President pro tem Byers then presented Governor Clyde L. Herring, who delivered the following message:

*Mr. President, Mr. Speaker, Members of the Senate and House of the Forty-seventh General Assembly of Iowa:*

It is provided by the Constitution of the State of Iowa that the Governor shall communicate by message to the General Assembly, at every regular session, the condition of the state, and recommend such matters as he shall deem expedient. It is again my privilege as Governor to comply with that provision.

By statute of the state, it is further provided that after the oath of office has been administered to the Governor and Lieutenant Governor elected for the new term, the Governor shall deliver to the Joint Assembly “any message he may deem expedient.” Therefore, my successor may be expected, in accordance with law and custom, later to deliver his message pertaining to those matters he deems of vital importance to the state. I shall leave it to him to make recommendations for such specific and definite action of this body as he shall consider fitting and proper, and confine myself to the duty imposed upon me, to impart my official views upon the condition of the state. To do so must necessarily call for a brief review of my administration.

FINANCE

When I assumed office in January, 1933, there was an actual cash balance in the hands of the Treasurer of State of $472,000. Unpaid bills, both current and long accumulated, were outstanding in an amount far in excess of the cash on hand for payment thereof, and sufficient funds were not available to meet the necessary cost of the legislative session. It became necessary to borrow $80,000.00 from a bank to pay the second installment of legislative salaries.

Upon my recommendation, the Legislature took steps to prevent a recurrence of this condition by prompt passage of the Budget and Finance Control Act, and thereby made impossible so long as that Act remains law, an unbalanced budget through expenditures in excess of state revenues.

As of December 31, 1936, there are no outstanding warrants. The budget is balanced; only immediate current obligations in small amounts are outstanding; the cash balance on hand is $4,698,689.83.

During the past few months many conflicting statements have been made concerning the amount of taxes collected during each of the past four years. I have had prepared by the Comptroller, but shall omit the reading of, a detailed statement of such tax collections for each of these years. It will be found in your printed copy of this message. In this connection I am considering only taxes from the payment of which no Iowa citizen of the respective taxable groups is exempt. I do not refer to fees, cigaret, gasoline, insurance premium, and like taxes, the collection of which, and the amounts thereof, are controlled by and dependent upon voluntary purchases, and the volume of which rises

TAX COMPARISONS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Tax Levyto beCollected1933 | Tax Levyto beCollected1934 | Tax Levyto beCollected1935 | Tax Levyto beCollected1936 |
| General State Tax……………………………………………………... | $ 7,467,082.18 | $ 6,607,055.53 | ………………………… | $ 9,076,740.99 |
| Soldiers’ Bonus Bond Tax…………………………………………. | 1,405,167.70 | 1,539,544.26 | $ 1,956,979.68 | 1,510,266.34 |
| All County Taxes………………………………………………………. | 27,975,447.80 | 25,551,368.74 | 27,509,790.74 | 30,405,499.49 |
| City and Town Taxes………………………………………………… | 13,304,170.32 | 11,970,954.36 | 12,524,228.39 | 13,132,351.01 |
| District School Taxes………………………………………………… | 41,091,896.85 | 35,493,591.12 | 34,898,903.61 | 35,592,060.43 |
| Grand Total—All Property, Money and Credit Tax | $91,243,764.85 | $81,162,514.01 | $76,889,902.42 | $ 89,716,918.26 |
| 3 Point Tax Collections……………………………………………... | ………………………… | 5,458,277.90 | 15,553,320.85 | 18,233,617.37 |
| Grand Total—Property and 3 Point Tax……………... | $91,243,764.85 | $86,620,791.91 | $92,443,223.27 | $107,950,535.63 |
|  Deductions |  |  |  |  |
| Refunded Back to Counties……………………………………….. | ………………………… | \* $ 3,243,584.34 | $ 4,000,997.99 | $ 11,550,000.00 |
| Emergency Relief……………………………………………………... | ………………………… | 1,500,000.00 | 3,500,000.00 | 4,000,000.00 |
| CCC Camps……………………………………………………………….. | ………………………… | ………………………… | 125,000.00 | 250,000.00 |
| Refunds to Individuals……………………………………………… | ………………………… | 16,617.30 | 63,746.07 | 84,484.91 |
|  Total Refunds, Relief, Etc………………………........... | ………………………… | $ 4,760,201.64 | $ 7,689,744.06 | $ 15,884,484.91 |
| Net Taxes…………………………………………………………………. | $ 91,243,764.85 | $81,860,590.27 | $84,753,479.21 | $ 92,066,050.72 |

\* One-half State General Revenue Tax

and falls as business and economic conditions generally, rise and fall; thus in a good business year such fees and so-called taxes will increase in amount, in a bad year they will decrease. I am referring to property taxes, tangible and intangible, and revenues from the three-point tax measure.

STATE BUDGET AND FINANCIAL CONTROL

For the past several weeks, the State Comptroller, under authority given him by the Budget and Financial Control Act, has been holding hearings with representatives of all departments of state government, for the purpose of presenting to this Legislature estimates of financial requirements for the conduct of state business during the next biennium.

Due to the watchful eye of the Comptroller and the splendid cooperation of the various departments of state government, a balanced budget has been maintained, and, as has been reported elsewhere, a cash balance is available in the state general fund at all times.

We have been operating on a rapidly rising market and prices apparently have not yet reached their peak. Due to this situation and other necessary demands, it is the judgment of the Comptroller that approximately eighteen millions of dollars for each year of the next biennium will be required to keep the budget in balance. It is estimated that revenue other than direct taxes going to the general fund of the state will approximate seven million dollars per year. This will make necessary an amount of about eleven millions of dollars, to be raised from some source by the Forty-seventh General Assembly.

The Comptroller’s office is prepared to present to the General Assembly, its committees, and its individual members, full and complete details of all financial transactions of the state government during the past four years, and its judgment as to the needs for the next biennium.

STATE HIGHWAY FINANCE PROGRAM

During the past two years $7,839,000 was expended for highway maintenance, and $22,809,000 for highway construction, of which the federal government provided $15,210,000.

There was paid off during this period $9,027,000 of primary road bonds. In accordance with authority granted by the Forty-sixth General Assembly, there was refunded during this period $67,491,000 of primary road bonds then outstanding, and in this refunding operation not only were $624,734 in premiums collected, but a total annual saving of $1,440,000 was effected by obtaining an average reduction in the interest rate from 4.65% to 2.83%. The balance of the outstanding bonds would, likewise, have been refunded had it been possible under their terms to call them for payment.

During the past year, ten counties have voted $8,835,000 of primary road bonds for paving and improving primary roads. From the time the first law authorizing the voting of primary road bonds was passed in 1919, up to and including 1936, a total of $118,171,000 of county primary road bonds were voted by ninety-six counties, and up to November 30, 1936, ninety-five of these counties had actually issued and sold primary road bonds to an amount of $111,544,000. Up until November 30, 1936, a total of $25,148,000 of these primary road bonds had been paid off and retired leaving upon that date outstanding $86,396,000 of county primary road bonds.

A serious situation presented itself in May, 1933, when six millions of highway bonds and interest matured without sufficient reserve to meet them. To avoid default in many counties, it was necessary for the Comptroller to issue warrants which were stamped “Not Paid for Lack of Funds” in an amount in excess of four millions of dollars, and under the statute these warrants drew 5 per cent interest. They were retired within the year and since that day not a single warrant drawing interest has been issued, and under the above referred to refunding plan, ample reserves have been provided to meet maturities so that a situation such as occurred in May, 1933, cannot recur.

EMERGENCY RELIEF ADMINISTRATION

The Iowa Emergency Relief Administration, established for the purpose of administering funds granted by the federal government for relief purposes and continued for this purpose, and, continued also, for the administration of appropriations made by the Forty-fifth and Forty-sixth General Assemblies, has continued through 1935 and 1936.

Federal funds granted to Iowa and administered through this agency during 1935 and 1936 totaled $13,862,471. State funds received and administered during this same period amounted to $5,344,417, and local funds administered by this agency during this same period totaled $7,108,744. This money was all expended for direct relief of persons in need because of unemployment, and to help pay the cost of such relief in those counties in which local funds were not sufficient to meet the need.

In November of 1935, the Federal Works Progress Administration took over the responsibility for employable relief cases. Several thousand projects throughout the state, of considerable value to the state and communities, were carried on under this administration, and during 1935 and 1936, $23,793,418 was expended by the Federal Works Progress Administration in Iowa for work upon such projects. This work cared for many thousands in Iowa willing and able to work rather than accept direct relief. Approximately one-half of the employable persons in Iowa receiving relief were given an opportunity to work in exchange therefor. Wages were paid at the rate prevailing in the community for the type of work performed.

A full and detailed account of activities in the drought area, the supply of surplus commodities distributed, the educational program and student aid program, the supplying for seed purposes of corn and soy beans purchased late in 1934, the distribution of some forty thousand hogs turned over by the Agricultural Adjustment Administration to this agency, the medical program, the certification of young men for employment in the Civilian Conservation Corps, the treatment of tuberculosis patients in state and county institutions, and many other worthy activities, are fully set forth in a detailed report by the administrator, Mr. J.C. Pryor.

OLD AGE ASSISTANCE

The problem of assistance to the aged in need has not been completely solved. No program so new in our legislative field, so vast in its scope, is solved in the first attempt, but a definite and constructive beginning has been made.

Iowa was the first state in the Union to have its old age assistance statute approved by the federal government, and Iowa was the first state to receive an allocation in cash from the federal government to match state funds. Up until December 31,1936, the state had supplied $6,587,038 to this fund and had received in grants from the federal government $2,482,967. From these funds 29,900 aged and needy Iowa citizens have received assistance and every dollar thus expended has passed back through the channels of Iowa trade.

The incoming Governor will present a plan to provide sufficient funds to care for all of those qualified for this assistance. It has my endorsement without reservation.

SALES TAX

In 1934 the legislature passed what is commonly known as the “three-point tax law.” That law has carried out the promises of its sponsors. The Board of Assessment and Review has created the necessary divisions and administered the law efficiently and economically well within the limitations as to cost imposed by the statute.

As the tax on retail sales expires automatically on April first, 1937, the question of its re-enactment will be before this General Assembly. Coupled as it is with a tax upon personal net income and a business tax on corporations, it is an effective revenue measure, raising large sums at small collection cost. It should be made a permanent part of our tax system.

BANKING

During the period from January, 1933, to June 30, 1934, the Banking Department was mainly occupied in administering the emergency legislation passed by the Forty-fifth General Assembly. The program for reorganization and re-establishment of banks on a safe and sound basis progressed steadily for eighteen months.

The soundness of the program and policy followed is evidenced by the splendid growth of our system of state banks. On June 30, 1934, we had 487 banks with total deposits of $225,496,000. On June 30, 1935, we had 535 banks with deposits of $300,000,000, and on June 30, 1936, we had 543 state banks with total deposits of $346,713,000, a deposit increase of more than $121,000,000, or approximately a 55 per cent growth.

UNEMPLOYMENT SERVICE BUREAU

Under authority granted by the Forty-fifth Extraordinary Session of the General Assembly, the establishment of additional unemployment offices in Iowa as continued in cooperation with the United States Department of Labor, and with additional funds provided by the state and federal government this bureau has been enlarged and made much more effective.

As you are aware, the Extraordinary Session of the Forty-sixth General Assembly, recently adjourned, transferred this service to the Unemployment Compensation Commission created by Act of that session.

INSURANCE

Iowa is known throughout the nation as a great insurance state, and the condition of insurance is an excellent index of general business and financial conditions. At this time, 779 insurance companies, of the several kinds, are licensed in this state, of which 236 are Iowa institutions, including 12 Life companies, 5 Fraternals, 11 Fire companies, 16 Casualty, 32 State Mutuals, 1 Reciprocal Exchange, and 159 County Mutuals.

$1,741,000,000.00 of life insurance is in force in Iowa. Reserve deposits of Iowa companies in custody of the Commissioner of Insurance total $478,000,000.00, an increase of $57,000,000.00 in the past year.

Premium taxes and fees collected for the last biennium amounted to $3,304,000.00, with a total departmental expense for the biennium of $86,000.00.

STATE PLANNING

The Iowa State Planning Board, created in 1934, has demonstrated beyond question its value as a fact-finding, advisory, and program planning agency.

In my opinion it should be continued as a permanent unit of state government.

FARM DEBT ADJUSTMENT ACTIVITIES

In my message two years ago I reported upon the formation of and results obtained by the Iowa Farm Debt Advisory Council, established in 1934. The Farm Debt Advisory Council continued as originally organized up until July 1, 1935, at which time the Federal Resettlement Administration took over the administration of farm debt adjustment work in Iowa.

The work has been carried on by the Resettlement Administration under the same plan used by the Farm Debt Advisory Council. The state has provided office space for the Farm Debt Adjustment Supervisor in the offices of the Department of Agriculture. All other expense, including district supervisors and county committee councils, has been paid since the inception of the work by the federal government.

Many millions of farm indebtedness in addition to those formerly reported, have been adjudicated by this council, thousands of farmers refinanced and millions of dollars of debts scaled down.

IOWA LIQUOR CONTROL COMMISSION

Since March 8, 1934, the Iowa Liquor Control Commission has operated in accordance with the Act passed by the Forty-fifth General Assembly upon March fifth of that year. Accomplishments from a social point of view during this time, approximately two and one-half years, have exceeded the most hopeful anticipation.

Month by month there has been evidence of a constantly growing public support from the citizens of Iowa. This system is based on the philosophy that liquor should be available to every citizen qualified to purchase it, but withheld from those undeserving of the privilege. The Iowa Liquor Control Commission has always stressed the promotion of temperance and the control of the liquor problem in the state. Profit from its operation of state-owned liquor stores has been a secondary consideration.

It has been a fundamental principle since the inception of this Liquor Control Commission, that the cost of its operation should be borne by those whom it serves, and without sacrificing the principles of temperance and control; this object has been accomplished.

A loan of $110,000, repaid in ninety days, and made out of an appropriation of $500,000, $390,000 of which was never used, is all of the taxpayers’ money as such which has ever been invested in the development of the Iowa Liquor Control Commission. Since the inception of its business to December 31, 1936, net earnings of the Iowa Liquor Control Commission have exceeded $3,200,000. In addition to transferring to the general fund of the state $1,100,000 during the current year, 1936, the Commission has an investment and assets of approximately two and three-quarter million dollars, with no liability other than current expenses.

During the past two years, ending December thirty-first, the Iowa Liquor Control Commission paid to the Board of Assessment and Review in sales tax collected, $275,000; 601 persons are employed, and wages paid these employees during the calendar year 1935 and 1936 amounted to $1,150,000, or about 68 per cent of the total operating cost of the Commission.

EDUCATIONAL INSTITUTIONS

During the past four strenuous years, it has been necessary for the administration to require unusual curtailment in the expenditures of our educational institutions. The needs for the coming two years will be fully presented through the Comptroller’s office.

However, I feel this observation should be made. We can continue for the next biennium without substantial increase in appropriations for physical equipment of our state educational institutions, but if we are to maintain the high standards which have been set by our state institutions of education; increases in salaries must be made to retain in our employment the many splendid men and women who have made personal sacrifices during the past four years in order that they might remain with us. Already we have lost too many who are most difficult to replace.

Our educational institutions are recognized throughout the United States as outstanding among the states, and they must not be permitted to drop back to become just other universities and colleges.

Today I come to the close of the happiest four years of my life, happy because I have been able to accomplish something for those of my neighbors and friends of Iowa who were in need.

When I took the oath as Governor four years ago there was no happiness among the people of Iowa, only distress and black despair. The sheriff, with his warrant for the sale of farms and homes was hurrying from place to place in the performance of his unwelcome duty. Neighbor met neighbor to resist with force, if need be, the effort to deprive the unfortunate of home and shelter.

We have had some pretty trying situations during these four years. Farm mortgages were being foreclosed and farmers driven upon the highway; banks were closed at the rate of two or three a day, and dropped from 1,800 down to less than 600; bank receiverships were liquidating bank securities upon a demoralized market, with the result that stockholders and depositors alike were suffering great losses. Nearly 70,000 families in Iowa were unable to provide themselves with food or shelter. Two-cent hogs and ten-cent corn had made impossible the payment of taxes, or interest, upon thousands of farms, and thousands of farmers faced actual want. We had never recognized our obligation to those of our citizens who, through no fault of their own, were not able longer, because of age, to care for themselves. The state budget was unbalanced because millions more had been spent in 1932 than had been collected in taxes, and due to these abnormal conditions, thousands of other problems presented themselves.

In the face of these conditions it was necessary that immediate and definite action be taken. Resistance to law could not be permitted, but it was against human nature to stand by while even children were being forced from the warm protection of their homes into the streets and highways. Some other way of meeting that situation was imperative. Without authority in law, but supported by every human instinct, I issued an executive order prohibiting farm foreclosures. The courts almost without exception recognized the vital importance of that order if human rights and human liberties were to be preserved, and foreclosures came to an immediate stop. The legislature, as soon as possible, sustained that order, and the first moratorium became law.

With similar promptness a law was enacted for the protection of bank depositors, and almost over night the most dangerous of our terrible heritage from former days was under control.

I do not for one moment take the credit for what was then accomplished. I am only grateful that fortune placed me in a position to be among those who saved the people of Iowa from dangers more engulfing than was ever dreamed.

You know that the variety and the complexity of the problems exceeded those of any other like period in our history.

But you may not realize—you cannot realize—as fully as I do that this great record of accomplishment—and it was a great record—was made possible only through the whole-hearted and loyal cooperation of the people of this state.

The citizens of the various communities helped with the banking problems.

Organized farm groups aided by creditors and debtors alike cooperated in the problem of farm mortgages.

Corn-hog committees and farm groups cooperated with state officials not alone in handling corn loans but in dealing with the problems of drought and chinch bug infestation.

Voluntary committees of citizens worked to solve relief problems quickly and effectively.

The women’s clubs and other organized women’s groups were ready and willing to aid in every movement to relieve distress.

And so I repeat—what we have accomplished in solving all these problems was done by cooperation.

We fought and worked together to make the homes and farms of Iowa secure, to relieve distress, to see that no family suffered for lack of the necessities of life.

The measure of our results is found in the security that exists today in Iowa.

Our homes are secure.

Our farms are secure.

Our banks are secure.

As I look back over the legislative enactment and administrative acts of the past four years, I detect running through it all the fundamental thought of more security.

The first proclamation forbidding foreclosures was issued that our farmers might be secure in their homes until refinancing was accomplished.

Our Banking Act was passed that both depositors and stockholders might be more secure.

Our Old Age Assistance Act was enacted that security might be given to our older people.

Our Liquor Control Act was based largely upon the desire to make our young folks secure from the bootlegger and his poisoned alcohol.

The refunding of our highway bonds was provided that we might be secure against the threat of default.

Our three-point tax measure was passed to transfer from the backs of thirty per cent of our people to one hundred per cent the cost of government, and, thereby make this thirty per cent more secure from injustice.

Our relief program for those in distress, our federal cooperation, and in fact, every act has running through it a silver thread of security.

Now that we have started, through state legislation, a broader program for the several phases of social security may I not express the hope that the general aims which the past four years’ records so clearly reveal be continued through the future?

Today we face another danger, not in this state alone, but nation wide, which can be met only by broad-minded action of our courts or by a change in the fundamental laws of our land. I refer to the just demands of the farmer for protection against the ravages of nature in one season and the munificence of nature in another, alike disastrous. Through federal cooperation a plan must be devised that will balance the good year against the evil year. Likewise, the just demands of labor that hours of work and the compensation therefor shall be placed upon a basis fair both to the employer and the employee; likewise that those to whom the declining sun is a symbol shall not be forced to face old age with the threat of want ever before them.

These most important things now unsolved must be worked out by men and women who have in their hearts a real and abiding love for humanity, who will consider with fairness and good faith the rights of the farmer and with him the consumer, the laborer and with him the employer, the aged and with them the young, who must bear the burdens for those upon whom have fallen the heavy hand of devastating time. They must be done by those who are determined to find ways and means to do them; they will never be done by those who are dismayed by obstacles and deterred by detail.

Here in our beloved state we have, in so far as may be done by a state alone, given protection to the aged. We have provided for social security within the limitations of previous laws, and we have given all the aid to farm and labor possible as a state.

In the past four years the clouds that were low upon the horizon have been driven away, work has been provided for those who needed work, relief has been given to those in need, business has taken on new life. The future holds much of promise to those who four years ago wore only the mantle of discouragement.

Of all of these things we could have accomplished but little save with the aid of strong hands at our nation’s capitol. From our great President came leadership not exceeded in our nation’s history, and today he plans things as far-reaching as those already accomplished.

In a few days I leave you to join him in carrying out the program that means so much to all our people. I go with deepest regret, for I have enjoyed the work here as your Governor.

Monday when I take the oath as Senator in the Congress of the United States I shall be away from the places I have so long enjoyed, the people who have been so kind to me but not one of you will be forgotten. Your needs, your wishes, will always be foremost in my thoughts. I will not, I could not if I would, forget that here upon the prairies of Iowa, in every hamlet and in every crossroads are friends, men and women, who have stood loyally by me, and whose friendship I prize more than office. With such memories I go. Inspired by such friendships I shall do the best that within me lies.

To these things I pledge myself in this my last message as your Governor.

Good-by and good luck.