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GOVERNOR DOUGLAS MCKAY ADMINISTRATION

January 10, 1949 to December 27, 1952

Biographical Note

McKay was born in Portland, Oregon June 24, 1893. He was named after Sir James Douglas who succeeded Dr. John McLoughlin in 1845 as supervisor of the Hudson's Bay Company. Throughout childhood McKay worked to help support his family. His father abandoned them, leaving his mother with little money. She found a job as a seamstress and McKay sold candy at a local theater. Later he delivered newspapers and drove a meat wagon which helped pay for his education at Oregon State College.



In 1917 McKay began his political career when he was elected Student Body President of Oregon State College. He also married Mabel Hill. McKay majored in agriculture with the hope of one day owning a farm. World War I shattered his agrarian dream.

When the U.S. entered World War I, McKay enlisted in the army and was sent to Europe where he advanced to the rank of lieutenant. In December 1918 he was injured by an exploding German shell. Shrapnel ripped open his leg and tore off part of his right arm and shoulder. For the rest of his life, McKay was 66% disabled. McKay was awarded the Purple Heart for the wounds he suffered.

Upon returning to Oregon, McKay lived with his wife and children in Portland where he sold insurance and worked as a car salesman. In 1927 he moved to Salem and purchased his own car dealership, which he called Douglas McKay Chevrolet. After living in Salem for five years, he was elected mayor.

In 1934, McKay was elected to the Oregon Senate. McKay was a moderate Republican. He was able to draw support from Democrats as well as Republicans. Perhaps this was due to the Democratic influence of his family. McKay once said, "My folks were Democrats. I come from a long line of Democrats, but I left home and learned how to read."

McKay was a State Senator until 1943. During his Senate career he was on the Roads and Highway Committee. He worked to tighten traffic regulations in the hope of making roads and streets safer. He especially focused on regulations relating to the safety and operation of school buses. McKay also sponsored legislation to lower interest rates on small loans.

McKay re-enlisted in the army during World War II and served at Camp Murray and Camp Adair. He was discharged at the end of the war as a major.

McKay's interest in politics was renewed in the late 1940's. With enormous local support he launched his campaign for governor with the slogan "You Can Count on Doug McKay." In 1948 he ran against Democrat Lew Wallace and won the election with 271,295 votes against 226,958.

As Governor, McKay supported the conservation of land and forests. He also supported employment for Oregonians. He advocated the cutting of old growth timber so that it would not hinder new growth. This policy also sustained jobs in the timber industry. McKay pushed for private ownership of land. He opposed

the proposed Columbia Valley Authority because he was against federal ownership of Oregon's land. On Sept. 11, 1952 McKay wrote, "The development of the Columbia Valley is a large project and the state must have the cooperation of the Federal Government to build the large, multi-purpose dams on the Columbia River, but I do not care to sell out my birthright for that assistance."

Significant legislation advocated by McKay during his term as Governor included: an act which would turn over 95% of the profits from the Liquor Control Commission to the general fund. The remainder of the profits went to cities in proportion to their population. As Governor, McKay continued the work he began during his legislative career to develop Oregon's highways. He supported a successful bond issue that gave \$75,000,000 to the Highway Department. The bond raised \$15,000,000 a year for the next five years.

McKay left the governorship in 1952 when President Eisenhower appointed him Secretary of the Interior. McKay's popularity dropped after accepting the appointment, because many felt he was abandoning his state for the federal government.

As Secretary of the Interior, McKay was nicknamed "The Old Car Peddler from Oregon." Upon arriving in Washington D.C., he took immediate action. McKay abolished five divisions of the Interior Department, dropped 4,000 workers, and cut the budget by nearly \$200 million. He once remarked that the Interior Department has as many parts as a Chevrolet. He knew the car parts were essential, but wasn't too sure about the Interior's.

In 1956 McKay resigned from his post to run for U.S. Senator. He lost to the Democratic incumbent, Wayne Morse, by 61,444 votes. McKay retired from political life and the car business in the late 1950's. He spent his last years in Salem with his wife. McKay died on July 22, 1959 after an extended illness.

McKay is remembered for the time he devoted to his community. He was active in a number of community based organizations. Time magazine wrote of him in 1952: "He is short, jaunty, friendly, and folksy. He has a zest for people and politics, a talent for off-the-cuff oratory and off-the-cob jokes."

Inaugural Message, 1949

Source: INAUGURAL MESSAGE OF DOUGLAS MCKAY GOVERNOR OF OREGON TO THE FORTY-FIFTH BIENNIAL LEGISLATIVE ASSEMBLY JANUARY 10, 1949 SALEM, OREGON

Mr. President; Rm. Speaker; Members of the forty-fifth Legislative Assembly of the State of Oregon:

We meet today without the aid and counsel of able and distinguished men on whom the people of Oregon had relied to guide state affairs through this period, men who, in the natural course of events would have ably and patriotically met the problems we, you and I, are now called upon to solve to the best of our ability.

This has been brought about by one of the saddest tragedies in the entire history of the state. Capable guiding hands and loyal hearts have been stilled in death, and it is now our duty and obligation, in the full measure of which we are capable, to carry on in such a manner as will add most to the prosperity and welfare of our people.

I enter upon the duties of my high office most humbly and with prayer that I may render service that will be good --- good for the individual, good for the state as a whole. And at the same time, I confidence, yet, a firm conviction, that together we can meet the obligations that are properly ours, and furnish a solution to the vexing problems that confront us.

Every state administration faces serious problems. Every state administration in the future will face them as they have the past. They are constant in any government, and constitute a challenge that must and will be met. The degree of success we attain in meeting this challenge will be the yardstick by which our public service will be measured.

While our state constitution creates three separate and distinct branches of government --- the legislative, the executive and the judicial --- it also requires that the governor shall from time to time "give to the legislative assembly information touching the condition of the state, and recommend such measures as he shall judge to be expedient."

It is not my intention to attempt to cover in this message all State matters and I deem of importance. I have been able to familiarize my self with the general provisions of the budget as submitted, and will comment thereon, but have not had time to study the details that make up the total. As Governor, I will have the opportunity to work in an official capacity with the many state divisions. Prior to making these contacts, I would hesitate to touch upon the some subjects that I may present to you in later communications.

I want to impress upon every one of you the importance of as short a session as possible. This can be accomplished only by direct and definite action on the major matters before you, and I urge that from today on every effort be made to handle the work as expeditiously as possible. At the same time, I recognize that the job must be thoroughly done, and that it would be a neglect of duty and a failure to properly meet responsibility and adjournment were taken without disposing of all-important issues.

STATE FINANCES

The budget you have before you contemplates the expenditure through state agencies of all types, both self-sustaining and on appropriation basis, of considerably more than half a million dollars for every day of the year. It has only been some fifty odd years since the state first saw its expenses reach the then staggering figure of one million dollars for an entire year.

This graphically illustrates the fact that with our tremendous growth in population we have also had a tremendous enlargement of state problems. I want to take this opportunity to caution you as to our possibilities in regard to expenditures, and to further call your attention to the fact that there has been a dangerous growth in local taxation in recent years. The public is demanding more and more public services, but we face financial limitations that call for economies of administration wherever they can be applied without injuring essential public service.

Much has been said and will be said in regard to the so-called surplus of some fifty-million dollars. A better understanding of this picture can be gained if it is realized that this large sum would pay the overall expenses of the State of Oregon for only about three months.

For a number of years the state has diverted money that was formerly considered as exclusively State funds, to local schools, counties and cities. And I believe quite properly. But again I want to caution you --- this source of revenue for the various subdivisions of the state government is fast reaching the point of complete exhaustion if it has not already reached that point.

A BALANCED BUDGET

I believe it is possible to balance the budget for the coming biennium. By legislative action, future receipts from the corporation excise tax can be made available for meeting the present deficit or any appropriation purposes. I recommend that this action be taken.

This power of the legislature also applies to the future income tax funds, and it may be that similar action should be taken in regard to this act, applied only to such sums as are available after present obligations relating to the school fund have been meant. It will also be necessary that the provision for discount of income tax in accordance with the amount in the surplus, be eliminated.

It has been authoritatively ruled the existing surplus can be used only for relief of property taxes. It has been my hope that this money be used only for some purpose that will be of lasting benefit to the state. A

substantial amount is needed at once for permanent construction at the state schools and the various institutions. This need should be met, and I urge your consideration of a building program, to be advanced as rapidly as justified by need and sound business considerations. It seems probable that such a program would be approved by the voters, outside the six percent limitation, thus making funds from the surplus available for this purpose.

During my campaign for reelection, I advocated the raising of exemptions for income taxpayers and repeal of the withholding tax. The voters took action on the income tax exemptions at the November election. It is my belief that the withholding tax provisions are unreasonable and impossible of enforcement. Care should be taken in regard to action on this law, to avoid further confusion by making any contemplated repeal effective at a proper date. I also recommend for your consideration exemption from income tax of unusual medical expense; also life insurance premiums up to \$250 annually.

NATURAL RESOURCES

It is my earnest hope that during my administration, the State of Oregon will undertake a farsighted and comprehensive program for the conservation, control and full utilization of our greatest single resource: Water --- the foundation of the future industrial, agricultural and recreational empire of the Northwest.

Water has the dual capacity of being man's friend or his enemy. Sweeping in untarnished floods, as in the Columbia and Willamette Valleys, damaging millions of acres of some of the most fertile soil on earth, it has taken a tragic toll in life and property. Harnessed to provide electric power, diverted to feed thirsty acres of potential farm land, conserved in watersheds to keep forests perpetually green and to maintain the habitat of our game, protected against pollution to restore streams abundant with fish --- water can be man's most versatile and effective servant.

Oregon has millions of kilowatts of potential hydroelectric power. The Pacific Northwest has 47 percent of the potential of the Nation. This is the backbone of our industrial future.

The seriousness of our present power situation is well known to you. With the greatest hydroelectric possibilities of any section of the world, we face a critical shortage that may last for as much as ten years, and is almost certain to continue for the next five years. Industrial development is being hampered by the present shortage. Certainly, we should do everything possible to cure the present shortage and to develop hydroelectric resources equal to our opportunities of the future.

The United States Soil Conservation Service estimates that the great Columbia flood of last spring removed 80,500,000 tons of top soil from the State of Oregon. It is authoritatively estimated that 3,600,000 acres of Oregon land are in critical condition from soil erosion, and that another 4,600,000 acres are being eroded rapidly. Immediate steps to halt this erosion is a responsibility we owe to the future generations of Oregon.

The restoration of our watersheds, flood control, irrigation of the vast potential farm lands of our state, and the restoration of underground water levels that nourish our present fertile acres of farm land is the only secure foundation on which to build the future of our agricultural economy.

Conservation measures must be the corner stone of a program for the development of our resources of fish and game.

There are today a multiplicity of agencies, each working earnestly and faithfully, but sometimes in divergent directions, but all concerned with the resource of water and its utilization in the development of the state. In regard to one of the most earnestly needed of all the programs concerned with the future of our state, the coordination and the integration of all these agencies into a cooperative effort to create a comprehensive program that covers all phases of these problems.

It is my intention in the near future to call together representatives of the state agencies concerned, including the Department of Forestry, the Department of Agriculture, the Fish and Game Commissions, the Hydroelectric Commission and various other state agencies. These representatives will constitute a Governor's advisory board, with responsibility to take initial steps to coordinate their individual programs, but without sacrificing their individual administrations. I have outlined might invite you cooperation, and in order that it may be considered in connection with the proposed legislation touching upon these matters.

With particular reference to fish and game, I wish to call attention to the reports of the Legislative Interim Committee. These reports contain many valuable suggestions from men intimately familiar with fish and game problems. The reports suggest, among other things, a large increase in license fees. I urge that you do not make hunting and fishing so costly that it can be enjoyed only by people of means. It must be kept within the reach of all, even in the program requires some help from the general fund. This can well be justified because of the tremendous value of fish and game resources to the state as a whole and its important value in connection with tourist travel. Many other states have found it necessary to supplement budgets by appropriations from the general funds of the State.

ROADS AND HIGHWAYS

Improved highways are daily becoming more and more vital to Oregon's economy. Lumbering and agriculture, our two largest industries, depend on highway transportation. Every industry, every individual in Oregon, has a personal and direct interest in the development of a sound program of road building that will modernize our highway system at the earliest possible date.

THE last legislative assembly by Senate Joint Resolution No. 9 created an interim committee of members of the legislature to make an investigation of the system, construction and revenue needs, and report back to you. This report is before you and merits your thoughtful consideration.

The committee held fourteen regional meetings, in every section of the state. Highway users of every type, from the private passenger car owner to the largest commercial operations, as well as representatives of counties and cities, industry, labor and agriculture appeared at these meetings and expressed their views freely. The meetings were so conducted that much first-hand information was obtained, and it is my belief that the committee did a thorough and conscientious job. This is especially true of the chairman, Hon. Ralph T. Moore, who has devoted months to this work, and whose leadership has been of great value.

As a nation, we have fallen far short of meeting our needs for highways transportation. Oregon is no exception. Due to our great influx of people, it is probable that our situation is more critical than is the case in most other states. I doubt that our program would have kept pace with our needs if there had been no war. Now we must plan to make up for that period of practically no construction, in addition to meeting fast multiplying future needs.

This urgent need for modernization, together with greatly increased costs, make it apparent that we must spend more money on our highways. If roads such as we need, and hope to have soon, are to be built, then it is clear that gas taxes or registration fees, and possibly both, must be increased.

TRAFFIC SAFETY

Oregon's outstanding traffic safety program should be continued and advanced in every possible manner. National recognition has been accorded this state many times for this work, and with our greatly increased traffic it is of greater importance each year. Make Oregon's highways the safest in the nation.

MOTOR TRANSPORTATION ACT

A large number of amendment to the motor transportation act passed by the last legislature will be before this session. Available records indicate that this act, instead of bringing about an increase in state highway revenues, has yielded lesser amounts than the act formerly in effect.

The new act represents a conscientious effort to bring about equitable charges for commercial use of the public roads, streets and highways. It was passed only after some six years study by three different interim committees, and at the time of passage was generally approved by both industry and the highway department.

Many low mileage vehicles were placed under state permit, and it has developed that in many instances their fees do not justify collection and auditing, and fall far short of the flat fees they originally paid. There is also a large amount of non-productive detail work required from the operators that can be eliminated.

Another most important matter to consider in this connection is the fact that in the adoption of the present act our registration fee was thrown so far out of line with the fee in the state of Idaho that authorities in that state have discontinued previously existing reciprocal relations with Oregon. This has been a source of considerable confusion, expense and trouble, and in the adoption of a new act I urge that its bearing on reciprocal relations with adjoining states be one of the major considerations.

A large degree of motor vehicle reciprocity has been attained in the nation through years of effort on the part of people who believe that the setting up of state lines as trade and social barriers is un-American and detrimental to the public interest, and I believe it to be vital that no ground be lost in this reward move. Oregon has always been a leader in this program.

FORESTRY PROGRAM

Very little in the way of new legislation is needed to support Oregon's outstanding forestry program. I am convinced that our state leads the nation in its advanced and forward looking policy of forest land management, as well as in research and other factors that make up the complete program.

The state now has some six hundred thousand acres of forest land. The people have voted bonds for reforestation and the industry in being taxed through a 1947 legislative measure for research in wood chemistry and other new and rapidly progressing developments that are vital to the lumber industry.

Probably nothing that come before you will have the important bearing on Oregon's economic future that the forestry program carried. We can all be eternally grateful that the heaviest burden of lumber production did not reach this state until many others had been cut over and laid waste, and that the example of what happened elsewhere reaches us in time to cause the adoption of measures that will assure Oregon a lumber industry that will be permanent.

Undoubtedly more land will be placed under state management each year, and it is reasonable to suppose that a large amount of it will reach this status from the excessive cutting of the past few years. There are some matter regarding the management of these lands that call for future attention and in regard to which I am convinced some constructive work can be done that will be of lasting benefit. However, I am told that this can be accomplished under existing laws, and that no new legislation will be necessary.

I urge you at all times to consider the great value of the forestry program and do everything possible to continue to advance it.

STATE INSTITUTIONS

It seems to me that there has been much thoughtless and unjustified criticism of Oregon state institutions. WE hear little of the wonderful work that has been done --- thousands of mentally and physically ill people who have been cured and returned to a normal life and a gainful occupation.

At the same time, the physical plant and equipment at these institutions have never been either modern or adequate to meet the demands placed upon them. Buildings recently completed, and under construction, will be of important help. They are by no means sufficient to meet the moral responsibilities of the state, and an long-range program of modernization is imperatively needed. It is easy to postpone such a program under the pressure of all the things that need to be done throughout the state organization. Our moral obligations to the wards of the state do not permit procrastination and delay. Appropriate action should be taken at this session.

HIGHER EDUCATION

The needs of our educational institutions must be recognized and met in any constructive building program. These needs are clear, due both to our increases population and to the fact that construction was completely halted during the war years.

Probably in no field, for which appropriations will be made, can it be said as truly that the money spent is an investment in Oregon's future. In a large measure, the standards of our educational system will be the standards of our public and civic leadership in the year to come. It should be recognized, however, that the tax resources of Oregon are not equal to those of some other states, and that the natural generosity of the people toward the needs of education contemplate a careful scrutiny of the appropriations requested. We can achieve our objectives and stay within the limit of our means only by concentrating our available resources upon the essential elements of educational training that are directly productive of good leadership and citizenship.

OLD AGE ASSISTANCE

The Old Age Assistance Act, approved by the people in November, although faulty in its construction, was a clear expression by the voters of their direction that our senior citizens in need be granted a minimum of \$50 per month. In my judgment, \$50 a month is little enough. The increase is recognized in the budget before you. It will, of course, be necessary that consideration be given to the requirements of the Federal Social Security Act in order to retain matching federal funds.

The state's obligation in this connection goes beyond the money available under the Knox law from the profits of the liquor commission. Old age assistance should be based upon need, and not upon anticipated profits from the sale of liquor. It is my recommendation that receipts under the liquor control act be placed in the general fund, and that appropriations for old age assistance be made, as are other general fund appropriations, without limitation as to receipts from any particular source.

STATE SALARIES

During the past few years, and particularly since the passage of the civil service law, there has been a substantial increase in state salaries, but a satisfactory solution of this problem has not been reached. The state must pay salaries comparable to industry if it is to attract and retain the services of men and women capable of handling its business efficiently.

It is hoped that this Legislature will be able to make a more thorough study of this problem than has been possible in the past. I suggest that actual departmental payrolls and other conditions of employment be studied either by a special committee, or the sub-committee of the Ways and Means, assigned to the budgets of the various departments.

The state employees are entitled to a thorough review of their recommendations, and any action taken should be based on a full knowledge of the subject.

MILK CONTROL

In 1943 enforcement of the milk control act was placed in the hands of the Director of Agriculture. The methods previously employed were deemed unsatisfactory.

Handling of this work does not integrate itself in a satisfactory manner with the duties of the department. I recommend that you give this matter careful consideration. There are a number of alternatives, and it is my belief that removal of milk control from the Director of Agriculture will be the best interests of the state, and enable that department to better perform its many other important duties.

INDUSTRIAL SAFETY PROGRAM

The program of the State Industrial Accident Commission for the prevention of industrial accidents is paying gratifying dividends. Management and labor are to be commended for their increasing participation and cooperation. This program should be continued and should be expanded, as this can be accomplished on a practical and effective basis.

Benefit payments under the Industrial Accident Commission are not realistic in relation to present living costs and should be increased. At the same time, adjustments should be made to remote existing inequalities between various classes in injuries.]

Benefits paid under the Unemployment Compensation Commission deserve careful and sympathetic review.

DAYLIGHT SAVING

Every year the question of daylight saving is before us in some form or other. In 1948 the state of California adopted a daylight saving plan as a power conservation measure, and many cities in Oregon and Washington took similar action, but for a shorter period. In itself, it is not a question of great importance, but partial adoption creates a great deal of confusion and inconvenience.

This assembly will probably have contact during the session with Legislative groups from Washington and California. The possibility of partial adoption could be removed if the Legislatures of the three Pacific Coast States would agree on some uniform act, either providing for adoption of a daylight saving plan, or prohibiting it.

UNNECESSARY PUBLICATIONS

There are a number of voluminous printed reports from state departments on your desks. Some of these have real value and may well be a help in your legislative work. But there are many reports from various departments, in many instances required by law that appear to me to serve no useful purpose. I question also the justification for a number of other state documents and publications issued in printed form. Mounting costs of paper and labor have caused some of these to become an unjustified burden. I believe this situation calls for a careful study and action on your part, and amendments to remove mandatory requirements of publication, where value does not justify their cost. As Governor, I will give the subject continued study toward substantial economies.

CONCLUSION

I am deeply grateful to the people of Oregon for the opportunity they have given me to serve my native state. It is an honor that carries heavy responsibilities, and to the meeting of these responsibilities I will devote full time, and conscientious effort. I assure you that you will have my complete cooperation, and that it is my desire to keep a close contact and have a clear understanding of our joint problems as the session progresses.

May our efforts justify the confidence that has been placed in us by the people of Oregon.

Governor's Message, 1951

Source: LEGISLATIVE MESSAGE OF DOUGLAS MCKAY GOVERNOR OF OREGON TO THE FORTY-SIXTH BIENNIAL LEGISLATIVE ASSEMBLY JANUARY 8, 1951 SALEM, OREGON

Mr. President; Mr. Speaker; Members of the Forty-sixth Legislative Assembly of the State of Oregon:

The Forty-sixth Legislative Assembly meets today in a period of crisis . . . a crisis not only for the people of this country but all the freedom-loving people of the world.

Once again, the forces of despotism and tyranny are on the march. Once again, our country is called upon to demonstrate its faith in the principles of Christian brotherhood among men and among nations and to defend that faith with the precious blood of our young manhood.

Many of our loved ones have already paid the ultimate price that freedom and justice may continue to live in this troubled world. Our hearts are heavy at the loss we share with their families . . . and to these families we extend the deep sympathy and understanding of friends and neighbors.

The present generation has seen American determination and heroism, ingenuity and productive might the deciding factors in two world struggles. IN both of these, Oregon met the full measure of its responsibilities. In many phases of our effort, we achieved records of national distinction. In both titanic struggles, through dark days of defeat and bright days of victory, the people of Oregon held to their faith in the ultimate outcome with a tenacity worthy of their pioneer tradition. Certainly, we may expect that Oregon will rise to the measure of its present responsibilities and that the dark days of Korea will not dim or faith in the ultimate destiny of this nation and our hope of lasting world peace.

The President of the United States has declared a state of national emergency. It may be that some of the more serious aspects of the international situation will be eased before this session of the legislature is adjourned. It appears much more probable that the opposite will be the case. In any event, this assembly can have no more important purpose than shaping the affairs of the state to insure the greatest possible service to the nation in these perilous times.

We must place first things first. We cannot afford "legislation as usual" any more that we can afford "business as usual". IN the interest of the nation we must defer those things that are not essential to the economic and social health of the state and that do not contribute to a state of readiness for national emergency.

To achieve this purpose I make three recommendations of special importance:

First. I urge that legislation be limited to matters of importance and significance and that these matters be considered with a thoroughness and dispatch required by the serious nature of your responsibilities. Make no mistake: much is expected of you in this session.

Second. I recommend that state services not related to the preparedness effort and not immediately essential to the economic and social health of the state be held to an absolute minimum or carefully reduced. This rule should apply to every activity of local, county and state government that can safely be postponed or reduced without injure to the continuity of essential government and to the national security effort.

We must recognize that during this period of grave international crisis the federal government must have first call upon our material, manpower and tax resources. At the same time, we may properly insist that the federal administration and the federal congress be prudent in drafting these resources in the national interest.

Third. I recommend that no new state services be created except where it is found possible to combine existing agencies with a resulting economy of manpower or cost. In keeping with my part of our common responsibility, I have instructed all departments under my jurisdiction that no new positions not related to civil defense and the preparedness effort are to be created during the period of national emergency; and further, that as vacancies occur in the normal turnover of personnel the vacancies shall not be filled except under circumstances of demonstrated need.

CIVIL DEFENSE

In order to meet our responsibilities in the present emergency it is my judgment that we should provide for the immediate establishment of a central state civil defense agency with sufficient personnel to provide necessary leadership for the local organizations now being created in the cities and counties of Oregon. Thus far the effort to provide necessary leadership for the local organizations now being created in the cities and counties of Oregon. Thus far the effort to provide this leadership by means of a loosely know, largely volunteer organization has fallen short of requirements. It is vital that this agency be created at once. It is my intention to see that it is both realistic and effective.

I have caused to be prepared for immediate submission to you a bill calling for an appropriation of \$68,147.95 to cover expenses for the period February 1, 1951, to June 30, 1951, and an appropriation of \$165,447.43 for the period July 1, 1951 to June 30, 1952.

Because no one can foretell today the needs which may confront us a year in the future, I am not submitting a two-year budget, but recommend that an additional \$500,000 be made available to the Governor's office, to be used if and when needed to meet the problems of relief and restoration should an enemy attack occur.

These are not large sums as compared with the tremendous importance of the purposes for which they may be required. Total defense, the defense of our people, our homes and our productive resources, are as vital to our survival and military preparedness. I consider the amounts requested as minimum requirements.

We must exert every effort to guarantee the continued ability of the nation to produce. Our unequalled forest resources, aluminum production, electric power facilities and shipbuilding possibilities represent a most important factor in the production resources of the nation. These great national assets must not be disrupted by sabotage, accident or war.

It is my hope to set up this civil defense agency by the first of February, 1951, and I urge upon you the need for quick and effective action to implement these requests for funds.

STATE FINANCES

We are faced with a serious situation in our state finances --- a situation that can be successfully met only by careful study and by courage in making decisions as this session progresses. The state's financial integrity must be maintained. Considering the conditions that have developed since the budget was completed, you may well see fit to curtail further the expenditures that have been approved.

The budget contemplates the expenditure of some 505 millions of dollars for all purposes, including appropriations from the General Fund and the so-called self-sustaining activities. Of this sum the federal government contributes about 63 millions and the counties over 12 millions, the latter largely for welfare purposes. The balance of some 430 millions is collected and expended for state purposes. Of this latter figure, 180 millions is made up of General Fund appropriations, an increase of 42 millions over the last biennium. To illustrate the difference in actual operating costs, seven millions should be added to this figure, as the expenditures for permanent buildings in the last biennium exceed the present building budget figure by that amount.

The increase consists in major part of the 35 millions that will be needed for the measures approved by the voters at the last election: The basic school fund and the veterans' bonus. Salary increases account for two and a half millions, carried as a separate budget item. The balance is made up of a welfare item of seven and a half millions, and additions for military and civil defense, emergency board allocation, higher education, Governor's emergency fund, and institutional expense.

In order to put the general fund in position to sustain these and other payments, for which it will be called upon, an additional 18.5 million dollars must be raised. This amount will be required if the Legislature follows the budget recommendations and puts into the fund all of the excise and income tax payments, the 15 million dollar reserve fund and all miscellaneous income available.

I recommend the elimination of the federal income tax deduction from state income tax returns. It is estimated that such action will increase state income by about 11 million dollars a year or 22 millions for the biennium. This will cover the 18.5 millions required to meet present budget estimates.

I recommend your very careful consideration of the budget in view of the many changes that have occurred since it was compiled. Important reductions were made in the figures submitted for my approval, and I assure you of my complete cooperation in making further adjustments that are justified by changed conditions.

I will not go into further detailed figures at this time, as there is a great deal of source material, including your own committee reports, to which you will want to give careful study in this connection. I do want to emphasize that the great increase in property taxes, for purely local purposes, has made a state tax on property something to be avoided as long as possible. I am not, however, in favor of the passage of any law at this time which would exempt real or personal property from such a levy.

BUILDING PROGRAM

We are fortunate that provision was made for substantial new construction to house state activities at a time when materials and money were available. Appropriations for this purpose by the Forty-fifth Legislative Assembly totaled \$3,242,000 of which \$2,000,000 was placed in general building fund and the balance of \$1,242,000 earmarked for specific building projects.

Through funds provided by the Legislature, our System of Higher Education has build to a total of \$5,375,000 of which \$4,500,000 came from the General Building Fund.

Funds carried over from the previous biennium permitted the System of Higher Education other construction at a cost of \$1,500,000 and from this same source came the money for construction totaling \$7,078,000 at various state institutions.

Funds borrowed from the Irreducible School fund and from the Public Employees Retirement Fund permitted construction of the new Public Service Building in Salem at a cost of \$2,000,000 and the new State Office Building under construction in Portland at a cost of \$2,500,000. The loans will be repaid out of rentals.

Rentals will repay bonds issued for the construction of new dormitories at various state schools of higher education. Two important buildings at these schools have been completed during the biennium without the use of any state funds. These were the Erb Memorial Union Building at Oregon State which cost \$1,842,000. These buildings were financed from gift funds and from revenue bonds that will be repaid from student activity and building fees and from student activity receipts.

A new Highway building in Salem will be completed early this summer at a cost of \$2,000,000. The cost of the building will be taken from Highway Commission capital funds.

A new administration building is under construction at the School for the Blind at a cost of \$360,000.

A new cell block has been completed at the State Penitentiary during the biennium and a second is under construction.

Substantial progress has been made in building housing facilities for state employees at the various state institutions. It has been found that employees are not obtainable in the higher brackets unless housing is provided.

Circumstances will not permit a continuation of our building program on the scale undertaken during the past biennium. However, I recommend a careful appraisal of what has been accomplished and that this Assembly undertake the formulation of a long-range program, with prepared plans, so that there may be no delay when materials and money are again available.

ADMINISTRATIVE REORGANIZATION

The first report of the Legislative Interim Committee on State Government Administration, often referred to as the Little Hoover Report submitted to this Assembly in accordance with House Joint Resolution 32 of the Forty-fifth Legislature, will undoubtedly be one of the important matters before this session.

I wish to commend the Committee for the thoroughness of the study it is submitting. It is a volume of the utmost importance, and constitutes a calculable analysis of state business and procedure.

It recommends sweeping changes and claims that such changes will bring about economies running into millions of dollars. If you find that the changes suggested will bring about economies running into millions of dollars. If you find that the changes suggested will bring about the economies claimed, then there can be no doubt that our present system of handling state business needs immediate and fundamental overhauling. I have no recommendation as to shifting of authority among state officers, nor do I seek in any way an increase in the power or authority of the office I now hold.

Your action should be taken on the basis of benefit to the people of Oregon, and with serious consideration to any relief that may be given in reduction of our heavy tax burden. Possibly changes could be made in line with the Committee's recommendations without any major shift in authority, and yet accomplish the desired result. It is my sincere conviction that the authority of state officials, elective or appointive, no matter how jealously guarded, must be considered as secondary to the general welfare.

Also, it might well be that before making any sweeping changes your considered proposal be submitted to a vote of the people. Rest assured of the full support of my office in any constructive, efficient plan of modernizing state business, that will reduce taxes and, at the same time, maintain or improve service to the public.

HIGHWAYS

On your desks is a report of the Legislative Highway Interim Committee of the Forty-fifth Legislature. It is a continuation of a study that has been carried on by similar committees for an number of years. It brings down to date vital information regarding our highway situation, particularly covering the need for funds for road purposes. You will find this report extremely valuable in your deliberations, as it comes from years of experience and study on the part of some of the ablest men in our state. I recommend it for your very careful consideration.

Last year 780,000 cars from outside the state visited Oregon, carrying some 2,330,000 visitors, who spent 113 millions here. The tourist industry in Oregon is truly big business. We have achieved a goal in this respect that is very gratifying, but roads today have a far greater importance than use for recreational travel.

Oregon was a leader in highway progress until the depression of the thirties. Then, after a brief period of active building, all construction ceased during the second world war, and we now find ourselves with a great backlog of critical highway deficiencies which are retarding the state's economy.

Heretofore, I have strongly advocated a pay-as-you-go plan and have opposed incurring debt for highway construction. However, we must meet the conditions that now confront us, and the present emergency has completely changed the picture.

The Legislative Interim Committee has determined that, as of this date, the cost of completing the state highway system of Oregon would be 434 millions, and that of them amount 134 millions represents critical and immediately needed construction.

The Highway Commission has about 15 millions available annually for the new construction. It needs 30 millions annually to take care of the critical deficiencies in the next five years. This represents about the amount that can be expended economically, taking into consideration the amount that can be expended economically, taking into consideration the engineering and contracting forces available and necessary to do the job.

Both the Legislative Interim Committee and the Highway Commission have pointed out the pressing need for more money at once. They have arrived at the conclusion that it would be good management to use deferred financing because of the great benefit of new highways. It would be bad management to tolerate continuance of economic losses that can be avoided by the judicious use of funds made available immediately.

Government officials, including those in the armed services, now recognize that roads can no longer be considered expendable, but must be improved and kept in good repair, as one of the essentials to the defense of the nation. For the first time the federal government will assist the state in paying back road bonds, provided the work is done to federal standards. I recommend legislation permitting the Highway Commission to meet the present situation by the issuance of road bonds, over the period of years you may deem necessary, and to be retired from highway revenues. Interest rates on such bonds, at the present time, would be very favorable.

WORKMEN'S COMPENSATION ADMINISTRATION

In my message to the Forty-fifth Legislative Assembly I pointed out that certain payment to widow and those who had suffered permanent and total disability were not realistic in view of living costs. The Legislature moved to correct these inequities by adopting what became Chapter 103, Oregon Laws 1949, and by appropriating \$900,000 for the biennium beginning July 1, 1949, and ending June 30, 1951, to increase payments from the then current rate to \$60 and \$70 per month.

It has been found that the amount appropriated will not be sufficient to pay these increased benefits through the biennium ending June 30, 1951. I therefore recommend that an additional some of \$99,413 be appropriated from the surplus fund of the Industrial Accident Commission.

I further recommend that the Forty-sixth Assembly continue these increased payments to widows and permanent total disability cases by apportioning \$943,267 from the surplus fund of the Commission for the biennium beginning July 1, 1951, and ending June 30, 1953.

I recommend that benefits paid to workmen injured during the course of employment under the provisions of the Workmen's Compensation Act be increased in categories which experience has demonstrated contain inequities.

Because of our expanding economy and employment in hazardous defense industries of unskilled and untrained workmen, I recommend that the ceiling of for per cent of income for safety administration be increased to five per cent based upon the average annual income of the Industrial Accident Commission during the previous five years.

UNEMPLOYMENT COMPENSATION ADMINISTRATION

I recommend that a careful study be made of the operation of the seasonality clause passed by the 1949 Legislature to determine if it places an unjust burden on the workers in the lumber and canning industries. If such is found to be the case, it should be corrected by appropriate amendatory legislation.

The continued increase in the cost of living justifies careful study of the adequacy of payment under the Unemployment Compensation Act.

Present benefits to unemployed workers are limited to one-fourth of earnings for a base year. I recommend serious consideration of the liberalization of the ceiling on benefits to one-third of the earnings of a base year.

PUBLIC WELFARE ADMINISTRATION

The federal "Social Security Act Amendments of 1950" contain various provisions for increasing assistance payments to state agencies. Many of these amendments require implementing state legislation. I recommend careful study of these amendments and such amendment of our own act as will insure maximum benefits to this state and its sub-divisions.

RETIREMENT ACT ADMINISTRATION

Recent legislation by the federal congress has made provision by which various public agencies may provide coverage under the old age and survivor's insurance law for employees of city, county, district, municipal and public corporations not covered by the state retirement act. An enabling act by this Assembly is necessary to make the benefits of the federal legislation available to the public agencies of this state that desire such coverage. I recommend that such an act be passed.

We must anticipate that the manpower requirements of the national security effort may seriously handicap the recruiting of employees for the state government. I recommend a study of the manpower requirements of state administration during the coming biennium looking toward possible modification of present requirements for retirement at age 65. It is my recommendation that any such modification be limited to the period of the national emergency as declared by the President of the United States.

INTERMEDIATE PENAL INSTITUTION

The need for an intermediate institution between the state service now afforded by the training school at Woodburn and the State Penitentiary is recognized throughout the state. The need exists, too, for a special unit for the custody, care and treatment of the dangerous mental deviate.

In view of the national situation, an early state on construction of these institutions may be impossible. However, I do urgently recommend that, in the event of delay, provision be made for the completion of plans for such institutions so that they may have high priority when conditions permit a resumption of normal building activities.

NATURAL RESOURCE CONSERVATION

One of my first acts as Governor was to call together representatives of the various departments, boards and commissions concerned with the consecration, utilization and development of the natural resources of

the state. During the past two years the important benefits of such coordination and cooperation have been clearly demonstrated.

I recommend that this agency for coordination and cooperation be given legal status by the creation of a "Committee on Natural Resources" to be composed of the Governor, as chairman, Superintendent of Public Instruction, master Fish Warden, State Forester, Director of the State Game Commission, Secretary of the state Sanitary Authority, State Engineer, Chairman of Soil Conservation, Superintendent of Public Parks, Director of Agriculture, the Dean of the School of Agriculture of Oregon State College, the Director of the Department of Geology and Mineral Industries and the Executive Secretary of the Willamette River Basin Commission. This committee should be granted authority and responsibility for the research and recommendations to create a comprehensive program of resource consecration, utilization and development.

CONTROL OF AIR POLLUTION

The experience of industrial areas of other states has provided ample warning that control legislation is needed now if Oregon is to achieve maximum industrial development without paying the price of air pollution that is a menace to public health. I recommend that the Sanitary Authority of the State Board of Health be charged with the development of a comprehensive program for the prevention, control and abatement of all new and existing sources of pollution of the air, with sufficient authority to enforce reasonable regulations to effectuate such a program.

FORESTRY PROGRAM

In my message to the 1949 Legislature, Oregon's splendid forestry program and its continuance were stressed as being vital to the future welfare of the state. Tremendous progress has been made in reforestation, research and protection, and I am very glad to report to you that our state is maintaining its position as a national leader in these fields. This has also been a most favorable year in fire prevention.

One immediate problem of a most serious nature still confronts us in the field of forestry --- forest insect control. Our participation with the federal government and private land owners in spruce budworm control has been highly successful to date, and should be continued. You will find an item in the budget of \$400,000 for this work. Its importance cannot be over estimated. Facts and figures supporting this expenditure will be furnished to you at the proper time by the Forestry Department.

BOARD OF HIGHER EDUCATION

It would be in the best interests of the state to reduce the term for which members of the Board of Higher Education are appointed. At present, this term is nine years. I find that the length of service involved has forced excellent prospective appointees to decline. Qualified men and women who would gladly accept the responsibility for a shorter period, hesitate to obligate themselves for such an extended term.

I recommend that the term of service on this board be changed to five years.

INITIATIVE AND REFERENDUM

If there is an important weakness in our system of direct legislation, it is in the matter of placing all the facts before the voters in order that they may have a full understanding of the issues. When such is the case, there need be no fear as to the results.

In this connection, I note that the Legislative Interim Tax Study Committee recommends that "the appropriate section or section of the Constitution of the State of Oregon be so amended as to require that all initiative measures bearing upon new or additional expenditures of the state contain as an essential

element to be authorized by the voters a specific source from which the monies needed for the expenditures are to be derived.”

Oregon led the nation in adoption of the initiative and referendum. I believe it can well take the lead in further strengthening its system of direct legislation by action similar to that suggested by your committee.

No reasonable person will contend that it is within the power of all voters to familiarize themselves thoroughly with complicated tax measures such as appear on our ballots. I recommend that the ballot title of measures before the public, providing for expenditures, present to the voter not only the source from which such money is to come but also the maximum amount to be so spent. I make this recommendation in the sincere belief that by its adoption the “Oregon System”, so widely adopted throughout the nation, will be strengthened and the people better served.

LEGISLATIVE REAPPORTIONMENT

There is no justification for disregarding the explicit provision of the Constitution of Oregon for periodic reapportionment of legislative representation.

CONCLUSION

The Constitution of our state wisely delegates separate fields of responsibility to the legislative and executive branches of state government. I have brought to your attention many of the matters that urgently deserve your consideration. Obviously, all of them could not be included in so brief a presentation. What may be lacking at this time I shall endeavor to make up by earnest and intimate cooperation with you during the session.

I hope that we may work together within our separate responsibilities to achieve an outstanding service on behalf of those who have given us their confidence. May our efforts justify their faith.