

MAINE STATE LEGISLATURE

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Message of Governor Horace Hildreth

to the 92nd Legislature

Meeting in Special Session

July 8, 1946 at 4:00 P. M. (DST)

Mr. President and Members of the 92nd Legislature:

When we were last together, this country was in the throes of bitter warfare, and now, although technical peace has not come, nonetheless, armed hostilities have ceased. For this we give thanks to Eternal God and pray that none of us will ever see armed conflict again.

During war there is a unity of purpose which makes governmental action comparatively easy, even though the problems of war bring heartaches never brought on by peace. The aftermath of war, however, always brings problems for all governments which are often more difficult than the problems of war itself because the unity of purpose has vanished and intolerance begins to appear.

PRESENT VETERANS' PROGRAM

This session of the Legislature has been called to deal with veterans' problems. Our expenditure for State operations for the benefit of veterans of World War I and World War II, now being carried on under present statutory provisions, will be approximately \$850,000 for the current fiscal year. This expenditure is covered by the following activities: assistance to families and dependents of veterans of both World Wars, maintenance of the Office of Veterans Affairs, education of orphans of veterans, vocational rehabilitation of veterans, and veterans' pensions and burials.

The largest item in our present expenditures for veterans is the item of assistance to families and dependents of veterans of both World Wars, estimated for the current fiscal year at \$700,000. This item will increase during the coming years rather than decrease, and considering the total budget of the State of Maine, represents a very great effort on the part of Maine to see that no family of any veteran of any war is in want. I have no hesitation myself,

nor do I believe there will be any hesitation on the part of any member of this or any future Legislature, in supporting this program throughout good and bad years.

I recommend the continuance of all of our present activities for the benefit of veterans. However, our veterans' program must be an over-all, broad, well-rounded program. It must recognize and meet the needs and desires of our veterans in many fields. Our present program must be increased and supplemented. We must act in the housing field, in the educational field, and in the field of benefits to individual veterans.

No veterans' benefits costing substantial sums can be given without a bond issue. A bond issue can be authorized only by amendment to our Constitution, and our Constitution provides that amendments to it can be approved only in the month of September. Consequently, this coming September is the earliest that an amendment to the Constitution, providing a bond issue for veterans' benefits, can be approved by the people in a referendum. Last February I said that a special session of the Legislature would be called so that action could be taken on veterans' benefits in time to place the issue before the people at the earliest possible moment, which is this coming September.

Now the hour of decision is at hand, and I believe the hour chosen is the best possible hour, as it is immediately after the Primary election and before the heat of the September elections, so that the problem will not be settled by this Legislature in the midst of a political campaign and will be kept as far from political influence as possible.

Up to this time I have made no specific recommendations on the subject matter of benefits for individual veterans other than a general recommendation last winter that not less than five nor more than ten million dollars should be raised for additional veterans' benefits. I have refused to take a position for or against a cash bonus, endeavoring to keep that issue out of politics.

For the past several months the problem of veterans' affairs has been studied by the Maine Council of Veterans Affairs, the Maine Veterans' Service Committee, by various veterans' organizations, by the Legislative Research Committee, and many others.

Under the guidance of the Maine Council of Veterans Affairs and other veterans' groups, veterans' service centers have been

set up throughout the State, groups have met with me to consider educational problems, the reemployment committee has sponsored a very successful veterans' reemployment campaign which has had national recognition.

All of these organizations and hundreds of individuals have given much thought and study to this problem. They have made their recommendations that have been most helpful to me in arriving at the conclusions which I shall present to you today. We must acknowledge our indebtedness to these organizations and to the members and officers thereof for the valuable assistance they have given to the State of Maine.

I now recommend to you the following specific program :

EDUCATION

The problem of providing educational facilities for our returning veterans is an acute one. Months ago I appointed a State-wide committee, including the presidents of our three colleges and of our State University, to study this problem. After much exploratory work and a careful study of the State's educational facilities and institutions, it was recommended that the problem could best be solved by the expansion of the State University at Orono.

The President and Trustees of the University of Maine met with the Governor and Council and, although the University was already facing many complex problems, its officers agreed to undertake this task if the State would cooperate in every way possible.

Realizing the difficulty of assembling a faculty and that time was of the essence, the Governor and Council, using war emergency powers, appropriated \$150,000 from the State surplus for this expansion program.

The President and Trustees of the University propose to introduce at this session bills calling for (a) \$2,000,000 to provide for the erection of dormitories on the campus at Orono and (b) \$400,000 for aid in constructing a science building and an engineering building.

The over-crowded condition of the Maine campus will require the University to provide off-campus facilities for several hundred students at Dow Field or elsewhere. The officials of the University have pointed out that if students are housed in temporary facilities

located away from Orono, the University must prepare to see these students through a full college course; and at some future time bring them to the campus at Orono where permanent facilities for advanced work are available. These officials are also convinced that if new dormitories are erected on the campus full use can be made of them after the present unusual demand for educational facilities ceases to exist. This position is sound, but it raises a very fundamental problem.

At the regular session, you appropriated over \$600,000 for the University of Maine and this Legislature is duty bound to ask itself whether, if the State is to spend two and one-half million dollars more on education, this amount should be spent on college level education or on primary and secondary schools through the State. It will not benefit the young people of Maine to spend large sums to equip our State University if we do not spend enough on primary and secondary schools to prepare properly our boys and girls for college level instruction. Two million dollars of the proposed appropriation is for the construction of dormitories. These dormitories could be operated on a basis of cost to the student so that the cost of construction could be amortized over a reasonable period, say 25 years, and the cost returned to the State. Thus the State would advance the original cost of the dormitories to the University, the advance to be returned to the State over a period of years, and would not make an outright capital grant. You should carefully consider this method of providing the new facilities requested by the University.

VOCATIONAL EDUCATION

The other major problem in the field of veterans' education is the problem of vocational education. This Legislature, in the regular session, provided for the creation of a committee to study vocational training in Maine. This is an extremely complex and difficult problem, and the committee reported to the Governor and Council that it was unwise to attempt to meet the problem of vocational education in the State of Maine unless the sum of \$1,000,000 could be made available for this purpose.

It was impossible for the Governor and Council to provide \$1,000,000 for this program, but they did provide \$125,000 from the Contingent Account to enable the Department of Education to begin assembling a faculty and to plan for a place of operation. They

made available to the Department of Education modern quarters in a State owned building in Augusta which could accommodate a limited number of students.

The desire of our veterans to secure vocational education required an immediate start on this problem, and we have begun in a modest way. By the time the regular session of the next Legislature convenes, there will be adequate information on this subject which will require action by that Legislature.

There is one important point that should be borne in mind in considering educational problems, and that is that no appreciable number of our veterans can look beyond the borders of our State because the institutions of higher learning and the vocational schools in our sister States are so crowded that, although it is not advertised, it is a well established fact that the institutions of the various States are reserving their facilities for their own veterans.

RECOMMENDATIONS IN FIELD OF EDUCATION

My conclusions and recommendations in the field of education are as follows:

1. Substantial sums should be made available to the President and Trustees of the University of Maine to expand its facilities. There should be a full committee hearing on the subject with a detailed narration on behalf of the President and Trustees of the University of their problems. I feel certain that the amount made available should be not less than one million dollars. How much more than this should be appropriated is a question for the Legislature to decide after the hearing, bearing in mind that if the State expends as much as two and a half million dollars for increased facilities for education at the college level, the State will be morally bound in the immediate future to raise very substantial amounts for our primary and secondary schools, with special emphasis on the necessity and desirability of increasing public school teachers' salaries throughout the State. In addition to granting funds for capital expenditures at the University of Maine, the amount made available for operating expenses should be commensurate with the increased obligation we ask the University to assume.

2. We should earmark at this time not less than \$500,000 for vocational education. We should not require our Department of Education to expand our vocational education program until the results of our present modest experiment give us some actual

facts upon which we may soundly build for the future. The earmarking of \$500,000 for this purpose at this time should be sufficient, leaving the expenditure of this amount in the hands of the next Legislature at its regular session. That Legislature may act by emergency measure if our Department of Education, by January, feels that an emergency measure is warranted. This recommendation is made with the concurrence and approval of our Department of Education, and is based upon no lack of desire to increase our vocational training facilities, but upon the fact that if we had two million dollars today, the plant, the material and the staff are not yet available to attempt to operate an expanded program.

HOUSING

One of the most pressing problems for veterans at the present time is that of securing adequate housing facilities. For several years, prior to the beginning of World War II, sufficient new housing units were not built in this State to meet the normal expansion of its population. During the war, private building of new houses virtually ceased and many houses were allowed to fall into such a state of disrepair that they are no longer in usable condition. We have an acute housing shortage. The only remedy is the building of new housing units. This construction, however, is handicapped and limited by shortages on a national scale of essential building materials.

There are certain steps which we can and should take to aid in this field. Legislation should be enacted at this session of the Legislature which will permit cities and towns to undertake housing projects—a power which they do not have at the present time. In many sections of the State, private enterprise will capably handle the problem, but, in other areas, government must step in. This problem can best be handled on the municipal level and I do not recommend that the State invade this field to help one community in preference to another. This problem is properly an obligation and function of the cities and towns. The Legislative Research Committee has reached this same conclusion, and a bill on this subject has been in the hands of the Revisor of Statutes for several months.

RENT CONTROL

I believe that we should consider the question of rent control at this session because of the critical emergency which has arisen. In

spite of the efforts which can and will be directed toward the housing problem, many thousands of our veterans must continue to live in rented homes, and we must protect them and all of our citizens from unreasonable rentals. On June 30, by radio broadcast, I appealed to all citizens to exercise judgment and restraint in regard to raising prices, and I am happy to report that by and large the people of Maine have responded in a sound manner to the lifting of price ceilings.

However, some landlords have seen fit to take advantage of the lack of rent controls and have unreasonably increased their rents. In many cases this has resulted in undue hardships to veterans and others. Probably rent controls on a National scale will be imposed within the next few days, but if such controls are not imposed before the end of this session then I urge enactment by you of emergency legislation to deal with the situation and to protect veterans and other tenants. These people are entitled to look to us for protection if Congress fails to act.

OTHER RECOMMENDATIONS

Measures which I recommend, and hope the Legislature will consider favorably at this session, include the authorization of a State Board for Approval and Supervision of Education, offering specialized training, especially "on-the-job" training courses for veterans; and a change in the law allowing courses of study in our Normal Schools to be left to the discretion of the State Normal Schools Board and to make it possible for our Normal Schools to open their doors to veterans for courses of study other than those relating to teaching. I mention a proposed bill creating a fund to establish an Educational Surplus Property Pool for the purchase of Federal property for towns, cities and various educational institutions, but make no recommendation on this bill one way or the other.

At this time there is considerable interest in the creation of a new department of veterans' affairs, and I make the recommendation that we defer consideration of this question and continue on our present basis until the next regular session of the Legislature. At that time our veterans' program and its needs will be much clearer. We certainly should not set up a new department even before a veterans' program has been approved by the people.

INDIVIDUAL BENEFITS

So far as benefits to individual veterans are concerned, your Research Committee limited its recommendations to appropriations to the University of Maine and a Vocational Training School. My estimate of this program at the moment is that at the most it would not reach more than twenty to twenty-five per cent of the veterans. These recommendations scarcely touch the problem of individual recognition of each and every veteran by the State. It is true that no State, even the most wealthy, can make an individual award of a financial nature which could be regarded as compensation for the service rendered by its veterans, but in conformity with past practice and precedent, many States have already shown, and more States most certainly will, from time to time, attempt to show their appreciation to each of their veterans, in a tangible way. I believe such action is quite appropriate so long as it is within the bounds of a reasonable fiscal policy. And after all, who should be more interested in a sound financial policy than the veterans themselves. They and their families will constitute over fifty per cent of the population of Maine, and being the youngest group, they will be paying taxes longer than any other group in the State.

There is, however, a real obligation on a grateful State to see that this individual recognition is given in the most beneficial way possible both to the individual and to the State.

INSURANCE

The most beneficial asset the United States Government has provided our veterans is the opportunity to purchase government insurance. In demobilization camps all over the United States, group after group was advised of the very real value of their government insurance, and on several occasions, while at camps, I heard officers plead with the men being demobilized to keep up their government insurance. It is worth far more than cash in hand. Also, they may never be able again to secure such a bargain. In fact, if they do not continue or reinstate their Government Insurance, many of them, because of physical disability, will never be able to secure life insurance from any source. Therefore, in an effort to help these veterans keep this almost priceless asset, I recommend that the State commit itself to pay on behalf of each and every honorably discharged veteran having more than three months service, or who was discharged for service incurred physical disability,

and who so requests, the total sum of \$130 in three or more yearly installments on his or her National Service Life Insurance.

According to best government estimates seventy-five per cent of our Maine veterans have allowed their government insurance to lapse. On the average, this plan will enable each of these veterans to reinstate and carry at State expense \$5,000 of his government term insurance for a period of three years. Likewise, the veteran who is continuing his Government Insurance may have this sum of \$130 applied on his premiums in three or more installments. If, by such action the State of Maine can persuade a large number of its veterans to renew or retain their government insurance policies and keep them in force, the probability is very great that these veterans will have an estate they would never otherwise have, and in case of death, the insurance would provide for their widows and orphans.

In my opinion, after talking with Veterans' Administration officials, Government agents, World War II veterans and World War I veterans, this would be the greatest service we could render our veterans and the State of Maine, and at the same time, recognize our obligation to each veteran. Surely the wives and children of these veterans who are wise enough to take advantage of this offer would be eternally grateful to the citizens of the State of Maine. I believe in this insurance program. I believe the veterans should adopt it for the lasting benefit of themselves and their families. It is far preferable to a cash bonus. I know that if you elect to offer to the veterans the payment of insurance premiums, they will study the proposal carefully, and I hope and trust, for their benefit and the benefit of the State of Maine, that the majority of veterans will elect to go along with this program.

CASH BONUS

On the other hand, there are obviously a large number of veterans who want cash. I have consistently said to the people of the State of Maine and to its veterans, that Maine would not fall behind the other States in evidencing its gratitude to its loyal sons and daughters who served so faithfully in World War II, and that once the veterans made clear the program they desired, the State of Maine would, within its financial limits, attempt to meet this program. I am convinced from my studies of the situation, from the reports that have come to me, and from my conversation with veterans, that they feel the State of Maine should in some tangible

way show to each veteran its gratitude, and that the great majority of veterans believe this gratitude should be expressed in the form of a cash bonus. It is apparent that our veterans do not feel differently on this subject than those of neighboring States. The Legislatures of New Hampshire, Massachusetts, Vermont and Rhode Island have already voted cash bonuses to their veterans, and it is well said that these veterans are no different than the veterans of our State. Maine paid bonuses to the veterans of World War I, and veterans of World War II are entitled to no less generous treatment.

It is abundantly clear from the evidence that a cash bonus is the desire of many veterans, and I believe the time has come for us to recognize this desire and to fulfill it as best we can.

Despite the fact that some people think a cash bonus should not be paid, I believe it would be very unwise for the State of Maine, in attempting to express its appreciation to its veterans, to say that they cannot have cash but must take insurance. Consequently, I recommend that those who do not wish to take advantage of the State's offer to make payments for insurance be given a \$100 cash bonus. In this way, we will be offering something very valuable and irreplaceable to those wise and patient enough to take advantage of the offer, but we will not be forcing it upon those who would rather have a \$100 cash bonus. After careful study, one hundred dollars is, in my opinion, the limit to which the State can reasonably go in making cash payments to veterans, considering our financial situation and the desirability of carrying out a comprehensive veterans' program.

I have not recommended the making of any distinction between veterans who served over-seas and those who served only on this continent. All veterans were under orders and served where they were sent. The individual veteran had no choice in the matter. I do recommend that benefits be given only to those veterans, honorably discharged, who served more than three months or who were discharged for service-incurred physical disability.

In view of the high wages and overtime paid during this war to civilians, what civilian can properly question the fairness of granting an individual award to our veterans. Such action on Maine's part would put us in line with our neighboring sister States, New Hampshire and Vermont, so that every veteran should feel that

he has been fairly dealt with in comparison with other States of comparable wealth.

BOND ISSUE

The overall veterans' program which has just been outlined, if adopted by this Legislature, would require the expenditure or the establishment of reserves in the next twelve months period of approximately \$11,500,000. The sum of \$500,000 will be required as capital expense in the establishment of a Vocational Trade School; at least one million dollars will be required for the enlargement of educational facilities for our veterans; and the insurance and bonus program, providing benefits for individual veterans, will cost approximately \$10,000,000.

There is now in the postwar reserve, which has been earmarked for postwar public works projects, the sum of \$1,940,000. Unless the present earmarking of this reserve is revoked, it would not be available for the above purposes. The unappropriated surplus of the general fund is approximately \$2,750,000. If all of this money and the postwar reserve were used for veterans' legislation, we would still be more than \$7,000,000 short of our necessary goal and it is most inadvisable to use the postwar reserve and the unappropriated surplus of the general fund for the veterans' program.

In your regular session, this Legislature did not provide sufficient funds to enable the Health and Welfare Department to carry out the obligations imposed upon it by statute. Unless the State is to refuse new cases and also refuse to increase its grants to present recipients to enable them to meet increased living costs, approximately \$500,000 more than the amount budgeted therefor will have to be made available to this department to carry it through the present fiscal year. This sum should properly come from the unappropriated surplus of the general fund and be made available by this Legislature at this session, to fulfill its obligations for the current fiscal year. No doubt other demands of a similar nature, pressing and urgent, will be made on the general fund. Furthermore, the State at all times should have in the unappropriated surplus of the general fund at least one million dollars as working capital. If the postwar reserve is used for veterans' benefits, it will mean the elimination of the Building Program, for which it is now earmarked. Therefore, the very substantial sum required for

veterans' legislation can only be procured through the issuance of State bonds, and legislation will be introduced at this session providing for a Constitutional Amendment authorizing the raising of \$11,500,000 through the issuance of bonds, proceeds to be earmarked and used exclusively for veterans' benefits. In accordance with the provision of our Constitution, this bond issue, if approved by 2/3 vote of both houses of this Legislature, will be submitted to the people of the State next September for their consideration, thus enabling them to approve or disapprove the State's veterans' program which will, of course, be contingent upon the raising of necessary funds through a bond issue.

INCREASED OPERATING COSTS

While the issuance of bonds will provide the funds required for the immediate demands of our veterans' program, such issuance will require additional yearly income to provide the necessary debt service and to amortize the bonds. In addition, the vocational training school will involve an annual operating expense of \$200,000, and the University of Maine may require, over and above the sums granted it from the mill tax, an additional yearly income of \$300,000. The supervision of veterans' "on the job" training by the State, if funds are not granted by the Federal Government, will call for an expenditure of not less than \$60,000. The continuation of Maine's veterans' assistance program, as it is now functioning, will require an additional yearly expenditure of approximately \$400,000 for aid to veterans' dependents and educational benefits. Thus the additional operating expense required by the veterans' program, including the amount necessary to amortize a bond issue of \$11,500,000 over a ten-year period, will be approximately \$2,260,000 annually or a total for the ten-year period of \$22,600,000. We would all be very happy if this annual expense chargeable to veterans' benefits could be met without the imposition of new taxes, but this is not possible.

In the fiscal year just finished, our operating income exceeded operating expenses by more than \$1,000,000, and the State is now in excellent financial condition. I am, however, informed by our able Commissioner of Finance, Mr. Mudge, who at my request has made a careful analysis of the situation, that we will close the fiscal year ending June 30, 1947, with an operating deficit of approximately \$1,000,000 if there is appropriated approximately \$500,000 for additional salaries and wages of State employees, and

approximately \$500,000 for the Health and Welfare Department, required by the increased demands made on that department by those entitled by law to receive assistance from this State.

The prospect of this deficit will come as a surprise to many, but not to those members of the legislative committees who have studied the field from which these prospects arise. It is a most disturbing fact, but nonetheless, it is a fact that we cannot fail to recognize. This means that it is impossible to finance any appreciable part of the proposed veterans' program out of our present operating income.

If this Legislature, at this session, elects to create additional benefits for veterans, it must also provide a new source of revenue to pay for the increased operating expenses which will necessarily result.

This is not the time nor the place to discuss further and in greater detail the facts that will give rise to the operating deficit in the present and future fiscal years. Suffice it to say that this operating deficit, except for the increase in salaries to State employees, represents only a continuation of the legal obligations imposed by the laws now in effect.

TAX PROBLEMS

Some new source of revenue must be found, if we are to make any substantial contribution to the welfare of our veterans. The Constitution of this State provides that bills for raising of revenue shall originate in the House of Representatives, and it is a jealously guarded prerogative of the Legislature, which is truly representative of all the people of this State and all sections of the State, to determine Maine's tax policy. It would be presumptuous of me to attempt to dictate to you on this point, or to tell you which source of revenue we should select or which tax you should impose in order to finance our veterans' program. I wish to point out, however, that the income necessary to finance the overall veterans' program which I have outlined can be obtained by the imposition of a State income tax on individuals, with rates running from 1% to 4%, or by the imposition of a retail sales tax, with food exempt.

In this connection, I might advise you that 23 States have a sales tax, 32 States have an income tax, and 14 of these States have both an income tax and a sales tax. The fact that Maine has avoided both

of these forms of taxation for so long may or may not be a fortunate thing. Clearly, if we had been far-sighted enough to have had one of these forms of taxation operating during the war years, as many States did, we would not be facing the difficult financial road that now lies ahead of the people of Maine. Moreover, it would be unnecessary now to resort to new taxation to finance an adequate veterans' program.

In time of peace, the first obligation of any government is to keep its finances in good order. The government which does not do this breaks faith with its people and soon brings woe and misery to all those under its jurisdiction.

You are charged by the State Constitution with the duty of originating revenue-raising measures. We do not want operating deficits; we do not want deficit financing. Our obligation to our veterans requires us to provide at this session, not only an overall veterans' program, but also the necessary funds to pay for the program. It will not be possible for me to approve bills calling for expenditure of funds for veterans' benefits, unless you also enact the tax measures which will make such funds available to the State. If you elect to approve a bond issue, we must provide a method for raising funds to pay the bonds.

PAY INCREASES FOR STATE EMPLOYEES

Before concluding, I wish to call the attention of the Legislature to the difficult and acute problem of salary and wage adjustment for State employees in these days of rapidly increasing costs. I mention this subject here, so that if the Legislature deems it wise to consider this complicated problem prior to receiving the recommendations of the Personnel Board which is working on reclassifications, the Legislature may do so under the usual practice of limiting the business of the session to matters covered in the Governor's message. Because, however, I believe the veterans have a clear priority on our time and resources at this session, I make no specific recommendations on this subject at this time, except to state that I believe this problem must be met in the near future. Should I have occasion to address the next Legislature, and no action has been taken prior to that time, I shall recommend a substantial increase for State employees, and furthermore, I shall ask that this increase be made effective through the passage of emergency legislation retroactive to January 1, 1947, thus giving State employees

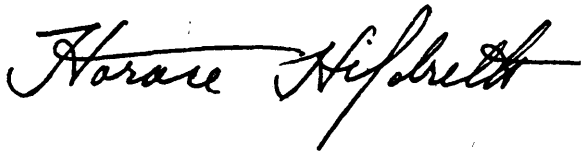
an increase during the last half of the fiscal year in which we are now operating.

CONCLUSION

It may be said by some that the problems which I have outlined to you can await the regular session to be held next January, that in a special session there is not time to solve the many problems involved in an overall veterans' program.

Unless legislation is enacted at this session, sent to the people in September, and approved by them, our veterans' program must be postponed another year—until the fall of 1947. We should not ask our veterans to wait until that time for a solution of their problems. The time for action is now. Further delay means the problem will be only that much more distressing, and between now and the time we do act, we will be losing the revenue which we must have in order to maintain a sound veterans' program.

Fully realizing the tremendous problem which we face, and the substantial expenditures I am asking you to make, I am confident of your willingness to meet the problem, and I am certain that working together for the best interests of Maine and all of her people, we will, with God's gracious help, reach a solution which will forward the welfare of this great State.

A handwritten signature in cursive script, reading "Horace Hildreth". The signature is written in black ink and is positioned above the printed name of the Governor of Maine.

Governor of Maine