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GOVERNOR JULIUS L. MEIER ADMINISTRATION

January 12, 1931 to January 14, 1935

Governor's Message, 1931

Source: STATE OF OREGON MESSAGE Of Julius L. Meier, Governor To the Thirty-sixth Legislative Assembly 1931

To the Honorable Members of the Legislature of the State of Oregon:

We are assembled here today to consider and determine ways and means to advance the general welfare of the state and its people.

As the regularly elected members of this, The Thirty-sixth Legislative Assembly, you are convened to provide revenue for the administration of the state government, to examine into its departments and institutions and to enact needed legislation.

As the regularly elected executive, I appear before your body to confer with you as to the condition of the state generally and to recommend such legislation as I may deem beneficial.

It is your prerogative to accept or reject these recommendations.

It is the executive's prerogative to approve or veto any legislation you may enact.

It is your prerogative to sustain or over-ride any such vetoed legislation.

It is the prerogative of the people, in turn, to invoke the referendum against any legislation which may be enacted if they deem it inimical to their best interests.

In this connection, may I direct your attention to the fact that it has been a rather prevalent practice on the part of past legislatures to affix the emergency clause to appropriation bills, thereby denying the right of the people to invoke the referendum against this class of legislation. Consequently I recommend that you attach the emergency clause only to legislation where a real emergency exists.

LEGISLATURE TO RAISE REVENUE

In this connection, may I also call your attention, as did the late Governor Patterson, to Section 2 of Article IX of the State Constitution, and Section 6 of the same article.

Section 2 provides: "The legislative assembly shall provide for raising revenue sufficient to defray the expenses of the state for each fiscal year, and also a sufficient sum to pay the interest on the state debt, if there be any."

Section 6 provides: "Whenever the expenses of any fiscal year shall exceed the income, the legislative assembly shall provide for levying a tax for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency as well as the estimated expense of the ensuing fiscal year."



It was clearly the intention of the framers of our constitution, under these two sections, to not only lodge responsibility in the legislative assembly for raising revenue to defray the operating expense of the state government, but to also provide ways and means for meeting just such a situation as the present state deficit which our treasury has been confronted with for several years past, and which now totals approximately \$2,500,000. ABOLISH MACHINE RULE

In the past the legislature has been severely criticized because of machine rule and its attendant evils of log rolling and trafficking in legislation.

Past legislatures have also been severely criticized on account of their subserviency to the special interests lobby, excess legislation and extravagance.

As your executive, it will be my policy to consider all legislation strictly on its merits, to approve only such as I believe essential for the welfare of the people, and to keep governmental expenses down to the lowest level consistent with efficiency. To accomplish this I need and am confident of receiving your hearty cooperation.

Let us unite in making this session of such a high type that it will be free from the evils I have recounted—of such a high type that it will go down in history as Oregon's most progressive, constructive and economical legislative assembly.

With these preliminary observations I will now proceed to recommend legislation I deem essential of enactment.

THE JOSEPH PLATFORM

The platform on which the late Senator George W. Joseph was nominated for Governor in the May Republican primary, and on which I was elected to this office as an Independent in the recent general election, comprised the following planks:

First—Freedom of speech and justice.

Second—Abolition of the Public Service Commission and the substitution therefore of equitable utility regulation, with a Home Rule provision for municipalities.

Third—Government, state or municipal development of our water power resources without cost to the taxpayers so that cheap power may be made available for industrial purposes and domestic use in our cities and rural communities.

DENIAL OF FREE SPEECH DOUBLE WRONG

The free speech and justice plank was precipitated by the disbarment of Senator Joseph on account of his criticisms of the conduct and decisions of two members of the Supreme Court—an issue on which he was vindicated by the people through his nomination to the Governorship.

In a republic it is absolutely essential that there be freedom of speech.

Without free speech there can be no ascertainment of the truth, no progress, no advancement on the part of the state or nation.

Every citizen, be his station high or humble, has the right to give his reasons for the course he pursues and the suppression of this right constitutes a double wrong—it denies the right of one to speak and the people to hear.

The law is presumed to protect free speech, even to voicing wrong ideas, for every citizen has the right to his opinion. It is better a thousand times that the right of free speech be abused than that it be denied; for the abuse dies in a day, but the denial of free speech strikes at the very foundation of our American form of government.

PUBLIC UTILITY REGULATION

Regulation of public utilities is one of the most important functions of state.

In this state it involves valuations running into hundreds of millions of dollars, the fixing of rates and charges collected from the public running to tens of millions of dollars annually, and supervision over many of our largest and most important business enterprises.

Transportation companies, power, gas telephone and other public utilities touch the health, the comfort, convenience and purse of almost every citizen. The rates they are permitted to impose and collect are almost as widely distributed as public taxes.

Holding companies, inter-locking directorates and other corporate devices have been and are being used to confuse financial operations, outlays, earnings and other phases of public utility management, and add to the difficulties of rate making and regulation generally.

At present in this state there is no real competition among public utilities even though engaged in the same line of business. In fields where two or more utilities offer the same type of service competition is effectively prevented by regulation of the Public Service Commission and by agreement between the utilities, or both.

Since 1911 the regulatory powers in this state have been vested in what is called the Public Service Commission.

The underlying purpose of creating the commission was to provide a sufficient instrumentality to represent the people in securing adequate service at reasonable rates. The necessity for such an instrumentality arose out of the fact that the public is not organized or equipped to meet public utilities on equal terms in controversies over rates and service.

With the personnel of this commission I have no quarrel, as the regulatory machinery under which it operates has imposed upon it a task impossible of performance.

ABOLISH PUBLIC SERVICE COMMISSION

Because regulation as it now exists in this state has proven an utter failure, I recommend abolition of the Public Service Commission as now constituted and the creation of a Department of Public Utilities to consist a single commissioner, and with a salary adequate to secure the services of a man of experience and first class ability.

In addition to being vested with powers which the public service commission may now exercise, such commissioner should be charged by law with the specific duty of representing the public in all controversies with utilities affecting rates, valuations and service, and his chief duty should be to protect the public on any and all occasions to the end that the people may obtain adequate service at fair rates.

Such commissioner should also have supervision over the issuance of all stocks, bonds, securities and obligations by utility companies, all consolidations, mergers, purchases and sales of property by them, except insofar as jurisdiction concerning such matters may be vested in a Hydro-electric Commission concerning projects constructed or operated under license issued by such commission.

I recommend further that legislation be enacted extending the Home Rule principle, with adequate safeguards, to municipalities so that they may enjoy, if they so elect, the right to contract by franchise, or otherwise, with any public utilities as to rates, service and facilities within their respective boundaries.

I recommend further that the so-called Certificate of Convenience and Necessity Act, under which all competition is barred in the utility field, be repealed.

I recommend further that legislation be enacted limiting and circumscribing the right of one public utility corporation to contract with another corporation for service, or the use of property, or the purchase of property or supplies, when:

The public utilities corporation owns the majority of the voting stock of the other contracting corporation, or;

The majority of the voting stock of the public utilities corporation and the majority of the voting stock of the other contracting corporation are owned by a third corporation.

GOVERNMENT DEVELOPMENT OF WATER POWER

Initial steps toward the development of water power in accordance with the policy of the Joseph platform have been taken in connection with the Umatilla Rapids on the Columbia River—bills having been introduced in Congress for the construction of this project. With the late Senator George W. Joseph, I was one of the early advocates of this water power development, and am now President of the Umatilla Rapids Association.

The Umatilla Rapids project, which has been appropriately described as the Boulder Dam of the Pacific Northwest, contemplates flood control, navigation and reclamation, as well as the development of 420,000 continuous horse power at a generation cost of 1.2 mills—the lowest rate in America.

With some additional improvement, the Umatilla Dam would canalize the Columbia River to the mouth of the Snake—a distance of approximately 360 miles. Once canalized this stream would come within the purview of the Inland Waterway Transportation Act, under which cheap barge transportation could be made available.

The bill now pending in Congress adequately safeguards the rights of the people.

Provision is made in the measure for a division with the states of Oregon and Washington of power revenues after the retirement of construction costs, and which revenues will materially reduce our tax burden.

Under its provisions municipalities are also given preference rights in the purchase of power developed.

The Umatilla Rapids Project is directly in the public interest.

It is necessary as a national defense measure.

It will prove an aid to agriculture, lower transportation charges, reduce production costs, stimulate industry, encourage commercial expansion, relieve the present employment depression, create a demand for structural materials and food supplies, and pave the way for the development of the state's latent resources.

As a federal development, the project will provide a source of cheap power for utility districts which may be organized in accordance with the Grange Water and Power District constitutional amendments adopted at the recent general elections in the states of Oregon and Washington.

It is entirely in harmony with the water power program to which my administration as Governor has been committed by the mandate of the people of Oregon, and I urge vigorous support on the part of all citizens in favor of this project and recommend that your body memorialize Congress for its immediate construction.

CONSERVE STATE'S POWER RESOURCES

Oregon has within its boundaries water power resources capable of producing approximately 6,000,000 horse power.

Most of this natural resource is still dormant, approximately only 350,000 horse power—a little more than five per cent of the potential power available having been developed.

These vast water power resources belong to the people of Oregon and should be preserved and developed for their benefit and that of future generations.

I, therefore, recommend the enactment of legislation creating a Hydro-electric Commission of three members to serve without pay, one of whom shall be, ex-officio, the State Engineer, and which commission shall have jurisdiction over the use and development of the water power resources of this state for the generation of electricity.

It should be the duty of this commission to investigate and study the water power resources of the state, the most feasible method for the development and utilization thereof, including development costs and available markets for power, and it should cooperate with the federal government and adjoining states in regard to any projects in inter-state waters.

The commission should have the power to issue permits to enable private corporations and municipalities to make the necessary preliminary investigations as to the feasibility of a proposed project, which permits should be limited as to time, be issued upon conditions that will require reasonably prompt action and terminate upon the expiration of the period specified therein.

The commission should also have the power to issue licenses under which projects might be constructed and operated and should be given the discretion to refuse any application for a permit or a license.

The license should specify the conditions upon which the project should be developed and operated.

Provision should be made for the accurate ascertainment of the legitimate actual investment in any project constructed under a license, and the utility corporation, whether private or municipal, constructing and operating a project under a license should be limited to a reasonable return upon the actual legitimate net investment thereof.

Provision should also be made for the set up of amortization reserves for the payment or reimbursement of the invested capital so that during, or at the expiration of the license, the invested capital so far as practical could be repaid.

GIVE MUNICIPALITIES PREFERENCE

Preference should be given to the application of municipalities, and a municipality or the state should have the right to take over the project upon payment of an amount not exceeding the actual investment at the time of its acquirement.

The legislation should contemplate that at some time the capital invested in any project should be repaid out of earnings so that the project could revert to the state, to be disposed of or operated under such legislation as the state might hereinafter enact.

A reasonable annual charge for each horsepower embraced within the license should be paid to the state of Oregon.

Under such regulation our water power resources would for all time remain the property of the State, private corporations and municipalities would be given the right under a license to development and use of the same and the state would obtain reasonable compensation for the use of its waters in the generation of electricity.

Moreover, the rates paid by the people would be based upon the actual legitimate net investment in the project. The public would be protected against the issuance of corporate stocks and bonds against such project in excess of the actual investment, the capital invested therein would be assured of reasonable return upon the money actually invested and the repayment through amortization reserves or the purchase or other acquisition of a project by a municipality or the state by the repayment of the actual net investment.

Finally such regulation would eliminate speculation in an unsound promotion of water power sites and water power resources, and would serve to guard more adequately the public interest, and the capital invested whether by a municipality or a private corporation.

Legislation has been drafted covering these subjects and will be presented early in the session for your consideration

WATER POWER DISTRICTS LEGISLATION

At the recent general election the people of the state enacted the People's Water and Power District constitutional amendment, initiated by the Oregon State Grange.

This amendment is an enabling act which authorizes the creation of utility districts for the public development of power, either independently or cooperatively. Supplementary legislation will be needed to make this amendment operative. I am informed this legislation has been prepared for submission to your body by the Oregon State Grange, and I commend it to your favorable consideration.

SALVAGE OREGON IRRIGATION DISTRICTS

Oregon has a total of 63 irrigation districts organized under state laws.

Of these, 46 are active and include within their boundaries approximately 444,688 irrigable acres.

Bonds totaling \$12,330,000 have been sold in connection with those projects, of which \$11,871,000 have been certified by the State.

The State guaranteed the interest on \$9,384,000 of these bonds and has paid interest aggregating \$2,168,260.

Fifteen irrigation districts are now in default in payment of interest and principal on their bonds.

In accordance with the bonding act of 1927 the State Reclamation Commission has undertaken the re-organization of ten districts, which are in various states of progress.

It is believed that little, if any, legislation is needed to aid in the settlement of the irrigation difficulties, and that the program as now under way can be successfully carried out and a considerable number of the districts salvaged.

BONDED DEBT SECOND IN U.S.

Oregon's bonded indebtedness is the second greatest per capita in the United States, South Dakota occupying first place.

According to the State Treasurer's report the debt of the State and its political sub-divisions totals \$230,198,116.47, of which sum \$218,153,345.71 represents outstanding bonds, and \$12,044,770.76 warrants and other obligations. Included in the total are highway bonds aggregating \$28,966,750 and the Soldiers' Bonus Bonds aggregating \$27,250,000.

Against this indebtedness the State and its municipal corporations have sinking funds aggregating \$44,557,491.24, leaving a net debt of \$185,640,625.23.

Were this outstanding indebtedness of the State and its political sub-divisions distributed uniformly over its entire area it would represent a per capita debt of approximately \$195 for each inhabitant of the State, and approximately 16.5 per cent of the assessed valuation of all property in the State.

It is estimated that during the last 13 years the State of Oregon has paid the gigantic sum of \$25,999,492.22 in interest on its bonded indebtedness.

It is further estimated that it will cost the State an additional \$27,447,017.77 in interest on outstanding bonds before they are finally matured.

These are stupendous figures and emphasize the need of rigid retrenchment in the future on the part of the State and its sub-divisions to the end that our outstanding indebtedness may be reduced to the lowest possible minimum consistence with progress and advancement.

STATE REQUIREMENTS MORE THAN \$60,000,000

According to the report of the State Budget Commissioner the financial requirements of the state for the ensuing biennium total more than \$60,000,000.

Of this amount \$17,444,889 represents continuing appropriations and millage taxes, from which sum there are to be deducted license and fees aggregating \$214,000 leaving a balance of \$17,230,889.

The state deficit is estimated at \$3,091,175.10, included in which is \$588,691 in the way of deficiencies authorized during the past biennium, and when this sum is added to the above balance we have a total of \$20,322,064.10.

The remaining forty odd millions represents revenue derived from various sources and expended by various so-called self-sustaining boards, commissions and departments.

These self-sustaining boards, commissions and departments expend this giant sum without being subject to the restraining hand of either of either the legislature or the executive.

In fact, out of the sixty odd million estimated for the administration of the state government for the ensuing biennium the executive officially approves less than nine million.

I recommend a policy be formulated whereby these departments must appear before the Ways and Means Committee and justify their expenditures in the same manner as state departments dependent upon direct appropriation from the legislature.

I recommend further that the legislature probe into state expense accounts with a view of establishing a standardized expenditure system for various state departments to the end that extravagance be avoided.

Economy was a dominant pre-election pledge of you as members of the legislature, as well as myself.

It devolves upon us to redeem this pledge, and to do so we must make economy the keynote of this Thirty-sixth Legislative Session.

Everything that concerns expenditures merits your most serious consideration.

We should pursue the same principle where state funds are involved that we do when our own money is concerned.

We would then insist on one hundred cents of value for every dollar expended, and we should insist upon the same full measure of value where a dollar of the people's money is expended.

TAX PUBLIC POWER PLANTS

The program I advocate for the development of the State's water power resources and its industrial expansion has an important bearing on the future of taxation in Oregon.

While favoring the public development of water power, it is not my policy to exempt such development from taxation.

Were the districts within which the development occurs the only jurisdiction to be considered the exemption would be of no great concern.

But, it must be borne in mind that such districts, municipal or otherwise, are parts of wider jurisdictions and that such exemption would throw an increased burden of taxation on citizens not participating in the benefits of the service.

To subject such properties and developments, whether private or public, to the same general rate of taxation would mean that a part of the advantage that springs from hydro-electric development would accrue generally to the people of Oregon.

With the development in the fullest desirable degree of cheap hydro-electric power, Oregon will become the seat of flourishing industries, especially those that utilize raw materials, the products of our forests and our farms.

Moreover, such industries will sell on the interstate and foreign market and derive from without an income and tax-paying ability that can be reached by levies on plant and by properly adjusted taxes on income or volume of business.

We must, of course, as development occurs expect some additions to state and local budgets, but in the nature of things the public expenditure will not increase as rapidly as the increasing capacity to pay, and the taxpayers' burden will be lightened by the wide diffusion and the relief that comes through augmenting tax paying ability by developing the latent resources of Oregon.

REAL PROPERTY TAX BURDENSOME

Approximately \$60,000,000 are collected annually from the people of Oregon by state and local governments in the form of taxes---or approximately one dollar out of every ten that accrues to them in the form of income of every description.

More important than the grand total of the tax burden is the undue concentration of the load upon property and real estate.

Fully 80 per cent of these contributions to public expenses is taken from property, and due to the shrinking percentage of total assessments in the form of personal property some 88 per cent of property taxes is borne by real estate.

While real estate does not account for one-fifth of the income of the people, yet under the existing system it is compelled to bear seven-tenth of the cost of local and state governments.

The rate of taxation has soared to a point in at least seven Oregon cities where it exceeds six per cent on the true cash value of property, and in fourteen it rises above five per cent.

Nor is this evil confined to the cities.

Farm lands are everywhere bearing the same disproportionate share of taxes for the support of rural institutions and timber lands for many years waiting a market for their product are subjected to successive annual levies at increasing rates that threaten to extinguish their value.

Each returning session of the legislature was confronted with the problem of property tax relief in more insistent and compelling form until the assembly of 1929 made some provision for relief to the overburdened property owner, and the full measure of relief afforded should be continued, and if possible extended.

Agriculture and lumber were already languishing before 1929, and since then have felt the full effect of nation-wide depression.

As farming and lumbering constitute two of our basic industries it is essential to restoration of prosperity in the state that they be brought back to normalcy.

CONSOLIDATE ADMINISTRATIVE AGENCIES

One of our great problems is the increasing cost of government.

Latent powers have been invoked with the result that government has become more and more complex--- more and more expensive.

Regulation has assumed the widest possible scope

Few, if any, occupations, trades or classes of employment have escaped. A mass of legislation, more or less of it ill-considered, has been enacted.

Administrative agencies have multiplied to a bewildering degree.

Several separate commissions now exercise jurisdiction over matters affecting agriculture, several boards administer our labor laws, several agencies our health laws, and several departments control our finances, with little or no effective coordination between them.

Deviaton rather than concentration and responsibility marks our system.

Legislation should be enacted consolidating these multiplied agencies into single departments, which would result not only in greater efficiency, but in economy of administration.

The executive is held responsible for the conduct of the state government and his executive functions should be discharged through a limited number of agencies over which he may exercise actual control. In the present state of bewildering confusion the Governor cannot exercise the effective supervision and control which the people have a right to demand.

CRIME COSTS NATION BILLIONS

Crime has become one of the biggest industries in the United States, its yearly return being approximately \$13,000,000,000.

It is estimated that crime costs our nation twice as much as the national budget, more than we loaned our allies during the war, and approximately one-half as much as this country expended in the prosecution of the World War.

Last year approximately 12,000 persons were murdered in this country. This is an appalling figure, representing approximately three times the total loss of life in the Spanish American War.

Oregon is no exception. Like all other states, Oregon has its crime problem, probably not as grave as some, but nevertheless a serious one.

The question naturally arises as to where the blame lies for this deplorable condition.

Does it lie in our police machinery, our judicial system, or misuse of the parole and pardoning power.

While responsibility probably does not lie wholly at the door of any single one of these agencies, the attempted enforcement of our penal laws by different sets of law enforcing officers, who not only fail to cooperate but are often in opposition to one another, is largely to blame.

We have a set of officers to enforce the fish laws, another to enforce the game laws, another to enforce forestry laws, another to enforce the traffic laws, another to enforce the prohibition laws, another to enforce the arson laws, and finally sheriffs, constables and policemen, all of them more or less isolated units, to enforce generally the laws of our State and the ordinances of our cities.

CRIME REMEDY IN STATE POLICE

Oregon has no single body whose duty it is to bring to justice those who commit offense against the laws of the state.

Eight American states—New York, New Jersey, Rhode Island, Connecticut, Pennsylvania, West Virginia, Michigan and Massachusetts—have instituted State Police Departments, to combat the crime problem, and effect a more efficient administration of our criminal laws generally.

These State Police not only enforce criminal laws generally, but also enforce the traffic, forest, game and prohibition laws.

Probably the three principal factors which are fostering the creation of State Police Departments are the use of automobiles and paved highways in the commission of crime, the necessity for cooperation in rural communities in the apprehension of criminals and the need of organized preventive factors.

In America the sovereign power resides in the people who speak through the law.

Consequently whenever a law is disregarded the sovereignty of the people is challenged and no sovereign power can long endure unless it has the vigor and will to vindicate itself.

The best law badly administered is worse than none.

As executive of the state I am charged with the execution of its laws, and I am convinced that to enable me to rigidly enforce them Oregon must emulate the successful example of other states and establish a State Police System.

It cost the State of Oregon approximately \$910,000 during the last biennium to enforce traffic, fish, game, prohibition, forestry and arson laws, and the estimated requirement for the ensuing biennium is \$1,088,100.

A State Police System ought to save the people of Oregon at least one-third and possibly one-half of this huge expenditure.

SIMPLIFY AND CURTAIL LEGISLATION

I earnestly urge the legislature to curtail, so far as possible, the volume of legislation enacted.

Broadly speaking, we have too much legislation, too many statutory rules of human conduct which are either forgotten or disregarded.

A law which is habitually disregarded, which prescribes penalties that are not enforced, is worse than no law, because its violation with impunity breeds lawlessness.

Laws which are not to be enforced should be repealed.

Laws which remain in the statute books should be vigorously and fearlessly enforced.

I believe that the influence of the home, of parental admonition and restraint, of the church, schools and other social agencies for building character is the most potent enemy of lawlessness, and that without this salutary influence social order and good government are impossible.

OLD AGE SECURITY

Old Age Pensions have been adopted in a number of states and I recommend the adoption of similar legislation in Oregon.

Old Age Pensions are not charity and we must not allow them to appear as such, as it is the duty of the state to provide for the aged.

The poorhouse should be abolished forever.

SCHOOLHOUSE FORTRESS OF DEMOCRACY

Civilization itself depends upon our public schools and higher institutions of learning.

Next to the home our schools exert the greatest influence on the character of citizenship.

From our schools have come the men and women who have left their footprints on the sands of time.

Consequently, the most important business of the state is the training and education of our children. Education should be free to everyone—free as the air we breathe.

In my platform I advocated free text books and I now recommend to you the adoption of such legislation so that children of the poor will be on equality with children of the rich. There must be no exclusively educated, no superior class in America.

EX-SERVICE MEN ENTITLED TO PREFERENCE

The men who did not hesitate to offer their lives on the altar of their country in time of war should have first call on state employment.

The veteran is proud of the service he rendered his country and puts no price upon it.

He does not ask that he be given employment over men more competent.

But he does deserve first attention when qualifications are equal and should receive this consideration at every opportunity.

The matter of rehabilitation and hospitalization of the wreckage of our last great war is a tremendous problem which is being met by the federal government. The state should cooperate with federal agencies whenever possible to lighten the burden and the pain of those for whom the war has never ended.

SUPPRESS NARCOTIC EVIL

The last legislature created a commission to study narcotic conditions in Oregon and other coast states, with a view of drafting legislation to more effectively suppress this evil.

I am informed that this commission has prepared for introduction a code patterned after the uniform narcotic law endorsed by the American Bar Association, and I commend it to your favorable consideration.

PROTECT FISH AND GAME

Our commercial fisheries constitute the state's third greatest industry, and our fish and game resources, together with Oregon's scenic wealth, constitute one of the strongest attractions to visitors.

These fish and game resources are the common property of the people, and their protection and propagation are of the utmost importance.

This great heritage can only suffer if permitted to become the spoils of politics.

A careful, scientific field survey of our game life is needed, as we know so little of the habits of game birds, animals and fish.

In connection with our game affairs we are spending approximately \$400,000 annually, a huge sum to be spent without some basic facts and a more careful check on results.

STREAM POLLUTION MENACE

With the building of mills, factories, manufacturing plants and the growth of towns and cities along our waterways, a number of Oregon streams are facing ruin and others are threatened.

The wastes of industries and the combined filth of municipal corporations are dumped into public waters to such an extent that some streams are like open sewers, spreading disease to people and destroying fish-life.

It is subject deserving of your serious consideration and appropriate remedial legislation.

A NON-PARTISAN JUDICIARY

In my opinion, the non-partisan judiciary is essential to a better administration of justice in Oregon.

It is not the function of any court to adopt or enforce party principles.

Consequently, it is immaterial what a Judge's political affiliations may be, but it is tremendously important that he be upright and qualified from a legal viewpoint to fill the position he occupies.

Our judiciary is the bulwark of our liberties—the rights of men and the rights of property rest in its hands. This being true it is absolutely mandatory that our courts be maintained free from even a suspicion of bias or political partnership.

SALARY RAIDS DENOUNCED

Past legislative sessions have been subjected to what has been characterized by the press of the state as salary increase raids on our State Treasury, and I trust that no such legislation will be presented during this session.

I firmly believe whenever any official accepts public office he impliedly contracts with the public to discharge its duties at the salary fixed.

PRESERVE STATE SCENIC WEALTH

Unrivalled in mountain and forest scenery, picturesque rivers and angling streams, Oregon is destined to become one of the great playgrounds of America.

Much of this marvelous scenery is already accessible through the state's magnificent highway system and more and more of it is being made so each year.

Since this scenic wealth constitutes one of the state's greatest assets, it is essential that we fully preserve and protect it. We should save our forests along our remaining highways, protect our sea beaches, add to our roadside parks, and finally maintain our highways free from commercial ugliness and beautify them by planting trees and shrubbery.

PRACTICAL HIGHWAY CONSTRUCTION

Since the inauguration of its highway program in 1917 Oregon has expended more than \$130,000,000 in road construction.

The maximum amount of bonds issued in connection with this construction work was \$40,200,000 and, including \$1,500,000 issued to match federal aid, there were outstanding on January 1, 1931, bonds totaling \$28,966,750.

We are now at the peak of the requirements of bond maturities and interests, the total for this year being \$3,361,522.13, and that for next year \$3,275,475.15.

The estimated revenue for this year is \$14,870,000, and there was a balance of \$2,000,000 on hand the first of the year, making a total of \$16,870,000.

The estimated requirements for the year, including contracts already awarded, interest on bonds, cooperation on forest road work, and maintenance aggregate \$11,956,522, leaving \$4,913,478 for new construction.

I favor a continuance of our highway program along practical and sound lines, with liberal consideration for our present unemployment situation, which it will be my most earnest endeavor as Governor to relieve.

REPEAL MILLAGE MARKET ROAD TAX

Moreover, I believe that our highway program has progressed to the stage where the State Highway Fund should absorb the one mill Market Road Tax which has been levied on property for the past eleven years.

This tax totals \$1,125,165.59 for this year, and in view of the fact that Oregon is well in advance of practically every state in the west in road building, and in view of the further fact that the taxpayers in general, and those of agricultural sections in particular, are in urgent need of tax relief, I recommend that the tax be repealed.

TUNNEL LEGISLATION

I recommend for early passage legislation allowing the construction of highway improvements such as tunnels, roads and bridges by the Utility Certificate Method. This plan has been successfully employed for years in other states. It will bring to Oregon outside capital with which major highway improvements can be built and paid for with the income from the utility only, and when so constructed and paid for in full will become the property of the state without and additional taxation or bonding of the state. Such is the tunnel act that will be offered as a law in this session of the legislature. It will help immediately to relieve our unemployment situation, as about eighty per cent of this class of construction cost consists of labor.

OLYMPIC GAMES COME WEST

The Olympic games at Los Angeles during the summer of 1932 will bring to the Pacific Coast an unusually large number of eastern visitors.

At that time the searchlight of public interest will play along our shores of the Pacific.

While the stadium at Los Angeles will be the focal point of interest, the unrivalled playground of the west, our national parks, together with the lure of our splendid highways—including our wonderful new Roosevelt Highway which should be completed as speedily as possible—should be always in the picture.

We, of the Northwest, should join with other coast communities in the united effort to impress our prospective visitors with the lure of our great out of doors.

Above all, let every citizen be a welcoming host with hospitality and loyalty as unbounded as the land where rolls the Oregon.

AN AUTOCRATIC COMMISSION

As now constituted, the Port of Portland Commission is an autocracy. Although local in character its personnel is named by the State Legislature. Although empowered to levy taxes, it is a nowise amendable to the taxpayers of the district and although authorized to make public expenditures, it is accountable to no one. This commission is a law unto itself. It can enact ordinances, it can buy machinery and equipment, it can own property and reclaim land and build docks, and issue bonds. It can do any and all of these things when it pleases and as it pleases. It is the only political institution in the State—probably the United States—that can levy and collect taxes without giving the people a voice in the formulation of its policies and expenditure of funds.

In 1921 the legislature passed a law which was subsequently ratified by the vote of the people of the Port of Portland District vesting the appointment of its personnel to the executive. In 1925 the legislature overruled the will of the people by repealing this law and re-vesting the power of appointment in the legislature.

I recommend that the legislature carry out the will of the people expressed at the polls and re-enact the 1921 port law vesting the appointment of this commission to the executive.

REDUCE MOTOR FATALITIES TO MINIMUM

America pays annually a toll of 31,000 lives and almost a million injuries to traffic accidents, and the economic loss traceable to traffic complications has been estimated at approximately three billion dollars a year.

To this frightful toll the automobile is, by far, the heaviest contributor, this modern juggernaut being responsible for an almost endless list of killed and injured. Much of this in turn is due to unskilled, incompetent and irresponsible drivers.

Since 1916 eleven states have adopted motor vehicle driver's license laws providing for mental and physical examination for drivers, and adequate penalties for traffic violations.

Since the enactment of this legislation, the reduction in fatalities has ranged from 10% to 36%, the average reduction over seven of the states being 29%, and it is estimated that it represents a savings of 22,000 lives.

The states having no driver's license law with examination suffered a total loss of 19,000 motor vehicle fatalities in 1929, and Oregon unhappily was among those states.

I recommend that this legislature enact a drivers' license law patterned after the Model Drivers' License Law endorsed by the National Conference on Street and Highway Safety, and the National Conference of Commissioners on Uniform State Laws, and the American Bar Association.

CHILD LABOR AMENDMENT

I recommend adoption of the Child Labor Amendment to the federal constitution so that Congress may be authorized to enact legislation protecting and safeguarding childhood in America from exploitation by avarice and greed.

POPULAR GOVERNMENT

Oregon's direct primary law, initiative, referendum and recall have been refined in the fires of opposition and have stood the test.

During my term of office I will zealously guard these laws and combat with every means in my power any attempt to infringe, subvert, or wrest them from the people.

STATE BUDGET COMMISSIONER

I am strongly in favor of a budget system as it means intelligent state-wide planning. The head of this department should have the power to establish a uniform system of book-keeping as well as to inquire into the necessary expenses of every agency of the state. He should be vested with power to eliminate waste, extravagance and duplication of expenses. The state budget should be prepared and the executive submit it to the general assembly, not as an estimate of the different state departments, but as their financial requirement reduced to the irreducible minimum.

Two fundamental principles are involved in the preparation of a state budget. The first is that it must be made by the executive. The second is that the budget must be so made as to fix responsibility for increased expenditures so that after the Governor submits it to the legislature the responsibility for any increases, if there be any, is fixed upon that body.

RELATIVES OF WARDS SHOULD AID

Oregon cares for its wards—the insane, feeble minded, morally defective and tubercular patients—by direct appropriations from the legislature.

Other states exact from the relatives of these wards, when they are financially able, a reasonable charge for their maintenance.

California collected from the relatives of its insane more than \$500,000 for the year 1929, and the State of Washington approximately \$250,000 for the same year. IN the State of New York the paying patients account for 15 % of the commitments to the hospitals for the insane and were the same ratio applied to Oregon at the same rates the returns to the state would be more than \$100,000 annually. If a similar charge were imposed for persons committed to the institution for feeble-minded and the boys and girls institutions and the tuberculosis hospitals the annual returns to Oregon would total approximately \$200,000.

In view of the fact that it seems to be a general policy for other states to exact a reasonable charge from the relatives, guardians or estates of its wards for their maintenance, and in view of the further fact that this state is now confronted with a deficit and burdened with high taxes, I suggest you consider the advisability of similar legislation in Oregon.

GEORGE WASHINGTON BI-CENTENNIAL

To complete and carry out plans formulated by the Oregon George Washington Bi-centennial Commission for Oregon's participation in this national celebration an appropriation will be needed.

It is highly desirable that the Oregon Commission be placed in position to cooperate in the national celebration of this historic event.

MERIT TO GOVERN APPOINTMENTS

I reiterate here with emphasis my pre-election pledge to the people: that merit and merit only—the fitness of the individual for the post—will be considered in making such appointments as come within the scope of my office. If efficiency and economy are to rule in state offices, vacancies must be filled as they arise by those most fitted and by the same rule those now in office and not capable of discharging their duties efficiently must yield to those who can and will do so.

PEOPLE'S RIGHT TO KNOW

Further, as we are to be judged by the degree of service we render to the people of Oregon, it is but right that the people should be fully informed as to what we are doing and what we propose to do.

It will be the policy of my administration to examine thoroughly into state departments and institutions with a view of effecting greater economy and efficiency and from time to time the people will be advised as to the progress made.

This policy I commend to the legislature. Deliberations and decisions affecting the welfare of the people should be fully and frankly and speedily made known.

STATE FUNDS

I am of the opinion that all interest on balances of public funds, excluding trust funds, should accrue to the general fund.

I believe further that moneys on deposit to the credit of state institutions, including educational institutions, should be placed in the state treasury in order that they may be fully secured and that they may draw interest for the benefit of the state at large instead of for the particular institution. Audits of several educational institutions show several hundred thousand dollars of such deposits.

Lack of time precludes discussion of legislation needed in connection with the Bancroft Bonding Act, Sinking Funds for Municipalities, Competitive Bidding for Bonds, Unclaimed Bank Deposits, the State Deficit and a number of other matters pertaining to the finances of the State and its political sub-divisions. I will find opportunity to make my recommendations on such matters in special messages more thoroughly covering the subjects.

AERONAUTIC LEGISLATION

To more adequately carry out the intent of the Oregon aeronautics law, additional legislation should be enacted giving the Board of Aeronautics authority to appoint and maintain a full time salaried inspector. To defray the additional expense incurred by the creation of this official and in connection with other matters of administration it is recommended by the Oregon General Aeronautic Legislation Committee that the present one cent gasoline tax now paid by aviation be set aside for the use and benefit of the Oregon State Board of Aeronautics in the same manner as the gasoline tax paid by automobile owners is set aside for the benefit of the Oregon State Highway Commission.

STATE CHAMBER OF COMMERCE

In land settlement and promotion of Oregon-made products the State Chamber of Commerce has rendered signal service.

Advertising the resources of a state is just as essential as advertising a business and the State Chamber, in cooperation with local chambers throughout the state, has done a job so outstanding that it has won national recognition.

During the past six years more than 5000 families have made investments exceeding \$21,000,000 in 250,000 acres of Oregon land, thus increasing the buying power of our farm population by at least \$5,000,000 annually.

The State Chamber not only does valuable advertising for our state, not only points out most effectively the advantages of settlement in Oregon, land of opportunity, but maintains and heightens the good impressions thus created by a series of warm, personal follow-ups that lack nothing of the thoroughness of a highly perfected scientific system. It keeps a complete record of every family thus contacted and, I am informed, is now in correspondence with more than 6,000 additional new families which it has interested in Oregon. These families have expressed themselves as having more than \$17,000,000 to invest and a substantial percentage of the number will settle in Oregon as a result of the State Chamber's activities.

The splendid work of the State Chamber should be continued and should be adequately supported for the valuable service it performs in selling Oregon to the nation.

KEEP OREGON DOLLARS HOME

"What Oregon makes makes Oregon" is an incontrovertible truism.

It is not only good business, but an economical necessity to the upbuilding of a greater state that the citizens of the state support and patronize home industry to the fullest possible extent.

Oregon payrolls make Oregon's prosperity, increased industry means increased payrolls.

Oregonians should keep these payroll dollars at home.

How many of these dollars leave Oregon annually for other parts never to return, I do not know.

How many of them find their way to Wall Street, I cannot guess, but I am told that not less than 50 million dollars and as high perhaps as 100 million dollars—an incalculably large sum—leaves Oregon annually.

Think of what could be done with that money if it were put to work right here at home.

A large portion of every dollar spent by Oregonians for an Oregon product remains here in Oregon, goes to work for Oregon—helps make a greater Oregon—and eventually gives Oregonians more to spend for their homes, their business, their families and themselves.

We should patronize home industry and encourage new industries to locate in Oregon.

FOREST LAND EXCHANGE PLAN ENDORSED

There is now pending in Congress a bill introduced by Senator McNary, granting certain reserve lands located in National Forests in the State of Oregon to such State for the erection, equipment and maintenance of public buildings.

The purpose of the measure is for the government to convey to the state large areas of forest reserves, proceeds of which shall be used by the State of Oregon for public building purposes. Under the provisions of this measure it would be possible to construct a new capitol for Oregon.

I recommend that the legislature memorialize Congress endorsing this bill.

Before closing I want to pay a tribute to Senator George W. Joseph, the late Republican Party gubernatorial nominee, and my life-long friends and business associate.

It was in these selfsame legislative halls that Senator Joseph for twelve years so earnestly and eloquently pleaded the cause of the people.

It was here that he championed the cause of the direct primary so that the people themselves might nominate candidates for office without dictation from the corporate interests or political bosses.

It was here that he espoused the initiative so that the people might enact their own laws; the referendum so that they might nullify vicious legislation, and the recall so that they might retire unfaithful officials from office.

It was here that he presented his legislation recommending adoption of the equal suffrage constitutional amendment so that the women of Oregon might enjoy the sacred right of the franchise on equality with the men.

It was here that he presented again and again his constitutional amendment for the preservation and development of Oregon's water power resources for the benefit of the people, only to have it stifled and throttled by the power monopoly which for years has dominated and controlled state political affairs.

It was in this selfsame legislative chamber, in which I am now addressing you, that he was arraigned and tried for exercising the constitutional right of free speech, in criticizing certain decisions of our highest judicial tribunal—a proceeding which resulted in his disbarment and which will go down in history as a disgrace to the judiciary, and a stain upon the fair name of Oregon.

It was on this free speech principle and his water power policies that Senator Joseph appealed his cause to the court of last resort—the great American people, for vindication, and they promptly vindicated him.

It was on these same sacred principles that I carried on as an Independent candidate for the Governorship of the State of Oregon, and I construe my election to this high office by such an avalanche of votes as absolute

vindication of the cause for which Senator Joseph so valiantly fought and sacrificed his life, and as an absolute mandate from the people of the State of Oregon to this Legislative Assembly to write these principles and policies into the fundamental law of the state.

In conclusion I want to make the observation that a state should be as great as its natural resources

Measured by this standard Oregon should be one of the greatest and most prosperous states in the Union for Oregon has tremendous resources.

It is rich in agriculture, timber, mineral, fish, game, scenery and water power.

But, with exception of our water power, all these resources are exhaustible and must be protected and fostered.

Our water power, alone, is perpetual, and Oregon possesses an inexhaustible supply.

Water power is the magic key to industry and with our water power developed cheaply and in abundance Oregon's future greatness and prosperity is assured.

With our water power so developed every Oregon home—city and rural alike—would be electrically lighted and heated, and the wheels of Oregon industry electrically driven.

With our water power so developed Oregon's manufacturing plants would be able to compete with the commerce of the world and new plants from all quarters would seek location within the state's borders.

With our water power so developed Oregon's agricultural, livestock and dairying products could be produced at a minimum of cost and would invade the markets of every clime.

With our water power so developed Oregon's arid lands would be transformed into fields of golden grain and blossoming orchards.

With our water power so developed Oregon's transportation system would be electrified and operated at a minimum of cost and maximum of efficiency.

With our water power so developed Oregon's cities and towns would become flourishing industrial centers.

With our water power so developed Oregon would progress, expand and keep pace with the industrial march of the nations.

Let us dedicate ourselves to the preservation of this rich natural heritage and to its development for the benefit of the State of Oregon and its people.

Let us dedicate our work not only during this legislative session but at all times as representatives of the public to Oregon, Its People, Their Welfare and Prosperity.

I thank you.
Julius L. Meier,
Governor

Governor's Miscellaneous Messages, 1931

Source: STATE OF OREGON GOVERNORS' MESSAGES TO LEGISLATURE

January 22, 1931

To the Honorable Speaker and Members of the House of Representatives.

Gentlemen:

In my message read to you at the opening of the present Legislative Session, I discussed the problem of public utility regulation in this state, advocated the abolition of the Public Service Commission and the substitution of a department or Commissioner of Public Utilities to consist of a single member who should be vested with the powers now exercised by the Public Service Commission, and additionally be charged with the specific duty of representing the public in all controversies affecting rates, valuations and service.

I also recommend the enactment of legislation that would extend the principle of home-rule, with adequate safeguards, to the cities and towns of this state, circumscribe and limit the right of one public utility corporation to contract with another where certain conditions existed and repeal the certificate of convenience and necessity law.

A bill has now been introduced by Representative Arthur W. Lawrence designed to carry these purposes into effect.

This bill proposes to abolish the Public Service Commission and to create the office of Public Utility Commissioner to take over its duties and powers with the additional specific function of appearing for and representing the patrons and users of any product or service of any public utility in all controversies affecting rates, valuations and service, and of exercising all of the power and jurisdiction of the office to protect them and the public generally from unreasonable charges, exactions and practices.

This bill also vests in the cities and towns of this state the power, to be exercised at their option, of contracting for or prescribing the service, facilities and products to be furnished by public utilities and the rates, charges and tolls that may be collected therefore. Adequate safeguards are thrown around the exercise of this power. Until it is exercised, the power of regulation remains vested in the Commissioner of Public Utilities.

Holding corporations, subsidiary corporations and various other corporate devices have been used in the past, and probably will continue to be used in the future, to confuse financial operations of public utilities and add to the difficulties of effective public utility regulation.

The proposed legislation will, in my opinion, go far towards solving these difficulties.

It provides that before any public utility doing business in this state shall enter into a contract with another corporation with reference to a number of enumerated matters, where the public utility owns a majority of the voting stock of the other contracting party, or a majority of the voting stock of the public utility is owned by the other contracting party, or a majority of the voting stock of both contracting parties is owned by a third corporation, or if any officer, or director of any of these corporations has any pecuniary interest in the contract, it must be first submitted to and approved by the Commissioner of Public Utilities before it may be lawfully entered into.

If, upon investigation, he shall find that the contract is not fair and reasonable and is contrary to the public interest, the contract may not be lawfully entered into unless such determination is vacated and set aside upon appeal to the courts.

Another very important provision is that the Public Utility Commissioner and his accountants shall have free access to all books, documents and records of both contracting parties which he may deem material to his investigation, and the failure or refusal of either of the parties to the proposed contract to give such access shall be prima facie evidence that such contract is unfair, unreasonable and contrary to public interest.

This will provide an effective means of getting into the books and records of holding and subsidiary corporations, dealing with a public utility doing business in this state, which contain the data from which it may be ascertained whether contracts or arrangements proposed to be entered into are unfair or unreasonable, or require the public utility to pay to some corporation out of its earning exorbitant sums for rentals, financing, engineering, advice, etc.

Provision is made for the repeal of the so-called Certificate of Convenience and Necessity Act, under which the Public Service Commission may not bar all competition in the public utility field.

In its operation the law has merely promoted and protected monopoly and denied to cities and towns the right to say whether competing public utilities might operate within their limits.

Under the provisions of the proposed legislation I believe that more effective control and regulation of public utilities can be secured, many unsatisfactory conditions as to rates and service corrected, and the public interest promoted and its enactment is therefore recommended.

Respectfully yours,

Signed: Julius L. Meier,

Governor

January 22, 1931

To the Honorable President and Members of the State Senate,

Gentlemen:

In my inaugural message to the legislature, I pointed out the need for a sound constructive policy for the control, conservation and development of the water power resources of this state. It was a major issue in the late campaign, and, as I interpret the results of the general election, the people of the state have expressed themselves emphatically in favor of such policy.

In my message I also recommended the enactment of legislation and outlined my views as to its general character.

There has now been introduced in the Senate by Senator Sam H. Brown, Chairman of the Committee on Railroads and Utilities, a bill which embodies these views with regard to development by private persons and corporations, which, if enacted, would in my judgment go far to establish a sound, progressive and constructive policy under which the development of the water power resources of this state in the production of electrical energy by private capital may be carried on with safety to the investor and to the great benefit of the public.

The proposed legislation does not relate to or affect municipalities beyond insuring preference to the applications for the use of water, and providing that the Hydro-electric Commission created by the act may exercise such powers as may be conferred upon it by legislation that may be enacted providing for the creation of the people's utility districts under the constitutional amendment adopted by the people at the last general election. For reasons which later in the message are pointed out, it may be well for you to seriously consider the need of additional legislation providing for some uniform system of control and regulation of municipal hydro-electric plants.

The bill is designed to retain in the State of Oregon for all time title to all waters used by private persons and concerns in the production of electricity, and provides a system by which they may, under sound and proper

business safeguards, develop and utilize these water power resources until such time as projects constructed under the provision of the act may be taken over by the state or municipalities.

A short and simple method is provided by which the state or municipality may take over at any time any project constructed under the act.

Careful provision is made for the accurate ascertainment of the actual net investments in any project constructed.

The proposed law contemplates and looks forwards to the time when out of earnings the capital invested in any project constructed under the act shall be amortized and repaid, and the project become the property of the state, free from all outstanding rights and obligations.

There is no constitutional provision which authorizes the state to construct, acquire or operate a hydro-electric project. Consequently the proposed law does not deal with or authorized power development by the state. Should the state desire to go into power development, it will be necessary to amend the state constitution.

The bill creates a hydro-electric commission, to be composed of the Engineer and two other members, to be appointed by the Executive.

The Engineer should be a member because of his profession and his scientific knowledge, familiarity with water power data, and his official relation to the appropriation of waters for other purposes, such as irrigation, domestic and municipal. His service as a member of the commission would place at its disposal all of the data which the State Engineer now has with regard to the water power resources of the state, thus avoiding duplication of the work already done, and would insure harmonious co-operation between the commission and the other officers and boards which have to do with the appropriation of water.

It is proposed that the other two members of the commission serve without compensation, as it is not deemed necessary or expedient at this time to provide for salaried commissioners.

Men of high character, ability, possessing sound business judgment and experience, have manifested of late years a sympathetic interest in the necessity for and the problem of, conserving the water power resources of this state, and providing for some program that will lay a sure and broad foundation for the further growth and prosperity of our state, accelerated by cheap power.

The time may come, as the program develops, when salaried commissioners may be needed, but for the time being I am sure that men of the type needed to start the program on a sound, progressive and constructive basis can be found, who, through a sense of patriotic duty to the state, will serve without compensation.

The proposed legislation deals only with the appropriation and use of water for power purposes. For the present I do not think it is necessary to make any change in the law with regard to the appropriation and use of water for irrigation, domestic and municipal purposes.

The proposed hydro-electric commission can work in close co-operation with the State Engineer, functioning in other capacities, and the Reclamation Commission.

Experience may later demonstrate the wisdom of putting all matters relating to the appropriation and use of water for any and every purpose under the jurisdiction of a single commission, but for the present I deem it wise to direct legislation towards a definite and constructive power program, and leave the consolidation of jurisdiction and powers to be determined in the light of acquired experience.

Without going further into detail, it may be briefly stated that under the proposed legislation the water power resources of the state developed by private capital would, for all time, remain the property of the

state. Municipal and public development ownership would be encouraged and given preference, while on the other hand private capital invested in any project would be safeguarded and assured a fair and business-like treatment until the project in which it is invested might be taken over by the state or municipality. The state would receive reasonable compensation for the use of the waters in the generation of electricity, and thus its revenues augmented. The rates paid by the consumer would be based upon a fair return upon actual legitimate investment. The issuance of corporate stocks, bonds or other securities against any project in excess of the legitimate actual investment would be inhibited. Provision would be made for the amortization of the net investment during the life under the licensing system provided, and the speculation in an unsound promotion of water sites and water power resources would be guarded against.

Nature has endowed Oregon with an abundance of water power.

I firmly believe that the future growth and prosperity of this state are intimately bound up with the conservation and the development of our water power resources.

If we lay sound foundations now, adopt and adhere to wise and constructive policies, we will contribute immeasurably to the future growth and development of our state.

The proposed legislation in my judgment will go far toward accomplishing these purposes and its adopted is recommended.

The sentiment for public ownership of hydro-electric plants has grown rapidly during the past few years. A number of the cities and towns of this state now own and successfully operate power plants. Municipally owned power plants are very likely to grow rapidly in number during the next few years. Under the constitutional amendment adopted by the people at the last general election power district municipalities may be created, and no doubt legislation will be enacted during the present session of the legislative assembly providing for their creation.

Some proponents of municipal ownership seem to be opposed to any control and regulation by the state of the construction or operation of municipal plants, of the securities issued, the service rendered or the rates changed.

It seems to me, however, that the need for some such system of regulation will be at once apparent if we consider the situation of municipal projects in the absence of such regulation.

I am informed by the State Engineer that about 90 per cent of the available water power resources of the state are within National Reservations or the public lands belonging to the Federal Government. Most municipalities who desire to make future developments must go upon these reservations or public lands. As to all such projects whether constructed by the state, a municipality, or by private persons or corporations, the Federal Water Power Act by its terms is made applicable. Under this Federal Act the Federal Water Power Commission, among its other powers, defines what constitutes net investment, prescribes the method of keeping accounts, controls and supervises the issuance of securities for the financing of any project, regulates amortization reservations to be set up for repayment of the investment in the project, and prescribes the rates that may be charged. All these powers may be and are exercised by the Federal Water Power Commission until such time as the state within which the project is located provides a method of control and regulation by some state board or agency. In order to bring this matter clearly to your attention, I quote the following from Section 19 of the Federal Water Power Act:

“That in case of the development, transmission, or distribution, or use in public service of power by any licensee hereunder or by its customer engaged in public service, within a State which has not authorized and empowered a commission or other agency or agencies within said State to regulate and control the services to be rendered by such licensee or by its customer engaged in public service, or the rates and charges of payment therefore, or the amount or character of securities to be issued by any of said parties, it is agreed as a condition of such license that jurisdiction is hereby conferred upon the commission, upon complaint fo

any person aggrieved or upon its own initiative, to exercise such regulation and control until such time as the State shall have provided a commission or other authority for such regulation and control: PROVIDED, That the jurisdiction of the commission shall cease and determine as to each specific matter of regulation and control prescribed in this section as soon as the State shall have provided a commission or other authority for the regulation and control of that specific matter.”

It therefore follows that unless and until the state provides a system for the control and regulation of the matters enumerated in the foregoing quote portion of the Federal Water Power Act the Federal Water Power Commission would exercise full control and jurisdiction with respect thereto.

It seems to me that if control and regulations concerning these matters is to be exercised with respect to municipal projects constructed, as most of them must be, on National Reservations and Federal public lands, control and regulations by the state would be so far preferable to that of the Federal Government and would not be so likely to delay and hamper development. I therefore recommend that in connection with the consideration of the legislation providing for the creation of power districts you give serious thought to the problem that I have outlined to you.

Very truly yours,
Signed: JULIUS L. MEIER,
Governor

Governor's Special Message, 1933

Source: STATE OF OREGON Special Message Of JULIUS L. MEIER, GOVERNOR To the THIRTY-SEVENTH LEGISLATIVE ASSEMBLY

January 3, 1933

Members of the State Senate and the House of Representatives:

Section 2 of article IX of the state constitution reads:

“The legislative assembly shall provide for raising revenue sufficient to defray the expenses of the state for each fiscal year, and also a sufficient sum to pay the interest on the state debt, if there be any.”

Section 6 of the same article reads:

“Whenever the expenses of any fiscal year shall exceed the income, the legislative assembly shall provide for levying a tax for the ensuing final year, sufficient with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year.”

I have convened you in extraordinary session in accordance with these constitutional provisions which confer on the legislature the exclusive power of raising revenue:

First, to afford you an opportunity of providing revenue to replace the tax on real property for state purposes, action on which must be taken at this special session if relief is to be forthcoming for the present year.

Second, to afford you an opportunity of providing immediate relief for Oregon’s unfortunate victims of the world-wide economic depression—the unemployed and destitute.

Let us proceed to the consideration of these subjects in the order named.

To begin with, it may be well to point out that the abolition of the property tax for state purposes has been an issue before the legislature and electorate for a decade.

This issue was precipitated in the 1923 legislative session when Governor Pierce recommended in his inaugural message the enactment of a graduated income tax, the revenue to be derived therefrom to be used as far as possible to replace the tax on real property.

The legislature enacted the measure and the electorate approved it at a special election held in the same year.

Thereupon, Governor Pierce caused the property tax levy within the six per cent tax constitutional amendment to be reduced in December 1923 from \$3,350,329 to \$1,877,090, estimating that the difference would be absorbed by revenue to be obtained from the income tax.

Within a year, however, the income tax law was repealed by the electorate, leaving the state with income tax delinquencies approximating \$1,000,000.

Regardless of the repeal of the law, Governor Pierce again in December, 1924, reduced the property tax levy to \$1,923,048. This second reduction resulted in the loss of the original tax base of \$3,350,329 under the six per cent amendment, and the inability of the state to restore the former base resulted in the creation of a deficiency in our state treasury.

This deficiency was the beginning of the state deficit concerning which there is now so much discussion.

I wish to remark here that this recital should not be construed as a criticism of Governor Pierce's commendable effort to eliminate the property tax for state purposes.

Despite the depleted condition of the treasury, succeeding legislatures continued to appropriate funds in excess of the revenue available under the impaired tax base, thereby steadily increasing the deficit.

Calling attention to this alarming situation and the necessity of retiring the increasing deficit in order to preserve the credit of the state, the late Governor Patterson in his message to the 1929 legislature, in part, said:

"You are aware that at the last session of the legislature appropriations were made aggregating approximately \$4,000,000 in excess of the available state revenues for the biennium.

"Of these appropriations I vetoed bills providing for \$1,300,000 leaving a deficit of more than \$2,000,000, which I hoped might be taken care of by the income tax measure passed by the legislature and referred to the electorate.

"The income tax measure was defeated and as a result the revenues of the general fund will be insufficient by approximately \$2,000,000 to meet the obligations thereon for the biennium ending December 31, 1928."

When I assumed the governorship in 1931, the deficiency in the treasury had increased to approximately \$3,000,000.

With a view of keeping this inherited deficit to the lowest possible level and with the further view of so reducing state expenditures that the property tax for state purposes might be eventually abolished in its entirety, I inaugurated a rigid retrenchment program in state affairs beginning with the 1931 legislative session.

On my recommendation that legislature repealed the millage tax on real property for market roads, amounting to \$2,250,0000 biennially.

On the adjournment of the session I vetoed appropriations totaling \$626,925.

Included in these vetoed appropriations was \$500,000 of the \$1,181,173 appropriated for the state's higher institutions of learning.

Simultaneously with the veto of this half million dollars I also vetoed the emergency clause of this appropriation bill, thereby paving the way for the successful invokement of the referendum against the balance, amounting to \$681,173.

After the adjournment of the session I also instituted drastic economy measures in state affairs resulting in savings of approximately \$1,000,000 out of appropriations authorized for the biennium.

At my request there was also eliminated from the 1932 and 1933 tax levies the millage property tax for the World War Veterans' Commission amounting to more than \$1,000,000.

Had not these economies been effected, the state deficit would have been substantially increased.

To give still further relief to the distressed taxpayers the State Tax Commission omitted from the 1932 levy for state purposes the entire tax on property amounting to \$4,500,000.

The commission then estimated that with the economies and curtailments introduced in state affairs during my administration sufficient revenue would be available from the excise and intangibles taxes and from the income tax and other receipts to defray the cost of the state government and the institutions of higher learning.

But, due to the economic depression, there was a shrinkage beyond all expectations in revenue from these sources, a shrinkage of approximately \$2,000,000, and a further heavy shrinkage will be unavoidable during the present year.

When it appeared likely last summer that the shrinkage in revenue would be so great that the property tax would have to be restored, unless additional income could be mad available, our State Tax Commission jointed hands with the Oregon Taxpayers Equalization and Conservation League in the initiation of a measure revising our present income tax so as to provide more revenue.

This measure, and two other measures to control local tax levies and bond issues, were rejected by the people at the recent general election.

In an effort to compensate for diminishing revenue, nothing has been left undone, in my opinion, to effect reduction in state expenditures.

In the state budget submitted to you the approved appropriations are \$8,005,213 less than the appropriations recommended to the last legislature by my predecessor, and \$5,888,011 less than the authorized appropriations for the last biennium.

If this budget is adopted by the legislature and no greater levy is made than is now mandatory under our constitution, the state deficit can be reduced by the end of the biennium to approximately \$1,000,000.

Included in the levy for state purposes for the present year is a tax on property amounting to \$2,975,000, which is approximately \$1,525,000 less than the property tax levy for the year 1931.

The remainder of the levy, amounting to \$1,500,000, represents revenue which it is estimated will be derived from the excise, intangibles and income taxes.

In view of the tremendous shrinkage in revenue and the existing deficit, the State Tax Commission had no alternative, under the constitution, but to restore a part of the property tax levy for 1933. Unless additional

revenue is provided from some other source the commission will have no alternative but to continue the levy on real property in 1934.

Whether this restored property tax shall remain and be continued hereafter is the question you have been convened to determine.

The time has come, in my judgment, when your honorable body should devise ways and means for abolishing this tax in its entirety forever.

Since the foundation of our commonwealth, real property has borne the lion's share of our tax burden not only for state purposes but for local purposes—counties, municipalities, and other political subdivisions.

In view of the economic depression, real property, in my opinion, cannot longer carry this load without confiscation and bankruptcy—confiscation for property and bankruptcy for our counties, municipalities, and other political subdivisions.

As Governor, I have done everything within my power to solve the financial problem with which we are confronted; in fact, in instances, have gone beyond the strict letter of my legal prerogatives.

Let me say here that a solution of your problem does not lie, as some of you may feel, in further retrenchment. If you were to abolish the whole administrative end of the state government and close the doors of all its departments a property tax levy would still be mandatory under our state constitution so long as the present state deficit remains, unless, of course, other sources of revenue are made available to supplant a property tax.

What this source of revenue shall be is for you, the duly elected representatives of the people and the sole authorized revenue-raising agency of the state, to determine.

Naturally, in matters pertaining to taxation, the counsel and advice of our State Tax Commission is invaluable.

Accordingly, I have had the commission make a comprehensive survey of every available source of revenue, including gift, inheritance, tobacco, income, and sales taxes, and the data assembled are now ready for your consideration.

I have been advised by the commission which has carefully considered the whole problem that, in its opinion, a general sales tax, patterned after the sales tax adopted by Mississippi in 1932 to solve its financial and tax difficulties, offers the only means of providing sufficient revenue to permit the cancellation of the state levy on property.

My study of the subject has also led me to the conclusion that a general sales tax is unavoidable, and I urge you to give it your earnest and serious consideration. However, I am not unalterably committed to any specific remedy, but am willing to give my support to any constructive and practical tax plan this legislature may formulate to replace and abolish from our state tax system the present antiquated, burdensome and inequitable tax on real property.

As already indicated, the second subject you have been convened to consider is relief for the unemployed and destitute.

A part of the revenue raised by any measure enacted at this session should be allocated to unemployment relief. According to data assembled by the State Unemployment Relief Committee there are now approximately 57,078 unemployed in the state, many of these heads of families in destitute circumstances.

The state has received a total of \$238,538 in loans from the Reconstruction Finance Corporation for relief, and an application for \$725,000 for Multnomah county has been submitted, but no further relief funds will be forthcoming from the federal government until the state of Oregon has exhausted its resources.

The problem of affording relief to those unfortunate men, women and children is as much a duty of the state as of the federal government.

Although we may not be able to provide employment, we should at least make provision for relief so that there will be no avoidable want or suffering in our state.

In my opinion, not less than \$500,000 should be made available for relief purposes during your special session.

In conclusion, let me earnestly appeal to those who may have come here with political prejudices to rise above them.

In this hour of our people's distress and need we should lay aside all petty grievances, personal animosities and blind partisanship.

Let us in these deliberations devote ourselves unselfishly and wholeheartedly to the best interests of Oregon and her people. In the words of Woodrow Wilson, "Let politics stand adjourned," during our deliberations on the grave problems before us.

I thank you.
JULIUS L. MEIER,
Governor

Governor's Miscellaneous Letters, 1933

Source: STATE OF OREGON GOVERNORS' MESSAGES TO LEGISLATURE

January 17, 1933

To the President and Members of the State Senate:

Gentlemen:

In connection with whatever revenue raising program you may eventually evolve to lift the state tax from property, provision should be made for the abolition of the millage tax for the World War Veterans State Aid Commission.

The basic law under which the Commission functions is contained in the constitutional amendment adopted June 7, 1921, and subsequent amendment adopted November 4, 1924.

These constitutional amendments have been carried into effect by various legislative enactments.

At the 1921 session, the legislature provided for an annual tax of one mill for the Commission, the proceeds to be derived therefrom to be used presumably to aid in defraying administrative expense and to absorb the loss sustained in making loans to veterans at a less rate of interest than paid on the bonds issued.

In 1925 the legislature reduced the tax to half a mill annually.

Since the creation of the Commission, there has been issued bonds of the State of Oregon amounting to \$30,590,000, of which \$4,375,000 have been retired, leaving a balance of \$26,215,000 outstanding.

As the situation now stands, the Commission is faced with principal maturities of \$1,250,000, plus \$1,126,307 in interest for the year 1933, which will absorb all of the income for this year and more than deplete the entire sinking fund.

During each of the succeeding nineteen years, the Commission will be faced with principal maturities of \$1,000,000 or more a year plus annual interest requirements in a gradually decreasing amount from approximately \$1,126,000 in 1933, with no reserve left in the sinking fund and probable annual receipts far below these requirements.

With the hope of aiding you in the solution of the grave problem confronting the taxpayers in connection with this Commission, I have George Black & Company, auditors and counselors, make a survey of its affairs, and their report is now available at the Executive Office.

In this report the auditors attribute the financial condition with which the Commission finds itself confronted to the following causes:

First—Transfers of approximately \$5,375,000 from the sinking fund to the special fund for the purpose of making additional loans.

Second—A legislative policy which made no provision, except in the very early years, for the administrative expense of the Commission, forcing the payment of such expenses out of the interest received and thus depleting revenues available for interest on bonds.

Third—A gradual increasing number of delinquents and foreclosures, with certain attendant loss, and no reserve to cover either condition.

“This whole enterprise,” declares the report, “seems to have reached proportions far beyond the most extravagant anticipations of its sponsors. We are informed that the wildest estimates pictured a possible bond issue of \$10,000,000, although it has now reached three times that figure.”

Since the creation of the Commission in 1921, taxes totaling approximately \$7,250,000 have been collected from the property owners of the state for its administrative expense and to absorb its operating losses.

In this connection, it may be pointed out that this tax was voted by the people of the state when they adopted the constitutional amendment providing for the levy. It constitutes a part of the enormous tax load which has been piled up by the action of the voters of the state in days of prosperity and which now bears so heavily on the overburdened taxpayers.

With the view of giving relief to the property owners, the tax of one-half mill was omitted from the levies for 1932 and 1933.

However, in view of the financial condition of the Commission, the millage levy will have to be restored next year, unless your honorable body can devise ways and means for replacing it with some other source of revenue.

“It is absolutely impossible,” continues the auditors’ report submitted to this office, “to carry this enterprise without an adequate tax levy or some other provision from outside sources.

“The excess of interest paid over a maximum possible interest receivable, plus administration expense, plus inevitable shrinkage, leaves no alternative and any postponement of the tax levy, or substitute, to future years merely aggravates the situation.

“An annual tax levy of one-half mill, or an equivalent revenue would appear to be a minimum

“Furthermore, we understand there is a probability of mandamus proceedings being brought to compel the placing of such a levy on the tax roll and retroactively include levies not made the full statutory requirements in previous years. Should such proceedings materialize and be successful, further postponement of the tax levy means merely pyramiding later on.

“However, even a tax levy, unless it be a very substantial one, will not solve the problem presented by annual interest and bond maturities of over \$2,000,000 with income of \$1,200,000, following the exhaustion of the sinking fund in 1933.”

The Commission has foreclosed on properties in the sum of approximately \$2,434,362 and it is expected that by the end of 1933, the delinquency will reach forty per cent.

It is my earnest recommendation that you make a thorough investigation of this Commission with a view of not only of substituting some other source of revenue for the present property tax, but also with a view to reorganizing the Commission and reducing its operating losses to the lowest possible minimum.

In this connection, I suggest that you give consideration to the possibility of consolidating the functions of the World War Veterans State Aid Commission with those of the State Land Board for the purpose of cutting down the present heavy overhead and reducing the administrative costs of both departments.

Respectfully yours,
JULIUS L. MEIER,
Governor

January 20, 1933

To the Honorable Speaker and Members of the House of Representatives.

Gentlemen:

In my message addressed to the Special Session of the Thirty-seventh Legislative Assembly, I called the attention of your honorable body to the urgent necessity for providing relief for the many thousands of Oregon citizens who are in distress because of unemployment.

I want again to remind you that the provision of aid for the unfortunate victims of the world-wide economic depression is one of the most important problems which confronts this assembly.

In the summer of 1931 I appointed unemployment relief committees in every county of the State and cooperated with them in their activities through the Highway Department and other state agencies.

Realizing the increasing seriousness of the unemployment situation and the urgent need for relief measures if dire want and suffering were to be averted during the present winter, I last June called together representatives of the various counties of the State and the several agencies engaged in the administration of unemployment relief.

To carry out the program formulated at that meeting, an Executive Committee was appointed consisting of the following persons:

Raymond B. Wilcox, Chairman

Paul V. Maris, Secretary

Mrs. W.W. Gabriel

Ray W. Gill

Victor P. Moses

Alex G. Barry

Ben T. Osborne

The members of this committee have served without compensation and without statutory authority. Their actual expenses have been paid out of a balance which remained in the fund raised by contributions of state employees for unemployment relief.

I want to take this opportunity of expressing my appreciation for the able, tireless and public-spirited service they have rendered.

They have maintained constant contact with the Executive Department and have given invaluable assistance in meeting the many problems attendant upon widespread unemployment. They have worked with the county relief committees; they have coordinated and assembled accurate information from reliable sources as to the extent and seriousness of unemployment and destitution and have promoted the conservation and distribution of food, clothing and fuel; they have aided the counties in preparing and presenting applications for loans for relief funds from the Reconstruction Finance Corporation and have assisted the Executive Department in checking on the disbursement of these funds and submitting the exhaustive reports required by the federal government. The report of the Committee, which is in your hands, merits your careful study.

The fact that no application from Oregon has been rejected by the Reconstruction Finance Corporation is evidence of the careful work of the Committee and the confidence reposed in their responsibility.

Loans totaling \$980,738 have now been made to twelve counties of Oregon by the Reconstruction Finance Corporation. Indications are that additional applications will be made by a majority of the counties of the State.

As Governor I am personally responsible to the Reconstruction Finance Corporation for the proper disbursement of and accounting for funds received from that body. The federal government imposes strict regulations and demands detailed reports regarding all funds.

The situation has grown to such magnitude that it cannot longer be adequately handled by volunteer service. It is, therefore, recommended that legislative provision be made for a State Relief Commission of seven members to serve without pay, the Commission to be dissolved by Executive Proclamation when the present emergency shall have passed.

It is further recommended that a fund be placed at the disposal of the Governor to take care of necessary administration, supervision and accounting, and also to provide for a survey of the unemployment situation in the State to the end that our own resources may be conserved and properly utilized.

Loans made by the Reconstruction Finance Corporation to the various counties are deductible from future federal aid highway allotments unless other arrangements are made for their payment. Every county which has received a loan from the Reconstruction Finance Corporation has entered into an agreement to reimburse the State from its general fund or from its share of the motor vehicle license fund in the same amount and at the same time as federal aid highway funds are withheld from the State by Congress.

It will require action by this legislature to bring these arrangements within the State Constitution and make them enforceable. You are, therefore, urged to give this matter consideration with a view to formulating a definite policy which shall govern past loans and those which may be made in the future.

Every receipt for funds advanced to the State by the Reconstruction Finance Corporation carries the statement that the advance is made subject to the condition "that the State of Oregon and the Governor of said State shall give consideration to the possible need of providing funds by or within the said State or by or within the municipalities or political subdivisions or other communities of the said State." This clearly places upon the State the obligation to utilize its available resources through action of the legislature.

The counties, all harassed by constantly mounting tax delinquencies, cannot assume additional obligations. Unless the State makes a bona fide effort to meet its responsibilities in this connection we cannot look for further aid from the federal government.

I am, therefore, again urging upon you the necessity of including in your plans for raising revenue for the State the provision of a fund of not less than \$500,000 for unemployment relief.

This problem is immediate and urgent. It involves the welfare of sixty thousand registered unemployed citizens of Oregon who, with their dependents, will suffer need during the coming months unless prompt action is taken by your honorable body.

The great majority of those in distress are self-respecting, worthy citizens, eager to work, who find themselves in their present situation because of conditions over which they have no control.

The State of Oregon will be remiss in its duty if provision is not made during this legislative session to safeguard our distressed citizens from want and hunger.

Respectfully yours,
JULIUS L. MEIER,
Governor

January 23, 1933

To the Honorable Speaker and Members of the House of Representatives.

Gentlemen:

Financial and industrial conditions demand a material reduction in Oregon's motor vehicle license fees.

In conjunction with whatever decision you may finally reach in the matter consideration must be given to five major factors entering into the highway situation:

First. Outstanding State Highway bonds and the conditions under which they are issued.

Second. The one-third share of the license fees paid to the counties.

Third. The annual allotment of moneys from the State Highway fund for secondary highways.

Fourth. Proper maintenance and betterment of the State Highway system.

Fifth. Federal aid and cooperative funds provided in connection therewith by the Highway Commission.

The present State Highway bonded debt totals approximately \$27,516,750. If no further bonds are issued the last bond will be retired in 1956.

With reference to the bonded debt you have, of course, no discretion. Its retirement must go forward in a businesslike and legal manner, without recourse to the general property tax.

With respect to the second item, namely the one-third of the license fees allocated to the counties, it must be borne in mind that many counties have issued road bonds to be retired with funds received from this source. Other counties depend on this fund for county road purposes.

The annual allotment from the State Highway fund for secondary highways was provided for by the 1931 legislature in lieu of the one mill tax levy theretofore made for this class of highways.

It is, of course, within your province, if you deem it wise, to relieve the State Highway Fund of this allotment, but until you do so the Highway Commission, under the law, must make provision for it.

The question of proper maintenance and betterment of our highways is wholly within your discretion.

Necessarily for the safety of our highways and the protection of the investment involved, adequate provision must be made for maintenance and there must also be something in the way of an annual betterment program.

Since 1926, Oregon has received Federal Aid of more than \$11,000,000. During the years 1931-33 the State also received Federal Emergency Unemployment Relief funds aggregating more than \$3,000,000.

Without going into detail it is sufficient to state that if Federal Aid is to be continued, Oregon must provide cooperative funds, but whether this shall be continued is a question for your honorable body to determine.

In your deliberations as to the extent motor vehicle license fees shall be reduced your objective, in my opinion, should be to provide sufficient revenue to meet the fixed expenses of the Highway Department and to maintain and preserve the highways already constructed at great cost to the State and counties.

I recommend that you give study to the advisability of carrying on a modest construction program so that small gaps in the present highway system may be completed, thereby making available to the public the full advantage of the large expenditures which have already been made.

In addition there is the ever increasing necessity of widening narrow pavements which now carry heavy traffic. I believe that a modest program of this character should be approved.

May I also suggest that in dealing with the problems of highway finances you guard against too great optimism in estimating the revenues which various plans may produce, as the present trend in both license fees and gasoline consumption is downward.

To aid you in your deliberations I last spring appointed a committee consisting of:

Dr. E.B. McDaniels, Chairman,

Mr. J.E. Smith,

Mr. M.C. Glover,

Mr. Ralph Hamilton,

Mr. B.F. Osborne,

Mr. A.B. Robertson,

Judge R.W. Sawyer,

Mr. Lafe Compton,

Mr. B.E. Harder,

As members, to make a thorough study of motor vehicle fee revision.

I wish to express my appreciation for the good work performed by this committee

Its report, which will be placed in your hands, deserves your careful consideration, along with material which has been made available by the Highway Department.

In conjunction with your study of the highway situation you will naturally have to give consideration to the motor transportation problem, both freight and passenger, which is in an unsettled condition and demand legislation.

The underlying cause of this situation is attributable to the unregulated operator.

The present motor transportation act is weak and deficient in many respects and must either be extensively amended or a new law enacted.

I trust with the data at your disposal you will arrive at a constructive plan which will offer needed relief to motor vehicle owners and at the same time safeguard the credit of the State and protect the vast investment already made in our splendid highway system.

Respectfully yours,
JULIUS L. MEIER,
Governor

February 13, 1933

To the Honorable Speaker and Members of the House of Representatives.

Gentlemen:

Oregon's total property tax approximates \$41,500,000 annually.

Of this amount only \$3,000,000 is for state purposes. The remaining \$38,500,000 represents taxes levied by the 2,753 local tax levying bodies of the state.

In other words, more than 90 per cent of the entire property tax load is made up of local levies.

To me it seems entirely illogical that these twenty-seven hundred local subdivisions, which derive their existence and power from the state, should enjoy the right to levy on the taxpayers of the state burdens of destructive proportions and to incur indebtedness that threatens bankruptcy and confiscation.

On the contrary, it seems to me entirely logical that, when powers and privileges conferred by general law on these political subdivisions are exceeded or abused, other laws may be enacted restraining and controlling the exercise of such privileges or powers for the benefit of the people as a whole.

While it is a theory of democracy that each local community may decide for itself how much money it will spend and what obligations it will assume, the fact nevertheless remains that such an expression of democracy is frequently the expression of a tight little bureaucracy, as the controlling few are often those in official positions or small groups of interested propagandists having ulterior objects in view in levying exactions on taxpayers and in directing expenditures of public funds.

Without some control over local taxes and indebtedness, home rule, in my opinion, is merely a vain theory which frequently results in home ruin.

With proper control, however, there may be provided the processes of law and the practical means whereby the real substance of home rule may be preserved and protected, not only for the benefit of the local governments but for the best interests of the state as a whole.

A number of states have enacted legislation controlling local tax levies and bond issues, which has resulted not only in savings of millions of dollars to the taxpayers but in placing the various local governments on a sound financial basis. Until similar legislation is enacted in Oregon no appreciable reduction in taxes can be achieved. I therefore respectfully recommend that during your deliberations you give this subject earnest and serious consideration.

May I suggest as an initial step in this needed program of rigid retrenchment in local government that you enact legislation extending the salary reduction schedule ranging from 5 to 30 percent, which you have adopted for state officials, to the salaries of the officials and employees of our counties and cities. It should be so extended not only as economy measure in the interest of the taxpayers but also as a matter of fairness and justice.

The members of your honorable body are pledged to a program of tax reduction which can be achieved only by the reduction of the expenses of government. You have made an earnest effort to reduce the cost of state government and to reduce state taxes, which represents only 10 per cent of the tax load on property. If the taxpayers of the state are to have any real relief it must come from a substantial reduction of local tax levies, which represent 90 per cent of Oregon's annual tax bill.

Respectfully yours,
JULIUS L. MEIER,
Governor

Governor's Special Session Message, 1933

Source: STATE OF OREGON MESSAGE Of JULIUS L. MEIER, GOVERNOR To the THIRTY-SEVENTH LEGISLATIVE ASSEMBLY Special Session November 20, 1933

Members of the State Senate and House of Representatives:

You have been convened in extraordinary session to consider recently arisen problems of such grave importance and so vital to the welfare of the state that consideration thereof cannot be deferred until the next regular session.

The duration of special sessions is limited by the constitution to twenty days, which in itself is a plain mandate that consideration shall be given therein only to legislation of emergency character.

If the major issues which confront us at this time are to receive an adequate and satisfactory solution within the limited time allowed, the calendar must be kept clear of irrelevant and unimportant legislation.

I appeal to you, therefore, to test every proposed measure as to whether it be of vital importance to the state at this time.

Remember that it is only twelve months until you will have an opportunity to consider general legislation at a regular session.

First of the problems to be laid before you is that of devising ways and means for the state to cooperate with the Federal Government in providing relief for the thousands of our citizens who are in distress because of unemployment.

The President and the Federal Relief Administration have called upon the state to bear its share of the burden, and it is in accordance with this demand that I have convened you in this special session.

The recent announcement that public works money will be made available, along with relief money, for inaugurating what is apparently planned to be a very extensive work relief program will not relieve the state of its obligation to provide relief funds. On the contrary, the increased responsibility of the state to participate in the relief program is clearly indicated.

May I state here that as far back as the summer of 1931 I appointed unemployment relief committees in every county and cooperated with them in their activities through the Highway Department and other state agencies.

Recognizing the growing seriousness of the unemployment situation and the urgent need for coordinated relief activities, in June, 1932, I named a state-wide unemployment relief committee.

Until the last session of the legislature this committee served without statutory authority and with no appropriation.

Confronted with the need for a legally constituted relief organization to cooperate with the Federal Government, the last legislature, on my recommendation, passed a measure providing for a state-wide relief committee and setting up in each county a local relief committee to consist of the county court or three members named by the court and four members appointed by the Governor. In the appointment of these committees, the greatest care was exercised to select outstanding men and women thoroughly conversant with conditions in their respective localities.

In cooperation with the state and county relief committees there was made available by the Reconstruction Finance Corporation, under the act of 1932, \$2,798,000, of which \$125,600 was spent in 1932 and the balance during the present calendar year.

With the exhaustion of the 1932 fund there was appropriated by the last session of the Congress a national relief fund of \$500,000,000, which was placed under the supervision of the Federal Emergency Relief Administration. The terms of this act provide that federal funds shall be made available to the states on the basis of \$1.00 for every \$2.00 provided by the state and local agencies. There has been allocated to this state by the Emergency Relief Administration \$1,448,315.

A total of \$4,300,000 has been expended for relief in Oregon during this year, of which only \$628,700 was from state and local funds.

The Federal Relief Administrator has discretion, in certain cases, to make grants of funds to the states, upon showing of need and exhaustion of resource. In line with this policy, and definitely conditioned upon my calling the legislature in special session, the Federal Administrator has made available \$950,000 for relief in Oregon during the months of November and December, making it perfectly clear, however, that payment under this grant is dependent on cooperative action taken by this special session. In other words, the total of \$950,000 will not be paid over unless we keep our end of the bargain.

While the records of the State Relief Committee indicate that there has been a substantial reduction of the numbers on the relief rolls from a peak of 51,266 families in May, the approach of winter is rapidly aggravating the serious aspect of the situation.

Preliminary to calling a special session of the legislature on the request of the Federal Relief Administrator, I appointed a committee of thirty-two citizens to make a survey of relief needs and to recommend ways and means to meet these needs. This body estimated that requirements from October 1, 1933, to December 31, 1934, will approximate \$8,000,000.

While we hope that civil works program will tend to reduce relief expenditures by removing from the relief rolls a substantial number of able-bodied men, the state is still confronted with the responsibility of caring for the thousands who are not employable at the type of work proposed, and of supplementing federal grants for this civil works program. Furthermore, it is planned that the civil works program will be terminated in February while past experience has shown that our relief load reaches its peak in the early spring months.

The recommendations of the committee for raising revenue for relief needs are in your hands. Chief among the proposals is the allocation to relief purposes of revenue raised in connection with the control and sale of alcoholic liquor, in which recommendation I concur.

Before discussing this plan in detail, however, let us consider here legislation for the control and regulation of alcoholic liquors—another of the emergency problems before you for consideration.

When it became apparent that repeal of the eighteenth amendment would occur prior to January 1, 1934, I appointed a committee of eleven representative citizens in various parts of the state to make a survey of the entire subject of liquor control and to recommend a plan which will safeguard the state against the evils of the old saloon regime.

After nearly three months of thoughtful consideration and research, that committee submitted its report on October 14, 1933. Several weeks ago I placed copies of the report in your hands. I now submit my earnest recommendation that the principles therein embodied form the basis of the new state liquor act.

I wish to comment in passing that the committee which I appointed served without compensation and without funds for investigation. It is significant that their conclusions, although arrived at and submitted independently, bear a remarkable similarity to those contained in the Rockefeller report which was prepared by experts with a quarter of a million dollars for investigation purposes. Doubtless most of you are familiar with the Rockefeller report. If not, I commend it to your careful study, along with the report of the state committee.

The proposed plan is predicated upon the assumption that the people of this state are in no mood to return to the evils which led to the adoption of prohibition.

The report cites the following features of the liquor traffic as particularly obnoxious and recommends their avoidance:

- 1st. Private profit to the retailer leading to competitive business methods and stimulated sale through the medium of the saloon.
- 2nd. The vicious system of private licensing which provides rich opportunity for political patronage and graft.
- 3rd. Pushing the sales of "hard" liquor as against those of beer and wine because of greater profits accruing from the former.

4th. Financing of saloonkeepers by brewers and distillers and the creation thereby of a powerful political vassalage.

5th. Sale of legalized liquor to the ultimate consumer at a price so great as to enable the bootlegger to continue his nefarious contraband trade.

To prevent the return of such abuses the committee urges, as its first recommendation, that all traffic in liquor containing more than fourteen per cent by volume of alcohol to be handled through a system of state dispensaries conducted under the supervision of an appointive, non-salaried commission of three members. This is the type of control which has worked successfully in the Canadian provinces.

First and foremost it seeks to eliminate, not only the elements of private profit and competition but also the urge to artificially stimulate sales over and above normal demand. Thus it strikes directly at the very heart of the most vicious evil incident to the liquor traffic of former days.

By allocating plenary powers to such a commission, the state is relieved from any active participation in the liquor business, but, at the same time, there is reserved to the people a measure of control, untainted by political influence, such as would be wholly impossible under any system of private license yet devised.

Licensing private individuals to engage in the wholesale or retail liquor business has conclusively proved itself a failure, and to return to any such system would invite inevitable disaster.

I quote from the Rockefeller report:

“With the passing of the Eighteenth Amendment, the American states are free to make a fresh start. Only the public welfare needs to be considered. There are no property interests that have to be defended, no investments demanding protection, no organized retail trade associations to fight. For a state, confronted with this opportunity, deliberately to tie its hands by establishing an entrenched business that will seek in its own protection to thwart every limitation and block every change would seem to be the height of folly.”

In the matter of sale of liquor in restaurants, the committee draws a hard and fast line between the use of naturally fermented wines and beers as beverages and that of fortified or distilled liquors containing more than fourteen per cent by volume of alcohol as intoxicants. The serving of the former with bona fide meals in licensed restaurants is advocated, while the serving of “hard” liquor by the glass, which will inevitably amount to nothing less than the return of the old time saloon, is disapproved.

Intimately associated with the task of providing a satisfactory method of liquor control there exists the necessity of considering that traffic as a potential source of revenue for the state.

Raising revenue for governmental administration is a perennial necessity varying constantly in degree and kind with the ebb and flow of human needs. Liquor control is a problem not only of today but of the future. We must not let the consideration that today’s revenue raising problem is a particularly pressing one obscure the fact that the primary purpose of the liquor act is to secure a satisfactory system of regulation and control.

By entirely eliminating the element of private gain through the creation of the state monopoly herein advocated, even with a small margin of profit, a substantial return may reasonably be expected to accrue from such annual turnover. While it is impossible at the present time to determine accurately the total revenue, it has been estimated at \$1,500,000 a year to \$2,500,000 a year.

It is my recommendation that all revenues from the sale of liquor over and above the expense of administration, together with such other revenues as you may provide for unemployment relief, be paid into

the unemployment relief fund created by the last legislature until June 30, 1935, or until the relief emergency has passed.

After the relief emergency has passed, revenues derived from the dispensing of alcoholic beverages should be distributed in accordance with the committee's recommendation, twenty-five per cent to the state and seventy-five per cent to the counties permitting the sale of beverages containing alcohol in excess of five per cent by volume, prorated according to population. License fees should be returned to the treasuries of the incorporated cities or the counties from which such license fees are derived.

In view of the additional employment which may reasonably be expected from the contemplated federal public works program, it is hoped that the allocation of current revenues from liquor control and such other sources as you may develop will provide sufficient cooperative funds to insure the continuance of federal aid for direct relief.

In the even, however, that these sources are not sufficiently productive to meet our needs, or that future federal legislation should require additional matching funds to permit us to avail ourselves of federal aid, I recommend that authority to capitalize the unemployment relief fund by the issuance of revenue anticipation certificates be placed in the hands of the State Board of Control.

Should any county be in need of funds beyond those currently available to it in the unemployment relief fund, I recommend that the county assign its share of such revenue so long as certificates issued on its account are outstanding. IN this way the cost of relief in excess of current receipts would be placed on those counties requiring additional aid and would leave available to those counties not requiring such aid any revenues accruing after the expiration of the emergency period.

In other words, those counties whose relief needs are large will be empowered to draw against their share of future revenues while those counties not requiring additional aid will retain their future revenues to devote to other purposes. This method will impose a careful check on local demands and will eliminate the complaint that those counties which carry their own burdens are forced to pay the bill for others less fortunately situated.

My contact with the Federal Relief Administration convinces me that it is essential to the continued cooperation of the Federal Government that there be maintained an adequate system of control and administration centered in the state, satisfactory to the Federal Government and recognized by it. To the other duties already placed upon the State Relief Committee there has just been added supervision of the civil works program sponsored by the President. It is, therefore, important that the authority and responsibility of the State Relief Committee be retained unimpaired.

The distressed condition of the public elementary schools of the state is a matter of deep concern, calling for your serious consideration. In spite of drastic cuts that have been made in school budget, four hundred forty-one districts, in which 32,000 Oregon children attend school, are over a year behind in the payment of warrants for current expenses.

Because of mounting delinquency in the payment of taxes, the total of outstanding school warrants increased over thirty-seven per cent during the last fiscal school year and had reached \$6,00,000 when the annual school reports were made on June 20, 1933.

In an effort to preserve their credit, the school boards of two hundred forty-eight districts have contracted for less than eight months of school for the current year. In many other districts teachers' salaries and other operating expenses are being paid with warrants that can be cashed only at a heavy discount, if at all. With credit gone, these schools will be closed to thousands of Oregon boys and girls.

The time has come when the state must begin to assume the responsibility laid upon it by its constitution, which contains these words: "The legislative assembly shall provide by law for the establishment of a

uniform and general system of common schools." In compliance with this mandate the legislative assembly has enacted many laws dealing with education, but the financial burden involved in putting legislative requirements into effect has always been left to some unit other than the state.

The income from the irreducible school fund, amounting to \$1.11 per school child for 1933, is the only contribution to the public school distributed on a statewide basis. From the county school fund and the two-mill elementary school tax, the counties provide thirty-six per cent of the cost of running the schools. These are both direct property taxes. From local levies, the districts provide sixty-two per cent of their school costs. These are also property taxes. A property tax is the only source to which counties and districts may turn to revenues to operate the schools.

A state school fund produced from sources other than a property tax and distributed to districts in proportion to needs would serve not only to directly relieve the property taxpayer of a part of his burden but would also aid in adjusting the inequalities that exist between poor and rich districts and would tend to equalize the educational opportunities for the children of the state.

State after state has recognized that education is not a school district responsibility only but a state responsibility as well and has made provision for state funds to carry a part of the cost of schools.

For example, beginning with January 1, 1933, the state of Indiana assumed \$600 of the cost of each classroom unit. Missouri has just taken its initial step in providing state support for schools by raising \$3,000,000 for that purpose. At its 1933 legislative assembly North Carolina made provision for conducting a minimum school term of eight months throughout the state from state funds. Within the past year the Washington state legislature made provision for an annual fund of \$10,000,000 from state sources for school costs. Though the Washington measures have been in litigation, the responsibility of the state for the operation of its schools was definitely recognized by the legislature. A number of other states have taken steps similar to those I have just cited.

The multiplicity of school districts in the state, still numbering over 2,100, each largely independent in budgetary matters, makes it mandatory that with a state fund should go such supervisory control, through the state department of education or through a county board provided for that purpose, as to assure its effective use. The fact that one of the three counties operating as county school districts reduced the amount of outstanding warrants during the past year, while the other two were among the five counties showing the smallest increase, is ample evidence that county control can be effective.

Among other possible available sources of revenue to aid our distressed schools, I would recommend for you favorable consideration a gross earnings tax on public utilities.

In this connection, I want to call your attention to the fact that the public utility corporations in Oregon have for many years past enjoyed not only a continuous, fair return on their investment, as provided by law, but under the guise of dividends on watered stock and excess holding company fees have also collected and appropriated to themselves enormous sums over and above such fair return.

In view of these excessive profits which the utilities have appropriated to themselves, it seems only fair that at this time of distress they should contribute toward the maintenance of our public schools, which, since their inception, have been maintained by our property taxpayers, who are now collapsing under this heavy burden.

Mounting tax delinquencies have created a financial crisis, not only for our school districts but likewise for counties, municipalities and other governmental agencies.

In this connection, I would suggest that you give consideration to the creation of a separate state authority, vested with power to aid in the refinancing of state, municipal and local bonds, warrants, and other similar evidences of indebtedness. This authority should be vested with the power to borrow from the Federal

Government, in event that a federal agency is created to advance funds for the aid of refinancing states and their local subdivisions, the money to be borrowed to be equal to one-half of the delinquent taxes due counties, and the money so borrowed to be distributed back to the counties pro rata according to the delinquency existing, and in turn distributed to local tax levying bodies pro rata in accordance with their tax delinquencies, which loans would be secured by first liens on the delinquent taxes, and would be paid off as delinquent taxes were collected by existing constitutional authority.

I would suggest that, in the event you favor such a proposal, you memorialize Congress to enact legislation supporting the plan. If such federal funds could be made available, the local warrant situation in the state would be relieved and a substantial cash fund provided for current operation and relief.

Since the enactment by your honorable body of the present measure for bus and truck regulation, protest has been made that inequalities exist in the operation of this law. If such inequalities exist they should be adjusted, but the principle that busses and trucks should pay a fair return for the use of our highways should be maintained.

Later in the session when certain data that I have requested are available I shall submit to your honorable body a special message in connection with the development of the Bonneville navigation and power project.

In addition to the major problems outlined herein certain enabling legislation is needed to place the state of Oregon in a position to derive full benefit from opportunities offered by recent federal legislation.

Again I urge that legislation be limited to measures which are absolutely essential at this time in order that attention may not be diverted from major issues.

The task before you demands extraordinary singleness of purpose, fairmindedness and devotion to duty. I am confident that you will perform it wisely and justly, free from partisan bias and needless controversy.

In discharging the grave responsibilities placed upon you by the people of Oregon, please be assured that you can depend upon my fullest cooperation and support.

Julius L. Meier
Governor

December 5, 1933.

To the Honorable Members of the Senate and House of Representatives:

Gentlemen:

In my message on the opening day of this special session I called attention to the financial distress of our public elementary schools, pointing out that on account of rising tax delinquencies outstanding school warrants had reached a total of \$6,000,000 on June 20, 1932, representing an increase of more than 37 per cent.

I pointed out that in spite of drastic cuts in school budgets 441 districts, representing 32,000 Oregon children, are over a year behind in the payment of warrants for current expenses.

I further pointed out that in an endeavor to preserve their credit the school boards of 248 districts have contracted for less than eight month of school for the current year.

I still further pointed out that in many other districts teachers' salaries and operating expenses are being paid with warrants cashable only at a heavy discount, if at all, and that with their credit exhausted these schools will be closed and thousands of Oregon boys and girls.

In view of this deplorable condition and in view of the further fact that education is a state as well as a school district responsibility, I recommended the creation of a state school fund produced from sources other than a property tax, as an emergency measure to aid our public elementary schools during the present financial crisis with which they find themselves confronted.

Although it is not the function of the Executive Department to draft legislation for presentation to the legislature, I caused to be prepared and presented to the proper committee an emergency measure on this subject, just as I have caused to be prepared and presented to appropriate committees legislation carrying out all of the major recommendation of my message. Further than this the Executive Department cannot go, for in your body alone resides the function to enact legislation.

The particular measure referred to, which was drafted and presented only after it became apparent that no other revenue was to be made available, imposes a 1 per cent privilege tax upon persons engaged in the business of selling tangible personal property and utility and other services.

The measure exempts from its provisions sales of motor vehicle fuels, sales made by farmers, producers, manufacturers, wholesalers and jobbers to dealers for resale, insurance premiums and rentals of real property. It is estimated that the measure would produce approximately \$3,000,000 annually.

The chief opposition so far encountered by this measure comes from the Master of the State Grange and the head of the State Federation of Labor, both of whom are obstructionists in the sense that while they are always prolific with objections to any and all solutions presented, neither has any remedy to present for this or any of the other serious problems confronting the state.

In my opinion neither of these officials reflects the sentiment of the rank and file of their organizations with respect to this legislation as an emergency aid for our public elementary schools. In my judgment laboring men and farmers are as vitally concerned in seeing our schools kept open as any other citizen of the state.

In fact, since the proposal of the measure, grange organizations have expressed themselves in favor of the bill as an emergency aid for our school, and so have several labor leaders.

Next to the home, our schools exert the greatest influence on the character of our citizenship.

Consequently the most important business of the state is the training and education of our children, and education should be available to every child.

I am, therefore, renewing my recommendation of appropriate emergency legislation to meet the crisis with which our schools are faced, and in doing so I am pleading the cause of approximately 200,000 school children and approximately 7,500 teachers, who are looking to you for aid in this crisis.

Very truly yours,
JULIUS L. MEIER,
Governor

Governor's Message, 1935

Source: State of Oregon MESSAGE Of JULIUS L. MEIER, GOVERNOR To the Thirty-eighth Legislative Assembly 1935

Ladies and Gentlemen of the Thirty-eighth Legislative Assembly:

Four years ago I outlined my platform the major objectives which I hoped to accomplish during my term of office as Governor. Today I am here to give you an account of my stewardship.

Detailed reports covering the activities of the various state departments and institutions will be placed in your hands. I shall not take up your time with a repetition of the financial and statistical data presented therein, although I commend these data to your thorough study since they form an indispensable background for your labors.

In the preparation of this, my farewell address, to the legislative assembly of Oregon, I have had before me my inaugural message. I find what I believe is justifiable gratification in the fact that every major objective touched upon therein has been achieved or is well on the way to achievement.

This has been accomplished despite the fact that Oregon has, along with the rest of the nation and the world, experienced a period of economic and social stress and strain which none of us dreamed of four years ago. This has been accomplished despite the fact that we have had to turn aside from the orderly routine of state business to meet emergency problems unequalled in number and gravity at any time in the history of our state.

Economy and Tax Reduction

I promised the people of Oregon an economical and businesslike administration of state affairs.

During the four years of my administration state appropriations have been reduced \$5,450,136, and an inherited deficit which at one time reached \$4,500,000 has been wiped out.

The approved requirements in the state budget submitted to you for the 1935-36 biennium are \$2954,127 less than the revenues which will be available according to present estimates.

These available revenues may or may not be expended by your honorable body.

If they are not expended, the state property tax levy for the year 1936 may be reduced accordingly; in fact, it may be virtually eliminated.

It is my earnest hope that you will hold appropriations down to a minimum and thereby give the heavily burdened taxpayers the benefit of this reduced levy. The elimination of the property tax for state purposes is an objective greatly to be desired, and it now lies within the reach of the members of this legislative assembly to achieve it.

Local Tax Levies

Substantial as have been the reductions in state expenditures, no material relief will be experienced by the taxpayers until local taxes are reduced proportionately.

The truth of this statement becomes apparent when attention is called to the fact that Oregon's tax bill for 1934 was approximately \$41,385,000, and of this amount only \$3,139,423 represents taxes for general state purposes.

The remaining \$38,245,000—more than 92 per cent of the entire tax load—represents local tax levies.

With the view of reducing local levies, I organized, early in my administration, the Oregon Taxpayers Equalization and Conservation League, and a state-wide drive was inaugurated by this league with beneficial results.

To achieve effective and permanent reductions, however, a state agency vested with jurisdiction over local levies and bond issues is necessary, and I recommend that you give consideration to legislation along this line.

Water Power

In accordance with my pledge to carry out the water policies espoused by my friend, the late Senator George W. Joseph, there has been written into the statute books of the state a comprehensive and constructive water power code preserving our remaining valuable water power resources for the benefit of the people, granting municipalities a preference in their development, and safeguarding private development from frenzied finance methods.

In furtherance of these same water power policies, I appeared before the board of army engineers in Washington in the early part of my administration to plead for the development of the power potentialities of the great Columbia river with the result that President Hoover sent a special message to Congress urging their development on the same basis as the Boulder dam project.

Subsequently, authorization was secured from President Roosevelt for the construction of the Bonneville dam, the first units of which are now in process of construction.

As at present authorized, the Bonneville project will produce less than 100,000 horsepower, which is inadequate for the industrialization of our state in competition with such projects as Muscle Shoals and Boulder dam.

Consequently, I recommend that you memorialize Congress for the construction of the Bonneville project to its full capacity of approximately 500,000 horsepower and also that you urge Congress to construct the necessary transmission lines to bring about the distribution of the electrical energy for industrial and domestic use.

In my judgment, the government's power undertaking at Bonneville obviates any necessity of the state assuming a heavy load of bonded indebtedness for power development.

Public Utilities Commissioner

Pursuant to my recommendation, the 1931 legislature abolished the old Public Service Commission with its membership of three commissioners and created in its stead a public utilities department with a single commissioner with enlarged power and charged with the specific duty of representing the public in all public utility controversies.

Public Schools

Believing that the public schools constitute one of our most important public enterprises, not only from the standpoint of the progress and general welfare of the state but also with respect to the amount of money spent and the number of individual lives involved, I promised to foster education and advocated the provision of free textbooks for our public schools. This latter recommendation has been carried out.

While the financial condition of the public schools has improved somewhat, along with economic conditions generally, my study of the problem of public school administration and finance convinces me that there are several important matters of school legislation which should receive your attention during this session.

In my messages to previous sessions, I have urged a plan for a more equitable financing of schools to the end that economy and efficiency in the expenditure of funds for public education may be accomplished.

The 1933 legislative assembly authorized the appointment of an educational commission which has given earnest study to the problems of school district reorganization and school finance in Oregon. The recommendations of this commission follow three general classifications, namely:

1. The establishment of a state school fund of \$1,500,000 from sources other than property taxes, such fund to be distributed on an equalized basis to the school districts for the purpose of reducing local school district taxes now levied on property.

2. Legislation designed to equalize taxes for elementary and high school purposes within each of the counties.

3. A modified county school district system of school administration which will place a desirable measure of centralized responsibility in a county school board, but which will still retain local school boards and the identity and function of individual school districts.

I concur in the conclusions reached by this commission and commend the legislation submitted by it to the earnest study of the legislative assembly.

Higher Education

After a period of turmoil and dissension, which threatened the welfare of the entire system of higher education, harmony has been attained which leaves the way open for constructive achievement by the State Board of Higher Education.

The institutions of higher learning in Oregon have carried out a program of retrenchment during the past four years which has saved \$5,700,000 to the people of the state. This was accomplished only by means of the unified control and rigid elimination of duplication made possible by the administration of the consolidated Board.

I believe that the next four years should show great progress in developing a well-rounded system of higher education in which each institution will serve efficiently in its own particular field without expensive duplication and demoralizing competition.

We must bear in mind the fact that Oregon with a population of fewer than a million people and an assessed valuation of approximately \$900,000,000 cannot compete in the scope and magnitude of its educational institutions with more populous and wealthy states, but must aim at excellence in a system of higher education adapted to the financial capacity of the taxpayers of the state.

State Liberty

The State Library is a vital factor in the educational and cultural life of our people. Thousands remote from other educational and recreational facilities have received from it not only that knowledge which enriches life or increases skills but also the inspiration and courage to face the problems of daily life.

The library early sensed the possibilities of increased leisure which changing economic conditions brought to the State, and has done notable work these past few years in providing reading guidance, particularly to unemployed youth in rural areas. It has also given good service in this field in our state penitentiary.

Depleted budgets in both school and public libraries have created unprecedented demands for the services of the State Library. It will be years before the book stocks in schools and public libraries can recover from the drastic economy which conditions have forced upon them

In such circumstances state leadership in library activities is essential. I bespeak for the needs of the Oregon State Library your careful consideration and support.

State Police

In my inaugural message I recommended the enactment of legislation consolidating multiple state agencies into single departments in the interests of economy and efficiency.

With this end in view and with the further announced objective of protecting the state of Oregon from the inroads of organized crime and racketeering which have taken such a terrific toll in our nation, I urged upon the 1931 session of the legislature the organization of a state police force.

As a result of the organizing ability and untiring labor of the superintendent and the high morale and thorough training of the staff and officers of this department, Oregon today has a state police system that is outstanding in the nation.

This department consolidated the law enforcement functions formerly performed by the Traffic Department, the Game Commission, the Fish Commission, the Fire Marshal, and the Prohibition Department. In addition, the members of the State Police force are charged with the enforcement of all criminal laws.

Notwithstanding its additional duties, the department received for its maintenance during the first 18 months of its existence only the amounts theretofore allocated to the separate groups in the consolidation. The appropriation for the current biennium was considerably less pro rata.

In every field of activity the State Police Department has nearly doubled the number of arrests made by the separate agencies.

In addition, the department has established and equipped a central bureau for criminal identification, including in the equipment thereof many of the important technical devices necessary for highly skill crime detection and criminal identification.

Despite the fact that the department has operated in a field much wider than the pattern of its appropriation, \$43,500 remained unexpended at the end of the last biennium and it is estimated that \$40,000 will be returned out of the appropriation for this biennium.

In the field of general law enforcement, the State Police Department has established an outstanding record for highly skilled, courageous and devoted service. It is my earnest hope that this department may be left free to continue and strengthen its activities unhampered by political fear or favor.

State Department of Agriculture

Another important consolidation effected during the past four years was the creation of the Department of Agriculture, merging the activities of 17 separate boards under one head.

This consolidation has resulted in economical operation and the elimination of duplication. Constructive accomplishments have been achieved in standardization and grading of products, in fostering fair dealing between growers and buyers of produced, in the promotion of new markets and in many kindred activities for agricultural betterment.

The department has, without additional appropriation, carried out the provisions of the Oregon Agricultural Adjustment Act, with the result that growers generally feel that the provisions of this act, which expires on June 16, 1935, should, with certain amendments, be continued for another two years.

Under the administration of the Department of Agriculture, the State Fair has wiped out an \$8,000 deficit, paid all installments due on its bonded indebtedness, invested \$16,800 in improvements, taking advantage in this connection of available SERA labor, and as of November 1, 1934, reported a \$24,500 cash balance in the bank.

Consolidation of Boards and Departments

The success of these two consolidations convinces me that the state can gain much in economy and efficiency through further consolidation of boards and departments. In fact, I feel that we have made only a beginning along this line.

Although the Chief Executive is nominally responsible for the conduct of state government, he lacks both the authority and the facilities for exercising control over its multiplicity of departments, boards and institutions. Consequently the Executive can neither render the service nor achieve the economies that the people have a right to expect and demand.

In this connection, I wish to reiterate the recommendation that I made four years ago, namely, that the funds collected by all so-called self-sustaining activities be paid in to the general fund and that these departments be placed under the budgeted appropriations such as govern all other departments.

It is a thoroughly unsound practice to have a multitude of agencies, some large and some small in scope, collecting fees and spending their receipts without supervision or control. The natural tendency is to regard those revenues, which are collected only by virtue of the power and authority of the state, as their own and to expend them as they choose. Repeatedly during my term of office I have found that efforts to control or check the expenditure of such funds have been met with resentment and sometimes with complete defiance.

Salary Standardization

The result of this financial inequality between departments is nowhere more evident than in the salary schedules which prevail in different offices of the capitol. Glaring inequalities exist in the compensation paid for similar services.

With the hope of assisting your honorable body in your deliberations on salary schedules, several months ago I named a group to make a study of this subject. Their findings will be available to your ways and means committee.

Unemployment Relief

Foremost among the emergency problems which have arisen during the past four years has been that of providing food and clothing and shelter for nearly one hundred thousand of our citizens, who, in the majority of cases through no fault of their own, have been unable to find the employment necessary to sustain life for themselves and their families.

On my recommendation, the legislative assembly of 1933 enacted the present State Unemployment Relief Act, providing for the appointment of state relief and county relief committees.

These committees, in addition to assuming regular relief responsibilities, also accepted, at the request of the Federal Emergency Relief Administration, the duty of directing the Civil Works program in Oregon.

In November, 1933, the demand for financial cooperation with the federal government in meeting relief needs became so urgent that it was necessary to call a special session of the legislature to provide funds. These funds were provided from the state-controlled sale of liquor under the Knox law, and up to January 14, 1935, the sum of \$1,003,000 has been contributed from state liquor revenues for unemployment relief.

Due to variations in seasonal employment opportunities, the relief load in Oregon has fluctuated in the past two years from a minimum of 12,700 families and 4,900 single persons in October, 1933, to a maximum of 51,260 families and 7,800 single persons in May, 1934. During the winter and early spring months of 1935, it is estimated that over forty thousand families will be on the relief rolls.

The Civil Works program placed at work on public projects in Oregon during the winter of 1933-34 approximately 27,000 men and women. It resulted in the expenditure of \$6,450,000 of federal funds and \$862,300 of state and local funds for wages and materials.

In 1933, exclusive of the Civil Works program, \$4,900,000 was expended from public funds for unemployment relief in Oregon of which \$4,500,000 was contributed by the federal government. During the first 11 months of 1934, there was expended for unemployment relief from public funds, exclusive of CWA expenditures, \$8,600,000, of which the Federal Emergency Relief Administration contributed \$7,531,000. Unemployment relief in Oregon during this winter season is costing approximately \$1,250,000 per month.

The State Relief Administration, through special grants of federal funds, has carried out a drought relief program in the eastern section of our state which has served the double purpose of giving relief to needy farmers and also developing and conserving the water supply. It has developed a transient relief service and a camp work program for both federal transient and state resident homeless men.

In cooperation with the State Department of Education it has developed, through federal appropriations, an emergency educational program which is giving work to several hundred unemployed teachers, and providing educational and recreational facilities for thousands of adult unemployed.

The State Relief Administration is acting as agent for the Federal Emergency Relief Administration in the supervision of work relief for needy college students through which 12 per cent of the enrollment of Oregon colleges and universities are receiving cash wages on work projects.

The Federal Surplus Relief Corporation has called on the State Relief Administration to distribute large quantities of surplus commodities—beef, pork, butter, cheese, eggs and apples—to the destitute unemployed, at the same time aiding Oregon farmers to dispose of their surplus products.

The State has followed the lead of the federal government in holding to the premise that work is preferable to direct relief, and has provided aid through cash wages on public projects where such projects have been available, or through direct relief, where work has not been available.

I wish to express my appreciation, in which I feel the whole state should join me, for the unselfish, efficient and devoted manner in which the state and county relief committees have carried out their difficult and distressing task, without experience to guide or precedent to aid them. Some mistakes have been inevitable, but my contact with federal supervisory officials leads me to believe that the work in Oregon has been discharged with exceptional integrity and efficiency.

The expressions of the Federal Emergency Relief Administration and the public utterances of the President lead me to believe that an increasing measure of financial cooperation is to be demanded of the state, and that the problem of caring for the unemployable indigent is to be rigidly returned to the local communities. I, therefore, urge you to have these two points in mind in framing your unemployment relief legislation.

Liquor Control

When it became apparent that repeal of the eighteenth amendment would occur prior to January 1, 1934, I appointed a committee of representative citizens to make a study of liquor control and to submit recommendations for legislation which would protect the state against the evils of the old saloon regime.

The Oregon Liquor Control Act followed very closely the recommendations of that committee, placing the sale of all liquor containing more than 14 per cent by volume of alcohol in a system of state dispensaries conducted under the supervision of an appointive, non-salaried commission of three members.

As of November 30, 1934, the Commission was operating 22 stores and 117 agencies. The stores have operated at an expense of 6.5 per cent of sales and the agencies 8.3 per cent. During the latter months of operation, this ratio of expense to sales has been considerably lowered, and it appears reasonable to expect that operating expenses can be brought down to 5 per cent of sales.

Gross receipts from sales during the ten and one-half months the stores have been in operation have exceeded three million dollars. As of December 15, permits had brought in \$71,000; licenses \$103,750, and privilege taxes \$220,500. Out of profits and fees the Liquor Control Commission has contributed to unemployment relief more than one million dollars.

Out of the appropriation of \$400,000 allocated to the Commission to set up its operations, only \$107,800 has been used, and the balance will be returned to the general fund. The sum used in launching the operations of the Commission will be repaid to the state with 5 per cent interest as soon as the demands on liquor revenues for unemployment relief are terminated.

In the design of its stores and the conduct of its employees, the Commission has strictly adhered to the spirit and intent of the law which provides that "This act shall be deemed an exercise of the police powers of the state for the protection of the safety, welfare, health, peace and morals of the state * * * and to promote temperance in the use and consumption of alcoholic beverages."

The Commission has cooperated with city councils and county courts in the granting of licenses, and has frequently consulted with church organizations and parent-teacher associations in the location of its stores and agencies. It has likewise cooperated with federal and local authorities in a vigorous campaign against illicit manufacture and sale of liquor.

This new branch of the government has been handled with fidelity and efficiency, and the experience of the last 10 months has strengthened my belief that the Oregon Liquor Control Act, with only minor changes, offers the people of the state the most satisfactory method of handling the difficult problem of alcoholic beverage control.

The Liquor Control Commission will submit to your honorable body certain recommendations for amendments to the law. In the majority of these, I concur; with others I am not in entire agreement.

I particularly refer to the recommendation by the Commission that it takes over the handling of all wines and beers above a certain alcoholic content.

Several thousand merchants have procured licenses from the Liquor Commission and established themselves as retail and wholesale dealers in the distribution of wines and beers in packages for consumption away from the premises where sold. So far as I know, there has been no abuse of these package licenses. I feel that the rights of these merchants should be considered in connection with the distribution of malt and vinous liquors.

At the time the Knox bill was adopted, an effort was made to include among its provisions authority for dispensing certain alcoholic liquors by hotels and restaurants. This is a subject difficult of solution. It is undoubtedly true that there is some demand on the part of the traveling public to purchase and have liquors served with their meals. It is my hope that this legislature may find some sound solution for this problem in line with temperance which will not permit the abuses of the old saloon days, and at the same time permit the traveling public who happen to sojourn within our borders to be reasonably served with alcoholic liquors.

State Highway Commission

I am pleased to report that the departments coming under Executive supervision have functioned efficiently during the past four years despite the fact that each of them was faced with serious problems as a result of the economic depression.

The State Highway Commission has conducted its affairs in a firm and impartial manner, exercising good business judgment in the expenditure of the state and federal funds at its disposal. Bonded indebtedness has been reduced \$5,600,000 despite the issuance of 2.5 million dollars in bonds for an unemployment relief program.

Through the changes in motor vehicle fees and gasoline tax and the abolition of the state market road tax the motorists and the taxpayers of the state have been saved \$4,000,000 per year. Maintenance costs have been reduced 28 per cent. Federal funds in the sum of \$13,350,000 have been disbursed with a view to securing the maximum of efficiency and at the same time affording unemployment relief. Bridges are now under way over the five major stream crossings on the Oregon Coast highway as a result of a federal grant of \$1,400,000 and a loan of \$4,200,000.

Corporation Commissioner

At the beginning of my administration, the Corporation Commissioner faced a deplorable condition in which fraud, racketeering and financial piracy were rampant—all in direct violation of the Blue Sky law and of the Building and Loan Association statutes. In these operations there was exhibited extraordinary and astounding effrontery, a disdain of concealment and an open defiance of law, which made it apparent that the wrongdoers had little fear of prosecution or punishment.

A vigorous campaign was instituted against these abuses with good results. Active financial racketeering in Oregon has been stopped and few persons now even attempt to secure permits under which rackets can be operated. Racketeers have been indicted and convicted, and remaining ones are now under investigation by the department with a view to indictment. Building and Loan Associations in which racketeering has been practiced are now in the hands of the Corporation Commissioner as statutory receiver either for operation or liquidation.

As to corporations in general, the department reports a slight falling off in revenues from filing fees and licenses. However, operating expenses have been rigidly reduced so that since March 1, 1933, net earnings have actually increased.

State Industrial Accident Commission

The four years just past have been the most trying in the history of the State Industrial Accident Commission. Entering the period with no surplus to absorb the shock accompanying the downward trend of industry, the Commission has built up the accident fund until it again totals well over a million dollars, whereas at one time it was as low as \$500,000. NO losses have been sustained on account of any investments of this fund during the past four years.

While the law permits 10 per cent of receipts to be expended for administration, the Commission has during the past fiscal year been able to cut this figure down to 6.3 per cent. Insurance statistics indicate that the Commission is now carrying 95 per cent of all workmen's compensation coverage, which is evidence of growing confidence in the fund and of increasing security to employers and labor.

A few amendments in line with changing social and economic conditions and national regulations will be submitted to you at this session to safeguard the solvency of the fund and afford greater protection to employers and workmen.

World War Veterans' State Aid Commission

The World War Veterans' State Aid Commission has weathered the depression in good condition.

Despite an extremely liberal policy on foreclosures which has enable many thousands of veterans to protect their investments during the depression, the Commission has acquired a considerable amount of property. Cooperating with the Federal Emergency Relief Administration, the State Aid Commission has furnished employment for hundreds of skilled and common laborers through a state-wide program of rehabilitation of state-owned properties.

Despite the fact that the Commission surrendered tax income of \$1,100,000 during the past four years, thus affording temporary relief to the overburdened taxpayers, it has been able to make a net reduction of \$150,000 in its bonded indebtedness.

Earnest effort has been directed to making the Commission self-sustaining, with the conclusion that had the original law been so drafted as to permit a nominal brokerage fee on all loans granted, a small service charge during the life of the loans, and an interest charge slightly in excess of that which the Commission is compelled to pay for its funds, the millage tax could have been discontinued permanently.

State Insurance Department

During the past four years the State Insurance Department has been conducted on an overhead of less than 5 per cent of its revenues, and after payment of all operating expenses will have turned into the general fund of the state more than \$2,860,000.

The Fire Marshal's Department has done outstanding work in fire prevention and has made a record that other states are now emulating.

During the past six months I have cooperated with officials in the Insurance Department in a campaign designed to cut down the terrific toll in property and human life from motor vehicle accidents.

State Board of Forestry

Great progress has been made in the field of forestry during the past four years. The Oregon State Board of Forestry has, through the cooperation of private timber owners and the federal government, developed a forest protection system that ranks among the highest in the United States. Plans and policies have been worked out to place the forest lands of the state on a sustained yield basis.

Activities have been greatly stimulated through the establishment of the Civilian Conservation Corps and endorsement of the lumber code by the industry. Twelve hundred CCC men are under the direct supervision of the board and are engaged wholly in protective and improvement work on state and private forest lands. Expenditures have totaled \$550,000. The board has also acted as representative of the code authority in forest protection work.

Oregon National Guard

In its training activities and in the actual test of mobilization for emergency use, the Oregon National Guard has demonstrated its efficiency. During the past year a call to emergency service proved that the National Guard not only is able to summon an effective force in the speediest possible manner but is prepared with definite detailed plan s and ample reserves to meet any situation that might arise in support of civil government.

Gratifying results have been obtained in developing a state training area for the National Guard at Camp Clatsop, in Clatsop county. The state has secured government-paid installations amounting to \$200,000 and a sufficient acreage to make Camp Clatsop a permanent, fully equipped training center for our citizen-soldiery.

Flax Industry

During the past biennium the flax industry has experienced the most successful operation since its inception.

On June 20, 1931, the industry had on hand in cash and accounts receivable \$58,000, while in June, 1934, the industry had on hand \$267,539. The audit prepared by the Honorable P.J. Stadelman, Secretary of State, as of June 30, 1934, gives the complete report of the operation of the state flax industry, and for the first time it shows a cash profit.

From available funds we have paid back to the general fund \$125,787.03, covering the legislative appropriations of 1923 and 1927. It is interesting to note that from April 1, 1927, to October 1, 1930, a net loss of \$214,033.64 was incurred, and that during the period of October 1, 1930, to June 1, 1931, a net loss of \$91,739.42 was sustained. From July 1, 1933, to June 30, 1934, the net profit was \$16,163.55, and it is now estimated that the flax industry is earning at the rate of from \$2,500 to \$3,000 a month. As of December 1, 1934, the industry had cash on hand and accounts receivable amounting to \$188,000.

In addition to combing American markets heretofore untouched Mr. William Einzig, who has been in charge of the industry, has been able to sell our flax and tows to France, Italy, and Belgium.

We have made diligent efforts to bring industries related to the growing of flax to Oregon and I have been gratified, within the past week, to receive word that a large manufacturer of cigarette paper will have a planting of flax in Oregon this year. If the planting is successful it will be followed by extensive expansion in the manufacture of this type of paper in America.

I feel certain that, if this industry is carried on in accordance with sound business principles, the farmers of Oregon, as well as Oregon industry, will reap many benefits, and the taxpayers will not be called upon by the legislature to provide further appropriations.

State Institutions

During the past biennium the institutions for custodial care have been further modernized and they are in a good state of repair. A new hospital has been completed within this period at the Oregon Fairview Home and is rendering excellent service.

In the operation of the institutions we have been generally successful in remaining within the budgeted appropriations, even in view of special processing taxes and unforeseen contingencies, and at the same time rendering humane and efficient service in the care of our charges.

It is of interest to observe that in December, 1923, our population in comparable state institutions was 4,190 with an appropriation for that period of \$3,309,788. In the past decade the population has been increase by 1,891, but the appropriation has been reduced by \$476,678.22. The superintendents of the various institutions have given me their whole-hearted support and cooperation in establishing this excellent record and deserve commendation.

Appreciation

In closing, I wish to pay a well-deserved tribute to the late Thomas B. Kay, former State Treasurer, and the late Hal E. Hoss, former Secretary of State, whose unfortunate passing the whole state mourns. They were public servants of the highest type and Oregon should be ever grateful for their able and devoted service.

Likewise, I wish to express my appreciation of the fine cooperation and able assistance of the Honorable P.J. Stadelman during his term as Secretary of State.

The sound business judgment of these gentlemen has been invaluable on the State Board of Control, the State Land Board, the State Banking Board, the State Reclamation Commission, the State Printing Board ,and other state agencies where I have been associated with them.

I believe that the affairs of these boards are in good shape and that each has achieved real progress despite the serious problems of the last four years.

To those state officials and employees who, despite substantial pay cuts, have cheerfully and faithfully met the serious responsibilities and heavy duties of the past four years, I offer my heartfelt thanks. Even in those departments over which the Executive exercises no statutory control, the response to my appeals for economical and efficient operation has, almost without exception, been most gratifying. I am deeply grateful to those who, in state departments and institutions, have labored efficiently and loyally for the state of Oregon and for the success of my administration.

Economy in public expenditures is a goal often sought and seldom attained. To Henry M. Hanzen, State Budget Director, who has discharged his duties with the single purpose of saving money to the state, without regard to whether his actions would make him personally popular or otherwise, belongs a large part of the credit for economies accomplished during my administration. His advice and assistance have been invaluable to me.

Finally, I wish to express my appreciation for the able and loyal service of my own office force, and particularly that of my secretary, Mrs. Beatrice Walton Sackett. Her wide knowledge of state business, her sympathetic understanding of public affairs and her impartial and efficient discharge of the duties of her office have given me support and assistance which have made possible much of the success of my administration.

Despite the troubled times and the distressing problems which have accompanied them, I have considered it a privilege to serve as Governor of my native state during the past four years.

To my successor in office whose ability, integrity and record of distinguished public service promise the state of Oregon a higher quality of leadership, I tender my good wishes for the success of his administration and the unqualified assurance of my willingness to cooperate at all times "for Oregon, its people, their welfare and prosperity."