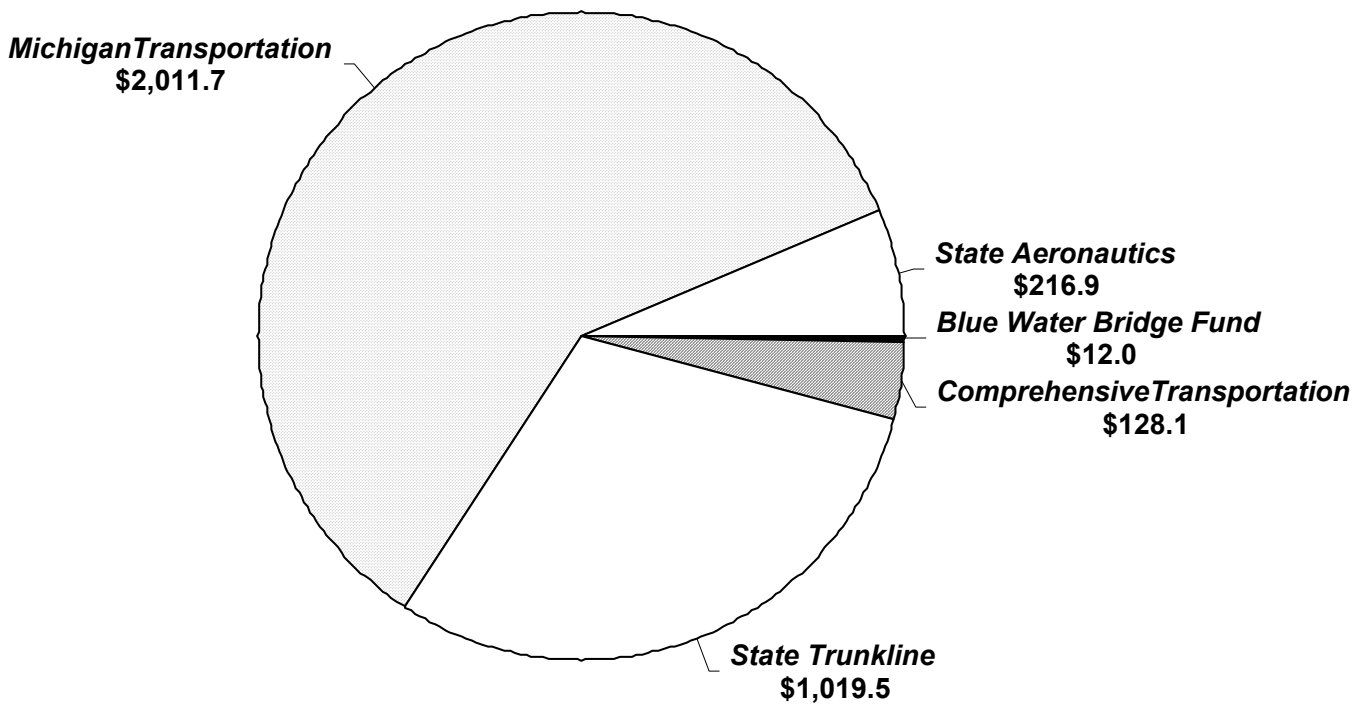
Provides funds for expenditures and transfers for administration and improvement of local airports.

BLUE WATER
BRIDGE FUND

Subsidiary fund of State Trunkline Fund used by MDOT for accounting purposes to identify funding used for debt service, loan repayments, and operating funds for the Blue Water Bridge.

**STATE OF MICHIGAN
TRANSPORTATION TAX REVENUE
DISTRIBUTION
FY 2002-03**

TOTAL RESOURCES: \$3,388.2 MILLION
(Chart dollars in millions)





Distribution of Use Tax Revenue

**FYs
2001-02
and
2002-03**

**DISTRIBUTION
OF
USE
TAX
REVENUE**

**FY 2001-02
and
FY 2002-03**

**(MILLIONS
OF
DOLLARS)**

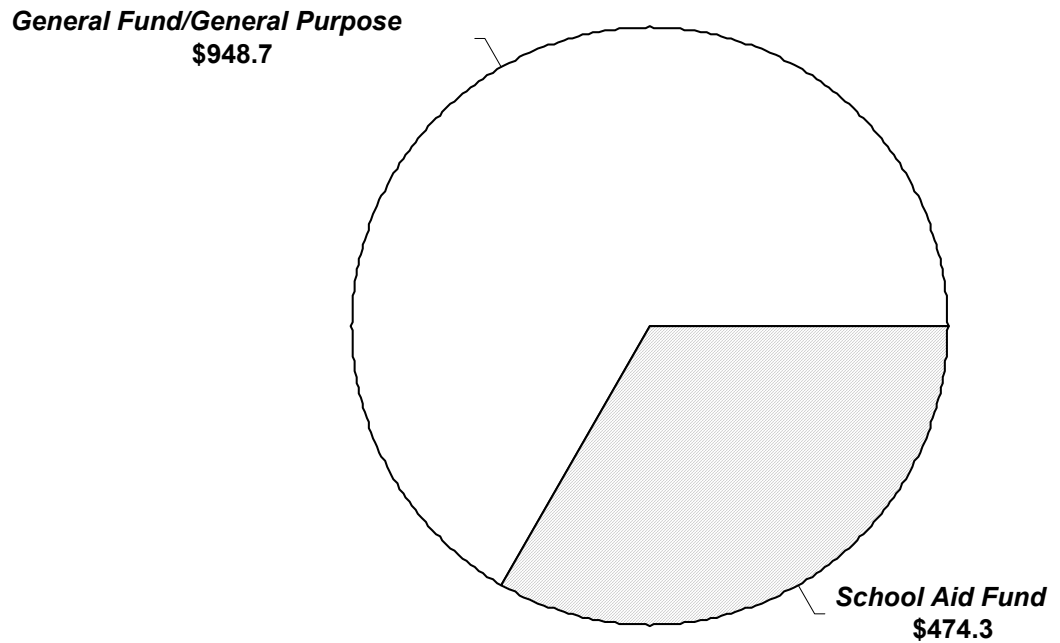
	<u>FY 2001-02</u>	<u>% OF TOTAL</u>	<u>FY 2002-03</u>	<u>% OF TOTAL</u>
GENERAL FUND/ GENERAL PURPOSE	\$910.0	66.5%	\$948.7	66.7%
SCHOOL AID FUND	456.0	33.3%	474.3	33.3%
PRESCRIPTION DRUGS CREDIT	<u>2.0</u>	0.1%	<u>0.0</u>	0.0%
TOTAL	\$1,368.0		\$1,423.0	

DEFINITIONS AND OTHER NOTES

GENERAL FUND/ GENERAL PURPOSE	Receives use tax revenue not dedicated for other purposes.
SCHOOL AID FUND	Receives 33.3% of use tax revenue.
PRESCRIPTION DRUGS CREDIT	Prescription drugs exempt from the use tax; distribution is actually a tax expenditure.

**STATE OF MICHIGAN
USE TAX REVENUE
DISTRIBUTION
FY 2002-03**

**TOTAL RESOURCES: \$1,423.0 MILLION
(Chart dollars in millions)**





**TAX
INFORMATION
AND
DEDICATION
OF
REVENUE**

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02

Estimated Collections

Business Privilege Taxes

Accommodations (Hotel/Motel)

ENACTED: PA 263 of 1974, PA 106 of 1985

BASE: Amount charged transient guests for lodging in any hotel/motel; in counties with population over 600,000, amount charged transient guests for lodging in a hotel/motel with over 80 rooms

RATE: Variable; up to 6% of amount transient guests pay for lodging

DISPOSITION: General Fund Restricted; Convention Facilities Development Fund

\$18,300,000

Airport Parking Excise

ENACTED: PA 248 of 1987

BASE: Amount charged for parking

RATE: 30% of amount charged for parking

DISPOSITION: Airport Parking Fund

\$14,900,000

Casino Wagering Tax

ENACTED: Voter-initiated law of 1996

BASE: Adjusted gross receipts received by gaming licensee

RATE: 18%

DISPOSITION: 55% to City of Detroit; 45% to School Aid Fund

\$92,000,000
state portion

NOTE: In addition to the casino wagering tax, each casino annually pays \$8.33 million (indexed to inflation), to the State Services Fee Fund. The City of Detroit also levies a municipal services fee, which is the greater of 1.25% of adjusted gross receipts or \$4.0 million per casino.

Corporate Organization

ENACTED: PA 284 of 1972

BASE: Domestic: authorized capital stock; Foreign: capital stock attributable to Michigan

RATE: Domestic: \$50 for first 60,000 shares, plus \$30 for each additional 20,000 shares
Foreign: \$50 for shares attributable to Michigan, plus \$30 for each additional 20,000 shares

DISPOSITION: General Fund; Restricted

\$13,500,000

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Foreign Insurance Company Retaliatory

ENACTED: PA 218 of 1956

BASE: Gross premiums of out-of-state insurance companies

RATE: Unauthorized insurance at 2%; foreign insurance at Single Business Tax equivalent or amount equal to foreign imposed costs, whichever is higher

DISPOSITION: General Fund/General Purpose

\$240,000,000

Oil and Gas Severance

ENACTED: PA 48 of 1929

BASE: Gross cash market value of oil and gas severed

RATE: Oil at 6.6%; gas at 5%; stripper wells and/or marginal properties at 4%

DISPOSITION: General Fund/General Purpose

\$33,000,000

Simulcast Wagering

ENACTED: PA 279 of 1995

BASE: Amounts wagered on interstate and inter-track simulcast races

RATE: 3.5%

DISPOSITION: Agricultural Equine Industry Development Fund

\$11,900,000

Single Business

ENACTED: PA 228 of 1975

BASE: Federal adjusted gross income plus compensation, interest paid, and depreciation; with deductions for new capital investment and labor intensity

RATE: 1.9% (beginning January 1, 2001, declines by 0.1% per year until reaching zero)

DISPOSITION: General Fund/General Purpose

\$1,898,400,000

Unemployment Compensation

ENACTED: PA 1 of 1936 (Extra Session)

BASE: Wages paid per covered employee up to limit of \$9,500; or wages equal to federal unemployment tax base – whichever is higher

RATE: Variable

DISPOSITION: Deposited to MESA for transfer to U.S. Treasury

\$1,000,000,000

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Consumption Taxes

Beer

ENACTED: PA 8 of 1933 (Extra Session)	
BASE: Beer manufactured or sold in Michigan	
RATE: \$6.30 per barrel; \$2 per barrel credit for small brewers	
DISPOSITION: General Fund/General Purpose	
	\$43,600,000

Liquor

ENACTED: PA 94 of 1959, PA 218 of 1962, PA 107 of 1985, PA 213 of 1972	
BASE: Retail selling of spirits	
RATE: Mixed-spirit drinks: \$0.48 per liter; on-premise consumption: 12%; Off-premise: 13.85%	
DISPOSITION: 4% Specific: all to General Fund/General Purpose; 4% Excise: all to School Aid Fund; 4% Specific: all to Convention Facility Development Fund; 1.85% Specific: all to Liquor Purchase Revolving Fund	
	\$97,600,000

Sales

ENACTED: PA 167 of 1933	
BASE: Gross proceeds from retail sale of tangible personal property, electricity, gas, and steam for use or consumption	
RATE: 6% (4% for electricity, natural gas, and home heating fuel)	
DISPOSITION: 24.2% to local revenue sharing (subject to appropriation), 73.3% to School Aid Fund, 1.3% CTF, remainder to General Fund/General Purpose	
	\$6,495,400,000

Stadium and Convention Facility

ENACTED: PA 180 of 1991	
BASE: Gross receipts for restaurants, hotels, and auto leasing companies in selected municipalities	
RATE: Restaurants/hotels: not to exceed 1%; auto leasing: not to exceed 2%	
DISPOSITION: Special fund of municipality; none levied at this time	
	\$0

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Tobacco Products

ENACTED: PA 327 of 1993

BASE: Tobacco products sold in Michigan

RATE: Effective August 1, 2002. Cigarettes at \$1.25 per pack; other at 20% of wholesale price

DISPOSITION: From cigarettes: School Aid Fund at 54.2%; General Fund/General Purpose at 33.0%; Healthy Michigan Fund at 6%; Health & Safety Fund at 3.2%; Medicaid Trust Fund at 2.9%; Wayne County at 0.7%. From other: School Aid Fund at 75.6%; Healthy Michigan Fund at 6%; General Fund/General Purpose at 18.4%

\$646,500,000

Uniform City Utility Users

ENACTED: PA 100 of 1990

BASE: Privilege of consuming public telephone, electric, steam, or gas service in Detroit

RATE: Between ¼ of 1% and 5%

DISPOSITION: To hire police officers

\$55,000,000

Use

ENACTED: PA 94 of 1937

BASE: Purchase price of tangible personal property and certain services

RATE: 6% (4% for electricity, natural gas, and home heating fuel)

DISPOSITION: General Fund/General Purpose at 67%; School Aid Fund at 33%

\$1,368,000,000

Wine

ENACTED: PA 8 of 1933 (Extra Session)

BASE: Wine sold in Michigan

RATE: Imported: \$0.135 per liter if 16% alcohol or less, \$0.20 per liter if over 16% alcohol; Domestic: \$0.01 per liter

DISPOSITION: General Fund/General Purpose

\$7,200,000

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Income Taxes

Personal Income

ENACTED: PA 281 of 1967

BASE: Federal adjusted gross income (AGI) of individuals, estates, and trusts, with adjustments

RATE: 4.1% (declines by 0.1% per year to 3.9% in 2004)

DISPOSITION: General Fund/General Purpose (GF/GP); 23% of gross revenues to schools adjusted for rate reductions

\$7,679,400,000
gross
\$6,266,400,000
net of refunds

Uniform City Income

ENACTED: PA 284 of 1964

BASE: Income of city residents and income earned in city

RATE: Maximum 1% of income for residents and corporations; maximum 0.5% income for non-residents (2.8% resident, 1.4% non-resident in Detroit; 2.0% on corporations; Highland Park, Grand Rapids, and Saginaw may levy 2.0% resident, 1.0% non-resident)

DISPOSITION: General Fund of city

\$525,000,000

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Property Taxes

Commercial Forest

ENACTED: PA 94 of 1925 (Replaced by PA 57 of 1995)

BASE: Lands placed in commercial forest reserve and cash value of timber thereon

RATE: Specific: \$1.10 per acre (\$1.20 per acre to local units); withdrawal: \$1.00 per acre fee plus per acre penalty based on ad valorem taxes (varies)

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

\$2,700,000

County Real Estate Transfer

ENACTED: PA 134 of 1966

BASE: Fair market value of property transferred

RATE: \$0.55 per \$500 (0.11%); Wayne County may impose a higher rate with voter approval

DISPOSITION: General Fund of county in which tax is collected

\$36,900,000

Estate (Inheritance Tax until 1993)

ENACTED: PA 188 of 1899, PA 54 of 1993

BASE: Fair market value of gross estate, pursuant to Federal Tax Code

RATE: Maximum allowable federal credit for state inheritance taxes paid

DISPOSITION: General Fund/General Purpose

\$127,000,000

General Property

ENACTED: PA 206 of 1893

BASE: Real and personal property not otherwise exempted

RATE: Varies by local unit; requires voter approval

DISPOSITION: As locally determined

\$8,800,000,000

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02

Estimated Collections

Industrial Facilities

ENACTED: PA 198 of 1974

BASE: Restored/replacement facility: SEV, excluding land and inventory in year prior to exemption; new facility: taxable value, excluding land and inventory

RATE: Restored facility: same as local property tax; new or replacement facility: SEV times 50% of 1993 school operating taxes, plus 50% of other property taxes except education tax

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

\$136,000,000

Low Grade Iron Ore Specific

ENACTED: PA 77 of 1951

BASE: Rated annual capacity of production and treatment plant, and gross ton value of ore

RATE: 1.1% at full production

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

\$5,900,000

Mobile Home Trailer Coach

ENACTED: PA 243 of 1959

BASE: Occupied trailer coaches in licensed trailer coach parks

RATE: \$3 per month per coach

DISPOSITION: SAF: \$2 per coach; counties and municipalities: \$0.50 per coach

\$4,700,000

Neighborhood Enterprise Zone Facilities

ENACTED: PA 147 of 1992

BASE: Rehabilitated facility: SEV in prior year of exemption, excluding land; new facility: SEV, excluding land

RATE: Homesteads: 50% of average rate of other homestead or qualified agricultural property; non-homesteads: 50% of average rate of other commercial, industrial, and utility property

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

Included in industrial facilities

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Private Forest

ENACTED: PA 57 of 1995

BASE: Lands placed in private forest reserve and cash value of timber thereon (40 acre maximum)

RATE: Specific: \$1.00 per acre; stumpage: 5% of value of timber cut; withdrawal: 5% of value of timber on the stump

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

\$200,000

State Education

ENACTED: PA 331 of 1993

BASE: Taxable value of all real and personal property; increase capped at the lesser of 5% or inflation

RATE: 6 mills

DISPOSITION: School Aid Fund

\$1,558,000,000

State Real Estate Transfer

ENACTED: PA 330 of 1993

BASE: Fair market value of property transferred

RATE: \$3.75 per \$500 (0.75%) or fraction thereof of total value

DISPOSITION: School Aid Fund

\$241,000,000

Technology Park Facilities

ENACTED: PA 385 of 1984

BASE: SEV of facility, excluding land

RATE: New facility: 50% of 1993 school operating taxes, plus 50% of other property taxes except state education tax

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

Included in industrial facilities

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Utility Property

ENACTED: PA 282 of 1905

BASE: 50% of true cash value of all property of telephone, telegraph, railroad, car loaning, sleeping car, and express car companies; certain exemptions for railroads

RATE: Average statewide general property tax paid by other business property in preceding calendar year

DISPOSITION: General Fund/General Purpose

\$152,000,000

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Transportation Taxes

Aircraft Weight

ENACTED: PA 327 of 1945

BASE: The greater of maximum gross weight or maximum takeoff weight

RATE: \$0.01 per pound

DISPOSITION: Aeronautics Fund

\$300,000

Aviation Gasoline

ENACTED: PA 327 of 1945

BASE: Fuel sold or used for propelling aircraft

RATE: \$0.03 per gallon; \$0.015 per gallon refund to interstate airline operators

DISPOSITION: Aeronautics Fund

\$6,400,000

Diesel Fuel

ENACTED: PA 54 of 1951

BASE: Diesel fuel sold or used in vehicles operated on public highways; certain exemptions apply

RATE: \$0.15 per gallon; \$0.06 per gallon discount for vehicles taxed under motor carrier fuel tax

DISPOSITION: Michigan Transportation Fund

\$88,600,000

Gasoline

ENACTED: PA 150 of 1927

BASE: Gasoline sold or used in operating vehicles on public highways

RATE: \$0.19 per gallon

DISPOSITION: Michigan Transportation Fund

\$946,000,000

Liquefied Petroleum Gas

ENACTED: PA 320 of 1947

BASE: Liquefied petroleum gas sold or used in operating vehicles on public highways

RATE: \$0.15 per gallon

DISPOSITION: Michigan Transportation Fund

\$950,000

STATE OF MICHIGAN: STATE AND LOCAL TAX INFORMATION

FY 2001-02
Estimated Collections

Marine Vessel Fuel

ENACTED: PA 320 of 1947

BASE: Gas and diesel fuel sold for propelling watercraft, off-road vehicles, and snowmobiles

RATE: \$0.19 per gallon with refund for certain vessels

DISPOSITION: Recreation Improvement Fund

\$425,000

Motor Carrier Fuel

ENACTED: PA 119 of 1980

BASE: Motor fuel consumed in commercial motor vehicle while operating on public highways

RATE: \$0.21 per gallon, with a \$0.06 credit for sales tax paid

DISPOSITION: Michigan Transportation Fund

\$47,400,000

Motor Vehicle Registration

ENACTED: PA 300 of 1949

BASE: Weight of vehicle, or type or price of vehicle; maximum loaded weight for large trucks

RATE: Varies

DISPOSITION: Michigan Transportation Fund and Scrap Tire Regulation Fund

\$818,000,000

Watercraft Registration

ENACTED: PA 303 of 1967

BASE: Length of boat (certain exemptions apply)

RATE: \$14 to \$448, depending on length of boat; three-year registration period

DISPOSITION: State Waterways Fund: 17.5%; Harbor Development Fund: 33.5%; Marine Safety Fund: 49%

\$9,600,000



**DEDICATION
OF
REVENUE**

DEDICATION OF STATE REVENUE

Tax	Dedicated Amount	To/For	Constitutional or Statutory
<u>Business Privilege Taxes</u>			
Airport parking excise	100%	Airport Parking Fund	Statutory
Casino wagering tax, state portion; 45% of 18% (or 8.1%)	100%	School Aid Fund	Statutory
Simulcast wagering	100%	Agriculture Equine Industry Development Fund	Statutory
<u>Consumption Taxes</u>			
Cigarette	3.2% 54.2% 2.9% 0.7%	Health and Safety Fund School Aid Fund Medicaid Trust Fund Wayne County	Statutory
Liquor excise at the 4% rate	100%	School Aid Fund	Statutory
Liquor specific at the 1.85% rate	100%	Liquor Purchase Revolving Fund	Statutory
Liquor specific at the 4% rate	100%	Convention Facility Development Fund	Statutory
General sales imposed directly or indirectly on: fuels sold to propel motor vehicles on highways, sale of motor vehicles, and sale of the parts and accessories of motor vehicles	Not more than 25%	Transportation purposes	Constitutional
Sales at the 2% rate	100%	School Aid Fund	Constitutional
Sales at the 4% rate	15%	Revenue sharing to cities, villages, and townships on a population basis	Constitutional
Amount equal to sales at the 4% rate	21.3%	Revenue sharing to counties, cities, villages, and townships	Statutory
Sales at the 4% rate	60%	School Aid Fund	Constitutional
Tobacco products	6%	Healthy Michigan Fund	Constitutional
Tobacco products other than cigarettes	75.6%	School Aid Fund	Statutory
Use at the 2% rate	100%	School Aid Fund	Constitutional

DEDICATION OF STATE REVENUE

Tax	Dedicated Amount	To/For	Constitutional or Statutory
<u>Income Taxes</u>			
Gross income tax collections	23% with hold harmless adjustments for rate reductions	School Aid Fund	Statutory
<u>Lottery Proceeds</u>			
Lottery proceeds (net)	100%	School Aid Fund	Statutory
<u>Property Taxes</u>			
Commercial forest	School district share	School Aid Fund	Statutory
Industrial facilities	School district share	School Aid Fund	Statutory
Low grade iron ore specific	School district share	School Aid Fund	Statutory
Mobile home trailer coach	67%	School Aid Fund	Statutory
Neighborhood enterprise zone facilities	School district share	School Aid Fund	Statutory
Private forest	School district share	School Aid Fund	Statutory
State education	100%	School Aid Fund	Statutory
State real estate transfer	100%	School Aid Fund	Statutory
Technology park facilities	School district share	School Aid Fund	Statutory

DEDICATION OF STATE REVENUE

Tax	Dedicated Amount	To/For	Constitutional or Statutory
<u>Transportation Taxes</u>			
Aircraft weight	100%	Aeronautics Fund	Statutory
Aviation gasoline	100%	Aeronautics Fund	Statutory
Diesel fuel	100%	Michigan Transportation Fund	Statutory
Gasoline	100%	Michigan Transportation Fund	Statutory
Liquified petroleum gas	100%	Michigan Transportation Fund	Statutory
Marine vessel fuel	100%	Recreation Improvement Fund	Statutory
Motor fuel (specific)	100%	Transportation purposes	Constitutional
Motor carrier fuel	100%	Michigan Transportation Fund	Statutory
Motor vehicle registration	100%	Michigan Transportation Fund with certain fees to Scrap Tire Regulation Fund	Statutory
Watercraft registration	17.5%	State Waterways Fund	Statutory
Watercraft registration	33.5%	Harbor Development Fund	Statutory
Watercraft registration	49%	Marine Safety Fund	Statutory

NOTE: Revenues not constitutionally or statutorily earmarked (dedicated) are General Fund/General Purpose.

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