

At 2:45 P. M. the Committee appointed by the Speaker escorted the Governor of Maryland to the House Chambers for the purpose of addressing the Joint Session of the General Assembly.

The Governor delivered the following address:

STATE OF THE STATE AND ABBREVIATED
BUDGET MESSAGE

of

J. MILLARD TAWES, GOVERNOR OF MARYLAND

State House, Annapolis, February 5, 1964

*Mr. President, Mr. Speaker, Ladies and Gentlemen of the
General Assembly:*

It is my privilege to come before you today, in the exercise of a Constitutional and traditional responsibility, to report to you on the affairs of the State government for the year just ended and to suggest for your consideration plans for the year ahead.

I am pleased to extend to you a warm hand of welcome and friendship as you meet here at the seat of our government to begin another session of the General Assembly of Maryland.

The task we are called upon to perform during these next few weeks is not to be an easy one. But experience has taught me that the task will not be an unpleasant one if we assume the attitude of public servants striving to do our utmost for the health, happiness, prosperity and freedom of the people we serve.

And so, we may, I think, view the challenges ahead of us for the next thirty days with pleasure and with high expectations.

We know the democratic processes well enough to expect some controversy and some conflict in deliberating the problems of our State. But our knowledge of these processes assures us that out of the controversy

and the conflict will come the strength and the unity that are the blessings of a free people governing themselves.

By the will of the people of Maryland, as expressed through their Constitution and their laws, our main effort for the next thirty days must be directed to the shaping of plans for the financial management of the State government during the next fiscal year.

This involves the complicated problem of allocating funds for operating the governmental agencies and institutions which have been established to serve the needs of the people. It also involves the difficult duty of assessing the people for the revenues that are required to provide these services.

Each year at this time, it is my obligation under the Constitution to give the lawmaking body a report on the conditions of our State. It is also my duty, as the Chief Executive, to offer you a plan of action designed to serve the best interests of the State and its people.

Generally speaking, Maryland now is enjoying a period of great prosperity, bolstered by a strong and healthy economy which reflects the industry and determination of a hardy and enlightened population.

It is a situation, in my opinion, which calls for bold action on our part to sustain the pace that has been set. We must under these circumstances, I think, move ahead courageously in the spirit of our times toward new goals and new horizons. To allow Maryland to falter or lag behind in an era of general advancement would be to neglect our responsibilities as public officials.

We must continue our efforts to expand our economy so that the people may have jobs and profits and all the benefits that go with life in a prosperous society.

We must battle relentlessly the evil enemies of mankind—ignorance, poverty and disease, knowing that we may lose the fight unless we put forward our best efforts to improve the quality of our education, to develop our economy to its fullest potential, and to strengthen our programs for the prevention, treatment and cure of human illnesses.

The budget which I am submitting to you for your consideration today attempts to translate these stated objectives into action. It is not an extravagant and visionary program which I am asking you to endorse. On the other hand, it is not a program of weakness and timidity, such as would jeopardize the future happiness and prosperity of our citizens.

State of the State

But before I go on with the budget plan, I should like to review with you in more detail some of the conditions of the State which we may wish to consider in connection with the decisions we make at this session.

Briefly speaking, the economic condition of our State, as I have indicated, is good. Our factories are humming, our market places are teeming with buying and selling, our lanes of commerce are crowded, our people have attained a standard of living that Marylanders of a generation ago would have thought unattainable.

Two weeks ago President Johnson gave a report to the Congress on the economic state of the nation which indicated that the national economy is indeed in a healthy condition. With a gross national product growing

at a rate of 5 per cent—in fact, reaching the \$624 billion level during the last quarter of 1963—the national economy shows great vigor and reveals an excellent potential for a continuing upward thrust in this current year.

What is the economic picture of Maryland? While the gross national product expanded at the 5 per cent rate, the total state income and product of Maryland was developing at a rate close to 10 per cent. According to estimates of our Department of Economic Development, our total state product increased from \$10.4 billion in 1962 to \$11.2 billion in 1963.

Last June, the United States Department of Labor made much of the fact that for the first time in history average wages in industry rose above \$100 a week in the nation. I am pleased to advise you that Maryland achieved this break-through several months before the national record was set. In fact, the weekly average wage rate in our State had reached the \$100 mark as early as last April.

In September of 1963, employment reached an all-time high of 1,166,600 Marylanders gainfully employed, while total personal income for the first three quarters of the year increased by 6.4 per cent over a corresponding period of 1962. In comparison, total personal income for the nation on a whole advanced by only 5.2 per cent.

Although more Marylanders are employed than ever before—and are earning more money—we still face the problem of persistent unemployment in some areas of the State.

It is a temptation, I know, to point with satisfaction to the fact that Maryland's rate of unemployment is far below the national percentage of jobless. The fact is, however, that statistics, no matter how gratifying, can never erase the stark reality of poverty, of lost opportunity, of economic waste which is the life of the unemployed.

I am strongly confident that our expanding economy will continue to aid us in our war on poverty, just as industrial expansion within our borders in 1963 played a major role in the creation of a healthy economy.

The Department of Economic Development reports that 120 new or expanded manufacturing enterprises, representing an investment of nearly \$106 million and eventual employment for more than 4,000 Maryland citizens, were added to our industrial community in 1963.

In a department survey of industrial prospects for 1964, directed to major industrial establishments within the State, most replies were optimistic. Nearly 70 per cent of these corporations indicated that they expected an increase in business activity ranging from 25 to 50 per cent.

Here are some additional economic guidelines which show that Maryland is enjoying a period of vibrant, healthy economic development:

Industrial production in the first three quarters of 1963 increased 6 per cent over a corresponding period of 1962.

Total valuation of building for the same period showed an increase of almost 25 per cent.

Retail trade (10 months) was up 6 per cent.

Although farm commodity prices were down all over the nation, Maryland's farmers managed to show a slight increase in net income.

Wholesale trade was up 6 per cent.

Commerce and public utilities showed a strong upward thrust of 9 per cent.

Consumer and industrial services increased in dollar volume by 7 per cent.

In brief—to use a figure of speech of the President in his report—we in Maryland have reached “new high ground” in economic progress. And we are firmly resolved, as he suggested, to move onward and upward toward the summit.

Fiscal Program

With this as background, then, let us proceed to a more detailed examination of the budget I am presenting to you for fiscal 1965. I have recommended a total fund appropriation of \$660,505,284, of which \$326,684,907 represents appropriations from general funds.

The proposed general fund appropriation thus is \$26,795,919 more than you appropriated for the current fiscal year.

I would point out here—and I can't emphasize the point too strongly—that at the very least this level of increase may be expected from year to year if our population continues to grow and our economy continues to expand. The only alternative would be to cut back on the quantity and the quality of the services we are now providing for the people of Maryland.

And when we examine where the bulk of these increases go—for example, in the budget which I am submitting, \$13.5 million for education; \$6 million for health, hospitals and mental hygiene; \$2.6 million for public welfare—the unreasonableness of such an alternative becomes obvious.

Following a pattern of the past five years, most of the increase in State expenditures is applied to the fight against ignorance, poverty and ill health. Of the total general funds recommended, the major portion goes to the highly essential areas of health, education and welfare.

In the general fund budget I am proposing, 87.1 per cent of the increase is allocated for these purposes. Education alone accounts for 53.5 per cent of the total.

With no new program of service, it would be possible, despite the increase, to balance the budget for fiscal 1965 without a tax revision. This we could do with current revenues, together with existing surplus.

But I am convinced that the time is at hand when we must upgrade our *standards of public education so that every Maryland boy and girl in school will be assured that he or she is getting as good an education as this country has to offer.*

As you are aware, a committee of your Legislative Council, following a suggestion I made 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 in to 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 if we embark upon the expanded school aid program and at the same time continue our other State services at current standards.

The imposition of anything less than the 1 per cent increase in the income tax at this session will mean that when you come back here next year in all probability you will have to impose an additional tax, and, not only that, make it retroactive to January 1, 1965.

I am well aware that by law we budget only for the year ahead. But that does not mean that we should close our eyes to the financial demands and the financial problems of the years thereafter. To do so, in fact, would brand us with the mark of short-sightedness and irresponsibility. We must look ahead. We must plan for the future.

It might be well for us to remember the Legislature of 1958 which revised the tax structure of the State in such a way as to meet the revenue

requirements of a six year period in which the State government underwent its greatest expansion of all times. These lawmakers were thinking primarily of fiscal 1959, of course. But they were acting for the years beyond that.

I think we should display the same foresightedness when we consider our fiscal problems at this session.

So much for this part of the fiscal program. Let us turn now to a more detailed examination of the plans for the support of departments, agencies and institutions in fiscal 1965.

Public Education

Reference has been made earlier in this message to our plan for the support of public education. I mentioned that more than half of the entire general fund budget increase is being allotted to education. The highlight of our public school assistance program of course is the plan I have just cited for increased State aid to the subdivisions. Among other things, this will place Maryland in an even more favorable position among the states in the salaries paid to school teachers.

Exclusive of the proposed new program of State aid, I am asking for a total appropriation of \$174,081,446 for public education in Maryland. This is an increase of \$13,552,114 over the amount that was allowed for the current year. If you enact the new plan, the total figure will be \$190,281,441 and the increase over the current year \$29,752,114.

In these times, certainly no argument is needed to justify these expenditures for public education. Never before in history has education played so important a part, not only in the lives of individuals, but in society as a whole. The effort we make to train and educate our young people is shaping the destiny of our great nation.

In each successive budget since I took office as Governor, the program of public education in Maryland has been broadened, intensified and accelerated. The result is that in just about every category of measurement, Maryland holds a position of high rank in relationship to the rest of the country.

The budget which I am recommending to you reflects the determination of this Administration to continue a policy that has as its objective a steady improvement in both the quantity and the quality of the education that is offered in our public school system.

Higher Education

This policy extends beyond the elementary and high school level and into the area of public higher education. The aim of this Administration to enlarge and strengthen our public institutions of higher learning—the University of Maryland, the State colleges and the community colleges—is evidenced in both the operational and the capital budgets for fiscal 1965.

Last year you set up the machinery for the conversion of the five State Teachers Colleges into colleges of the arts and sciences and outlined a general plan for their utilization to meet the heavy demands of an ever-increasing college enrollment.

The conversion is taking place, and in the budget I am recommending for fiscal 1965 there are appropriations which I believe will enable the

Board of Trustees of the State Colleges to launch a program under which eventually these colleges will rank among the finest in the nation.

I have proposed a total allowance to these institutions, in general and special funds, of \$7,589,288. This represents an increase of \$911,224 over the appropriation of the current year. Most of the increase is to be spent for new positions, additional books and science equipment to sustain the additional enrollment and expand the liberal arts program.

Comparable increases have been allowed Morgan State College to enable it to continue to strengthen its excellent instructional program. In total funds, I have proposed that Morgan be allowed \$3,878,579, an increase of \$210,291 over the appropriation for this year.

The appropriation which I have recommended for the University of Maryland is designed to permit that institution to grow at the rapid pace the population explosion of our time demands and at the same time to strengthen its programs of services to students and to the public.

The budget I am submitting calls for a total allocation to the University and the State Board of Agriculture—in general, special and Federal funds—of \$44,230,792, or \$4,711,345 more than the appropriation for the current year.

The increase provides for an enlargement of the teaching and professional staff, for faculty salary merit increments, for regular increments to classified employees and for maintenance of the expanded physical plant.

The emphasis that is being placed on the improvement and expansion of the instructional program is indicated by the larger number of new positions being allowed the University.

The expenditure for new personnel will make it possible to reduce the teacher-student ratio at College Park and to improve generally the instructional programs there, in the professional schools in Baltimore and in Princess Anne.

Health and Mental Hygiene

From education, our weapon to wipe out ignorance and cultivate enlightenment, we turn now to the subject of public health.

It has been said that the health of nations is more important than the wealth of nations. This I firmly believe. And so, in each of the past several years we have broadened our programs of public health and mental hygiene to meet the health needs of our modern age.

It is worthy of note that almost one-fourth of the increase in general fund appropriations I have proposed for next year is allotted to health, hospitals and mental hygiene.

For the Department of Health, in total funds, I have earmarked \$45,464,716. This is an increase of \$4,252,931 over the allowance for fiscal 1964.

The budget for this department is a complicated one and difficult to summarize, but in general, funds have been provided to allow the department to enlarge and improve such services as environmental hygiene,

local health services, special health services, medical care, and hospitals for the care and treatment of chronic diseases and tuberculosis.

You will observe that funds have been provided to add three additional day-care centers for the mentally retarded and two additional centers for the mentally ill.

In the area of mental hygiene, it is gratifying to me to be able to report to you that for the eighth consecutive year the in-patient population in the five State mental hospitals has continued to decline. This remarkable record may be attributed to a more intensified treatment of patients, made possible by additional personnel, advances in drug therapy and active community-based day hospitals and after-care clinic programs.

On the other hand, the number of mental patients treated increased last year, roughly by 7 percent. And a record 6,250 patients were discharged in 1963, nearly two-thirds of them having been hospitalized for less than a year.

In the budget I am submitting to you, I am recommending a general fund increase of \$1,689,989, for a total of \$29,541,125, to support an effective program of mental hygiene.

In consideration of the growing problem of mental retardation, allowances have been made for the planning of two facilities, with 500 additional beds, for the Washington metropolitan area. I have made reference already, in discussing the Health Department's budget, to the three additional day-care centers, raising to 17 the number of these centers expected to be in operation during the coming fiscal year. Funds are provided in the Health Department's budget also for the support, on a matching basis, of two additional day hospitals, one in Baltimore City and another in Baltimore County.

The increase in funds for mental hygiene is needed primarily for staffing, equipping and operating new facilities, for expanding after-care clinics and for a more intensified patient care, particularly for the treatment of alcoholics and adolescents.

Economic Development

In reporting earlier in this message on the economic condition of the State, I stressed the importance of stimulating and reinvigorating our economy to provide jobs, profits and general prosperity for the people.

I also noted the success that has been achieved by our Department of Economic Development, in cooperation with local economic development agencies in Baltimore City and the counties, in bringing new industries to our State and in encouraging those already here to expand their operations.

This department, one of the newest of our State agencies, has been functioning with notable success, both in the field of industrial development and in boosting the flourishing tourist trade in Maryland.

An increase in the funds for the operation of this department has been recommended in the budget which I am presenting to you.

Highways

In our efforts to provide Maryland with a system of highways capable of meeting the demands of an ever-increasing volume of traffic, sig-

nificant strides forward have been made during the past year. During 1963, the State Roads Commission has kept up its remarkable pace in the construction and modernization of nearly 200 miles of highway per year. In fact, during the past three and one-half years the Commission has constructed or modernized approximately 640 miles of road in a program that has touched every region of the State.

This is an impressive record — a record of which all of us can be proud and an example of government living up to its responsibility to provide roadways on which the need of the people for mobility can be realized.

We want to keep up this work. We want to continue to discharge our responsibilities to the people of Maryland.

To meet the demands for highways — the demands of today and tomorrow — the General Assembly must take action at this session. Without such action, the highway construction program, as we know it today, cannot continue. Without it, Maryland will be limited to only that construction which qualifies for Federal aid. I am sure the people of Maryland want no halt in the program of road construction.

A detailed plan for the continuation of the highway program will be presented to you at this session. Among other things, it will provide funds for building \$421,283,000 worth of highways over the next six years. It calls for an increase in the gasoline and titling taxes to aid in financing this six-year program.

Later in the session, the State Roads Commission will submit to you a plan showing on what projects these funds would be used.

With the knowledge that we must keep up with the changing times, in road building as elsewhere, I urge you to give this plan your most careful consideration with the view to action at this session.

Traffic Safety

The highway traffic problem touches every man, woman and child in the State. Its many facets contribute to its complexity. And we can be sure that it is a problem that will remain with us for a long time to come.

For the second year in a row, Maryland experienced in 1963 more than 590 highway deaths. This is 10 per cent above the previous ten-year average. The number of accidents and injuries likewise have increased.

With a continuously increasing population, motor vehicle registration, road-mileage and traffic volume, it appears that the problems associated with the automobile are growing faster than our capability to deal with them.

Over the past four years the population has increased 15 per cent. Registrations are up 18 per cent and vehicle miles up 25 per cent.

I am certain that until there is an all-out effort on the part of all agencies having a responsibility in this matter, coupled with a public awareness of the problem and its complexities, the tragic loss of life, limb and property will continue to be greater than it should.

This is not to say that Maryland has not done well over the years in its handling of the problem. But we must not rest on past performance. We must continue to find ways to strengthen the overall effort.

The improvement of our road system must continue. Our law-enforcement agencies must continuously seek more effective ways to carry out their responsibilities in the promotion of highway safety. Traffic courts must strive for maximum deterrence. Standards for the registration of vehicles and the licensing of drivers must be kept high. An effective program of driver education must be encouraged.

Certainly an effective control of the motor vehicle and its driver requires a coordinated joint effort by all official agencies. It also requires appropriate legislative support if we are to reach our goal, which is the smoothest flow of traffic, moving at the highest speed compatible with safety.

I sincerely request that you give this problem of traffic safety your most careful attention at this session.

Funds have been allocated in the Department of Maryland State Police for twenty additional troopers, to increase the uniform personnel to 741. An increase in the budget of the Maryland Traffic Safety Commission is also being recommended.

Tidewater Fisheries

The oyster propagation program of the Department of Tidewater Fisheries has continued to produce ever-increasing quantities of seed oysters, with a record of 932,103 bushels transplanted to the natural bars in 1963.

A survey recently completed of the fourteen seed areas, of which twelve have been established during the past two years, indicates that a minimum of 1,300,000 bushels of high-quality seed are available for transplanting in the spring of this year.

The budget for this department has been increased by \$57,713, for a total of \$2,888,720. The annual gain in the production of seed oysters since 1961 has been more than 350,000 bushels. Consequently, an increase in the department's funds has been allowed to permit the transplanting of 1,500,000 bushels in 1965, which is an increase of 500,000 bushels over the current year.

Other Agencies

In the printed message which you are receiving today, departmental activities and programs are treated in considerable detail, but in the interest of time I must be more brief in this presentation.

I am asking you to increase the budget of the Department of Public Welfare by \$6,283,650, of which \$2,370,847 is in general funds. The increase is accounted for mainly by heavier caseloads and increased allowances in general assistance programs for such things as food and fuel.

The Department of Correction is being allowed a total of \$8,122,119, for an increase of \$258,072. Additional personnel and salary increments account for most of the increase.

For the Department of Motor Vehicles, I have proposed the allotment of additional funds, among other things to support its increased activities in financial responsibility, driver control and investigation of violations.

Capital Budget

Up to this point, I have confined my remarks on the fiscal program to the operational budget. There are some points in the capital budget to which I should like to direct your attention.

In the first place, as a move to halt the upward trend in the creation of new debt, a new policy is being initiated in this budget under which all capital items costing \$25,000 or less will be financed out of current general fund revenues. As a consequence, new debt formation in this budget will be nearly a half million dollars less than it otherwise would have been.

I would remind you, too, that despite the heavy demands for capital outlays, the result mainly of the increased population and the urgency to improve our health and educational institutions, Maryland bonds continue to be rated triple-A, reflecting the excellent credit rating of the State.

The strong emphasis we are placing on the education and health of our citizens, so sharply evident in the operational budget, is borne out by the capital budget which I am recommending.

Of the total \$25,119,400 which I have included for some 100 capital projects in fiscal 1965, \$15,330,400 is earmarked for the State colleges and the University of Maryland. This is 61 per cent of the total capital budget proposed and may be compared with the 38.6 per cent devoted to public higher education five years ago.

Of the total capital budget, \$2,269,600 is allocated for health, hospitals and mental hygiene, which will provide, among other things, 647 hospital beds, notably among which is the 500-bed facility for the mentally retarded in the Washington metropolitan area.

It is a pleasure to me to state that the members of your two honorable bodies in past years have displayed wisdom and financial responsibility in their consideration of capital appropriations. The magnitude of capital outlays facing the State in coming years calls for an even deeper sense of financial responsibility on our part if we are to keep the State on a sound financial footing. I, therefore, respectfully request your continued cooperation in this regard and urge that you scrutinize more carefully than ever the proposed outlays so that the sound fiscal position of the State may not be endangered.

I should like to caution you again, as I did last year, against the excessive use of the State's credit to finance private and local-public projects. Such uses of the State's credit to support these non-State-owned capital assets are frowned upon by the experts who establish our credit rating, and they have strongly advised against the practice.

Conclusion

The program which I have outlined here today for your consideration does not purport to cover the entire field of legislation on which you will be called upon to take action at this session. I am well aware of the many other important issues we face, and my position on these matters will be made known to you from time to time as they arise during the progress of the session.

The program I have presented, may I say, represents my best judgment of a sound and sensible plan under which our great State can continue an orderly, healthy growth and expansion.