

S T A T E O F O R E G O N

LEGISLATIVE MESSAGE

To the Fifty-First Biennial Legislature



MARK O. HATFIELD
Governor



PROPERTY OF

HON. VICTOR G. ATIYEH

House of Representatives

Salem, Oregon

January 9, 1961

Goals and Guidelines

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

Two years ago I presented to the Legislative Assembly and the people of Oregon, a program designed to meet the needs of our state. This program was set forth in harmony with the pioneering attitude which has dominated our state's history. Today I have a second opportunity to lay before the Legislature and the citizens of Oregon a program directed toward an even greater growth and progress.

During the Legislative Session of 1959 an air of pessimism existed in many quarters. There were those who predicted that it was not likely that Oregon would prosper during the 1959-61 biennium. This sentiment evaporated as it became apparent that the economic climate was changing.

The excess of state revenues over state expenditures, reported in my budget message, is symbolic of the change in business climate and is the result of two developments. First, a healthy increase in economic activity. And, second, a concentrated effort on the part of the executive branch to hold in check the cost of government while maintaining the level of services authorized by the Legislature.

Our budget for the coming biennium reflects specific examples of the savings effected in the executive branch. Also, I am sure that you can observe the long-term confidence which exists as a result of the economic growth of the past two years.

My budget seeks maximum benefit from the financial resources we expect in 1961-63. The principles underlying these budget recommendations should be restated on this occasion.

Our primary budgetary consideration is that of holding the tax line. Economic productivity results primarily from individual enterprise and individual expenditure. Government stimulates and, in significant measure, guides economic endeavor. By holding the tax line we will be doing our part in promoting a balanced and growing economy.

A second commitment is that of affording tax relief, where possible. I do not advocate tax relief at any cost. Rather, adjustment of the tax burden must increase the equity of its distribution and come after careful consideration of the needs of our citizens for state services.

Our third aim in presenting a fiscal program is that of maintaining the adequate standards of service our state now provides for its citizens.

A fourth goal of our financial recommendations is to expand or intensify those programs for which the need is clear and compelling.

Finally, we offer essential new programs designed to enhance the well-being of our citizens and assist in the development of Oregon.

It is with firm faith in the future of our state that I present these recommendations for action.

ECONOMIC DEVELOPMENT

Repeatedly I have said that the number one job facing us is the building of a diversified economy. We have unique advantages to foster this development—a high level of education, abundant recreation opportunities, excellent transportation facilities, land, water, power, markets and a skilled labor supply. These assets must be increasingly utilized to achieve new jobs and greater job opportunities.

In the matter of new jobs and greater job opportunities, there are certain statistics which are encouraging. Recent personal income figures show that Oregon's percentage gain was above the national average for the first time since 1953. Another sign is that Oregon had a percentage gain in new corporations which exceeded California and Washington and was above the national average. Our Planning and Development Department reports that during the past year 93 new or expanded corporations added 5,700 new jobs. These and other figures indicate that our attempts to diversify Oregon's economy are producing results. The seasonal nature of our three main economic activities—timber, agriculture and tourism—still present a challenge we must meet. The effects of seasonality can be reduced only as we continue to attract industries which will bring us year-around payrolls.

In addition to capitalizing on our natural advantages, state government must assume its rightful role. This does not mean offering financial "gimmicks" or enticing industries to pick up a tax tab. Our goal must be that of an equitable and competitive tax structure and the maintenance of a strong fiscal position.

We must be aware that virtually every activity of state government will affect our economic progress. Public activity in education, recreation, mental health and natural resource development relates directly to the picture we present to those making the business decisions regarding economic expansion. If we demonstrate, both through legislation and administration, that we are forward-looking and ready to assume our responsibilities, we will have contributed positively to the future development of our economy.

TAXATION PROGRAM

Net Receipts Tax

The voters of Oregon have repeatedly indicated their support of the personal income tax as the base of our tax system. A need for widening the tax base is recognized, however. Dr. Sly emphasized this position in his report submitted to the 1959 Legislature. At that time I recommended the adoption of the net receipts tax. The need for greater equity which such a tax would provide is as real today as it was then. Once again I urge your adoption of this proposal.

Inventory and Personal Property Tax

Our inventory and personal property taxes have long been criticized as being inequitable and discriminatory.

The disadvantage of these taxes has been emphasized to us during the past two years in our efforts to attract new industry to the State of Oregon. A net business income tax would be far more equitable in its application. It should be adopted in lieu of the inventory and personal property taxes.

Timber Taxation

All of us are conscious of the importance of our forest resources. By our action today we must assure future generations that they too may inherit this resource in abundance. Intensive sustained yield management of Oregon forests, both public and private, is of fundamental importance to our economy both now and in the future. The method by which we tax our timber will play either a positive or negative role in our conservation program.

One of the major tax problems which you will consider is that of timber taxation. Legislation relating to it should seek to encourage sound forest management and extended cutting practices while at the same time providing that forests share their fair proportion of the tax burden.

SOCIAL LEGISLATION

In the field of social legislation there are a number of matters to which you will devote your energy and attention.

Labor

Good labor-management relations are necessary for economic stability and growth. Oregon has an enviable record, but legislative action is needed to fill the void where the Federal Labor-Management Relations Act does not apply.

Foremost is the need for an effective and practical procedure for secret elections conducted under state administration—a procedure that will permit employes to choose whether they desire to be represented by a collective bargaining organization, and, if so, which one. Jurisdictional disputes between unions and coercive practices by either union or management thus can be minimized.

With good laws, enlightened management, alert union members and responsible union leadership, Oregon labor-management relations can advance our industrial and social climate.

Workmen's Compensation

Oregon has one of the nation's best workmen's compensation laws. There are a number of revisions which would strengthen the law and prove beneficial to both employer and employe groups.

Employers subject to the Workmen's Compensation Law now pay at

rates based on the accident experience of their industry. Employers who can demonstrate financial ability to pay their actual claim costs should be permitted to self insure through the Industrial Accident Commission. All claims against these employers would be administered by the Commission but the employer would pay only the actual cost. Such a program would provide strong incentives for improvement in accident prevention while providing proper protection to both employers and employees.

The hiring of persons with prior disabilities is limited because of the fear of employers that their costs for insuring against injuries to these people will be excessive. The Workmen's Compensation Law should be amended to eliminate this barrier to the hiring of the handicapped. If handicapped persons are denied employment a great resource is lost.

The Workmen's Compensation Act originally was directed at hazardous occupations. Serious injuries occur in all occupations. The problem of the injured workman is not related to whether the law has labeled his job as hazardous. With minor exceptions the law should require coverage for all occupations.

Migratory Labor

Migratory workers play a significant role in the harvesting of Oregon's farm produce. We have made real improvement in state regulation and private provision for sanitation, housing, working conditions and education. There is now available a study by the Department of Education which points toward needed further improvement in our services to these workers. Funds for this program were not included in the budget since the study had not been completed prior to the budgetary deadlines. This should not preclude passage of the appropriation requested by the Department of Education for the training of migrant children.

Children and Youth

In my message of two years ago the need for recodification and re-writing of the laws relating to children and youth was pointed out. These laws are often conflicting and are scattered throughout the many chapters of the statutes. Each passing year accentuates the need for action on this vital matter.

Our public health program is another area of concern that relates to children and youth. In the past decade maternal and infant deaths and venereal disease rates have actually shown an increase. One reason for this is the lack of clear definition in law of the authority and necessity for local health departments. You should consider establishing legal status for local health departments.

Senior Citizens

There is a growing concern throughout the nation for the welfare of the aging. The high percentage of senior citizens in our state reflects two encouraging facts. First, people are living longer. Second, many Ore-

gonians who retire are remaining within our borders and others are coming to us from throughout the country.

It is up to us to institute state programs which will aid them in preserving their independence and the fruits of their labor. I urge you to consider three basic programs.

First, the Legislature should promptly take advantage of the "medicare" program established by the Congress. The state budget for 1961-63 includes funds for participation in this program. There are those who expect that the social security laws will be amended to provide care. If this be the case, the money budgeted should revert to the general fund.

The second program is one I commend to you once again. Homestead retention is fundamental to the preservation of personal independence. We would do well to encourage such retention by granting a reasonable exemption from taxes on the homes of our older citizens. I would stress that the encouragement should be by exemption and not merely by deferral. A deferral would create significant administrative and fiscal problems and would reduce materially the psychological goals of the program. I would suggest that the relief take the form of a percentage reduction of the tax and afford the broadest possible coverage.

The third recommendation is that recreation facilities be designed with specific attention to the needs and interests of older citizens. Such facilities would contribute to more vital interests and to more vigorous health.

But beyond this we need to take special care to assure that we do not discard or segregate from the mainstream of our economic, social and political life this precious reservoir of experience and wisdom.

Welfare

Developments in the public welfare field during this biennium deserve special mention. The work program for general assistance recipients has demonstrated anew that idle hands can be used in productive enterprises which are of immeasurable benefit to both the recipient and the community. We can take greater satisfaction in what a work program does for the self-respect of the individual than in the visible results of the project. Administration of the work relief projects has indicated that added legislation will permit wider utilization of the benefits to be realized through this program. Legislation should be adopted which will make it possible for recipients of general assistance to engage in work relief projects in the municipalities as well as in the counties.

The budget includes funds for a graduate school of social work. The establishment of this school is viewed with great expectation, for through it we will meet the ever-increasing demands for trained personnel in our social welfare programs. This new school can be expected to alleviate our present loss of personnel, while providing the stimulus to creative approaches to our public welfare problems.

Mental Health Clinics

We should strengthen mental health services in accord with the recommendations of my Mental Health Advisory Committee. There should be established in connection with the over-all reorganization proposals a statewide pattern of community mental health clinics and programs. This advance in essential services would be jointly undertaken by the state and the counties as local interest and resources are forthcoming.

REGULATION AND PROTECTION OF PERSONS AND PROPERTY

The original—and still major—function of government is the protection of persons and property. It is the performance of this function that determines whether a government will expand or contract the limits of our individual freedoms. In many instances the very continuation of freedom is dependent upon government's preservation of the balance among the competing forces in a society such as ours.

Consumer Protection

For many years the national and state governments have carried on programs designed to protect the consumer from deceptive and harmful practices and products. The consumer is no longer the victim of the practices of fraud and adulteration that were widespread at the turn of the century. Yet, there is a further need to insure that the consumer is able to make the most of his dollar on credit purchases, that he has a reliable source of data regarding items which affect his economic well-being, that he is not victimized by false advertising, and that he has a central point to which he can make complaints known.

It is for these reasons that I urge you to authorize the proposed Department of Commerce to develop a program for more adequate consumer protection.

I should also like to direct your attention to the Commercial Code which will come before you. If adopted it will provide further protection for the consumer.

Traffic Safety

There is no more tragic commentary on our civilization than the horrible self-destruction and property damage which occurs on our streets and highways through automobile accidents. I refer to Oregon's nearly 1,000 deaths, more than 40,000 injuries and an economic loss of nearly \$150,000,000 in the past two years. Unless strong, firm, forward-looking measures are taken by this Legislative Assembly, we will see the continuance of this carnage which can only become bloodier as we experience increases in population, motor vehicle registration and annual motor vehicle mileage.

Measures which would give Oregon a maximum speed limit, implied consent for chemical tests for intoxication, and police authority to arrest on probable cause at the scene of accidents must be passed.

To do less through inaction is an invitation to human slaughter.

Billboards

Few measures in recent years have stimulated the expense and the intensity of feeling as did the billboard control proposal in the November election.

It is heartening that the billboard industry has been meeting with the committee which supported the proposal in an attempt to develop acceptable legislation. My desire is that legislation be adopted which meets the federal standards. By so doing we become eligible for significant additional federal funds for highway construction. More important, we will provide the means of assuring preservation of Oregon's scenic vistas and roadside beauty.

Liquor Regulation

Liquor control and regulation require our continuing attention.

One problem is still pending in the courts. The constitutional amendment permitting sale of liquor-by-the-drink requires that such beverages be sold only in connection with a food service. This requirement has been permitted to deteriorate to the point that some establishments serve practically no food and we find ourselves returning to the days of the saloon. This administration was the first to order through liquor commission regulation that these establishments derive a specific minimum of their gross income from the sale of food. Unfortunately, while recognizing the principle the courts ruled that the Commission did not have the necessary statutory authority. I urge you to provide the Commission with such authority.

It is recommended that you adopt legislation requiring a tamper-proof identification card for persons between 21 and 25 years of age. Such an identification card would serve to eliminate many of the illegal liquor purchases by minors and would protect the seller.

In my budget recommendations, I have suggested that the cities share in the revenues of liquor administration by an increase from ten to fifteen percent. Our counties have suggested that they too should receive a percentage of these revenues as an offset for their costs in the enforcement of liquor laws. You will wish to give this request your careful consideration.

Public Convenience and Necessity

The legislature should provide statutory protection against future duplication of utility facilities. Such duplication has become common, particularly in the electric industry, and about 100,000 rate payers are in areas of present or prospective duplication. This means they pay for more investment in facilities than is needed to give adequate service. Most states have statutes authorizing the issuance of certificates of public convenience and necessity to preclude wasteful duplication.

The Legislature also should provide for the issuance of certificates of public convenience and necessity to log truckers. Such a certification procedure is essential in order to assure the adequacy of truck service and

to avoid cut-throat competition that can be harmful to loggers, truckers and the general public.

Atomic Energy

The Committee on Federal-State Relations appointed by President Eisenhower recognized that the states have a vital interest in the control and regulation of peaceful uses of atomic energy. Congress has enacted legislation which permits the Atomic Energy Commission to enter into agreement with states whereby the Commission may discontinue and the state may assume regulatory authority over by-product materials, source materials and special nuclear materials in quantities not sufficient to constitute a "critical mass."

Regulation by the state will greatly enhance research and use of nuclear materials. Our Public Utilities Commissioner and State Health Officer have devised a program for state regulation and legislation permitting state participation. The adoption of such legislation is vital to our continued growth in the field of atomic energy.

Military

For some time it has been recognized that our Military code needed revising. A revision will be submitted for your consideration. This proposal is based upon a comprehensive study, and I urge its adoption.

Civil Defense

A number of communities have done an excellent job in planning for civil defense and are worthy of your approbation. I am concerned that so-called target areas have emphasized planning for evacuation to the virtual exclusion of a program of protection against fallout. Building codes in some communities do not encourage the construction of fallout shelters. I recommend that tax allowances be made for civil defense construction by individual citizens and by those who construct residence and office dwellings. This may encourage greater civil preparedness in these days when the alternative to annihilation may lie in our own efforts for self-preservation.

Racing

By administrative order I have directed that members of the Racing Commission and its employees shall not have a financial interest in racing horses or dogs in Oregon nor shall they be permitted to wager on races under their jurisdiction. These safeguards should be made a part of the racing law.

EDUCATION

Basic School Support

We have every right to be proud of our outstanding school system. In virtually every national ranking that attempts to measure quality, Oregon is listed in the top five. The preservation of this quality in terms of the

CIVIL RIGHTS

Our state has an enviable record in the field of civil rights. There is a continuing need to keep our civil rights statutes progressive, strong and adequate. Of particular concern is that of extending the Public Accommodations Act to cover those areas commonly called "personal services." I know that you will want to give this your most serious consideration. We cannot rest easy in the enjoyment of our freedoms until we have eliminated all vestiges of second-class citizenship.

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expanding school population is becoming increasingly difficult for our local school districts. Many citizens are feeling the press of a burdensome property tax. To afford an opportunity for local tax relief I have recommended in my budget an increase in state basic school support.

This increase will permit some communities to be in the position of lowering property taxes, while others will find themselves in the position of not having to raise property taxes to meet existing needs.

Scholarships

In 1955 as a State Senator, I authored a proposal for establishment of an enlarged program of state scholarships on a new basis.

The last Legislature provided a State Scholarship Commission but no appropriation was granted. I hope you will appropriate funds to administer these responsibilities, underwrite some of the costs of those who, on the basis of need and competitive examination merit help, and authorize use of such stipends at either public or private higher education campuses within Oregon.

This program is offered in the certain knowledge that we cannot afford the erosion of our brain power now taking place for lack of individual financial resources.

NATURAL RESOURCES

In my message on government reorganization specific proposals were made, which will assure more adequate conservation of our great natural resources. Beyond the context of reorganization there are several items you should consider.

Proper management and orderly development of recreational and scenic resources should receive high priority. An inventory of existing facilities and planning for the accommodation of present and future citizens in the field of outdoor recreation is imperative, not only to maintain the general health and well-being, but as an important adjunct to industrial and economic development.

Modern construction demands huge quantities of sand and gravel, but we must assure that the dredging of these materials is done in a manner compatible with the conservation and use of other resources.

We must strengthen the means of combating air and water pollution by providing simplified methods for the financing of municipal sewage treatment plants.

During the past year we have noted an appalling increase in the numbers of man-caused forest and range fires. I recommend enactment of laws which will provide more stringent punitive measures as a deterrent to those who thoughtlessly endanger our lands.

In carrying out the mandate of the 1959 Legislature, the Department of Agriculture is making numerous changes in its organizational structure which should promote its services to farmers and consumers. Greater emphasis has been placed upon promotion and marketing of crops and livestock. There are other improvements to be made to enhance this

reorganization. I cite you two examples: (1) The Milk Audit Law, which needs revamping to be of greatest service to producers, processors and consumers; and (2) the Grain Warehouse Act, which needs substantial change to assure that the farmer who stores his grain in a public warehouse is fully protected.

Soil conservation districts have done much to conserve natural resources. I strongly urge your favorable consideration of measures which will allow more adequate state participation in the Small Watershed Program.

The proof of competence in the handling of firearms should be demanded as a prerequisite for first-time licensees if the annual toll of hunting accidents, fatalities, and vandalism is to be reduced.

In view of recent rulings by the Attorney General, it is necessary for this Legislature to consider clarification of the laws relating to the authority of the Land Board and other public agencies to lease and sell public lands. The full development of the industrial and economic potential of state lands in coordination with the preservation of their scenic and recreational values is of primary importance.

Your support of these and other measures designed to augment the present activities of our natural resource agencies is vital.

LOCAL GOVERNMENT

In local government there are signs of increasing strength. The appointment of home-rule committees in nine counties, the progress of school district reorganization, and continued efforts in intergovernmental cooperation are among the evidences of interest and action.

I hope that in the course of your deliberations you will review the laws governing annexation, which is the key to orderly city development.

In view of the increasing scope and complexity of metropolitan problems, this Legislature will help assure further progress by authorizing an executive assistant in the Governor's office with special responsibility for matters of intergovernmental coordination.

SALARY INCREASES

One of the most critical problems in state government is the lack of adequate salaries for classified and unclassified personnel, including those in higher education and state police. There has long been concern expressed over our failure to gain and retain the most competent employes for various state agencies. Private employers, the federal government and some local governments are paying salaries in excess of those currently paid by the state. This gap must be narrowed if we are to provide the services our citizens expect from their government. No program, regardless of how sound it may be, can function without qualified people.

I suggest that the Legislature adopt the salary recommendations contained in the budget. I further advocate the replacement of the statutory method of setting salaries for key administrators and to permit their establishment in essentially the same manner as for the classified service.

HOLIDAYS

Washington's and Lincoln's birthdays need no longer be considered as legal holidays but may be set aside as special days of commemoration. In lieu of these two legal holidays, it would be fitting to establish February 14, Oregon Statehood Day, as a legal holiday.

I also urge that primary and general election days be considered as regular working days for public employes. In making this suggestion, it should be clearly established that public employes be permitted the time off to vote in instances where the need is demonstrated.

ELECTION LAWS

There is much that can be done, along the lines suggested by a bipartisan committee, to improve our election laws, particularly in the corrupt practices act and reporting procedures. Moreover, it is my hope that a procedure be established to permit prompt investigation and action when defamatory and inflammatory campaign materials threaten the proper conduct of elections. The procedure should be completely non-partisan, and can only be effective if it is conducted in the white light of publicity. The state cannot afford to leave to the combatants the correction of blatant efforts to swing an election by smear and fear or by the alternate use of the whisper and the big lie.

JUDICIARY

Since you last met, two circuit judges were appointed and elected as required by ORS 3.160. The status of the docket in that jurisdiction did not justify the addition of two judges. Yet two positions were put on the ballot to comply with the requirements of law. I hope you will take corrective measures so that the automatic factor that ignores the question of need is eliminated.

I should like to pay tribute to the record of improvement which has been achieved by the Supreme Court in reducing its backlog of cases during this biennium. In my remarks before the Fiftieth Legislative Assembly I urged a test for practicality of the pro tem system before considering further the proposal for two additional full-time justices. The wisdom of your decision to concur in that recommendation is borne out by the fact that nearly \$55,000 was saved when salary, secretarial staff and other considerations are totaled. Moreover, the objectives were achieved earlier than predicted.

LEGISLATION WITHOUT APPROPRIATION

In all of your deliberations which involve programs not envisioned by the budget presented to you, it is my hope you will avoid sending to my desk legislation which requires expenditures for which no appropriations are provided.

CONSTITUTIONAL CONCERNS

Executive Succession

In these days of modern communication and transportation, there is no more need for a temporary Governor than there is for a temporary President.

In the last session, realistic steps were taken in the event of the Governor's physical or mental incapacitation. We were thus one of the first in the nation to deal with that possibility. I urge that we take a similar forward step and refer to the people a constitutional amendment eliminating from Article V, Section 8 the words, "absence from the state."

Moreover, I recommend that another referendum amend the Constitution to provide that the Secretary of State succeed to the governorship upon death or incapacitation. This would give the people a chief executive they themselves had elected on a statewide basis. His service, should the absence provision not be eliminated, would be at no additional cost to the taxpayers. The proposed effective date should be January, 1965, beyond the present terms of the occupants of the offices involved.

23rd Amendment

Another matter of constitutional concern is that of prompt approval of the 23rd Amendment to the U. S. Constitution. In the November election Oregonians supported the idea that people within our borders should not be disfranchised in presidential elections because they could not meet the residence requirements. It is only fitting that in this same spirit the franchise should be extended to residents of the District of Columbia.

Constitution Revision

During the 1951, 1953 and 1955 sessions of the Legislature, it was my privilege to work with others in attempting to call a constitutional convention. Unfortunately, those efforts were not successful. The need continues but the possibility of its occurring appears to be some years in the future.

Although your predecessors have been unwilling to approve the calling of a constitutional convention, the citizens of this state in the past general election did authorize the Legislature to submit extensive, coordinated revision of the document. I urge this session to begin the implementation of this mandate from the people.

BUILDING PROGRAM

The budget which has been submitted to you contains funds for a realistic building program for higher education and state institutions. There are a number of items which I suggest you consider in order that the long-range building needs of our state be adequately met.

A project which should be given high priority is the construction of a transportation building on the Capitol Mall. This administration inherited from the preceding administration a lease on the building in which the Motor Vehicle Department is presently housed. This lease expires in

1964. If we are to meet economically the space requirements of the Motor Vehicle Department, we need to begin immediate planning for a transportation building.

Another significant area in planning for future building requirements is that of enlarged facilities for the Supreme Court and the Department of Justice. The present building no longer meets their needs.

In order to facilitate legislative services to the people, we are requesting planning money to study the feasibility of the Capitol extension to provide the needed legislative offices and committee rooms.

In conformity with the directive of the Fiftieth Legislature, the Department of Finance and Administration has made an extensive study of the need for a state correctional facility for women and funds for its construction are included in the budget.

REORGANIZATION

You have received, in a special report, my recommendations for the reorganization of the executive branch. The establishment of a manageable and responsive executive organization is certainly one of the most significant proposals that will be before you. If government administration is to be as efficient and effective as it ought to be, we require a cabinet system.

The Fiftieth Legislative Assembly directed the submission of reorganization recommendations. I do so in the firm conviction that the proposed changes are urgently needed.

These recommendations are not the product of any one mind, any political party. They are an outgrowth of previous legislative study, departmental review and a citizens committee's suggestions. This committee was headed by former Governors Charles Sprague and Robert Holmes and to it I also named four members of this Assembly, along with representatives from business, labor and agriculture.

I think perhaps the most eloquent testimony in behalf of the reorganization proposals is the nature of the objections so far heard. The voices of caution, the voices of resistance to change are always prompt and numerous. They appeal to instinctive fear of the unknown. They prefer the old, because it is familiar, to the new, because it is strange. Heed these objections and you shall have failed to take steps to meet the challenge of the sixties.

The Hoover Commission gave Congress a blueprint for betterment. James M. Landis has handed President-Elect Kennedy a chart for a new course of action as it applies to a number of federal agencies. We in Oregon now have an outline to eradicate obsolescence. Should you choose to do nothing, then the buck-passing which now characterizes some administrative procedures must rest at your door.

UNPRECEDENTED OPPORTUNITY

The length of the legislative sessions and the breadth of your endeavors have been of increasing concern in the light of the meager compensation accorded to you. There are factors in 1961 which could and should assure for the people of Oregon a session which will be remembered for its seriousness and for the dispatch with which business was conducted. You received the budget document 38 days ago; the reorganization plan was in your hands three weeks ago; last month you conducted a preliminary legislative conference embracing some one-third of your membership; you have created a fiscal committee which provides added staff services; the number of experienced legislators portends familiarity with procedures and problems; election of majority leadership with prior gavel experience and a continuance of minority leadership in the Senate along the lines suggested in this message two years ago—these are the factors which give you an unprecedented opportunity to get to the heart of the matter promptly and decisively.

A Biennial Report of the Executive Department 1959-61

(SOME NOTES ON STEWARDSHIP)

To Members of the Fifty-First Legislative Assembly:

It is the custom for your chief executive to come before the Legislature with an address of recommendations. In anticipation of this legislative session, several messages have been prepared. One is the budget which was made available on December 1, 1960 and another is the series of recommendations for reorganization of the executive branch issued on December 15. Yet neither provides a coordinated report of executive department action in the past two years.

You have available a wealth of information in the biennial reports of the departments but nowhere is there what might be termed "Some Notes on Stewardship" to which I believe you are entitled.

Such a report must necessarily be brief and can cover only highlights of the period from January 12, 1959 to January 9, 1961. Additional details may be found in the departmental reports. It is my hope you will find this compilation useful.

ADMINISTRATION

Appointments

In my Inaugural Address to the Fiftieth Legislative Assembly, I said: ". . . I would publicly recognize that choosing the right individual for the right job at the right time constitutes one of the most important functions of your Governor . . ." Even as these words were spoken, the first of more than 550 appointees was taking office. This number includes full-time state* or county public officers as well as members of boards and commissions who as laymen, contribute their time and wisdom to the making of public policy.

Among the appointments were those of Secretary of State Howell Appling, Jr. as my successor in that office; State Treasurer Howard Belton, who succeeded Sigfrid Unander when he was named to the Federal Maritime Board; U. S. Senator Hall S. Lusk, who filled the unexpired term of the late Senator Richard L. Neuberger; Associate Justice A. T. Goodwin of the State Supreme Court, who took the Lusk position on the high court. As the two-year period closed, your Governor had under consideration a successor to Superintendent of Public Instruction Rex Putnam, who resigned because of health.

In addition to state boards and commissions, there are county officers, district attorneys,† judicial offices,† the Port of Portland and many other appointments a

governor is required to make, many of which are not usually thought of as coming under his authority.

Coordinating the Executive Branch

One need only glance at the chart of state government organization as it now exists to realize that departments have been created through the years without a realistic appreciation of the need for coordination. A governor is literally swamped with demands for appointments—an average of one for every work day of the biennium—yet once the appointment is made the board, commission or department in most instances can stand aloof from a governor's inquiry. Without statutory authority coordination has been achieved through informal meetings of set frequency. Sessions are held with one-fourth of the department heads each week until, in rotation, the Governor and each department executive have met in a month's time.

These meetings make for a better understanding by the Governor of the department's activity and to the department head is given an over-all view of state government and its inter-relations.

Moreover, the full capacity of one member of the Governor's staff has been devoted to providing liaison with boards and commissions.

At the direction of the Fiftieth Legislative Assembly—and because administrative necessity requires it—a plan of executive branch reorganization was prepared. Although not suggested by the Legislature, it appeared prudent to seek the counsel of individuals with the widest possible base of experience in government and other executive responsibilities. Each of the 17 members of the advisory committee brought with him particular background qualifications which are readily apparent. They deserve your gratitude as well as mine for this high public service. Their recommendations appear as an appendix to the report I have submitted to you.

I am grateful for the indications of support which have been given thus far to some of the general aspects of the reorganization proposals. They have been kept from taint of partisanship and I am sure you will wish to maintain an atmosphere of objectivity as you approach the subject in earnest.

Budget

Just as government functions best in relation to the caliber of people in government, so budgeting follows as a crucial corollary of efficiency. The budget proposals before this assembly were made available 38

days prior to your convening. While you may find agency requests which exceed that which is budgeted, you may be assured the best possible measuring sticks were used to determine the figures presented to you. In essence, I hope you choose to live within our income rather than launching expansions beyond our means which would require new sources of revenue.

For the first time, a "Budget in Brief" is available to assist you in interpreting the budget to your constituents who would not require the extensive document you have under study.

Also this year, for the first time you have before you a six-year capital construction budget that lays out realistically the building needs of the next biennium and the four years beyond that. The making of this budget revealed many inadequacies in our planning processes. These are being corrected. It can be expected that the six-year program to be presented to the 1963 Legislature will be even more useful.

Capital construction has proceeded on schedule during these two years except for a steel strike which halted work on the Labor and Industries building for nearly six months. The Correctional Institution began operations, Dammasch State Hospital construction will permit that institution to open this spring, conversion of Eastern Oregon State Tuberculosis Hospital, new facilities at institutions under the Board of Control, dormitories, classrooms and other facilities for our institutions of higher education have been among the results of action during the past two years.

Administrative Improvements

In the State Tax Commission some marvels of administration were achieved. A new tax reporting form was introduced which in itself resulted in savings of \$200,000 and a much greater convenience for the public. Better personnel utilization enabled the Commission to reduce its assigned positions by 90. Convenience to the taxpayer, simplification of effort, closer cooperation with county officials, continuance of the reappraisal program—these are achievements of the Commission.

Considerable reorganization of the Military Department was undertaken by the new Adjutant General. The Portland armory office of the Adjutant General was closed, 11 positions were eliminated in the Department office, \$17,500 in budgeted general funds will be returned through a tighter policy in transportation control, 40 separate funds at the local armory level were eliminated and through tighter fiscal controls an amount exceeding \$325,000 will be saved in this department alone.

Many improvements were realized in the Motor Vehicle Department, including a speed-up of registration and licensing, initiation of renewal notices for automobile licenses, reduction of operating divisions

from eight to six, integration of field offices with the Public Utilities Commissioner at considerable savings, handling of a five per cent increase in business plus registration and titling of house trailers under new law with reduced personnel and savings of \$9,000 annually were realized in mailing procedure change.

Traffic safety efforts embodied the three axioms for improvement—education, engineering and enforcement—but the results were hardly encouraging. Your Governor initiated some dramatic steps to call public attention to the human toll and perhaps some of these did result in fewer accidents than otherwise might have been experienced. Helicopter and observation patrols were put into service, extensive roadblocks were set up at certain holiday periods, and a stepped-up patrol car coverage with some unmarked vehicles filled out the program.

Within the field of law enforcement, the phasing-in of the forty hour week in the State Police Department was accomplished with effectiveness thus putting these unclassified personnel on the same work schedule as the majority of other state employees. Improvements were made in the rigorous training program of the State Police, but inadequate pay remains as a deterrent to ideal recruitment.

In the Highway Department, a total of \$62,800,000 worth of contracts was let in 1960, or \$25.5 million more than the amount contracted in 1959. More than 11 million visitations were recorded in Oregon's 175 state parks during 1960, an increase of six per cent over 1959. An additional 614 acres were taken into the park system this past year. A survey by the Traffic Engineering Division indicates Oregon and its residents were hosts to more than six million tourists during 1960, a gain of more than 400,000 over the previous year.

Our most recent State Fair was outstandingly successful from nearly every point of view. A greater number of our citizens participated in exhibiting and in other activities than in any previous Fair. Of particular note is the fact that participation by our youth significantly exceeded other years. A gratifying aspect was our financial success in 1960. A gain in assets of \$107,432.69 exceeds any other year in the Fair's 95-year history. The cash profit of \$64,143.78 is contrasted to a cash profit of \$20,000 last year and a \$53,000 loss experienced in 1958.

Historically, one of the reasons advanced for creating regulatory agencies was that cases were delayed too long when processing through the courts and that administrative agencies would be able to give prompt action. Few have done so. In the Public Utilities Commissioner's office a major effort has been made in this direction. No longer do heads of operating divisions sit as examiners on cases while evidence is presented by their subordinates. Also, the number of em-

ployes at the Salem office has been decreased from 175 to 154 without decreasing services.

The activities of the Industrial Accident Commission have resulted in revitalized administration and have been characterized by greater service to employers and to employees. Two new commission members were appointed. The Commissioners have carried their program to the local communities through a series of public meetings. Better relationship with employers, claimants, doctors and hospitals has been developed through the creation of area coordination programs. An administrative survey has been undertaken which promises even greater modernization of administration in the biennium ahead.

The 1959 Legislature abolished the Unemployment Compensation Commission and created a Department of Employment to be administered by a single Commissioner. The new agency became effective July 1, 1959. As anticipated, the reorganization has proved to be a substantial administrative improvement. The emphasis of the agency has been shifted from unemployment to employment, with concentration on job counseling and placement. The problems of farm placement have received particular attention with effort directed to avoiding the acute labor shortages during critical harvest periods that have occurred in the past. Mechanization of agriculture has been recognized through efforts to relocate workers. Areas requiring large numbers of seasonal workers have received special attention in improved utilization of local labor resources.

State licensing agencies affect the rights of many people. It is imperative that the procedures by which licenses are granted, denied, or revoked protect those rights. I have not hesitated to remind the licensing boards of their dual responsibility to safeguard both the rights of those they license and the general public.

Although progress has been made in the past two years in the area of personnel management there have been discouraging factors. On the positive side, we can point to more effective utilization of employees, and to improvements and strengthening of training programs designed to motivate individuals as well as to prepare them for greater responsibilities. On the negative side, our disadvantageous position on salaries has resulted in a number of costly losses of highly skilled personnel. It is difficult to evaluate the adverse effect these losses have on the competence of our state services. Certainly the circumstances demand action.

The Department of Finance and Administration has broadened its services to the Governor as well as to the other agencies of state government. The Department's role in the development of reorganization plans, the six-year building program, the shuttle-bus service between Portland and Salem that reduces the number of state vehicles on the freeway, and the fact that the

budget document was released on schedule are evidences of the increasing usefulness of this 10-year-old agency.

Two years ago, the state had barely begun to utilize the advantages of electronic data processing. We had before us the report of a survey by a consulting firm urging that further use of this equipment be considered on a statewide basis. This we have done. We have also given full consideration to other recommendations in the report. There is now a central inventory of equipment, central review and control of acquisition and plans for acquisition and use of this equipment.

Within higher education, the approval of the constitutional amendment lifting the limit on self-liquidating bonds for construction was of immense significance and your Governor served as honorary chairman of the citizens' committee. Dr. O. Meredith Wilson, president of the University of Oregon, resigned to become head of the University of Minnesota and Dr. A. L. Strand, president of Oregon State College, announced his retirement from that office effective next fall. The Board of Higher Education responded to the suggestion of the Governor that meetings be held in a more easily accessible location and agreed to hold sessions more regularly on the campuses around the state.

ECONOMIC DEVELOPMENT

Oregon's most urgent need a biennium ago appeared to be for a new business climate and a new confidence for our economic future.

In an all-out effort to attract new payrolls to Oregon and provide a sound basis for expansion of existing industry, emphasis and direction has been given the Department of Planning and Development. A transcontinental sales task force, headed by your Governor and including 19 leaders in industry, kindled an interest in Oregon among the investors of the East and Midwest. A similar personal contact was established with the electronic industry at its annual meeting in San Francisco. During 1960 alone, a total of 93 new manufacturing plants and plant expansions were recorded, creating a total of 5,700 new jobs.

One of the most complicated and far-reaching real estate transactions was achieved on the old Boardman bombing range site which has been redesignated as the Space Age Industrial Park. Through the cooperation of the Congressional delegation, local government officials, the national administration and private citizens, there is now available approximately 100,000 acres to meet the requirements of the missile age. Just when a tenant or tenants might be obtained is speculative. But the fact is Oregon now possesses one of the few remaining, available sites which offers ideal conditions for an investment of this nature.

An important key to our economic growth is the

role of research. Oregon's participation in research activities has grown rapidly. Two of the outstanding examples of our significant participation were the Science Seminar conducted by the Department of Planning and Development and the announcement of the establishment of a primate research center.

In the former, Oregon's leading scientists and technicians met with the Director of the National Aeronautics and Space Administration, the Directors of Research for the Army and Navy, an Assistant Director of Research for the Air Force and numerous representatives of leading industries engaged in scientific work. The dissemination of information from this meeting significantly accelerated Oregon's interest in research and scientific production.

In the latter, the United States Public Health Service approved two grants totalling nearly \$2,000,000 for the construction of the initial sections of a Regional Subhuman Primate Center in Portland. The center is associated with the University of Oregon Medical School in basic medical research with particular emphasis on cardiovascular study.

The month of August, 1960, saw an all-time high in employment with a record figure of 734,100. By this and several other measurements, Oregon's economy experienced inspiring growth during the two-year period covered by this report. In January of 1959, for instance, there were 619,900 employed, 58,800 unemployed—in January of 1960 there were 639,500 employed, 47,600 unemployed. Other measurements during the time from January of 1959 to January of 1961—personal income, bank debits, retail sales, corporation receipts—are heartening. As an example, Oregon ranked above the national average in personal income for the first time since 1953.

An advisory committee to the Industrial Accident Commission worked with vigor during a period of significant transition in that department. These able individuals have given valuable public service and I urge you to invite them to discuss with you any aspect of their responsibilities.

On three occasions in which both management and labor indicated a willingness to sit down together and discuss possible strike solutions in the Governor's office, a settlement was attained. I refer to the strike which tied up construction in 1959 and subsequent strikes affecting the cheesemakers and the Willamette Valley milk producers. Some 40 hours of presiding at the conference table were involved with one session concluding at 4 a. m.

SOCIAL SERVICES

The social services of our state are usually of paramount concern and in the past two years they have been provided with wisdom and effectiveness.

In the administration of the public welfare program, two steps are of especial significance. I refer to the initiation of work projects whereby recipients who are able-bodied are employed in public works. Begun in Polk County as a pilot program, the concept has been adopted by others with encouraging results. Public acceptance—by those so employed and by the general citizenry—has been without serious objection.

The migrant labor pilot education program conducted through the Department of Education, along with the interim committee report of two years ago, brings forcefully into focus one of the foremost social problems in our state. In other phases of the migratory labor program, the Executive Department effected the coordination of the three agencies—Labor, Health and Agriculture—through the agreement on goals and areas of responsibility to implement the action of the 1959 Legislature.

The Governor's Committee on Children and Youth and the State Council on the Aging have been active since 1959. The Children and Youth Committee was represented at the Golden Anniversary White House Conference on Children and Youth held in Washington, March 22 to April 2, 1960. In addition, a State-wide Conference was held in Salem, November 4 and 5, 1960 which provided an opportunity for citizens to discuss protective and treatment services to children and youth.

Our Council on Aging also will be represented at a White House Conference early this year. Similarly, this group in the spring of 1960 sponsored a meeting where citizens from throughout our state met to discuss problems of senior citizens. The Council has been of real value in focusing public attention on pressing needs and in providing research data which point up those needs.

One of the most depressing statistics in 1959 was the waiting list for admission to Fairview Home. In January of 1959 the active waiting list was 378. Today this active waiting list has been reduced to 203. With the opening of Magruder Cottage this month and by filling 25 vacancies which have been created by transfers to other institutions this active waiting list will be only 78. Between now and July 1, 1961, this waiting list will increase by approximately 93 people. The last Legislature appropriated funds for one additional 115 bed unit which is now under construction. With the filling of this unit the waiting list will be reduced to approximately 56 individuals for immediate admission.

A Fairview Home Committee of Visitors was appointed and functioned during the biennium with effectiveness and was particularly helpful in the transition between the administrations of the late Dr. Irvin B. Hill and Dr. James M. Pomeroy.

NATURAL RESOURCES

The forests, soils, wildlife and water we have inherited and will pass on to succeeding generations demand continued wise use and development.

The biennial report of the Committee on Natural Resources and the reports of the separate departments in this field admirably tell the story of progress and action during the past two years. In establishing the Committee, the Legislature placed the Governor as chairman. This responsibility I have welcomed and I can report we have spent many hours in frank, detailed discussions, the minutes of which are available to you. The manner in which these representatives of a variety of agencies were able to place the over-all good of the State of Oregon at the forefront indicates to me we would be strengthened by combined action such as through a Department of Natural Resources.

The Committee did not dodge responsibilities. It has taken stands. One of these was a drafting of revisions for the Oregon Dunes National Seashores Recreation Area bill before Congress. It is a matter of record that the most prominent sponsor of that legislation, the late Senator Neuberger, was kept fully informed of our point of view and expressed his attitude in these words in a letter dated January 27, 1960: ". . . I have every confidence that we shall be able to work together successfully for a bill establishing a National Park on the coast which will be in the interests of our state and the nation."

In other major activities the Committee on Natural Resources:

Cooperated with the National Outdoor Recreation Resource Review Commission and supplied local and regional data to assist that body in completion of its assigned role.

Provided assistance and coordinated efforts in the long-range sand dunes stabilization and erosion control program on the Oregon coast.

Recognized the continuing necessity for provision of adequate public assistance for recreation purposes to public lands in Oregon, by forming an Access Advisory Committee to assist with the problem.

Encouraged a broadened program of public information in the general field of outdoor recreation through a conference on "Good Outdoor Manners."

Coordinated activities in connection with various annual conservation observances such as "Red Hat Days," "Conservation Week," and "Soil Stewardship Week."

Submitted information on Oregon's water resource problems to a Committee of the Congress investigating this phase of national resource management.

Recommended measures to increase federal as-

sistance to local communities for construction of sewage treatment facilities to reduce water pollution.

Supported the "Control Use Act" for the national forests; and a bill to designate the Salmon River of Idaho as a fish sanctuary pending the solution of fish passage problems.

Called for a Northwest Governors' meeting on conservation of the Columbia River salmon resource.

On a number of occasions during the past year, the State Land Board has been presented with proposals which could ultimately mean much in terms of jobs, economic growth, year-round industry, and a sounder fiscal basis. Although a letter of advice from the Attorney General filed some seven years ago clearly counseled the Land Board it could proceed in several of these negotiations, it was determined that a more formal opinion should be sought. The net result is a stalemate until such time as you give further indication of legislative direction. The matter merits your full attention.

The brucellosis (Bang's) disease control program achieved a modified certified status in July of 1959, costs are cut through blood testing chiefly on a market slaughter basis and an intensified calf vaccination program is underway. The meat inspection program is among the best such state services in the nation. The long-standing dissension within livestock and veterinary ranks has apparently been resolved. As authorized by the 1959 Legislature, the Department is reorganized with an aim to bring to Oregon consumers expanded protection by closer attention to food sanitation, truth in advertising, honest weights, deceptive packaging and harmful spray residues.

The protection and administration of approximately one-half of Oregon's 30 million acres of forest lands is the responsibility of the State Forester and the Board. Holding burned acreages to a surprisingly low figure in view of extremely dry weather of past two seasons, addition of the Klamath Agency district, attainment of the half-way point in the rehabilitation of the 250,000 acres of state lands within the Tillamook burn, increased revenue from state timber sales (\$5,582,146.15 up to December 12, 1960), and expansion of the tree nursery and farm forestry programs, are manifestations of departmental activity.

INTERGOVERNMENTAL ACTION

In our federal system, state government must maintain effective relations with national and local governments and in its own economic interest must develop international contacts as well.

The state's centennial celebration is a subject of the report of the Centennial Commission. In addition to the central program on the grounds in Portland it is important that any evaluation recognize the sig-

nificance of the individual community efforts throughout the state. Also, the International Trade Fair brought new stimulus to Oregon in many ways.

Oregon was visited by many people from other countries during the year as tourists, as students, as officials studying particular segments of our government. We participated in welcoming to Oregon the King and Queen of Nepal, the Crown Prince and Princess and Prime Minister of Japan, several ambassadors, and many other representatives of other nations. In addition, a long list of officials of our own federal government, in all three of its branches, visited Oregon during the biennium.

In liaison with federal departments and the Congress there has been much activity. Meetings with individual members of Oregon's delegation in Congress have been productive. Testimony before regulatory agencies resulted in some decisions in which Oregon realized gains. A personal appeal to the President on funds for Green Peter dam, the Yaquina Bay project, port development, and a number of other matters were helpful in conjunction with support from many sources. There were disappointments such as the loss of the regional post office without justifying evidence. On the whole, relations both with a delegation, the majority of which is of a party opposite to the Governor's, and with federal agencies have been harmonious.

During the past two years there has been continued negotiation with the other six states in the Columbia River Basin. The result is a draft Columbia River Basin Compact which represents the maximum degree of agreement possible at present. While a more comprehensive program, such as that envisioned in the regional corporation concept, would be desirable, we have kept open the door of interstate cooperation.

The Port of Portland and the City of Portland's Commission on Public Docks—one appointed by the Governor, one by the Mayor of Portland—operate in a jurisdiction essential to our economic progress. As a first step toward bringing about closer cooperation between the two agencies, I named to the Port of Portland the then Chairman of the Dock Commission. The opportunities for the development of the Columbia River require more than closer state-city action. Under study is a proposal for an Oregon-Washington compact along the lines of the New York Port Authority.

One of Oregon's most tragic disasters occurred on the night of August 7, 1959, when a truck exploded in downtown Roseburg claiming 14 lives and causing

approximately \$12,000,000 property damage. The community demonstrated unusual courage and calm in facing this catastrophe. Order was maintained and property protected through the alert action of the State Police, and units of the Oregon National Guard as well as city and county law enforcement groups. All agencies, including such state organizations as the National Guard, the State Police, the Public Utilities Commissioner, Insurance Commissioner, Highway Commission, and Civil Defense Agency cooperated very effectively as they demonstrated the ability of the state and local agencies to meet the test of crisis.

Your Governor experienced the privilege of election to membership on the nine-man executive committee of the National Governors' Conference in June. In addition, I have taken the chairmanship of the Western Governors' Conference committee on economic development of the West.

As the two-year period covered by this report came to a close, it became possible for Mrs. Hatfield and me to accept the invitation of the governments of Brazil and Argentina to spend some two weeks in those countries. There can be no doubt that the people-to-people program President Eisenhower envisioned can do much to develop further good will among the nations of this hemisphere. But as we left the formal functions and made our way independently to schools, hospitals, and homes of modest income it became increasingly apparent that such exchanges must go beyond the well planned itinerary and the scheduled tour. I have said previously we in this country must arrange for our guests to "get off the Manhattan-Hollywood axis and out to the crossroads of America for a true idea of what we are like." And so it is in visiting other countries.

In the 20 months since you adjourned, three former Oregon chief executives and a United States Senator have died: Oswald West, A. W. Norblad, Douglas McKay and Richard L. Neuberger. I note the passing of these four statesmen as a solemn reminder of their careers and the purposes for which we are met in efforts to be worthy of our heritage.

Respectfully submitted,


Governor

*** Department Heads and Other Executives Appointed by Governor From January 1959:**

Freeman Holmer, Director, Department of Finance and Administration; Vern L. Hill, Director, Department of Motor Vehicles; Robert H. Tarr, Director, Department of Planning and Development; Sidney B. Lewis and Emily P. Logan, Industrial Accident Commissioners; James F. Short, Director, Department of Agriculture; Frank McKennon, Director, Department of Agriculture; Robert J. Jensen, Real Estate Commissioner; F. H. W. Hoefke, Charles H. Mack and Dean Ellis, State Tax Commissioners; D. H. Cameron, Department of Employment Commissioner; Major General Alfred E. Hintz, The Adjutant General, Military Department; Jonel C. Hill, Public Utilities Commissioner; V. Dean Musser, State Insurance Commissioner; Dan P. Allen, Executive Secretary, Committee on Natural Resources.

Department Heads Reappointed During This Administration:

Frank J. Healy, Corporation Commissioner; H. G. Maison, Superintendent, Oregon State Police; William A. Callahan, Industrial Accident Commissioner.

Department Heads Appointed by Board or Commission During This Administration:

Robert W. Schoning, Director, Fish Commission of Oregon; Dr. Richard H. Wilcox, State Health Officer, Board of Health; Robert Rittenhouse, Director, State Marine Board; Melvin H. Cleveland, Director, Civil Service Commission.

Executives Appointed During Past Two Years by Board of Control:

Charles C. Woodcock, Superintendent, School for the Blind; Dr. J. M. Pomeroy, Superintendent, Fairview Home; Dr. E. I. Silk, Superintendent, Eastern Oregon State Hospital; Glenn Howell, Superintendent, Mid-Columbia Home; J. N. Peet, Secretary, Board of Control.

† Judicial and District Attorney Appointments Have Also Included:

12 Circuit Judges; 9 District Judges; 8 District Attorneys; 3 County Judges; 14 Justices of the Peace.

