

It is obvious, I think, that the state of your State is intimately related to, and sharply affected by, the state of the local governments within it. Time does not permit a detailed philosophical discussion here of the problems involved and the courses open for their resolution. I believe, however, that the time has come for some fundamental decisions on the following:

How far should the State go in levying and collecting taxes which are immediately returned to the subdivisions in the form of State appropriations?

How far can the State go in granting the localities broader taxing powers without jeopardizing its own revenue structure?

Should we permit them to levy and collect their own taxes, the State withdrawing completely from the field of making appropriations to the subdivisions?

Would the State, then, have to forego the establishment of minimal standards for local government services, such as it now imposes for such things as education, health and welfare?

What would be the effect of giving broad taxing powers to 25 separate and distinct units of government—that is to say, the State, its 23 counties and Baltimore City?

While I am not prepared to offer immediate decisions on the questions raised, I can assure you that the Executive Department is aware of them and is seriously concerned about finding solutions to these complex problems of State and local government relationships.

The whole matter of State aid to the subdivisions is of grave concern to me. While I am supporting the report of the Committee on Taxation and Fiscal Matters at this time, I do firmly believe, however, that the more the people are aware of the cost of the services their government is providing, the better, and that therefore the division of government appropriating the money should have the responsibility to levy and collect the taxes to pay for its services.

Now, in as brief a manner as possible, I should like to review with you some of the programs currently in operation in your State Government and to offer you some suggestions I have for improving them. But let me say, first of all, I have some satisfaction and some pride in the accomplishments thus far of this Administration. With your generous and competent assistance, we set up new agencies, re-organized others and initiated new programs during the first part of our term. I can say I am highly pleased with the results.