

at length and in detail. Any report on the state of the State, however, would be deficient without some reference to the fiscal condition of the State.

Our financial condition, I am gratified to report, is healthy and sound. I should like to point out here, however, that a result of commitments and obligations which the State has assumed, arising out of formulae laid down in legislative enactments, the State has become heavily involved in appropriations to its political subdivisions. Some of these are direct appropriations, others take the form of grants-in-aid. In the budget under which we are now operating, for example, more than 50 per cent of the total general-fund appropriations are appropriations made to the counties and the City of Baltimore, leaving less than 50 per cent of these funds for State agencies directly responsible for carrying on the housekeeping and governmental programs of the State.

It is of interest to note, also, that of the total budget, including both general and special funds, more than 70 per cent is spent for highways, education, welfare, health, hospitals and mental hygiene.

All of you maintain a close relationship with your local governments, and you therefore are well aware of the mounting pressures which are being exerted for more financial assistance from the State. The Legislative Council, upon the recommendation of its Committee on Taxation and Fiscal Matters, will ask you this year to appropriate an additional sum of approximately \$10,000,000 to the local subdivisions to help them finance their programs of education and welfare. I favor such action, and hope you will give it your support.

If we are to discharge our duties in a financially responsible manner, this will mean that we must raise additional revenues to meet these additional costs. I will have more to say on this subject in my budget message. Meanwhile, I would point out to you that the State could, if it were not necessary to render this additional assistance to the subdivisions, operate through the next fiscal year under its present revenue structure. It is possible—even probable—that we could complete our four-year term without a tax modification, if all we had to do was to provide the necessary funds to operate the State Government.

I have a strong conviction that responsible government financing dictates that a decision to spend be accompanied by a decision to tax. And therefore, if we do decide to give the local governments more money, I will recommend that we alter our tax program to meet the costs.