

'SPEED STATE RECOVERY, M'NUTT TELLS ASSEMBLY

The following is part of the address made to both Houses of the Indiana General Assembly today by Gov. Paul V. McNutt:

Our people live in the storm and stress of immense and incalculable events and anxiously speculate on the possibility of profound changes in our political, social and economic life. Under such circumstances I have come to perform my constitutional duty of giving to you information touching the condition of the state and recommending such measures as are judged to be expedient with the confident hope that all of us will undertake our important tasks with clear minds and courageous hearts and that we will consecrate ourselves to the high calling of good government.

Relief

Relief was and is our first problem.

The facts reveal a startling picture of public relief in Indiana during the last two years. The case load has increased until today it slightly exceeds 125,000 families, more than half a million of our people, approximately one out of six of the state's inhabitants.

The last session of the Indiana General Assembly created the Governor's Commission on Unemployment Relief to deal with the problem of public relief, which had become acute.

Prior to Jan. 9, 1933, seven political subdivisions of Indiana counties had found it necessary to borrow funds for poor relief purposes totaling \$1,078,224.30 from the Reconstruction Finance Corporation. These funds were being expended upon the authority and at the direction of the Governor. The Governor's Commission on Unemployment Relief took over the administration of these funds which, by June 1, 1933 had reached a total of \$5,179,931. These loans were cancelled by Presidential authority and the 23 counties borrowing the money have no further obligation.

On May 22, 1933 the Federal Emergency Relief Administration was created and the executive committee of the Governor's Commission on Unemployment Relief was appointed its Indiana agent. Funds allotted to Indiana, exclusive of the \$22,820,190 granted for the Civil Works Administration, total \$29,157,254. These funds were not granted to the state without proper safeguards. These safeguards were the rules and regulations requiring better standards rather than limitations. The funds have been distributed by the Governor's Commission on Unemployment Relief (the Indiana administration of the FERA) on the basis of need in the various townships of the state. It was apparent that the taxpaying ability of the people in many townships could not cope with the relief expenditures. Other townships were able to raise all the necessary funds.

Poor relief is traditionally a responsibility of the local unit. However, when tax rates become so high that the law of diminishing return becomes operative, additional help must be given to maintain the credit to obtain the required poor relief orders. To meet such contingencies the Governor's Commission on Unemployment Relief allotted funds to the various townships from the grant made to the state by the FERA.

To insure free and available funds for financing the cost of relief during the coming years, certain phases of the present laws should be clarified and strengthened and to some extent expanded. Rather than tear down completely the present system of financing poor relief, it is desirable to make present laws definite and workable. Proposed changes fall into three classifications, as follows:

1. Make county poor relief bonds saleable by making tax levies mandatory for interest payments and retirement. In other words, remove county poor relief bonds from the tax levy limitation law.

2. Define into one unified whole the respective duties and functions, as to poor relief, of township and county boards and officials, using the decision of the Indiana Supreme Court of Sept. 9, 1933, in the case of Wayne Township vs. Brown as a basis. This includes fixing the responsibility on county officials of providing free and available funds for poor relief for the incoming year so that there can be no failure to provide for the poor.

3. Provide a county or state poor relief fund to assist those townships unable to care for those on relief because of low valuations and high poor relief loads.

Federal Agencies

The first obligation of government is to protect the humanity which it serves. To make certain the complete performance of this obligation, the President of the United States has proposed a program which includes three great objectives.

1. The security of livelihood through better use of the national resources of the land in which we live.

2. The security against the major hazards and vicissitudes of life.

3. The security of decent homes.

If our people are to be served instead of starved in a land of potential plenty, it is the first duty and welcome privilege of state governments to lend every possible support to the proposal. All units of government must act and work together in order to assure success. Specific recommendations covering the details of necessary co-ordinating legislation will be placed before your honorable bodies immediately following action by the President and Congress.

Fortunately much of the preliminary work in Indiana has been done. Studies of social welfare needs and unemployment relief have been made. The State Planning Board, after most of intensive investigation and research, has completed a comprehensive report on a state plan for Indiana. To insure the continuation of this most important work, I recommend the creation of a permanent State Planning Board to make studies of the resources of the state, to formulate plans for the intelligent and systematic utilization and development of these resources and to co-operate with the National Resources Board and other Federal and state agencies.

The beginnings of a program of social welfare legislation were made two years ago by the establishment of an old-age pension system in this state. The administration of the system was placed in the hands of County Commissioners and the state was required to pay one-half of the sums disbursed by the counties. The results have not been satisfactory. The state government has followed both the letter and the spirit of the law with scrupulous care. Many of the counties have failed miserably and have defeated the purpose of the system. It is to be hoped that a national system of old-age insurance will provide a proper solution. It does not then it is our plain duty to strengthen the present act and insure adequate provision for the aged poor.

I recommend the passage of the following legislation:

1. An act providing for the establishment of state licensed warehouses for the storage of grain on farms and permitting the issuance of storage certificates therefor.

2. A State Recovery Act, supplementing the National Industrial Recovery Act and providing enforcement agencies, to remain in effect for a period of two years.

3. An act simplifying the procedure for the authorization and financing by municipalities of public works projects and permitting the sale of bonds privately to the Federal Government.

4. An act, with proper safeguards, conferring additional powers upon municipalities to undertake public works projects and issue bonds to finance the same and delegating broader authority to municipal officials to make such contracts with the Federal Government as are deemed in the best interests of the municipality.

5. An act creating municipal improvement authorities without power to tax but with power to issue bonds payable solely from the income producing improvements.

6. An act authorizing municipalities to engage in slum clearance, including condemnation of necessary lands, and the construction, operation and maintenance of low cost housing, to make contributions therefor and to enter into contracts with the Federal Government in connection therewith.

7. An act providing for the creation of non-profit public benefit corporations or agencies to provide for the electrification of rural communities with the assistance of the Federal Government.

8. An act validating bonds and other obligations heretofore issued by municipalities for public works projects and sold to the Federal Government.

9. Acts, providing for a connected and constructive conservation program more adequately protecting and preserving the state's natural resources, looking to forest preservation, providing for the protection of forests against fire, insects and disease, adjusting taxes on (forests), taking over tax delinquent forest land for state or other public forests, and making suitable provisions for increasing public ownership and encouraging better management of private forests.

10. An act accepting the provisions of the Wagner-Peyser Act and providing for the designation of a state agency to co-operate with the United States Employment Service.

Economy, Welfare

In compliance with Chapter 278 of the Acts of 1933 a non-partisan committee on governmental economy was appointed to collect and study all pertinent data relative to the functions and organization of state, county, township, city and town governments, school corporations and other municipal corporations and to recommend to the public and to succeeding sessions of the General Assembly such laws as will insure economy, proper integration of functions among the various governmental units, efficiency in organization and proper financial support of such governmental units.

The report of this committee will be placed before your honorable bodies in a few days. It deserves your careful and serious consideration. With some of the recommendations I am not in accord, but I recognize the fact that in the swirl of rapidly changing standards and economic stress responsible readjustments of governmental policy and functions are clearly indicated.

I am confident that the people of Indiana and you as their chosen representatives have the wisdom and courage to consider the facts and make the necessary changes. It is needless to assure you that I am willing to accept my share of the responsibility both in counsel and in action.

One point of the report of the Committee on Governmental Economy covers the findings and recommendations of a special commission of outstanding and nationally recognized experts in the field of public welfare, who came to Indiana at my invitation to study our particular problems in this field. This commission had as an objective the substitution of a program of prevention of crime and dependency and of rehabilitation of afflicted persons for a policy of custodial care. The major recommendations offered were:

1. The creation of a consolidated department of public welfare.

2. The establishment of a semi-independent central sentencing parole and clemency court.

3. The organization of county units of public welfare co-ordinated with the state department of public welfare.

4. The formation of an effective, well trained and well disciplined state safety organization.

5. The authorization of interstate agreements, under the Ashurst-Summers Act, covering police, safety, probation and parole activities beyond the boundaries of the State of Indiana.

Crime

Curbing the increase in the number of crimes committed and destroying the menace of organized crime, especially in the form of reeling groups of criminals, are problems of primary importance.

To meet the present problem organized society must strengthen all of its agencies, its preventive social agencies as well as its agencies for the administration of criminal justice. In addition to the criminal legislation to which your attention has been invited, I urge legislative action which will plug the loopholes in the criminal code and strengthen the administrative machinery of

criminal justice. The agencies for detection and arrest must be enlarged, strengthened and co-ordinated. Penalties must be made swift and sure and just and fitted to the crime. To assist in accomplishing these purposes I recommend the passage of the following legislation:

1. An act proposed by the Criminal Law Committee of the State Bar Association, reforming the code of procedure in criminal cases.

2. An act authorizing the Attorney General to appear, either in person or through his deputies, before and present evidence to the grand jury in any county in the state, and authorizing the Attorney General to enforce the criminal law where the prosecuting attorney is unable, or neglects or refuses to enforce such law.

3. The uniform machine gun act.

4. The uniform act to secure the attendance of witnesses from without the state in criminal cases.

5. The uniform criminal extradition act.

6. The uniform act for the extradition of persons of unsound mind.

7. The uniform firearms act.

8. The uniform narcotic drug act.

9. An act increasing the number of state police and providing for their selection on basis of merit.

10. An act authorizing the making of interstate compacts under the terms of the Ashurst-Summers law.

Budget

The current state budget is balanced today and will be balanced at the end of the fiscal year.

Frugality, without false economy, must guide your budget making for the next biennium. A further moratorium on necessary capital expenditures is unwise. Repairs, replacements and extensions are imperative at practically all state institutions.

Further delay will be costly and will endanger the well-being of the state's wards. Additional appropriations must be made for a substantial increase in personnel and the proper training and housing of the state police force as well as for the maintenance and operation of the state police radio.

Provision should be made for a suitable retirement system at the state's institutions for higher education.

I urge consideration of the budget and passage of the appropriation bill at your earliest convenience in order that proper attention may be given to the equally important task of balancing the budget.

Taxes

Property taxes levied for this biennium were \$85,000,000 less than for the previous biennium, a decrease of more than 30 per cent. Property taxes paid during this biennium were \$92,000,000 less than for the previous biennium, a decrease of over 34 per cent. Property taxes levied for 1935 show an additional decrease of almost \$8,000,000. During this biennium additional sources of revenue produced less than \$26,000,000. The net reduction on a basis of taxes levied has been more than \$62,000,000, on a basis of taxes paid over \$66,000,000.

Taxation is not a political problem. It is an economic problem and discussion of it should be kept on that basis.

It is my duty to recommend the following action:

1. The repeal of the so-called Industrial License Law.

2. The extension of the Store License Law to include itinerant merchants and peddlers as well as merchants with established locations.

3. The retention of the provision for emergency tax levies in the present Tax Limitation Law unless and until new revenues are found to support the proper functions of local government.

4. Postponement of sales of property for the non-payment of taxes for one year and authorization of postponement for an additional year upon executive order.

Roads

After July 1, 1935, when the new Federal highway grants are available it will be necessary for the state to match the Federal grant dollar for dollar. Under the terms of the Federal grant these funds must be spent on Federal aid highways, which means unless the revenues of the State Highway Commission are increased there will be approximately only \$1,000,000 available for the construction of state highways other than Federal aid highways.

Therefore, if the gaps now existing in the state highway system are to be improved, if the state is to take over the maintenance and construction of streets in cities and towns forming the routes of state highways; if new roads are to be added to the system, it will be necessary to provide more revenue for the highway commission.

In this connection I recommend the passage of an act providing that only bona fide residents of the state and, wherever possible, only residents of the county where the work is being done be employed on all public works, including highway and bridge contracts.

Education

It is one of the paramount duties of an enlightened government to give adequate support to public education.

In keeping with our established policy of affording equality of opportunity to the children of all of the people, I recommend the enactment of legislation permitting the authorities of township, town and city schools to furnish free textbooks for the pupils within their respective districts.

The need of better methods for the transportation of school children is evident. Motor vehicles used in the transportation of school children should conform to modern safety standards and should be operated by competent drivers. I recommend revision of the laws governing transportation of school children in accordance with these suggestions.

In a number of instances throughout the state school children have been transferred by agreement of the school officials concerned for the purpose of increasing the enrollment in certain school corporations and, as a consequence, the share of state school funds.

This practice defeats an equitable distribution of state funds and should be cured by a provision that the transfer tuition fee, charged by the school corporation for the education of a transferred child, whose resident corporation maintains a school of the grade to which the child is assigned, shall be the per capita cost, exceptions to be made only upon approval by the board of the Department of Education.

Finance

The remarkable success of the operation of the Indiana Financial Institutions Act, throughout a period beginning with the bank moratorium of 1933 and continuing to this day, has been cause for pride.

While the amendments now proposed appear voluminous they comprehend in the main subject-matter of relative unimportance insofar as the structure of the Financial Institutions Act is concerned. In general they correct omissions, strengthen the state's supervisions over banks and building and loan associations in the light of the development during the last two years; clarify certain sections of the original act to give the Department of Financial Institutions the right legally to co-operate to the fullest degree with the various Federal agencies that have entered the financial reconstruction phases of our country's life; make possible the reorganization of certain financial institutions in communities where the need for such immediate rehabilitation is very great and generally add to the effectiveness with which the Department of Financial Institutions can continue to function.

Two phases of the proposed amendments to the financial institutions act are of emergency character and it is to those necessary situations that I desire to call attention. The first has to do with certain amendments which will meet requirements of Federal agencies overlapping with state control of banks and, if speedily enacted by this General Assembly, will permit of the opening of certain financial institutions in the state to the immediate relief of large number of depositors who already have suffered unnecessarily by reason of legal obstructions which the proposed amendments will remove.

The second emergency situation involved in these amendments to the financial institutions act has appeared in connection with the extension of the Federal Housing Administration's program into a wider phase of the general reconstruction plans of the President. Certain enabling provisions should be added to the state law to insure complete co-operation between the state and national authorities.

In my judgment the relief to be given hundreds of our citizens by certain of these amendments warrants emergency consideration of the proposed amending bill by the General Assembly.

I am of the sincere opinion that the 79th General Assembly should give very serious consideration to this suggested regulatory legislation.

Transportation

There is danger to our welfare in an undersupply of transportation and the danger is the greater as great when an oversupply exists.

The chief problem is the very evident demand for a program, not only of co-ordination, but also of equalization, which will eventually bring about a situation where all types of transportation operate on a parity and co-operate one with another from an economic standpoint. The most pressing part of the general problem has to do with the regulation of highway transportation. Immediate remedial action is necessary in order to bring system and safety out of the present chaotic and dangerous condition. The powers of the Public Service and Highway Commissions should be increased, an adequate and competent force of motor vehicle inspectors provided, and traffic regulations strengthened.

Liquor Control

The legislation on the subject of liquor control was enacted by the 78th General Assembly before repeal. It was necessarily provisional and flexible in character. It brought to the state of Indiana the benefits of repeal and modification on the first day. It required no large capital expenditures. It did not put the state into the liquor business. It was upheld by both state and Federal courts.

To secure the approval of a majority it may be necessary to adopt different methods in urban and rural areas. Careful study indicates that any system, to be effective, involves state rather than local control and supervision of the manufacture and sale with alcoholic beverages. This does not necessarily involve an exclusive state monopoly of retail sales for off-premise consumption. Control may be secured by enforced regulation without ownership. It is essential that you provide for a strict regulation of hours and places of sale and forbid the sale to minors. Licenses for on the premise consumption should not be granted for locations not under adequate police supervision. A non-partisan board of control should administer the act and be given wide powers in granting and revoking licenses and in issuing and promulgating regulations. Fees imposed should be for the purpose of social control rather than revenue. The policy adopted must promote respect for the law, protect persons and property, prevent the return of the open saloon and foster true temperance among the people of the state of Indiana.

Elections

It is your duty to preserve the sanctity of the ballot and the right of choice by the qualified voters of this state. In this connection your attention is invited to the platform of both major parties on the subject of the primary.

No voter should be deprived of his right of suffrage because of unavoidable absence from his voting place in the performance of his

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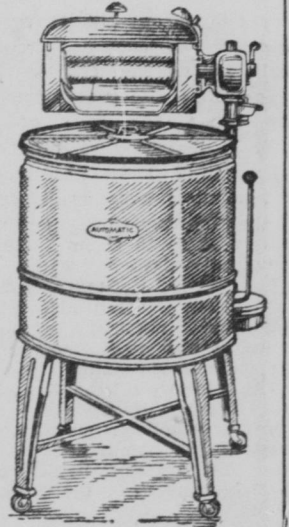
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