

last year, made an exhaustive study of this problem and is recommending that the State expand its aid to support the public school systems of Baltimore City and the counties. It is my belief that we should, and must, increase our aid to the subdivisions to achieve uniformly higher educational standards throughout the State, including higher salaries for school teachers. I, therefore, am recommending the enactment of this program at this session. The program would become effective as of July 1, 1964. The estimated first-year cost is in excess of \$16,200,000.

Now, it has been my policy from the beginning that any new program the State adopts that involves the expenditure of additional money contain the necessary measures to finance it. I am asking you to do this in connection with the new school - aid program. To finance this additional assistance to public education in fiscal 1965 and future years, and to meet the normal budget expansions we may expect in the years ahead (estimated at \$27,000,000 in fiscal 1966), I am recommending an increase of 1 per cent in the ordinary income tax of individuals. However, I am proposing that this increase be deferred until January 1, 1965. It is estimated that this new tax in its full year of operation in fiscal 1966 will yield additional revenues amounting to \$42,750,000. But since the tax does not become effective until January 1 of next year, the State will derive only one quarter's benefits during the year for which we are now budgeting. I am proposing that the school program be financed in fiscal 1965 with the \$10,250,000 one-quarter yield from the increased income tax, plus \$6,000,000 that can be provided from surplus, aggregating the amount that will be needed to defray the costs of the program for that year.

As you will observe, the revenue expected from the proposed tax revision exceeds the amount needed for the new school program, at least for the first few years. But the need for the additional revenue resource becomes obvious when we project our budget requirements into 1966 and the years thereafter. For example, in fiscal 1966 we of course will have to appropriate a minimum of \$16,200,000 for expanded State aid to public education. As you have seen, we certainly can expect the normal, customary budget expansion of at least \$27,000,000. Add these two figures together and the sum, \$43,200,000, is more than the amount you may expect from the increased income tax when you meet here next January to adopt a budget for fiscal 1966. This projection of future revenue requirements shows unmistakably that the revenue from the new tax will be needed to balance the budgets of fiscal 1965 and 1966 and of subsequent years