

they have no control in a system which tends to place heaviest burdens upon those localities with the least capacity to pay for them. We have estimated that this program will entail an additional State expenditure of \$9,056,758 for fiscal 1962. And as the Committee has pointed out, this is no "one-shot" proposal, and the cost of additional aid to local governments will rise from year to year as the costs of these local governments increase.

As I stated to you in the opening address to this Assembly, it is my belief that to act responsibly in governmental financing we must balance every decision to spend with a decision to tax. Sound financial management requires a level of revenues to meet the level of expenditures.

The sound management of our State is best reflected by the experience the Board of Public Works had at 10 o'clock this morning when we sold to a syndicate of bankers a \$20 million issue of State bonds at a rate of 2.718 per cent—lowest since 1956.

To continue this policy of responsible management of the State's business, and to discharge what I consider to be my responsibility as your chief executive, I am recommending a revenue program to defray the costs of this plan. After consultation with the leadership of this Assembly and with my own fiscal advisers, I have selected as the best revenue resource to meet these additional expenditures the reduction of the base of the sales tax to 25 cents, together with levying at the same rate a tax on prepared foods. If effected by next June 1, these modifications will yield revenues sufficient to pay for the program recommended by your committee on taxation and fiscal matters.

It should be pointed out here that, among the states which impose such tax, Maryland stands near the top in the number of items it exempts and the amount of the exemption from the sales tax. And we are the only state levying a sales tax which exempts food.

The adoption of this modified revenue program to aid Baltimore City and the counties will, I believe, assure a balanced budget for fiscal 1963 without the necessity of further taxation, provided, of course, the need does not arise for substantially increased spending, which I do not foresee at this time.

You will observe that the budget which I am presenting to you calls for total appropriations of \$506,110,475 and general fund appropriations amounting to \$240,226,591. These figures are exclusive of the expenditures I have recommended to implement the program