

MESSAGE
OF THE
GOVERNOR OF
ALASKA
TO THE
SIXTEENTH
LEGISLATIVE
ASSEMBLY



January 27, 1943

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TO THE
Sixteenth Legislative Assembly

We meet under unprecedented conditions. Alaska is the Western Hemisphere's only fighting front, the only part of America which is in direct contact with the enemy. Challenging as is its present situation, our Territory will play an even more important and decisive part in the days to come. Alaska, too, has a rendezvous with destiny.

Winning the war is America's prime task. It overshadows all other assignments. And while the responsibility for the actual conduct of the war belongs primarily to certain agencies of the federal government, duty and responsibility likewise attach to every part and subdivision of government—federal, state or territorial, and local—to cooperate in the war effort and to contribute their maximum to victory. In this, the first total war of modern times, everyone is involved. Every item of our national resources, human and material, must be enlisted.

The conduct of this all-out type of war has two aspects: on the one hand, we must overcome the enemy on land, on sea and in the air—this our armed forces are now engaged in doing, and here in Alaska, too, they are willingly assisted by the civilian population which has volunteered for varied duties with the Territorial Guard, the Civilian Defense organizations and other auxiliary services. On the other hand, we must meet the assault of totalitarianism and dictatorship by demonstrating, through actions, that we can and will make democracy work. This

last is precisely the task of those assembled here. You are meeting in the American way, the elected representatives of a free people, bound only by laws enacted by consent of the governed, subject only to rules of your own making, and for the next sixty days you have before you the task of maintaining, as best you know how, our democratic institutions within Alaska.

It is a time for laying aside petty differences, personal and political animosities; for the submergence of selfish interests; for clear-headed and full-hearted devotion; for patriotism of deeds rather than of words; for action. It is a time for greatness.

The Territory may face a substantial deficit before the end of the coming biennium. The Territorial Treasurer's estimate of probable receipts is \$2,892,300 which is a diminution from his fairly accurate estimate of two years ago by \$954,300 and a reduction from the actual receipts of this past biennium of \$1,824,287.34. The reasons for this foreshadowed decrease in revenue are familiar to all of us: the mining of gold, a commodity not essential to the prosecution of the war, has been suspended for the duration except in the few instances where its extraction is accompanied by the recovery of strategic minerals; and salmon packing, our largest industry, is likewise curtailed owing to transportation difficulties, labor and equipment shortages incidental to the war. These two industries have been the chief sources of Territorial revenue.

Since the responsibility for meeting this situation belongs to the Legislature, I would like to suggest that it make its own careful appraisal of probable or possible revenues. In going over the estimates presented to the Legislature by the Board of the Budget, the Territorial Treasurer and I were both aware that in a number of instances the estimate of revenues from a given source could not be much more than approximate. For instance, we know that even with the unanimous desire of everyone concerned with the salmon industry—management, labor, government—to secure the largest possible pack because of the national need for increased food production, it is

nevertheless impossible to foretell what effect the military situation may have on transportation facilities, on the return to the industry of ships and barges which have been borrowed for military purposes, on the supply of essential material for the industry, and on the availability of skilled labor. Likewise it is impossible to foretell with any degree of accuracy what the tax returns from liquor sales will be: they were high during the first part of the last biennium, but factors relating to the war are curtailing the supply and limiting the hours in which liquor may be sold; and there may be further restrictions. Therefore it may well be that the estimates of possible revenues within the next biennium presented to you err on the side of conservatism—but it is probably better to err on that side.

After the Legislature has formed its collective judgment of what the revenues of the next two years may be and how much they seem likely to fall short of requested appropriations, in other words after ascertaining the size of the prospective deficit, the Legislature will have to decide whether these requests should be cut and if so, how much. If reductions insufficient to balance the budget cannot be agreed upon, then securing additional revenues will be necessary.

It seems clear that some customary expenditures can be substantially reduced. For instance at the last session, the Legislature appropriated \$600,000 for the biennium for the construction and maintenance of roads and airfields. Most of these were in the interior and related to the gold mining industry. As this industry is suspended for the duration, and as the Federal government is now engaged in a program of airfield and highway construction beyond anything which has ever been seen in the Territory, it would seem reasonable and appropriate to cut these Territorial expenditures. This year, therefore, the Board of the Budget transmits the Territorial Highway Engineer's request for only \$348,000 instead of the \$600,000 appropriated two years ago. (In this connection, it should also be pointed out that although gold mining is suspended, a vigorous effort is being made to develop strategic minerals

—a program which has the hearty approval and support of everyone in the Territory; when the appropriation for roads and airports is under scrutiny it may be well to consider it in relation to this new development which offers considerable hope and prospect for a future diversification of our mining industry.)

A drastic reduction in the appropriation for bounties is also presented for your consideration and decision. At the last session, eagle and trout bounties were eliminated by not appropriating bounty payments, although the laws authorizing these bounties remain on the statute books. At the last session, \$165,000 was appropriated for bounties on coyotes and wolves and \$80,000 for hair seals. The Board of the Budget has this year recommended the elimination of the bounty on hair seals and coyotes, leaving \$75,000 for wolf bounties; this would effect a net prospective saving of \$170,000, should the Legislature approve the suggested cut.

These two proposed savings on roads and bounties together total \$422,000. Some other savings are no doubt possible, and their determination rests with the Legislature.

In addition to the above possible savings, the Territorial treasury at present has a rather substantial surplus (\$801,007.20 as compared with \$637,693.25 in 1940) principally because the war has made impossible certain expenditures appropriated for: \$175,000 appropriated for the Pioneers' Home Extension could not be spent because priorities could not be secured on construction materials; new school construction and repair could not be done and some roads could not be built for the same reason; the \$91,441 residue in the bounty appropriations apparently is available because the usual bounty hunters were too well employed in other types of work.

On the other hand, however, it should be pointed out that over three-fifths of the territorial budget of \$4,385,449 submitted for your consideration goes for

three categories: elementary education, welfare of various types, and the Pioneers' Home. The support of schools, for which \$1,438,000 is asked, represents about a third of the total territorial budget.

The balance of the more than three-fifths—the \$1,041,600 requested by the Department of Public Welfare and the \$304,330 by the Pioneers' Home, totalling \$1,345,930—is for assistance to aged residents of the Territory living at home or in the Pioneers' Home, for the care of crippled children, for children who are wards of the Board of Children's Guardians and for dependent children.

In my judgment, it is not possible to make any substantial reduction in these three categories, although the determination as to that of course rests with the Legislature.

On the contrary, a situation has arisen in this connection which it is my duty to call to your attention. Our primary and secondary educational system faces a serious crisis, the extent of which is revealed by the tremendous and increasing turnover of teachers in the last two or three years—which has reached a new all time high in the current school year. In the city schools there has been a turnover of 48%. In the rural schools, the turnover has been 35%. For all schools, the turnover averaged 44.4%. A few of the younger men teachers have left to enter the armed forces, but the majority who have given up teaching in the Alaska school system have done so to accept positions that offered both more pay and more security. Since Alaska offers no security for the teachers' future—neither pension plan nor retirement plan—it is hardly surprising that so many teachers have gone elsewhere. They would undoubtedly prefer to adhere to their chosen profession, in which they have been trained and to which they have given many years of devoted service, were it made possible for them to remain. However, they find that they, the teachers to whom we entrust our children, they to whom we entrust the molding of the future citizens of our democracy, are almost at the bottom

of the scale of remuneration, now receiving less than unskilled laborers. Apart from the much higher scale of wages paid in other occupations which have drawn away most of these teachers, a comparison of teachers' salaries weighted in relation to the higher cost of living in Alaska (in other words the teachers' "real wages") shows that Alaskan teachers are underpaid.

A minimum salary schedule for teachers was established by the Territorial Legislature in 1937 as follows: First Division \$1800, Third Division \$1980, Second and Fourth Divisions \$2100. In the rural schools, and in most of the city schools, that minimum has become the maximum. During the current school year, in an effort to meet the crisis, the Commissioner of Education (utilizing funds allocated for building and repairs which could not be expended because the materials could not be secured, and also funds from a few rural schools which were closed) gave all rural teachers a \$200 living cost bonus. Several city schools, in the more prosperous cities such as Ketchikan, Juneau, Anchorage and Fairbanks, gave \$200 to \$300 increases. However, many of the small cities felt unable to afford to do this, and their teachers are still working under the 1937 salary scale which is entirely too low.

A corresponding situation, although on a smaller scale, applies to the pay of clerical employees in various Territorial government offices. At the time they were adopted and appropriated for, the wage scales for Territorial clerical, stenographic and secretarial employees were undoubtedly adequate, but they are so no longer.

In this connection I desire to call your attention to two statutes, Chapters 41 and 51 of the 1935 Session Laws, which aggravate this problem. Chapter 41 forbids any employee of the Territory or of any municipality, whose average salary is \$200 a month, to engage in any additional employment. While most school teachers' salaries fall under the \$200 a month salary, some, including principals and superintendents, who earn a little more, are by that law prevented from adding to their earnings by work

after hours or over week-ends. Chapter 51 similarly forbids the employment of a husband or wife when either earns more than \$200 a month in government service. War has created a great shortage here of workers in every field, and these two laws, whatever may have been their value when they were adopted, are now tying the Territorial government's hands and intensifying its difficulties.

If the Legislature after consideration of all phases of the situation decides that new sources of revenue must be uncovered, the method by which these are to be found is a problem for the Legislature to solve. In my message two years ago to the Fifteenth Legislature, I went comprehensively into the whole matter of territorial taxes. I do not wish to take your time by repeating my views. I felt then, and I feel now, that the program proposed was thoroughly sound and desirable. Not only has my view not changed, but I feel that the situation that has developed in the past two years has increasingly justified my criticism of our existing tax patchwork and my conviction that tax reform is the first step toward Territorial progress. If any of the ten new members of the present Legislature are interested, copies of that message are available.

I have one additional comment concerning the general property tax which I proposed in my last message, a tax designed to add no burden whatsoever to present taxpayers in incorporated towns, but merely to reach those who have always escaped this tax by building outside of incorporated town limits. But entirely apart from the revenue-raising aspects of this tax and the elimination of the present unjust discrimination against city taxpayers, there is an important and timely reform element in this measure. A nominal tax would bring back into use the patented mining and agricultural land, the owners of which have disappeared. This land cannot now be utilized and tends increasingly to paralyze progress and development in Alaska. This is not a new idea, but it is even more pertinent now than previously because after the war many of the soldiers now here, and others, will come back to live here.

The Alcan highway will bring in new settlers. While the boys in uniform are fighting out at the fronts and risking their lives, those who stay behind should be planning what may be done to help reestablish the soldiers in civil life. This would be one aspect of setting our territorial house in order, and there are other such aspects. Vision and statesmanship would suggest taking thought of the morrow and adopting constructive measures for a greater and better Alaska homeland in the days of peace to come.

Also, in my previous message I made no reference to a sales tax. I considered then and I consider now that a sales tax, or indeed any form of consumption tax, is thoroughly undesirable for Alaska. A sales tax may have certain merits in parts of the nation when and after other well recognized and long established forms of taxation such as income taxes and property taxes have been adopted. A sales tax in Alaska would be particularly obnoxious and indefensible, because it would scarcely touch those who come up here for a brief season each year merely to extract wealth from Alaska and take it outside with them. The highly prosperous seasonal workers from the states, in the canneries or on the fishing grounds, or on the construction jobs, whose wants are largely supplied for them, would pay next to nothing in sales taxes. This tax would fall almost wholly on the genuine Alaskans, the people who live here all the year round, those who have their homes here and want to stay here. They are already struggling against a high cost of living which a sales tax would further increase.

I shall not detain you long to tell you what might have been. Two years ago the Territory was at its all-time apex of prosperity. Gold had reached the unprecedented figure of \$26,000,000. Salmon was normal. The greatest construction program for any part of the United States was under way, bringing into the Territory tens of millions of dollars, which in turn spread out to pass through the tills of merchants, motion picture houses, banks, restaurants, liquor stores, to every trade and profession. No part of this, under our rigid and antiquated tax system, went into

the Territorial treasury. And the revenues that might have been secured would have more than solved all the Territory's fiscal problems for the duration.

Now two years have passed. Gold has folded up, although we still have the tax revenue from a somewhat reduced gold production of last year. Salmon packing is curtailed. We are probably midway in our great construction program—tens of millions have been spent in these two years, gone for tax purposes beyond recovery. But still more millions will be spent in the next year and possibly within the next two years. And these millions have built up high wages and more employment and more prosperity among the wage earners than ever before in the history of Alaska. The economic situation of the Territory, though not quite so good in prospect as two years ago, is in actuality still very good.

Two years hence, when the Legislature meets again, there will be no income from gold from the preceding year; gold revenue will be a memory. The salmon industry will probably remain curtailed as now. The last echoes of hammering on the construction program too will have faded out. The outside contractors will have returned to the States, and so will their workers. The high scale of wages which has made everybody rich in the last two years will be no more. The cessation of all production but of war necessities will have reduced the stocks of merchants to the barest essentials.

All these considerations face you now. Yours is a heavy responsibility—heavier, perhaps, than has ever before confronted an Alaska legislative assembly. In a sense we are at the crossroads. What is done here in these next sixty days, or what is not done, will have an important bearing on the longtime future of the Territory. The three alternatives are plain. You can, first, curtail radically the operations of your government even though such curtailments would greatly decrease or suspend essential public services. Or, second, you can make lesser reductions, such as those suggested by the Budget Board, and

perhaps others, and trust that revenues will match appropriations. The third alternative would not accept the plea that now is the time to do nothing, but would strike out on the path of practical common sense and vision to put our governmental house in order at the earliest moment.

The importance of this is the greater, not the less, because of war. For war, while inevitably producing great changes, permits us in part to utilize, to control and to direct those changes for the common good. The argument that local, state or territorial government should be practically inoperative in wartime, and that instead we should abdicate to the federal government, is a negation of the very essence of democracy.

This is a time for greatness. The men on our fighting fronts are called upon to preserve our country now. You are called upon to preserve it for the future. The shape of things to come will in no small measure flow from your actions during the next two months. Weighty as your responsibility is, it is also inspiring as an opportunity. I wish you all success and I assure you of all cooperation in my power to extend.

ERNEST GRUENING,

Governor.