



STATE OF OREGON

INTEROFFICE MEMO

TO: Governor

DATE: December 8, 1981

FROM: Gerry Thompson *Gerry*

SUBJECT: Daily Reports

November 30

John Groupe reported a mid-west concern interested in the Roseburg-Grants Pass-White City areas. This would be a ball-bearing and door manufacturing company with an initial impact of 50 jobs. The last report looked promising. Another firm, Guyette and Associates, is interested in locating a client in the Mid-Willamette Valley. Impact would be 1,000 jobs. Their inquiry was referred to John Groupe. He assured he would place high priority on contact.

At your request, called Representative Larry Campbell regarding the rumor involving you and the appointment of the insurance commissioner. Representative Campbell vehemently denied being the source of the rumor and in fact said he had not even heard it. He had suggested his colleagues write letters to Jane Huston in support of Al Riebel.

December 1

Pat Amedeo met with NERCO representatives. Their interest in Tongue Point is questionable, although they wish to continue with the permit procedure. Pat assured them they would continue to reserve space for them.

Also, Port of Astoria announced an agreement with NERCO, Burlington Northern and Astoria, with a lease on the city docks at Astoria. Pat will be meeting with Ted Michon and Bill Lyons in a couple of weeks to gather further details.

Had a meeting with Bob Watson and Leo Hegstrom regarding the OSCI problems investigated through the Integrity Assurance Board. Outlined actions that needed to be taken. Bob Watson will immediately peruse and give written report in 30 days.

Wes Kvarsten received appointment with BPA. Asked for a joint press conference with BPA and the Governor's office. His appointment will be January 11, 1982. The request for joint announcement turned down on the basis that it should be only BPA announcing hiring of Wes.

December 2

L. B. Day is requesting that you talk with your Republican friends before making any budget decisions. L. B. also indicated that



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Eldon Hout is not liked by AOI or Fred VanNatta, but L.B. still thinks Eldon is the best man for LCDC director. Another suggestion of L.B.'s (which we checked out and received nothing but favorable reports) is Kathy Keene of AOI as deputy director. Subsequently Ike Congleton called and indicated that although they do not like either Eldon Hout or Jim Ross, they would reluctantly accept the appointment of Eldon. Some of Ike's people are pushing for a referendum to repeal LCDC. Ike has asked that they back off, waiting to see if LCDC improves during this biennium. If not, there will be an all-out push for repeal in 1983. We learned later that Eldon, at Jack Faust's suggestion, had an hour-long visit with Ike to see if Eldon could dispel any of AOI's fears. No reported results of that meeting.

Lloyd Anderson called to let us know that Bill Fast has been causing some embarrassment and problems for the commission. Many of these problems were reported in a previous memo to you from Glenna. Not reported to you was the problem of Bill Fast pressuring staff at the ship repair yard to provide special parking privileges for his union people. Lloyd has instructed staff that no one receives special privileges. Lloyd and I agree there is a potential for future trouble, but I asked that he take a wait and see attitude and if things don't settle down, let us know. He will keep us informed.

Lloyd reported that NOPE (No on Port Expansion) in Clackamas County is beginning to heat up over the airport development in that area. Lloyd is handling everything as closely as possible in order to keep the Governor's office out of the situation. Lloyd is concerned about the Department of Economic Development's attitude toward tax free revenue bonds. Apparently John Groupe, Ken Self and others are pressuring the port to handle some of these bonds. The port's position is that the bonds should be utilized more narrowly than they are plus they are committed to their different objectives by law. Suggested that Lloyd Anderson, John Groupe and Ken Self get together and discuss this to see if they can resolve among themselves.

As you recall, Darrell Ralls and I called you regarding the potential purchase of the Ambassador Apartments. The state is being pressured to purchase these apartments or be threatened for lawsuit based on implied condemnation procedures. You suggested that Darrell Ralls explore with their attorney the possibility of a purchase option. No report has been received back from Darrell.

Lynn Frank called, requesting that Brother Rafael Wilson of EFSEC be reimbursed for his travel from San Francisco to Portland for a council meeting. I denied the request on the basis that he should only be reimbursed from his permanent residence legally and we have maintained the position that his permanent residence is in fact Portland in order to retain him on the council.

December 3

Floyd Shelton called to tell you of the announced consortium of Burlington Northern and NERCO, and further advised that Pan Ocean has now joined the consortium.

Senator Packwood called to advise us he had been interviewed by the FBI on the appointment of the U.S. Attorney.

Ike Congleton called to recommend that LCDC select an outside person for director and recommended Pete Snedecor, retired from PGE. He further stated he would not want to see Eldon Hout appointed, but maybe Jim Ross, which is a turnaround from previous reports.

On the first day of the Emergency Board the Economic Development Department was denied their \$100,000. On the second day the full committee reinstated \$12 or 15 thousand of the \$100,000 request.

Bob Oliver and I had a long conversation with Leo Hegstrom regarding the following. Ellen Schneider, who made a feeble attempt to receive support from the Governor's office for her maintaining a current state position while campaigning for Mayor and when elected. I referred Ellen to Leo. Leo has had no conversation with Ellen. His position is that it is doubtful Ellen could perform her services for the state either during her campaign or if elected.

We fully discussed the allegations against Karen Roach. These appear to be serious allegations, except they have all been handed down anonymously. Karen is taking a direct approach with her staff and a full report answering the allegations will be delivered to our office. We also discussed a separate allegation that Karen was prohibiting lobbying activities by certain individuals outside state government but funded by CSD. Leo will check into further.

We further discussed general problems in the corrections area, namely the pen and OSCI. The discussion centered around management problems, reported both formally and informally. Leo will pay closer attention and let us know of any specific situations.

Wes Kvarsten was convinced this day that his last day in state government should be December 16. He will go on vacation that day until January 4, 1982 when he will be off the state payroll.

December 4

Denny Jones called in support of Al Riebel for insurance commissioner. I suggested he also make Jane Huston aware of his feelings.

As reported to you on the 7th via telephone, Jim Thayer called on the 4th asking that we let you know that both Governors Spellman and Herschler would be at the meeting in Honolulu. They felt you should be apprised in case you wanted to change your mind and attend.

Talked with Lorin Jacobs following a report from Shirley Woodrow that Hallock and Day had both given five minute remonstrances on how pleased they were that Eldon Hout would be or had been selected as LCDC director. Lorin assured us the appointment had not been made, that they were soliciting applications and anticipated meeting on the 10th for interviews of the applicants. Lorin further stated he would be urging the commission to look within the department for the director. He was not positive a decision would be made on the 10th, but had high hopes it would be.

December 7

Sharon Page called. Had received word that you would be introducing Secretary Watt at the \$25 reception and the \$1,000 per plate dinner on December 18. Denny and I discussed this and expressed our concerns about your being too closely allied with Watt when he is in Oregon. We also received a report that Ernie Galardo has been recruiting someone to run against you for Governor. A further report received was Mike Fitzgerald would run against Bob Smith and when asked what the difference is between him and Bob Smith, his reply was, Smith is an Atiyeh Republican and I am a Reagan Republican. We are working to confirm these rumors.

Jane Huston called to report her choice for insurance commissioner would be Jo Driscoll. You and I talked on the telephone to confirm your position. It was your suggestion that if Jo Driscoll was in fact the choice, maybe Al Riebel should be offered the deputy position. Related this to Jane, and she did as you suggested. Al considered the position for approximately an hour and called back and declined.

George Lewis, WCB, called and wanted you to be aware that they had discussed the budget situation and would be willing to reduce their salary if that was your approach.

We discussed Ray Thorne's request to send a letter to Senators Packwood and Hatfield much the same as that sent three weeks ago and was approved by you then. It appears that the feds will be cutting up to 12 percent of the UI which would then require the Employment Division to close another 7 or 8 offices and would render them really inoperable.

Dick Kreitzberg of Salem called expressing considerable concern that OLCC is harassing Illahe Country Club. Dean Smith and I will be meeting with him and other representatives of Illahe on Wednesday, December 9. Full report to follow.

Kim Whitman visited with me and expressed interest in coming back to work for state government. His particular interest would be Economic Development, LCDC and Board of Parole. I have Kim's resume and am impressed with him. Think he is someone we should keep in mind. His real expertise would be in the area of economic development, an area I think needs close scrutiny.

Dr. Drips called and wanted you to know that you are a perfectly healthy specimen and all your lab work was perfect. He also called to lobby for the next appointment to the Board of Medical Examiners. Apparently the next appointment comes from the osteopath segment. Shirley has been provided a list of three candidates with the number one appointment recommendation listed as Tony Cortese. Dr. Drips endorses Cortese strongly, even though he has served two terms, was off one year and now wants to come back on. Dr. Drips indicates he is a bright, dedicated individual and has recently been elected to the National Medical Examiners Board. He feels this would be a healthy resource for our local board. Although Tony Cortese has served before, Dr. Drips does not want that to be a deterrent. The current board member is totally ineffective -- always attends the meeting, but makes no contribution. The DOs have no other bright lights available, and although it may be our tendency to appoint a woman, Dr. Drips feels all negatives should be overcome with Tony being appointed. Jen Jernstedt also made the same approach. As I understand, this is an appointment you will be considering on December 24.

December 9

Eldon Hout spent an hour with Ike Congleton in the hopes that he could dispel some of Ike's fears over his being appointed Director of LCDC. Ike reported to me that it was a less than successful visit and he still is convinced Eldon is not the man for the job. Further, Ike wants the upcoming two vacancies on the commission looked at and wants to provide input to the appointments.

Stub Stewart called about the pending LCDC appointment. Feels it would be politically unsound to make that appointment at the Thursday meeting. Stub is very much against either Hout or Ross being the chosen candidate because either would create a bad political environment for the Governor. He also tossed into the hat Warren Gaskil's name, who currently is the Deputy Superintendent of State Parks retiring December 31.

Illahe Country Club:

Dean Smith and I met with Al Kuster, manager of Illahe, outgoing president Dick Kreitzberg and the incoming president, regarding the harassment charges against OLCC. Illahe has had four OLCC visits in less than one year.

(1) At the first visit OLCC advised Illahe that any member could not have more than three guests at one time. Because no specific wording could be found in the law, Illahe, on the advice of their attorney, challenged OLCC. Following that challenge OLCC backed off.

(2) Two inspectors visited Illahe on another occasion, seated themselves for luncheon, and were served both drinks and lunch. Immediately following they identified themselves and took the waitress to the back room and made charges that they were serving non-members. Allegations from Illahe were that they had physically grabbed the waitress and intimidated with the badge. It is the feeling that the only thing proved by this visit was that they had served non-members. Also during this same visit they audited the books and questioned some of the reservations as non-members. Illahe admitted they had violated the rule in allowing non-member groups to utilize the facility and promised compliance with the law.

(3) OLCC did a second audit of the reservation book and questioned a wedding reservation where it appeared the host was a non-member. In fact, at the time of the wedding reception the host was a member but subsequently dropped his membership. They also questioned a reservation for Ducks Unlimited on the basis that it was a University of Oregon, a non-member. Illahe explained to them that Ducks Unlimited was a sporting group and did hold a membership and it was a legal reservation. OLCC also questioned a reservation on the books for U. S. Savings Bank -- a seminar being conducted by three individual members of Illahe. In further checking it was verified that U. S. Savings Bank also holds a corporate membership with the club. None of the questioned reservations resulted in any charges.

(4) Another visit by OLCC again resulted in a charge of serving a non-member lunch and drinks and at the time the club was cited for violating the rule.

The rule that pertains to no service of non-members apparently was formulated in October 1980 as a result of a task force and is the rule by which Illahe feels they are being harassed. Dean Smith expressed his feeling that Illahe was bracing themselves on this rule. Illahe maintains that, yes, they are fighting the rule, but they are not bracing OLCC, but their attorney advises the rule is not an obvious one and not in the law. One thing that compounds the issue is that Rube Worster, who is a member of the club, owner of the Colonial House, and also serves on the OLCC, has been present at each of the four visits from OLCC. Illahe maintains that Rube

seldom uses the club and it seems more than coincidental to them that he should be present each time OLCC makes their visit. In short, Illahe is alleging that Rube is behind the harassment because of his fear of unfair competition against his own establishment.

I asked, and they agreed, that representatives from Illahe Board of Directors meet with Dean Smith and/or his chief investigator to resolve the confusion concerning the rules and lay to rest the fears of harassment.

Bob Crumpton, OEA, visited with me to let us know that Monday OEA will hold a press conference to announce that they are supporting an increase in excise tax, an income tax surcharge of 5 percent, and 11-12 percent steps on income tax. They feel this would offset 50 percent of the state's current deficit.

Bob Montgomery has reported (verbally to you by Denny Miles) that it is obvious Chief Anson's Fire Chiefs' resolution for non-support of Governor Atiyeh failed miserably. Only one vote (his own) in favor of the resolution.

Insurance industry -- we are receiving lots of lobby against the elimination of the continuing education program.

Bob Smith, as reported to you by Denny, advises the revenue shortfall is not quite as short as expected. Rather than \$248m, it is actually \$238m, \$11,345,000 short of what was originally reported. Contributing to this difference are weatherization credits, political party checkoff credits, foreign income credits, HARRP refund offsets and other fine-tuning items.