

VICTOR ATIYEH

June 21, 1993

Tape 38, Side 1

C.H.: This is an interview with Governor Victor Atiyeh in his office in downtown Portland, Oregon. The interviewer for the Oregon Historical Society is Clark Hansen. The date is June 21st, 1993, and this is Tape 38, Side 1.

So, the missing speech.

V.A.: Well, actually the fortunate part was that I had worked so long on that particular speech that, you know, what I really wanted to say I already knew. I may not have delivered it as well as I would have liked to or in the detail that the speech would have held, but the message was quite clear. And so, you know, it isn't as if it was fresh, somebody handed it to me. This one I had worked on at great length, and so when I realized I wasn't on the right speech, I continued on the vein of what the right speech was, I just didn't have it in front of me.

C.H.: You couldn't give the speech that you had that was going to be given later?

V.A.: Oh, no, it didn't fit at all. See, my message was that, "Look, you know, I understand where we are. I know the attitude, and we can't have that. We've got a lot of work to do, and we've got to - I used the words "drive to the tape." We're not going to let up. We're going to go right through. But that was the tenor of what the speech was all about, and that was the message; that's why I gathered them. That's why I wanted to talk to them.

C.H.: Maybe this is the perfect moment. Were there any other near disasters or embarrassing moments in your administration that you can remember?

V.A.: It isn't generally known, but it will be now, when they talk about an embarrassing moment and what do you do, I think - and this goes way back, I think maybe to '74. I was in La Grande, and I was at a breakfast meeting, and the tables were kind of set up in a U-shape in the side room in a restaurant, and it was not a large room. This was La Grande and early in the morning, and maybe there were 25, 30 people, but they were seated in this U-shape with me at the head of the U - you know, that's where I was sitting. People were sitting on both sides of the table, including right in front of me.

So I stood up; this was not a podium speech, I was just talking to folks. I finished, and asked if anyone had any questions. Well, my good friend Merle Smith, Smitty, he flew me around, and quite a guy, but he was sitting over there, and his wife happened to be sitting right in front of me. So Smitty raises his hand.

"Yes, Smitty, what?"

He said, "Your fly's open." And it was. And, you know, I'm standing there. What do you do? You know, you're standing up!

C.H.: He said this in front of everybody?

V.A.: Everybody. I'm standing right there, you know. We're not talking about a large hall or I'm behind a podium or anything; I'm just standing up. So I just zipped up my pants and kept on going!

C.H.: It must have gotten a good response.

V.A.: Oh, yeah. But, you know, you can't turn around, you can't hide, you're just right there.

In terms of the speeches that I had to deliver, I can't think of any other embarrassing moments. That one is the one that comes to mind. It is interesting how those things move along.

C.H.: Well, then we go on to the 1983 legislative session, the 62nd Assembly that ran from January 10th to July 16th, 1983.

Were there any significant changes in the legislature in terms of people in either the House or the Senate? Grattan Kerans became the Speaker?

V.A.: Yeah, and Fadeley the president; isn't that right?

C.H.: Yes, Ed Fadeley was president. The minority leader was Tony Meeker from Amity, and Barbara Roberts was the majority leader. Larry Campbell was the Republican leader.

V.A.: Yeah. I would meet with the leadership as we've indicated before. Knowing Grattan Kerans and Ed Fadeley, I set up my first meeting, and I told them then, because I knew them very well, that - I said, "Now, you're not going to believe me, but I won't blindside you. We've got a job to do, and we have to work together. And I'm not out to get you, I'm not out to show you a bad time, I won't blindside you, and I'm telling you this. I know you won't believe it, but I'm telling you this. So when we have our conversations, the way I'm telling you is the way it is."

Well, they were so partisan I don't think they ever fully believed it. You know, "This guy's trying to get us." I didn't want to get any of that into the way of our discussion. "We don't like it or it doesn't match our philosophy, I can understand disagreements, but based upon "This guy's trying to give it to me," I mean, I didn't want to introduce something extraneous to the subject matter itself.

So that was my first opening shot with those two guys. And I continued to meet, and we worked, you know, together pretty well.

A real funny story, but I think it does relate to the special session after this session. It was something about property tax relief, and I told them, "And if you don't, I'm going to call you back into special session," and they didn't, and I did. I presume

you have that somewhere, and I'll cover that when the time comes. Funny story.

But we worked together pretty well, everything considered.

C.H.: What about in particular the Democratic leaders, Barbara Roberts and Grattan Kerans?

V.A.: Well, I didn't meet with Barbara. I met with the speaker and the president, and then the Republican leader of both the House and the Senate. And we would meet separately, of course, not collectively.

C.H.: What was your state of the state address and legislative program like for that term?

V.A.: Well, I should go back and get it. I don't recall exactly.

C.H.: You talked about increased state support for Oregon colleges and universities, and a minimal increase for community colleges, except special training, for instance, high tech jobs, and you said, "Oregon found itself in the appalling position last year of being dead last in all 50 states in public support for its institutions of higher learning."

V.A.: This was really the beginning of what I wanted to do initially, and I mentioned that: what I call personal goals, one of which was to move higher education up, as you recall. We talked about that.

We did quite well in 1983, and completed it in 1985. About this time Bud Davis came aboard as Chancellor. That was very exciting for him and for me. He really was a superb Chancellor for Higher Education, and I resented strongly the fact that Goldschmidt got rid of him. Bartlett's a very good guy; I have nothing against him. It's just that innovative, willing to try, and this kind of energizing that I liked, the one that really represented it the

most was Bud Davis. So we cranked it up, and we got something going in there.

Economic development still was important to me. I'm sure if I went to the speech - as a matter of fact, I know that property tax relief was a major part, "This is your last chance" kind of thing.

C.H.: You also talked about \$20 million for a new prison, and there was a debate as to where it should be: Dammasch, elsewhere, but not Salem. It was part of a seven-point plan that you had.

V.A.: Yes. The interesting part was our constitution required that it be in Salem.

C.H.: Really? Why?

V.A.: Well, that's the way it was in the constitution, but there was a constitutional change which allowed a prison to be built outside of Salem. That's the one that finally developed at Pendleton.

C.H.: I see. Could you tell me a little bit more about your seven-point plan?

V.A.: Well, I don't recall what it was. I'd have to get ...

C.H.: I have some of the main points right here.

V.A.: Okay. Go ahead.

C.H.: One was capital punishment, you wanted to reinstate capital punishment.

V.A.: Yes.

C.H.: And your reasoning for that was -?

V.A.: Well, we talked about it earlier. I believe in it.

C.H.: And abolishing the insanity plea. I think we mentioned that, too.

V.A.: Yes.

C.H.: And creating a state commission against violent crime.

V.A.: That was the Dave Frohnmayer thing. He worked on it quite strongly and comprehensively, did a good job on it.

C.H.: And doubling funding for the Oregon State Police Criminal Investigation Unit?

V.A.: It was all part of the crime package, yes.

C.H.: And then you talked a little bit about the budget and the one percent net receipts tax that would raise \$613 million.

V.A.: [Laughs] Yes. I'm laughing because I picked the wrong term. AOI didn't like it.

C.H.: Net receipts tax?

V.A.: Net receipts. What it basically was was the whole idea was to get rid of all exemptions and deductions, and that there would be effectively what we'd call a minimum tax. Nobody would pay less than one percent, so nobody could escape paying taxes, and then of course it was a graduated scale on top of that. But the minimum would be one percent. I believe in it. I believe in it very strongly. It goes back to actually - oh, I think it was either '59 or '61, Mark Hatfield had talked about that.

The whole idea was that you don't have to argue about whether or not you spent so much for a charity or whether or not you gave, you know, something to the church or whoever you gave it to, or whether this was a tax-free municipal bond or all the rest of it. That's all washed out, none of that. It simplifies the whole thing. Well, it's a very good idea.

But what I'm laughing at is I call it "net receipts."

Now, I've watched it crop up, even from AOI, but they call it a flat tax. So I just, you know, if I had to do that over again, I would have picked a different name for it. Flat tax they would have gone for, but net receipts they didn't like. It was almost doomed to begin with, but it was something I believed in.

C.H.: Did you previously have a pledge during the campaign not to increase taxes?

V.A.: Well, this wasn't about increasing taxes; it was about reforming them. That's what the whole thing was all about. Although we were going to raise somebody. I don't recall saying I was never going to raise taxes. I don't recall that.

C.H.: But the basic idea was that the net tax or flat tax would be levied against gross income?

V.A.: Correct. Basically that's right.

C.H.: But then it was called a net receipts tax. Do you think that that was confusing?

V.A.: It's confusing. You know, as I say, a flat tax everybody could understand. But I didn't use that word.

C.H.: How did you come up with that?

V.A.: Well, this goes way back. As I told you, this was something that evolved, and I even debated on the floor of the House of Representatives out of Hatfield's administration. I liked the idea. And as I told you, I was on the tax committee all those years, and I said, "This is crazy to start arguing about what the deductions and exemptions were. Just eliminate all that stuff."

C.H.: The first reaction in the press was actually very positive. It said it was a bold new step, it would have been the first in the county.

V.A.: Yes. They're right. If it could have politically flown, it was a good idea.

C.H.: But then many people called for a sales tax instead; is that right?

V.A.: Sales tax just was always hovering, always, all during the years. I remember way back when when I - I don't know when it was; must have been '73 - anyway, Bob Straub said I voted for a sales tax, and we talked about that. I voted to have it voted on

by the people, and I said, "I'm going to go out and campaign against it." It was just to put that question to bed. But it just never quite goes to bed. It just keeps staying there.

C.H.: And it's still here today.

V.A.: It's still hovering, yes.

C.H.: A lot of people then, as now, were hoping that a sales tax would reduce property taxes and income tax loads in the state, which were pretty high.

V.A.: That was the whole idea, and every time it's come up it was designed for that purpose, that is, to reduce property taxes, and dedicated for that purpose.

In that speech, you know, I'm saying that we don't have another shot at this thing, we've got to get this job done. And that's when I told the leadership that, "If you don't do it, I'm going to call you back in special session."

C.H.: Editorials commented that there should be an enriching state basic school support to reduce the school burden on property tax rolls. Would the flat tax have achieved that, then? That would bring money more into the general pool, and then it could be appropriated to the school system, right?

V.A.: Yeah. Depends on what rates you come up with. It was a general philosophy of taxation. But the whole idea basically was - well, to reform taxes, yes, but I constantly, and it's in all my - as I say, when I keep looking through my speeches how many times this whole idea of property tax relief comes up in my speeches.

C.H.: When you turned to the legislature, though, you had no support for that, did you?

V.A.: No.

C.H.: Although I see one here was Wally Priestly. How does that figure? I mean, you seem to be at opposite ends of the spectrum from Wally Priestly.

V.A.: Well, who knows where Wally was going to come from? Now that you bring up his name, it was interesting, during that ceremony, my inauguration, I was using the - I think I may have mentioned this to you - using the National Guard. And he was aware of that and came to me, very nicely, he wasn't storming in, he just didn't think it was appropriate. And I said to him - you know, we had a good chat, and I said, "Wally, this is my inauguration. Now, when you get inaugurated, you can do anything you want. This is mine."

But you know, he was against the military and all that sort of thing.

C.H.: Well, also as a part of that proposal was a plan to lower personal income tax and have a tax credit replacing personal exemptions. This is part of your getting rid of all the exemptions.

V.A.: That's right.

C.H.: And a partial reconnect to the federal base?

V.A.: Yes.

C.H.: And a three percent cigarette tax?

V.A.: Yes. The reconnect part - well, let me back up a little. Earlier we were doing a reform, and it actually passed, and what it was said that we won't have our Oregonians go through this exercise twice. We won't have two sets of deductions, exemptions and so forth. We will take the federal taxable income and apply Oregon rates to it. Now, that's in its purest form.

However, there was always the question of turning over our constitutional authority to somebody else, in this case, the federal government. That was a constitutional question.

The second was that we didn't necessarily agree with all that was in the federal system of taxation. And so even when we did it, and we did, we had some variations on it.

Now, oftentimes it would be actually to our advantage, that is, in terms of tax collection, to connect to something at the federal level, and that would give us a greater return on the Oregon return. So some of the reconnect related to a greater return on the Oregon side.

However, and this was always misconstrued by people, that the effect of all of that wasn't always as severe as it would appear. Let me say that our rate is ten percent, and I think at that time - although I don't think the rates had started to come down - at the federal level it was as high as 50 percent. So let's use those two figures for the sake of my example. The higher the Oregon tax - let's say we increased Oregon taxes and we increased them at ten percent, so that taxpayer is paying a lot more money to the State of Oregon. However, that same taxpayer can use the Oregon tax as an exemption on the federal, and now that's at a 50 percent rate. So the increase is only half as much because they can deduct it from the federal.

C.H.: But that was gotten rid of then, wasn't it?

V.A.: Well, but I'm trying to explain how some of these things work.

C.H.: I see.

V.A.: And so, you know, there was an advantage for Oregon to pull it in and have a higher Oregon tax, but it was ameliorated by the fact that they could deduct it from the federal return. And so the actual effect on the taxpayer was not nearly as severe as it would appear.

Not to get too complicated, but those are the kind of nuances that - you know, when I heard Packwood talk about - when was it? in '86 or something - the tax reform, and I said, "I know what tax reform is. I understand tax reform. Tax reform means that somebody's going to pay more money.

C.H.: Well, I was wondering when you were talking about not raising taxes but instead of having tax reform.

V.A.: But you see, I understood what the effect was. That's why I say, 1985, the only time I ever supported the sales tax, I had a good sense of how it was going to affect the taxpayer. But if the taxpayer just looked at it in terms of that isolated from everything else, it didn't look good. But I didn't have that view. I had that view in connection with the federal, and as I told you, I'm about the only guy that ever read the annual report of the Department of Revenue. And I'd look at - you know, obviously we don't have names, but the incomes and what kind of deductions and who was taking them, and I always objected to, for example, what they call the standard deduction. I really object to that because that's presuming that somebody gave so much to charity, so much to the church, and it's making these presumptions, that they had so much of mortgage payments; that's all that standard deduction. And most often, they didn't have any of it, but they were going to get a deduction for it. I didn't like that. I didn't like, as I explained earlier, about the \$600 exemption, which crept up to a higher amount because we had four percent to ten percent, so \$600 was worth \$24 to the four percent person and was worth \$60 to the upper income, ten percent of that amount.

C.H.: To make changes like that, can the legislature actually pass those changes?

V.A.: Yeah, those kinds of things. As a matter of fact, they did. They did pass a standard credit, we've mentioned it here; I think it was \$85, which really helped the lower income. You know, it was worth 40, now it's worth 85. And at the top rate was 100; they lost 15 bucks in the process. But standardizing that, that means my wife, my children are worth the same as yours. They're all

worth the same. It isn't going to vary according to the rate. The legislature did make those changes.

C.H.: They don't have to be referred to the people?

V.A.: No. Actually, they don't have to refer any tax to the people. They can pass any tax. The reason it's referred is, and I think it's legitimate, you know, why have people go through the process of referring it themselves? They have to go out and get signatures and all the rest of it. They're going to do it, so why go through all of that hassle? Just refer it.

So that's why it's referred. They can pass any tax bill they want. They can pass a sales tax. They can pass anything. But they know darn well that somebody's going to go out there and refer it. So when the legislature refers it, they can actually have a special election, which we did on the sales tax in '85. The tax, any constitutional change, and these things are always in the constitution, has to come at the general election, which would be every two years, which would be in November, except the legislature could pick another date. The people can't pick another date. In other words if you want to refer something, you can't pick another date for referring things, but the legislature can.

C.H.: Well, you also made a comment at the time, which has a lot of relevance today, which was "Atiyeh observed that if a sales tax passes without a freeze on property taxes, then we will get a 1.5 percent limitation, and the quality of life in Oregon will suffer markedly." Well, we never got the sales tax, but we did get the 1.5 limitation.

V.A.: We surely did. Yes.

C.H.: And a lot of people feel that we are suffering now as a result.

V.A.: Yeah, that's exactly right.

C.H.: Your proposal to limit the growth of property taxes to five percent of assessed value would have, according to some people, a wildly uneven effect on school districts, and that was from the Oregon Educational Coordinating Commission. Was that a part of your original proposal in that session?

V.A.: Well, that was debated at some length because up till I think Ballot Measure 5 districts, if they had a tax base, can raise their budget, let's say 5.9 percent, and they can do that without a vote. But if they exceed 6 percent, go to 6.1 percent, then there has to be a vote, and that's how we were voting: Budgets were increasing at more than five percent. I don't want to get too technical.

Some districts didn't have a tax base at all. Some districts had a tax base so low it didn't mean anything, like Beaverton. It was a meaningless tax base. So they had to go to a vote every time. Every time because they were exceeding - let's say their budget was \$30 million but their base was 10, obviously, you know, six percent doesn't catch up to 30 million. So they have to have a vote every time. But then there were districts like Portland School District, they had a tax base. Okay, now taking that one: If they exceeded six percent, then they had to go to a vote. If they stayed under six percent, they didn't.

So we were debating what to allow in terms of increase. I thought six percent was a little high. I wanted to go lower than that. But we went to five percent as a compromise; that's how it ended.

C.H.: I see. You also proposed the creation of an international forest products commodity commission and a marketing and development division within the Department of Forestry?

V.A.: Yes. I remember we talked about that before. I never could get the industry to agree to that.

C.H.: Right. There was an interesting comment here, and we haven't talked about this before: "Governor Atiyeh is asking the legislature to authorize the sale of trees, minerals, land and power resources from the Oregon State Park System to raise money for park management and acquisition. The State Parks Superintendent Dave Talbot says the Division has increasingly been forced to sell parcels of state park land to raise money for park acquisition and maintenance."

V.A.: We had gone through a period of time where we actually closed some parks because we couldn't maintain them. Couldn't get the budget to do it. We certainly couldn't acquire any new ones. And Oregon really does have probably one of the finest park systems in the United States, but it was just sitting there without - and in some cases without any maintenance at all. So we needed some boost for the parks.

C.H.: Also an Oregon Conservation Corps modeled after a seven year old California program was endorsed by you, and the Corps would be funded by a tax on soft drinks at the wholesale level, the equivalent of about one cent per container?

V.A.: Yeah. Those things were all doomed to start with.

C.H.: Did you realize that it was going to be doomed?

V.A.: Well, you know where you're going to have a real battle and whether it's worth the battle. And you pick things that you think are worth it, and you know it's going to be tough.

C.H.: Even though you think that you might lose, the battle is still worth it?

V.A.: Yes. If you think it's right, jut go forward, if you think strongly enough about it to spend the time at it.

C.H.: I imagine that retail stores really fought that?

V.A.: Oh, yes, and distributors and everybody else. Sure. I just saw a truck coming to work this morning, it was a beer

truck, and it said, "Your beer is going to cost you 123,000 more." Anyway, it relates to the taxes that are being debated down in Salem.

C.H.: Where is the current debate on that?

V.A.: I don't know where it is. I haven't heard anything about it.

C.H.: You also requested a 21 percent increase in your office budget. You had asked for about \$3 million from the state general fund to run the office and pay the 29 people employed there, but the legislative committee cut the increase back to 15 percent, and you said that your position as Governor had been demeaned and pledged a tougher stance in dealing with the legislature. Did that set the tone for the session, that competition?

V.A.: This is what really got me quite angry is that all the years that I'd been there in the legislature the Governor would make a request for their budgets, and you know, generally the legislature would approve it. "That's the Governor's, and if we don't like it, we'll take shots at him."

Where they would take my budget in detail and really work it over. I tried to find out what the legislature's budget was. Now, that is not easy to do. And I said, "Okay, if you're going to be that way about it, I mean, I never fool around with your budget. If that's what you say you want, that's what you say you want."

[End of Tape 38, Side 1]