Gerald Faverman, Ph.D. • *Chairman of the Board*
Robert J. Kleine and Frances Spring • *Editors*
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Public Sector Reports

Michigan ECONOMIC BULLETIN

The Good News

➤ November's **merchandise trade deficit** fell to $3.57 billion, its lowest level since March 1983. The drop was precipitated by a $300 million expansion in exports and a $2.4 million drop in imports. The export gain was credited to increasing global competition, especially in the capital goods markets.

➤ **Consumer prices** rose a very modest 0.3 percent in December; for all of 1991 prices increased a meager 3.1 percent.

➤ **Producer prices** declined a seasonally adjusted 0.2 percent in December, the result of further declines in energy costs. For all of 1991 producer prices fell 0.1 percent, the first decline in the annual figure since 1986. The drops indicate that the economy is still relatively inflation free.

➤ A steady—rather than recessionary—economy might be indicated by industrial sector activity: Factory orders for durable and nondurable goods—seen as a precursor of future factory production—rose a seasonally adjusted 0.6 percent in November. In the same month **machine tool orders** rose 2.98 percent, led by a 21-percent gain in export requisitions.

➤ Adjusted for seasonal variation, **consumption** rose a healthy 0.7 percent in November, climbing to $3.952 billion from October's $3.926 billion mark. The rise reflected a 0.4 percent increase after adjusting for inflation.

The Bad News

➤ After providing what minimal spark was present in the economy last spring, **industrial production** continues to languish: December's 0.2-percent drop in the figure was its third consecutive decline, and continued weakness in auto production likely will prevent any revival in that sector in the coming months.

➤ **Retail sales** rose a scant 0.4 percent (seasonally adjusted) in December, demonstrating that consumers will not prod the sluggish economy. For all of 1991, sales rose only 0.7 percent, the smallest annual change in the figure since 1961, when sales declined by 0.1 percent.

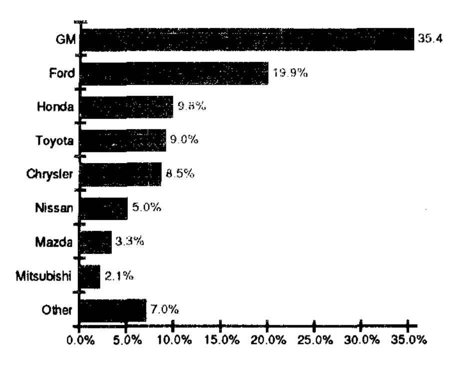
➤ New claims for state **unemployment insurance** rose by 22,000 nationwide during the last week in December despite the fact that unemployment offices were closed one day for the holiday, indicating a lingering recession.

➤ **Disposable personal income** fell 0.2 percent in November, led by a 1.1 percent decline in factory payrolls. After adjusting for inflation, the drop in after-tax income was 0.5 percent.

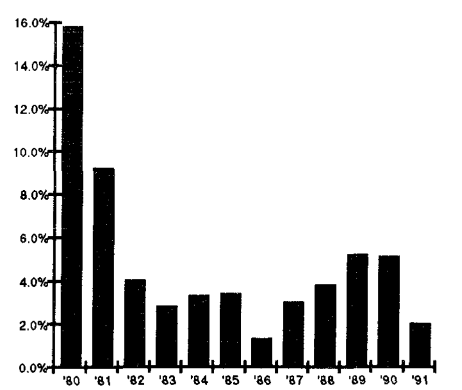
IN THIS ISSUE

MICHIGAN ECONOMIC INDICATORS

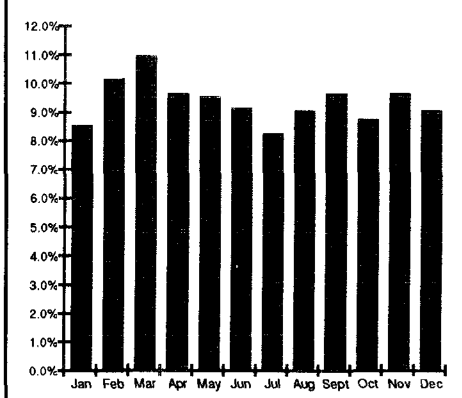
Percentage Share of U.S. Car Market, 1991



Detroit-Ann Arbor CPI-U (percentage change from previous year)



Michigan Monthly Unemployment Rates



SOURCES: *Automotive News*, Bureau of Labor Statistics.

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Tax Increases Among the States

Most tax analysts agree that aggregate tax increases at the state level in 1991 were the largest ever. What analysts may not agree upon is the exact amount of the tax change or whether or not some states raised taxes. Steven D. Gold of the Center for the Study of the States (CSS) discusses these disagreements in his analysis of two major state-by-state surveys of tax changes conducted by the National Council of State Legislatures (NCSL) and the National Association of State Budget Officers (NASBO). (The two surveys were cited as publications of interest in December's *Economic Bulletin.*) In an article published in *State Tax Notes* ("How Much Did State Taxes Really Go Up 1991?") Mr. Gold summarizes the two surveys' results and offers reasons for the differences in their estimates of tax changes.

Did Taxes Go Up or Down?

Agreement between the NCSL and NASBO studies was limited to ten states: nine in which no change occurred and Michigan, where they agree that taxes were cut by $10 million. As the exhibit shows, however, their views on the remaining forty states were another story. The two studies estimates of the size of the tax increase in California, for example, differ by a whopping $702 million.

Mr. Gold provides several explanations for these differences. One focuses on human factors, another on the time constraints associated with timely publication of survey results. Mr. Gold also points out that both NCSL and NASBO are membership organizations that may not be quick to disagree with their members, even if responses are questionable. Yet another source of differences is conceptual distinctions between the two surveys.

Results

The NCSL study estimated the aggregate tax increase among the states to be $16.2 billion, the NASBO estimated the total at $15 billion, and the CSS estimate was $14.4 billion. One source of difference in the totals stems from the aforementioned California gap. The NASBO survey did not include a half-cent sales tax increase to fund local mental health, indigent, and social services programs because the monies will not affect general fund revenues. In addition, the NCSL report included as tax increases extensions of existing temporary taxes in five states totaling $1.2 billion; these were not included in either of the other two studies. Mr. Gold concludes that last year's tax increases are closer to $14.4 billion than $16.5 billion.

Is There an Answer?

How much did taxes go up last year? As with nearly all statistical aggregates, there is no one "correct" answer. We can conclude, however, that the increase in taxes (in current dollars) is the largest single year rise ever. If measured in real terms (adjusted for inflation), however, the rise is the largest since 1971. In addition, the increase in levies was not as widespread as in 1983, when 25 states raised taxes; the total for 1991 was 12 states. Two states (California and Pennsylvania) accounted for two-thirds of the total rise in assessments in 1991; in 1983, the largest single-state changes were in the $1-billion range.

Estimated State Tax Increases Enacted in 1991
(dollars in millions)

State	NASBO	NCSL	CSS
Alabama	$22	$172	$0
Alaska	0	1	0
Arizona	8	9	1
Arkansas	282	265	245
California	5,691	6,393	6,393
Connecticut	1,110	1,067	1,066
Delaware	96	76	76
Florida	285	51	51
Hawaii	17	(1)	21
Idaho	15	13	13
Illinois	144	732	27
Indiana	0	43	43
Iowa	19	14	13
Louisiana	(14)	315	0
Maine	187	266	176
Maryland	146	90	90
Massachusetts	(156)	(215)	(40)
Michigan	(10)	(10)	(10)
Minnesota	335	288	288
Missouri	351	154	0
Montana	26	(5)	(5)
Nebraska	55	45	44
Nevada	175	139	92
New Hampshire	0	62	39
New Jersey	(30)	(20)	(20)
New Mexico	22	27	27
New York	817	1,200	800
North Carolina	631	606	606
North Dakota	0	0	(1)
Ohio	132	102	102
Oregon	93	93	91
Pennsylvania	3,029	3,167	3,167
Rhode Island	83	131	127
S. Carolina	29	11	7
Tennessee	200	6	6
Texas	1,058	852	852
Utah	0	5	3
Vermont	88	90	86
Virginia	0	33	2
Washington	56	33	33
Wisconsin	39	20	25
TOTALS	$15,031	$16,320	$14,536

SOURCE: Steven D. Gold, "How Much Did State Taxes Really Go Up in 1991?" *State Tax Notes* (Arlington, Va.: Tax Analysts, December 30, 1991), p. 626.
NOTE: Tax revenue is for FY 1990, the latest period for which data are available. States with zero estimates have been omitted.

MICHIGAN ECONOMIC BULLETIN
Special Insert • January 1992

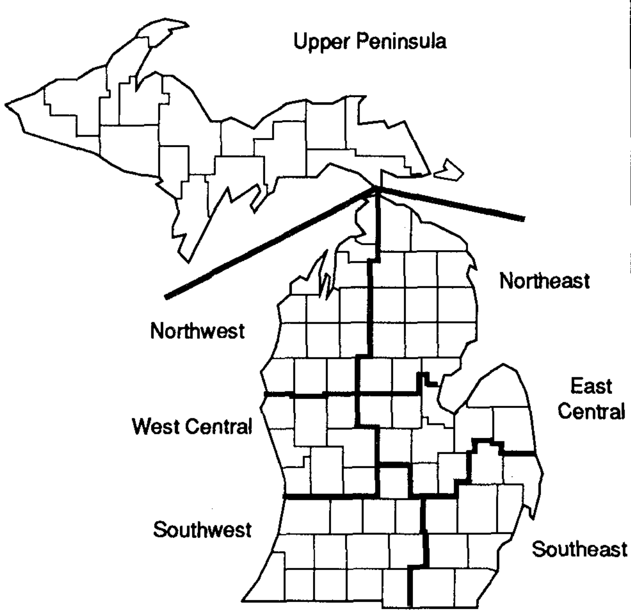
Regional Forecasts for 1992, by Economic Sector

by David I. Verway, Ph.D., Affiliated Consultant

The following discusses the nine major economic sectors (durable goods manufacturing, nondurable goods manufacturing, construction and mining, retail sales, services, government, wholesale trade, finance/insurance/real estate, and transportation/public utilities) for each of Michigan's seven regions (see Exhibit 1), to the extent data are available.

EXHIBIT 1

Michigan Regions



SOURCE: Public Sector Consultants, Inc.

DURABLE GOODS Despite considerable diversification, Michigan's economic fortunes still depend heavily on the manufacture of durable goods: In 1991 about 17 percent of the state's wage and salary jobs were in durable goods manufacturing, compared with about 10 percent nationally. From 1989 to 1991 the number of salaried and hourly employees in this sector declined by about 70,000. Exhibit 2 shows that although 1992 probably will be better than 1991, the employment levels still will be lower than in 1989. Not all the news is negative, however: Last year Ford Motor Company and Dunlop (a British firm) opened an automotive composites plant in Benton Harbor, and there were a number of other plant openings and expansions.

EXHIBIT 2

Regional Employment in Michigan Durable Goods Manufacturing Industries, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Pennsula	10.5	10.6	9.8	9.9
Northeast	8.8	8.5	8.2	8.3
Northwest	15.1	14.5	13.8	13.9
West Central	93.4	90.6	87.4	89.3
Southwest	105.9	101.4	95.3	97.3
East Central	87.8	84.9	80.6	82.3
Southeast	412.6	396.9	369.1	377.2
TOTAL	734.1	707.4	664.2	678.2

SOURCES: MESC special release and the author.

In 1991 the combined output of assembly plants in the Detroit, Flint, Saginaw, Lansing, and Ypsilanti areas accounted for about a quarter of all U.S. vehicle production. This meant that components suppliers in almost every county of the state had a market. Unfortunately, declines in auto production have resulted in declining employment in each of the state's seven regions.

Production of raw steel declined to about 7 million tons in 1991 from roughly 8 million in 1990 and 8.5 million in 1989. Vehicle manufacturers are the major market for Michigan steel producers, and for 1992 a 10 percent increase is forecast for area steel production, due largely to a pickup in the automotive sector.

In addition to vehicles, Michigan's major durable goods manufacturing industries include office furniture and fixtures, consumer appliances and electronics, machinery manufacturing, and a host of other products.

Outlook Most of the improvement in the durable goods sector is expected to occur in southeast Michigan due to the new Chrysler assembly plant in Detroit and production gains at other factories in the region. Added production at other North American vehicle plants will mean modest employment gains at components plants throughout the state. However, over the next four or five years many of these job gains will be in jeopardy because General Motors intends to close twenty-one factories, affecting nearly 74,000 jobs in its North American operations, and raise productivity in plants.

NONDURABLE GOODS MANUFACTURING Two components in this sector are related directly to the automotive industry: miscellaneous plastics products and miscellaneous textile products. The former includes such products as plastic dashboards for passenger cars, and the latter includes seat belts and other interior trim. Much of the automotive-dependent portion of the nondurable goods sector is located in southeast Michigan. The fortunes of nondurable goods producing companies in other areas of the state, such as Dow Chemical, Upjohn, and Westinghouse, largely are unrelated to car making.

Outlook Exhibit 3 points out that in 1992 some recovery in nondurable goods manufacturing is expected in every region; however, only in the west central and east central regions is genuine growth—from the pre-recession years—predicted.

EXHIBIT 3

Regional Employment in Michigan Nondurable Goods Manufacturing Industries, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	5.3	5.5	5.3	5.4
Northeast	2.7	2.7	2.5	2.6
Northwest	7.8	7.5	7.3	7.4
West Central	40.7	41.2	41.4	43.0
Southwest	56.0	54.5	52.6	54.4
East Central	27.2	27.0	27.4	28.0
Southeast	97.5	94.5	91.6	93.5
TOTAL	237.2	232.8	228.1	234.3

SOURCES: MESC and the author.

CONSTRUCTION AND MINING In 1991 statewide mining employment averaged about 9,000, and construction employment 128,000. Most of the state employment in this sector is in construction, except in the U.P., where in 1991 there were about 3,300 mining and 3,500 construction jobs.

Following several unsustainable boom years in the mid to late 1980s, construction activity slipped in 1990 and turned sharply downward in 1991. Because during the boom times more space was built than now is needed, further job losses in this sector are expected for 1992. Residential and nonresidential building is depressed not only in southeast Michigan, but statewide as well.

Outlook Exhibit 4 shows that in five regions, the number of people employed in construction and mining has dropped since 1989. In the U.P. the numbers are particularly high: The 1989–92 job loss rate is forecast at 26 percent. Declines also are expected in the southeast (14 percent) and west central (9 percent) regions. In the northwest, where there is little mining activity, construction jobs are predicted to increase by about 9 percent for the period, the result of offices being built to accommodate an influx of people and nonmanufacturing jobs, primarily from the southeast region.

EXHIBIT 4

Regional Employment in Michigan Construction and Mining, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	9.3	8.7	6.8	6.9
Northeast	4.3	42.5	4.4	4.2
Northwest	7.0	7.6	7.8	7.6
West Central	20.6	21.1	18.7	18.7
Southwest	19.1	20.5	19.4	19.2
East Central	17.0	17.1	16.4	15.9
Southeast	72.9	69.8	63.4	62.5
TOTAL	150.2	149.3	136.9	135.0

SOURCES: MESC special release and the author.

RETAIL SALES In 1989 the median income among Michigan households was $32,438, about 12 percent above the national average of $28,906. By 1990 Michigan's relative position slipped; income in that year was $29,937, virtually the same as for the nation. This decline is reflective of our shift from durable goods manufacturing to service jobs.

Declining income, high unemployment, and uncertainty about job security made 1991 another lean year for retailers. After adjusting for inflation, retail sales from 1989 to 1991 declined by about 3 percent statewide and by about 5 percent in the seven-county Detroit Metropolitan Statistical Area. Real sales volume is not expected to show any growth in 1992.

As a result of the retailing crunch, several chains are closing stores; Michigan stands to lose Ames, McCrory, Woolworth, Kenny Shoes, and Zales Jewelers outlets, among others. Consumer appliance/electronics retailers are troubled, as evidenced by the financial tumult at Highland Super Stores, and closures at others, such as Lansing-based Hi-Fi Buys. Sears Roebuck is trimming its payrolls through increased productivity. Many other retailers can be expected to find less costly ways of doing business or to close altogether, especially in areas where Wal-Mart, K-Mart, warehouse clubs, and other discounters are making inroads.

Two broad patterns can be seen in retail employment data and from surveys of experts throughout the state. In northern Michigan, retailers are moving upscale and out of downtown areas in order to improve access from well-traveled highways and by well-heeled tourists. In southeast Michigan, an overextended retail base is shrinking. In Troy, expansion of the posh Somerset Mall may cause further contraction in "high-end" retailing in the rest of the southeast. Ironically, the already saturated southeast Michigan area also seems to be the target of a number of "low-end" retailers such as the Pace Warehouse Club.

Variety, price competition, and an overvalued Canadian dollar have made the Detroit area a shopping mecca for our neighbors to the east. The volume of such exports, although difficult to estimate, may be as high as $750 million. Little further growth seems likely in this area, however.

Outlook The decline in Michigan's retail employment—about 12,000 jobs in 1991—has been far less dramatic than in durable goods manufacturing. There is very little prospect for recovery of these jobs during 1992, due largely to the shakeout occurring in southeast Michigan. The northern and western regions, however, can expect some growth. Exhibit 5 presents the figures.

EXHIBIT 5

Regional Employment in Michigan Retailing Industries, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	22.4	23.3	22.6	23.1
Northeast	17.4	18.3	19.0	19.6
Northwest	22.2	23.8	24.5	25.0
West Central	88.3	89.8	90.3	91.0
Southwest	110.8	112.7	111.6	112.0
East central	83.8	87.0	88.4	88.0
Southeast	381.7	390.1	376.6	375.5
TOTAL	726.6	745.1	733.0	734.2

SOURCES: MESC special release and the author.

SERVICES Southeast Michigan's lodgings industry, like its restaurant business, is struggling; lean times have been caused by the downturn in vehicle manufacturing. The fortunes of providers of business services, legal services, and entertainment have been similarly affected.

Health care still is a growth industry, although in the Detroit area expansion is considerably below the statewide average. The health industry has been troubled by cutbacks in state funding for the indigent and by government and private sector programs to curtail spending growth for the insured. In 1991 employment in health care in the City of Detroit declined; Southwest Detroit Hospital closed and several others reduced their activities.

Outlook Exhibit 6 shows regional service sector employment. For 1992 every region of the state can expect growth in the services sector; the northwest will lead the pack, followed by the northeast and the U.P. Southwest Michigan is the only region with a projected rate of growth of less than one percent in service industries' employment.

EXHIBIT 6

Regional Employment in Michigan Service Industries, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	19.5	20.5	21.1	21.6
Northeast	13.3	13.9	14.5	14.9
Northwest	24.4	25.1	26.2	27.0
West Central	97.0	101.0	104.3	106.0
Southwest	121.7	125.3	128.3	129.3
East Central	86.7	90.8	94.0	95.0
Southeast	549.6	561.9	561.0	572.0
TOTAL	912.2	938.5	949.4	965.8

SOURCES: MESC special release and the author.

GOVERNMENT Overall, the combined level of state, local, and federal civilian employment declined by about 6,000 jobs last year. In addition to cuts in state government employment, there have been some shifts in employment: Some correctional and mental health activities have been transferred to the U.P.

Outlook As shown in Exhibit 7, in 1992 government sector jobs are expected to decline further, by about 3,000. Modest gains are expected in the U.P. as a result of state government job growth, and in the west central region as a result of local government growth. The southwest, which includes Lansing, is expected to experience the largest contraction in government activity.

EXHIBIT 7

Regional Employment in Government in Michigan, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	32.0	32.7	32.7	33.3
Northeast	16.6	17.6	17.5	17.3
Northwest	18.5	19.2	18.9	18.5
West Central	59.9	60.9	60.8	61.0
Southwest	137.3	139.5	138.3	137.0
East Central	65.3	65.8	65.7	65.0
Southeast	293.6	293.1	289.1	288.0
TOTAL	623.2	628.6	623.0	620.1

SOURCES: MESC special release and the author.

WHOLESALE TRADE Throughout the recession wholesale trade has been relatively stable in northern Michigan and has shown modest growth in western Michigan; the big job losses have taken place in the southeast.

Outlook Further contraction is expected in 1992, although at a much reduced rate of decline. Exhibit 8 displays the figures.

FINANCE, INSURANCE, AND REAL ESTATE As shown in Exhibit 9 this sector exhibited some growth in each region during the recession.

EXHIBIT 8

Regional Employment in Wholesale Trade in Michigan, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	2.8	2.9	2.7	2.7
Northeast	1.8	1.8	1.9	1.9
Northwest	3.1	3.2	3.2	3.2
West Central	30.1	32.0	32.2	33.0
Southwest	22.4	22.9	22.8	23.0
East Central	17.6	17.9	17.9	18.0
Southeast	118.2	118.7	113.4	113.0
TOTAL	196.0	199.3	194.1	194.8

SOURCES: MESC special release and the author.

EXHIBIT 9

Regional Employment in Finance, Insurance, and Real Estate in Michigan, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	3.9	3.8	3.9	3.8
Northeast	2.4	2.4	2.4	2.4
Northwest	3.5	3.7	3.8	3.9
West Central	18.7	19.1	19.2	19.4
Southwest	28.1	28.8	29.4	29.5
East Central	14.7	15.2	15.4	15.4
Southeast	116.1	118.1	118.8	118.0
TOTAL	187.4	191.1	192.9	192.4

SOURCES: MESC special release and the author.

Outlook Bank mergers and a flat real estate industry make this sector an unlikely source of job growth in 1992, particularly in the southeast.

TRANSPORTATION, COMMUNICATION, AND PUBLIC UTILITIES Like wholesale trade, activity in this group of industries largely supports the rest of the economy. The businesses in this category are very capital intensive and relatively unaffected by business cycle fluctuations. From 1989 to 1992 the highest growth rates occurred in the northwest, east central, and west central regions.

Outlook Employment for 1992 in transportation, communication, and public utilities is expected to increase slightly in some regions and decrease slightly in others, but remain stable overall. See Exhibit 10.

EXHIBIT 10

Regional Employment in Transportation, Communication, and Public Utilities in Michigan, 1989–92 (thousands of wage and salary jobs)

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	5.1	5.2	5.2	5.1
Northeast	2.8	2.8	2.9	2.8
Northwest	3.5	3.7	3.7	3.8
West Central	15.4	15.6	15.1	15.6
Southwest	20.5	20.5	20.5	20.5
East Central	13.8	13.7	13.9	14.0
Southeast	94.2	95.5	94.2	94.5
TOTAL	155.3	157.1	155.5	156.3

SOURCES: MESC special release and the author.

Summary

After another difficult winter, in 1992 Michigan can expect modest improvement in its economic fortunes, with employment projected to increase by about 35,000 jobs or 0.9 percent. The west central region (Grand Rapids) is best situated to take advantage of the expansion, and the northwest lower peninsula will benefit through spinoff effects from the recovery in the state's southern industrial centers. The east central region (Flint/Saginaw/Thumb) is projected to show the slowest rate of growth during 1992, 0.3 percent. Exhibit 11 provides a summary of past regionwide unemployment rates, as well as our current year forecast.

Although employment gains are predicted for all regions in 1992, unemployment rates will remain high in most areas. The northern part of the state will continue to endure hardships as mining and durable goods production continue to decline: The northeast will have the highest unemployment rate among the state's regions, followed by the northwest region and the U.P. The lowest rates are expected in the west central and southwest regions, both buoyed by gains in the nonautomobile related portions of the durable and nondurable goods sectors.

EXHIBIT 11

Unemployment Rates in Michigan: 1989–92

Region	1989	1990	1991	1992 (est.)
Upper Peninsula	8.1%	8.9%	10.3%	9.6%
Northeast	9.8	9.9	11.9	12.2
Northwest	9.1	9.4	10.7	10.4
West Central	6.3	7.3	8.7	7.6
Southwest	6.3	6.7	8.0	7.2
East Central	8.6	8.7	10.6	9.3
Southeast	6.9	7.3	9.2	8.2
TOTAL	7.1	7.5	9.2	8.3

SOURCES: MESC special release and the author.

No Consensus on Revenues; The 1992 Engler Agenda

Revenue Estimating Conference

As required by a law passed last year, representatives of the administration, Senate Fiscal Agency (SFA), and House Fiscal Agency (HFA) met to try to reach consensus on revenue estimates for FY 1992–93. The conference began with several economists presenting their forecasts for the national and state economies. Speakers included Dick Rippe from Prudential Securities and Stan Doubinis from the WEFA Group (formerly Wharton Econometrics), as well as representatives from the Department of Treasury and the House and Senate fiscal agencies. (Representatives from the University of Michigan's Research Seminar and Qualitative Economics [RSQE] were unable to attend but made relevant materials available).

The next step was to try to reach consensus on the revenue figures. After meeting for several hours, it appeared that an agreement would not be reached when House negotiators refused to adopt numbers acceptable to the Senate Fiscal Agency and administration. House Speaker Lewis Dodak expressed concern over the timing of the agreement and the methods used to arrive at consensus. (The exhibit below provides a list of the individual estimates as well as several average estimates.) The Speaker indicated his belief that it was premature to adopt estimates for a fiscal year that will not begin until October, and that the process of averaging differing estimates was not an appropriate way to reach agreement. The administration decided that absent a consensus the SFA staff estimates would be used to satisfy the requirements of the law. The conference is tentatively set to reconvene in May.

State of the State

Governor Engler presented his State of the State address on January 22; it included a few items on state taxes. The governor claimed that sufficient signatures soon would be presented to the State Board of Canvassers to place his "cut and cap" property tax proposal on the November ballot. The plan would cut property taxes by 30 percent over four years (10 percent in the first and fourth years of the plan and 5 percent in the second and third years) and limit property assessment increases to 3 percent per year. Schools would be compensated for the resulting loss in revenues from funds the governor claimed would come from growth in the state's revenue base.

Governor Engler also indicated his position on raising the state's gasoline tax, a proposal now pending in the legislature. The governor acknowledged the necessity for repair of the state's roads and bridges but said that he would not support any increase in the gas tax to finance the repairs; he is considering a bond issue as an alternative financing method.

Finally, although the governor expressed support for new child health and antismoking programs, he did not specifically indicate his support for an increase in the cigarette tax to finance those programs, as several proposals have suggested doing.

National Tax Trivia

With the new year also comes an increase in the standard deduction allowed when *using a vehicle for business purposes*: The deduction rises one-half cent to $.28 per mile from the current $.275.

Maximum payments into and withdrawals from *401(k) savings plans* both rise this year: The maximum annual deposit rises $253 to $8,728 and the maximum withdrawal by $3,258 to $112,221.

Forecast of Revenue, FY 1992–93
(dollars in millions)

	Revenue Level			Revenue Growth		
Estimate Source	GF/GP	School Aid	Combined	GF/GP	School Aid	Combined
Administration	$7,702.8	$2,336.8	$10,039.6	5.2%	4.4%	5.0%
House Fiscal Agency	7,907.5	2,368.1	10,275.6	6.9	5.8	6.6
Senate Fiscal Agency	7,763.3	2,363.9	10,127.2	6.0	5.7	6.0
U of M RSQE	7,782.0	2,359.0	10,141.0	5.4	5.8	5.5
Staff	7,769.3	2,356.9	10,126.2	5.8	5.3	5.7
High-low average	7,805.2	2,352.5	10,157.7	6.0	5.1	5.8
Simple average 3	7,791.2	2,356.3	10,147.5	6.0	5.3	5.9
Simple average 4	7,788.9	2,357.0	10,145.9	5.9	5.4	5.8

NOTE: The U. of M. does not forecast all revenue sources; the Department of Treasury estimates therefore are used for nontax revenues and lottery sales.

Michigan Revenue Report

December revenue collections (largely November activity) provided little encouragement for those looking for a turnaround in the economy. General fund and school aid fund taxes fell 0.8 percent below the year-ago level (preliminary data). Personal income tax withholding collections declined one percent from December 1990. The accuracy of this number is in question, however, as the accelerated collection of withholding the collections has made the data difficult to interpret. This number appears reasonable in light of other indicators.

Sales and use tax collections increased 1.4 percent above the year-ago level despite a 12.4 percent decline in motor vehicle tax collections. All other collections increased about 3.5 percent, an encouraging performance but not enough evidence that retail sales are beginning to improve.

Single business tax collections, showing no sign of improvement, declined 11.7 percent from the year-ago level.

Lottery sales increased 5.2 percent in December, the second consecutive monthly increase. Year-to-date collection are up 3.1 percent, a sharp improvement from the 5 percent decline in FY 1990–91.

Our current estimate is that general fund and school aid fund revenue will increase about 2.5 percent in FY 1991–92, with all the growth occurring in the second half of the year.

MONTHLY TAX COLLECTIONS (dollars in thousands)

Type of Revenue	Preliminary December 1991	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1991–92 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	$369,889	1.0%[a]	$1,106,232	1.4%[a]	$723,023	1.5%[a]
Quarterly and Annual Payments	25,717	-29.2	46,555	-8.2	30,826	-23.1
Gross Personal Income Tax	395,606	0.9	1,152,787	0.6	753,849	0.0
Less: Refunds	-16,328	-6.0	-50,307	40.3	-31,938	17.7
Net Personal Income Tax	379,278	-2.0	1,102,480	-2.0	721,911	-2.8
Sales and Use Taxes	264,541	1.4	787,963	-1.2	518,261	-1.5
Motor Vehicles	31,960	-12.4	113,001	-5.0	68,660	-8.4
Single Business Tax	66,007	-11.7	407,399	-9.6	272,481	-7.6
Cigarette Tax	19,375	-9.4	63,376	-2.5	42,997	-3.1
Public Utility Taxes	65,118	17.0	72,563	1.3	72,437	1.1
Oil and Gas Severance	4,085	-13.1	10,672	-26.0	7,721	-21.2
Lottery[b]	38,628	5.2	117,377	3.1	117,377	-11.0
Penalties and Interest	548	6.4	14,795	7.8	6,892	10.3
SUW—Annuals and Undistributed[c]	16,175	1,065.3	26,507	559.1	24,639	853.5
Other Taxes[d]	17,304	-54.0	104,268	15.5	51,879	-7.2
TOTAL TAXES (GF & SAF)[e]	$871,059	-0.8%[a]	$2,707,400	-1.0%[a]	$1,836,595	-1.9%[a]
Motor Fuel Tax[f]	$57,624	13.2%	$162,812	-2.7%	$104,142	-4.3%

SOURCE: Data supplied by Michigan Department of Treasury.
NM = Not meaningful
[a]Adjusted to reflect accelerated withholding payments beginning in September.
[b]The state share of lottery sales in 40.1 percent (FY 91). The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.
[c]These revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.
[d]Includes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.
[e]Excluded are beer and wine, liquor, and horse racing taxes.
[f]The motor fuel tax is restricted to the Transportation Fund.

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