

STATEMENT BY GOVERNOR VIC ATIYEH
HOUSE REVENUE COMMITTEE
STATE CAPITOL, HEARING ROOM F
MAY 19, 1981, 10 A.M.

AS DELIVERED

PREPARED TEXT

NEARLY A YEAR AGO I PERSONALLY BECAME INVOLVED IN THE
PROCESS OF DEVELOPING A GENERAL FUND BUDGET. / INCREASED REVENUES
WERE SOUGHT ONLY AFTER I WAS SATISFIED THE AGENCY PROGRAMS HAD
BEEN CUT TO THE BONE. ~~THEN -- AND ONLY THEN -- DID I SEEK~~
~~EQUITABLE WAYS OF BALANCING THE BUDGET WITH SELECTED REVENUE~~
~~MEASURES.~~ / REVENUE RAISING IDEAS WERE NOT EVEN PART OF THE
DISCUSSION UNTIL AFTER THE BUDGETING EXERCISE WAS COMPLETED.

I HAVE PRESENTED TO THIS LEGISLATURE THE LEANEST BUDGET
SINCE WORLD WAR II, 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 \$242 MILLION IN ORDER
TO BALANCE THE BUDGET.

FAILURE TO ENACT THE REVENUE PACKAGE REQUESTED CAN ONLY
RESULT IN TWO THINGS:

FIRST, PERMANENT HARM TO THE QUALITY OF LIFE IN OREGON;
AND

SECOND, AN INEVITABLE INCREASE IN LOCAL PROPERTY TAXES
BECAUSE STATE GOVERNMENT HAD FAILED TO MEET ITS RESPONSIBILITY.

WE SHOULD
~~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 1978-79 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 ALSO
DECREASED INCOME TAXES BY APPROXIMATELY 11 PERCENT.

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 5 PERCENT. / COMPOUNDING THESE CUTS WAS A LOSS OF FEDERAL FUNDS DUE TO BUDGET ACTIONS TAKEN BY THE CARTER ADMINISTRATION.

MY 1981-83 RECOMMENDED BUDGET DOES NOT RESTORE MOST SPECIAL SESSION CUTS, / DOES NOT KEEP PACE WITH ANTICIPATED INFLATION, / AND DOES NOT REPLACE THE EXPECTED LOSS OF OVER 200 MILLION IN FEDERAL FUNDS.

TODAY'S REVENUE ESTIMATES NOW REQUIRE THAT WE CARVE OUT ANOTHER \$77 MILLION, / NECESSITATING AN ADDITIONAL ACROSS-THE-BOARD REDUCTION OF 3 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!

THE BUDGET I HAVE PRESENTED TO YOU, ^{HOWEVER} DOES NOT PROPOSE REVERSING THE TREND TOWARDS FISCAL AND TAX REFORM.

DURING MY 22 YEARS IN OFFICE THE PUBLIC HAS DEMANDED / AND THE LEGISLATURE HAS PROMISED / PROPERTY TAX RELIEF. / IN 1979 THAT PROMISE WAS FULFILLED. / IT WOULD BE A BREACH OF OUR PUBLIC TRUST TO NOW BREAK AWAY FROM THE 1979 COMMITMENT. / TO DO SO WOULD DO IRREPARABLE HARM TO THE CREDIBILITY OF GOVERNMENT.

WE CANNOT / HOWEVER / CONTINUE PROPERTY TAX RELIEF / AND / AT THE SAME TIME LEAVE IN PLACE ALL THE INCOME TAX REDUCTIONS ENACTED IN 1979. / I AM ASKING THAT SOME INCOME TAX REFORMS ADOPTED IN 1979 BE DEFERRED FOR TWO YEARS. / I AM ALSO ASKING FOR A ONE-HALF OF ONE PERCENT INCREASE IN CORPORATE TAXES TOGETHER WITH OTHER MEASURES WHICH WOULD PLACE OREGON'S CIGARETTE AND INSURANCE TAX ON A PAR WITH OTHER STATES.

THE TAX MEASURES I HAVE PROPOSED TO YOU ARE NOT ETCHED IN STONE. / I WILL ACCEPT ANY REASONABLE REVENUE ALTERNATIVE. // BUT I CANNOT ACCEPT THE ALTERNATIVE OF DOING NOTHING. / TO FAIL TO ACT WOULD MEAN IMPOSING ANOTHER CUT OF 10 PERCENT ON ALL STATE PROGRAMS. // LET ME TRY TO PUT IN PERSPECTIVE WHAT ADDITIONAL REDUCTIONS WOULD DO.

A FURTHER REDUCTION IN BASIC SCHOOL SUPPORT LEAVES VOTERS IN LOCAL SCHOOL DISTRICTS A ^{TERRIBLE} HOBSON'S CHOICE. / THEY CAN EITHER RAISE PROPERTY TAXES OR REDUCE THE QUALITY OF EDUCATION. / I AM CERTAIN THAT SCHOOL DISTRICTS CAN / TEMPORARILY / ABSORB SOME CUTS WITHOUT HARMING PROGRAMS. / BUT IT IS ABSURD TO THINK THAT THEY COULD ACCEPT AN ADDITIONAL 10 PERCENT CUT. / THAT IS THE EQUIVALENT OF 2,300 TEACHERS. / TO SAY THAT OREGON'S CHILDREN WOULD NOT SUFFER IS FOOLISHNESS.

STATE FINANCING FOR PROGRAMS FOR THE HANDICAPPED, / GIFTED / AND TALENTED CHILDREN WILL VIRTUALLY HAVE TO BE ELIMINATED.

COMMUNITY COLLEGE DISTRICTS ARE PRESENTED WITH THE SAME ^{TERRIBLE} HOBSON'S CHOICE. / AN ADDITIONAL 10 PERCENT CUT IN THE BUDGET MEANS EITHER HIGHER PROPERTY TAXES / OR / MORE STUDENTS WILL BE DENIED ACCESS TO COMMUNITY COLLEGES.

THE STATE SYSTEM OF HIGHER EDUCATION WILL HAVE TO INCREASE TUITION BY 32 PERCENT / AND ENROLLMENT WILL BE REDUCED BY 6,000 STUDENTS. / SCHOLARSHIP AID WILL HAVE TO BE REDUCED. / WHAT WE WILL HAVE LEFT IS NOT A PUBLIC SYSTEM OF HIGHER EDUCATION, BUT AN EXCLUSIVE PROGRAM FOR THE AFFLUENT. / A MINIMUM OF 431 ACADEMIC AND 258 CLASSIFIED POSITIONS WILL HAVE TO BE ELIMINATED. / THE IMPACT UPON THE QUALITY OF EDUCATION COULD BE DEVASTATING.

PUBLIC SERVICES SUCH AS THE CRIPPLED CHILDREN'S DIVISION, AGRICULTURAL EXPERIMENTATION STATION, AND THE COOPERATIVE EXTENSION SERVICE WILL HAVE TO BE CURTAILED.

THE IMPACT ON HUMAN RESOURCES IS EVEN MORE DEVASTATING. DURING THE SPECIAL SESSION WE REDUCED THE AMOUNT OF CASH GRANTS AND MEDICAL ASSISTANCE FOR FAMILIES ON ASSISTANCE. THESE REDUCTIONS ARE NOT RESTORED IN MY BUDGET. THOSE WHO ARE IN NEED ARE GOING TO HAVE A DIFFICULT TIME COPING WITH INFLATION. IF NO REVENUE PACKAGE IS ADOPTED, THESE FAMILIES ARE GOING TO FACE MORE REDUCTIONS IN BOTH CASH GRANTS AND MEDICAL SERVICES.

MY RECOMMENDED BUDGET DID NOT MAINTAIN THE CURRENT LEVEL OF MENTAL HEALTH SERVICES IN THE INSTITUTIONS OR THE COMMUNITY. AN ADDITIONAL 10 PERCENT CUT WILL FURTHER ERODE THE QUALITY OF CARE IN THE INSTITUTIONS AND REDUCE ACCESS FOR PERSONS IN NEED TO BOTH INSTITUTIONAL AND COMMUNITY PROGRAMS.

ON TOP OF THESE PROBLEMS, THE DEPARTMENT OF HUMAN RESOURCES FACES A \$66 MILLION CUT IN FEDERAL FUNDING IN THE COMING BIENNIUM. THIS IS IN ADDITION TO OTHER POTENTIAL CURTAILMENTS THROUGH REFORMS IN THE AID TO DEPENDENT CHILDREN AND FOOD STAMP PROGRAMS AND LIMITING MEDICAID EXPENDITURES.

THE LEVEL OF SUPERVISION AND EDUCATION AT MACLAREN AND HILLCREST SCHOOLS WILL BE REDUCED.

THREE NEEDED WORK CAMPS IN THE CORRECTIONS PROGRAM WILL BE ELIMINATED.

VOCATIONAL EDUCATION AND OTHER PROGRAMS AT THE OREGON STATE PENITENTIARY AND THE OREGON STATE CORRECTIONAL INSTITUTION WILL BE CURTAILED. / THE NET EFFECT CAN ONLY INCREASE THE AMOUNT OF IDLENESS IN THE INSTITUTIONS / AND FURTHER DETERIORATE THE CONDITIONS AT THESE CROWDED INSTITUTIONS.

COMMUNITY CORRECTIONS AND JUVENILE SERVICES PROGRAMS WILL HAVE TO BE FURTHER CURTAILED.

TAKEN TOGETHER - OUR ALREADY PROPOSED 13% CUT - FOD. CUT @ 10% - 4 LTB. CONSIDERED 10% = 33% REDUCTION

THE IMPACT OF BUDGET CUTS WILL BE FELT IN OTHER AGENCIES AS WELL. FOR EXAMPLE:

THE FISH AND WILDLIFE COMMISSION WILL HAVE TO REDUCE FISH PRODUCTION BY APPROXIMATELY 2.8 MILLION FISH.

STATE POLICE WILL HAVE TO REDUCE STAFF BY 85.

STATE PARKS WILL HAVE TO BE CLOSED.

I KNOW OREGONIANS WANT A CUT-BACK IN THE GROWTH OF STATE GOVERNMENT. // MY RECOMMENDED BUDGET DOES ^{JUST} THAT. // I ALSO BELIEVE OREGONIANS SUPPORT CONTINUING A VIABLE STATE GOVERNMENT THAT PROVIDES ITS CITIZENS WITH THE BASIC/ESSENTIAL/SERVICES. // TO MAINTAIN THIS MINIMUM SERVICE LEVEL SOME INCREASED REVENUE MEASURES ARE REQUIRED // AT LEAST UNTIL THE STATE'S ECONOMY IMPROVES.

COLLECTIVELY TD REVENUE REQUEST ADD UP TO A SIZEABLE AMOUNT OF DOLLARS. THAT SPREAD AMONG EVEN INDIVIDUAL TAXPAYERS IS MINIMAL — IN SOME CASES UNNOTICED. HOWEVER, THE IMPACT ON THE INDIVIDUAL RECIPIENT OF STATE SERVICES IS DEVASTATING.

NO ONE CAN ACCUSE ME OF BEING A SPENDER — CERTAINLY THIS GOVERNMENT IS MORE UNDER FISCAL CONTROL THAN EVER BEFORE. WHEN I SAY WE HAVE CUT TO THE BONE IT IS NO CLICHE'. I NO MORE WISH TO RAISE REVENUE THAN DO YOU. I GET NO PERSONAL JDY IN SO DOING — ~~BE~~ BUT I FIND THE ALTERNATIVE EVEN MORE DISTASTEFUL