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BY AUTHORITY

MESSAGE FROM THE EXECUTIVE DEPARTMENT

EXECUTIVE DEPARTMENT

ANNAPOLIS, MD., January 3rd, 1951.

To the Honorable the Speaker of the House of Delegates,

State House,

Annapolis, Maryland.

Dear Mr. Speaker:

I beg to transmit herewith copy of my message to the General Assembly of Maryland, meeting in regular session at Annapolis, Maryland, on Wednesday, January 3, 1951, at 12 o'clock noon.

Respectfully submitted,

WM. PRESTON LANE, JR.,

Governor.

Which was read and ordered journalized.

Governor Lane addressed the House and Senate in Joint Session.

ADDRESS OF GOVERNOR WM. PRESTON LANE, JR.,

TO THE GENERAL ASSEMBLY OF MARYLAND

*Mr. President, and Gentlemen of the Senate, and**Mr. Speaker and Ladies and Gentlemen of the House of Delegates:*

The provisions of our Constitution calling the General Assembly into session a week prior to a change in the Executive Administration of the State, confer upon me the pleasant duty of welcoming to Annapolis legislators who have been returned to office and those who will, for the first time, take their places in these halls.

You are met as a fresh, and new, complement of the legislative branch of our government upon whose shoulders, during the next four years, will rest, jointly with the incoming Governor, the responsibility for the management of our State.

A week from today, I will turn over to the Governor-elect the responsibilities of the office I have held, as of this day, for the last four years.

Your task and your responsibilities lie in the future.

Your best efforts will be put to the test in developing solutions for problems that present a continuing challenge, and to those that inevitably will arise, directly and indirectly, from the state in which the world today finds itself, and the grim choice thrust upon our

nation of arming ourselves and the rest of the free peoples against the threat of extinction.

Only the foolhardy would venture the expectation of business as usual in the weeks, and months, and years that loom ahead.

We have little to guide us at this juncture in what the world situation portends at the State level by way of legislative collaboration with the security preparations of the national government.

That phrase of your duties, and in a great measure the channels of your deliberations, will depend, it would appear, on policies and programs adopted on a national scale.

Whatever duty may arise in these circumstances, I believe we may confidently expect, based on Maryland's record in similar situations in the past, that the problem will be met effectively, efficiently and courageously.

In matters of domestic concern, you will find, I am sure, that the mounting requirements of the mobilization of our national strength will impinge, to a greater or lesser degree, on virtually every facet of the operation of the State government in its various departments, bureaus and agencies.

The development of these departments and agencies, and their respective programs, during the last four years, offer the bases on which your decisions of the future will hinge with respect to them—and on which their future may be the more intelligently decided.

Of one thing you may be sure—and the more so in the present situation of national mobilization of our resources—none of the advances have been made in many fields in this State since the conclusion of World War II can be carried forward without adequate tax revenues to support them.

Four years ago we faced the necessity of improving our hospitals for the mentally ill and the tuberculosis; for raising the standard of public education and staffing the schools with qualified personnel; for rehabilitating our system of roads, and for doing many things which had to be deferred because of the war.

Existing revenues fell far short of providing the funds for the needed improvements—in fact, far short of supporting the State government at the level on which it then was functioning.

To balance the budget at the then existing level—without any progress, without the new school program, or a highway program, or the betterment of the hospital system—we were required to dip into reserve funds to the extent of more than \$15,000,000.

We were required—just to keep going as we then were—to take \$9,906,327.07 of the accumulated surplus in the treasury, and \$5,260,993.95 of funds that had been set aside for post-war construction to bring a budget into balance for a two-year period.

That was the State's fiscal picture in the face of the pledges that had been made to raise the standards of education, to provide adequate salaries for teachers and urgently needed additional classroom space for overcrowded schools; pledges that Maryland's system of highways—once the best in the nation—would be rebuilt and modernized; pledges that we would make real hospitals of the

mental institutions and tuberculosis sanatoria, and provide modern treatment and humane care for thousands of men, women and children physically and mentally ill, and in face of pledges to give financial assistance to Baltimore City and the counties so that the burden of local taxation might be eased.

I described the cold facts in my inaugural message to the General Assembly on January 8, 1947, in these words:

"The period of State surpluses, which were accumulated during the war period, is coming to an end. Anticipated surpluses for the next biennium will be absorbed in the next budget, and the problem we face is where to reduce budget requests and where to get additional income to submit a balanced budget."

On the question of increasing the allocation of State funds to the political sub-divisions—not to mention the funds that would be needed for schools, roads and hospitals—I pointed out that the Sherbow Commission proposed the distribution of at least \$12,000,000 or \$13,000,000 additional State funds to Baltimore, the counties and other municipalities. I said:

"The Commission, however, has not yet suggested how the State can do this and continue to function at anywhere near the existing or proposed standards. It will be the task of the Governor and the General Assembly, if the proposed distribution is to be made, to determine how and where it is to obtain the funds to distribute.

"It is easy to make suggestions to give funds away, but it is much more difficult to accumulate the funds to distribute. The hard task will be ours."

And it was a hard task. It was a task that had to be approached in the light of the best interests of the State, and its people, down through the years. It was plainly not a task combatible with thimblerrigging anyone's political future.

The problem of finding an adequate source or sources of new revenue to meet the pressing needs was presented to the Board of Revenue Estimates, which was supplemented by an advisory committee and tax consultants. On February 14, 1947, this group reported its recommendations. On February 19, I laid these recommendations before the General Assembly. In a special message I said:

"I am ready to accept the recommendations of the Board of Revenue Estimates and the Advisory Committee with respect to the adoption of a 2% retail sales tax. I realize that objections will be raised to this method of taxation, particularly by persons or groups with special interests to protect. In considering the problem, however, I urge you to study the need of additional State revenues from the overall point of view. It will be your task to balance the additional revenues which the State must have to finance an adequate road program, an adequate school program and to put into effect the recommendations of the Maryland Commission on the Distribution of Tax revenues (the Sherbow plan), against all arguments which will be made against the sales tax. After careful and deliberate study, the Board of Revenue Estimates and the Advisory Committee, have concluded that the only adequate source

of revenue which is available to meet these requirements is the sales tax. I concur in these conclusions. . . .

"The levying of additional taxes is never a pleasant task. A more happy condition obtains when we are able to give additional services to our citizens from surplus revenue received under an existing tax system. However, our budget is piled high with requests for additional funds for education, roads, the Sherbow Report, and other desirable requirements. We must jointly decide whether we want these services enough to pay for them in additional taxes."

For five weeks after this recommendation was made to the General Assembly, it was considered and debated in both House of the Legislature, and finally passed on March 26, 1947.

At the same time, the General Assembly increased the rate of the income tax on individuals from 2% to 2½%, and on corporations from 1½% to 4%, to supplement the sales tax revenue if it should fall short of the original estimates. Happily, it was not necessary to impose the additional tax on individual incomes, and the proposed increase subsequently was repealed.

The revenue from the sales tax — inexperience far outran the best available estimates at the time of its adoption — was the foundation upon which were built all of the improvements which have been made in our public educational system, the program of reorganization and betterment of our hospitals, the vastly expanded program for rebuilding the highway system, and the program for more than doubling the State's financial assistance to Baltimore, the counties and other municipalities.

More than that, it enabled us for the first time to use the taxes and license fees paid by motorists exclusively for the construction and betterment of highways, by making it possible to remove the cost of supporting the State Police from road funds, and putting into road funds the proceeds from the 2 per cent titling tax on automobiles.

It enabled us, from surplus funds accumulated in the 1947-1949 biennium, to allocate \$20,000,000 in cash for pay-as-you-go construction of badly needed hospital buildings to relieve overcrowding at the mental institutions, and to allocate more than \$3,000,000 in cash toward expanding the facilities of the tuberculosis sanatoria, including the new 300-bed diagnostic and surgical center at Mt. Wilson.

But with all that was done in the erection of literally hundreds of buildings—schools and hospitals, principally—under the fiscal policies of this State administration, the record has not been one of continuous increases in taxes. There also have been downward revisions. The 1950 session of the General Assembly broadened the exemptions of the income tax, and reduced the State real estate tax to the lowest point in history—from 12 to 6 cents—for a total saving to the public of \$3,750,000.

Last month it reduced the tax burden on the people by another \$7,000,000 by exempting meals, certain household articles and infant necessities from the sales tax, and lifted the levy from all sales under 50 cents.

This has been accomplished without impairing the soundness of the State's fiscal position at the end of the current budget period, or through the next fiscal year, provided that the cost of State services can be maintained at approximately the present level, except in categories requiring statutory increments.

As of today, the estimated general fund surplus on June 30, 1951, the close of the present fiscal year, will be \$6,312,742.78, an increase of \$1,640,817.53 over the estimates as of last November.

If maintained at current levels, general fund appropriations for the next fiscal year would exceed anticipated revenues by \$1,799,152.50, reducing the surplus as of June 30, 1952, to \$4,513,590.28.

This latter figure contemplates general fund expenditures during the next year of \$79,114,679 and general fund revenues of \$77,315,526.50, or a gap of \$1,799,152.50 to be met from the \$6,312,742.78 surplus as of June 30, 1951.

Despite the pressing needs for construction which followed the cessation of building during the last war, and the consequent increase in the State's bonded indebtedness necessarily incurred to meet the critical shortage in classroom space throughout the State, the credit of Maryland enjoys a triple A rating in the nation's bond market.

The authorization of a \$70,000,000 debt—\$20,000,000 in outright matching grants to Baltimore and the counties, and \$50,000,000 in State credit—for the erection of urgently required school buildings was imperative. Through this means were financed most of the more than 2,200 classrooms built, building and in the contract stage all over Maryland under the new school program.

Future needs for school construction are going to be great, and meeting the problems this poses will, I believe, be one of the major concerns of this General Assembly.

On the basis of population studies, school authorities estimate that the pupil population in Maryland will increase by 115,000 children in the next seven years, raising the classroom load throughout the State to near the 450,000 mark. In addition to this, further provision must be made for training teachers, with the estimated need set at facilities for 3,000 students in the Teachers' Colleges as the peak pupil load is reached.

Unquestionably this problem will be complicated by restrictions in construction that will necessarily follow the increasing tempo of the marshalling of resources for the rearmament program.

Under the capable direction of Dr. Clifton T. Perkins, outstanding progress has been made in the reorganization of the mental hospitals, and in the construction program which, it is hoped, will put an end to the long era of overcrowding in these institutions. It is a fair statement to say that the mental hospital problem has been substantially solved, at least in respect to the provision of physical plant and the recruitment of adequate personnel.

Here again, the continuation of the presently favorable situation with respect to personnel will, to a greater or lesser degree, depend upon circumstances over which we will have little control, except

to make employment in these hospitals as attractive as possible against the lure of more lucrative opportunities in industry.

The tuberculosis sanatoria, placed under direction of the State Department of Health in this administration, have improved tremendously their services to the people of the State and, with the opening of the new diagnostic and treatment center at Mt. Wilson we will have achieved a long step forward in the eradication of this disease.

It is not necessary to burden you with the details of what has been accomplished under the roads program, because each of you as you travel through the State undoubtedly have observed the progress that has and is being made in the rehabilitation of the highway system.

Expenditures on construction and betterment have been raised from a previous one year high of approximately \$7,000,000 to an average of \$40,000,000 annually, under which there have been produced since the start of the program more than 1,100 miles of new and improved and modernized highways.

In this program to date, we have followed the principle of constructing highways for the future—highways designed against obsolescence for many decades, and at the same time, improving the existing arterial routes to meet the demands of modern automotive travel for years to come.

Four years ago, when the basic program for the rebuilding of Maryland's highway system was formulated, it was contemplated that the construction thereunder would extend over a five-year period. Substantial progress in the execution of the program was not accomplished until 1948, extending the timing of the projected program through 1953.

Original estimates for the completion of the basic projects of the rehabilitated system of highways throughout the State—including the modernization and improvements of existing arterial routes—placed the cost of the overall program at approximately \$200,000,000. Since that time, construction costs have virtually doubled.

The ultimate completion of the modern network of roads is contingent upon the continuing availability of funds. The report of the Maryland Tax Revision Commission, headed by Mr. Richard W. Case, contains recommendations that will be presented to you and which will, if enacted into law, provide funds for the completion of this immediate highway program.

During the past four years, the long-awaited crossing of the Chesapeake Bay has become a reality with the construction of the Chesapeake Bay Bridge, now more than 40 per cent complete, and scheduled to be open to traffic on or before July 1, 1952.

There now remains the problem of providing a crossing of the Patapsco River at Baltimore's harbor for vehicular traffic. Such a project would considerably relieve traffic congestion in and around Baltimore, as well as facilitate the movement of through traffic using the Potomac River Bridge, the Chesapeake Bay Bridge and the Susquehanna River Bridge.

A study of the traffic reports on the two operating toll bridges, namely, the Susquehanna and Potomac River, reveals that the volume of traffic using these two spans has nearly doubled in the last five years, exceeding all estimates of traffic engineers.

This, of course, follows the pattern on all other State highways and in Baltimore City. In fact, a traffic survey in Baltimore City and adjacent areas shows that there has been more than a 100% increase in traffic in the last five years.

The gross revenues of the two operating bridges—Susquehanna and Potomac river—according to a financial report for the year ended September 30, 1950, by Messrs. Haskins and Sells,—were \$2,113,716.82. The net revenues amounted to \$1,933,130.87, an increase of more than \$320,507 over the previous comparative fiscal year.

When the Chesapeake Bay Bridge is put into operation in 1952, the gross revenues from the three bridges may well reach a total of more than \$5,000,000 annually.

From this, it is reasonably obvious that the bonded indebtedness of the Bay Bridge will be paid off within a relatively short period of years and, as contemplated in both the Federal and State Legislatures, the time is at hand for consideration of the construction of a crossing of the Patapsco River at Baltimore.

I have discussed the harbor project with defense officials, and it is their opinion that it would, in the overall picture, be of strategic military value, in addition to the relief it would afford to the congested traffic situation in Baltimore and environs.

I believe that the necessary engineering and traffic studies of the project should be made now, looking to the time when construction of this needed crossing can be undertaken.

As a people, we have grown strong and prospered because we have been a people who have been able to fit our ideas to the needs of the times, and make the alterations and improvements in our means and methods required by changing conditions.

We have done this within the framework of the great principles of democracy—Jeffersonian Democracy—imbedded deep in our Constitution, Federal and State. Those principles are unalterable, and will preserve our State and our nation against the assaults and conspiracies of the insidious forces that seek to undermine, to weaken and to destroy the institutions of free government.

We love our State, its institutions and its people. Twice within a quarter of a century, beginning with the first World War, Maryland's sons and daughters answered the call of duty to offer their lives in defense of our country. Our State is those crises met every demand made upon it with honor and loyalty unsurpassed by any other State. We have proved that we know how to live and to die as honest, liberty-loving Americans, in accordance with the finest traditions of Maryland and the nation.

Today, our sons and daughters again are faced with calls to duty to defend all those things we hold sacred. The road ahead, under the best of circumstances, will be a hard one, but we may be sure

that Maryland will never falter or waver in the never-ending struggle to preserve the liberties it did so much to establish in helping to write the glorious pages of the story of the battle for freedom.

I am proud to have served such a State as Governor. I leave the office with the inner satisfaction of knowing that, to the limit of my ability, I endeavored honestly to discharge my duties to the people of Maryland exclusively in their interests, as I saw them.

I will leave this State House with no other feeling than that of gratitude to the people of Maryland for the opportunity I have had of serving them, and a fervent wish of Godspeed to my successor.

Which was read and ordered journalized.

ADJOURNMENT

At 7.20 o'clock P. M., on motion of Mr. Wilkinson, the House adjourned until Thursday, January 4, 1951, at 2.00 o'clock P. M.