

Tape 20, Side 1

CH This is an interview with Governor Victor Atiyeh at his office in downtown Portland, Oregon. The interviewer, for the Oregon Historical Society, is Clark Hansen. The date is February 4, 1993, and this is Tape 20, Side 1.

In our last session we were talking about Senate President Jason Boe and the safety net school issues, and you have a comment that you wanted to make about that.

VA It failed. This was, of course, during the legislative session, which, incidentally, if we want to insert some understanding in how things operated, this is a good time to do it. All ballot measures that relate to the constitution have to be at a general election or a primary, in other words a statewide election, unless the legislature sets another date. So the legislature can set another date for it, and that's exactly what happened here. They set a date during the session. Normally, that would not have come up until the following year in May or November; we advanced it. Anyway, it failed. At that point - and you had read me something. You might read it again.

CH Well, I mentioned that lawmakers had approved a measure in the waning hours to require school districts to seek voter approval of new property tax bases if they previously had asked the people to approve tax levies of more than 6 percent above their old tax basis. And also I had mentioned that the legislature appropriated \$617 million to raise state aid to schools, over 40 percent of the total costs, by the 1978-79 school year, the highest level of state support in many years.

VA Well, we'll take the last one first and I'll get back to it.

CH Okay.

VA It didn't end up that high. You recall earlier we talked about the budgets went up faster than we could control. So we'd say, Okay, we project it's going to go this much, and we'll appropriate this much, and that amounts to 40 percent. I think it ended up somewhere around 29 percent or 28 percent because they went - if they had matched what we predicted, we would have been at 40 percent, but they didn't, they went up higher than that, so our contribution was less.

However, this first part that you mentioned is an interesting thing that people don't really notice very much. It doesn't get a great deal of attention, but it has a significant effect. And I say that to you with really kind of a sense of pride because it was my idea. I talked to Jason, and I said, "Jason, why don't we do this. Why don't we have a bill that says that they go for an election over their 6 percent -" incidentally, in those days they could go 6 percent and no election - "but if they had to go over 6 percent, then there had to be an election." And there were a whole lot of school districts that had no tax base. None. They had to go for election for any budget just to get a budget on an annual basis. As a matter of fact, if I remember correctly, I think, out of the two hundred and - I don't recall now. Two hundred and, let's say, thirty school districts that existed at that time, ten had a tax base. [That's] not quite right; ten had a realistic tax base, that is, one in which they could really operate within 6 percent and really didn't have to go to an election. Some school districts had no tax base and some districts - and I was familiar with that. Beaverton, for example, probably had a tax base of about \$4 million to which they could add 6 percent, but their budget was in the range of \$32- to \$35 million, so they had a

base, but it just wasn't working for them. So I said, Okay, if they go for an election over their tax base, or, of course, if they didn't have a tax base, they had to go for an election for a tax base. Now, all these districts could have done that at any time. They'd just say, We're going to go for a tax base. But they were really reluctant to do it. People were getting antsy about their property taxes, and it was very hard to pass them. So my thought was, okay, if they say, The legislature mandates we have one, now the monkey's off of their back, see. Yeah, I know we've got a tax base out there, but they say we have to have an election for this. "Well," he says, "that's not a bad idea." So it kind of - Jason had quite a few things, and I can recall vividly - during a session, you know, you go up to talk to the senate president at the podium while debate's going on, and you'd say, Jason, when are we going to get this bill? And so we got on the stick, actually introduced the bill late in the session. Introduced it - it had to go through the Rules Committee at that point in time, but that was all pro forma stuff - got it in, passed the bill. I don't know how many school districts before Ballot 5, but I would have to guess more than 50 percent of the school districts, as a result of that one little bill, got a realistic tax base. So nobody paid much attention to it. I thought it would work. It was my idea. I'll take credit for a few things, and I'll take credit for that. And what I presumed would happen, actually happened. Nothing much was said, nobody said anything, it wasn't in the news, it was just something that we passed. But they would go to their constituents and say, Look, the legislature says we have to do this. And actually, it's interesting. OEA really doesn't really like these kind of bills, and the reason they don't like them, they'd rather have school districts with no tax base at all.

CH Why?

VA Because they can go to the people, the voters, and say, If you don't vote for this, the school will close; and once there is a realistic tax base, they no longer can say that.

CH But then there's no dependability on the income flow, is there? I mean, they don't know from year to year.

VA It was always difficult. But, you know, a school district would have one election and it would fail, have two elections and it would fail, but at some point most of the constituents in the school district knew they had to vote for this bill, because if they didn't vote for it, the school was going to close. Let's take Beaverton with its tax base of \$4 million but the budget was, I don't know, \$30-plus million. Now, very clearly, they - they might open for about a month or two with \$4 million, but that's all; they don't have any more money. So they could say to the voters out there, you know, if you don't vote for this, we have to close the school; we don't have the money to run the school. That was the hammer that the voters were under. I might go and vote no once, maybe a couple of times, but I know at some point I have to vote yes.

Now, that's why OEA doesn't think it's good, because they can get all these benefits and do all these kinds of things and get teachers' salaries up and all the rest, and it all comes under this umbrella, if you don't vote for it, we're going to have to close the schools. And so they liked that; they liked that. On the other hand, if Beaverton now had a tax base of, let's say, \$35 million and they could add 6 percent, no more than that, now the bargaining position of OEA for teachers' salary or whatever else is 6 percent. That's it, because the school - if

they go over that, they're going to have to go to an election.

CH And 6 percent a year can accommodate the necessary growth?

VA Oh, it could, sure it could. There's no doubt it can. But they have to go for an election if they exceed this. But in the meantime, Beaverton, at \$35 million plus 6 percent, that's a pretty good chunk of money, and they could probably operate very well and grow very nicely under those circumstances. But let's say that they force School District 48 to go to 8- or 9 percent; whatever it would be, something over 6 percent. The argument, If you don't vote for this, our school will close, is no longer valid because the school won't close. And I tell you, that's OEA strategy. It sounds like a quirk, but the fact is that that's it. Well anyway, I'm really very proud of what that - I'm not sure how many school districts prior to Ballot 5 had a reasonable tax base, but I know at least half did, maybe more than half.

CH Which Ballot 5 are you referring to? The recent one? The property tax limitation?

VA That changed everything, so I have to make my measuring before that. It would be interesting to find out, but I know that a whole lot of school districts all of a sudden, that didn't have a realistic tax base, had one as a result of this little bill.

CH And did the OEA fight you on this?

VA Well, it kind of came and went rather rapidly, and they had a lot of irons in the fire, and I'm not sure they felt the full implication of it. They said, you know, who's going to do that

anyway? Or even if it does, who's going to pass? So I don't think - they were sort of half-hearted. They didn't envision what I did. I envisioned there would be a tax basis, they didn't envision it would happen. My vision was better than theirs.

CH It seems like that would be bad PR for them to fight you on it.

VA They didn't mind fighting me on anything.

CH But it seems like, even if their strategy would be better played out without any tax base, that still asking for a tax base - or fighting a tax base would look bad for them in the public's eye.

VA Not necessarily. They could be on the side of the property taxpayer, but, you know, this give-away-the-school-district kind of thing. So that's - they could come down on the side of the property taxpayers' burden. Actually, they were contributing to them being burdened, but who could see it that carefully. I mean, I've been there and I know - I was on the Education Committee, and I went through - gosh, it was fascinating to go through all of these hearings and calculations on changing the basic school support, our formula for how much. Okay, we've got a pot of money - you said six hundred and whatever million dollars - now we've got to give it out to the school districts. Then, we had formulas, and obviously the best formula is a student count, X hundred dollars. But there are some school districts that had more difficulty than others, and so then you have equalization, it's called. So some districts with the formula, they can't really pull themselves up to the next-door neighbor on their own, so they get a little extra. That's

equalization. And they were always trying to fool around and change that formula. It was fascinating. We'd go through it very scientifically and think of ways in which it could be done, and then they'd take it back and they'd make runs. Okay, under this formula, this is what happens. After all this very scientific and very deliberate work, you get the printout, and what do you do? What do I do? I turn to Beaverton School District 48, or Washington County. How does it affect the schools? So all of a sudden science is out the window [laughter]. How does it affect my school. It was fascinating watching it. Anyway, that's the comment I wanted to make about that. That was late in the session that we actually introduced the bill to do just exactly that, and it worked very successfully.

CH Was the state suffering any in terms of their image by not having school tax bases and safety nets and things like that? I mean, was that a problem?

VA The basis for a safety net or Ballot 5 or Ballot 6 or ballot whatever there was before that, the limitations, the basis was the cost of property taxpayers. And they were just going way up. Actually, basic school support contributed a lot to that, because I can recall, myself, the school district would come to us for a budget and say, We want this, but the state's going to pay for it. That's just basic school support. Oh well, hell, if the state's going to pay for it, that's okay. I'll vote yes. So these are the things that - if you go back through the elections, you'll find, If you don't vote for this, the school will close, those things were said; If you vote for this, the state's going to pay for it. These were all part of the arguments that were used over the years. In the meantime, the property taxpayer was

really getting it. You know, in my tax bill, I think I figured - well, it was over 80 percent. For every dollar I paid in property taxes, eighty cents went to schools.

CH It's still like that, isn't it?

VA Well, it varies. In Portland, I suppose, because it's so large and so much taxable property and they've got city and county and all the rest, a much larger city and county, it might be - oh, they're all over 50 percent. It might be 60 percent or something like that, sixty cents out of every dollar. The variance was so great, even the 1.5 percent, even this Ballot 5, same thing, it treats school districts differently. Let's take 1.5 percent, which [was] on the ballot a number of times. It said that property taxes could not exceed 1.5 percent of the value of your home. Now, in some school districts or some taxing districts - let's stick to school districts. Some school districts in Oregon are less than 1.5 percent. Less than that. Portland was over 3 percent. So you have a school district under a 1.5 percent limitation that doesn't even know it passed. It doesn't affect them at all, because they were already at or below 1.5 percent. But Portland has to operate at half of their budget because they're at 3 percent or more. So when you lay a uniform 1.5 percent, that's presuming all school districts are uniform, but they're not uniform. They're from Portland, over 3 percent, to somewhere else in Oregon which is less than 1.5. Or if you take one that's 2 percent, so they lose half a percent. But you see what I mean; it was so uneven. That's the unevenness of these kinds of things.

And that's the unfortunate thing, that people don't really understand very much about what happens, how their taxes are paid, what occurs and how it happens and the differences in

school districts. I've said, and I still believe, in spite of Ballot 5, which I think the people made a terrible mistake, and I really believe that, but I've said, given the facts, the voter will make fewer mistakes than elected officials will, and I believe that. But I don't think they had the right facts on Ballot Measure 5, which they passed.

CH Well, I know we've talked about this before, but what were people going to do? I mean, the property taxes were getting - were really getting outrageous for a lot of people.

VA That's right.

CH And the sales tax kept being pushed down, and you - were you opposed to the sales tax?

VA I was opposed to the sales tax all but once.

CH And, you, know they talk about that three-legged stool, and we only have the two legs, property tax and income tax, we don't have a sales tax. What are we going to do? I mean, if we raise the income tax level, then people, especially businesses, say...

VA You can't do it. That's not an alternative. It wasn't an alternative then, it's not an alternative now.

CH Then what's the alternative?

VA A sales tax; that is, if you want to raise some money to replace the loss, meaning reduction, of property tax. What Ballot 5 did provided no income except for what the state was using to run the state of Oregon. So, okay, you've got your pot.

Now we're going to take part of your pot to replace the money that's being lost at the local level. That's the tragedy of Ballot Measure 5, among many things. But again, it's just the lack of understanding. All taxes - I don't care how you design it - come from income. If you don't have money, you can't pay taxes, whether it's property tax or income tax or sales tax. If you don't have money, you can't pay it. So all you're talking about is, who pays it, and how much do they pay. That's all. When you start - I watched Congress when they had this revenue-neutral tax reform, and I'm saying, I know what that means. All that means is that you'll pay less and I'll pay more. We end up with a dollar, but where maybe you're paying fifty cents and I'm paying fifty cents, this tax reform gets you paying twenty-five cents and I pay seventy-five cents, but we're still getting a dollar. That's just shuffling it around. All these deductions and all those things, the special breaks and all that, all that does is shift it around. It's still the same pot of money, with the exception of the federal government that prints their own [laughter].

So the whole idea is, the one bad thing about property taxes is that you have to pay it even if you don't make any money. Income tax you pay because you made income; a sales tax you pay because you had money to go buy something. And, incidentally, you can avoid a sales tax by not buying things. Obviously, you can't avoid it entirely, but it's a tax you can avoid.

CH As long as it's a selective sales tax and doesn't apply to food, pharmaceuticals, and things like that.

VA Food and drugs, which is the normal thing. But they still can't escape it altogether because they're going to get something beside food and drugs. But anyway, it's an avoidable - I mean,

you can personally avoid it. You may go buy a thirty-dollar sweater instead of a fifty-dollar sweater, so you save something in the process. There's some way of avoiding it, but you still have to have money to do it, or some money. Property taxes, it doesn't relate to income, it doesn't relate to anything. You own property; ergo, you've got to pay a tax. So that's the unfairness about it.

My approach very consistently, including the one time that I supported a sales tax, which was a package bill - it was the best tax bill I have ever seen, and I've seen a lot of tax bills - but consistently, through all that period of time, was to limit the growth of property tax, because they were growing. Remember back to this basic school support? We'd appropriate money, but they were going up faster than we could appropriate money for it - was to limit the growth so at least the property taxpayer could get some kind of judgment as to what their property tax was going to be.

CH Limit the growth in the rate of assessment or the appreciation?

VA The growth of the property tax.

CH And under that system, then, what would have happened to assessments? Could assessments...

VA It doesn't make any difference what happens. It does make a difference between you and me if - we have had, even before I got to the legislature, mandatory reappraisal six-year cycle. But even that didn't run perfect because it takes a lot of appraisers to do all of that, and counties oftentimes couldn't afford it. We didn't give them - meaning the state - any money to do that.

But, there's only two of us living in this district, and our houses are of comparable value, but yours is assessed at \$50,000 and mine's assessed at \$100,000, but they're comparable. So now we have \$150,000 worth of value, and you have the budgets. So, then, you make a division. That's how you come up with millage, determine how much per thousand dollars you're going to - so now they - having determined that, they apply that millage or that rate against your fifty thousand and my hundred. Now, I'm paying, actually, half of your taxes because our houses are the same houses, but your value is lower than mine. So these are the kinds of inequities that take place, and you try to not let that happen. This is no real science.

CH Well, of course, the problem that people were having was that the rate got lowered after [Ballot Measure] 5 went into effect, and then, at that same time, the values of houses - of some houses in some areas went up, and they actually ended up paying more with the reduced rate because the assessment went up.

VA Yeah, but if you pay more, somebody else is paying less, because the budgets, when you add them all up, are \$100 million. No matter what you do inside, they're still going to get \$100 million. So that means that if you pay more, I'm paying less, because there's still this pot of a hundred million. We're not going to get any more than that; that's all they're going to get, this hundred million.

CH What imposes the ceiling, the hundred million ceiling, or whatever it is?

VA Are you talking about the limitation that I'm talking about?

CH Yeah.

VA You limit the growth of the tax.

CH But couldn't it end up being more than a hundred million, or whatever?

VA No.

CH It couldn't?

VA No, because what happens, independently the city passes their budget, the county passes their budget, the schools pass their budget, water districts and sewer districts and whomever, fire districts, they all have their budgets. All those budgets go to the tax collector's office, and so now we've got all these budgets, and they all add up to \$100 million. Then they go to the assessor, which is usually the assessor and tax collector, and they say, Okay, we've got \$100 million in all of these budgets. Now, how much value do we have out here? Now, they're not taking your value or mine separately, it's the whole pot. Okay, here's the value. Now we'll make the division into the hundred million, and that's - if everything comes out right, this value assessed at, I'll just say thirty mills - actually, that means 3 percent, is what that really means. Okay, if we apply 3 percent against all of this value out here, we come up with \$100 million. Not \$101 million, \$100 million. And so, then, your house is fifty thousand and mine's a hundred thousand, and they apply that millage that they just put there against the value of the house.

CH So it's the same pie just being cut in different shapes.

VA They're not going to get any more money, because that's the way it operates. Budgets versus the value and how much we have to charge all this value to raise \$100 million. It's not really - explaining it is a little bit - and I'm not sure whoever is going to type this up is going to understand what I'm saying, but it really is not a complicated thing. So it's just a matter of people understanding how it happened. They would jump on us at the legislature and they'd say, My property taxes have gone up. You've got to do something about it. And I'd say, Well, wait a minute. I didn't vote for your property tax; you voted for your property tax. Well, they'd usually say, I didn't vote for it, I voted no. But somebody voted yes because it passed. But the point is that it wasn't the legislature that was raising property taxes, it was everyone at the local level that was doing it. Then they'd come to the state and complain to us about it, which is kind of frustrating, but also indicates a lack of understanding that people have.

But then - let's get back to the way things were. What are you going to do? I've got the school district without a tax base. If I don't vote yes, they're going to close, and I know I can't do that. I've got to have them open. So the voter and the taxpayer get pinched an awful lot of the times unmercifully, so there had to be some kind of a control. Now, if I were totally a free-enterprise kind of guy, which I really am, mostly, you know, I'd say, Hey, wait a minute. Why do we have to keep building all these protections. You, pay attention to what's happening in your district; pay attention to what's happening out there and make a good vote with some understanding. But, then, you get to the practical side of life, you know. People are interested in the Super Bowl and what the Blazers are doing, and they're really not paying a hell of a lot of attention.

CH Until it comes around to writing that check.

VA Yeah. You can't really expect everybody to be a student of this whole thing, so, then, you start building in protections; like, for example, the 6 percent is a protection.

CH But that's kind of an interesting idea, because, really, isn't that the essence of democracy, that you do pay attention to those things that affect you, and you're expected to?

VA Sure, absolutely. That's the real foundation and fundamental of America. I don't recall - I've used this expression so many times - whether I've said it before, but I think - well, I would paraphrase our founders of our system of government writing our constitution. Here were all these fellows, and they were saying, well okay, now, what kind of a government are we going to have? There's a parliamentary government, and England is doing this, and this country is doing that, and if we go back in history, the Romans did that. They had a lot of history to work from. What are we going to do? What kind of a government are we going to have. Then - and this is my paraphrase - they said, I wonder if people can run a government? That's really what this is all about. Now, to the degree that people participate and to the degree that people pay some attention and make value judgments, to that degree we have a strong nation. To the degree they don't, and many of them don't, then the country is weaker. Really, they don't understand. I mean, most people don't understand how important they are. They say, Oh, my vote doesn't count. Well, how do you build up to a million votes? It's one at a time. It doesn't - then you start telling them about all the votes that - things that happened...

[End of Tape 20, Side 1]