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"Harmony in
Diversity"

PORTLAND CITY CLUB BULLETIN

"Active
Citizenship"

VOLUME XIII

PORTLAND, OREGON, SEPTEMBER 9, 1932

NUMBER 19

FRIDAY, SEPTEMBER 9

HOTEL BENSON; 12:10

SPEAKER

LESLIE J. SCOTT

Chairman, Oregon State Highway Commission

SUBJECT

"Problems and Policies of the Highway Commission"

AND ALSO

AN OPEN FORUM

TO DISCUSS

THE PORT OF PORTLAND REPORT

This report was presented at last week's meeting but action was postponed in view of Mr. Henny's desire to propose an amendment to the committee's recommendations.

THE WAIVER OF JURY TRIAL AMENDMENT

Majority and minority reports on this measure were printed in last week's *Bulletin*. Which should be adopted by the Club?

THE AMENDMENT TO THE 6% TAX LIMITATION

A report on this measure is printed below.

AMENDMENT TO SIX PER CENT TAX LIMITATION

A Report by the Taxation Section of the City Club

To the Board of Governors of the City Club:

The so-called six per cent tax limitation provision is contained in Article XI, Section 11, of the Oregon Constitution. By this section it is provided that,

"Unless specifically authorized by a majority of the legal voters voting upon the question neither the state nor any county, municipality, district or body to which the power to levy a tax shall have been delegated shall in any year so exercise that power as to raise a greater amount of revenue for purposes other than the payment of bonded indebted-

ness or interest thereon than the total amount levied by it in the year immediately preceding for purposes other than the payment of bonded indebtedness or interest thereon plus six per centum thereof;"

It is further provided,

".....that the amount of any increase in levy specifically authorized by the legal voters of the state, or of a county, municipality, or other district, shall be excluded in determining the amount of taxes which may be levied in any subsequent year."

House Joint Resolution No. 9 adopted by the

Continued on Page 1

Tune in KEX at 8:30 P. M. Sunday

PORTLAND CITY CLUB BULLETIN

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THE CITY CLUB

OF PORTLAND

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Entered as Second Class Matter, October 29, 1920, at the postoffice at Portland, Oregon, under act of March 3, 1879.

City Club dues are \$1.00 per month, payable semi-annually on May 1st, and November 1st. There is no initiation fee.

The regular Friday luncheon meetings are held in the Crystal Room of the Benson Hotel.

CITY CLUB PURPOSE

"To inform its members and the community in public matters and to arouse them to a realization of the obligations of citizenship."

THE CITY CLUB BOARD of GOVERNORS

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606 American Bank Building BEacon 5787
- TAXATION
James J. Sayer Chairman
1005 Spalding Building ATwater 5809

CITY CLUB NOTES

City Club members have a wonderful opportunity to cast an intelligent ballot on November 8, if they read all reports and attend all of the open forum meetings on election measures during the next two months.

The extent to which other citizens benefit by the work of the Club depends largely upon the extent to which Club reports and conclusions are distributed by Club members.

The entire process of widening the influence of the Club's work on election measures will be materially assisted if all committees submit their completed reports before October 1.

Those committees that have not arranged a prior meeting this week should plan to sit together at today's luncheon meeting.

It is important that everyone get started at once. So, let's go!

TUNE IN
DOC, DAD AND THE JUDGE
next Sunday Evening at 8:30 P. M.
Station KEX
"THE PORT OF PORTLAND"

TAX AMENDMENT

Continued from Page 1

last Oregon Legislature and submitted to the people for approval or rejection at the coming general election proposes to alter the above quoted provision by substituting for the words "in the year immediately preceding", the words "in any one of the three years immediately preceding". In all other material respects the constitutional provision remains unchanged by the proposed measure.

Amendment Curbs Taxing Power

Article XI, Section 11, was adopted in 1916 by initiative amendment. The purpose of the amendment was to place a curb upon the power of tax levying bodies to increase taxes. The allowed increase of six per cent was considered a fair margin to allow tax levying bodies to take care of ordinary increased expenditures and the theory was that if any taxing subdivision or the state itself wanted more money than was permitted in any one year by the six per cent limitation, then they would have to go to the people for authority.

As above noted, the six per cent limitation does not place any limitation upon the power of

the people to increase the bonded indebtedness. All payments made upon the bonded indebtedness, principal or interest, are excluded from consideration in determining the amount that may be raised under the six per cent limitation.

The charge has been made that instead of operating as a limitation, the six per cent provision has operated as a guaranteed annual increase of six per cent compounded annually. There is said to be a disposition on the part of tax levying bodies to refrain from making decreases where they really could do so for fear of losing the tax base. It has been said that this represents the usual attitude of tax levying bodies; that if their levy last year was \$100,000.00, they levy \$106,000.00 this year upon the theory that next year they may need \$112,000.00 and couldn't provide for it unless they take the six per cent increase this year.

Charge Cannot Be Substantiated

An examination of the property tax levies for county and local purposes over a period of the last ten (10) years indicates that there is no truth to the charge quite frequently made that the six per cent limitation has acted as a six per cent guaranteed increase compounded annually on account of the fear of tax levying bodies of losing their maximum base. Figures sometimes quoted to establish this statement are misleading as they include all taxes levied, whether within or without the six per cent limitation, that is to say, they include levies made for payment of bonded indebtedness authorized by the people. The state tax levy has increased steadily at the rate of six per cent but there has been a deficit over the whole period which the increase was never large enough to wipe out.

That there is no six per cent "guaranteed" annual increase is indicated by the following facts:

In eleven (11) counties the tax levied for the year 1932 is less than in the year 1931. Eight (8) counties show an increase of less than 10%. Four (4) counties shown an increase of from 10% to 20% and four (4) counties from 20% to 30%, leaving but nine (9) counties that show an increase of more than 30% over a ten year period. Only one county, Klamath, shows an increase of as much as 60%. This county showed a 183.9% increase in population and over a 33% increase in assessed and equalized valuation during this period.

Taxes Decreased In 1932

Of course much of the reduction in taxes has taken place in the last year. The levies for county and local purposes in 1932, in the case of thirty-five (35) out of the thirty-six (36) counties, show decreases over the levies for 1931. However, prior to the present year the percentage of decreases of levies for county and local purposes as compared with the levies for the preceding year about equal the percentage of increases. In the year 1931 there were twenty (20) decreases and sixteen (16) increases; in the year 1930 sixteen (16) decreases and twenty (20) increases. Substantially the same figures held true for 1929 and 1928.

To what extent levying bodies may have failed to cut their levy as low as they could in any one year for fear of setting too low a base for the succeeding year or years can only be conjectured. The statement has been so often made that it probably contains a degree of truth, although, as above pointed out, there is no "guaranteed" six per cent increase shown by the figures.

House Joint Resolution No. 9 was adopted by the Legislature by a practically unanimous vote, the vote in the House showing "Aye 59—No 1," in the Senate "Aye 29—Absent 1." There appears to have been little or no debate upon the merits of the resolution. The purpose of the resolution is to enable tax levying bodies to reduce the amount of their levy in one year without fear of losing the maximum base which they have established. After two years of a reduced levy, in the event that increased funds are needed, the board may return for the ensuing year to the higher base. Bodies whose levy last year was \$100,000.00 would not need to hold the levy up to that amount for fear that they might require \$106,000.00 the following year. It could be cut to \$95,000.00 and that saving effected. The board would know that in the event that a larger revenue became necessary the subsequent year they could return to the old base.

Proposal Eliminates Objections

The committee is of the opinion that the six per cent limitation is a salutary provision and a restriction upon the power of tax levying bodies. It is also believed that the proposed amendment eliminates certain objections and criticisms made to the operation of the six per cent limitation. The proposed amendment takes into consideration the psychology of the tax levying bodies which might influence them from making possible reductions in tax levies for any one year. It seems sound argument that such bodies will be more likely to effect possible reductions and decreases where they know they are not permanently binding themselves to a base which may render it difficult or impossible to provide for desired expenditures in the future.

RECOMMENDATION

As above stated, levies for 1932 were cut below those of 1931 in all counties except one. Forces for tax reduction are now at work beside which any influence of the six per cent tax limitation, with or without the proposed amendment, is infinitesimal. The original limitation was, however, adopted in more "normal" times and will no doubt again assume a greater relative importance than it now has. When such time comes the limitation as proposed to be amended will in the opinion of the committee operate more effectively to permit of reduced taxes than the present limitation, and its adoption is recommended.

Respectfully submitted,

F. W. PARIS,
H. L. BARZEE,
H. J. TURNER,
E. A. BOYRIE, *Chairman.*

Accepted by the Board of Governors and ordered printed and submitted to the membership of the City Club for consideration and action on September 9, 1932.

LUTZ ADVISES CONSOLIDATION OF LOCAL UNITS AS FIRST STEP IN ECONOMY PROGRAM

A program for reducing and controlling the cost of local government was presented last Friday noon by Dr. Harley L. Lutz, eminent tax authority, speaking to a joint meeting of the City Club and the Portland Realty Board. Dr. Lutz has recently completed a survey of local government costs and taxation in New Jersey and drew freely upon this study for illustrative material.

His program calls for four steps. First, he believes that there are entirely too many local units of government and that conflicting and duplicating units should be eliminated. Second, he would redistribute the functional responsibilities of government among the local units in a more logical manner. Third, he would set up instruments of control and would insist on long-range planning of all major improvements. Finally, Dr. Lutz proposes that standards of expenditure should be worked out so that the effectiveness of any department may be evaluated.

Public Business Has Been Neglected

"Diligent neglect of public business by the average citizen and taxpayer is responsible for the results that we have been getting in government," declared Dr. Lutz. "The friends and relatives of the office-holders are always a factor on election day; but where are the friends and relatives of the taxpayer on election day?"

"Everywhere, there are too many units of government. Without doing more than looking at your map I can say positively that Oregon has too many counties. It is impossible to have economy and efficiency under an excessive number of units.

Standards of Service Needed

"We need to develop standards of service and standards of cost so that we know when we are getting our money's worth. When sixty traffic lights were installed in Trenton, New Jersey, the work of many policemen was displaced, but the police force was not reduced by a man. Our survey of Hudson County, New Jersey, shows that \$3,800,000 was being paid for fire protection each year, although the standards set by the fire underwriters could be met by a yearly expenditure of \$2,000,000 annually.

"When all has been said and done about

economy and efficiency in government there will still be one important problem in the field of public finance. We must still face the question of sources of revenue. Some plan must be worked out for the more equitable distribution of taxation."

Several new committees have been appointed to study election measures. Mr. George W. Friede, Chairman of the Port Development and Public Utility Section, has appointed the following committee to make a study of the Freight Truck and Bus Bill:

CHESTER G. EHLE, *Chairman*

S. MASON EHRMAN W. J. SCOFIELD
L. R. WHEELER ROLAND GEARY
WILLIAM B. ADAMS

James J. Sayer, Chairman of the Taxation Section has appointed the following committee to study the Tax Supervision and Conservation Bill and the Tax and Debt Control Constitutional Amendment:

A. L. GORDON, *Chairman*

WILLIAM L. BREWSTER MOE M. TONKON
CHARLES M. SANFORD A. L. ANDRUS
EDGAR M. BURNS L. A. WEST, JR.
W. P. JONES

Mr. Sayer has also appointed the following committee to make a study of the Income Tax Bill:

IVAN W. ELDER, *Chairman*

DR. NEAL ZIMMERMAN DAVID T. MASON
S. MASON EHRMAN MARSHALL CRUTCHER
GRAVES CROWLEY M. A. TAYLOR

These committees have all organized for work this week.

INTELLIGENT VOTING

is the objective of the City Club's work on all election measures. So that there may be a thorough study of each measure and a presentation of the results to the largest possible number of citizens, all committees are urgently requested to resume work immediately. Let's go!