

VICTOR ATIYEH

June 11, 1993

Tape 34, Side 2

C.H.: This is an interview with Governor Atiyeh. This is Tape 34, Side 2.

At the beginning of 1982 there was a record of a special session from January 18th to March 1st, and it was to deal with the \$300 million state deficit. By law in the constitution, the state can't have a deficit. So how did you go about solving this?

V.A.: Well, we really can cover at least the first two of the three I called in 1982 by saying it was really a combination of cutting budgets and raising revenue. Raising revenue wasn't necessarily meaning raising taxes. We did things like - Oregonians were paying their taxes on an annual basis. A <sup>MOST</sup> <sup>TIME</sup> lot of people were paying their taxes on withholding on a monthly or weekly or whatever it was basis to the federal government. So we sped up, particularly those that were self-employed, in making estimates and paying quarterly - they were doing that on an annual basis. So we sped it up, and this was what you call a one-time thing. A lot of money came in.

It was all going to come in at some point in time. We brought it in to our own biennium fees that really were costing more to perform a service - whether it was a fee, a license fee or something like that - it cost more to perform the service than they were being charged. So we raised the fees.

Actually, as I said earlier, it wasn't a matter of raising money in this case, it was just a matter of making it pay for itself. And there was some money-raising involved, although I can't remember the details. By and large, the first two were a combination of cutting budgets and raising revenues. That was of

course quite contentious. This was 37 days of - It was the longest special session in our history.

C.H.: *The Oregonian* said that cooperation between you and the legislature had unraveled by the 1981 session and that the legislature, including many of the members of your own party, dismantled your \$233 million tax package. And they went on to say, "Some believe the failure embittered him and laid the groundwork for his most critical legislative encounter, which began in January when he called the special session to deal with the deficit that was originally set at \$237 million but was ultimately revealed to be \$100 million more. In a shift of strategy that many legislators found disturbing and even shocking, Atiyeh recommended that most of the original deficit should be taken from state agency budgets. House speaker Hardy Meyers found the change in direction from taxes to budget cuts so startling that he believes it disqualifies Atiyeh for a second term." How would you respond to that?

V.A.: Well, you know, this is an election year.

C.H.: Surprise, surprise.

V.A.: You know, it was interesting, that whole process. Incidentally, Ted Kulongoski was a senator. So now he's embroiled. He has to vote. He's a legislator, and obviously an opponent. And so you kind of watch, you know, what's Ted doing. That was the shameful part of it, in my mind. He was nowhere to be found. Just this low profile, he kept his head below any trench while the bullets that were flying as he could, and you know, to me ... Obviously I'm out there, bald as you can get. And I would have to say, certainly in my defense - I heard what some of the quotes were - it was an election year. I knew that.

But still I called the special session. We had to balance the budget. I couldn't take into account the fact that I was running for office. You know, you could avoid criticism, just don't call

it, but you're going to get deeper and deeper in trouble. So I'm responsible. As soon as I found out there was trouble, we called a special session, you know, we had to prepare for it, but as quickly as you could. Because every day you were spending money, and that's fewer days to save money. And so here I am out there doing that, which I believed. I mean, that's what I believed. I had to do it.

C.H.: Does the constitution require you to do it within a certain period of days or weeks?

V.A.: No. No, it just says you can't have a - it doesn't give you any measuring stick as to when you can, and there was always a question also of how much a governor can cut by himself. And again, there's no real definition to that. Obviously, the governor can make some cuts. But 230 or -40 or -50 million dollars, that clearly is more than a governor <sup>SHOULD</sup> could cut. But again, there's no preciseness to that. Ten million maybe, fifteen million maybe, you know, who knows? But at some point when you make a cut, you actually make a program change of some kind, and so you're really getting into the problems of what the legislature is all about.

C.H.: Right. Yeah, and in fact, that's something that I wanted to talk a little bit more about, because that became very controversial. But you did increase income taxes and cigarette taxes, or that was part of the increase to be able to make up for the shortfalls, isn't that right? And then you also cut state agency spending and aid to local schools and the emergency fund. Did you find the legislature agreeable to those things, or was it just a tough fight all the way along?

V.A.: No, it was a tough fight. In this case, that 37 days was a long time. It was a tough fight all the way. And you know,

they had mixed emotions themselves, but many of them were running for re-election and - it's a tough field.

C.H.: Why did you look towards budget cuts instead of raising revenue at this point? Because you'd looked at raising revenue before.

V.A.: Well, again, here I am also trying to work for economic development, and to my mind there's a limit as to where you can go, how is it going to cost you to be a citizen of Oregon, how much is it going to cost you to do business in Oregon. There's always that kind of balance. You know you've got to keep services going, you know you have to make some cuts, but at the same time there's a limit to what you can do in terms of raising the revenue. So it was always this balance in my mind. Are we going to get clear out of joint with the terms of our economic development effort? And you know, so I come to a conclusion. This is the delicate balance. The legislature obviously has their own views on that subject.

C.H.: Well, the legislature couldn't decide either, because they were going back and forth between the Senate wanting to rely on income taxes and the House wanting to pare back legislatively the unpopular property tax relief program. So they had their own problems, didn't they, trying to come up with something united?

V.A.: Yeah, they were trying to rationalize the whole thing themselves, sure.

C.H.: But you relied more heavily on cutting state agency budgets and proposed, for instance, the doubling of beer and wine taxes, which was rejected by the legislature. Why did they reject that? It seems like an easy place to go.

V.A.: Well, the lobby's pretty strong, and we do have a beer and wine industry, small as it might be. Blitz Weinhard, primarily.

C.H.: But you did also propose a major restructuring of the state property tax laws, didn't you? The tax relief program. But that was rebuffed by the legislature.

V.A.: That's right.

C.H.: It seems like you were going, as you were sort of squaring off with the legislature, you were getting sort of into a tighter and tighter corner. Is that true?

V.A.: Yes, but I just believed that you had to fight for what you believed in. I also believed that - remember, coming back to my view of the branches of the government - that it was clearly within the authority of the legislature to do what they wanted. I began to take my agencies to task because we would develop something in terms of the budget, and they would go to Ways and Means, and then Ways and Means would cut, and they'd say, "Well, I guess we can live with that."

I got very testy with my agencies. I said, "Wait a minute. If you can live with that, then we should have lived with that before we presented the budget. We have to deal with what we think is the right thing to do." And I told them, "Look, your job is not just purely to defend the budget because it's the governor's budget. You and I worked on this budget together. So you tell the legislature, you know, you can cut, that's your right. But if you cut, this is what's going to happen. So now you're the expert. Tell me, ma'am, what the effect is going to be. Let them decide what they want to do, but join them in the participation."

Out of that, incidentally, came something very funny. Keith Putnam, he was Adult and Family Services - welfare - great sense of humor. But I had told him, "When you go to Ways and Means, you defend that budget. And if they want to cut, you don't participate in that cut. You tell them what the effect of it is, but you don't say, 'I can live with that.'" So at one of the staff meetings,

Keith said, "Governor, I wish you weren't so tough. They keep beating up on me until you give up."

C.H.: Doesn't sound like a very good position to be in, does it?

V.A.: Yeah. "They keep beating up on me until you give up." Well, that was contentious. I recall it being very contentious. I was angry, they were angry, you know, I wanted to go one direction, they wanted to go another direction. But the fact is, we still had to balance the budget.

C.H.: Well, going on to this issue of selective versus broad-based across-the-board cutting, you were under the belief that you could selectively cut rather than do a broad-based across-the-board cut. But why were you not in favor of an across-the-board cut? I mean, it seems like that would have a sense of equality to it that would lend to more popularity, if everybody had to sacrifice equally.

V.A.: You recall some time ago on our tape I was giving you an illustration of what an across-the-board cut would do, and I picked the people on welfare. And there were some that were just, because of their income, were just barely inside of welfare, and then there were some at the very bottom of the ladder. And if I made a ten percent uniform cut, those that were just barely in probably could live pretty well, at least it wouldn't hurt them that much. Those on the bottom, it would be a matter of life or death. And they're all in the welfare pot, every one of them. And that's why I didn't believe that a uniform cut laid over everybody was the right way to go. And there are smaller agencies. Let's take a ten percent cut on them would be - you know, they maybe have three or four people doing something - would have been very severe. A ten percent cut on a huge agency like Human Resource, you know,

they wouldn't like it, but they're going to survive it. Again, that's why the uniform cut just doesn't really apply well.

C.H.: But there were a lot of people, especially in the legislature, who believed that when you reduce the budget selectively you're actually making your own evaluations of the relative worth of state programs, and most legislators saw this as a dangerous precedent and a usurping of powers by the governor of what should belong to the legislators. Actually, somebody went to Attorney General Dave Frohnmeyer to get an opinion on that.

Was that the legislature that went to him?

V.A.: Oh, it may have been. I don't recall it. You mean, this was before the special session?

C.H.: This actually, I think, happened after the special session, but was in reference to the cuts that you were making.

V.A.: I really didn't make any major cuts anywhere without the legislature. Because - again, back to the question of how much can you cut - I could have said I don't need you, I'll make all those cuts myself. Obviously, that would have been the full explosion of this argument you're talking about.

C.H.: Right.

V.A.: It was my opinion that if there was going to be a program change of any significance, that's a decision the legislature should make, and not the governor.

C.H.: In *The Oregonian*, they were saying that in the past, the legislators have operated with the understanding that in the event of a deficit the governor would use allotment control powers that were derived from a 1952 constitutional amendment and later specified by statute to give the governor power to make agency money available periodically through a biennium and thus insure that his entire budget would not be spent for the first year, leaving the agency penniless in the second year. Or that the

allotment control powers could allow the government to deal with small shortages by simply not making money available that the legislature had appropriate.

V.A.: If I recall this correctly, it all spun around a uniform cut, that you could do this but only uniformly. Two percent, three percent, five percent, whatever. But if you tried to do it selectively, that was going beyond your authority. I think I'm pretty accurate on remembering it that way. And as to whether you could do it up to five percent or three percent or four percent or six, I don't recall that part. But there was authority to do it. Getting back to the way I thought it ought to be done - that is, selectively - I think any decisions of the court, or anyone, that historically that you can't do it that way without the legislature.

C.H.: Well, it was assumed by a lot of people at the time, earlier, before your governorship, that it was taken for granted that this allotment power allowed the government to reduce budgets only across the board and not by selective cuts in agencies. And this was an important distinction, because if a governor reduces budgets across the board, he's following in essence the budgetary guidelines set by the legislature, but if he reduces all budgets but keeps them proportionately at the level the legislature approved, but of course if he makes his own selective cuts, then he's following his own guidelines.

V.A.: That's right. I'm trying to remember this court case, you know, because I told you the way I felt and believed in, and that is that if I made cuts, which is the way I did it, on the selective basis - and also, it was that and the size of it - and that there was no question in my mind, you had to call a special session.

C.H.: The Attorney General did say that you had the right to be able to make the cuts selectively, but there was some feeling that the timing of this opinion, which was less than a month before the preliminary revenue projections would be made, caused some to feel that there was a political motive behind that.

V.A.: That's an election year.

C.H.: And *The Oregonian* said that "Atiyeh, who is seeking re-election, is why they believe to fear a special session which would force him to make some unpopular decisions, and if he did not get his way, he would appear to be a weak leader."

V.A.: That part never entered my mind. That's an exterior observation which most people would find very acceptable, but that was never, ever in my thinking. And if you follow my career, actually I've probably made the most controversial offering on the last special session, which was in September. And now we're only talking about October just two months away from the election. So, you know, if I was looking out for my hide, actually January would have been a good time to do all those most unpopular things because hopefully people will forget it by November. But I made the most controversial on the last special session I called.

C.H.: In the June special session, you allowed for state pay cuts to be made. But in the special session in September, you were actually requesting \$81 million to come from SAIF's \$200 million surplus. And the legislature approved that, didn't they? And then Norma Paulus began an investigation of SAIF at that point.

V.A.: Yeah, that was highly controversial. And as I say, if I was trying to avoid controversy because of the election, I sure would have done something like that in January rather than in September.

C.H.: To allow more time to ...

V.A.: But what I actually did was respond as quickly as I could to the shortfall, because I knew I had a limited amount of time in which to save, and by the time I got to September, I had run the full gamut of cuts in revenue. I mean, my answer for example on the - some called it raiding SAIF - was that I'm not saying this was the great solution; it's just the best of all the bad ones. Everything's bad; this was just the best of the bad.

C.H.: Why were there so many - so much continuing shortfall, and why was it ...

V.A.: This was really at the very depth of our recession. Unemployment, we were - I don't recall - certainly we were the top four highest unemployment states in the nation. We were 12.6 percent at our highest unemployment in Oregon. Now, you stop to think, that's a lot of unemployment. Obviously, as we talked earlier, if people aren't working, they're not paying taxes. They're not paying taxes, government can't spend, you know, we don't have the money to spend. So this year, 1982, was the depth of our recession and the highest unemployment.

C.H.: Looking back on those special sessions in 1982, do you have any further feeling about them, or how do you assess their success?

V.A.: Well, the most contentious, obviously, was the first one. Thirty-seven days, all the arguments that went on, it also was the largest amount of dollars. The next two were one day. And they took the recommendations, and got in and got out. In terms of election - and we'll get into that of course - you know, I've said many times, "Here I am, I'm running for office, I'm making proposals no matter what the legislature decides." It was the governor's recommendation, and "I'm doing this in an election year. I'm this also at this point in time at which unemployment is the

highest that anyone can ever remember. And I'm running for re-election."

As we know, the result was historically a win. Which gets me to what I told Republican caucuses and others, that although Oregonians may disagree with what you're doing, if they think that you have good reason, that you're facing the facts, you're squaring with them, you're telling things as you see it is and you're making a decision, they will respect that integrity over maybe their disagreement with what you were doing. I've said it many times that the most political thing you can do is do what you think is right. And that's a hard thing for politicians to accept. They just won't accept that sort of thing. I believe it. But I guess it's because of my personal experience.

[End of Tape 34, Side 2]