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Public Sector Reports

Michigan ECONOMIC BULLETIN

The Good News

➤ Quarterly **corporate net income and profit** performances were generally upbeat, with better-than-expected gains posted by companies such as NCR; Chase Manhattan; First Fidelity; Paine, Webber; Smith Barney; and General Electric.

● The March U.S. **consumer price index** fell at a seasonally adjusted rate of 0.1 percent—the first drop since early 1986—due to declining energy prices. This follows a monthly rise in February of only 0.2 percent.

● After rising slightly in March, **short-term interest rates** have continued on their downward path, which could spark economic recovery. The bellwether federal funds rate—which averaged 6.47 percent during the first week of March—fell to 5.9 percent by mid-April, the first time since February 1987 that the figure dropped below the 6-percent mark.

The Bad News

➤ **Retail sales** figures were disappointing in March, declining a seasonally adjusted 0.8 percent following a gain of 2 percent in February. The news was not all bad: A part of the decline is attributable to easing gasoline prices.

➤ The national housing market continued to exhibit weakness in March; **housing starts** were down by 9 percent (seasonally adjusted, annual rate) from the revised February figure and 31 percent below the mark posted in March 1990. **Housing permits** were up slightly (2.4 percent) over the February figure but 28 percent below the same month in 1990.

● February's drop in the **U.S. trade deficit** was seen as a sign of continuing weakness in the national economy, despite falling to its lowest level in more than seven years (to $5.33 billion from $7.16 billion in January). The sharp decline in imports (by $2.64 billion) points to weak domestic demand, while weakening exports is an indicator of weaker foreign economies.

➤ **Producer prices** fell at an annual rate of 3.9 percent in March; excluding the volatile food and energy components, however, the figure rose by 1.9 percent and was 3.7 percent higher than a year earlier. Some feel that this could cause the Federal Reserve to continue its cautious monetary policy (see *Economic Forecast* insert).

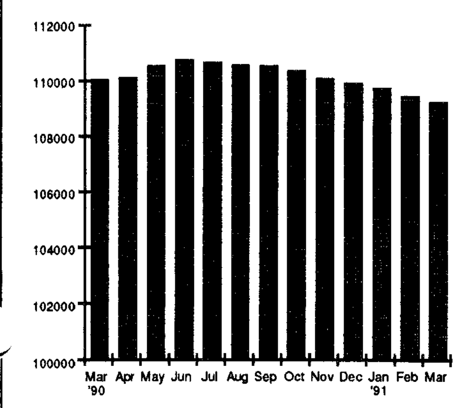
● **Employment** continues to sag, both nationally and in Michigan, with the drop in March marking the seventh consecutive monthly decline (see graph below left).

● Despite increased consumer confidence, **motor vehicle sales** continued depressed, declining 20 percent in first ten days of April (adjusted for one more selling day this year). This follows a 14.9 percent decline in March.

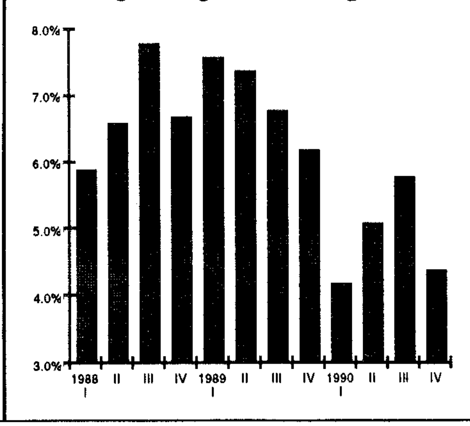
IN THIS ISSUE

MICHIGAN ECONOMIC INDICATORS

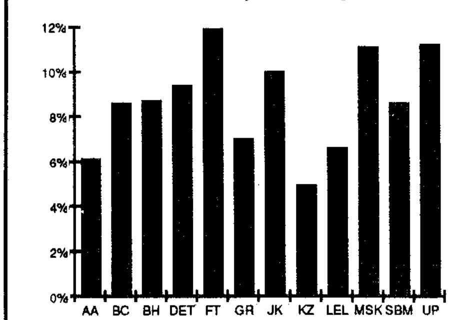
Total National Nonfarm Employment (in thousands, seasonally adjusted)



Michigan Personal Income, Percentage Change from Year-Ago Quarter



Unemployment Rates in Michigan Labor Markets, January-February 1991



AA: Ann Arbor; BC: Battle Creek; BH: Benton Harbor; DET: Detroit; FT: Flint; GR: Grand Rapids; JK: Jackson; KZ: Kalamazoo; LEL: Lansing-East Lansing; MSK: Muskegon; SBM: Saginaw-Bay City-Midland; UP: Upper Peninsula.

SOURCE: Bureau of Economic Analysis.

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Defining Poverty

National poverty standards (those issued by the Census Bureau) have not been significantly altered since the mid-1960s, even though American society has undergone considerable change since then. This stasis has led to a debate concerning what poverty is and how it is defined. Critics focus not only on the measures used to define poverty, but also on whether the current concept of poverty is a valid one in today's society.

The Current Measure of Poverty

The most widely reported poverty measure is probably the "poverty threshold," which is defined as the money income necessary to sustain a given household at a minimum level of subsistence. These minimums—which vary according to household composition (size, age of children, farm and nonfarm locations)—were derived in the mid-1960s and have remained constant in real terms via allowances for increases in the consumer price index (CPI). The thresholds assume that one-third of household income is spent on food (based on the historical average among the bottom third of the income scale) and the remainder on other necessities (clothing, shelter, medical care, and so forth). To determine food allowances, an array of budgets—based on household composition—were derived by the Department of Agriculture. This budget is then multiplied by three (denoting the share of household income spent on food) to determine the poverty threshold. The threshold is adjusted annually to compensate for inflation. The estimated poverty levels for 1990: family of one, \$6,652; family of two, \$8,512; family of three, \$10,419; family of four, \$13,360; family of five, \$15,800.

Problems with the Current Measures

Although the definitions of poverty have held up under considerable criticism, there are several problems with the current measures. One is that the yardsticks assess poverty according to a fixed standard that over time becomes a less relevant indicator of what it means to be poor. That is, poverty levels are defined in terms of an established "bundle of goods" that has not changed in 25 years (other than for inflation allowances); the result is that those being defined as poor today are relatively worse off (compared to the average American) than their counterparts 25 years ago. It also is asserted that what constitutes being poor changes as living standards change. For example, the census poverty threshold (for a household of 3) was 36 percent of median money income in 1975, 37 percent in 1980, and 35 percent in 1987. Some feel, therefore, that poverty definitions should be altered to incorporate changes in the national standard of living (such as a given percentage of median household income); rather than reflect some minimum level of consumption, poverty then would be defined as a given deviation from, or proportion of, the norm.

Other problems stem from the income measures used to calculate whether a household falls below the poverty threshold. One problem is that before-tax income is used to determine this even though the threshold is defined in terms of disposable, or after-tax, income. It was originally reasoned that those with very low incomes would not be subject to taxation. However, federal withholding as well as state and local taxes—most of which are fairly regressive—have imposed an increasing burden on low-income individuals and households. The results of using pretax rather than after-tax income is an overestimate of the amount of money available for consumption and, therefore, an underestimate of the number of people in poverty.

Another problem with the income definition of poverty is that it does not include noncash benefits and transfer payments. Exclusion of these benefits could overstate estimates of the number of people in poverty. Some argue benefits such as food stamps, Medicaid, Medicare, and housing subsidies should not be excluded from the measure because doing so causes overestimates of the incidence of poverty. Others argue that carried to the extreme (by including public benefits such as education, air quality, etc.) inclusion of these benefits could "wipe out poverty on paper." Also, comparisons with higher income groups can be misleading because of the relevance of nonmoney benefits, such as employee-paid health insurance, not generally available to the poor.

A final problem stems from the poverty measures' inability to incorporate changes in national demographics, such as the increase in the number of senior households. Because money income is used to measure poverty, two households with similar income would be considered to be alike, although their relationship to poverty may be very dissimilar. For example, older households could possess assets (a home and a stock of durable goods that are paid for) that a younger household with similar income does not possess. The poverty measures would indicate that these two households are similar, yet this is clearly not the case.

Conclusion

Although current poverty measures may have served well in the past, they have deteriorated as contemporary measures of determining who is and is not poor. A better understanding of the problems with the measure, availability of better data, and the current discussion of the reasonableness of the estimates provides a perfect environment for the derivation of a more appropriate definition.

Economic Forecast

Gross National Product

Real **gross national product**—the nation's output of final goods and services—decreased 2.8 percent ($29.5 billion) in the first quarter of 1991, following a 1.6 percent ($16.6 billion) drop in the last quarter of 1990. The first-quarter figures reflected the economy's general weakness. Consumption spending (down $9.5 billion), nonresidential and residential investment, government spending, and business inventories all negatively affected growth, while net exports rose. The decline in consumer spending ($9.8 billion) was less than half the decline registered in the fourth quarter of 1990, but this was offset by the plunge in nonresidential investment ($19.8 billion compared to an increase of $0.1 billion in the fourth quarter).

OUTLOOK While the recession has just about bottomed out, we do not expect any significant expansion during the remainder of the year. Growth is expected to be in the zero range for the second quarter of 1991, while increases of about 1.5 percent in the third quarter and 2 percent in the year's final quarter will allow GNP to rise by an average annual rate of 1.2 to 1.5 percent.

Employment and Income

U.S. nonfarm employment declined by 650,000 in the first quarter of 1991, a 2.4 percent drop (annual rate) from the previous quarter. In March, nonfarm employment fell by 206,000, driven by declines in the manufacturing (92,000), construction (72,000), and trade (71,000) sectors. March employment was 806,000, or 0.7 percent, below the year-ago level, and 1.5 million below the June 1990 peak. These declines were reflected in the rises in the **U.S. civilian unemployment rate**, which averaged 6.5 percent in the first quarter of 1991, up from 5.9 percent in the fourth quarter of 1990. The March unemployment rate was 6.8 percent, up a full percentage point since November and 1.6 percentage points above the March 1990 level.

Michigan nonfarm employment averaged an estimated 3,832,000 (not seasonally adjusted) in the first quarter of 1991, down 1.5 percent from the first-quarter 1990 mark of 3,889,300. In the quarter's first two months (the latest for which sectoral data are available), declines occurred nearly across the board; the only sectors in which job gains were reported were finance, insurance, and real estate (1.5 percent); services (1.5 percent); and trade (0.1 percent). More than half the increase in services was the result of job gains in health services. The largest declines were in construction (8 percent) and manufacturing (3.6 percent). The **state unemployment rate** averaged 9.4 percent in the first two months of the year, with the February figure topping the 10-percent mark (10.2 percent) for the first time since 1985.

Real **average weekly earnings** (U.S.) were very weak in the first quarter. In January, a combination of declining hours and hourly earnings and a rise in prices caused earnings to drop 1.8 percent (seasonally adjusted) from the previous month, while February and March recorded only modest gains (0.6 and 0.2 percent, respectively). The March figure was somewhat disappointing in light of that month's price decline (see **Prices**, below). Michigan's figures reflected the economy's continuing weakness; in the fourth quarter of 1990 (the latest data available) state **personal income** totaled $179.2 million, down a seasonally adjusted 0.3 percent from the previous quarter and one percentage point above the level posted in the fourth quarter of 1989 (see center graph at bottom of page one of the *Economic Bulletin*).

OUTLOOK U.S. employment has declined every month since June (refer to the graph at lower left on page one of the *Economic Bulletin*), but the bottom of the recession is near and employment should begin to flatten out in the next several months. We expect national employment to increase slightly in the second half of the year, but for all of 1991, employment will fall about 0.5 percent below the 1990 level. The national unemployment rate is expected to peak at 7 to 7.5 percent in early summer and decline slightly in the second half of the year. The rate will average slightly below 7 percent for the year.

Growth in state employment and income will be a bit weaker in Michigan than at the national level. We expect that second-half job gains will be modest but not sufficient to make up for job losses in the first half of the year; we predict Michigan 1991 employment will be 0.5 percent below the 1990 level. The unemployment rate should peak at about 10.5 percent, and average between 9 and 9.5 percent for the year. Earnings are expected to rise a modest 4 percent during 1991.

Prices

Nationally, **consumer prices** increased at a seasonally adjusted annual rate of only 2.4 percent in the first quarter of 1991. The March index actually fell (0.1 percent) for the first time since early 1986, spurred by a decline in energy prices. The moderate increase in the first quarter was due to a 30.7-percent decline in energy prices; excluding this component, the increase was 6.2 percent—nearly identical to the 6.1 percent increase for all of 1990.

As reported in the *Bulletin* last month, consumer prices in Michigan [as measured by the Detroit-Ann Arbor consumer price index (CPI) released every two months] increased at an annual rate of 4.8 percent in February from the December level. As shown in Exhibit 1, prices increased sharply for housing and medical care, but the overall increase was moderated by a 35.4 percent decline in energy prices. Excluding energy, consumer prices increased at a disquieting annual rate of 8.5 percent.

The U.S. **producer price index** (PPI) for finished goods (which generally foretells increases in the CPI), fell 0.3 percent in March, the fourth consecutive monthly decline. The decreases have been due to falling energy prices, which have retreated at an annual rate of nearly 60 percent since November: March energy prices were still 11.8 percent above the year-ago level. Excluding energy, first-quarter 1991 producer prices increased at an annual rate of 3.1 percent.

OUTLOOK The outlook for inflation is favorable. Energy prices have just about bottomed out, but the economy remains too weak to support substantial price hikes, making any significant increase unlikely. The PPI's moderate rise in the first quarter is a sign that consumer price increases will be moderate in the coming months. We therefore are forecasting that consumer prices—both nationally and in Michigan—will increase at a rate of 4 to 4.5 percent in 1991.

Monetary and Fiscal Policy

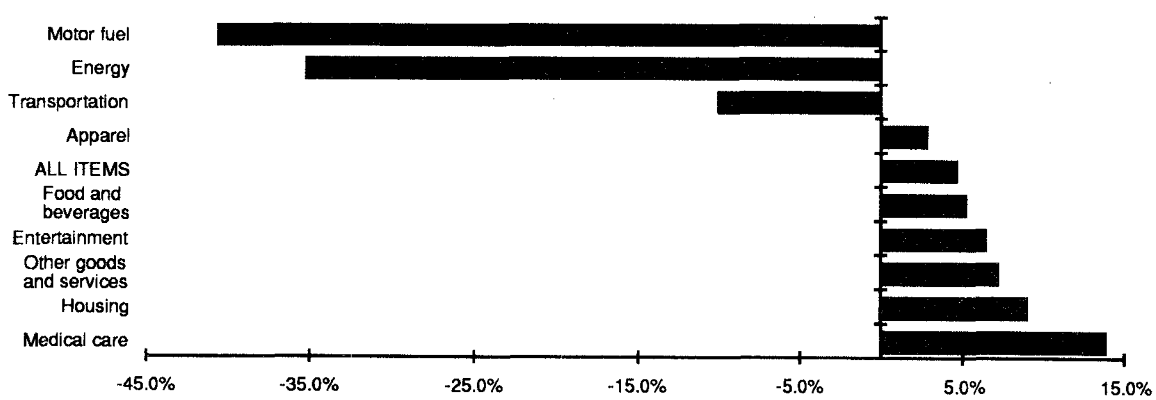
The Federal Reserve (the Fed) seems to have reached some consensus regarding the recession, as **the discount rate** (the rate charged member banks on direct loans from the Fed) was reduced to 6 percent in February, and the bellwether federal funds rate continues to decline, having fallen below 6 percent for the first time in 48 months. Internal dissent, however, continues. The lines are by now familiar, pitting the inflation busters (who favor slow monetary growth and no sudden reduction in interest rates) against the recession mongers (who endorse further monetary ease). The administration continues to add fuel to the fire by calling for lower interest rates.

The **FY 1992 federal budget**—projected to result in a deficit totaling $289.6 billion—is also the subject of dissent. First, the House passed a $1.4 trillion spending package that does not include the president's proposed Medicare cuts ($25.2 billion over five years) and boosts education spending by $2.4 billion (funded by cuts in other discretionary spending areas). Second, state governors and legislators offered alternatives to the administration's plan to consolidate federal grants to the state and lift all restrictions regarding spending on programs (see Special Insert to March *Bulletin*). Both the governors' and legislators' proposals would consolidate grant programs into more broadly defined block grant areas and lift some of the restrictions on spending within these areas; neither, however, endorses lifting the restriction that forbids movement of grant funds from one program area to another (such as from public health programs to education programs), which is endorsed by the administration.

OUTLOOK Although the Fed likely will continue to allow interest rates to fall, it is not probable that this policy will continue beyond the second quarter. If, however, the Fed falls victim to the administration's pre-election pressure, interest rate reductions could continue through the summer and into the third quarter of 1991. With regard to the budget, because last year's agreement both caps spending in many categories and limits discretionary expenditures in the remaining areas, Congress and the administration are apt to abide by the accord and resolve the FY 1992 budget in a timely manner.

EXHIBIT 1

Detroit-Ann Arbor CPI, Percentage Change in Selected Components, December 1990 to February 1991 (annual rates, 1982–84 = 100)



Motor Vehicle Sales and Production

Motor vehicle sales declined 19.2 percent in the first quarter of 1991, as the Persian Gulf war exacted a heavy toll on consumer confidence. Passenger car sales declined 17.6 percent, while light truck sales fell an even sharper 21.8 percent. Domestic manufacturers lost market share; their vehicle sales declined 20.7 percent, while sales of Japanese and European producers fell 15.3 percent. Foreign car makers continued to increase production at their U.S. plants, contributing to a 22-percent decline in import sales.

As shown in Exhibit 2, GM and Ford lost market share; Chrysler gained slightly led by a good performance by Dodge. Among the foreign producers, Toyota and Honda gained market share while Nissan lost. European car sales were hurt by the new U.S. luxury tax on vehicles selling for more than $30,000.

Despite increased consumer confidence with the end of the war, motor vehicle sales remained depressed in March; sales of passenger cars and light trucks fell 11.5 percent from a year earlier. Domestic cars sold at an annual rate of 6.2 million units, up slightly from 6.1 million in February but well below the 6.7-million vehicle pace of March 1990.

First-quarter **auto production** was down 11.4 percent from 1990; in March, U.S. automakers produced only 432,569 cars, the lowest level for that month since 1961. Truck production fell 27.7 percent to the lowest level since 1983.

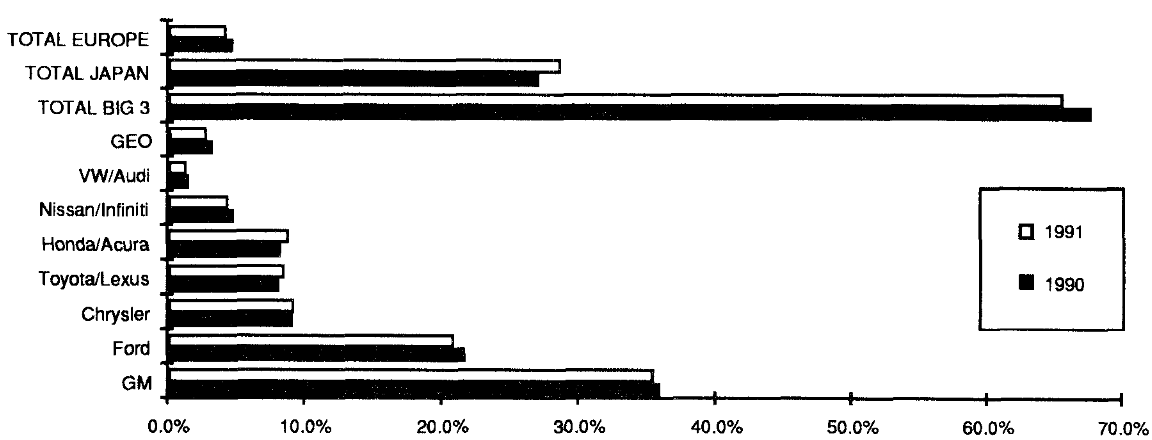
U.S. automakers expect to build 1,097,000 units in the second quarter, 23 percent below a year ago and the lowest total since 1958. Truck and van production is expected to decline 17 percent from the year-ago level. In contrast, the eight U.S. auto plants owned or operated by seven Japanese manufacturers are planning to build 7 percent more vehicles in the second quarter than one year ago. If these schedules hold, the Japanese will account for 23 percent of U.S. car production, up from 19 percent in the second quarter of 1990. Total vehicle production is estimated at 2,360,000 units, compared with 1,995,000 units in the first quarter of 1991.

OUTLOOK U.S. disposable income fell an estimated one percent in the first quarter of 1991, and buyers are finding it difficult to obtain acceptable auto loans because of tight credit conditions in the nations' banking system; we therefore expect that motor vehicle sales are unlikely to improve until disposable income rises and financing arrangements ease.

We are forecasting a 10-percent decline in motor vehicle sales for the second quarter (from the year-ago quarter) and about the same sales level in the second half of 1991 as during the second half of last year. The result: motor vehicle sales of 13.2 million units (down about 6.5 percent from 1990), with passenger car sales of 8.7 million units and truck sales of 4.5 million units. The import share for passenger cars fell from 28.2 percent in 1989 to 26.4 percent in 1990, but because of increased sales of transplants, the total share of sales by foreign manufacturers increased from 32.1 percent to 34.2 percent. This trend will continue in 1991, with foreign sales accounting for a little over 35 percent of total passenger car sales.

EXHIBIT 2

Motor Vehicle Share, First Quarter, 1990 and 1991



SOURCE: ***Automotive News***, April 8, 1991.
NOTE: GEO not included in totals.

Regional Economies

The weakness in the Michigan economy in the first two months of the year—employment declined 0.7 percent—was generally statewide, but there were some bright spots. The **strongest labor market areas** were Saginaw-Bay City-Midland, with wage and salary employment 4.9 percent above its year-ago level; Flint, 3.8 percent above last year; and Ann Arbor, 2.3 percent above the same period in 1990 (see Exhibit 3). Employment in the Saginaw-Bay City-Midland MSA was very strong in every major sector except construction and finance, insurance, and real estate (FIRE). As shown in Exhibit 3, the Flint economy was strong in most major sectors; this is somewhat misleading, however, because employment was very depressed in January 1990. The strength in the Ann Arbor economy was centered in services and government, which offset employment declines in construction and manufacturing.

The **weakest regional economies** were the Upper Peninsula, down 2.1 percent; Jackson, down 1.7 percent; and Detroit, down 1.4 percent. The showing in the U.P. was mainly due to weakness in construction and mining where employment plummeted 33.9 percent. Jackson experienced declines in manufacturing and government employment. Job losses in Detroit were generally across the board, with the weakest sectors being construction and manufacturing.

The average **unemployment rate** for the first two months of 1991 increased in all but three of the major labor markets. The rate declined 2 percentage points in Saginaw-Bay City-Midland and Lansing, and 0.2 percentage points in Battle Creek. The sharpest jumps in unemployment were in Muskegon, up 1.8 percent; Upper Peninsula, up 1.8 percent; and Jackson, up 1.6 percent. The highest unemployment rate was in Flint (12 percent) and the lowest in Kalamazoo (5.5 percent). The unemployment rate in the Detroit MSA was 9.5 percent, but in the City of Detroit the rate was 13.6 percent, up 2 percentage points from a year ago.

OUTLOOK PSC will publish a detailed regional forecast in the July issue of the *Michigan Economic Bulletin.*

EXHIBIT 3

Change in Sectoral Employment in Michigan's Major Labor Markets, January and February 1991 (percent change from year-ago levels)

Labor Market	Total	Manufacturing	Construction/ Mining	Trade	Services	Government
Saginaw-Bay City-Midland	4.9%	8.2%	–4.1%	5.9%	4.1%	–0.8%
Flint	3.8	4.5	2.2	0.6	6.6	3.2
Ann Arbor	2.3	–1.9	–8.4	–0.7	5.6	4.8
Lansing	1.9	5.8	–6.8	–0.8	3.7	1.7
Kalamazoo	1.5	–2.2	–2.7	1.4	4.7	2.4
Grand Rapids	1.0	–0.2	–8.8	1.9	3.1	2.2
Battle Creek	0.4	–5.9	–2.7	0.8	7.3	0.9
Benton Harbor	–0.1	–3.4	9.4	–0.4	2.7	0.6
Muskegon	–0.4	–1.8	–4.5	0.0	1.6	–0.5
Detroit	–1.4	–5.4	–7.5	–1.6	1.5	–0.6
Jackson	–1.7	–3.5	0.0	1.5	2.9	–3.0
Upper Peninsula	–2.1	–3.8	–33.9	0.8	4.1	1.4
MICHIGAN	–0.7%	–8.0%	0.1%	1.5%	1.5%	–0.1%

SOURCE: Calculated by PSC from data supplied by the Michigan Employment Security Commission.

Property Tax Relief

Legislators wasted no time agreeing on a compromise property tax package that is a first step in forging more comprehensive tax relief measures. House Bill (HB) 4109 will freeze 1992 assessments on all property at 1991 levels, and House Joint Resolution (HJR) H will, upon voters' approval in November 1992, limit assessments of individual residential properties to the rate of inflation or 5 percent, whichever is smaller, and revise the Headlee amendment rollback provision of the constitution. PSC estimates the 1992 cost to out-of-formula schools and local governments at $400 million.

How taxes eventually will be cut is sure to be the subject of intense debate. Legislation already has been introduced on a number of proposals (see exhibit below); they are similar in that property taxes are reduced and local governments reimbursed for lost revenues but differ in three general respects: (1) the type of taxes and property classes slated for reduction; (2) whether or not the plan is linked to school finance reform; and (3) the planned method of paying for the cuts.

The first issue concerns the scope and beneficiaries of the cut. The divisions are between plans that would reduce taxes across all property classes and those that endorse cutting only residential taxes and between those advocating cutting taxes for school operating purposes only versus cutting all property taxes. Plans also differ as to the size of the cut advocated. These distinctions have two major effects: (1) across-class reductions would include business taxes, which are deemed necessary by some to stimulate economic development; and (2) benefits would be distributed differently among property owners.

The second issue concerns the link between property tax cuts and school finance reform. Some believe that the issues should not be combined as they are totally unrelated. Others acknowledge that the issues are related but feel that combining them would further complicate the process of achieving consensus on tax relief, and the issue of school finance reform, therefore, should be dealt with after a property tax package can be agreed upon. Conversely, there is concern that reducing property taxes will slow reform efforts. First, it is argued that if the two issues are separated, political pressure against reform would push the school finance issue to the back burner and reduce the probability of achieving equity. Second, lowering property taxes reduces the funds available for equalizing resources among school districts.

The final issue is how to finance the cost of reimbursement to school districts and local governments for lost property tax revenues. Some plans propose raising other taxes (such as the sales or income tax); others advocate paying for relief by cutting spending in other budget areas. Either scenario involves a shift in the tax burden to some other group; the distributional effects—on income, business climate, and social welfare—need to be considered in passing any tax package.

Property Tax Relief Legislation Pending

Proponent(s)	Size of Cut	Type(s) of Property	Property Taxes Slated for Reduction	Cost[a] (billions)	Funding Source	Method	Other Features
Senate Republicans	33% over 3 years (18%, 25%, 33%)	All	School Operating	$1.7	Unspecified	Reduce assessments and limit future increases (within each class) to inflation rate	Increase maximum homestead credit for seniors
House Democrats	20%	Residential	School Operating	$1.1	Eliminate CAD; limit industrial abatement; terminate state contracts	Exempt first $30,000 or 50% of home's market value from taxation; limit future increases to inflation rate	Increase maximum homestead credit for seniors, renters; cut SBT alternative profits rate by 50%
Headlee (petition drive)	20% over 2 years (10%, 10%)	All	All	$1.7	Unspecified	Reduce assessments and limit future increases to inflation rate	
Senator V. Smith	100%	All	School Operating	$5.9[bc]	Statewide property tax; increase income tax rate; close tax loopholes	Eliminate local tax and replace with 36.5 mill levy on commercial/industrial and 35 mills on all others (except residential)	Tie-barred to school aid bill and school code; stiffens state education requirements; $5,000 per pupil guarantee
Representative Jonker	100%	All	School Operating	$4.9[bd]	Increase sales/use tax by 3 cents; statewide levy of 34.5 mills on all nonhomestead property	Eliminate local taxes and replace with statewide levy on nonresidential property	Equal per pupil funding; excludes new taxes from constitutional revenue limit; allows local income taxes to fund schools

[a]After fully phased in.
[b]Estimates by Public Sector Consultants.
[c]The plan cuts net taxes by $4.9 billion and raises revenues by $2.6 billion (exclusive of closing tax loopholes).
[d]The plan cuts net taxes by $4.9 billion and raises revenues by $4.4 billion.

Michigan Revenue Report

March revenue collections (February activity) continued the recent pattern of weakness. Personal income tax withholding increased only 1.1 percent above the year-ago period, reflecting declining employment levels. Over the last three months withholding collections increased only 0.8 percent, the weakest performance since 1982.

Sales and use tax collections plummeted 6.2 percent below March 1990, again the weakest performance since the severe recession in the early 1980s. Much of the decline was due to a 21.6 percent drop in motor vehicle sales. However, even excluding motor vehicles, collections fell 3.5 percent, an usually steep decline.

Single business tax collections increased 40.4 percent, but this is misleading as last year's collections were depressed by a large refund. Also, collections in March are a very small share of the annual total.

Lottery collections declined an estimated 4.4 percent in March and, after six months, trail the year-ago level by 1.7 percent.

The recession has not yet run its course, as evidenced by the recent large jumps in the unemployment rate nationally and in Michigan. However, is it likely that with improving consumer confidence and declining interest rates, collections will continue to improve in the next few months. As we reported last month, however, we expect revenue to fall about $100 million below the current budget estimate of $9,560 million.

MONTHLY TAX COLLECTIONS (dollars in thousands)

Type of Revenue	Preliminary March 1991	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1990–91 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	$295,789	1.1%	$1,079,760	0.8%	$1,799,834	3.4%
Quarterly and Annual Payments	24,805	13.8	162,071	1.4	199,255	–1.7
Gross Personal Income Tax	320,594	1.9	1,241,831	0.9	1,979,089	2.9
Less: Refunds	–255,634	4.0	–447,221	7.5	–474,356	9.4
Net Personal Income Tax	64,960	–4.8	794,610	–2.5	1,504,733	1.0
Sales and Use Taxes	203,069	–6.2	747,312	–2.7	1,273,425	–0.2
Motor Vehicles	25,383	–21.6	82,381	–17.0	157,355	–8.6
Single Business Tax	52,987	40.4	370,352	–7.9	664,732	–3.1
Cigarette Tax	18,955	–1.4	60,133	1.3	104,359	0.7
Public Utility Taxes	0	—	13	—	71,661	2.6
Oil and Gas Severance	3,753	–1.2	12,324	8.9	22,127	14.4
Lottery[a]	45,726	–4.4	125,253	3.0	238,785	–1.7
Penalties and Interest	2,598	NM	18,413	–3.7	30,137	0.7
SUW—Annuals and Undistributed[b]	19,723	NM	–5,339	NM	27,246	99.7
Other Taxes[c]	48,344	7.5	101,686	13.3	157,669	15.9
TOTAL TAXES (GF & SAF)[d]	$460,107	2.9%	$2,254,758	–2.2%	$4,103,582	0.7%
Motor Fuel Tax[e]	$45,689	–9.4%	$159,427	–4.9%	$272,636	–3.2%

SOURCE: Data supplied by Michigan Department of Treasury.
NM = Not meaningful

[a]The state share of lottery collections is estimated to be 40.7 percent, based on the average profit to the state for the fiscal year period ended June 30, 1990. 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, which are not collected by the Department of Treasury.

[e]The motor fuel tax is restricted to the Transportation Fund.

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