CHAMBERLAIN'S ANNUAL MESSAGE

(Continued from Page One.)

thereof, and to recommend for your consideration such measures as shall seem most conducive to its welfare and development.

Election of a Senator.

The provisions of the direct primary nominating law, with respect to the election of a United States senator should be carried out in letter and in spirit. At the last primary election Frederick W. Mulkey received the nomination of the Republican party for senator for the short term, and Jonathan Bourne for the long term, while John M. Gearin received the nomination of the Democratic party. At the election held later Mr Mulkey received the highest number of the votes cast for the short term and Mr. Bourne for the long term, whilst a majority of the members-elect (Democratic and Republican) of the legislature pledged themselves to vote for the choice of the people for senator. But whether they did or not, the people have expressed their choice for the important office, and their wishes should be respected and obeyed, and the gentlemen nominated by the people ought to be elected unanimously, for the short and long term respectively. I suggest that this be done as soon as the legislature is organized, so that the work of the session may proceed, and the time which has heretofore been devoted to this purpose may be given to legislation vitally affecting the welfare of the state.

State Institutions.

The several state institutions are in excellent condition, and it is hoped that every member of the legislature will visit them all. The superintendents of the asylum, penitentiary, reform school, blind school and deaf mute school have prepared reports showing in detail the population, condition and cost of each institution. These reports are printed, and to each is appended a report of the trustees, and your attention is particularly called to them and to the recommendations made therein. I deem it unnecessary to do more than call attention to these reports, and to say that each of these institutions is capably officered by conscientious public servants, and to them as well as to a faithful and efficient corps of subordinate employes the state is indebted for an economical and intelligent administration of its affairs.

Finances.

The financial condition of the state was never better in its history than now, there being no indebtedness of any kind outstanding against it. I respectfully refer you to the reports of the secretary of state and state treasurer, both of which are full, and contain information in detail as to all the financial transactions of the state for the two fiscal years just ended.

Taxation.

As rapidly as conditions will admit, there ought to be a complete divorcement between the system of taxation for state and that for county and municipal purposes. This policy is being adopted here as the state advances in population and wealth.

An examination of the statement given herewith shows that in 1899 all of the money for defraying the expenses of state government was collected from the various counties on apportionment of taxes, except $15,828.93 derived from other sources than direct tax, whilst in 1906 the amount received from indirect sources had increased $267,847.96, the largest item of this increase being from corporations, fees and licenses. This amount will probably be still further increased by the laws adopted at the last election providing for a license upon the gross earnings of sleeping car, express, telegraph and other companies, and if the suggestion which is made elsewhere in this message is adopted with reference to an amendment of the inheritance tax law, taxes derived from this source would be very largely increased.

The burden of taxation has in the past fallen in the main upon real property, whilst personal property of every kind, public service and other corporations have not contributed their just proportion to the burdens of government, and laws ought to be enacted that will reach all this class of property which now practically escapes taxation.

Inheritance Tax.

The inheritance tax law was passed in 1903 and since that time, up to and including the 30th day of September, 1906, there has been paid into the state treasury from this source $45,108.54. The law should be amended so as to increase the revenue derived therefrom. The tax should be graduated and increased as the inheritance increases, applying the same rule where the inheritance passes to the mother, father, husband, wife, child, brother, sister, wife of a son, or the husband of a daughter, or any child or children adopted in conformity with law, or a person to whom the decedent for not less than ten years prior to death stood in the acknowledged relation of a parent, or to any lineal descendant born in lawful wedlock, in every such case the tax is computed at the rate of one per centum of the appraised value thereof received by each person, provided that any estate which may be valued at a less rate than $10,000 shall not be subject to any tax, and the tax is to be levied in the above cases only upon the excess of $5000 received by each person. When the inheritance passes to any uncle, aunt, niece, nephew, or any lineal descendant of the same, then the tax shall be at the rate of two per centum upon amounts in excess of $2000. In all other cases (and such are rare) there is a graduated tax of three per centum on amounts over $500 and not exceeding $10,000; four per centum on all amounts over $20,000 and not exceeding $50,000; six per centum on all amounts exceeding $50,000. It will thus be seen that in the first class, and that covers most of the cases of inheritance, an estate running into the millions would only be burdened with a tax of one per centum; in the second class, which is rare, an estate of the same size would only pay two per centum; whilst in the third class, which is even more rare, the tax is graduated and increases as the inheritance increases. The system of taxing inheritances which I propose is constitutional, and is certainly most just, and a proper adjustment of it in this and other states must be a solution of the gradual absorption of wealth of the country in the hands of a few. It resores to the whole people through taxation for governmental support money which in many cases at least has been (to put it mildly) harshly obtained from them, and the heir who has not assisted in its accumulation, either by the expenditure of brain or brawn, ought not to complain at being put measureably on a level with his fellows. There is no should not apply alike to each of the three classes named, inedeasing the rate as the inheritance increases, and I recommend that the law be recommended to accomplish this result.

Income Tax.

Another mode of taxation which should be resorted to is a graduated income tax. There could be no constitutional objection to it, nor could there be any injustice in levying a reasonable rate upon all incomes, ranging from say $5000 upward, increasing as the rate of income increases.

I recommend, therefore, the enactment of such a law.

Notaries Public.

Under the present system too many notaries public are appointed. The propriety of limiting the number is questionable, but if a liberal fee were authorized to be charged to the secretary of state for issuing a commission, to be turned into the general fund, it would operate to limit the number.

Forest Reserve Receipts.

The agricultural appropriation act of 1907, passed by congress and approved June 30, 1906, contains the following provision:

"That ten per centum of all money received from each forest reserve during any fiscal year, including the year ending June 30, 1906, shall be paid at the end thereof by the secretary of the treasury to the state or territory in which said reserve is located, to be expended as the state or territorial legislature may prescribe for the benefit of the public schools and public roads of the county or counties in which the forest reserve is situated; provided, that when the forest reserve is in more than one state or territory or county, the distributive share to each from the proceeds of said reserve shall be proportional to its area therein; and provided further, that there shall not be paid to any state or territory for any county an amount equal to more than forty per centum of the total income of such county from all other sources."

The receipts from the forest reserves in Oregon to June 30, 1906, as disclosed by the records of the forest service, are as follows:

Cascade (N.)	$ 7,344.43
Cascade (S.)	6,476.39
Ashland	91.13
Wallowa	17,492.56
Wenaha	7,257.26
Chesnimnus	4,885.48
Maury Mountain	372.25
Blue Mountains (E.)	17,115.85
Blue Mountains (W.)	14,838.30
	$75,873.65

Ten per cent of this amount, or $7587.65, is the approximate amount to be paid to Oregon from this source

It will devolve upo nthe legislature to provide for the method of expendng this sum for the benefit of the public schools and public roads of the counties in which the forest reserves are situated. In this connection permit me to call your attention to the fact that more than one-fifth of the area of the state, or 11,569,848 acres, is included within these federal reserves, and therefore practically withdrawn from settlement or sale. The moneys derived from this immense body of land ought all to be paid to the state to be added to the irreducible school fund, deducting first the cost of collecting the same. I suggest that a resolution be passed calling upon our representatives in congress to use their influence to have a law passed to bring about this result.

EDUCATIONAL FUNDS OF THE STATE

Irreducible School fund.

But for the policies which have been adopted by the legislature from time to time with respect to its school lands, the irreducible school fund might have been five or six times as large as it is at present. Lands have been fixed at prices too low under the pretext that these lands would be sold in limited quantities to actual settlers, thus compensating by the establishment of homes and families, and the subjecting of acquired titles to assessment and taxation, for the loss that was being incurred by the school fund in minimum prices. In theory this seemed not unreasonable. In practice, large bodies of these lands have been acquired by speculators who hold them now, and a magnificent domain intended for the education of the children of the state has been measurably frittered away. Notwithstanding this, the irreducible school fund in the treasury department is in better condition today than it ever was before, as will be seen by the following comparison:

Mortgage loan notes December 31, 1899, $1,981,69.76; cash in treasury unloaned December 31, 1899, $444,698.17; mortgage loan notes September 30, 1902, $2,423,014.87; cash in treasury unloaned September 30, 1902, $729,435.42; mortgage loan notes September 30, 1904, $3,234,229.99; school district bonds September 30, 1904, $226,950; cash in treasury unloaned September 30, 1904, $200,361.24; mortgage loan notes September 30, 1906, $3,723,539.64; school district bonds September 30, 1906, $325,325; cash in treasury unloaned September 30, 1906, $71,883.05.

From this it will be seen that this fund in the treasury department has increased since the close of the fiscal year 1899, $1,694,979.76, and that while at the close of the fiscal year 1902 there was $729,435.42 in the treasury unloaned, and at the close of 1904 $200,361.24 unloaned, there was at the close of 1906 only $71,883.05 unloaned and in the treasury. In respect to this latter sum it may be said that applications are on file for loans at this writing sufficient to consume it all.

In addition to $4,120,747.69 in securities and money belonging to the school fund, there is $478,712.70 in certificates of sale of school lands, certificates of sale of lands acquired by foreclosure, and unsold farms acquired by foreclosure and still undisposed of, making the fund amount in all to the sum of $4,599,460.39 on September 30, 1906.

The amount of interest apportioned to the several counties of the state from the irreducible school fund in 1879 was $36,137.12, and this has steadily increased each year until in 1906 it amounted to $265,992.20, the largest apportionment in the history of the state. This gratifying increase, notwithstanding the rate of interest has been reduced from eight to six per cent.

Agricultural College Fund.

In this fund there is $195,615.41 of principal in notes and land certificates and including $8872.18 in cash unloaned, an increase of $1836.90 since the close of the fiscal year September 30, 1904. The net income from this fund has been paid from time to time to the treasurer of the board of regents on warrants drawn by the secretary of state.

State University Fund.

In this fund there is $104,205.36 of principle in notes and land certificates, and including $3148.61 in cash unloaned, an increase of $790 since the close of the fiscal year September 30, 1904. The net income has been paid from time to time to aid in the support of the university.

The governor recommended liberal treatment for the Soldeirs' Home at Roseburg.

State Land Agent.

The report of the state land agent, Mr. Oswald West, shows in detail what has been accomplished in his department during the two years ending September 30, 1906. It is entitled to your very careful consideration as showing the efforts he has made and the results which have been accomplished in the way of placing his department on a business-like basis and bringing it in close touch with the office of the state land board. I take occasion to commend him for faithful and efficient service, for it has been largely through his personal effort and attention to duty that the fraudulent speculations in the public lands of the state have been brought to an end, and some of the criminals prosecuted and convicted.

There have been no operations in selecting indemnity lands on alleged mineral base during the past four years. Within the past two years the creation of the Wallowa, Wenaha and Chesnimnus forest reserves have made available 47,000 acres of new base for indemnity selection. Instead of selling this base for the minimum price of $2.50 per acre it was determined in the spring of 1905 to offer a limited amount thereof to the highest bidders in order to ascertain something as to its market value. Bids were received therefor, and offers ranged from five to six dollars per acre, while seven and eight dollars were offered for a few small tracts. All of these offers were accepted and the board decided to fix the price at $6 per acre until further notice. The demand was active for this base and on the 24th of April, 1906, the price was raised to $7.50 per acre, which has been maintained since, and the probability is this amount can always be obtained for this base to be used for indemnity selection.

Desert Land Act.

The State Land Board files a seperate report relating to desert lands, and your particular attention is called to it, and especially to the recommendations made by the board.

I earnestly call attention to the code framed by the committee mentioned, and beg you to be extremely cautious about making any changes in a proposed measure which has been framed after weeks of deliberation and consultation by a committee having the best interests of the whole state at heart.

Railroad Commission.

It is axiomatic that a railroad company is a quasi public corporation and the public has an interest in its proper operation and in the regulation and control of its rates and fares as well as in the proper condition of the services required to be performed by it. In those states where this right has not been asserted the railroad company and the public stand measurably in the relation of members of a great partnership, with the managers of the company dictating its policies and establishing its rates, not only without

Continued on Page Five.

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Becomes an object of the most tender solicitude, not only because of its suffering, but because of the dreadful fear that the disfiguration is to be lifelong, and mar its future happiness and prosperity. Hence it becomes the duty of mothers of such afflicted children to acquaint themselves with the purest and most effective treatment available, viz: warm baths with Cuticura Soap, and gentle anointings with Cuticura Ointment, the great Skin Cure. Cures made in infancy and childhood are usually speedy and permanent.

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