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GOVERNOR MARK O. HATFIELD ADMINISTRATION

Governor from January 12, 1959 to January 9, 1967

RECORDS FROM 1965

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Legislative Message, 1965

Source: STATE OF OREGON LEGISLATIVE MESSAGE TO THE FIFTY-THIRD BIENNIAL LEGISLATURE
MARK O. HATFIELD GOVERNOR SALEM, OREGON JANUARY 11, 1965

THE GREATER PROGRESS

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

Forty days ago when I presented the biennial budget no one could foresee the havoc that was beyond the horizon. Many parts of our state have been torn asunder with the loss olives, millions of dollars in land and building damage, and inconvenience in travel, communications, heat, shelter, lights and water, as well as disruptions of commerce and industry.

The impact on the budget, both in terms of unexpected expenditures and the unrealized revenue, is not yet clearly known. Not enough facts are in; nor will they be, in terms of individuals, for some time an probably not before this legislature must make hard decisions.

But even in view of the temporary setback which the forces of nature dealt us, it does not appear that we need an increase in the income tax. Our generally high level of prosperity during the past six years have been such that not only can we live within our income but, in so doing, we may reach out for worthwhile goals to provide our citizens with the Greater Progress.

It would be tempting, meeting as we are with the choice of disaster still ringing in our ears, to do only that which can be demonstrably connected to the immediate needs. But we would be untrue to our heritage if we did not apply ourselves to the long view, to chart a course for those who are to follow.

This is the eighth regular session of the biennial assembly with which I have enjoyed some association. When you convene two years hence my connection will be but momentary. My experience confirms what observers of the political scene have long known: that an ideal implanted in one session or one decade may not take root for years. It has been in this spirit that each of my message to you has contained recommendations blending factors of immediacy and intimacy. Some you have enacted; some you have deferred; some you have rejected; some you have improved. Such is the responsibility of each of us in our co-equal, coordinate branches of government; mine to recommend, yours to act, react, reject, modify or initiate on you own.

You have had my budget recommendations for over a month. Your joint Ways and Means Committee has been meeting for two weeks. You have access to the nearly 20,000 words of my previous messages and there has been placed at your desk a list of specific recommendations for your consideration at this

legislative session. I trust you will give these recommendations the same attention they would have received had they been presented orally. My remarks today provide a perspective for these recommendations as we take a look at the Oregon that is and the Oregon we hope may be.

It will soon be twenty years since the end of hostilities in World War II. Some of the scientific leaps forward were undreamed of when the first atomic bomb was detonated. These advances in technology have far outpaced our social maturation. Thirteen Asian and 33 African nations have become independent since 1945. Yet, inadequate preparedness for this new independence is the heart of some of today's international frictions. We know how to produce more and more foodstuff from less and less earth with fewer and fewer hands but we have yet to learn how to handle its distribution without jeopardizing the market. We have raised our standards of living to new heights for the majority of our citizens, yet poverty prevails to such an extent we are watching a rebirth of a type of Civilian Conservation Corps of depression days. The ability of man to design and construct machines to do man's work has been so successful that what might be a blessing fosters numerous dislocation of distressing personal impact.

Oregon has thus far been spared some of the headaches and heartaches of other areas of our nation. Because more people sought gold, or sunshine, or oranges, or Hollywood, we have not experienced the population explosion of our southern neighbor or of many other states. Our freeways are relatively effective, the air we breathe is relatively clean, our scenery relatively unspoiled, our colleges and universities are not yet of multiversity magnitude. We stood enlightened and humanitarian civil rights action long ago. Should our population rations change perceptibly in the year ahead, the laws are on the books. In only one locality is there even the potential for sharp racial tensions and there a study in depth has charted a course for calm, deliberate, and effective action, preventive rather than corrective.

At this particular juncture in our history, we dare not be content with the status quo. Whether we like it or not, Oregon is in a competitive age, state with state, in my fields of endeavor. It behooves us to make the most of our assets, to correct our liabilities to the extent possible, to discover ways of taking full advantage of the opportunities as they appear.

There are those among us, and there may be a considerable number, who yearn for the good old days --- the days of the boardwalk, the horse and buggy, and the kerosene lamp. Some would prefer that the population shrunk back to what used to be. They want lights but not the dams to disturb the fish, inside plumbing but not the sewage charge, cars to get from here to there but no so many that traffic slows them down.

Today, Oregon is the geographical venter of the United States. An astronaut climbed our lava beds because it is thought they approximate the moon; off our seacoast, the depths of the ocean are plumbed to uncover their mysteries and oil is sought with new zest; at Boardman a space age enterprise prepares to make new testing and at Tongue Point the war on poverty becomes the activity of a facility built for another kind of war; the sky-lines of our cities change daily with new structures and the economic pulse of our largest metropolitan center is reflected though-out the state.

Now, let us look at competitive factor that place barriers on the road to the Greater Progress. In some of these, courtesy, common sense and putting the public interest ahead of personal motives will meld completion into cooperation. IN other situations, the barriers are such you will have to make decisions of momentous magnitude, and significant consequence, requiring courage and statesmanship.

We face competition with the 15,000 public and private agencies in other states spending a quarter of a billion dollars annually to attract industry. There are those who would lure away our university graduates after our taxes have educated them. There are those who look with envy upon the abundance of our water, as they contrast our with their own lands. There are the elements themselves which we are still learning to control and use for human good, not human harm. There is competition within the structure of government which, if misdirected, can bleed taxpayers in needless duplication. There is competition for tourist dollars which can be won and retained by hospitality and coordinated effort. There is competition with the

educational traditions that defy the cry for the changes necessary if we are to meet the gigantic enrollment challenge. There is competition for foreign markets.

There is competition that arises from the fact that ballooning population has increased our numbers at both ends of the safe scale --- more and more young not yet contributing to the economic sphere and more and more senior citizens with only nominal income, if any . . . both supported by the relatively smaller group in the income-earning age categories. This is the simplified economic root of the revenue prove of most state and local governments.

And there will be competition within this legislature as you face decisions together. There is competition for your ear and for the state's purse string. To put this particular competition in context let us ever remember that the farmer's problem, so real to legislators from a rural district, is a problem for us all by the time his produce arrives at the market place. The traffic congestion of Portland, in which a legislator from that area finds himself every work day of the week, merits the attention of each of us, just as those who live along a completed freeway have a moral obligation to those who traverse sub-standard roads.

Vocational training and rehabilitation measures and graduate research programs are all needed, not only in striking at poverty but adjusting to automation and attracting new industry. The backward and the gifted who compete for the teacher's time are equally worthy of your time and action.

And the competition does not end with these listings. There is competition between party and party and within party itself. There may be competition between House and Senate.

The Greater Progress can be attained only if we resolve these potentials for stalemate and stagnation.

Oregon's fertile fields can feed far more Americans than now benefit from our toil. Oregon's water statesmanship can lead the way toward a morally justifiable, politically practical solution to the extremes of abundance and want. Oregon's educational aspirations can make better use of all our resources while pushing ever higher our standard of excellence. Oregon can pioneer in county-city cooperation, in court consolidation, and in pacing the nation to more efficiently serve the overburdened taxpayer. Oregon's state government can be reshaped to meet the needs of the day rather than carrying over the antiquated ways of yesteryear. Oregon can be known as a state that thinks so much of each individual that it extends a helping hand when one is down and out but always with an eye toward restoring his self-esteem by showing him how to stand again on his own two feet. Tomorrow's Oregon, not dependent upon huge federal contracts or on a single industry, must constantly strive to diversify its economic life, seasonally and geographically. Oregon, not long from now, will be discovered by new millions as a great vacationland. It can be an Oregon whose planning for decades of development kept the air free, the water pure, the scenery visibly, the traffic moving, the school graduates staying, the labor force working, the whole population enjoying a distinctive way of life in an ideal setting and under conditions which would be the envy of the nation.

In this year of 1965 you have an opportunity to write an epochal chapter in the history of The Greater Progress of Oregon. It will require skill, determination, courage, and the cordiality of men and women who arte of good will. Not only will the Oregonians who have entrusted their destiny to you be appraising you efforts, but we will lobe visited this year by the 14 governors of the other Western States, who have honored me with their chairmanship, and by you legislative counterparts form throughout the nation.

The reputation of the State of Oregon has been built from our earliest days on a foundation of enlightenment, of humanitarianism and of conservation. Let us from this session, with the guidance of Almighty God, provide for our Oregon the dynamic policies which will achieve the Greater Progress. Toward this goal I invite you dedication --- and pledge you mine.

LEGISLATIVE MESSAGE

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

Christmas Week, 1964, will live in Oregon's memory. IN that week, we demonstrated anew --- for all the world to see --- the self-reliance and selflessness that have carried Oregonians successfully through the crises of the past.

We joined hands that week and the two short weeks since in a cooperative effort that has placed us far along the road to recovery from devastation of epic proportions. This response to nature's cataclysm has reminded us again of our progress of the past and of the Greater Progress still to come, if we but find the common need and respond for the benefit of our commonwealth.

When I assumed the office of Governor in 1959, I referred to the political fact-of life that the executive branch of our state government included three elected Republicans and two Democrats, while the legislative branch was made up of a majority of Democrats. Today, we take note of a Legislative Assembly in which the legislative branch was made up of the majority of democrats. Today, we take note of a Legislative Assembly in which the Rotunda separates different majorities and the executive branch includes three elected Democrats and two Republicans. We are fortunate that Oregon's history and progress have been wrought through the efforts of outstanding public servants from both parties.

In this hour we are again met to respond to the needs of the citizens whom we serve. Our deliberation will naturally be exposed to the glare of public scrutiny. WE must be determined to be equal to the task of working harmoniously toward our common goal of further advancement for Oregon. I pledge you my cooperation to that end.

A Blueprint for Action

At the outset, we must agree that Oregon cannot remain economically strong, nor can it advance, through actions which deal only with the needs or frustrations of the moment. We must provide for the next decade and beyond, and not merely for the next day or the next biennium.

The spirit which has characterized our advancement into the dynamic sixties must be undergirded with new innovative and a renewed resolve that our future growth will be even more spectacular. It is within our power to forge a firm foundation for the creator Progress. History will view the structure which we erect. Let us make certain its architecture is sound.

STATE EXPENDITURES AND REVENUES

The outline of such a constructive program has been presented in the budget to which you were oriented for weeks ago. Since then, nature has unleashed destructive forces, the impact of which is still not fully known. It will be necessary to reappraise the revenue expectations for the next 30 months and the expenditure requirements as well.

Because of the timing of the recent crisis, the process of recasting the budget will necessarily be a cooperative one but I know you will find in the printed budget will necessarily be a cooperative one but I know you will find in the printed budget a sound document on which we may build with confidence.

The budget document deals with a variety of imponderables, including matters yet to be resolved by court action. Despite this, and despite the costs of the December flood, it is my expectation that expenditures for general government purposes can be accomplished with no increase in General Fund taxes.

It is, moreover, appropriate to renew suggestions that we seek reforms in our tax structure, particularly those which would remove inequities.

Tax Reform

Six Years ago I endorsed the general outlines of the recommendations presented at the request of my predecessor by a nationally recognized tax expert (John F. Sly). The Sly report has been repeatedly endorsed by legislative committees. The report insisted on at least two fundamental requirements: the broadening of our general revenue base, and the repeal of the inventory tax.

The General Fund now drives more than 60 percent of current revenues from the personal income tax. Some believe our fiscal structure could be improved and the state's revenue base broadened through adoption of a sales tax. I have repeatedly recommended a more equitable alternative: the net receipts tax.

I renew my recommendation that the inventory tax be repealed or that it be phased out over a five- or ten-year period.

I also urge attention to a revision of a capital gains tax to permit increased investment in job-producing business and industry.

Congress has restricted the state's freedom to tax interstate commerce. The prospect of additional federal legislation in this field makes it imperative that we take action to establish equitable ground rules for the taxation of multi-state corporations. I recommend enactment of model legislation to this end which has been commended by the National Conference of Commissioners on Uniform State Laws and the American Bar Association.

Tax Court Jurisdiction

To facilitate disposition of matters coming before it, I recommend that the Oregon Tax Court's jurisdiction be clarified and that this court be given status and authority fully comparable to that of the Circuit Courts.

THE STATES ECONOMY

A major component of our present favorable economic situation is the spectacular industrial and commercial growth which has resulted from efforts to improve Oregon's business climate. Almost every month during the past year, new records of employment and per capita income have been established. Our advancement has become the bellwether of Pacific Coast states, and stands high in nation-wide comparisons. This rate of economic progress is a tribute to the efforts of many individuals and organizations, including the legislative as well as executive branch of state government. We must maintain the momentum and seek the tools of the Greater Progress.

Assistance in Industrial Development

Increasingly high standards of performance are demanded in providing useful information to firms seeking to expand in Oregon. Research, technical aid and guidance, economic development programming to assist local communities, and investment opportunity studies are some of the methods whereby our Department of Commerce can assist. By comparison with our neighboring states, Oregon's small staff has done an outstanding job. This program must be sustained.

Oregon's industrial development program has been marked by many outstanding successes. To insure the Greater Progress in this field, we are developing a program which will afford significant advantages to local development corporations in overcoming financial problems which have been encountered in connection with establishment or expansion of small business firms. This program contemplates no enticements such as those which have been offered in other sections of our nation. Within a short time appropriate legislation will be presented for your approval.

Agriculture

Oregon's Greater Progress demands continuing and increasing attention in the important role which agriculture plays in our economy. A leading factor in this industry in the future, as in the past, is a vigorous, imaginative growth research program. Oregon will more and more become the "bread basket" of the West, and will be called upon to supply the demands of expanding populations here and abroad. Research to increase the productivity of our farms, to assure increased marketing opportunities, and to provide agriculturists with more equitable compensation for their efforts is important to the urban as well as rural community.

Forestry

Our forest products industry is undergoing an almost unprecedented period of diversification. It is meeting the challenge of competition, both from other materials and other sources of supply. Timber tax reforms are proving their validity though increased conservation activities. There is need for further analysis of the apportionment of the costs of protecting valuable watersheds and rangelands from the ravages of fire.

Oil and Gas Exploration

The wisdom of our offshore oil and gas program has been emphasized in recent months. In October, 11 major oil companies bid \$27.8 million for rights to lease federal offshore lands. In December, bonus bids on only a small portion of state offshore lands netted \$42,600 to the Common School Fund. Rental fees will add \$13,600 annually.

During the next two years, as much as \$30 million is estimated to flow into our economic bloodstream from offshore oil activity, and this amount could double with discovery of oil in commercial quantities.

We are proud of the efforts through which approximately \$12 million has been expended by private explorers to date in Oregon. This has benefited the state at large, and the coastal area in particular.

Highways

Highway transportation is so related to the over-all economy that growth of each is dependent upon the other. Spectacular accomplishments in our Interstate highway program should not obscure the necessity for action toward improvement of our secondary road system. Those who live in communities served primarily by the Interstate system must recognize the desperate need of other areas and for further means whereby the products of our farms and forests, the commerce of Oregon's growing industry, and the increase in recreating-bound travelers may be safely and adequately accommodated.

The Highway Department estimates in excess of \$1.2 billion would be required to improve all non-interstate roads to modern standards, including \$500 million for state highways, \$600 million for county road networks, and \$175 million for city street systems. With an income for these purposes of only \$20 million annually, the task might appear hopeless. However, at least half of the existing deficiencies can be tolerated for at time, since many of these roads carry only nominal amounts of traffic and render reasonably satisfactory service.

I have recommended that a start be made on correction of major highway deficiencies through provision of additional revenue approximating \$118 million during the next three biennia. In your consideration of this proposal, it is important to note that any change in the distribution formulae between the state and subordinate units of government will not result in additional total revenues. The plain facts are that more money is needed at all levels. User fee increases to support this expanded program are in such minimum amounts that the individual vehicle owner will still benefit through costs which are comparatively lower than most other states.

Port Legislation

In 1963 I pointed to the valuable contribution to our economy made by ports, waterways and related transportation facilities. The economic trade mission to Japan provided further insight into the necessity for correlating the development of these facilities. I would remind you that seven of the top ten customers of the Port of Portland alone are in the Far East. I again recommend a comprehensive study of present and potential relationships between these facilities and the Greater Economic Progress of our state.

NATURAL RESOURCES

Our natural resource wealth undergras the entire economy and contributes to the well-being of each citizen. Oregon's scenic and recreation resource enhance the out-of-doors experience of each resident and visitor. Wise use of these resources and planning for the future must continue as we seek even Greater Progress for our state.

Ultimate Water Needs

Vitally essential to continued development is an assured supply of equitable distributed water for all beneficial purposes. Suggested diversions to meet needs of other states make it imperative that Oregon provide realistic forecasts for the next century. In a world of many choices, we have no choice about water. It is a necessity of the hour and of all the years to come. The budget provides for accelerated studies, and I urge its speedy approval.

We must provide answers to the questions: How much is surplus and where is such surplus to be found? We must be able to positively identify: lands which need irrigation; requirements for fish, wildlife and recreation; needs of our urban and industrial expansion; for water quality control; and all other beneficial uses.

Our basic water code and the developmental work already accomplished place Oregon far ahead of other Northwest states in establishing basic criteria for the immediate planning task ahead.

Flood Plain Zoning

Oregon now knows the necessity of controls which have long been established in other areas of this nation. Much of the personal suffering and physical loss which occurred during the Christmas, 1964, floods might have been mitigated or avoided had the State Water Resources might have been mitigated or avoided had the State Water Resources Board possessed the authority to control the zoning of the flood plains of rivers and reservoir sites.

A responsibility of this magnitude cannot be left to local governments alone. The increasing encroachment of real estate developments, business establishments, agriculture, and transportation, demands that future citizens be protected and future damage curtailed through state implementation of flood plain and reservoir site zoning. Legislation to accomplish this will be submitted again for action.

Water Conservancy District Law

In a revised form to provide for more equitable application, I am resubmitting legislation to overcome some of the deficiencies of limited or single-purpose water districts. It is important that we apply the multiple-purpose water use concept locally as well as state-wide. With effective state coordination, a Water Conservancy District Law can be of great benefit in the use and control of our most important natural resource.

Small Watershed Planning

Accrued savings in operation of projects already constructed afford graphic evidence of the value of the locally-sponsored, federal-cooperative Small Watershed Program. Acceleration of this program through

supplemental state planning funds will help assure additional benefits at an earlier date than otherwise possible.

Air and Water Pollution

The carrying out of state policy governing air and water pollution has been handicapped by lack of sufficient funds. A strong state program, adequately financed, is the best assurance that local communities and industry will accept their responsibilities and that there will be no unnecessary and relatively expensive federal intervention.

Outdoor Recreation

Oregon's leadership in development of outdoor recreation opportunities is challenged by ever-increasing demands upon our land and water base, a fixed quantity upon which we must accommodate vastly accelerated future needs.

Recreation programs must be encouraged and expanded at all levels, in accordance with the comprehensive state plan cooperatively developed during this administration. Particular attention must be given to the potential of federal public lands and state forests. A broadened state outdoor recreation policy will be presented for your approval.

EDUCATION

While our state

Our economy rests in part on our natural resources, in part on our physical facilities, and in part on our governmental policies, it rests most fundamentally on the skills and capacity of our people. The skills and capacities of our work force depend, in turn, on the adequacy of our educational system.

The ever-increasing complexities of tomorrow's world demand that Oregon's young people receive the best education possible today. Education has been a vital to our social progress and economic growth. It has also been the bulwark of self-government. Public expenditures for education are, therefore, properly and investment in our future. The budget recommendations reflect this concept.

We have anticipated increased enrollments in community colleges and in the institutions of higher learning. We have provided for increased state support of local schools. We have proposed commencement of a new program of graduate study in the Portland area, and increased funds for loans and scholarships.

Graduate Research Center

Two years ago your support was requested for a broadly based graduate study program in the Portland area that would enlist both public and private support and would be organized so as to qualify for participation in related federal programs. The 1963 legislature, recognizing that such an institution would be "not a substitute but should be complementary to the fullest development of the State system of Higher Education," directed the State Board of Higher Education to prepare plans for a quality program of graduate education in the arts and sciences. I have included in my budget recommendations an appropriation which would permit the creation of the graduate research center. The program envisioned would place great reliance on non-state sources of revenue and would afford the flexibility of action such as is found in the Medical Research Foundation and its relation with the University of Oregon Medical School.

Community Colleges

The statewide Community College system --- established and burgeoning during this Administration --- is a desirable means of widening the post-high school educational opportunities for the more than 30,000 high school graduates each year. We must make thorough preparation for our future needs so that we may provide the educational opportunity for each Oregon child that is adequate to his needs, his interests, and his abilities. In doing so, we must take steps to assure that these goals are achieved with efficiency as well as adequacy. Without analysis and planning for our educational needs, we will not gain the Greater Educational Progress we require. Half-way measures have proved inadequate. Therefore, to provide the coordination that is needed, nothing less than a unified department and obverting board will serve the purpose.

The Oregon Program

As the result of a Ford Foundation grant, during this biennium, there has been broad experimentation with programs designed to cope with the growth both of knowledge and of student numbers in our elementary and secondary schools. It is essential that we welcome the opportunities to devise the test new methods of coping with these twin challenges.

There is deviate about the most effective type of school district organization. We need a pattern for the administration of schools which will bring both local and regional ideas to bear on the solution of educational problems. We need to encourage cooperative efforts among school districts, facilitate the exchange of ideas, encourage local and regional identification and solution of educational problems, and provide for systematic study of curricular and instructional problems and the development and testing of possible solutions.

In this regard, I recommend amendment of current statutes to permit regional mechanisms to assist in these activities, and that the State Department of Education be requested to formulate a plan of continuing action to these ends for presentation to the 1967 Assembly.

SOCIAL CONCERNS

Weaknesses in our social structure frequently are reflected in maladjustments that require our compassionate attention. You have at hand an interim committee report that focuses on the impact of the increasing versatility of machines in the processes of industry.

Each generation of at least the past two hundred years has been the labor of man replaced by that of machines at a rate which has seemed to threaten economic disaster. This rate of change in our generation seems to pose a new kind of problem, but we dare not duplicate the error of the past in viewing the machine as an enemy. Although automation is a source of substantial labor-management friction, we must recognize its greater value in raising the standard of living by reducing costs of production. Our challenge consists of sharing the abundance that now is possible.

I suggest that our responsibility consists of two essential and complementary actions. In addition to an adequate educational system, we must provide adequate and realistic opportunities for the training and retraining of those displaced by automation. But, more important, we must provide an economic climate that will encourage the discovery and development of the new markets that are the prerequisite of expanded employment.

With successful programs to these ends, there will still be individual cases of dislocation and hardship for which the state must stand ready to provide the hand up to regained self-respect and self-reliance.

War on Poverty

A part of this effort must be our full cooperation with the federal Economic Opportunity programs. Pending enabling legislation by this body, Oregon is in the first group of states receiving grants under the federal

legislation adopted in 1964. We need this addition to our over-all effort to achieve fully productive citizenship for each individual.

Oregon's accomplishments in working with the program have been numerous. One of the first job training centers has been established at Tongue Point. Six job camps have been approved with more likely in the immediate future. A proposal for Women's Training Center in Portland has been accepted and a contract is now being negotiated. The possible use of job camp enrollees for consecration and development work on state lands is being explored. Work study programs have been approved for a number of Oregon colleges and universities. A neighborhood youth corps program has been approved for Portland. The Department of Education has received a grant to promote a voluntary assistance program for needy children. The University of Oregon has been notified that it will receive a contract to train VISTA volunteers.

Civil Rights

Although Oregon's statutes relating to the civil rights of our citizens afford more comprehensive protection than that provided by federal law, I know you share my concern for deepening the spirit of brotherhood that transcends differences of race, religion and nationality. Without such a spirit, the legal language loses its meaning and purpose.

While we enforce the law, we must also involve our communities in a substantial effort as self-appraisal and community-education aimed toward the ultimate eradication of discrimination, whatever the form it takes. A number of Mayor's Commissions on Human Rights and voluntary citizen's commissions have been established for this purpose. I am urging every major community to consider whether such an organization would not be helpful in dealing with present problems and in planning for action that will preclude the development of others.

We need a cooperative state and local effort, if equal rights and local effort, if equal rights and equal opportunity are to be a reality in Oregon.

Consumer Counsel

The State has long regulated commercial activities. The purpose of such regulation has always been to assist the flow of commerce by such devices as regulating the use of scales and establishing minimum standards of sanitation. In recent years, however, the development of deceptive commercial practices has suggested the need for an office in state government whose focus would be on identifying such practices and developing appropriate means for dealing with them. The budget for the Department of Commerce unclouded funds for a Consumer Counsel.

Workmen's Compensation

An unresolved social concern continues to mitigate against truly harmonious labor-management relations. One-third of Oregon's work force still lacks adequate protection against the losses from industrial accidents. Necessary benefit increases have not been made, even though there has been general agreement on the need for such increases.

Through the disposition of their initiative measure, the public can be considered to have expressed its desire that employers be permitted a chore in providing brokerage. This can be accomplished while at the same time providing adequate protection for the workmen. Any action to permit diversification in coverage must carry with it the authority and responsibility for the state to review claims in order to assure uniform protection whatever the source of coverage.

The Industrial Accident Commission has worked with labor and management in developing necessary remedial legislation. I urge your favorable consideration of these joint recommendations.

Public Assistance

In our public assistance programs, major emphasis has been directed in support of four concepts aimed at the replacement of dependence with independence. These have taken the form of job training, case classification, enforcement of support laws and tight rein in eligibility determinations. Additionally, we have attempted to arrive at an acceptable definition of essential medical services, with the payment of reasonable compensation to medical vendors for such services.

In line with these goals, I have recommended an increased budget for medical care and will present legislation to extend community work and training programs into state and federal agencies and give employable recipients increased work incentive through allowing them to keep a larger share of their earnings. Such action will foster the Greater Progress in a program which has already demonstrated its relative effectiveness in the face of nationwide trends toward caseload increases.

Medical Assistance to the Aged

There is extensive speculation that Congress may soon adopt a program of medical care for the aged through the Social Security System. In the meantime, Oregon may be justifiably proud of action taken there under the stimulus of Kerr-Mills legislation. Three years ago, some 4,200 Oregonians applied and qualified for such assistance. By the end of the next biennium, it is expected that 19,200 of our citizens will be eligible under the expanded state program. We cannot relax these efforts while the national program is still in the speculative stage.

Council on Aging

Although the average age of our population is falling, the length of the average life is increasing. We are facing a new group of social needs as a result of this lengthened life-span. The role of government in service to our senior citizens is a new challenge to which we still have not found an entirely satisfactory response.

I cannot share in the opinion that there need be no further planning or study in relation to this challenge. It is my earnest recommendation that we continue the existence of the Council on Aging and that we strengthen its capacity to meet its responsibilities constructively.

Juvenile Lawlessness and Crime

As was pointed out in my message in 1963, juvenile lawlessness and crime are increasing continuously and relentlessly. To any of our youth --- with increased mobility, material resources, broken homes --- fail to understand their responsibilities and duty to their community and country and, in fact, to themselves. They are well-informed about their privileges and rights and how to make excuses, but know precious little about ideals, obligations, law and order. In order to protect this free society, we need strong, effective law enforcement and court procedures and decisions in juvenile cases as well as adult cases. This call for strong, effective and realistic laws. A law violator young or old should know that the inevitable consequence of his criminal acts will be identification, arrest and punishment.

Our juvenile code must be strengthened so it reflects the responsibilities of a youthful offender as well as his rights and liberties. The code should reflect a firm, positive attitude in support of the law and order that is fundamental to a free society. We owe this to the vast majority of our fine, responsible young people as much as to the tarnished teenagers whose patterns of misbehavior require our official attention.

Traffic Safety

Our highway dead provide tragic testimony to the need for legislation which I have urged on two previous occasions and aging recommend today. Oregon's traffic toll in the last year alone was 576 lives, plus an economic loss of over \$103 million.

It is a sad commentary that nearly 50 per cent of the accident resulting in fatalities involved alcohol to carrying degrees; that excessive speed was also a factor in 35 per cent of such accidents; and that over one-quarter of all highway accidents were directly or indirectly caused by mechanical imperfections.

I call for speedy enactment of laws granting implied consent for submission to appropriate tests; for establishment of maximum speed limits in addition to the basic rule; and for compulsory periodic motor vehicle inspections.

I also call for consideration of reflected license plates as an additional safety measure.

The State as Employer

As one on Oregon's largest employers, state government itself has great interest into economic welfare of thousands of workers. It is appropriate that public acknowledgment be made of valued services performed, while recognizing existing inequities in this employer-employee relationship.

Salary Adjustment

Recruiting and retention of able state employees has been difficult during this biennium because of the substantial discrepancy between state pay levels and those of other government and private employers. Recently instituted changes in the pay of classified state employees make it an urgent order of business for this Legislature to correct the inequities of omission. I am confident you will wish to adjust retroactively the salary schedules of other state employees, such as the State Police, academic personnel, and other unclassified employees.

Non Salary Benefits

While that state has been remiss in meeting competitive salary schedules, it has been even more negligent in keeping pace with non-salary employee benefits.

Legislation authorizing the Civil Service Commission to enter into group insurance contracts is urgently needed. This is the same authority already available to local governments.

The Budget includes recommendations for the beginning of a program for state participation in payment of premiums on such insurance. Although the proposed initial contribution is small, it is a beginning. Your concurrence in this recommendation will establish an important principle.

GOVERNMENTAL STRUCTURE

Six years ago, I spoke of the need for a more manageable state government. In 1961 I submitted a specific blueprint for reorganization of the Executive Branch. Only one of the specifics --- the creation of Mental Health Division (and that in a modified form) --- was adopted by the fifty-first Legislative Assembly. The 1963 Legislature created the Department of Commerce, substantially as I had proposed it.

The need for continued effort is clear both with respect to organizational arrangements and the substance of state programs.

Reorganization of State Agencies

Awhile the 1961 guidelines for thorough-going reorganization are available and equally valid today, I would urge your especial attention to the creation of a Department of Public Safety, combining the police, military, civil defense and motor vehicle functions in a single agency. The inter-relationships of these agencies are

significant and continuing. Their unification will contribute to increased effectiveness in the performance of their responsibilities.

The creation of the Mental Health Division in 1961 augmented the intensifies treatment of mental illness initiated with such dramatic results in 1959. The community Mental Health Clinics which are steadily expanded to permit early diagnosis and treatment in the home rather than in an institutional environment would have been impractical without the organizational change.

A reorganization of similar scope and major program change in the administration of our corrections responsibilities are indicated.

To assist in carrying out rehabilitation, the ultimate goal of Oregon's penal and correctional institutions, I urge your favorable consideration of legislation sponsored by the Board of Control to create a corrections Division within that agency. This new division will be responsible for over-all administration and direction of the total corrections program within the state, including the parole and probation activity, much in the same manner as the Board's Mental Health Division now successfully directs the mental health programs.

Additionally, the Board of Control has proposed a new system of work release within the proposed Corrections Division, whereby qualified inmates would be permitted to obtain private employment privileges while serving their sentences. Properly constituted, such a program can be of great value both in reduction of welfare and other costs and in providing assistance toward ultimate self-sufficiency without prejudicing opportunities for others in the labor market.

You have before you a number of worthwhile suggestions relative to the state's important fish and game resources. One proposes the combining of our two present agencies, a recommendation I have previously made. We can no longer afford the luxury of divided and duplicating responsibilities in this field, and the public has grown weary of continuing conflict between supporters of the Game Commission and Fish Commission. A combined fish and game department is a must.

In still another respect, we need to be taking the steps that will prepare us for the organizational needs of the future. The data processing revolution in which we are already engaged poses a special challenge already affecting working relationships between agencies and between governments and we have not yet begun to tap the full capacity of equipment already available. Your support of an intensified and long-range approach will permit Oregon to achieve the benefits implicit in these technical developments and help assure that our continuing reorganization is in keeping with the best of the options of the future will hold for us.

Constitutional Revision

In 1960 Oregon citizens favored an amendment authorizing legislative submission of broad Constitutional revisions. The 1961 Constitutional Revisions Commission produced a notable document which was subjected to extensive hearing by the Fifty-second Legislative Assembly. While this action did not result in the hoped-for referral, it does provide a basis for further consideration and completion of an essential project.

One of the needed changes in amendment of the constitutional provision for a temporary Governor during the absence from the state of the elected Chief Executive. It has been indicated previously that there is no reason for such an anachronism in this era of almost instantaneous communication and rapid transportation. I also urge against referral to the people of a constitutional amendment to designate the Secretary of State, and official who like the Governor is chosen by statewide election, as the next in line of succession.

So that it may be placed beyond the context of personality or incumbency, I recommend that this proposal be placed on the ballot in 1966 with an effective date of January, 1969

It should be a matter of note that the wisdom of our statutory provisions relation to succession in cases of the incapacity of a governor have been applauded by other states and students of government.

Congressional Reapportionment

Although the apportionment of seats in this assembly is in nearly precise accord with provisions of recent Supreme Court decisions, the apportionment of our representation in congress is far from this standard. I would urge you action to reduce the imbalance that now exists. It is to be preferred that this be you action that to face the possibility of judicial action that might place all candidates for the national House of Representatives on a statewide ballot.

Political Party Organization

In the year just closed there was considerable discussion of the election process and of organization of our major political parties. One of the issues is the length of our political campaigns. When the primary election is in May and the general election in November --- as you well know --- the campaign is arduous and exhausting both physically and financially. I suggest that, except for the Presidential preference primary and the election of delegates to the national party conventions, our primary elections be held in mid-September rather than in May. With present means of transportation and communication, the shorter campaign should bring the issues into sharper focus.

You will also wish to clarify the statute relating to the selection of alternate delegates to the national party conventions.

Crisis in Local Government

I suggest to you that because we have too many local governments we do not have enough local government. Within 50 miles of this Capitol there are seven county seats, dozens of cities and school districts, and literally hundreds of special-purpose districts. Each of these has limited resources and a geographical and legal jurisdiction that is not fully matched with the basic need for local government. THE artificial and often arbitrary boundaries contribute to a lack of needed coordination in treatment of common problems --- as in zoning and law enforcement and fiscal planning.

In a few places there are the beginnings of an effort at finding the path toward Greater Progress in local government. Here in the mid Willamette Valley, in the Eugene-Springfield area, and elsewhere the need is clearly felt.

If there is to be the possibility of preventing the further erosion of local responsibility for local government it must be here with the steps that will result in the reduction of the number of counties, the consolidation of city and county government where this is appropriate, the simplification of the pattern of special districts, and the expansion of the taxing authority of local government so they may be equal to the needs of this day.

This is no simple prescription. This is a call to a fundamental revision of the whole fabric of local government. It cannot be done at this legislative session but you can set the wheels in motion that will bring us to a program of action leading to local governments equal to the challenge of our time.

THE THINGS OF THE SPIRIT

While this message has focused on many of the material needs of the people of Oregon and on the administration requirements of the government, it is essential that we maintain a concern for the things of the spirit. Our cultural heritage, the preservation of the ethical and moral standards to which we owe more

than lip service, the encouragement of the creative and performing arts, the simple acts that beautify our homes and our communities --- these, too, are essential to the Grater Progress of Oregon.

Oregon's natural beauty is a powerful incentive to those planning vacation or seeking to establish or expand business enterprises. It is a source of spiritual sustenance and contributes to the well-being of all our citizens. Each has a right to expect state leadership in the conservation and protection of this heritage, and to insist that man's activities in both rural and urban areas do not detract from or deface it.

I do not propose a State Theatre or a Beautification Commission, or been an Official Custodian for our morals. Rather, I suggest that while we tend to the affairs of this government we join with all of the people of this state in renewed support of those endeavors that strengthen the spirit and enhance the beauty of Oregon.

May we resolve that our undertakings will serve us well for tomorrow and for the tomorrows beyond tomorrow. Let us seek the wisdom and guidance of Him in whose sight we would be worthy of the stewardship we holed. Then we may have confidence that our actions have achieved the Greater Progress that must be our goal.

Biennial Report, 1965

Source: A BIENNIAL REPORT OF THE EXECUTIVE DEPARTMENT 1963-1964 (SOME NOTES ON STEWARDSHIP)

To Members of the Fifty-third Legislative Assembly:

On two previous occasions, as part of the Legislative Message document, I have made available a brief report of Executive Branch agency accomplishments. The following is in no sense a detailed accounting, and additional information may be found in biennial reports of the agencies concerned.

Because of printing deadlines most of the following was prepared prior to the Christmas, 1964, flood disaster.

GENERAL

Appointments

With recently announced appointments, I have during the past six years named 100 individuals to judiciary and district attorney positions, including 26 Circuit Court judges, one Supreme Court Justice, two Tax Court judges, 14 district judges, six county judges, 34 justices of the peace and 17 district attorneys. Twenty-three such appointments have occurred during the past two years.

Additionally, during 1963 and 1964, more than 300 individuals were appointed to other positions of trust in state government.

Coordination and Reorganization

Creation of the Department of Commerce by the 1963 Legislature was a forward step toward a more manageable and responsible state government. The efficacy of this new arrangement is seen in the relative ease with which the public can now conduct its business with a group of inter-related entities. Plans for centralization of necessary nit services, common utilization of specialized office equipment, plus establishment of a Consumer Counsel division within the Department will further public convenience and provide for the greatest possible return on expenditures.

The broad blueprint for reorganization of the Executive Branch which I submitted to the 1961 Legislature retains its validity today. Pending resolution of the myriad problems inherent in our present structure, I have continued the practice of monthly meetings with the heads of state executive departments.

Capitol Construction

The Capitol Construction document outlines projects of this biennium. Further comment is in order. Higher education facilities completed include the William Jasper Kerr Library and Radiation Center at Oregon State University and the Oceanography Building on the same campus; Prince Lucien Campbell Hall, housing the departments of English, History and Sociology at the university of Oregon; a classroom building at Oregon College of Education, to replace a part of Campbell Hall destroyed by the October 12, 1962 windstorm; and a new campus for Oregon Technical Institute.

New Board of Control facilities have provided improved services for those in state care. These include: Steel Cottage at Oregon Fairview Home; May Building at Columbia Park State Home; the new Women's Prison unit at Oregon State Penitentiary; two additional cottages at MacLaren School for Boys; cell and dormitory units at the Correctional Institution; and multi-purpose buildings at the School for the Deaf and Dammasch State Hospital.

The second of four new armories in the Portland metropolitan was placed under contract. Completion in 1966 will allow the National Guard to create a number of temporary buildings at Portland International Airport, with a reduction in departmental operating costs.

Contracts were recently awarded for construction of the first unit of a natural resource complex on the Capitol Mall, this to house the Department of Agriculture.

Total capital construction completed, contracted or planned during the 1963-65 biennium involved expenditures of approximately \$46 million in state and other funds, including some \$12 million in self-liquidating Higher Education bonds.

TRANSPORTATION AND PUBLIC SAFETY

Highways

During fiscal 1963 and 1964, the State Highway Department awarded a record number of contracts, totaling over \$142 million. Oregon's interstate freeway program is on schedule, and General-aid apportionments are being used as rapidly as they become available. We presently lead the nation in miles of interstate highway completed and adequate for present traffic.

Four hundred twenty-five miles of the Interstate highways have been completed at the end of 1964. Additionally, much work has been performed on no interstate highways. During 1963 and 1964, the Department graded 217 miles and paved 350 miles and completed 83 structures on these highways.

The Highways Department is also engaged in a program of general improvement of highway conditions, the main objective being increased safety. One such program includes an exhaustive study of all highway section in the state to determine the most accident prone areas.

AN extensive betterment program designed to improve the condition of the State's older highways has been carried out, including widening 675 miles of highway shoulders, paving 250 miles of highway shoulders, construction of 1,025 mailbox and other turnouts, improvement of 290 hazardous road approaches, improvement of 260 sharp curves, and the cutting of brush on 300 miles o highway to improve sight distance. The Department has widened and modernized 61 obsolete and narrow highway bridges.

Oregon's economy continued to benefit greatly from tourism. New income records were set in each of the past two years in the amount of revenue provided by out-of state visitors. This income in 1963 was estimated at \$220 million. IN 1964, it increased to \$244 million.

Motor Vehicles

Streamlining of manual production systems through of work simplification and management improvement programs has enabled the Motor Vehicle Department to cope with an increasing volume of activity. 1963 figures show an increase of 6.1 per cent in motor vehicle registrations and a 12.3 per cent increase in the number of new driver licenses issued. Fuels tax collections have increased by 8.7 per cent.

Improved procedures have brought an estimated saving in excess of \$60,000. IN accident prevention, emphasis has been directed toward greater assistance to community officials and citizens in establishing and improving traffic safety programs.

Major accomplishments have also included: reassurance of new passenger car license plates to extend over a five-year period at a saving of \$200,000 compared with a one-year reissue; establishment of community traffic safety improvement schools; and adoption of brake fluid and eat belt standards.

Oregon's driver licensing program again received an award as one of the three top-ranked programs in the nation. The Department also was recognized for outstanding management improvement program for state agencies.

National Guard

Management improvement continues to be a principle objective of the Military Department, and a savings of \$7,000 has been realized during the current biennium. As a means of promoting further savings, three studies are currently under way involving administrative procedures in facilities utilization. Due to Federal participation in these programs, results are no expected to materialize until late 1966 or early 1967.

The new proposal concerning military support for civil authorities in the event of a nuclear attack on this country would place all military forces committed to this mission under the command of the adjutant General of the State of Oregon. This plan would give need command channels for a recovery mission utilizing military forces. Army National Guard troops were again utilized in the support of the Oregon State Police during the Labor Day week-end disturbances at Seaside, Oregon, and performed valiantly during the December floods.

Emergency Command Post

To protect life and property and provide for emergency public safety and health measures, I established an emergency command post in the basement of the Capitol early in the biennium. This center provides facilities for state government in times of natural or man-caused disaster, and was operated on a 24-hour basis during the six-day 1964 Christmas flood. Prior to that time it was utilized on several occasions for training purposes following practice emergency alerts.

The command post includes operational communications with two-way radio facilities for the State Police, Highway Department, Forestry Department, State Fire Marshal, Military Department and the Board of Aeronautics. Also included are radios on carious amateur frequencies for use of Civil Defense.

Teletype and telephone services, complete with a full state emergency switchboard, are also available.

Three rooms are provided with auxiliary power.

In the absence of this center with its trained personnel furnished by the several operation departments, it would have been virtually impossible to cope with the needs for state action which arose during the flood.

Civil Defense

With a staff reduced to three by the last Legislature, the Civil Defense Agency performed well during the biennium and the flood crisis. In the absence of the central command post, however, it would have been relatively impotent. The command center should not be viewed as a substitute for Civil Defense.

That Agency must be properly funded and staffed to permit the carrying out of its assigned role.

During the biennium further progress has been made in marking and stocking of public fallout shelters. Shelter spaces have been located for approximately 1,154,000 people.

Oregon Nuclear Emergency Organization

The Christmas floods also made more familiar the relief role of the federal office of Emergency Planning. OEP has another and more sobering responsibility, that of coordinating federal-state activities in the event of nuclear attack.

In response to a federal request, I took action in August of 1963 to create in Oregon a state organization which would mobilize all resources following an atomic explosion, including those relating to health, food, water, construction, housing, transportation, communications, fuels, refugee control, manpower and over-all production. Under the direction of the Public Utility Commissioner, the plans of 11 work groups of the Oregon Nuclear Emergency Organization are nearing completion.

ONEO was not activated during the floods, but many of its people were of assistance. I pray that their services will never be needed in war, but as long as America is a leader of nations, we must live with the possibility that some day an attack may come. Oregon will be prepared.

Fire Marshal

A program to standardize hose couplings used by public fire protection agencies is nearly completed. An improved plan-examining service to promote uniformity and coordination of state and local regulations governing construction, use and occupancy of buildings has been initiated.

A streamlining of inspection procedures has provided economies of operation; and more detailed investigation, reporting and classification of fire causes and contributing factors has been initiated to provide a better basis for fire prevention and protection programs.

Tax Commission

With the massive state-wide property reappraisal program virtually completed, the State Tax Commission is encouraging a vigorous maintenance program and additional assessment improvements. Area offices have been established to better assist local assessors. Local budget practices are being modernized and standardized through provisions of the new Local Budget Law.

In carrying out requirements of the 1963 monthly withholding law, the Commission is maintaining separate collection records. In a few years, when an adequate historical base is built up, these receipts will produce a quickly available measure of Oregon's economic activity.

Numerous comparative tax cost studies made at the request of industrial prospects showed the Oregon tax structure to be highly competitive when compared to the tax systems of neighboring states.

In terms of both unit costs and production, the Tax Commission is achieving favorable results from using part-time student help in off-hours at the height of the return filing period. This work is also beneficial to students incurred as it gives them experience and an opportunity to accumulate funds for helping pay for their educational expenses. By acquiring mechanical file equipment, the agency is handling an increasing volume of correspondence with fewer employees. Despite operating on a reduced budget for a part of the year, the Commission's audit program was able to generate an additional \$4.5 millions of revenue in 1963.

Liquor Control

Sales to minors continue to be the primary problem of enforcement, been though the identification card has been useful. Local enforcement agencies are giving good cooperation to combat this problem.

Management improvements have resulted in considerable savings and more efficient business practices. Stores and agencies have been relocated to meet shifts in population and during the past year two outlets have been discontinued.

Veterans' Affairs

The Department of Veterans' Affairs took over administration of the Board-man Space Age Industrial Park, under terms of a 77 year lease signed with the Boeing Company of Seattle on December 13, 1963. AS directed by the 1963 Legislature, the Department transferred \$5.5 million of its farm and home loan earnings to the General Fund. This in effect discharged an obligation of veterans to the State for tax funds provided in the late 1940's to establish the farm and home loan program.

In the past two years, more than 7,300 veterans borrowed in excess of \$80 million to acquire their own homes and farms. Since the loan program stated in 1945, veterans have borrowed \$416 million and have repaid \$254 million. The record of veterans' delinquent accounts continues at the low rate of less than 100 out of more than 29,000 loans outstanding. Of 48,700 loans to Oregon veterans, only 330 have been foreclosed. This is less than one foreclosure for every 1,000 loans.

Racing

Pari-mutuel wagering at Oregon race meets has continued to increase. IN dollars the increase during 1963-1964 amounted to \$8 million. State revenues from racing rose from \$2.9 million to over \$3.4 million for this two-year period.

Security controls and other safeguards in effect at the various rave tracks have encouraged greater public confidence.

PUBLIC HEALTH

Mental Retardation

Oregon had pioneered in the detection of phenylketonuria and thus has helped point the way toward elimination of mental retardation due to this condition. A colored movie was produced by the Board of Healthy which has won acclaim throughout the worked as the finest educational movie yet produced on this subject.

Mental Health

Since establishment of the Mental Health Division in the Board of Control, significant strides have been taken toward development of community-oriented psychiatric programs and in the reduction of mental hospital populations.

State institutions have achieved improved coordination. For the first time, long-term chronic patients in such institutions are being exposed to effective rehabilitation programs. The decline of inpatient mental hospital populations has resulted in an 18 per cent reduction, in contrast to a national average reduction in this area of only 2.1 per cent. Oregon's present bed occupancy rate in mental hospitals is 1.64 per 100,000, one of the lowest in the nation.

Similar advancements are evident at Oregon Fairview Home, where a new outpatient department and pre-commitment screening have been established.

Chronic Diseases

THE Lane County "Stroke Rehabilitation" project completed its 3-year demonstration phases and has now been set up as an expanded community program to assist with all kinds of rehabilitation activities in the Eugene area. The project was a good example of state and local cooperation.

A program for training lay volunteers to work in care facilities and homes for the aged and handicapped was initiated, and groups were organized in a number of committees. These volunteers do not replace staff members but supplement their work and bring to the handicapped residents contacts with the outside community.

Migrant Labor

A migrant health project for intensive services in sanitation and health services in three counties produced these results:

Project sanitariums made 1,245 camp inspections; corrected 1,266 defects in 146 labor camps with a population of 8,000 workers.

Public Health Nurses screened 6,000 workers and their families. Eight hundred of these were referred for medical care.

Driver Safety

In a continuing effort to promote safety on our highways by eliminating drivers whose driving ability may be impaired by physical or mental conditions, the medical reports of 3,381 drivers have been screened and evaluated at the request of the Department of Motor Vehicles. About 10 per cent of those cases reviewed have been restricted to some degree by the Department of Motor Vehicles.

Tuberculosis

Since January 1, 1963, Tuberculosis Control activities have continued in high gear. 782 new active cases of tuberculosis have been registered. Although 90 persons die of tuberculosis in Oregon during the same period, this was less than half the number dying in the corresponding 23 month period in 1953-1954.

Hospital Planning and Construction

A new federal law was passed to replace the Hill-Burton at which expired on June 30, 1964. During 1963-64, hospital projects in seven communities have received grants totaling \$3,376,915 to assist in an estimated \$10,160,249 worth of hospital and other health care facilities construction. In addition to services, modernization and remodeling, 312 hospital beds are being added.

Nursing home grants totaled \$548,000, to be applied to \$1,729,329 worth of construction, including 150 additional beds. Projects are under way in four different communities. A diagnostic and treatment center

project received an \$80,000 grant toward a \$240,000 addition to a large general hospital. Altogether, the Hill-Burton program has provided \$4,270,817 to assist in projects approximating \$12,927,284.

Medical Investigation

The office of the Chief Medical Investigator conducted extensive training programs for those involved in medical investigation. A state-wide Medical-Legal Workshop held May 2, 1964 at the University of Oregon Medical School was attended by some 120 doctors, lawyers, and police officers.

SOCIAL SERVICES

Public Welfare

The program of job training for able-bodied but unskilled recipients has more than paid for itself as families return to self-support. The work program has been broadened to include on-the-job training in a variety of public agencies for men and women.

Case classification is now the practice in the 11 counties that account for nearly three-fourths of the state's welfare caseload. In all counties, Oregon now qualifies for extra federal funds on the basis of rehabilitative services provided for those who need them.

Two new units are helping assure that public assistance goes only to those who are genuinely in need and eligible under law. The Case Review Unit carries on a continuous "quality Control" sampling of cases to make sure eligibility has been correctly determined. A unit of experienced investigators looks into cases where fraud is suspected.

Medical Assistance for the Aged, expanded to include chronic nursing home care and with simplified administration, now aids a growing number of the state's elderly citizens.

Management improvements have resulted in significant savings of state funds.

Parole and Probation

During 1963-64, the number of Oregon cases under parole supervision increased from 2,848 to 3,251. Correspondingly, services to the courts increased tremendously. Approximately 52 per cent of the persons originally convicted of felonies were granted probation.

The Board of Parole has continued weekly meeting and has granted paroles to individuals who would profit by parole supervision. Crime has been increasing over the country at a rate that has brought continuing pressure on the department and its staff to meet the increasing needs. However, the quality of the board's work is reflected in the fact the revocations of parole have been held at a reasonable level.

Penal and Correctional Institutions

As of November 30, 1964, inmate population at Oregon State Penitentiary and the Correctional Institution totaled 2,050. The completion of two new units at the latter now under way will add 181 beds. However, the growth rate indicates a substantial number of additional cells will be needed during 1965-67. The women's Prison Unity opened in December provides modern facilities for housing 76 female inmates.

Treatment staff personnel have worked closely with the Portland Council of Churches in establishing a privately endowed Halfway House. The ultimate goal is a similar facility in major cities throughout the state.

Through the cooperation of the Division of Continuing Education, nearly one-half the inmates at Oregon State Penitentiary are engaged in academic studies. During the past two years, 77 received elementary education certificates, 161 were certified as high school graduates, and 330 completed college courses.

The Oregon State Correctional Institution, with capacity of 279, has had a population continuously in excess of 370, requiring that some inmates be housed in corridors. Despite crowded conditions, an effective program has been carried on, including that of education. During the past two years, 380 certificates of high school completion have been issued.

Nearly 1,000 boys are not under the supervision of MacLaren School, with over 450 in the campus and camps program, the remainder either under parole supervision or in supervised foster homes. In addition to work camps at Necanicum and Tillamook, a new facility has been established near Florence. The vocational program at Hillcrest School for girls has been strengthened through establishment of a Beauty School, in cooperation with the State Board of Cosmetology.

Oregon became one of the first states in the nation to establish an industrial Accident Insurance program for penal inmates, financing this worker benefit plan through earnings from prison industries.

EDUCATION

With the growth of education at all levels, it is increasingly important that effective coordination be vigorously pursued. The Education Coordinating Council, comprising representatives of the public, higher education, community colleges, independent colleges and the business community, has been given the responsibility for seeking coordination and planning for the future.

Higher Education

In 1964, Oregon's higher education system became the first in the nation to undertake an analysis of its total management information requirements. The first phase of the study, now almost complete, will identify areas where use of data processing equipment will be most effective, and provide guidelines for immediate and long-range development of educational data processing systems. An early area of interest will be class scheduling and space utilization.

A system of curricular allocations has been developed to decrease or prevent expenditures resulting from unnecessary and undesirable duplication of major institutional function; to improve the quality of specialized programs of study; and to prevent unnecessary and undesirable proliferation of courses, services, and programs.

Master campus plans were completed and adopted for Southern Oregon College, University of Oregon, Portland State College, Oregon Technical Institute, and Oregon State University.

THE Chancellor's Office has been reorganized to augment its ability to provide modern management resources and services, on a centralized basis, for institutions of the Higher Education System. The Teaching Research Division was made a part of this office.

Gifts and grants to higher education during the biennium will total more than \$32,720,000. This money contributes both to the instructional programs of the institutions and the economic welfare of the state.

The past several months have seen two significant dedications: the Oregon State University Marine Science Laboratory and research vessel Yaquina, and the new Oregon Mechanical Institute campus at Klamath Falls.

Construction has begun on a \$2,000,000 U. S. Public Health Service Pacific Northwest Water Laboratory on the Oregon State University campus. The laboratory will have a staff of 150 scientists and will further amplify Oregon's reputation as one of the nation's leading water resources research centers.

A five-year grant of \$2,500,000 to the University of Oregon, the largest single grant in the institution's history will establish a Center for the Advanced Study of Educational Administration on the Eugene campus.

Astounding new techniques in reaming out arteries to save limbs that otherwise would have to be amputated and successful multiple heart valve implantations are among the milestones achieved by the University of Oregon Medical School in the clinical care of patients. A new \$500,000 Cardiovascular Research Laboratory, made possible by grant from the U. S. Public Health Service, provides added testament of the national stature of the Medical School.

Student enrollment in State System of Higher Education institutions has of November 12, 1964, was 36,350.

Department of Education

Major activities of the biennium included improved teacher education programs through examination by interdepartmental committees, reorganization of liberal arts and professional phases, and the acceptance by many school districts of responsibility for such teacher preparation. Teach intern programs were established in nine colleges. Citizen assistance was intensified with the appointment of committees to advise on financial procedures and in the operation of small schools. Minimum school standards were revised.

Two community college districts were formed, in Douglas and Lane counties, and new campuses opened at Central Oregon College, Bend, and Southwestern Oregon College, North Bend. Enrollment increases of 43 per cent in the community college system encouraged passage of a \$5 million bond issue to help provide capital facilities.

Classes for mentally retarded children at Dammasch in Eastern Oregon State Hospitals were established. The department organized and participated in conferences and workshops involving more than 3,000 teachers and administrators throughout the state.

School for the Blind

A special federal grant was received to augment activities of the State School for the Blind in providing special emphasis on the return of handicapped children to regular classrooms. A move in the direction of year-around programming has been undertaken in cooperation with the Oregon State Elks Association, the Lions Auxiliary, Western Michigan University and other public and private groups.

School for the Deaf

Action has been taken to add grades 11 and 12 at the School for the Deaf, and the class graduating this Spring will be the first to receive full high school instruction at this institution. IN cooperation with Oregon College of Education, a training program for counselors has been established.

The vocational training program has been substantially strengthened by additional supervisors.

The number of students has increased at a significant rate, and means are being explored whereby additional student population may be accommodated, either through expansion of c campus facilities or the development of additional services.

State Library

Federal assistance to public libraries was substantially increased during 1964. As a result, a three year Eastern Oregon Library demonstration was completed with the establishment of new county library systems in Baker and Wallowa counties.

The State Library will administer grants for library construction, and the first such project in the United States was started in Corvallis last September.

THE STATE'S ECONOMY

General

THE Oregon economy is operating at a high level. Two of the very best measures of economic activity and strength are employment and income.

Oregon personal income totaled \$4,935 million in 1964 (preliminary McGraw-Hill estimates), up 8.1 per cent from 1963, compared to a 5.5 per cent for the U. S. Oregon ranked fifth highest among the states in the year-to-year percentage gain in personal income. Employment is running at a record level.

Employment in Oregon has been higher every month in 1964 than for the corresponding months of the past. In November, employment totaled 723,700, up 16,900 from November, 1963.

The seasonally-adjusted non-agricultural wage and salary workers index reached 119.0 in November 1964 -- an all-time high. This represents a gain of nearly 92,000 non-manufacturing jobs over the employment level of the 1957-1959 base period.

Manufacturing employment has averaged 2.9 per cent higher during the first 11 months of 1964 than in the corresponding period of 1963. Lumber and wood products, with particular strength showing in plywood, had the largest absolute employment gain, 2,500 or 3.6 per cent. THE combined metal-working group, composed of primary and fabricated metals, machinery and transportation equipment, which employed 22,500 in November, 1964, had the largest percentage gain --- 9.3 per cent.

Most of the additional jobs developed in the nonmanufacturing industries. Continuing on a monthly average basis, employment in services increased 3,700, government 3,400 (mostly in state and local education), and retail trade 2,000 for the first 11 months of 1964 compared to 1963.

Cash farm receipts for Oregon are up 4.7 per cent for the first nine months of 1964 compared to the same period of 1963.

On a seasonally-adjusted basis Oregon's unemployment rates have consistently been below those of the U. S. In 1964.

Many feel Oregon could stand a bigger share of federal defense and aerospace spending. Indeed, such expenditures have been responsible for a major growth in some other parts of the U. S. However, Oregon has been outperforming the national economy without benefit of significant federal spending in these areas.

A long-time goal in Oregon's economic development, greater diversification of industry, has been achieved, even within the state's job-producing giant --- forest products.

An accelerated rate of industrial expansion has contributed substantially to the high level of economic activity in Oregon during the past two years. In this period, a total of 240 new plants and plant expansions, in building an investment of some \$225 million, has been reported. This growth has included facilities for serious industries, food products, primary metals and metalworking, electronics, chemicals, and a wide range of investments in new woods products and agricultural produces processing.

Trade Mission to Japan

In November of 1964 I led a trade mission to Japan, Taiwan and Hong Kong. The party of 35 included various industrial, business and financial leaders of the state. The importance of trade with Japan is emphasized when we recognize that our exports to that nation in 1963 amounted to \$125 million. The mission unquestionably strengthened ties with various Japanese organizations and can be expected to enhance our trade and governmental relations.

Department of Employment

Twice during the biennium the rate of unemployment tax was reduced for a great majority of employers covered by the Department of Employment law. The first reduction was on January 1, 1964, when the minimum was reduced to 1.8 per cent from 2.7 per cent; the second occurred January 1, 1965, when the minimum rating was further reduced to 1.2 per cent.

The Department of Employment continued to take on added responsibilities in the field of training and referral to opportunities under both the Manpower Development and Training Act of 1962 and the Economic Opportunities Act of 1964. Its responsibilities under the former in the selection of trainees to date totaled some 690 persons trained; 414 employed upon completion of training with the continued program for 1964-65 referring 2,726 persons for training in 28 training courses about the state. The State Department of Education is responsible for training the persons selected by the Department of Employment.

The Department's new responsibilities under the EOA of 1964, are especially spelled out in the field of disadvantaged youth. A new Youth Opportunity Center in Portland has been established to offer services to all youth, but particularly disadvantaged youth. The new center will refer youths to jobs, to training centers, to the Job Corps compass and Neighborhood Service Corps jobs depending upon need and abilities.

Corporations

Oregon experienced a 13.6 per cent increase in the rate of new in-corporations over the previous year. This rate of increase exceeded that of Washington, California and the United States as a whole. Presently there are 27,539 active corporations of record.

Assets of state-chartered savings and loan associations increased \$75,000,000; mortgage loans increased \$70,000,000; and savings, \$65,000,000.

The Assumed Business Name section, established by the 1963 Legislature, has processed 29,300 assumed business names since July 1, 1964. Over 2,000 conflicts have been noted and corrected because of this central register over the old system of separate registration by county.

Banking

Three new state banks and seven new branches were chartered over the state, with the majority located east of the Cascade Range. Also 19 new consumer finance offices were licensed; two industrial loan offices; and six new pawnbrokers.

Total assets of state-chartered banks are up by \$75,363,000, or 18.3 per cent, between December 31, 1962 and October 1, 1964.

Insurance

There has been an over-all increase of nine insurance companies licensed to engage in business in Oregon. Of these nine, four were domestic companies.

Legislation has been drafted to bring further protection to the insurance-buying public by upgrading licensing requirements for insurance agents.

Planning and Development

An expanded program of developmental planning, research and promotion was conducted during the last biennium, which included completion of a series of ten reports as a part of a state-wide development study and completion of regional development studies for the Northeast Oregon and Mid-Columbia areas. A major Willamette Basin study, involving some forty state and federal agencies, was started.

Promotional activities included distribution of some 25,000 pieces of literature and an increase in the circulation of the monthly publication, "Grow", to 7,500, all by request; emphasis on out-of-state showings of the motion picture, "Oregon Today", a promotional folder on community development corporations; and a number of specialized presentations, promotional meetings and conferences, both within and out of the state.

Real Estate

Under provisions of the Subdivision Control Law, over 765 subdivisions have filed, including out-of-state subdivisions in California, New Mexico, Arizona and Texas.

A Television series on Public Education in Real Estate was programmed through KOAC-TV and programs were presented on several radio stations.

Industrial Accident Commission

The State Industrial Accident Commission continued a trend of increased service to the public, with greater efficiency within the agency. Payrolls, employer contributions and workmen's contributions are increasing, while the Commission's claim costs in all categories continue substantially lower.

A new planning and research division program resulted in a total savings of approximately \$260,000.

SIAC provided employers with two workmen's compensation insurance rate reductions --- a 7 per cent decrease July 1, 1964, and a 4.3 decrease January 1, 1965. Combined, the two reductions will mean an annual savings of \$3,880,000 to employers in Oregon. The continuing downward trend of claim costs. Plus further increased yields from SIAC investments should allow consideration of further reductions effective July 1, 1965, or lower rates than otherwise required, if benefit increases are allowed for workmen.

Over-all effectiveness of the safety program is graphically illustrated by the reduction of fatal injuries. For the first time in the history of the Accident Prevention Department, the number of fatalities for the fiscal year was below 100, the figure of 97 representing 17 fewer deaths than the previous year.

The use of a new wide-area telephone service has speeded the authorization for surgery and the obtaining of claims information, resulting in the all-time record of 9.2 days for processing claims.

NATURAL RESOURCES

Parks and Recreation

During the past biennium, the State Parks and Recreation Division of the Highway Department continued to acquire and develop new areas and expand existing facilities to meet the needs of park visitors. Attendance at state parks in 1963 maintained the upward trend it has experienced in the past 10 years. Day visitors reached an all-time high of 13,014,668, nearly 1,500,000 over 1962, while 877,658 campers utilized the 43

parks which offer overnight camping facilities. In 1964, a total of 14,400,000 day-use visitors were recorded, and overnight campers totaled one million.

The Oregon Non-Urban Parks and Recreation Study, published in One, 1962, recommended the acquisition of 15 new areas and additions to 22 existing parks. Following these recommendations, 2,746 acres throughout the state, and six new area totaling 131 acres were added to the system. Oregon now has 190 state parks and waysides totaling 66,143 acres.

New parks opened to the public include Tugman, Boardman, Illinois River, valley of the Rogue, Fort Rock, Prineville Reservoir, Carl G. Washburne, Ellmaker, Bullards Beach, and Nehalem Bay. 280 campsites were added, making a total of 2,946 at 43 state parks. In order to better serve Oregon's growing number of recreational boaters, launching ramps with parking areas and sanitary facilities were constructed at eight parks throughout the state. In addition, a large number of improvements were made throughout the system, including increased parking space, hiking trails, water-ski traffic pattern signs, boat docks, picnic tables, etc.

In cooperation with the Travel Information Division, the Oregon Public Parks Guide was revised to show the major state, federal, and local recreation area throughout the state. Brochures and information handouts have also been developed for many of the major parks, providing information on facilities and activated available in and near the park.

A park information program was instituted at 14 parks during the 1964 summer season, and proved to be extremely popular with park visitors. Included in the program were evening slide shows and talks at outdoor theaters, placement of over 1,000 plant identification markers along nature trails, information booths, etc.

The State recreation Director continued to provide assistance to counties, communities, districts, and agencies on problems dealing with the development and use of local recreation facilities, activities, and programs.

A study of the role of city, county, and private organizations in Oregon's recreational picture was initiated. This report will also update the 1962 Oregon Non-Urban Parks and Recreation Study.

Additional research was initiated by the Planning Section in the form of a Visitor Use Survey. This study will provide information on origin, length of park visitors, Results of the survey will enable the Parks Division to better provide the facilities and activities most desired by park users.

In cooperation with local county government units, the Parks and Recreation Division continued its practice of holding statewide County Park Conferences and workshops. The Oregon County Parks Association, established in 1960 at my invitation, now includes 26 of Oregon's 36 counties. Oregon has pioneered in the county park movement, and our efforts are being emulated in other states.

Boating

During the past two years, boat registration in Oregon increased from 58,000 to over 70,000. It is anticipated that the registration will exceed 80,000 by July of 1966. A program known as the Oregon Junior Boatman's Safety Course was initiated by the Marine Board to educate young boaters in safety on the waters. This course is sponsored by a number of schools, boating clubs and civic organizations.

A new Marine Law Enforcement manual was published and distributed to all Sheriffs and State Police interested in the enforcement of the boating laws. Through the cooperation of several federal agencies and County Courts over two hundred Uniform Waterway Markers have been established on state waters. Plans and specifications for the markers were prepared by the board.

On January 1, 1964, the Marine Board commenced a simplified boat registration system. The system combined the Certificate of Number, which was issued on a three-year basis previously, and the Annual

Boat License into one annual requirement. The new system has not only eliminated some confusion among the boat owners, but is expected to result in considerable savings in the cost of administration in the future.

Pollution Control

Thirty-two new sewage treatment plants were completed, and 15 existing plants were enlarged. At the end of the biennium an estimated 1,000,000 persons (96.5 per cent of the total severed population of the state) were being served by 218 public and semi-public sewage treatment plants.

To restore and maintain an acceptable degree of purity in the waters of the Willamette River system, a policy was adopted requiring as a minimum, (a) Primary sedimentation year round for all pulp and paper mill wastes, (b) 85 per cent BOD removal during the period of critical stream flow in the summer and fall months for all sulfite pulp and paper mill wastes, and (c) secondary treatment (85 per cent BOD and suspended solids removal) for all sewage and other waste effluents discharged into the main river or any of its tributaries, with the deadline for meeting such requirements being December 1966.

A comprehensive study and report was made by the Sanitary Authority staff of the air pollution problems in the Portland metropolitan area, and adoption of new air pollution control ordinances by the cities of Medford and Portland and inauguration by the latter of an active air pollution control program followed suggestion of this study.

A policy was adopted to promote research on air pollution caused by emissions from wigwam waste wood burners.

Agricultural Research

Oregon State University has broadened its research program on natural resources, and this activity has been matched by additional demands from the public for research findings, as well as request for technical assistance.

Research has continued on improvement of pasteurized fish pellets in cooperation with the Fish Commission. All former fish wastes for processors in the Astoria area are being used in this bin product. This pellet is reducing rearing costs substantially, as well as hatchery fish fatalities.

As a direct result of research activities at Oregon State University, increasing interest is being shown in the potential of a number of new agricultural crops. A "dry freezing" process developed through Agriculture Experiment Station activities has resulted in establishment of an industry which has extensive possibilities in the modern handling of perishables.

A significant event was the acquisition of a forestry nursery and the establishment of a forestry genetics center.

Water resources research has been broadened in a number of areas, with coordination accomplished through the activities of the Water Resources Research Institute.

A number of departments are cooperating in studying the feasibility of irrigation on the more poorly drained soils of the Willamette Valley.

During the biennium a cooperative study on the economic importance of the salmon-steelhead sport fishery in Oregon was completed.

Mineral Resources

With a 19.4 per cent increase in the value of minerals produced compared to 1962, Oregon mineral production rocketed to an all-time high of \$62,700,000 in 1963. Employment and payrolls in the state's mineral industries showed impressive gains over last year. Payrolls were up 7.25 per cent over 1962, and employment increased 3.17 per cent for total of 10,592.

Douglas County, largely through the efforts of Hanna Nickel smelting at Riddle, pushed into first place in mining production for the first time in 1963. The county had been in second place for the preceding seven years, with either Lane or Clackamas County in the top spot. Twenty-five of the state's 36 counties reported increased mineral production over 1962.

The Department of Geology and Mineral Industries has been conducting intensive studies of volcanic features in central Oregon for a number of years, one often main objective being to acquire and publish information that might lead to the establishment of a lunar research center in the state. Both federal and private research groups have visited the Bend area on numerous occasions to conduct various tests, and teams of astronauts and geologists have experimented with equipment designed for actual moon reconnaissance.

During the biennium the Department has been engaged in a long-range geochemical study of stream sediments and soil samples in hopes that, by pinpointing certain areas where the possibility of finding economic mineral deposits is much greater than normal, industry can be encouraged to investigate them.

The search for oil offshore in Oregon has intensified every year since passage of the submerged Lands Act in May 1961. In June 1964, 13 major oil companies were engaged in the offshore studies. Several of the firms operated joint seismic and bottom sampling programs in order to hold costs down. An estimated \$12 million was expended in exploration.

Soil Conservation

During the biennium the State Soil and Water Conservation Committee reviewed and approved two resource Conservation and Development Project Plan applications for submission to the Governor's office and transmittal by the USDA Soil Conservation Service to Washington, D. C. The Upper Willamette RC&D Project Plan application sponsored by five Soil and Water Conservation districts was approved by Congress as one of the ten pilot undertakings in the United States.

SWCD's are also active in sponsoring small watershed programs under Public Law 566. There have been 43 watershed projects sponsored under this program in Oregon. Of these, six have been authorized for installation and eight others authorized for planning. Installation cost on these projects is \$8,716,439, with \$4,927,059 furnished by the federal government and \$3,793,373 from local sources. To speed up this program additional funds are needed at the state level for watershed planning.

Agriculture

A headquarters building for the Department of Agriculture was placed under contract for construction in December as the first unit of a Natural Resources complex on the Capitol Mall.

Economies accruing from the reorganization of the Department of Agriculture permitted it to meet its responsibilities, with only minor restriction in some services, under a budget reduced by the tax referendum. The department, through its Agricultural Development Division, has lent important aid to the governor's Import-Export Committee and has helped to call attention of the American leaders of the international trade discussions to the needs of Oregon agriculture and allied industries.

Agreement was reached for the first joint action to gain lower freight rates on Midwest feed grains shipped to the Pacific Slope. This move is of utmost importance to expansion of our livestock industries. Our Oregon

department has enjoyed excellent cooperation from affected livestock segments, who are carrying the state's share of the cash outlays for this joint effort.

What is recognized as the first Consumer Advisory Committee in any state department of agriculture was created in the Oregon department last April.

Forestry

Of special significance is the satisfactory progress achieved in decentralization. Additional responsibilities have been assigned to field representatives throughout the state for efficiency's sake and public convenience. Noteworthy, too, is the extension and strengthening of communications lines between the agency and the public. Through local advisory boards scrutinizing for district operation and costs, the public has gained stronger voice in the management of district affairs.

Mutual-aid pacts were effected between various of the department's 14 fire districts to provide a strong forcing times of heavy fire stress. Study of the entire fire protection system, along with its financing, was continued into this period. Still apparent is the need for greater public participation in financing forest fire protection.

The Department watched carefully during the past two years for indication of any start of a Douglas fir bark beetle epidemic. The potential still remains. Meanwhile, clean-up through log salvage operations was pushed as rapidly as the construction of new and excessive access roads would permit, not only for the benefit of insect control but to help meet the fire problem as well.

Fish and Wildlife

The 1961 Legislature appropriated to the Fish Commission \$120,000 from the General Fund for rehabilitating and improving anadromous fish runs on the coastal streams south of the Columbia River, but only if 40 per cent of the cost of each project is provided from other funds. Although a variety of difficulties were encountered, practically all of the money was committed.

During the biennium a major step was taken toward eventual solution to the long-standing problem of upstream fish passage over Willamette falls. The existing fishways at Willamette Falls on the Willamette River near Oregon City are inoperative or inefficient during parts of the year when spring Chinook, fall Chinook, and silver salmon and steelhead trout are present. New facilities will provide-year-round passage, and permit extensive enhancement of fall Chinook and silver salmon runs which heretofore encountered extreme difficulty in migration. However, existing pollution in the lower Willamette is a very definite and serious threat to relaxing this potential.

In the past two years Oregon has maintained its position among the leaders in the nation in the variety of angling and hunting opportunities available to its citizens, and in the success which they and our visitors enjoy in these recreational pursuits. At no time in history have the opportunities been so diversified, and still others are soon to be relied with the successful establishment of such species as the mountain sheep and wild turkey.

A classic example in the sport fishing field is Diamond Lake. In the past two seasons the yield from this one lake alone has totaled in excess of one-half million fish. Those anglers who prefer warm-water species such as bass and perch can look forward to more opportunities with activation of the pond rearing facilities at St. Paul in 1964.

Our sport fish and wildlife resource provided a total of more than 20 million man-days of recreation in 1963 and 1964.

Oregon's hunter safety training program received recognition as the top such program in the nation in 1963. Since inception of this program, more than 75,000 young people have received training in safe gun handling and sportsmanship.

Water resources

A major event of the biennium was the statewide water resources conference which I called in Salem December 10-11, 1964. The meeting was attended by more than 400 citizens and government officials interested in learning about Oregon's problems and seeking means of augmenting efforts to determine our ultimate water needs. Program presentations graphically portrayed the need for a vastly accelerated study in the face of suggested diversions to other areas.

During the past biennium the State Water Resources Board conducted basin investigations in the Lower Willamette, Sandy, Hood, and Mid Coast basins. The board staff provided the chairman and implemented coordination for the Columbia Basin Interagency Committee Task force in its important review report of the Willamette River basin. The coordinated agency team approach to basin planning developed in Oregon, is production noteworthy results.

Of particular interest has been the Data Availability and Status Catalog developed by the Task Force Data Storage and Retrieval Team under board chairmanship. The catalog lists date pertinent to water and agency storing the data, the availability of such data, the method of storage, the classification as to scope and whether the data is exiting, currently being gathered or proposed to be gathered.

Perhaps the best way we can protect our valuable water resources is to put these needed resources to beneficial use. To this task the Water Resources Board has stimulated and facilitated water development by working with local people in the Grande Ronde, Umatilla, Willamette, John Day, Hood (Fifteen mile creek), Deschutes, Rogue, Umpqua, and coastal areas of Oregon. There never has been more local and federal activity in water development in Oregon. The state, however, must soon appraise its role in water development in filling the gap between local and federal financing of water developments.

State Engineer

Probably the most significant accomplishment in the efficiency field was the reassignment of duties and expanded use of the watermasters following authorization for payment of expenses by the 1961 Legislature. Savings estimated at \$15,000 were obtained during the period July 1, 1963 to date through this method and partially reduced the effect of the tax Rejection cutback. Constituting 14 field offices, they have reduced travel from Salem and increased stream gaging and station maintenance during the off destruction season.

Two new hydroelectric projects licensed by the State Engineer have been placed on the line producing power for our growth and a boost to the economy in the construction jobs. The \$25,000,000 Carmen-Smith project of the Eugene Water and Electric Board on the McKenzie-Smith River complex was dedicated in September, 1963, and adds 90,000 kw. to our installed generating capacity. It is an orderly step in providing for the development of the Eugene area without detracting from the recreation value of the scenic McKenzie River. The project includes an annual license fee to the state of \$12,840.

Portland General Electric's \$60,000,000 Round Butte project on the Deschutes River placed its third unit on the line in November, 1964, adding 300,000 kw. installed capacity. The 440 feet high rock-fill dam is one of the largest in Oregon and provides a unique three-pronged lake with back water up the Crooked, Deschutes and Metolius Rivers. The reconstructed Cove Palisades State Park scheduled for completion next year lies between the Crooked and Deschutes River arms and will be a major addition to the recreation facilities of

the Central Oregon area. Tax payments to county, state and federal governments include \$74,190 annual license fee to the state.

Construction was started this summer on the \$2,500,000 Middle Fork Irrigation District project to rehabilitate and improve their irrigation system. The project includes a peaking reservoir and 130,000 feet of pipeline to provide gravity pressure for sprinkler systems. Prime function is to eliminate the destructive glacial silt that occurs in Coe and Elliot Creeks, the prime source of water during certain summer melt conditions. A \$1,100,000 FHA loan finances the portion of the project to be repaid by the local district and is the largest to be made west of the Mississippi for a project of this type. Planning for the project, which is being constructed under the Watershed Protection and Flood Prevention Act (small watershed Act), was aided by state planning funds appropriated during the 1961-63 biennium.

Basic data collected for the state-wide well net of 750 wells is now being summarized and published in an annual series of Ground Water Levels beginning in 1963. Data obtained from these observations provides the first and best index of general ground water conditions. Careful analysis will aid in pinpointing future ground water problems and critical water areas prior to their full development.

IN concluding this report I would take note of the death of Walter Norblad, a former member of the Oregon Legislature, who served the First Congressional District for nearly two decades.

Respectfully submitted,
Mark O. Hatfield
Governor