Legislature Has Few Problems Money Wouldn't Solve

By PAUL W. HARVEY JR.
Of the Associated Press

SALEM — Twenty years ago the Oregon Legislature faced the problem of having so much money it couldn't spend it. So it gave rebates to the income taxpayers.

Now things have come full circle. The legislature is faced with a financial crisis for the first time since the great depression of 30 years ago.

This crisis will overshadow all other problems that the lawmakers will face when they meet in Salem Jan. 14. Almost all of the problems center around the need for more revenue.

For the past 20 years, the legislature has had a good-sized general fund surplus on hand. Now the general fund will be $13 million short of finishing this biennium, which ends June 30.

Most of the money problem is caused by the great need of the state's schools and colleges. If it weren't for this, the state might get along for the next two years without a tax increase.

Here are the 10 biggest issues many revolving around money, that will face the 1963 Legislature:

Taxation

• Gov. Mark O. Hatfield favors a net receipts tax, which is a modified income tax that would reach into the lowest brackets and abolish all deductions. He also wants a 4-cent cigarette tax. These would be placed on a special election ballot during the legislative session. There already is strong opposition to his plan.

Constitution

• The Legislature will consider a proposed new state Constitution that has been written by a special 17-member committee. It has sparked much controversy.

Community Colleges

• The legislature will take a second look at its community college program. Some lawmakers feel there should be restrictions on the number that can be created.

Inmate Labor

• The legislature will reexamine the system under which prison inmates do much of the construction and other work at state institutions. Labor leaders oppose the use of such labor.

Higher Education

• Hatfield recommends $68.8 million in this category, an increase of $13 million over the total for this biennium. But the state Board of Higher Education wants $10 million more than the governor recommends. The governor also proposes a $45 million bond issue for higher education buildings that would be put on the special election ballot.

Labor-Management

• Some hot arguments are expected over the AFL-CIO proposals for a state minimum wage and bigger unemployment and industrial accident benefits. The heated controversy over allowing insurance companies to write industrial accident insurance is due for a return engagement.

Highways

• The Highway Commission wants the 6-cent-a-gallon gas tax boosted to 7 cents to provide more construction money. The truckers will battle again for reduced truck taxes. There will be more efforts to issue bonds for highway construction.

Basic School

• Hatfield recommends that the level of aid to local districts be boosted from $120 per child per year to $130. If the legislature doesn't do it, then school districts will have to make up for it by increased property taxes.

Welfare

• Hatfield wants the medical aid program broadened for the aged and he also asks for 261 more welfare employes. He says that the additional employes would make it possible to rehabilitate more welfare cases and get them off the relief rolls.

Milk

• The 1961 legislature passed a law providing for minimum milk prices to producers, but it expired Jan. 1. This probably will become an issue, especially if the distributors start cutting prices.

Other Issues

There will be other issues. One hot one might be whether to abolish the death penalty. This will center about the fact that two young slayers—a man and a woman—are scheduled to die during the legislative session. Other important issues—although not so controversial—center about proposed regulations of real estate developments, such as those in Eastern Oregon; making it easier for cities to annex outlying areas; and revising the form of government for Portland and Multnomah County.

Two Legislators Discuss Problems of '63 Session

EDITOR'S NOTE: The Associated Press asked two well-known and experienced legislators, a Republican and a Democrat, to write about the problems facing the 1963 Legislature, which convenes next Monday. One story is by Sen. Walter Leth, R-Salem, the other is by Rep. Richard Eymann, D-Mohawk.

Eymann

By RICHARD EYMANN

The most important problem facing the Legislature is getting enough money to meet governmental needs for the next bienium.

We have a choice: either a drastic cut in needed government services, or agreeing to pay more money for services we have been getting.

We have been living off a surplus, which now is gone. The state's economic growth hasn't been as rapid as hoped, so if we want to keep the same amount of sevices we'll have to pay a greater share of our total income.

If we don't continue at the present level, the critical expenditures are very difficult to cut. For instance, state aid to local schools reduces the dependence on property tax.

Even if we abolished the entire general government budget of $29 million—which includes the operation of the Legislature, all courts and the entire executive branch—we still would be short $27 million in new money needed, and that doesn't include the bonding proposals for higher education buildings.

In higher education, the boom of students born during the war years is hitting the colleges. If we are to provide these students with the opportunity to make the most of their lives and become producing Oregon citizens, we have to meet the requirements.

The governor has proposed additional revenues of only $49 million to meet this proposed budget. But if he would have been absolutely honest, he would have asked for $56 million. He asked for expenditures $7 million greater than dependable revenues, promising that state agencies would spend that much less.

I welcome his change of attitude on bonding, which he so vigorously opposed four years ago in his inaugural address. Now, he's gone to the other extreme, proposing a $45 million bond issue for higher education over two bienniums.

Bonding should be used, but I don't agree that we should use all of it in two bienniums.

Reform of the income tax is essential. There are a number of existing loopholes that can be plugged, both in personal and corporate tax.

An elimination of the federal income tax deduction from the state income tax would keep millions of dollars in Oregon that now flow to the federal government.

The property tax, earmarked for local governments, raises twice as much money as the income tax. But all of the taxes we pay to any government eventually come out of individual incomes.

The state can assist in shifting the burden to a fairer form of taxation by collecting money for local governments through an income tax, which would result in a direct reduction of everyone's property tax. The amount of this reduction would depend on how much the people want.

Leth

By WALTER LETH

The 1963 Legislature isn't going to have many problems that an awful lot of money won't solve.

The Legislature eventually is going to have to consider a re-evaluation of the entire state tax program. But I doubt if we will get it this session.

Education is the big responsibility facing the Legislature, and education actually might be at a crossroads during this legislative session.

We're approaching the time when college enrollments and college facilities are going to be unbalanced.

Then, of course, the building program of higher education is going to have to come in for strong consideration because of the large influx of students or we're going to face a limitation on the number of students by raising standards.

If we do that, we say to a certain age group, "You're not going to have the same educational opportunities that all others before you have had."

A re-evaluation and re-stating of the policy on the community college program also will be necessary.

An increase in basic school support will be requested and certainly needed. Basic school support is going to be more important in alleviating property taxes than ever before. Property taxes on income-producing property are about as high now as possible.

The Interim Legislative Committee on Agriculture, of which I was a member, recommended a complete re-study of the relationship of taxes on farm property to the income this property produces. The impact on agriculture was all our committee could consider, but this concept also should be applied to other industry.

There is a growing feeling that we ought to have a uniform property tax for education. You're taxed differently now according to where you live, but education is the responsibility of the state and a tax for it ought to be uniform, as it is with the income tax.

A complete revision of the tax structure should be based on at least four different points: The ability to pay; services received; fairness, and promoting Oregon's future development rather than retarding it.

I believe we're going to have to face an election by the people confirming or not confirming the action of the legislature with respect to any tax program that comes out.

I don't think we'll have time to do that during the session, as the governor has proposed.

Constitutional revision and welfare programs also will be important considerations at this session.

Governor Optimistic For Program

SALEM (AP)—Gov. Mark O. Hatfield, who is about to begin his second term in office, thinks the Legislature will approve his financial program.

He knows there is opposition.

"But I have high hopes that the Legislature will pass it, even though it might be modified," he said recently.

He considers his net receipts tax proposal the major point in his program, and believes the Legislature will have to pass it.

The net receipts tax would touch persons who do not now pay an income tax. It would levy a 1 per cent tax on everyone. It also would eliminate all deductions. For those in the higher brackets, there would be a sliding scale of tax rates.

The governor believes his proposal would increase income tax revenues about 10 per cent. He also wants a 4-cent-a-package tax on cigarettes.

"The net receipts tax is needed to broaden the base. The present income tax places an unfair burden on the single man," Hatfield said.

Who Keeps the Store?

Legislating Darn Hard on Wife and Kids

By DAN SELLARD
Of the Register-Guard

Nine Lane County legislators and their families will undergo serious disruptions in their living routines starting Monday morning.

Some of them will leave their children in Eugene, others will take them to Salem. Some will live in apartments and others will rent houses.

In all cases they agree that public service is fine, but it's darned hard on "the wife and kids."

It's also a burden on those who are left behind to "keep the store." These are the business partners who hate to share their colleagues for four or five months.

Literally keeping the store, for instance, will be Mrs. Gene Hulett, whose husband will be a freshman in the House of Representatives. The Huletts run a small grocery store in Eugene and Mrs. Hulett will tend the till while her husband is away.

The Huletts have a son in high school at Eugene.

Representative Hulett has an apartment rented in Salem.

Sen. and Mrs. Donald Husband will do this session as they have for some years — live in a motel apartment in Salem and come home to Eugene each weekend. Husband is a senior partner in a law firm and tries to catch up on things at home each Saturday and Sunday. The couple has no children at home.

Rep. and Mrs. Richard Kennedy have been at Salem for some time. Kennedy was executive secretary of an interim committee, so they and their two children are pretty well established at the capital city. They live in a two-bedroom furnished house. Son Steve goes to first grade at a Salem School and daughter Shannon goes to a nursery school. Mrs. Kennedy, who has previous legislative experience, will be her husband's secretary in the House.

Sen. Glen Stadler and his wife, Helene will be in Salem nearly all the time. Radioman Stadler has interests in stations in the Salem area as well as Eugene so, businesswise, being a legislator will not be a large burden. The Stadlers have rented a furnished apartment in Salem. They have no children.

Rep. Veola Wilmot will be living in Salem in an apartment she is renting from a school teacher friend who is going on a trip. Mrs. Wilmot is on leave from her teaching job at South Eugene High School. A daughter will live in her Eugene place while she is gone.

Sen. Edward Fadeley will keep his one-man law office in Eugene open while he's away legislating, and will come home each weekend. Early in the session he'll try to get to Eugene on Monday afternoons. His wife, Nancy, will be his legislative secretary and the Fadeleys will live in a rented house in Salem. Charles, 6, will go to a school in Salem and daughter Shira will stay home with a babysitter.

Rep. F. F. Montgomery, House minority leader, is co-owner of a Eugene insurance firm and he, also, will travel back and forth to maintain his business ties. "Monte" will live in a Salem motel and his wife, Lois, will stay in Eugene most of the time, tending to the Montgomery children, Dianne, 15, Steve,12 and Vicky, 8.

Rep. Edward Elder, his wife and 13-year-old son Steve, will live in Salem in a rented house. The Elders have rented their Eugene place. Mrs. Elder will work as her husband's legislative secretary. The couple has two other children, one married and one at the University of Oregon.

The most complicated maneuver of all will be executed by Rep. and Mrs. Richard Eymann and their eight children ages 2, 6, 7, 10, 12, 13, 15 and 17.

The Eymanns run a sheep ranch in the Mohawk area, and the family will be divided between there and a house in Salem.

Three of the children will be in Salem when the session opens, four more of them will move there when this school semester ends on Jan. 25 and one, the oldest boy, will stay at the ranch and attend Springfield High School where he's a senior.

Juanita Eymann will be her husband's secretary at the Legislature.

All this maneuvering will come to an end some time in May and the county's legislators will then return to Eugene and normal routines.

Two Professors Call for Major Tax Reforms

But They Doubt It Will Happen This Time

By AL DEN BESTE
Of the Associated Press

SALEM (AP)—The 1963 Legislature should consider major tax reforms, along with raising more money for the state, in the opinion of two political scientists. But both agreed that the Legislature probably will not do this.

The two—William McClenaghan of Oregon State University and Marko Haggard of Portland State College—were asked by The Associated Press the course they thought the Legislature should follow.

Both men are specialists in the field of American, local and state governments. McClenaghan is the author of a widely used high school textbook on American government.

McClenaghan said, "I think it's obvious to most observers —including a majority of members of the Legislature—that the state's tax structure is in serious need of thorough overhaul . . . Unfortunately, I'm afraid the session will meet the state's financial needs in stopgap fashion, probably by adding yet more patches to the patchwork tax system we have now."

McClenaghan referred to Oregon's constitutional provision against attaching an emergency clause to tax measures. This makes it possible for the people to refer the measure before it becomes effective, and to keep it out of force until it is voted on in the next election.

"The ever-present threat of referendum should not persuade the Legislature as it has in the past that discretion is the better part of valor. Unfortunately," McClenaghan added, "I'm afraid that it will."

Haggard called for "a thorough objective study to find out where the tax impact falls" in the state. "I think a great deal of misleading information has been put out about Oregon's tax policy," Haggard said. "For example, a number of studies show that compared to our sister states, we are not only in better financial shape, but have a much better tax policy."

"On this score," Haggard said, the public has been misled, and, "as a consequence, it has put the Legisture in a very awkward position," in examining tax reform.

Haggard said the people did not get a clear-cut choice of alternatives in the recent election.

"There probably wasn't any race in which the major crucial issues were discussed and alternatives present to the voters," he said. "All you had was name familiarity or party labels—and party label does not signify anything."

McClenaghan and Haggard both said that the present property tax is 'the most unfair tax in the state."

"It may have been at one time that property was a fair measure of wealth," McClenaghan said. "That time is long past."

He said the proposal of Rep. Richard Eymann, D-Mohawk, for a local government income tax to offset part of the property tax was good, but that the legislature probably would not pass it. Haggard said Eymann's proposal should be considered by "people who always are hollering about the federal government increasing power. Here is their chance to show that local governments can take responsibility."

Both political scientists said the critical needs of education and higher education should not be treated lightly by the legislature.

McClenaghan said he thought the two-year moratorium on new community colleges proposed by the Interim Committee on Education was a good thing.

Haggard said that "cheap education can always be had, but I think Oregon will want to continue its present emphasis on quality."

And both men said they wished the constitutional revision proposal could pass, but agreed that it did not stand much of a chance.

Haggard said the most important revision needed in the Constitution was a change to annual legislative ssions.

"It is not fair to ask the legislators to try to project two year ahead," he said.

McClenaghan said the legislature will "probably propose a series of relatively innocuous amendments to the voters."

Education Another Money Problem

By DON ROBINSON
Of the Register-Guard

"The biennium 1961-63 has been frantic."

In these words Oregon Chancellor of Higher Education Roy Lieuallen concludes his written biennial report to Gov. Mark Hatfield.

That report and others issuing from the chancellor's office on the third floor of Johnson Hall in Eugene these days reflect two topics of heavy discussion:

• That it has been a scramble to operate the college at high standards under pressure of higher-than-anticipated enrollments during 1961-63.

• And that the coming biennium—from July, 1963, to June, 1965—will require considerable work and money to keep the schools up to the educators' concept of snuff.

Most of the talk now is about money. This is budget-making time. The 1963 Legislature that convenes this week will determine what state funds the State System of Higher Education shall have—funds that pay two-thirds of the cost of running Oregon's public colleges.

It is customary for supplicants at the bar of legislative appropriations to speak of their needs as great. But this year the educators seek to distinguish the 1963-65 biennium from the ordinary, to mark it off as a critical time.

The reason is that higher education feels it has a double task—one to catch up ground lost in the past biennium, the other to meet the rapidly expanding demands in the next.

As brief background. . . . 1961-63 budget was established by the Legislature on predictions that the average enrollment in the state institutions over the two years would be 24,562 students.

When registration lines had done their work, enrollments were 11 per cent over the prediction in 1961-62 and 16 per cent over this year (1962-63).

To meet this emergency the State Emergency Board could put up only $150,000 in extra funds the first year. During 1962-63 the State Board of Higher Education augmented its resources by raising tuition $30 a year for resident and $60 for non-resident students.

There was talk of limiting enrollments by raising admission standards. This was not done and the state board asserts that it has no wish to do so in the future. As one of its formally adopted objectives the board is committed to "permit a maximum number of Oregon's qualified high school graduates to attend college."

At any rate the state system is now submitting its request for state funds for the next two years. What are they? And what are they based upon?

(The State System of Higher Education is composed of the University of Oregon at Eugene; Oregon State University at Corvallis; University of Oregon Medical School, University of Oregon Dental School, and Portland State College, all at Portland; Oregon College of Education at Monmouth; Eastern Oregon College at La Grande; Southern Oregon College at Ashland; Oregon Technical Institute at Klamath Falls; and the General Extension Division. The latter furnishes, through the institutions, extension and night courses.)

(The State Board of Higher Education, which directs the entire system's operations, is composed of nine citizens appointed by the governor. The board's administrative arm is the chancellor's office in Eugene.)

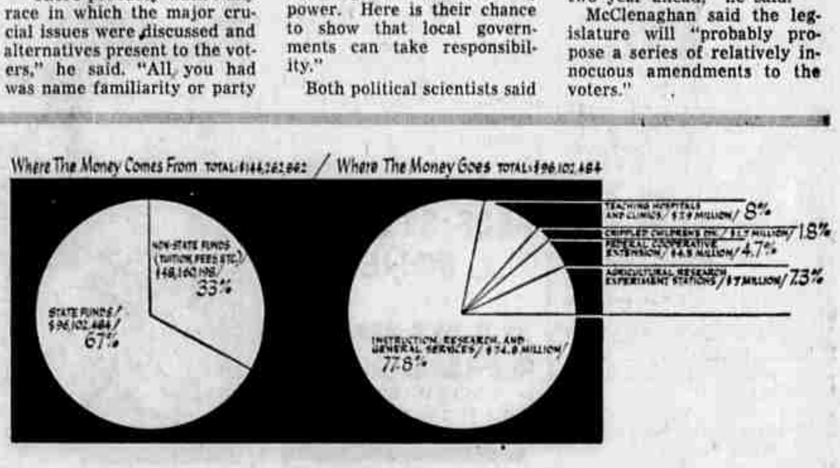
Gov. Mark Hatfield this year asked all departments of government to give him their estimates of 1963-65 needs in two parts. First he wanted an idea of money needed to continue services at their present level. Second he wantd suggestions on money to improve the services or to correct deficiencies.

The state board went through a fairly mechanical process in determining its request in the first category. Called the "A" budget, this amount was calculated roughly to maintain the same ratios of dollars to students, teachers to students, and so forth intended by the 1961 Legislature.

An important point: The ratios here are based on predicted enrollments at the time the 1961-63 budget was set, not actual enrollmens which were higher and diluted the money available.

Red Schoolhouses

You could run a lot of little red shchool houses on the amount of money the State System of Higher Education is requesting for 1963-65. The amounts and their purposes are examined in this first article in a series of three. The graphs at right help to illustrate this article.



The A budget, to "continue the present level of support" from state funds, totals $91.6 millon for operation and maintenance.

This is 33 per cent greater than the $68.8 million appropriated in 1961. It is based on a predicted average enrollment of 33,336 students, some 35.7 per cent above predicted enrollments used by the 1961 legislature.

The B budget, for improvements and corrections of deficiencies, comes to $4.5 million. It covers several requests that would strengthen or add to the college programs—such as establishing a master's degree program in teaching at Portland State College (something authorized by the Legislature but prevented by a shortage of funds) and strengthening graduate study and research in the Willamette valley triangle formed by UO, OSU, and PSC.

The combined A and B requests for operation and maintenance come to $96.1 in state funds.

This is $27.2 milion above the amount appropriated this biennium, a 39 per cent increase.

Contained in these operation and maintenance requests are one-step salary hikes for system employes. Not contained are adjustments in the salary scale itself.

The governor said he would submit state employe pay scale recommendations separately and asked the state board to suggest any changes for higher education.

The board did so. It said that to keep Oregon institutions even with their 1957-58 position in relation to other colleges with which they compete for faculty members, salary scale increases of 9.12 per cent in each of the two years would be needed. This would cost $5.5 million. Last time the Legislature gave the faculties a six per cent increase in the last year (1962-63) of the biennium.

A second portion of the state system's requests concerns land and buildings.

The system says that in the past two years it has undergone a meticulous analysis of the use made of present buildings compared with desired standards of use.

It says it no longer has a cushion of buildings erected ahead of the time they can be fully used.

It says that its analysis shows needs for 1963-65—buildings for students who will be on the campuses by or before the fall of 1966—that will cost an estimated $47.3 million.

These are academic buildings such as classrooms, laboratories, libraries, which must be paid from state funds. Last biennium the system receive $9.7 milion for such buildings. With the exception of a science building for Portland State and beginning construction of the new campus for OTI, however, none of the projects authorized then included classrooms or laboratories.

The academic building requests have been listed according to priority. The board has indicated that this is a meaningful list, that whatever funds become available will go for the first buildings on the list first.

Finally, included in the request of the state system is one relating to self-liquidating buildings. These include dormitories, food service structures, student centers and the like. It is in front of these buildings that the signs read, "No Tax Money."

These buildings are financed by bonds that are paid off from non-state funds. Rental fees and charges and other non-state monies go to finance this class of building.

To take care of the self-liquidating projects in 1963-65 the system will need to sell some $23.6 million in bonds which, along with current balances, will finance projects worth an estimated $26.1 million.

In order to accomplish that the board is asking the Legislature not for money but for an increase in the statutory ceiling on the amount of borrowing. The limit now in effect, $34 milion, would need to be raised to $58.4 milion to accommodate the new buildings.