

Maryland Higher Education Loan Corporation
Maryland Deposit Insurance Fund Corporation
Maryland Stadium Authority
Unemployment Insurance Program
Maryland State Accident Fund
Maryland Retirement and Pension Systems
University of Maryland System
St. Mary's College of Maryland
Morgan State University

The Maryland School for the Blind, Blind Industries and Services of Maryland, Maryland Health and Higher Education Facilities Authority, Maryland Automobile Insurance Fund, Maryland National Capital Park and Planning Commission, State Employees Credit Union, and the Maryland Credit Union Insurance Corporation have not met the criteria for inclusion in the reporting entity, and accordingly, are excluded from this report.

ECONOMIC CONDITION AND OUTLOOK

Economic conditions are favorable and continued expansion is expected during 1988 and 1989, thus indicating favorable revenue prospects for the 1989 fiscal year. The unemployment rate for fiscal year 1988 declined when compared to fiscal year 1987 and is below the national average. Rising employment and income within the State should ensure that general fund revenues will grow at a rate consistent with budgeted general fund expenditures during the 1989 fiscal year.

To assist economic development and growth for the future, the State has initiated an Economic Development Opportunities Fund in 1989 to help assure commercial and industrial expansion.

MAJOR INITIATIVES

During the year, the State was able to finance many needed services and initiatives as a result of extra revenue made available primarily from income taxes resulting from the reform of the federal income tax structure, a one time tax amnesty program, and increases in the motor vehicle fuel tax rate and registration fees.

In an effort to provide tax relief to low and middle income taxpayers, some deductions and credits were enacted to the State's income tax structure which emulate the federal structure in order to reduce some of the future tax revenues that will result from higher adjusted gross income on tax returns. The increased revenues related to motor vehicles along with a proposed increase of registration fees in 1992 will generate sufficient revenue to allow the Department of Transportation to expand its capital spending for roads, ports, and airports by \$1 billion and to share \$313 million of transportation revenues with the local governments over the next five years with minimum reliance on new bond issues.

From September 1, 1987 to November 2, 1987, the State conducted a successful tax amnesty program. That program resulted in additional collections for the year in excess of \$34.6 million, the majority of which were from individual and corporate income taxes. It also added hundreds of new taxpayers to the tax rolls, which broadens the tax base for future years and makes Maryland's tax system fairer for everyone.

The State was able to begin a major new initiative for the Action Plan for Educational Excellence which provides for the State to increase its percentage of total expenditures for elementary and secondary education. An expanded effort was made in the providing of health and human services and in the joint state, local, and private participation in the fight to help welfare recipients gain independence through permanent employment. Significant resources were also provided for improvements to public parks and recreational areas including replenishment of the ocean beaches. Resources were also accumulated to carry out Maryland's commitment to depositors whose funds were in savings and loan institutions that failed so that a final distribution can be pledged without the issuance of bonds.