

ADDRESS, NATIONAL GOVERNORS' CONFERENCE

MINNEAPOLIS

July 27, 1965

It has been my experience—and I suspect the experience of most of you—that the major problems I have faced as Governor have been related, in one way or another, to finances, and one which has plagued me most persistently since I took office in 1959 has to do with the complicated interrelationship of State and local governmental responsibility and State and local finances. Of the total burden of government in my State, Maryland, as measured in terms of expenditures, the State bears about 30 per cent and the local governments bears 70 per cent. Both the State and local governments raise approximately the same total annual revenue from the sources available.

This apparent discrepancy can be explained by the fact that a sizeable portion of the revenues which the State collects are turned back to the local subdivisions to help them with their disproportionate share of the total burden, in the form either of State aid for locally controlled functions of government or in a sharing of State-imposed taxes. But the problem in Maryland is not so much whether the State or the local governments bear the heaviest burden of government. The problem lies in the tax structure itself. The State government has preempted the lucrative sales and income tax sources. It also taxes business and levies a small property tax for bond amortization, which varies, according to current requirements, from around 15 to 18 cents per \$100 of assessed valuation. From these sources it collects approximately 50 per cent of the total revenue. Local government, on the other hand, which is required to raise about the same amount, depends almost entirely upon one source, the property tax. This means that in the support of local governments an unusually heavy burden has fallen upon the shoulders of the property owners, particularly in Baltimore City and the populous urban and suburban counties around Baltimore and Washington, D. C.

The situation at present is difficult enough, but prospects for the future are even more dismal. Under present revenue sources, a recent study indicated that we face general revenue shortages of nearly \$85 million at the local government level by 1969 and \$50 million at the State level. It is obvious, then, that our tax structure demands drastic revision to give local governments a greater share in the major revenue sources.