



Economic Bulletin



The Michigan Employment Security Agency recently announced that the **Michigan unemployment rate** fell yet again in August. August's jobless rate slipped to a seasonally adjusted 3.7 percent, besting July's record-setting 3.8 percent rate. The number of unemployed persons declined to a 27-year low in August, with approximately 180,000 workers out of work—the lowest level since 175,000 were unemployed in January 1970.

◆ The **U.S. unemployment rate** remained unchanged in September from August's seasonally adjusted 4.9 percent rate. September's jobless rate is one of the lowest since 1969 and marks the third consecutive month the rate has dipped below 5 percent. As in August, job growth was lackluster despite a low unemployment rate—only 100,000 new jobs were created in September after adjusting for the 162,000 United Parcel Service workers and 47,000 teachers who returned to work in August.

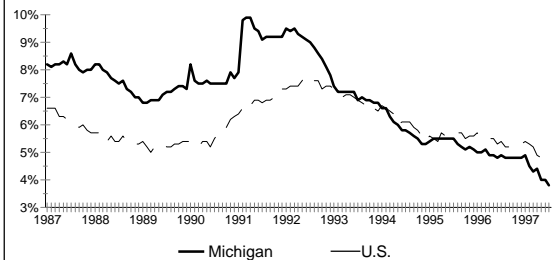
◆ The Conference Board announced that **consumer confidence** remained strong in September after August's near-record high. The index of consumer confidence, which reads between 85 and 100 when the economy is performing well, rose in September to 128.6 from a revised 127.6 in August. The Conference Board's survey found that 39 percent of consumers felt business conditions are "good" and only 16.6 percent felt jobs are difficult to find.



Motor vehicle sales increased only 0.2 percent in September, the smallest gain since June. The seasonally adjusted annual sales rate was 14.8 million units, down from 15.6 million units in August. Truck sales rose 5.4 percent, while car sales fell 3.6 percent. Big Three sales increased 2.2 percent to 72.6 percent of the market, while Japanese sales fell 9.1 percent to a 21.8 percent market share, a reversal of the recent trend. GM and Ford posted sales increases of 8.2 percent and 2.6 percent, respectively, while Chrysler suffered a 10.5 percent sales decline from the strong year-ago month.

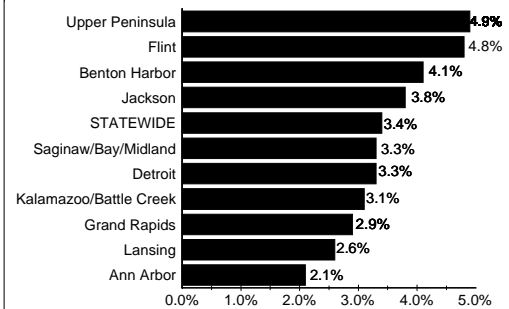
◆ The **producer price index (PPI)** jumped a seasonally adjusted 0.5 percent in September, following a 0.3 percent rise in August. Excluding the volatile food and energy sectors, the index rose 0.4 percent, the largest such increase in nearly two years. While such an alarming increase would normally signal impending inflation, September's PPI may have been distorted by a large, one-time increase in tobacco prices and a quirk in the way auto prices were seasonally adjusted. Auto prices, which accounted for about half of the index's rise, rose 1.4 percent in September when seasonally adjusted, but actually fell 1.8 percent when not adjusted.

U.S. and Michigan Monthly Unemployment Rates (seasonally adjusted)



SOURCE: U.S. Bureau of Labor Statistics and Michigan Employment Security Agency.

Unemployment Rates in Major Michigan Labor Markets, August 1997 (unadjusted rates)



SOURCE: Michigan Employment Security Agency.

IN THIS ISSUE

- Education Pays Off in Higher Earnings p. 2
- State Ponders *Durant* Settlement p. 3
- Information of Interest p. 3
- Michigan Revenue Report p. 4
- SPECIAL INSERT: ECONOMIC FORECAST**

MONTHLY FOCUS

EDUCATION PAYS OFF IN HIGHER EARNINGS

Recently released Census data demonstrate the degree to which income rises with educational attainment.¹ For example, the data show that in 1996 Americans who had completed four years of college had a median income almost \$13,600 (or 85 percent) per year higher than people with just a high school diploma. Persons with a high school diploma earned \$6,658 (66.6 percent) a year more than persons who had dropped out of high school.

The data also show that simply attending high school or college is not enough to earn the

education premium—students must stay in school until they have completed their degree. For example, in 1996 those who attended college but dropped out before receiving a degree earned a median income of \$16,983. This was only 57.5 percent of the median income for persons who stayed in college until they had received a bachelor's degree. Similarly, earnings of those who completed between one and three years of high school and then dropped out were only 60.2 percent of the median income of those who received a diploma.

Gender

The degree to which education influences income is different for men and women. As shown in the exhibit, women earned less than men at all education levels. For example, men with a high school diploma earned a median income of \$21,543, while women with the same education earned \$11,524. Women can narrow the gap, however, between their incomes and the incomes of their

male counterparts when they have a college education. For instance, women with only a high school diploma earn 53.5 percent of male high school graduates' income, but women degree-holders gain some ground—women with a bachelor's degree earn 62.7 percent of the income of men with a bachelor's degree.

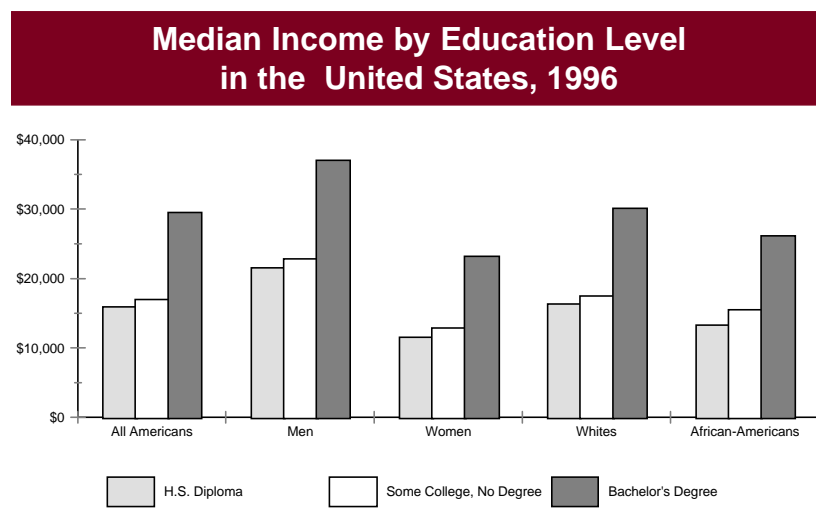
Race

As with gender, race affects the degree to which education influences income. African-Americans earn less than whites at all education levels but can lessen the gap through education. For example, African-Americans with a high school diploma earn only 81.4 percent of the income of whites with a high school diploma. The gap, however, narrows somewhat for degree holders—African-Americans with a bachelor's degree earn 86.8 percent of the income of whites with a bachelor's degree.

Conclusion

While education raises the incomes of all types of Americans, the data show that the influence of education on income is stronger for certain groups. Women and minorities generally earn less than others with equal education levels but are able to reduce the income gap to some degree through higher education. These data underscore the importance of access to affordable higher education to both raise average-income levels nationwide and lessen income inequities between the sexes and between racial groups.

¹Jennifer C. Day and Andrea E. Curry, *Educational Attainment in the United States: March 1996 (Update)* U.S. Bureau of the Census: <http://www.census.gov/ftp/pub/population/www/socdemo/educ-attn.html>.



SOURCE: U.S. Bureau of the Census.

NEWS FROM
THE STATE
CAPITOL

**STATE PONDERES
DURANT SETTLEMENT**

The Michigan House and Senate have produced competing plans to fulfill the state's obligations under the Durant ruling, which requires the State to pay \$211 million to 84 districts that sued Michigan for violating the so-called Headlee Amendment to the state constitution.

The Senate passed a plan proposed by Governor Engler

that would pay the plaintiff districts over the course of three years using interest drawn from the Budget Stabilization Fund (BSF). This plan also involves the state selling bonds in order to pay the 472 non-plaintiff school districts approximately \$800 million. The non-plaintiff districts, which are being paid in order to avoid future lawsuits, must use the money for infrastructure or technology needs. In addition, the Senate plan changes the teacher retirement system such that an estimated \$224 million in state aid will be saved.

The House also passed a plan to pay plaintiff districts in one lump sum of \$211 million by using funds from the BSF. Non-plaintiff districts would receive a

total of \$77 million over a ten-year period, and districts would have to hold public hearings to determine how to spend the money. The House plan does not change the teacher retirement system.

House members say the Senate plan will cost the state more in the long run—approximately \$400 million in interest payments as the bonds are repaid—and that the proposed changes to teacher retirement are unnecessary. Senate members argue that bonding allows the state to pay non-plaintiff districts up front, instead of over ten years, without dipping into the BSF. At the time of writing, lawmakers were negotiating an agreement on these and other issues.

This month's Economic Bulletin was written by Laurie A. Cummings, Senior Consultant for Economic and Education Policy, and Robert Kleine, Vice President and Senior Economist.

INFORMATION OF INTEREST

Michigan Legislative Information Web Server: <http://www.michiganlegislature.org/>

The Michigan Legislature recently started a Web site that will give access to bills, resolutions, and daily House and Senate journals and calendars. Web site visitors may search for bills by bill number, sponsor, or category (e.g., education or housing) and can access bills as introduced, passed by the House and Senate, and enrolled. Web surfers can search for resolutions by number or sponsor. In the future, public acts, committee notices and schedules, nonpartisan bill and fiscal analyses, substitute bills, and legislative publications and reports will be added. Many of the documents on this site are in a PDF format, meaning that users will need to use software called "Acrobat Reader" to view them. This software can be downloaded free through a link provided on the legislature's home page.

Jennifer C. Day and Andrea E. Curry, *Educational Attainment in the United States: March 1996 (Update)* U.S. Bureau of the Census. <http://www.census.gov/ftp/pub/population/www/socdemo/educ-attn.html>. (A hardcopy is available for \$30 by calling 301/457-2464.)

This annual document contains statistics on the level of education attainment in the United States. It includes 16 tables of current data and three tables of historical data. The tables provide demographic characteristics of educational attainment by gender, race and Hispanic origin, age, marital status, rural/urban residency, and other population characteristics. The document also provides data on the labor force status, occupation, income, and earnings of persons with different education levels.

MICHIGAN REVENUE REPORT

September revenue collections rebounded, following a weak August, with a 6.8 percent gain from the year-ago month.

After two straight months of below-average increases, personal income tax collections rose 9.5 percent above the year-ago

month, and quarterly collections jumped 17.1 percent.

Sales tax collections increased 5.6 percent despite continued weakness in motor vehicle collections, which increased only 2.1 percent. All other collections were up 6.3 percent. Use tax collections increased only 1.5 percent.

SBT collections (including insurance taxes), which have been weak in recent months, increased 22.2 percent. Because total dollar collections are relatively small in September, year-to-date

collections are still well below the consensus revenue estimate.

Tobacco collections fell 10.5 percent and year-to-date are down 8.3 percent, a much sharper drop than expected. There is undoubtedly some smuggling and cross-border purchases due to the high tax rate in Michigan.

Lottery sales declined 2.4 percent, the second consecutive monthly decline. FY 1996-97 sales, however, increased 12.1 percent above the previous fiscal year to \$1.6 billion, the largest annual increase since 1988.

September 1997 Revenue Collections (millions)

Source	September Collections	% Change Year-ago	% Change Year-to-date	September 1996 Actual	FY 1996-97 Consensus Est. Less Tax Cuts (% Change)
Income tax					
Withholding	\$496.1	9.5%	6.2%	\$453.2	6.3%
Quarterly	143.7	17.1	14.2	122.7	6.1
Annual	5.8	45.0	35.2	4.0	33.0
Subtotal: gross income tax	645.6	11.3	8.7	579.9	7.9
Sales tax	474.3	5.6	4.1	449.0	4.2
Motor vehicles	74.6	2.1	0.2	73.1	—
Other	399.7	6.3	4.8	375.9	—
Use tax	94.0	1.5	5.6	92.6	5.4
Subtotal: sales/use/withholding	1,064.3	7.0	5.2	994.8	—
Tobacco tax	45.9	-10.5	-8.3	51.3	-4.4
SBT	94.2	22.2	2.3	77.1	5.5
Insurance	-1.1	-320.0	-6.0	0.5	-2.9
Subtotal: SBT + insurance	93.1	20.0	1.7	77.6	4.8
State education property tax	170.1	-5.0	10.1	179.1	5.0
Real estate transfer tax	19.2	4.9	13.5	18.3	15.4
Estate/inheritance tax	11.4	22.6	-9.2	9.3	-3.4
Intangibles tax	-0.9	125.0	-29.9	-0.4	-23.1
Severance tax	3.5	6.1	6.6	3.3	19.6
TOTAL	\$1,556.1	6.6%	5.4%	\$1,460.0	5.4%
Gross lottery sales (prel.)	\$116.7	-2.4%	12.1%	\$119.6	1.0%

SOURCE: Senate Fiscal Agency.

NOTE: November is the first month of the new fiscal year for all revenue sources except the lottery.

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