

Michigan ECONOMIC BULLETIN

The Good News

● Michigan's unemployment rate declined for the fourth consecutive month in November to a seasonally adjusted 7.9 percent, down from 8.6 percent. This 0.7 percent drop brought the state's jobless rate to its lowest point in nearly two years. Michigan's unemployment rate continues to fall faster than the national rate, which fell only 0.2 percent from October to November.

● The U.S. Commerce Department said late last month that **real gross domestic product** (GDP) expanded at an impressive 3.9 percent annual rate in the third quarter of 1992. GDP indicates the value of goods and services produced by U.S. businesses and is a primary indicator of the economy's growth.

● The U.S. job market improved slightly in November, with the **unemployment rate** declining from 7.4 percent in October to 7.2 percent in November. In contrast to last month's decline, caused more by an increase in the number of discouraged workers than in the number of jobs, this month's decline is attributed to greater employment, as 105,000 more U.S. wage and salary workers went to work in November than in October.

● The **index of leading indicators**, which signal the future strength of the economy, rose 0.4 percent in October, the strongest increase since May. Six of the eleven components of the index contributed to its rise, with declining claims for state unemployment insurance contributing the most.

The Bad News

➤ Hourly earnings of the average factory worker fell to \$11.49 in October from a revised \$11.54 in September. This figure indicates that although October's **new factory orders** rose 1.7 percent, increased production is not translating into higher pay for workers, as managers continue to avoid new hiring by getting the most out of existing workers.

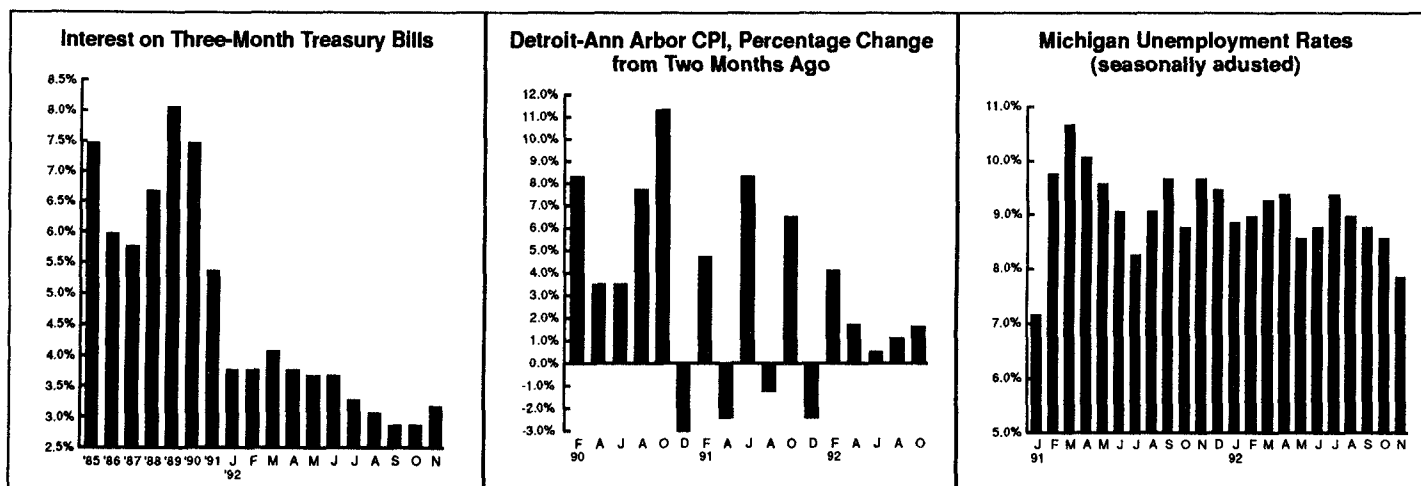
➤ **Domestic car sales** were weak in mid-November. Sales were not much changed from the same time a year ago and were down from the previous month. In mid-November U.S.-built cars sold at a seasonally adjusted annual rate of 5.7 million units, down from 6 million in mid-October. Although sales were poor overall, **sales of light trucks** rose 14.4 percent from mid-November 1991, and auto dealers report that showroom traffic is picking up.

➤ The U.S. Commerce Department estimated early in December that **sales of new single-family homes** fell 10.3 percent in October to a seasonally adjusted figure of 600,000 houses. These figures should be used cautiously, however, because estimates of new home sales have been revised upward every month for more than a year.

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MICHIGAN ECONOMIC INDICATORS



SOURCES: Bureau of Labor Statistics and Michigan Employment Security Commission.

Average 1991 Pay in Michigan Metropolitan Areas

What Was Assessed?

A recently issued Bureau of Labor Statistics (BLS) report ranked the nation's primary and consolidated metropolitan areas according to their 1991 average pay levels and the growth in pay scales from 1990 levels. [Consolidated metropolitan areas (CMAs) have populations of one million or more and contain two or more primary metropolitan areas.] Among U.S. metropolitan areas, 320 were ranked in terms of income levels and 318 in terms of income growth. Twenty CMAs were ranked nationwide. Included as "income" were wage and salary earnings and tips of full- and part-time workers, benefits, and the value of employer-furnished meals and lodgings. The survey includes about 81 percent of the nation's nearly 107 million workers.

What Affects the Size of Income?

The measure of income as defined in the survey is affected by several factors, including the number of full- and part-time workers, the size of an area's average benefits package, and the area's cost of living. Full-time workers are more likely to have benefits and higher wages and salaries than part-time workers; areas with greater numbers of full-time workers will tend to have higher income levels than those with more part-time workers. This effect can be exacerbated by the fact that the dollar value of benefits has been rising dramatically. Finally, areas with a higher cost of living tend to have higher income levels.

Michigan Performance

As the exhibit shows, Flint had the highest average annual income level among the 11 Michigan metropolitan areas, both in terms of pay levels and of income growth. Its income level was somewhat below the nation's highest (\$35,074 registered in Bridgeport/Stamford/Norwalk/Danbury, Connecticut), as was its growth rate (Burlington, N.C. posted the highest, 8 percent). Benton Harbor had the state's lowest income level, while Battle Creek experienced the smallest percentage increase in income. Ranked 132d nationally, Benton Harbor's income level compares favorably, however, with the lowest recorded metropolitan area income level (\$14,930 in Jacksonville, N.C.); Battle Creek's growth rate, however, was near the bottom, ranking above only 20 other metropolitan areas nationwide. Among the nation's 20 CMAs, Detroit ranked 5th in its pay level and last in income growth.

Evaluating the Data

While the survey data can be used as a general indicator of the economic health of among an area's working population, they do not gauge overall economic wealth and health; other relevant factors must be considered in such an evaluation, including (1) an area's number of unemployed, (2) elements *not* included in the BLS calculation (such as supplemental benefits and other income), and (3) the availability and size of payments to those not working (such as unemployment compensation, welfare, and health benefits to part-time and unemployed workers).

Average Annual Pay in Michigan Metropolitan and Consolidated Areas, 1990 and 1991, and Rankings Among All Areas Nationally

Area	Average Annual Pay			National Rank	
	1990	1991 (p)	1990-91 Growth	1991 Pay Level	1990-91 Growth
Metropolitan Area					
Ann Arbor	\$26,941	\$27,503	2.1%	28	297
Battle Creek	24,481	24,743	1.1	60	311
Benton Harbor	21,242	21,882	3.0	167	254
Detroit	27,900	28,664	2.7	18	273
Flint	27,558	29,318	6.4	14	13
Grand Rapids	23,021	23,694	2.9	91	262
Jackson	23,279	23,935	2.8	81	269
Kalamazoo	24,410	25,170	3.1	48	246
Lansing/East Lansing	24,613	25,681	4.3	44	131
Muskegon	22,031	22,739	3.2	132	237
Saginaw/Bay/Midland	25,202	25,706	2.0	42	300
Detroit/Ann Arbor CMA	27,820	28,565	2.7	5	20
p: preliminary					

SOURCE: U.S. Department of Labor.

Economic Forecast

INTRODUCTION Some of the figures released in the third quarter provided surprises, primarily because they indicated economic strength that was not readily apparent. Gross domestic product (GDP), originally reported to have risen 2.7 percent, increased an astounding 3.9 percent after Commerce Department revisions. (Unfortunately, much of the gain was attributable to temporary and one-time events, such as federal summer youth employment programs and rebuilding from hurricanes Andrew and Iniki.) Durable goods production is again on the rise; consumers—showing newfound confidence—have dipped into savings and increased spending, and inflation is in no danger of reappearing any time soon.

Yet all the good news is overshadowed by signs of continuing economic malaise. Income growth has been negligible, employment gains are modest at best, and, closer to home, car sales remain moribund (although truck sales are strong). So despite a better-than-expected third quarter, we predict a return in the final quarter of the year to lackluster growth with slightly better expansion rates in the first two quarters of the new year.

GROSS DOMESTIC PRODUCT (GDP) GDP surged a revised 3.9 percent in the third quarter following a second-quarter gain of 1.5 percent (see Exhibit 1). (The cause for most of the revision was a large—\$10.2 billion—

underestimate of exports.) Nearly all major sectors posted increases; consumption spending, gross investment, and government expenditures were all up from the previous quarter. Net exports, however, were down \$5.9 billion as a \$12.8-billion gain in exports was more than offset by an \$18.6-billion rise in imports.

Outlook Despite the third-quarter surge, we still expect slow growth in the fourth quarter. Buoyed consumer confidence will allow some revitalization of retail sales. Low interest rates should significantly stimulate the housing sector, although an overactive fiscal stimulus could dampen this effect through higher long-term rates next year. The export sector, however, will restrain economic growth, as the strength of the dollar and continued weakness of foreign economies will combine to increase demand for imports and reduce exports.

The economy's robust performance in the third quarter has caused us to revise our forecast for 1992 average growth from 1.8 percent to 2.4 percent; our prediction for fourth-quarter growth, however, remains unchanged at 1.5 percent. Our outlook for 1993 is for GDP to increase in the 2.5 to 2.75 percent range, with growth of 1.9 percent in the first quarter and 2.3 percent in the second.

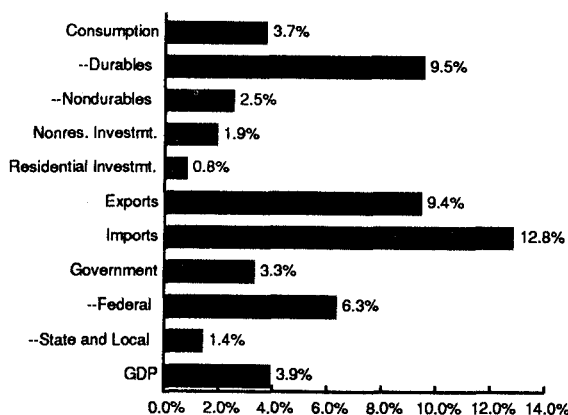
EMPLOYMENT AND INCOME U.S. employment has improved modestly in recent months but is still very weak when compared with previous recoveries. The number of nonfarm jobs increased only 65,000 in the third quarter, down from a second-quarter increase of 300,000. All the gains were in services (up 161,000) and government (up 91,000). Manufacturing employment fell by 91,000 jobs and construction and retail trade jobs declined as well. In October, employment rose by only 27,000 jobs. The services sector was strong, adding 89,000 jobs, and construction employment rose by 20,000. All other major categories fell, led by losses in manufacturing and government. November employment rose by 105,000 jobs.

The U.S. civilian unemployment rate averaged 7.6 percent in the third quarter, up from 7.5 percent in the second. October's rate was 7.4 percent. The number of discouraged workers (those no longer looking for work) increased 2 percent to 1,148,000 in the third quarter.

U.S. personal income increased at an annual rate of only 3.9 percent in the second quarter, down sharply from a first-quarter increase of 6 percent; income growth slowed to 2.2 percent in the third quarter. Part of the weakness in both quarters was due to a decline in interest income (down 5.6 percent in the second quarter and 5.2 percent in the third), which accounts for almost 15 percent of total per-

EXHIBIT 1

GDP, Percentage Change in Selected Components, 1992 II to 1992 III



SOURCE: U.S. Department of Commerce.

NOTE: Imports count negatively toward the calculation of GDP.

sonal income. Another factor in the third quarter was income losses in Florida and Louisiana from Hurricane Andrew.

Michigan wage and salary employment rose 0.2 percent in the third quarter, the first quarterly increase since the second quarter of 1990 (see Exhibit 2). The increase was due mainly to strength in nondurable goods manufacturing (particularly in the rubber and plastic sector) and government (due mainly to summer youth employment programs). The major areas of weakness continue to be trade and construction. Motor vehicle employment rose 0.3 percent, as truck production continued strong in the

third quarter. The services sector continues to grow modestly, with employment rising 1.1 percent.

The state unemployment rate averaged 8.8 percent (seasonally adjusted) in the third quarter, down slightly from 8.9 percent in the second. The November employment rate was 7.9 percent, fifth highest among 11 large states. (California's rate was highest at 10.1 percent.)

As shown in Exhibit 3, Michigan personal income increased at an annual rate of 3.4 percent in the second quarter of 1992 (latest data available), equal to the revised first-quarter rate. Income was boosted modestly by an increase in transfer payments (social security, welfare, and unemployment) but was held down by a mere 0.7 percent increase in dividends, interest, and rent, due to the sharp decline in interest rates. Wage and salary payments also rose, although most sectors were flat; services and manufacturing, however, both increased by about 4 percent.

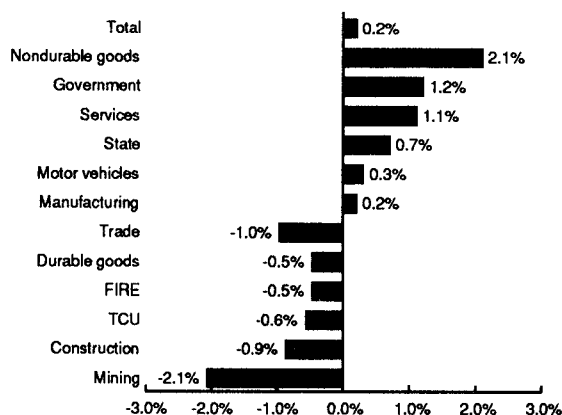
Wages and salaries were up only 2.7 percent from the year-ago quarter—due largely to a 7.2 percent increase in services wages—while total personal income was up 4 percent from the same quarter last year.

Outlook There is little evidence to indicate a sustained recovery nationally or in Michigan. The state's labor markets have improved slightly, but wage and salary employment is still barely above the year-ago level. In 1992 we expect national employment to increase less than one percent, a significant improvement from 1991 but still well below the 1990 level. In 1993 we are forecasting a modest gain of one to 1.5 percent. The unemployment rate will average about 7.5 percent this year and fall to slightly below 7 percent in 1993. U.S. personal income is projected to increase 4.5 to 5 percent in 1992 and 5.5 to 6 percent in 1993.

Because of continued employment cutbacks in the motor vehicle industry, we are expecting slightly slower growth in Michigan than nationwide: Our forecast is for a 0.5 percent increase in wage and salary employment in

EXHIBIT 2

Michigan Wage and Salary Employment by Sector, Percentage Change from 1991 II to 1992 II (employment in thousands)



FIRE: Finance, Insurance, and Real Estate
TCU: Transportation, Communications, and Utilities

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

EXHIBIT 3

Michigan Personal Income, Selected Components, 1988-92 (dollars in millions)

Year	Total Personal Income	Wages and Salaries	Manufacturing Wages	Services Wages	Transfer Payments	Dividends, Interest, and Rent
1988	\$152,286	\$93,369	\$33,507	\$17,838	\$23,793	\$22,998
1989	163,322	98,564	34,595	19,493	24,626	26,622
1990	171,170	102,368	34,175	21,255	26,820	27,845
1991	174,982	103,152	33,363	21,917	29,648	27,565
1992 II	181,174	105,902	33,350	23,373	33,071	28,364
Percentage change 1991 II to 1992 II	4.0%	2.7%	0.5%	7.2%	9.9%	-0.5%

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

1992 and only about 0.5 percent in 1993. The unemployment rate will average about 9 percent in 1992 and 8.75 to 9 percent in 1993.

Income growth in Michigan will be constrained by lower interest rates, but transfer payments will continue to stimulate income growth; we expect personal income to grow by about 4.5 percent and wage and salary income to increase 3 to 3.5 percent in 1992. The outlook for 1993 is only slightly brighter. Some stimulus will come from exports, and in Michigan, motor vehicle sales will continue to improve modestly. As a result, we are projecting a 5 to 5.5 percent increase in personal income in 1993 and a slightly slower increase in wage and salary income.

PRICES The U.S. consumer price index (CPI-U) rose only 3.1 percent (annual rate) in the third quarter, about the same as in the second quarter and 3.1 percent above the year-ago period. Excluding food and energy, prices were up 2.6 percent, down from 2.9 percent in the second quarter and 4.8 percent in the first quarter. Consumer prices increased at an annual rate of 4.8 percent in October, due to a sharp increase in transportation and apparel prices. Prices are likely to moderate again in the next few months, however, as the economy is still too weak to support higher prices.

Michigan consumer prices (as measured by the Detroit-Ann Arbor CPI, released every two months) increased at annual rate of 7.8 percent in October (from the August level), due mainly to big jumps in transportation prices (motor fuel and new cars), apparel, and other goods and services (see Exhibit 4). This large increase is a aberration, however, and not a sign that inflation is back. For the first ten months of 1992, consumer prices increased at an annual rate of only 3.1 percent. Inflation was held down by modest increases in prices for food, transportation, apparel, and entertainments; medical prices also have

moderated slightly. Excluding energy, all prices rose at an annual rate of only 2.7 percent in the first ten months of 1992.

Producer prices, which generally foreshadow changes in consumer prices, increased only 2 percent (annual rate) during the third quarter, down from 3.2 percent in the second; excluding energy costs, the third-quarter increase was 2.4 percent. Producer prices increased at an annual rate of only 1.2 percent in October and fell 2.4 percent in November.

Outlook The outlook for inflation has not changed since our last quarterly forecast. We continue to believe that persistent economic malaise assures that there will be no resurgence of inflation anytime soon. It now appears that in Michigan prices will increase an average of only 2.1 percent in 1992 (the December to December increase will be about 3 percent) and by slightly more than 3 percent in 1993. We expect prices at the national level to increase about 0.5 percent faster in both 1992 and 1993.

MONETARY AND FISCAL POLICY Since July, when it last acted to reduce short-term interest rates, the Federal Reserve (Fed) appears to have stayed the course with respect to monetary policy. The Fed's grip on the M-2 money supply has eased recently, allowing its growth rate to climb to a 2.4 percent annual rate for the first 11 months of the year. Unfortunately, this is still below the 2.5 to 6.5 percent target range for money growth set by the Fed and has prevented any further reduction in short-term rates.

The election of Bill Clinton as president will bring fiscal policy to the fore of public debate. The president-elect has mentioned many programs, and several are likely to be enacted. The most probable candidates for implementation include (1) tax cuts for middle-income wage earners and an investment tax credit for targeted high tech industries; (2) a tax increase on foreign corporations and

EXHIBIT 4

Detroit-Ann Arbor Consumer Price Index, October 1992

Component	October 1992 Index	Percent Change, December 1991- October 1992 (annual rate)	Percent Change, August 1992- October 1992 (annual rate)
Food and beverage	133.5	0.5%	0.0%
Housing	133.3	4.2	3.6
Apparel	130.1	1.6	10.8
Transportation	132.1	1.1	16.2
Motor fuel	96.5	0.0	15.6
Medical care	184.2	5.9	7.2
Entertainment	131.5	2.1	6.0
Other goods and services	181.8	9.9	20.4
All items	137.5	3.1	7.8
Energy	104.7	8.3	8.4
All items less energy	142.3	2.7	7.2

SOURCE: Bureau of Labor Statistics, U.S. Department of Labor.

upper income taxpayers; and (3) increased spending for infrastructure and job training. How soon and to what extent that these programs would affect the economy is in question, as some could be phased in over several years in order to avoid any significant increase in the federal deficit.

Outlook In light of the third-quarter GDP figures, and until President-elect Clinton announces the extent of his fiscal programs, the Fed is very unlikely to take any further stimulative action until after the first quarter of 1993. If the new president announces substantial spending increases, the Fed likely will react to keep inflation at its current low levels by tightening its grip on credit. The signs emanating from the president-elect's transition team, however, seem to indicate a more moderate package that will increase the deficit slightly in the short run but reduce it within four to five years.

MOTOR VEHICLE SALES AND PRODUCTION

Motor vehicle sales were a little weaker in the third quarter than in the first half; sales were unchanged from a year ago. Trucks led the way with a 7.4 percent jump in sales, offsetting a 3.9 percent decline in car purchases. Sales of Japanese-produced vehicles fell 5.5 percent, while sales of domestic models increased 3 percent. A major reason for this shift is the strength in truck sales, a market dominated by the Big Three.

The sales trend began to move upward in September when motor vehicle sales rose 2.7 percent followed by gains of 7.6 percent in October, and 5.9 percent in November. All the strength was in truck sales—up 7.2 percent in September, 26.1 percent in October, and 19.2 percent in November. Unfortunately, only about 21 percent of trucks are produced in Michigan compared with 30 percent of passenger cars.

The best selling make this year is Ford, whose market share rose from 17.9 percent to 20.2 percent and ten-month sales increased 13 percent. Ford's success has come large-

ly at the expense of Chevrolet/Geo and Japanese companies.

After experiencing strong gains in the first two quarters vehicle production increased only 2.7 percent in the third quarter; car production fell 0.6 percent while truck production rose 7.7 percent. Vehicle production was up 10.5 percent for the first ten months of 1992, with car production up 5.6 percent and truck production up a robust 18 percent. Fourth-quarter production will likely be above the year-ago level, as production has run ahead of sales for most of the year. Total U.S. production is expected to be 9.8 million units in 1992, about 10 percent above last year. About 18 percent, or 1.8 million units, were produced by foreign-owned plants (transplants), also up about 10 percent from 1991.

Outlook Motor vehicle sales increased 3.7 percent in the first ten months of 1992, with truck sales up 11.8 percent and passenger car sales down 0.4 percent (see Exhibit 5). Our 1992 estimate is for total sales of 12.91 million units, with car sales of 8.2 million units and truck sales of 4.65 million units (excluding heavy truck sales).

We expect motor vehicle sales to improve modestly in 1993 due to lower interest rates, a small improvement in consumer confidence, and a modest increase in real incomes. Our 1993 forecast is for motor vehicle sales of 13.75 million units, with car sales of 8.8 million units and truck sales (excluding heavy trucks) of 4.95 million units. It appears that the improving quality of domestic vehicles, the rising tide of anti-Japan sentiment, the strength of light-truck sales, and the declining value of the dollar have combined to reverse the steady increase in Japanese market share. In the first ten months of 1992, the Japanese share was 24.3 percent down from 25.9 percent in the year-ago period. We expect this trend to continue in 1993, although the decline in the Japanese market share will not be as sharp as in 1992.

EXHIBIT 5

Car and Light Truck Sales, 1988-91, 1992, and 1993 (sales in thousands)

Year	Passenger Cars				Light Trucks	Total Motor Vehicles ^a
	Domestic, Big 3	Transplant	Imports	Total		
1988	6,910	616	3,069	10,595	4,878	15,476
1989	6,236	779	2,698	9,713	4,779	14,492
1990	5,792	1,061	2,453	9,306	4,591	13,897
1991	4,948	1,124	2,104	8,176	4,159 ^b	12,335
1992 (est.)	4,950	1,220	2,030	8,200	4,650	12,850
1993 (est.)	5,400	1,450	1,950	8,800	4,950	13,350

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

^aExcludes heavy duty truck sales of about 250,000 annually.

^bIncludes transplant sales of about 200,000 units. (Transplants and imports account for about 17 percent of truck sales.)

Court Rules on Tax Base Sharing

Sharing Is "Proper"

Macomb County Circuit Court Judge Lido Bucci ruled the state's tax base sharing program constitutional as long as funding is not taken from state-mandated programs. The suit was brought by the Macomb County Taxpayers Association against a tax base sharing provision included in last year's school aid bill.

In the ruling allowing the so-called Robin Hood plan to stand, the judge stated that it was not the court's place to second-guess the legislature's conclusion on the existence of inequities in school district funding. But while the court declared the tax base sharing provision a "proper" manner in which to deal with district funding equalization, it also said that the state may not confiscate all state aid from those districts that do not wish to participate.

How the state may penalize districts that do not comply with the tax sharing provision remains a point of contention. In the ruling on tax sharing, the court declared that the state cannot withhold funds for state-mandated special education, special education transportation, and bilingual education programs from districts that refuse to comply with the provision. In a pending case, however, the Warren Fitzgerald School District contends that additional programs are also mandated by the state. If the court agrees, this would limit the state's ability to withhold funding for these programs from noncomplying districts. A ruling in an earlier case found that state-paid social security reimbursements were not considered state mandated, implying that funds for that purpose could be withheld.

Both sides of the suit have declared the ruling a victory. Those favoring the plan feel that it is a step toward school equity and that the court's ruling does not prevent the state from penalizing noncomplying districts by withholding categorical monies for nonmandated programs, such as funding for transportation or social security payments it makes on behalf of teachers. Representatives of the taxpayers' association were of a somewhat different opinion, claiming victory because the ruling prevents the state from imposing any sort of penalty on districts not paying revenues into the sharing pool.

A representative of the taxpayers' association announced that it will appeal the decision. According to

the association, although the court ruled the *concept* of the revenue sharing provision constitutional, it failed to define whether it is a tax and, if so, whether it is a state or local tax. The association contends that the provision is indeed a new tax, which would make it subject to voter approval under the Headlee amendment to the state constitution.

Since the original suit was filed, revenues that would have been owed under the plan have been placed in an escrow account; the court ruled that districts continue that practice.

PUBLICATIONS OF INTEREST

National Center for Education Statistics, Office of Research and Improvement, U.S. Department of Education, ***Digest of Education Statistics 1992***, NCES 92-097 (Washington, D.C.: Superintendent of Documents, U.S. Government Printing Office, October 1992).

This 450-page report contains statistics on all aspects of education for all educational levels (primary, secondary, and postsecondary). Included are characteristics of teachers and instructional staff, students, and families with students; federal programs for education and education-related activities; education outcomes; learning resources and technology; and international educational comparisons. Available by calling the Government Printing Office at 202/783-3238, publication #065-000-00532-8 (ask order desk for price).

Jacqueline P. Danzberger, Michael W. Kirst, and Michael D. Usdan, ***Governing Public Schools: New Times/New Requirements*** (Washington, D.C.: Institute for Education Leadership).

The topic of governing schools is placed in the context of changing demographics, the role of the United States in the global economy, and new trends in education policy. Using IEL data from nearly 300 school boards' self-assessment of effectiveness, the authors charge that the current system is unable to provide either adequate governance or leadership for public education. Also provided are recommendations of possible state and local actions for "reinventing" education governance. Available for \$15 (plus shipping and handling for billed orders) from the IEL, Inc., 1001 Connecticut Avenue, N.W., Suite 310, Washington DC 20036, telephone 202/822-8450 or fax 202/872-4050.

Michigan Revenue Report

November revenue collections (mostly October activity) were mixed, but there were some positive signs.

Personal income tax withholding collections increased 7.7 percent above the November 1991 level. Adjusted for an extra payday in October of this year, however, collections were up only 0.9 percent. This is weaker than expected and could be revised upward when final data are available. The table below indicates that withholding collections for the last three months have declined 9.1 percent from the year-ago period. Adjusted for an extra payday and accelerated withholding, however, collections increased 2.5 percent.

Sales and use tax collections in November were unusually strong, jumping 9.1 percent above the year-ago level, the largest monthly increase in several years. After a number of strong months, motor vehicle collections increased a modest 5.6 percent; however, all other sales tax collections (excluding the volatile use tax, which fell 6.8 percent) increased a robust 13.1 percent. This large increase appears suspect and may be revised downward when final numbers are available.

Single business tax (SBT) collections increased 14 percent in November, offsetting the decline in October. Collections for the two months combined were only 3 percent above the year-ago level.

November lottery sales increased 14.8 percent. The large gain was due to a \$26.8 million Lotto jackpot.

As reported here last month, FY 1991-92 revenue fell well short of last May's consensus revenue estimate. Although the books will not be closed until next month, general fund-general purpose (GF/GP) and school aid fund (SAF) revenue for FY 1991-92 totaled \$9,303 million (excluding one-time revenues), \$106.6 million below the consensus estimate. SBT collections fell \$74 million below the estimate, and income tax refunds were \$63 million more than estimated. These shortfalls were partially offset by an additional \$14.4 million in lottery collections and \$10 million in gross income tax collections. The Senate Fiscal Agency is currently projecting a deficit for FY 1991-92 of \$34.4 million. The deficit would have been larger except for an unexpected appropriation lapse of about \$51 million, mainly in the Department of Social Services.

Final (preliminary) FY 1991-92 revenue collections are \$729 million below the original budget estimate made in February 1991. This gap (plus additional spending requirements) was closed in part by some expenditure reductions but largely by one-time revenue adjustments and payment delays totaling about \$930 million.

MONTHLY TAX COLLECTIONS (dollars in thousands)

Type of Revenue	Preliminary November 1992	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1991-92 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	\$375,116	7.7%	\$1,100,651	-9.2%	\$375,116	7.7%
Quarterly and Annual Payments	4,573	50.5	122,771	2.6	4,573	50.5
Gross Personal Income Tax	379,689	8.1	1,223,422	-8.1	379,689	8.1
Less: Refunds	-21,310	29.9	-54,612	-3.8	-21,310	29.9
Net Personal Income Tax	358,379	7.0	1,168,810	-0.1	358,379	7.0
Sales and Use Taxes	283,794	9.1	852,586	7.7	283,794	9.1
Motor Vehicles	38,757	5.6	132,316	7.5	38,757	5.6
Single Business Tax	232,866	14.0	399,297	1.4	232,866	14.0
Cigarette Tax	20,752	-12.1	60,770	-8.3	20,752	-12.1
Public Utility Taxes	8,170	11.6	8,803	NM	8,170	11.6
Oil and Gas Severance	2,904	-25.0	10,383	-0.4	2,904	-25.0
Lottery ^a	45,926	14.8	127,773	13.3	87,170	10.4
Penalties and Interest	553	56.2	16,572	-0.5	553	56.2
SUW—Annuals and Undistributed ^b	10,250	21.1	10,514	NM	10,250	21.1
Other Taxes ^c	35,752	3.4	146,068	50.3	35,752	3.4
TOTAL TAXES (GF & SAF)^d	\$999,346	8.9%	\$2,801,576	1.2%	\$1,040,590	8.8%
Motor Fuel Tax ^e	\$55,820	19.1%	\$188,029	12.0%	\$55,820	19.1%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

^aThe 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.

^bThese revenues are distributed to the sales, use, and withholding (SUW)

accounts when final numbers for the month are reconciled.

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

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

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