

GOOD news

The Conference Board's index of **consumer confidence** rose 5.3 percentage points in April to 105.5 (1985 = 100), its highest level since May 1990.

◆ Sales of existing U.S. single-family homes increased 5.8 percent in March, only the second increase in the last 12 months; new **home sales** increased 3 percent after a 12.5 percent decline in February.

◆ Aaa **corporate bond rates** dipped below 8 percent in late April for the first time since August 1994. Long-term corporate rates have declined steadily since peaking at about 8.75 percent in November 1994.

◆ **Michigan personal income** increased 8.9 percent in 1994, the largest increase since 1984; only three states recorded a larger increase. Adjusted for inflation, the increase was 5.4 percent, the second largest gain since 1977. **Per capita income** in Michigan rose 8.5 percent in 1994 to \$22,333, 2.4 percent above the U.S. average. This is the first time since 1986 that per capita income in Michigan has exceeded that in the nation.

◆ The **Michigan unemployment** fell from 6 percent in March to 5.8 percent in April.

BAD news

U.S. gross domestic product (GDP) increased at an annual rate of 2.8 percent in the first quarter, the slowest growth since the summer of 1993, sharply diminishing chances that the Federal Reserve Board will raise interest rates. Much of the increase was due to a rapid rise in inventories; final sales rose only 1.8 percent. Residential investment and government purchases declined, and consumer spending increased only 1.4 percent. Business investment continued strong, increasing at an annual rate of 18 percent.

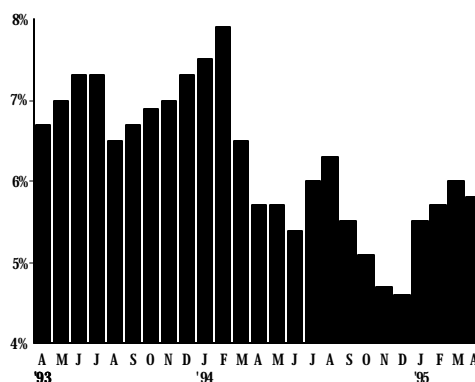
◆ The **U.S. unemployment rate** jumped from 5.5 percent in March to 5.8 percent in April, as payroll employment dropped by 9,000, the first decline since March 1993.

◆ **Motor vehicle sales** fell 9.7 percent in April, the sharpest one-month decline since

1991; sales are down 5.5 percent for the year. Sales of motor vehicles ran at an annual rate of 13.9 million units in April, down from 15.2 million in March and 15.1 million in 1994. Most auto analysts are now lowering their sales forecast for 1995.

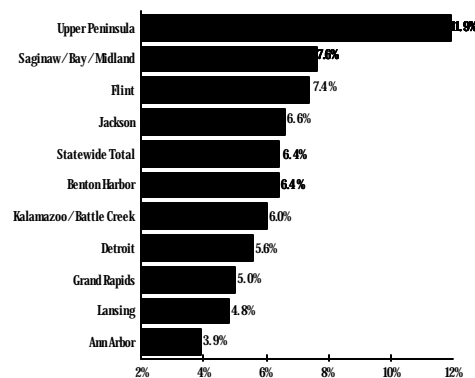
◆ The **index of leading indicators** fell 0.5 percent in April after declining 0.3 percent in March, the first back-to-back declines in three years, increasing fears that the economy may be heading toward a recession.

Michigan Monthly Unemployment Rates
(seasonally adjusted)



SOURCE: Michigan Employment Security Commission.

Unemployment Rates in Major Michigan Labor Markets, March 1995 (unadjusted rates)



SOURCE: Michigan Employment Security Commission.

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M O N T H L Y F O C U S

1994 INCOME GROWTH OUTPACED INFLATION

The Bureau of Economic Analysis (BEA) recently released its 1994 per capita personal income figures for all 50 states.¹ They showed that most states enjoyed per capita income increases higher than the nation's 2.6 percent rate of inflation. Nationally, per capita personal income grew 4.9 percent from the previous year in 1994, much improved from the 3.3 percent increase in 1993.

Fast-Growing States

The exhibit below shows income growth of the fastest and slowest growing states. Twelve enjoyed per capita income growth at least one percentage point above the national average. Most were

¹Personal income is one of the most widely used measures of wealth. Per capita personal income is total income divided by a state's population. It measures income from all sources, including wages and salaries, dividends, interest, rental income, and government payments. Personal income data can be obtained electronically from the BEA's economic bulleting board on the Internet or by fax. Call 202/482-1986 for details. BEA data are also printed in the *Survey of Current Business*, which can be ordered from the Government Printing Office. Call 202/783-3238.

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Plains states (Iowa, South Dakota, North Dakota, Minnesota, and Missouri) where incomes were boosted by record crop production and above-average manufacturing growth.

Michigan—joined by Ohio, Wisconsin, and Indiana—was among four of the five Great Lakes states that enjoyed very high income growth. This is primarily because earnings in durable goods manufacturing (such as autos), services, and government grew at above-average rates. The southeastern states of Mississippi, West Virginia, and Louisiana were also among the top performers due to above-average growth in both farm and nonfarm income.

Slow-Growing States

Eight states (see exhibit) experienced per capita income growth at least one percentage point below the national average. All but California had higher-than-average population

increases, which lowers per capita income figures, and all but Colorado had below-average total income growth.

Slow growth in farm income accounted for sluggish personal income growth in Washington, Texas, Wyoming, and Montana. In Alaska, California, and Hawaii nonfarm income grew slowly due to lackluster manufacturing, service, and government earnings.

Conclusion

Per capita personal income numbers do not always give an accurate picture of a state's economic position. For example, Colorado's slow per capita income growth was due only to its larger population, while its total income increased faster than the national average. However, these data are generally a good indicator of a state's economic position relative to other states and to past years. In the case of Michigan, the figures reinforce a host of others that show impressive growth.

1994 Per Capita Personal Income

Slowest-Growing States ^a

State	Personal Income		Percentage Change	State
	1993	1994	1993-94	
Colorado	\$21,498	\$22,333	3.9%	Iowa
Washington	21,774	22,610	3.8	South Dakota
Texas	19,145	19,857	3.7	North Dakota
Wyoming	19,719	20,436	3.6	Michigan
Alaska	23,070	23,788	3.1	Mississippi
Montana	17,376	17,865	2.8	Minnesota
California	21,895	22,493	2.7	West Virginia
Hawaii	23,504	24,057	2.4	Ohio
				Louisiana
U.S. Average	\$20,800	\$21,809	4.9%	Wisconsin
				Indiana
				Missouri

SOURCE: Bureau of Economic Analysis.

^aStates that grew at least one percentage point below the national average.

^bStates that grew at least one percentage point above the national average.

NEWS FROM THE STATE CAPITOL

GUARANTEED SCHOOL FUNDING MAY INCREASE

The House Tax Policy Committee has approved a bill (HB 4657) that would increase the amount of state revenues earmarked for schools. The bill would essentially eliminate the need for yearly appropriations from the general fund by increasing the proportion of income tax revenues automatically deposited into the school aid fund.

If the bill passes, 29 percent of income tax revenues would be earmarked for schools (beginning in FY 1996-97), compared to the current level of 14.4 percent. This would mean approximately \$1 billion more revenues that otherwise would require legisla-

tive approval would automatically be allocated for schools. The bill, which does not have the governor's support, passed the committee 11-4.

HB 4657 was introduced to calm fears that Michigan schools would not be fully funded if the economy slows or if competing programs had more legislative support. The bill would also allay fears that property taxes would need to be raised to pay for schools in the event of a shortfall. Skeptics say that earmarking this much of the income tax would allow lawmakers less flexibility in putting the budget together each year and that the schools should already be fully funded under current legislation.

LOTTERY PAYOUTS RAISED

The Senate and House have passed a bill intended to increase the lottery's contribution to school funding. HB 4662 would require that a minimum of 45 percent of all lottery revenues be paid

out to ticket buyers until the year 1999. Currently, a maximum of 45 percent of lottery revenues, representing about 2 percent of Michigan's school funding, may be returned to players. The exact payout amount would be determined by the lottery director, who has said he would increase the payout on instant tickets only.

The legislation was introduced in hopes of promoting greater ticket sales and thereby increasing revenues for the school aid fund. Although schools will receive a lower percentage of ticket revenue, the bill's supporters hope that the dollar amount will be higher. Opponents of the measure have stated that the measure could backfire and result in a lower contribution to the school aid fund.

If the governor signs the bill the higher payouts will begin immediately and will end in 1999, when they would return to a maximum of 45 percent.

Fastest-growing States ^b

Personal Income 93	1994	Percentage Change 1993-94
275	\$20,265	10.9%
379	19,577	9.5
172	18,546	8.6
584	22,333	8.5
745	15,838	7.4
379	22,453	7.0
169	17,208	6.4
396	20,928	6.3
612	17,651	6.3
306	21,019	6.1
213	20,378	6.1
557	20,717	5.9

PUBLICATION OF INTEREST

U.S. Data on Demand, Inc., and State Policy Research, Inc., *States in Profile: The State Policy Reference Book, 1994* (Birmingham, Ala.: SPR, 1994).

This book contains more than 200 tables of data that provide state-by-state rankings on a variety of subjects. Data are organized into 16 broad categories, including demographics, economics, government finances, spending and employment, federal impacts, education, social services, health, crime, transportation, natural resources, technology, labor, environment, and international.

The tables contain data, rankings, U.S. totals or averages, and, in some cases, state averages. The data can be used to identify a state's performance on a variety of indicators (e.g., per capita income, state spending for education, number of hospital beds per 1,000 persons).

To order call 1-800-633-4931. (Also available on diskette.)

M I C H I G A N R E V E N U E R E P O R T

The Department of Treasury is still not publishing monthly revenue reports. However, the Senate Fiscal Agency is tracking the major revenue sources. As shown in the exhibit below, March collections were strong.

Income tax withholding collections increased 9.2 percent (adjusted) and continue to run above projections. Sales tax collections jumped a surprising 17.2 percent (likely a catchup from earlier months) and are now running above the consensus forecast.

Use tax collections increased 6.7 percent but are up only 3.4 percent for the year to date, well below the fiscal year estimate. SBT collections increased 53.7 percent (the dollar amount of collections in March is small) and

are running above the consensus projection.

Lottery sales have been very strong, up 23.7 percent in March and 13.6 percent for the year to date.

Total collections are running above the consensus forecast, but with the economy slowing down and auto sales weak, we still expect FY 1995 collections to fall a little short of the consensus estimate. It also appears that income tax refunds are exceeding estimates by at least \$50 million.

February 1995 Revenue Collections (preliminary, dollars in millions)

March 1995 Tax Revenue	March 1995			Percentage Change from Yr. Ago (baseline)	Percentage Change FY-to-Date (baseline)	FY 1994-95 Consensus Est. Base % Chg. (1/12/95)	March 1994
	Gross	New	Baseline				
Income Tax							
Withholding	\$433.8	-\$24.9	\$458.7	9.2%	10.0%	8.0%	\$419.9
Quarterly	3.5	-0.1	3.7	-22.9	7.8	4.8	4.8
Annual	34.9	-1.4	36.3	36.5	20.4	3.8	26.6
Subtotal Gross Income Tax	472.2	-26.5	498.7	10.5	10.1	7.5	451.3
Sales Tax	388.0	126.8	261.2	17.2	7.3	6.9	222.9
Use Tax	70.8	26.1	44.7	6.7	3.4	7.2	41.9
Cigarette Tax	44.3	29.9	14.4	-19.1	-16.3	-20.3	17.8
SBT	79.1	3.8	75.3	53.7	10.6	8.7	49.0
Insurance	11.6	0.0	11.6	3.6	6.2	5.6	11.2
Subtotal SBT + Insurance	90.7	3.8	86.9	44.4	10.1	8.4	60.2
Estate/Inheritance Tax	7.8	0.0	7.8	550.0	51.5	21.4	1.2
Intangibles Tax	8.2	0.0	8.2	51.9	-3.7	5.8	5.4
Severance Tax	3.8	0.0	3.8	-20.8	-9.1	-7.5	4.8
TOTAL	1,085.8	160.1	925.7	14.9	8.6	7.3	805.5
S-U-W	892.6	128.0	764.6	11.7	7.8	7.6	684.7
Sales Tax - SOS	70.1	23.4	46.7	22.9	15.0		38.0
Sales Tax - All Other	317.9	103.4	214.5	10.5	6.0		194.2

SOURCE: Senate Fiscal Agency.

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Wyoming	19,719	20,436	3.6	Michigan	20,584	22,333	8.5
Alaska	23,070	23,788	3.1	Mississippi	14,745	15,838	7.4
Montana	17,376	17,865	2.8	Minnesota	20,979	22,453	7.0
California	21,895	22,493	2.7	West Virginia	16,169	17,208	6.4
Hawaii	23,504	24,057	2.4	Ohio	19,696	20,928	6.3
				Louisiana	16,612	17,651	6.3
U.S. Average	\$20,800	\$21,809	4.9%	Wisconsin	19,806	21,019	6.1
				Indiana	19,213	20,378	6.1
				Missouri	19,557	20,717	5.9

SOURCE: Bureau of Economic Analysis.

^aStates that grew at least one percentage point below the national average.

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