

will make Maryland a model by assuring the opportunity for higher education to all of its students.

I realize the sensitivity of scholarships to you, since much of the \$3.4 million program is in senatorial or legislative scholarships. But I call on you to make the political sacrifice of giving them up for the future *in the larger interest of all of our college students.*

THE MEDICAID PROBLEM

There is one other area of the budget to which I would particularly like to direct your attention before a discussion of some urgently needed new programs. We have been forced to restrict the amount of increase that can be budgeted for the State Medical Assistance program next year because of a combination of soaring hospital rates and a Federal requirement that we pay hospitals the full audited amount of their average daily costs for patient care. We are caught in the crush of a steady and rapid escalation.

This important program is currently running a deficit of at least \$5 million for the present fiscal year, and the deficit would jump an additional \$13 million next year. In order to continue the program at present levels until June 30, 1968 — and thereby to buy some time for hospitals and the State to work out a reasonable program of controls — I am recommending a deficiency appropriation of \$5 million. The funds will be obtained by eliminating the \$5 million for a cash down payment on capital improvements in the 1969 budget. The transfer represents a change from the printed budget book since the decision was made after the budget had gone to the printer.

It is my urgent hope that with the assistance of other states which are facing similar — if not worse — problems, we can persuade the Federal government to relax its regulations and permit this program to continue for all our needy citizens. In addition, Maryland's hospital administrators have promised to cooperate fully with us to curtail their rising daily care costs. Unless measurable progress is achieved on both fronts, we will be forced to discontinue aid to approximately 10 percent of those presently covered on July 1, 1968. I have budgeted for the next year \$51 million, which equals the newly increased amount for the current year. If we are to take care of the same number of patients, it becomes imperative to apply effective controls.

PROPOSED LEGISLATION

It is also in the area of new legislation that we must press forward this year, and it is within the power of the Legislature to resolve