

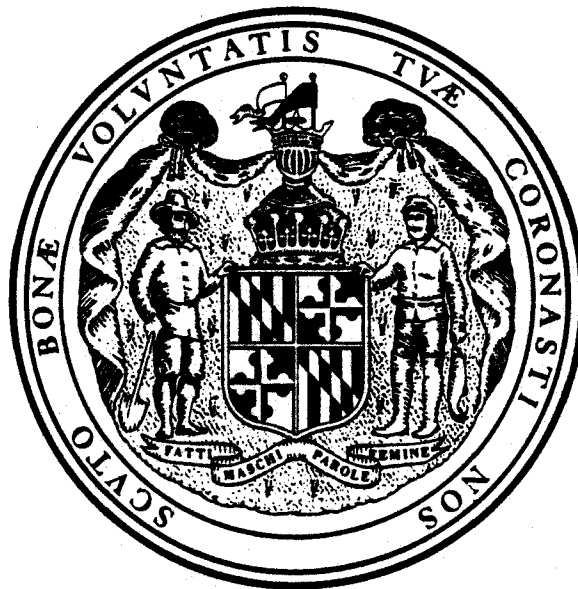
**REPORT OF THE MARYLAND  
BOARD OF REVENUE ESTIMATES  
ON  
ESTIMATED MARYLAND REVENUES**

**FISCAL YEARS ENDING**

**JUNE 30, 1992**

**AND**

**JUNE 30, 1993**



**SUBMITTED TO  
GOVERNOR WILLIAM DONALD SCHAEFER**

**DECEMBER 5, 1991**

December 5, 1991

Honorable William Donald Schaefer  
Governor of Maryland  
State House  
Annapolis, Maryland 21404

Dear Governor Schaefer:

In compliance with Section 6-104 of the State Finance and Procurement Article 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 1992 and 1993, based upon current laws and administrative practices. These estimates are set forth in the accompanying Report on Estimated State Revenues.

The Board will continue its study of economic and revenue trends and will report to you any significant changes that may impact Maryland's revenues.

Respectfully yours,

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Charles L. Benton

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Lucille Maurer

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Louis L. Goldstein, Chairman

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Robert D. Rader, Executive Secretary

RDR:db  
Enclosure

## EXECUTIVE SUMMARY

The Maryland Board of Revenue Estimates has completed its review of State revenue prospects for fiscal years 1992 and 1993. The review has been based upon existing State laws and the current economic outlook.

The current revenue outlook is complicated by the recession in the Maryland economy and adverse trends in several major revenue sources. Although national forecasters believe that the U.S. economy is recovering from the 1990-91 recession, the Maryland economy continues to perform poorly.

Maryland's economy is expected to grow slowly during the next 18 months. Employment, which declined in both calendar years 1990 and 1991, is expected to increase modestly by 1.2% in calendar year 1992 and by 1.1% in calendar year 1993.

As a result, Maryland personal income is expected to grow by 6.0% during calendar year 1992 and by 7.5% during calendar year 1993.

Responding to the economic climate in Maryland, State revenues have shown unprecedented rates of change during fiscal year 1991 and thus far in fiscal year 1992. As illustrated on the general fund revenue and appropriation account table, the revised fiscal year 1992 general fund revenue estimates fall below the previous estimates by \$140.1 million.

Most of the loss arises from the individual income, sales and use and corporation income taxes, and interest on investments. The individual income tax estimate is being revised downward due to a unprecedented low rate of personal income and employment growth. Sales and use taxes are experiencing extremely slow growth due to a decline in consumer spending and a prolonged slump in construction and capital goods. Corporation income tax estimates are being reduced due to the continued poor outlook for U.S. corporate profits. Interest on investments is being reduced due to lack of investible State monies and lower interest rates.

Economic conditions are expected to improve later in calendar year 1992. As a result, fiscal year 1993 general fund revenues are expected to exceed fiscal year 1992 revenues by 5.8%, excluding transfers and the temporary Medicaid provider fee expected to be received in fiscal year 1992.

GENERAL FUND REVENUE AND APPROPRIATION ACCOUNT

FOR FISCAL YEARS 1991, 1992 AND 1993

\$ Thousand

	1992				1993 Estimate
	1991 Actual	Present Estimate*	Revised Estimate	Difference	
GENERAL FUND BALANCE (Beginning of Year)	56,984	56	56	--	(138,014)
ADDITIONS - GENERAL FUND REVENUE					
Individual Income Taxes	2,929,450	3,120,400	3,015,573	(104,827)	3,220,248
Corporation Income Taxes	119,880	143,250	138,551	(4,699)	156,266
Sales and Use Taxes	1,540,897	1,632,200	1,600,169	(32,031)	1,695,654
Franchises, Excises, Fees	1,241,826	1,006,228	989,663	(16,565)	814,916
State Lottery Receipts	309,747	306,105	324,116	18,011	335,622
Total Additions	6,141,800	6,208,183	6,068,072	(140,111)	6,222,706
TOTAL AVAILABLE	6,198,784	6,208,239	6,068,128	(140,111)	6,084,692
DEDUCTIONS					
Appropriations **	6,419,389	6,117,314	6,117,314	--	n/a
Less Reversions ***	220,661	12,272	12,272	--	n/a
Plus Deficiencies ****	--	101,100	101,100	--	n/a
Total Deductions	6,198,728	6,206,142	6,206,142	--	n/a
GENERAL FUND BALANCE End of Year	56	2,097	(138,014)	(140,111)	n/a

\* The present estimate is that associated with the cost containment plan approved by the Board of Public Works on October 23, 1991, reflecting a reduction of general fund revenues of \$262,500,000 and an increase of general fund revenues of approximately \$11,400,000, principally related to reductions of distributions to local governments of shared taxes.

\*\* Original appropriations of \$6,458,866,000 less cost containment reductions of \$341,552,000.

\*\*\* Deficiency appropriations of \$183,400,000 identified in conjunction with the cost containment plan less \$12,300,000 to be paid from existing agency appropriations and \$70,000,000 in Medicaid expenditures to be deferred until fiscal year 1993.

\*\*\*\* Reversions are adjusted for the cost containment plan.

REPORT OF THE BOARD OF REVENUE ESTIMATES  
ON ESTIMATED STATE REVENUES  
FOR THE FISCAL YEARS 1992 AND 1993

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, 1992 and June 30, 1993. These estimates are based upon the existing revenue structure as set forth in Maryland statutes and current administrative policies.

In preparing these estimates, all revenue collecting agencies of the State government were contacted and their estimates and advice obtained. In addition, a committee comprised of members of the State Comptroller's Office, State Treasurer's Office, Department of Budget and Fiscal Planning and Department of Fiscal Services was formed to compare and consider alternative revenue estimates.

National and State economic trends were studied for their impact 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 and State econometric forecasts prepared by Wharton Econometric Forecasting Associates (WEFA), Data Resources (DRI), and other organizations were employed in preparing State economic and revenue forecasts.

The current revenue outlook is now complicated by the recession in the Maryland economy and adverse trends in several major general fund revenue sources. The Board expects some improvement in these trends during fiscal year 1993; however, the levels each of those revenues reach during fiscal year 1992 will limit the growth that can reasonably be expected during fiscal year 1993.

U.S. Economic Prospects

In August 1990, the invasion of Kuwait took the slowing U.S. economy into a recession where real GNP fell by 1.6% in 1990.4, by 2.8% in 1991.1 and by 0.5% in 1991.2. Despite the 2.4% rise in real GNP in 1991.3, worries about the viability of the ensuing economic expansion have grown. The recovery is even weaker than most forecasters had

expected. Consumer confidence plunged in October and again in November. This has increased the belief that the consumer sector will not support further growth in the economy. Fears of weakness could become self-fulfilling prophecies.

When measured by most economic indicators, the U.S. economy is in a "half speed" recovery. According to Business Week, since employment hit bottom in April 1991, only 282,000 new jobs have been created -- far below the average of 864,000 jobs added in the first 6 months of past post-war recoveries. Consumers are the key to recovery and more jobs are the key to consumers. Until the major markets show more strength, a lack of confidence and income will prevent a meaningful rebound in spending and consequently in economic growth.

Consumer spending is under pressure from high debt levels, slow employment and income growth, flat-to-falling home prices and relatively high consumer loan rates. Reports on retail, automobile, and housings sales affirm that consumers will not carry the recovery further until they are reassured about job prospects. Automobile sales have been weaker than usual, due to lower consumer confidence and low inventory levels that have reduced the need for end-of-model year clearance sales. New car sales are expected to total 8.6 million units in calendar year 1991, down from the 9.5 million units sold in calendar year 1990. Automobile sales are expected to total 9.3 million units in calendar year 1992 and 10.1 million units in calendar year 1993.

Home sales are being positively influenced by lower mortgage rates, but negatively impacted by sagging consumer confidence and slower growth in new households. The multi-family housing market will remain flat due to overbuilding. Housing starts are expected to total 1.0 million units in calendar year 1991, down substantially from the 1.2 million units in calendar year 1990. During calendar year 1992, housing starts are expected to total approximately 1.2 million units, while over 1.3 million units will be produced in calendar year 1993.

Nonresidential construction will be depressed by the overbuilding of the 1980's. Office and commercial buildings will remain in severe oversupply. Investment in producers' equipment will lag the economic recovery and be restrained by the sluggishness of overall economic activity.

Inventories have been run off at an exceptionally high rate during the last nine months. The end of the inventory draw-down will be a major source of strength for real GNP during the next six months.

Government spending is expected to be a drag on the economy over the forecast period. Federal spending will remain weak due to pressure from the federal budget cap and reductions in defense spending. State and local spending will be slow in response to recession-induced deficits.

Foreign trade should not be a major source of growth during calendar year 1992 due to the sluggishness in the economies of major trading partners and a strong U.S. dollar.

Based upon the above analysis, real GNP is expected to decline by 0.5% during calendar year 1991, and to grow by 2.5% during calendar year 1992. During calendar year 1993, real GNP is expected to grow by 3.5%.

Appendix A contains a composite of U.S. economic prospects as forecast by WEFA, DRI, Merrill Lynch, Turning Points and Value Line. Additional comments regarding the national economic outlook are also contained in this appendix.

#### State Economic Prospects

In Maryland, economic prospects continue to languish. The forecasts of Maryland personal income and employment as prepared by major consulting firms have been significantly reduced during the last year. Between September 1990 and October 1991, WEFA reduced its calendar year 1991 forecasts of Maryland personal income from \$110.2 billion to \$107.2 billion. Similarly, between September 1990 and September 1991, DRI reduced its forecasts of calendar year 1991 Maryland personal income from \$110.4 billion to \$107.1 billion.

The reductions in Maryland personal income forecasts largely reflect a decline in the employment picture. According to the Maryland Department of Economic and Employment Development, starting in the summer of 1990, employment dropped below year earlier levels. As of February, 1991, total employment statewide was 95,000 jobs below the year earlier levels. Thus far in 1991, employment was below 1989 levels. Further layoffs have been announced by Westinghouse, Allied Signal, Schmidt Baking Company and State and local governments.

Statewide, total employment is expected by WEFA to net decline by 1.3% in calendar year 1991 after declining by 0.5% in calendar year 1990. During calendar year 1992, total employment is expected to increase by 1.2%. During calendar year 1993, total employment is expected to grow by 1.1%.

On the basis of the above analysis, Maryland personal income is expected to grow by 3.6% in calendar year 1991, after increasing by 6.5% during calendar year 1990. Due to the shift

from job losses to job gains, Maryland personal income is expected to increase by 6.0% in calendar year 1992 and by 7.5% in calendar year 1993.

The impact of these economic factors on various State revenues is discussed below.

Appendix B contains historical information on selected indicators of Maryland's economy, including employment and unemployment data.

#### State Revenue Trends and Outlook

Fiscal year 1991 revenues were impacted by unprecedented declines in major revenue sources. Individual income tax revenues grew by only 2.3% while the sales and use, corporate income and State lottery revenues actually experienced declines for the year. These adverse trends coupled with the sluggish economic prospects described above will impact revenue collections during fiscal years 1992 and 1993.

Fiscal year 1992 and 1993 revenue prospects are affected by enacted State legislation which: (1) adds cigarettes and additional carryout foods to the sales tax base; (2) phases out the subtraction modification for capital gains in the individual income tax base; (3) increases the tobacco tax by 3 cents per package of cigarettes; (4) increases certain highway user fees and licenses; and (5) increases district courts fees. Together, these enactments will increase general fund revenues by roughly \$87.7 million in fiscal year 1992.

Fiscal year 1992 revenues are also being increased by collections from a Medicaid provider tax/fee which was enacted by the Maryland General Assembly. This tax/fee is expected to raise \$142.4 million in general fund revenue during fiscal year 1992, which includes the \$129.9 million originally estimated plus an additional \$12.7 million expected through expansion of the tax to providers of Medicaid eligible clients of the Developmental Disabilities Administration. This tax is expected to expire on June 30, 1992. These revenues are expected to further increase with future increases in Medicaid rolls.

Also during fiscal year 1992, general fund revenues will be augmented by cost containment measures adopted by the Board of Public Works on October 23, 1991. These measures reduced certain State-shared revenues to local government in the following amounts: (1) horse racing revenues, \$353,000; (2) tobacco tax, \$3,175,000; (3) distilled spirits tax, \$1,075,000; (4) beer tax, \$1,025,000; (5) tax on net earnings of savings banks, building and loan associations, \$2,270,000; and (6) domestic corporation filing fees, \$431,000. The cost containment measures also reduced the State lottery agency budget by \$1,105,000. The total of \$9,434,000 so reduced will be credited to the general fund.

Table 1 lists the actual State revenues for fiscal year 1991 and the Board's current estimates for fiscal years 1992 and 1993.



MARYLAND REVENUE RECEIPTS

FISCAL YEARS 1991, 1992 AND 1993

	GENERAL FUND			SPECIAL FUNDS			TOTAL		
	Fiscal Year 1991 Actual	Fiscal Year 1992 Revised Estimate	Fiscal Year 1993 Estimate	Fiscal Year 1991 Actual	Fiscal Year 1992 Revised Estimate	Fiscal Year 1993 Estimate	Fiscal Year 1991 Actual	Fiscal Year 1992 Revised Estimate	Fiscal Year 1993 Estimate
	\$ Thousands								
<b>INCOME TAXES:</b>									
Individual	2,929,450	3,015,573	3,220,248	--	--	--	2,929,450	3,015,573	3,220,248
Corporation	119,880	138,551	156,266	81,032	73,350	84,813	200,912	211,901	241,079
<b>Total</b>	<b>3,049,330</b>	<b>3,154,124</b>	<b>3,376,514</b>	<b>81,032</b>	<b>73,350</b>	<b>84,813</b>	<b>3,130,362</b>	<b>3,227,474</b>	<b>3,461,327</b>
<b>SALES AND USE TAXES</b>	<b>1,540,897</b>	<b>1,600,169</b>	<b>1,695,654</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,540,897</b>	<b>1,600,169</b>	<b>1,695,654</b>
<b>STATE LOTTERY RECEIPTS</b>	<b>309,747</b>	<b>324,116</b>	<b>335,622</b>	<b>28,331</b>	<b>33,821</b>	<b>34,850</b>	<b>338,078</b>	<b>357,937</b>	<b>370,472</b>
<b>TRANSPORTATION REVENUES</b>									
Motor Vehicle Fuel Tax	9,765	9,796	9,971	437,057	439,204	447,029	446,822	449,000	457,000
Motor Vehicle Licenses, Fees	--	--	--	181,218	223,950	224,575	181,218	223,950	224,575
Motor Vehicle Titling Tax	--	--	--	288,920	300,000	322,000	288,920	300,000	322,000
Mass Transit Fees	--	--	--	89,056	72,195	82,286	89,056	72,195	82,286
Maryland Port Fees	--	--	--	37,168	39,046	42,630	37,168	39,046	42,630
State Aviation Fees	--	--	--	52,659	72,195	82,286	52,659	72,195	82,286
<b>Total</b>	<b>9,765</b>	<b>9,796</b>	<b>9,971</b>	<b>1,086,078</b>	<b>1,146,590</b>	<b>1,200,806</b>	<b>1,095,843</b>	<b>1,156,386</b>	<b>1,210,777</b>
<b>PROPERTY TAXES, FRANCHISES, ETC.:</b>									
State Real and Personal Property Tax	--	--	--	177,796	190,435	205,327	177,796	190,435	205,327
Property Transfer Tax	14,712	21,944	19,023	40,700	34,613	46,347	55,412	56,557	65,370
Corporation Franchises and Filing Fees	154,515	158,633	160,248	20,098	8,101	10,791	174,613	166,734	171,039
State Tobacco Tax	47,413	60,975	56,600	12,888	9,525	12,400	60,301	70,500	69,000
Tax on Insurance Companies	150,125	155,105	159,758	--	--	--	150,125	155,105	159,758
Alcoholic Beverages Excises	16,877	19,000	16,600	9,430	6,300	8,200	26,307	25,300	24,800
Death Taxes	72,597	88,719	83,000	--	--	--	72,597	88,719	83,000
Clerks of the Court	30,179	37,614	39,120	--	--	--	30,179	37,614	39,120
District Courts	56,657	65,000	69,000	--	--	--	56,657	65,000	69,000
Hospital Patient Recoveries	90,902	68,735	68,268	--	--	--	90,902	68,735	68,268
Interest on Investments	41,502	15,000	15,000	10,106	4,500	4,000	51,608	19,500	19,000
Miscellaneous Fees, Other Receipts	142,390	93,247	105,328	325,635	378,626	391,751	468,025	471,873	497,079
Transfers	395,962	53,435	13,000	--	--	--	395,962	53,435	13,000
Medicaid Provider Fee/Tax	18,230	142,460	--	--	--	--	18,230	142,460	--
<b>Total</b>	<b>1,232,061</b>	<b>979,867</b>	<b>804,945</b>	<b>596,653</b>	<b>632,100</b>	<b>678,816</b>	<b>1,828,714</b>	<b>1,611,967</b>	<b>1,483,761</b>
<b>FEDERAL FUNDS</b>									
Highway Transit Reimbursements, Grants	--	--	--	407,732	370,525	418,832	407,732	370,525	418,832
Human Resources	--	--	--	359,023	380,728	410,993	359,023	380,728	410,993
Public Education	--	--	--	265,941	306,099	314,022	265,941	306,099	314,022
Public Health	--	--	--	727,940	861,070	952,240	727,940	861,070	952,240
Economic Development, Housing, Etc.	--	--	--	219,808	299,927	295,895	219,808	299,927	295,895
<b>Total</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,980,444</b>	<b>2,218,349</b>	<b>2,391,982</b>	<b>1,980,444</b>	<b>2,218,349</b>	<b>2,391,982</b>
<b>GRAND TOTAL</b>	<b>6,141,800</b>	<b>6,068,072</b>	<b>6,222,706</b>	<b>3,772,538</b>	<b>4,104,210</b>	<b>4,391,267</b>	<b>9,914,338</b>	<b>10,172,282</b>	<b>10,613,973</b>

Table 1

The following table shows the current revision of the general fund revenue and surplus account for fiscal year 1992.

	Present Estimate* <u>(BPW 10/9/91)</u>	Revised Estimate <u>(BRE 12/5/91)</u>	Surplus Increase <u>(Decrease)</u>
-----\$Thousands-----			
GENERAL FUND BALANCE (Beginning of Year)	56	56	--
ADDITIONS - GENERAL FUND REVENUE			
Individual Income Taxes	3,120,400	3,015,573	(104,827)
Corporation Income Taxes	143,250	138,551	(4,699)
Sales and Use Taxes	1,632,200	1,600,169	(32,031)
Franchises, Excises, Fees	1,006,228	989,663	(16,565)
State Lottery Receipts	306,105	324,116	18,011
Total Additions	<u>6,208,183</u>	<u>6,068,072</u>	<u>(140,111)</u>
TOTAL AVAILABLE	<u>6,208,239</u>	<u>6,068,128</u>	<u>(140,111)</u>
DEDUCTIONS			
Appropriations	6,117,314	6,117,314	--
Less Reversions	12,272	12,272	--
Plus Deficiencies	101,100	101,000	--
Total Deductions	<u>6,206,142</u>	<u>6,206,142</u>	<u>--</u>
GENERAL FUND BALANCE (End of Year)	<u>2,097</u>	<u>(138,014)</u>	<u>(140,111)</u>

Table 2 portrays State general fund revenues collected during fiscal year 1987 through fiscal year 1991, together with estimates for fiscal years 1992 and 1993. A planning projection of fiscal year 1994 revenues is also provided.

\*As adjusted for cost containment plan approved by the Board of Public Works on October 23, 1991. See page ii for details.

MARYLAND GENERAL FUND REVENUES

FISCAL YEARS 1987 TO 1994

	1987 Actual	1988 Actual	1989 Actual	1990 Actual	1991 Actual	1992		1993 Estimate	1994 Preliminary Estimate
						Present Estimate	Revised Estimate		
----- \$ Thousands -----									
<b>INCOME TAXES:</b>									
Individual	2,180,430	2,426,645	2,654,859	2,863,659	2,929,450	3,120,400	3,015,573	3,220,248	3,461,767
Corporation	141,536	139,757	144,802	113,454	119,880	143,250	138,551	156,266	168,767
Total	2,321,966	2,566,402	2,799,661	2,977,113	3,049,330	3,263,650	3,154,124	3,376,514	3,630,534
<b>SALES AND USE TAXES</b>	1,302,550	1,423,669	1,507,142	1,571,959	1,540,897	1,632,200	1,600,169	1,695,654	1,831,306
<b>STATE LOTTERY</b>	332,279	335,930	319,605	311,254	309,747	306,105	324,116	335,622	345,000
<b>FRANCHISES, EXCISES, LICENSES, FEES:</b>									
Property Transfer Taxes	50,027	48,698	39,776	30,938	14,712	21,823	21,944	19,023	16,000
Business Franchise Taxes	122,697	141,256	158,563	161,027	154,515	166,252	158,633	160,248	168,260
State Tobacco Tax	51,230	50,831	49,342	46,476	47,413	60,825	60,975	56,600	56,000
Tax on Insurance Companies	123,874	132,001	135,265	145,948	150,125	166,779	155,105	159,758	167,746
Alcoholic Beverages Excise	19,597	17,756	17,203	16,639	16,877	19,187	19,000	16,600	16,200
Death Taxes	49,879	61,101	63,760	84,650	72,597	87,918	88,719	83,000	87,150
Motor Vehicle Fuel Tax	7,052	9,827	9,967	9,961	9,765	9,656	9,796	9,971	10,000
Clerks of the Court	10,371	30,846	31,646	31,826	30,179	33,767	37,614	39,120	40,294
Hospital Patient Recoveries	75,020	89,748	76,143	79,927	90,902	76,072	68,735	68,268	71,681
Interest on Investments	37,521	55,381	82,425	73,714	41,502	25,000	15,000	15,000	15,000
District Courts	44,065	48,199	52,419	54,757	56,657	62,000	65,000	69,000	74,520
Miscellaneous	87,280	71,172	90,057	88,814	142,390	93,830	93,247	105,328	110,594
Transfers	6,610	10,344	9,368	11,083	395,962	53,435	53,435	13,000	14,000
Medicaid Provider Fee/Tax	--	--	--	--	18,230	129,684	142,460	--	--
Total	685,223	767,160	815,934	835,760	1,241,826	1,006,228	989,663	814,916	847,446
<b>GRAND TOTAL</b>	4,642,018	5,093,161	5,442,342	5,696,086	6,141,800	6,208,183	6,068,072	6,222,706	6,654,286

Table 2

INDIVIDUAL INCOME TAX

Individual income tax revenues are being affected by the state of the economy and by legislation which phases out the State subtraction modification for capital gains. This change in capital gains is expected to increase State and local revenues by \$37.3 million in tax year 1991 and by slightly larger amounts in tax years 1992 and 1993.

Maryland personal income is expected to increase by 3.6% during calendar year 1991, by 6.0% in calendar year 1992 and by 7.5% during calendar year 1993, as the State recovers from the current recession.

It is to be expected that declines in real estate prices, coupled with modest increases in share prices and volume on major securities exchanges will result in capital gains realizations being relatively flat during tax year 1991. Some modest growth is expected during tax years 1992 and 1993. This sluggishness in capital gains realizations will further retard the growth of individual income tax revenues during tax years 1992 and 1993.

Based upon the above factors, individual income tax receipts are expected to increase by 3.5% during tax year 1991, by 6.2% during tax year 1992 and by 7.7% during tax year 1993. This translates into a 2.9% growth in fiscal year 1992 and 6.8% growth in fiscal year 1993.

Table 3 presents a detailed analysis of individual income tax collections by tax year and fiscal year.

MARYLAND INDIVIDUAL INCOME TAX REVENUES  
FOR FISCAL YEARS 1990, 1991, 1992 AND 1993

\$ Thousands

Tax Year	Collections	Percent Rate of Growth	1990 Actual	1991 Actual	1992 Estimate	1993 Estimate
-----	-----	-----	-----	-----	-----	-----
Prior Years	--	--	31,887	18,301	34,000	40,000
1989	4,093,106	6.8	2,167,533			
1990	4,196,208	2.5	2,077,720	2,118,488		
1991	4,342,041	3.5		2,117,625	2,224,416	
1992	4,610,808	6.2			2,259,296	2,351,512
1993	4,964,958	7.7				2,432,829
Total			4,277,140	4,254,414	4,517,712	4,824,341
Chesapeake Bay Trust Fund Checkoff			1,045	1,093	--	--
Less: Local Tax			1,412,436	1,323,871	1,502,139	1,604,093
NET TO GENERAL FUND			<u>2,863,659</u>	<u>2,929,450</u>	<u>3,015,573</u>	<u>3,220,248</u>

Table 3

CORPORATION INCOME TAX

Corporation income tax revenues are expected to be influenced by the trend in U.S. corporate profits. The table below displays the average level and change in U.S. pre-tax corporate profits as forecast by WEFA and DRI.

<u>Tax Year</u>	<u>U.S. Corporate Profits</u>	<u>% Change</u>
1990	\$304.7 million	-0.97%
1991	289.1 million	-5.14%
1992	345.9 million	+19.67%
1993	361.2 million	+4.42%

Tax year forecasts of Maryland corporate income tax revenue have been developed by the following method. Tax year 1990 revenues were forecast by projecting the current trend of collections. Tax year 1991, 1992 and 1993 revenues were forecast by an elasticity technique which relates the percentage change in tax receipts to the percentage change in U.S. corporate profits. The tax forecasts were then apportioned among the respective fiscal years on the basis of recent historical experience.

For tax year 1991 the low elasticity relationship was employed. This conforms the tax year 1991 estimate more closely to the current trend of collections. For tax year 1992 and 1993, the average elasticity relationship was employed.

The net fiscal year collections were then allocated among the general fund and the various transportation programs on the following basis: (1) 10.7% of corporate net tax was allocated to the Maryland Port Administration; (2) \$30,928,000 was allocated to the general fund; (3) 32% of the remainder was allocated to the Department of Transportation; (4) the remainder was then allocated to the general fund.

On the basis of this formula, during fiscal year 1992, \$22,704,000 will be collected for the Maryland Port Administration, \$50,646,000 will be collected for the Maryland Department of Transportation, and \$138,551,000 will be deposited in the State general fund.

Table 4 summarizes the above analysis of corporation tax revenues.

MARYLAND CORPORATION INCOME TAX REVENUES

FOR FISCAL YEARS 1990, 1991, 1992 AND 1993

\$ Thousands

Tax Year	Collections	Percent Rate of Growth	1990 Actual	1991 Actual	1992 Estimate	1993 Estimate
-----	-----	-----	-----	-----	-----	-----
Prior Years	--	--	(9,832)	(10,854)	(10,500)	(11,000)
1988	276,189	13.9	16,381			
1989	252,713	(8.5)	171,130	8,445		
1990	219,929	-13.0	56,978	151,218	11,733	
1991	214,349	-2.5		52,104	150,044	12,201
1992	252,601	17.8			60,624	176,821
1993	262,739	4.0				63,057
			-----	-----	-----	-----
Total			234,657	200,913	211,901	241,079
Less: Maryland Port Administration			29,427	21,526	22,704	25,830
Department of Transportation (32 percent share)			55,776	47,507	50,646	58,983
Department of Transportation Payback			36,000	12,000	--	--
			-----	-----	-----	-----
NET TO GENERAL FUND			113,454	119,880	138,551	156,266
			=====	=====	=====	=====

## SALES AND USE TAX

For analytic purposes, sales and use tax revenues are broken down into five components: consumer spending; construction; capital goods (consisting of office equipment, machinery and equipment, containers and miscellaneous manufacturing); utilities and transportation; and assessment collections.

Consumer receipts declined throughout fiscal year 1991 due to the Persian Gulf War, the recession, and unfavorable trends in consumer confidence. After some improvement in mid-1991, consumer confidence has again fallen abruptly and this will continue to affect consumer buying through fiscal year 1992. Revenues will be enhanced by legislation which extended the sales tax to cigarettes and additional carryout foods. On the basis of these factors, the consumer components are expected to show a growth of 6.7% during fiscal year 1992 and an additional 6.2% during fiscal year 1993.

After showing some recovery during the summer, the construction components have again experienced a decline recently. It is expected that this decline will continue through March, 1992, before a meaningful expansion in construction activity occurs. Accordingly, sales and use tax receipts from the construction sector are expected to decline by 8.6% during fiscal year 1992. During fiscal year 1993, these receipts are expected to grow by 6.0% as the economy recovers.

The capital goods sector has been in a long and severe decline since June, 1990. It is ~~to be~~ expected that this sector will begin to show improvement in early 1992. Based upon this assessment, receipts from the capital goods sectors are expected to decline by 2.4% during fiscal year 1992 and to grow by 8.4% during fiscal year 1993.

Receipts from the utilities and transportation sector were adversely affected by mild weather, the recession, and concurrent declines in building activity. During fiscal year 1992, receipts from this sector are expected to grow by 9.8%, based upon a presumption of normal weather patterns and some growth in business activity during calendar year 1992. During fiscal year 1993, these receipts are expected to grow by 2.4%.

Assessment collections totalled \$23,991,000 during fiscal year 1991, including one unusually large assessment collection. During each of fiscal years 1992 and 1993, assessment collections are expected to total \$20,400,000.

Overall, sales and use tax collections are expected to total \$1,600,169,000 during fiscal year 1992. This is 3.8% above collections for fiscal year 1991. For fiscal year 1993, due to a more favorable outlook for construction, capital goods and consumer spending, these revenues are expected to rise by 6.0% to \$1,695,654,000.



STATE LOTTERY REVENUES

State lottery revenue estimates for fiscal year 1992 are being affected by the new "Match 5" lotto game, which began operation on October 7, 1991 and replaced the "Winner-Take-All" game.

Sales of 3 and 4 digit daily "Numbers Game" tickets are expected to total \$544,900,000 in fiscal year 1992, or 1.2% less than the \$551,261,000 sold in fiscal year 1991. During fiscal year 1993, sales of daily game tickets are expected to total \$555,763,000, or 2.0% more than fiscal year 1992 sales.

Lotto sales from the Wednesday and Saturday night games are expected to total \$138,714,000 during fiscal year 1992. This is 0.8% more than the \$137,607,000 sold in fiscal year 1991. These sales are to be supplemented by \$42,930,000 in "Match 5" sales. Another \$3,641,000 in "Winner-Take-All" tickets were sold in fiscal year 1992.

During fiscal year 1993, total lotto sales from the Wednesday/Saturday and "Match 5" games are expected to total \$188,998,000. This is 2.0% more than the \$185,285,000 in total lotto sales expected during fiscal year 1992.

During fiscal year 1992, \$117,000,000 in instant lottery tickets will be sold. During fiscal year 1993, \$122,850,000 in instant tickets will be sold. From these sales, net revenues of \$18,500,000 in fiscal year 1992 and \$24,000,000 in fiscal year 1993 from the instant sports lotteries are to be transferred to the Maryland Stadium Authority to assist in project funding for the new stadium being built in Baltimore.

During fiscal year 1992, gross sales of \$847,185,000 are expected from all lottery games. After deduction of agent earnings, administrative expenses, prizes (estimated to be 49.5% for the daily "Numbers Games") and the \$18,500,000 accruing to the Stadium Authority, net receipts of \$324,116,000 are expected to be paid into the general fund from lottery sales during fiscal year 1992.

Fiscal year 1993 gross sales from the daily, lotto and instant games are expected to total \$867,611,000. Of this amount, \$335,622,000 is estimated to be available to the general fund after deduction of agent earnings, prizes, Stadium Authority revenues and administrative expenses.

PROPERTY TRANSFER TAX

In response to unfavorable market conditions and the downturn in nonresidential construction, property transfer tax collections began a persistent but mild cyclical decline in January, 1989. After a brief "half speed" rebound began in February 1991, collections again slumped in July.

Legislation enacted by the 1990 General Assembly changes the allocation of these revenues and phases the tax out of the general funds and into program open space. During fiscal year 1992, 40% of total collections will be allocated to the general fund after payment of program open space administrative expenses. During fiscal year 1993, the general fund allocation declines to 30% of collections (net of administrative expenses).

The current outlook is that State property transfer tax collections will total \$56,557,000 in fiscal year 1992. After deduction of \$34,613,000 allocated among the program open space, the agricultural land preservation fund, the heritage conservation fund and the outdoor recreation land loan of 1969, the general fund will receive \$21,944,000 during fiscal year 1992. During fiscal year 1993, the property transfer tax is expected to total \$65,370,000. The general fund share of these revenues is \$19,023,000.

ALCOHOLIC BEVERAGE EXCISES

Tax receipts from alcoholic beverages are influenced by various factors, such as inventory deliveries, tax payment methods and recent increases in federal excise tax rates effective January 1, 1991.

Following is a current analysis of these revenues.

	<u>1990</u> <u>Actual</u>	<u>1991</u> <u>Actual</u>	<u>1992</u> <u>Revised</u> <u>Estimate</u>	<u>1993</u> <u>Estimate</u>
	-----\$ Thousands-----			
Tax on Distilled Spirits Total Revenue	13,635	12,960	13,000	12,700
Less - Share to Local Governments	4,883	4,657	3,225*	4,200
Balance to General Fund	8,752	8,303	9,775	8,500
Tax on Wine (General Fund)	4,016	4,054	3,500	3,400
Tax on Beer Total Revenue	8,796	9,293	8,800	8,700
Less - Share to Local Governments	4,925	4,773	3,075*	4,000
Balance to General Fund	3,871	4,520	5,725	4,700
TOTAL TO GENERAL FUND	16,639 =====	16,877 =====	19,000 =====	16,600 =====

STATE TOBACCO TAX

Cigarette sales in Maryland will be affected by a continued decline in per capita consumption nationally and by a 3 cent increase in the State tax rate effective June 1, 1991. This rate increase will expand general fund revenues by \$13,200,000 in fiscal year 1992 and by \$12,900,000 in fiscal year 1993.

Following is a current analysis of these revenues.

	<u>1990</u> <u>Actual</u>	<u>1991</u> <u>Actual</u>	<u>1992</u> <u>Revised</u> <u>Estimate</u>	<u>1993</u> <u>Estimate</u>
	-----\$ Thousands-----			
Total Revenue	59,765	60,301	70,500	69,000
Less - Share to Local Governments And Baltimore City	13,289	12,888	9,525*	12,400
BALANCE TO GENERAL FUND	46,476 =====	47,413 =====	60,975 =====	56,600 =====

\*Fiscal year 1992 reflects the 25% cut approved by the Board of Public Works.

REAL PROPERTY TAX

The State's assessable real property basis for fiscal year 1992, as prepared by the Department of Assessments and Taxation, is \$91,410,389,000. The Department projects that the fiscal year 1993 assessable basis subject to State taxes will increase by 7.4 percent to \$98,164,185,000.

The State tax rate for the current 1991-92 year is 21 cents 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 cent rate (after adjusting for collection of prior tax arrearages and current delinquencies) is as follows:

Fiscal Year 1992	\$190,435,000
Fiscal Year 1993	\$205,327,000

CORPORATION FRANCHISE TAXES AND FILING FEES

	<u>1990</u>	<u>1991</u>	1992 <u>Revised</u>	<u>1993</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	-----\$ Thousands-----			
Public Service Company Franchise Tax	112,391	113,445	120,251	125,061
Franchise Tax on Net Earnings of Savings Banks, Building and Loan Associations	14,414	18,452	9,125	9,050
Savings and Loan Association Franchise Tax	2,545	2,541	2,500	2,500
Domestic Corporation Filing Fees	3,710	3,360	3,444	3,582
Foreign Corporation Filing Fees	718	694	711	739
Franchise Tax on Net Earnings of Financial Institutions	43,481	36,121	30,703	30,107
	-----	-----	-----	-----
TOTAL	177,259	174,613	166,734	171,039
LESS - Allocations to Local Governments:				
Franchise Tax on Net Earnings of Savings Banks, Building and Loan Associations	14,377	18,418	6,810*	9,000
Domestic Corporation Filing Fees	1,855	1,680	1,291*	1,791
	-----	-----	-----	-----
BALANCE TO GENERAL FUND	161,027	154,515	158,633	160,248
	=====	=====	=====	=====

\*Fiscal year 1992 reflects the 25% cut approved by the Board of Public Works.

DEATH TAXES

Death tax collections continue to reflect legislation enacted by the 1989 General Assembly which abolished the tax on commissions of executors and administrators and accelerated the filing deadline for estate tax returns. Both law changes affect the estates of those persons dying after June 30, 1989.

The current economic conditions and the unfavorable real estate market have made it very difficult to sell large real estate holdings held in estates and impossible to pay the Maryland estate tax when due. Most large estates involving real estate are forced to enter into payment plans extending up to five years.

	<u>1990</u> <u>Actual</u>	<u>1991</u> <u>Actual</u>	<u>1992</u> <u>Revised</u> <u>Estimate</u>	<u>1993</u> <u>Estimate</u>
	-----\$ Thousands-----			
Collateral Inheritance Tax	32,927	34,111	40,000	40,000
Direct Inheritance Tax	11,988	13,775	13,000	13,000
Tax on Commissions of Executors and Administrators	4,265	1,329	350	--
Maryland Estate Tax	35,470	23,376	35,369	30,000
	-----	-----	-----	-----
TOTAL	84,650	72,597	88,719	83,000
	=====	=====	=====	=====

INTEREST ON INVESTMENTS

Based upon the current level and outlook for both interest rates and investable State funds, interest earnings are projected to total \$15,000,000 during fiscal year 1992. This is less than the amount collected during fiscal year 1991, primarily reflecting a reduced cash balance available for investment during fiscal year 1992.

During fiscal year 1993, the Board projects interest earnings to again total \$15,000,000.

## TRANSPORTATION REVENUES

Highway user revenues are being affected by recently enacted increases in fees as well as the economy, which has adversely affected motor vehicle title tax revenues and other receipts. Motor vehicle licenses and registrations are being boosted by legislation which increases the fees for driver's license renewals from \$6.00 (for a four year license) to \$20.00 (for a five year license). The fee for a new license has been increased from \$20.00 and \$22.00 (for new licensees or learners permit, respectively) to \$30.00. The security interest filing fee was increased from \$12.00 to \$20.00. Of this fee, \$6.00 is paid to the general fund, while \$14.00 is paid to the Department of Transportation. The vehicle emissions inspections late fee was increased from \$5.00 to \$10.00. Other increases were enacted for certified copies, title certificates and other minor fees. Miscellaneous motor vehicle fees have been increased by \$1 million from increased fees charged through the Maryland Automobile Insurance Fund.

Gasoline prices are expected to remain relatively stable during calendar year 1992. During calendar 1993 some increase in prices is expected from regulations requiring reformulated gasoline to meet environmental mandates. Based upon this relatively stable price outlook, motor fuel tax receipts are expected to grow by 0.5% during fiscal year 1992 and by 1.8% during fiscal year 1993.

While automobile sales are expected to improve throughout fiscal year 1992 and 1993, the impact of the current recession and low consumer confidence are dampening growth in car sales. Accordingly, the motor vehicle titling tax revenues are expected to grow by approximately 4% during fiscal year 1992 and by 7% during fiscal year 1993.

Table 5 presents an analysis of these revenues.

MARYLAND MOTOR VEHICLE USER REVENUES

FOR FISCAL YEARS 1990, 1991, 1992 AND 1993

\$ Thousands

1992

	1990	1991	1992		1993
	Actual	Actual	Present Budget Estimate	Revised Estimate	Estimate
<b>MOTOR VEHICLE REVENUES:</b>					
Motor Vehicle Licenses and Registration	149,425	147,405	155,800	159,400	163,100
Miscellaneous Motor Vehicle Fees	13,959	14,289	16,000	34,900	38,000
Vehicle Emission Inspection Fees	4,436	3,888	2,300	4,800	4,900
Security Interest Filing Fees - Counties	1,201	1,077	1,200	--	--
Security Interest Filing Fees - Special Funds	1,201	1,077	1,200	4,480	4,760
Security Interest Filing Fees - Court Costs	2,401	2,154	2,400	1,920	2,040
Hauling Fees	4,867	4,162	5,600	3,500	3,800
Driver's Education Fees	4,578	4,992	4,600	7,100	7,300
Special License Tags - Special Funds	350	350	350	350	350
Special License Tags - Chesapeake Bay Trust Fund	--	1,795	500	3600	0
Special License Tags - General Funds	1,346	1,409	1,600	1,350	1,525
Special License Tags - DOT	71	29	570	3,900	325
Motor Vehicle Titling Tax	324,785	288,920	330,000	300,000	322,000
<b>Total</b>	<b>508,620</b>	<b>471,547</b>	<b>522,120</b>	<b>525,300</b>	<b>548,100</b>
Motor Vehicle Fuel Tax - Special Funds	443,278	437,057	435,344	439,204	447,029
Motor Vehicle Fuel Tax - General Funds	9,961	9,765	9,656	9,796	9,971
<b>Total</b>	<b>453,239</b>	<b>446,822</b>	<b>445,000</b>	<b>449,000</b>	<b>457,000</b>
<b>GRAND TOTAL</b>	<b>961,859</b>	<b>918,369</b>	<b>967,120</b>	<b>974,300</b>	<b>1,005,100</b>

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TABLE 5

## APPENDIX A

### U.S. ECONOMIC PROSPECTS

The following narrative provides a summary of select national economic forecasts consulted in the preparation of this report on Maryland's revenue prospects for fiscal years 1992 and 1993.

#### WEFA U.S. Economic Outlook - November 5, 1991

The prospects for a robust recovery in the near term have declined substantially in recent months. Many indicators of economic activity have softened recently. Non-farm employment has grown very little since May 1991 (the presumed ending date of the recession). Without strong employment growth, income growth will remain weak, reducing growth in consumption. Existing and new home sales have declined in recent months and housing starts fell in September. Industrial production was basically flat in August and September. Further, the index of leading indicators stalled in August and declined slightly in September. Finally, consumer confidence dropped in October.

It is WEFA's view that the recovery will continue. A number of factors will contribute to real GNP growth over the next year. First, inventories are likely to contribute substantially to real growth through all of 1992. Second, low inventories point toward increases in production and employment. Third, employment and income growth have been modestly positive. Fourth, mortgage rates below 9% are expected to boost housing. Fifth, deflation in the computer industry is expected to spur increases in business equipment purchasing. Sixth, weak U.S. growth and low interest rates make it less likely that the dollar will rise relative to foreign currencies, thus improving prospects for export growth.

Though growth will be positive in 1992, a number of factors will contribute to increased weakness. Non-residential structures will continue to languish due to overbuilding. Severe fiscal constraints will restrict federal, state and local spending. Finally, as the U. S. emerges from the recession earlier than its major trading partners, our import growth will outstrip real export growth, reducing net exports.



The following table summarizes key elements of the WEFA forecast for calendar years 1991, 1992 and 1993:

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Percent Change In:			
Real GNP	-0.4%	2.9%	3.2%
Consumer Prices	4.2	2.7	3.5
Pre-Tax Corporate Profits	-6.0	14.1	1.9
Level Of:			
New Car Sales (000)	8,600	9,700	10,300
Housing Starts (000)	1,020	1,290	1,350

Data Resources Inc. - November 1991

Despite the 2.4% rise in real GNP in 1991.3, worries about the viability of the economic expansion will grow. The recovery is even weaker than we had expected. The plunge in consumer confidence in October has increased the belief that the consumer will not support further growth. The fears of weakness could become self-fulfilling prophecies.

Reports on retail, automobile, and housing sales affirm that consumers will not carry the recovery any further until they are reassured about job prospects. Until employment and incomes start to rise more rapidly, consumers cannot lead the expansion further.

Housing is also troubled as home sales dropped back in September, reflecting weak consumer confidence. Nonresidential construction will continue to be depressed by the overbuilding of the 1980's.

Federal spending will decline because of lower military budgets, but that drop will be offset by the inevitable rise in entitlement costs. State and local spending will decline in response to the recession-induced deficits. The net export gap will continue to widen as imports climb in response to strong domestic sales. Export growth will remain subdued as Europe weakens in late 1991. The Federal Reserve will loosen in response to weak economic data and fears of recession.

The following table displays key elements of the DRI forecast for calendar years 1991, 1992 and 1993:

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Percent Change In:			
Real GNP	-0.5%	2.4%	3.5%
Consumer Prices	4.2	3.4	3.6
Pre-Tax Corporate Profits	-4.2	25.1	1.9
Level Of:			
New Car Sales (000)	8,500	9,200	9,900
Housing Starts (000)	1,001	1,125	1,221

Value Line - September 20, 1991

The recession is over and a period of modest and uneven economic growth, with low inflation and slightly lower interest rates, is likely to take its place. We believe it will be the middle to latter stages of 1992 before a more encompassing expansion begins to take hold.

Generally, business cycles tend to be decisive, with deep recessions having been followed by vigorous upturns. No such cycle strength seems likely this time for several reasons. First, the consumer is now under pressure from excessive debt, slow personal income growth, interest rates and flat-to-falling home prices. Second, an ongoing credit crunch, slow money supply growth and the lack of fiscal stimulus at the federal, state and local levels will further retard growth prospects.

The following table highlights key elements of the Value Line forecast for calendar years 1991, 1992 and 1993:

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Percent Change In:			
Real GNP	-0.4%	2.5%	3.0%
Consumer Prices	4.2	3.2	3.9
Pre-Tax Corporate Profits	-6.4	11.0	7.0
Level Of:			
New Car Sales (000)	8,600	9,400	10,400
Housing Starts (000)	980	1,090	1,210

Turning Points - November 22, 1991

The recovery has hit a snag. With automobile sales and housing starts in the doldrums, it is difficult to make a case for much of a recovery and federal attempts to limit credit card interest rates did not help either.

We continue to believe that the recovery will not end in recession. But it is not a happy recovery. Around this time confidence has usually gained a good momentum, but that is not the way it is this time. People are worried.

The following table summarizes key elements in the Turning Points forecast for calendar years 1991, 1992 and 1993:

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Percent Change In:			
Real GNP	-0.5%	2.6%	3.9%
Consumer Prices	N.A.	N.A.	N.A.
Pre-Tax Corporate Profits	N.A.	N.A.	N.A.
Level Of:			
New Car Sales (000)	8,600	9,000	9,800
Housing Starts (000)	1,065	1,355	1,595

Merrill-Lynch Weekly Economic and Financial Commentary - November 11, 1991

Because the economy appears to have stalled, we are making significant changes in our economic forecast. We now think that economic growth will be weak through the winter but stronger thereafter than we had previously forecast.

The October collapse of consumer confidence -- and a parallel lack of business confidence -- is particularly troubling and raises the risk that real GNP could decline in 1991.4. But we still think that a double dip recession is unlikely. Instead we expect the economy to bounce along the bottom in 1991.4 and 1992.1. But after we expect the economy to grow at a 3% rate through the end of 1992.

Consumers are key to any recovery and more jobs are key to consumers. Until the major markets show more strength, a lack of confidence and income will prevent a meaningful rebound in spending. In past cycles, the initial recovery in homebuilding and consumer cyclicals led to job growth and self-sustaining spending gains. That process has been muted in the current cycle.

The following table sets forth key elements of the Merrill-Lynch forecast for calendar years 1991 and 1992:

	<u>1991</u>	<u>1992</u>
Percent Change In:		
Real GNP	-0.5%	2.1%
Consumer Prices	4.3	3.7
Pre-Tax Corporate Profits	-4.2	16.6
Level Of:		
New Car Sales (000)	8,500	9,380
Housing Starts (000)	1,000	1,150

National Association of Business Economists - Consensus Forecasts  
November 19, 1991

Despite recent disappointing economic news, most NABE forecasters still feel that recovery is underway. This anticipated recovery will prove less robust than usual. The median rate of growth in real GNP is expected to average 3.0% over the four quarters of 1992. As realized, this would put the rise in real GNP posted during the first full year of the recovery at about only half of the average gain posted during the first year of other recoveries since World War II.

Most sectors of the economy are expected to recover in a subdued manner. Total personal consumption expenditures are expected to rise by only 2.3% in 1992, about 2/5ths the normal rate of increase for this stage of the cycle. Non-residential fixed investments are expected to grow at about 3/5ths the normal rate. Automobile sales are forecasted to increase by 9.4% in 1992, well below the historic norm achieved in the early stages of other post-war recoveries.

Less than 10% of those surveyed expect the economy to slip back into recession within the next year.

The following table sets forth key elements of the NABE forecast for calendar years 1991 and 1992:

	<u>1991</u>	<u>1992</u>
Percent Change In:		
Real GNP	-0.5%	2.4%
Consumer Prices	4.2	3.5
After-Tax Corporate Profits	-3.4	8.8
Level Of:		
New Car Sales (000)	8,500	9,300
Housing Starts (000)	1,010	1,200

APPENDIX A-1

Summary of U.S. Economic Forecasts

Source	Calendar Year 1991			
	Percent Change In		Level Of (thousands)	
	Real GNP	Corporate Profits	Car Sales	Housing Starts
WEFA Group	-0.4%	-6.0%	8,600	1,020
Data Resources, Inc.	-0.5	-4.2	8,500	1,001
Value Line	-0.4	-6.4	8,600	980
Turning Points	-0.5	n/a	8,600	1,065
Merrill Lynch	-0.5	-4.2	8,500	1,000
National Ass'n of Business Economists	-0.5	-3.4 *	8,500	1,010

Source	Calendar Year 1992			
	Percent Change In		Level Of (thousands)	
	Real GNP	Corporate Profits	Car Sales	Housing Starts
WEFA Group	2.9%	14.1%	9,700	1,290
Data Resources, Inc.	2.4	25.1	9,200	1,125
Value Line	2.5	11.0	9,400	1,090
Turning Points	2.6	n/a	9,000	1,355
Merrill Lynch	2.1	16.6	9,380	1,150
National Ass'n of Business Economists	2.4	8.8 *	9,300	1,200

Source	Calendar Year 1993			
	Percent Change In		Level Of (thousands)	
	Real GNP	Corporate Profits	Car Sales	Housing Starts
WEFA Group	3.2%	1.9%	10,300	1,350
Data Resources, Inc.	3.5	1.9	9,900	1,221
Value Line	3.0	7.0	10,400	1,210
Turning Points	3.9	n/a	9,800	1,595
Merrill Lynch	n/a	n/a	n/a	n/a
National Ass'n of Business Economists	n/a	n/a	n/a	n/a

\* After Tax Profits

**U.S. MACROECONOMIC FORECASTS**  
 (Based upon Various WEFA, DRI, and Other Macroeconomic Forecasts)

November 25, 1991

	1991.3	1991.4	1992.1	1992.2	1992.3	1992.4	CY1991	CY1992	CY1993
REAL GNP	4,143.6	4,163.7	4,190.4	4,223.7	4,259.7	4,295.0	4,137.8	4,242.2	4,391.3
	2.40%	1.94%	2.56%	3.18%	3.41%	3.31%	-0.47%	2.52%	3.51%
TOTAL PCE	2,697.8	2,706.1	2,714.4	2,729.3	2,747.9	2,766.6	2,691.5	2,739.6	2,813.6
AUTO SALES (000)	8,700	8,725	9,025	9,200	9,375	9,600	8,575	9,300	10,100
FIXED NONRES INV	504.9	504.5	509.9	517.9	527.5	537.9	500.5	523.3	568.9
RESIDENTIAL INV	159.2	168.7	173.1	178.2	183.0	187.6	156.3	180.5	195.1
HOUSING (000)	1,065	1,093	1,165	1,194	1,230	1,269	1,017	1,214	1,344
INVENTORY CHANGE	(14.4)	(4.9)	1.5	10.4	16.7	20.3	(19.0)	12.2	23.8
TOT INVESTMENT	649.7	668.4	684.4	706.5	727.2	745.7	637.8	716.0	787.8
EXPORTS	658.7	665.8	673.0	681.7	692.9	704.8	654.6	688.1	742.5
IMPORTS	683.7	688.2	696.5	706.9	719.9	733.0	670.8	714.1	761.8
GOVERNMENT	819.6	817.6	815.1	813.1	811.6	810.9	824.8	812.7	809.1
PRIME RATE	8.40	7.82	7.52	7.89	8.25	8.25	8.51	7.98	8.62
90 DAY T BILL RATE	5.39	4.77	4.55	4.81	5.10	5.39	5.45	4.95	5.78
PRE-TAX CORP PROF							293.1	340.0	341.7

FORECAST	DATE	PROBABILITY	SUMMARY
WEFA STANDARD	NOV 05 91	0.20	Weak recovery
DRI STANDARD	NOV 08 91	0.20	Weak recovery
VALUE LINE	SEP 20 91	0.20	Weak recovery thru mid-92; longer expansion thereafter
HERRILL LYNCH	NOV 11 91	0.20	Weak recovery thru 91; stronger thereafter
TURNING POINTS	NOV 22 91	0.20	Weak recovery

APPENDIX B

MARYLAND STATE ECONOMIC STATISTICS

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
LABOR FORCE (Thousands)	1987	2,362	2,368	2,390	2,384	2,388	2,420	2,451	2,434	2,408	2,401	2,403	2,426	2,403
	1988	2,418	2,415	2,421	2,430	2,434	2,472	2,518	2,468	2,434	2,453	2,472	2,476	2,451
	1989	2,479	2,465	2,485	2,486	2,506	2,562	2,609	2,555	2,525	2,523	2,541	2,540	2,523
	1990	2,511	2,527	2,536	2,520	2,543	2,562	2,606	2,568	2,537	2,518	2,503	2,489	2,535
	1991	2,476	2,490	2,512	2,534	2,543	2,555	2,628	2,595	2,586				
TOTAL EMPLOYMENT (Thousands)	1987	2,250	2,253	2,279	2,288	2,292	2,320	2,350	2,337	2,310	2,305	2,306	2,323	2,301
	1988	2,293	2,292	2,312	2,321	2,321	2,360	2,403	2,360	2,325	2,353	2,376	2,388	2,342
	1989	2,374	2,362	2,390	2,396	2,418	2,463	2,517	2,465	2,432	2,436	2,454	2,452	2,430
	1990	2,403	2,423	2,443	2,430	2,446	2,448	2,476	2,440	2,408	2,389	2,360	2,338	2,417
	1991	2,324	2,328	2,362	2,393	2,395	2,403	2,484	2,453	2,453				
UNEMPLOYMENT (Thousands)	1987	112	115	111	96	96	100	101	97	98	96	97	103	102
	1988	125	123	109	109	113	112	115	108	109	100	96	88	109
	1989	105	103	95	90	88	99	92	90	93	87	87	88	93
	1990	108	104	93	90	97	114	130	128	129	129	143	151	118
	1991	152	162	150	141	148	152	144	142	133				
UNEMPLOYMENT RATE (%)	1987	4.7%	4.9%	4.6%	4.0%	4.0%	4.1%	4.1%	4.0%	4.1%	4.0%	4.0%	4.2%	4.2%
	1988	5.2%	5.1%	4.5%	4.5%	4.6%	4.5%	4.6%	4.4%	4.5%	4.1%	3.9%	3.6%	4.4%
	1989	4.2%	4.2%	3.8%	3.6%	3.5%	3.9%	3.5%	3.5%	3.7%	3.4%	3.4%	3.5%	3.7%
	1990	4.3%	4.1%	3.7%	3.6%	3.8%	4.4%	5.0%	5.0%	5.1%	5.1%	5.7%	6.1%	4.7%
	1991	6.1%	6.5%	6.0%	5.6%	5.8%	5.9%	5.5%	5.5%	5.1%				

Source of the above: Maryland Department of Economic and Employment Development

BALTIMORE AREA CPI-W	1987	111.1	--	111.8	--	113.2	--	114.7	--	115.5	--	115.3	--	113.8
	1988	116.2	--	117.3	--	117.4	--	119.7	--	121.0	--	120.8	--	118.7
	1989	120.9	--	122.3	--	123.7	--	124.6	--	125.4	--	126.0	--	123.8
	1990	127.2	--	128.6	--	128.3	--	129.5	--	132.3	--	133.2	--	129.8
	1991	133.7	--	134.1	--	134.4	--	135.8	--	137.5	--			
WASHINGTON AREA CPI-W	1987	112.7	--	113.6	--	114.6	--	115.3	--	117.1	--	117.9	--	115.4
	1988	117.6	--	118.5	--	119.3	--	119.9	--	122.3	--	122.6	--	120.0
	1989	123.7	--	125.6	--	126.6	--	127.3	--	129.5	--	129.6	--	127.0
	1990	131.1	--	132.9	--	132.8	--	134.6	--	136.9	--	137.2	--	134.2
	1991	137.7	--	137.9	--	139.6	--	139.2	--	141.8	--			
PERSONAL INCOME (\$ millions)	1987	--	--	79,597	--	--	81,340	--	--	83,053	--	--	85,672	82,416
	1988	--	--	87,646	--	--	89,263	--	--	92,162	--	--	93,872	90,736
	1989	--	--	96,123	--	--	97,543	--	--	98,815	--	--	100,442	98,231
	1990	--	--	102,806	--	--	104,272	--	--	105,584	--	--	105,862	104,631
	1991	--	--	106,483	--	--	107,346	--	--					

Source of the above: U. S. Department of Commerce, Bureau of Economic Analysis