

M'NUTT PRESENTS IDEAS ON SECURITY TO ASSEMBLY AS SPECIAL SESSION CONVENES

Urges Prompt Action to Gain Benefits of Federal Grants.

(Continued From Page One)

Indiana County and Township Officials Association, also would be introduced this afternoon.

The Governor, in his message, briefly outlined the objectives of the social security program and urged the Assembly to take prompt action to prevent Indiana from losing any of the benefits it may obtain from the Federal grants-in-aid which are to finance half the cost.

The Governor admitted he was not wholeheartedly in favor of all provisions of the three bills drawn by the joint legislative committee from the House and Senate, but intimated that as "representing the considered judgment of the members."

Recommendations Passage

The Governor said: "With some of the provisions, I am not in accord, but I recognize the fact that these measures cover certain controversial points and represent the considered judgment of the members. I therefore recommend the passage of the bills as submitted by the committee."

Gov. McNutt admonished the assemblymen that it is imperative they consider three things in enactment of the measures. These he listed as:

1. The state acts must fulfill the requirements of the Federal act and be formally approved by the designated Federal agencies.
2. The state budget must remain balanced.
3. Local units must be given the authority and the time to readjust their budgets in complete accordance with the social security program.

Favors Liberal Pension

Announcing himself as heartily in favor of a liberal old-age pension law, the Governor informed the members he believes it necessary for the social security program to rest on a sound financial basis.

"I heartily favor the payment of old-age pensions to those 65 and older and recommend that the age limit be lowered to 65 as soon as our resources permit such action, but not before," he said.

"Consideration of the financial condition of the governmental units involved indicates July 1, 1938, as the earliest practical date unless additional source of revenue are provided. To accomplish its high purposes, the social security program must rest on a sound financial basis. It is a good rule for individuals and governmental units to measure commitments by ability to pay."

Refers to Previous Statement

In the phrase, "unless additional sources of revenue are provided," the Governor referred to his previous announcements the gross income tax revision would be necessary if the General Assembly insists on advancing the old-age payment date to persons 65 from 1938 to 1937.

Gov. McNutt emphasized that the unemployment compensation program contemplates, but does not require, state action.

"Most states," he pointed out, "have not hitherto been willing to enact unemployment compensation laws because such laws place their industries at an unfair advantage in interstate competition."

"If the state does not act, the unemployment compensation will be under the complete control of the Federal agency and a pay roll tax on employers of eight or more will be levied."

Closing his message, Gov. McNutt traced the state's and nation's recovery from the depression during the last three years. The emergency has been met, he said, but that is not enough. It is a far greater thing to prevent such catastrophes in the future and the social security program is designed for such a purpose, he declared.

"God help us to be worthy of the best Indiana tradition in supporting these sane and practical proposals for social security and human rights," he concluded to a burst of applause from the members of the Assembly and the crowded galleries.

"No Gag Rule," Says Stein

Both houses proceeded swiftly this morning with organization of the necessary machinery. This was accomplished by a series of motions, including one which killed bills still on the calendar from the 1935 session.

Speaker Edward H. Stein and Majority Floor Leader Frank G. Thompson emphasized in remarks to the House that while old bills were removed from the calendar, the subject matter was not dead and the bills might be reintroduced.

"There is to be no gag rule," Speaker Stein said. "The calendar merely should be cleared to obviate unnecessary bookkeeping."

In the Senate, Lieut. Gov. M. Clifford Townsend stressed the necessity of free discussion of all points on social security, to which the Senate has bound itself for sole consideration.

"Keep Cards Up"—Townsend

"Let's keep our feet on the ground and the cards on the table face up," Mr. Townsend urged. "Since the scope of our deliberation is limited to social security, let's act as a committee of the whole and be a true deliberative body."

Text of a "home rule" old-age pension bill sponsored by the county and township officials association was revealed during the forenoon session.

The trustees' bill is concerned solely with old-age assistance and differs radically on this score from the measure drafted by the joint legislative committee.

Under the trustees' bill old-age pensioners would be eligible at 65 and after July 1, 1937. In the administration measure the age limit would be lowered a year later. Maximum compensation, \$30 a month, remains the same.

Section 1 of the trustees' bill provides for consent of the Senate to the Governor's appointments to a board of five to administer old-age assistance.

"This is to prevent appointment of a board antagonistic to home rule," according to an explanation

Text of Governor's Message to Legislature

Text of Gov. McNutt's message to the joint meeting of both houses of the Indiana Legislature, meeting in special session today, follows:

Mr. President, Mr. Speaker, Members of the Senate and of the House of Representatives:

In his message of June 8, 1934, the President of the United States said, "Among our objectives I place the security of the men, women and children of the nation first" and requested safeguard "against misfortunes which can not be wholly eliminated in this man-made world of ours."

In response to this appeal, the Congress of the United States passed the Social Security Act, approved Aug. 14, 1935, and subsequent appropriation measures, which enable the several states to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health and the administration of unemployment compensation laws.

In order that the manifest advantages of these acts may accrue to the people of Indiana, it is necessary that co-operative legislation be adopted by this state. Therefore, acting by virtue of the power and authority vested in me by the Constitution and believing that the public welfare requires careful examination of and speedy action on these matters, I have called your honorable bodies into special session to consider them.

BILLS ARE OUTLINED

Immediately after the introduction of the social security bill in Congress, qualified members of various state departments made an analysis of the subjects involved with special reference to the Indiana situation and carried on intensive research activities during the intervening period. In order to avoid the expense of a special session, repeated efforts were made to secure the benefits of Federal assistance without legislative action. These efforts were unavailing.

As soon as Congress made the necessary appropriations, a committee of the General Assembly, consisting of 12 members of the Senate, appointed by the president of the Senate, and 12 members of the House of Representatives, appointed by the Speaker, was called to draft such legislation as would enable the State of Indiana and its citizens to participate in the benefits of the Federal act. The recommendations of this committee are in your hands in the form of three bills. These are:

1. A bill for an act concerning public welfare.
2. A bill for an act relating to unemployment compensation, stabilization of employment, and employment service.
3. A bill for an act accepting the provisions and benefits of the act of Congress known as the "Social Security Act," designating the Treasurer of State as the officer to receive, safeguard and disburse such Federal funds as may be received thereunder, and authorizing the State Board of Health to co-operate with the Federal government and with the several municipal corporations and health districts of the state in the enforcement and administration of the "Social Security Act," and prescribing its rights, powers and duties in connection therewith.

THREE ADMONITIONS

With some of the provisions I am not in accord, but I recognize the fact that these measures cover certain controversial points and represent the considered judgment of the members. I therefore recommend the passage of the bills as submitted by the committee.

In your consideration of these bills, it is imperative that three admonitions be borne in mind:

1. The state acts must fulfill the requirements of the Federal acts and be formally approved by the designated Federal agencies.
2. The state budget must remain balanced.
3. Local units must be given the authority and sufficient time to readjust their budgets in compliance with the social security program.

There are eight kinds of grants-in-aid provided in the Federal Social Security Act. In five instances grants are conditioned upon stipulated matching expenditures by states and local subdivisions under plans which meet state requirements. These five include grants-in-aid of state expenditures for the promotion of maternal and child health and of state assistance to four types of needy individuals: Aged persons, blind persons, dependent children and physically handicapped children. In two cases, those of grants-in-aid of public health services and aid of child welfare services in rural areas, no conditions are attached to the Federal grants except that the funds be expended by the states for the general purposes for which the grants are made. The eighth grant is designed to finance the cost of administration of unemployment compensation in states which have approved plans.

REQUIREMENTS OUTLINED

It is my duty to outline the technical requirements necessary to obtain Federal approval. In the instances where grants must be matched by states there are five conditions for approval which are common to all. These are:

1. A state plan. For old age assistance, aid to the blind and aid to dependent children, the plan must be state-wide and, if administered by local subdivisions, be mandatory.
2. Financial participation by the state.
3. A state agency must be appointed or designated to administer or to supervise the administration. In maternal and child health, the state health agency must be used.
4. Acceptable methods of administration necessary for the efficient operation of the plan.
5. The submission of reports in such form and containing such in-

formation as may be prescribed by the Federal agency.

RIGHT OF APPEAL

In plans for old-age assistance, aid to the blind and aid to dependent children, persons whose claims for assistance have been denied must be permitted to appeal to the state agency.

In dealing with old-age assistance and aid to the blind, state residence requirements may not exceed five years within the last nine years, but one year of residence immediately preceding the application may be required. Citizens of the United States may not be disqualified, as, for example, by a requirement of a certain number of years of citizenship.

Other conditions having to do with old-age assistance are: That one-half of any recovery by the state from the recipient or his estate must be paid to the United States, and that after January, 1940, the state law must provide an age limit of not over 65 years. Until then a 70-year limit is permissible.

I heartily favor the payment of old-age pensions to those 65 years of age and over and recommend that the age limit be lowered to 65 years as soon as our resources permit such action, but not before. Consideration of the financial condition of the governmental units involved indicates July 1, 1938, as the earliest practical date, unless additional sources of revenue are provided.

To accomplish its high purposes the social security program must rest on a sound financial basis. It is a good rule for individuals and governmental units to measure commitments by ability to pay.

Other limitations specified are that no aid for the blind is to be given to any individual receiving old-age assistance, and that a state residence requirement must not disqualify a child who has resided in the state for a year, or who was born within the state during the preceding year if its mother resided in the state for one year immediately preceding the birth.

PROGRAM NOW INADEQUATE

Such social welfare legislation is not new in Indiana. The present estimated total annual expenditures for assistance only, exclusive of relief, amount to \$3,450,000, of which the state furnishes \$1,700,000 and the counties \$1,750,000. That our present program has not been an adequate safeguard against the major hazards and vicissitudes of life has been tragically apparent in recent years.

This new program will do much to provide a safeguard against the hazards leading to destitution and dependency. Under it the estimated total annual expenditures for assistance will amount to \$14,850,000, of which the state will furnish \$4,980,000, the counties \$3,120,000 and the Federal government \$6,750,000. For the most part, the estimated additional expenditures by counties will be compensated by a consequent decrease in expenditures for relief. The state can do its part from accumulated savings without additional taxes at this time.

The balance in the state general fund at the end of the present fiscal year, June 30, 1936, will be approximately \$10,200,000. This will come the additional direct cost of the social security program for assistance and administration. The remaining margin of safety will be needed to cover periodical advancements for teachers' salaries and to absorb the inevitable delay in settlement with the Federal government, and to provide the necessary working balance. Common sense and business judgment demand the retention of this margin of safety in the state treasury.

PAYMENTS ARE QUARTERLY

Allotments by the Federal government are made quarterly. For this reason it is highly desirable that your action be taken and approved by the Federal agencies before April 2.

The title of the Federal Social Security Act, which covers Federal old-age benefits, does not require any state action to secure the benefits for citizens of this state. The administration of the provisions of this title is in the hands of the Federal board. These benefits are supplemental to the grants-in-aid for old-age assistance. The old-age assistance benefits are for the purpose of meeting the immediate situation of those who already are superannuated, or shortly will be, and who have not sufficient accumulations for decent self-maintenance in their old age. The Federal old-age benefits, in contrast, are intended for employed workers of younger age groups. It will enable them to build up their right to an assured income in their retirement period.

In addition to this provision for building up reserves to secure the Federal old age, the Social Security Act provides for his protection against unemployment during his working years.

The unemployment compensation program contemplates but does not require state action. Most states have not hitherto been willing to enact unemployment compensation laws because such laws would place their industries at an unfair advantage in interstate competition. If the state does not act, the unemployment compensation will be under the complete control of the Federal agency and a pay roll tax upon employers of eight or more will be levied. If the state enacts unemployment compensation measures meeting stipulated requirements the employers may credit payments made to the state unemployment compensation fund up to 90 per cent of the Federal tax.

DISCUSSES JOBLESS BILL

Complete latitude is allowed the states in their selection of a type of unemployment compensation device. It is clearly contemplated that it may be either a straight pooled fund made up of contributions from all employers, with or without supplementary contributions from the workers, or a scheme of individual reserves with a single plant or group



House legislative leaders discuss caucus plans while Edward Beggs, Indianapolis, House Clerk, looks on. Left to right, Mr. Beggs, Rep. Lenhardt Bauer (D. Terre Haute), Democratic caucus chairman; Rep. Frank G. Thompson (Bluffton), Democratic floor leader, and Speaker Edward H. Stein (Bloomfield).

of plants as units, or a guaranteed employment plan.

In the crediting arrangements, after three years of operation of the state law, the full advantage to the employer of the individual reserve plan is permitted at the discretion of his state. If, at the end of this period, an employer's reserve account equals a certain minimum percentage of his average annual pay roll, he will receive credit from the state each year for 90 per cent of the Federal tax without paying anything more.

Thus, the employer with a stable pay roll and small labor turnover is in an advantageous position, whereas an employer who does not stabilize employment in his plant will continue to make contributions to his reserve account and may even have his rate increased. If the state allows experience rating in fixing contributions to a pooled fund, the employer with a low contribution rate may be permitted, up to 90 per cent of the Federal tax, to credit the difference between his own payment and the maximum rate of contribution to the fund.

Approval of the state's unemployment compensation law by the Social Security Board is required for crediting, and certain conditions are laid down as essential to approval. These conditions are: (1) All compensation must be paid through public employment agencies, or other agencies approved by the Board; (2) no benefits shall be payable until two years after contributions are collected; (3) all moneys must be placed in a trust fund in the United States Treasury; (4) all moneys withdrawn from this trust fund shall be used for unemployment compensation, exclusive of administration; (5) no worker shall be denied compensation because he refuses to be a strikebreaker or to work under conditions less favorable than those prevailing in the community for similar work, or to leave the union of his choice, or to join a company union; (6) rights conferred by the law must be respected, subject to the power of the General Assembly to amend or repeal the measure.

It is obvious that the adoption of a state unemployment compensation program will be advantageous to those who are now subject to the provisions of the Federal act. The grant-in-aid will relieve the state of the cost of administration of an ap-



The Speaker of the House, Edward H. Stein of Bloomfield, with gavel in hand and a white carnation in lapel, opened the special session of the Indiana Legislature today.

proved unemployment compensation plan.

PROVIDES FOR HAZARD

The most devastating source of insecurity is unemployment. Unfortunately, our country was among the last to make any provision against this major hazard. Three years ago today all enterprise was paralyzed, all confidence was gone. Millions walked the streets and highways looking for work. Local poor relief funds were exhausted. Business was at a standstill. The purchasing power of our citizens had been destroyed. So deep and so widespread was the demoralization that the people had lost hope, not only in their own ability to meet the crisis, but in the ability of any one to do anything about anything.

Something was done. The people

were rescued from starvation and despair and given renewed faith and courage which a brave leadership inspired when men's hearts were sinking. During the intervening time unemployment has declined 30 per cent; farm products have increased in value 100 per cent or more; industrial production has gone up 51 per cent; listed stocks have increased 134 per cent in value and listed bonds 22 per cent. Human values and business values have been undergirded, revitalized and restored by these increases. The crisis in the affairs of our people has been met.

It is one thing to meet such a devastating emergency. It is a far greater thing to prevent such catastrophes in the future. Such is the purpose of this social security legislation. The cost is small when compared with the enormous cost of insecurity which we have just experienced. As a matter of fact, the

PARTISAN VIEWS FOLLOW SPEECH TO LEGISLATORS

'Politics,' Say Republicans; Well Summed Up, Is Democratic Idea.

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for bread and we are preparing to give them stones. The way the bill is set up now, it is a loan and not a pension system. Let's give them a pension.

Rep. Frank G. Thompson (Bluffton)—Gov. McNutt made a wonderful speech that was right to the point.

Rep. W. E. Gibbons (Elberfeld)—It couldn't have been better.

Rep. William C. Morris (Gary)—I favor the 65-year age limit beginning July 1, 1937. There are plenty of us who will fight on the floor to secure that change. Human rights are involved here. It is up to us, as representatives of the people, to find money to carry on an adequate program.

Rep. W. J. Black (Anderson)—As one of the leaders for the old-age pension plan, I think the House will go along with Gov. McNutt's suggestions.

Rep. Fred E. Barrett (Marion County)—This was one of the finest addresses I ever have heard. Gov. McNutt clearly gave the message to the people, that this is a procedure of the Federal government and not of the state of Indiana. Our bill does follow the Federal government's wish.

High Praise Bestowed

Rep. Carl E. M. Woodard (Michigan City)—After working on the committee that drafted this measure, I was so familiar with it that I received no reactions at all from Gov. McNutt's speech.

Rep. H. R. Willan (Martinsville)—I consider this one of the finest addresses of its kind I ever have heard.

Rep. Lloyd E. Griffith (Huntington)—I think the address will go down in history as one of the greatest legislative speeches. It demonstrates his interest in human rights as outlined by our President.

Rep. Henry A. Emig (Evansville)—It was a wonderful speech and showed a good understanding of the problems. It took a lot of courage to tell them there would be no pension until 1938.

"Statesman, Humanitarian" Senator Walter S. Chambers (Newcastle)—It was the speech of a statesman and humanitarian.

Senator William D. Hardy (Evansville)—The speech was a wonderful address and was the kind that must appeal to the intelligence of the average man.

Senator E. Curtis White (Indianapolis)—It was one of the greatest humanitarian addresses I've ever heard.

Senator Daniel D. Lynch (Hammond)—I thought it was a masterful summary of the social security legislation now being considered by the General Assembly.

Senator Edward Hays (Marion)—It was a clear cut talk of what the Governor desired the General Assembly to do and at the same time it permitted the Assembly to iron out many of the minor points as to the operation of the bills.

program should result eventually in reduction in the cost of destitution and dependency and should destroy the fears which invite explosive and destructive political and social changes. It should promote industrial stability and a decent American standard of living.

God help us to be worthy of the best Indiana tradition in supporting these sane and practical proposals for social security and human rights!

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