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Public Sector Reports

Michigan ECONOMIC BULLETIN

The Good News

• The **Michigan unemployment rate** rose from 7 to 7.3 percent in June despite an increase in employment to an all-time high of 4.4 million. The unemployment rate rose because not all of the 42,000 new entrants into the labor force found jobs.

➤ **U.S. auto sales** gained in June, as carmakers celebrated the strongest sales this year. Sales of North American–made vehicles rose to a seasonally adjusted annual rate of 14.7 million units in June, up 14 percent from the same month last year. A spokesperson for troubled General Motors predicts that 1993 may be its best year since 1989. The surge in sales is attributed in part to pent up consumer demand.

The Bad News

➤ The **national unemployment rate** rose 0.1 percent in June to 7 percent. The economy created 13,000 new jobs last month, a disappointing performance compared with gains of 256,000 jobs in April and 215,000 in May. Manufacturing jobs declined in June, while growth in the usually robust service sector fell to its lowest rate in months.

➤ The index of **consumer confidence**, which reads between 85 and 100 when the economy is strong, dropped three points in June to 58.9, its lowest level in eight months. Consumers blamed job scarcity and poor business conditions for their apprehension. The falling index dampens hopes that consumer spending will fuel economic recovery soon.

➤ The **index of leading economic indicators** fell 0.3 percent in May, following March's one percent drop and April's 0.2 percent increase. The index is designed to foretell the state of the economy in the coming six months. Six of the eleven indicators that make up the index contributed to its fall, including diminished consumer expectations, unfilled orders for durable goods, and increased claims for unemployment benefits.

➤ **New home sales** dropped a startling 21 percent in May despite low interest rates for home buyers. Analysts explained the drop as the market righting itself from an unusual 21 percent rise in April, rather than as a sign that the housing market is worsening.

➤ The U.S. Commerce Department announced that **factory orders** fell for the fourth time in five months in May. Following a 0.3 percent drop in April, May orders fell 1.4 percent to a seasonally adjusted $249.35 billion. These discouraging figures indicate declining production and make hiring in the near future unlikely.

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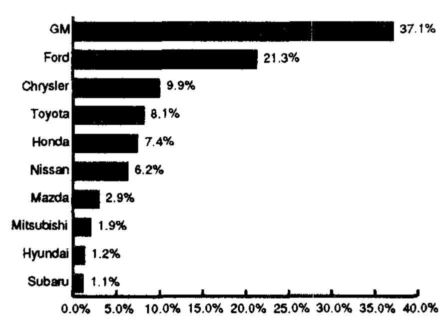
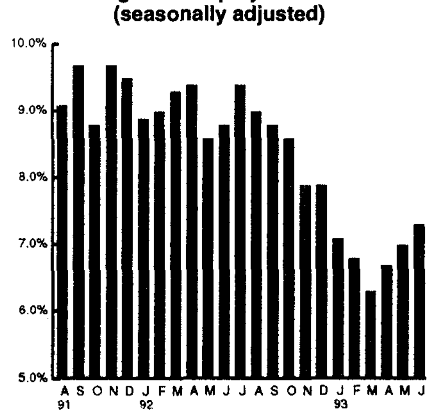
MICHIGAN ECONOMIC INDICATORS

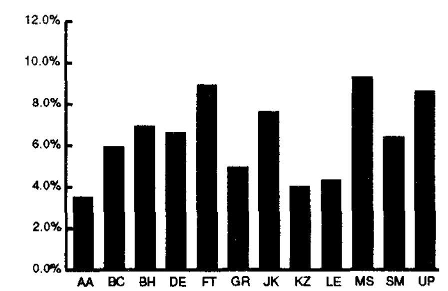
Percentage of Total U.S. Car Market, June 1993



Michigan Unemployment Rates (seasonally adjusted)



Unemployment Rates in Major Michigan Labor Markets, May 1993 (unadjusted rates)



AA: Ann Arbor; BC: Battle Creek; BH: Benton Harbor; DE: Detroit; FT: Flint; GR: Grand Rapids; JK: Jackson; KZ: Kalamazoo; LE: Lansing/East Lansing; MS: Muskegon; SM: Saginaw/Bay City/Midland; UP: Upper Peninsula

SOURCES: *Wall Street Journal* and Michigan Employment Security Commission.

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Growth in U.S. Labor Cost Trails Europe, Japan

by Alec Rodney

The Bureau of Labor Statistics (BLS) recently released a report making international comparisons of hourly compensation for manufacturing production workers. (Hourly compensation consists of pay for time worked; vacation and bonus pay; employer contributions to private benefit plans; and required insurance and labor taxes.) The report covers various years from 1975 to 1992 and includes statistics on the United States, Canada, Japan, Mexico, 17 European countries, and several of the newly industrialized Asian economies. (See exhibit.)

Comparisons

In 1992 former West German manufacturers led all nations' producers, paying out 60 percent more compensation than their U.S. counterparts. All other Group of Seven (G-7) nations (see exhibit for list) except the United Kingdom had higher 1992 labor costs than the United States. Contrast this to 1980 when Germany was the sole G-7 nation with higher labor costs than the United States. Notably, the Japanese paid out only 56 percent of U.S. compensation in 1980 compared to their equal costs in 1992. Manufacturers in Korea, Singapore, and Taiwan spent roughly 30 cents per U.S. dollar for labor in 1992, up from 10 to 15 cents in 1980, reflecting the brisk growth in these countries' living standards.

Growth in Hourly Compensation

From 1980 to 1992 hourly labor costs for U.S. manufacturers grew more slowly than those of their industrialized trading partners. If these partners' labor costs continue to outpace growth in U.S. compensation in the future, U.S. producers should gain competitive advantages. In contrast, the United States' developing partners maintain significant cost advantages despite the explosive growth in labor costs. For example, Mexican and Korean workers received $2.35 and $4.93 per hour, respectively, to U.S. workers' $16.17. This advantage can be especially great in products such as automobiles where labor cost is a large component of total value added.

Nonwage Factors

U.S. producers paid nearly one-quarter of their compensation for required insurance and labor taxes, such as social security and unemployment insurance. While some countries, such as Sweden and Italy, paid out higher percentages for this component, the growth rate for social insurance costs in the United States is higher than that of all other nations reporting except Canada.

Conclusions

The U.S. manufacturing work force has become relatively cheap when compared to those of our industrialized competition. As this trend continues, U.S. exports should increase, and international manufacturers may build more plants on U.S. soil. The United States has shown higher growth in the social insurance component of labor costs, however, a trend likely to continue with the prospect of mandated employer-provided health insurance. This may dampen the positive trend. Finally, opponents of the North American Free Trade Agreement will point to the widening disparity between U.S. and Mexican labor costs as a major disadvantage to labor-intensive U.S. manufacturers. They may call for continued tariffs to provide a competitive advantage to U.S. producers in the domestic market.

Hourly Labor Costs for U.S. Manufacturers and Some of Their International Competitors

	Index of Labor Costs (U.S.=100)		Hourly Costs in U.S. Dollars			Percentage of Costs Paid as Require Insurance and Labor Taxes		
Country	1980	1992	1980	1992	1980–92 Growth	1980	1992	1980–92 Change
United States *	100	100	$9.87	$16.17	63.8%	19.1%	22.6%	18.3%
Canada *	88	105	8.67	17.02	96.3	10.6	15.0	41.5
Mexico	22	15	2.18	2.35	7.8	-	-	-
Japan *	56	100	5.52	16.16	192.8	11.4	13.1	14.9
Korea	10	30	0.97	4.93	408.2	9.8	11.1	13.3
Singapore	15	31	1.49	5.00	235.6	20.7	15.3	–26.1
Taiwan	10	32	1.00	5.19	419.0	6.5	7.4	13.8
France *	91	104	8.94	16.88	88.8	27.3	28.5	4.4
Germany *	125	160	12.33	25.94	110.4	21.0	22.8	8.6
Italy *	83	120	8.17	19.41	137.6	29.3	30.6	4.4
Spain	60	83	5.89	13.39	127.3	25.8	24.6	–4.7
Sweden	127	150	12.51	24.23	93.7	27.4	31.3	14.2
United Kingdom *	77	91	7.56	14.69	94.3	18.0	16.5	–8.3

* Denotes G-7 nation.

SOURCE: Bureau of National Affairs, "Daily Report for Executives," no. 100 (Washington, D.C.: May 1993).

Regional Economic Forecast

Conditions point to another year of slow growth for the U.S. economy. A dismal first quarter coupled with flooding in the Midwest, recession in the world's major trading nations, and lethargic economies in other nations do not bode well for the United States. Gross domestic product (GDP) is forecast to grow between 2 and 2.5 percent in 1993 and 3 and 3.5 percent in 1994.

Employment in durable goods manufacturing is expected to increase, producing a gain of nearly one percent during 1993. Employment in nondurable goods manufacturing is expected to climb slightly more than 2 percent above 1992 levels this year. Vehicle sales are forecast to reach 13.9 million units in 1993 compared with 13.1 million last year and 12.5 million in 1991. The 1994 forecast is that 14.3 million cars and trucks will be sold in this country.

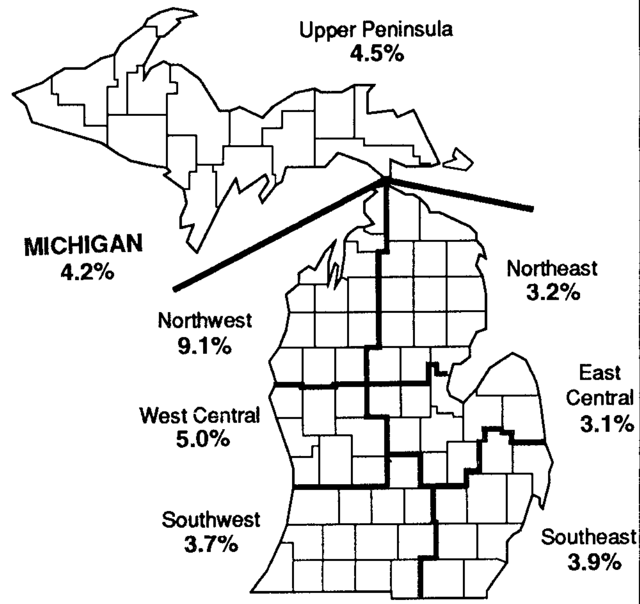
Wage and salary employment is forecast to increase by 1.1 percent this year and 0.6 percent next. (Wage and salary employment excludes self-employment, agricultural workers, and uniformed military personnel and measures the number of jobs, not the number of employed persons.) Michigan employment data for May 1993 show durable goods manufacturing employment rose by 0.7 percent over last year's level. Nondurable goods manufacturing has grown 1.4 percent for the year to date. Based on results for the first five months, it appears that Michigan civilian employment will grow 2.8 percent and that the 1993 unemployment rate will average 6.6 percent. Total civilian employment is forecast to increase by 1.2 percent in 1994, with the unemployment rate declining to 5.9 percent.

Production of made-in-Michigan motor vehicles is forecast to beat 1992's 2.4 million rate, rising to 3 million in 1993 and 3.2 million in 1994. General Motors' Willow Run assembly plant is closed, probably for good. GM also intends to close a Pontiac truck plant at the end of this year. These and other plant closing and reductions mean no growth in automotive employment in this state.

Exhibit 1 shows the 1992–94 overall employment forecast for each of the seven regions included in this analysis. The region-by-region review and forecast follow.

EXHIBIT 1

Percentage Change in Total Employment in Michigan Regions, 1992–94



SOURCE: Michigan Employment Security Commission (special release) and estimates by the author.

SOUTHEAST Despite the closure of GM's Willow Run Assembly plant this region is experiencing a sharp increase in vehicle production and employment. Overall 1993 vehicle production in the nine-county region is expected to exceed 2.2 million units, more than 20 percent above the 1992 volume. An increase of 8 percent over the 1993 level is forecast for 1994. Metal fabricators, machinery makers, and plastics molders also are benefiting from surging automotive production. The steel and foundry industries continue to slump, however.

Jobs in durable goods manufacturing are expected to be 2 percent higher in 1993 than in 1992. A one percent decline in 1994 from the 1993 average is forecast.

Nondurable goods manufacturers are expected to add 3,500 jobs this year and 5,000 next. The leading industry in this category is plastic components for the automotive industry. All told, the total number of jobs in nondurable goods manufacturing is expected to jump by more than 9 percent between 1992 and 1994.

Modest job gains are expected for the retail sector this year and next. From 1992 to 1994, jobs in this sector are forecast to increase 0.8 percent.

The broad category known as services also is a mixed bag, with business services growing rapidly and the lodgings industry declining. Health care is a growth category along with entertainment, social services, residential care, nonpublic education, and automotive repair. Overall, the job total for services is expected to climb by about 10,000 this year and next, rising about 3.6 percent between 1992 and 1994.

The transportation, communication, and public utilities category is another growth arena these days, with a gain of 3,000 jobs this year and 1,500 next. The gain over the two-year span is projected to be close to 5 percent. A 4 percent job gain is forecast for the construction industries between 1992 and 1994.

The government sector will grow slowly (0.8 percent) for the 1992–94 period. Federal employment is declining as is state employment, except for state universities. Community colleges employment is also growing; jobs in public schools are not.

The job level in wholesale trade shows no growth this year and modest growth next. This translates into a 1.5 percent gain between 1992 and 1994.

The finance, insurance, and real estate (FIRE) sector is expected to shed another 2,000 jobs this year and to halt its decline next year. The numbers translate into a 1.7 percent decline from 1992 to 1994.

Outlook There was a modest gain between 1991 and 1992, with total employment increasing to 2,146,000 from 2,113,000. Total employment of 2,208,000 and 2,229,000 is forecast for 1993 and 1994, respectively. Actual and projected unemployment rates are 9.1 percent for 1991, 8.7 percent for 1992, 6.5 percent for 1993, and 6.2 percent for 1994.

EXHIBIT 2

Forecast: Southeast

	1993	1994
Employment (% change)	+2.9%	+0.9%
Unemployment rate	6.5	6.2

SOUTHWEST This region's cities are undergoing some important changes. Lansing is taking its lumps due to troubled times for Michigan government and Oldsmobile; Kalamazoo faces adjustment as General Motors prepares to shutter its remote fabrication plant in Comstock Township; The Upjohn Company, a pharmaceutical manufacturer, is downsizing; and Benton Harbor is experiencing shrinking pains in durable goods manufacturing.

The job level in durable goods manufacturing is forecast to decline by more than 2,000 this year and then to increase by nearly the same amount next, leaving the area with a very modest decline between 1992 and 1994.

Food processing, papermaking, and a variety of other nondurable goods industries also are important elements in the economy of this region. These industries face global competition and need to improve productivity, with potentially negative implications for job growth. The forecast is for a job gain of 2.7 percent in nondurable goods manufacturing between 1992 and 1994.

Here, as in the southeast, construction appears to have turned around. The number of construction jobs is expected to rise by 1,000, or about 5 percent, between 1992 and 1994.

This region's retail sector experienced neither the overbuilding nor the sharp contraction that it did in the southeast. Expect a 1.2 percent job gain between 1992 and 1994, although the southwest's economic growth in general will trail that in the southeast.

The services category is this region's pacemaker for economic growth, with health care and business services leading the way. Nearly three-quarters of the job growth will occur in this sector. Expect about 8,000 new service jobs to materialize, representing a 6.2 percent gain between 1992 and 1994.

Government employment has been an economic mainstay in the region because of state government offices in Lansing, Michigan State University in East Lansing, and Western Michigan University in Kalamazoo. The number of government jobs is expected to decline by 2,000, or 1.4 percent, between 1992 and 1994.

Wholesale trade employment is not expected to change, and job growth of 2.9 percent is forecast for the finance, insurance, and real estate sector for the 1992–94 period.

Outlook Total employment increased by 2.3 percent, from 703,000 to 719,000, between 1991 and 1992. Employment is expected to reach 736,000 in 1993 and 746,000 in 1994. Typically, this region has the state's lowest unemployment rates. Following unemployment rates of 8.1 percent in 1991 and 7.3 percent in 1992, unemployment should continue to fall, reaching 5.6 percent in 1993 and 4.8 percent in 1994.

EXHIBIT 3

Forecast: Southwest

	1993	1994
Employment (% change)	+2.4%	+1.4%
Unemployment rate	5.6	4.8

WEST CENTRAL After a modest downturn in 1992 the durable goods industries in this region have returned to their growth track. The 1993 job level is expected to be just short of that for 1991, and a new record is expected for

1994. For the 1992–94 period, employment growth of 2.6 percent is predicted.

The fastest growth is expected in services, construction, and wholesale trade. The expected 1992–94 growth rates are 5.9 percent, 5.7 percent, and 4.3 percent, respectively. Modest growth is expected in nondurable goods manufacturing (2.9 percent), retailing (1.8 percent), and government (1.3 percent) between 1992 and 1992.

The transportation, communication, and utility sector is forecast to grow 3.3 percent between 1982 and 1984. Similar growth (3.6 percent) is expected for finance, insurance, and real estate.

Outlook Although employment growth accelerated between 1992 and 1993, it is expected to decelerate next year. Actual and projected unemployment rates are 8.6 percent for 1991, 8.3 percent for 1992, 6.1 percent for 1993, and 5.2 percent for 1994.

EXHIBIT 4

Forecast: West Central

	1993	1994
Employment (% change)	+3.2%	+1.7%
Unemployment rate	6.1	5.2

NORTHWEST This region can be likened to California in the 1980s, experiencing pauses in economic growth rather than serious adjustments. This is Michigan's "gold coast," drawing enterprising individuals who are making things happen rather than waiting for them to happen.

Durable goods manufacturers added jobs during 1992 and 1993 and are expected to do so again in 1994. Between 1992 and 1994 the gain is projected at 4.3 percent.

The nondurable goods job base is expected to expand by 6.8 percent between 1992 and 1994. Food processing still plays a relatively important role in some areas of the northwest, best known for its cherry orchards and the tart cherry processing industry.

Reflecting general economic growth, the job base in construction industries is expected to grow by 5.3 percent between 1992 and 1994. The emphasis is on office, retail, and residential construction rather than the building of factories.

The number of jobs in retailing is forecast to increase by 2.7 percent between 1992 and 1994, reflecting population growth as well as tourism.

The service sector is the stellar economic sector here as in the rest of the state, with job growth of 9.5 percent projected between 1992 and 1994. Munson Medical Center in Traverse City and Northern Michigan Hospitals in Petoskey are major health care centers, drawing customers from a broader area than just this region. Business and travel and tourism are growing.

Outlook Total employment grew by 3.6 percent between 1991 and 1992 and is expected to grow by 5.7 percent between 1992 and 1993. Growth of 3.2 percent is forecast for 1994. The corresponding rates of unemployment are 10.9 percent in 1991, 10.9 percent in 1992, 8.2 percent in 1993, and 7.7 percent in 1994.

EXHIBIT 5

Forecast: Northwest

	1993	1994
Employment (% change)	+5.7%	+3.2%
Unemployment rate	8.2	7.7

NORTHEAST This region has underdeveloped potential. Even with a large population of retirees, health care industries face survival problems.

Durable goods manufacturing is less important here than in the six other regions. This type of manufacturing is concentrated locally in the lumbering/sawmilling industries and in machinery manufacturing, with metals fabrication also relatively important. No job growth is forecast for the 1992–94 period.

Modest job growth is forecast for the region's tiny nondurable goods sector.

The best job prospects here appear to be in services industries, with growth of 4.4 percent forecast between 1992 and 1994.

Wholesale trade; finance, insurance, and real estate; and transportation, communication, and utilities are expected to add a few jobs to their modest bases between 1992 and 1994. Government employment is expected to decline with the closure of Wurtsmith Air Force Base.

Outlook Total employment grew by 2.7 percent between 1991 and 1992 and by 2.5 percent this year. Growth of 0.7 percent is projected for 1994. The unemployment rate here typically is the highest among the seven regions. Figures for 1991–94 are 12.1 percent (1991), 12.6 percent (1992), 10.0 percent (1993), and 8.9 percent (1994).

EXHIBIT 6

Forecast: Northeast

	1993	1994
Employment (% change)	+2.5%	+0.7%
Unemployment rate	10.0	8.9

UPPER PENINSULA Durable goods manufacturing employment has been steady this year after slipping in 1992. Further erosion is anticipated due to the closure of two small factories. For the 1992–94 period a job loss of about one percent is predicted. The job level in nondurable goods manufacturing is expected to increase, offsetting the loss in durables.

Mining and construction are down this year from 1992 levels. Rising construction activity is expected to restore the combined total of these two sectors to the 1992 level, meaning no change for the 1992–94 period.

K.I. Sawyer Air Force Base is slated to close in 1995. One squadron is being transferred this year. Overall, government employment, which showed modest gains between 1992 and 1993, is expected to decline in 1994, leaving the 1992–94 level unchanged.

Employment at gambling casinos is on the rise. Health care industries also are posting gains. In all, both the services and retailing sectors are growing, providing the U.P. with economic impetus.

Outlook Total employment grew by 2.9 percent between 1991 and 1992 and by 2.6 percent this year. A 1.9 percent gain is forecast for 1994. Actual and projected unemployment rates are 10.5 percent for 1991, 10.8 percent for 1992, 8.6 percent for 1993, and 7 percent for 1994.

EXHIBIT 7

Forecast: Upper Peninsula

	1993	**1994**
Employment (% change)	+2.6%	+1.9%
Unemployment rate	8.6	7.0

EAST CENTRAL Cutbacks in the automotive industry have pared the job total for durable goods manufacturing this year from the already depressed 1992 level. Better times are expected for 1994. For the 1992–94 period, durable goods employment is expected to show a 0.8 percent gain, with no increase expected in nondurable goods manufacturing.

Construction activity has rebounded this year, so much so that the 1991 employment level will be restored. Further growth is anticipated for 1994. The combined job level for construction and mining is expected to rise 6.1 percent between 1992 and 1994.

Retailers have been paring jobs, but some gain is expected next year, resulting in a 1992–94 increase of 0.8 percent.

Here, as in other regions, services are the mainspring of economic growth. Both health care and business services exhibit strong growth. For the 1992–94 period, 4.8 percent job growth is predicted for the services sector.

Employment in all of the other sectors has been edging downward. This is true for wholesaling; transportation, communication, and utilities; finance, insurance, and real estate; and government.

Outlook Total employment grew by 1.6 percent between 1991 and 1992 and is expected to grow 1.8 percent this year and 1.3 percent next. The four-year record of unemployment is 10.7 percent in 1991, 10.1 percent in 1992, 7.6 percent in 1993, and 5.5 percent in 1994.

EXHIBIT 8

Forecast: East Central

	1993	**1994**
Employment (% change)	+1.8%	+1.3%
Unemployment rate	7.6	5.5

Conclusions

Most regions can expect employment growth between 2 and 3 percent this year. The exceptions are the fast-growing northwest and west central and the sluggish east central regions. Slower growth is forecast for next year, with most regions growing between 0.5 and 2 percent.

Despite sluggish growth in manufacturing and government employment, the state has some robust industries. Health care, business services, temporary employment agencies, retraining services, U.P. casinos, and a handful of other industries are providing Michigan with its current economic impetus. The automotive sector should also give the state economy a temporary boost.

Should job growth be a concern for Michigan after 1994? Probably not. The Michigan labor force is growing very slowly and is actually declining in some regions. If the labor force continues to grow slowly, job growth may be able to keep pace with this smaller pool of new entrants.

School Property Taxes Eliminated; Sale of Accident Fund Moves Forward

Property Taxes for School Operations Eliminated

In a surprising vote of historic importance the Michigan legislature has overwhelmingly voted to eliminate all property taxes for school operations. SB 1 was hurriedly passed Tuesday by the Senate and Wednesday by the House after a heated effort by state lawmakers to come up with a workable plan by summer's end. If Gov. John Engler signs the legislation into law as he has pledged to do, taxpayers should see a significant reduction on their July 1994 tax bills.

The plan will end years of debate about property tax relief for Michigan property owners, who pay some of the highest property taxes in the nation. It is expected to save property owners—including owners of commercial and industrial property—about 65 percent of their tax bill.

The elimination of property taxes for school operation means that legislators must find $5.6 billion to replace lost school revenues. Legislators admit that this will involve a restructuring of the education system "unlike anything the state has done before."

Lawmakers predict that the legislation could result in fewer school districts, a basic state grant, and/or true statewide tax base sharing. Governor Engler stated that schools of choice could be part of the new system.

Several replacement sources for lost school revenues are being considered, including higher income taxes and state-based property taxes.

Accident Fund

In late June the Michigan Senate passed legislation allowing privatization of the Michigan Accident Fund, the state agency that provides workers' compensation insurance to businesses. Senate Bill 346, which allows the sale of the Fund to a private insurer, passed the Senate by a narrow, party-line vote (20-17). The package is now under debate in the Michigan House.

The proposed transfer of the Accident Fund to the private sector is part of an ongoing effort by Governor Engler and Republican legislators to privatize many services now administered by the state. Sen. Paul Wartner (R-Portage), who introduced the package of Accident Fund legislation, said that state government should not "be in the insurance business" but should simply regulate the market. Supporters of the bills estimate that sale of the Fund would net the state a one-time sum of more than $100 million.

Opponents contend that the value of the Michigan Accident Fund is not known and that the state may not get its actual value in a sale. They are concerned that workers' compensation rates would rise, particularly for small businesses now insured with the Fund. Insurance Commissioner David Dykhouse said that the Accident Fund will bring in approximately $80 million per year in revenues if it remains in the public sector.

Publications of Interest

ACCRA, ***ACCRA Cost of Living Index, Comparative Data for 303 Urban Areas***, vol. 26, no. 1 (ACCRA; Louisville, Kentucky: first quarter, 1993), ISSN 0740-7130.

This report provides measures of differences in living costs among urban areas. Unlike the consumer price index published by the Bureau of Labor Statistics, this index compares the cost of living of one place to another rather than costs over time. Comparisons are based on prices of housing, utilities, transportation, health care, and miscellaneous goods and services in different labor markets (metropolitan statistical areas). Price information for specific consumer items in different labor markets are also included.

This study provides background material on federal debt and interest costs. It examines several aspects of federal debt, such as its components (for example, marketable securities and savings bonds), trends in interest rates, and projections of debt and interest rates based on different potential government actions. The study provides supporting tables, historical data, and projections.

United States General Accounting Office, ***Balanced Budget Requirements: State Experiences and Implications for the Federal Government*** (Washington, D.C.: U.S. Government Printing Office, March 1993), GAO/AFMD-93-58BR.

This document describes state balanced budget laws and practices. It includes current data on states' balanced budget requirements, their experience in meeting those requirements, and implications of those experiences for federal efforts to balance the budget. It describes enforcement provisions, types of requirements (for example, statutory or constitutional), and actions to eliminate deficits for the 48 states that have mandated balanced budgets.

Michigan Revenue Report

June revenue collections (largely May activity) were a little weaker than expected. Personal income withholding collections were 1.8 percent below the year-ago level. Adjusted for fewer paydays this year, however, collections increased an estimated 6 percent.

Sales and use tax collections increased only 1.9 percent, reflecting declining consumer confidence and uncertainty about the future. Sales tax collections (excluding motor vehicles) increased only 0.2 percent, the smallest gain in several months. Motor vehicle collections increased 5.6 percent and use tax collections increased 9.6 percent. Single business tax collections increased 5.4 percent, about in line with recent months.

June Lottery sales declined 11.9 percent, as players continue to be cool to the new Bonus Lotto game. Sales for the last three months are down 6.5 percent from the year-ago level, but they are still up 3.1 percent for the year to date. The state profit to the School Aid Fund is down from a year ago, but an unclaimed prize of $4 million makes some up some of the shortfall.

The Michigan economy has continued to improve in recent months, but the national economy has shown signs of weakness, which will soon begin to affect Michigan. We are sticking with our current revenue estimates, but there is some reason to be concerned that small downward revisions may be necessary. If July and August collections are similar to June's, reduced estimates will be in order.

MONTHLY TAX COLLECTIONS (dollars in thousands)

Type of Revenue	Preliminary June 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	$367,612	–1.8%	$1,113,619	4.6%	$3,127,220	6.4%
Quarterly and Annual Payments	95,346	5.1	349,250	–13.1	560,854	–4.6
Gross Personal Income Tax	462,958	–0.4	1,462,869	–0.3	3,688,074	4.6
Less: Refunds	–47,795	–0.6	–548,390	–13.7	–1,157,288	0.9
Net Personal Income Tax	415,163	–0.4	914,479	10.0	2,530,786	6.4
Sales and Use Taxes	287,063	1.9	827,914	4.2	2,180,202	4.8
Motor Vehicles	46,857	5.6	135,143	3.6	310,035	5.3
Single Business Tax	58,480	5.4	510,083	5.4	1,192,435	15.7
Cigarette Tax	19,795	3.7	59,604	1.7	157,950	–1.7
Public Utility Taxes	558	0.0	568	NM	73,603	0.9
Oil and Gas Severance	3,571	18.9	10,530	12.8	26,588	–4.1
Lottery[a]	37,787	–11.9	117,574	–6.5	372,114	3.1
Penalties and Interest	360	–69.3	20,996	26.6	71,295	33.1
SUW–Annuals and Undistributed[b]	14,449	333.5	15,902	287.3	36,696	63.7
Other Taxes[c]	19,045	75.5	173,136	–3.5	346,455	–4.5
TOTAL TAXES (GF & SAF)[d]	$856,271	2.6%	$2,650,786	5.9%	$6,988,124	6.7%
Motor Fuel Tax[e]	$58,778	–3.2%	$177,926	4.0%	$483,495	5.8%

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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