

tional in State aid for public safety reflected the first effort by any state to recognize the crisis of crime in the streets and to provide direct dollar assistance to city and county law enforcement agencies. Authorization to use for the first time a major alternative revenue source, the income tax, has enabled seven subdivisions to reduce property tax rates and allowed fourteen others to hold the line.

However, all Marylanders must realize some hard facts about fiscal reform. The tax increase was principally for the benefit of the subdivisions. This means that the State government must continue to live within its income — an income that has not substantially increased because of declines in other revenues.

The situation, while bleak, is not desperate, but it does demand attention and responsible action. The 1969 Budget reflects this action. While it is not austere — in relation to meeting new needs — it is characterized by economy and guided growth.

The administrative and legislative programs I shall propose today reflect a belt-tightening posture.

MARYLAND'S ECONOMY

We can afford to meet our pressing and essential problems. The state of our overall economy is good. This is evidenced by the following factors:

Maryland's gross State product — the total value of all goods and services — increased more than a half billion dollars during the past year. It rose to \$13.9 billion, the highest in Maryland's history.

Personal income increased at a rate of 7.4 percent in 1967, well ahead of the national average.

Despite an appreciable nationwide decline in construction starts, industrial growth brought \$91.8 million of new capital investment to Maryland during the first 11 months. This provided 3,000 new jobs and an estimated annual payroll in excess of \$20.3 million.

The size of our civilian labor force increased 3.7 percent, and the percentage of unemployment remained at a relatively low 2.9 percent compared with the national average of 4.3 percent.

FALTERING REVENUE RECEIPTS

Paradoxically, while these figures show a healthy and strong economy, the revenue estimates on which the new 1969 budget is based present, at the moment, a less encouraging picture. This results from the one soft spot in our economy — the nationwide slowdown in construction, which the Comptroller tells us may cause the sales and