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Legislative Message

of

EARL SNELL

Governor of Oregon

to the

Forty-third Biennial Legislative
Assembly



January 8, 1945
SALEM, OREGON

STATE PRINTING DEPT.

Mr. President; Mr. Speaker; Members of the Forty-Third Legislative Assembly of the great state of Oregon:

Two years have passed since the war-time meeting of the 42nd Legislative Assembly in 1943. Yet once again we meet in regular session with the world still aflame . . . when our country is still locked in grim warfare . . . when our boys are still engaged with vicious enemies on battlefronts of the world.

Oregon boys are out there today—120,000 strong—and women too, fighting for the precious cause of liberty . . . out there wherever the unfettered flag of freedom floats in the breeze.

Our boys have crowned themselves with glory. They have upheld in splendid fashion—yes, likely surpassed—the glorious tradition of the American soldier down through the years. Some will not return. We pay tribute. Already the cold messenger of death has saddened the hearts and homes of many of our beloved citizens. Particularly do we pay tribute to those Gold Star Mothers—tribute to their courage, fortitude and devotion. That the Almighty will bless, comfort and sustain them is our fervent prayer.

The end is not yet in sight . . . although victory now is certain. We must press on with every ounce of energy until victory is final and complete.

OREGON'S CONTRIBUTION

Oregon can well be proud of the tremendous contributions she has made to our all-out war effort. Oregon has established outstanding records in enlistments and volunteers; in purchase of war bonds; in blood plasma contributions; selective service activities; civilian defense; and many other phases of our war activities. Oregon has met the challenge on the home front—on the farm and in the home; in the factory and in the yards; in the forests and in the mill. We have established records of production which not only have been the envy of the nation but which have been reviewed by other countries in utter amazement.

OREGON'S LABOR RECORD

Oregon labor is entitled to much credit. It is reported that Oregon's labor record and industrial relations are the best of any state in the Union.

When the history of World War II is written, I am confident that it will disclose, that relatively, no state in the Union contributed more than our own great state of Oregon.

NO TIME REST ON RECORD

Proud as we are, however, of Oregon's magnificent record—and justly so—this is no time to rest on laurels or records. We are entered upon a most critical phase of this war. Now is a time that demands the utmost in support of our armed forces.

Therefore, in all our deliberations let our thoughts and action be guided primarily in the interest of war and peace—total victory . . . postwar opportunity and security . . . a lasting peace throughout the world.

I am confident that the men and women of this 43rd Legislative Assembly will assume their great responsibilities with high resolve and determination, and that they will conscientiously perform their duties in a manner worthy of the best traditions of our great state.

CONSTITUTION PRESCRIBES EXECUTIVE REPORT

Section eleven of Article V of the Constitution of Oregon provides that the Governor shall "give to the legislative assembly information touching the condition of the state, and recommend such measures as he shall judge to be expedient".

FINANCIAL POSITION

I am happy and proud to report that the state of Oregon is in the best financial position in which it has been in a long, long number of years. At the outset I wish to point out that no one man is responsible for Oregon's present most favorable financial condition. Credit belongs to many state officials and office holders, both present and past. Legislators, indeed, have made important contributions.

The total bonded indebtedness from original issues of over eighty-seven million dollars has been reduced to around twenty million dollars. Twelve millions are represented by Veterans' Commission bonds and against which are listed assets totaling fourteen millions. Highway bonds, liquidated from motor vehicle receipts, from an all-time high of fifty-one and one-half millions now total only six and one-half millions.

In the last two years the veterans' debt has been reduced by three million dollars. In the same two-year period the highway debt was reduced four million dollars, practically cut one-third from its January 1st, 1943 figure of eleven millions.

The service or carrying charges on our bonded debt have been reduced from the high of three millions in round numbers to a figure now of less than a million.

Two years ago the per capita net debt was \$25.50. Today it is \$18.80. Ten years ago it was \$55.20.

There is no state ad valorem tax or property tax levy nor has there been for several years. At the last session of the State Legislature I recommended the creation of a postwar property tax cushion and postwar reserve. Five million dollars were set aside for this purpose. I thought it should have been more. However, an additional surplus has been accumulated during this biennium which will be touched on a bit later when discussing budgets and postwar projects.

New industrial accident rates will mean savings of about three-quarters of a million dollars per year.

Bank fees have been reduced twenty-five per cent. And, in the last year, users of electric energy in Oregon have had the benefit of reduced rates and refunds totaling more than two million dollars.

The state has invested in war bonds, notes, certificates and treasury bills a total of thirty-seven million dollars.

We must look forward, however, to potential problems and likely demands during the postwar transition period. Therefore, I wish to stress the importance of not only maintaining but augmenting this present very favorable financial position.

LAND BOARD AND MEMBERS

During the past two years the state has disposed of foreclosed properties totaling in excess of a half million dollars. These properties, which by sale have been returned to the tax rolls, are those under the jurisdiction of the State Land Board.

It should be pointed out, also, that board loans are being paid off well in advance of maturity dates. In the absence of new loans the board has invested several millions in bonds. The loans drew interest at four and five per cent—some contracts six—while the average yield on our bond investments of the last year totals less than one and one-half per cent.

My colleagues on the Board of Control and the State Land Board, the Honorable Robert S. Farrell Jr., Secretary of State, and the Honorable Leslie M. Scott, State Treasurer, both of whom are rendering outstanding service to our state, share concern over the sharp decrease in income to the State Land Board.

BUDGET

On your desk will be found a copy of the 1945-47 biennial budget. It is a balanced budget . . . perhaps not literally because it shows a slight surplus.

There is shown in the budget for new building construction a total of four million dollars.

Disregarding the amounts set aside for new building construction in the general fund budget this year and the last general fund budget

as finally approved, the 1945-47 budget calls for a less amount than was appropriated in 1943.

Approximately three million dollars has been set aside for new construction at the ten state institutions under the jurisdiction and supervision of the State Board of Control. These projects have been approved and recommended by the Board of Control.

One million dollars has been set aside for new construction under the supervision of the Board of Higher Education, which, if approved, will be the first time in fifteen years that this Board has been allotted state funds for new construction. And, the amount appropriated at that time—15 years ago—was only one hundred thousand dollars.

It is recognized, of course, that the determination and allocation of these funds rests with the Legislative Assembly.

The Board of Higher Education has on schedule an additional building program of self-liquidating projects totaling approximately two and a half million dollars.

TAXES

Since the earliest days of civilization, taxation has been one of the most complex problems of government. Still, it is obvious to all that civil government cannot exist without taxes or revenue.

Some time ago I requested Mr. Earl Fisher of the State Tax Commission to complete a survey and examination of the comparative tax structures of Oregon, Washington and California with particular emphasis on the relation of state taxes to industrial development. Mr. Fisher made personal trips to both Olympia and Sacramento in order to secure current and authentic information and data. The report, which indeed is very enlightening and revealing, is now in the process of preliminary printing for your information and for limited distribution.

The report discloses that Oregon's per capita tax is much lower than either Washington or California.

It shows that Washington has an ad valorem or property tax, a general sales tax, a business or occupation tax based on value of manufactured products and gross sales, an excise tax on personal automobiles and special taxes on cigarettes, fuel oil and some other such commodities.

California has a property tax, a franchise tax, a corporation income tax, a personal income tax, a sales tax and an automobile excise tax. It is to be noted, also, that in California federal income taxes are not deductible from state income tax returns.

Obviously, all phases of Oregon's taxes do not show up on the favorable side. This you well know. They, too, are shown in the report. However, considering the taxes of California, it is quite clear

and evident that tax consideration alone did not influence the industrial development and growth of that great state.

The last session of the Oregon State Legislature enacted the following tax relief and tax adjustment measures:

The inheritance tax was reduced.

The gift tax was adjusted and reduced.

Three thousand dollars deduction from income tax was provided for members of the armed forces.

Quarterly payment of income taxes was authorized.

Five million dollars each year from income taxes was distributed to the schools for property tax relief.

The surtax on intangibles was repealed entirely.

Five million dollars was set aside as a reserve fund for future property tax relief. In my opinion, it should have been more but the Legislature determined to provide direct immediate relief for the over-burdened taxpayers. Even so, Oregon has accumulated a substantial sum for postwar projects. So, with the lowest per capita tax; with no state property tax; with property tax reduction; with twenty million dollars returned to the income taxpayers of Oregon and yet with substantial state-wide reserves created, this is really a case of "having your cake and eating it, too".

Once again the Oregon Legislature passed a sales tax which was referred to the people. For the fifth time the people rejected the sales tax proposal.

This question of taxation is one that is close to the daily lives of all our people. We want the lowest possible taxes. We want the fairest and most equitable distribution possible to obtain. We want to develop our state and its resources.

I have a major recommendation to make at this time.

I recommend that provision be made for engaging the services of a nationally-recognized firm of tax experts for the purpose of a complete survey, examination and analysis of all phases of our tax structure and a report to the legislature with recommendations as to the most attractive, advantageous and equitable tax system consistently possible for Oregon to devise.

DEFENSE COUNCIL ACTIVITIES REDUCED

An examination of the budget will disclose a drastic curtailment of the activities of the State Defense Council. At executive suggestion the headquarters office was closed as of January 1st. Mr. Jack Hayes, Coordinator, has resumed his former position with the Insurance Department but will devote part time to the Council's activities keeping the nucleus of the organization intact and directing certain

phases of the department's activities which still are of considerable importance. Other employees have resumed their former status.

At the present time there appears to be no need for defense activities as such, yet there are certain important services related thereto and connected with our war effort which should be continued even though in modified form. I refer to the emergency medical service, fire protection programs, child welfare, recruiting and pre-induction training, bond drives, and similar campaigns; historic compilation of World War II, confidential liaison with military, airplane crash rescue service and such other related services.

I suggest that the nucleus of the organization be continued for the duration. We must keep in mind, also, the ever-present danger of local disaster. Furthermore, the organization almost entirely is composed of volunteer workers. They have given generously of their time and effort, and in many instances at considerable sacrifice, in defense of our shores and in support of our war effort. They are entitled to much praise and commendation.

The budget for civilian defense has been reduced from an appropriation of \$107,000 for the last biennium to only \$6,500 for the ensuing two-year period. As a result of the curtailment of activities during the past biennium, an unexpended balance of \$50,000 will be returned to the general fund.

OLD AGE ASSISTANCE

At the 1943 Legislative session I asked for an increase in the appropriation for old age assistance sufficient to provide the approximate \$40 average payment designated as the maximum in both the state and federal law. At that time the average payment was around \$24. The Legislature granted that request.

As a result we are now paying an average of around \$35—in Multnomah County the average is about \$37—the highest payments in the history of the state. These payments will be increased further before the close of this fiscal biennium which is June 30th, the period for which the requested appropriation was made.

Only eight states in the Union exceed Oregon's average old age assistance grants. It is interesting to note that all but two of the eight are western states. Oregon ranks fifth of all states in the Union in average general assistance grants.

Nearly fifty per cent of the recipients of old age assistance in Oregon now receive the full \$40.

Over sixty per cent now receive from \$35 to \$40 per month.

And, approximately eighty per cent now receive from \$30 to \$40 per month.

Six

Supplementing and in addition to those figures is free medical service totaling in excess of a quarter of a million dollars a year.

All of us have a right to feel justly proud of that fine record which tops some forty other states of the Union. However, as stated in my inaugural message in 1943, I still maintain that "\$40 per month is little enough to provide sustenance and reasonable comfort for these elderly citizens".

Strange as it may seem the counties are paying less today than they did six years ago when we were paying only \$21 per month. Furthermore, and generally speaking, the property taxpayer is paying less today for old age assistance or public welfare than he did six years ago, and, in some counties less than at any time since the inception of old age assistance in Oregon.

You will recall that the state general fund appropriation of some two and a half million dollars was eliminated entirely. Also, a measure was passed which provided that the state could assume up to ninety per cent of the counties' general assistance load. The state assumed the full ninety per cent providing further county and taxpayer relief.

You will note from an examination of the budget that funds for the public welfare program have been increased for the ensuing biennium.

COMMITTEE ON POSTWAR READJUSTMENT AND DEVELOPMENT

Pursuant to my recommendation to the 42nd Legislative Assembly, an act was passed creating a Committee on Postwar Readjustment and Development.

Members appointed on the committee include:

E. B. MacNaughton
George Buckler
A. A. Lausmann
Wayne Stewart
James T. Marr
Stanley Earl

State officials holding membership on the committee are:

Dr. Victor P. Morris, School of Business Administration, University of Oregon
Professor George W. Gleeson, School of Engineering, Oregon State College
Honorable Angus Gibson, Chairman of the Senate Ways and Means Committee
Honorable Carl Engdahl, Chairman of the House Ways and Means Committee

George K. Aiken, State Budget Director
E. L. Peterson, Director of Agriculture
N. S. Rogers, State Forester
F. W. Libbey, Director of Geology and Mineral Industries
R. H. Baldock, State Highway Engineer

Dean Victor Morris was named chairman and John W. Kelly was selected as executive secretary. Several sub-committees have been organized to deal with various phases of the over-all program.

Recently an engineer was added to the personnel. He has been rendering valuable services to counties and cities that are contemplating or making plans for postwar projects and improvements.

In cooperation with the Hydroelectric Commission, the State Sanitary Authority, the Game Commission and the State Board of Health are now conducting a scientific stream survey and analysis under the direction of the Engineering Department of Oregon State College.

The complete and authentic information obtained from this survey and analysis should prove invaluable to the cities that are contemplating the installation of sewage disposal plants now estimated to total some fourteen million dollars.

Total projects listed upon which the postwar committee has been and is working reach the staggering figure of over four hundred million dollars. These items, federal, state and local, include both tentative and authorized projects. However, it is interesting to note that projects listed for which appropriations have already been made and for which cash is now on hand total in excess of sixty millions of dollars. This fund continues to grow as final action on tentative projects is obtained.

It is to be borne in mind that these projects are separate and apart from the plans of private industry. These projects, although worthy and needed improvements, are more or less designed as a stop-gap should we be confronted with unemployment problems during the transition period when we are changing from an all-out war production to a peace-time economy.

I wish to emphasize that in my opinion the long-range success of any postwar program is inseparably connected with the postwar success of competitive free enterprise and individual initiative.

Oregon is destined to become a rather important industrial state. Scarcely a week goes by when the Governor's office is not in contact with some interested party or some phase of postwar industrial development in Oregon.

The chambers of commerce are doing an excellent work.

Here in Oregon we have great natural resources. We have huge blocks of cheap electrical power which offer great promise for the future.

We have fine transportation facilities—water, rail, highway and air; excellent climatic conditions; an adequate and stable labor supply; vast potential markets in foreign trade and a rapidly developing market here at home in the Pacific Northwest.

The industrial eyes of the east are now looking to the west. We are on the eve of a great development.

JUVENILE DELINQUENCY

Considerable alarm has been expressed from time to time concerning the question of juvenile delinquency. I do not share that opinion in its entirety. I have much faith in the young people of our state. However, we do recognize the importance of giving due attention to all phases of this question.

Over a year ago I appointed a state-wide committee on juvenile delinquency and requested that the first activity of the committee be that of securing facts and authentic information.

The committee also has a worthwhile program under way. There are several agencies and individuals well informed concerning this subject but in connection with any legislation bearing on this matter that may be presented to this Assembly may I suggest that officers of this committee also be called for any information or suggestion the Legislative committees may desire.

OTHER DEPARTMENTS—TIME AND SPACE LIMITED

I regret that time and space do not permit a report on the activities and accomplishments of many of the state's important boards, departments and commissions. They have established records of achievement of which they are justly proud, and even in face of many present-day handicaps and trying circumstances. However, the reports of the various departments of state government will be found on your desks and I suggest a perusal of these interesting and informative compilations.

RECOMMENDATIONS

At the 1943 session of the Legislature I recommended a consolidation of the remaining activities of the World War Veterans' State Aid Commission, an agency in liquidation, with that of the State Land Board. Legislation effecting such consolidation was enacted. I am happy to report that during the first year of operation savings were effected totaling in excess of fifty thousand dollars—one hundred thousand dollars for the biennium.

In the near future the interest and welfare of the returning veterans will be uppermost in the thoughts of the people of a grateful state and nation. In fact, many veterans already are returning home.

In my message to the 1943 Legislative Assembly there appears the following paragraphs on veterans' legislation:

"It is my recommendation that this Legislature enact legislation extending benefits to Oregon members of our armed forces serving in World War II. Among other things those benefits should include real estate loan privileges, veterans' preference, educational opportunities and vocational training.

"The recommendation contains no thought or suggestion of financial award because the extent of their patriotism and unreserved devotion cannot be measured in terms of money. From the cities and farms they came—thousands of the finest of Oregon's young manhood—relinquishing gainful employment, yielding educational pursuits, sacrificing aims and ambitions of the morrow, to engage in one of the greatest battles for freedom the world has ever known."

The Legislature enacted measures providing for enabling amendments to the state constitution which would permit the Legislature to activate such a program of veterans' benefits. At the last general election in November the people approved those measures.

Subsequent to the passage by the State Legislature of the Oregon veterans' benefit acts the federal congress enacted the so-called G. I. Bill of Rights. Veterans may exercise a choice.

I recommend the adoption of legislation necessary to make the Oregon benefits effective. The amount of loan to be granted must be designated as well as interest rates, time of repayment and other terms and conditions. No limitation as to time in which application for benefits may be made appears in either the loan or educational measure. It is noted, also, in the educational act that there appears no inhibition as to those who may be dishonorably discharged.

These are important and far-reaching measures which command careful thought and consideration. Likewise, will the administration of the provisions of these acts call for careful planning and sound judgment.

I further recommend the creation of a Department of Veterans' Welfare to be manned by a single commissioner or director appointed by the Governor.

AGRICULTURE

Oregon agriculture reached a new high level of production during the past biennium. This record was achieved even in view of labor shortages and a dearth of farm machinery, equipment and production materials. Oregon's cash farm income for each of the two preceding years exceeded two hundred sixty million dollars.

Oregon's fruit and vegetable pack last year exceeded forty million dollars while the frozen pack was in excess of one and one-half billion pounds, a tremendous increase over normal years. Here lie great potentialities for development in the postwar period.

Oregon's dairy products bear an enviable reputation for grade and quality. They are much in demand on markets throughout the nation. Last year the income from dairies and dairy products exceeded forty million dollars.

Recently we have received scientific reports which indicate somewhat of an epidemic of undulant fever in our state. According to reports its origin can be traced to several sources. Bang's disease is an important one. In the past Bang's disease was treated chiefly as an economic measure.

Several proposed laws dealing with this subject will be presented to this session of the State Legislature, some of which will have the endorsement and support of the industry itself.

I recommend that this honorable body give full consideration to all phases of this subject, obtain full and complete scientific and practical data and information, and enact statutes which will safeguard properly the health and well being of our citizens; and, safeguard and maintain the good name and reputation of Oregon's dairy products, an industry of great economic value and importance to our state and its people.

The Department of Agriculture has been making an extensive study and examination of this problem over a period of months and awaits your call for any information, suggestions or recommendations you may desire from that department or division.

FORESTRY

Forest production also reached an all-time high last year when the total cut exceeded seven billion board feet. That is the highest in the nation and represents one-fifth of the total national output in that year. Each year of the last four Oregon has averaged over six and a half billion board feet. This is a heavy drain on our forest resources and while we have one-fourth of all the remaining saw timber in the nation, such rate of cutting and depletion brings forcibly to our attention the need for reforestation and sustained yield on the basis that "timber is a crop".

Oregon had the honor and distinction of having its Governor chosen as chairman of a national committee of five to make a nation-wide study of various phases of the country's timber resources and to report and recommend to the national biennial conference of the Council of State Governments held in Chicago this January. Other members of the committee represent the states of Vermont, Michigan, California and Georgia.

Eleven

I was asked to address the Conference of Governors on this important subject at their national Assembly last July. In that address I stressed seven points particularly, which, in my opinion, should receive full and immediate attention on the part of the states. These recommendations were:

1. The states should finance their forestry departments on a basis which will permit the competent performance of essential forestry functions.
2. Enact legislation adopting modern forestry practices. If the states do not do so, the federal government will.
3. Revise taxation inequities which restrain private forestry.
4. Support research in local forestry problems not covered by the federal forest experiment stations.
5. Improve personnel standards and provide compensation adequate to attract able men to state forestry.
6. Acquire forest lands where and when advisable. Rehabilitate forest areas. Retain certain state forest lands for demonstration, research, recreation, and watershed forests and other essential uses.
7. All forestry states should consider the forest resource in all plans for the development of the state as a whole, particularly in respect to public works postwar planning.

Oregon has the most forward-looking forestry program of any state in the Union. However, there are two phases of those seven points which in my opinion need strengthening now.

Under the state forest land acquisition law the state has come in possession of 321,000 acres of forest land. You are familiar with the provisions of that law whereby state-county cooperative acquisition agreements may be made and whereby desirable private tracts may be purchased through the medium of state-issued, long-term forest revenue bonds. For obvious reasons this arrangement has not been very satisfactory. The State Bond Commission within certain limits has taken many of these bonds off the market.

I recommend that this Legislature appropriate for use in the state forest land acquisition program a revolving fund of one hundred thousand dollars.

This is a worthwhile program that will pay future dividends to our state and to the industry.

Furthermore, I recommend that the appropriation for forest research and the forest products laboratory at Oregon State College be increased to fifty thousand dollars.

Under the guidance of Dean Paul M. Dunn, encouraging progress has been made in the field of utilization of forest by-products. An advisory committee as defined in the law determines the policies to be

followed in connection with these research activities. The present membership of the committee is:

Ray Jeub, Oregon Plywood Association, Coquille
Albert Hermann, Western Pine Association, Portland
H. J. Cox, West Coast Lumbermen's Association, Eugene
Stephen N. Wyckoff, Pacific Northwest Forest and Range
Experiment Station, Portland
Paul M. Dunn, School of Forestry, Oregon State College,
Corvallis

with the Governor serving as chairman.

Projects now receiving study and attention include: Sawdust plaster; wood carbonization; cork from Douglas fir bark; plastics and bonded boards; lignin studies and full utilization of Oregon hardwoods.

Herein, also, is a program of great possibilities; one vital to the state and the future of the industry; a program worthy of our fullest support and cooperation.

UNEMPLOYMENT COMPENSATION

I recommend a continuation of the experience rating feature of Oregon's unemployment compensation law.

I recommend a liberalization of the unemployment benefit provisions of Oregon's unemployment compensation law.

The provisions of the unemployment compensation law should be broadened to include and cover many employees not now covered.

The employment service, loaned to the federal government, should be returned to the state at an early date to be administered by the state along with unemployment compensation where, in the interest of efficiency, coordination and general policy, they both belong.

There is difference of opinion as to experience rating but I believe the incentive toward steady and stabilized employment on the part of the employer fully justifies this provision. By means of this provision employers in Oregon saved four million dollars in 1944. It is a provision which, in my opinion, benefits both employer and employee.

Oregon now has sixty-two million dollars in its unemployment compensation trust fund. If in the postwar period we were to have as many as one hundred thousand unemployed workers there would be drawn from the fund under the present schedule of payments a total of twenty-four million dollars.

Living costs have risen considerably since the enactment of the Oregon law.

The cost of unemployment does not rest alone with the employee. The employer and society generally shoulder the burden in the form of increased taxes, lowered volume, income and profits. Unemployment

compensation cannot in any sense be considered as a long-range post-war assurance against a depression or prolonged unemployment. The answer rests with high levels of production and an expanded economy . . . with a prosperous agriculture, business and full employment. However, unemployment compensation benefits will be a great stabilizing influence in meeting any social or economic problems with which we may be confronted during the transition period.

I recommend liberalization of the benefits to the greatest extent possible consistent with the maintenance of a sound and stable trust fund.

OLD AGE ASSISTANCE FUNDS

I recommend that liquor revenues be received into the general fund of the state unearmarked and that appropriations for old age assistance be made from the general fund as other legislative appropriations are made.

Indirectly involved in this matter is a question of policy as to consistency with the intent and purpose of the Knox liquor control law.

TRADE BARRIERS AND UNIFORMITY

I have always been a strong advocate of uniform motor vehicle laws throughout our nation. Bottlenecks and trade barriers at state lines should not exist. To impede progress, development, and reasonably free flow of commodities and commerce will ultimately react to the detriment of all phases of our economy—business, industry, agriculture and labor alike. This Legislature should determine this matter on the basis of what is best for Oregon—its economy and its welfare.

POSTWAR TOURIST DEVELOPMENT

I recommend that an increased allotment from highway funds be set aside for tourist promotion in the postwar period.

At a recent meeting of the Northwest Governors Association it was agreed to pool a certain portion of our funds for a concentrated and coordinated program of development of northwest tourist travel.

I believe that it is generally recognized that Oregon is the top ranking recreational and inspirational playground of the Union. We must capitalize on our great tourist potentialities. It is an industry the income from which is estimated roughly at fifty million dollars. It should be doubled. Let's do it.

Quite true, we still have a war to win. But this is a matter that demands attention now. Let's make it possible for the state to point the way . . . to join hands with business, industry and labor . . . get our house in order and really do a job of genuine, effective tourist promotion.

VOTING PRIVILEGE

At the November general election the people adopted a constitutional amendment referred to them by the Legislature which among other things authorized the Legislature to prescribe certain rules and regulations by which those who served time in the penitentiary—convicted of felonies—may be permitted again to exercise the right of franchise.

I recommend adoption of such legislation.

The state parole and probation department will submit a report to this assembly covering the activities of that department as well as executive action and which report will contain recommendations concerning the restoration of voting privileges based on the experience and considered judgment of that division.

INTERMEDIARY PENAL INSTITUTION

I have long sensed the need and advantages of an intermediary penal institution in Oregon.

At my request the Honorable Richard A. McGee, Director of Corrections of the State of California, conducted a survey of the needs for additional penal and correctional facilities in Oregon. This survey was conducted without benefit of fee or salary and we are grateful to Mr. McGee and the state of California for his valuable services.

I believe it would be well here to include a few excerpts and paragraphs from that report.

Mr. McGee states:

“An analysis of the table in this report will show that on a basis of prisoners received, fifty per cent were under thirty years of age, during the biennium ending June 30, 1940; fifty-four per cent were under thirty for the biennium ending June 30, 1942; and fifty-six per cent were under thirty for the biennium ending June 30, 1944. This would indicate that there has been, during the past six years, a significant increase in the number of commitments of men under thirty years of age in spite of the fact that this age group has had less opportunity to commit crimes because of the operation of selective service . . .”

“An examination of this table will reveal that fifty-seven per cent of all ages of prisoners received were first termers . . .”

“Consequently, the state should provide facilities for not less than 1200 prisoners by June 30, 1948 and should so plan its institutional lay-out as to permit expansion up to 1600 prisoners by 1952 . . .”

“In a state like Oregon, prison population is now reaching a point where the first step in this diversified institution program could well be taken; hence, it is recommended that the state establish an intermediate institution, between the boys’ training school and the penitentiary. This institution should be planned and the program established with the objective in mind of retraining and rehabilitating the younger and more hopeful cases. It is common practice in certain other states to set up institutions of this kind for the age group from eighteen to thirty . . .”

Mr. McGee makes many interesting and informative observations in his report as well as timely recommendations.

In view of the urgency of new buildings and improvements at other institutions during this coming biennium and in view of the further fact that the recommended year for completion of the intermediary institution was set at 1948, no recommendation was included in the budget for this biennium. I do suggest, however, for your earnest consideration its inclusion in the budget of two years hence.

Aside from the contributions such a separate institution would make toward the rehabilitation of hundreds of our young first offenders, we must not overlook the economy involved from rehabilitation which would result from the fact that it costs but \$60 per year for supervised parole as against \$332 per year for penitentiary incarceration.

JOB SECURITY AND RETIREMENT PLAN

Loyal, faithful and efficient state employees are certainly entitled to the benefits of job security and retirement pay or social security. They do not enjoy the benefits of unemployment compensation.

Such legislation may not be timely at this session. Veterans’ rights and their future employment should be fully protected. However, should there be passed a measure, properly drawn, containing desirable features, and one which provided certain employer discretionary power and veteran protection, I should feel disposed to approve it.

NATIONAL CEMETERY

Congress and the War Department have manifested an interest in establishing a national cemetery in Portland, Oregon, which would likely be the only one to be located in the Pacific Northwest.

I recommend appropriate legislative action at this session necessary to activate such a program. Donations of land should be contingent upon evidence of definite plan on the part of the federal government. This program in question has the approval and support of the State Board of Control.

OTHER MATTERS

I wish to call attention to a very effective Industrial Accident prevention program that is paying dividends; to suggest consideration of the desirability of increasing the permitted legal reserve of the Industrial Accident Commission from \$4,500,000 to \$7,500,000 and the establishment of a "second injury" fund as a just protection to employers and yet not placing in jeopardy the interest of the employee. This is a matter of much importance in connection with the employment of returning veterans who have been injured in battle.

Also, may I call to your attention the desirability of establishing a department of archives in conjunction with the Oregon State Library.

LIQUOR PURCHASE

During the recent political campaign we heard and read certain statements, innuendos, and accusations concerning the purchase by the states of Washington and Oregon of certain liquor stocks and merchandise. This matter developed in the state of Washington prior to the November election as a result of the release of a certain audit in that state. Nevertheless, the good name of the state of Oregon was involved.

I appointed as members of the Liquor Control Commission men of character and reputation. The administrator is a man of high standing and unquestioned integrity. Their reputations are involved.

I respectfully ask for a legislative investigation. I do not mean a cursory examination. I mean a thorough, sweeping and complete audit and investigation. The members of the commission are entitled to no less. The people of Oregon are entitled to no less.

I suggest that by proper resolution the President of the Senate be authorized and directed to appoint two of its members, to be confirmed by the Senate, and that the Speaker of the House be authorized and directed to appoint three of its members, to be confirmed by the House, such appointed and approved members to constitute a legislative investigating committee; further that such committee be authorized and directed to employ the services of a recognized, competent and reliable auditing firm and that a reasonable amount be appropriated from the revenues of the Oregon Liquor Control Commission for the purpose of such audit and examination.

Obviously, the examination should and I am sure will be conducted on an impartial, unprejudiced, non-political basis and a report by the committee should be made forthwith.

CONCLUSION

World events are occurring with such great rapidity that it is more than difficult to predict what the morrow may hold . . . or bring forth.

These are indeed critical times . . . times of great uncertainty . . . times which truly try men's souls.

Let us find courage and unity in the stirring, matchless record of our heroic sons . . . out there at this very hour fighting and dying on every front.

May the blessings of heaven attend us—and guide us in our every deed and action—as we work together for victory . . . as we work together for a lasting peace throughout the world . . . as we work together for a bigger and better Oregon . . . and greater opportunity for all our people.

