

VICTOR ATIYEH  
June 23, 1993  
Tape 40, Side 1

C.H.: 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 June 23, 1993, and this is Tape 40, Side 1.

V.A.: Well, we were talking about Hillcrest. And one thing that I wanted changed that we were unsuccessful with, under current law today - and let me just take it this way - a 16-year-old commits murder and is convicted of murder, under Oregon law they go to MacLaren, not to the state prison. They're a juvenile; they're tried in juvenile court. However, at age 21 they're out.

What I wanted to do was when that age came there would be a remand back to the courts so that that could be determined if that person should get out or should go to prison now, to an adult prison because it just didn't seem right to me; a 17-year-old could go to juvenile court and be convicted of murder and four years later is out, just out. Age 21.

But I was not successful in doing that. But it would make sense to me. Remand doesn't mean you're automatically going to go to jail, but remand says you might. It never worked.

C.H.: We've already talked about the governor's mansion, but this is another case where it failed to gain approval.

V.A.: Well, that I didn't initiate. I thought that there should be a governor's - I use the word residence versus mansion. That's kind of ambiguous. Mansion to me is much bigger than a residence, although a residence in my mind is bigger than my home. And I thought we should build it. And the reason I say that is that we could build it then to the kind of specs that would be of

value to a governor; maybe an office in there, maybe a larger room which would be for both dinners or larger meetings, but still a residence rather than mansion. And then there's always the matter of security and how you - where you would build it and how you would build it. So we should build it to our specs.

As we know, it didn't turn out that way. They now have a mansion. Really, they keep fooling around with it, but it's not really totally appropriate for what I would call a governor's use. There is a ballroom, incidentally, but it's on the third floor. You've got to go through the living quarters to get up to this ballroom, which is at the top of the building. That was a house that presently existed.

While we were there that house was offered at half the price that it was bought for when Goldschmidt got that house, same house. But it was not something that I'd push for. I was perfectly happy where we were. It was not convenient for a lot of things. I suppose on one side it was the same disadvantages that the mansion we now own is on the other side, it has disadvantages. But it was perfectly okay, and I was not seeking that the State put up a governor's mansion.

C.H.: Another thing that failed was anti-discrimination guarantees for homosexuals. We've already talked about that at some length before.

Also new state licensing boards for auctioneers, locksmiths, land use planners and private security guards. Does this fall under the same classification as these other things that we've talked about of regulations that don't really protect?

V.A.: That's right.

C.H.: Also there was a ban on private fish hatcheries that failed. Why would there have been a ban suggested?

V.A.: There's just constant concern about mixing fish. Right now we're talking about wild - for instance, I was talking to a fellow, "What's the difference between a wild and a hatchery fish?"

But they're worried about interbreeding and reducing the - what would it be? - genetics, I guess, of the fish so that they really wouldn't be able to survive when they get out to the ocean and the greater numbers come back; they're not as strong as the wild ones. This is a biological thing is really what it is, and if you have private hatcheries then there's not really much control about what goes out into the streams to mingle with the other fish.

C.H.: Also failed was a new Super Board to regulate educational programs from kindergarten through post-graduate work?

V.A.: I opposed that. It comes under the heading "bigger is not better."

C.H.: Is that the old version of the super board that ...

V.A.: Yeah, same thing. It was a Stafford Hansen thing at one time.

C.H.: And we've talked about that, of course.

V.A.: Yes.

C.H.: The papers referred to an ethics law that failed, but they didn't give any details about it. Was that ...

V.A.: I can't remember.

C.H.: And also there was a bill to restrict noise levels at indoor rock concerts.

V.A.: [laughs] Yeah, I guess so.

C.H.: The few times I've gone to those kinds of concerts I always take ear plugs with me.

V.A.: Well, good for you. I tell you, what everybody ought to become is an audiologist selling hearing aids because I have no doubt that those in the 60's at least are going to have to start using hearing aids.

It's interesting, I was just telling my wife the other day, Dolores, it shows you what kind of a gap there is because I was at a stop sign on a - it was four-lane, but two lanes going my way, and there was a pickup truck pulled up next to me waiting for the stop sign to go. I had on my CD's, some of that mellow music; some of it's symphonic and some is - oh, I don't know, let's call it 40's, 50's or 60's or something like that, kind of music. That was playing.

He pulls up, and he's got the window down, and that thing is going, "Boom, boom, boom." I said to her, you know, "There's the difference between our generations". This guy right here is listening to all this stuff that you can hear a block away, and I'm listening to this, you know, what they call elevator music.

C.H.: Right. I felt so relieved when the trend away from boom boxes developed to the trend towards people having their little head sets. It's probably not very good for your ears, but at least it doesn't impose their music on you.

There was a note here in the paper that said, "Governor Atiyeh vetoed a bill that would have given the courts more discretion to grant the custody of children to both parents in divorce cases, saying it went too far because it directed the courts to give preference to awarding joint custody rather than simply giving them an option to approve such arrangements."

V.A.: Basically that's correct. It was a matter that there would be an inclination away from a joint custody situation to one spouse or the other, and I'd just as soon leave that judgment to the courts rather than to say, "This is the way it is." Right now they are doing both; they're doing joint, or, if they feel it's not right, single custody. So I didn't think there was a need for a law.

C.H.: What was your assessment of the 1983 session in terms of the legislature?

V.A.: With the exception of not doing anything about property tax relief, it was probably a normal session.

C.H.: But you had to have another special session in 1992<sup>1983</sup> didn't you?

V.A.: I called a special session.

C.H.: September 14th to October 4th, a fairly long one. And that was regarding a state constitutional four percent sales tax, wasn't it?

V.A.: That's right.

C.H.: You called that. Why did you call it then? Because they didn't deal with it during the session?

V.A.: That's correct. I told them, and I repeated many times, "If you don't do something about this, I will call you back in a special session." This was not a surprise. And so they did<sup>not</sup> and I did. And we did finally come out with a bill, trying really desperately to get something that was reasonable. And now I'm dealing with Grattan Kerans, Ed Fadeley, Tony Meeker, I think.

C.H.: Tony Meeker, yeah. And Barbara Roberts, I think, was the majority leader.

V.A.: No, I'm now into the Republican leadership. So the five of us would sit down and try to hammer out something.

And Ed Fadeley came up with this, and I can't recall the details exactly, but kind of a Mickey Mouse deal, and when it finally came down it was about the only thing we were going to get anything out of. I finally agreed to it, and then of course they declared it unconstitutional and it never happened.

C.H.: The sales tax?

V.A.: Yes, that was the sales tax. But here's the story - I remember telling you, "When we get to there, I'm going to tell you a story."

We met, and the makeup, the spaces in the governor's office is as you walk in, that's the reception office, and then you walk a little further, and that's what they call the ceremonial office, both fairly large rooms. The governor's office is to the - I mean, the working office is to the right, and to the left is the ceremonial room, conference room, a sizeable room.

We would meet in this conference room, trying to hammer out something that - they were in special session, but I'm trying to work out something that the Senate and House will agree on, and particularly the Democrats, so we can get something passed and then go home. And we would have these meetings, and then I'd walk out. Now, I have to come through the door, out of the conference room, and across this reception area to go to my office. And the media is all there. And I'd say to them, "I don't have anything to tell you. We haven't agreed on anything. There's nothing I can tell you."

This happened about three times over a period of a few days, trying to agree on something. Finally I said to them, the meeting, Kerans, Fadeley, "I'm tired of this whole thing. This is the way it should be. I'm going to go out, and I'm going to tell the media that we cannot agree, but this is what should happen." In other words, my plan.

So I walk out, and for the first time there's nobody there. And I went to see Denny Miles, and I said, "Denny, now I've got something to say, and there's nobody here." And we'd laugh about it. It really was funny. You know, there was nobody there waiting, and I'm all geared up, fired up to tell them what ought to happen.

Well, apparently there was some big hearing downstairs in a Senate committee, and they were all down there. So Denny went down there - he tells the story now because obviously I wasn't involved in it - and he started whispering to the different media people, "The Governor's got something to say now." So little by little they start wrapping up. Now, the Senators are having this hearing, and they see all this happening, you know, and of course they enjoy when all the media's there, and pretty soon they all left. And the Senate recessed. The media wasn't there, so there wasn't -.

But anyway, they all came up, and I told them what I thought ought to happen. And finally we came up with that Mickey Mouse thing of Ed Fadeley's, and it was not constitutional.

C.H.: How was it declared not constitutional?

V.A.: I'm trying to remember, and I can't remember the details precisely. But the event I remember so well because now, you know, I'm angry, I'm uptight, I'm ready to tell the press that I can't get any agreements, and I charge out there, and there's not a soul there.

C.H.: Like throwing a party and nobody comes.

V.A.: That's right. "Denny," I said, "I'm ready now to say something, and there's nobody here." Oh, we've laughed about that story so many times.

C.H.: There was a constitutional government spending limit also referred to the ballot to accompany the sales tax; is that right?

V.A.: That would be more or less in local government because we already had a spending limit in the state budget.

C.H.: That's right. Well, the limit would restrict the growth in state and local government spending on the rate of growth of personal income?

V.A.: That's right. Which was the measuring stick that we had in state government.

C.H.: And also enacted was a limit on property tax rates and continued a limit on property tax assessments; do you recall that? The limits would eventually lock schools and local governments into their current seven percent average annual growth rate?

V.A.: Yeah, all of this comes up - we've talked about it before; constantly I want to limit the growth of property taxes.

C.H.: Right.

V.A.: So this is all moving in that same direction.

C.H.: This is all part of the special session.

V.A.: Allowing a growth, but limiting the growth, and this is all moving in that same direction.

C.H.: Also legislators - this must have all been during the special session - cut off most of the funds for the disputed Central Oregon city of Rajneesh Puram, founded by the followers of the Indian guru. What kind of funds were they getting up until that time?

V.A.: As a city, cities got part of the cigarette tax, they got part of the liquor revenues. You know, as an existing city, that was just part of it.

I think those were the two ones, but they were getting money from the state.

C.H.: But it wasn't really an incorporated city, though, was it?

V.A.: Antelope. Remember, they took over Antelope?

C.H.: Oh, that's right. Legislators also voted to override only one of the 33 bills that you vetoed, and that was a measure requiring binding arbitration to settle disputes involving teachers who had been laid off for budget reasons. What can you tell me about that?

V.A.: Well, I'll tell you for the historical part of it. Larry Campbell came to me - I vetoed the bill. Actually, if I'd wanted that sustained, I could have as well. And Larry said to me that this was something that the OEA really wanted and that Larry thought that the OEA might be supportive of some Republican candidates and that he would like to have me not fight it.

That's the story. I could have had that sustained, also.

C.H.: But you deferred to his request?

V.A.: Yes. Well, it wasn't something that I felt, you know, adamantly opposed to. It was something I didn't think was right, proper. You know, I used a measuring stick; you know, if I felt that it was good, I would not bother with it; if I didn't, I would veto it.

I don't know if I really covered it, but the media kept questioning me, should I place my views over the legislature's views. And my answer was that the constitution doesn't say. It says I can veto. And I vetoed bills where there were 90 yes votes, and they were sustained.

And that also bothered me a great deal. There were some bills that I would veto, and then I'd have legislators come up and say, "Boy, I'm sure glad you vetoed that," they having already voted for it. And I'd get a little - I didn't ever argue with anybody, but I'd say, "If you felt that way, why did you vote yes?" But they voted yes hoping I'd veto. Well, anyway.

C.H.: They were covering themselves?

V.A.: Yes. Yes. But that's the story on that bill.

C.H.: Well, the House failed by one vote to overturn your rejection of a bill moving the state's nursing home ombudsman from under your control and into the Secretary of State's office.

V.A.: Yes. But they failed, and a fail's a fail. I don't need a hundred percent.

C.H.: And among the bills that went nowhere was one to change the state's laws governing secrecy of bank records. Legislators said that they couldn't decide whether the bill would really protect the public interest.

V.A.: That's right.

C.H.: How did you feel about the special session? It was a long one.

V.A.: It was a very long one. I was not happy with it, what turned out. I wasn't happy at the moment - by that I mean, at that moment. Obviously not happy when what we finally came up with was not able to go on the ballot. It was not a success, I'd say, it was a failure.

C.H.: A *Statesman* editorial concerning the session said that the grass roots benedictions were included by legislators because they could barely muster the fortitude to refer a sales tax to the voter. Such a low profile in courage represents in the words of one commentator the ultimate development of a rapidly growing trend: legislators terrified of making decisions that will be unpopular in their own districts conduct constant polling. Important decisions must be ratified, so not ratify the most important decision? Which goes back to some of the things that you've already said.

V.A.: Yeah. In little bits and pieces I've given the same idea. And what I just told you: "Gosh, I'm glad you vetoed the bill." There are those kinds of things. I regret it.

C.H.: Jumping ahead, there was another special session on July 30th, 1984.

V.A.: For a unitary tax?

C.H.: That's right. And they were voting to give multinational corporations a tax break by repealing this. This is something you wanted before going over to the Far East?

V.A.: Yes. It should be stated for the tape, though, that Great Britain was just as anxious about that as was - and some European countries - as was Japan. Japan sort of was the high profile in all this; certainly in Oregon it was. But there were other foreign countries that were very much opposed to the unitary tax.

C.H.: What was it about the unitary tax that was so onerous to these foreign countries?

V.A.: There were, I think, two contentions. The first one would be general, and that was that really we're going to tax more than we should. Now, unitary is not a tax; it's a system. Because by itself it's not a tax. And the system was that we would take their gross sales and then we would make a projection of how much of that relates to Oregon, and that's where the unitary comes in. And so there are those that say, you know, you're going to tax too much. That was the general thought.

I think added to that in Japan was that they're very secretive. They don't want to open their books to anybody. And in order to make that determination, we have to go look at their books. So I think there were two reasons in Japan, and one universal.

But they thought it was unfair. They thought it was unfair.

In trying to shape this - this is interesting; do you have a minute? [laughs]

C.H.: I've got plenty of time here.

V.A.: If that's the subject we're on right now; is that right?

C.H.: That's quite all right. We will get into your trips, of course, and how the unitary tax played into it.

V.A.: Having seen what's happened in California and having seen what happened in Florida, both of whom tried it and were

unsuccessful. As you tried to make a change in the unitary method of taxation, there was some unfairness, genuinely so, between the large businesses, who would be favored, and the smaller businesses, of which Oregon has thousands. And so they got into that kind of a fight.

Having gone through all of this, as I said, many times, dealt with taxes, I had pretty much in mind what I wanted to do. The Department of Revenue and all those over there historically opposed any abolition of the unitary system of taxation, and as a legislator I joined them. We had the Multi-State Tax Commission, and I mentioned that. That was the reason for it; that was to keep the federal government from passing any laws that would relate to unitary taxes.

But I said, "Now, look, we're going to do this." And I got the Department of Revenue in and my department head and the lawyers in the department, and I said, "We're going to do this. Now, you figure out how we're going to get this job done."

"Well, Governor, you know, we really ..." So they were dragging their feet, but you know, I knew all of that, knew that ahead of time. Came back, "No, that's not - we're not going to get from here to there, and let's work on it some more." And they went back, and finally after about three visits, and we weren't getting anywhere, I said to them, "Here, this is what we're going to do. I want to take the federal taxable income, and I want to apply Oregon rates to it." That way we were uniform with everybody: small business, big business, didn't make any difference. And if they had a problem with the unitary system of taxation, it wasn't with Oregon, it had to be at the federal level. We removed it from us.

"Oh, you can't really do that; it's too complicated, Governor."

"No, it isn't. Go do it."

They'd come back, and I kept pushing them. "No, this is what we're going to do. I'm telling you this is what I want to do, and this is how we're going to get the job done."

So finally they put it all together. Reluctantly, but they put it all together.

Then I called a special session, and here again I'm kind of chuckling to myself because when you start talking about big business, giving them tax breaks, you know, this goes against the grain of an awful lot of Democrats. And I said to my Republican colleagues I was going to call a special session. "No, no, don't do this, Governor. This is an election year. The Democrats will just raise all kinds of hell."

"No, we're going to do this."

And so the advice from my Republican colleagues is don't do it. But I had a reason, two reasons. One of them was that the Democrats are out campaigning, too, all of the House and half the Senate, and they have to be for economic development. So that's what this whole thing was all about. So, you know, regardless of how they feel, they have to be for economic development.

The other one was that if I wait for a regular session, it is a budget matter because it was I think a \$36<sup>MILLION</sup> reduction in our collection, and so then it gets mixed up with the entire budget, and what's going to happen.

So I appeared before the committee, and I was selling them, and then they got to the budget thing, and I said, "Look, I'm going to present my budget in January, and I'll take care of that at that point." So the budget question was out. We didn't have to deal with the budget question. And I recall watching the debate on the floor, and some of my more liberal friends [said], "This is a travesty on the system, calling a special system" - you know, they

were chewing me out - "but I'm going to vote for it" - because they had to be for economic development.

Well, we got - let's see; I used to know that figure so well - I think we only lost about six votes out of all of those that finally showed up. There weren't 90 that showed up, and that's not unusual. But you know, it was an overwhelming vote, and it was a one-day session.

C.H.: And then later on that really helped with your negotiations?

V.A.: No question. I called <sup>MORITA</sup> Maurita - and I have to preface a little bit. <sup>THERE IS AN ORGANIZATION CALLED KEIDANREN</sup> [indiscernible], which is sort of like our Chamber of Commerce and National Association of Manufacturers all kind of rolled into one, but it's a big business organization in Japan. And they had announced they were coming to look at some states, and then they were going to write a report. Oregon was not on the list. I became aware of it, so then I contacted them and invited them to come to Oregon, which they did. And I think they were really greatly impressed. We put on a really good show for them. And <sup>MORITA</sup> Maurita was the Chair of that. <sup>DELEGATION</sup> Now, he divided his committee into three parts because they had quite a few states to visit, 15 states or something like that. So he divided his committee into three parts, but the part that he was on came to Oregon. So <sup>MORITA</sup> Maurita was here.

He landed. It was a press conference. He was raising hell with the unitary tax, as I'm meeting with him. As we were walking out he said, "Gee, I hope we weren't too hard."

I said, "No, keep it up." And before he left I told him what I was going to do. I had not yet made it public what I was going to do, but I told him what I was going to do.

Now we move forward to the special session, and we passed it. Called him up. I was most anxious because I wanted to make sure

when they wrote that report that the fact that we repealed the unitary tax was in it. Got him off the golf course in Japan and said, "We did it. We repealed it."

Now, Oregon got quite a bit of notoriety worldwide. I mentioned England, for example, and European countries including Japan now, because we were the first state to do it. You know, if we had been the second or third or fourth, it wouldn't have been a particularly big deal.

And at that point, <sup>JAPANESE</sup> banks and a lot of other people were scrambling to find out more about Oregon. Banks were advisors to these major companies, so these major companies would say, "What's going on? Where's Oregon?" And so they had to be experts. So they had to find out real quick, and so Oregon got a tremendous boost in Japan just by doing that.

C.H.: Going further ahead, was there any benefit from Sony, then, as a result of that?

V.A.: No. <sup>MORITA</sup> Maurita got tired, and every time I'd see him, I'd say to him, "You know, we have done very well with Japanese business, but there's a four-letter word we don't have." ~~THAT'S~~ <sup>SONY</sup>

[End of Tape 40, Side 1]