Craig Ruff • *President*
William R. Rustem • *Senior Vice President*
Robert J. Kleine and Frances Spring • *Editors*
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Public Sector Reports

Michigan ECONOMIC BULLETIN

The Good News

➤ **Michigan's unemployment rate** remained below the national average for the second straight month, falling 0.5 percent to 6.3 percent in March. The state's jobless rate is down considerably from this time last year, when it was 9.2 percent, and is at its lowest point since April 1989.

➤ U.S. **auto sales** rebounded in late March to an annual rate of 11.4 million vehicles, up from 10.3 million in the previous 30 days and 10.2 million for the same period last year. March figures offered further good news for domestic producers, as the **Japanese market share** of U.S. passenger car and light truck sales slipped to 27 percent in the first quarter, down from 30 percent a year earlier.

➤ The **index of leading indicators** rose 0.5 percent in February to 153.6 percent of the 1982 average from a revised 152.8 percent in January. The change in the index, which is designed to foretell the state of the economy in the coming six months, was a result of improvement in six of the eleven economic indicators, including two employment indicators.

➤ The Conference Board's **help-wanted index**, released in late March, may take some of the sting out of recent U.S. unemployment figures. It shows that the number of advertisements for new employees rose in February to its highest level in two years, foretelling a possible rise in employment when the jobs are filled.

The Bad News

➤ The Labor Department announced that the **unemployment rate** remained at 7 percent in March, the same as in February, after declining in December and January. The economy actually lost 22,000 jobs last month, although the drop was not enough to drive down the unemployment rate.

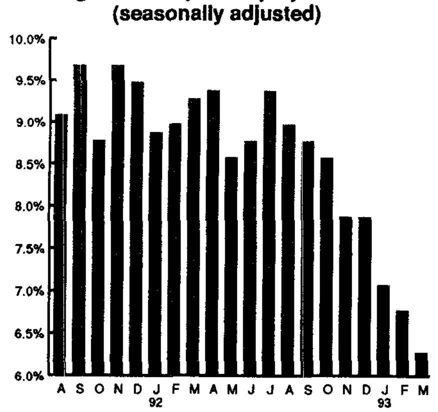
➤ U.S. **consumer prices** (excluding food and energy), which rose 0.5 percent in January and February, increased only 0.1 percent in March, easing concerns about inflation. Earlier concerns about inflation were premature given the slow pace of the economic recovery.

➤ **Consumer confidence** fell for the third straight month, dropping 5.9 points in March to 62.6. The index, which measures between 85 and 100 when the economy is performing well, has fallen more than 15 points since December. The drop is bad news for the recovery, since consumer spending represents about two-thirds of all economic activity. Consumers cite fears about their job prospects as the reason for their fading confidence.

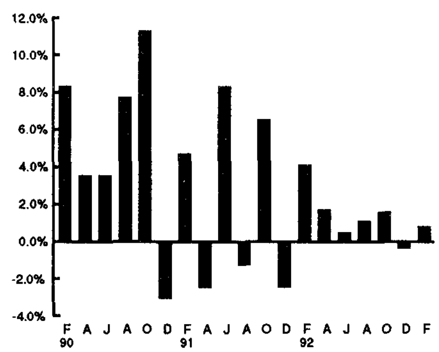
IN THIS ISSUE

MICHIGAN ECONOMIC INDICATORS

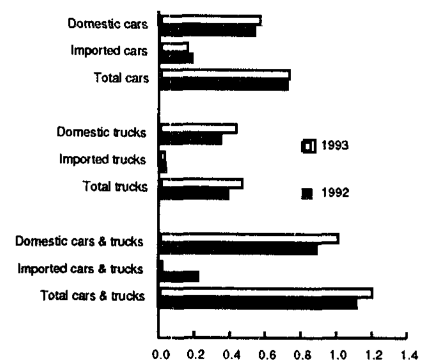
Michigan Monthly Unemployment Rates (seasonally adjusted)



Detroit-Ann Arbor CPI, Percentage Change from Two Months Ago (annual rate, not seasonally adjusted)



Domestic Sales of Cars and Light Trucks, March 1992 and 1993 (millions of units)



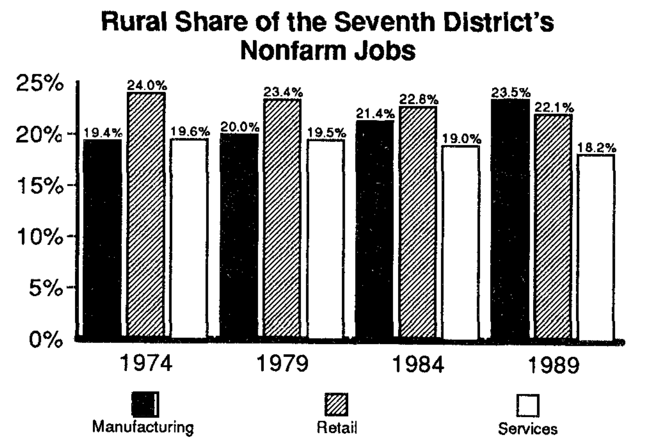
SOURCE: Michigan Employment Security Commission, *Automotive News*.

Public Sector Consultants, Inc.
Knapp's Centre • 300 S. Washington Sq • Suite 401
Lansing, MI 48933-2134 • (517) 484-4954

Changes in U.S. Manufacturing Create Challenges for Rural Areas

A recent report by the Federal Reserve Bank of Chicago discussed some of the challenges that rural manufacturing may face due to changes in U.S. manufacturing. The analysis focuses on the rural counties of the Federal Reserve's Seventh District, which includes Michigan, Illinois, Indiana, Iowa, and Wisconsin.

Although rural economies are generally associated with farming, manufacturing has long been a larger and faster growing source of employment. (See exhibit.) The Federal Reserve Bank found that manufacturing employment in rural Seventh District counties accounts for 19.2 percent of total employment, compared to 17.2 percent nationally. This strong reliance on manufacturing may soon cause problems for rural America due to three national trends—growth in manufacturing services, flexible manufacturing, and emergence of the North American Free Trade Agreement (NAFTA).



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Growth in Manufacturing Services

Manufacturing services or nonproduction jobs such as research and development, design, data processing, and distribution are important ingredients of manufacturing. These jobs grew from 39 to 49 percent of employment in the manufacturing sector between 1972 and 1990.

This growth in the importance of services is a disadvantage for rural areas because it could steer plant locations away from nonmetropolitan regions toward urban areas where services have traditionally flourished. Service jobs likely will be the highest paying in manufacturing, causing reduced income growth in rural America. During the 1980s a shift in manufacturing job composition occurred between rural and urban areas—management, research, and support jobs (usually higher paying) declined in rural areas and production jobs grew. The opposite occurred in metropolitan counties, as management and research jobs grew by more than 30 percent while production jobs fell by more than 10 percent.

Flexible Manufacturing

"Flexible manufacturing"—generally understood to involve using a small number of suppliers, keeping inventories very low, and delivering inputs and parts "just in time" (or on demand)—is a new way of organizing production. Employees often are trained to perform many different jobs rather than one routinized activity. This type of production has been used by Japanese automakers, and U.S. automakers are beginning to adopt it as well.

Flexible manufacturing may disadvantage rural areas. More highly skilled workers tend to be found in urban rather than rural areas, because high-skilled jobs are more plentiful there. Also, this system requires a smaller scale of operation, so there is less need for the cheap and plentiful rural lands that have attracted manufacturing in the past. Finally, flexible manufacturing depends much more on communications and quick deliveries from suppliers, and firms may choose proximity to the highly developed communications and transportation systems available in urban locations.

NFTA

If ratified, NAFTA, which lowers trade barriers between the United States, Canada, and Mexico, will make it easier for U.S. firms to relocate abroad to take advantage of lower land and labor costs. Any negative effects from this relocation would likely be felt more strongly by rural than urban areas, because rural manufacturing jobs are typically lower skilled and more production oriented. Because wages are lower and the work force is less skilled in Mexico, those U.S. jobs most likely to be lost would be exactly the manufacturing jobs most common in rural areas.

Conclusion

Although these three trends paint a gloomy picture, with more effort and planning, rural manufacturing could remain strong if the infrastructure and skills of the work force are improved. Rural American can no longer rely on its natural advantages of abundant resources, but must take action to compete with its urban rivals in the 1990s and beyond.

Economic Forecast

INTRODUCTION Buoyed by renewed consumer confidence, the economy continued to pick up steam in the fourth quarter. Gross domestic product posted a healthy 4.7 percent gain, its second quarterly robust rise, and personal income, although not increasing at rates seen in previous post-recession periods, was up 4.7 percent for the year compared to 3.5 percent in 1991. Corporate profits also rebounded in the final quarter, rising 10.8 percent, after being depressed by third-quarter losses.

Whether the economy can sustain this growth, however, remains questionable. The national labor market has been somewhat lackluster. The unemployment rate averaged 7.3 percent in the fourth quarter (down from 7.5 percent in the third), but since then appears to have stalled; it stood at 7.1 percent in January and remained at 7 percent in both February and March. In addition, most new jobs have been either in the service industry or in part-time employment. Consumer confidence, on the rise at the end of 1992, has posted three consecutive monthly declines.

There is little danger, however, that the economy will slip into another recession. We expect the expansion to continue during the first half of the year, albeit at slower rates than in the last two quarters of 1993.

GROSS DOMESTIC PRODUCT (GDP) **Real GDP** increased by a hefty 4.7 percent, or $57.1 billion, in the fourth quarter, following a third-quarter gain of 3.8 percent. For all of 1992, GDP expanded at a 3.1 percent rate. The fourth-quarter rise was attributable to expanded consumer spending—up $41.5 billion—and investment (nonresidential, up $12.2 billion; residential, up $11 billion). Negative contributors were net exports, government spending, and inventories.

Outlook In our last forecast we correctly predicted the types of spending changes that would occur in the fourth quarter—higher consumer spending spurred by increased consumer confidence and increased investment and imports—but underestimated their magnitudes. Our estimates for fourth-quarter and annual GDP growth were therefore somewhat understated and have caused us to revise our predictions for growth in the first half of the year. In the first quarter we expect consumer spending to dampen growth from previous levels, with reduced exports and increased imports adding to the effect. We expect GDP to expand an average 3.2 percent in the first two quarters.

EMPLOYMENT AND INCOME **U.S. employment** improved slightly in the fourth quarter of 1992, as 131,000 jobs were added compared to an increase of 65,000 jobs in the third quarter. The increase was due mainly to 192,000 additional jobs in services; manufacturing jobs dropped by almost 100,000.

For 1992 nonagricultural employment increased only 0.1 percent, a modest improvement from the 1.3 percent decline in 1991. Employment declined in all major categories except services and government, which rose 2 percent and 1.1 percent, respectively. Manufacturing declined 1.4 percent and is 6.4 percent (1.25 million jobs) below the 1989 peak. Construction employment fell 2 percent in 1992. The job market improved markedly in February, with employment jumping by 365,000 jobs, returning to the prerecession peak reached in May 1990. The major gains were in retail trade (131,000 jobs), services (131,000 jobs) and construction (96,000 jobs).

The **U.S. civilian unemployment rate** averaged 7.3 percent in the fourth quarter, down from 7.5 percent in the third. For all of 1992 the rate averaged 7.4 percent, up from 6.7 percent in 1991. The unemployment rate fell to 7.1 percent in January and stood at 7 percent in both February and March.

Michigan wage and salary employment increased one percent in the fourth quarter of 1992, a small improvement over a revised 0.5 percent increase in the third quarter. The major areas of strength were services, up 2.8 percent (mainly business services, which gained 7.1 percent), and nondurable manufacturing, up 1.5 percent. There were small declines in finance, insurance, and real estate (down 0.8 percent), durable manufacturing (down 0.6 percent), construction (down 0.5 percent), and state government (down 0.8 percent). For all of 1992 wage and salary employment increased 0.7 percent (see Exhibit 1). Employment in all major categories was almost flat or down slightly, except services, which accounted for most of the employment growth. Within services, all the growth was in business and health services.

The **state unemployment rate** averaged 8.2 percent (seasonally adjusted) in the fourth quarter of 1992, down from 8.9 percent in the third quarter. The unemployment rate averaged 8.8 percent in 1992, down from 9.2 percent in 1991. The Michigan unemployment rate was 7.1 percent in January and 6.8 percent in February, when the rate was below the national rate of 7 percent for the first time since March 1978. The rate fell again in March to 6.3 percent. In both January and February, the Michigan rate was 4th lowest among the 11 largest states.

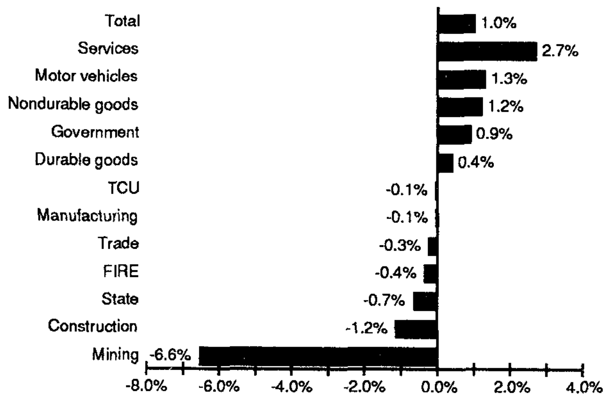
U.S. personal income increased at an annual rate of only 2.6 percent in the third quarter, due partly to a 2.2 percent decline in interest, rent, and dividend income. Wages and salaries rose at an annual rate of 3.1 percent, with most sectors experiencing slow growth; manufacturing, retail trade, and construction income declined. Total personal income was 4.5 percent above the year-ago quarter, with dividends, interest, and rent falling 2 percent and transfer payments jumping 12.5 percent.

Michigan personal income increased at an annual rate of only 1.8 percent in the third quarter of 1992 (latest data available). Growth was held back by a 7.3 percent decline in manufacturing wages, almost no growth in dividends, interest, and rent, and an increase of only 0.9 percent in wages and salaries. The only areas of strength were the services and fire, insurance, and real estate sectors, which gained 7.2 percent and 6.6 percent, respectively.

Despite the third-quarter weakness, personal income was still 5.1 percent above the year-ago quarter due to strong gains in transfer payments (social security, welfare, and unemployment) and service wages. (See Exhibit 2.)

EXHIBIT 1

Michigan Wage and Salary Employment by Sector, Percentage Change, 1991–92 (employment in thousands)



FIRE: Finance, insurance, and real estate
TCU: Transportation, communications, and utilities

SOURCE: Michigan Employment Security Commission (special release) and Public Sector Consultants' estimates.

Outlook The national economy will continue to improve in 1993, but employment gains will not be as strong as in February. Much of that increase was due to seasonal factors and a large increase in part-time workers. Many companies will continue to shed workers to become more productive. For 1993 we are forecasting an employment gain of 1–1.5 percent, the unemployment rate to average about 6.8 percent, and U.S. personal income to rise 5.5 to 6 percent.

The Michigan labor market will continue to improve in 1993, but because of continued employment cutbacks in the motor vehicle sector, we are expecting slightly slower growth in Michigan than nationwide. Our forecast is for a 0.5–0.75 percent increase in wage and salary employment. Because of the recent sharp drops, we are lowering our 1993 forecast of the unemployment rate from 8.75 percent to 7 to 7.5 percent.

Our 1992 personal income estimates have been revised upward due to revisions in the data and the expectation that fourth-quarter income growth was strong. We are projecting a 5.1 percent increase in total personal income, up from 4.5 percent, and a 4.7 percent gain in wages and salaries, up from an estimate of 3–3.5 percent. A modest improvement is expected in 1993. Stimulus will come from lower interest rates, increased capital spending, and exports, and in Michigan, moderately improved motor vehicle sales. We are projecting a 5–5.5 percent increase in personal income and a 5–5.25 percent increase in wage and salary income.

PRICES The **U.S. consumer price index** (CPI-U) increased at annual rate of 3.8 percent in the fourth quarter, up from 3.1 percent in the third. Almost all components rose moderately. The largest gain was 6.2 percent for medical care. For 1992 consumer prices increased 3 percent, the smallest gain since 1986. Energy prices rose only 0.5 percent and food prices only 1.2 percent. Excluding these two volatile components, prices increased 3.7 per-

EXHIBIT 2

Michigan Personal Income, Selected Components, 1988–92 (dollars in millions)

Year	Total Personal Income	Wages and Salaries	Manufacturing Wages	Services Wages	Transfer Payments	Dividends, Interest, and Rent
1988	$152,286	$93,369	$33,507	$17,838	$23,793	$22,998
1989	163,172	98,564	34,595	19,493	24,626	26,622
1990	170,385	102,368	34,175	21,255	26,820	27,845
1991	174,750	103,152	33,363	21,917	29,648	27,565
1992 III	184,320	108,521	34,333	23,868	33,467	28,394
Percentage change						
1991 III to 1992 III	5.1%	4.3%	1.5%	8.1%	11.3%	–1.1%

SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce. Calculations by Public Sector Consultants, Inc.

cent. Medical care prices increased 7.4 percent, the smallest gain since 1988.

Consumer prices increased at an annual rate of 4.6 percent in the first two months of 1993; excluding food and energy, prices increased at an annual rate of 6 percent. However, in March the increase moderated to an annual rate of 1.2 percent.

Michigan consumer prices (as measured by the Detroit-Ann Arbor CPI, released every two months) declined at an annual rate of 1.8 percent in December (from the October level), as most components of the index fell. (See Exhibit 3.) Excluding the decline in energy prices, the CPI increased only 0.4 percent. The 1992 increase in consumer prices was the smallest gain since 1986. Prices were held in check by small increases for food, energy, apparel, and entertainment. Medical care prices increased 5.1 percent, the second smallest gain since 1973.

U.S. producer prices, which generally foreshadow changes in consumer prices, increased at an annual rate of only 0.9 percent in the fourth quarter of 1992 due mainly to a decline in energy prices. Producer prices, however, rose at an annual rate of 3.6 percent in the first two months of 1993. The February gain of 4.8 percent was the largest since 1990 and was due mainly to sharp jumps in the cost of energy, new cars, and tobacco. Producer prices rose 3 percent in 1992, the smallest gain since 1986.

Outlook Despite slightly larger than expected increases in price indices recently, inflation remains under control. Economic growth will accelerate only slightly this year and next, as the Clinton administration's commitment to deficit reduction will moderate expansion. However, stronger economic growth in 1993 will result in slightly more inflation in 1993 than in 1992. We are projecting that Michigan consumer prices will increase about 3 percent in 1993 and U.S. consumer prices will increase about 3.5 percent.

MONETARY AND FISCAL POLICY After a slight increase in the first two months of the fourth quarter, interest rates headed down in early December. The rate on three-month treasury bills rose from an early October low of 2.8 percent to an average 3.25 percent in November before declining to 3 percent in December, where they have remained. Longer term rates followed the same pattern. Interest rates on five-year treasury securities rose from approximately 5.25 percent in September to 6.1 percent in November but fell to 5.17 percent by the end of the first quarter.

The first-quarter decline in rates can be attributed to the sharp jump in monetary reserves—from $94 billion to $101.4 billion—that occurred between January 1 and mid-February. A steep drop in reserves since then should moderate the decline in interest rates through the second quarter. Expectations of a lower federal deficit and slower economic growth also contributed to the decline.

As expected, the fiscal stimulus package introduced by President Clinton was substantially smaller than promised during the campaign. The plan—which filibustering Senate Republicans prevented from coming to a vote—totaled $16 billion, substantially less than the $50 billion revised package mentioned in the first few months after the election. One criticism centered on the amount of deficit reduction the president said he would try to achieve during his term of office; critics believed it did not do enough.

Outlook Passage of a revised stimulus package would have some effect on the economy, but not enough to induce excess inflation. Interest rates, therefore, should remain stable, with the Federal Reserve taking a hands-off approach through the remainder of the first half of the year.

EXHIBIT 3

Detroit-Ann Arbor Consumer Price Index

Component	December 1992 Index	Percent Change, October 1992–December 1992 (annual rate)	Percent Change, December 1991–December 1992
Food and beverage	134.0	2.2%	0.8%
Housing	133.0	–1.4	3.3
Apparel	129.6	–2.3	0.9
Transportation	130.3	–8.2	–0.5
Motor fuel	89.6	–43.0	–7.2
Medical care	184.6	1.3	5.1
Entertainment	131.4	–0.5	1.7
Other goods and services	180.6	–4.0	7.6
All items	137.1	–1.8	2.3
Energy	99.9	–33.6	2.0
All items less energy	142.4	0.4	2.3

SOURCE: Bureau of Labor Statistics, U.S. Department of Labor.

Moreover, despite criticism of the president's deficit reduction plan, attacking discretionary spending programs can do little as nondiscretionary spending programs are the fastest growing and largest components of the budget.

MOTOR VEHICLE SALES AND PRODUCTION

In the fourth quarter of 1992 the long awaited recovery in motor vehicle auto sales appeared to be under way. While sales slipped back in the first two months of 1993, total motor vehicle sales rose 8.8 percent in the fourth quarter from the year-ago level, led by an 18.8 percent gain in truck sales and a 2.7 percent rise in car sales. Particularly encouraging was a 10.3 percent increase in Big Three sales compared with only a 3.4 percent increase in sales of Japanese models.

Some of the strength in the fourth quarter may have been a temporary blip caused by the boost in consumer confidence resulting from the election of Bill Clinton. Consumer confidence dipped early in 1993, as did motor vehicle sales. In the first two months of the year motor vehicle sales increased only 1.6 percent, as car sales fell 4.7 percent below the year-ago level; truck sales continued strong, however, increasing 13.9 percent. The Japanese continued to lose market share, as sales fell 7.7 percent; Big Three sales increased 4.6 percent during the period.

For all of 1992, motor vehicle sales increased 4.5 percent to 12.885 million units with truck sales up 12.4 percent and car sales up only 0.4 percent. (See Exhibit 4.) Big Three sales rose 7 percent, while Japanese sales fell 1.2 percent. The Big Three increased its market share from 70.5 percent in 1991 to 72.2 percent in 1992, while the Japanese share declined from 25.7 percent to 24.3 percent. There was little change in the shares of the car market, but the Big Three increased their share of the truck market from 82.9 percent in 1991 to 85.6 percent in 1992; the Japanese share fell from 16.9 percent to 14.2 percent during that period. Ford had a particularly good year, increasing its market share from 17.9 percent in 1991 to 20.3 percent in 1992. Five of the ten top selling models were produced by Ford: (1) Ford F-series pickup, (3) Ford Taurus, (5) Ford Explorer, (7) Ford Ranger, and (9) Ford Escort.

Motor vehicle production rose 10.1 percent in 1992, with truck production up 19.6 percent and car production up 4.2 percent. In the first two months of 1993, motor vehicle production increased a robust 19.5 percent, with trucks up 32.5 percent and cars up 10.8 percent. Production ran far ahead of sales, and some cutbacks will be necessary in the next few months to reduce inventory levels unless motor vehicle sales increase sharply, which is unlikely.

Outlook Although off to a slow start, we continue to expect motor vehicle sales to improve modestly in 1993 due to lower interest rates, improved consumer confidence, and higher real incomes. We are forecasting motor vehicle sales of 13.75 million units, with car sales of 8.7 million units and truck sales (excluding heavy trucks) of 5.05 million units. The consensus forecast of automotive analysts surveyed by *Automotive News* is that motor vehicle sales in 1993 will total 14 million units, but this appears optimistic in light of the slow start. As we reported in our last forecast, the Japanese will continue to lose market share in 1993 due to the improving quality of domestic vehicles, the rising tide of anti-Japan sentiment (which appears to be abating slightly), the strength of light truck sales, and the declining value of the dollar.

Overall, 1993 should be a good year for American automakers, possibly the best since 1988.

EXHIBIT 4

Car and Light Truck Sales, 1988–91, 1992, and 1993 (sales in thousands)

	Passenger Cars					
Year	Domestic, Big 3	Transplant	Imports	Total	Light Trucks	Total Motor Vehicles[a]
1988	6,910	616	3,069	10,595	4,878	15,476
1989	6,236	779	2,698	9,713	4,779	14,492
1990	5,792	1,061	2,453	9,306	4,591	13,897
1991	4,948	1,124	2,104	8,176	4,159[b]	12,335
1992	5,054	1,162	1,995	8,211	4,675	12,885
1993 (est.)	5,650	1,200	1,900	8,750	5,000	13,750

SOURCE: *Automotive News*. Estimates by Public Sector Consultants, Inc.

[a]Exludes heavy duty truck sales of about 250,000 annually.
[b]Includes transplant sales of about 200,000 units. (Transplants and imports account for about 17 percent of truck sales.)

School Finance Reform Proposal on Ballot; Governor's Budget Recommendations

Property Tax/School Finance Ballot Proposal

Within 12 hours of each other, the two legislative bodies approved a property tax/school finance reform measure. The constitutional provisions of the plan—contained in House Joint Resolution (HJR) G—will appear on the ballot in a special election slated for June 2.

The plan would reduce property taxes levied for school operating purposes an average of about 50 percent through a rollback of millage rates to 18 mills; local districts would have the option of approving an additional 9 mills, and any levied mills over 18 would be equalized to provide no less than $100 per pupil per mill. Total mills allowed to be levied in a district (for all nonexempt purposes) would decline to 40 mills from the current 50 mill cap.

Schools would be constitutionally guaranteed $4,800 per student from local tax revenues, the state, or a combination of the two. Funding would come from a two-cent increase in the state's sales tax (from 4 cents to 6 cents) earmarked for education. Further increases in the guarantee amount would be tied to growth in sales tax and net lottery revenues.

Another component of the plan, contained in Senate Bill 147 (passed by the House but not the Senate), would base taxes on assessments made 18 months before tax payments fall due (1994 tax payments would be based on 1992 assessments, for example), which would permit taxpayers more time to appeal assessment increases. After 1994, assessments on individual parcels would be limited to annual increases of 5 percent or the rate of inflation, whichever is less. The current Headlee provision (which rolls back millage rates if the increase in the average assessment of *all* property in a district rises by more than the rate of inflation) would remain intact.

The combined effect of the sales tax increase and the property tax cut is an estimated net reduction of $150–200 million.

FY 1993–94 Budget Recommendations

Governor Engler released his FY 1993–94 budget, which totals $8.2 billion in general fund-general purpose (GF/GP) spending, a 4.8 percent increase in appropriations over the current year. After proposed reductions of about $300 million in state and public school employees retirement (PSER) appropriations, however, the GF/GP budget is $7.92 billion, only one percent above projected expenditures for the current fiscal year. The governor has also presented the budget for FY 1994–95; he used the same expenditure numbers for both years and assumed the same 4.6 percent revenue growth. Substantial adjustments will be required when the revenue estimate is revised and spending needs are determined.

The only major budget increases are for the departments of Social Services (DSS) ($140.5 million), Corrections ($140 million), and Mental Health ($77.6 million). The DSS budget includes $157 million for Medicaid increases and $24.4 million for the Healthy Kids program. The Corrections budget includes funds to open three new prisons. Almost all the new money in the Mental Health budget is for community mental health.

There is no new GF/GP money for school aid, although the schools will receive an additional $94 million due to an estimated increase in restricted revenues (such as from the sales tax). The general fund contribution will be $286.4 million lower due to reduced PSER costs. This recommendation will likely change due to the agreement on the ballot proposal.

The budget includes no increases for higher education, but the governor is recommending a $559 million bond program to finance 33 community college and university projects over the next three years.

The economic assumptions on which the budget is based are reasonable and may be conservative. The administration is projecting a 4.6 percent increase in revenues for FY 1993–94. We project a revenue increase of 5.5 percent.

State revenue collections in March (mostly February activity) showed moderate strength. Personal income tax withholding collections increased 5.4 percent, after declining last month. Gross collections were down sharply, however, as refunds increased 42.1 percent due to faster processing this year.

Sales and use tax collections in March (February activity) increased 4.4 percent despite a modest 3.1 percent rise in motor vehicle collections. This is slightly weaker than the year-to-date gain of 5.4 percent.

Single business tax collections jumped 25.2 percent, but this is not significant as March collections are relatively small. Adjusted for last year's one-time increase in refunds, year-to-date collections are up 7.9 percent, slightly above the consensus estimate of 7.5 percent for the fiscal year.

After two weak months, lottery sales rebounded with an estimated 15.6 percent increase in March. Year-to-date collections are up 7.7 percent. If sales continue at this level, FY 1992–93 will be the best year for the lottery since FY 1987–88.

The 25.3 percent increase in motor fuel collections is due to a change in the timing of collections.

As we have reported previously, we continue to believe that FY 1992–93 revenue collections will exceed the consensus estimate of a 4.1 percent increase. Our estimate is a 4.5 percent increase, which may be conservative.

MONTHLY TAX COLLECTIONS (dollars in thousands)

Type of Revenue	Preliminary March 1993	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1992–93 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	$362,848	5.4%	$1,213,032	7.6%	$2,010,723	7.4%
Quarterly and Annual Payments	29,327	1.2	165,129	9.6	208,419	13.5
Gross Personal Income Tax	392,175	5.1	1,378,161	7.8	2,219,142	7.9
Less: Refunds	–412,638	42.1	–578,549	24.5	–608,661	22.6
Net Personal Income Tax	–20,463	–124.7	799,612	–1.7	1,610,481	3.2
Sales and Use Taxes	241,548	4.4	814,985	5.7	1,354,794	5.4
Motor Vehicles	32,185	3.1	101,050	5.8	174,892	6.6
Single Business Tax	50,793	25.2	375,679	38.6	684,605	25.8
Cigarette Tax	18,939	4.3	57,624	–2.6	98,347	–3.7
Public Utility Taxes	124	0.0	140	NM	73,027	0.6
Oil and Gas Severance	3,552	–9.9	9,676	–9.2	16,058	–12.6
Lottery[a]	44,547	15.6	124,112	4.6	253,405	7.7
Penalties and Interest	568	91.2	17,924	8.2	41,571	37.9
SUW—Annuals and Undistributed[b]	12,942	–10.2	4,756	–72.5	6,403	–65.0
Other Taxes[c]	49,811	3.1	115,515	–12.2	172,299	–6.1
TOTAL TAXES (GF & SAF)[d]	$402,361	–15.9%	$2,320,023	5.0%	$4,310,990	6.4%
Motor Fuel Tax[e]	$62,190	25.3%	$182,480	6.3%	$305,391	7.9%

SOURCE: Data supplied by Michigan Department of Treasury.
NM = Not meaningful
[a]The state share of lottery sales is 40 percent (FY 1992). The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.
[b]These revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.
[c]Includes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.
[d]Excluded are beer and wine, liquor, and horse racing taxes.
[e]The motor fuel tax is restricted to the Transportation Fund.

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