



State of Maryland Board of Revenue Estimates

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Revenue Estimates

March 18, 1999

Honorable Parris N. Glendening
Governor, State of Maryland
State House
Annapolis, MD 21401

Dear Governor Glendening:

In accordance with our policy of keeping you fully advised of developments affecting general fund revenues, the Board of Revenue Estimates has reviewed the current estimates for fiscal years 1999 and 2000. The Board believes revisions to the lottery, interest, and personal and corporate income tax estimates are warranted. In total, the Board submits to you revised general fund revenue estimates of \$8.194 billion and \$8.428 billion for fiscal years 1999 and 2000, respectively. These revisions represent increases of \$22.6 million for fiscal year 1999 and \$5.0 million for fiscal year 2000 compared to the December estimates.

Eight years into the current expansion, the national economy posted its best performance in many respects over the past year, with record low interest rates and unemployment rates, strong job growth and low inflation. Maryland's economy, as those of most states, has been relatively unaffected by the international economic problems of the past year. The crises in foreign economies have in fact helped the economy by lowering energy and import prices, which increased consumers' real incomes. The major negative impact of the international problems in the United States has been lower exports as a result of the strength of the dollar; this effect has been muted in Maryland, which has a much smaller manufacturing base than the rest of the country. Increases in consumers' real incomes, an extremely low savings rate and a perpetually increasing stock market have sustained this remarkable period of growth.

The Board's original revenue forecast called for continued strong growth, though slightly slower than the pace achieved in 1997 and 1998. Coupled with the fact that revenues are generally on track with the estimates, major revisions are not necessary at this time. The Board has, however, revised estimates for the personal and corporate income taxes and interest upwards, and estimates for the lottery downward.

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The withholding component of the personal income tax has increased 5.6% (after adjustments for the income tax reduction) compared to the first eight months of fiscal year 1998, higher than the estimated growth in personal income for that period. Accordingly, the Board has revised personal income tax revenues upward by \$10.0 million. Corporate income taxes have generally tracked the estimates, although unanticipated one-time payments of \$7.4 million have been received. The Board has therefore revised general fund corporate income tax revenues upward by \$5.6 million, the portion of these payments credited to the general fund.

The Board projects that lottery revenues will total \$352.2 million in fiscal year 1999 and \$362.2 million in fiscal year 2000, a downward revision of \$5.0 million in both years. This change reflects year-to-date performance, which has consistently lagged behind both expectations and last year's results. While there has been improvement over the last several months, sales and revenues through February are down 2.4% and 1.3%, respectively, compared to the same period last year. Lotto revenues are 28% below the estimate, and instant game revenues are 14% below the estimate. Only Pick 3 and Big Game revenues are currently ahead of the estimates. Through February, general fund revenues are \$7.5 million, or 3.1%, below the estimate.

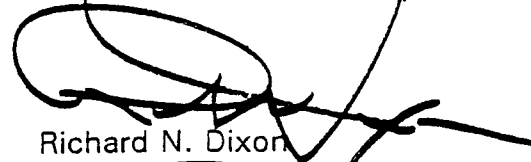
Interest earnings are running ahead of the estimate. Reflecting this strong growth, the Board has revised the interest estimate upward by \$12.0 million for fiscal year 1999 and by \$10.0 million for fiscal year 2000.

All other revenues are performing generally as expected and warrant no revision. We will continue to monitor the revenue situation closely and will advise you of any material changes in the outlook.

Respectfully yours,



William Donald Schaefer, Chairman



Richard N. Dixon



Frederick W. Puddester

cc: Honorable Thomas V. "Mike" Miller
Honorable Casper R. Taylor, Jr.
Honorable Barbara A. Hoffman
Honorable Howard P. Rawlings

MARYLAND GENERAL FUND REVENUES
FISCAL YEARS 1998 - 2000

Thousands \$	1999				2000		
	1998 Actual	December Estimate	March Estimate	Difference	December Estimate	March Estimate	Difference
INCOME TAXES:							
Personal*	4,156,142	4,106,130	4,116,130	10,000	4,336,200	4,336,200	--
Corporation	268,630	282,964	288,514	5,550	264,828	264,828	--
Total	4,424,772	4,389,094	4,404,644	15,550	4,601,028	4,601,028	--
SALES AND USE TAXES	2,161,152	2,260,384	2,260,384	--	2,349,203	2,349,203	--
STATE LOTTERY	362,515	357,175	352,175	(5,000)	367,227	362,227	(5,000)
FRANCHISES, EXCISES, LICENSES, FEES:							
Business Franchise Taxes	177,319	169,601	169,601	--	175,658	175,658	--
Tax on Insurance Companies	172,662	181,660	181,660	--	186,682	186,682	--
Insurance Licenses and Fees	12,584	12,890	12,890	--	0	0	--
Death Taxes	127,832	125,092	125,092	--	135,419	135,419	--
Tobacco Tax	128,272	121,864	121,864	--	117,355	117,355	--
Alcoholic Beverages Excise Tax	23,939	24,331	24,331	--	24,475	24,475	--
Motor Vehicle Fuel Tax	10,911	11,081	11,081	--	11,174	11,174	--
District Courts	66,084	65,316	65,316	--	67,149	67,149	--
Clerks of the Court	38,926	41,398	41,398	--	40,947	40,947	--
Hospital Patient Recoveries	64,402	152,683	152,683	--	101,260	101,260	--
Interest on Investments	76,807	68,057	80,057	12,000	57,000	67,000	10,000
Miscellaneous	203,163	190,806	190,806	--	188,069	188,069	--
Total	1,102,900	1,164,778	1,176,778	12,000	1,105,188	1,115,188	10,000
GRAND TOTAL	8,051,340	8,171,432	8,193,981	22,550	8,422,646	8,427,646	5,000