

VICTOR ATIYEH
July 15, 1993
Tape 46, 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 July 15th, 1993, and this is Tape 46, Side 1.

We were talking about your tax plan, the 5 percent sales tax, in the 1985 legislative session, and you were just about to discuss how it breaks down as to who pays the taxes.

V.A.: When you really try to put together a tax plan, really it's pretty simple. It always sounds very complicated, but it's basically very simple. In the large version, where you get most of the money would be with an income tax, a sales tax, property tax. That's where large chunks come from. You can fool around with some other things, but they're minimal.

Then you say, okay, we are going to pay it. We're going to pay a sales tax, we're going to pay an income tax, we're going to pay a property tax, we're going to pay it, and there's no escaping, no matter what anybody tells you. We're going to pay it. And when I say we, I'm talking about basically, I'm going to say middle income because there's more of us there. You can't get anything out of those that are on welfare, and you could all the money of what you call wealthy, it wouldn't be a dent in what our requirements are. So it's a matter of numbers, and that's where we are, most of us.

Incidentally, I heard one time a kind of a definition that there's a group of people that have an uncomfortable amount of

income. They have too much to enjoy the benefits of the poor, but not enough to enjoy the benefits of the rich.

C.H.: Middle class.

V.A.: Which is where we are.

All right, so then, the whole point in putting a plan together, and there's two things that are not possible. One is you can't have a change and retain the status quo. Sounds contradictory, but it's a fact. You can't have a change and retain the status quo. The whole matter of really trying to determine how close we could come to balancing out. I mean, you and I are different, but we take the two of us together and somehow we balance out.

So when we start dealing with sales tax, which has the element of reducing property taxes and reducing income taxes and inserting in there a 5 percent tax, the whole idea was to - I don't want to use the word neutral, because it isn't - but basically, we're going to come out pretty even. It may be a little more for some and a little less for others, depends on how much property you own, how much you buy, how much you make, you know, that's going to vary.

And so when we put this plan together, and I had never ever supported a sales tax, I said, "This is the best tax plan I've ever seen." And so I came forth and supported the sales tax for the very first time since 1959. Incidentally, you'll be interested, people don't really care why I didn't support a sales tax, just as long as I didn't support it. But my reasons were different than anybody I'd ever heard, because I said to myself, when you pay an income tax, you know how much you pay. And you really don't like it, but you know exactly how much you paid in taxes. With a sales tax, you don't really know. It is a very, very unusual rare person that will sit down and every time they spend a penny in a sales

tax, they put it down in a book so they'll know exactly. So what you have, really, is people paying taxes and they don't really know how much they spent. But they get very angry about property taxes, they get very angry about income tax, and they know exactly how much they spend. And in that process of being angry, they keep pressure on the legislative body not to spend. So that was the reason I said I don't want an anonymous tax, I want it to where it hurts. If it hurts, then the people are going to keep pushing on their elected officials not to spend. You know, that was my reason for not supported the sales tax.

C.H.: But that changed.

V.A.: Well, it changed in the sense that I knew we had to relieve property taxes. Incidentally, this plan also contained an element of controlling the growth of property taxes. We had to lower that. I wanted to lower the income tax, at least the rate, so that we wouldn't be up there known as being the highest tax rate or among the highest tax rate in the nation. Rate doesn't mean that much, because you can have a high rate, a whole lot of exemptions, and tax very low.

I think I mentioned earlier, we only tax half the income in Oregon because all the rest are deductions and exemptions. But nonetheless, this is all external. And that I wanted to lower that, that was my economic development hope, and we would insert the money to give stability to schools for education, so anyway, put the whole thing together, and that's the way I looked at it. But somebody said it's a sales tax. Well, yeah, it was a sales tax, but it also was reduction of property tax and income tax. Well, that never got into the conversation.

And also, I found it very, very interesting, I would continually say it's in the constitution. Now I knew what that means, but you know, a whole lot of people didn't know. They said, "Yeah, you guys can change it." No, we can't change it - you know, it's in the constitution. So I always would, after a while, when the realization came to me, I would explain what it means "in the constitution." Then I would say it's in the constitution.

You learn as you go, even after twenty-some-odd years in politics. Okay, so that's the way I always looked at it, any plan, any tax plan, and I had the sense, as I mentioned earlier, of having studied the annual report of the Department of Revenue, about who was how, the number were where and how they fit, and I felt very comfortable about this. I felt very comfortable that this was even-handedly treating Oregonians, at the same time addressing some very serious problems.

C.H.: The plan would also result in the state picking up a large tab on the school support.

V.A.: That's right.

C.H.: And go from 30 percent to 80 percent, I believe.

V.A.: Yeah, but that was the result of a function of that sales tax pumping in the money.

C.H.: It would be reduced then in another area, in terms of the general budget from the income tax ...

V.A.: Yeah, that's right, exactly. You see, the money was then basically dedicated to education, and so that was the function, that was how the percentage went up.

C.H.: Well, the reaction to the plan was initially quite favorable, wasn't it?

V.A.: Yeah, but that's usually the case.

C.H.: It is?

V.A.: You go out in the street and you see the polls: Would you consider a sales tax? Well, yeah. That usually comes out like 49-51, or 50-50, or something like that. But when it comes time to mark in the ballot, Oregonians, they just, it's not in them. A sales tax, no. And they just won't listen any further.

C.H.: It was surprising that some of the people that did support you are people that, at least according to the news reports, I wouldn't have considered normally to have supported you. Like Kitz and Katz supported you and Larry Campbell opposed you. He was your supporter otherwise and the AFL-CIO considered reversing its opposition and supporting the sales tax. Firefighters, teachers, public employees supported it. It really was quite interesting, the general supported that came out.

V.A.: Well, that just shows you, though, what I mentioned earlier. There's this genetic thing that ^{SMB} taxes click and the mind turns off, and I told you earlier, someone says regressive. That's all they have to say. One word. If I were to try to prove it isn't regressive, it's going to take me about four or five minutes and nobody's going to listen that long. You know, when it comes to taxes, they just won't listen that long, and that's the problem we have and tried to modify.

And incidentally, it would be good, instructual in the tape to know that the legislature can pass a tax bill. They can pass it. There's no impediment to passing a tax bill. But you always see it referred, and the only reason you do that is it's going to be referred, so why put the people through all that trouble. Somebody's going to refer anybody's tax bill, so you know, they refer it, just naturally refer it.

C.H.: Is that also a way of ducking a controversial issue?

V.A.: It could be for some, but not necessarily. It's just a matter of saying we know they're going to do it, you know, why put them through that trouble, let's just go ahead and do it. That's why it happens, that's why it comes about.

C.H.: Later on, the AFL-CIO voted to oppose the tax, later on in 1985.

V.A.: I did want to mention I said there were two things about any tax plan. The other one was there has never been nor ever will be a perfect tax plan, mine or anybody else's. There just isn't such an animal, it just doesn't exist. And so somebody can always pick, yeah but, okay.

C.H.: Also the Education Association, OEA, came out with its own 5 percent plan and one of the major differences between the plans is that their plan would dedicate 80 percent of the revenue to offset local school property taxes and 20 percent income tax they felt a concession to the state's business community. Were you able to work with them, and if not, why? Why did they want to come out with their own plan and why didn't or did you consider some kind of an income tax relief?

V.A.: As I reflect back over all the years and where we are today, Ballot Measure 5, I have to credit the OEA and John Danielson for putting us in the soup where we are. Now that may seem pretty hard but when I think back about all the attempts that we made to try to treat the people fairly in Oregon and you now speak of OEA wanting to do their own thing, that the thing they never wanted, I believe, is schools with a tax base and a limit on the growth.

C.H.: Why wouldn't they want schools with a tax base?

V.A.: If they had a school district without a tax base, then the cry would be: "You have to vote for this or our schools will close." When you give a school a tax base and it's been in the constitution for years, they're allowed a 6 percent growth without going to a vote, then you can no longer make that claim. If you go to a 7 percent increase or an 8 percent increase, which means you have to go to a vote, you can't really make the claim that the schools are going to close because they have plenty of money. They may not do as well as they would without that budget, but the fact is they won't close.

On the other side, there are school districts without a tax base, and then there are some with really what amounts to no tax base, and we just write Beaverton some time ago. Those schools have to close. If they don't get a budget passed, they're going to have to close. Beaverton might stay open for a couple of months, then they would close. Some school districts in Oregon have no tax base, and they've closed right away. And so I'm a voter so I'll vote no once, I vote no twice, but I know in my heart that one of these days I'm going to have to vote yes because my school's going to close. Well, that's the threat that the OEA won't let it have. So that's why they don't want schools with the tax base.

Then they don't want to control the growth. One of the arguments that I remembered having as to when I'm trying to map out my plan and there are those in the legislature and outside who want no growth which I think is irresponsible, they might go up to two or three percent growth. They don't want 6 percent. I think mine was 5 percent growth, I don't recall what it was. It was something less than six.

C.H.: I did not hear that it was 6 percent.

V.A.: Well it might have been on that one. There was another plan - it's hard to merge these plans in my mind, but that was always an argument, and if you came down on the side of five or six percent you lost a lot of people because they didn't want it that high. If you came down with four or five percent, you lost a lot of people because they wanted it higher. These are some of the dynamics at work. Because OEA and John Danielson constantly fought us on controlling the growth of property taxes and not being in a position of trying to genuinely establish tax bases, and particularly controlling the growth of property taxes, taxes went way up and people got mad and they finally voted in a tax limitation. And that's why I'm saying to you on this tape for history, as I reflect back on all those years, I would directly lay that at the feet of John Danielson and the OEA.

C.H.: What about the issue of income tax relief? They had supported a 20 percent income tax relief.

V.A.: They didn't care nearly - they didn't really care about income tax relief. That was a sort of, you know, "Give us a big chunk and we'll give you a little bit."

C.H.: Would it have made a plan more palatable to have income tax relief?

V.A.: Oh yeah, we did in ours.

C.H.: Oh, you did. What was your plan?

V.A.: This is the one we're talking about in 1985.

C.H.: But what element was dealing with lowering the rate?

V.A.: We weren't talking about 20 percent or anything like that, and again I'm just talking about the cosmetic thing. It's printed in the book, tax rates, you know, these nationally

published things, and I just wanted to get the rate down from the top where it was.

C.H.: Their plan would peg future budget increases on the growth in personal income, unlike your plan, which allows for limited elections to set income tax bases.

V.A.: Okay, but just to argue the point for a moment, I told you nobody's plan is perfect, and so I say this is a good plan. You know, this plan, even this one, was not perfect for me but I said I'm not going to get my plan. You have to work within what you think is - I obviously didn't lose my principles - but work within a parameter that says okay, I'll go for that.

C.H.: What would you have wanted?

V.A.: I can't remember now, when you start working details. But when you find that you get down to where the box cars are going to be eliminated or not and things like that, but you mold it. So the OEA say okay, we'll get behind this one. But they didn't. Ours failed and immediately after they came out with theirs, and I said they're wasting they're money. I could tell they were wasting their money. And they did and they went out and bang down it went. And I could have told them all that before. I don't even know why. They certainly could have seen it just as easily as I did that it was a waste of time. So instead of really understanding that they're going to follow with their own and it's going to fail, get behind this one. Nope, they didn't do it.

C.H.: Did they want you to drop yours and get behind their program?

V.A.: I'm not sure they ever really tried to do that, but I wasn't going to do that anyway. I wasn't interested in OEA. I don't mean it that way, I have a great respect for teachers. I

think we have wonderful education in Oregon, I really do. I lament about the future, but I rebel at Five, all that sort of thing, and as I told you before I should say leadership, I shouldn't say OEA. There's a lot of members of the OEA that probably would agree with me, so I have to talk about the leadership.

C.H.: The OEA denounced the funding program tie to the Governor's Basic Education Act because it removes control from local communities and places it in the hands of the state and calls for statewide testing which they referred to as one of the most destructive elements of the bill. They said you are putting every student on the same track and you said you would not support the sales tax unless the Basic Education measure also passed.

V.A.: That's right. What's happened in education generally is that education is geared for the average. Actually geared for probably below the average. When we start talking about testing students, you have to understand what's happening when you test students. You test students, you're really testing the teacher. And that's what the OEA didn't like. It wasn't testing the students, it was testing the teachers. Because if a student doesn't learn - no, that's not quite true, I have to take a class of students doesn't learn, then clearly it can't be the fault of the whole class. There has to be some other reason, and what's the only other possible reason? It's the teacher.

C.H.: But they never put it that way.

V.A.: Oh, no.

C.H.: It also requires that students spend 95 percent of their instruction time on basic education subject. Many complained that that was too specific.

V.A.: Yes, but you see, there's another theory I have. If I go to the store and I want to buy something, I expect if I'm going to lay down a dollar I expect a value. Why shouldn't I do the same in education? I'm paying for somebody's education, I expect them to be educated. And I wasn't getting my money's worth. I say me, I'm not taking it personal. That's the way I view the whole thing.

As a matter of fact, I view that way in terms of Congress and the presidency and the budget deficits. I wouldn't spend my money that way, you wouldn't spend your money that way, but they're spending ^{all} ~~their~~ money that way. And so I'm not getting my dollar's worth, and so that's what I feel. I feel very close to the taxpayer, being one myself, we all are. But I'm saying, "Now, wait a minute; I bought a certain quality of education but I'm not getting it." So that's what we're trying to do. At least someone should be literate, because they're going to go out into the world and they're going to be part of this society. They're not going to be in school all their life. How are they going to function?

C.H.: Who were you drawing upon for your advice in putting together this program?

V.A.: Mostly 20 years on a tax committee.

C.H.: But what about your education proposals?

V.A.: Same thing. I was on the education committee, I was chair of the education committee that came up with the definition of basic education. I've had a great concern about education. I would still say - I would want to make it emphasized in whatever my history is, that Oregon does have good education. I just want it better, and I know it can be better. I know it can be better. So I'm not saying it's lousy, we don't have Tennessee or - the Southern states are always known as having pretty bad education.

We're not like that. So why are we complaining? We want it better. We want good, we want the best. And we weren't getting the best. So that's where I'm coming from. Not that we had lousy educational system, I just wanted it better, and I knew it could be better.

C.H.: Going back to the thing about limiting the tax base. Here I have that the OEA eventually rejected the measure because of limits of 3 percent instead of 6 percent that the tax base could be raised without voter approval.

V.A.: I knew it was lower than six, and actually that's lower than I wanted it to be, but that's where I got pressed. I said okay, I want some increase.

C.H.: Who pressed you?

V.A.: Oh gosh, there was different groups. They wanted it lower, and there's some didn't want any. So 3 percent wasn't bad, it wasn't enough, but it was at least enough.

C.H.: The *Oregonian* was generally positive about your plan, but they had some questions about it and they said that the Atiyeh plan does not provide any sales tax revenues for income tax relief, which were the fifth highest in the nation. Money could be returned to the taxpayer's income tax relief, but we've already talked about that a little bit.

V.A.: Just remember what I said, there's no perfect plan.

C.H.: And also the community colleges would be given independent status with the formation of their own statewide board. I imagine that the OEA fought that as well, didn't they?

V.A.: Yeah, there was a lot of people didn't like that. I though it was a pretty good idea.

C.H.: You've always been a supporter of higher education.

V.A.: Higher education, yes, and education generally.

C.H.: I wondered how the equalization formulas would be computed in education service districts in the O&C counties school districts be treated to insure fair distribution of sales tax revenues.

V.A.: Well, now you're really getting into it because you begin to understand the complexity of trying to put together a plan. O&C only involved a few counties, a relatively few counties. They were getting monies that other counties weren't getting. So how do you treat those counties versus another?

Actually, the major impediment to almost any equalization plan - basic school support plan, there was basic school support and there was that pot of money, then over here was equalization. That's to make some adjustments in between school districts. It was a smaller amount. The big chunk went on a per-student basis, and then the equalization took into account these O&Cs and a few other things that you have to deal with, and then it becomes complicated.

But the major impediment to any significant change always was Portland School District because it was unlike any other school district and so whenever you tried to make some changes among all the other school districts it would have a somewhat negative effect on Portland School District No. 1, and I'm telling you about how many times I've gone through these different formulas. I did mention but it would be worth repeating because I've seen run after run, they'd go back to computers and they would say okay, if you do this, this is what comes out. And we'd get pretty philosophical and we'd think we could do it this way and this way and spend a lot of time on it.

Then they'd run the computer and what's the first thing you do? I represent Washington County. I'd turn the page to Washington County Beaver^{ton} School District. If it didn't hurt them that was okay, if it hurt them it wasn't good. You know, that's the way - you got provincial at that point. As I said before, you can't have a change and retain the status quo.

C.H.: People also wondered about things like renter relief and sales tax exemption and sales tax exemption and sales tax rebates for low income wage earners. There's all these different elements.

V.A.: There's a lot of ways in which people could say I didn't like it.

C.H.: Foster Church had an interesting comment. He said, "Governor Vic Atiyeh confounding critics who say he is too passive has assumed an aggressive role fashioning a consensus for a sales tax package that reverses years of quiet unassertive behavior during which he appeared distant from the hurly-burly of legislative politics and his public image shrank." I think basically he's sort of rephrasing what you were saying earlier about basically staying away from the sales tax issues.

V.A.: Yes. But this is another interesting observation. That's external and I wouldn't disagree with him as to my external image. Let's go internal.

I remember my staff saying to me, "Governor you're stubborn." So the difference was that I knew where I wanted to go, I knew what I wanted to do, and we moved in that direction. That old saying, I think I mentioned to you before, I may walk slowly but I never walk backward. That was all internal, I wasn't trying to put on a big show, I was saying I just want to get results.

Then we get back to what's leadership, and what's charisma, and what isn't charisma, and what's the responsibility of a leader, and all of that kind of consideration mixes into what Foster - Foster's a very - I like Foster very much. He's an amazing guy. If you've ever been interviewed by Foster Church, he's got this book in front of him and he's looking at you and he's asking you questions. And as you're answering, he's writing it. He's looking at you but he's writing what you're saying. He's a brilliant guy.

But all of what you're saying here is really kind of interesting because everybody's got an opinion, as they see it, and his was I was passive. I wasn't passive by terms. I wasn't passive at all. I wanted to get economic diversity in the state of Oregon, we got it. I wanted to move our education up to a different level, we got it. There were things I wanted to achieve that we achieved. But we didn't do it in a flamboyant way, we just went ahead and achieved it. I wanted to reform welfare and we did and we did it without hurting people. So these are things that we wanted to do without trumpets and sparkly outfits. That to me is not a way of doing it. All I wanted was to get from here to there. I would say to you that it's very fair to say a major disappoint was that we weren't able to restructure our taxes and avoid a Ballot Measure Five. We didn't do it.

[End of Tape 46, Side 1]