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Public Sector Reports

Michigan ECONOMIC BULLETIN

The Good News

- The **U.S. unemployment rate** fell to a seasonally adjusted 6.8 percent in July from 7 percent the previous month. The economy created 162,000 new jobs last month, up from a disappointing 44,000 in June. Analysts warn, however, that the figures do not change the lackluster economic outlook because most of the growth was in low-paying service jobs, while factory jobs continued to dwindle.

➤ July **motor vehicle sales** rose 9.2 percent from the same time last year. Truck sales accounted for much of the gain, climbing 18.6 percent. Car sales, generally the weaker segment of the market, were up 4.1 percent.

➤ Recovery in the housing market continued its slow but steady pace in June, as **sales of existing homes** edged up 1.9 percent to a seasonally adjusted annual rate of 3.7 million homes. This rate represents an impressive 11.1 percent increase over the same period last year and marks the third consecutive monthly gain.

➤ **Durable goods orders** rose 3.8 percent in June to a seasonally adjusted rate of $131.59 billion, the first increase since February. Analysts cautioned that the rise will not necessarily translate into more factory jobs.

The Bad News

➤ The **Michigan unemployment rate** remained unchanged in July from its June rate of 7.3 percent. The number of jobs fell 16,000 last month, but so did the number of people in the labor force, offsetting employment losses.

- The Commerce Department released second-quarter figures on **gross domestic product** (GDP), which show weak growth in the economy. The U.S. economy grew at an unimpressive annual rate of 1.6 percent between April and June, about one percent less than expected. Despite these gloomy figures, analysts predict larger GDP gains in the second half of the year.

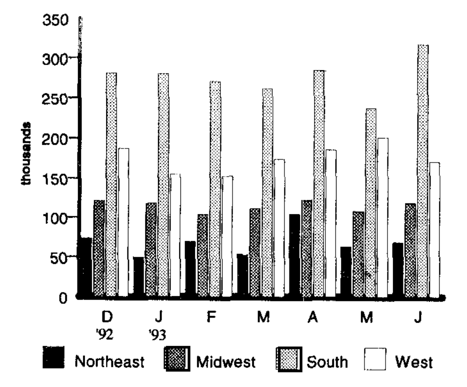
- The Conference Board announced that the **consumer confidence index** fell 0.9 points in July to 57.7, bringing the total decline for 1993 to 19 points. Pessimism about future job prospects seems to drive consumer doubt about the economy.

➤ The **index of leading economic indicators** point to a sluggish economy over the next few months. The Commerce Department announced that its June index rose a mere 0.1 percent after falling 0.4 percent in May. Six of the eleven indicators that make up the index contributed to its listless rise, including orders for plant and equipment, consumer expectations, and money supply.

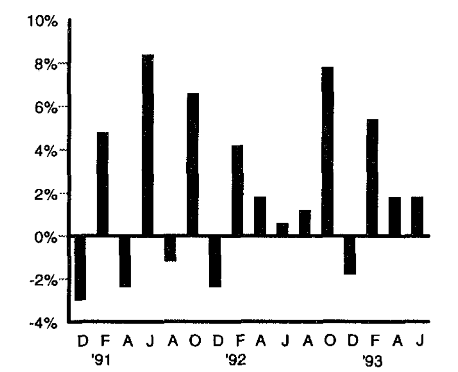
IN THIS ISSUE

MICHIGAN ECONOMIC INDICATORS

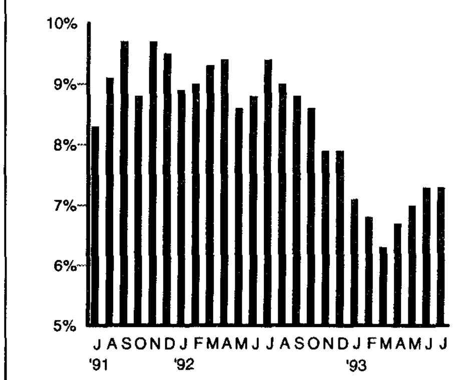
Sales of New One-Family Homes (seasonally adjusted annually rate)



Detroit-Ann Arbor CPI, Percentage Change from Two Months Ago



Michigan Monthly Unemployment Rates (seasonally adjusted)



SOURCES: U.S. Census Bureau, Bureau of Labor Statistics, and Michigan Employment Security Commission.

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Michigan Stands Out on Finance Reform but Not Economic Development

State Policy Research, Inc., recently released a summary of the most important issues discussed in state capitols around the nation [*State Policy Reports*, vol. 11, no. 13 (Columbus, Ohio: July 1993)]. It shows that other state legislatures were struggling with some of the same issues that made Michigan headlines in 1992 and 1993.

Opposition to Taxes

State lawmakers nationwide faced the problem of balancing increasingly tight budgets against a backdrop of growing antitax sentiment. Voters in Michigan and Montana rejected a proposed sales tax increase despite strong support for the increase among leaders in both parties, business, and education. In some states lawmakers joined the public in saying "no" to taxes. For example, in Texas both the governor and legislature opposed state tax increases despite serious problems with school finances. In other states, such as California and Florida, proposed tax increases failed because the governor or legislative leaders were unable to overcome opposition from the other party. Governor Engler and Republican leaders in Michigan were strongly opposed to tax increases in 1992 but did agree to put a sales tax increase on the ballot.

School Finance Reform

Michigan was not the only state to struggle with K–12 school finance reform in 1992. In a growing number of states, supreme courts issued orders to correct school inequities. Massachusetts, Alabama, and Texas have all been ordered to correct inequities between K–12 school districts. Fear of such court-ordered reform intensified Michigan's well-known efforts to correct school inequities in 1992.

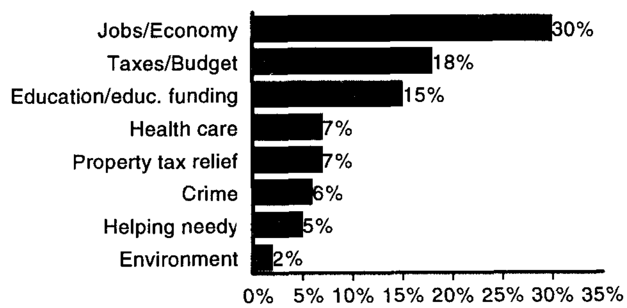
Lawmakers have had trouble developing alternative school finance methods that can pass state legislatures. Most often the problem has been handled by increasing taxes so that more funds flowed to schools and wealthier districts did not face cutbacks. Some states, such as Texas, however, have begun to avoid higher taxes and are simply reallocating existing monies.

Michigan's struggle with school finance reform has been particularly complicated because it is intertwined with property tax reform, and lawmakers have tried to tackle both objectives simultaneously. Their response to this problem made headlines recently, as legislators announced a surprising decision to eliminate altogether property taxes for school operation. This was only the first step toward dealing with the dual issues of school finance equalization and property tax reform, however, and Michigan lawmakers' greatest challenge still lies ahead—developing a completely new way to pay for schools.

Economic Development and Job Creation

Against a backdrop of hard economic times, competition between states to attract and retain business intensified in 1992. Traditional economic development strategies, such as pursuing large industries, were used more aggressively, sometimes with new twists (such as targeting high-tech industries instead of "smokestack chasing"). The exhibit shows that job creation and economic development were the most important issues on the minds of Michigan voters in 1992, more important than school finance reform and taxes. Michigan's name did not surface in this report's discussion of state economic development efforts, however, and was mentioned only in the section on business climate (in which Michigan ranked 38th highest in the nation). Although this does not mean that Michigan lawmakers were not active on economic development issues, it shows that economic development was not one of the state's top priorities in 1992.

What Is the Most Important Problem Facing Michigan Today?



SOURCE: Public Sector Consultants, Inc., and Michigan Hospital Association, *Public Opinion Monitor* (June 1993).

Conclusions

Michigan's major issues are not unique to the state but are part of national trends. Although the state's innovative efforts to deal with taxes and school finance reform have made news, Michigan lawmakers did not stand out on the issue that is foremost in voters' minds—jobs.

MICHIGAN ECONOMIC BULLETIN
Special Insert • August 1993

Economic Forecast

INTRODUCTION Second-quarter economic indicators presented few surprises—they point to the continuation of a very slow recovery despite low inflation and interest rates. The economy had heated up somewhat in the first quarter, as the election of a new president boosted confidence and spending. The job market and personal income failed to improve as expected, however, and consumers and investors have become cautious once again.

Second-quarter gross domestic product (GDP) was a disappointment, falling nearly a full percentage point short of anticipated growth. The unemployment rate has been slower to fall than normal for an economic recovery and most new jobs were in the lower-paying retail and service sectors.

Despite the national economy's lackluster performance, Michigan has made some encouraging progress. In the first half of the year the Michigan unemployment rate finally dipped below the national average for the first time in decades. Auto sales spiraled upward in the second quarter, following sizable improvements in the first. The Michigan housing market is beginning to rebound, and construction, following a long period of sluggishness, is finally showing signs of life.

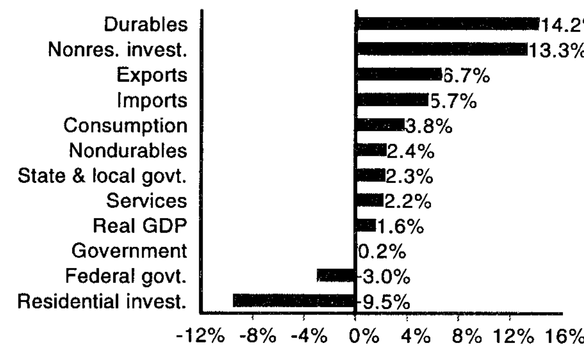
Despite slow U.S. growth in the first half, we predict a better performance in the second half of 1993. Structural adjustments in the economy and the uncertainty removed by passage of the president's plan should help the economy move forward.

GROSS DOMESTIC PRODUCT (GDP) **GDP** made a weak showing in the second quarter, rising at an annual rate of only 1.6 percent. Although growth was up from the first quarter's meager 0.7 percent rise, it was considerably slower than the 2.5 percent growth predicted by the Federal Reserve Board (Fed).

Most major components of GDP posted gains in the second quarter. (See Exhibit 1.) Consumption of durable goods (powered primarily by purchases of automobiles and furniture) was up the most, rising 14.2 percent. Nonresidential investment was also up considerably, jumping 13.3 percent from the first quarter. Exports rose slightly more than imports, resulting in a net trade gain. Declines were realized in federal government spending (largely due to military cutbacks) and residential investment.

EXHIBIT 1

Percentage Change in Selected Components, 1993 I to 1993 II (adjusted for inflation)



SOURCE: U.S. Department of Commerce.

NOTE: Imports count negatively toward the calculation of GDP.

Outlook Passage of the president's economic plan could have both negative and positive effects on short-term economic growth: negative because of higher taxes (or the perception of higher taxes) and positive because some of the uncertainty that has deterred investors and consumers from spending has been removed and because action on the deficit will keep long-term interest rates low. Analysts generally agree that the plan's effect will be limited, however, and general economic forces (business cycles, interest rates) may overshadow it.

We predict slightly stronger second-half growth—in the 2.5 to 3.0 percent range. This optimism is based on many factors. Inflation has been moderate in 1993 and should continue to increase at a modest rate during the rest of the year. Consumer confidence should rise somewhat as the employment situation slowly improves and as uncertainty about new federal taxes is quelled. We also predict that interest rates will remain low, making it easier for consumers and investors to borrow. Also contributing to a slightly higher expected GDP is the restructuring done by American companies—productivity is higher and inventories are lower than in the past, and businesses continue to invest heavily in capital equipment.

The sluggish manufacturing sector will remain a drag on the economy, as will the reluctance of lenders to extend credit. Flooding in the Midwest may have some limited negative effect, weighing on employment and retail figures, but may also give a boost to the construction and housing markets.

EMPLOYMENT AND INCOME **U.S. wage and salary employment** improved markedly in the first half of

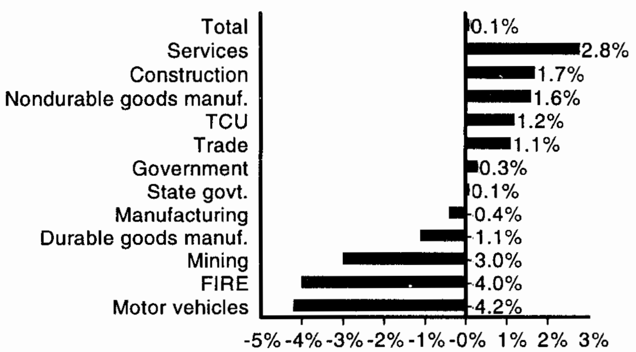
1993 but showed signs of weakening in June. In the first quarter of the year, 516,000 new jobs (seasonally adjusted) were added to the fourth-quarter 1992 total. The services sector added 227,000 jobs and the retail trade sector 163,000 jobs. There were modest gains in manufacturing, construction, and government. Employment increased by 522,000 jobs in the second quarter, with about 80 percent of the increase in the services sector, but only 44,000 new jobs were added in June. Manufacturing employment declined by 53,000 jobs in June and is now 1.7 million jobs below the January 1989 peak. The economy generated 162,000 jobs in July (preliminary data), but most of the growth was concentrated in low paying service jobs.

The **U.S. civilian unemployment rate** is stuck at about 7 percent. The rate averaged 7 percent in the first quarter, down from 7.3 percent in the fourth quarter of 1992. It fell to 6.9 percent in May then returned to 7 percent in June, and averaged 7 percent the second quarter. The July unemployment rate dipped to 6.8 percent.

Michigan wage and salary employment continued to improve modestly in the second quarter, increasing one percent above the year-ago level (see Exhibit 2). This is weaker than the first quarter increase of 1.9 percent, however. The strongest sector continued to be services, in which the number of jobs rose 2.8 percent, led by strong gains of 5.1 percent in business services and 3.1 percent in health services. Construction employment, which has been one of the weakest sectors in recent years, increased 1.7 percent, due in part in the lowest interest rates in 20 years. Manufacturing employment fell 0.4 percent (after increasing 1.5 percent in the first quarter), due mainly to a 4.2 percent decline in jobs in the motor vehicle industry. Nondurable goods manufacturing increased 1.6 percent,

EXHIBIT 2

Michigan Wage and Salary Employment by Sector, Percentage Change, 1992 II–1993 II



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

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

led by a robust 6.6 percent jump in jobs in the rubber and plastic industry. Employment growth was about one percent or less than in the other major sectors, with very slow growth in the government and finance sectors.

The **Michigan unemployment rate** (seasonally adjusted) increased from 6.7 percent in the first quarter of 1993 to 7 percent in the second quarter. The first half average of 6.9 percent was below the national average. The last time the Michigan unemployment rate was below the U.S. average for the entire year was 1966. The last time the Michigan rate was below the U.S. rate for even one month of the year was 1978. The rate remained the same in July, 7.3 percent. In June Michigan had the fourth lowest rate among the eleven largest states; however, it had the 22nd lowest rate among all the states.

U.S. personal income increased at an annual rate of 5.2 percent in the first half of 1993 compared with 4.8 percent in 1992. Growth slowed in the second quarter, however, to an annual rate of only 3.9 percent, due in part to reductions in farm subsidies related to flooding in the Midwest and a general weakening of the economy, particularly in the manufacturing sector.

Michigan personal income fell one percent in the first quarter of 1993 (latest data available) from the last quarter of 1992. Michigan's first-quarter income of $190 billion, however, was 5.1 percent higher than during the same period a year ago. Of all major components, manufacturing wages rose the most over the level of the 1992 first quarter, 6.4 percent. (See Exhibit 3.) Service wages and transfer payments also grew at above-average rates.

Outlook This should be the best year for employment growth since 1989, both nationally and in Michigan. However, the economy still faces many trouble spots, and employment growth will be weaker than during most economic recovery periods. Nationally, we are forecasting an employment gain of one to 1.25 percent and an average unemployment rate of 6.8 to 7 percent. In our last forecast, we predicted that Michigan wage and salary employment would increase 0.5 to 0.75 percent in 1993. Due in part to the strength in motor vehicle sales, that estimate appears to be too low. We are revising our forecast to a 1.25 to 1.5 percent increase for 1993. We are sticking with our forecast that the unemployment rate will average between 7 and 7.5 percent in 1993.

Our forecast for personal income has not changed. We continue to project that U.S. personal income will increase slightly more than 5 percent in 1993, and that Michigan personal income will increase 5 to 5.5 percent. We expect slightly faster growth in Michigan because of the strength in the motor vehicle industry and the negative effect of flooding in the Midwest and defense cutbacks in other regions of the country.

MOTOR VEHICLE SALES Automakers celebrated impressive gains in motor vehicle sales in the first half of

EXHIBIT 3

Michigan Personal Income, Selected Components, 1988–93 I (dollars in millions)

Year	Total Personal Income	Wages and Salaries	Manufacturing Wages	Services Wages	Transfer Payments	Dividends, Interest, and Rent
1988	$152,271	$93,369	$33,507	$17,838	$23,793	$22,998
1989	163,269	98,564	34,595	19,493	24,626	26,622
1990	171,003	102,368	34,175	21,255	26,820	27,845
1991	174,750	103,152	33,363	21,917	29,648	27,565
1992	184,089	108,521	34,333	23,868	33,467	28,394
1993 I	190,033	111,368	35,771	24,681	34,559	28,976
Percentage change 1992 I to 1993 I	5.1%	4.7%	6.4%	5.7%	5.8%	2.1%

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

1993. The long-awaited gains came after years of declining car sales. (See Exhibit 4.) Sales of all motor vehicles in the second quarter of 1993 rose 10.3 percent over sales in the same quarter of 1992. Following a trend observed since 1991, **truck sales** were strong, rising 17.8 percent from the second quarter of 1992 to the second quarter of 1993. Additional good news is that **car sales** finally made a comeback, rising a surprising 6 percent between the second quarter of 1992 and the same quarter in 1993. This is good news for Michigan, which produces about 30 percent of passenger cars but only 21 percent of trucks made in the United States.

Further good news for the Big Three automakers is that the **Japanese market share** is down. A strong yen and strides in quality by American producers have driven the Japanese market share down to 22.3 percent at the close of 1993's first quarter from 24 percent one year earlier. Another reason for the falling Japanese share of sales is the strength of the light-truck market, a segment dominated by American producers.

Much of the growth in auto sales has been attributed to pent up consumer demand and an aging fleet of American cars. The average car on the road in the United States today is about nine years old, older than it has been since the 1950s. As these cars wear down, consumers tend to purchase new ones.

Outlook We predict that vehicle sales will remain strong in the second half of the year but will slow slightly from current levels. Specifically, a growth rate of 8 to 10 percent above the year-ago level is expected. Our 1993 estimate is for sales of approximately 9 million cars and 5.6 million trucks, for a total of 14.6 million.

The slightly slower growth rate is anticipated because pent up demand cannot be sustained indefinitely. Consumer demand may begin to wane later this year or early next. July sales figures indicate that this may already have begun—sales declined in July (from the June level) for the first time this year and also declined in the first ten days of August.

PRICES The **U.S. consumer price index (CPI-U)** rose 2.2 percent (annual rate) in the second quarter, easing the fear of rapid inflation caused by the 4 percent rise in the first quarter. The index was up 3.1 percent for the first

EXHIBIT 4

Car and Light Truck Sales, 1988–93 (sales in thousands)

	Passenger Cars				Light Trucks			
Year	Domestic	Imports	Total	Yearly % Change, Car Sales	U.S. Light Trucks	% Changes, Truck Sales	Total Motor Vehicles	Yearly % Change, Car Sales
1988	7,526	3,069	10,595	3.6%	4,878	4.2%	15,473	3.8%
1989	7,073	2,757	9,830	–7.2	4,779	–2.0	14,609	–5.6
1990	6,843	2,453	9,296	–5.4	4,591	–3.9	13,887	–4.9
1991	6,072	2,103	8,176	–12.0	4,159	–9.4	12,335	–11.2
1992	6,217	1,994	8,211	0.4	4,675	12.4	12,885	4.5
1993 (est.)	6,962	1,998	8,960	9.1	5,629	20.4%	14,558	13.0

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

six months of 1993 compared to 2.9 percent for all of 1992. Excluding the more volatile components of food and energy, consumer prices rose at an annual rate of 3.6 percent for the first half of 1993; they rose at an annual rate of only 1.2 percent in July. Prices should remain stable as the economy continues its slow recovery.

Michigan consumer prices (as measured by the Detroit-Ann Arbor CPI, released every two months) increased at an annual rate of 1.8 percent in both April and June after a 5.4 percent increase in February. From December 1992 to June 1993 all prices increased at an annual rate of 2.9 percent; excluding energy, prices increased only 2.5 percent. Medical care prices increased 6.9 percent, up from the very moderate 5.1 percent rise for all 1992.

Producer prices, which generally foreshadow changes in consumer prices, increased 2.2 percent (annual rate) during the second quarter after sharp increases during the first two months of 1993; excluding food and energy the index rose 2.9 percent. Thus far, the Midwest floods have not led to higher food prices. In fact, producer prices dropped in June and July after no change in May.

Outlook Rapid first-quarter price increases were curbed by flat and even decreasing prices in May, June, and July, signalling that inflation should remain under control for the second half of 1993. The president's economic plan will not significantly affect the slow-paced recovery, so industries with low prices will not be able to raise them until the economy strengthens. Overall, we expect U.S. consumer prices to increase 3.5 percent and Michigan consumer prices to increase 3 percent for 1993.

MONETARY AND FISCAL POLICY The Fed continued to stay the course on short-term interest rates for the first six months of 1993; however, Chairman Alan Greenspan recently made it clear that, at 3 percent, short-term rates are too low for a growing economy and will rise soon. The good news of low second-quarter inflation has postponed a Fed move for now, but short-term rates could go up a half percent by year end. Long-term interest rates have remained below 7 percent for the entire year, with the rate on 30-year Treasury notes currently at 6.42 percent and 10-year notes at 5.78 percent, down from 7.34 percent and 6.52 percent, respectively, one year ago.

The Democrats in Congress narrowly passed a revised version of President Clinton's economic plan in early August. While the package provides little stimulus outside of some tax breaks for small businesses to promote short-term growth, it *does not* raise taxes on the vast majority of the population except for a 4.3 cent gasoline tax. The fact that the income tax increases will affect only very high income families should clear up taxpayer uncertainty and boost consumer confidence that has been stalled for most of the year. Furthermore, low income families will benefit from an expansion of the earned income tax credit.

Outlook In the short term, deficit reduction will be driven by tax increases, including a retroactive increase on wealthy families' income taxes. Thus, fiscal policy is likely to slow the economic recovery in the short term. The strong commitment to deficit reduction should keep long-term interest rates at their current low levels, which means lower cost borrowing for businesses, home buyers, and the government and a boost for short- and long-term economic growth. Nevertheless, the president and Congress must do more to cut nondiscretionary spending; they will meet this fall to explore budget cuts in this area.

HOUSING A housing recovery is on its way, although it is moving more slowly than usual following a recession. The recovery is restrained by sluggish growth in jobs and personal income. Nationally, **sales of new homes** were up in the second quarter of 1993 from the first, rising 11 percent. However, the growth is very uneven. Sluggish new home sales are partially due to tight credit for builders and bad weather earlier this year.

Slow sales of new homes helped give **sales of existing homes** a slight boost. After falling in all three months of the first quarter, sales of previously owned homes rose at a slow but steady pace. June's sales were up 1.9 percent from the previous month and 11.1 percent from the previous year. June's growth was a slight disappointment compared to May's 4.9 percent increase, however, and growth in resales was not evenly distributed across the nation.

The Michigan housing market appears to be doing slightly better than the national market. **Michigan building permits**—an indicator of future housing—rose in the second quarter at a rate nearly double the national average. Another indication that the housing sector is improving is that construction employment, which has been one of the weakest sectors in recent years, increased 1.7 percent in the second quarter.

Outlook The housing recovery is expected to accelerate slightly in the second half of the year. A significantly faster growth rate is not anticipated primarily because of slow growth in personal income and employment and declines in consumer confidence, although continued low interest rates, pent up demand, and flooding in the Midwest may counteract these negative factors. (The effects of the rebuilding in the Midwest may not show up for many months, however, due to a lag time in the data.)

Michigan housing is expected to continue to grow faster than the national market. If interest rates remain low and the auto industry continues its recovery, Michigan housing should continue to expand.

School Aid Budget Passes Senate; Community College Budget Moves Forward

School Aid Budget Passes Senate

A 1993–94 K–12 school aid budget (HB 4836) passed the Senate narrowly (20-12) in early August. It creates a foundation grant of $3,800 per pupil for schools that levy at least 25 mills for school operation. The grant would be increased by $100 for each mill over 25. The budget also ensures that districts that levy at least 20 mills would not receive less money than they do in the current year. The foundation grant, if adopted, means an end to the current school aid formula system.

A unanimously passed amendment to the budget repeals the tax-base sharing plan and redistributes those school district funds (earmarked for poorer districts) now held in escrow. The funds, collected under the "Robin Hood plan," had been in limbo pending a court decision on tax-base sharing. Sponsors of the amendment say, however, that the controversial system of shifting money from wealthier to poorer districts became irrelevant when property taxes for school funding were eliminated.

Another amendment was passed that requires school districts to obtain parental consent before the controversial Michigan Model for Comprehensive Health Education can be presented to students. Districts that do not get permission could lose up to 5 percent of their school aid.

Community College Budget Moves Forward

House and Senate conferees adopted a one-year community college budget in early August (HB 4538), and the bill is now on its way to the House and Senate for adoption. Community colleges were specifically exempt from SB 1, which eliminated property taxes for school operation. State aid for 1993–94 is $233.6 million, with an additional $3.1 million for job training and $3.28 million for the At-Risk Program for academically disadvantaged students. The budget provides a 3.24 percent increase for each of Michigan's 29 community colleges by redistributing $7.3 million in special funds that had been requested by Wayne County Community College.

Also included in the budget was an amendment requiring that colleges buy only American goods and services when they are available, competitively priced, and of comparable quality with foreign goods. Another amendment provided that the state will match funds for Bay de Noc Community College to build a Business/Advanced Technology Facility.

Publications of Interest

United States General Accounting Office, ***Educational Testing: The Canadian Experience with Standards, Examinations, and Assessments*** (Washington, D.C.: Government Printing Office, April 1993). GAO/PEMD-93-11.

This report was prepared in response to a call by the National Council of Education Standards and Testing for a national system of standards and assessments for K–12 education. It reviews Canada's experience with large-scale testing to answer the following questions: (1) How have educational standards been set and by whom? (2) What criteria are used to assess whether standards are being met? (3) What is done to ensure that the tests are taken seriously? (4) What specific safeguards are used to prevent misuse of tests? and (5) How effective has standardized testing been in improving teaching and learning? Information to answer these questions was collected from interviews with education officials, researchers, and members of the business community as well as through review of documents and evaluation reports. It contains no recommendations.

Congressional Budget Office, Congress of the United States, ***A Budgetary and Economic Analysis of the North American Free Trade Agreement*** (Washington, D.C.: Government Printing Office, July 1993). ISBN 0-26-041864-X.

This study examines the major effects of the North American Free Trade Agreement (NAFTA) on the U.S. economy and the federal budget. The agreement, which would open markets between the United States, Mexico, and Canada, is currently under negotiation between nations, and Congress is awaiting the results before any decision is made. This report discussed the major provisions of the agreement and the possible effects on the U.S. and Mexican economies in general, such as economic growth, interest rates, and trade balances. It also examines the potential influence on specific industries, including the automotive industry and agriculture. Environmental issues are also discussed.

July revenue collections were up sharply due to the acceleration of sales and use tax payments. Adjusted for accelerated payments of an estimated $87.8 million, sales and use tax collections increased a stronger than expected 7.2 percent, due in part to a 15.4 percent increase in motor vehicle collections.

Personal income tax collections increased 5.1 percent, however, about in line with expectations but a little below the year-to-date increase of 6.7 percent.

Single business tax collections were down 10.4 percent from the year-ago level, but this could be due to a change in the timing of collections, as the quarterly payment was due on July 31.

As explained above, the 46 percent increase in sales and use tax collections is due to accelerated collection o the tax, which will now be done every month. It is likely that the actual increase in collections is in the 4–6 percent range.

Lottery sales declined about 17 percent (preliminary estimate), as the new Lotto game continues to be very unpopular.

Overall, revenue growth continues to be about on target and could slightly exceed the estimate for the fiscal year, although lottery collections will fall well short of the estimate.

MONTHLY TAX COLLECTIONS (dollars in thousands)

Type of Revenue	Preliminary July 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	$391,954	5.1%	$1,143,259	4.6%	$3,532,929	6.7%
Quarterly and Annual Payments	7,591	–1.8	123,170	2.1	620,050	3.6
Gross Personal Income Tax	399,545	5.0	1,266,429	4.4	4,152,979	6.2
Less: Refunds	–41,285	–2.6	–225,953	–34.4	–1,198,422	0.7
Net Personal Income Tax	358,260	5.9	1,040,476	19.8	2,954,557	8.7
Sales and Use Taxes	403,304	37.0	998,964	19.6	2,614,228	10.3
Motor Vehicles	58,213	15.4	184,711	30.3	399,414	15.8
Single Business Tax	144,045	–10.4	492,368	5.2	1,332,781	11.8
Cigarette Tax	22,006	–0.3	60,991	0.5	179,956	–1.6
Public Utility Taxes	18,405	0.0	18,973	NM	92,008	2.4
Oil and Gas Severance	3,149	–9.8	9,884	5.1	29,736	–4.7
Lottery[a]	39,072	–16.8	117,946	–9.2	411,186	0.8
Penalties and Interest	504	8.4	18,730	15.0	80,645	33.2
SUW–Annuals and Undistributed[b]	–6,554	–763.4	3,378	–468.4	23,739	24.4
Other Taxes[c]	48,326	–13.6	125,970	–3.0	394,451	–5.9
TOTAL TAXES (GF & SAF)[d]	$1,030,517	9.6%	$2,887,680	14.0%	$8,113,287	8.3%
Motor Fuel Tax[e]	$59,963	-6.1%	$175,027	-0.7%	$543,692	4.4%

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.