

REMARKS BY GERRY THOMPSON
HILLSBORO CHAMBER FORUM
TUESDAY, JANUARY 18, 1983, 11:45 A.M.

PREPARED TEXT

OREGON'S BUDGET, AS YOU KNOW, IS A TWO-YEAR FISCAL PLAN FOR THE STATE WHICH BALANCES STATE SPENDING AGAINST EXPECTED REVENUES.

BEFORE WE GO INTO THE DETAILS OF THE BUDGET ITSELF, I THINK IT WILL BE USEFUL FOR ME TO DESCRIBE FOR YOU THE BUDGET PROCESS ITSELF -- AND THE GOVERNOR'S ROLE IN THAT PROCESS.

THE PROCESS BEGAN LAST FEBRUARY. ON THE GOVERNOR'S INSTRUCTIONS, EVERY STATE AGENCY WAS ASKED TO FORMULATE THEIR BUDGET BASED ON THE REDUCED SPENDING LEVELS AUTHORIZED AT THE CLOSE OF LAST JANUARY'S SPECIAL SESSION. WE ALLOWED THEM TO ADJUST THAT BASE LEVEL FOR INFLATION.

THEN -- AGAIN UNDER THE GOVERNOR'S INSTRUCTIONS -- THE BUDGET ANALYSTS OF THE STATE EXECUTIVE DEPARTMENT WENT OVER THOSE BUDGETS AND CUT THE REQUESTS BACK SUBSTANTIALLY TO ACCORD WITH ANTICIPATED STATE INCOME OVER THE COMING BIENNIUM.

THAT IS EXACTLY WHERE WE STOOD WHEN THE GOVERNOR PERSONALLY ENTERED THE BUDGET PROCESS ON NOVEMBER 4TH.

IT IS IMPORTANT FOR YOU TO KNOW THAT THE GOVERNOR ENTERED THE PROCESS WITH A SPECIFIC PHILOSOPHY IN MIND. IT IS A PHILOSOPHY THAT HE HAS USED IN BUDGET MATTERS SINCE HE WAS FIRST ELECTED GOVERNOR IN 1979.

THAT PHILOSOPHY SAYS THAT WE MUST DRAW A CLEAR LINE BETWEEN THE ESSENTIAL AND THE MERELY DESIRABLE. WE NEED TO ASK AGAIN AND AGAIN: "IS THIS SOMETHING GOVERNMENT SHOULD DO?"

WE MUST PROVIDE A MINIMUM LEVEL OF ESSENTIAL STATE SERVICES. WE MUST GET MAXIMUM MILEAGE FROM SCARCE TAX DOLLARS. WE MUST LIMIT THE GROWTH OF PROPERTY TAXES. AND WE MUST TRY TO AVOID TAX INCREASES WHILE TERMINATING TEMPORARY MEASURES -- AND SEEK A BROADER LASTING REFORM OF OUR TAX SYSTEM.

THAT -- IN A NUTSHELL -- IS THE PHILOSOPHY THE GOVERNOR BROUGHT TO OUR BUDGET PROCESS IN NOVEMBER.

HE APPLIED IT TO EVERY BUDGET DECISION HE MADE. IN EVERY PIECE, EVERY SECTION, EVERY PROGRAM OF STATE GOVERNMENT; HE TOOK A LONG HARD LOOK AT THE CRITICAL NEEDS OF OUR STATE. AND HE TOOK AN EQUALLY HARD LOOK AT THE IMPACT OF FURTHER BUDGET CUTS.

WHEN THAT PROCESS WAS COMPLETE -- THEN AND ONLY THEN -- DID HE TURN AGAIN TO THE REVENUE SIDE. IT SHOWED ANTICIPATED GENERAL FUND REVENUES OF APPROXIMATELY \$2.8 BILLION OVER THE BIENNIUM, MATCHED AGAINST CRITICAL MINIMUM NEEDS OF APPROXIMATELY \$3.3 BILLION.

MANY OF YOU KNOW HOW THE GOVERNOR RESPONDED:

- HE SAID THAT THE CRITICAL MINIMUM NEEDS OF OREGON MUST BE MET.
- HE SAID THAT THE MINIMUM REQUIREMENTS FOR A SOUND OREGON FUTURE COULD BE MET THROUGH A CAREFULLY BALANCED PACKAGE OF TAX LIMITATIONS, TAX REDUCTIONS, AND TAX REFORMS DESIGNED TO BROADEN OUR TAX BASE FAIRLY AND EQUITABLY, AND...
- HE SAID THAT TO DO LESS WOULD BE GROSSLY IRRESPONSIBLE TO THE PEOPLE OF THIS STATE.

THE BUDGET NOW BEFORE THE OREGON LEGISLATURE REFLECTS, IN ALL OF ITS PARTS, GOVERNOR ATIYEH'S PHILOSOPHY.

AS YOU MAY KNOW, THAT BUDGET HOLDS THE GREAT MAJORITY OF STATE AGENCIES AND PROGRAMS TO THEIR REDUCED BUDGETS OF THE CURRENT BIENNIUM. SIGNIFICANT RESTORATIONS HAVE BEEN MADE AND FORWARD MOMENTUM RESTORED IN ONLY A VERY FEW CRITICAL AREAS: HIGHER EDUCATION, PUBLIC SAFETY, AND ECONOMIC DEVELOPMENT.

THE FORWARD MOMENTUM WE SEEK TO RESTORE IN EACH OF THESE AREAS IS CRITICAL BUT CAUTIOUS. IN NO INSTANCE DID ANY AGENCY "GET EVERYTHING IT ASKED FOR." THE GOVERNOR IS SEEKING TO STRENGTHEN OR ENHANCE BUDGETS IN A LIMITED NUMBER OF AREAS ONLY BECAUSE HE BELIEVES IT TO BE ABSOLUTELY ESSENTIAL FOR OREGON:

- THE GOVERNOR BELIEVES IT IS ESSENTIAL THAT THE PUBLIC SAFETY OF THE PEOPLE OF THIS STATE BE PRESERVED. THAT MEANS MORE PRISON SPACE, MORE HELP FOR OUR PROSECUTORS, AND MORE ASSISTANCE FOR OUR STATE POLICE.

- THE GOVERNOR BELIEVES IT IS ESSENTIAL FOR THE FUTURE OF OUR STATE THAT OUR ONGOING EFFORTS IN ECONOMIC DEVELOPMENT BE CONTINUED AND STRENGTHENED. THE ECONOMIC DEVELOPMENT PROGRAM HE WON FROM A SPECIAL SESSION OF THE LEGISLATURE LAST YEAR IS WORKING. HE WANTS TO STRENGTHEN OUR CONTINUING EFFORTS -- IN EVERY WAY -- TO BRING ECONOMIC DIVERSIFICATION AND JOBS TO OUR VERY TROUBLED ECONOMY.

● FINALLY, THE GOVERNOR BELIEVES THAT IT IS ESSENTIAL FOR OUR ECONOMY, OUR YOUNG PEOPLE, AND THE FUTURE OF OUR QUALITY OF LIFE THAT THE EXCELLENCE OF OUR SYSTEM OF HIGHER EDUCATION BE RESTORED. AT THIS MOMENT OREGON IS DEAD LAST AMONG ALL 50 STATES IN ITS SUPPORT FOR PUBLIC HIGHER EDUCATION. YET WE SIMULTANEOUSLY CHARGE AVERAGE TUITION RATES THAT ARE AMONG THE HIGHEST OF PUBLIC INSTITUTIONS IN THE WEST. THE GOVERNOR STRONGLY RECOMMENDS THAT WE MUST FREEZE TUITION, BOLSTER HIGHER ED'S ROLE IN ATTRACTING INDUSTRY AND JOBS, RESTORE SALARIES, UPGRADE LIBRARIES, AND MAKE NECESSARY BUILDING REPAIRS.

ULTIMATELY, THE BUDGET RECOMMENDATIONS, MADE BY GOVERNOR ATIYEH, ASK ONLY THAT WE ATTEND TO OUR MOST CRITICAL NEEDS. TAKEN AS A WHOLE, THE BUDGET HE HAS SUBMITTED REQUIRES THE GREAT MAJORITY OF STATE AGENCIES TO CONTINUE TO DO THE BEST JOB THEY CAN AT PRESENT REDUCED FUNDING LEVELS. AND THOSE AGENCIES HAVE BEEN DOING THE JOB -- A TREMENDOUS JOB. YOU SHOULD KNOW THAT OREGON HAS ONE OF THE BEST-MANAGED, MOST EFFECTIVE STATE GOVERNMENTS IN THE NATION.

THE GOVERNOR'S BUDGET WILL ALLOW THAT EFFECTIVENESS TO BE MAINTAINED WITHIN VERY TIGHTLY-DRAWN LIMITS.

LET ME TURN NOW TO THE REVENUE AND TAX SIDE OF THE GOVERNOR'S RECOMMENDATIONS. THESE RECOMMENDATIONS ARE OF THE UTMOST IMPORTANCE. THE WEIGHT OF THE GOVERNOR'S BUDGET RESTS UPON THE INTERWOVEN FABRIC OF HIS TAX AND REVENUE PACKAGE.

THAT PACKAGE HAS BEEN CONSTRUCTED WITH CAUTION, SENSITIVITY, AND CARE. IT SUPPORTS ONLY A HOLD-THE-LINE STATE BUDGET WITH THE MINIMAL CRITICAL ADDITIONS I HAVE DESCRIBED.

WE HAVE FORECAST AN IMPROVEMENT IN OREGON'S ECONOMY IN 1983-85. BUT OUR RECOVERY WILL ONLY BE GRADUAL. STATE GENERAL FUND REVENUES FROM EXISTING SOURCES WILL GROW ONLY A FEW PERCENTAGE POINTS. FURTHERMORE, ALMOST \$500 MILLION IN TEMPORARY REVENUE INCREASING MEASURES AND ONE-TIME PICKUPS PASSED DURING THIS BIENNIUM WILL NOT, BY THE GOVERNOR'S RECOMMENDATION, BE AVAILABLE IN 1983-85. HE HAS RECOMMENDED THAT OUR TEMPORARY REVENUE-INCREASING MEASURES BE JUST THAT -- TEMPORARY. THE BULK OF THEM SHOULD BE ALLOWED TO TERMINATE IN ACCORDANCE WITH HIS PROMISE AND THE LEGISLATURE'S IMPLIED COMMITMENT.

AT THE SAME TIME, HIS REVENUE PACKAGE PROPOSES AN IMPORTANT TAX REFORM DESIGNED TO BROADEN OUR TAX BASE, MEET THE MINIMUM NEEDS OF OUR STATE, YET HAVE THE LEAST IMPACT ON LOWER INCOME OREGONIANS. THE NET RECEIPTS TAX WILL FAIRLY AND EQUITABLY ACCOMPLISH THIS. IT WILL RAISE \$587 MILLION IN PERSONAL AND CORPORATE INCOME TAX REVENUES.

THE MEDIA HAS FOCUSED CONSIDERABLE ATTENTION ON THE NET RECEIPTS TAX PROPOSAL. BUT FAR LESS ATTENTION SEEMS TO HAVE BEEN FOCUSED ON THE CONTEXT OF THAT PROPOSAL.

THE NET RECEIPTS TAX IS A FLAT ONE PERCENT TAX LEVIED AGAINST ALL TAXPAYERS BEFORE DEDUCTIONS OR EXEMPTIONS ARE SUBTRACTED. IT IS AIMED PRIMARILY AT THE 15% OF OREGON TAX RETURNS THAT CURRENTLY GO UNTAXED. IT IS DESIGNED TO BROADEN OREGON'S TAX BASE IN A WAY THAT DEFINES INCOME, AND SO REDUCES THE BURDEN ON LOW-INCOME TAXPAYERS.

THE ALTERNATIVE TO THE NET RECEIPTS TAX IS OFTEN SAID TO BE A STATEWIDE SALES TAX. THE GOVERNOR DOES NOT SUPPORT A SALES TAX, BECAUSE A SALES TAX IS INDISCRIMINATE. IT MAKES NO DISTINCTION IN ABILITY TO PAY BETWEEN THE HIGH, MIDDLE, AND LOW-INCOME TAXPAYER. IT MAKES NO DISTINCTION BETWEEN PURCHASES BY AN UNEMPLOYED WORKER OR A MILLIONAIRE. ITS IMPACT IS NOT REDUCED FOR THOSE WITH LOWER INCOMES. EVEN IF BROAD CATEGORIES OF MERCHANDISE (SUCH AS FOOD OR DRUGS) WERE EXCLUDED, THE EFFECT WOULD STILL BE INDISCRIMINATE ON THE REMAINDER.

THE NET RECEIPTS TAX, BY COMPARISON, IS PAID ONLY BY PEOPLE EARNING INCOME. SOCIAL SECURITY BENEFITS, WELFARE PAYMENTS, AND SIMILAR ASSISTANCE AMOUNTS ARE EXCLUDED FROM THE TAX. TAXPAYERS MAKING LESS THAN \$3,000 PER YEAR ARE EXCLUDED FROM THE TAX.

THE NET RECEIPTS TAX PROPOSAL HAS BEEN PLANNED VERY CAREFULLY BY THE GOVERNOR AS PART OF A TAX PACKAGE WHICH FEATURES TAX REDUCTIONS IN MANY OTHER AREAS, AND THE ELIMINATION OF MOST OF THE TEMPORARY TAX MEASURES OF THE CURRENT BIENNIUM.

FOR EXAMPLE, THE PERSONAL INCOME TAX RATE SCHEDULE WILL BE REDUCED UNDER THE GOVERNOR'S PROPOSAL.

THE LARGEST REDUCTIONS ARE PROPOSED FOR THE LOWEST INCOME GROUPS, BUT THE TAX RATE IN EVERY PERSONAL INCOME TAX BRACKET -- LOWEST TO HIGHEST -- WILL BE AT LEAST PARTIALLY REDUCED.

WE WILL ALSO EASE THE TAX BURDEN BY:

- ALLOWING THE 1982 INCOME TAX SURCHARGE TO EXPIRE;
- RECONNECTING TO THE FEDERAL TAX CODE;
- RESUMING INDEXING OF PERSONAL INCOME TAX EXEMPTIONS;
- DROPPING THE RECENT CIGARETTE TAX INCREASES FROM 10¢ TO 3¢;
- SUBSTITUTING AN \$85 TAX CREDIT FOR THE \$1000 PERSONAL EXEMPTION;

- LIMITING PROPERTY TAXES; AND
- EXPANDING THE RELIEF PROGRAM PROVIDED BY HARRP, WHILE ESTABLISHING AN INCOME LID FOR THAT PROGRAM.

THAT IS THE CONTEXT OF THE GOVERNOR'S REVENUE PROPOSAL -- A PROPOSAL OF WHICH THE NET RECEIPTS TAX IS ONLY ONE COMPONENT.

LET ME NOW TRY TO SUM UP FOR YOU THE TRUE IMPACT ON OREGONIANS OF THE GOVERNOR'S REVENUE PACKAGE, AS BRIEFLY AS POSSIBLE:

IF THE NET RECEIPTS TAX AND THE GOVERNOR'S OTHER TAX REDUCTIONS ARE APPROVED FOR 1983-85, OREGONIANS AS A WHOLE WILL BE PAYING 9.0% MORE IN TAXES THAN THEY WOULD PAY UNDER TODAY'S TAX LAWS. BY AND LARGE, MOST LOW INCOME OREGONIANS WOULD BE PAYING LESS TAXES THAN THEY ARE PAYING RIGHT NOW. THAT IS THE WHOLE TRUTH -- AND IT IS A TRUTH THAT HAS BEEN LESS THAN CLEARLY EXPLAINED BY THE MEDIA.

THE GOVERNOR'S RECOMMENDATIONS ARE INTERWOVEN AND INTERDEPENDENT. THEY MUST BE CONSIDERED AS PART OF A TOTAL REVENUE PACKAGE OF LIMITATION AND REFORM.

THE IMPORTANCE OF LIMITATIONS AND REFORM WAS MADE VERY

CLEAR IN THE NOVEMBER ELECTION.

THE GOVERNOR BELIEVES THAT WE WILL HAVE NO FUTURE OPPORTUNITIES. HE IS INTRODUCING A NUMBER OF LAND USE REFORMS IN RESPONSE TO BALLOT MEASURE 5. I WANT TO DWELL TODAY, HOWEVER, ON THE PROPERTY TAX LIMITATION PROPOSAL GOVERNOR ATIYEH IS INTRODUCING IN RESPONSE TO BALLOT MEASURE 3.

THE GOVERNOR BELIEVES THAT, WITHOUT OUR ACTION AT THIS NEXT LEGISLATURE, BALLOT MEASURE 3 WILL BE BACK. AND THIS TIME IT WILL PASS. WHAT WE FAIL TO DO IN THIS LAST OPPORTUNITY WILL BE DONE FOR US AT THE POLLS -- AND DONE IN A WAY THAT COULD CAUSE IRREVERSIBLE DAMAGE TO SCHOOLS AND LOCAL GOVERNMENT THROUGHOUT OREGON.

THE GOVERNOR'S PROPERTY TAX LIMITATION AND RELIEF PROPOSALS ARE DESIGNED TO RESPONSIBLY LIMIT THE UNPARALLELED GROWTH IN REAL PROPERTY ASSESSMENTS. AND THEY ARE DESIGNED TO PROVIDE ADDITIONAL RELIEF TO LOW AND MODERATE INCOME HOMEOWNERS AND RENTERS.

HIS PLAN ASKS THAT PROPERTY TAX RATES BE FROZEN AT CURRENT LEVELS, AND THE GROWTH IN ASSESSED VALUES BE LIMITED TO FIVE PERCENT ANNUALLY ON A STATEWIDE BASIS. ALL PROPERTY, OWNER-OCCUPIED OR NOT, WILL BE COVERED BY THE FREEZE.

AT THE SAME TIME, HE RECOMMENDS THAT WE COMBINE THE HOMEOWNERS' PROPERTY TAX RELIEF PROGRAM WITH THE HOMEOWNER AND RENTER REFUND PROGRAM. THE "SUPER HARRP" PROGRAM WILL CONTINUE OUR PRACTICE OF MAKING PAYMENTS DIRECTLY TO THE TAXPAYER, BUT WILL IMPOSE A HOUSEHOLD INCOME LID OF \$30,000 TO PROVIDE THE MOST DIRECT RELIEF TO LOW AND MODERATE INCOME HOUSEHOLDS.

THE GOVERNOR'S PROPOSALS ARE DESIGNED TO HALT THE UNCONTROLLED INCREASE IN PROPERTY TAX RATES, CONTINUE DIRECT RELIEF TO THOSE WHO NEED IT MOST, YET PROVIDE THE MEANS FOR LOCAL GOVERNMENT AND SCHOOLS TO RESPONSIBLY MEET -- WITH VOTER APPROVAL -- LOCAL NEEDS.

THE GOVERNOR'S BUDGET AS A WHOLE -- AND THE REVENUE AND TAX PACKAGES THAT SUPPORT IT -- REPRESENTS A BALANCED AND COMPREHENSIVE APPROACH DESIGNED TO PUT OUR STATE BACK ON A SENSIBLE TRACK OF ECONOMIC HEALTH, RESTORE MOMENTUM IN CRITICAL AREAS, AND PROVIDE A MINIMUM LEVEL OF NEEDED SERVICES WHILE MOVING OUR STATE STRONGLY FORWARD THROUGH THIS DECADE AND BEYOND.

IT IS A PLAN THAT REACHES OUT STRONGLY TO GRASP THE OPPORTUNITY THAT IS OURS. IT IS AN OPPORTUNITY PROVIDED US BY THE PEOPLE OF THIS STATE IN AN HISTORIC ELECTION. IT IS AN OPPORTUNITY THAT THE GOVERNOR STRONGLY BELIEVES WILL NOT BE OURS AGAIN.

HE BELIEVES THAT IF THE OREGON LEGISLATURE THINKS ONLY OF THIS BIENNIUM, IF WE INSIST ON LIMPING THROUGH ANOTHER TWO YEARS WITH HALF-MEASURES AND TEMPORARY SOLUTIONS, OUR INACTION WILL DAMAGE OUR STATE FOR DECADES TO COME.

THE GOVERNOR KNOWS HOW DIFFICULT IT IS TO TAKE THE LONG VIEW. BUT HE BELIEVES THE LONG VIEW IS CRITICAL FOR THE FUTURE OF OREGON. WE NO LONGER HAVE A PERIOD OF GRACE. WE NO LONGER HAVE TIME TO EXPLORE EVERY DIFFERENT IDEA OR SUBTLE VARIATION IN APPROACH.

THE GOVERNOR REMAINS COMMITTED TO HIS PHILOSOPHY. HE REMAINS COMMITTED TO LEAN GOVERNMENT, GOOD MANAGEMENT, AND ESSENTIAL SERVICES AT LEAST COST.

IT IS IN THAT SPIRIT THAT HE PREPARED HIS BUDGET FOR THIS STATE. IT IS A ROADMAP FOR TWO CRITICAL YEARS. THE ROAD IT DESCRIBES WILL LEAD TO A BETTER FUTURE FOR OUR STATE.

IT IS A GOOD PLAN. IT WILL WORK FOR OREGON. AND THE GOVERNOR ASKS FOR YOUR UNDERSTANDING AND SUPPORT TO SEE IT PUT INTO ACTION AT THE EARLIEST POSSIBLE DATE.

THANK YOU VERY MUCH.

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