President Kraschel then presented Governor Clyde L. Herring who delivered the following message:

GOVERNOR’S MESSAGE

*Mr. President, Mr. Speaker, Members of the Forty-fifth General Assembly and Fellow Citizens:*

Pursuant to authority conferred upon me by the constitution, and because it appears advisable and necessary, you have been convened in extraordinary session. I desire to point out briefly, the reasons for such special session.

In the regular session, early in the year, it was conceded by all, that some form of tax revision was necessary. At my request, however, the General Assembly postponed consideration of such legislation pending a study of the entire taxation system in the light of present conditions.

I pledged at that time that I would, immediately upon conclusion of such survey by an Interim Tax Committee composed of members of this General Assembly, call the Legislature in extraordinary session to consider the report of this committee, and such other emergency legislation as conditions might indicate.

In addition to tax revision, there now are several other pressing matters which demand early and definite action.

Very substantial reductions in taxation have been effected due to the action of this General Assembly at its regular session, and there have been large reductions in the expenditures of the various departments of government due to careful administration.

The tax burden in 1930 was in excess of $110,000,000. In 1931 there was a reduction of approximately ten millions of dollars, and in 1932 a further reduction of approximately nine millions of dollars.

The estimates of the Board of Assessment and Review indicate that under assessments made this year, to be collected next year, there will be a further reduction of about fifteen millions, bringing the property tax payable in 1934 down to approximately seventy-five millions of dollars.

Inasmuch as approximately thirty million dollars per annum is needed to meet the annual maturities of bonds and interest payments, and relying upon the estimates made by the Board of Assessment and Review that state government in its present form cannot be conducted for much less than forty millions of dollars per annum, it appears we are rapidly approaching a point below which, until we have effected some re-organization of state and local government, we may not go without serious curtailment of necessary governmental services. Therefore, we must look to tax revision for further relief.

Despite these decreases in the amount of our total tax burden on property, there is a persistent and well justified demand that new sources of revenue be provided.

I well know that the members of this legislature and the people of Iowa do not desire to tap new sources of revenue merely to provide additional moneys to be spent. They desire a reduction of the burden on property, and our consideration of the tax revision must carry with it constantly the thought and purpose that tax revision that does not afford tax relief to property is in effect no relief.

A special tax committee of the Senate, created in the last session, together with a special committee from the House, appointed by the Speaker, composed of five members each, has been engaged for several months past in cooperation with the Interim Committee in a study of tax revision.

In August, these fourteen members of the General Assembly, and the one member designated by the Governor, received the report of the survey made for this committee by the Brookings Institution. I have observed the work of this joint committee of fifteen members and I take this occasion to commend them for the work that they have done at a great sacrifice of time and energy, and with no compensation except the satisfaction of public service well done.

The report of these committees to the special session proposes genuine property relief measures—measures intended to provide new sources of revenue to relieve property insofar as the yield of new revenues will permit. There will also be submitted a measure for budget control and review of levies designed to make the new taxes, insofar as possible, a shifting of the burden from property—a replacement in fact.

In the last twenty years tax revision has been repeatedly before the Legislature. The measures have been defeated for various reasons and I am hopeful that in this present emergency, we will enact into law definite measures that will relieve the burden on property, so safeguarded as to prevent, insofar as may be, a consequent increase in the total tax bill.

During the regular session of the Forty-fifth General Assembly certain remedial and corrective legislation was passed due to the economic conditions and emergencies that had arisen affecting our state banks. Since the adjournment of the regular session, the National Congress passed what is known as the Banking Act of 1933, which provides for the establishment of a Federal Deposit Insurance Corporation. Before a bank can become a member of the Insurance Corporation it must comply with certain standards set up and required by the Corporation. As an aid to banks, so that they may qualify to become members of the Insurance Corporation, the Reconstruction Finance Corporation has initiated a program to assist banks to prepare themselves for qualifications to become members of the Insurance Corporation by taking preferred stock or issuance of capital debenture notes. The Reconstruction Finance Corporation will not, however, take preferred stock which is subject to double liability. The Banking Act of 1933 also provides that the double liability imposed upon shareholders of National Banking Associations shall not apply to respective shares in any such National Association issued after the date of the enactment of the Act, which was June sixteenth, 1933. Under our present law this gives National Banks an advantage over state banks. The insuring of deposits in banks becomes effective January 1, 1934. Therefore, new legislation that is proper and necessary must be passed without delay.

Since the adjournment of your regular session, a sufficient number of the states of the Union have voted favorably upon the repeal of the Eighteenth Amendment to the Constitution of the United States. It is probable that during the period of your session enough states will have ratified the Twenty-first Amendment to the Constitution to cause it to become operative. For that reason it becomes imperative for us to consider the form of legislation to be adopted to control the sale of intoxicating liquor in the state of Iowa.

In the selection of delegates to the Constitutional Convention held last June, the people of Iowa recorded their sentiment for repeal of the Eighteenth Amendment. In my address to the Constitutional Convention in July, I stated that I considered the result of the June election an expression by the people of Iowa for temperance as opposed to prohibition. I further stated that I believed the people of Iowa, through their Legislature would in the event of repeal, adopt practical laws, which would represent the will of our people, and also promote the cause of temperance.

When I observed the rapidity and unanimity with which the various states voted for repeal, I considered it appropriate to appoint a committee of citizens of the state, to serve without compensation, to make a study of the various methods of liquor control, in order that when you assembled in this session you might have the benefit of such facts and recommendations as they saw fit to submit. We have been fortunate in having on that committee some of the best citizens of our state. They have given generously of their time and have submitted to me a report which I shall transmit to your Honorable Body for such aid as it may be to you in the enactment of necessary legislation.

Many of us have held views on the question of the sale of intoxicating liquors which the experiences under the operation of the Eighteenth Amendment have caused us to change. The opinions of some have not yet changed. However, upon the repeal of the Eighteenth Amendment, we will be confronted with a practical problem and it must be dealt with in a practical way.

I ask that after most careful consideration of the facts and recommendations contained in this report, there be enacted into law a measure which will provide adequate control of the sale of intoxicating liquors and at the same time promote the cause of temperance.

In your regular session, you enacted House Files 350 and 193, relating respectively to the extension of the redemption period and emergency delay of foreclosures.

Since these acts became effective my attention has been called to many instances in which mortgagors without funds to employ counsel, or those uninformed as to the provisions of the law, have not interposed the demand which would bring to them the benefits of these acts.

It is suggested, therefore, that your body consider the advisability of so amending the moratorium provision so that the moratorium will automatically apply unless the mortgagor shall voluntarily waive the provisions with reference thereto.

Since last January, the state has had the benefit of contributions by the Federal Government for the relief of destitute persons. Approximately three and one-half millions of dollars have been paid to me by the Federal Government for distribution, under my direction, as need arose. Many of our counties have almost reached the limit of their ability to meet these federal aid allotments or to fund payments for relief of the destitute. The committee which has administered the federal funds in Iowa has acted without compensation and has performed the work in a manner for which all the people of this state should be grateful. This committee now reports to me that after January first, federal funds will be no longer available unless the state provides an amount on the basis of at least two dollars for each one dollar the Federal Government contributes. Until the 46th General Assembly convenes in 1935, it is important that provision be made to permit the state to divert from its general fund such an amount as may be necessary to obtain federal aid.

The provisions which you will make for the use of state funds should include a grant of power to the Governor to handle these funds in the manner in which the federal funds have been handled for the past year. In this connection it is desirable that in the enactment of the legislation providing for new revenues you make provision for the diversion to relief of such an amount as may be necessary to accomplish the purposes I have suggested.

I should like to make a brief report to you of the condition of the state.

Since the dark days of last March, there has been a substantial improvement in Iowa and throughout the Nation.

Prices of our farm products, while still in no wise adequate, are substantially higher than the prices of last winter. Many people have been returned to work. The measure of improvement has not been as rapid as our citizens have hoped, yet we are encouraged by the progress that has been made.

In the light of unchanged world conditions, improvement in our state and within the Nation must, of necessity, result largely from national cooperation and a willingness to work together for the common good. We must take care lest, in our desire to proceed too rapidly toward recovery, we build unsoundly with the consequent result that improvement wi1l be temporary and the subsequent condition worse than the first.

In your consideration of the problems of this session you should be advised as to the state of our finances.

On January 1, 1933, the cash balance in the general fund of the state was $1,306,150.22 against which, as a liability, there were outstanding warrants of $300,000. On November first, 1933, the cash balance was $1,409,703.89 with an outstanding warrant account of $3,369,810.68, of which $2,959,396.52 are warrants stamped “Not Paid for Want of Funds,” and bearing interest at 5%. This condition is due to a general falling off of receipts from all sources. For the past several years, receipts to the General Fund have been from seventeen to eighteen millions of dollars annually. In the last year, 1932, these receipts were $18,227,000, whereas for 1933 the receipts are but $12,601,000. This shows a reduction of income in excess of five millions of dollars. During this same period expenditures have been reduced in excess of two millions of dollars.

You should be advised that during the first quarter of this fiscal year, under the Comptroller Act, as contrasted with the first quarter of the last fiscal year, administration expenses were reduced from $1,083,000 to $788,000, a saving of approximately $300,000 in administration costs. Also the Board of Education and the Board of Control Institutions, for this same period, show a total of $2,720,000 for the first quarter of last year as compared with $1,930,000 for the similar period this year, or a saving of approximately $800,000. This makes a total of approximately $1,100,000 less in expenditures the first quarter under the Comptroller Act, as compared to the same quarter of last year.

By reducing these expenditures we have faced about and are now living within our income, whereas, expenditures of the past have been as much as $3,000,000 in excess of revenue.

With the application of economies instituted by the General Assembly by the administrative officials and the various purchasing bodies, we have for the first quarter under the Comptroller Act, receipts totaling $2,923,000 or $104,000 more than expenditures for the same period.

It had been hoped that your Interim Committee might be able to carry its investigation to a point that would have permitted them to recommend to us measures for governmental reorganization. They have reported, however, that the question of tax revision, upon which they have been engaged, together with the Special Senate Committee and the Members of the House, has so largely occupied their time as to prevent submission of a report as to state government based upon the careful study, which the importance of the subject necessarily required. They have expressed a desire to submit, if possible, some proposals to this special session. However, you are already confronted with proposals which will challenge your full time and attention to the exclusion of those less pressing.

I issued a call for this special session confident that you would recognize the necessity for the legislative action suggested and confident that you would limit the duration of the session, thus reducing the cost to the minimum.

There can be no greater assurance of a successful session than that you proceed as in the forty-fifth Regular Session, with that fine spirit of harmony and cooperation which resulted in one of the most constructive legislative records in the history of the state.

In these trying days the people have the right to expect, yes, to demand of you as their legislators, and of me as their Chief Executive, that we shall look primarily and solely to their interests without thought of partisan or personal advantage. This we can do, and with the aid of providence we will do, to fulfill our obligation and discharge our responsibility to the people of Iowa.