

handle the impact of the increased military and industrial personnel on the civilian life of certain communities. While this will not reach its peak for some-time to come, plans are well in hand to meet such problems as they arise.

Later the Council will be faced with the setting up of auxiliary police and fire-fighting services and the coordination of these services throughout the State. Final action on these is awaiting completion of technical studies now being made by the National Defense Advisory Commission.

It is to be noted that all that has been accomplished by the Maryland Council of Defense and Resources has been done at no expense to the State, the members of the Council serving on a voluntary basis.

FISCAL AFFAIRS

Although national defense is the most important and urgent matter before the Country today, the routine activities of our State Government have been carried forward in a progressive and efficient manner.

I shall now proceed to discuss some of the important activities of our State Government, indicating the progress which has been made in the last two years and the plans for continued progress during the current biennium. In a sense, this is a report on the conduct of the high office to which the people of our State elected me, and upon the duties of which office I entered two years ago. This report will be one of accomplishments and plans but will not be concerned principally with the finances of the State. Although the Constitution allows a sitting Governor to delay presentation of his budget until twenty days after the convening of the Legislature, I am happy to report that the fiscal program for the next biennium is now in such shape that it can be presented to you within a few days.

It is gratifying to report in passing, that the State is in a stronger financial position than at any time in its history. In delivering the Budget Message to you on January 24th, 1939, I stated that one of the most important things for the General Assembly and for the Governor to do was to balance our State Budget. It is, therefore, a pleasure to report that, under the legislation passed by your body, our Budget has been continuously in balance. In addition, through the practice of economies, the State's surplus has been increased until not only is the budget balanced, but at the close of the last fiscal year, on September 30, 1940, there was an unencumbered balance in the Treasury of \$6,151,955.00. The financial condition of the State is such that I shall recommend a program of tax reduction which not only will leave the Treasury in a safe condition, but will benefit tens of thousands of our taxpayers.

It is noteworthy that, with your help at the last session, an end was put to the unsound financial practice of diverting highway funds for general governmental purposes, and of borrowing to balance the budget.

I am also glad to report that the Annuity Bond Account is in excellent condition; outstanding bonds amounting to \$44,166,000, are amply supported and the pledged faith and credit of the State are safe. The public debt at this time is only 1.4% of the taxable basis of \$2,530,000,000. No more need be said than that in this financial condition. Maryland bonds recently attained a record-breaking mark, selling at the best price in the history of the State.

The Government of our State possesses all the essentials for adequate public administration. At the present time, the problems with which we are confronted relate in large measure to administration of the various State