



Economic Bulletin



The Bureau of Labor Statistics announced that the seasonally adjusted **U.S. unemployment rate** fell

0.3 percentage points in February, to 5.5 percent; the number of unemployed people dropped by 322,000, and 705,000 new jobs were created. However, taking into account the decline of 188,000 jobs in January, the average increase for the last two months is 258,500, a still positive but less impressive figure.

◆ The Conference Board announced that in February, the index of **consumer confidence** was up 8.6 points from January's dismal rate. The increase, from 88.4 to 97.0, was welcome news, particularly since January's number had been the lowest in two years. Despite the rebound in the index, February's rate still does not match December's index of 99.2.

◆ **U.S. automobile sales** climbed a stronger-than-expected 9.8 percent in February over the year-ago figure. The boost was led by sales of light trucks, up 15 percent and more than double the 6.2 percent increase for cars. The improvement likely is due to higher consumer confidence, better weather, and sales incentives.



The **Michigan unemployment rate** rose to 5.0 percent in January, up from 4.8 percent in December.

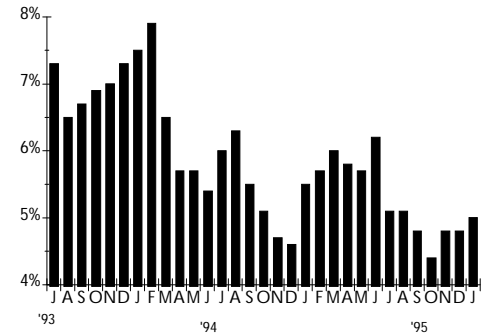
The cause was not a dip in the number of jobs, however, but rather a growing labor force (the number of people either working or seeking employment); the work force grew by 33,000, while the number of jobs increased by 24,000. The Michigan Employment Security Commission attributes the larger labor pool to workers re-entering the workforce because of perceived availability of more jobs.

◆ The U.S. Department of Labor revealed that U.S. **consumer prices** rose 0.4 percent in January, the largest monthly gain in

more than two years. Although the figures have raised some concerns about inflation, analysts point out that the jump in the price level could be due to first-of-the-year price markups for which the figures do not adequately adjust.

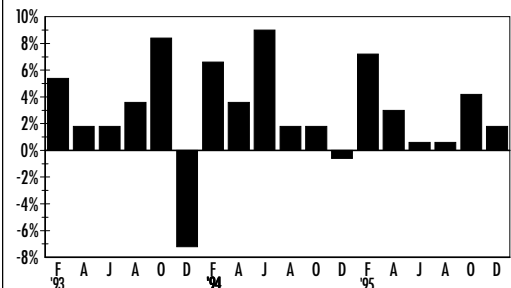
◆ The **index of leading economic indicators** fell 0.5 percent in January, due primarily to blustery winter weather that kept consumers home from work. Although the index did not drop as much as expected, it has declined nine times in the past 12 months, a sign that growth ahead will be only modest.

Michigan Monthly Unemployment Rates (seasonally adjusted)



SOURCE: Michigan Employment Security Commission.

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



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

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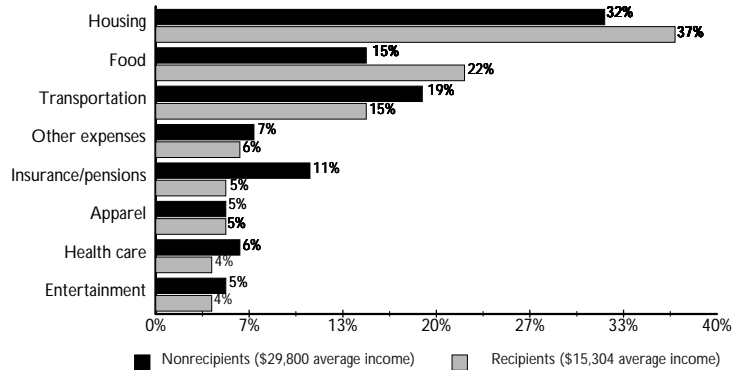
FOOD AND HOUSING DOMINATE POOR'S SPENDING

The U.S. Department of Labor's Bureau of Labor Statistics recently released a report on how recipients of public assistance spend their money.¹ The report's findings are drawn from the bureau's annual Consumer Expenditure Survey, a data source widely used by economists and policymakers. The authors consider a family to be a recipient of public assistance if a member receives one or more of the following: Medicaid, food stamps, welfare, Supplemental Security Income, or public housing or housing assistance.

Exhibit 1 displays how recipient and nonrecipient families spend their income. Recipient families spend the majority of their funds on the basics—shelter and food; the average was al-

¹Bureau of Labor Statistics, U.S. Department of Labor, *Issues in Labor Statistics: Spending Patterns and Other Characteristics of Families Receiving Public Assistance*. (Washington, D.C.: U.S. DOL: January, 1996).

EXHIBIT 1
Spending Patterns of Public-Assistance Recipient and Nonrecipient Families, FY 1992-93



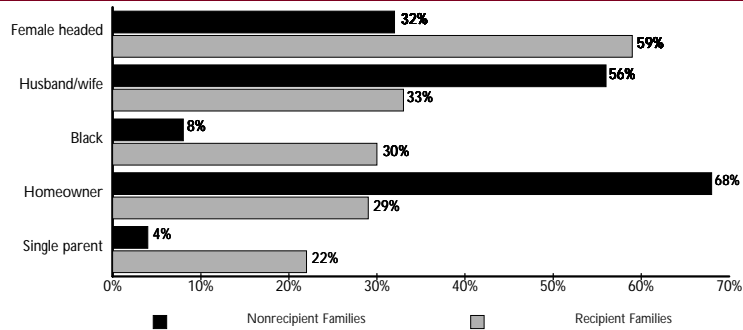
SOURCE: U.S. Department of Labor.

most 60 percent of all expenditures (\$9,101), with housing taking the most family resources. Although nonrecipient families also spend more on housing and food than on other purchases, the

percentage of total income is less: 47 percent (\$13,965).

Exhibit 2 shows that families receiving public assistance differ from nonrecipient families demographically. A much larger per-

EXHIBIT 2
Structure of Recipient and Nonrecipient Families, FY 1992-93



SOURCE: U.S. Department of Labor.

Public Sector Reports

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centage of the former are headed by females—59 percent compared to 32 percent. Assistance recipients also are more likely to be single parents, black, and rent rather than own their home. On average, families receiving assistance have one wage earner and one car; in nonrecipient families there more commonly are two wage earners and two cars.

NEWS FROM THE STATE CAPITOL

RENAISSANCE ZONES DECISION NEARING

After passing the Senate in January, a set of bills creating tax-free “renaissance” zones are expected soon to go a House vote.

To promote economic development in depressed urban and rural areas, SBs 668–9 and 671–6 exempt individuals and businesses in designated areas from all state and local taxes. The legislation allows establishment of five urban zones and three rural zones in the state, for a period of up to 15 years.

The bills faced intense debate in the House Urban Policy committee, where there was considerable concern that the revenue lost due to the tax exemptions will make it hard for the local governments involved to maintain police and other city services.

However, amendments that would have allowed locals to regain some of the income and property tax revenue lost to the tax breaks failed, and (at the time of writing) the bills sit in the House Taxation Committee, largely in their original form. A vote could occur as soon as the week of March 18.

STATE MAY STAMP OUT SMUGGLING

Legislation has been introduced to make it harder for smugglers to avoid Michigan’s tobacco tax.

State officials estimate that cigarette smuggling costs the state as much as \$150 million annually, and SB 883’s requirement that a stamp be placed on cigarette packages is an effort to reduce the problem. The bill’s supporters maintain that cigarette smuggling from other states into Michigan has increased significantly since the tobacco tax was raised from 25 cents to 75 cents as part of 1994’s school finance reforms.

Figures on the effect of cigarette smuggling on state revenue

likely are overstated. Our analysis shows that bootlegging cost the state no more than \$30–40 million in FY 1994–95, much less than the \$150 million assumed by lawmakers. The usefulness of a stamp to curb smuggling is questionable; we believe in combating cigarette smuggling, law enforcement and auditing may be more cost effective than a stamp.

Despite these arguments, lawmakers are working to overcome one significant obstacle to a stamp program—who pays for the stamp? Tobacco wholesalers, who currently are responsible for collecting tobacco taxes for the state, say that they expect to be reimbursed for the cost of administering the stamps. However, state officials point out that wholesalers already receive one percent of tobacco tax revenue, to cover the costs of collecting the tax, and that should be sufficient, since their collection fees went up when the tobacco tax increased. Members of the Senate Finance Committee are trying to work out a compromise with wholesalers.

PUBLICATIONS OF INTEREST

· American Automobile Manufacturers Association, *Motor Vehicle Facts & Figures* (Washington, D.C.: AAMA, 1995). 313/871-2274.

· This annual publication contains approximately 100 pages of statistics on motor vehicles and the motor vehicle industry. It provides data on vehicle production, sales, registrations, ownership, and fatalities for the U.S. and in some cases Canada. It also includes statistics on automobile imports and exports, environmental regulations, and travel trends. Most of the data are provided historically, for at least 20 years, and many statistics are presented by state.

· Senate Fiscal Agency, *1995 Statistical Report* (Lansing, Mich.: November 1995). 517/373-2767.

· This 183-page annual report by the Senate Fiscal Agency, a nonpartisan state agency that tracks the state budget, helps the reader interpret the Michigan state budget. Current and historical data are provided for overall state revenues, expenditures, and other financial indicators. The report also presents financial data for each department budget (e.g., Education, Social Services) as well as detailed data on appropriations, government employment, caseloads, and other information that affects government spending. A summary of such Michigan economic indicators as employment and interest rates and a glossary of budget terms also are included.

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

February collections (preliminary) were about as expected. Sales tax collections, which have been weak in recent months, increased a robust 9.9 percent above a year ago—despite only a 0.9-percent gain from motor vehicles;

this strong performance probably was due to some sales being postponed from January because of the bad weather. The volatile use tax jumped 16.3 percent but still is up only 4.9 percent for the fiscal year.

Personal income tax withholding was very weak, increasing only 1.9 percent, after a strong 8.4 percent jump last month. SBT (and insurance) collections also were relatively weak, increasing only 3.2 percent.

Cigarette tax collections declined 7.6 percent from a year ago; the year-to-date figure is down only 5.8 percent and appears to be recovering somewhat from the initial shock of the 50-cent-per-pack increase in May 1994.

Lottery sales were down 27 percent over the year-ago figure, but the February 1995 sales had been the biggest ever because of a record \$45-million Lotto jackpot. Fiscal-year-to-date lottery sales are down 6 percent.

February 1996 Revenue Collections (millions)

Source	February 1996 Collections	% Change Year-ago	% Change Year-to-date	FY 1995-96 Consensus Est. % Change (1/11/96)	February 1995 Actual
Income tax					
Withholding	\$420.1	1.9 ^a	3.3	4.9	\$412.3
Quarterly	2.6	-36.6	12.8	5.5	4.1
Annual	5.1	-22.7	4.1	4.3	6.6
Subtotal: gross income tax	427.8	1.1 ^a	4.1	4.9	423.0
Sales tax	353.8	9.9	4.1	4.6	322.0
Motor vehicles	46.9	0.9	-3.0	—	46.5
Other	306.9	11.4	5.2	—	275.5
Use tax	75.5	16.3	4.9	6.2	64.9
Subtotal: sales/use/withholding	849.4	6.3 ^a	3.7	4.9	799.2
Cigarette tax	46.2	-7.6	-5.8	-2.5	50.0
SBT	205.6	4.7	3.1	2.9	196.3
Insurance	23.0	-9.1	23.0	-1.3	25.3
Subtotal: SBT + Insurance	228.6	3.2	6.1	2.6	221.6
State education property tax	161.0	5.9	12.6	3.9	152.0
Real estate transfer tax	11.7	—	—	25.3	0.0
Estate/inheritance tax	3.1	-84.7	-47.6	1.9	20.3
Intangibles tax	1.7	-5.6	2.6	-6.4	1.8
Severance tax	3.0	100.0	10.9	7.9	1.5
TOTAL	\$1,312.4	4.4^a	5.1	4.2	\$1,257.1

SOURCE: Senate Fiscal Agency.

^aThere were the same number of Thursdays and Fridays (major payday) reflected in February collections in 1995 and 1996, so no adjustment is necessary.

NA = Not available.