



GOOD NEWS

The **Michigan unemployment rate** fell to 5.5 percent in September, after rising 0.9 percent during the previous two months. This is the second-best reading of the year; among the 11 largest industrial states, Michigan ranks behind only North Carolina and Massachusetts. The year-ago unemployment rate was 6.8 percent. About 98,000 Michiganders found work in September, pushing the number of employed to 4.545 million, a new state record.

◆ The **U.S. unemployment rate** is a little higher than Michigan's. After hovering at 6.1 percent in July and August, the national rate decreased slightly, to 5.9 percent, in September. Private employers added 174,000 jobs in September, including 101,000 in the service sector and 40,000 in retail. Government employment was up 65,000, responding to the start of the new school year. Manufacturing employment dropped slightly.

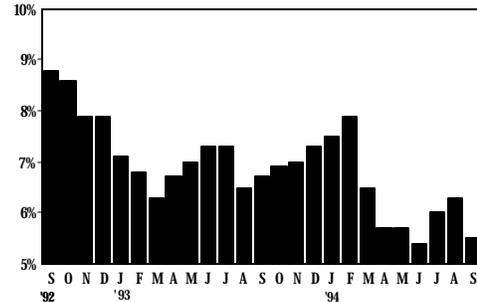
◆ **Cars and light trucks** continued to sell at a vigorous annualized rate of 15 million units in September. Although this is a slight drop from August's 15.3 million rate, it is a 7.3 percent increase over September 1993 sales. General Motors led all auto makers, posting a 15.2 percent increase in total sales and a 22.3 percent jump in car sales. Despite only modest sales gains for Ford and Chrysler, the Big Three's combined market share is up 1.6 percent from a year earlier. Japanese auto makers' combined market share fell 2.3 percent; Toyota and Honda suffered sales declines of 11.1 and 8.7 percent, respectively.

◆ The U.S. Commerce Department increased its estimate for second-quarter growth in **real gross domestic product** from 3.8 percent to 4.1 percent (annual rate). The upward revision puts the average growth rate for the last four quarters at 4.1 percent as well.

BAD NEWS

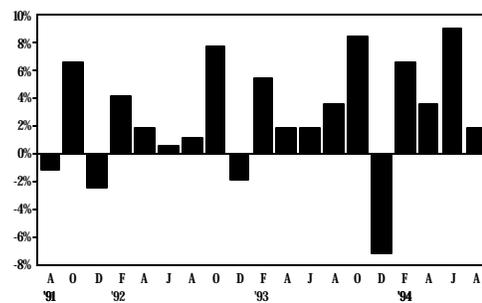
The Conference Board's **index of consumer confidence** decreased for the third consecutive month, falling in September to 88.4. The index stands about 4 percentage points below the four-year high of 92.5, posted in June. The survey—based on a nationwide sample of 5,000 households—found a significant increase in the number of households who feel the economy will worsen in the coming months; nevertheless, the September reading still is within the range of a strong economy.

Michigan Monthly Unemployment Rates (seasonally adjusted)



SOURCE: Michigan Employment Security Commission.

Detroit-Ann Arbor CPI, Percentage Change from Two-month Ago Period



SOURCE: Bureau of Labor Statistics.

IN THIS ISSUE

- Demand for Higher Education Grows *p. 2*
- Budget Surplus Bigger Than Expected; Welfare Reforms Pay Off *p. 3*
- Michigan Revenue Report *p. 4*

DEMAND FOR HIGHER EDUCATION GROWS

The *Chronicle of Higher Education* recently published its almanac issue, which presents an assortment of statistics on U.S. and state higher education. One set of statistics shows changes in the types of degrees earned by U.S. college students. The exhibit shows data on degrees conferred in the 12 largest fields of study. More graduates received degrees in business management than in any other field in 1992, with 443,714 degrees awarded in all fields. Education degrees were the second most common, followed by liberal/general studies and health care.

More people are getting a postsecondary education than in the past. From 1987 to 1992 the number of associate's degrees conferred grew 16 percent, bachelor's degrees went up 15 percent, master's degrees increased 22 percent, and doctoral degrees grew 19 percent. These data show that not only are more people receiving

college degrees, but also more are pursuing postgraduate study.

English language and literature grew more than any other field, followed by liberal/general studies. If degree levels are considered, the fastest growth was in the number of computer and information science doctoral degrees, which increased 106 percent from 1987 to 1992. Although computer-related doctorates skyrocketed, the number of associate's degrees in the field rose only 2 percent, and the number of bachelor's degrees granted fell 38 percent.

The second-greatest growth during the period was in the number of English language and literature associate's degrees, which jumped 101 percent. Growth in bachelor's and graduate degrees in this field was substantial as well.

The greatest decline in degrees granted was in engineering and engineering-related technologies. The number of

associate's degrees conferred in engineering-related technologies fell 41 percent from 1987 to 1992, more than any other type of degree in any other field. The next-biggest drops were in bachelor's degrees for computer and information science (down 38 percent) and doctoral degrees in engineering-related technologies (down 35 percent).

Trend Is Here to Stay

It is no secret that a college degree is becoming a basic requirement for job seekers in more and more fields. The growth in the number of degrees conferred reflects employers' increasing demand for higher education as a job qualification, and this can be expected to continue in the foreseeable future.

As competition grows and technology becomes more complex, more fields may go the way of computer science and health—in both, the number of graduate degrees is gaining on the number of bachelor's degrees.

Degrees Conferred in 12 Largest U.S. Fields of Study and Total in All Fields

| Subject | Number of Degrees, 1992 | Percentage Change 1987-92 | | | |
|----------------------------------|-------------------------|---------------------------|-------------------|-----------------|-----------------|
| | | Associate's Degree | Bachelor's Degree | Master's Degree | Doctoral Degree |
| Biological/lifescience | 53,330 | 52% | 13% | -3% | 24% |
| Business management | 443,714 | -11 | 7 | 26 | 17 |
| Communications | 60,575 | 19 | 23 | 15 | -8 |
| Computer & information sciences | 44,149 | 2 | -38 | 12 | 106 |
| Education | 217,805 | 40 | 24 | 25 | 7 |
| Engineering | 94,362 | -41 | -17 | 13 | 44 |
| Engineering-related technologies | 53,201 | -17 | -14 | 56 | -35 |
| English language & literature | 64,693 | 101 | 51 | 36 | 32 |
| Health professions | 165,899 | 27 | -2 | 25 | 37 |
| Liberal/general studies | 189,229 | 39 | 36 | 51 | 20 |
| Multi-interdisciplinary studies | 30,845 | 17 | 48 | -14 | -6 |
| Physical science | 28,791 | 3 | -15 | -4 | 20 |
| Total in all fields | 2,034,281 | 16 | 15 | 22 | 19 |

SOURCE: *Chronicle of Higher Education: Almanac Issue*, Washington, D.C., September 1994.

Public Sector Consultants, Inc.
 Craig Ruff, President
 William R. Rustem, Sr. Vice President

PUBLIC SECTOR REPORTS

Editor in Chief, Craig Ruff
 Editors, Robert J. Kleine, Laurie Cummings, Alec Rodney
 Production Editor, Wilma Harrison
 Art Director, Jeff Fillion
 Publication Specialist, Dyan Iansiti

NEWS FROM
THE STATE
CAPITOL

BUDGET SURPLUS BIGGER THAN EXPECTED

The state's so-called rainy day fund, the Budget Stabilization Fund (BSF), may hit \$1 billion this year. The BSF received about \$350 million in surplus funds when FY 1993-94 ended at the beginning of the month, and it is expected to receive more before the books are closed in January 1995. Michigan currently has the largest rainy day fund in the nation.

Some of the additional revenue probably will come from lapses, i.e., money appropriated by the legislature but not spent by various departments of state government. The fund also is expected to receive more than \$200 million from the sale of the Accident Fund and another \$100 million because the economy is growing (the state is required to pay into the fund during times of economic expansion, to ease the burden in times of economic recession).

The fund already has swelled because of better-than-expected state revenues, a restrained state budget, and savings from changes in the administration of state retirement health benefits. Al-

though the fund is at a healthy level, many observers predict that some of this year's growth will be needed in FY 1995-96 to pay for an anticipated shortfall in school funding.

WELFARE REFORMS PAY OFF

Michigan is the first state in the nation to report savings from welfare reform—more than \$20 million. Started in October 1992, the reforms provide incentives for public assistance recipients to sign a "social contract" that takes effect after three months of assistance. The contract requires that in return for public assistance, recipients will work, receive job training, take parenting classes, or perform community service. Among the incentives to encourage recipients to work, the program raises the cap on outside earnings, allows participants to keep one car, and re-

moves other barriers to employment.

The savings to the state are resulting from lower caseloads and more federal payments. The largest saving has come from a reduction in the state Family Assistance program, because most recipients were shifted to Aid to Families with Dependent Children (AFDC), which receives federal funds. In addition, Michigan's AFDC caseload has declined; it was lower last month than at any time since 1989. The average welfare grant also is smaller, which Governor Engler attributes to higher total income for families.

The cost savings from welfare reform were calculated by comparing families who participated in the social contract with a control group operating under the old system. The comparison is required under the federal waiver, which allows the reforms for five years.

PUBLICATIONS OF INTEREST

- **U.S. Department of Commerce, Bureau of the Census, *Government Finances: 1991-92 (Preliminary Report)* (Washington D.C.: GPO, 1994).**
- This annual report contains a preliminary summary of data from the 1992 *Annual Survey of Government Finances*. It provides data on government revenues and expenditures, by level (federal, state, local, and state-local combined), for each state and the District of Columbia.
- There is one table for each state, showing details for various revenue sources (e.g., income tax, sales tax), various expenditures (e.g., health spending), indebtedness by term (e.g., short-term debt), and assets (e.g., insurance trust funds).
- **NPA Data Services, Inc., *Key Indicators of County Growth, 1970 to 2015* (Washington, D.C.: NPA, July 1994).**
- This data set includes economic and data trends for every county in the nation. For every state and for the nation, there is an ASCII file with county data and a state summary for population, household size, income per household and per capita, employment, and earnings.
- The data are useful in projecting county growth patterns, ranking counties within a state, and comparing specific counties to the state as a whole. The files can be imported easily into Lotus 1-2-3, Quattro Pro, and other spreadsheet programs.

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

Revenue collections continued to be strong in September (preliminary data). Personal income tax withholding collections increased 10.2 percent, adjusted for the reduction in the income tax rate from 4.6 to 4.4 percent.

Sales and use tax collections were up 6.4 percent (adjusted for the increase in this tax rate). However, nonmotor vehicle sales tax collections (adjusted) increased only 3.8 percent. Motor

vehicle collections were up an adjusted 6.4 percent, the first increase in three months; the effect of advance buying in April to beat the sales tax increase appears to be wearing off.

SBT collections jumped 23 percent; this continues to be the fastest growing of the major taxes.

Cigarette tax collections declined an adjusted 12.2 percent, the best performance since the rate was hiked from 25 cents to 75 cents a pack on May 1. Collections per one cent were \$737,000, up from \$650,000 in August and the fourth straight monthly increase as the supply of stockpiled cigarettes continues to dwindle.

Lottery sales, up 12.2 percent, turned in another good month. For FY 1993–94, sales increased 8.1 percent, and the profit to the school aid fund was \$511 million—up almost 20 percent from FY 1992–93. Profits as a share of sales were about 38 percent, up from about 34.5 percent in FY 1992–93, due in part to the strong increase in instant game sales.

Total September collections (adjusted for all tax rate changes) were up 6.9 percent, ensuring, with one month to go, that FY 1993–94 will be the best state revenue year since FY 1985–86. The FY 1993–94 surplus is estimated to exceed \$400 million, the largest in memory.

MONTHLY TAX COLLECTIONS (dollars in thousands)

| TYPE OF REVENUE | Preliminary September 1994 | % Change from Last Year | Past 3 Months' Collections | % Change from Last Year | FY 1993–94 Year-to-Date | % Change from Last Year |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------------|-------------------------------|
| Personal income tax | | | | | | |
| Withholding | \$386,461 | 5.3% | \$1,185,814 | 3.0% | \$4,583,716 | 7.3% |
| Quarterly & annual payments | 112,612 | 2.8 | 135,734 | 1.5 | 769,840 | 3.6 |
| Gross personal income tax | 499,073 | 4.8 | 1,321,548 | 2.8 | 5,353,556 | 6.7 |
| Less: refunds | –30,448 | 27.8 | –127,710 | 25.9 | –1,392,276 | 10.6 |
| Net personal income tax | 468,625 | 3.5 | 1,193,838 | 0.9 | 3,961,280 | 5.4 |
| Sales & use taxes | 497,817 | 60.9 | 1,447,558 | 42.1 | 4,059,863 | 26.7 |
| Motor vehicles | 78,295 | 59.6 | 228,626 | 44.7 | 628,641 | 33.7 |
| Single business tax | 68,447 | 23.0 | 497,848 | 16.8 | 1,852,916 | 14.8 |
| Cigarette tax | 52,854 | 151.8 | 147,966 | 128.2 | 316,263 | 41.8 |
| Public utility taxes | 46,057 | –18.7 | 108,986 | 44.7 | 127,053 | –14.7 |
| Oil & gas severance | 3,154 | –5.5 | 11,420 | 72.7 | 30,065 | –9.4 |
| Lottery ^a | 39,600 | 12.2 | 127,528 | 7.2 | 510,463 | 8.1 |
| Penalties & interest | 1,676 | 1.4 | 25,938 | 281.9 | 93,324 | 16.2 |
| SUW—annuals & undistributed ^b | 4,960 | –142.9 | 10,435 | –319.8 | 19,987 | –25.6 |
| State education taxes | 131,263 | 0.0 | 160,351 | 0.0 | 160,351 | 0.0 |
| Other taxes ^c | 141,176 | 279.7 | 244,670 | 235.7 | 540,898 | 29.2 |
| TOTAL TAXES (GF & S&F)^d | \$1,324,366 | 37.8% | \$4,199,122 | 26.4% | \$11,512,112 | 15.4% |
| TOTAL LESS NEW^e | \$1,027,191 | 6.9% | \$3,720,276 | 12.0% | \$10,842,808 | 8.7% |
| Motor fuel tax^f | \$66,253 | 4.0% | \$259,129 | 96.9% | \$689,948 | 13.4% |

SOURCE: Data supplied by the Michigan Department of Treasury.

NM: Not meaningful

^aThe state share of lottery sales is 38 percent (FY 1994). The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the change in ticket sales.

^bThese revenues are distributed to the sales, use, and withholding (SUW) accounts, when final numbers for the month are reconciled.

^cIncludes intangibles, inheritance, estate, foreign insurance premium, corporate organization, state education, and industrial and commercial facilities taxes.

^dExcluded are beer and wine, liquor, and horse racing taxes.

^eDoes not reflect changes in cigarette and income tax rates, which are roughly offsetting.

^fThe motor fuel tax is restricted to the Transportation Fund.

© COPYRIGHT 1994 PRINTED ON RECYCLED PAPER