

we had set. To meet this exigency, both the sales and the income taxes were increased from two to three per cent. But except for a cigarette tax, imposed to meet the demands of teachers of higher salaries, our tax structure itself was unmolested.

What, then, are the financial prospects for the State of Maryland? I do not wish to fall victim to overconfidence, but quite frankly they look good. Just before I left Annapolis to come to this Conference, the State Comptroller reported to me that we had accumulated during the fiscal year which ended last June 30 a general-fund surplus of \$10,425,-688. This figure includes \$4,435,878, which was the official estimate in our budget; \$5,389,810 in actual receipts over that estimate, and \$600,000 in estimated reversions.

The effect of the economic recovery is clearly reflected in these figures. The \$55,803,858 yield from the retail sales and use taxes was \$1,485,858 more than we estimated. From corporation incomes, the \$16,330,045 we collected was \$1,280,045 in excess of the estimate. Our prediction on individual incomes was closer, the \$63,654,705 collected being only \$871,705 more than was anticipated. There were corresponding increases in the yields from franchise taxes, taxes on insurance companies, alcoholic beverage excises and other miscellaneous revenue sources. We overestimated in only one area, namely, in horse racing. The ninth race which we initiated at our race tracks did not produce quite as much as we expected. The \$6,518,650 collected was \$2,350 less than was anticipated. Thus, it may be seen that there is at least a possibility that when we sit down next winter to prepare our budget for the 1961 fiscal year, we may have as much as \$20 million in funds for budget growth.

But there are pitfalls, and it would be foolish of me to ignore them. Reports from reliable authorities are that we may expect a continued upswing in economic conditions, but there is at least a possibility that they may be wrong. Who can predict how long the steel strike will last, and whether the strike fever will spread to other industries? Already in Maryland, our treasury has felt the impact of the closing of the huge Sparrows Point plant and the other steel mills in Baltimore.

There are many other factors that will determine whether our present tax structure at existing rates will support a normal growth, together with the additional demands for State expenditures. Maryland is one of the fastest-growing states of the union, and, with the birth rate high, we may expect our school population to multiply. It is expensive