

MESSAGE

of the

GOVERNOR OF ALASKA

to the

Twentieth Assembly

of the

ALASKA TERRITORIAL
LEGISLATURE



January 25, 1951

MESSAGE TO THE 20th LEGISLATURE

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Mr. President of the Senate, Mr. Speaker of the House, Honorable Senators and Representatives, Members of the 20th Territorial Legislature:

We meet in a time of national emergency. International crises and war have been experienced in previous legislative sessions by not a few members of this Legislature whom I have had the privilege of addressing at earlier assemblies. Those times are still fresh in everyone's mind. Ten years ago the 15th Territorial Legislature met when war had already engulfed a large part of the world and was coming closer to us—a situation brought home to us by the defense activities in Alaska beginning at the close of 1939. The 16th and 17th Territorial Legislatures met while we were actually at war with Germany and Japan.

The Special Session of the 17th Legislature, called in 1946, primarily to take care of Alaskan veterans' needs, met at the beginning of what the American people hoped would be a long era of peace. However that hope was not to be fulfilled. The last two Legislatures, the 18th and 19th in 1947 and 1949, have seen the intensification of the "cold war" which has now become "hot." It is no exaggeration, I believe, to state that our country faces the most serious threat to its existence and to its way of life that it has experienced in its entire history. And while this is true of the nation as a whole, it applies with even greater force to Alaska. It applies with greater intensity to Alaska because of our history and our geographic position. Alaska's past is deeply pertinent because we have learned in recent years that the Soviet rulers allege the invalidity of the sale of what was Russian-America by Czar Alexander II in 1867. The realities of our geographical position are too patent to require any elucidation before this body of Alaskans.

The implications of this present situation are apparent to all of us. We are assembled in fulfillment of a right and privilege exercised today only by the free peoples of the earth. We are here to demonstrate by our actions our faith in government by consent of the governed. We are here to demonstrate to the people of Alaska, and indeed for the whole world to see, that this democratic system works. We are here to give practical application to those principles under which our republic was conceived and through which it has flourished for more than a century and a half. This session of the 20th Legislature, perhaps more than any other in our history, challenges our patriotism and civic spirit. It calls for devotion, for unusual effort, and for the laying aside of personal and partisan feelings. It is, again, "a time for greatness." We are the northernmost and

westernmost outpost of democracy. We are the front-line embodiment of the American idea. Let us hold its torch high.

CIVIL DEFENSE

The really new and extremely important problem which confronts this Legislature deals with defense. It deals with the defense of our homes and of our families in the event of enemy attack. In the past, before wars became total wars, defense was, except for provision for a National Guard, of little or no concern of State and Territorial Legislatures. Defense was wholly a national responsibility. It was entrusted entirely to the Federal government. That is no longer the case.

War is waged by unscrupulous and ruthless aggressors who have brought back on earth a barbarism which a generation ago advancing civilization appeared to have banished forever. Such a war spares no one. Total war today is waged, not as formerly, solely between professional armies composed of a trained and uniformed soldiery bound by certain restraining rules of conduct established by international agreement. No longer can non-combatants consider themselves on the sidelines. No longer are they immune from bodily injury, from enslavement, from being seized as hostages, and from violent death. Total war imperils everyone—the aged, the infirm, women and children.

Our nation today confronts the urgent need of organizing civilian defense—a need which did not exist before war became total. That duty falls squarely outside of the military jurisdiction and upon the civilian population. It is so declared in the Act passed in the closing days of the 81st Congress early this month to provide a Federal civil defense program.

This Act, in Section 2, declares the "responsibility for civil defense shall be vested primarily in the several states and their political sub-divisions." That means us.

At the outbreak of the war in Korea last June, viewing the grave possibility of its extension throughout the world, I initiated the organization of civil defense in Alaska. I called a meeting of representative Alaskan officials in company with the Commander-in-Chief of the Armed Forces in Alaska. We met in Anchorage on June 27th. I felt it essential that all the branches of the military be represented so that we could have the benefit of their advice, find out as nearly as we could what cooperation we could expect from them and what cooperation they would expect from us. I wanted, if possible, to ascertain the scope and extent of our responsibilities.

At that time I asked Colonel Joseph D. Alexander, who has

also been functioning as Acting Adjutant General of our National Guard since the passage of the National Guard Act in the last Legislature, to assume also the duties of Director of Civilian Defense. Others were appointed at this time to survey problems of transportation, shelter, medical service, public information. Some were federal, some territorial officials. Some were civilians serving on a volunteer basis. An Advisory Council composed of them was formed.

In conformity with national policy and the discharge of my official responsibility, I issued a proclamation on July 20, 1950 providing for the establishment of a Territorial Civilian Defense organization. On July 28th a Territorial Civil Defense manual was published and distributed to all communities for their guidance and for assistance in organizing local groups. Pursuant further to national policy that the states and their political sub-divisions must assume the responsibility for civilian defense, I communicated with the Mayors of all our cities and asked them to take charge of civilian defense in their communities, or delegate this responsibility locally. In a few instances where a town was not incorporated and there was no mayor, someone else was asked to take charge. Since that time civilian defense has been in process of organization in varying degree in the following communities: Anchorage, Barrow, Bethel, Craig, Cordova, Dillingham, Eagle, Fairbanks, Haines, Hoonah, Hydrburg, Juneau, Kodiak, Ketchikan, Metlakatla, Nenana, Nome, Palmer, Petersburg, Port Alexander, Seldovia, Seward, Skagway, Sitka, Unalaska, Valdez, Wrangell and Yakutat.

An alert and maneuver to test the efficiency of the organization in the railbelt were held in December under the auspices of the U. S. Air Force with the Anchorage and Fairbanks organizations participating. At my request the National Security Resources Board, which preceded the present Federal Civilian Defense Administration, sent an observer to give us the benefit of his criticism and comments which were received. Alaska's Director of Civil Defense has maintained constant contact with the various civic groups and has addressed and conducted several meetings in what are deemed to be the more critical areas, such as Anchorage, Fairbanks, Barrow and Nome. The Armed Forces have established liaison with these same groups and are giving valuable assistance in training and technical advice.

Training in first-aid, auxiliary police work, fire and plant protection have made some progress throughout the Territory although not equally everywhere. However, this work has barely begun. In common with the states our action has been somewhat delayed by lack of funds and lack of knowledge as to what the

Federal government would do and what its participation in this program would be. The Federal government has been slow to act and indeed was criticized on that score in a recent Governors' Conference. It has now, however, set up a federal civilian defense agency and Congress has under consideration a three billion dollar program for aid to the states and territories extending over the next three years.

But a reading of the Act makes clear that states and communities are still expected to undertake the greater part of this task. All administrative costs, according to the Federal Act, must be paid by state or territory. The cost of shelters and other equipment must be divided on a 50-50 basis between federal and state governments. However, the federal government will bear the entire cost of regional stock piles of medicines, blood plasma and similar supplies, as well as the entire cost of a public air raid system. However, the federal program has not yet fully materialized and we do not as yet know the extent of our needs and to what extent Alaska may expect aid. I expect to have more specific information shortly and I have requested the Federal Administrator of Civilian Defense, former Governor Millard F. Caldwell of Florida, to establish Alaska as a separate civil defense region.

First, for the obvious reason that our civil defense problems will differ substantially from those of even the nearer western states, and second, to give us the benefit of a Federal Regional Director devoting himself wholly to Alaska. If you agree I hope you will back this request with a joint resolution or memorial. But we shall require a Territorial organization of our own which must go beyond the voluntary basis upon which we have been operating and provide Alaska with a salaried executive and assistants to organize thoroughly against any emergency.

We fervently hope that that emergency may not arise. But it would be folly not fully to anticipate the possibility and not to take every proper precaution. Suitable legislation, based on a form provided by the Federal government and generally adopted in the states, should be prepared for that purpose.

The new Federal Civil Defense Act makes provision for the arrangement of compacts for mutual assistance between neighboring states and offers federal cooperation in arranging mutual civil defense aid between the states and through the Department of State with neighboring countries. That of course in Alaska's case means the Dominion of Canada in Yukon Territory, and the Provinces of British Columbia and Alberta.

Some moves have already been made toward inter-state cooperation, although the authorization to enter into formal

compacts must come from the Legislature. At the invitation of Governor Bonner of Montana, an inter-provincial and inter-state Civil Defense Conference was called at Helena, Montana on September 21st last. I asked Colonel Alexander to attend this meeting at which some of the western states, the provinces of Alberta, Saskatchewan and British Columbia, as well as Alaska, were represented. As a result of this meeting an organization was formed for the purpose of effecting a mutual assistance compact. The suggested name was Northwestern Civil Defense Compact and former Governor C. A. Robins of Idaho was elected President.

However, it is my view that we shall need some specific compact. The suggested name was Northwestern Civil Defense and less all-inclusive in addition to this general one which includes a tremendous area. For we must remember that we in Alaska are on the front line and that our civil defense problems in many respects are bound to differ from those in a state presumably further removed from a probable theatre of conflict, such as Georgia or Arkansas, or even a western state with several contiguous states on which it can call for assistance. Indeed on top of whatever is prescribed as a general formula of civil defense activity, we shall have to take into constant consideration our own special problems and our own unique needs.

To this supremely important task I invite your earnest cooperation. In passing I wish to say that I fear that we shall probably not be able to retain the services of Colonel Alexander indefinitely. He is a soldier in the national defense establishment and liable to rotation. At my request the National Guard Bureau extended his tour of duty for one year until next August. But we must in the near future be on the lookout for a suitable Director of Civilian Defense as well as an Adjutant General of the Alaska National Guard.

REVENUES AND EXPENDITURES

Our own chief internal problem relates to revenues and expenditures. As I have repeatedly urged in previous messages, our essential goal in this field is to balance the budget. That obvious and desirable objective is not, to be sure, always attained by our mentor, the Federal government. Nor is it always attained by many long established states, including some of our nearest neighbors. It is nevertheless a target we should make every possible effort to hit for more reasons than one. First, it is in itself a wholly sound and desirable objective. Second, it is essential to the continuing growth and development of Alaska. Third, to

do this will be a further demonstration to all concerned of our own conviction that we are fully capable of self-government.

It is my belief that this problem presents no insuperable difficulties. The major obstacles to its fulfillment have, I believe, been disposed of. And while, clearly, problems requiring careful attention and vigilance remain, the basis of a sound revenue system in Alaska has been established.

You will have available to you the estimates of the Commissioner of Taxation and the report of the treasurer. You will make your own estimates. It is not of course possible, owing to a set of specific contemporary circumstances, to foretell with any great degree of accuracy what the income from the existing revenue measures will be during the next biennium. The circumstances which cause that uncertainty are the following:

First, the comprehensive revenue measures adopted by the last Legislature, the income tax and the business license tax in particular, have had only one biennium or less for their application and collection. It is clear that the machinery of tax collection and tax enforcement never functions as well at the outset as it does after somewhat longer experience, after a period of trial and discovery of error, and improvement in practice as the pioneering stage indicates is required. In buttressing the system of enforcement the Legislature can perform a highly useful service. It is also clear that tax collection is inevitably slowed down while the provisions of the new legislation are becoming known. Moreover, litigation against new legislation inevitably encourages deferment of payment of these obligations until they are definitely known to be obligations.

The second uncertainty is that our income tax being geared to the Federal income tax, and based on a 10% assessment of the Federal tax, is subject to future variations as yet unknown and not established by the Congress of the United States.

Third, although the greater part of our revenue legislation adopted by the 19th Territorial Legislature has been upheld by the courts, two revenue measures are still in litigation. The more important of these is, of course, the property tax. It will not be possible to get the decision of the 9th Circuit Court in San Francisco before this session of the Legislature adjourns. If, as our Attorney General and the Assistant Attorney General, who are handling the appeal from the decision of the District Court in the 4th Judicial Division, believe, there is reasonable chance of the Territory's prevailing, we shall have the revenue to collect from that source for the years 1949 and 1950 as well as for the present biennium. If, on the other hand, the Circuit

Court upholds the District Court, the Territory will be deprived of those revenues and will, further, have to make refunds of the sums already collected prior to the District Court's decision.

Fourth, our income from fisheries depends in considerable degree on the still unpredictable habits of the Pacific salmon.

Fifth, our income from mining, much diminished because of Federal action or inaction, is also dependent on federal policies over which we have no control.

These then are the factors which make forecast of our revenues somewhat difficult. There are, however, conjectures which you will of course endeavor to make and within which you will try to fit the expenditures you deem necessary. To do this, in my judgment and, I am confident, also in your judgment, is a major task of this Legislature. However, I think we can assert that the Treasurer's and the Tax Commissioner's biennial reports for the past two calendar years show that we are again on a current financial basis; that we have largely recovered from the financial ills that have plagued us for four years; that we need no longer meet past obligations from present income. The fact that we have drawn even with our obligations gives great promise that our existing, moderate tax structure will meet our immediate and continuing needs for long deferred school buildings, for the educational requirements of primary, secondary and higher education, inseparable from the American way of life, for community hospital aid and public health services, for our pioneers, our aged and needy. Services necessarily curtailed may now, I believe, be adequately provided for from current income. At least, we are so close to that desirable goal that its attainment presents no difficult problem.

Again let it be noted that the several new tax measures are not yet fully stabilized as to machinery or yield; that the Territory has not yet realized a full year's yield from the business license tax; and that tax litigation has slowed tax collections throughout the biennium. Accordingly, while we are on a current basis it is only because the Territory has practiced stringent economies in services, as represented by over 3 million dollars in 1949 appropriations remaining frozen by action of the Board of Administration.

In sum it is my hope and belief that the proposed expenditures which you deem necessary will fit within the present presumptive revenue structure, and that no new tax measures need be considered. Moreover, I feel that this can be accomplished without drastic impairment of any essential public service. But that is a decision for the Legislature to make. If some additional rev-

enues should, in your judgment, prove to be needed, they can, I feel confident, be provided from within the existing tax framework.

However, we should bear in mind, and I have no doubt that it will be brought home increasingly as we come to grips with this problem, that the population of the Territory has grown very substantially and will continue to grow. Our population remained stationary in the first thirty years of the century. In fact it diminished slightly, from 60,029 in 1900 to 59,278 in 1930, and did not therefore call for any considerable expansion of public services. But during the last decade our population increased from 72,524 in the 1940 census to 128,643 in the 1950 census. This increase of 56,119, or 77%, is, percentagewise, the largest increase in population of any state or territory in the union. In the twenty year period, our population which in 1930 was 59,278, has more than doubled. This in itself goes far to explain the increased services and appropriations over the period, as it indeed accounts for the greatly increased revenues which a wise and still wholly reasonable tax structure such as we have adopted, and can improve when necessary, will provide. It is obvious that this doubled population has requirements that have far outrun the structure of governmental service which existed twenty years ago or even ten years ago. That is a fact which must constantly be borne in mind. We must note also that the development that has taken place and is continuing, and the influx of more people, is constantly creating new responsibilities to which we must adjust our thinking and our actions. And it is obviously better to have to face the problems of growth and abundance, than those caused by shrinkage and depression which we have not had to face during the greater part of those twenty years.

Moreover we must bear in mind the great rise in the cost of everything. The dollar has been steadily declining in its purchasing power. Those higher costs affect the operation of government just as they affect the cost of private business and the cost of running every household. Those increased costs have to be constantly remembered as we provide for the next biennium.

We must also remember that new developments are often caused by situations and legislation beyond our control. This does not necessarily mean that these developments are not desirable, but it does mean that the increased cost of government, particularly in the last two decades, in many instances results from measures initiated by the Federal government in Washington. The whole social security program followed Federal legislation, in Alaska as in the states. When that program is modified

from time to time, and expanded as it has been by the Congress in its last session, it is almost inevitable that the states and territories follow suit. We are living in a rapidly changing world and need constantly to re-adapt our procedures to these changes. These are among the many reasons why the cost of public services has increased. That situation exists in every state of the union and every territorial possession of the United States.

ADMINISTRATIVE RE-ORGANIZATION

And this leads me to the thought that with this great growth it would be timely and appropriate for the Legislature to undertake a study with the view of overhauling our existing Territorial structure, increasing its efficiency, streamlining it, and effecting economies in its administration.

I made this recommendation in my message to the Nineteenth Legislature two years ago. After suggesting that you determine "the effectiveness of the organization of the territorial agencies," I urged, and I quote from that message, "that you go even further, wherever it appears to you possible and desirable, to streamline some, or indeed any or all of these executive departments whose functioning may be improved thereby," and that you "enact suitable legislative measures to bring it about." And I referred by way of example to the then recent and pending moves to reorganize the Federal government. I repeat that recommendation now.

The Federal government has seen fit to begin to reorganize on the basis of that long range and comprehensive study known as The Hoover Plan, a considerable part of which has already been put into effect and some more of which is destined to be. Following the lead of the Federal government, some 21 states are working at similar plans of reorganization and streamlining. I believe the time has come to do so in Alaska, and I commend this subject to your earnest attention.

I would like to say in passing that if we begin to reorganize and streamline our Territorial government we will by comparison fare extremely well with what the Federal government and the states have done. The Federal structure had reached an incredible degree of overlapping, duplication and wastefulness, far beyond the conception of any citizen, until and unless the Hoover report is studied. Some of its administrative practices actually date back over a century and a half. Yet effort at reform did not materialize until 1947 when the Commission on Organization of the Executive Branch, headed, at President Truman's request, by former President Hoover, and staffed in addition

to its twelve members, by a corps of experts, was established.

Such reforms as it recommended had been unsuccessfully sought from Congress by Presidents as far back as Grover Cleveland. It is of interest that in the thirty year period from 1900 to 1930, during which the population of Alaska diminished slightly, the national population increased some 47 million, from 75 million to 122 million, an increase of about 62 percent. In Alaska our governmental expansion is comparatively recent and coincides more or less with our territorial population growth.

If this Twentieth Legislature makes the necessary moves to reorganize and streamline what we now have, you will, in my judgment, be doing it at almost the first opportunity that has presented itself. (There was really too much else to be done during the Nineteenth Legislature even with the extra seventeen days of the Special Session.) But now you will be doing it in the first session following the adoption of the primary essential and most basic reform, that of providing adequate revenues for our needs. That was accomplished two years ago.

Now it seems to me that the task is to legislate in administrative fields to make the application and expenditure of these larger revenues effective, prudent and economical, and to complete as far as possible the task well begun two years ago of putting the Territorial house in order. To be sure we are, as a Territory, limited to work on the improvement of only a portion of our governmental structure. The Federal conduct of our affairs we have tried to improve with little success, for 38 years through territorial memorials and the efforts of our delegates in Washington. While some improvements have been made, only statehood will cure some of the long-standing abuses.

But to return to our Territorial government, it is my belief that some of these moves to increase the efficiency and to diminish waste may be performed, if you will, by this Legislature. Other reforms may require study over a longer period, and the question will confront you as to whether you wish to make arrangements in some way or other to project a program and study of reorganization through the next biennium for presentation to the 21st Legislature. Of course it is true that no one legislative body can bind its successor. But I believe that any sound proposals looking toward the increased efficiency of government, and securing the utmost value for the taxpayers' dollar, will be apt to meet the approval of any group of legislators whom the people of Alaska see fit to elect. In this connection I would like to suggest to you certain reforms in the Governor's Office which

I believe to be timely, and which can, if you will, be easily accomplished at this session.

THE GOVERNOR'S OFFICE

The duties of the Governor's Office, like much else in the Territory, have experienced much expansion. The Governor of Alaska is by Territorial and other statutes a member of 21 assorted Boards and Commissions. A few of these were created by Congressional or Federal action and cannot be modified by a Territorial Legislature. But the majority are based on action by previous Territorial Legislatures and can be revised by you as you see fit.

The Governor of Alaska is at present charged with membership on the following active boards listed in the order of their creation: The Banking Board created in 1913, the Board of Road Commissioners created in 1919, the Historical Society and Museum Board created in 1923, the Board of Appeals created in 1931, the Board of Budget likewise created in 1931, the Board of Administration created in 1933, the Fisheries Experimental Commission created in 1937, the Board of Public Welfare likewise created in 1937, the Alaska Aeronautics and Communications Commission created in 1937 whose duties and functions were greatly enlarged in 1949, the Territorial Board of Health created in 1945, the Alaska Development Board also created in 1945, the Bus Transportation Commission created in 1949, the Water Pollution Board created in 1949, the Alaska Statehood Committee created in 1949. These Boards and Commissions are required to hold periodic meetings and to determine policies for subordinate agencies. Others meet frequently on short notice as occasion arises.

An enormous volume of extraneous work and close scheduling falls upon the Governor by virtue of his obligations to attend meetings of the many Boards and Commissions of which he is a member. Some of these bodies rotate their meeting places from year to year about Alaska, thereby drawing the Governor periodically from his official headquarters for the sake of attendance.

It is my belief that this system, which has grown up through the years since our first Territorial Legislature in 1913, needs to be revised and I would recommend that the present statutory provisions be amended so that the Governor may be relieved of membership on all or most of these Boards with the exception of the Board of Administration and the Board of Appeals. It is true that membership and participation on these Boards is in many respects useful to the Governor in enabling him to have a

closer view, at frequent intervals, of the operation of these various agencies.

This policy of making the Governor a member and chairman of boards, which has grown from session to session of the Legislature, seems to me to be a holdover from the horse and buggy days or, perhaps more appropriately said, dogteam days. There is, however, ample precedent in Alaska for modifying this procedure since the Legislature has created a number of important Boards on which the Governor does not have membership, such as the Board of Trustees of the Alaska Agricultural College, which later became the Board of Regents of the University, created in 1917, the Board of Education created in 1933, the Employment Security Commission created in 1937, the Alaska Housing Authority created in 1945, the Pioneers' Home Board of Trustees of which the Governor was chairman from the time of its creation in 1929 until 1946 when the Legislature revamped the composition of the Board so that it consisted of three members other than the Governor, the World War II Veterans' Board created in the 1946 Special Session, and the Fisheries Board created in 1949, as well as such other boards as the Library Board, Retirement Board, etc.

THE BOARD SYSTEM

While revising the membership of these Boards I would suggest that the whole matter of Board management be given a thorough study. The Board system, which has grown steadily to meet new needs, was clearly aimed to distribute responsibility and authority through the diverse areas of the Territory. As such it is an obvious response to the democratic desire to have qualified people from all parts of Alaska participate in government. It is however a fairly costly procedure in many cases, requiring travel, per diem, and compensation for members traveling great distances to their place of meeting. Whether the democratic purposes of such control, and the efficiency of operation of the agencies which these Boards supervise, can be improved by revamping this system is a matter for your study and determination.

Of course, supervision of executive agencies, by responsible, public spirited and disinterested citizens is desirable in a governmental structure such as ours where the legislative branch meets for only sixty days every two years. In fact it has been suggested that some such supervision or guidance should be exercised, at least to the extent of an advisory board, over territorial agencies which are headed by a single executive. Alaska's Commissioner of Agriculture has suggested it to me and has asked me to take proper steps for the appointment of such a

board. As such a board would necessarily involve some expense I believe that the Legislature should decide the matter. A similar situation should, I believe, be given consideration in regard to the Territorial Department of Mines. An advisory board composed of members from the principal mining areas and representing the various aspects of the mining industry would, I believe, materially assist the Commissioner.

TERRITORIAL LANDS

Since 1917 the Governor's Office has also handled the administration of Territorial school lands, by direction, that year, of the Legislature.

Congress, in 1915, had reserved to the Territory sections 16 and 36 in each township for the support of schools. The following session of the Alaska Legislature provided machinery for the Territory's leasing such lands and thereby deriving an income for the permanent common school fund. This arrangement, charging the Governor with such responsibility, has, with minor modification in 1933, been followed ever since.

At the outset only token rentals were paid—presumably on the theory that it was more important to put the land to use than to seek substantial income from it. Also, of course, in the early years, before population pressure became a factor, and before the Federal government's heedless withdrawal and reservation policy had developed so adversely to Alaska's interests, there was not the demand for school lands which has since developed. Accordingly, only in recent years, as circumstances have enhanced land values, has it been possible for the permanent school fund to realize appreciable gains. As leases have expired during the past several years renewals have been negotiated at more realistic levels—with individual rentals doubling and quadrupling. In the course of the Territory's leasing jurisdiction over school lands, rentals have ranged from as little as three cents an acre to two hundred dollars an acre annually. Most, however, are still low in terms of neighboring real estate values. In 34 years less than \$20,000 has accrued to the permanent school fund, half of which has been derived from the sale of abandoned school buildings. The Treasurer's report shows \$3,480 received in school land rentals during the past two calendar years.

Now, as survey and identity of school sections is progressing, and land values steadily increasing, the Legislature may wish to consider whether statutory revision of the Territory's leasing machinery should not be made. Eventually a lands agency comparable to those in each of the western states will be necessary for the administration of school and territorial lands. While it is improbable that we have reached that point, since receipts would

not now support such an agency, it might for several reasons appropriately be given legislative consideration. First among those reasons would be the administration of school lands themselves, with attention, for the first time, to the Territory's making lieu land selections to offset fractional or otherwise appropriated school sections. For example, a school section 16 or 36 may have been homesteaded before survey or before the reservation to the Territory became effective. Or it might border Alaska's coastline and contain only half the land area of a full section. Under such circumstances the Territory is entitled to make other selections in lieu of the numbered school section. This has never been done.

I made a similar recommendation to the 15th Territorial Legislature ten years ago, pointing to the then known deficiency of nearly thirty thousand acres of school lands and suggesting that the Legislature proceed to authorize, through an appropriate agency, the selection of lieu lands and thereby to protect the territorial interest. The reasons for action now are greater than they were then.

A second reason, which did not exist then, prompting thought of a Territorial lands agency is that we have been informed by the National Park Service and the Bureau of Land Management that the United States would be disposed to transfer to the Territory, some, or all, of twenty-two withdrawn areas along the Alaska Highway and Tok Cutoff totaling a quarter million acres or more, if machinery existed for the Territory to accept and administer such properties. The areas concerned were withdrawn at the instance of the National Park Service with the purpose of preserving exceptional scenic areas or locations of potential use in connection with highway travel. While it cannot be said to be a firm offer at this stage, it is a possibility worthy of legislative exploration and study.

With statehood, of course, immediate need for a state lands agency will be thrust upon us for administration of extensive land grants to be made at that time. And that is another reason for its timely consideration. Meanwhile, if it is your wish, the Governor's office will continue to administer school lands, although there is no question in my mind that this function is rapidly outgrowing the machinery provided for it and that it should be removed from the Governor's office.

Before leaving the subject I wish to comment on a recent development of which you from the Third Division are especially mindful. I refer to the recent staking by private parties of a school section on the outskirts of Anchorage. From the standpoint of location the section happens to be the most valuable school section in Alaska. It was staked, purportedly, under the mining laws and the claims based on a gravel discovery. If these claims

are allowed the stakers may extract the gravel and patent the section and Alaska's school fund will be deprived of substantial proceeds. As a matter of fact, on the very day the staking was done negotiations were under way in the Land Office for issuance of a permit to a private contractor for the extraction of gravel from this very section. By an Act introduced in Congress by Delegate Bartlett, and enacted just last year, the school fund would have realized \$13,125 from this one deal alone, some four thousand dollars more than Alaska's total rental receipts in 34 years. The staking of these claims blocked the deal and may threaten Alaska's position on other school sections. This situation, I am certain, is one for legislative scrutiny and for appropriate memorials toward remedial action.

FISCAL AND ACCOUNTING PROCEDURE

Next, the financial and auditing problems of the Territory deserve sweeping treatment. The post of Territorial Auditor was created by the 1929 Legislature. While subsequently various duties not related to auditing were added, such as his serving as insurance commissioner, handling the registration of corporations, discharging certain election duties, property inventorying, and interim legislative assignments, the primary functions of the Auditor have never been essentially of an auditing nature. In the sense that a State Auditor's office conducts year-around auditing of municipal corporations, county offices, school districts, and all other lesser subdivisions of government, we have not in this office made full use of the auditing concept and might better have styled it by another name. Until 1947 the office of Auditor, as established eighteen years earlier, was mislabelled, and even since 1947 his auditing responsibility has, in practice, been that of engaging others to perform such work on a limited basis.

What is of course needed is an office which could be developed out of the Auditor's office, or otherwise as the Legislature sees fit, which will enable the Legislature, the public, or anyone interested to secure at any time a complete and adequate financial picture of the Territory's business. No office has that responsibility now either for securing this information or making it available. There is, in short, no adequate accounting system for the Territory.

The Treasurer's office, as was shown not long ago, has heretofore been without adequate auditing supervision or check upon it by any other Territorial agency. That power has been in most state auditing departments from their inception. Recommendations were asked for from the firm which performed the Territorial audit in 1949, and were forthcoming later that year. These are sufficiently detailed to indicate basic steps necessary to mod-

ernization of our fiscal system and to assure closer fiscal control.

Without passing on the applicability of all these suggestions and recommendations, many of which are clearly constructive and contain desirable proposals, I would like to refer the Legislature to that report. But certain it is that a drastic overhauling of our accounting and fiscal system is necessary.

I would say, parenthetically, that whatever may be the shortcomings of our present accounting system they do not compare unfavorably with those of the Federal government if we may judge from the Hoover Commission's report. It said:

"There is no formal accounting plan for the government as a whole. No one is charged with the duty of developing such a plan. There is no one who would have power to install such a plan and compel compliance with its provisions if one were developed. The statutes make no provision for either a complete accounting system or a chief accounting officer to direct accounting activities."

And furthermore, the Hoover report labels the fiscal procedures of Uncle Sam "outmoded" and "archaic." They stem from budgeting, accounting and auditing acts adopted by our Federal government in 1789, 1894 and 1921.

BOARD OF ADMINISTRATION

While procedural improvement and modernization of our fiscal system are clearly needed, I wish to point out that your Board of Administration, acting under Territorial law, has in the past four years been constantly on the job. It has had to be. It has been compelled to fill the gaps in our fiscal structure—toward keeping obligations within income. It has probably met many times over, in those four years, than it had in all the previous 14 years of its existence. It has done so because of the critical condition of Territorial finances throughout that four-year period. It has frozen appropriations and it has enforced the freeze. It has been a tough board. It has had to be.

And yet, while the Board of Administration has held the dike against heavy pressures, I feel that in principle it is wrong for six officials in the executive branch to be obliged to exercise, through control of the purse, what is properly a legislative function.

I doubt that that situation was contemplated by the 1933 Legislature—certainly not to the extent that has developed—when it enacted the so-called "Walker bill" conferring those broad powers. That measure has of course proved a fiscal lifesaver since 1947 when the whole problem of making ends meet was dropped on the Board of Administration by the Legislature's appropriating far beyond income in that session. But I think that

now, in keeping with other administrative improvements, the Legislature should re-assume major financial control.

The Board of Administration need not cease to function as a board, but its responsibilities should be diminished and confined to unforeseen or unforeseeable situations. The Board will of course continue to exercise its present statutory duties as long as those duties remain unchanged by the Legislature—but I feel that it has been operating largely in the legislative, rather than the executive, field, and that full responsibility in this field should be reclaimed by the Legislature.

CENTRAL PURCHASING

In all but five of the states there is some degree of centralized state buying. A number of states authorize political subdivisions, including schools and institutions, to buy through the state purchasing agency, thereby spreading the savings of volume purchasing through all levels of local government. Central buying has been generally adopted on the principle that its economies more than offset its cost, and that its closer control and greater uniformity over bid procedures, inventorying and property accounting, makes for better administration. Considerable variation exists in the scope of state purchasing agencies, in which connection legislation adopted elsewhere is available and would provide detailed treatment should the Legislature wish to pursue the subject. The Council of State Governments found in 1950 that the average state purchasing department was operated at a cost of approximately $\frac{3}{4}$ of 1% of the dollar value of purchases made.

However the Bureau of Federal Supply set up some years ago to centralize purchases has been deemed anything but a success by the Hoover Commission, and the streamlining of Federal purchasing still remains to be achieved.

BUDGETARY CONTROL

The Legislature may also desire to give attention to the Board of Budget's warning that its functions have been outgrown by the Territorial government. The Board of Budget has not, as it pointed out in its report to the Legislature, the facilities to make the specialized studies and to scrutinize adequately the estimates presented to it by the Territorial agencies. Such facilities are available in most states and of course to the Federal government through full-time professionally equipped budget control agencies.

LEGISLATIVE REFERENCE SERVICE

Commencing in 1901, with Wisconsin, legislative reference facilities have been established to assist legislators in 40 of the

States in such matters as legislative research, analysis, bill drafting and statutory revision. A model State Legislative Reference Bureau act has become the basis of many, if not most, of such state agencies. The majority of these are conducted as branches of the State library or law library. Others have been placed in the Attorney General's office where full-time professional personnel are engaged specifically for such work.

RETIREMENT

The Legislature in 1949 provided a retirement system for Territorial employees, with the added feature that municipalities could, at their election, join the system. Meanwhile, the Congress has extended provisions of the Social Security Act to make that coverage available to State and local government employees. Federal old age insurance is not, however, automatically available to such employees without action by the State or Territorial Legislature to authorize acceptance of such coverage. It may be that this Legislature will wish to consider passing such enabling legislation toward permitting city employees, not already members of the Territorial Retirement system, to join the Federal system. Employees already covered by a local system are excluded from the Federal system, which means that until the Social Security Act is amended Territorial and city employees already under the Territorial system probably could not be included in the old age insurance program. The Attorney General has been exploring the possibility of our becoming eligible for such coverage by abandoning our present system, should that be your wish, and he will be in position to advise you in that respect. Proposed enabling legislation now being considered by some of the State Legislatures is available, should it be desired for purposes of putting eligible city employees, at least, in position to participate.

COMMUNITY PLANNING AND ZONING

In the past decade Alaskan communities have had forced upon them wholesale all of the growing pains and problems which elsewhere have been met piecemeal over a period of generations. There has been general recognition of these problems and attempts have been made to fashion tools to solve them. Enabling legislation authorizing planning and zoning programs by cities has been enacted. The legal framework for housing, health, sanitation and safety codes has been provided and continuously reviewed and revised. City planning commissions, a Conference of Southeast Alaska Mayors and a League of Alaska Cities have been formed. The Congress has offered financial assistance to meet the problems of accelerated growth through special housing

and public works programs for Alaska. Provisions for slum-clearance and urban re-development have been extended to Alaska.

At best these efforts have met only a small part of the total threat to the health and well-being of our growing communities. Our phenomenal population growth and the now confining corporate limits of original townsites have forced physical expansion outside of incorporated cities. All of you have seen the results. With few exceptions the unincorporated areas surrounding our cities have been sub-divided without regard to overall needs, street patterns, public utilities and other community facilities.

The resulting problems are common to both the incorporated and unincorporated areas because of proximity and physical attachment, and eventual inheritance by the corporate bodies through annexation.

The absence of legal organization of these areas outside incorporated communities has frustrated past efforts of Territorial and local governments, and of the Federal government, to assure healthy, orderly development. Local governments may resort to the cumbersome and time-consuming device of annexation but such action too often occurs after the patterns of disorder have become fixed. The annexation laws need revision and simplification. They retard community growth. We have not been able to take full and best advantage of housing, public works and slum clearance programs offered by Congress because of our lack of an adequate legal basis for the exercise of local foresight and action in unincorporated areas.

Our communities must be given the tools with which they can guide and form their future, inside and outside of corporate limits. Consideration should be given to enabling legislation authorizing the creation of greater Community Area Planning and Zoning Boards, with provision for joint participation by representatives of both the city areas and the suburban areas in guiding their common growth and development. An informal, semi-official step has already been taken in this direction when the Greater Anchorage Utilities Commission was formed. The matter has been discussed at length by local officials in connection with the functioning of housing and public works programs. I believe that all of you have received preliminary material assembled by housing and public works people in Alaska last summer. These people were sent here by their agencies to ascertain how those programs might best serve Alaska's needs and I believe their approach was realistic. The two agencies, Housing and Home Finance, and the Alaska Public Works office, are collaborating on proposed Territorial legislation to submit for your consideration. I think the subject is as worthy

of our attention as the problem is pressing in our several communities.

REGIONAL COMPACTS FOR HIGHER EDUCATION

An important development, potentially beneficial to Alaska, has come after several years of effort on the part of the Governors' Conferences, and in particular out of that sub-group of Governors constituting the Western Governors' Conference.

Some years ago the idea developed that the benefits of higher education in special professional fields could best be attained through regional compacts between the states. It had become increasingly clear that not every state could afford to provide adequate educational facilities in such diverse fields as medicine, public health, dentistry, veterinary medicine. The alternative proposed was that groups of states should foster the development of one or two such institutions of higher learning in their midst and make them available to students from the other states in that group. The western states have now developed this program to the point where the opportunity through the signing of a regional compact is open to those states—and Alaska and Hawaii have been included in the program—which desire to take advantage of it.

The program makes it possible for the less endowed states that cannot afford to erect and maintain adequate schools of medicine, public health, dentistry, and veterinary medicine, to secure access for such of their young people as wish to enter these professions in the best schools available in this region.

I need not go into too much detail concerning this program in this message for I have requested the Council of State Governments to furnish a sufficient number of booklets which describe the proposed compact and its benefits in detail, so that one copy is available for every member of the Legislature. I commend it to your attention.

ECONOMIC DEVELOPMENT AND MINING

It is essential that Alaska make every effort to diversify and expand its economy. This may well involve the introduction into the Territory of industries of types wholly new to Alaska. One example of such industry is the proposed very large electrometallurgical plant which we are all hopeful will be built near Skagway to utilize a hitherto neglected resource, hydroelectric power. This prospect, and many others like it, which when realized will mean so much to our whole economy, have been brought along to their present position of readiness largely by Territorial development efforts, in which the Legislature and all Alaska can take pride. We must continue this energetic work

in that broad field which comes under the general heading of development.

While the international situation imposes many restrictions it nevertheless opens the way to the development of activities and industry related to the defense effort. There is particularly a field open to us in the development of materials for construction, both timber and mineral, and for the processing of additional sea-food products from wastes not now utilized and from species now neglected. Several Territorial agencies could and should cooperate to this end. There is also the opportunity to make distinctively Alaskan contributions to the national effort, as for example through the development of cold weather clothing proved out in this part of the world and now suddenly needed elsewhere and undoubtedly to be required here in increasing quantities. Continued direction must be given to this effort to correlate our potentials in raw materials with national needs.

Mining, which has been principally gold mining in Alaska's past, is now in the doldrums for a variety of reasons familiar to us. During World War II gold mining was suspended by orders from the Federal government, although our neighbors in Canada continued gold mining throughout the war. Following the suspension, many of our miners sold their machinery and faced the necessity, if they wished to resume operation, of purchasing machinery again at much higher prices. Meanwhile, wages and the cost of all equipment and materials have steadily increased. A further obstacle in the path of gold mining is the difficulty of securing parts for industries not deemed essential to the defense effort.

However, there is a field for development in the mining of base metals and minerals that are now considered strategic. They are commanding increasingly high prices on the world market. The Legislature, in my judgment, should give serious consideration to authorizing the Commissioner of Mines to purchase such strategic metals and minerals as may be found in Alaska along the same lines as the program operated by the Federal Metals Reserve Company during the 2nd World War. Included could be antimony, tungsten, mercury, tin, copper and other metals that are already known to exist in Alaska. So you may well consider empowering the Commissioner of Mines to set up a purchasing agency in conjunction with the Territorial Assay Office and to buy ores from the miners at world market prices. This ore could be stock-piled in the Territory and resold to commercial markets or to Federal government purchasing agencies when such agencies are established. The Commissioner of Mines deems that \$100,000 would be sufficient to carry this program for a two-year period.

An incentive bonus of \$10,000 for a bona fide uranium discovery in Alaska would do much to encourage prospecting for this vital metal. It could be paid by the Territory for discovery in Alaska of a mineable deposit of uranium. The definition of a mineable deposit could be based upon the Atomic Energy Commission's specifications and regulations. Such a bonus would furnish an additional incentive for prospecting radio-active minerals and other metals associated with them. The Atomic Energy Commission is endeavoring to interest many prospectors and mining companies in such an exploration program and there is every reason why Alaska should do its part not merely to help the national effort but in our own self-interest and for the resuscitation of Alaska's mining industry which needs such stimulation.

CONCLUSION

In this message, I have not as in the past, given detailed treatment to the needs and special problems of any of our major service agencies, Education, including of course our University, Health, Welfare, Labor, Veterans, Employment Security; to Housing, road, airfield and waterfront construction and the fisheries. In this omission I do not intend to minimize their importance or the vital nature of these services. Their agencies will all be able in the course of this session to provide whatever information is desired by you.

I have not stressed these activities both because of the limitation of time and because indeed they merely present in common, each in its own way, the overall problems thrown into relief by growth, by rapidly moving events and changing needs, and by the fruits of experience. Democracy can never be static. The maintenance of high levels of service is inseparable from the American way of life.

Indeed all I have said here today can be reduced to very simple terms: Shall it be democracy or communism? Shall it be freedom or slavery? Shall it be the liberation toward which man has struggled painfully from the dawn of history, and which we Americans have increasingly achieved, or shall it be reversion to the Dark Ages—indeed to a darker age than the world has ever known?

To prevent the conquest of the earth by totalitarian tyranny under the red banner of hammer and sickle, our task as Americans—and here as Alaskans—is two-fold. We must mobilize all possible strength to avert war, and to wage war successfully if it cannot be averted. And on the home front we must increasingly strive to make democracy live up to its promise, to keep it supplied with the vital ingredients which have made our country the supreme example of "life, liberty and happiness." Let us work together toward that goal.

Ernest Gruening

Governor of Alaska