

**REPORT OF THE MARYLAND  
BOARD OF REVENUE ESTIMATES  
ON  
ESTIMATED MARYLAND REVENUES**

**FISCAL YEARS ENDING**

**JUNE 30, 1986**

**AND**

**JUNE 30, 1987**



**SUBMITTED TO  
GOVERNOR HARRY HUGHES**

**DECEMBER 13, 1985**

STATE OF MARYLAND



**BOARD OF REVENUE ESTIMATES**  
**STATE TREASURY BUILDING**  
P. O. Box 466 - Phone 269-3881  
ANNAPOLIS, MARYLAND 21404

December 13, 1985

**MEMBERS**  
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STATE COMPTROLLER  
WILLIAM S. JAMES  
STATE TREASURER  
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BUDGET AND FISCAL PLANNING  
**EXECUTIVE SECRETARY:**  
ROBERT D. RADER, PH.D.  
CHIEF, BUREAU OF  
REVENUE ESTIMATES

Honorable Harry Hughes  
Governor of Maryland  
State House  
Annapolis, Maryland 21404

Dear Governor Hughes:

In compliance with Article 41, Section 194 of the Annotated Code of Maryland, the Board of Revenue Estimates has prepared and herewith submits to you new estimates of State revenues for Fiscal Years 1986 and 1987, based upon current laws and administrative practices. These estimates are set forth in the accompanying Report on State Revenues.

The current economic expansion continues and future national and state economic prospects still appear favorable. Consequently, State revenue prospects are good for the next eighteen months. Fiscal Year 1986 General Fund revenues are expected to be \$70,783,000 greater than our December 1984 forecast. This increase arises principally from higher than expected State Lottery sales and continued expansion in the real estate and construction sectors of the Maryland economy.

The Board will continue its study of revenue data and will keep you fully advised in coming months of any further important developments affecting revenue prospects.

Respectfully yours,

\_\_\_\_\_  
H. Louis Stettler, III

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William S. James

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Louis L. Goldstein, Chairman

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Robert D. Rader, Executive Secretary

RDR:doj  
Enclosure

GENERAL FUND REVENUE AND APPROPRIATION ACCOUNT

FOR FISCAL YEARS 1985, 1986 AND 1987

\$ Thousands

	1985 Actual	Present Estimate	1 9 8 6 Revised Estimate	Difference	1987 Estimate
GENERAL FUND BALANCE (Beginning of Year)	18,190	49,129	49,129	--	118,365
ADDITIONS - GENERAL FUND REVENUE					
Individual Income Taxes	1,767,872	1,921,406	1,925,094	3,688	2,072,996
Corporation Income Taxes	141,440	147,094	147,238	144	148,648
Retail Sales and Use Taxes	1,098,527	1,183,538	1,186,080	2,542	1,275,717
Franchises, Excises, Fees	509,467	520,426	554,979	34,553	581,540
State Lottery Receipts	250,198	271,960	301,816	29,856	313,697
Interest on Investments	41,706	30,850	30,850	--	35,000
Total Additions	3,809,210	4,075,274	4,146,057	70,783	4,427,598
TOTAL AVAILABLE	3,827,400	4,124,403	4,195,186	70,783	4,545,963
DEDUCTIONS					
Appropriations	3,800,091	4,099,321	4,099,321	--	n/a
Less Reversions	21,820	22,500	22,500	--	n/a
Total Deductions	3,778,271	4,076,821	4,076,821	--	n/a
GENERAL FUND BALANCE (End of Year)	49,129	47,582	118,365	70,783	n/a

REPORT OF THE BOARD OF REVENUE ESTIMATES  
ON ESTIMATED STATE REVENUES  
FOR THE FISCAL YEARS 1986 AND 1987

The Board of Revenue Estimates has completed its regular annual review of the State revenue outlook which it makes in the fall of each year while the next State Budget is being prepared by the Governor.

New estimates of State revenues have been established by the Board for the Fiscal Years ending June 30, 1986 and June 30, 1987, based on the current economic outlook.

These estimates are based on the existing revenue structure as set forth in Maryland statutes and on study by the Board of available information on present economic trends as they may affect revenue collections.

In arriving at the estimates, all revenue collecting agencies of the State government were contacted and their estimates and advice obtained.

National and State economic trends were studied for their effect on State revenues, including economic statistics and related data published by Federal and State government and by leading business and private organizations. In addition, national econometric forecasts prepared by Wharton Econometrics, Chase Econometrics, University of Michigan and other organizations were employed in preparing State economic and revenue forecasts.

There are a number of difficult economic factors to measure at the present time in arriving at revenue estimates.

U.S. Economic Prospects

After showing normal overall growth since 1982.4, the U.S. economy slumped during the first half of 1985. Real GNP grew by only 0.3 percent during 1985.1 and by 1.9 percent in 1985.2, as the impact of high real interest rates and the overvalued U.S. dollar dampened investment spending and industrial production, retarded commodity exports and pushed imports up at a record rate. A strong rebound has occurred in 1985.3 as real GNP grew by 4.3 percent, thus raising hopes that the "second leg of the economic boom" is now underway.

The improvement in 1985.3 largely reflected phenomena which will not be repeated, including: (1) temporary declines in imports of oil and automobiles; (2) large increases in federal grain purchases; (3) temporary spurts in federal defense spending; and (4) auto sales promotions which borrowed sales from future months. As a result, 1985.4 growth will be slower than 1985.3 growth.

Growth during 1986 should be relatively slow and erratic. Construction spending should slow despite lower interest rates due to: (1) significant overbuilding of office buildings,

apartments and condominiums in many regions; (2) planned reductions in business capital outlays; (3) relatively low and falling industrial capacity utilization rates (which averaged 80.2 percent in October); and (4) tighter mortgage standards and a substantial reduction in pent-up demand for new homes. Housing starts are projected to total 1,750,000 during 1985 and 1,700,000 during 1986.

A further gradual devaluation of the dollar relative to foreign currencies is expected during the next fifteen months. This should help boost exports marginally and permit some improvement in the trade deficit.

Government spending at all levels should continue to rise. Federal spending will continue to rise during 1986, reflecting the continuing defense buildup and the backlog of past defense authorizations. State and local spending should remain strong due to somewhat improved revenue prospects and moderating interest rates.

The outlook for consumer spending is not highly favorable due to the slowdown in employment and household personal income, the low savings rate and the high level of consumer debt relative to personal income. The advance buying of automobiles that occurred during 1985.3 should also dampen consumer spending during 1985.4 and through much of 1986. In addition, the expected slowdown in construction should dampen demand for furniture, fixtures and appliances during 1986.

While prospects for Christmas sales are not as bright as in recent years, the outlook is not dismal. Consumer confidence remains relatively high, inflation remains modest, and these should help buoy retail sales nationally through Christmas. However, retail sales during 1986 should grow at a slower rate than that experienced during 1985.

Automobile sales are projected to total around 11 million units in 1985. Automobile sales are forecast to total between 10.3 million to 10.5 million units in 1986.

The consensus outlook is for slow and uneven growth through 1986, with real GNP growth of between 2.5 and 3.0 percent. Inflation is expected to remain modest, with the consumer price index rising between 3.5 and 4.0 percent. While employment is expected to increase, the relative sluggishness of GNP growth strongly implies an increase in unemployment, as the increase in new jobs fails to keep up with the secular increase in the labor force.

While none of the forecasts consulted foresee a recession during the next eighteen months, continued weak growth is forecast during 1987, with real GNP rising by 3.5 to 4.0 percent and consumer prices rising by 4.0 to 4.5 percent.

Additional comments regarding the national economic outlook are contained in Appendix A.

#### State Economic Prospects

Maryland's economy continues to expand briskly. Total employment has grown at a 20 percent higher than normal rate since November 1982. As of September 1985, employment had grown by

51,000 jobs above the year-earlier level. At the same time, the unemployment rate declined to 4.2 percent, its lowest level since April 1974.

According to Bell Atlantic, Gross State Product grew by 0.7 percent between June and July 1985. This represented a growth of 3.6 percent over the July 1984 level.

As evidenced by available tax data, key sectors of the Maryland economy are continuing to experience strong growth. Automobile sales, as gauged by titling tax collections, have grown at a 40 percent faster than normal pace. Real property sales, as measured by property transfer tax receipts, have grown at a 40 percent stronger than normal pace after recovering from a temporary slump in late 1984. Based upon sales tax collection data, construction activity (45 percent stronger than normal) and business investment (25 percent stronger than normal) are performing at above average paces.

Only taxable consumer spending, which has slowed towards subnormal growth in recent months, has shown indication of slippage.

Recent data indicate that Maryland's economy may grow somewhat slower during the next eighteen months. The Maryland index of local economic indicators, prepared by Data Resources, Inc., has been somewhat erratic during the last six months, suggesting no big gains in economic growth. Employment during October grew by 36,000 over the year-earlier level. At the same time the unemployment rate rose to 4.4 percent.

After peaking at an annual rate of 46,600 units in 1985.1, Maryland housing starts have declined significantly. For all of 1985, housing starts should total 40,000, up 12.0 percent from the comparable 1984 total. During 1986, total starts are projected to decline to 36,500 units. According to the National Association of Realtors, resales of existing homes should increase by 21.7 percent in 1985 to 81,300 units. Resales are expected to total 93,500 in 1986.

New car registrations, which totalled 282,000 units in 1984, peaked in 1984.3. New car registrations are expected to total 271,000 units in 1985 and to decline slightly during 1986.

Despite the projected decline in housing starts and automobile sales and projected job losses in manufacturing plants such as Black and Decker, total employment and personal income should continue to grow in Maryland, although at a slower pace. According to Chase Econometrics, total employment should expand by approximately 1.9 percent during 1986 and by another 1.2 percent in 1987, after growing by 4.7 percent in 1985. Maryland personal income is expected to grow by 7.4 percent in 1985, 7.0 percent in 1986 and 7.2 percent in 1987, after growing by 9.2 percent in 1984.

Appendix B contains statistics on Maryland's economic trends during the last five years.

#### State Revenue Trends and Outlook

During Fiscal Year 1985, Maryland's General Fund revenues exceeded estimates by \$26,652,846 or 0.7 percent. Income Taxes exceeded estimates by \$3,569,848 or 0.2 percent. Retail Sales and

Use Taxes exceeded estimates by \$793,866 or 0.1 percent. Property Transfer Taxes, owing to an unexpected upturn in property sales in early 1985, exceeded estimates by \$5,126,327 or 12.5 percent. State Lottery receipts exceeded estimates by \$6,947,593 or 2.9 percent. All other revenues exceeded estimates by \$10,215,212 or 2.0 percent.

Fiscal Year 1985 revenues were affected by several factors, including legislation enacted by the Maryland General Assembly and the Deficit Reduction Act of 1984 (DEFRA). Legislation which effectively exempts corporate personalty reduced State Property Taxes by \$27,000,000 during Fiscal Year 1985. Tax Year 1984 Corporation Income Tax revenues were augmented by \$22,000,000 by DEFRA and State legislation which effectively repealed the State credit for business personalty and include a broadened concept of capital gains in the tax base. Horse Racing revenues were reduced by approximately \$1,800,000 during Fiscal Year 1985 by legislation reducing the tax on harness racing and extending the additional 0.75 percent mutuel retainage.

Fiscal Year 1986 State and local revenues are being influenced by State legislation enacted in 1985 affecting Horse Racing. This legislation completely revised the tax and fee structure pertaining to thoroughbred and harness racing and replaced the State-local system for allocating revenues with a system of cash grants and impact aid to the counties and municipalities and to the State Fair Board. This change reduces State General Fund revenues by approximately \$9,800,000 during each of Fiscal Years 1986 and 1987. Local revenues are also reduced by approximately \$1,600,000 during each of these years.

Death Taxes are being adversely affected in Fiscal Year 1986 by a large refund of Estate Tax plus interest. Other minor revenue enhancements enacted by the 1985 General Assembly will augment Miscellaneous Revenues by \$1,287,782 during Fiscal Year 1986 and by a similar amount during Fiscal Year 1987.

Table 1 below lists the actual State revenues for the Fiscal Year ended June 30, 1985 and the Board's current estimates for the Fiscal Years ending June 30, 1986 and June 30, 1987.

MARYLAND REVENUE RECEIPTS  
FISCAL YEARS 1985, 1986 AND 1987

	GENERAL FUND			SPECIAL FUND			TOTAL		
	Fiscal Year 1985 Actual	Fiscal Year 1986 Revised Estimate	Fiscal Year 1987 Estimate	Fiscal Year 1985 Actual	Fiscal Year 1986 Revised Estimate	Fiscal Year 1987 Estimate	Fiscal Year 1985 Actual	Fiscal Year 1986 Revised Estimate	Fiscal Year 1987 Estimate
-----\$ Thousands-----									
INCOME TAXES:									
Individual	1,767,872	1,925,094	2,072,996	--	--	--	1,767,872	1,925,094	2,072,996
Corporation	141,440	147,238	148,648	72,426	76,059	76,942	213,866	223,297	225,590
Total	1,909,312	2,072,332	2,221,644	72,426	76,059	76,942	1,981,738	2,148,391	2,298,586
RETAIL SALES AND USE TAXES	1,098,527	1,186,080	1,275,717	--	--	--	1,098,527	1,186,080	1,275,717
STATE LOTTERY RECEIPTS	250,198	301,816	313,697	25,218	27,567	33,559	275,416	329,383	347,256
TRANSPORTATION REVENUES:									
Motor Vehicle Fuel Tax	6,825	6,317	6,383	303,685	305,183	308,617	310,510	311,500	315,000
Motor Vehicle Licenses, Fees	--	--	--	117,227	122,750	107,965	117,227	122,750	107,965
Motor Vehicle Titling Tax	--	--	--	259,189	270,000	260,000	259,189	270,000	260,000
Mass Transit Fees	--	--	--	51,411	62,130	67,287	51,411	62,130	67,287
Maryland Port Fees	--	--	--	43,187	40,502	42,223	43,187	40,502	42,223
State Aviation Fees	--	--	--	31,822	33,220	36,969	31,822	33,220	36,969
Total	6,825	6,317	6,383	806,521	833,785	823,061	813,346	840,102	829,444
PROPERTY TAXES, FRANCHISES, ETC.:									
State Real and Personal Property Tax	--	--	--	100,803	110,409	119,794	100,803	110,409	119,794
Property Transfer Tax	19,938	31,607	30,773	26,188	24,000	24,000	46,126	55,607	54,773
Corporation Franchises and Filing Fees	114,183	125,709	134,776	9,650	6,093	5,430	123,833	131,802	140,206
State Tobacco Tax	51,848	52,000	52,000	15,055	15,000	15,000	66,903	67,000	67,000
Tax on Insurance Companies	83,951	91,882	97,837	--	--	--	83,951	91,882	97,837
Alcoholic Beverages Excises	19,007	18,200	18,200	9,424	9,200	9,200	28,431	27,400	27,400
Death Taxes	39,260	39,700	42,500	--	--	--	39,260	39,700	42,500
Tax on Horse Racing	10,567	689	818	4,067	1,946	1,946	14,634	2,635	2,764
District Courts	34,028	37,500	38,500	--	--	--	34,028	37,500	38,500
Hospital Patient Recoveries	58,085	77,170	83,450	--	--	--	58,085	77,170	83,450
Interest on Investments	41,706	30,850	35,000	14,564	11,700	17,500	56,270	42,550	52,500
Miscellaneous Fees, Other Receipts	71,775	74,205	76,303	174,913	202,849	218,329	246,688	277,054	294,632
Total	544,348	579,512	610,157	354,664	381,197	411,199	899,012	960,709	1,021,356
FEDERAL FUNDS:									
Highway Transit Reimbursements, Grants	--	--	--	424,939	508,718	487,063	424,939	508,718	487,063
Human Resources	--	--	--	275,969	297,345	306,861	275,969	297,345	306,861
Employment and Training	--	--	--	75,770	101,144	97,838	75,770	101,144	97,838
Public Education	--	--	--	179,354	200,535	199,393	179,354	200,535	199,393
Public Health	--	--	--	361,618	383,998	409,326	361,618	383,998	409,326
Natural Resources, Etc.	--	--	--	53,480	83,011	84,839	53,480	83,011	84,839
Total	--	--	--	1,371,130	1,574,751	1,585,320	1,371,130	1,574,751	1,585,320
GRAND TOTAL	3,809,210	4,146,057	4,427,598	2,629,959	2,893,359	2,930,081	6,439,169	7,039,416	7,357,679

TABLE 1



The following table shows the current revision of the General Fund revenue and surplus account for the current Fiscal Year 1986.

	<u>Present Estimate</u>	<u>Revised Estimate</u>	<u>Surplus Increase (Decrease)</u>
	-----\$ Thousands-----		
GENERAL FUND BALANCE (Beginning of Year)	49,129	49,129	--
ADDITIONS - GENERAL FUND REVENUE			
Individual Income Taxes	1,921,406	1,925,094	3,688
Corporation Income Taxes	147,094	147,238	144
Retail Sales and Use Taxes	1,183,538	1,186,080	2,542
Franchises, Excises, Fees	520,426	554,979	34,553
State Lottery Receipts	271,960	301,816	29,856
Interest on Investments	30,850	30,850	--
TOTAL ADDITIONS	<u>4,075,274</u>	<u>4,146,057</u>	<u>70,783</u>
TOTAL AVAILABLE	<u>4,124,403</u>	<u>4,195,186</u>	<u>70,783</u>
DEDUCTIONS			
Appropriations	4,099,321	4,099,321	--
Less Reversions	22,500	22,500	--
TOTAL DEDUCTIONS	<u>4,076,821</u>	<u>4,076,821</u>	<u>--</u>
GENERAL FUND BALANCE (End of Year)	<u>47,582</u>	<u>118,365</u>	<u>70,783</u>

MARYLAND GENERAL FUND REVENUES  
FISCAL YEARS 1981 TO 1988

	1981 Actual	1982 Actual	1983 Actual	1984 Actual	1985 Actual	1 9 8 6		1987 Estimate	1988 Preliminary Estimate
						Present Estimate	Revised Estimate		
-----\$ Thousands-----									
INCOME TAXES:									
Individual Corporation	1,205,406 59,710	1,354,610 58,606	1,458,654 60,166	1,607,502 85,871	1,767,872 141,440	1,921,406 147,094	1,925,094 147,238	2,072,996 148,648	2,238,800 160,500
Total	1,265,116	1,413,216	1,518,820	1,693,373	1,909,312	2,068,500	2,072,332	2,221,644	2,399,300
RETAIL SALES AND USE TAXES	753,745	797,466	865,173	988,365	1,098,527	1,183,538	1,186,080	1,275,717	1,377,700
STATE LOTTERY	171,422	199,080	206,012	209,585	250,198	271,960	301,816	313,697	329,000
FRANCHISES, EXCISES, LICENSES, FEES:									
Property Transfer Taxes	--	--	--	--	19,938	14,000	31,607	30,773	33,200
Business Franchise Taxes	82,633	96,081	101,716	107,795	114,183	117,280	125,709	134,776	145,500
State Tobacco Tax	56,994	54,283	53,032	51,407	51,848	50,200	52,000	52,000	52,000
Tax on Insurance Companies	61,750	64,767	67,959	74,797	83,951	82,698	91,882	97,837	105,700
Alcoholic Beverages Excises	19,660	21,144	19,224	18,927	19,007	18,950	18,200	18,200	18,400
Death Taxes	24,036	26,316	31,256	34,173	39,260	39,700	39,700	42,500	45,900
Motor Vehicle Fuel Tax	--	--	--	--	6,825	6,300	6,317	6,383	6,500
Motor Vehicle Titling Tax	656	--	--	--	--	--	--	--	--
Tax on Horse Racing	11,859	12,391	13,750	12,257	10,567	500	689	818	825
Hospital Patient Recoveries	88,726	74,564	77,338	61,700	58,085	81,800	77,170	83,450	90,100
Interest on Investments	74,290	78,532	47,131	35,969	41,706	30,850	30,850	35,000	38,000
District Courts	25,349	25,978	30,322	32,148	34,028	36,277	37,500	38,500	41,500
Miscellaneous	56,133	61,246	64,720	97,241	71,775	72,721	74,205	76,303	80,000
Total	502,086	515,302	506,448	526,414	551,173	551,276	585,829	616,540	657,625
FEDERAL REVENUE SHARING	11,022	--	--	--	--	--	--	--	--
GRAND TOTAL	2,703,391	2,925,064	3,096,453	3,417,737	3,809,210	4,075,274	4,146,057	4,427,598	4,763,625

TABLE 2

## INDIVIDUAL INCOME TAXES

In response to recent slower growth in employment and personal income statewide, Individual Income Tax revenues have slowed from the double digit growth experienced during Tax Year 1984. Through October, Tax Year 1985 revenues were 8.0 percent higher than for the comparable period of Tax Year 1984.

It is to be expected that slower prospects for national economic growth and the outlook for slow growth in Maryland employment and personal income will dampen growth in Individual Income Tax revenues during Fiscal Years 1986 and 1987. Chase Econometrics forecasts that Maryland personal income will rise by 7.4 percent in 1985, 7.0 percent in 1986 and 7.2 percent in 1987, after rising by 9.3 percent in 1984.

Individual Income Tax revenues during Fiscal Years 1986 and 1987 will be affected by changes in federal and state tax laws. The Deficit Reduction Act of 1984 made numerous changes designed to close certain tax loopholes, delay or repeal scheduled tax cuts and generally eliminate the timing differences between income and expense recognition. Many of these provisions affect Maryland's tax law and revenue prospects. In addition, minor revenue losses will arise from legislation enacted by the 1985 General Assembly allowing deductions for certain expenses relating to adoption, readers for blind employees/individuals and exempting personal use of official law enforcement vehicles.

On the basis of the above factors, Maryland adjusted gross income is projected to increase by 8.1 percent in Tax Year 1985, 6.6 percent in Tax Year 1986 and 6.8 percent in Tax Year 1987. After adjustments are made for exemptions, deductions, tax rates, credits and other modifications, Individual Income Tax receipts are expected to increase by 10.4 percent in Tax Year 1985, 7.7 percent in Tax Year 1986 and 7.8 percent in Tax Year 1987.

Table 3 contains an analysis of these revenues.

MARYLAND INDIVIDUAL INCOME TAX REVENUES  
FOR FISCAL YEARS 1984, 1985, 1986 AND 1987

\$ Thousands

<u>Tax Year</u>	<u>Collections</u>	<u>Percent Rate of Growth</u>	<u>1984 Actual</u>	<u>1985 Actual</u>	<u>1986 Estimate</u>	<u>1987 Estimate</u>
Prior Years	--	--	33,431	37,757	40,000	45,000
1983	2,230,629	10.3	1,100,334			
1984	2,466,721	10.6	1,240,847	1,225,874		
1985	2,723,720	10.4		1,371,570	1,352,150	
1986	2,932,921	7.7			1,481,125	1,451,796
1987	3,162,829	7.8				1,597,228
Total			<u>2,374,612</u>	<u>2,635,201</u>	<u>2,873,275</u>	<u>3,094,024</u>
Less: GAAP			--	18,000	--	--
Local Tax			<u>767,110</u>	<u>849,329</u>	<u>948,181</u>	<u>1,021,028</u>
NET TO GENERAL FUND			<u><u>1,607,502</u></u>	<u><u>1,767,872</u></u>	<u><u>1,925,094</u></u>	<u><u>2,072,996</u></u>

TABLE 3

CORPORATION INCOME TAXES

For Fiscal Years 1986 and 1987, the net Corporation Income Tax revenues will be derived from the following tax years:

<u>Tax Year</u>	<u>Fiscal Year 1986</u>	<u>Fiscal Year 1987</u>
1984	13%	--
1985	67%	7%
1986	20%	70%
1987	--	<u>23%</u>
Total	100%	100%

A different rate of growth was applied to each tax year's receipts. For Tax Year 1984, a 21.3 percent increase was used. This reflects the current trend of collections projected to the end of Fiscal Year 1986. For Tax Years 1985, 1986 and 1987, growth rates of 1.2 percent, 4.9 percent and 14.7 percent, respectively, were used. These growth rates reflect the current trend of collections and the projected growth in U.S. corporate profits as forecast by Chase Econometrics, Wharton Econometrics, Data Resources, University of Michigan and T. Rowe Price.

The analysis takes into account revenue enhancements enacted by the Maryland General Assembly and the U.S. Congress. These include: (1) constructive repeal of the personal property tax credit (which arose from the elimination of the State personal property tax on business personalty); (2) including a broadened concept of capital gains in the tax base; and (3) the 1984 Deficit Reduction Act. On the basis of collection trends, these events are expected to augment Tax Year 1984 collections by \$22,000,000. Slightly larger increases are expected during Tax Years 1985, 1986 and 1987.

Table 4 below contains a detailed analysis of Corporation Income Tax revenues.

MARYLAND CORPORATION INCOME TAX REVENUES  
FOR FISCAL YEARS 1984, 1985, 1986 AND 1987

\$ Thousands

<u>Tax Year</u>	<u>Collections</u>	<u>Percent Rate of Growth</u>	<u>1984 Actual</u>	<u>1985 Actual</u>	<u>1986 Estimate</u>	<u>1987 Estimate</u>
Prior Years	--	--	-1,692	2,118	-3,500	--
1982	138,227	4.7	12,340			
1983	175,782	27.2	123,726	20,553		
1984	213,153	21.3	41,075	141,616	30,462	
1985	215,784	1.2		49,579	151,049	15,156
1986	226,423	4.9			45,286	158,496
1987	259,685	14.7				51,938
Total			<u>175,449</u>	<u>213,866</u>	<u>223,297</u>	<u>225,590</u>
Less: Transportation Trust (0.75% of net taxable income)			16,721	20,421	21,325	21,544
D.O.T.			<u>72,857</u>	<u>52,005</u>	<u>54,734</u>	<u>55,398</u>
Baseline General Fund			<u>85,871</u>	<u>141,440</u>	<u>147,238</u>	<u>148,648</u>

TABLE 4

## RETAIL SALES AND USE TAXES

Since the end of the 1981-82 recession, Retail Sales and Use Tax collections have grown at a fairly strong pace. During Fiscal Year 1984, these collections grew by 14.2 percent. During Fiscal Year 1985, receipts grew by 11.1 percent. These growth rates are above those of Maryland personal income, which grew by 8.2 percent and 8.5 percent, respectively, during these two fiscal years.

For analytic purposes, Retail Sales Tax revenues are broken down into four components: Construction; Consumer Expenditures; Capital Goods (consisting of office equipment, machinery and equipment, containers and miscellaneous manufacturing); and Utilities and Transportation.

The construction cycle in Maryland mirrors the national economic cycle quite closely. An analysis of the latest data indicates that receipts from this sector (which began a cyclical recovery in February 1982) are growing at a pace which is 45 percent stronger than normal.

Current economic conditions and forecasts indicate that this category should peak within the next year. Sluggish growth in the U.S. economy is forecast during the next eighteen months, implying rising unemployment. Housing starts appear to have peaked and are forecast to decline over the next eighteen months. Since receipts from the construction sector tend to peak about twelve months after the peak in U.S. housing starts, this would indicate a fall-off in construction receipts around mid-1986.

Taxable consumer spending has risen dramatically in response to favorable trends in employment and income statewide. Much of this spending has been financed through consumer credit (which has grown significantly). As a result, taxable consumer spending grew at a rate approximately 10 percent stronger than normal through the end of 1984. During 1985, this rate has slowed towards normal.

There is increasing evidence that nationally the consumer is becoming somewhat overextended. Personal savings have declined, personal income is growing at a slower pace and personal debt is at a record level relative to income. The forecast for sluggish economic growth implies rising unemployment and lower consumer confidence, which should be reflected in slowing sales. In addition, the projected decline in housing should dampen sales of furnishings, fixtures and related goods.

It is to be expected that taxable consumer spending will soon taper off to growth rates that more closely reflect the growth in Maryland personal income. Thus, growth in taxable consumer spending is expected to soon slow to 90 percent of the rate that normally occurs at this stage of the business cycle.

Growth in capital goods spending is currently 25 percent stronger than normal, and it is expected that this strength will continue throughout Fiscal Years 1986 and 1987. Growth in receipts from the utilities and transportation sector is expected to continue in accordance with historic patterns.

Overall, Retail Sales and Use Tax collections are expected to total \$1,186,080,000 during Fiscal Year 1986, 8.0 percent above Fiscal Year 1985 collections. For Fiscal Year 1987, the Board projects these revenues will rise by 7.6 percent to \$1,275,717,000.



STATE LOTTERY REVENUES

As seen in the table below, State Lottery revenues have grown very rapidly since the inception of the daily "Numbers Game" on July 26, 1976 and the weekly "Lotto" game on October 31, 1983.

<u>Fiscal Year</u>	<u>Gross Sales</u>					<u>Net Receipts</u>
	<u>Daily</u>	<u>Weekly</u>	<u>Lotto</u>	<u>Instant</u>	<u>Total</u>	
-----\$ Thousands-----						
1979	310,420	21,740	--	--	332,160	131,533
1980	354,581	17,679	--	--	372,260	166,702
1981	373,677	11,981	--	--	385,658	171,422
1982	395,037	7,989	--	54,409	457,435	199,080
1983	448,931	13,890	--	--	462,821	206,012
1984	483,015	2,774	51,019	--	536,808	209,585
1985	550,772	682	129,613	--	681,067	250,198
1986	603,200	--	134,680	--	737,880	301,816
1987	629,200	--	148,200	--	777,400	313,697

During Fiscal Year 1985, sales of daily "Numbers Game" tickets exceeded the Board's prediction by 5.6 percent, while "Lotto" sales during its first full year of operations exceeded estimates by 12.7 percent. Current sales trends indicate continued growth in both games.

During Fiscal Year 1986, gross receipts of \$603,200,000 are expected from the daily games, and \$134,680,000 is expected from the Lotto game. After deduction of sellers' commissions, administrative expenses and a 51.4 percent prize share, net receipts of \$301,816,000 are expected to be received by the General Fund from these sales during Fiscal Year 1986.

Fiscal Year 1987 gross receipts from the daily and Lotto games are expected to total \$777,400,000. Of this amount, \$313,697,000 is estimated to be available after deduction of sellers' commissions, prizes and administrative expenses.

## PROPERTY TRANSFER TAX

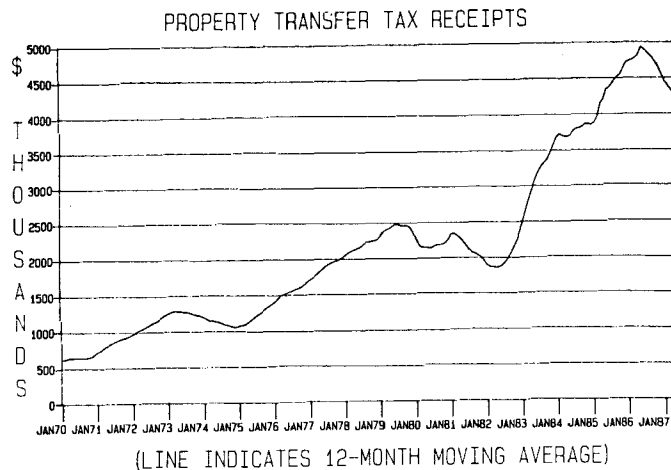
Since bottoming out in April 1982, the Property Transfer Tax has grown swiftly in response to lower mortgage rates and favorable market conditions (e.g., rising employment and income, lower inflation, pent-up demand from the 1980 and 1981-82 housing slumps). A temporary rise in mortgage rates in mid-1984 adversely affected this revenue source during the first half of Fiscal Year 1985. However, a resumption of the downward trend in mortgage rates since September 1984 has resulted in continued strong growth in Property Transfer Tax receipts. Currently, this expansion is approximately 40 percent stronger than normal.

Although recent tightening of mortgage eligibility requirements by certain lenders may dampen homebuying somewhat in the future, continued declines in mortgage rates and generally favorable State economic conditions foretell continued strength in property sales during the next seven months. Although housing starts have peaked, several major new projects have been announced, and homebuilding should remain strong in Maryland. Housing permits should total 40,000 during 1985. During 1986, Chase Econometrics and the National Association of Realtors forecast new starts to total between 36,000 to 37,000 in the state. Resales are expected to show continued growth through 1987; however, this growth should slow beyond mid-1986. Non-residential investment in land and buildings is expected to peak in 1986.2.

The current outlook is for the Property Transfer Tax to continue its strong growth through June 1986 before slumping throughout Fiscal Year 1987. On the basis of this outlook, Property Transfer Tax revenues are expected to total \$55,607,000 during Fiscal Year 1986 and \$54,773,000 during Fiscal Year 1987.

Legislation enacted by the 1984 General Assembly deposits those Property Transfer Tax revenues in excess of \$24,000,000 for Program Open Space in the General Fund. Accordingly, the General Fund will receive \$31,607,000 during Fiscal Year 1986 and \$30,773,000 during Fiscal Year 1987.

The graph below shows the trend in Property Transfer Tax revenues between January 1, 1970 and June 30, 1987.



ALCOHOLIC BEVERAGE EXCISES

Tax receipts from Alcoholic Beverages are influenced by various factors, such as inventory deliveries, tax payment methods and the overall state of the economy. Revenues from Alcoholic Beverages for Fiscal Years 1986 and 1987 are expected to conform to past trends.

Following is a current analysis of these revenues:

	<u>1984 Actual</u>	<u>1985 Actual</u>	<u>1986 Revised Estimate</u>	<u>1987 Estimate</u>
	-----\$ Thousands-----			
Tax on Distilled Spirits Total Revenue	15,250	15,024	14,200	14,200
Less - Share to Local Governments	<u>5,091</u>	<u>4,904</u>	<u>4,700</u>	<u>4,700</u>
Balance to General Fund	<u>10,159</u>	<u>10,120</u>	<u>9,500</u>	<u>9,500</u>
Tax on Wine (General Fund)	<u>3,800</u>	<u>4,066</u>	<u>4,000</u>	<u>4,000</u>
Tax on Beer Total Revenue	9,638	9,341	9,200	9,200
Less - Share to Local Governments	<u>4,670</u>	<u>4,520</u>	<u>4,500</u>	<u>4,500</u>
Balance to General Fund	<u>4,968</u>	<u>4,821</u>	<u>4,700</u>	<u>4,700</u>
<b>TOTAL TO GENERAL FUND</b>	<u><u>18,927</u></u>	<u><u>19,007</u></u>	<u><u>18,200</u></u>	<u><u>18,200</u></u>

STATE TOBACCO TAX

Cigarette sales in Maryland have been affected by stagnancy in per capita consumption nationally and other factors. It is expected that these factors will continue to influence State Tobacco Tax revenues in Fiscal Years 1986 and 1987.

Following is a current analysis of these revenues:

	<u>1984 Actual</u>	<u>1985 Actual</u>	<u>1986 Revised Estimate</u>	<u>1987 Estimate</u>
	-----\$ Thousands-----			
Total Revenue	66,460	66,903	67,000	67,000
Less - Share to Counties and Baltimore City	<u>15,053</u>	<u>15,055</u>	<u>15,000</u>	<u>15,000</u>
<b>BALANCE TO GENERAL FUND</b>	<u><u>51,407</u></u>	<u><u>51,848</u></u>	<u><u>52,000</u></u>	<u><u>52,000</u></u>

REAL PROPERTY TAXES

The State's assessable basis for Fiscal Year 1986, as prepared by the Department of Assessments and Taxation, is \$52,822,228,000. The Department projects that the Fiscal Year 1987 assessable basis subject to State taxes will increase by 8.6 percent to \$57,370,881,000.

The State tax rate for the current 1985-86 year is 21¢ per \$100 of assessable property as established by the Board of Public Works. The Board is required by law to calculate the rate necessary for debt service on full faith and credit General Obligation bonds by May 1 of each year. The proceeds of the State property tax are exclusively dedicated to pay this debt service.

The projection of State property tax revenues on the basis of this 21¢ rate (after adjusting for collection of prior tax arrearages and current delinquencies) is as follows:

Fiscal Year 1986	\$110,409,000
Fiscal Year 1987	\$119,794,000

CORPORATION FRANCHISE TAXES AND FILING FEES

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
	<u>Actual</u>	<u>Actual</u>	<u>Revised</u>	<u>Estimate</u>
	-----\$ Thousands-----			
Franchise Tax on Gross Receipts	84,602	86,278	96,777	103,751
Franchise Tax on Net Earnings of Savings Banks, Building and Loan Associations	3,320	8,595	4,750	4,000
Franchise Tax on Building and Loan Associations	1,725	2,182	1,900	1,900
Domestic Corporation Filing Fees	2,415	2,612	2,780	2,940
Filing Fees on Foreign Corporations	624	502	595	615
Franchise Tax on Net Earnings of Financial Institutions	<u>19,594</u>	<u>23,664</u>	<u>25,000</u>	<u>27,000</u>
TOTAL	112,280	123,833	131,802	140,206
LESS - Allocations to Local Governments:				
Franchise Tax on Net Earnings of Savings Banks, Building and Loan Associations	3,285	8,327	4,703	3,960
Domestic Corporation Filing Fees	<u>1,200</u>	<u>1,323</u>	<u>1,390</u>	<u>1,470</u>
BALANCE TO GENERAL FUND	<u><u>107,795</u></u>	<u><u>114,183</u></u>	<u><u>125,709</u></u>	<u><u>134,776</u></u>

DEATH TAXES

	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Revised</u> <u>Estimate</u>	<u>1987</u> <u>Estimate</u>
	-----\$ Thousands-----			
Collateral Inheritance Tax	17,809	21,271	21,000	23,000
Direct Inheritance Tax	6,295	7,645	7,500	8,000
Tax on Commissions of Executors and Administrators	2,593	3,050	3,200	3,500
Maryland Estate Tax	7,476	7,294	8,000	8,000
TOTAL	<u>34,173</u>	<u>39,260</u>	<u>39,700</u>	<u>42,500</u>

INTEREST ON INVESTMENTS

Largely in response to lower interest rates, the interest received on invested State General Fund monies has declined. Through November 1985, these receipts have totalled \$7,138,000 less than such earnings during the corresponding period of Fiscal Year 1985, when interest rates were considerably higher. Based upon the current level and outlook for interest rates and investable State funds, interest earnings are projected to total \$30,850,000 during Fiscal Year 1986. This is 26.0 percent lower than the amount collected during Fiscal Year 1985.

During Fiscal Year 1987, interest rates are expected to rise. Consequently, the Board projects interest earnings to total \$35,000,000 during Fiscal Year 1987.

## TRANSPORTATION REVENUES

Receipts from Motor Vehicle License and Registration fees will be affected by the conversion from annual to staggered registration beginning in March 1986. At this final annual registration, vehicle owners will purchase tags valid for between seven and eighteen months. After October 1986, all registrations will be done on a staggered monthly basis, with tags being renewed as they expire. This staggered registration system is expected to increase Fiscal Year 1986 revenues by \$1,000,000 and to reduce Fiscal Year 1987 revenues by \$15,500,000.

Miscellaneous Motor Vehicle fees are being affected by several factors. New fees for the driver improvement program (\$40 per attendee) and the alcohol education program (\$60 per attendee) are expected to add \$1,000,000 per year during Fiscal Years 1986 and 1987. Additional revenues will be raised from increased penalty fees on uninsured motorists.

Motor Vehicle Inspection fees will be augmented by an increase in the fees collected effective January 1, 1986. On that date, the amount collected by the Motor Vehicle Administration will rise from the current rate of 50¢ to \$1.50 for each inspected vehicle. An additional \$1,000,000 is expected to be collected from late fees.

Special License Tags are being affected by two fee changes. The first diverts to the Department of Transportation \$5.00 per tag on all vanity tags during the year in which the metal plate is issued. This will reduce the General Fund share of these receipts by \$200,000 during Fiscal Year 1986 and by perhaps \$5,000 during Fiscal Year 1987. The second change increases the fee on organization tags by \$4.00 per tag during the year in which the metal plate is issued. This will increase Department of Transportation revenues by \$400,000 during Fiscal Year 1986 and by perhaps \$10,000 during Fiscal Year 1987.

Motor Vehicle Titling Tax revenues have grown at an extremely high rate during the last two years. Although sales to date -- spurred by dealer price and financing incentives -- have been strong, there is ample reason to expect a slowdown and decline in auto sales and Titling Tax revenues during the next twenty-one months. Economic growth is expected to be sluggish, implying a rise in unemployment and a reduction in consumer confidence. Auto sales are projected to decline during Calendar Year 1986 by all of the economic forecasters. In addition, auto prices and interest rates are projected to rise throughout the period. As a result, Motor Vehicle Titling Tax revenues are expected to rise by 4.3 percent during Fiscal Year 1986 and to decline 3.7 percent during Fiscal Year 1987.

Motor fuel supplies are currently adequate and are expected to remain so through June 1987. It is expected that fuel prices will not rise substantially during this period. However, Maryland's Motor Fuels Tax will be affected by one major dealer (Crown) which anticipated converting its operations exclusively to gasohol during November 1985. Since gasohol is subject to a 3¢

per gallon tax credit between now and June 1986, this action will reduce revenues by approximately \$1,500,000 during Fiscal Year 1986.

No revenues will be derived from Wreckers and Scrappers Recording Charges, which was legislatively abolished in Fiscal Year 1984, or from the special heritage license tags, which lapsed during Fiscal Year 1985. All other revenues are expected to increase in line with past trends.

Table 5 below contains a detailed analysis of Transportation revenues for each of Fiscal Years 1984 through 1987.

MARYLAND MOTOR VEHICLE USER REVENUES  
FOR FISCAL YEARS 1984, 1985, 1986 AND 1987  
(\$ in thousands)

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986		1987 <u>Estimate</u>
			<u>Present Budget Estimate</u>	<u>Revised Estimate</u>	
<b>MOTOR VEHICLE REVENUES:</b>					
Motor Vehicle Licenses and Registration	91,600	95,661	94,385	98,000	83,000
Miscellaneous Motor Vehicle Fees	6,503	7,413	7,200	9,000	9,500
Wreckers and Scrappers Recording Charges	827	--	--	--	--
Vehicle Emission Inspection Fees	--	1,621	1,760	2,700	3,300
Security Interest Filing Fees - Counties	1,105	1,200	1,150	1,200	1,100
Security Interest Filing Fees - Special Funds	1,106	1,200	1,150	1,200	1,100
Security Interest Filing Fees - Court Costs	2,211	2,399	2,300	2,400	2,200
Hauling Fees	2,413	2,960	2,600	3,000	3,100
Driver's Education Fees	4,000	4,265	3,900	4,300	4,300
Special License Tags - Special Funds	350	350	350	350	350
Special License Tags - General Funds	726	851	750	700	1,000
Special License Tags - DOT	--	--	--	600	15
Heritage Committee License Tags - Committee's Share	1,126	105	--	--	--
Heritage Committee License Tags - State's Share	563	53	--	--	--
Motor Vehicle Titling Tax	223,472	259,189	245,000	270,000	260,000
<b>Total</b>	<b>336,002</b>	<b>377,267</b>	<b>360,545</b>	<b>393,450</b>	<b>368,965</b>
Motor Vehicle Fuel Tax - Special Funds	302,705	303,685	305,600	305,183	308,617
Motor Vehicle Fuel Tax - General Funds	--	6,825	6,300	6,317	6,383
<b>Total</b>	<b>302,705</b>	<b>310,510</b>	<b>311,900</b>	<b>311,500</b>	<b>315,000</b>
<b>GRAND TOTAL</b>	<b>638,707</b>	<b>687,777</b>	<b>672,445</b>	<b>704,950</b>	<b>683,965</b>

TABLE 5



APPENDIX A  
U.S. ECONOMIC PROSPECTS

The following narrative provides a summary of the various national economic forecasts consulted in the preparation of this report on Maryland's revenue prospects for Fiscal Years 1986 and 1987:

Chase Econometrics Macro Report - October 24, 1985

The upward revision in 1985.3 GNP has again raised hopes that the "second leg of the economic boom" is now underway. However, these and other data overstate the strength of the economy. The improvement in 1985.3 largely reflected phenomena which will not be repeated: (1) temporary declines in imports of oil and automobiles; (2) large increases in federal grain purchases; (3) larger than sustainable increases in federal defense spending; and (4) auto sales promotions which borrowed sales from future months. As a result, 1985.4 growth will be slower than 1985.3 growth.

Growth during 1986 should be relatively slow and erratic for several reasons. The outlook for consumer spending is not highly favorable due to the slowdown in growth of household income and growth of consumer debt. Construction spending will also slow despite lower interest rates due to: (1) significant overbuilding of office buildings, apartments and condominiums in many regions; (2) relatively low industrial operating rates; and (3) tighter mortgage standards and a substantial reduction in pent-up demand for new homes, particularly among younger buyers.

Recent declines in the dollar are still not sufficient to materially affect the near-term trade outlook. Thus, while the trade deficit is not likely to rise as rapidly as in recent years, it is not likely to improve sufficiently to have a major impact on the economy until late 1986 at the earliest.

The following table summarizes key elements of the Chase forecast for the 1985, 1986 and 1987 calendar years.

	<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>Percent Change In:</u>			
Real GNP	2.4%	2.5%	3.2%
Consumer Price Index	3.5%	3.8%	4.2%
Pre-Tax Corporate Profits	-4.7%	3.5%	9.9%
<u>Level Of:</u>			
New Car Sales (000)	11,000	10,400	10,800
Housing Starts (000)	1,730	1,640	1,640

Wharton Quarterly Model Forecast - October 24, 1985

The surge in automobile sales in August and September gave the economy a sharp upward kick, but probably at the expense of growth in 1985.4. Indeed, with the saving rate at a record low of 1.9% of disposable income in September, consumers are expected to fuel a fairly weak Christmas retailing season and stay on the spending sidelines until the middle of 1986.

Real GNP growth should ease to 2.2 percent in 1985.4 and drift even lower early in 1986. A healthy rebound later in 1986 seems likely as exports, responding to recent devaluation of the dollar, grow and consumer spending improves. The inflation outlook remains good and this together with weakening economic activity during the next several months suggests a gradual downward drift in interest rates.

The following table summarizes key elements of the Wharton forecast for the 1985, 1986 and 1987 calendar years.

	<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>Percent Change In:</u>			
Real GNP	2.4%	2.4%	3.8%
Consumer Price Index	3.5%	3.3%	4.1%
Pre-Tax Corporate Profits	-4.0%	0.7%	11.5%
<u>Level Of:</u>			
New Car Sales (000)	10,900	10,300	10,500
Housing Starts (000)	1,750	1,820	1,830

U.S. Economic Policy and Outlook (Heller-Perry) - October 18, 1985

We foresee no recession or even a growth recession through 1986. Inflation should remain modest and the outlook for interest rates remains favorable for the next 9-12 months as GNP growth remains moderate, the dollar erodes gradually and as in-flows of foreign funds continue. Real GNP is expected to grow by 2.5 percent in 1985 and by 3 percent or slightly more in 1986.

Consumer spending should slow during 1986 as the effects of advance buying of autos and abnormally low savings levels take their toll. Consumer spending (measured in current dollars) is expected to rise 7 percent in 1985 and 6 percent in 1986. Housing, despite a favorable mortgage interest rate environment, has been somewhat disappointing in recent months and is expected to remain so through 1986.

Business fixed investment is expected to remain sluggish in 1986, based upon surveys of plant and equipment spending intentions. Inventory investment should strengthen as businesses resume inventory building.

Exports should respond favorably to continued gradual erosion of the dollar, thus causing the foreign trade deficit to shrink in 1986. Government spending at all levels should continue to rise, but at slightly lower rates than will occur during 1985.

Consumer prices are expected to rise by 3.6 percent in 1985 and by only slightly more in 1986. Corporate profits are expected to decline 5 percent in 1985 and to remain relatively unchanged during 1986.

Annual Survey of the National Association of Business Economists - November 1985

Real growth in GNP is expected to average only 2.7 percent from 1985.4 to 1986.4. Profit expansion is pegged at less than 4 percent. Unemployment will rise slightly and autos and housing will remain flat. Inflation will rise slightly and interest rates will move up only marginally. The dollar will decline relative to foreign currencies during 1986, thus adding to GNP growth.

Although still a majority (52 percent), fewer NABE members called for the next recession to begin before the end of 1986 than has been true for at least 1 1/2 years.

The following table summarizes key elements of the NABE survey for the 1985 and 1986 calendar years.

	<u>1985</u>	<u>1986</u>
<u>Percent Change In:</u>		
Real GNP	2.5%	2.8%
Consumer Prices	3.7%	4.1%
Pre-Tax Corporate Profits	-5.0%	3.7%
<u>Level Of:</u>		
New Car Sales (000)	10,700	10,400
Housing Starts (000)	1,770	1,730

Turning Points - November 8, 1985

Our forecast is for moderate growth through next year, with increasing probability of recession beginning 1987.2. Real GNP clearly got better in 1985.3, even though the 25 percent of it that represents production continues sluggish. Inflation continues to be moderate.

We can assume that both auto sales and housing starts have peaked. The money supply, which grew sharply between October 1984 and August 1985, has been flat for the last eight weeks. If this is the new trend, it should affect the economy next spring. We expect the economy to grow 2-3 percent in 1986.

The following table summarizes key elements of the Turning Points forecast for the 1985 and 1986 calendar years.

	<u>1985</u>	<u>1986</u>
<u>Percent Change In:</u>		
Real GNP	2.6%	2.8%
GNP Price Index	3.7%	3.5%
<u>Level Of:</u>		
New Car Sales (000)	11,200	10,300
Housing Starts (000)	1,727	1,707

University of Michigan RSQE Forecast - August 9, 1985

The economy is entering the third phase of the current expansion. Phase One was the period of record economic recovery from late 1982 through mid-1984, characterized by great gains in employment and output and relative price stability. Phase Two was a period of relative stagnation as the strong dollar retarded commodity exports and pushed our imports up at a record rate. During this time, America's economic recovery became our leading export.

To offset this stagnancy, the Fed moved sharply to lower interest rates in 1985. As a result, the dollar has fallen relative to foreign currencies. This should slow the deterioration in exports and this -- together with inventory trimming done earlier in 1985 -- should speed up real GNP growth.

The following table summarizes key elements of the RSQE forecast for the 1985 and 1986 calendar years.

	<u>1985</u>	<u>1986</u>
<u>Percent Change In:</u>		
Real GNP	2.5%	3.7%
GNP Price Index	3.4%	2.7%
Pre-Tax Corporate Profits	3.2%	4.9%
<u>Level Of:</u>		
New Car Sales (000)	10,690	10,100
Housing Starts (000)	1,829	1,981

APPENDIX B

MARYLAND STATE ECONOMIC STATISTICS

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year	
LABOR FORCE (thousands)	1981	2,140	2,142	2,146	2,160	2,171	2,201	2,199	2,171	2,168	2,151	2,160	2,171	2,165
	1982	2,134	2,126	2,141	2,157	2,176	2,205	2,197	2,174	2,167	2,172	2,168	2,175	2,166
	1983	2,147	2,141	2,163	2,184	2,200	2,237	2,214	2,218	2,225	2,235	2,234	2,238	2,203
	1984	2,180	2,183	2,202	2,223	2,240	2,279	2,277	2,258	2,242	2,266	2,283	2,294	2,244
	1985	2,257	2,241	2,250	2,244	2,255	2,290	2,307	2,291	2,279	2,291			
TOTAL EMPLOYMENT (thousands)	1981	1,971	1,974	1,991	2,014	2,028	2,045	2,042	2,016	2,017	1,999	1,998	2,001	2,008
	1982	1,934	1,931	1,953	1,979	2,001	2,020	2,012	1,989	1,991	1,993	1,993	2,000	1,983
	1983	1,953	1,951	1,984	2,022	2,049	2,085	2,068	2,073	2,098	2,107	2,109	2,113	2,051
	1984	2,038	2,048	2,074	2,101	2,124	2,157	2,156	2,144	2,132	2,154	2,167	2,182	2,123
	1985	2,119	2,112	2,137	2,137	2,156	2,188	2,205	2,194	2,183	2,190			
UNEMPLOYMENT (thousands)	1981	169	168	154	145	142	156	158	156	151	152	162	170	157
	1982	200	195	188	178	174	185	185	186	176	178	175	175	183
	1983	194	190	179	162	151	152	146	145	127	128	125	125	152
	1984	142	135	129	122	117	122	121	113	110	113	116	112	121
	1985	138	129	113	107	99	102	102	97	97	102			
UNEMPLOYMENT RATE (%)	1981	7.9	7.8	7.2	6.7	6.6	7.1	7.2	7.2	7.0	7.1	7.5	7.8	7.3
	1982	9.4	9.2	8.8	8.2	8.0	8.4	8.4	8.5	8.1	8.2	8.1	8.1	8.4
	1983	9.0	8.9	8.3	7.4	6.9	6.8	6.6	6.5	5.7	5.7	5.6	5.6	6.9
	1984	6.5	6.2	5.8	5.5	5.2	5.4	5.3	5.0	4.9	5.0	5.1	4.9	5.4
	1985	6.1	5.8	5.1	4.8	4.4	4.5	4.4	4.3	4.2	4.4			
BALTIMORE AREA CPI-W (1967=100)	1981	262.6	-	269.3	-	268.6	-	273.7	-	281.6	-	280.9	-	272.8
	1982	282.3	-	282.2	-	283.6	-	287.0	-	288.8	-	290.1	-	285.7
	1983	289.7	-	295.0	-	296.7	-	297.4	-	299.5	-	302.4	-	296.8
	1984	303.8	-	307.2	-	309.4	-	311.6	-	316.4	-	315.1	-	310.6
	1985	315.1	-	320.2	-	322.3	-	323.4	-					
WASHINGTON AREA CPI-W (1967=100)	1981	259.4	-	264.2	-	267.7	-	271.4	-	275.7	-	279.3	-	269.6
	1982	281.8	-	283.8	-	278.4	-	286.3	-	291.9	-	286.3	-	284.8
	1983	293.2	-	294.6	-	297.8	-	300.3	-	301.2	-	303.0	-	298.4
	1984	308.3	-	308.2	-	308.9	-	310.8	-	317.9	-	319.2	-	312.2
	1985	317.7	-	322.3	-	323.0	-	325.9	-					
HOUSING STARTS (thousands)	1981	-	-	20.05	-	-	20.58	-	-	17.29	-	-	13.47	17.85
	1982	-	-	15.13	-	-	17.32	-	-	21.33	-	-	25.51	19.82
	1983	-	-	36.43	-	-	42.32	-	-	40.82	-	-	39.84	39.85
	1984	-	-	33.37	-	-	33.73	-	-	36.76	-	-	37.56	35.35
	1985	-	-	46.60	-	-	38.80	-	-	37.19	-	-		
MARYLAND PERSONAL INCOME (\$millions)	1981	-	-	47290	-	-	48240	-	-	50170	-	-	50620	49080
	1982	-	-	50650	-	-	51790	-	-	52720	-	-	54110	52360
	1983	-	-	54550	-	-	55660	-	-	56740	-	-	57690	56160
	1984	-	-	59520	-	-	60820	-	-	62140	-	-	63110	61400
	1985	-	-	64530	-	-	64920	-	-	65420	-	-		