

Inaugural address
of

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Inaugural Message

Member of the General Assembly:--

On the second of July in the year 1777 a group of men from the settlements of the New Hampshire Grants were gathered in the town of Windsor. None of them were trained in law; it is assumed that all of them were poor; if the word "radical" had been a common political term at that time, it might have been applied to them, for on that sultry July day—even while the hired soldiers of King George the Third and their Indian allies were descending upon the scattering settlements west of the Green Mountains—this intrepid group wrote the most progressive political document the New World had yet seen—the Constitution of Vermont. For the first time in America a state government prohibited human slavery and extended the right of suffrage to all freemen. This group of undoubted "rugged individualists" recognized that private property should be subservient to public need, the right to religious freedom, the right to freedom of speech and of the press and of trial by jury.

And although the founders of our state also recognized the right of the people to alter their form of government in any manner "conducive to the public weal", yet they wrought so well that to this day Chapter 1 of the 1777 Constitution known as the "Bill of Rights", exists as part of the framework of our state government in an almost unchanged form. As we meet here at the beginning of this General Assembly I recommend to all of you that you read carefully this document of the 18th century, which is printed in your legislative directory, and which should represent the spirit of Vermont today, as it did 160 years ago.

It is expected of an incoming governor that he will, in an address to the General Assembly, express his views on various problems of state, and recommend what he believes to be desirable legislation.

Believing that the prosperity and security of a community or a state is in fact a reflection of the prosperity and security of the people living therein, it seems fitting that the first problem to which I should call your attention is that which has to do with guarding the health, strengthening the mind and character, and correcting the wayward tendencies of those of our people who are less fortunate than most of us. These activities are grouped under the heading of Public Welfare.

The Department of Public Welfare is charged with the supervision of the hospital for the insane, the state's prison, industrial school, school for feeble minded, woman's reformatory and sanatoriums for the care of tuberculous persons. It is also in charge of paroles and probations.

The point has been reached when certain of our institutions have become over-crowded and requests have been made for appropriations totaling over a million dollars for additional buildings, equipment and operating expenses. It is my opinion that appropriations for this purpose should not be made until there has been a real study of our entire system of public welfare and state institutions.

We have 1200 people in the state on parole and probation. At present probationary work is handled by part-time officials and is in a generally unsatisfactory condition, several hundred persons failing to meet the terms of their probation. It is very probable that a few full-time probation officers would be so much more effective in their supervision of these cases that the cost to the state for their services would be negligible.

The Woman's Reformatory at Rutland is a fine institution used to only a third its capacity. The Brandon Home for Feeble minded is overcrowded, without even a place to isolate the victims of contagious diseases. At Vergennes we are spending between five and six hundred dollars a year apiece to care for children, some of whom doubtless should never have been sent there. At the State Hospital in Waterbury 1100 persons are confined in an institution built to accommodate 800. At the State Prison in Windsor half the prisoners are idle because there is no work for them to do.

It has been recommended that we should employ a full-time psychiatrist to work at our institutions and that if this were done the saving made by releasing inmates would amount to more than his cost to the state.

I confess I do not feel competent to make detailed recommendations at this time. I believe it is our duty to see how many people we can keep out of state institutions rather than how many we can put in. Rather than spend five hundred dollars a year in keeping a boy in Vergennes I would prefer to spend half that amount in keeping him out. I do not like to hear of an old person being sent to an insane asylum simply because he has reached the age where his mind fails to function and he is not self-supporting.

And so I would request that this legislature authorize a committee of not over five and preferably three persons, which may be a sub-committee of a regular legislative committee, or a special committee to be appointed by the governor, and with an appropriation to enable it to make a real study, not only of our state institutions but of our entire welfare system. Although it might take some time for this committee to complete its studies, yet it could report before the end of this session its recommendations on matters requiring immediate attention, so that legislative action might be taken by this assembly.

Old Age Assistance.—During the recent business depression there was sharply brought to our attention the sad plight of those people who, facing the sunset, saw the savings of a lifetime, which might have made their declining years more comfortable, wiped away while they were helpless to prevent it. Avenues of employment were closed to them, and to some thousands living within our state the only recourse was dependence on public charity with its accompanying humiliation.

In 1933 Vermont adopted a policy of old age assistance. The act providing funds to carry out this policy was based on insufficient information. Where it was estimated that only two thousand people were in need of this assistance, actual experience showed that about six thousand are equally in need and equally deserving. Small monthly payments are now being made to about four thousand of our citizens, these payments proving to be of great assistance, not only to the recipients but to the towns and cities in which they live.

Although it is true that the old age assistance undertaking is still in the experimental stage and care must be taken lest the burden placed on those providing the benefits outweigh the benefits themselves, yet it is only just that some means be found whereby we can extend this assistance to the two thousand deserving citizens who are as much entitled to it as the four thousand who are now aided.

If no more feasible plan is presented I would suggest that a head tax of \$2.75 would prove sufficient to extend the present rate of assistance to the six thousand who qualify, and in view of the fact that towns and cities are permitted by law to drop questionable polls from their list, I recommend that the municipalities be permitted to retain ten per cent of the tax to cover the cost of collection, instead of twenty per cent as at present.

Education.—Our law relating to education was carefully revised two years ago and I believe has given general satisfaction. I think it should be continued without serious changes. Although we cannot afford to do as much for our schools as we would like to, yet we must be sure that there shall be no let-down to our standards and should strive to improve them at every opportunity.

Agriculture.—The problems of agriculture are innumerable and must in the long run be solved more by cooperation than by legislation.

We may be thankful that our state has at last been declared practically free from bovine tuberculosis, yet we must take no chances on a return of this disease, and a comparatively small annual appropriation to guard against it is wholly warranted.

Unless present requirements are changed by congressional action this winter, it will be necessary for us to create a commission or agency for administering the federal soil conservation program if the farmers of this state are to enjoy its benefits.

Liquor Law Enforcement.—Although Vermont's liquor law is considered one of the most workable, yet it is apparent to everyone that there is much to be desired as regards its enforcement. License holders have the right to protection from illicit traffickers and bootleggers; those using our highways are endangered by automobile operators who have indulged too freely; children of school age are too frequently seen in varying stages of intoxication. This state of affairs is deplorable in the extreme and must be corrected to the best of our ability. The trials of local enforcement officers and the difficulty they have in securing evidence and convictions

is common knowledge. At present the attorney general has an appropriation of \$5,000 a year to spend on liquor law enforcement but it appears to me that enforcement should more properly be committed to the Liquor Control Board, who by the nature of their duties are more conversant with circumstances indicating probable violation, and I recommend that enforcement be transferred to the Board and that said Board be authorized to employ, with the consent of the governor, such officers as they deem necessary to properly enforce the law and that the expense of such enforcement be paid out of the funds of this board.

And I further recommend that the Liquor Board should cooperate with the Department of Education or other agencies in dispensing information tending to reduce the excessive use of intoxicants and encourage our young people to live more temperate and useful lives.

Motor Vehicle Department.—With the increased highway traffic which is here and that which promises to develop in the near future, it is apparent that more adequate policing of the highway is necessary to insure maximum safety to the public, and I recommend that the commissioner be authorized to increase to a reasonable extent the number of enforcement officers. If not carried too far, it appears that additions to the force would be self-sustaining, in the same manner as those now employed.

Highways.—In 1931 a state-owned highway system of 1037.12 miles was established and in 1935 additions to this system brought the total up to 1765.59 miles. Although notable strides have been made in hard-surfacing this system there still remain over 750 miles without a surface superior to gravel. In view of this fact, it would seem inadvisable to make further additions to the state system until we have a higher percentage of hard surface over that which we now have.

Highway funds are now fairly divided between town, state aid and state owned roads. I believe that we should continue this division of funds in about the same proportion as now exists. Funds received from the gas tax and motor vehicle registrations should not be diverted to purposes other than highway building and maintenance except in case of extreme necessity.

Looking into the near future it is not difficult to foresee the time when our present system of main highways will prove inadequate to bear the traffic required of it. Already routes 5 and 7 are heavily congested at certain seasons of the year. This congestion of traffic is due to increased industrial activity and to a decided increase in recreational travel. For this state of affairs we should be very thankful. However, it is clearly apparent that additional routes, which are mostly already state-owned, must be improved to handle this increase in traffic. Particularly a midstate route from the Massachusetts border to Lake Memphremagog by way of Wilmington, Ludlow, Rochester and Morrisville and two or three cross-state routes, would seem to provide almost unlimited possibilities for the development and settlement of our mountain towns by tourists, summer and permanent residents.

These people are attracted to Vermont because of the natural beauty and charm of our state. Conditions existing along the roadsides are likely to decide visitors from other states as to the advisability of purchasing homes in Vermont. Therefore it seems vitally necessary that the state should control the roadsides of our most scenic highways if desecration and despoilation are to be guarded against.

So I recommend that the Highway Board be empowered to secure along existing or prospective rights of way by gift, purchase or lease such areas as may be necessary to preserve the natural beauty along our highways. And I further recommend that the board be empowered to regulate industrial traffic on obviously scenic or light travel highways in order that the purpose in developing these routes may not be defeated.

Recreation.—Progress in developing the recreational resources of Vermont during the past few years has been truly remarkable, due to the efforts of the National Forest Service, the National Park Service and the C.C.C., our State Forest Service, the State Publicity Department and the cooperation of our citizens who are engaged in the business of operating hotels, summer camps and tourists' homes.

We may also look with satisfaction upon the sale of hundreds of our small hill farms and village properties to those who have bought them for homes, either summer or permanent. These people, who are of the finest type of citizen, have not only brought millions of dollars worth of new capital to Vermont, but have materially

added to our permanent population until, according to the United States Census Bureau, we have gained as much during the last six years as we did during the previous sixty.

Although we were told a few years ago that this influx was a temporary depression movement of folks who would leave Vermont as times got better, yet it is a satisfaction to note that, as business conditions improve, instead of leaving us they are coming in increased numbers.

Although we should not go to extremes in publicizing Vermont as a recreational state but try to maintain a sound balance with our agriculture and industry, yet we should continue to consistently develop our recreational resources in such a manner that people from other states may find Vermont most attractive, either for a summer vacation or a home. Our present appropriation for publicity, which is used largely in advertising our recreational advantages, should be continued. We should continue to acquire such areas of land as will give public access to our larger lakes and mountains. In my budget message you will notice that I am recommending only a small amount for the acquisition of more land by the state, but it occurs to me that the large annual expenditures which we are incurring in purchasing reservoir sites might better be spent in acquiring and protecting areas of recreational value.

I call your attention to an act of Congress known as the Fulmer Act authorizing the United States Forest Service to cooperate with the states in purchasing areas of land for public use. This act provides that areas of this nature may be purchased with federal funds but will be operated by the state. One half the income from such land is to be returned to the federal government until the purchase price, without interest added, has been repaid, at which time the state becomes sole owner of the property. It is the opinion of many that a national park or monument of considerable size in northern Vermont would prove to be of great value to the recreational industry. I believe that the National Park Service would look with favor upon such a project if they are convinced that the people of Vermont desire it. In other states where national monuments have been established the funds with which the land has been provided have mostly come from private sources. I submit to you that a project of this nature is deserving of careful study on your part to determine whether it could be properly financed and carried out.

The increase in tourist traffic has led to the construction of a great many tourist camps about the state. We may congratulate ourselves that most of these camps are clean and comfortable. For the protection of the traveling public as well as the operators of clean overnight camps, it seems that an official inspection and licensing of these places would be advisable. Our present law provides for inspection only at the option of the owner.

Natural Resources.—The Legislature of 1935 established two boards, whose duties had to do with the management and conservation of our natural resources, the Board of Conservation and Development and the State Planning Board. The members of these boards have been loyal citizens who have performed their work conscientiously.

The State Planning Board, whose activities have been largely financed by federal funds, has engaged in research work having to do with different phases of Vermont's welfare, including study of our water resources. Being financed largely with federal funds, the Planning Board has perhaps felt obliged to follow courses other than it might have pursued as a strictly state planning board. If this board is continued I am recommending an appropriation sufficient to enable it to be a state planning board in fact as well as name.

The Board of Conservation and Development has been in charge of the activities of fish and game, publicity and forestry. However, there is a widespread feeling throughout the state that the activities of the Fish and Game Department are of sufficient importance to warrant its being made a separate department, as it was prior to being placed under the Conservation and Development Board two years ago. The fish and game clubs of Vermont are practically unanimous in requesting this change and it appears that they are justified in so doing.

As is done in nearly all states, the Publicity Department might be restored to the office of the Secretary of State. I would then recommend that a Board of Natural Resources be authorized, which would combine the State Planning Board with the remaining activities of the Board of Conservation and Development. This Natural Resources Board would have control of state forests, recreational areas and investigational study of our water

resources and other natural advantages, having a definite work to do while laying plans for future developments. I believe such action would coordinate recreational and other activities dependent on our natural resources.

Banking and Insurance.—In 1933 the banking industry found itself in an acutely dangerous situation and the Vermont legislature passed much emergency legislation tending to alleviate the situation. Since that time there has been some improvement. The F. D. I. C. has insured deposits until nearly all of the savings of our people are now protected. The R. F. C. has loaned Vermont banks nearly seventeen million dollars, which provides liquid assets with which to do business. But although deposits in Vermont banks are now insured against loss, yet they have been steadily decreasing. The reason for this is not difficult to find. All our banks are now limited to payment of two per cent interest on deposits and are subject to strong competition, including that of the federal government which offers the small depositor so-called baby bonds that yield nearly three per cent interest. With the legal rate of interest at six per cent there is now permitted a spread of four per cent between the rate of interest paid depositors and that charged borrowers. This is obviously too great and many of our progressive bankers, recognizing this, have voluntarily and in good-businesslike manner reduced the rate of interest charged to five per cent or less on good security.

Some banks, however, persist in maintaining this spread of four per cent between depositor and borrower. The situation thus created is not only unsatisfactory but manifestly unjust, placing many Vermonters at a disadvantage as compared with citizens of other nearby states. I have hoped that this condition might be corrected without additional legislation, but my hopes have not been realized as yet and legislation may be necessary. Perhaps the solution lies in reducing the number of banks in the state and consequently the overhead costs of the industry.

The latest report of the Commissioner of Banking and Insurance calls attention to a serious evil now existing in Vermont. I refer to the practices of so-called financing companies, mostly located outside the state, who make small loans to our people of very moderate means. Too late, the borrower, in desperate need of a loan, finds he has signed away a large part of his pay check for months or years to come, and has agreed to pay interest charges which may ultimately amount to from fifteen to forty per cent. I agree with the recommendations of the commissioner that the activities of these concerns be drastically regulated or prohibited. We want no peonage system in Vermont.

I recommend the continuance of Vermont's Worthy Debtor Law, which extends to the farmer, the laborer and the small business man the same right to temporary receivership as is enjoyed by public utilities, banks and large corporations.

Water Resources and Storage Reservoirs.—Following the flood of 1927 a commission of hydroelectric engineers made an exhaustive study of the water resources and possible reservoir sites within the state. Their report recommended the construction of eighty-five reservoirs within our borders with the recommendation that such reservoirs be used in connection with the development of hydroelectric energy. The report indicates that there is some over half a million undeveloped horse power in Vermont.

No start was made in putting these recommendations into effect until after the legislative session of 1933. Since that time storage reservoirs have been constructed at Wrightsville and East Barre and a third is now being built in Waterbury.

At the time construction of the East Barre and Wrightsville dams was authorized it was expected that the cost to the state in acquiring flowage rights and dam sites and other expenses incidental to the construction of these dams would not exceed two hundred thousand dollars. An act of the legislature authorized the Public Service Commission to levy assessments against the supposed beneficiaries to pay a substantial part of this cost. I fear few people realize what an expense the construction of these reservoirs has been to the state. Instead of the two hundred thousand dollars, which was expected to cover the cost of the two completed reservoirs, I find that the state has spent \$99,236 on the East Barre project, \$236,200 on the Wrightsville project and \$17,289 on the Clothes Pin Dam at Montpelier, making a total of \$352,000 already spent.

The highway between the village of Worcester and Montpelier is yet below the flood level, thus necessitating an increase of several miles' travel between these two points when there is high water. If this road

is raised sufficiently to protect it from floods another expense of over \$100,000 will fall upon the state. The road between East Barre and Orange is also below the spillway level and the cost of raising this highway is estimated at \$141,000. However, this last expense will likely be unnecessary as there is an available detour between the towns of Washington and Orange.

As for the Waterbury project, the state has paid out to date \$40,109 and it is estimated that if and when the Little River Dam is complete the cost will be approximately \$180,000 more. Therefore, it is apparent that the state will have a total investment in these three reservoirs of approximately \$600,000 besides the obligations of yearly taxes and maintenance.

It is reported that an effort is to be made to have the state bear the entire cost of these projects. In view of this turn of affairs it appears to me that we cannot afford to embark upon any more projects of this nature without an irrevocable guarantee from private and municipal beneficiaries that they will assume a fair proportion of the cost.

However much a problem the construction of reservoirs on rivers wholly within the state may be, there is a larger one which confronts us in the Connecticut River basin. States to the south of us are rather insistent on the construction of huge reservoirs on the tributaries of the Connecticut in Vermont, and Congress has already authorized construction of eight dams which our more southern neighbors desire to have built.

The fact that the cost of a development of this nature, with the expense of reservoir sites, the abandonment of farms, the loss of population, the sacrifice of recreational and industrial development, relocation of highways and other huge expenses, would run well up into the millions of dollars may be accepted without question. That Vermont would be absolutely unable to stand this expense and the sacrifice of our assets, even if partly borne by other states, is also unquestioned, and it is further true that we ourselves would derive comparatively little benefit from the construction of this reservoir system. I think we may also assume that the people of the lower Connecticut Valley have been given to believe that this program would afford them far greater protection from the flood waters of the Connecticut than it really would.

There is still another feature of this program which has not made a very prominent public appearance as yet. That is this: if a series of storage reservoirs were constructed in Vermont to maintain the summer flow of water in the Connecticut River, the states of Massachusetts and Connecticut would be enabled to generate electrical energy at a little more than half the cost of producing it here in our state. It may be readily seen that this would, give them a tremendous advantage as regards future industrial developments.

At present the State of Vermont and the towns in Vermont have an annual income of over a million dollars from taxation of hydroelectric energy and the reservoirs, power houses and transmission lines by which it is generated and transported. That we have other undeveloped locations within the state where electricity might be generated profitably and without serious damage to other lines of development is also acknowledged.

If these sites are developed with public funds we would not only lose a huge amount of taxable property from our grand list, but under our present law incur an annual tax bill of large proportions.

We wish to remain on good terms with our neighboring states, but the water power of Vermont is our heritage, a natural resource bestowed upon us even as other states have their natural advantages and I believe this gift should be used primarily for the benefit of our own state and we should not surrender any of it without just recompense. I hope the time is not far distant when every Vermonter will be enabled to enjoy the use of electric power in his home or business at rates proportionate to our bounty.

The situation is being ably and diplomatically handled by a committee of our Planning Board with Mr. Ralph Flanders as chairman, and this committee should continue in charge of the matter.

State Finances.—Vermont has reason to feel proud that during the years of the depression we have been able to run on a pay-as-you-go basis. It is true that we have done without some things which might be considered necessities and for which there will be a stronger demand than ever now that economic conditions are more favorable.

Within a few days you will receive my budget message. My recommendations will be conservative and total well within the amount of probable income. I believe that the entire state is desirous of avoiding any further indebtedness. It is possible that the legislature will make some new appropriations, but if this is done I expect that additional revenue will be found to meet the new obligations. It should be borne in mind that in 1938 and 1939 payments of a hundred fifty thousand dollars and interest each year on our temporary bonds must be made. In addition we must provide \$48,000 in 1938 and \$50,000 in 1939 for the retirement of war bonds.

During the last year a capable commission has been at work studying different phases of state financing, including possible new sources of revenue. When you receive this report I suggest a thorough study of it because it may be necessary to draw upon these sources. And I further recommend that consideration be given those sources of income that are now exempt from taxation to determine if some of them should not at this time begin to bear their share of the public burden.

During recent years we have suffered a great loss in revenue from the decline in railroad taxes and in the tax on bank deposits. The special legislative session of last winter made a flat reduction in the tax rate on railroads. It is true that some of our roads were in desperate need of relief, but it is equally true that others were in more favorable condition, yet all received an equal reduction. We have a commission authorized to hear appeals by the public utilities from the appraisals made by the tax commissioner, and to make equitable adjustments. I believe it more desirable to let this commission use its authority in making adjustments in appraisals where advisable than by legislative action to reduce the rate paid by any group to a point which is based on the ability of the weaker ones to pay.

The falling receipts from the tax on bank deposits can be stayed only by improving generally the banking conditions within the state so that savings deposits will again be encouraged and by liquidating as rapidly as possible the fifteen million dollars worth of real estate, which the mutual savings banks have acquired by foreclosure proceedings and which is permitted as an offset against the tax on deposits.

And I would further recommend that serious thought be given to setting a flat rate for the registration of all pleasure automobiles. The tendency of manufacturers toward building lighter cars has resulted in a drop in registration fees until the average is now \$18.10 for each car. If the tendency toward lighter cars should continue so that any one of the three popular weight groups should fall to the next lower class, we would be faced with a loss of \$250,000 annually in registration fees. Pegging the fee at \$18.00 per car would insure a revenue of not less than that which we are now receiving.

And now I have no more recommendations to make at this time. There are many things I might discuss, but I have presented those I believe to be of major importance. I have spoken plainly lest my words be misinterpreted by some. As Governor, I intend to transact business openly so that the people of Vermont may know how their affairs are being handled.

With some things I have said today many of you will disagree. That is inevitable. But when we disagree on a subject and express our viewpoints openly, then we are in reality making progress.

While I occupy the executive office it will not be the office of any particular group or sect, and I selfishly hope that at the end of my term it may be said that my administration was a successful one. With your help it will be. Let us forget our political differences, forget that we may not attend the same church, or that we belong to different occupational classes, but remember we are all Vermonters working to promote the welfare and increase the happiness and prosperity of the people of our state. If we will do this, then I know that under the guidance of the Great Master of us all we shall succeed.