

what we pledged ourselves to do—that is to say, remove the 1 percent increase in tax on ordinary income, which was scheduled to take effect at the beginning of next year, without jeopardizing the important new school program and the other vital State services it was intended to support.

A week ago today, the Board of Revenue Estimates, acting on a request that I had made some three months ago, submitted to me a revised statement of revenues for the fiscal year under which we are now operating, together with estimates for the fiscal year 1966.

I shall not burden you at this time with the details of this report. The full statement of the Board, of course, will be made available to you for your deliberations.

For our purposes now, it is sufficient to say that we may conclude from its figures of estimated revenues that the proposed tax increase will not be required to balance the budget for this year.

Therefore, I am recommending that you, at this special session, enact legislation reducing the tax on ordinary income to the present 3 percent rate.

I would point out to you that the Board of Revenue Estimates, in support of the estimates of revenues it made, cites the general economic advancements which have been made, and in particular the boosting effect upon our economy of the reduction of the Federal income tax.

The conclusions it reaches, from a study of current and possible future revenue trends, are corroborated by reports which I have been receiving from many sources, including recent calculations made by our Department of Economic Development.

Undoubtedly Maryland, with the rest of the country, is experiencing the longest period of peace-time prosperity in all of its history, and we rejoice that this is so.

You will recall, however, that during the last session, when the financial program which you enacted was being considered, there was something less than unrestrained optimism about the future economic condition of our country.

Some of our leading economists, despite the overall prosperity, were forecasting the possibility of a slow-down in economic growth.

Happily this did not come to pass. On the contrary, business conditions have continued to improve. We have seen a steady, solid upswing in the economy.

I offer you these examples from reports I have received recently from our Department of Economic Development, based on August, the latest month for which figures are available:

Personal income in Maryland is up 5 percent over a year ago.

The index of our Gross State Product is 6 percent above last year.

Good gains appear in manufacturing, with steel output showing substantial increases for the fourth consecutive month.

The average weekly volume of commercial and industrial bank loans has been running 15 percent above last year.