

last June 30 with a \$10.5 million surplus. All the reports I have received indicate that this surplus probably will be substantially increased by June 30, 1960, the beginning of our next fiscal year. All of this is cause for some rejoicing by those of us who are responsible for preparing a budget for the State for the coming fiscal year. But we have seen the dangers inherent in such a situation and we know that we must proceed with great caution. If we become too elated and yield to the temptation of spending too much, we might find ourselves bewailing our woes a few years from now.

Reports from the experts indicate that we may expect a continued upswing in the economy for some time to come, but already some of the authorities in the field are talking about a leveling off, or worse, by 1961. In handling State affairs, we ought to be prepared for such an event if it does occur.

My fiscal advisers report to me that the trend in revenue increase under our existing tax structure appears to be at the rate of around \$10 million a year. At the same time, the trend of increase in appropriations seems to be at the rate of approximately \$17 million a year. It takes no wizard to calculate what will happen if these two trends continue. Our revenues now are above the level of appropriations, but this gap is closing and the two lines will meet within a few years if appropriations continue to increase at a greater rate than revenues.

The question then arises: What can we do to guide the State properly under these conditions?

Well, for one thing, we can study its needs of the future in relation to its revenue possibilities. That we are trying to do. This is one of the reasons my administration, in the first few months of its existence, has laid so much emphasis on long-range fiscal planning. At my request, a committee of the Legislative Council is making a study which undertakes to project the State's spending and its revenues several years in the future so that we may make a planned approach to the State's fiscal problems.

It makes little sense to me to try to handle our complex financial affairs on a year-to-year basis. I hope to develop this long-range fiscal planning much further and will recommend that the Committee extend its studies into areas which up to now it has not had the opportunity to enter. Only in this way, as I see it, can we hope to operate the people's government in such a way that they are assured of getting the maximum benefits from the taxes they pay.