

MAINE STATE LEGISLATURE

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REPORTS OF

Recess Committee

88th LEGISLATURE



Created by Joint Order of the Senate and House of Representatives
October 28, 1937, to examine into the Relations between the United
States of America and the State of Maine in Respect to Loans or
Grants, etc.

STATE OF MAINE

In Senate, October 28, 1937.

ORDERED, the House concurring, that there be and hereby is created a committee to consist of two members of the Senate and three members of the House, the members of which committee shall be appointed by the Governor.

Said committee shall examine into the relations between the United States of America and the State of Maine in respect to loans or grants by the Federal Government or any agency thereof which have been made or are now being made or which may be or become available to the State, or to any agency or subdivision thereof, the amounts thereof, the use and usefulness thereof and the manner and expense of the administration thereof, together with such other facts as may be necessary or convenient in obtaining complete information regarding such matters.

Said committee may employ counsel, compel the attendance of witnesses and the production of books, papers, documents, records and other evidence and may administer oaths to witnesses and punish for contempt.

Said committee shall report its findings to the Eighty-eighth Legislature.

All expenses incurred by said Committee in the discharge of its duties shall be paid from the general funds of the State upon approval by the Governor and Council.

In Senate Chamber

Oct. 28, 1937

Read and Passed

Sent Down for Concurrence

Royden V. Brown,
Secretary.

House of Representatives

Read and Passed

In Concurrence

Oct. 28, 1937

Harvey R. Pease,
Clerk.

Name: Laughlin

County: Cumberland

A true copy.

Attest: ROYDEN V. BROWN,
Secretary of the Senate.

Senate Paper 557.

STATE OF MAINE
EXECUTIVE DEPARTMENT
AUGUSTA

October 28, 1937

To the President of the Senate and the
Speaker of the House of Representatives :

In compliance with the provisions of the Joint Order (S. P. 557) dated
October 28, I hereby appoint the following members as the order directs :

On the part of the Senate—Senator Laughlin of Cumberland
Senator Willey of Cumberland

On the part of the House—Representative Hill of South Portland
Representative Varney of Berwick
Representative Philbrick of Cape Elizabeth

(Signed) LEWIS O. BARROWS,
Governor.

STATE OF MAINE

In Senate, Jan. 18, 1939.

ORDERED, the House concurring, that the several reports and affidavits attached thereto, filed with the 88th Legislature by the joint select committee thereof, created by joint order passed in the Senate and House of Representatives on the 28th day of October 1937, for the purpose of examining into the relations between the State of Maine and the United States of America as set forth therein be called from the files of the 88th Legislature and placed on file with the documents of the 89th Legislature and that 1500 copies thereof be printed in pamphlet form.

In Senate Chamber

Jan. 18, 1939

Read and Passed

Sent down for Concurrence

Royden V. Brown,
Secretary.

House of Representatives

Read and Passed

In Concurrence

Jan. 18, 1939

Harvey R. Pease,
Clerk.

A true copy.

Attest: ROYDEN V. BROWN,
Secretary of the Senate.

Name: Miss Laughlin

County: Cumberland

FINAL REPORT

To the Honorable Senate and House of Representatives of the 88th Legislature:

Your Committee, appointed in pursuance of the Joint Order of the Senate and House of Representatives of the 88th Legislature passed on October 28, 1937, for the purpose of examining into "the relations between the United States of America and the State of Maine in respect to loans or grants by the Federal Government, or any agency thereof, which have been made or are now being made or which may be or become available to the State, or to any agency or subdivision thereof the amounts thereof, the use and usefulness thereof and the manner and expenses of the administration thereof, together with such other facts as may be necessary or convenient in obtaining complete information regarding such matters" respectfully submits the following report:

The Committee held its first meeting on October 28, 1937, and has held very many meetings since that date and has devoted much time to investigation along the lines set forth in the Order creating it. The Committee voted to confine its inquiries as to the amounts of money received from the United States, or any agency thereof, and the expenditure of the same, to the fiscal years from July 1, 1932, to June 30, 1937.

Only a portion of the Federal funds expended in Maine was expended, or the expenditure reported, through the office of the State Controller, and a still smaller percentage was either wholly or partially under the direction or control or administration of State agencies.

During the above named five fiscal years, the total amount of Federal loans or grants which passed through the State Treasury or were vouched for through the office of the State Controller was \$28,910,208.63, and, of this amount, more than thirteen million dollars was expended by the Federal Emergency Relief Administration in Maine without any vouchers returned therefor other than the vouchers of the administrator thereof; the system being that the money was paid to the then Governor of Maine, Governor Brann, by the Federal Agency disbursing the funds and paid by the Governor to the F.E.R.A. Administrator who deposited the money in the State Treasury and expended the same by checks against it drawn by him.

Information as to the amount of Federal sums paid into Maine by departments or agencies of the Federal Government had, therefore, to be sought.

in large part from other sources than the records of the State Controller, namely, through the various Federal departments or agencies. This was not always easy to obtain, even by personal inquiry in Washington. In some cases, there seemed to be confusion in the records; sometimes there was reluctance or refusal to give the information. For instance, it required daily inquiry in Washington for a period of four days to get the figures regarding certain grants, as reported by the Department, to agree with figures previously given to the Committee by a former official of that same Department. In another matter, the Department representative first denied having the information, and, later, acknowledged having it but refused to divulge it.

The attention of the Committee was first directed to learning how much Federal money had in fact been expended in Maine and how much was an outright grant and how much was held to be a loan. This proved to be no simple matter. At the time of the appointment of this Committee, the Reconstruction Finance Corporation carried among its assets a sum of approximately two billion dollars as loans to the various states, and the law originally provided that such loans could be deducted from the allotment of Federal funds for highway to the states. Thereafter, Congress enacted a law providing that such loans should not be deducted from highway funds, but did not provide that the debts of the states be cancelled; and the Reconstruction Finance Corporation continued to hold the sums loaned the states as an asset and subject to repayment by the states. The amount was not charged off as a Federal expenditure or added to the Federal deficit. In spite of repeated inquiries, your Committee has not been able to learn the exact status of the sums listed as loans to the states, nor the amount, if any, charged to Maine and subject to repayment. Your Committee hopes that there will be further legislative effort to obtain such information.

From reports from the various departments of the Federal Government it appears that the total amount of Federal grants expended in Maine from March 4, 1933, to June 30, 1937, was \$84,270,588.00. This amount is, of course, exclusive of loans to corporations and individuals, which are subject to repayment by such corporations and individuals, and which, to a large extent have already been repaid. The amount does include the amounts, totaling \$6,914,858.00, spent for purely Federal purposes, namely, for naval and military purposes and for the Coast Guard, which are for national defense and not for the benefit of Maine alone. It also includes \$14,022,990.00 for C. C. C. camps, many of the beneficiaries of which are young men brought here from other states. Subtracting the amount spent for military and naval purposes, and leaving in the amount spent on C. C. C. camps, though they are not exclusively for the benefit of Maine, and also

including the matched sums for highways and for other purposes for which Federal grants have been received for many years, the total amounts of grants expended in Maine, during the above named years, amounts to \$77,355,730.00, a very different sum from that which has at times been claimed. Also it must be remembered and emphasized and re-emphasized that such sum is far less than the proportionate part of Federal expenditures which Maine has been called upon to pay and will, now and in the future, be called upon to pay through taxes levied both directly and indirectly.

Of this sum, as stated above, only some fifteen million dollars was, in any degree, subject to the direction, control of, or administration by State agencies, even when the State was obliged to match Federal funds, such administration by state agencies being subject to restrictions and requirements on the part of Federal authorities, as a condition of any portion of the expenditure being met by Federal grants. This is true in respect to the administration of relief, of old age assistance, of aid to the blind, to dependent children and for other purposes under the Social Security Act, so called.

During the above years, the sum of \$53,437,049.08 was loaned to banks and trust companies closed by order of President Roosevelt in March, 1933, and whose difficulties in many cases have been due to such indiscriminate closing. By November, 1937, by the report of the Federal authorities, all but \$407,330.73 of this sum had been repaid with interest, a record of which Maine may be proud.

It was possible, from the records of the various state agencies expending Federal funds and from the office of the State Controller to learn the uses to which such funds were put. Such information, however, could not and cannot, be had as to the use of Federal funds by purely Federal agencies. Such records are not open to state inspection. Some expenditure of Federal money apparently received no oversight by any agency, State or Federal. For instance, your Committee was informed by the acting Administrator of the E.R.A. that a large sum of Federal money, granted to Fishermen's Relief Corporation and Maine Coast Fisheries, two Maine Corporations, was not under the jurisdiction of the Federal Government, and that the Committee should make its inquiries of the officers of the corporations. The Committee, in its attempts to get such information, was hampered and delayed and put to great expense. The officers of these corporations not only refused the information sought, but they attempted to secure an injunction to prevent the Committee from pursuing its investigations along this or any other line and denied the authority of the Legislature itself to authorize a Committee to make such investigation. This matter will be dis-

cussed in detail hereinbelow, but it is proper to say at this point that approximately one half of all the money spent by the Committee was spent in opposing these suits brought to declare the Committee without authority and its appointment void.

FEDERAL FUNDS FOR RELIEF

The only real and detailed knowledge as to the expenditure of any Federal funds, not under the semi-control of state agencies was furnished by the records in the trial of an officer of F.E.R.A. in Maine indicted with 17 others for misappropriation of Public funds; and that information became available because the Presiding Justice of the state court ruled that the matter was within the jurisdiction of the state court. As a result of that ruling the case went to trial in the Superior Court sitting in Kennebec County, and evidence was presented.

While the evidence presented at the trial is a matter of Court record, which is the source of the Committee's information, the facts brought to light are of such vital concern and show such gross misuse of public money and are so little known to the general public, that the Committee deems it advisable to embody certain fundamental points in this report that there may be a more widespread knowledge on the part of the members of the Legislature and of people generally so that they may realize how the hard earned money of the taxpayers was wasted and misappropriated under Federal administration of relief money in this State.

Briefly the situation was as follows: Federal agencies, first, the Reconstruction Finance Corporation, and later, other Federal agencies, paid to the then Governor of Maine, Governor Louis J. Brann, during the years from Jan. 1, 1933, to December 31, 1936, more than twelve million dollars for relief in Maine. The sum probably exceeded thirteen million dollars, but it is difficult, if not impossible, without very extended investigation, to learn from Federal reports figures which can be quoted as absolutely correct. Put conservatively, however, the amount was in excess of twelve million dollars which was paid to Governor Brann. All of this sum except \$206,428.00 (the disposition of which will be discussed hereinbelow) was turned over by Governor Brann to John A. McDonough, who was acting as administrator of F.E.R.A. in Maine and expended by said McDonough and his assistants. Because of certain facts which came to light in regard to such expenditures, indictments were brought in Kennebec County against eighteen of the officials and assistants of F.E.R.A., including McDonough; and one of these officials, George W. Martin, indicted for bribery and for

misuse of public funds, was brought to trial in the Superior Court of Kennebec County. At the trial Governor Brann was questioned about the more than \$12,000,000.00 received by him from Federal funds for relief in Maine. and, upon oath, testified that he turned over this vast sum to John A. McDonough without even knowing whether or not McDonough had authority to receive or expend a cent of it.

We quote the following questions and answers from the testimony of Governor Brann, as found on pages 10 and 11 of the transcript of evidence taken at the trial:

Q. You turned the money over to him? (McDonough)

A. Yes. I did.

Q. I ask you again do you know whether he had authority or not?

A. I don't know whether he had authority or what.

* * * * *

Q. Have you ever seen his appointment, his Federal Commission?

A. No. I have not.

Q. Did he take any Federal oath?

A. I don't know.

Q. Do you know whether Mr. McDonough had any commission or not?

A. I don't know whether or not.

Governor Brann further testified that the State never established any bureau or department for the adequate supervision of the F.E.R.A. money. (Page 1 of the transcript of evidence)

The jury found George W. Martin guilty of the crime for which he was indicted. On appeal it was held that the State Court had no jurisdiction to try the indictment returned by the Grand Jury against him or against the seventeen others, including John A. McDonough, and the indictments were quashed on the ground that the prosecution would have to be had in the Federal Court.

All of the evidence in the case in which George W. Martin had been convicted by the jury, together with a special report compiled from affidavits by a Federal investigator, William H. Kinler, giving additional evidence concerning the misuse of F.E.R.A. funds was turned over to John D. Clifford, United States District Attorney for the District of Maine. A copy of the report was also sent to the W.P.A. in Washington. Upon inquiry at the W.P.A. offices in Washington, the Chairman of this Committee was informed that the report had been sent to the Department of Justice. At an interview with Mr. Brien McMahon, Assistant Attorney General of the United States, at the Department of Justice, the Chairman of this Commit-

tee was informed that the Department had had a copy of the report but that it had disappeared. The Chairman then requested one of the Maine Congressmen to make inquiries about the report, with the result that he was told that the Department did have a copy of the report, but that he could not see it.

Later, the County Attorney of Kennebec County found another copy of the report and the copy of the report attached to a preliminary report by the Committee, heretofore filed, was secured from him.

Although more than two years have elapsed since these matters were referred to the Federal authorities, no action of any kind has been taken by the Federal authorities to prosecute these men. It is significant that Mr. McMahon of the U. S. Attorney General's staff inquired of the Chairman of this Committee whether or not the people of Maine resented the failure of the Federal authorities to prosecute.

In its study of the sums of money reported by the Reconstruction Finance Corporation as having been paid to Louis J. Brann as Governor for relief in Maine under the Emergency and Relief Acts of 1932 and 1933, your Committee found a discrepancy between the amount reported by the Reconstruction Finance Corporation and the amount paid out by the Federal Emergency Relief Administration in Maine through the office of the State Controller, or through any other of the financial agencies of the State of Maine. This discrepancy amounted to \$206,428.00. In checking up on this discrepancy, the Committee learned that the said sum of \$206,428.00 received by Governor Brann from the Reconstruction Finance Corporation for relief had been deposited by him in the Augusta Trust Company and the Depositor's Trust Company in a separate account, payable upon checks drawn by Governor Brann personally as Governor of Maine, and no part of said sum passed through the office of the State Controller. And the State Controller informed your Committee that he had no knowledge concerning the expenditure of this sum.

The Emergency and Relief Acts above referred to required that the Governors receiving money under said Acts "should file with the Corporation (R.F.C.) and with the Auditor of the State or Territory (or if there is no Auditor, then with the official exercising comparable authority) a statement of the disbursements made by him under this section." The instructions issued to Governors by the Reconstruction Finance Corporation recited the provisions of the Federal Law. As stated, the State Controller had no knowledge concerning the expenditure of the above sum. The State Auditor and the State Treasurer also signed affidavits stating that no report of such expenditure had been filed in either of their respective offices.

Later there was paid to Governor Brann the sum of \$9,500.00 by the act-

ing Administrator of Federal Emergency Relief in Maine, which said sum was deposited in said above named separate account, making the total of the sum deposited in said account \$215,928.00. All of this sum was paid out upon checks drawn by Louis J. Brann as Governor of Maine. Some \$5,600.00 was afterwards paid into the State Treasury.

The Committee was unable to find in any of the files turned over to it either receipts or cancelled checks for a part of this sum of \$215,928.00. It did find vouchers for the payment of a considerable portion of said sum signed by the mayors of various cities and by chairmen or selectmen of towns. From the Committee's investigation in reference to several of the cities whose mayors were paid these sums, it learned that in each case investigated, the money was deposited in a separate fund to the account of the mayor as mayor and that no record of the receipt or expenditure of these sums appeared in the city books of account. In the case of one city a sum of at least \$20,000.00 had been paid to the mayor as mayor. There was no record in the city books of the receipt or expenditure of this sum. The mayor was dead and nowhere was there a scintilla of evidence of how or for what this money was spent. In another case, it was learned that the sum of more than \$5,000.00 paid to the mayor as mayor had been deposited in a separate account to the order of the mayor and expended by checks drawn by the mayor, there being no record in the books of the treasurer of the city. The mayor, himself, could not furnish to the Committee any receipts or cancelled checks showing for what or to whom the money was paid, though he said it went for the pay-roll for some project, and that the receipts and cancelled checks were probably sent to Augusta but to whom he did not know. The Committee found no receipts or cancelled checks for this sum in the files turned over to it.

The Committee is convinced that the mayor last referred to was personally perfectly honest and did not knowingly expend any of the money improperly. The facts, however, offer evidence of the loose way of handling money wrung from the taxpayers—so loose that it invited fraud and grafting.

A considerable part of this special fund of \$215,928.00 (more than \$20,000.00) was not accounted for by the payments to mayors or selectmen. Some cancelled checks of payments to individuals were found, but a substantial portion of the amount was not covered by receipts or cancelled checks. The Committee, therefore, called Governor Brann to testify before it for the purpose of inquiring into the expenditure of this sum and also to ask if he could furnish the Committee with either receipts or cancelled checks for the balance of the sum. Governor Brann stated under oath that he paid this money (more than \$20,000.00) to individuals determined

upon by himself alone; also that he could not supply any receipts or any other cancelled checks. He further testified that, so far as he knew, no statement of the disbursement of any of this sum of \$215,428 had ever been filed with the State Auditor or State Controller or State Treasurer. As stated above, no statement ever was filed with any of these officials although the law under which these payments were made to the Governors of states required the filing of such statements.

FUNDS FOR RELIEF OF FISHERMEN MAINE COAST FISHERIES, INC.

In the course of its investigations, your Committee learned from the Acting Administrator, under the Federal Government, of E.R.A. that a large sum from Federal Funds had been paid to a Maine corporation, the Fishermen's Relief Corporation, for relief of needy fishermen in Maine, and that a portion of said funds had been advanced as an unsecured loan to another Maine corporation, namely, Maine Coast Fisheries, Inc. Upon request for detailed information concerning the terms upon which these grants had been made and concerning the expenditure of the public funds granted to them, your Committee was informed by said Acting Administrator that he was unable to supply such information, as (to quote his exact words) "neither of these corporations are subject to the supervision of the Federal or Maine Emergency Relief Administration. For details regarding the financial status of the Maine Coast Fisheries, Inc., I would have to refer you to the Governor or Rufus H. Stone, Executive Director of the Maine Coast Fisheries."

Before seeking information from the Governor or from Rufus H. Stone, as recommended by the Acting Administrator of E.R.A., your Committee gathered certain facts relative to the above named corporations. Through the W.P.A. in Washington, your Committee learned that the sum of \$210,000.00 was paid by the F.E.R.A. in 1934, to the then Governor of Maine, Louis J. Brann, for relief of fishermen and was by him turned over to the Fishermen's Relief Corporation. Of this corporation, the only members and directors were John A. McDonough, Administrator for F.E.R.A. in Maine, Rufus H. Stone and William J. Salter, also connected with F.E.R.A. in Maine. The same persons were also members and shareholders of the Maine Coast Fisheries, Inc., a private corporation, which, according to its articles of incorporation was organized for profit, Peter A. Isaacson acting as attorney.

As directors of Fishermen's Relief Corporation, the above named gentlemen turned over at least \$50,000.00 of the \$210,000.00 to themselves as

members of Maine Coast Fisheries, Inc. This was an unsecured loan of public funds. With this and other money the Maine Coast Fisheries, Inc. bought fish which they canned and sold to the F.E.R.A. to the amount of \$175,599.00 for distribution to the poor people of Maine and elsewhere. Each fisherman from whom fish was bought was required, as a condition of such purchase, to buy a share of stock in Maine Coast Fisheries, Inc. at a price of \$10.00. This stock carried no voting power; and, so far as the Committee could discover, the fishermen who purchased such stock never heard anything further about the stock—not even when the company was petitioned into receivership, with Fred H. Lancaster as receiver.

Although it was stated in the Articles of Incorporation that the Maine Coast Fisheries, Inc. was organized for profit, a letter signed by Rufus H. Stone as Manager was sent to fishermen along the east coast on letter sheets which carried the heading: State of Maine, Emergency Relief Administration. Division of Maine Coast Fisheries. Later, in his petition for a restraining order brought by Rufus H. Stone to prevent your Committee from investigating the affairs of Maine Coast Fisheries, was the following statement: "That the said Maine Coast Fisheries, Inc. was a private corporation duly organized by law engaged in the business of processing fish and fish products for profit and for its own benefit."; and again it was stated "that the said Maine Coast Fisheries, Inc. is not and never was an agency or subdivision of the State of Maine, nor an agency or subdivision of the United States."

During the Spring of 1938, there began to come to your Committee reports from various persons concerning the operations of Maine Coast Fisheries, Inc. and evidence was given the Committee in the form of affidavits concerning its operations.

In these affidavits, it was alleged that the Maine Coast Fisheries, Inc. purchased fish along the coast of Maine which were for the most part haddock costing from six to thirteen cents per pound, that the haddock were delivered to parties other than Maine Coast Fisheries, Inc. and a cheaper grade of fish costing much less, such as pollock, cod and devil fish, so-called, were substituted for the higher grade fish and that said inferior grade of fish were canned and sold to the F.E.R.A. for distribution to the poor people of Maine and elsewhere; that the fish so substituted and canned was, at times, stale, old and of foul odor and that many of the poor people of Maine to whom such fish were distributed were made violently sick thereby; that much of the fresh fish was shipped to New York, rather than canned for consumption by the needy people of Maine, and sold in the open market in New York at a profit to someone of approximately \$5.50 per hundred.

Your Committee, in order to give the persons concerned with the operation of Maine Coast Fisheries, Inc. an opportunity to appear and answer the charges made, and also to determine the use to which the public funds paid to said company were put, summoned to testify before it Rufus H. Stone, Manager of Maine Coast Fisheries, Inc., to whom the Committee was referred for information by the Federal Acting Administrator of E.R.A., as stated above; Peter Isaacson of the law firm of Brann and Isaacson, who organized and acted as attorney for the company, Fred H. Lancaster who had been appointed Receiver for the defunct corporation and George H. Ratcliffe of the Portland Fish Company, who, the Committee believed had knowledge of material facts concerning the operations of Maine Coast Fisheries, Inc. in respect to the canning of fish.

On the date set for the hearing, and upon the arrival of your Committee at the place set, namely, the House Locker Room in the State House at Augusta, the members of the Committee were met by a deputy sheriff who served upon each member of the Committee a Court order restraining the Committee from conducting any hearing and from examining any witnesses whomsoever in connection with the affairs of Maine Coast Fisheries, Inc. Furthermore, the bill for the restraining order alleged that the Order passed by the 88th Legislature for the appointment of your Committee was "wholly illegal, void and unconstitutional" and "that the Legislature of the State of Maine had no power or authority to appoint said committee and to give it the power attempted to be given under said Order", thus denying the very powers and authority of the Legislature itself and of the State of Maine. This restraining order was dismissed after a delay of ten days, because brought in the wrong county. Meantime the Committee was at a standstill. After the dismissal of this restraining order, but before the persons summoned to testify had been served with a further summons, another similar restraining order was obtained in the proper county, by Mr. Stone through his attorneys, County Attorney Powers of Androscoggin County and Peter A. Isaacson of the law firm of Brann and Isaacson, in which it was alleged that the Committee intended to again summon Mr. Stone to testify. After another delay, this bill was dismissed.

The Committee felt it to be vital to oppose these restraining orders since the entire authority of the Committee to investigate the matters which it was directed by the Legislature to investigate and the authority of the Legislature itself, by legislative order to provide for the appointment of a committee of investigation, was disputed; and therefore, under the authority given it by the terms of the Order creating it, employed counsel to represent it in the Court proceedings upon the two restraining orders. Thus the State has been put to considerable expense due to the action taken in

order that the persons in charge of Maine Coast Fisheries, Inc. and under whose management and direction the money of the taxpayers, granted for the relief of needy fishermen was spent might avoid any account of their use of these funds. After the Committee had been twice stopped by Court order for holding any hearings or examining any witnesses concerning the operations of Maine Coast Fisheries, Inc., further efforts to obtain their explanations, if any, seemed unnecessary and provocative of further delays, court proceedings and expense. If the relief moneys were properly spent for relief, it would seem that the persons involved would have been ready and eager to make full disclosure of their records and actions. They preferred, however, to argue that the State Legislature had no power to investigate the use of Federal money, which came out of the pockets of the taxpayers, even though such money had been turned over by the Governor of the State of Maine to Maine corporations, and refused to testify. Your Committee believes that the evidence obtained by it justifies an investigation by the proper prosecuting officers, whether State or Federal.

SOCIAL SECURITY AND RELIEF

Under the social security program of the Federal Government, in order to receive Federal grants, the State in many cases is obliged to make appropriations to match the Federal grants, the percentage paid by the State being fixed by the Federal Government or by some agency thereof; and the expenditure of such sums are subject to rules, regulations and restrictions fixed by Federal agencies even when such expenditure is under the direction or supervision of State officials.

SOCIAL SECURITY PROGRAM

The first Federal grants under the Social Security Act were received by the State Treasurer in February, 1936. During the remainder of that fiscal year, that is, prior to July 1, 1936, and during the fiscal year ending June 30, 1937, the following grants were received:

	1936	1937
Old Age Assistance	\$ 88,593.75	\$358,215.90
Aid to Blind	56,880.07	121,974.57
Aid to Crippled Children	12,057.36	70,655.81
Maternal & Child Health	19,496.95	36,999.27
Public Health	21,043.33	60,609.00
Child Welfare Service	66,987.22	13,719.56
Aid to Dependent Children	1,881.63	133,494.25
	\$266,940.31	\$795,668.36
Total		

Each of these services is believed to be of value to the people of this State, and the amount of service performed or aid rendered has been increased by the use of these Federal funds. The 88th Legislature endorsed these grants by the passage of acts providing for the receipt and use of Federal funds for each of these services in a manner conforming to the Social Security Act. Federal requirements in some cases seem to your Committee to make unduly large the amount of funds spent on administration and a considerable amount of dictation from Washington accompanies the acceptance of these grants.

How completely the Federal Government regulates and controls certain important activities within the State, even when Federal funds are matched by State funds, is illustrated by the procedure in respect to grants for agricultural purposes and in the administration of the Social Security Act.

DEPARTMENT OF AGRICULTURE

According to the testimony of the Commissioner of Agriculture, Mr. Washburn, no Federal moneys have been paid direct to the State Department of Agriculture between the years 1932 and 1937, and the only indirect payments have been the funds paid by the Federal Government direct to the farmers for condemned cattle.

The system has been for the State Department of Agriculture to make recommendations to the Federal Government for payments and the checks have been sent from the Federal Government direct to the farmers.

The following amounts were paid between 1932 and 1937, to wit:

1932	\$6301.36
1933	2791.07
1934	1982.62
1935	122939.80
1936	39684.12
1937	14701.49
	<hr style="width: 10%; margin: 0 auto;"/>
Total	\$188,400.46

These funds were matched dollar for dollar by the State except that during the year 1935, because of the emergency, the State did not completely match the Federal money.

It should be noted that the National Emergency Council represents expenditures of Federal money in Maine through the Agricultural Adjustment Administration from March 3, 1933, to June 30, 1937, as \$520,623.00.

Apparently, these moneys were not handled through the State Agricultural Department but through the Extension Service, so called. The Extension Service is a branch of the College of Agriculture and is administered by a director who is appointed by the Trustees of the University of Maine, subject to the approval of the Secretary of Agriculture in Washington.

This director has no connection with the Maine State Agricultural Department and he is, apparently, answerable to the trustees of the University of Maine and also to the Secretary of Agriculture in Washington.

Although your committee did not make a detailed investigation into the activities of the Extension Service it might be noted that the director has under his supervision at least forty agents who are in no way under the control of the trustees of the University of Maine or any other State department and who are, apparently, appointed by the director with the advice and consent of the Secretary of Agriculture in Washington and whose salaries are paid partly by the Federal Government and partly by the various counties in the State.

Your committee recommends a further investigation into the expenditures in this department.

SOCIAL SECURITY ACT

Over a great period of years the National government has gradually augmented its powers. This process has been accompanied by a corresponding gradual decline in the powers and the independence of the several States. Since 1933 that process is no longer gradual. A deliberate effort to control the States has been manifest. Your Committee finds that since 1933 there has been almost no field of State activity in Maine which has not been the object of Federal invasion. Allotments of Federal funds, abuse of the taxing power, Federal legislation either patently violating, or stretching to their utmost limits, the provisions of the Constitution have been the weapons of that invasion, accompanied by the use of subterfuge, indirection and threats to withhold from the people of Maine funds raised by taxation within our own borders.

The enactment of the Maine Unemployment Compensation Act is an instance in point. By means of the Social Security law the Federal government imposed a drastic tax upon the people of Maine. Under that law none of the funds so collected would be expended for unemployment in Maine unless the Legislature of this sovereign State would, as an alternative, impose a similar State tax and pass such legislation for Maine as the Federal government should direct.

Acting under such coercive influence the 87th Legislature in the Special Session of December, 1936, enacted a Bill substantially drafted by Federal authorities, creating the Unemployment Compensation Commission as a department or agency of the State of Maine. Funds collected by the State of Maine from Maine taxpayers for distribution by an agency of the State of Maine among the unemployed citizens of the State of Maine were required to be transmitted forthwith to Washington. Such funds will not be returned to the State of Maine in the future unless the Legislature of Maine shall obey the mandate of the Federal government with respect to unemployment legislation. Annual approval of the Maine law by the National government is indispensably required under the Social Security Act.

That this department of the State of Maine is subject to complete control by the Federal government is demonstrated beyond the slightest doubt by the sworn testimony of Mr. Clifford A. Somerville, Chairman of the Maine Unemployment Compensation Commission, at a hearing held by this Committee at the State House on December 1, 1937. We commend a thorough reading of the testimony of Chairman Somerville from pages 22 to 48 of the official stenographic record of said hearing.

Your Committee finds that the Maine Unemployment Commission, though a State department, is completely controlled from Washington as to matters of general policy, finances, purchases, accounting, legal interpretation of State laws, and even in many matters of the merest minor detail.

We quote in part from Mr. Somerville's testimony, as follows:

" * * it is extremely difficult, I will say frankly, to administer the department in view of conflicts between state regulations and federal regulations as to all kinds of fiscal affairs—purchases or anything else where money is involved." (Page 25)

* * * *

"Under our state law, the Commission is supposed to establish its own policy of administration and its organization and its procedure, but, as a matter of practice, we find that there is not a great deal we do in the way of policy of any kind, whether it be a legal question, whether it be an organization question, or purely administrative matter, but what, if it doesn't agree with what the Board (Social Security Board) would have us do, we have to change it." (Page 27)

* * * *

"Q. You regard your Commission as a state Commission?

A. Yes, sir." (Page 28)

“Q. I am asking then or trying to get at what things, if any, you can mention offhand in which the federal authorities do not interfere but which things are left entirely to the discretion of the Commission?

A. I should have to think quite a while, and we have thought about that some ourselves, so that it is not a new thought to me at all.” (Page 29)

* * * *

“Q. What I am trying to get at is whether there is any function of the Commission that is free from federal control?

A. I don't see that there is, frankly. They tell you that in administering your department you are entirely free to follow your state law and conduct your own policies as a commission, set up your own organization and your own administration, but by constant suggestion, as they put it, in the form of letters and bulletins, you find that you pretty nearly conform to their ways of doing business.” (Page 32)

“Q. In other words, then, you can't think at the present time of any activity that you can carry on that is not subject to direction from Washington?

“A. No, I can't.” (Page 33)

* * * *

“Q. To put the whole thing in a nutshell, would you say that the Unemployment Commission is an agency of the State of Maine controlled by the United States?

A. I think that is true.” (Page 35)

It should be understood that your Committee in this report is not opposing the policy of providing employment or benefits for the unemployed. It does, however, seek to make clear that the State in this field is substantially a mere servant of the National government, exercising not its own will, but the will of Federal authorities.

If the methods by which Federal dominion was acquired and is exercised over this field of legislation are applied to other branches of State jurisdiction, State government will become extinct, save only as a form. Your Committee believes that while Maine should resist this tendency so far as it reasonably can, the only effective means of resistance lies in a change of policies in federal legislation.

RECOMMENDATIONS

Your Committee recommends that the 89th Legislature be urged to take appropriate action and enact legislation to provide:

1. That further investigation be made to learn what amount, if any, is charged against the State of Maine, as a debt subject to repayment, by any agency or department of the Federal Government.

2. That the President of the United States be requested to direct the United States Department of Justice to prosecute in the Federal Court the men indicted in Kennebec County for misappropriation of public funds, which indictments were quashed on the ground that prosecution must be had in the Federal Court.

3. That legislation be enacted providing that any and every official of the State of Maine entrusted with the expenditure of Federal funds shall file in the office of the State Controller a detailed report of the purposes for which such expenditures are made and the persons to whom such sums are paid, supported by proper vouchers, and fix the penalty for failure so to do.

4. That our Senators and Members of Congress be requested to seek to have enacted by the Congress laws adequately safeguarding the expenditure of public funds and requiring that specific detailed reports of the expenditure of Federal funds within the various States, whether matched by State funds or not, be filed with some specifically designated State authority and be open to public inspection.

5. That there be thorough investigation of the affairs of the Fishermen's Relief Corporation and Maine Coast Fisheries; that if fraud in the operations of these Maine corporations be uncovered, prosecution of those guilty of fraud be instituted; and if it be held that the fact that the funds granted to these corporations were Federal funds prevents action by State authorities, that then the Federal Department of Justice be requested to take action.

6. That the Senators and Representatives in Congress from Maine be urged to do all in their power to oppose Federal encroachments on the proper functions and powers of the States.

GAIL LAUGHLIN
JOHN E. WILLEY
GEORGE E. HILL
DONALD W. PHILBRICK
GEORGE D. VARNEY

Office of the Clerk of the House

January 3rd, 1939

Received.

HARVEY R. PEASE,

Clerk of the House

88th Legislature

STATE OF MAINE

Cumberland, ss.

AFFIDAVIT OF GRAYDON MURPHY

GRAYDON MURPHY, being duly sworn, deposes and says: That he is resident of Portland, Maine; that his resident is at No. 6 Walker Street in said City; that during the period from March, 1934 to the early part of 1936, he was a resident of the City of Eastport, Maine; that during said period, he was engaged in the business of buying and selling fish; that during a portion of said period and specifically during the year 1934, Maine Coast Fisheries, Inc. engaged in the business of buying fish from fishermen in the City of Eastport; that, as this deponent has been informed and believes, and therefore alleges, said Maine Coast Fisheries, Inc. required that all fishermen from whom said Company bought fish to accept, in part payment for the fish bought from them, a share or shares of the stock of Maine Coast Fisheries, Inc.; that this deponent has seen certain of the certificates of stock of Maine Coast Fisheries received by certain fishermen in part payment of the fish sold by them to Maine Coast Fisheries, Inc.;

Deponent further says: That a large portion of the fish bought by Maine Coast Fisheries, Inc. was shipped to Portland in Griggs-Turner trucks; that other large quantities of fish bought by said Maine Coast Fisheries, Inc. were distributed by some Government agency (what agency deponent does not know) to persons living in Washington and Aroostook Counties; that said fish was distributed without cost not only to persons in need but also to persons amply able to pay therefor; that some of said fish were given to persons who had formerly bought fish from deponent; that as a result of such distribution to former customers of deponent, customers who were not in needy circumstances, the fish-selling business of this deponent was destroyed and deponent was forced out of the fish-selling business;

(Signed) GRAYDON D. MURPHY

Subscribed and sworn to before me this 26th day of July, 1938

GAIL LAUGHLIN,
Justice of the Peace

STATE OF MAINE

Cumberland, ss.

Portland, July 6, 1938

AFFIDAVIT OF CHARLES A. GRIGGS

I, Charles A. Griggs, of Portland in the County of Cumberland and State of Maine, on oath depose and say:

That I am the Treasurer of Griggs-Turner Co. Inc., a Maine corporation engaged in the trucking and transportation business with principal place of business situated in the City of Portland, County of Cumberland and State of Maine.

That in the years 1934 and 1935 I was employed by the Maine Coast Fisheries, Inc. to transport fish from Eastport and other intervening points to Portland.

That the Maine Coast Fisheries, Inc. entered into a contract with the Griggs-Turner Co., Inc. to sell to it two trucks to be paid for by the Griggs-Turner Co., Inc. on a mileage basis. That neither myself, nor any officer or stockholder of the Griggs-Turner Co., Inc. knew, or had any reason to believe, that the trucks were not the property of the Maine Coast Fisheries, Inc.

That subsequent thereto Department of Justice men from Washington appeared at my place of business, disclosed their official title and badges, and took possession of the trucks, which trucks were the property of the United States Government of America.

That on one occasion Rufus H. Stone, Manager of the Maine Coast Fisheries, Inc. deducted from my bill for transporting fish the sum of one hundred (\$100) dollars, and refused to pay the bill in full, and assigned as a reason therefor the fact that the Griggs-Turner Co., Inc. had delivered the fish too late for re-shipment.

I then told Mr. Stone that I thought the Maine Coast Fisheries, Inc. was the terminus, and that I had no knowledge that the fish was reshipped. Mr. Stone then advised me that some of the fish were shipped on a train known as the "Bullet" being an express freight train travelling between Portland and New York City.

I am willing to appear before any Legislative Committee or judicial body and give any and all evidence I may have of and concerning the relation-

ship of the Griggs-Turner Co., Inc. in the Maine Coast Fisheries, Inc. or any other matters of which the Committee, or judicial body, may care to inquire.

(Signed) CHARLES A. GRIGGS

STATE OF MAINE

Cumberland, ss.

Portland, Maine, July 8, 1938

Personally appeared the above named Charles A. Griggs and made oath to the truth of the foregoing statements by him subscribed.

Before me,

(Signed) JOHN E. WILLEY

Notary Public
Justice of the Peace

STATE OF MAINE

Cumberland, ss.

Portland, July 6, 1938

AFFIDAVIT OF LOY BLAISDELL

I, Loy Blaisdell, of Portland in the County of Cumberland and State of Maine, on oath depose and say:

That during the operation of the Maine Coast Fisheries, Inc., a Maine corporation with a place of business on Custom House Wharf in the City of Portland, County of Cumberland and State of Maine, I was employed by Griggs-Turner Co. Inc., a Maine corporation, engaged in the trucking and transportation business, as a truck driver.

That I was assigned for a considerable time the duty of driving a truck from Portland to Eastport in collecting fish on the return trip for the Maine Coast Fisheries, Inc.

That on many and numerous occasions the entire load which I brought in for the Maine Coast Fisheries, Inc. was delivered to the Portland Fish Company at 46 Custom House Wharf and no part of which was ever delivered by me to the Maine Coast Fisheries, Inc., whose place of business was exactly across the wharf.

That I know and have full knowledge of the fact that haddock and other fish was purchased by the Maine Coast Fisheries, Inc. from the fishermen along the Coast of Maine which was transported by the Griggs-Turner Co., Inc. on a truck which I drove which cost from six to thirteen cents a pound, which was delivered to the Portland Fish Company and the Portland Fish Company swapped a cheaper grade of fish for it, such as pollock, cod and fish which was selling on the market for fifty cents a hundred and less.

That I have seen the employees of the Maine Coast Fisheries, Inc. dressing fish to be used for canning purposes to be distributed to the poor people of Maine which was stale, old, smelt and had very foul odors.

That during my trips down the Coast I learned that many poor people of Maine had been made violently sick by the cheap grade of fish substituted by the Maine Coast Fisheries, Inc. in place of the high grade fish from the Maine fishermen.

That there was another truck driver who alternated on the same route with me by the name of Cook, whose first name I do not now recall, who likewise has information and knowledge concerning these facts.

That the fish which I brought from Eastport and other points in Maine which was delivered to the Portland Fish Company, was delivered there at the express direction of Rufus H. Stone, who was in charge of the Maine Coast Fisheries, Inc.

Rufus H. Stone also directed me to call George Ratcliffe from Ellsworth, Maine and tell him the amount of haddock I had picked up along the coast. In nearly every instance the haddock was delivered to Portland Fish Co. and not to Maine Coast Fisheries, Inc.

That I will gladly appear before the Legislative Committee, or any judicial body, and testify to the facts recited in this affidavit.

(Signed) LOY R. BLAISDELL

STATE OF MAINE

Cumberland, ss.

Portland, Maine, July 8, 1938

Personally appeared the above named Loy Blaisdell and made oath to the truth of the foregoing statements by him subscribed.

Before me,

(Signed) JOHN E. WILLEY
Notary Public
Justice of the Peace

PRELIMINARY REPORT OF THE JOINT LEGISLATIVE COMMITTEE CREATED BY THE JOINT LEGISLATIVE ORDER PASSED IN THE SENATE AND HOUSE OF REPRESENTATIVES OF THE 88TH LEGISLATURE ON OCTOBER 28, 1937.

To the Honorable Senate and House of Representatives of the 88th Legislature:

We, the undersigned, members of the Joint Legislative Committee created by the Joint Order passed in the Senate and House of Representatives of the 88th Legislature on the 28th day of October, 1937, herewith submit the following preliminary report:

By the terms of the order above referred to the Committee was directed to examine into the relations between the United States of America and the State of Maine in respect to loans or grants by the Federal Government or any agency thereof which have been made or are now being made or which may be or become available to the State or to any agency or subdivision thereof, the amounts thereof, the use and usefulness thereof and the manner and expense of the administration thereof, together with such other facts as may be necessary or convenient in obtaining complete information regarding such matters.

Pursuant to the Order the Committee was organized and held its first meeting at Augusta on October 28th, 1937. Since that time the Committee has held numerous and frequent meetings; many of the department heads of the State have been called before the Committee to testify and have voluntarily appeared and given full information, in response to such requests.

Two members of the Committee have been to Washington to elicit information concerning the expenditure of Federal funds in the State of Maine.

Among other things during the course of extensive investigations of the various agencies by this Committee, the affairs of the Maine Coast Fisheries Inc., a private corporation organized for profit, have been under investigation because of the fact that a large sum out of public funds was turned over to this private corporation in unsecured loans. From such information as has thus far been obtained the Committee has reason to believe that gross frauds have been perpetrated. To obtain facts concerning the expenditures of public funds through the Maine Coast Fisheries Inc., it was necessary to summon witnesses in accordance with the power expressly conferred on this Committee by the Legislature.

Among other things, your Committee has learned, through the Works Progress Administration at Washington, that the sum of \$210,000 paid by the F.E.R.A. in 1934, to the then Governor of Maine, was turned over by him to the Fishermen's Relief Corporation, a charitable organization. Of this corporation the only members and directors were John A. McDonough, Administrator for the F.E.R.A. in Maine, Rufus H. Stone and William Salter. The same persons were also members and shareholders of Maine Coast Fisheries Inc., a private corporation organized for profit by Peter A. Isaacson of Lewiston. As directors of Fishermen's Relief Corporation, they turned over at least \$50,000 of the \$210,000 to themselves as members of the Maine Coast Fisheries Inc. This was an unsecured loan of public funds. With this and other money the Maine Coast Fisheries Inc., bought fish which they canned and sold to the F.E.R.A. to the amount of \$175,599, for distribution to the poor people of Maine and elsewhere.

Your Committee was desirous of obtaining the true facts as to the manner in which this public money was expended by the Maine Coast Fisheries Inc., a private corporation. Furthermore, the Committee has interviewed witnesses and has in its possession affidavits under oath which state that the Maine Coast Fisheries Inc. purchased fish along the coast of Maine with these public funds, which fish cost from six to thirteen cents a pound, and which was transported by truck from Eastport to Portland, a large part of which fish was haddock; that haddock was at that time selling on the market for approximately six dollars a hundred; that the haddock purchased by the Maine Coast Fisheries Inc. was delivered to parties other than the Maine Coast Fisheries Inc., and a cheaper grade of fish costing fifty cents per hundred, or less, such as pollock, cod and devil-fish, so-called, were substituted for the high grade fish purchased from the fishermen along the coast of Maine, and that said inferior grade of fish were canned and sold to the F.E.R.A. for distribution to the poor people of Maine and elsewhere, instead of the high grade fish so purchased.

Your Committee further has evidence in the way of affidavits that the fish substituted and canned by the Maine Coast Fisheries Inc. was at times stale, old and of very foul odor and that many poor people of Maine, who were forced to use this substituted fish to prevent them from starving, were made violently sick thereby.

Your Committee further has information that much of the good fresh fish purchased from the fishermen along the coast of Maine was shipped on the train known as the Bullet and sold in the open market at New York, rather than canned for consumption by the poor people of Maine, at a profit to someone of approximately \$5.50 per hundred.

That in your Committee's efforts to gather further facts concerning the

expenditures of public moneys for relief in the State of Maine, your Committee summoned Peter A. Isaacson, a lawyer from Lewiston, and clerk and attorney for the Maine Coast Fisheries Inc., and Fred H. Lancaster, who was appointer receiver of the Maine Coast Fisheries Inc. when this corporation became financially involved, and who wound up the affairs of that corporation and distributed the assets, and who should have in his possession all records concerning the affairs of the corporation.

Your Committee further summoned George Ratcliffe of Portland, Maine, of the Portland Fish Company, who we believe has in his possession and knowledge very material facts concerning the operations of the Maine Coast Fisheries Inc. in respect to the canning of fish, and the Committee was desirous of giving Mr. Ratcliffe an opportunity to explain or deny the allegations as to the substitution of fish, an opportunity which has been denied him by the restraining order which prevents the Committee from securing evidence.

Your Committee issued a subpoena to Rufus H. Stone of Portland, Maine, one of the co-incorporators of the Maine Coast Fisheries Inc., and manager thereof, and who acted in such capacity until its affairs were wound up by Fred H. Lancaster, Receiver.

Your Committee reports that all the above summonses were duly served by deputy sheriffs, on the above named parties to appear at the room known as "House Locker Room" in the State House, at Augusta, Maine, at ten o'clock a.m. Daylight Saving Time, July 11th, 1938; that upon the arrival of the Committee at the door they were met by a deputy sheriff who served upon each of the members of the Committee a bill in equity, brought by Rufus H. Stone, of Portland, and a restraining order, wherein the Committee was temporarily restrained from conducting any hearing and from examining any witness in connection with the affairs of the Maine Coast Fisheries Inc.

A copy of the above bill in equity which was served upon your Committee is hereunto attached.

Your Committee has in its possession affidavits and other information tending to show other and further facts of mal-administration by the Maine Coast Fisheries Inc., and by other agencies, which will be submitted in a later report.

Your Committee, not desiring to express any opinion with respect to the legality of the decree enjoining a legislative committee from holding any hearings whatsoever or from interrogating any witnesses concerning the expenditures of any relief moneys by Maine Coast Fisheries Inc., will contest the order and the bill. The Committee believes the people of Maine are entitled to know what became of funds that were supposed to go to help the

poor, and who got the money. If the same were properly and honestly administered there would be no reason for the persons involved to refuse a full disclosure of all the facts.

Facts already in the possession of your Committee make it imperative that this investigation be unremittingly pursued to the end that full and complete evidence may be available for presentation to the proper prosecuting authorities, and upon which to base remedial legislation.

This is a preliminary report of your Committee, and your Committee will further report concerning this and the various other matter with the investigation of which this Committee is charged by the Legislative Order.

Augusta, Maine.

July 11th, 1938

(Signed)

GAIL LAUGHLIN
JOHN E. WILLEY
GEORGE E. HILL
DONALD W. PHILBRICK
GEORGE D. VARNEY
Joint Legislative Committee

House of Representatives

Office of the Clerk

Received July 11th, 1938

6:30 P. M.

HARVEY R. PEASE,
Clerk.

SECOND PARTIAL REPORT OF THE JOINT LEGISLATIVE COMMITTEE CREATED BY THE JOINT LEGISLATIVE ORDER PASSED IN THE SENATE AND HOUSE OF REPRESENTATIVES OF THE 88TH LEGISLATURE ON OCTOBER 28, 1937.

To the Honorable Senate and House of Representatives
of the 88th Legislature of Maine:

One of the duties imposed on this Committee was to examine into the use and usefulness of Federal Loans and Grants.

In pursuance of the duties with which it was charged, your Committee has investigated the facts surrounding the expenditure and the usefulness of F.E.R.A. funds exceeding \$12,000,000 which were paid to Louis J. Brann then Governor of Maine and receipted for by him as Governor of Maine.

All of this sum, except \$206,428, former Governor Louis J. Brann turned over to John A. McDonough, acting administrator of the F.E.R.A.

Without the knowledge of the State Treasurer, or State Controller, former Governor Brann deposited the sum of \$206,428 in a Special Bank account and said sum was expended by him without control or audit.

A separate report will be filed by this Committee fully referring to the said \$206,428.

At the criminal trial of the State of Maine against George W. Martin, an assistant of John A. McDonough, indicted for accepting bribes and for misuse of public funds, former Governor Brann, when questioned about the more than \$12,000,000 received by him, upon oath testified that he turned over the vast sum to John A. McDonough without even knowing whether or not McDonough had authority to receive or expend a single copper thereof.

We quote the following questions and answers from the testimony of Mr. Brann, as found on Page 10 of the transcript of the evidence taken at the trial:

“Q. You turned the money over to him, (McDonough)?

A. Yes. I did.

Q. I ask you again do you know whether he had authority or not?

A. I don't know whether he had authority or what.

* * * * *

Q. Have you ever seen his appointment, his Federal commission?

A. No. I have not.

Q. Did he take any Federal oath?

A. I don't know."

Mr. Brann further testified that the State never established any bureau or department for the adequate supervision of the F.E.R.A. money. (Page 1 of the transcript of evidence.)

The jury found George W. Martin guilty of the crime for which he was indicted. On appeal it was held that the State Court had no jurisdiction to try the indictments returned by the Grand Jury against John A. McDonough and seventeen others (including said Martin), and the indictments were quashed on the ground that prosecution would have to be had in the Federal Court.

All of the evidence in the case upon which George W. Martin had been convicted by the jury, together with a special report compiled from affidavits taken by a Federal Investigator, William H. Kinler, giving additional evidence concerning the misuse of F.E.R.A. funds, was turned over to John D. Clifford, United States District Attorney for the District of Maine.

The copy of the above mentioned special report, hereto attached, was submitted to this Committee by the County Attorney of Kennebec County, who was in charge of the prosecution of George W. Martin.

Although nearly two years have since elapsed, no action of any kind has been taken by the Federal authorities to prosecute these men. It is significant that Mr. McMahon, an Assistant Attorney General of the United States, inquired of the Chairman of this Committee whether or not the people of Maine resented the failure of the Federal authorities to prosecute.

Your Committee reports that in its opinion so much of this vast sum as actually reached the poor and needy people of Maine served a useful purpose; but that much of this money was never used for poor relief and that the administration of these funds was rotten with politics and permeated with fraud, dishonesty, graft, scandal and corruption of the basest type, as demonstrated by the evidence presented to the jury and also by the report hereto attached.

The report made to the Federal authorities specifically shows that politicians were given business and paid exorbitant and unreasonable prices therefor, and were given commodities intended for the poor, to reward them for their "good campaign work for Governor Brann."

It is further demonstrated by the evidence and by the report that large bribes were accepted and large sums of money extracted by officials of the Maine E.R.A. in the form of splits, commissions and cut-backs on food and clothing purchased with relief funds; that prior to election clothing was dispensed for political reasons and that the disposition thereof was colored with favoritism and preferences.

Many worthless, outmoded and useless garments and commodities were purchased at exorbitant prices and consisting, for example, of moth-eaten clothes, laces, thumb-tacks, evening gowns and "bathing suits that looked as if they went back to 1890."

It further appears that in the administration of the Maine transient camps, so-called, unjust and exorbitant prices were paid for commodities that the men in the transient camps were supplied with bad, odorous and rotten meat, unfit for human consumption.

It also appears that meat was supposed to be purchased for said transient camps on bids, but that preferences were given in the orders irrespective of bids and that a high official was paid for so doing on many occasions in currency rolled up and wrapped in a bundle of meat and delivered to him personally.

It further appears from said report that old canned goods in rusty cans were purchased for the men at said transient camps which were "unfit for use" and "looked as if they had been in a train wreck" and that prices paid for commodities were at times ten or twelve times their actual value; for example, a second-hand refrigerator worth not more than \$50 purchased for \$675.

The padding of payrolls indicated in the report is evidence of extensive graft and corruption. It appears that money was frequently sent to the transient camps to pay a much larger number of men than were actually in camp. For example, it appears that at one camp in Maine two hundred and fifty men were provided for by the payroll when there were only one hundred forty men connected with the camp, and that there was no record kept of what was done with the excess money.

The foregoing are but a few instances, set forth merely as illustrations, of the many acts of fraud and corruption evidenced in the report referred to.

We recommend to the members of the Legislature a thorough and complete reading of the entire document in order that the nature and extent of this misuse of relief funds may be fully understood.

The present report of this Committee is not a final report. Other matters, which in the performance of its duty have engaged the Committee's attention, will be dealt with in further and separate reports.

In concluding, your Committee recommends that the Legislature memorialize the President of the United States, requesting him to instruct the Federal Department of Justice to proceed with the long-neglected prosecution of the parties in Maine indicted by our Grand Jury.

And your Committee further recommends that the Legislature memorialize the Congress of the United States, to enact laws which will regulate and

safeguard the expenditure of Federal funds in the several States of the Union to the end that the hard-earned money of the tax payers, appropriated for relief of the poor, may reach its proper destination.

Augusta, Maine

August 31, 1938

(Signed)

GAIL LAUGHLIN

JOHN E. WILLEY

GEORGE E. HILL

DONALD W. PHILBRICK

GEORGE D. VARNEY

Joint Legislative Committee

House of Representatives

Office of the Clerk

September 2, 1938

Received

HARVEY R. PEASE,

Clerk.

THIRD PARTIAL REPORT OF THE JOINT LEGISLATIVE COMMITTEE CREATED BY THE JOINT LEGISLATIVE ORDER PASSED IN THE SENATE AND HOUSE OF REPRESENTATIVES OF THE EIGHTY-EIGHTH LEGISLATURE ON OCTOBER 28, 1937.

To the Honorable Senate and House of Representatives^o of the 88th Legislature of Maine:

Your Committee was charged with the duty of investigating into the use and usefulness of loans and grants made by the Federal Government, or any agency thereof.

Your Committee finds that Louis J. Brann deposited \$206,428 in a bank in the City of Augusta without the knowledge of the State Treasurer or State Controller, and in such a manner that the State Controller and State Treasurer had no control thereof. These funds were received by Louis J. Brann, as Governor, from the Reconstruction Finance Corporation. Louis J. Brann receipted for these funds as Governor of the State of Maine.

The citizens of Maine are obligated to the Federal Government for this sum notwithstanding newspaper reports to the contrary that have emanated from Washington.

This entire sum of \$206,428 was disbursed by Louis J. Brann by checks signed by him; and no records, vouchers, cancelled checks, receipts or other documents concerning the disbursement of this vast sum have ever been filed by Louis J. Brann with the office of the State Controller, with the Department of Finance, with the State Treasurer, or with the State Auditor.

This fact is corroborated by the sworn affidavits of William A. Runnells, State Controller; Belmont Smith, Treasurer of State; Lewis H. Winship, Deputy Treasurer of State; and Elbert D. Hayford, State Auditor, which are hereto attached and made a part hereof.

It should also be made clear that the Governor was required by the Federal law to file a complete statement of all disbursements of this fund "with the Auditor of the State or territory (or, if there is no auditor, then with the official exercising comparable authority)".

Your Committee finds that Louis J. Brann filed only a very general statement in Washington with reference to the expenditures of this sum, and that no detailed statement or itemized account of the individual disbursements was ever filed by him in Washington.

Your Committee is of the opinion that a substantial amount of this sum was disbursed for relief through local agencies, but that a large part was handled personally by Louis J. Brann who gave and distributed to persons of his own choosing such sums as he saw fit.

Your Committee has in its possession a list of some of the people of Maine to whom Louis J. Brann gave money from this fund, which list is hereto attached and made a part hereof.

The Committee has been unable to find 153 cancelled checks representing an aggregate sum of approximately \$196,000. Louis J. Brann was summoned before the Committee and asked to produce the checks in question or in their absence any receipts, vouchers or accounts covering the funds so expended. This he was unable to do.

Although former Governor Brann made the proposal that an audit be made your Committee is of the opinion that this was but a political gesture. It is obvious to anyone that an auditor cannot audit records that cannot be found.

Your Committee was greatly shocked to learn that any such practices had been participated in by a Governor of Maine.

Your Committee recommends that legislation be enacted to prevent any Governor of the State of Maine in the future from ever exercising any such unlimited discretion with reference to the expenditure of its citizens' funds.

This is not a final report. Further reports will hereafter be submitted by this Committee.

Augusta, Maine

September 6, 1938

JOINT LEGISLATIVE COMMITTEE

By Donald W. Philbrick, Secretary.

House of Representatives

Office of the Clerk

Received September 7, 1938

HARVEY R. PEASE,

Clerk.

William A. Runnells
State Controller

STATE OF MAINE
DEPARTMENT OF FINANCE
BUREAU OF ACCOUNTS AND CONTROL
AUGUSTA

July 19, 1938.

AFFIDAVIT

I, William A. Runnells, of Hallowell, County of Kennebec, State of Maine, on oath depose and say that I am State Controller for the State of Maine; that I was appointed to that position of State Controller on January 1, 1932 and have continuously since that time served in that capacity.

Concerning the \$252,895 which the Legislative Committee has requested information, I advise as follows: I find that three items as follows,

February 14, 1933	\$18,500.00
February 25, 1933	18,500.00
March 20, 1933	9,467.00

aggregating \$46,467.00 were paid into and through the State Treasurer.

I find that the balance of the fund, \$206,428, was deposited by ex-Governor Brann personally, and never deposited with the State Treasurer but was deposited in a separate account in the Augusta Trust Company of which the State Treasurer and State Controller had no control and without our knowledge.

I find that there is not now and never has been any records, vouchers, cancelled checks, receipts or other documents concerning this disbursement by ex-Governor Brann filed with me or in my office as State Controller.

(Signed) WILLIAM A. RUNNELLS

STATE OF MAINE

Kennebec, ss.

July 19, 1938

Subscribed to and sworn to

(Seal)

Before me,

JOHN E. WILLEY
Notary Public

STATE TREASURY DEPARTMENT
Belmont Smith, Treasurer of State
Louis H. Winship, Deputy Treasurer of State

STATE OF MAINE

AUGUSTA

AFFIDAVIT

I, Louis H. Winship of Augusta in the County of Kennebec, State of Maine, on oath depose and say that I am Deputy Treasurer for the State of Maine; that I was appointed to the position of Deputy Treasurer in 1917 and have continuously, since that time, served in that capacity; that Louis J. Brann, as Governor or otherwise, never filed with or in the office of the Treasurer of State any records, vouchers, reports, cancelled checks, records or documents of any kind or description relating or referring in any way to any money or monies expended by him as Governor of the State of Maine or otherwise.

(Signed) LOUIS H. WINSHIP,
Deputy Treasurer of State.

STATE OF MAINE

July 18, 1938

Kennebec, ss.

Subscribed and sworn to, before me,

(Seal)

JOHN E. WILLEY,
Notary Public.

Elbert D. Hayford
State Auditor

STATE OF MAINE
STATE DEPARTMENT OF AUDIT
AUGUSTA

AFFIDAVIT

I, Elbert D. Hayford of Farmingdale in the County of Kennebec, State of Maine, on oath depose and say that I am State Auditor for the State of Maine; that I was appointed to the position of State Auditor in 1922 and have continuously, since that time, served in that capacity; that Louis J. Brann, as Governor or otherwise, never filed with or in the office of the State Auditor any records, vouchers, reports, cancelled checks, records or documents of any kind or description relating or referring in any way to any money or monies expended by him as Governor of the State of Maine or otherwise.

(Signed) ELBERT D. HAYFORD,
State Auditor.

STATE OF MAINE

July 18, 1938

Kennebec, ss.

Subscribed and sworn to, before me,

(Seal)

JOHN E. WILLEY,
Notary Public.

STATE TREASURY DEPARTMENT
Belmont Smith, Treasurer of State
Louis H. Winship, Deputy Treasurer of State

STATE OF MAINE
AUGUSTA

July 18th, 1938.

Affidavit:

That I, Belmont Smith of Bangor, County of Penobscot, State of Maine, on oath depose and say that I am State Treasurer for the State of Maine. That I was elected to that office in January 1937 by the Maine Legislature. That as State Treasurer I am familiar with all records and documents on file in the office of State Treasurer of any monies expended by Louis J. Brann as Governor of Maine, neither is there on file any record or report of any money expended by Louis J. Brann in any capacity whatsoever.

That I have examined the records, and caused my assistants to examine the records and we find no report of the expenditures of money by Louis J. Brann as Governor or otherwise, was ever filed with this department.

July 18th, 1938

(Signed) BELMONT SMITH,
Treasurer of State.

STATE OF MAINE

Kennebec, ss.

July 18th, 1938.

Subscribed and sworn to before me.

(Seal)
JOHN E. WILLEY,
Notary Public.