



Economic Bulletin



U.S. employment in May surged, while the unemployment rate increased to 5.6 percent from April's 5.4 percent rate. The number of jobs nationwide rose by 348,000 in May, after increasing only an average of 192,000 per month from December 1995 to April. Although the additional jobs were spread throughout the economy's industries, business services added a particularly large number of workers to the nation's payrolls (67,600).

◆ The **index of leading economic indicators**, which foretells the pace of U.S. economic activity in coming months, rose 0.3 percent in April. The growth marks the third consecutive month the index has risen, the first such sustained increase in two years. Release of the index, accompanied by news of other favorable economic indicators, has led many economic forecasters to raise their predictions of growth for the rest of 1996.

◆ The U.S. Department of Commerce recently announced that **sales of new homes** rose in April to a seasonally-adjusted annual rate of 776,000 units. April's rate was 6.7 percent higher than March's and a sizable 28 percent higher than the year-ago rate. The sales increase occurred despite slightly higher mortgage rates.

◆ **Michigan's unemployment rate** remained unchanged in April from March's record low of 4.6 percent. Employment in manufacturing rose 17,000 as workers were called back after the GM strike settlement, although employment overall fell by 23,000 jobs due to declines in retail, transportation, and other industries.

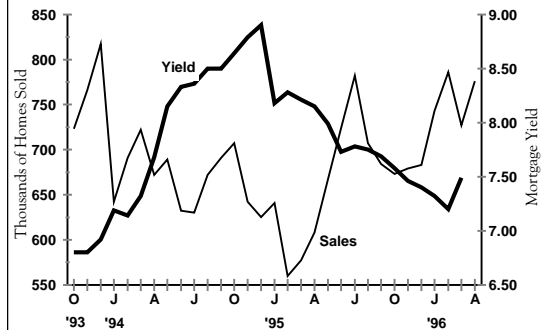


The U.S. Commerce Department has announced that **factory orders for durable goods** fell 1.9 percent in April from March's rate. Much of the decline was due to a slowdown in aircraft orders, without which factory orders would have remained unchanged. While the report does not signal an end to the economic expansion, it does fore-

tell continued slow growth in the nation's factories.

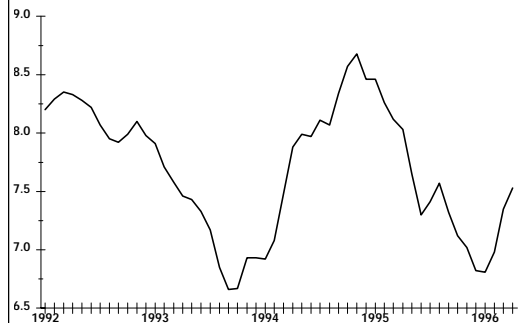
◆ Revised figures show that the economy grew slower than initially thought in the first quarter of 1996. New figures show that **gross domestic product** was up an inflation-adjusted 2.3 percent in the first quarter, about one-half point slower than the 2.8 percent rate announced in April, but above the lethargic 0.5 percent rate in the fourth quarter of 1995.

New One-Family Houses Sold and Mortgage Yields



SOURCES: U.S. Bureau of the Census and Federal Housing Finance Board.

U.S. Interest Rates, Corporate AAA Bonds¹, 1992-1996



¹Corporate AAA bonds are the highest rated long-term debt obligations issued by corporations as rated by Moody's, Inc. They are used as a proxy for long-term interest rates. SOURCE: U.S. Department of Commerce.

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MONTHLY FOCUS

WORTHWHILE WEB SITES

To help our economic-minded readers surf the World Wide Web more productively, the PSC economists would like to share a few choice Web sites. All sites listed below can be accessed directly or through the University of Michigan library's document page (<http://www.lib.umich.edu/libhome/Documents.center/stats.html>; "D" *must* be capitalized). To access the sites, you will need an Internet provider service, such as America Online or Voyager, and a Web browser, such as Netscape.

SITE	DESCRIPTION	ADDRESS
U.S. Bureau of Economic Analysis	Selected data from the National Income and Product Accounts (NIPA), incl. GDP, state personal income, trade data & more.	http://www.bea.doc.gov/bea/beadata.html
STAT-USA (U.S. Bureau of Economic Analysis)	Subscriber service (\$150/yr.). Complete data on NIPA, incl. income, employment, housing statistics. Also includes monthly <i>Survey of Current Business</i> . Need PDF viewer to access some files.	http://www.stat-usa.gov/ To order: 1-202-482-1986
U.S. Bureau of Labor Statistics Data Home Page	Extractable current and historical data on unemployment, CPI, consumer expenditures, and more for U.S., states, and regions.	http://stats.bls.gov/blshome.html
Regional Economic Information System (REIS)	Extractable economic data series for states, regions, counties, and metropolitan areas for 1969–1993.	http://www.lib.virginia.edu/socsci/reis/reis1.html
U.S. Census Bureau Home Page	Gateway to voluminous social, demographic, and economic statistics from 1990 census. Searchable.	http://www.census.gov/
U.S. Census Bureau Population and Housing Unit Estimates	Most recent updates of 1990 census data for states, counties, cities, and metropolitan areas.	http://www.census.gov/population/www/popest.html
<i>County and City Data Books, 1988 and 1994</i>	Electronic version of popular book. Extractable U.S., county, state, and local data on 200+ economic indicators from the 1990 census of population and 1987 economic censuses.	http://www.lib.virginia.edu/socsci/ccdb/
Michigan Department of Education	Information on Michigan public schools, including Report 1014 on every district's school finances, MEAP scores, accreditation report, IPEDS higher education statistics, press releases, millage election results, legislation, and more.	http://www.mde.state.mi.us/
<i>School District Data Book Profiles: 1989–1990</i>	Data on population, housing, school finance, etc. by school district for all districts in the U.S.	http://govinfo.kerr.orst.edu.sddb-stateis.html
Gallup Polls	Searchable database of results/analysis of Gallup public opinion polls.	http://www.gallup.com/
NOTE: The above Web addresses are case sensitive. For Internet-wide searches by topic, try Alta Vista @ http://www.altavista.digital.com/		

NEWS FROM THE STATE CAPITOL

SENATE APPROVES ARTS TAX

The Michigan Senate has approved a measure that allows Detroit voters to approve up to one-half mill for arts funding. Senate Bill 1053 creates a regional council with authority to levy a voter-approved property tax in support of regional arts and cultural centers. A majority of voters in each metropolitan Detroit county (Wayne, Macomb, and Oakland) and in the City of Detroit have to approve; if the levy passes, the revenue can be used to support zoos, museums, theaters, and similar institutions.

Supporters of the legislation contend that because state government has cut arts funding so drastically in recent years, local

areas should be given the means to raise funds to make up the lost revenue. Critics say that the arts tax could begin to erode the \$7 billion in property tax cuts resulting from the school finance reforms of 1994; they also argue that area residents should not have to pay for arts programs and events because many of them cannot afford the price of admission.

HOUSE APPROVES BIG REVENUE SHARING CHANGE

The Michigan Legislature is considering a fundamental change in the way state funds are allocated to cities, counties, and villages. HB 4835, passed by the House and now in the Senate, changes the revenue sharing formula used to divvy up state funds for local governments from one based 44 percent on relative tax effort and 56 percent on population to one based entirely on population. (Relative tax effort is the amount of tax revenue local units raise compared with the state average revenues.) It also earmarks more

of the sales tax for local units and makes this tax the sole source of revenue sharing funds, rather than the current combined sources of income, sales, single business, and intangibles taxes. The bill retains the current formula for FY 1996–97, begins the per capita formula in FY 1997–98, and creates a task force to study the issue and possibly create a new formula subject to legislative approval.

The current formula, used since 1971, is based on the tenet that municipalities with higher tax efforts must provide more services to their citizens and need more revenue than cities with lower tax efforts. Critics of the current formula complain that it rewards high taxes and does not adequately reflect changing population patterns, such as the growth in the western part of the state. The formula's supporters contend it is fair and that many large cities with declining population, particularly Detroit, will lose large amounts of revenue under a per capita formula.

PUBLICATIONS OF INTEREST

McAlinden, Sean P., et al. *Driving America's Renaissance: Human Resource Issues in Michigan's Automotive Industry*. Ann Arbor, Mich.: Transportation Research Institute, University of Michigan, 1995. <http://www.mjc.state.mi.us> or 313/764-1817.

This 90-page report, prepared for the Michigan Jobs Commission and the Michigan Automotive Partnership, discusses the employment needs of the state's automotive industry through the year 2003. It contains the results of two separate analyses. One forecasts the number of job openings that need to be filled by the Big Three automakers through the year 2003; its finding—up to 129,000 workers will be needed to replace those who retire. The other analysis pertains to the human resource issues the Big Three and their suppliers will need to address through the year 2003, including recruiting engineers and technicians, finding autoworkers with skills necessary to future production methods, and the role of state policy and public education in meeting human resource needs.

Crain Communications, Inc. *The 100 Year Almanac and 1996 Market Data Book*, vol. 1. Detroit, Mich.: Crain Communication, April 1996. 313/446-0361.

This special version of the annual *Market Data Book* provides articles and data on changes in the automobile industry in the 100 years since its inception. Examples of these articles include the growth in the use of auctions, changes in management techniques, and the history of certain models. It provides historical data on sales and production from the 1890s forward. The *Market Data Book* also provides its usual data on sales, production, registrations, dealerships, prices, and other auto industry indicators.

MICHIGAN REVENUE REPORT

May revenue collections were mixed, as a decline in SBT collections offset a large increase in sales and use tax collections. SBT collections declined 37.4 percent, more than offsetting a 64.4 percent increase in April. Collections for the two months were

about 10 percent below the year-ago level.

Sales tax collections jumped 10.9 percent despite only a 1.7 percent increase in motor vehicle collections. Use tax collections were up 38.9 percent due, in part, to a one-time audit payment of \$23.1 million. Adjusting for this payment, collections were still up 10.6 percent.

Personal income tax withholding collections continued their up-and-down pattern, increasing only 2.6 percent after a strong 11.6 percent gain in April.

Lottery sales increased 2.8 percent in May, the largest increase in several months. Sales are still down about 3 percent for the fiscal year.

Total collections of the taxes included in this report (excluding lottery) were down 5.1 percent due to the weakness in the SBT. However, sales, use, and withholding collections increased 9.6 percent (or 7 percent adjusting for the use tax audit payment).

May 1996 Revenue Collections (millions)

Source	May 1996 Collections	% Change Year-ago	% Change Year-to-date	May 1995 Actual	FY 1995-96 Consensus Est. % Change (1/11/96)
Income tax					
Withholding	\$422.5	2.6%	3.7%	\$411.6	4.9%
Quarterly	5.6	-5.1	12.6	5.9	9.1
Annual	23.0	-28.6	-5.4	32.2	-6.1
<i>Subtotal: gross income tax</i>	451.1	0.3	3.4	449.7	4.5
Sales tax	421.9	10.9	5.0	380.5	5.3
Motor vehicles	70.7	1.7	4.5	69.5	—
Other	351.2	12.9	5.1	311.0	—
Use tax ^a	113.5	38.9	11.9	81.7	7.2
<i>Subtotal: sales/use/withholding^a</i>	957.9	7.1	4.9	873.8	5.3
Cigarette tax	47.6	0.4	2.8	47.4	-4.6
SBT	278.0	-37.4	5.0	444.0	3.3
Insurance	14.5	-22.5	8.2	18.7	-2.6
<i>Subtotal: SBT + insurance</i>	292.5	-36.8	-2.4	463.1	2.7
State education property tax	31.6	58.8	-2.3	19.9	3.8
Real estate transfer tax	13.7	—	—	13.2	21.8
Estate/inheritance tax	9.7	73.2	-25.9	5.6	-5.0
Intangibles tax	31.6	-1.2	25.1	32.0	12.9
Severance tax	3.9	200.0	29.6	1.3	6.6
TOTAL	\$1,417.1	-5.2%	3.6%	\$1,494.4	4.6%
Gross lottery sales	\$121.5	2.8%	-2.9%	\$118.2	

SOURCE: Senate Fiscal Agency.

^aUse tax collections include a one-time audit judgement payment of \$23.1 million. Excluding this payment, May use tax collections were up 10.6 percent from May 1995.

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