

PREPARED TEXT

STATEMENT BY GOVERNOR VIC ATIYEH
SENATE REVENUE COMMITTEE
STATE CAPITOL, HEARING ROOM A
JULY 20, 1981, 1:30 P.M.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE,

I GENUINELY WANT TO THANK YOU FOR THIS OPPORTUNITY TO COME BEFORE YOU ON A MATTER OF CRITICAL IMPORTANCE TO THIS STATE. / YOU AND YOUR COLLEAGUES HAVE BEEN WORKING LONG AND HARD THIS LEGISLATIVE SESSION. / NOW WITH THE REMAINDER OF THE SESSION MEASURED IN DAYS THIS COMMITTEE AND THE OREGON SENATE MUST CONSIDER REVENUE MEASURES WHICH / CANDIDLY / PRESENT YOU WITH MOST DIFFICULT DECISIONS.

THE OREGON HOUSE HAS WORKED HARD ON A SERIES OF REVENUE PROPOSALS. / THOSE ARE BEFORE YOU AT THIS TIME. / I ASK YOU / AND THE ENTIRE SENATE TO CAREFULLY CONSIDER MY ORIGINAL REVENUE AND BUDGET RECOMMENDATION AS A WAY TO AVOID DISASTROUS CONSEQUENCES TO OUR STATE GOVERNMENT.

I HAVE PRESENTED TO THE LEGISLATURE A BUDGET AMOUNTING TO A 13 PERCENT REDUCTION IN STATE GENERAL FUND PROGRAMS. / EVEN WITH THAT REDUCTION IT WAS NECESSARY TO PROPOSE A REVENUE PACKAGE AMOUNTING TO \$229 MILLION IN ORDER TO BALANCE THE BUDGET.

How Did We Get To This Point

~~LET US EXAMINE HOW WE GOT HERE.~~ / DEPRESSED ECONOMIC CONDITIONS ARE A MAJOR FACTOR. / ANOTHER REAL REASON, / HOWEVER, / FOR OUR PRESENT DILEMMA IS THAT / UNLIKE THE FEDERAL GOVERNMENT WHICH FINALLY BEGAN FISCAL REFORM THIS YEAR, / THE STATE OF OREGON LAUNCHED ON A COURSE OF FISCAL REFORM AND TAX RELIEF TWO YEARS AGO / AND WE OVERKILLED.

LET US LOOK AT THE RECORD. // IN 1979 I PRESENTED THE LEGISLATURE A BUDGET WHICH REDUCED AGENCY REQUESTS SUBSTANTIALLY, / THE FINAL BUDGET REPRESENTED NO GROWTH OF POSITIONS / AND A GROWTH RATE LOWER THAN INFLATION. / AS A RESULT OF THAT BUDGET THE 1979 LEGISLATURE WAS ABLE TO ENACT A MASSIVE TAX RELIEF PROGRAM. / HOMEOWNER PROPERTY TAXES ALONE WERE REDUCED 30 PERCENT IN ONE YEAR / COMPARED WITH THE PRESIDENT'S PROPOSAL TO DECREASE INCOME TAXES 10 PERCENT PER YEAR FOR THREE YEARS. / WE DECREASED INCOME TAXES BY APPROXIMATELY 11 PERCENT.

BECAUSE OF THIS SERIES OF BUDGET REDUCTIONS, CITIZENS WILL HAVE RECEIVED IN THE FOUR-YEAR PERIOD FROM 1979 TO 1983 OVER \$1 BILLION IN PROPERTY AND INCOME TAX RELIEF.

FOLLOWING THE GENERAL LEGISLATIVE SESSION THE ECONOMY TOOK A TAILSPIN, NECESSITATING A CALL FOR A SPECIAL SESSION IN 1980. IN THAT SPECIAL SESSION WE CUT STATE AGENCY BUDGETS ANOTHER 13 PERCENT AND THE LOSS OF FEDERAL REVENUE SHARING REDUCED BASIC SCHOOL SUPPORT BY \$12.5 MILLION. COMPOUNDING THESE CUTS WAS A LOSS OF FEDERAL FUNDS DUE TO BUDGET ACTIONS TAKEN BY THE CARTER ADMINISTRATION DURING AN ELECTION YEAR.

AS THIS LEGISLATURE CONSIDER CUTS LET ME REMIND YOU WHAT I HAVE ALREADY DONE
 MY 1981-83 RECOMMENDED BUDGET DOES NOT RESTORE MOST SPECIAL SESSION CUTS, DOES NOT KEEP PACE WITH INFLATION, AND DOES NOT REPLACE THE EXPECTED LOSS OF OVER \$200 MILLION IN FEDERAL FUNDS. IT DOES IMPOSE DRASTIC CUTS ON ALL STATE PROGRAMS.

I HAVE RECOMMENDED A 13 PERCENT REDUCTION IN BASIC SCHOOL SUPPORT. AS A RESULT OF THE CUTS I AM MAKING, BASIC SCHOOL SUPPORT WILL PROVIDE 35 PERCENT OF THE ELIGIBLE COSTS, FAR BELOW THE 40 PERCENT GOAL. SCHOOL DISTRICTS HAVE ADJUSTED TO THIS CUT KNOWING THEY TOO MUST DO THEIR PART. I DO NOT BELIEVE WE CAN EXPECT PRIMARY AND SECONDARY EDUCATION TO TAKE ANY FURTHER CUTS.

I CUT \$41.6 MILLION, / OR 28 PERCENT, / FROM THE COMMUNITY COLLEGE OPERATIONS REQUEST. / THIS REDUCTION WILL FUND 8,000 FEWER COMMUNITY COLLEGE STUDENTS. / IT SHOULD BE APPARENT THAT ANY FURTHER REDUCTIONS IN GRANTS TO COMMUNITY COLLEGES WILL DESTROY THE VIABILITY OF THAT PROGRAM.

MY BUDGET IMPOSED MASSIVE REDUCTIONS IN FUNDS FOR THE STATE SYSTEM OF HIGHER EDUCATION, / WHICH WILL MEAN LOST FACULTY AND REDUCED PHYSICAL PLANT REHABILITATION. / EVEN WITH THESE REDUCTIONS, THE STATE BOARD OF HIGHER EDUCATION WILL HAVE TO RAISE UNDERGRADUATE TUITION BY 40 PERCENT OVER THE BIENNIUM.

IF THE LEGISLATURE MAKES FURTHER CUTS, WHAT WE WILL HAVE LEFT IS NOT A PUBLIC SYSTEM OF HIGHER EDUCATION, / BUT A LOW QUALITY PROGRAM WHICH ONLY SERVES THE MIDDLE CLASS AND THE AFFLUENT. / FURTHERMORE, / IF THE SYSTEM OF HIGHER EDUCATION IS COMPELLED TO DECLARE FINANCIAL EXIGENCY THIS WILL HAVE A DEVASTATING IMPACT UPON THE RECRUITMENT AND PRESERVATION OF QUALITY FACULTY FOR DECADES TO COME. *IMAGES REMAIN A LONG, LONG TIME. IT IS DISMISSING TO NOTE HOW HARD IT IS TO BUILD UP A GOOD REPUTATION & HOW EASY IT IS DESTROYED.*

BEGINNING IN 1979, WE STARTED TO REFORM WELFARE TO ELIMINATE ABUSE /AND RETURN THE SYSTEM BACK TO THE PURPOSE FOR WHICH IT WAS CONCEIVED. / WE HAVE TIGHTENED THE ELIGIBILITY FOR WELFARE. / WE HAVE REMOVED FROM THE WELFARE ROLES THOSE WHO WERE NOT IN NEED. / IN THE SPECIAL SESSION WE REDUCED GRANTS FOR ADC TO A LEVEL COMPARABLE TO THE MINIMUM WAGE /AND THUS PLACED THE WELFARE RECIPIENT ON THE SAME PAR AS THE WORKING POOR. / THOSE WHO ARE LEFT ON WELFARE ARE THE AGED, / HANDICAPPED /AND DEPENDENT, /AND IT IS ESSENTIAL THAT WE MAINTAIN FOR THEM SOME BASIC STANDARDS OF DECENCY. / WE CANNOT CALL OURSELVES A CIVILIZED PEOPLE AND TURN OUR BACKS ON THESE LESS FORTUNATE CITIZENS.

WE MUST ALSO REMEMBER THAT THE DEPARTMENT OF HUMAN RESOURCES INVOLVES OTHER SERVICES BEYOND JUST WELFARE. / THE CUTS I HAVE IMPOSED WILL SEVERELY IMPACT, / FOR EXAMPLE, / THE KIND OF SUPERVISION AND CARE THAT WILL BE PROVIDED TO CHILDREN WHO ARE COMMITTED TO THE STATE BY THE JUVENILE COURTS.

IT WILL IMPACT THE TYPE OF CARE THAT WE PROVIDE TO THE MENTALLY ILL AND THE RETARDED.

FINALLY, / WE WILL BE REDUCING THE QUALITY OF SUPERVISION AND PROGRAMS IN OUR PENAL INSTITUTIONS AT A TIME WHEN THESE INSTITUTIONS ARE SEVERELY OVERCROWDED.

THE MOST DIFFICULT CUTS WHICH I HAD TO IMPOSE WERE IN THE AREA OF HUMAN RESOURCES—AS PRESENTED TO YOU IT CONSTITUTES A 13 PERCENT REDUCTION IN HUMAN RESOURCES PROGRAMS. / IN ADDITION, BECAUSE OF THE CUTS NOW BEING MADE BY CONGRESS, / IT IS ANTICIPATED THAT THE DEPARTMENT WILL LOSE OVER \$100 MILLION IN FEDERAL ASSISTANCE. / ~~YOU CANNOT~~ CANNOT BE REDUCED IN GOOD CONSCIENCE ~~REDUCE~~ THESE PROGRAMS ANY FURTHER.

IN ADDITION TO HUMAN RESOURCES AND EDUCATION, ~~WE~~ I HAVE RECOMMENDED CUTS IN PRACTICALLY EVERY OTHER PROGRAM IN STATE GOVERNMENT. / THIS MEANS REDUCED SERVICES IN THE AREA OF PRESERVING OUR ENVIRONMENTAL QUALITY, / PROTECTING FISH AND GAME, / PROTECTING AGAINST FOREST FIRES, / PROTECTING AGAINST UNSAFE FOOD, / AND UPHOLDING THE STATE'S WATER LAWS.

THE PRIMARY FUNCTION OF GOVERNMENT IS THE MAINTENANCE OF PUBLIC SAFETY. / NEVERTHELESS, I CUT 96 TROOPER POSITIONS FROM THE STATE POLICE BUDGET REQUEST. / SO FAR THE LEGISLATURE HAS COMPOUNDED THAT LOSS BY ITS FAILURE TO REENACT THE TRUCK SAFETY INSPECTION PROGRAM; / THIS ACTION CUTS ANOTHER 51 TROOPER POSITIONS. / IN ADDITION, / OTHER POTENTIAL LEGISLATIVE REDUCTIONS WOULD CUT 62 MORE OFFICERS. / I URGENTLY APPEAL FOR RESTORATION OF THE TRUCK SAFETY INSPECTION PROGRAM / AND RESTORATION OF MOST OF THE LEGISLATIVE GENERAL FUND CUTS THAT HAVE BEEN DISCUSSED FOR THE STATE POLICE BUDGET.

I BUDGETED ONLY ENOUGH SALARY IMPROVEMENT MONEY FOR A SIX PERCENT PER YEAR ADJUSTMENT FOR STATE EMPLOYEES. / MOST OF OUR REPRESENTED EMPLOYEES HAVE AGREED TO SALARY ADJUSTMENTS WITHIN THAT AMOUNT, / DESPITE THE FACT THAT SCHOOL DISTRICT AND LOCAL GOVERNMENT EMPLOYEES ARE IN MANY CASES GETTING HIGHER SALARY ADJUSTMENTS / WHICH ARE PARTLY FINANCED WITH STATE GRANTS. / OUR AGREEMENTS WILL REQUIRE AGENCIES TO ABSORB THE INCREASED COST OF MEDICAL AND DENTAL INSURANCE. / OUR STATE EMPLOYEES HAVE WITHSTOOD PROGRAM CUTBACKS AND LAYOFFS, / AND CONTINUE TO PROVIDE HIGH LEVELS OF SERVICES / WHILE DISPLAYING A REALISTIC ATTITUDE TOWARD THE STATE'S ABILITY TO PAY COMPARABLE SALARIES. / LEGISLATIVE CONSIDERATIONS OF REDUCING MY SALARY ADJUSTMENT FURTHER ARE DISMAYING TO ME AND ALL STATE EMPLOYEES.

^{was} IT ~~IS~~ IN THE FACE OF ^{ALL} THESE CUTS THAT I CONCLUDED THAT A REVENUE PACKAGE WAS NECESSARY.

I AM PLEADING WITH YOU / ON BEHALF OF ALL OREGONIANS THAT WE MUST AS A MINIMUM MAINTAIN THE LEVEL OF SERVICES PROPOSED TO YOU IN MY BUDGET. / ALL OREGONIANS WANT REASONABLE POLICE PROTECTION. / ALL OREGONIANS WANT A QUALITY EDUCATION FOR THEIR CHILDREN. / I ALSO PLEAD TO YOU ON BEHALF OF THE THOUSANDS OF CITIZENS WHO ESPECIALLY NEED SERVICES FROM GOVERNMENT BECAUSE OF HANDICAP AND UNFORTUNATE CONDITIONS BEYOND THEIR CONTROL.

I HAVE ALREADY ALLUDED TO THE FACT THAT THE 1979 PROPERTY TAX RELIEF PROGRAM MAY HAVE BEEN AN OVERKILL WHICH IN GREAT PART CONTRIBUTES TO THE FINANCIAL DIFFICULTY WE FACE TODAY. / THE QUESTION ARISES WHY I HAVE NOT RECOMMENDED A CUT IN THIS PROGRAM. / THE PROPERTY TAX RELIEF PROGRAM IS NOT A GOVERNMENT SERVICE. / IT IS A TAX RELIEF PROGRAM. / A DECISION TO CUT THAT PROGRAM RESULTS IN INCREASED LOCAL PROPERTY TAXES. / IT WAS MY VIEW, / CONSIDERING THE COMMITMENTS THAT WERE MADE TO THE PEOPLE OF THIS STATE, / IT WOULD BE A BREACH OF FAITH FOR US TO NOW BREAK THAT COMMITMENT AND WOULD DO IRREPARABLE HARM TO GOVERNMENT'S CREDIBILITY. / I BELIEVE THAT OREGONIANS WOULD PREFER TO DEFER SOME OF THE INCOME TAX PROGRAMS THAT WERE INAUGURATED IN 1979 BEFORE ANY INVASION IS MADE OF THE PROPERTY TAX RELIEF PROGRAM.

THE REVENUE PACKAGE I PRESENTED TO YOU IS A BALANCED PROGRAM DESIGNED / AS MUCH AS POSSIBLE / TO SPREAD THE COST EVENLY OVER ALL OREGON TAXPAYERS. / IT REPRESENTS \$229 MILLION IN REVENUES. / IT DOES NOT RESTORE THE CUTBACKS WHICH I HAVE ALREADY MADE IN MY BUDGET. / IT IS MERELY A STOP-GAP PROGRAM TO PRESERVE THE ABSOLUTE MINIMUM OF GOVERNMENTAL SERVICES WHICH I BELIEVE OREGONIANS DESIRE AND REQUIRE.

BEFORE CONCLUDING, LET ME MAKE SOME COMMENTS ABOUT THE HOUSE PLAN THAT HAS BEEN PRESENTED TO YOU. THE PLAN SENT TO YOU FROM THE HOUSE IS NOT MY PLAN, / IT IS CLEARLY A PLAN OF LEGISLATIVE ORIGIN. / I HAVE TWO BASIC DISAGREEMENTS WITH THE HOUSE PLAN. / FIRST, THE TOTAL REVENUES BEING GENERATED BY THAT PLAN ARE APPROXIMATELY \$53 MILLION LESS THAN I HAVE PROPOSED. / SECONDLY, / I DO NOT BELIEVE THAT THE HOUSE PLAN CONTAINS THE ESSENTIAL BALANCE BETWEEN PROGRAMS. / MY BUDGET WAS CAREFULLY CRAFTED TO ENSURE THAT THERE WAS EVEN TREATMENT BETWEEN ESSENTIAL GOVERNMENTAL PROGRAMS. / WE DID NOT SHOW A PREFERENCE EITHER FOR HUMAN RESOURCES, / HIGHER EDUCATION, / BASIC SCHOOL SUPPORT / OR OTHER PROGRAMS. / I CUT BASIC SCHOOL SUPPORT 13 PERCENT. / WE LIKEWISE IMPOSED 13 PERCENT CUTS ON HUMAN RESOURCES, / HIGHER EDUCATION, / COMMUNITY COLLEGES / AND OTHER STATE AGENCIES. / THE HOUSE PROPOSES TO ~~ONLY~~ CUT BASIC SCHOOL SUPPORT ^{ONLY} 10 PERCENT, THUS NECESSITATING MUCH DEEPER CUTS IN OTHER PROGRAMS. / IN EFFECT, UNDER THE HOUSE PROGRAM WE ARE ASKING THE STATE AGENCIES, / INCLUDING HIGHER EDUCATION, / COMMUNITY COLLEGES, / AND HUMAN RESOURCES TO TAKE AN ADDITIONAL \$26 MILLION CUT FOR THE BENEFIT OF PRIMARY AND SECONDARY EDUCATION. / NO ONE CAN QUESTION MY COMMITMENT TO BASIC EDUCATION IN THIS STATE, / BUT I THINK IT ^{TOO} MUST SHARE IN THE CUTS WITH OTHER PROGRAMS.

NOTICE I HAVE TALKED ABOUT THE BUDGET, NOT SPECIFICALLY ABOUT MY REVENUE PLAN — WHICH I WELL KNOW BY YOU. LET ME PARAPHRASE THE PLAN BY SAYING IT EVENLY DISTRIBUTED, FOR 2 YEARS, THE NEED FOR ADDITIONAL REVENUE — WE WERE ELECTED TO RUN GOV. TO THE BEST OF OUR KNOWLEDGE — & PEOPLE EXPECT US TO DO JUST THAT. — MOST CONSTITUENCIES SHALL

COSMETIC —