Sprague Asks Session to Cooperate with Government

Program Offered For Institutions

Governor Charles A. Sprague, in his message to the 41st legislative assembly, after calling attention to world conditions, makes many specific recommendations for conducting Oregon affairs. The complete text of his message, delivered before a joint meeting of the senate and house today, is as follows:

This Forty-first Legislative Assembly of Oregon convenes at a time when the situation in world affairs is ominous. Since the close of the previous Assembly, war has engulfed most of the nations of the Old World. Aggressor states have set out to establish a "new order", an order based on force used not only to defeat but to crush its foes, an order frankly hostile to the conception of free government long cherished as the highest goal in political organization.

To date the United States has not become involved in this war; but the turn of events within the past eighteen months has shaken us from an attitude of complacement detachment to one of deep concern. The emotion of sympathy with the democratic nations of Europe gave place to stark fear, when, with the conquest of Denmark, Norway, The Netherlands, Belgium and much of France, it was realized that our own political and economic security would be seriously endangered with the triumph of nazi Germany. The foreign policy of this country was, therefore, directed toward accelerated aid for Great Britain and preparation of an adequate defense of our own lands and interests. This policy, formulated by President Franklin D. Roosevelt, has been approved by the great majority of the citizens of the country.

Far East Interests

In the Far East warfare continues between the great nations of Japan and China, a fact of concern to this country and particularly to the states fronting the Pacific ocean. The United States has long enjoyed friendly relations with both these great powers. It has observed with pride the emergence of the peoples of both countries from the seclusion which insulated them for centuries. It is disturbed, however, over Japan's aggression in China, both because of its threat to China's continuance as an independent nation and because of its threat to legitimate American interests in the Orient, and remotely to this side of the Pacific as well. Desirous as we are of maintaining friendly relations with Japan, we cannot ignore its alliance with Germany and Italy which is pointed at the United States. Our national policy, therefore, should continue to be one of aid to China and economic restraint to Japan. I hope our government will give more emphasis to both these lines of effort. I refer to the oriental situation because we of the Pacific Coast are deeply interested in an early and proper peace in the Far East. There is for us far more promise of expansion of commerce and cultural relations with the Orient than there is with South America. Our national government ought not to become so fully engrossed in pursuing its policies with respect to Europe and Latin America that it will neglect its obligations regarding Eastern Asia.

At the present time the national effort is directed toward increasing production of modern weapons of warfare and the enrollment and training of men in military service. This must be a major undertaking, absorbing the energies and the means of the people in order to provide security for ourselves and curbs against revolutionary aggressors. I am proud to report to you that Oregon has responded in full measure to every appeal for cooperation made by the national government. In the fall of 1939 the war department ordered an expansion of enrollment of the National Guard. Oregon was the first state to complete its quota of 913 men. Intensified drill was required of the Guard during the winter and last summer the customary ten-day encampment was extended to three weeks of divisional maneuvers at Camp Murray, Washington. In September the entire Oregon National Guard—4,532 officers and men—was ordered into federal service for a year of training. These men were among the first state troops to be mobilized, and are now stationed at Camp Murray and at Camp Clatsop, Oregon.

Draft Machinery Set Up

With the enactment of the Selective Service and Training Act, I was called upon by the President to organize the administration of the act in this state. In anticipation of the passage of the law, preparation for its application had been made in the office of the adjutant general. When presidential authority came, I designated Lieutenant Colonel Elmer V. Wooton of the state staff as Director of the Selective Service Administration for Oregon. The necessary machinery for applying the law was promptly set up. Through the assistance of county officials and volunteer citizens over the state the registration of men under the act took place on October 16; and the initial quotas have been filled.

Recognizing that preparedness calls for economic mobilization as well as military, this state, through its employment service, has conducted a labor inventory, obtaining a list of men skilled in selected trades which may be needed in defense industries. This census shows that Oregon has a sizable reservoir of workmen available for these occupations.

Oregon has been called on to supply needed materials such as lumber for cantonments, parts for airplanes, vessels and supplies for the United States Navy, and woolen goods for the Army. Additional demands will undoubtedly be made. I hope through the inventory of labor and of manufacturing facilities to increase the state's participation in this vast industrial undertaking.

Policy Cheerful One

My policy as Governor of the state has been to meet cheerfully all the calls of the national government. At the same time I have sought to avoid hysteria and to keep our people at work. I have utilized existing agencies of government, but have felt free to call on citizens for special assistance when that was required. The ordering out of the National Guard has deprived the state of any local military body subject to my call in event of local emergency. I have relied on the regular civil law enforcement agencies to maintain the authority of government, and shall continue to do so. It is conceivable, though, that in case of our involvement in war conditions may arise in which a state guard would be needed for local duty. Such an organization for local defense is approved by federal law. I have had prepared a plan for such an organization, which is ready for immediate use. While I believe the present law gives the Governor sufficient authority to enroll a state guard, I recommend passage of an act making defenite the governor's power in this respect. I assure you that that power will not be abused.

We in Oregon must play our part in support of our country's interest and in support of the national policy which has been laid down by our government. We must be prepared to make whatever sacrifices may be required ,whether of men or of materials for war. I urge that all our citizens rally loyally in unity of purpose for the common defense.

Powers of States

In the field of political relations between the states and the federal government, I have to report the continued invasion of the powers of the states until the unique federal character of our government has been virtually destroyed. We are now a national state. The states are reduced to administrative units with greatly diminished powers of legislation.

Within the biennium, decisions of the United States supreme court denying to states the power to regulate picketing and asserting full federal authority over waters of non-navigable streams, quite in line with the recent trend, mark the further transfer of power from states to the national government. We have also experienced the constant preasure of federal administrative agencies to dictate in the field of federal-state cooperation. Hereafter public opinion, not the courts, will be the only effective brake on national aggression in the area of local government.

I recognize the national character of many of the problems of our modern life; but I fear the progressive centralization of authority may end in the erection of a bureaucracy unresponsive to popular will. I feel, however, that the best way for the states to preserve dignity and authority is for the states, within their field, to do a superior job of legislation and administration, and thus justify their existence by their merits.

Economic Condition of Oregon

Two years ago in my inaugural message I stated that Oregon's most pressing problem was economic: "to increase the income of the people and provide for its fair distribution." That these objects might be attained I have consistently sought to encourage business enterprize and to maintain orderly relations in industry. The results are gratifying.

The immediate need was fuller employment. I moved first to reorganize the employment service to make it function actively as an agency locating jobs for workers. With the full cooperation of employers and of labor organizations the service has operated with increasing success. Job placements, which totaled 70,515 in 1938, rose to 172,107 in 1940, an increase of 245 per cent. Additional evidence of fuller employment is seen in other official reports. Pay rolls as reported to the State Industrial Accident commission increased from $134,003,128 for the first eleven months of 1938 to $154,468,804 for the same period in 1940, a gain of 15 per cent. The Unemployment Compensation commission reports that benefits paid on account of unemployment declined from $4,539,000 the first eleven months of 1938 to $3,892,000 for the same months of 1940, a drop of 14 per cent. These figures show a substantially increased income, widely distributed, for Oregon workers.

Oregon's industries have enjoyed steady operation during the biennium. This state has now reached first rank in volume of its lumber production. Paper and pulp mills have been running at maximum capacity. Six new plywood plants have been established in Oregon. Three new chemical plants have come to Portland to use energy from the Bonneville power plant. Under the stimulus of defense orders, shipbuilding on the Willamette river is being revived.

Mining in Oregon has reached new peaks of production, the increase coming chiefly in gold and mercury.

Economic Survey Made

Fisheries have operated at fair volume of production nad new specialized products are increasing the wealth derived from this source. It is hoped that further development will follow from research at the new fisheries laboratory at Astoria.

Results in agriculture have been mixed the past two seasons. Wheat, fresh and dried fruits, which are important items of production, have suffered because the wars have cut off export markets. On the other hand, rising prices have aided producers of beef, wool, dairy products, canned and frozen fruits and vegetables. There has been a marked expansion of seed production here; and flax plants are running at full capacity, unable to meet the demand for fiber.

To survey the economic needs of the state, I appointed the Oregon Economic council, composed of 22 men, representing various occupational and public interests, with Hon. E. B. MacNaughton of Portland as chairman. The council has had committees at work for some months studying special problems; and I believe it will make an important contribution to the state's development. The state has also been represented on the Pacific Northwest Regional Planning council.

While the current economic condition in Oregon represents distinct improvement, with the largest level of employment and the highest business profits in a decade, this situation is by no means stable. Part of the present prosperity is due to liberal federal expenditures for rearmament; part is due to the rapid consumption of exhaustible resources. We need, therefore, as individuals and as a state to plan ahead if we hope to maintain the present levels of prosperity.

Financial Affairs

The condition of the state's finances is fully reviewed in my message accompanying the biennial budget, copies of which have been furnished you. Citizens of the state may well be proud of its showing. In the biennium just ended, the bonded indebtedness of the state has decreased from $42,791,935 to $35,181,385, with corresponding decreases in indebtedness of subordinate units of government. The state general fund has had ample cash balances at all times. Receipts from state income and excise taxes and from other sources have made a state tax levy on real property unnecessary for the current year.

In order to avoid a threatened deficit, I directed the budget office to scale down expenditures of state departments and institutions by approximately seven per cent of the authorized appropriations. Through the cooperation of department heads the resulting savings amounted to $703,640, which brought the income and outgo of the state into balance for the biennium.

Surplus Margin Narrow

The budget for the 1941-1943 biennium is balanced with a very narrow margin of surplus. There must be no extravagance in appropriating state funds, or this balance will be wiped out. A state has only limited credit; it must live within its means. Any substantial increase in appropriations must be accompanied by provision for added revenues.

I would remind you that the cost of national rearmament will be enormous, and that the federal government must impose heavy additional taxes upon the people. We should recognize a priority of claims for this cause and hence the state should avoid increasing the tax burdens of our people. I hope the legislature will not devote valuable time in trying to uncover new sources of revenue, but that it will seek to apportion wisely the revenues now furnished under the existing tax structure.

Public Welfare

In the past, expenditures for public assistance in excess of cash available for the purpose have been financed by issuing anticipation certificates on liquor revenues. Soon after taking office I saw that if this continued the outlay for public welfare might pile up an embarrassing indebtedness. Thus, while the total state appropriations for public welfare in the past biennium amounted to $9,260,000 the actual cash available for this expenditure was $8,500,000, less $700,000 in liquor certificates outstanding at the close of 1938. It was deemed prudent, therefore, to bring expenditures in line with actual cash receipts for this fund. This has not been fully accomplished, but the amount of anticipation certificates has been reduced to $93,000 outstanding at the end of 1940.

The food stamp plan for distributing surplus foodstuffs to needy families has been introduced and extended to 26 counties. It is proving a practical means of relief, and helps to expend the market for farm products.

Oregon Proves Generous

Oregon has not been ungenerous in its treatment of those needing aid. The total expenditures for this purpose amounted to $14,847,000 during the 1937-1938 biennium. This total was increased to approximately $18,849,000 during 1939-1940. The new budget provides a fund of $21,690,000 for the next biennium. I realize that when a sum even this large is broken up and distributed among some 60,000 persons the amounts available for individuals are often quite meager. But I do not see how we can devote a greater proportion of aggregate revenues to public assistance than the amount set up in the budget submitted.

The State Public Welfare commission has only minor changes to recommend in the public laws. A recent federal act has increased the maximum federal allowance for old-age assistance from $15 to $20 a month. I recommend that the state law be changed, removing the maximum limit but leaving payments on a matching basis in the present ratio of federal, state, and county funds. It is underatood, of course, that the amount of assistance actually paid will depend on the sum of money provided. The responsibility will rest with the state and county public welfare commissions, as in practice it does now, for the wise distribution of the funds.

State Institutions

The state maintains and operates twelve charitable, penal, and eleemosynary institutions. Their inmates, whose average number rose during the blenneum from 6,751 to 7,118, are peculiarly the wards of the state. All but one are under the direct administration of the State Board of Control, which is keenly sensitive to its responsibility in their management. Because the inmates do come from all sections of the state, there is wide public interest in the way they are managed. Where that interest leads to vigilance in supervision, it is helpful. But sometimes that interest is preyed upon by critics who are ill-informed or prejudiced or actuated by petty grievance; and then the results may be damaging. Oregon has been rather fortunate in this regard. I think this is largely due to the fact that these institutions have been kept reasonably free from political manipulation; and because succeeding Boards of Control have sought faithfully to operate them in the interests of the wards and of the state. Members of the Legislature are invited to visit any of the institutions and observe conditions for themselves. I believe that, on the whole, you will feel proud of the care given and the results accomplished.

During the depression years of the early '30s, outlays for physical plants at the institutions were greatly restricted; but in the past several years more money has been provided for capital outlay and many of the institutions have used federal work programs to advantage. It is true that needs are evident in nearly all the institutions and critical in some, but for the most part Oregon's state institutions are reasonably adequate and well maintained.

Building Program Started

For the orderly improvement of the several institutions, a building program has been prepared for the State Board of Control by consultants of the National Resources Planning board, whose services were offered the state. A preliminary draft of the program appears in the volume of the budget, and the final draft will be published and furnished you. The schedule adopted is within the budget limitations of the next three biennniums, both as to capital investment and subsequent operating cost.

Sesing the need for closer coordination of the business and farming operations of the institutions, the Board of Control created the position of business supervisor in the office of the secretary of the board and assigned a competent man to the position. The results already shown justify the appointment. Based on the study made by the business supervisor, the board recommends the acquisition of a large tract of river-bottom land near Salem for the growing of food crops for the State Hospital for the Insane, which will make unnecessary the present dependence on leased lands.

The most pressing need for plant improvement is at the State hospital in Salem, where the overcrowding is deplorable. Deciding to obtain outside counsel for formulating plans for development, the Board of Control invited the United States Public Health service to make an inspection of our mental hospitals. Dr. Samuel Hamilton was assigned to make the investigation and his report will soon be available. A committee of the Oregon Mental Hygiene society has also studied the state's needs for proper care of the mentally ill and submitted a comprehensive report.

Hospital Needs Cited

I would summarize the needs of the State Hospital in Salem as follows: First, a new hospital unit, and the proposed budget allows $325,000 for a 300-bed hospital. Second, replacement or reconstruction of present wards and administration unit at the main hospital and erection of new dormitories at Cottage Farm Third, increase in number of persons on the professional staff and of attendants. Fourth, revision of laws covering commitments to the hospital, relieving it of the care of elderly people who are not really mental cases. They can be cared for outside of the institution with old-age assistance provided in case of need. To insure proper treatment of old people who are cared for in private, commercial homes, the Public Welfare commission should have jurisdiction over such homes, such as it has over commercial boarding homes for children.

There is one urgent need for most of the institutions and that is a reduction in the length of the working day for employees; also allowance for employees' outside maintenance. The Board of Control favors these changes. The additional costs entailed are reported in the budget and I hope the legislative committees ca nfind a way to finance the extra burden.

State Land Board

The condition of the state irreducible common school fund is the best it has been for many years. The system of making farm loans only after careful appraisal by the board's own experienced appraisers has worked out well. All new loans require the regular annual amortization of principal. During the biennium the investment in mortgage loans in good standing increased 12.6 per cent; bond investments 4.8 per cent. The decrease in mortgages delinquent amounted to 30.2 per cent, and in mortgages being foreclosed to 43.8 per cent. There was a further sale of foreclosed property, ao this account showed a decrease of 12.9 per cent.

While the investments are in sound condition, the income has decreased because of the falling off in payment of delinquent interest and the reduction in interest rates of new investments. The State Land board is of the opinion that certain shifts could be made which would with safety increase the income of the common school fund.

More Buildings Needed

There is urgent need for an additional building in the capitol group in Salem. Large departments like the Public Utilities commissioner and the Unemployment Compensation commission occupy rented quarters. The latter is under criticism from the Federal Social Security board because it has no fireproof vaults at its quarters for protection of irreplaceable records. At present, market prices of bonds held in the school fund show a substantial enhancement in value. The Land Board believes it would be wise to sell about one million dollars' worth of the bonds, thus realizing its profits, and re-invest the proceeds in a new state office building on block 85, opposite the new state library. The building would be occupied by self-sustaining departments on a rental basis to yield three and one-half per cent interest to the school fund and amortize the investment over a term of years. The previous experience of the state in erecting an office building through investment of funds of the State Industrial Accident commission proved highly satisfactory for the commission and a valuable improvement for the state. Use of the state school fund is recommended now because it is adapted for long-time investment with no need of sudden realization of principal as might be true of the funds of the Industrial Accident commission.

Revenue Source Seen

Another source of increased income for the common school fund would be loans on improved urban property. This would call for an amendment of the present law covering eligible investments. The basis for this suggestion is the experience of the World War Veterans' State Aid commission where the record of repayments of urban loans and of sale of foreclosed property is very much better than for farm loans. The Land board submits this as a recommendation for the careful consideration of the Legislature.

In the past two years the Land board reopened for study the subject of administering the state-owned grazing lands amounting to about three-quarters of a million acres of land in Eastern Oregon. The counsel of school leaders and of representatives of stockmen and of men in state and federal service was sought. The board has determined on a general policy under which it hopes to increase the income from these lands. The lands will be leased in blocks of varying sizes to stockmen or associations of stockmen, first under an exchange-of-use plan; later, if the trial justifies, on a long-term basis. The board has engaged Mr. Marvin Klemme of Burns, formerly with the Federal Grazing service, to supervise the blocking and leasing of these lands for the state.

Highways

The State Highway commission has functioned under its present type of organization for a period of twenty-three years. In that time there has been expended approximately $250,000,000 on the state highway system for construction and maintenance. The state is now very effectively served with a system of hard-surfaced roads. Of the 4,782 miles in the primary system 4,211 miles are paved or oiled, 330 miles are rock surfaced. The secondary roads total 2,348 miles, of which 962 miles are paved or oiled, 794 rock surfaced.

While the initial task of construction and surfacing is now pretty well completed, there is pressing demand for reconstruction of roads now regarded as antiquated. In the last decade there has been a great improvement in engineering standards so that roads built or rebuilt in that period are strictly modern, able to carry safely and expeditiously the increasing vehicular traffic.

The utilization of this fine highway system by operators of commercial trucks and stages creates an important economic problem. Railways, which once enjoyed a monopoly of land transportation, now face sharp competition from vehicles which use the public highways. This complicates regulation of freight rates which once was safely based on the assumption of railway monopoly. In the last biennium this issue became acute in the matter of petroleum rates between tidewater termini and the interior. With three carriers—railways, motor trucks and water barges — competing for the business, both the Interstate Commerce commission and the Public Utilities commissioner of Oregon found the questions involved difficult of solution on the conventional basis of regulation. The public will have to decide whether it wants rates to be determined by competition or by regulation. Whichever method is adopted should apply to all types of transportation fairly. It is unjust to restrain one form of transportation by regulation and then allow a competing form to operate without restraint.

This competition is felt in the writing of laws covering truck operation, where trucks and railroads have battled over such matters as the dimensions of trucks allowed to run on highways. The railroads protest that while they maintain and pay taxes on their own rights-of-way as well as taxes on other property the public provides highways used by motor trucks.

Solution Is Suggested

If we break apart this problem I think we may find a reasonable solution. It seems to me that the determining factor as to sizes of trucks should be the safe carrying capacity of the highways. The state has made large investment in its highway system; the principal roads have been greatly improved in recent years by widening, reducing of curvatures, lowering of grades, and strengthening of the surface. These roads are able to handle a larger volume of traffic. That is what they were built for. They can also carrying commercial vehicles of larger capacity with safety to other highway users and without injury to roads. I approve of a proposal of the Highway commission to allow the operation of trucks of larger dimensions than at present, on roads where, in the judgment of the commission, they can operate with safety. We should realize that there are great areas in the state where the principal or only means of freight transport is the highway and motor truck. To restrict unduly the carriers operating there, simply means to deprive the residents of those communities of the full benefits of the highway system.

There ought to be, however, an equalization of the tax burden between railroads and commercial motor vehicles. The states should show no favors or impose no penalties in its treatment of the two types of transportation. I call your attention to the fact that commercial truck and stage operators escape all contribution to the support of general government except what they may pay as state excise or income tax or on terminal properties. The taxes they pay—motor license fees, gasoline taxes, earnings taxes—all go to the highway fund for use in building improved roads on which they may operate. I see no reason why these commercial operators should not pay taxes to the support of general government. This could be accomplished either by imposing an additional tax on operations of commercial vehicles or by the capture of all or part of the present earnings tax which amounts to over one million dollars a year. There should be no change in the allocation of proceeds of the tax on gasoline.

Logging Creates Hazard

The transport of logs from the woods to mills is being done in growing proportion by motor truck. This has created hazards, not only to the other users of highways but also to the men engaged in this occupation. To meet the problems that have arisen, a committee from the state departments concerned with administration in this field has drafted a code to govern the truck movement of logs. A more rigid system of inspection will be imposed, which it is believed will contribute greatly to highway protection and public safety.

In this connection new legislation is needed to make clear the authority of the State Highway commission in regulating the transport of logs and piling, particularly to permit the hauling of long logs under regulation. I recommend to you the bill which the commission has had drafted on this subject.

Unemployment Compensation

The unemployment compensation law has imposed payroll taxes for five years and benefits have been paid the past three. This was a new field of government endeavor for this country. A new organization was required which had to pioneer in establishing its procedures. The breaking-in period is now pretty well concluded and the administration is functioning with creditable efficiency at the present time.

The interpretation and application of the unemployment compensation law frequently leads to sharp controversy. The stakes are high, and initial rulings may serve as controlling decisions for a long time. Out of the clash of interest of contributors to and beneficiaries of the fund, will come proposals for changes in the law. It is your duty to study carefully the changes demanded, keeping the group interest subordinate to the broad public purpose intended to be served by the act.

On the much-debated question of "experience rating", I recommend that this provision in the law should be allowed to stand and be put to the test of experience. It was part of the original enactment, conforms with the federal law, and has been adopted in principle by some forty states and territories. If, after trial, errors are manifest, future legislatures may take the required steps to correct them.

Workmen's Accident Compensation

I have previously transmitted to members of the Assembly reports from the interim committee appointed by me in conformity with a resolution of the last Legislative assembly to study operations of laws providing for compensation for injured workmen. The time is at hand for an overhaul of these laws. While the accident fund has remained solvent through years of war and depression, the margin is very thin and on strict accounting of liabilities, non-existent.

The State Industrial Accident commission operates under some inherent difficulties. Its liability is automatic unless the employer has definitely rejected the act either to carry his own risk or to take out private insurance. The private insurance company can select its own risks and requires payment of premium in advance. The state cannot sort its risks and has not been able to collect its premiums in advance, with resulting losses to the fund. If private insurers could offer universal coverage at satisfactory rates and benefits, one might be tempted to turn all the business over to private companies. For a variety of reasons this is not feasible. Accordingly, I favor an exclusive state system of accident insurance. This will not of itself solve all the problems; but I do not believe the other reforms proposed will prove adequate alone.

The interim committee recommends creation of the office of manager as administrative head of the department. I prefer the type of organization adopted in the Unemployment Compensation commission where the administrator is the executive but is subordinate to the commission. There is general agreement that the commission should be relieved of responsibility for administrative detail, with that duty assigned to a single, qualified person.

Safety Code Unanimous

A new safety code is the unanimous recommendation of the interim committee. Accident prevention offers one hope of reducing the drain on the compensation funds. I heartily endorse the objectives of the proposed code and accept the recommendation of the interim committee that the administration be consolidated under the Industrial Accident commission.

The financial position of the fund will be strengthened by adoption of bills providing for minimum fees and making collections more certain.

The proposal to abolish trial by jury on appeals from commission awards has opened an old controversy. The importance of jury trials both to workers and to the fund has been considerably exaggerated. I am impressed, however, with the comment of the chairman Victor P. Morris of the interim committee, who says in his report:

"At the present time only four states in the Union permit jury trials on matters of fact in connection with their accident compensation laws. The weight of authority and of experience support the proposal to eliminate the right of trial by jury and the attendant inroads upon compensation funds".

Fair Awards Wanted

We are concerned to see that awards are fairly made, because the state holds the fund as trustee. I believe a method of appeal could be provided which would insure a greater degree of justice to claimants and contributors than the present method of jury trial.

For many years representatives of workers have urged an increase in the schedule of benefits paid on accident claims, pointing out that the present scale was adopted a quarter of a century ago when wage rates and living costs were much lower. It is true that compensation for permanent disability and to dependents is definitely inadequate. This is not true of claims for temporary time-loss because awards there follow the trend of wage rates which have been steadily upward since the fund was created. Payments for medical and hospital care also show constant and burdensome increases. I am favorable to adoption of a higher scale of awards in the fixed categories, but I warn you that such increases cannot be ordered unless adequate revenues are in sight to meet the cost.

I do not have time to discuss other recommendations, both of the majority and the minority of the committee. I regard this subject of workmen's compensation as one of the most important to come before this body. I urge you to work out permanent solutions to the problems involved. It will be a serious disappointment to me and to the state if the conflicting pressures of the chief parties at interest—employers and workers—merely result in a legislative stalemate.

Forestry

Foreats rank next to agriculture as the principal economic resource of Oregon. The rapid increase in cutting of virgin forests, while giving the flush of immediate prosperity, means a shortening of the life of this great asset. The spectacle of an exhausted economy in the cutover lands of northern Wisconsin and Michigan and portions of our own state has alarmed the people of Oregon into action to conserve and renew our forest resources. At my request a committee of the Oregon Economic council, headed by Hon. Robert W. Sawyer of Bend, has undertaken to outline a constructive and, at the same time, practical plan for immediate application in Oregon.

The specific legislation proposed has for the most part been reviewed and approved by the State Board of Forestry and by representatives of the timber industry. The bills seek to protect existing forests by means of stricter regulation for fire prevention and suppression, to enforce minimum standards in forest practices to allow for natural reforestation, and to facilitate acquisition of cutover lands for growth of new forests. I strongly urge favorable action on these bills, which present a comprehensive program in forest conservation.

Problem Acute One

The last legislature authorized the State Board of Forestry to acquire from the counties logged-off lands and to maintain them as state forests. A beginning has been made under this act. A total of 72,483 acres of forest lands have been taken over, located in eight counties. The forestry department plans to administer the lands carefully, seeing they are restocked and protected against fire so they may become permanently productive.

This forest problem is one of acute importance, and delay in action will be damaging to the future of Oregon. There must be sincere cooperation among all interests, the federal state, and county governments and private owners of timber. By adoption of progressive policies now, we may successfully bridge the transition period from the "cut out and get out" practice of the past to a stable economy based on sustained production in the future.

Education

The 1939 act for reorganization of school districts was barren of direct results, but it did stimulate voluntary consolidation of school districts in many counties. The need for better equalization of school taxes remains. While Oregon professes to take pride in its education system, actually it makes inadequate financial provision all along the line from the elementary schools to the higher institutions of learning.

The State System of Higher Education has worked under difficulty because in the past decade enrollment has increased much more rapidly than appropriations for support of the institutions. Unified administration of the system has been in effect now nearly twelve years and has won for itself general public approval.

A serious deficiency in our school system is in vocational education. Definite occupational training is needed under modern conditions of industry and agriculture. A beginning has been made, but there is need for genuine vocational schools of below-college level located at strategic centers over the state. Educational leaders have agreed on a measure to expand vocational education. This has been approved by the State Board for Vocational Education and will be submitted to the assembly.

Paroles

The new organization governing parole and probation, established by the last Legislature, has functioned with distinct success. Cases of all inmates of the penitentiary have been reviewed. Due to careful selection of parolees and their supervision after release, the percentage of revocations has declined. The population of the penitentiary has also declined, due in part to the work of the parole department.

I strongly urge that the constitution of the state be amended to permit the restoration of the right to vote to persons who have performed their period of penal servitude, without the necessity of issuing a full pardon by the Governor, as is required at present.

A report will later be filed with your honorable body, reviewing, as required by the constitution, the cases of extension of executive clemency during the biennium.

Liquor Administration

By overwhelming vote the people of Oregon at the last election rejected a measure to overturn the existing system of state control of the liquor traffic. I recognize this as a general endorsement of the plan and of its administration. The Liquor Control commission has labored faithfully to manage the system strictly but fairly. From the business side its operations have yielded increasing returns to the state.

The commission is submitting no recommendations for amendment of the present act.

Labor Relations

Peace in industry has generally prevailed during the past biennium. Few disputes went to the point of strike or lockout. The efforts of the Executive and of the State Labor commissioner have been directed toward conciliation of differences. I compliment employers and workers on the more friendly attitude displayed in negotiations over conditions of employment. There is increasing use of contracts with labor organizations and a better disposition to live up to contracts that have been agreed to.

The federal government has now largely assumed control of labor relations through the Wagner Act, creating the National Labor Relations board, the Wages-and-Hours Act, and through court decisions validating the extension of federal authority. The power of the state does not appear to go much beyond efforts at mediation and local policing. If the states are denied power to legislate in this area, they are thus freed of responsibility. Only time will tell whether we can safely rely on Washington for justice and security in labor relations. At any rate, I recommend no labor legislation at this session.

Game Management

A very large number of people are interested in hunting and fishing. They are often vocal, frequently divided in their counsels and sometimes intolerant of opposing opinion. Consequently, the Game commission does not have an easy task in performing its duties. These duties are becoming increasingly those of game management and not merely of law enforcement. Our commission is endeavoring to work out plans for conservation of fish and game resources on the basis of scientific observation. Progress in this work is naturally slow. I believe if our sportsmen will be patient that the policies now being pursued will yield gratifying results.

The Game commission should be given full power to fix seasons and bag limits in fishing and hunting. This will remove vexing and sometimes trivial questions from absorbing the time of the legislature, and enable a competent authority to adjust limits according to the varying conditions in this state. This action is strongly supported by the Oregon Wildlife federation and by representative sportsmen.

Public Utilities

The Public Utilities commissioner has been diligent in protecting the interests of users of utility services. His department has been alert to press for reductions in rates, the savings to customers through reductions in electric rates in 1940 alone amounting to $1,517,000.

Six new districts were established under the People's Utility district law during the biennium and nine proposed districts were voted down. To date eleven districts have been created and two have voted bonds to finance acquisition or construction of an electric distribution system. Undoubtedly the availability of energy from the federal power project at Bonneville has stimulated interest in public ownership. Private companies serving the territory have been aggressive in rate reductions and line extensions in an effort to preserve their field for private operation.

Observing the financing of public utility districts in Washington, I am convinced of the soundness of the Oregon requirement that bonds be sold only at public sale. I do, however, recommend an amendment which would permit sale by negotiation of utility district bonds to the federal government or a wholly-owned agency of the government. This would be necessary in case a group of districts took over an entire system with financing provided by the Reconstruction Finance corporation.

The Bonneville administration, on my request, reviewed our People's Utility District law and made suggestions of changes which, with my comments, will be referred to appropriate committees of your body. While certain amendments would smooth out the operation of the act, I do not propose its re-writing. Districts are being formed under the act, and its main structure has been teated in the courts and approved.

Retirement Plan

After the last Legislature I appointed a committee to work out a plan for the retirement of public employees. This committee has studied annuity systems and prepared a plan which is entirely sound from an actuarial standpoint. I realize that there is much opposition to a retirement system for public employees; but as federal social security is extended to cover more and more groups of citizens, the state and local units of government must move to set up suitable retirement plans for their employees. I do not favor adoption of a pension system piecemeal for selected classes of public employees.

Veterans' State Aid Commission

The Veterans' State Aid commission is making satisfactory progress in liquidating its outstanding loans, disposing of foreclosed properties, and is meeting its bond obligations punctually.

Additional Recommendations

The movement in opposition to trade barriers at state borders is growing, with the full encouragement of governors of the several states. The policy of trying to protect local industries by discriminatory laws and regulations is short-sighted and I hope will not be approved in Oregon.

Chapter 474, Oregon Laws 1939, directed administrative departments to file copies of general orders and rules with the secretary of state, who was required to provide for their publication. The experiment has not been a success because there is no demand for the publication. I recommend the repeal of the chapter.

Measures designed to improve the administration of justice, which have been prepared by national organizations of standing—the National Conference of Commissioners on Uniform Laws, the Interstate Crime commission, the Section of Judicial Administration of the American Bar association—in all of which Oregon has representation, will be submitted. Since these measures have been prepared by experts in particular fields and are designed to simplify practice through uniformity of text, they should receive the careful study of appropriate committees of the assembly.

Administration Bills Ready

Nearly a year ago I directed heads of departments under my control to prepare well in advance of this date the measures which they desired to recommend to the assembly. These bills have been prepared and are ready for presentation. I hope that this punctuality will assist the assembly in expediting its work. Executive departments are ready to cooperate with the Legislature in every way possible. In the new State Library the government room has been placed at your disposal with trained staff members ready to assist in reference work for legislators.

In closing this message I wish, as Governor, to report to you and to the people of Oregon, on the basis of my observation during two years as governor, that yours is a good state government. By virtue of the ability and high character of state officials of the past, both the practices and the traditions of administration here are worthy. Misuse of public funds or property is extremely rare; there is little or no extravagance; and there is a high degree of loyalty to the public interest among all the state employees. I desire to express appreciation of the cooperation I have received from other elected and appointed officials; and wish particularly to commend my colleagues on the principal boards of the state during the past biennium—Hon. Earl Snell, secretary of state, and Hon. Walter E. Pearson, state treasurer—for their able and conscientious service.

But self-satisfaction is a sure road to dry rot and stagnation. Proud as we are of present attainments, we must continuously be alert to changes which will work for betterment. The pioneer spirit which we praise so much was one of adventure, and the willingness to originate and experiment is as vital for progress today as ever it was. You who are members of this assembly are now in positions of leadership and responsibility. The people look to you to frame laws which will improve the structure and the operation of government, and laws under which the state may go forward to realize in fuller measure political freedom and economic security.

I hope the recommendations in this message will help point the way to sound progress for Oregon in the years ahead.

Aumsville—Mr. and Mrs. Jerome Simkins, formerly of Orchards, Wn., have moved to the Judd place. Their two boys enrolled in school Monday, John in the first grade and Ronald in the fourth.

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