THE GOVERNOR TO LEGISLATORS

EXPLAINS WHY TREASURY BALANCE BECAME LOW AND DEVOTES SPACE TO GLAZIER'S RESIGNATION.

Regulation of Banks and Brokers Advised. The Litigation with Railroads and Other Matters

Governor Warner's Message to the Legislature is quite a lengthy document, which takes up first the finances of the State. He says:

The condition of the finances of the state during the past few weeks is a matter of common knowledge.

The last legislature and the chief executive of the state have been criticised for this state of affairs, doubtless because their critics have made no effort to inform themselves as to the real cause of the shortage in the general fund from which the general expenses of the state government are paid.

In justice to the last legislature and especially to the finance committees upon whom devolved the duty of preparing the general budget, I deem it proper that an exact statement of the situation be made.

Investigation that I have made shows that for thirteen years preceding 1906 it has been the invariable custom of the Auditor General to report as required by law to the Superintendent of Public Instruction for apportionment to the several counties of the state practically the entire amount remaining in the primary school interest fund on November 1st of each year. The only sum not apportioned was the aggregate of the odd cents in the per capita computation. For instance, if the apportionment amount to $3.67 per capita, there was apportioned $3.60 per capita, the balance being left, solely, for convenience in making the computation, to be included in the next succeeding semi-annual apportionment. No doubt this was the custom for years preceding those covered by my investigation.

The result of this practice was that only the small balances enumerated below remained in the primary school interest fund on December 31st of each year, after the November apportionment was made:

1893	$36,215.30	
1894	54,413.87	
1895	27,408.15	
1896	77,344.32	
1897	51,137.91	
1898	94,662.70	
1899	overdrawn	$2,293.02
1900	4,555.15	
1901	67,461.09	
1902	41,758.10	
1903	21,488.67	
1904	23,719.61	
1905	49,473.85	

The average balance in the primary school fund after the November apportionment for these thirteen years was only $42,103.51. In sharp contrast with the above is the following showing for the two succeeding years:

1906	$1,222,486.57
1907	1,667,494.00

Having for these thirteen years, as will be seen from the above statement, practically exhausted the primary school district fund in making the November apportionment, the Auditor General departed from the long established custom in his department in November, 1906, and in that year and the year following failed to include in the total reported to the Superintendent of Public Instruction for apportionment large sums, so that after the apportionment was made in November, 1906, there remained in the primary school interest fund $1,222,486.57, and after the apportionment of November, 1907, $1,667,494.00.

The balance in the state treasury is always at its lowest ebb at the close of the calendar year just previous to the payment of state taxes by the counties of the state. With the exception of two years only a nominal amount of primary school interest money has been included in these balances.

When the legislative committees came to make up the general budget in 1907 they called for information as to the balance in the state treasury at the close of the year 1906 and were informed that it was approximately $2,300,000.00.

No member of the committee and no one connected with either the legislature or the Executive Office had any reason to suspect that more than a nominal amount of primary school money, as shown by the average of less than $43,000.00 for the previous thirteen years, was included in this balance. They rightly supposed that as in previous years, the primary school interest money had been apportioned and distributed to the counties as required by law. The members of the committees could properly assume that they were dealing with a general fund balance, and they proceeded as was entirely business-like in view of such understanding, to take this large balance into account in preparing the general budget. Had they been apprised of the fact that one million two hundred and twenty-two thousand four hundred and eighty-six dollars and fifty cents, or over one-half of the balance, belonged to the primary school interest fund they would, without doubt, have added that amount to the total to be raised by tax for the general purposes of the state government. In November 1907, the Auditor General withheld $1,667,494.00 from the November apportionments, and even greater sum than was withheld the previous year, while in November last practically every dollar in the primary school interest fund was apportioned as it should have been under the law in each and every year.

It is my firm belief that every fair-minded person will concede that the legislature of 1907 acted in the utmost good faith in levying a tax for the general purposes of the state government, having no reason to suspect that the balance on hand at the close of 1906 was not available for general fund purposes, as in previous years.

While the shortage in the general fund is to be regretted it is a matter for congratulation that it has caused the state so little embarrassment. So far as I have been able to ascertain very few of the state institutions have been inconvenienced. The greatest inconvenience was suffered by the employes of the state whose compensation was withheld for a few weeks.

In this connection I beg to direct your attention to the subjoined comparative statement of amounts necessary to be raised by tax for the general expenses of the state government, as estimated by the Auditor General, with the amounts appropriated for such purposes by the several legislatures during the past twelve years. An examination of this comparative statement shows that the several legislatures appropriated in the aggregate $4,069,746.23 less than was called for in the estimates prepared by the Auditor General, showing that it has long been a wise and necessary practice of successive legislatures to discount the estimates furnished them. The statement referred to is as follows:

	1897.	1898.	
Estimate by Auditor General	$1,844,826.21	$1,524,625.00	
Authorized by Legislature	1,354,576.21	1,154,375.00	
Deduction by Legislature	$ 490,250.00	$ 370,250.00	$ 860,500.00
	1899.	1900.	
Estimate by Auditor General	$1,316,602.72	$1,207,262.00	
Authorized by Legislature	1,016,602.72	982,262.00	
Deduction by Legislature	$ 300,000.00	$ 225,000.00	525,000.00
	1901.	1902.	
Estimate by Auditor General	$ 905,968.12	$ 672,312.00	
Authorized by Legislature	700,000.00	500,000.00	
Deduction by Legislature	$ 205,968.12	$ 172,312.00	378,280.12
	1903.	1904.	
Estimate by Auditor General	$1,386,513.37	$ 757,661.00	
Authorized by Legislature	800,000.00	500,000.00	
Deduction by Legislature	$ 586,513.37	$ 257,661.00	844,174.37
	1905.	1906.	
Estimate by Auditor General	$ 929,926.69	$ 749,540.00	
Authorized by Legislature	700,000.00	425,000.00	
Deduction by Legislature	$ 229,926.69	$ 324,540.00	554,466.69
	1907.	1908.	
Estimate by Auditor General	$1,163,161.05	$ 844,164.00	
Authorized by Legislature	600,000.00	500,000.00	
Deduction by Legislature	$ 563,161.05	$ 344,164.00	907,325.05
Total deductions by Legislature			$4,069,746.23

During the biennial period ending December 15, 1908, the total receipts of the primary school interest fund were $9,327,847.72. Of this amount $7,600,667.37 was paid by railroad corporations and $891,943.51 by insurance companies. The balance of $835,236.84 was received from other interests which pay a specific tax. During the same period there was paid from this fund by the state to the several counties for the support of the public schools, $9,891,076.28, or $563,228.56 more than the revenue of the fund.

The aggregate of state taxes levied and collected during the same two years was $7,985,812.42 and the back taxes collected amounted to $371,244.86.

The expenditures of the state on account of our educational, charitable, penal and reformatory institutions during the same period amounted to $6,793,224.83, being as follows:

University of Michigan	$1,096,709.82
Agricultural College	630,836.81
Normal College	270,343.80
Central Normal School	176,526.20
Northern Normal School	113,249.94
Western Normal School	181,216.82
Co. Normal Training Classes	68,000.00
Asylums for Insane	2,135,538.65
Soldiers' Home	218,190.07
Home for Feeble Minded	270,833.36
School for the Blind	75,876.97
Employment Inst. for Blind	56,820.00
School for the Deaf	182,401.14
State Public School	91,531.65
Prisons and Reformatory	620,281.90
Home for Girls	147,450.01
Indus. School for Boys	201,396.67
Psychopathic Hospital	29,110.61
State Sanatorium	94,699.95
College of Mines	206,800.00

While the expenditures on account of these institutions have largely increased during the past few years, they have simply kept pace with the natural growth and development of the institutions and the demands made upon them by the increasing population of the state.

I have had prepared a detailed and exhaustive statement of the receipts of the state treasury from all sources and expenditures for all purposes, which will be laid before the finance committee of the senate and house of representatives.

Resignation of State Treasurer.

In compliance with the mandate of the constitution, I beg to report that following the failure, in December, 1907, of the Chelsea Savings Bank, I made an investigation of the condition and administration of the affairs of the state treasury and as a result of such investigation and after an unsuccessful personal demand that Frank P. Glazier resign the office of Treasurer of the State of Michigan, I preferred, under date of January 6, 1908, formal charges of gross neglect of duty, misfeasance and malfeasance in office against said Frank P. Glazier, State Treasurer, and cited said official to appear before me at the Executive office in the City of Lansing, on the seventeenth day of January, 1908, at ten o'clock in the forenoon of said day, and then and there make answer to the said charges. These charges covered the depositing with the said Chelsea Savings Bank of $685,587.79 of state funds without requiring adequate security for such deposit, failure to safeguard such funds in spite of his knowledge of the failing condition of the bank, the depositing of at least a portion of such funds after he, as president of such bank, was aware that it was insolvent, etc.

Service of the charges and citation to appear was made upon said Frank P. Glazier on January 7, 1908, service being made through his personal attorney in view of a written certificate made by Mr. Glazier's attending physician that Mr. Glazier's physical condition was such that service of any paper upon him at that time would greatly endanger his health and might precipitate serious results.

On January 17, Mr. Glazier through his attorneys and the formal statements of his attending physician, made such a showing of physical and mental incapacity that I adjourned the hearing until January 23.

On the last mentioned date Mr. Glazier appeared by his attorney and while entering a general denial of the charges preferred against him, tendered his resignation of the office of state treasurer, to take immediate effect. Notwithstanding this resignation, I caused Seward L. Merriam, of Detroit, to file in the Executive Office his findings based on his investigation made in my behalf.

The resignation of Frank P. Glazier as state treasurer was promptly accepted by me and on January 23, 1908, I appointed Hon. John T. Rich, former governor of the State of Michigan, state treasurer to serve out the balance of the unexpired term of said Frank P. Glazier.

As required by the state in case of the resignation of the state treasurer, I appointed two suitable persons, namely, Hon. David D. Aitkin, of Flint and Hon. George B. Horton, of Fruit Ridge, to repair to the office of state treasurer with the Secretary of State and a representative of the surety on the bond of said Frank P. Glazier, at ten o'clock a. m. on the 24th day of January, 1908, and take into their possession the moneys, papers and other things belonging to the treasury, notice of such appointment being duly served upon said Frank P. Glazier and also upon the surety on his bond.

The persons so appointed to take charge of the effects of the state treasury preformed their duty as required by law and made due report of their doings, and upon his properly qualifying, turned over the moneys, papers, etc., belonging to the treasury, to John T. Rich, the new state treasurer.

The state has thus far been paid by the receiver of the Chelsea Savings Bank two dividends aggregating $276,625.11. To secure the deposit of state money made by the state treasurer the bank had furnished surety bonds to the amount of $200,000. Upon the bank becoming insolvent and its neglect to repay the state funds deposited with it demand was made upon the surety companies for payment to the amount of their several bonds. The American Surety Company of New York immediately responded by paying the amount for which it was obligated, with interest. The other surety companies refusing to pay, suits were instituted by the Attorney General in the Circuit Court for the County of Ingham against the United States Fidelity and Guaranty Company, the Bankers Surety Company, the Metropolitan Surety Company, the Title, Guaranty and Surety Company, and the Federal Surety Company to enforce the payment of their obligations. To the declaration filed by the state the surety companies interposed a demurrer which was argued December 11, last, but which is still undecided. The amount involved in these five cases is $150,000.

In addition to this there is the liability of the surety on the bond of Frank P. Glazier, State Treasurer, in the sum of $150,000.

The balance due the state from the Chelsea Savings Bank is $358,962.68.

It is gratifying to note that the framers of the new constitution sought to safeguard the funds of the state by providing that no deposit of state funds should be made in excess of fifty per cent of the capital and surplus of the depository.

State Institutions.

It is a pleasure to be able to report that the various state institutions are admirably fulfilling the purposes for which they were established and are in excellent condition. They are managed by representative citizens of Michigan drawn from all walks of life, who devote without compensation much thought and time to the solution of the intricate problems involved in the successful direction of the affairs of institutions of such great magnitude and importance. The reward of these patriotic citizens lies in the consciousness that they are performing a service of great value to their state and the one in which they live. This observation applies alike to the members of the boards of managers of our educational, charitable, reformatory and penal institutions.

Michigan has just reason to be proud of its position in the educational world. Its great university compares favorably with like institutions throughout the country and the world. Its growth in importance and popularity has kept pace with advancing civilization. Today there are enrolled upon its records a greater number of students than ever before in its history, and it stands an acknowledged leader among the educational forces of the universe.

Equally as prominent in its field of endeavor is the Michigan Agricultural College, the pioneer agricultural college of this country, which for more than fifty years has stood in the very forefront of institutions devoted to the teaching of the science of agriculture and the mechanic arts, and which today has no peer. Always a leader, an added impetus was given this college by the prominent part taken in its semi-centennial exercises eighteen months ago by the President of the United States and his action in linking it so prominently with his address to the people on the importance of agriculture and the dignity of labor. This brought the college before the public more prominently than ever before. The result is seen in a marked increase in attendance and public interest. Although the attendance is now at high water mark, there is little doubt that the number of students will very largely increase within the next few years.

The Michigan College of Mines is making a most enviable record in its special field and contributes materially to the splendid record of the state in the educational world.

A constantly increasing number of young women and young men are availing themselves of the privileges afforded by the four excellent normal schools of this state, while the system of county normal schools inaugurated several years ago is developing in a most satisfactory manner. Competent persons who are in close touch with educational matters in this state inform me that the effect of the good work that is being done by these schools is readily discernible in the improved qualifications of the teachers in our public schools. The greater capacity of these teachers who have so much to do with moulding the characters, forming the habits of the children of the state, means better citizenship, and good citizenship is the crowning glory and most valuable asset of the state and nation. All of these institutions are grandly repaying the state for the money expended for their maintenance.

No state has ever surpassed Michigan in providing for the well being of those who through misfortune of any kind are unable to provide for their own care and maintenance. Our schools and homes for the dependent and the wayward, our retreats for the mentally deficient and for those who have been stricken by disease have materially contributed to the greatness of the state and to its enviable reputation for caring for all who are properly dependent upon its generous bounty or who need its restraining hand to direct them into paths of rectitude and honor. No less efficient are those necessary institutions which have for their purpose the punishment of those of mature years who wilfully transgress the law.

In all these things which make for the greatness of the state, the protection and betterment of its citizens, and the general uplift of humanity, no backward step should be taken. The utmost care should, however, be exercised to the end that the public shall not be unduly burdened in providing for the maintenance of these institutions.

For detailed information regarding the work of the various institutions supported by the state, I direct your attention to the reports of the managers. Copies of these reports will be found on your desks.

In this connection the State Board of Corrections and Charities—a board which accomplishes much good for the state—performs an important function. The law makes it the duty of this board to examine those institutions and report in detail as to their needs and also upon the various items which enter into the appropriations asked for their maintenance and betterment. I commend the report of this board in this respect as well as that portion which deals with other matters over which the law gives it advisory jurisdiction to your careful consideration.

In legislating for the needs of these institutions and in the consideration of all other propositions which involve the expenditure of public money, I earnestly urge you to exercise the greatest possible economy consistent with a proper regard for the actual needs of the several objects and the duty of the state with reference thereto.

Insurance.

The insurance laws enacted two years ago, particularly those affecting the business of life insurance, are in line with the legislation adopted by a number of states as the result of the investigation of 1905. These laws are accomplishing the results sought by their framers, and it is a matter of congratulation that Michigan had an important part in their preparation. Thus far no change, aside from one or two of a purely technical nature and of minor importance, have been found desirable.

Just now Michigan is co-operating with other important states of the Union in the formation of uniform regulations designed to materially strengthen the reserves of companies transacting fidelity and surety business and thereby greatly enhance the protection afforded the public by those companies (this is a problem that calls for extensive knowledge of the business and the exercise of the utmost care and judgment, but it is confidently believed that the committee to whom it has been assigned will work it out to a successful solution).

An important branch of insurance that is now receiving careful attention is that transacted by the fraternal beneficiary societies of the country. Millions of the common people depend solely upon these societies for the funds which are to sustain and protect their loved ones after they have been summoned from earth. It is essential that the societies be speedily placed upon a basis that will insure their perpetuity and save from bitter disappointment countless thousands of widows and orphans throughout our state and nation. It goes without saying that societies which fail to make adequate provision for the fulfillment of their contract obligations cannot long survive, and it is, therefore, the duty of the state to insist, through legislation, that these organizations deal faithfully with the public and adopt rates that will fairly insure their perpetuity. Some of the laws of Michigan governing the investments of insurance companies were enacted nearly a half century ago. These laws need amending in order that they may conform to existing conditions.

State Banks.

During the year 1908 the cash and legal reserves required of state banks by the banking law have, as a whole, been well maintained. Five reports have been called for and received during the year by the State Banking Department which has made 690 examinations of state banks and trust companies under its supervision. In addition to these examinations the directors of each state bank have made two examinations of their respective banks during the year and reported the same to the Department. In several cases special reports have been called for and twice during the year report of earnings and dividends of each state bank and trust company have been enacted.

These various reports and examinations have been the subject of communication along the line of special comment and criticism, and the Commissioner of Banking reports that in but few instances has it been necessary to resort to the application of any of the drastic provisions of the law where disregard of the law was manifested. The constant effort of the Department has been to increase its efficiency and the effectiveness of its examinations and thereby strengthen the institutions under its supervision.

Regulation of Private Banks.

During the legislative session of 1905 and again in 1907 I urged the enactment of a law providing for the regulation of private banks.

The need for the enactment of a law for better informing the public as to the nature of private banks if not for the better protection of depositors in these so-called banks is imperative. These concerns hold themselves out to the public as banks and there can be no doubt that a large portion of the general public labors under the misapprehension that they are regulated and supervised by state authority. In previous legislatures most of the opposition to the legislation designed to give the public needed protection came from persons who were financially interested in private banks. The hostile attitude of these proprietors constitutes the most potent reason for supplying the legislation in question. There is much force in the suggestion that in the smaller communities and sparsely settled sections of our state, this class of banking is a necessity to the proper conduct of the business of the communities. Private banking is prohibited in but six states, and four of these are among the older and most populous states of the Union.

In order to fully advise and reasonably protect the public you should at least prohibit the use by private bankers of any name or title which will in the slightest degree suggest an incorporated institution or require that to any such title appearing on signs, advertisements, literature or stationery there be prefixed the word "private" and that such title be followed by the words "not under state supervision" conspicuously printed. Either plan would inform the public as to the character of the concerns.

Regulation of Stock Brokers.

Your attention is directed to the desirability of enacting a law for the regulation of the business of stock brokers. During the past year we have witnessed the failure of a concern which transacted a large brokerage business within this state. Men of all professions and callings, men of large means and men of small means, and, as the record discloses, working women paid money into this concern up to the very last day of its existence in full reliance upon its supposed pecuniary responsibility and in the belief that it was conducting its business according to the methods usually employed by reliable firms conducting that class of business. Developments showed the concern to which reference is here made to have liabilities running into the millions with few assets save those pledged to the few creditors, and further that it was insolvent for a long time before its business was interrupted by the appointment of a receiver.

The business of stock broking is in some respects similar to that of a bank. Indeed, in most cases, as in the particular case referred to, the broker holds himself out as being also a banker, this claim being made in his advertisements. The public comes to rely upon the pecuniary responsibility of such men and firms, although possessed of no real knowledge as to their responsibility. The business affords opportunity for indulgence in practices which are reprehensible and which lead to financial disaster, and it should be regulated by law. It is already so regulated in some states.

Conservation of Resources.

The recent conferences participated in by the President of the United States, Members of the Cabinet, Governors of the several states, and other prominent officials and private citizens, having for their object the conservation of the natural resources of the country, have awakened widespread interest in this vitally important subject. We of Michigan, with our vast wealth of water power, our mineral stores and our memory of almost boundless forests which have to a large extent been ruthlessly sacrificed in a mad rush for wealth, have special reason for enthusiastically co-operating with the leaders of this great movement to conserve that which remains and restore as far as possible the waste places which have been made to give up their rich treasures to the end that those who come after us may enjoy the blessings intended for them by an All-Wise Providence.

In this connection I desire to direct your attention to the desirability of taking active measures to lessen the fire waste of general property which is steadily increasing and which, during the past five years in this country, has aggregated a billion and a quarter of dollars. Michigan's contribution to this enormous total was in excess of twenty-six million dollars. An annual loss by fire of two hundred and fifty million dollars is a most appalling record. This means the permanent elimination of this vast value from the resources of the country, for while the property destroyed by fire may, to some extent, be replaced, it can never be restored. It is gone forever.

A material reduction in this great loss can be made by the enactment of laws and ordinances requiring better construction of buildings, penalizing property owners who carelessly and negligently permit fires to start on their premises, governing and regulating the storage of explosives and easily combustible materials, providing for the careful and exhaustive investigation of all fires and the apprehension of all persons who wilfully set fire to property. The activities of the state municipalities along the lines indicated would not only result in the preservation of vast property values from year to year, but would also effect a very substantial saving to property owners by materially lessening the rates charged for fire insurance. This has been the result in states which have given this subject intelligent treatment. I commend this matter to your careful consideration.

Reforestration.

The Commission of Enquiry appointed by me in compliance with an act of the last legislature to consider the important question of preserving the remaining forests of the state and reforesting those sections from which the forests have disappeared has within the past few weeks made a comprehensive and interesting report which I commend to your careful perusal.

Fish and Game.

The experience of the past two years has persuaded the officials who are charged with the enforcement of the laws enacted for the protection of fish and game that these laws need amending in several particulars, and these officials are now engaged in an exhaustive examination of the laws of the various states of the Union with a view to presenting for your consideration measures designed to work a marked improvement in this report.

Dairy Interests.

The dairy interests of Michigan have been greatly extended and developed during the past few years, the value of the products of this industry for the past year having increased several millions of dollars during this period. Not a little of this increase is directly traceable to the intelligent activities of the department having to do with these interests. This department has also been active in guarding the health of the people of Michigan by constantly warring against the dissemination of impure food products and in protecting the people from imposition through the sale of adulterated products which although not injurious to health are not what they purport to be.

Inspection of Buildings.

The enactment by the last legislature of the necessary legislation has resulted in the inspection during the past year of approximately one thousand school houses and public buildings with a view to providing adequate protection in case of fire. It has at the same time demonstrated the need for more extended and rigid safeguarding of these classes of buildings. While the several hundred fire escapes and other means of protecting the public which have been installed by order of the Commissioner of Labor have done much to lessen the danger to the public, the authority of the commissioner under the present law does not include the ordering of other safeguards which should be provided.

Free Employment Bureaus.

Since the establishment by the state of free employment bureaus in five cities of the state employment has been found for nearly 50,000 persons without expense to either the employes or employers.

Employment of Children.

As compared with the previous year the year just closed shows a decrease of nearly 40 per cent in the number of children under 16 years of age employed in this state. Michigan was among the first of the states to enact laws regulating the employment of children, and to the faithful enforcement of these laws is due in a great measure the gratifying improvement here noted.

Inspection of Mines.

The Michigan law for the protection of coal miners is one of the best in the country. It is a matter of pride that our state is foremost in guarding the lives and health of her toilers of all classes. It is not strange that in an occupation so hazardous numerous accidents should occur, but by constant watchfulness these accidents are reduced to the minimum.

Good Roads.

Since the establishment of the State Highway Department a total of 326 miles of road have been built under the supervision of the State Highway Commissioner. Twenty-six counties are now under the county road system and in April next more than forty additional counties will vote on the adoption of the system. It is the opinion of the Commissioner that at least thirty of these forty counties will vote favorably on the proposition.

The total amount of rewards thus far applied for is $408,642. Rejections and cancellations have aggregated $30,642. There have been paid $228,215, leaving $149,786 still pending. The legislative appropriations for the work have aggregated $340,000, of which $40,000 was for the current expenses of the department.

It will be observed that the appropriations thus far made will not be sufficient to pay the rewards applied for in aid of work that is reasonably sure to be completed.

The increase in road building during the four years that state reward has been constitutionally and legally made has been marked,—twenty miles of road having been constructed in 1905, forty miles in 1906, eighty miles in 1907, and one hundred and sixty miles in 1908. The Commissioner is of the opinion that a great deal more will be built in 1910 than has been constructed in any previous year.

This is the most commendable and praiseworthy enterprise, being of great benefit to the villages and cities, as well as to the rural sections of the state. It should, however, be safeguarded so that the liability of the state in any one year may not exceed reasonable limits.

Under the law as it now exists no limitation is put upon the applications for state reward that may be accepted, thus placing upon succeeding legislatures at least a moral obligation to appropriate money to pay rewards attaching to all work covered by accepted applications.

It is my judgment that the law should be amended so as to limit the excess applications that may be accepted to the amount of the last annual legislative appropriation.

It is estimated that appropriations already made will pay all rewards that will become due on work to be completed prior to the end of the current fiscal year, but that these appropriations will fall some $20,000 short of paying accepted applications covering work that will be satisfactorily completed. When the next appropriation is made the townships and counties which have built roads meriting rewards will receive the first payments made from the new appropriations. There being no limit on the applications that may be accepted, it will be seen that the present law places no limit on the aggregate rewards for which the state may be morally obligated. The reason for the recommendation just made is, therefore, obvious.

Militia and Naval Reserves.

The military establishment of the state having been placed by the last legislature on a basis akin to that of the regular army, it does not appear that there is need at this time for any new legislation governing this important arm of the state government. The new law seems to be working satisfactorily and accomplishing the good results hoped for by its advocates. Both the National Guard and the Naval Reserves are rendering the state commendable service. They should be encouraged and sustained.

Home for Feeble-Minded and Epileptic.

The law relating to the Home for the Feeble-Minded and Epileptic should be amended in respect to the conditions governing the admission of patients. At present persons are admitted to this institution without due process of law, their admission being practically at the pleasure of the management. I would earnestly recommend that the same safeguards be thrown about these unfortunates as are vouchsafed those whose infirmities warrant their commitment to the asylums for the insane. This course would zealously protect the interests of the inmates and increase the prospects of persons in need of treatment afforded by the institution. The state should not be called upon to pay the expense of maintaining inmates who are not in indigent circumstances.

State Board of Health.

This department of state government is constantly extending its activities along practical lines and thus making its work of increasing value to the public. The Board and its officers have kept in touch with all movements designed to make for the betterment of the sanitary conditions generally and the protection of the health of the people. Much of practical value has been accomplished.

State Pioneer and Historical Society.

We are fortunate in numbering in our citizenship so able and devoted a body of men and women as compose the Michigan Pioneer and Historical Society—a membership whose unselfish work tends to the education of the present generation as well as to the enlightenment of posterity. They have rendered an important service in placing our state and its people on the high plane of civilization which the achievements of the past era and the activities of the present era deserve. The work of the society merits encouragement and regard.

IMPORTANT LITIGATION.

The following discloses the status of important litigation to which the state is a party.

Michigan Central Charter Case.

In the case instituted by the Michigan Central Railroad Company vs. the State for $6,000,000.00 for repeal of its charter, the decision of the Circuit Court overruling the demurrer to the declaration was affirmed by the Supreme Court, April 30, 1907 (148 Mich. 151). The case is now pending in the Circuit Court for the County of Wayne.

Michigan Central Delinquent Tax Case.

In the case instituted by the State against this Railroad Company to collect the difference between the amount of taxes paid by the Company and the amount which the State claims the Company should have paid on the capital stock and loans, the true amount of which, the State claims, was not reported: The demurrer of the Railroad Company having been overruled (145 Mich. 140), the Railroad filed its answer and the case is now on the docket for the present term of the Circuit Court for the County of Ingham.

Express Company Cases.

The American Express Company, the United States Express Company, and the Pacific Express Company severally filed bills to restrain the collection of the taxes levied upon their property under Act 173, Public Acts of 1901, providing for the taxation of the property of railroads, express companies, etc., upon an ad valorum basis. Demurrers to the bills of complaint were overruled in December, 1907, and in January, 1908, answers were then filed and the testimony is being taken. The amount involved is approximately $50,000.00.

Detroit, Grand Haven & Milwaukee Railway Company Cases.

Chancery Case.

A bill was filed in the Ingham Circuit Court, June 15, 1906, for the purpose of enforcing the statutory lien under Act 173, Public Acts of 1901 against this Railroad and its property for the taxes assessed against it for the years 1903, 1904 and 1905. The principal defense of the Railroad Company is that the case of Powers vs. D., G. H. & M. R. R., 201 U. S. 543, is res adjudicata of this proceeding. The Circuit Court dismissed the bill in January, 1908, and the case was immediately appealed to the Supreme Court and is set for hearing in January, 1909.

November 10th a motion was filed by the Attorney General in the Supreme Court to remand the record to the Ingham Circuit Court for the purpose of submitting certain evidence which was taken in the quo warranto case following this case. A stipulation had been prepared which provides that in the submission of the cases in January the right to have the case remanded is reserved.

Quo Warranto Case.

An information in the nature of quo warranto was filed by the Attorney General in the Supreme Court in January, 1907, to inquire into the right of the Detroit, Grand Haven and Milwaukee Company.

(a) To exercise as a corporation franchises and privileges not conferred upon it by law.

(b) To forfeit its charter and franchises for not complying with the act creating it.

Motion to quash the information was denied (149 Mich. 122). The testimony in the case has been taken before a commissioner and filed with the Court.

Case in the Circuit Court U. S., Western District of Michigan, In Equity.

The Detroit, Grand Haven and Milwaukee Railway filed a bill to restrain the collection of taxes levied against its property for the years 1906 and 1907 upon the ground that the Company is protected by its alleged charter (Act of 1834) which the Attorney General has attacked in the quo warranto case. The case is at issue upon the demurrer interposed by the State in April, 1908.

In re Wisconsin and Michigan Boundary.

In pursuance of a resolution of the Legislature of 1907 directing the Attorney General to investigate and cause to be surveyed the boundary line between Wisconsin and Michigan for the purpose of ascertaining whether the present boundary is where it was directed by Congress to be located; the services of Prof. J. B. Davis, of the University of Michigan, were secured and the investigation and survey made. The Attorney General will report on this matter to the Legislature in accordance with the provisions of the resolution.

Michigan Railroad Commission Case.

The Grand Trunk Railroad Company filed a bill of complaint in the Circuit Court for the County of Wayne against the Michigan Railroad Commission and the Detroit United Railway Company to restrain the enforcement of an order made by the Commission pursuant to the provisions of the act passed by the Legislature of 1907 creating the Commission. The case involves the constitutionality of the law creating the Commission and the validity of the order made thereunder. The Railroad Commission has filed its answer and the case is now at issue.

State of Michigan, by John E. Bird, Attorney General, vs. The Venice of America Land Company.

St. Clair Circuit Court, in Chancery. Transferred to Macomb Circuit in August, 1906, submitted June 19th, 1907. This case involves the title to Harson's Island at the St. Clair Flats which the State claims under an act of Congress. Within the past week the Circuit Court has decided this case in favor of the State.

Prison Binder Twine Plant.

The result of the first season's operation of the binder twine plant established in the state prison at Jackson in accordance with a law enacted by the last legislature has fully justified the attitude of those who urged that an appropriation be made for this purpose. This legislation has not only lessened the cost of twine to those farmers who purchased their supply from the state, but has effected a saving to the farmers of Michigan generally by forcing the twine trust to reduce the price of this necessary and important commodity. In addition profitable employment has been given a large number of convicts at a non-competitive industry. In every way, therefore, has the state been the gainer by the establishment of the twine plant. Experience has demonstrated that in order to operate the plant on the most economical basis a larger revolving fund should be provided or the board of managers empowered to borrow money with which to purchase supplies and materials under the most favorable conditions at times when advantage can be taken of the best market.

During the fiscal year ending June 30, 1908, 80 convicts were employed in the prison twine plant for an aggregate of 6,048 days. The net compensation to the state for this labor, after making the usual allowance for depreciation of tools and machinery, and crediting, as required by law, the convicts employed with 10 per cent of the net earnings of the plant was in excess of $1.50 per day for each convict. This is three times the earnings of the state from the labor of convicts employed under contract.

Liquor Traffic.

In common with the trend of public sentiment throughout the country there is a growing disposition on the part of the citizens of Michigan to hedge the liquor traffic about with more restrictive laws. Michigan is a pioneer in this respect, having on its statute books for many years such a local option law as many of her sister states have lately secured only after the most strenuous effort. The electors of any county in this state have during all these years had it within their power to prohibit the manufacture and sale of spirituous and intoxicating liquors within the county, if they saw fit to do so. Two of the great farmers' organizations of the state, The Grange and the State Association of Farmers' Clubs at their recent meetings, asked, by the adoption of formal resolutions, that the smaller political units, the cities, villages, and townships, be given similar power to restrict or abolish the liquor traffic. I believe these two organizations fairly reflect the best public sentiment of the state in this recommendation, and that the best interests of society demand legislation in accordance therewith. There is also a well defined and I believe a justly founded limitation to be placed on the number of saloons that may be established in a community or municipality. I would recommend that under no circumstances should any municipality or community be permitted to establish more than one saloon for each five hundred inhabitants, leaving it optional with the municipality or community to say whether the number of inhabitants per saloon shall be greater than five hundred. In all these computations the population as shown by the last state or national census should govern. It would be well also in order that the enforcement of all liquor laws may be made more effective to provide that any person who shall have been twice convicted of violation of the liquor laws shall thereafter be absolutely debarred from obtaining a license in this state. Effective and definite restrictive measures should be provided to prevent the establishment of a saloon in the vicinity of a church or public school.

Michigan Railroad Commission.

The State Railroad Commission created by act of the last legislature has made a most satisfactory record and there is no doubt that the departure from the one-man commission which so long obtained in Michigan and the enlargement of the scope of the laws and the powers of the commission were wise and timely. While the new law is not perfect and needs some improvement, its enactment was decidedly a forward step.

Inasmuch as there has been raised a grave question as to the right of the legislature, under the old constitution, to delegate certain powers conferred upon the commission, it may be wise, in view of the right conferred upon the legislature by the new constitution, for this legislature to re-enact the law and thus place its constitutionality beyond question.

The law should be amended so as to give the commission jurisdiction over water transportation lines which are operated wholly between Michigan points.

Because of the number of claims presented to the commission for return of overcharges on shipments of freight between points within the state it would be well to confer upon the commission power to grant relief to those claimants in respect to overcharges due to the general revision of freight tariffs, errors, the cancellation of commodity tariffs without notice to shippers. During the past year the railroad companies have in numerous instances sought authority to make repayment in these cases, but the existing law specifically prohibits the commission from granting such authority. It is not believed that it was the intent of the legislature to withhold authority to make repayment under circumstances such as are above outlined; and it is recommended that the law be amended so as to enable the commission to grant relief which careful investigation proves to be just.

The law forbids any person, not an employe of the company, from accepting free transportation from any railroad corporation but confers upon the State Railroad Commission the right to extend the free list in its discretion. The commission, therefore, has power to exempt from the prohibition of the law the members and employes of the commission. The commissioners, however, feel that they would be criticised, in so extending the free list. The commissioners are of the opinion that they, their inspectors or other employes when traveling under orders of the commission on lines of railroad within this state, should not be required to pay railroad fare. It is recognized that much of the work of the commissioners and its employes is in connection with matters in which the companies alone are directly interested, the interest of the public therein being very remote, and it is generally conceded that the state should not be called upon to expend money for transportation in such cases at least. I would recommend that the law be amended so as to require the railroad companies to transport the commissioners and their employes without charge when traveling within the state on official business and under orders of the commission. A plan of identification which would effectually prevent any abuse of this privilege could be readily devised.

I am informed that this course has been adopted in other states and there would seem to be no valid objection to such a provision.

Anti-Lobby Legislation.

Two years ago I took occasion to say to the legislature which then convened that "The professional lobbyist has no proper place in legislation and the sooner he is eliminated therefrom the better not only for the public but for the special interests by which he is employed."

This sentiment was again expressed in special messages addressed to the same body of lawmakers, but without influencing it to abolish the evil which is condemned by every right-minded citizen of the state.

The professional lobbyist who stands ready at all times to serve whatever interest is willing to pay him his price should be banished utterly from the halls of legislation, and those representatives of legitimate interests who are concerned properly with pending legislation should be required to register and disclose the source of their employment and the measures which they either favor or oppose.

The proper discharge of your duty to your constituents demands that this needed legislation be supplied at an early date. The right of petition and of every person, corporation or interest concerned in pending legislation to be heard should be carefully preserved. All lobbying, so-called, should be done at public hearings by persons who have previously registered and formally stated in writing the names of the persons, firms or corporations which they represent. The law providing for the registration and regulation of lobbyists should not, however, apply to the regularly accredited counsel or representatives of municipalities, public boards or public institutions. I am still of the opinion, however, that heads of state institutions and departments and members of state boards will have discharged their full duty when they have prepared the necessary data setting forth the needs of the respective branches of the state government with which they are connected and have explained these measures and needs to the legislative committees having them in charge. The responsibility for further action will rest with the legislature.

Several states have already enacted legislation which has had a most beneficial effect in retiring the professional lobbyist with his secret, dark-lantern methods of influencing legislation. Michigan is lagging in this matter and it should hasten to take a decisive stand against any and all lobbying that will not stand the light of full and complete publicity.

Taxation of Telegraph and Telephone Companies.

There is a universal and just demand on the part of the people of the state that telegraph and telephone companies be required to pay an ad valorem tax and at the same rate as are all other property owners and taxpayers who share the burdens of government.

This demand extends to the elimination of ocean mileage from the computation made by express companies as a basis for taxation. The justice of these propositions is so generally conceded that there is no occasion to advance any argument in their support. Why the property of the corporations named should be taxed differently from that of other taxpayers has never been stated. It should be one of your first duties, gentlemen, to place all the property of the state on the same basis for the purposes of taxation.

Over-Capitalization and Stock Watering.

Over-capitalization and stock watering manipulations by corporations is an evil which disastrously affects the general public. The railroad companies have been the greatest offenders in this respect. When these practices are indulged in by public service corporations the general public pays tribute through the exaction from them of increased tolls. The general public, too, is the prey of all corporations which seek to pay dividends on watered stock or which unload such stock upon a confiding people who are at all times seeking legitimate investment for their surplus funds. The result in either case is robbery which should be specifically prohibited by statute. To the end that the public may be protected in this respect, all issues of stocks and bonds of public service corporations, at least, should, in my opinion, be required to have the approval of some competent state authority.

Primary Election Law.

The enactment of a good, common-sense, easily workable primary election law, the provisions of which can be carried into effect at the least possible cost to the people, is a task to which you should give early and conscientious attention. There is already on the statute books of Michigan the nucleus of such a law. The present law is the best that could possibly be obtained at the time of its enactment. It is, however, far from being perfect and should be amended so as to more nearly and thoroughly meet the demands of the people. Michigan should be in line with the best thought and methods in this matter.

The scope of the law should be enlarged and provision made for making all nominations, state, congressional, county and legislative, that are made by direct vote on the same day, all local acts being made to conform to the state law in this respect. This will tend to secure an expression from the greatest number of voters. The greater the number of offices involved in the primary, the greater will be the interest of the voters therein. At the last primary in Michigan two hundred thousand republicans and forty thousand democrats recorded their will. The following table shows the number of counties and districts where the direct voting system of making nominations has been adopted and by what parties:

	R.	D.	P.	S. S.-L.
Congressional Districts	10	1	2	1	1
Senatorial Districts	19	8	8	7	7
Representative Districts	56	16	9	9	9
County Officers	58	17	5	5	5

All candidates for the legislature should be nominated by primary vote. A member of the legislature does not either represent or act for any particular district or locality, but rather for the entire state and he should not therefore be nominated by any clique or faction of a party. All the people of all parties are interested in and affected by his official actions. This is especially so now that the constitution prohibits the enactment of a local act where a general law can be made to apply.

Thus far no one has given a valid reason for the retention in the primary law of this state of the forty per cent clause, so-called, which applies only to the nomination of Governor and Lieutenant Governor. As previously remarked, the scope of this law should be extended to all offices placed on the same footing as regards the number of votes to be polled by the successful candidate. It is folly to attempt to assign any but a purely political reason for contending that in two cases only out of more than a thousand involved the interest of the people demand that the successful candidate poll any specified percentage of the total vote. Political reasons or political exigencies should not be considered by men charged with the duty of legislating for nearly three millions of people who constitute the population of one of the most intelligent and important states of the Union. There is certainly no need for greater care in the selection of candidates for office than the constitution has for more than a half century provided for the selection of the officials who are to administer the offices to which these candidates aspire. The forty per cent clause should be eliminated from the law and the same requirement should apply equally to all candidates who are nominated by direct vote.

It is my conviction that a greater period of time should intervene between enrollment day and primary day. The reason for this is obvious to all who even casually observed the course of events last year. This change would effect a great saving to the taxpayers as an additional clerk could take care of the enrollment if held in conjunction with the April election and it would also greatly enhance the purity of our election. In cities in which no elections are held in April, the expense of enrolling the voters at that time would be no greater than it would be later in the year. The present law gives any candidate the right to demand a recount without requiring him to make the slightest showing that there is any reason to even suspect that a wrong has been committed or an error made. I believe that the law should be amended so as to protect the state against the great expense incident to needless and unwarranted recounts. The petitioner for a recount should be compelled to show to the satisfaction of the proper body that there is reasonable grounds for asking for a recount.

Every care should be taken to limit the expense both to the candidates and the taxpayers in the execution of the primary law. Provision should be made for giving the greatest publicity to all expenditures made in behalf of each and every candidate.

Conclusion.

With respect to the several matters specifically mentioned in this message and to all other subjects which may be brought to your attention during the session upon which you have just entered, I bespeak your most thoughtful and painstaking consideration. You have sworn to discharge a most important duty to the best of your ability, and I have faith to believe that at no time will you lose sight of your solemn obligation to legislate in the interests of all the people of our great State. I would especially urge you to keep constantly in mind the duty you owe your constituents to safeguard their private fortunes as well as the funds of the State. You can do this by carefully scanning all measures which involve the expenditure of public money so that you shall exercise the greatest possible measure of economy consistent with the reasonable needs of the various objects for which you must provide and the honor and importance of the State.

Having been entrusted by the people with their most sacred interests, we will fall short of a full performance of our duty if we fail to work together conscientiously and harmoniously to safeguard and enhance those interests to the fullest possible extent. To this end I pledge you my sincere and enthusiastic co-operation.

Respectfully submitted,

FRED M. WARNER.