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GOVERNOR MARK O. HATFIELD ADMINISTRATION

Governor from January 12, 1959 to January 9, 1967



RECORDS FROM 1959

For more records see the [Governor's Records Guides](#).

Biographical Note

Hatfield was born in Dallas, Oregon, July 12, 1922, to Charles Dolen and Dovie Odem Hatfield. Spending much of his youth in Salem, Hatfield developed an affinity for politics as he worked as a guide in the state Capitol. He graduated with a B.A. from Willamette University in 1943 and an M.A. degree Stanford University in 1948.

From 1943 to 1946 Hatfield served in the U.S. Naval Reserve as a lieutenant junior grade. During World War II he served in the Pacific in landing craft operations. His trip into Hiroshima a month after the bomb dropped helped to form his views against nuclear war and nuclear weapons. After World War II he was assigned to French Indochina (Vietnam). This experience helped to shape his views about imperialism and colonialism and his later strong stand against the Vietnam War.

Hatfield taught political science and was dean of students at Willamette University in Salem from 1949 to 1956. He married Antoinette Kuzmanich on July 8, 1958 and had four children, Elizabeth, Mark Jr., Theresa and Visko.

Hatfield began his political career in the Oregon Legislature in 1951 where he served in the House of Representatives from 1951 to 1955 and in the Senate from 1955 to 1957. He became the youngest Secretary of State in Oregon history in 1957, holding the office for two years until he was elected governor in 1958. Hatfield, a Republican, defeated the Democratic incumbent Robert D. Holmes and served as Oregon governor from Jan. 12, 1959 to Jan. 9, 1967.

Major accomplishments of Hatfield's administration included the passage of a tax cut in 1959, the establishment of a state-backed birth control system, the prohibition of capital punishment in the state, and the reapportionment of the state's congressional districts. Hatfield was reelected in 1962, defeating Democratic challenger Robert Y. Thornton.

Hatfield held the office of U.S. Senator from Oregon from 1967 to 1996, making him the longest serving Oregon Senator in history. He consistently voted against military appropriations, voted to end the war in Vietnam, co-sponsored a nuclear freeze resolution with Senator Edward Kennedy and called for a Code of Conduct to regulate U.S. arms sales. Senator Hatfield twice served as chairman of the Appropriations Committee, a position he used to steer more than 3 billion dollars of funding for a variety of public projects in Oregon. Among the recipients were Oregon Health & Science University and the MAX light rail system in Portland. He was the second-most senior Republican Senator at the time of his retirement.

Over the years after leaving the U.S. Senate, Hatfield taught at George Fox University in Newberg and the Hatfield School of Government at Portland State University. He also served on the Oregon Health & Science University board of directors for several years.

Numerous institutions, buildings, and public resources are named in his honor, including the Hatfield Marine Science Center in Newport, the Mark O. Hatfield Library at Willamette University in Salem, the Mark O. Hatfield United States Courthouse in Portland, and the Mark O. Hatfield Wilderness Area in the Columbia River Gorge.

He died in Portland on August 7, 2011 at the age of 89 after a long illness.

Inaugural Message, 1959

Source: INAUGURAL ADDRESS OF MARK O. HATFIELD GOVERNOR OF OREGON TO THE REGULAR SESSION OF THE FIFTIETH LEGISLATIVE ASSEMBLY JANUARY 12, 1959 SALEM, OREGON

Mr. President, Mr. Speaker, Members of the fiftieth Legislative Assembly:

We stand at the threshold of the second century of statehood in Oregon.

If we look forward with the same dedication to destiny as did our pioneer predecessors ten decades ago near this spot, those who look back from the year 2059 will be proud of their heritage.

To our plateau of time, with its social and technological enlightenment, let us bring an achievement worthy of the Oregon pioneer. His trail was long and hazardous and he had to travel light. He learned quickly to economize, to abandon the frills for the sake of the materials and tools he needed to build a new country. The question he continually asked himself as he necessarily lightened his wagon was: "Is this essential or merely desirable; and, if it is only desirable, can I afford it?" The West from Mississippi to the Columbia was bedecked with items which brought the answer, no.

The pioneer in those lean decades learned something else. He learned that in clearing his land and providing for his family he needed the skills and knowledge of others. His mind was open to new ideas and he and his compatriots pooled not only energy but talents.

Let us, too, be willing enough, keen enough, frank enough to project our imagination ahead toward future needs. Let us be tolerant enough to bow to our colleagues' ideas, and humble enough to change our solutions when they fail to serve. May we ever be mindful there is a distinct difference between appeasement and constructive compromise.

Let us be remembered for our wisdom, not our willfulness; our determination not our defiance, and our proud spirit of duty rising above personal interests and party alliance.

I propose no moratorium on party achievement. But I urge that the first test of any proposal be the pioneer's test. If a material or service is not truly necessary, but only desirable, can we afford it? If all proposals which fail this test are left beside the trail of the second century, then we truly will have rededicated ourselves to destiny --- to a bountiful destiny for all.

A MORE MANAGEABLE GOVERNMENT

Our state government seems to have developed through sheer growth rather than design. As we enter Oregon's centennial year, the remarkable thing is that our government functions as well as it does, despite the ambiguities, the obsolete and inappropriate provisions of our state constitution. More than once I have urged the Oregon legislature to pave the way for a constitutional convention. Once again I urge such action.

It is the only feasible way in which we can achieve the comprehensive revision that will give us the framework for a more manageable government.

One of the prime goals of constitutional revision would be to create a framework in which coordination and cooperation between state agencies would not only be possible but inevitable. In the meantime, many of the benefits of the cabinet form of government can be achieved by executive action. The heads of key state agencies will be called together for consultation of the major decisions that confront the Executive Department. One member of my staff --- a career public servant with experience in four state departments -- will be in constant touch with agency problems and opportunities. This should help us achieve a more manageable government.

Your interim committee on governmental reorganization has recommended that the governor be given authority to reorganize state agencies, subject to legislative veto. I concur in that recommendation. It places the primary responsibility for administrative organization precisely where it belongs --- with the state's chief executive. It would be a long step forward toward a more manageable government.

A MORE EFFICIENT GOVERNMENT

If we make our government more manageable, we make it possible for that government to be more efficient. But efficiency is more than reorganization, desirable through that may be.

Efficiency is the product of leadership, competence and teamwork that creates a climate in which economy can grow and flourish. The foremost function of a Governor is to devote himself to active, personal administrative leadership of the executive branch. It is important that a Governor visit every corner of the state; to listen as well as speak to those who are concerned with what our government does. But the Governor's travels and his speaking and listening are useful only when they assist in strengthening his leadership in achieving a more efficient government.

We can strengthen the competence of our government by reinforcing the merit system in the selection and retention of state employees, and by improving where we can the conditions of employment. The state should encourage and assist employees in improving their individual skills by a carefully designed training program this will contribute to a more efficient government.

America's expanding economic life is based on the increasing productivity of our workers. Much of state administration is paper work and paper work is in the midst of a revolution of staggering proportions. It shall be my purpose to see that the state shares fully in the more efficient use of our manpower. We shall keep abreast of the possibilities of the electronic marvels that are at our fingertips. And we will take advantage of every other opportunity to increase the productivity of each payroll dollar.

A MORE ECONOMICAL GOVERNMENT

Within the past few days, like you, I received the detailed outline of the budget recommended by the outgoing administration. Although it fails to provide for increased social security and unemployment compensation premiums that will be assessed against each state department and fails to account for some price increases that are already well known, it is a stern reminder that reorganization and efficiency alone will not suffice.

For too long we have budgeted for "the existing level of services, plus ---." For too long we have tailored our budgets to fit available revenue. For too long we have ignored the clear evidence that state and local government in Oregon are taking a larger proportion of our income than is true of the states with which we compete for business and industry. The result is a proposed expenditures budget that includes the gloomy forecast that by 1961 we will face a deficit of more than \$76 million.

I am fully mindful of the so-called fixed expenses, with built-in expansion factors. But we face a grim reality. I expect to submit, at a later date, specific recommendations with respect to the expenditures budget and building program. These will reflect our determination to restrain the growth of state expenditures.

To meet our current and urgent needs, I commend for your attention revision of our income tax to increase participation in sharing the costs of government. Income remains the best measure of ability to pay and every income earner owes at least a small fraction for the services he receives from his government. This suggestion seems to me to be in accord with the philosophy of the Sly report as are my further recommendations that investments in Oregon jobs should be encouraged by enactment of a capital gains provision and that the inequities of the inventories tax should be eliminated.

BOARDS AND COMMISSIONS

Much lip-service has been given to the unwieldiness of Oregon's 100 plus boards and commissions. I propose that the hydroelectric Commission be abolished and its duties absorbed by the Water Resources Board; that the State Engineer's office be amalgamated with the Water Resources Board; that the Governor no longer be chairman or a member of the State board of Forestry but that the Board instead select its own chairman from those especially suited for the position; that the State Forester be empowered to proclaim emergency closure of forests for the deer hunting season; that the State Board of Forestry assume the duties of the Forest Protection and Conservation Committee and the forest Products Research Advisory Committee; that the Inheritance Tax and Gift Tax administration be transferred from the Treasurer to the Tax commission; that the administration of the weight mile tax be transferred from the Public Utility Commissioner to the Department of motor Vehicles; that the duties of the State Boxing Commission be transferred from the Governor and the Secretary of State and vested solely in the Attorney General; that regulations for parking in the Capitol area be drawn up and administered by the State Police department rather than the Secretary of State; that Capitol guide functions, now under the Secretary of State, be assumed by the Travel Information Division of the State Highway Department; that the position of State Fire Marshal be made separate from and independent of the State Insurance Commissioner; that the Livestock Auction Markets Committee and the Livestock Advisory Committee be combined; that the Sanitary Authority, Air Pollution Authority and Radiation Advisory Committee be combined into a single agency and given broader powers; that the Commission on Uniform State Laws be combined with the Legislative Counsel Committee; that the Labor Elections Division be abolished; that the collection Agency Advisory Board be abolished and its duties transferred to the Corporation Commissioner; that the Rogue River Coordination Board be abolished; that the McLaughlin Home Board of Trustees be abolished and duties transferred to the Oregon Historical Society; that the Flax and linen Board be abolished; that the Americanization Commission be abolished; and that a complete review be conducted on the remuneration of all ally board and commission to bring about equity in per diem payment among those citizens who lend their time and talent to state service.

CIVIL SERVICE

We must constantly strive to improve and expand the merit system in order to build a stronger and more respected career service. I recommend, for example, that all the administrative division heads in the Motor Vehicle Department be included in the classified service.

Referring to appointments by the Governor, I would publicly recognize that choosing the right individual for the right job at the right time constitutes one of the most important functions of your Governor, whether it is a full-time department headship or a lay board or commission membership. I earnestly ask that you encourage able people to make themselves available for government service.

EDUCATION

Less than two years ago as the Forty-ninth Legislative Assembly was convened in special session, the Soviet Sputnik was newly aloft and there was a prevalent a spirit of anxiousness among our people. Today,

although there still is an air of anxiety about areas of international tension, we have regained much of our scientific confidence and, indeed, are applauding an American accomplishment in spatial ventriloquism.

Within even more recent days the U.S.S.R. has again challenged world imagination with a new cosmic rocket. The implication for this game of universal leapfrog are clear. In order to afford the costly scientific and ideological competition without fiscal catastrophe at the national level, states must be ever more prudent in expenditures. We have only to look to our neighboring states, north and south, to find the long-range significance of deficit finance.

Here then is our paradox: we need education equal to the times, yet our means are not without limit.

Few services a government can provide are as important as education. Oregon traditionally has done an excellent job in this field. The number one problem in education is how to finance our programs. We can no longer afford a patchwork system and geographic rivalry, but must obtain the facts from a comprehensive study of the entire problem of school financing, both from all sources of revenue available and formulas of distribution. I therefore propose such a study be made.

I shall call upon the Board of Education to coordinate a study on school construction. New developments in design offer many possibilities for economy which might enable the smaller school districts without great resources to avail themselves of good counsel in this area.

To assure continued professional administration, I urge that the superintendent of public instruction be appointed rather than be elected. The Board of Education and the Board of Higher Education are lay boards requiring the stimulus of the finest of ideas. In order to approach that objective and relieve somewhat the overburden of time now devoted by members, I recommend enlarging the State Board of Higher Education from nine to twelve members and the State Board of Education from seven to nine members. I also favor transferring the authority for Oregon Technical Institute to the state system of higher education from which it receives many policy guides at the present time. It should remain in Klamath Falls but we should begin planning now for a similar 13th and 14th grade technical institution in Multnomah County.

The rural school district law has proved to be inequitable in sufficient instances that it needs revision. It is an irony in today's society that finds opposition, however well intended, to lengthening of the school year when there abounds so much more knowledge to stretch the capacity of the human mind. Our costly physical plants are idle more days than they are in use.

All encouragement should be given local school districts which seek to strengthen their curriculum through enrichment programs for the gifted student.

We should also take notice of new programs of selective admissions at the collegiate level. We should not place college out of financial reach. The new selective admissions policies placed into effect in our institutions of higher education are not only a matter of necessity, they are a desirable. Academic ability does not go hand in hand with economic station. The fee remission program of the state system of higher education, whereby a percentage of students each year at each institution has tuition waived, should be changed to become a State Scholarship Fund. Deserving students, selected on the basis of need and examination, would be given the stipend directly and be permitted to select the institution of their choice, either public or private within the state.

YOUTH

The well-being and the development of our entire state is in direct proportion to the well-being and development of its youth and we must not err in providing for them a framework wherein the maximum capabilities of each will be developed and utilized.

Oregon's adoption laws should be strengthened by giving the State Public Welfare Commission authority to lawfully accept permanent commitments and relinquish children for adoption. Children who now have inadequate legal protection when relinquished by private individuals for adoption could in this way be protected, and hundreds of children now receiving assistance from the Public Welfare Commission, many in foster homes, could be placed in families they could call their own. Adoption rather than foster homes should be our goal.

Oregon law has many conflicting sections relating to children and youth. These laws are also scattered throughout the several chapters of Oregon statutes. Recodification and rewriting of these laws would be a significant contribution to the welfare of Oregon's children.

The availability of skilled personnel to provide services to children is severely limited. Oregon should give careful consideration to establishing a graduate program of social work, in connection with our System of Higher Education, in order that the critical and costly shortage of graduate trained social workers in Oregon can be alleviated.

SENIOR CITIZENS

Times of inflation are especially difficult for our senior citizens whose incomes have been halted or greatly reduced. I believe it would keep many from requiring public assistance and would contribute to their moral as well as their economic well-being if property taxes were waived for those over 65 years of age having a gross income of less than \$2500 and whose true cash value on their residency does not exceed \$7500.

It is a demonstrable fact that physical and mental inactivity frequently contributes to senility. Thus we have those who are prematurely terminated from occupational pursuit becoming wards of the state, if not in terms of welfare then in terms of institutional care.

Therefore, I urge passage of law which includes prohibition of job discrimination because of age.

I commend to you the New York State statute on this subject as a point of departure for you thinking.

UNINSURED MOTORIST

Protection against the financial hardships resulting from injuries inflicted by the irresponsible, uninsured motorist should be provided by requiring the inclusion of the uninsured motorist clause in every automobile insurance policy. For too long the industry has failed to provide leadership to deal with this vital problem. This plan avoids many of the disadvantages of compulsory insurance.

JUDICIAL REFORM AND ADMINISTRATION

Of the many recommendations made by the Legislative Interim Committee on Judicial Administration I particularly urge consideration of these changes as essential to a judicial system of the highest order:

First is the selection of judges. The so-called Missouri Plan of selecting Supreme Court Justices and lower court judges serves careful study.

Second, that the position of Chief Justice of the Supreme Court be filled on a permanent rather than rotating basis. We should start on the drawing boards plans and specifications for a Supreme Court building to provide facilities to meet the needs of this branch of government.

Third, the system of district courts should be broadened to assure that offenders, no matter how petty, shall have their cases handled by men knowledgeable in the law and aware of the purposes of our judicial system.

Forth, all matters pertaining to juvenile offenders should be handled in a court of law.

Enabling legislation should be promptly passed to implement the constitutional authority granted by the people for circuit judges to be moved up to the Supreme Court bench to a probate basis. Moreover, this system should be tried for practicality for at least a biennium before considering further the proposal for two additional full-time justices.

In order to provide the legislature with a personal report from the judicial branch of government, may I suggest that you invite the chief Justice of the Supreme Court to address you in a joint assembly on the status of judicial administration in Oregon. I am concerned that an early trial with prompt review is not now possible in many instances.

I would advocate, further, you consider adoption of a maximum sentence law and thus many inequities may be erased.

NATURAL RESOURCES

Oregon's largest industry is its timber industry. It directly supports one in seven Oregonians, and indirectly adds to the security and wellbeing of almost every one of us. This vital asset must not only be properly utilized by this generation, it must also be conserved for our citizens of the future. Non-utilization of our timber resources may amount merely to wastage --- not conservation. We must, through efficient management of our forest lands, set the example for the federal government to follow. We must then exert all of our influence to assure that the agencies of our federal government permit the harvesting of ripe timber --- timber which will be lost forever if it is not harvested.

Our state policy and administration should include adequate and far-sighted administration of our timber tax laws. Their laws and policies must be both stabilized and standardized to insure the growth of forest crops for the equal and guaranteed use of the future.

AGRICULTURE

I respectfully recommend that the Board of Agriculture be reorganized to provide that the seven member board serve six year staggered terms, that there be a near-balance of political affiliation on the board and that no two members come from the same commodity interest. I would urge also that an emergency fund be provided so that prompt action could be taken in unforeseen agricultural circumstances short of measures requiring a convening of the state emergency board. Finally, I believe the State Fair Commission should be abolished and its duties and responsibilities returned to the Department of Agriculture.

LABOR

The trade union movement has been one process through which many gains have been achieved for labor and for management and for our economy as a whole. In general, we have enjoyed good labor management relations in this state and such condition is credit to the leadership of both.

Whether the state need take any legislative action to assure the individual union member maintains a free voice in the activities of his union is a subject I believe you should discuss frankly. Encouragement should be given to national or state insistence on a broadening of requirements for severe ballots in election and strict accounting of union funds. The Anti-Picketing law of 1953 should be repealed.

UNEMPLOYMENT COMPENSATION

Unemployment Compensation after twenty years of operation as a Federal-State system has demonstrated considerable value in economic stabilization as well as in employee protection. In Oregon, neglect in dealing with recent employment trends has resulted in critical depreciation of our reserves. Consequently, it is necessary that we immediately start rebuilding. Employers already have been forced to adjust their taxes to

the new situation and still further sacrifices by affected parties may be temporarily necessary. Wide seasonal job swings in basic industries make Oregon's problem somewhat unique but not insoluble. By way of administration, it is my intention to provide additional protection to the fund through tightening benefit payment by more adequately determining if individuals are actually in the labor market and by placing greater emphasis on using the statewide system of employment offices in making more placements of persons drawing benefits. The recommendations of the Experience Rating and Advisor Council merit your consideration. In my opinion, however, not all of these proposals would be in the best interests of the state. For example, I do not concur with the recommendation that the present experience rating system be abandoned for the payroll decline experience rating system. Rather, I would urge the adoption of legislation that would provide for elimination of the extremes in experience rating and the establishment of a surtax which could be imposed in the event of future emergencies.

STATE INSTITUTIONS

Care for mental and tubercular patients should be improved by increased use of new developments which make it possible to treat many patients without institutional residence. The outpatient programs at Oregon institutions should be strengthened to take full advantage of these developments. Not only is such care more effective but it can also help avert further costly expansion of our state institutions.

The problem of mental retardation is of deep concern to every citizen of Oregon. The cooperation of the state, local communities, and individual citizens is essential if progress is to be made in this field. The chief needs at present are increased research, early and adequate diagnosis and treatment, and increased public understanding. We need to expand our out-patient facilities, eliminate the long waiting list at the Oregon Fairview Home, and increase our professional staff to improve rehabilitation. Many more mentally retarded persons could be gainfully employed if treatment of complicating physical, emotional, and social factors were started earlier. Rather than starting another public institution, which would necessarily have an extremely high operating cost, we should use the available funds to try to reduce the number of patients needing institutional care.

Local agencies of government and private groups should be encouraged by the state to develop care and educational programs for the mentally retarded.

HIGHWAYS

The development of our highway system is important to our economy, to our recreation potential, to our tourist trade and to traffic safety. Either we increase our state gasoline tax one cent a gallon --- an amount equal to \$6.66 per year for the average driver of 10,000 miles --- or we forego some of the opportunities that exist in the federal matching program now underway. If we want superhighways and freeways, improved and new routes, and the added features they bring, there is a price tag to be considered.

Specific target dates should be set for such projects as Winnemucca-to-the-Sea and the Oregon-Washington bridge at Astoria.

NATIONAL GUARD --- CIVIL DEFENSE

Two operations of government make tremendous demands for time and training, and these public servants frequently are required to perform thankless tasks. I refer to the National Guard and those who serve with Civil Defense. In the units of the Guard are found the Minute Men of this century, trained for battle or civil emergency. Those in Civil Defense are prepared to guide us should an enemy's action involve our homeland, and they are likewise standing by in readiness to aid in fire, flood or other disaster.

ELECTION REFORM

The election law reform of two year ago has done much to improve Oregon's elections. Some adjustments, however, are needed. I urge that pre-election reports of campaign expenditures and contributions be required so that voters will have a better idea of the political forces involved. Supplementary financial report should be required quarterly until all campaign deficits have been accounted for. Consideration should also be given to permit new residents of Oregon, who have all the voting qualifications beside the minimum residence requirement, to vote for president and vice president of the United States.

I have earlier recommended that the superintendent of public instruction be removed from elective status. I would urge that you give consideration to making the Attorney General and Labor Commissioner appointive also.

CITY-COUNTY REFORM

One of the areas most in need of a fresh appraisal for the decades ahead is that of local governments. It has seemed to me that the efficiency of our City Fire Department personnel would be advanced by assuring to them the professional status of civil service procedures in their selection, promotion, and retention. Oregon's most significant social change has been that of urbanization which has put old governmental forms to impossible tests. I urge that in implementing the county home rule measure approved by the electorate in November you allow the greatest flexibility possible for those who will adapt their county government to the needs of the future. I also call to you attention a new study now beginning in the Marion-Polk County area which involves the cooperation of a school district, a city government, two counties, and the executive branch of state government. The goal is to discover new ways of achieving cooperation, economy and efficiency among overlapping jurisdictions. Popularly termed the "massive cooperation" study, it may provide practical solution to problems and previously unrealized opportunities in our coming century.

LEGISLATIVE PROCEDURES

I am disheartened that the people at the November election turned down a proposal for an increase in legislative pay. But, in abiding by their decision, there may be ways in which your loss of time from occupational responsibilities might be reduced without impairing your efficiency, through improved procedures in the legislative process. For example, the introduction of electronic voting equipment, elimination of the use of memorials, increased use of joint committee meetings for hearings and consideration of bills, and evening sessions would contribute much to the goal of an accelerated session.

You may wish to give consideration to continuing your minority-majority leaders from session-to-session as in the Congress. Oregon can no longer afford the luxury of leadership-by-rotation in its legislative branch of government.

SUCCESSION AND RETIREMENT OF GOVERNORS

In view of the rapid changes in the governorship in the past dozen years wherein three chief executives were succeeded by individuals who were not elected by statewide ballot, may I respectfully suggest you consider returning to the line of succession whereby the Secretary of State acts for the Governor in his absence or succeeds him upon death or disability. Thereafter the State Treasurer, the President of the Senate, and the Speaker of the House, in that order, would form the line of succession. I would suggest that such a proposal, if adopted by a vote of the people, take effect in January of 1963.

Turning to a matter which history does not indicate has been a major problem in Oregon, but one which should be faced squarely in the event of an unpleasant development, may I make a suggestion in the event of an unpleasant development, may I make a suggestion for dealing with the problem of disability as it applies to the position of Governor. We know that at the national level the determination of disability as it applies to the Presidency has been the subject of both discussion and study. Out of this has come no uniform agreement. This, however, is no reason for us not to have a solution ready should this problem arise in Oregon with respect to the governorship. As at least a starting point for your thinking on the matter, may I

respectfully indicate to you a suggested procedure for the day, should it occur, when the Governor is unable physically to mentally to fulfill his responsibilities. My proposal would be that the Chief Justice of the Supreme Court be empowered to call a conference consisting of himself as chairman and including the Superintendent of the State Hospital at Salem and the Dean of the University of Oregon Medical School. These three individuals could, by secret and unanimous ballot declare a disability to exist at which time succession would proceed in the established constitutional manner. I submit such a proposal for you earnest consideration as a safeguard against the day that the State of Oregon might be faced with a rare but tremendously difficult situation for which there now appears to be inadequate protection.

Several year ago, while serving in the senate, my predecessor sponsored a bill that would have placed former governors in the Senate I renew his suggestion now, that the past chief executives be extended non-voting floor and speaking privileges in order that we might have available in the senate the experience of these individuals.

CENTENNIAL EXPOSITION AND TRADE FAIR

I have noted the spirit of the Centennial Year and the beginning of our second century of statehood. May I discuss frankly the matter of the Centennial Exposition and Trade Fair, its planning progress, its status, its potential. By this time in our preparedness program --- with but a month before our birthday anniversary as a state and less than six months before we host the nation and the world --- we should be aware among our people of an air of enthusiasm and excitement. I am not sure we yet realize that a tremendous impetus such an event, properly conducted, could be to bring Oregon to the forefront of the nation, to accelerate our economy, and to leave lasting benefits of immeasurable proportions. Many citizens have already invested long hours and much labor toward its success. Complacency still exists in some quarters. Some three-quarters of a million dollars have been allocated, much of which went into construction projects. May I recommend you make as an early order of business, a complete inquiry into Centennial organization and planning --- perhaps personally headed by the presiding officers of the House and Senate --- so that you might be satisfied we are on the right track. You in turn, with the confidence you enjoy with thousands of constituents throughout the state, can then do much to further underbid this all-important undertaking. The basic patterns of activity are set, having been formed during the period served by the retiring administration. If you find them equal to the occasion, I shall join in approbation for what has been accomplished.

CONCLUSION

I believe we are willing enough, keen enough, talented enough to accomplish these things and many more in this first year of our second century of statehood. I am confident there will be found a cooperative coalition in this body --- a coalition which thinks first in terms of programs and the people we serve. You will hear from those --- and there are many --- who insist on economy at any price; you will hear from those --- and there are many --- who plea for advanced appropriations at any cost. It is not the easy trail we are traveling. It is the trail of sacrifice and service. If we are to choose new services and expanded programs, we must be prepared to sacrifice. May we discover the way to meet the problems of progress with solvency.

Let us ask again and again the pioneer's question: "Is this essential of merely desirable; and, if it is only desirable, can I afford it?"

For those of us who make government policy, our good and bad alike live after us. The mistakes carry all the urgency of the bright successes. The omissions and failures drag their way through the decades, crippling the efforts of our successors. The seeds we sow, our children reap. Let us prepare for them a good harvest, so that Oregon may have a bountiful second century.

Budget Message, 1959

Source: GOVERNORS' MESSAGES TO LEGISLATURE, BUDGET MESSAGE

Mr. President,

Mr. Speaker,

Members of the Fiftieth Legislative Assembly:

On the 12th of January, I appeared before you to take the oath of office as chief executive of this state. On that occasion, I presented a message which outlined a program for governmental action as we begin our second century of statehood.

I have returned to make budget recommendations that would give reality to that program. Because the budget is a precise description of government policy, it is important that I do so.

In making these recommendations, I am fully mindful of the fact that it is the ultimate responsibility of the legislature to authorize and appropriate for expenditure and to determine the sources of revenue. It has, however, long been the practice, endorsed in law, for the chief executive to make known his views in these matters. I am glad to do so.

More than half a year after his predecessor began work on a detailed budget document laid before the Legislative Assembly, a new governor assumes his duties. It is manifest that the new governor does not share in determining the ground-rules under which that printed budget is compiled. A 100-day legislature could not await the detailed reconstruction of the budget to reflect fully either the philosophy or the program of the new governor. We must find a way to permit an incoming governor adequate time for review of the budget he inherits, without obstructing the rapid completing of your legislative agenda.

I would suggest that present law be amended to require that an incoming governor lay before this body his budget recommendations, not less than 45 days after his predecessor's completed budget is available. I would further urge that the present requirement that the budget document be distributed by December 20th of each even-numbered year be retained, despite the fact that this law has been honored more in the breach than in the observance, as in the case of the printed budget which was not available to me until January 8th, 19 days after it was due.

But the important business of this message is to speak as frankly as I know how of the revenue requirements of our state government, of our current expenditure program (in terms of both our needs and our revenues), and of our building program.

REVENUES

It is imperative, when the printed budget before you recommends expenditures that are at least \$47 million in excess of current general fund revenues, that we begin with a discussion of our revenue needs.

It is equally imperative that we begin with revenues when an authoritative report indicates that Oregon's state and local government require almost eleven percent of our income --- the highest rate in the West.

A third reason for beginning with revenues is the fact that our tax problem promises to be even more acute in 1961, when, my predecessor testifies, the general fund revenue receipts will be more than \$70 million short of meeting commitments already made. We must plan, now, for the needs of 1961, while we plan for the biennium immediately ahead.

One further preliminary note: Because two-thirds of our expenditures are made from "dedicated" revenues, no governor can recommend free the "best" allocation of our financial resource. While devoting primary attention to the needs of the general fund, I suggest that this legislature seriously reconsider our habit of

earmarking so much revenue that our budgets are forced out of balance, when measured against our real needs for governmental service.

Before turning to the general fund, let me reiterate my request and recommendation that this session enact an increase of one cent per gallon in the tax on gasoline to make an extra \$8,250,000 available for Oregon's full participation in the expanded Federal program of highway modernization and for additional support of county and city road construction. We cannot afford to let this effort lag.

THE GENERAL FUND

General fund revenues for the next biennium have been estimated at \$251 million, plus \$30 million left from the \$52 million balance inherited by my predecessor. These current resources would total just under \$282 million.

The \$298,615,347 budget we received last month would use the entire balance estimated to be available next June. It fails to provide a realistic building program. I would use \$12 million in one-time revenues that must be replaced next biennium. It requires \$5 million in new revenue.

I concur in the use of the \$30 million surplus. I concur in the proposal for the gradual elimination of the installment payment of the income tax. I concur in the suggestion of modest increases in the process of alcoholic beverages and the application of the corporate excise tax to privately-owned public utilities.

If we are to provide adequate funds for the next biennium, we must find additional current revenues of \$4,500,000. If we are to have an adequate general fund building program, we must also provide \$9,857,000 in additional tax monies to finance buildings not provided in my predecessor's budget.

Where do we look for this additional revenue?

I suggest:

1. The procedures of the Board of Control in collecting reimbursement from patients or their responsible relatives of some of the costs at the state hospitals should be revised. The new procedures are expected to produce an additional \$200,000 in 1959-1961.
2. Improved enforcement of the gift and inheritance tax laws could produce an estimated \$350,000.
3. WE may anticipate the return of our \$2,620,000 investment in the Centennial Commission. Although our appropriation of this total is not contingent upon such a return, the Centennial Commission has indicated that we may reasonably expect that the Exposition and Trade Fair will pay its own way.
4. Twenty years ago the ratio of student fees to the instructional costs of our system of higher education was higher than it is today. It does not seem appropriate to reduce this ratio still further. Accordingly, I recommend that tuition fees be increased an average \$10 per term for Oregon residents and \$20 per term for non-Oregon residents. I am reluctant to suggest any increase in tuition, but this modest increase would leave us well below the ratio of twenty years ago, while providing an urgently needed \$1,320,000 to meet our requirements. Indeed, you may find that an even greater increase in fees is warranted.
5. Our personal income tax law should be revised. The objectives are at least four in number:
 - a. First. The revision should reduce the rates and widen the tax brackets, particularly in the lower income groups. Presently the Oregon rates, starting at 3 percent on the first \$500 of taxable balance, and increasing rapidly to 6 percent on the bracket between \$1,500 and \$2,00, have given us a national notoriety of a character which is hardly desirable. As a substitute for rate schedules of this type, I propose amendments

which would permit a one percent rate on net income up to \$2,000, and which would graduate upward from that level by brackets of not less than \$2,000.

b. Second. The revision should simplify the preparation of tax returns for taxpayers and reduce auditing expense, and at the same time eliminate much of the friction between taxpayers and collection officials by removing many of the complications which arise from a vast assortment of special deductions. (The explanation of our complicated income tax law has required an increasing number of pages in tax return instructions, until now, it is virtually necessary to "read a book" in order to prepare a tax return under the law.) To simplify the process, I propose that net income shall be reduced only by personal exemptions and dependency credits before application of the tax, the only other allowance being for medical expense in hardship cases. It is true that this eliminates deductions for Federal income taxes paid, property taxes, and even contributions, but at the same time I would remind you that these are expenses which virtually all of us have. If we do not, the present law makes an arbitrary allowance therefore, which we know as the standard deduction. By cutting away this maze of confusion in the present law, as already pointed out, we can widen the beginning tax brackets and reduce the net income tax rate from 6 percent to one percent at the \$2,000 level. And, it will be possible for perhaps as many as one half of our taxpayers to file no more than a brief information return similar to the present withholding slip, upon the basis of which additional tax or refund can be quickly computed.

c. Third. Revision should broaden the sharing of governmental costs by imposing, in addition to the net income tax, a tax of one percent upon net receipts, which is a new concept in the Oregon law and is in line with the recommendation of Dr. John F. Sly. In effect this would mean a cumulative tax of 2 percent at the \$2,000 income level when combined with the net income tax, a rate which, I submit is still a substantial reduction below the 6 percent of the present income tax law.

d. Fourth. This revision of the income tax laws would raise the additional revenue required for the building program I am recommending. In part, these revenues will come from the tax on the net receipts, which will tap a tax source not presently being utilized, and in part through modest increases in net income tax receipts evenly distributed through the tax brackets. It is contemplated that the proposed revision of the revenue statutes will produce \$9,857,000 of additional revenue. Certainly, this kind of a tax is infinitely to be preferred to a sales tax which, in its indiscriminate revenue production, takes from those who are living on social security, or welfare payments, or their own savings.

6. I reiterate my recommendation for modification of the tax on capital gains. Although this would temporarily reduce revenues by a net amount of \$7 million, it is an essential part of our program to encourage investment in Oregon industry and thus provide more year-round jobs for our people. It is new jobs that are the real key to our economic development.

To accommodate this reduction, one another revenue source is commended to your attention. Oregon is one of only six states imposing no tobacco products tax. Although such a tax has been repeatedly defeated at the polls, Dr. Sly's survey and our revenue needs recommend that we again seek such a tax. A tobacco products tax would produce an estimated \$7 million of revenue for the biennium. This revenue is necessary to a balanced budget, and while I dislike tying in a proposed tax decrease measure with an offsetting tax increase, fiscal realities suggest that the proposed reduced tax on income from capital gains under the income tax law should become effective only when the tobacco products tax, which could be referred by the voters, becomes effective. If no combination of these alternatives is chosen and this legislature adopts my recommendation for an adequate building program, it will be necessary to find some other source of revenue. Otherwise we must go into debt or forego our needed buildings.

STATE BUILDING FUNDS

In planning this budget we have begun putting into effect the proposal that we consider our operating and capital needs separately. I am heartily in accord with this recommendation of the Interim Committee of

Government Reorganization. You will find that it is our building needs that impose the requirement of additional revenues.

It has been suggested that the building needs that confront us in the next decade are so staggering as to require that we embark on a vast program to be paid for with borrowed money. THE argument is that the building demands will taper off eight or ten years hence and that we could look forward to paying for subsequent buildings out of current revenues, once our immediate needs are met.

It is further argues that building now, with borrowed money, will pay for itself as continuing inflation further devalues the dollar.

However, it seems equally apparent to me that while we can see the needs of the next two or three biennium's with some clarity, there is no reason for us to expect that the building needs of today are significantly greater than they will be a decade from now. By the same token, the tax money we would pay ten years from now for interest on buildings built today would merely complicate for our successors the same kind of problem we now face.

Accordingly, I strongly urge that we reject this costly temptation and continue to pay for the general fund building program out of current revenues. We would deserve no thanks for mortgaging the future of this state by evading the responsibility of the present.

EXPENDITURES

More than anything else, the budget is a plan of program execution. From 1935 to the present, our budgets have increased twenty-fold. Most of the increases represent programs that are generally accepted as useful additions to state responsibilities. Certainly this administration will not shy from increased expenditures that represent sound public policy but we will certainly evaluate each existing or proposed program in terms of our real needs.

In analyzing the \$299 million general fund budget already before you, it became apparent that it provided \$296,120,450 for operating needs and \$2,495,000 for capital investments in needed buildings. The amounts represent a fourteen percent increase in operating costs and an eighty percent decrease in building funds.

Adjustments which should be made will be found both in my operating budget and in my capital construction budget.

In the operating budget, it is possible to recommend certain reductions in keeping with my basic philosophy of economy in government. I want to stress that these reduction are not expected to result in diminishing present levels of service. For the most part, they are reductions in proposed increases in the quality or charity of our programs. Although these added services are highly desirably, in my judgment these reductions apply to services we can afford to defer.

By the same token, it is essential that there be certain increases in the operating budget to assure present levels of service and to achieve certain other goals that ought not be deferred.

Let us look first at the reductions:

1. Board of Control. As a member of the Board of Control, I shared in proposing budgets for the state institutions which would cost the general fund just over \$40 million. At that time I reserved the right to review those decisions when the total state debt was known. In the light of our total budget, it is apparent to me that we cannot afford in the coming biennium all of the \$8 million increase over the present biennium that has been proposed by my predecessor.

By 1961, institution population will have increased less than 15 percent since the 1955-1957 biennium. The printed budget proposes what amount to a 50 percent increase to support this 15 percent increase in population. WE should retain the advances in standards of care achieved in this biennium. The present budget includes funds to maintain these new standards. We should, in addition, allow only a \$1,500,000 increase in standards of service. This is \$1,000,000 less than previously proposed. To assure minimum advance in standards, I further recommend that the \$1,500,000 for this purpose be allocated for use at the discretion for the Board of Control in terms of the needs and opportunities of the coming biennium.

2. Oregon Technical Institute. I concur in the recommended appropriation of \$150,000 for planning for the relocation of O.T.I., but urge that the funds be appropriated for this purpose to the Board of Higher Education. The policy direction of the Institute should be transferred to the Board of Higher Education by the end of the next two years. Steps should be taken in the meantime in preparation for this transfer. I recommend that the Department of Higher Education assist during the coming biennium in a review and revision of the curriculum at O.T.I. This review and other economies which are possible will permit the Institute to limit its general fund increase to \$320,000 without reducing current levels of service. This would save \$100,000 from the total recommended by my predecessor.

3. Board of Health. The Board of Health budget proposes a \$200,000 increase in standards of service financed by general fund appropriations. I propose that the budgeted expansion be reduced by \$100,000. This would permit strengthened attention to urgent needs in air and water pollution control and in the fields of mental and dental health, and would provide for continuance of present programs such as those concerned with occupational health, tuberculosis, and venereal disease control at their present level.

4. Fish Commission. The Fish Commission has at its disposal \$182,000 which is inadequate for construction of a salmon hatchery at Elk River in Curry County. Since the commercial value of this hatchery is questionable, it is recommended that this sum not be spent. If the proposed hatchery has adequate sports fishery value, the Game Commission may wish to include this hatchery in its program.

5. Forestry. The Board of Forestry budget includes \$150,000 for expansion of the farm forestry program of the Board of Forestry. IN this time of financial stringency and in view of the work of other governmental agencies in this field, I cannot approve this expansion.

For years ago the Forest Protection and Conservation Committee was a "self-sustaining" agency. Two years ago \$111,000 was appropriated for the Committee from the general fund. My predecessor recommended an appropriation of \$149,000 which we should recapture by returning the Committee to its self-sustaining status.

General fund programs in this field should be conducted by the Board of Forestry. As I have indicated before, there does not seem to be adequate justification for the existence of this separate committee.

6. Military Department. The Portland office of the Military Department is a luxury we need no continue. I recommend that it be discontinued. This, and other economies can provide a biennial saving of \$100,000.

7. Division of Labor Elections. The passage of time has clearly indicated that we need no continue a full-time Division of Labor Elections. This service should be abolished so as to save the \$23,000 currently recommended for this orphan agency.

8. Department of Motor Vehicles. The financial Responsibility Division is the only division of the Department of Motor Vehicles not supported by motor vehicle revenues. The \$350,000 recommended for general fund appropriation should be charged to motor vehicle revenues rather than to the general fund.

These suggested reduction in the general fund budget total \$2,155,000. A number of the recommendations will mean the deferral of activities which can be eloquently justified as desirable. As is so often the case in our private lives, there is a bottom to purse but no end to our desires.

ADDITIONS TO THE OPERATING BUDGET

Significant amounts are required to cope with the obvious deficiencies of the budget of my predecessor. Two of these have already been recognized by legislative action.

1. Centennial Commission. The printed budget allowed \$200,000 for additional support of the Centennial Commission. Our bi-partisan review of centennial needs showed clearly that an additional \$1,590,000 is required. With these additional funds, we are confident that our trade fair, exposition, and related celebrations will give us a centennial we will look back on with pride.
2. Legislative Assembly. You have already estimated that the allocation in my predecessor's budget for legislative costs was \$275,000 short of your needs.
3. The Dalles. There are no funds in the printed budget to operate the state institution now located at The Dalles. I recommend that \$504,000 be appropriated for its use as an institution for the care and treatment of our senior citizens. This use will relieve population pressures at the mental hospitals and should result in more effective discharge of made state responsibility. Outpatient tuberculosis service should continue to be provided at The Dalles.
4. Board of Parole and Probation. It will require \$214,800 to implement the recommendations of the Governor's Advisory Committee on Parole and Probation for strengthening our parole and probation program. This is an increase we should make.
5. The programs outlined in my inaugural message warrant your attention. Only two of them require additional appropriations this biennium. \$77,130 will be required for pro tem judges. \$25,000 would cover the leasing of electronic voting machines for the legislative chambers, should you desire this modern legislative tool.
6. Salary adjustments. The \$2,250,000 salary adjustment fund recommended in the printed budget is inadequate to meet the minimum general fund requirements suggested by the Civil Service Commission. I recommend that an additional \$1 million be made available to permit needed adjustments both in civil service salaries and in the salaries now fixed by statute. Together with funds now in the budget for merit increases, this recommendation would result in an average increase of approximately nine percent over the two-year period. It would place our salary scale above the west, but far below the highest comparable rates paid by other employers.

The commission recommends, as desirable, a further program that would require \$1,700,000 in general funds "to develop a plan that is acceptable both from the standpoint of internal alignment and the competitive labor market". I cannot recommend adoption of this proposal.

The \$2,300,000 included for academic salary increases in the printed budget would provide for a seven percent increase in higher education academic salaries in the next two years. We must maintain Oregon's general competitive position both to retain our present faculty as well as to attract the competency we will require in the year ahead. We must also maintain equity of relationship between the salaries paid to academic and civil service employees in state service. Since funds budgeted and recommended for adjustments in civil service salaries would provide a nine percent increase, approximately \$700,000 should be added to the salary adjustment fund for higher education to permit equivalent increases there. This amount, wisely administered by the Board of Higher Education, which has wide discretion in the use of appropriated funds, should permit adequate progress in our continued quest for academic distinction.

I should not close this section without a comment, first, in tribute to the long and priceless service of Dr. R. E. Kleinsorge on the Board of Higher Education, and, second, about the honors which have been accorded the administrative and academic personnel of our system in recent months. Chancellor Richards' service to the

United Nations, President Wilson's chairmanship of the American Council on Education, President Strand's leadership among the Land Grant Colleges, are but partial evidence of the vigorous strength of our academic staff. We must maintain and strengthen our program of higher education. No state of comparable size and resources has the quality or quantity of higher education, public and private, provided in Oregon.

We have thus far spoken of the operating budget only. I have recommended: \$4,500,000 in increased revenue; \$2,155,000 in decreased expenditures; and \$4,386,000 in increased revenue; \$2,155,000 in decreased expenditures; and \$4,386,000 in increased expenditures. This leaves \$2,270,000 as a balance which should be applied to our building needs.

These recommended adjustments provide a total operating budget of \$298,351,000.

CAPITOL PLANNING COMMISSION

Six agencies requested \$35 million from the general fund for building programs in the next biennium. My predecessor recommended appropriation of \$2,495,000 for three of the agencies. I cannot concur in this recommendation to pile up the demands on future bienniums.

I am persuaded that we must make available an additional \$7 million for the real crisis confronting the System of Higher Education. This would permit construction in the next two and one-half years of a classroom building at Portland State College, science building additions at the University and Oregon State College, plus the Medical Research building at the Medical School and heating plant additions at Oregon College of Education and at Oregon State College. The legislature should authorize additional construction within the \$9 million total, if construction economies permit. The priorities of the Board of Higher Education suggest that projects at Eastern Oregon College and Medical School Deserve such early attention.

Before additional major investments in expanded physical plants are made, however, I have requested that intensive analysis be made of the utilization of existing facilities. Although our classroom and laboratory use is reported to be better than the national average, we must make every effort to raise the twenty hours per week these physical facilities are in use before we and our fellow-citizens to take on the additional building program recommended by the Board of Higher Education.

The building needs of the Board of Control are not met by the recommended \$344,000 included in the printed budget. Multiply that amount by fifteen and we begin meeting the minimum needs of the coming biennium. Although I joined in recommending a \$10,309,000 building program as a member of the Board of Control, review of the total budgetary picture makes it clear that a \$5,126,000 building program is more nearly in line with our ability to pay and our treatment of other competing needs.

The Board of Control building program should include \$842,000 for Fairview Home to provide two inmate cottages, housing 215 beds, a new water tank, and an additional boiler. The building program should also provide: \$199,000 for maintenance shops and heating plant expansion at the Deaf School, \$325,000 for a new kitchen and dining room at MacLaren School, and \$2,000,000 for essential portions of Phase III of construction at the Correctional Institution. (These would include a vocational training unit, and industrial building, a warehouse addition, an orientation unit, fire alarm system, access road and security fence.)

My predecessor did not include plans for moving forward with the development of Dammasch State Hospital. We have included \$40,000 for preliminary planning for the next stage in the development of this institution, twice-endorsed by the people at the polls.

Although the need is well-known, and plans are well-developed, the printed budget does not propose action to proceed with provision of a women's institution. The first phase, housing 60 women, can be constructed for \$567,000. We should move ahead with this program.

Acquisition of Capitol Mall property (\$500,000) and provision of utility service in the Mall (\$600,000) are also necessary.

Our Supreme Court has been housed in quarters which become less adequate year by year. The Court should be housed in a new building. In this centennial year, we might (as we did in preparing for the construction of this Capitol) conduct a competition in seeking the design for that structure which is most in keeping with our needs and our traditions. In this way, the best architectural minds will be attracted to our service.

In summary, I have recommended a total general fund building program of \$14,621,000. Federal funds in excess of \$1,900,000 will be added to this total and the Board of Higher Education will be adding another \$9,405,000 in buildings, such as dormitories, which are self-liquidating. It is a building program which we can support. It is the building program we need.

BUDGET EXECUTION

After the legislature adjourns, it is the responsibility of the executive branch to administer the budget adopted by the legislature. It shall be our purpose to so discharge this responsibility as to assure that each dollar is spent wisely and in accord with legislative policy. The printed budget failed to allow for certain known price increases, including social security and unemployment compensation taxes. These omissions are estimated to be in excess of \$2 million. I have not requested that you make provisions for these omissions. I welcomed them as an invitation and an incentive to continue and intensify the efforts of this administration to stem the increase in the cost of government by requiring executive agencies to absorb them through administrative economies. Should any agency require additional funds to meet these unbudgeted costs, the \$1,300,000 Emergency Fund recommended by my predecessor should prove adequate for our needs.

We have been talking a great deal about money. But a budget is not a mathematical exercise, unrelated to reality. The budget we have been talking about is not a juggling of figures to force an arbitrary balance; it is the financial blueprint for a program of government service that meets the requirements of our people as we begin the first biennium of our second century of statehood. Although we have talked of dollars, we have in reality been concerned with the physical, mental, social and economic welfare of all Oregonians. I know you join with me in the determination that our financial planning will be in keeping with our needs, our resources, and our responsibility to those who will inherit the results of our decisions.

PROPOSED GENERAL FUND BUDGET

1959-61

OPERATING BUDGET

REVENUES:

Proposed by Governor Holmes.....\$298,615,347

Less---Amount recommended for Capital

Construction.....\$2,494,550

Available for Operating Budget.....269,120,797

Suggested adjustments proposed by governor Hatfield:

Centennial Commission.....2,630,000
Higher Education increase in tuition fees.....1,320,000
Increased Board of Control Collections..... 200,000
Increased Gift and Inheritance Tax Revenues..... 350,000

Total Additional Revenues.....4,500,000

Total Revenues Available.....300,620,797

Less --- Proposed Expenditures ---

Operating Budget.....298,351,142

Balance Available --- Transferred to

Capital Construction Budget.....2,269,655

EXPENDITURES:

Proposed by Governor Holmes.....\$296,120,797

Suggested adjustments proposed by Governor Hatfield:

Decreases

Board of Control.....1,000,000

Oregon Technical Institute.....100,000

Board of Health.....100,000

Elk Creek Hatchery.....182,293

Farm Forestry.....151,361

Forest Protection and

Conservation Committee.....149,174

Financial Responsibility.....349,757

Military Department.....100,000

Division of Labor Elections.....23,000

Total Decreases.....2,155,585

Subtotal.....293,965,212

Increases:

Civil service Salaries.....1,000,000

Higher Education Salaries.....700,000

Centennial Commission.....1,590,000

Legislative Assembly.....275,000

E.O.T.B. Hospital --- Geriatrics Use.....504,000

Board of Parole and Probation.....214,800

Pro Tem Judges.....77,130

Electronic Voting Machines.....25,000

Total Increases.....4,385,930

Total.....\$298,351,142

CAPITOL CONSTRUCTION PROJECT

1959-1961

REVENUES

Proposed by Governor Holmes.....\$2,494,550

Adjustments Proposed by Governor Hatfield

Transferred from Operating Budget.....2,269,655

1% net receipts tax..... 9,856,345

Total..... 14,620,550

Capital Gains Tax Provision

Loss of Revenue Resulting from revision of

Capital gains tax.....(7,000,000)

To be financed by tobacco tax when enacted.....7,000,000

EXPENDITURES:

Proposed by Governor Holmes:

Board of Control.....\$344,550

Board of Higher Education.....2,000,000

Oregon Technical Institute.....150,000

Total.....2,494,550

Additional proposed by Governor Hatfield

Board of Higher Education.....7,000,000

Board of Control.....5,126,000

Total.....12,126,000

Grand Total.....\$14,620,550

SCHEDULE OF TAX RATES PROPOSED

UNDER AMENDED PERSONAL INCOME TAX LAW

On net receipts: 1%

On net income, after deduction of personal

Exemption and dependency credit:

Taxable Balance Rate Cumulative Tax

\$ 0-\$2,000.....1% \$ 20

\$2,000-\$4,000.....2% \$ 60

\$4,000-\$6,000.....3% \$ 120

\$6,000-\$8,000.....	4%	\$ 200
\$8,000-\$10,000.....	5%	\$ 300
\$10,000-\$30,000.....	6%	\$ 1,500
Over \$30,000.....	7%	

CAPITAL CONSTRUCTION BUDGET (DETAIL)

1959-61

PROPOSED BY GOVERNOR HOLMES:

Board of Control

Oregon Fairview Home

Central Kitchen Addition.....\$ 94,550

MacLaren School for Boys

Boiler Expansion --- Steam

Line replacement.....250,000

Total.....\$344,550

Board of Higher Education

OSC --- Central Heating Plant Addition

OCE --- Central Heating Plant and

Service building

UOMS --- Medical Research Building

Total --- Board of Higher Education.....2,000,000

Oregon Technical Institute

Land acquisition, planning, working

Drawings and specifications only.....150,000

Total --- Per Governor Holmes.....\$2,494,550

ADDITIONAL PROPOSED BY GOVERNOR HATFIELD:

Board of Higher Education

PSC --- Classroom Building --- South

UO --- Science Building --- First addition

OSC --- Physics Chemistry Building Addition

EOC --- Hoke Hall Addition

UOMS --- Physical Plant Service Building Addition

Total --- Board of Higher Education\$7,000,000

Board of Control

Fairview Home

2 Inmate cottages (215 beds).....\$756,000

Water tank.....\$51,000

Expansion of Heating Plant.....35,000

842,000

MacLaren School for Boys

New kitchen and dining room.....325,000

Oregon State Women's Institution.....567,000

School for the Deaf

Heating plant expansion and

Maintenance shops.....199,000

Correctional Institution.....2,000,000

Capitol Mall Property Acquisition.....500,000

Capitol Mall Utilities Expenditures.....600,000

Eastern Oregon Tuberculosis Hospital

Improvement Assessment.....33,000

F. H. Dammasch State Hospital

Planning --- Phase II.....40,000

Supreme Court Building

Preliminary Planning.....20,000

Total --- Board of Control.....5,126,000

Total --- Governor Hatfield's

Recommendation.....\$12,126,000