

Second
Inaugural Address
of
MARK O. HATFIELD
Governor of Oregon
to the
Regular Session
of the
Fifty-second Legislative Assembly



January 14, 1963
Salem, Oregon

Mr. President, Mr. Speaker, Members of the Fifty-second Legislative Assembly:

My appearance before you today is one which I welcome. The reasons are not all personal in nature. In the past 16 years, changes in executive leadership have been numerous. There were seven governors in a period of less than twelve years. Even when the transfer of authority is within the same political party there is an interplay of personalities, philosophies, objectives and goals which cannot help but affect the navigation of the Ship of State.

A Responsibility

Oregon's electorate has again chosen a Republican Governor and a Democratic Legislature. In this circumstance, a word concerning party responsibilities is in order as we set the tone for our endeavors. President Herbert Hoover's Inaugural Address contained this thesis:

"In our form of democracy the expression of the popular will can be effected only through the instrumentality of political parties. We maintain party government not to promote intolerant partisanship, but because opportunity must be given for expression of the popular will, and organization provided for the execution of its mandates and for accountability of government to the people. It follows that government both in the executive and legislative branches must carry out in good faith the platforms upon which the party was intrusted with power. But the government is that of the whole people; the party is the instrument through which policies are determined and men chosen to bring them into being. The animosities of elections should have no place in our government, for government must concern itself alone with the common weal."

This thesis retains its validity today. It is in this spirit that I urge we undertake the task before us.

A Guiding Philosophy

In my first Inaugural Address I discussed at some length a guiding philosophy for both the Executive and Legislative branches of government as we entered Oregon's second century of statehood.

You will recall that I made recommendations which would lead to a more manageable and a more efficient government. I would hope the thoughts contained in that first address and those which I voice today may be reflected by actions in this Legislative Session.

A Challenge

Today, Oregon is at a crossroads. Either we progress through continued maintenance of high standards or we assume the mantle of mediocrity through failure to grasp the opportunities which are ours. As a result of your preliminary meetings and review of the budget, again presented more than a month in advance of the Legislative Session, you have now come together forewarned and, I trust, forearmed with full realization of the magnitude of our responsibilities.

The emerging nations of the world, many founded in the same spirit of freedom-seeking which motivated the early settlers of this country,

are measuring the steps which are taken in our sovereign states toward meeting the challenges we face while maintaining our capitalistic society and our fiscal integrity.

An Opportunity

This is a day in which there is genuine concern not only in international relations but in matters at our very front door—the purity of the air we breathe, the cleanliness of our water for consumption and recreation, the traffic congestion contributing to both disorder and death, the deterioration of the core of some of our cities, the crowding of our schools, the broadened intellectual horizons, the care of our unfortunate, the burden of the property tax, the survival of small business, the effects of work stoppages which disrupt the economy both individually and collectively, the optimum productivity of the farm and the distribution of its produce, the apprehensions of automation, the alarming crime rates among our youth. Amid all this there is the psychological myth that we can do nothing about such concerns. The next phase is that of the individual's overdependence on the state which coincides with the state's dependence upon federal programs. While it has become commonplace to turn our backs on the problems and our palms to the federal government, we can do much in our day to swing the pendulum back to recognize not so much states' rights as states' obligations. We can make Oregon a proving ground for a new spirit of self-sufficiency if we but have the will.

BUDGET

Much has been said about the budget. In its final form, this document is the result of long and conscientious study. Its recommendations represent a total reduction of some \$90,000,000 from original requests of the agencies of state government. These original requests may be justified, defended, and advocated before you. The reductions which have been made in no way depreciate the usefulness of the requests which might be met were revenues available.

In your consideration of this budget, I would hope that increases to one program will not be proposed at the sacrifice of another, and that you will make evident the revenue effect of any revisions.

TAXATION

Net Receipts Tax

Previous Legislatures have had before them recommendations from outside tax authorities as well as their own interim committees which are similar to those which I now present. The erosion of our income tax base has been recognized and commented on by these expert observers. They have been in agreement that we must broaden the base of this tax—increasing the number of taxpayers and reducing the rates. This is the basic reason I have twice before urged the adoption of the net receipts amendment to our income tax law, and now do so for the third time.

In connection with this amendment I offer some basic statistics. Ninety per cent of our citizens have annual incomes of \$10,000 or less. A comparison between a net receipts tax plan which I have previously urged

you to adopt and the State of Washington with its sales tax reveals the following figures for a family of four.

With an income of \$4250, this family's tax bill in Washington would be \$131; in Oregon \$43.

With an income of \$5250, Washington tax would be \$154; Oregon's \$57.

With an income of \$7250, Washington—\$201; Oregon—\$137.

With an income of \$9250, Washington—\$240; Oregon—\$235.

It is in the spirit of the greatest good for the greatest number that I call these factors to your attention and urge your favorable action on the net receipts income tax amendment.

Cigarette Tax

Oregon is the only state in the Union in which revenue is not derived from the sale of cigarettes. In two other states the sale of cigarettes is taxed, but not through a special state tax on cigarette sales. In one case it is a city tax; in the other it is a part of the general sales tax. In the light of the state's fiscal requirements, the adoption of this tax seems appropriate and timely.

Taxation of Financial Institutions

Six years ago, the taxation of financial institutions (under ORS Chapter 317) was significantly revised. That law has been challenged in the courts and the process of judicial review is nearing completion. Amendments to the 1957 Act were before the 1961 Legislative Assembly at the recommendation of the Tax Commission, but failed of enactment. The adoption of these amendments, even now, would clarify legislative intent and strengthen the position of the state in collecting the taxes due under the 1957 legislation. Since the amount involved in the present litigation is more than \$6 million, I urge your early review of and prompt action on the recommended legislation.

Homestead Exemption

I have previously urged a homestead retention provision whereby the aged, with modest housing and income, could qualify for property tax relief to assist them in retaining the independence and security of their homes. I renew my request today.

Timber Tax

The 1961 Legislature adopted far-sighted, conservation-oriented timber tax laws. They should be retained, but some adjustment may be desirable in the so-called "Small Tract" law to avoid unnecessary restrictions.

REORGANIZATION

Directly related to income and expenditure is economy in government.

A month prior to the convening of the Fifty-first Legislative Assembly, I made available a series of studied recommendations for reorganization of the Executive Branch. Instead of reducing the number of semi-inde-

pendent boards and commissions—one of the goals of these proposals—that session of the Legislature added seven.

We can no longer afford a system based upon the theory that limited special interests require special policy-making groups which can operate to the exclusion of the total public interest or the program of a Chief Executive elected by all the people.

My 1961 reorganization proposals, invited by law, are as valid today as when first presented. I recommend that you give priority to establishment of a Department of Natural Resources and a Department of Commerce. The former will be the subject of a special message.

Department of Commerce

You will have before you proposals to afford greater protection for the consuming public. If such protection is to be meaningful the public should have a central point in state government to which it may turn. In order to coordinate agency activity a Department of Commerce should be established to include the functions now performed by the following agencies: Planning and Development, Banking Department, Insurance Department, Real Estate Department, and the Corporation Department. In addition, the boards licensing and regulating the following professions and occupations should be included: architects, auctioneers, engineers, pilots, real estate brokers and salesmen, and watchmakers.

There are obviously other areas in which you can reduce the number of boards and commissions, improve coordination, and eliminate wasteful duplication.

CONSTITUTIONAL REVISION

A reorganization step of even greater proportions was envisioned by your predecessors when a Constitution Revision Commission was established.

Over a half century ago our state adopted the "Oregon System", a pattern of progressive action which others have followed. Our Constitution lives as an example of the genius of its framers, but many sections are now obsolete. The tools of government have become dulled with passage of time and thus inhibit real progress.

The Constitution Revision Commission has produced a notable document. This Legislature's greatest legacy can be the referral of a realistic, modern Constitution.

SALARY INCREASES

I suggest your approval of the state employe salary recommendations included in the budget, and reiterate that the public interest would be better served through replacement of the statutory method of setting salaries for key administrators to permit their establishment in essentially the same manner as for the classified civil service.

BUILDING PROGRAM

A solid foundation exists for consideration of the Capital Construction Program which I have recommended. In accordance with the law, this program contains plans designed to meet the needs of state government during the next six years. I urge that you give priority to the following:

Capitol Addition

The absence of adequate Legislative quarters is obvious. At the direction of the 1961 Assembly, preliminary plans for a Capitol addition have been prepared for your consideration. A consultant in this planning has been Francis Keally, the original designer of this nationally-renowned building. I recommend that you select from your membership a special committee to direct preparation of final plans for this addition.

Natural Resources Complex

To house the Salem-based natural resource agencies, I recommend construction of a group of buildings on the Capitol Mall. The first unit should be a building to house the Department of Agriculture.

Supreme Court Building

Twice I have recommended that you authorize plans for more adequate quarters for the Supreme Court. I now repeat that recommendation.

Transportation Building

I have recommended previously that first steps be taken toward providing a building to facilitate the coordination of agencies whose primary responsibilities relate to Oregon's transportation needs. I again urge you to eliminate the inefficient circumstances which find the Motor Vehicle Department located miles from the Public Utility Commissioner, the Highway Department, and the State Police.

NATURAL RESOURCES

Repeatedly I have urged increased attention to our great wealth of natural resources, scenic beauty, and outdoor recreation opportunities. These assets are vital to all our citizens, and our economy depends in large part on their wise use.

Public Lands

As provided in the budget, the public should assume a greater share of fire protection costs because of its growing use of forest and range lands for recreational purposes.

I hope for your unqualified approval of a measure to redesignate Oregon's publicly-owned beaches as a State Recreation Area.

The management of state lands has been studied by a Legislative interim committee, with particular attention to lands from which income accrues to the Common School Fund. Constitutional limitations

must be recognized. Further, any action program must be preceded by a period of research and planning. Funds should be provided for this purpose.

Hazards to life and property are evident as a result of uncontrolled use of motor vehicles on certain public lands. Passage of a law to permit state courts to take jurisdiction over violators of federal regulations would be of material assistance.

Water Resources

Legislation will be proposed to provide a means of overcoming some of the deficiencies of single or limited-purpose water districts. Inherent in this proposal is the multiple-purpose water use concept as enunciated by the 1955 Legislature. With effective state coordination, the proposed Water Conservancy District Law can be of great benefit to the conservation of our most important natural resource.

I hope you will approve the revised Columbia Basin Interstate Compact so that Oregon will retain a voice in this aspect of Columbia Basin water resource planning and development, even though the compact presently envisions only an advisory function.

It would appear that state funds for planning of small watershed projects are of greater importance now than two years ago. Presently there are four such projects in operation or under construction. Thirty-seven applications have been received for which planning must be carried out. There is clear evidence of the need for continued state financial participation in this planning program.

Boating Facilities

Unclaimed taxes on marine fuels should be made available for further development of water-oriented recreation opportunities.

Milk Stabilization

The 1961 Milk Stabilization Law, which was of assistance to the dairy industry, has now expired. As you consider proposals for similar legislation, I hope you will recognize the advisability of price regulation at the producer level only.

THE STATE'S ECONOMY

Forecasts

The plight of the lumber market, work stoppages in the construction industry, and the Columbus Day storm have adversely affected the revenue estimates which you and I made two years ago. We must continue the quest for realistic forecasts and the effort to improve the opportunities for economic growth.

Growth

Our Department of Planning and Development reports that during the past two years a total of 196 new or expanded industrial organizations have come into being, with a total investment of \$124,851,000 and pro-

viding new job opportunities for 21,000 citizens. These and other figures indicate our attempts to diversify the economy and lessen dependence upon seasonally and geographically concentrated industry are producing results. This program continues to demand the cooperation, talent and enthusiasm of local as well as state-wide organizations.

Resisting Temptation

Our state government has thus far withstood the temptation to seek new industry through use of such lure as tax waivers, land gifts, public bonding for private industrial development. I am proud of industry which seeks full citizenship and is willing to meet its equitable obligations. I believe it to be a perversion of public credit and to be a weakening of the free enterprise system when public capital is used to offset legitimate industrial costs. I trust you will continue to share this view.

Labor-Management Relations

We have recognized that profits and payrolls are inseparable, that labor cannot make gains except as business advances, that management cannot function without labor's productivity. There is, accordingly, a legitimate public concern that the legislative framework be such as to encourage continued friendly and productive labor-management relationships. This matter will be the subject of a special message.

Port Legislation

We owe much of our growth to development of ports, waterways and related transportation facilities. I believe a comprehensive study of the present and potential contributions of these facilities should be conducted. I am hopeful that the State of Washington may join in such a study as it relates to the Columbia River.

I recommend that you create an Oregon Port Authorities Commission for the purpose of conducting this study. The enabling legislation should clearly indicate that the tenure of this commission will expire upon completion of its assigned task and presentation of appropriate recommendations to the Fifty-fourth Legislative Assembly. I am not proposing another permanent agency of state government.

Subdivision Law

During the past 18 months, land speculation has significantly increased. This activity can affect the economy either favorably or adversely. Certainly, legitimate real estate development should be encouraged. At the same time, we must assure that prospective purchasers, whether resident or nonresident, are adequately protected from the unscrupulous. In order to maintain Oregon's reputation for fair dealing and make certain that misleading or fraudulent business practices do not occur here, authority to regulate real estate subdivisions should be given the Real Estate Department.

Inmate Labor

There is general agreement among most citizens that rehabilitation programs are essential to prepare inmates of penal institutions for their eventual return to society. Yet the point at which their activities conflict with private enterprise and free labor has been the subject of disagreement. While the courts may decide a specific case or two, clarification of legislative intent is needed. I would reject the thesis that a new building on the Capitol Mall or a highway or a building for our state system of higher education should be constructed with inmate labor. But between that possibility on some future date and the intra-institution construction which now exists there is a line of demarcation which should and must be drawn.

SOCIAL LEGISLATION

The principal goal of publicly-financed social services should be the elimination or reduction of dependency. We should work constantly to this end through rehabilitation, counselling and assistance programs whose purpose and goal is the restoration of self-sufficiency wherever possible, with the attendant increase of self-respect and reduction of public expenditures. Public programs which become ends in themselves are not worthy of support. Public programs should be instruments through which individual initiative, talents, and skills can be directed toward independence and self-sufficiency.

Public Welfare

You will recall that there were objections to moving the headquarters of the Public Welfare Commission to the state capital. In the 18 months since the move, its purposes have been largely accomplished. There is improved coordination between the Commission and related agencies. There have been substantial savings in space and equipment rentals. These are estimated to be in excess of \$80,000 annually as compared to a one-time moving cost of less than \$60,000.

Many problems remain unsolved. As indicated in my budget message, we intend to attack the root of these problems, and that is why the budget recommends additional caseworkers, investigators, and funds for increased rehabilitation measures.

Our work relief programs have restored self-respect. I hope we may adopt similar public works and natural resource improvement programs in those areas where they are not presently in effect.

Medicare

Prior to my 1961 Legislative Message I was advised by some leaders of the Assembly that the Social Security method of providing for the medical needs of the aged would receive immediate favorable action in the Congress and that a recommendation for state-provided aid for the aged would be superfluous. There was doubt in my mind, however, that Congress would act so swiftly, and the Legislature shared this view through passage of a modest medicare program. As a result, more than

6000 Oregonians in need have benefited. Today, the situation is similar to that in 1961. We have no real assurance of federal action.

The special report of the Medicare Advisory Committee outlining suggested improvements in our present program has been made available to you. These recommendations, like those in other areas of social concern, are directed toward reducing dependency and making it unnecessary for many of our citizens to seek full public support when temporary and partial measures can meet the need.

Health Insurance

Continuing growth and improvement in the nature of private health insurance is desirable. The adequacy of voluntary health insurance programs governs the need for public programs. Ground rules governing individual policy issuance and conversion of group policies should be set forth to improve the quality and reduce the cost of health insurance to the retired worker.

Retirement Homes

The tremendous surge in the establishment of retirement housing has been the subject of study by the Small Business Interim Committee. This committee's report provides a good base for further legislative action to assure adequate protection of retired persons.

Welfare Recovery

The Welfare Recovery program, which is self-sustaining, now operates in only 12 counties of the state. Results indicate that it should be enlarged, and the budget so provides.

Workmen's Compensation

At the conclusion of the 51st Legislative Assembly I appointed a committee composed of representatives of labor, management and the public to study problems of workmen's compensation. That committee has recommended improvements which will provide for greater flexibility in securing workmen's compensation coverage and will, at the same time, provide the needed protection for the injured workman. Draft legislation based upon these recommendations will be presented for your consideration. Here once again, our focus must be on restoration of the individual whenever and wherever possible.

Unemployment Compensation

The unemployment insurance trust fund has increased 18.6% in the past two-year period, but it still does not permit reactivation of the experience rating program. We can work toward this desired goal through insisting upon greater adherence to the basic and original concept of unemployment compensation. I urge that you consider stricter eligibility requirements, particularly in those instances where individuals have voluntarily resigned or been discharged for cause. Individuals who have retired and are not in the labor market should be made ineligible. The

unemployment compensation program should be realistically redesigned to provide insurance only for those who are actually in the labor market but unable to acquire employment through no fault of their own.

CIVIL RIGHTS

This year marks the ^{100th} anniversary of the signing of the Emancipation Proclamation. Oregon has pioneered excellent laws in the field of civil and human rights as they apply to employment, housing, and personal services. But it remains for us to implement these in our hearts and in our actions, with particular emphasis on job opportunities for minority youth.

Congress has referred to the states for ratification a constitutional amendment to abolish poll tax requirements: This encumbrance to free exercise of the right to vote should be eliminated, and Oregon's action should be taken with dispatch. I am submitting Senate Joint Resolution Number 29 of the 87th United States Congress on that question and recommend its immediate ratification.

TRANSPORTATION, PUBLIC SAFETY

Highway Financing

We have reached the point at which a critical and objective view must be taken of bonding for construction of highway projects. By its very nature this method of financing gives preference to a few favored areas of the state. Additionally, because of the interest charges involved, bond financed projects are disproportionately expensive. Principal and interest payments must be met from current revenues, with the result that normal construction programs suffer.

Additional bonding would deplete the flow of highway funds for regular federal and state aid programs. About 45% of the total cost of the Astoria Bridge, Highway 42 and Highway 197 projects authorized for construction through bonding will be in interest payments.

I recommend that no further highway bonding programs be authorized by this Legislative Session. If it is indeed the judgment of this body that our highway construction program should be accelerated beyond present levels, you should consider financing such an increased tempo through an increase in gasoline taxes.

Traffic Safety

Two years ago I strongly recommended adoption of laws providing for maximum speed limits, implied consent for chemical tests for intoxication, and authority for arrest on probable cause at the scene of accidents. I reiterate these recommendations with the prayerful hope that such enforcement measures can be combined with our engineering improvements and our educational campaigns to mitigate one of our civilization's most pressing and deplorable problems.

As the result of extensive studies and deliberations a Driver's License Compact and a Vehicle Equipment Compact have been developed and are being submitted to the states for adoption. These Compacts have the

approval of numerous organizations including the Council of State Governments and the Governors' Conference. Their adoption is important as a progressive step in traffic safety and as a deterrent to federal intervention in these matters, which should be reserved to the states.

In addition, I request that you establish standards for seat belts, make seat belts mandatory in new cars, and provide strict penalties for those who attempt to elude police vehicles.

Evidence presented by the Oregon Traffic Safety Commission and the National Safety Council indicates that the tragic toll of traffic deaths and injuries can be sharply reduced through application of the measures which I request.

It is within your power to contribute to this reduction through forthright and aggressive action.

Liquor Control

The Seaside disturbance underscored the need for additional alcoholic beverage control. The Liquor Control Commission should clearly have the power upon order of the Governor, to immediately suspend licenses in emergency situations. Penalties should also be provided for persons who permit use of their identification cards by other individuals in the purchase of alcoholic beverages.

Juvenile Code

The increase in the rate of juvenile crime is several times that of the population growth rate.

Oregon's Juvenile Code should be reviewed and amended so as to demonstrate to youthful offenders that they will be held responsible for their acts. Such amendments should permit more efficient handling of juvenile matters by enforcement officials and the courts. A necessary revision should also include permissive court action in the area where the juvenile's offense took place rather than at the site of his residence.

Dangerous Drugs

Present laws are inadequate to control the sale, distribution and possession of dangerous drugs. The recently-adopted Federal Drug Control Act provides many necessary controls, but referral of violators for federal prosecution is cumbersome and ineffective. I recommend adoption of a state dangerous drug act to permit effective control at the local level.

Public Defender

We have public prosecutors in the office of the District Attorney. Those with means can employ legal defense counsel. Others must accept counsel assigned by the court. Yet, unless we wish a different standard of justice as between the wealthy and the poor, we should establish a realistic public defender system.

We can obtain equal justice under the law through a public defender system, and I strongly urge that you take steps to determine the best type program for Oregon.

LOCAL GOVERNMENT

The Initiative and Referendum guarantee to our people the final decision in government. Local government provides further assurance that government will truly serve the people's will. Local government must, however, be as effective and responsive as we can make it.

Budget Law

The Interim Committee on Local Government has given considerable study to the present local budget laws. These statutes have been amended only on a piecemeal basis since their adoption in 1913. A thorough overhauling is in order.

County Licensing of Business

The spread of commercial activities into non-urban areas has created need to provide public protection against unsanitary, unsightly and otherwise detrimental business practices. Such protection is presently available within city limits, and I recommend that county governments be afforded similar authority.

County Service Districts

Existing statutes which authorize county construction and maintenance of sewer districts should be amended to permit these bodies to provide water supply and distribution facilities where necessary and desirable, as a means of minimizing the numbers of overlapping, independent and relatively uneconomical special service districts.

Similar authority should be given to permit formation of metropolitan sewage treatment and disposal systems where such systems cross over political boundaries. Financing should be permitted through metropolitan area revenue bonds.

Air and Water Pollution Control

To augment local efforts to eliminate air and water pollution, the State Sanitary Authority should be given summary abatement power.

Subdivision laws should be amended to provide for state approval of domestic water supply and sewage disposal facilities before any proposed subdivision is platted or filed.

County government should be given authority to establish community air pollution control programs in unincorporated areas and to contract with cities and/or other counties.

EDUCATION

The problems of education have obviously not lessened nor has their solution become easier. Our basic educational programs have been discussed in detail in the Budget Message. We have provided for continuation of educational opportunity for the children of migratory laborers. We anticipate the expansion of enrollments in the community colleges and the institutions under the Board of Higher Education. We have provided

for increased support of local schools and for the education of the mentally retarded both within and outside of our state institutions. We have provided for significant expansion of our vocational rehabilitation program.

School Financing

In my first Inaugural Message, I called for a comprehensive study of school financing. An interim committee made a start, but there remains a need for simplification of the basis of school support and a further equalization of the property tax burden as the foundation for elementary and secondary education. In that earlier message I asked that the Legislature give direction pointing toward year-round use of our costly physical plants. Generally they are idle more days than they are occupied. For most communities, we can no longer afford to be bound by schedules which were derived from an agrarian economy.

Coordinated Administration

Educational planning and administration have become increasingly complex. As a result, it is imperative that there be legislative review of the division of the responsibilities between the Board of Education and the Board of Higher Education. In several respects they overlap. In others they duplicate. In relation to still other responsibilities the assignments are unclear. I have in mind educational television, community colleges, teacher certification to name only three. I am also concerned about the competitiveness between the two constituencies which these boards represent. A single board of education, enlarged to perhaps 15 members with a single executive would give more integrated educational leadership and provide the Governor and the Legislature with a better basis for budgetary decision, and with clearer solutions to the education dilemmas which confront us.

In the meanwhile, on an informal basis, I have formed a council of two board members from each board, the two executive officers of those boards, and a member of my staff, as a means of providing a minimum degree of coordination. But, in my judgment, this does not and cannot meet our need.

School Prayers

When the Supreme Court of the United States interpreted the Constitution so that the privilege of prayer in schools was challenged, citizens expressed their concern to me in rather full fashion. There has been no Congressional action to clarify this point. Foreseeing no such action in the immediate future, I call to your attention the fact that the states can initiate a constitutional amendment. This Legislature can make a start if it shares my view about the privilege of prayer in our schools.

Graduate Research Center

A development of the biennium outside the legal and fiscal framework of state government but requiring the leadership and cooperation of the Executive Branch is that of the proposed Graduate Research Center. To be financed initially from non-state sources, such a Center can provide

opportunities for those in industry to keep abreast of scientific developments, earn advanced degrees, and do original research.

Not only can the Center assist existing industry, but also it can attract new job opportunities to our state. The intellectual capacities developed by the high quality of our educational system will have increased opportunity for full utilization in Oregon—to the benefit of the graduate students, our economy, and our whole society. The loss to other states of brain power educated here is an investment lost.

The Graduate Center can augment our state-supported educational institutions, and I would hope for your warm support of this concept.

DECADE OF DEVELOPMENT

One year ago, I asked the heads of the 39 agencies who meet with me in regular session to give explicit attention to the needs of this state, as related to their particular responsibilities during the decade 1963-1973. Their responses have been summarized in four reports under the title, "Decade of Development". They identify the major issues with which we must be concerned and suggest a basic framework of action. I commend these reports to you and trust they will be of assistance in your deliberations.

REALIZING OUR POTENTIAL

It has been said that the problems we meet are never as large as those we dodge. In recent years, Oregon has approached the threshold of greatness—of realizing its maximum potential. But sometimes there has been hesitation, sometimes evasion, sometimes a delay in facing up to the decisions which could take us into our greatest era.

During this session of the Legislature we have massive responsibilities, yet we have almost unlimited opportunity. Should we defer needed action, move only timidly instead of bravely, or permit partisanship and personalities to dominate our decisions, we will reject the possibility for progress. May we find and use the resources of courage, wisdom and cordial cooperation in true service to our people.

May it be our goal to take action which will prove that government can be dependable without increasing dependency; that government can recognize opportunity without yielding to importunity; that while government must prepare for tomorrow, it must act in keeping with its capability today, and that decisions taken in the light of current political reality can square with the tests of eternal morality. If the discharge of our respective obligations brings us closer to these goals, we will have been faithful to those who have trusted us, and faithful as well to Him in whom we trust our destiny.

A BIENNIAL REPORT OF THE EXECUTIVE DEPARTMENT 1961-1963

(SOME NOTES ON STEWARDSHIP)

To Members of the Fifty-second Legislative Assembly:

As an addendum to my message to the Fifty-first Legislative Assembly there was made available a brief report on major activities of some of the agencies which comprise the Executive Branch. In the hope that such a record is of continuing value, the following is presented.

Of necessity, this report is brief and covers only highlights of activity during the period covered. Additional details can be found in departmental biennial reports, and I commend them to you.

GENERAL

Appointments

During the past biennium it has been my responsibility to appoint more than 400 individuals to positions of trust in government.

In addition to department heads and members of state boards and commissions, appointments have included county officers, district attorneys, judicial offices and others which the Governor is required to make, many of which are not usually thought of as coming under his authority.

Executive Branch Coordination

Although the Fifty-first Legislative Assembly took some steps toward overcoming present time-consuming methods of coordinating agency activity, creation of additional boards and commissions by that Assembly resulted in an increase in the problems of coordination.

My practice of meeting with agency heads in monthly session has thus been continued. This has aided the task of coordination, but more and more staff time is necessary to provide liaison with boards and commissions.

Reorganization

The Fiftieth Legislative Assembly directed that the Governor submit on appropriate occasions his recommendations for reorganization of the Executive Branch. The plan which I submitted to the Fifty-first Assembly was based upon recommendations of a distinguished committee and was clearly in the interest of better administration. That plan received support from many quarters, but failure of substantial legislative action continued the need for the action recommended. I have resubmitted some of these recommendations and urge action by the Fifty-second Legislative Assembly.

Budget—Capital Construction

The budget has again been made available more than a month prior to convening of the Legislature. For the second time, a six-year capital construction budget places the projects for the coming biennium in perspective.

The Capital Construction document also gives brief details of projects which have been completed during the past two years. Further highlighting is in order.

Oregon's position as a leader in the field of medicine was enhanced through completion of a 9-story medical research building on the University of Oregon Medical School campus. Other facilities added to higher education physical plants include a 5-story classroom, laboratory and office building at Portland State College; an addition to the Physics-Chemistry Building at Oregon State; and additions to the Science Building, University of Oregon. In addition to the research building on the Medical School campus, two units were completed to house a Crippled Children's Division and a Hearing and Speech Center.

Major Board of Control projects completed have included the Industrial-Vocational Unit at the Correctional Institution, a school building addition and inmate cottage at MacLaren School for Boys, a Vocational Unit and Girls Dormitory at the Deaf School, and an addition to the Gymnasium at Hillcrest.

Completion of the Salem Armory-Auditorium and the Portland Armory No. 1 have facilitated National Guard activities in those areas as well as affording space for public uses. State office buildings were constructed in Eugene and Pendleton and the Labor and Industries Building on the Capitol Mall was completed and placed in use. With the addition of other capital construction completed or underway during the biennium, total expenditures for this purpose are estimated at nearly \$33 million.

TRANSPORTATION AND PUBLIC SAFETY

Highways

During the past two years the Highway Department awarded a record number of contracts, totaling \$131,000,000, to cover work in all areas of the state. While greatest publicity is given to Interstate Freeway activity, it should be noted that 150 miles of non-interstate roads were completed in 1962 alone. Oregon continues as a leader in the highway field.

Motor Vehicles

An increase in vehicle registration and driver licensing has resulted in acceleration of activity in the Department of Motor Vehicles. However, development of new procedures has not only offset the attendant increase in operational costs, but has effected a saving of one-half million dollars while providing better service to the public. The time lapse between license application and issuance has been substantially reduced. Migratory worker transport vehicle inspection has minimized accident frequency. Additional and improved field offices have increasingly met the needs of the public.

State Police

The Seaside disturbance demonstrated the ability of the Department of State Police to respond to emergency situations. In this case, order was restored within five hours following mobilization. New buildings at Albany, Ontario and The Dalles afford better service, and new stations at Corvallis and Hermiston have shortened the patrol gap in those areas. Department sponsorship of city and county police training schools has been well received.

Aeronautics

Improvement of public aviation facilities has been accelerated during the past two years. The Board of Aeronautics has completed new airports at John Day, Prospect, and Seaside, as well as acquiring and improving the Wasco airport. In addition, the Board has installed lighting equipment to facilitate night use of airports at Aurora, Gold Beach, Hood River, John Day, Joseph, Pendleton Heliport, Scappoose and Seaside. Federal aid funds were allocated through the Board for airport improvement at Arlington, Baker, Bend, Eugene, Hillsboro, Hood River, Joseph, Klamath Falls, La Grande, Lakeview, Newport, North Bend, Ontario, Pendleton, Prineville, Redmond, Roseburg, Salem, and Sutherlin. Other federal aid projects have been approved. Administrative reorganization has resulted in greater service to municipalities and individuals.

Civil Defense

Working with the U. S. Army Corps of Engineers, the Civil Defense Agency has developed the national fallout shelter concept in Oregon through completion of a state-wide building survey, location of 974,723 spaces for civilian protection, the procuring of consent of building owners for fallout shelter use of facilities, the posting of premises with appropriate signs, and receiving necessary foodstuffs and other supplies. In addition, the Civil Defense Agency has trained large numbers of public and private personnel in emer-

gency techniques. Three additional state warning points in Oregon have been added to the national warning system, making a total of 10 such facilities. The October 12, 1962 storm tested the ability of the Civil Defense Agency to cope with natural disaster. The agency was named to coordinate public assistance necessary following the storm and has received a federal allotment of \$1,000,000 to assist in repair of storm damage. Another \$950,000 has been applied for. Many applications are still being processed. The combination of this storm and the Cuban incident has occasioned increased interest in Civil Defense Agency activities.

National Guard

Military Department management improvement and reduction of personnel has resulted in savings amounting to approximately \$125,000, at the same time increasing departmental efficiency. This agency's total budget request for the 1963-1965 biennium is \$684,000 less than the actual operating budget for the period 1957-1959. The National Guard Reserve cadre has been increased to assure an adequate corps of trained personnel in the event of mobilization. The Military Code adopted by the Fifty-first Legislative Assembly has provided a generally sound operational base. The Air National Guard continues to perform around-the-clock runway alert at the Portland International Airport under operational control of the Air Defense Command. This performance has earned the Air National Guard the highest peacetime unit award given by the U. S. Air Force. The Seaside incident and October 12 storm revealed certain communications inadequacies, and these have been overcome.

Veterans' Affairs

Increased bonding authority for the Department of Veterans' Affairs resulted in a record program of \$63,000,000 in loans to some 6,000 veterans in 1961. Nearly 4,000 loans were made in 1962, totaling \$41 million. During this two-year period, the loan program earned more than \$2.5 million. The record of delinquencies was the lowest in history, at a rate of only 92 per 26,000 loans.

Tax Commission

The State Tax Commission is now keeping current the hearings and decisions on property tax appeals. A new program, started through agreement with the Internal Revenue Service, permits the Commission to examine adjustments in federal tax returns, thus eliminating one possible tax loophole. Through June, 1962, the Commission had collected more than \$800,000 from this program. Through Commission efforts, county officials are being encouraged to adopt modern budgetary and data processing methods.

REGULATORY ACTIVITIES

Public Utilities

The Department of Motor Vehicles, and the Public Utility Commissioner have jointly staffed many field offices, thereby reducing cost and facilitating services provided to the motoring public. Reorganization of central P.U.C. offices and employee rotation has provided advancement opportunities for career personnel. The Public Utility Commissioner today has 16 fewer employees than were employed in 1959. Wise administration of the Utility Certificate Act adopted by the 1961 Legislature has halted economic warfare between utilities.

Real Estate

The Real Estate Department has carried out an intensive educational program for Oregon licensees. With the assistance of the University of Oregon, some 3,000 students in 21 areas of the state have attended real estate seminars. Upon completion of this course, each student is presented a diploma and may join the real estate honor society, Rho Epsilon Kappa. Other states are expected to follow this program, which is calculated to assure increased public service by real estate licensees.

Corporation Department

Representatives of the Corporation Department have worked with the Oregon State Bar in the review of corporation law, with the goal of modernization and improvement. This group has also worked toward development of a revised Limited Partnership Act. Legislation will be proposed based upon these studies. Two new savings and loan associations were chartered, and increased activity in the investment area was reflected in issuers' registrations, and through increased numbers of salesmen's and dealers' licenses.

Banking

To afford additional public protection, the Banking Department has recommended that state-chartered banks adopt such safeguards as Excess Bank Employee Dishonesty Blanket Bond Insurance, which most now carry; installation of a "Direct Verification of Accounts" program as an extra audit measure of protection; and the formulation of emergency preparedness measures to assure continuity of operations in the event of enemy attack. During the two-year period one state bank was organized and nine branches were put in operation. Two state credit unions were formed and three dissolved. One industrial loan company commenced business, and 18 licenses were issued under the Oregon Consumer Finance Act. One pawnbroker was licensed and three discontinued operation.

Liquor Control

While sales have increased and enforcement problems have become increasingly difficult, the Liquor Control Commission budget for 1963-1965 represents a reduction in personnel with corresponding savings without sacrifice of service to the public. Self-service stores have been well accepted, and during the biennium three additional outlets of this type were opened—in Salem, Medford and Portland. All state-operated stores are gradually being changed to complete cash register operation, eliminating handwriting of sales slips. New inventory controls have reduced the necessity of frequent shipments. The identification card program has been of material assistance in curtailing unlawful sales to minors.

Racing

During the past two years, parimutuel wagering on horse races has increased from \$44 million to \$53 million, with an attendant increase in state revenues. An improved system of handling chemical samples was developed and is now in force. Additional security personnel have helped curb undesirable activities.

PUBLIC HEALTH

The birth rate in Oregon dropped to 20.6 per 1,000 population during 1961, and final figures for 1962 will undoubtedly show a further downward trend. Although the total number of deaths has increased in recent years, the rate per 1,000 population has remained relatively constant at nine. Diseases of early life generally have continued on a downward trend and those of later life upward. Of the 16,885 deaths in 1961, diseases of the heart, cancer, strokes, and accidents lead in frequency.

The new Medical Examiner system has been established in 35 counties, only Multnomah retaining its coroner. Following a salary adjustment schedule approved by the Civil Service Commission, the position of State Medical Investigator will be filled, effective in May, 1963.

Uses of radiation sources continue to expand in industry, the professions and in institutions. Regulations to safeguard the public against misuse have been developed.

A state-wide program for the early identification and treatment of phenylketonuria has been developed to prevent severe mental retardation. A training program for local health workers was held in cooperation with Fairview Home.

The Board of Health staff continues to test about 130,000 children each year for hearing defects, referring more than 5,000 for further medical study and correction. Testing of pre-school children has been initiated to provide earlier detection, and a film on this program has created national interest.

During this period McMinnville and Warm Springs became the 21st and 22nd communities to fluoridate their water supplies. Studies continue to prove the beneficial effects of fluoridation.

Nineteen full-scale disease detection studies have been completed. These developed preventative measures against the spread of infectious hepatitis, bacillary dysentery, encephalitis, rabies, salmonellosis and many other diseases, including Q fever, trichinosis, tularemia and leprosy. The public health laboratory performed over 420,000 tests.

To assist in the control of tuberculosis, which disabled 946 and killed 120 in Oregon during the past two years, the Board of Health X-rays about 80,000 people each year and administers skin tests to another 80,000. In addition, during the past two years, the Board and local health departments made over 84,000 nursing visits and provided 800 indigent patients with anti-tuberculosis drugs.

The Board of Health and the Sanitary Authority continued to work vigorously toward the goal of clean streams, with particular attention to the Willamette River. One example of the beneficial results of these efforts is the \$5.6 million Salem sewer bond issue. Abatement of lower McKenzie River pollution was accomplished, and the odor nuisance along the Newport ocean front was alleviated.

The first phase of the Tri-County sewerage system plan for Portland and its suburbs was completed. Supervision of Oregon's 509 public-owned water supplies continued to maintain a record of no water-borne disease outbreaks. Due to continued surveillance, no disease problems involved the 360 public swimming pools under license.

Through the cooperation of local government agencies, open refuse burning near population centers has been greatly reduced. Over a million Oregonians now have available sanitary refuse disposal facilities.

Equipment valued in excess of \$1 million has been installed by major industry to rid the air of harmful pollutants.

Under the federal Hill-Burton program, hospital projects in 10 communities have received grants totaling \$3,318,067, to provide 567 additional hospital beds and required patient facilities. Nursing homes in nine areas received similar grants totaling \$1,129,094, thereby providing an additional 294 nursing home beds. Two county public health centers are projected at a cost of \$14,500,000. A Portland metropolitan area planning council is demonstrating the advantages of coordinated planning for hospital services. Similar councils have been formed in Lane, Klamath, and Marion-Polk counties. Twelve others are proposed.

Departmental reorganization has resulted in better coordination of services and simplification

of work methods, with resultant improvement of service to the public.

EDUCATION

Higher Education

The year 1962 marked two noteworthy anniversaries in the field of higher education—the 100th anniversary of the signing of the Land Grant College Act by President Abraham Lincoln, and the 75th anniversary of the establishment of the University of Oregon Medical School. Science, research and dormitory facilities were completed as outlined earlier. Soon to be constructed are an Oceanography Building at Oregon State University and a paleoecology laboratory at the University of Oregon, both financed through federal grants. Construction is beginning at Oregon State on a Radiation Center, jointly financed through state and federal funds. Scientists at Oregon State University are building a major electronic computer under an initial grant of \$200,000 from the National Science Foundation. This computer, which will be completed with an additional federal grant, will serve research needs throughout Oregon and will be housed in a building partially financed through a 1961 Legislative appropriation. Announcement has just been made of a \$959,590 grant to construct a Marine Sciences Laboratory as a part of the oceanographic research facilities of OSU at Newport, largely as a result of representations by the Executive Department.

The use of educational television, has been of assistance to more than 1,700 students at Oregon State University and Oregon College of Education; and courses in General Biology, General Psychology and Philosophy are offered through this media to students at the University of Oregon, Portland State College, Oregon State University and Oregon College of Education.

As directed by the 1961 Legislature, a new graduate school of social work has been established at Portland State College, offering for the first time a full graduate program in this field. Additional and revised curricula offerings have furthered higher educational opportunities. In December, 1962, Oregon Technical Institute was accredited as a specialized institution by the Northwest Association of Secondary and Higher Schools.

During the past two years the System of Higher Education has received more than \$15,000,000 in gifts and grants, 68 per cent of this amount for research. With a total of \$283,267 in state funds, matching grants in the amount of \$3,212,000 have been obtained.

Department of Education

The launching of The Oregon Program—a design for the improvement of education at all levels—with the aid of a \$3,500,000 Ford Foundation grant has initiated a massive, state-wide,

inter-institutional effort, involving the Department of Education, the State System of Higher Education and 25 local school systems. This program should facilitate needed changes in the educational enterprise.

The Department of Education, under a contract with the federal government, is developing a plan for a national system of regional research centers.

Nine counties and 143 school districts now provide complete educational programs in grades 1 through 12.

A new state law governing teacher certification has gone into effect and a Certification Review Committee established, with corresponding upgrading of the preparation of public school teachers.

Supervision of the Community College program is the responsibility of a new division. Community Colleges are now providing increased educational opportunities at the community level for high school graduates, at a comparatively low cost to the State General Fund.

A Division of Education Development has been established to achieve better coordination among public and private educational institutions in advancing education generally.

Marked improvement in the state-wide curricula for elementary and secondary schools in the areas of science, mathematics, and modern foreign languages has been achieved. The Governor's Education Improvement Advisory Commission is functioning to bring about improved long-range planning.

ECONOMIC DEVELOPMENT

Activities of the Department of Planning and Development have continued to aid the program of economic diversification which seeks to lessen dependence upon seasonal and geographically-located industry.

At the end of 1962 the Department's files contained names of 156 companies which have requested information on locating a facility in Oregon. Feasibility and investment opportunity studies have been made on such employment opportunities as meat packing, potato processing, aluminum fabrication, research support, and mining.

A state inventors council has been organized to assist both inventors and manufacturers looking for new products. A payroll development program was launched, based on a state-wide survey of products purchased by Oregon industry which might be manufactured here but which are now imported. Steps were taken to expand defense and space-oriented research in Oregon, resulting in a four-fold increase in this activity during the past two years.

The Boardman "Space Age Industrial Park" project has been carried to semi-final stages. This

100,000-acre site, which the Boeing Company has agreed to lease for aerospace testing, research and development work, involves acquisition of land from private owners, the Navy and the Department of the Interior. Acquisition of private and public domain lands has been completed. A flight corridor to the east has been secured. The Navy's practice bombing facilities have been relocated on the eastern half of the range. Negotiations are going forward to resolve differences with the Navy on land values and the U. S. Corps of Engineers on use of waterfront lands.

A half-hour, full-color motion picture on Oregon was completed and in the past nine months has been viewed by more than 100,000 persons. Some 500 former residents of Oregon have been enlisted as an outside sales force through formation of "Homesick Oregonian Clubs" in Los Angeles, Chicago, St. Louis, New York, and Philadelphia. One state-wide and two regional economic studies have been instituted.

Oregon's economy in 1962 afforded work opportunity to more people than ever before in history. Only in June did total employment fall below that of the same month in a previous year. The June exception occurred because the peak of strawberry harvesting was delayed. Annual average employment was up a little over 10,000 in 1962 from 1961's pace.

Non-farm wage and salary employment was at a record level throughout 1962. The index, which is adjusted for seasonal variations, peaked early and late in 1962 with the highest index ever attained coming in the last two months of the year. 1962's ending augurs well for a prosperous 1963.

Oregon's economy has been changing. Its dependence on the major seasonal industries has been lessening. The increase in jobs has been found in the industries which provide year-round work. In 1950, from the low month for non-farm wage and salary employment which was January, employed workers had increased by 29.4 per cent in the high month, August. In 1962 the rise from the low to the high month was only 11.8 per cent. The non-seasonal base of the state's employment is expanding while the seasonal industries (logging and sawmills, agriculture, and canning and preserving) are holding fairly even or actually contracting.

Preliminary estimates of annual average employment in 1962 show that wood products had 100 more employes during the year than in 1961 and food products had 100 less. The overall 2,100 gain in manufacturing resulted from worker increases in machinery, transportation equipment, and textiles. The largest percentage gain of any industry, 13 per cent, was registered by electrical machinery. While considerably smaller numerically than the increases in other industries, electrical machinery or electronics represents a bright hope for the state's further development.

Thirteen hundred new jobs were filled in veneer and plywood which almost made up for the 1,400 jobs lost in logging and sawmills compared to 1961.

A little over 85 per cent of the 1961-to-1962 increase of 14,300 persons in non-farm wage and salary employment was to be found in the non-manufacturing industries. Only one industry, transportation, showed a loss in employment and that of only 200. Mining, construction, transportation, communications, and public utilities, trade, finance, service, and government all registered additional employes the past year. The service enterprises required 3,900 more workers, trade 3,000, government and education 2,200, and construction 1,700 for the larger increases.

Contract construction employment, hampered by a mid-summer labor dispute, was accelerated by the Columbus Day storm which provided a multitude of repair and clean-up job opportunities.

Unemployed workers in Oregon averaged 7,100 fewer during 1962 than in 1961. The rate of unemployment fell from 6.2 per cent to 5.2 per cent which meant one fewer person out of 100 was seeking a job in 1962. The level of unemployment is a better indicator than employment as an indication of how well the economy is providing jobs for the state's labor force. By this measure during the past year Oregon improved substantially over 1961's record and was better off than the nation as a whole whose 1962 unemployment rate was about 6 per cent.

Tourism took a stronger hold on its position as Oregon's third largest industry during the past two years—each year setting a new record in the number of visitors to Oregon. In 1961, there were 7,076,400 visitors, an increase of more than 675,000 over 1960. In 1962, the number jumped by more than two million to a total of 9,255,378 visitors.

Many visitors indicated they were including a trip to the Seattle World's Fair in their Northwest vacation trip during 1962. Although this shortened the average length of stay in Oregon, the total income from tourism was a healthy increase of \$31 million.

The Highway Department constructed a travel information center at the Seattle World's Fair. More than a million fairgoers visited the center. An Oregon traffic survey showed that 52 per cent of the travelers who had attended the fair had seen the Oregon exhibit.

The State Highway Department conducted an extensive advertising campaign in national magazines, major newspapers and radio and television stations. It answered more than 330,000 direct mail inquiries in 1961 and 1962 and distributed hundreds of thousands of maps and brochures highlighting the state's scenic and recreational attractions. Many were distributed through chambers of commerce, automobile clubs, and other groups

interested in tourism; groups with whom the Highway Department Travel Division worked closely in coordinating tourist promotion activities. This program will be continued and expanded in the coming years.

The "Welcome Mat" Campaign initiated by the Governor's Office and enlisting broad private fund support was an additional factor in the 1962 tourist program. It was coordinated with other activities in an intrastate program to welcome tourists and to encourage them to stay longer in Oregon.

SOCIAL SERVICES

Inherent in the activities of the several agencies engaged in publicly-financed social services have been efforts to eliminate or reduce dependency wherever possible. Greater emphasis has been placed on rehabilitation measures and other methods whereby less fortunate citizens can resume useful lives.

During the past two years, the Public Welfare Commission has put into effect programs involving five significant changes in the Oregon public welfare program which were directed by 1961 legislative action. They are: Medical Assistance for the Aged (MAA), which provides financial help with medical care for otherwise self-supporting persons over age 65; Aid to Dependent Children of Unemployed, which provides support to Oregon children when neither work nor unemployment compensation is available to their parents; Foster Care for children who are removed by the court from the home of their parents while receiving ADC; a revised program of Aid to the Blind which assures needy blind persons a minimum living standard of at least \$85 per month and permits them to keep a substantial amount of their earnings; the extension of Work Relief programs to cities as well as counties; and a Surplus Food program, optional to each county, whereby the Welfare Commission staff certifies those persons of low income and assistance families who are eligible to receive food, and the county distributes this food with partial state reimbursement. At present, 21 counties are taking part in this program, and Multnomah County has instituted a food stamp plan as a part of this activity.

Closer coordination with allied state agencies has resulted from the move of the Commission's central office to Salem, and notable savings have accrued in the use of data processing equipment. An aggressive approach to the social rehabilitation of welfare clients has resulted from a program of case classification and planning in two county offices. This involves an analysis of social, economic, and health problems of the family, with concentration of staff effort in those areas where there is potential for employment. The Public Welfare Commission has continued to adhere to the closed-

end budget principle first enunciated by this Administration.

Twenty-two Oregonians attended the White House Conference on Aging during January, 1961. Of these, 17 were official state delegates appointed by the Governor, and five represented national organizations. Following the conference, these delegates presented reports at more than 250 meetings of local groups throughout the state. The final report of the White House Conference recommended that each state establish a permanent unit on aging. Specific recommendations followed Oregon's present statutes almost exactly. The Council sponsored a series of conferences in various areas of the state, and plans a state-wide conference in Corvallis in May of this year. Since it is a coordinating agency, the work of the State Council on Aging involves contacts with a wide variety of state, federal, local and private agencies engaged in various social welfare activities, with particular attention to the needs of the aged. This agency performs a continually useful function.

Services to the blind have been effectively increased through departmental reorganization which has enabled an increase in ratio of expenditures for direct service. Cooperative working arrangements between the Commission for the Blind, the University of Oregon Medical School and the Public Welfare Commission has improved ophthalmic evaluations and surgeries for an increasing number of patients. During the past two years a series of workshops for local volunteers have been held in every county. The Blind Industries' sales program has been reactivated, and the Division of Industries is close to its goal of self-sustenance. The vocational rehabilitation program has been strengthened. Following a survey of the needs of the blind in Southwestern Oregon, steps have been taken, in cooperation with the Jackson County Court, to establish a branch office, to include rehabilitation facilities and other services, in Medford.

The Board of Parole and Probation continues to visit all inmates in state adult correctional institutions and in county jails who are serving sentence of six months or longer. During the past two years, interviews have resulted in the granting of 671 paroles. In addition to parole hearings, case reviews are continually conducted so that all inmates are given maximum consideration to the end that they may be paroled at such time as they indicate a willingness to comply with parole regulations and practice good citizenship. Processing of probation orders of the courts has involved more than 2,400 cases during the past two years. A third area of concern is in the completion of pre-sentence investigations. More than 1,200 investigations were completed. As of December 1, 1962, the Board of Parole and Probation had 3,246 parolees or probationers under supervision. To better fulfill the obligation of service to the judi-

ciary, arrangements are being made to establish a regional office in Eugene.

INTERGOVERNMENTAL COOPERATION

Effective liaison with federal government officials has been maintained during the past two years, and cooperative efforts with Oregon's delegation in Congress have resulted in significant activity in development of river and harbor projects. Personal testimony submitted to committees of Congress has been productive. Major items have been authorization of improvements to harbor facilities at Brookings, Umpqua Bay, Siuslaw Bay, Yaquina Bay and Tillamook Bay; the 40-foot channel project on the Columbia River, and the Rogue River project. In addition, Congress has authorized steps to rehabilitate Eastern Oregon range lands managed by the Bureau of Land Management. Additional funds for enhancement of recreation opportunities on federal lands in Oregon have resulted from testimony coordinated by the Governor's office; and a \$900,000 Area Redevelopment Administration grant has been secured to finance construction of a Marine Sciences Laboratory, to be operated by Oregon State University at Newport.

Oregon's bonds with Japan were strengthened in 1962 with formation of the Oregon-Hokkaido Rural Cooperation Society. This marked the culmination, and at the same time the active beginning, of an exchange relationship toward which your Governor has been working with Hokkaido officials and Oregon people since 1960. At the organizational meeting it was pointed out that "people-to-people" programs such as this can help establish lasting international friendships, enhancing the culture and trade of the participants and furthering the cause of world peace.

The selection of Hokkaido seemed appropriate because of our trade with Japan and because the geography of the two states is similar and the history of Hokkaido very much parallels that of Oregon. The purposes of the society are to promote cooperation, friendship and understanding between Japan and the United States, and principally Hokkaido, Japan, and the State of Oregon, and to promote a more abundant life for rural Hokkaido and Oregon, especially among youth and youth groups. The organization will assist Japanese visitors in Oregon and will help coordinate visits to Japan by Oregonians interested in agriculture.

In September, 1961, at the Sixth Conference of Japan-American Mayors and Chamber of Commerce Presidents in Portland, your Governor received from Governor Machimura of Hokkaido a beautiful film telling of his country. Oregon reciprocated with a copy of the new film, "Oregon Today", with Japanese sound track. This film is now being shown throughout Hokkaido.

OUT-STATE MEETINGS

Date*	Place	Purpose
1961		
January 20	Washington, D. C.	Inauguration
February 6	Boise, Idaho	Fisheries Conference
March 19	Vancouver, Wn.	Wildlife Ceremony
March 14-17	Salt Lake City	Western Governors' Conference
June 7-8	Seattle	American Cancer Society
June 23-July 1	Hawaii	Governors' Conference
September 11	Vancouver, Wn.	Address
1962		
January 18	Vancouver, Wn.	Fisheries Conference
January 28-29	Helena, Montana	Governor's Funeral
May 26-27	Seattle	Oregon Day at World's Fair
June 29-July 5	Hershey, Pa.	Governors' Conference
October 26	San Francisco	Cuban Briefing
November 9-14	California	Vacation
November 17	Columbus, Ohio	Accompanied UO Team
December 7-8	Palm Springs	Speech

* Does not include travel time in all instances.

Columbus Day Storm

Reference to individual agency activity in connection with the October 12, 1962 storm fails to indicate the intensity and magnitude of one of the most tragic disasters which Oregon has suf-

fered during this century. Countless injuries, the loss of 32 lives, and more than \$200 million in property damage are alarming statistics, but do not reflect the many acts of heroism and courage and action above and beyond the call of duty on the part of representatives of public and private agencies, as well as individual citizens. The people of the state demonstrated courage, calmness, and neighborliness akin to that displayed by our pioneer ancestors, in the face of calamity. Order was maintained and property protected through alert action of the State Police, units of the Oregon National Guard, and city and county law enforcement groups. The Highway Commission and the Civil Defense Agency efforts to assist in restoration of vital communications and transportation facilities were matched by the efforts of public and private utility companies and their countless workers. Truly, here was a vivid demonstration of the ability to effectively meet whatever situations may prevail in time of crisis.

This has been a biennium of advancement along The Oregon Trail. But as has been said "What Is Past Is Prologue". This record is written that those who come after us may know of our deeds.

Respectfully submitted,



Governor

MAJOR APPOINTMENTS OF THE BIENNIUM

Department Heads and Other Executives Appointed by the Governor from January, 1961:

Walter G. Korlann, Insurance Commissioner; Maj. Gen. Paul L. Kliever, The Adjutant General; Chris L. Wheeler, State Engineer; Robert W. Sandstrom, Director of Civil Defense; Samuel H. Mallicoat, Director, Department of Planning and Development; Paul F. Liniger, State Tax Commission.

Department Heads Reappointed by the Governor During this Period:

Charles H. Mack, State Tax Commission; V. Dean Musser, Insurance Commissioner; F. H. W. Hoefke, State Tax Commission; Sidney B. Lewis, Industrial Accident Commissioner; Frank J. Healy, Corporation Commissioner.

Department Heads Appointed by Board or Commission During this Period:

Dr. Roy E. Lieuallen, Chancellor, State System of Higher Education; Dr. Leon P. Minear, Superintendent of Public Instruction; Robert W. Dunn, Director of Aeronautics; Forrest Cooper, State Highway Engineer; Donald Barnick, Administrator, Liquor Control Commission; Andrew Juras, Administrator, Welfare Commission.

Executives Appointed by the Board of Control:

Dr. Joseph H. Treleaven, Administrator, Mental Health Division.

Judicial and District Attorney Appointments by the Governor Have Included:

Six Circuit Judges; one Tax Court (Circuit) Judge; four District Judges; four District Attorneys; one County Judge; 13 Justices of the Peace.

Office of the Governor
State Capitol, Salem

Departure from printed text
in Second Inaugural Address

Within recent days the report of the interim committee on social problems has reached my desk. I should like to direct your special attention to it as it relates to the care, treatment and rehabilitation of sex offenders as well as recommended legislation concerning marriage and divorce. The bizarre and sordid histories of sex deviates make it imperative we concentrate on what we can do to confront this problem.

Second Inaugural Address (9a) January 14, 1963

Office of the Governor
State Capitol, Salem

Departure from printed text in
Second Inaugural Address

In this comparison, part of the difference reflects the fact that Washington relies less on the property tax for the support of local government and more on state subsidy of local government. Although per capita taxes for both state and local government in Oregon are lower than those in Washington, we need in Oregon a major overhaul in the management and finance of the activities of local government. The reliance of local government on the property tax, with all of its inequities, imposes a discouraging burden on home ownership and on industry and commercial development.

The costs of government -- federal, state, and local -- ultimately can be financed only by taxes. But taxes must be so designed and so administered as to free rather than fetter our economy. This lesson has resulted in the present chorus demanding revision of the federal income tax. We seem to be approaching a similar consensus about the property tax in Oregon.

I would urge this legislature to such action as will assure that the 53rd Legislative Assembly will have before it a program which will ultimately result in reform of the property tax and reduction of reliance by local government on this unreliable index of ability to pay. We have begun doing so, piecemeal, with state support of local schools, by sharing of liquor and highway revenues, and by state assistance to a wide variety of local functions.

We need a fresh approach to the whole complex problem of the financing of local government and of providing relief for the property taxpayers. Shared revenues, state collection of revenue for the benefit of local government, state grants, reservation of present or proposed taxes for local use, and other options, all must be reviewed in the process of producing a long-term answer to a problem that has too long defied solution.

This will be no easy assignment and the changes must take place over a period of time that will preclude windfall benefits. But change we must, if we are to preserve a dynamic local government, capable of meeting its challenges. We can point the way toward a fiscal system in which the responsibility for collection of revenues is in the same government that spends our money.

Such a program of reform and reduction of the property tax would be a landmark and a beacon on the path toward more effective local government and a more prosperous state.