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"Harmony in
Diversity"

PORTLAND CITY CLUB BULLETIN

"Active
Citizenship"

VOLUME XIII

PORTLAND, OREGON, DECEMBER 30, 1932

NUMBER 35

FRIDAY, DECEMBER 30

HOTEL BENSON; 12:10

SPEAKER

NEILS P. NEILSON

Director of Health and Education, State of California

SUBJECT

"High School Athletics and the Problem of Leisure"

Two days before Christmas three thugs staged a daring holdup of an Eastside store. Two were eighteen years old and one was twenty-three. Whether this lawlessness was due to a misuse of leisure time or to other causes cannot be determined but it is apparent that leisure cannot take care of itself.

"With shorter hours of work each day, with fewer days of employment each week, with more monotonous employment, with greater mobility of population, it becomes necessary for the school to meet the modern demands of society by setting up a curriculum which will provide for employing our leisure time to social advantage.

Mr. Neilson's wide experience in physical education work eminently qualifies him to discuss the problem of athletics and leisure and its relation to social need and economic cost. He was head of the Department of Physical Education of San Francisco until 1926 when he became Chief of the Division of Health and Physical Education of the State of California.

AND ALSO

AN OPEN FORUM

TO DISCUSS

METHODS OF FINANCING A RELIEF PROGRAM IN PORTLAND

The report of the committee is printed in this week's *Bulletin* and will be presented to the Club membership at today's meeting. Read the report carefully and come prepared to benefit by and participate in the discussion of this important problem.

**To All of Its
Members and Friends
The City Club Wishes
A Happy and Prosperous New Year**

FINANCING PORTLAND'S RELIEF PROGRAM

A Report by the Social Welfare Section

To the Board of Governors of the City Club:

Your committee has been asked to study and report on the following question, "If large amounts are to be provided in the future for emergency relief, should they:—

- (a) Be secured by public bond issues;
- (b) Be secured partially by bond issues and partially from tax levies;
- (c) Be secured entirely from tax levies;

(d) Be secured from some other source?"
Bearing on the answers to all of these questions are the answers to the following questions:—

- (1) How and to what extent and how soon can the costs of government be decreased without unnecessarily impairing the efficiency thereof?
- (2) How soon can we arrive at an intelligent

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Tune in KEX Sunday, January 8

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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CITY CLUB NOTES

The City Club again goes on the air Sunday, January 8, with another series of important and interesting broadcasts according to Robert T. Platt II, radio chairman. The time of the broadcasts will be announced in next week's *Bulletin*.

Since the state legislature meets on January 3, 1933, the committee report on Methods of Financing a Relief Program in Portland has been given precedence over the Multnomah County Juvenile Court report. The Juvenile Court report will be presented to the Club in the near future.

John W. Shuler, chairman of the Government Organization and Public Finance Section has announced the appointment of the following Club members to serve on a committee to study and report upon the methods of financing sewage disposal and water works:

ALBERT W. GENTNER, *Chairman*

HENRY S. MEARS	T. P. GRAMER, JR.
J. G. ROBBINS	W. P. BRIGGS

George W. Friede, chairman of the Port Development and Public Utilities Section has announced the appointment of the following committee to study and report upon the problem of determining what reasonable legislative action might be taken under the State Water Power & Hydro-Electric Amendment that was passed at the November election. The committee has its work well under way and its membership includes:

JOHN BECKWITH, *Chairman*

GUNTHER KRAUSE	J. V. B. COX
ORRIN STANLEY	WILLIAM J. SHEEHY

FINANCING RELIEF

Continued from Page 1

and more permanent solution of the whole problem of unemployment?

Correlated with these questions is the problem of the reduction to within reasonable bounds of the present public debt.

This committee has felt that its province is more to study the specific question as to how we should raise the funds necessary to carry on work relief and material relief during the coming two years, and we have confined our investigation largely to that phase of the subject.

Large Sums Will Be Needed

There is no question but that large sums of money will be needed to be made available not later than March 1, 1933 as present funds will be exhausted by that time. On September 1, 1932 the Civic Emergency Relief Committee estimated the amount needed for the ensuing two years as from \$3,382,980 to \$7,558,487, the varying amount depending on the relief plan adopted and on the severity of economic conditions. The actual expenditures of both the city and county during the first nine months of 1932 are as follows:

EXPENDITURES FOR RELIEF WORK
BY CITY AND COUNTY
January to September, 1932

Year 1932	Funds from Tax Levies	Funds from Bond Issues	Total Expenditures
January.....	\$ 57,765.94	\$ 129,253.77	\$ 187,019.71
February.....	108,383.44	176,245.15	284,628.59
March.....	94,864.24	246,519.50	341,383.74
April.....	113,095.98	155,688.56	268,784.54
May.....	71,525.54	93,305.44	164,830.98
June.....	37,960.67	92,976.06	130,936.73
July.....	2,603.58	151,040.34	153,643.92
August.....	9,812.02	236,091.20	245,903.22
September.....	8,683.62	269,710.50	278,394.12
Totals.....	\$504,695.03	\$1,550,830.52	\$2,055,525.55

RELIEF THROUGH PUBLIC BOND ISSUES

Our first question is whether this amount should be raised by public bond issues. The City Club report of May 6, 1932 approved special bond issues for relief purposes but approval was placed on the grounds that an emergency existed at the time; that it was not legally possible to provide a special tax at the time the need existed; and that no better way of meeting the emergency had been suggested.

Our present committee faces a very different set of conditions. Bonded indebtedness has been mounting and the bond market is very uncertain. Our state government is facing a large deficit, with the possibility of either having to reinstate the state levy on property, or adopt a general or selective sales tax to meet state expenses. Moreover the State Legislature is called to meet January 3, 1933 and will be in a position to consider legislation covering this entire subject.

Debt Approximates \$228 Per Capita

Our present bonded debt has a large bearing on this subject. On July 1, 1932 the total public debt within the State of Oregon was \$228,088,538; a per capita debt of approximately \$228. Of this debt more than one-third, or \$77,339,158.73 was owing by Multnomah County, the City of Portland, and School District No. 1. The interest on this large debt is a heavy burden on the taxpayers. For instance the state debt on July 1, 1932 was \$76,822,760. Before paying off this amount we will have paid \$54,012,210 in interest, or almost as much again as the original debt. Such a burden should not be increased except as a last resort. On the contrary every effort should be made to gradually and systematically reduce the public debt. Both public and private business have repeatedly emphasized the soundness of the "pay as you go" policy. Too many of our present depression problems have been brought upon us because we have so willingly mortgaged the future for present public enjoyments.

Credit Structure Is Threatened

Furthermore, we are coming dangerously near to seriously weakening the credit structure of both our state and local governments by increasing our bonded debt, especially for unproductive relief purposes. The last sale of state bonds, the State Bonus Commission bond issue of \$500,000 sold for par to yield 5% interest, a rate for state bonds which is exceedingly high, thus indicating a weakening credit standing. The most recent bond issues in Multnomah County for relief purposes could not be readily sold direct, and special arrangements were made with the local banks to handle the lot, thus placing upon the commercial banks a load which they should normally not be called upon to

bear. Bond men consulted have been a unit in declaring that the standing of Oregon's public obligations has been very noticeably impaired by the action of the last legislature in removing the penalty from real estate tax delinquencies. In effect this amendment of the law seems to have put the taxing bodies in the position of unwilling bankers, at a time when every tax dollar is urgently needed to meet current running expenses.

Committee Advises Against Bond Issue

Because of the heavy bonded debt of both state and local government, the poor market for all bonds, the heavy burden of interest on bonded indebtedness and the consequent need for a reduction of bonded debt, your committee recommends that we eliminate from consideration the issuance of new bond issues for any part of the employment relief or material relief during the next two years.

RELIEF THROUGH PROPERTY TAX

Our next subject for consideration is whether these funds should be raised by tax levies.

As pointed out in the City Club report of May 6, 1932, the property tax levies of the City of Portland and Multnomah County have almost reached their limit. A statement from the State Tax Commission dated December 3, 1932, indicates that property tax delinquency in Oregon has increased from \$4,053,507 based on tax rolls for 1929 to \$15,880,961 on the 1931 rolls or 38 3/8%. The total delinquency in the state on the property tax to date is \$34,205,388, giving effect to tax collections up to November 15, 1932. At the last general election a measure was placed on the ballot to levy a tax of 1 1/2 mills for relief purposes which measure was defeated by a vote of 59,322 to 48,283.

In view of the foregoing facts and the clear expression of the people on November 8 for economy, this committee recommends that the needed money be provided without additional property taxes. Your committee has however given some consideration to the possibility of obtaining relief funds through the reduction of city and county expenses.

Governmental Economy Is Needed

The Tax Supervising and Conservation Commission has effected a reduction in the personal service budgets of both the city and county submitted for the year 1933 which in effect amounts to a reduction of 15% to 20% on salaries over \$100.00 per month. The reduction for the City of Portland amounted to \$228,334.09, which, with the saving of \$393,950.50 by reason of the rejection of the Special Salary Levy on November 8, 1932, results in a total salary reduction this year of \$622,284.59. A comparison of the 1932 and 1933 tax levies for the general fund of the City of Portland and County of Multnomah show that the following savings have been effected:—

	City of Portland	County of Multnomah
Year 1932		
General levy.....	\$4,286,437.40	\$1,536,018.59
Special salary fund.....	393,950.50	
Total.....	\$4,680,387.90	
Year 1933—		
General levy.....	\$4,138,278.54	1,509,431.10
Decrease.....	\$ 542,109.36	\$ 26,587.49

A comparison of the 1933 budget with the

1923 budget shows a substantial increase in government costs accounted for as follows:—

	City of Portland	County of Multnomah
Year 1933—		
General Budget.....	\$4,644,486.75	\$2,409,837.22
Year 1923—		
General Budget.....	3,929,852.91	2,245,081.94
Increase of general budget over past ten years.....	\$ 714,633.84	\$ 164,755.28
From which we should deduct special appropriations in year 1933 not required in year 1923—		
Payment to water bureau.....	\$ 92,000 00	
Telephone exchange.....	60,000 00	
Transfer to improvement bonds interest account.....	100,000 00	
Public welfare work.....	148,000.00	
Increased appropriations for public welfare work in the county budgets are practi- cally offset by reduction of appropriations for Mult- nomah hospital construc- tion, road debt, bridges and ferries		
Total deduction.....	\$ 400,000.00	
Net increase in departmental expenditures.....	\$ 314,633.84	\$ 164,755.28
We should also eliminate offsets savings effected by various departments.....	199,895 11	120,367 08
Thus indicating that the rest of the departments have in- creased their budgets dur- ing the past ten years by....	\$ 514,528.95	\$ 285,062.36

We feel we have been conservative in making our comparison of the year 1933 with the year 1923 as the cost of living is now lower than in 1923. We believe that further savings can and should be effected in the budgets for the year 1933 by drastic action and that such savings should be appropriated for public welfare and relief work.

We recommend that the City Club committee now making a study of Reduction of Taxes in Oregon continue their work along the lines here indicated in order that definite recommendations can be submitted for reduction in expenditures of government.

RELIEF THROUGH OTHER SOURCES

Other possible sources for raising this money are private contributions; special taxes in some form less burdensome than the property tax; and Federal Aid from the Reconstruction Finance Corporation.

Failure to raise the minimum to carry on the work of the agencies supported the Community Chest after a determined effort, proves that the needed money cannot be raised by private subscription, so we eliminate that from consideration.

Temporary Sales Tax Is Suggested

The relief situation in the State of Pennsylvania was met by the imposition of the general sales tax on all sales of tangible personal property for consumption, except sales of farm produce where the farmers sell their own products direct. We refer to Act No. 53 of the General Assembly of Pennsylvania effective August 19, 1932. Its period of duration is from September 1, 1932 to February 28, 1933, the rate of tax being 1% on each dollar of gross sales. Since our relief problem is not one of Portland and Multnomah County alone but a problem throughout the State of Oregon, we believe that some measure of relief should be obtained through the state. From our investigation, we believe that a

sales tax is the best method of solving the problem from the standpoint of the state.

Sales Tax Revenue Insufficient

It is our opinion that the revenue from the sales tax should be restricted to the raising of funds for relief purposes and to meet the deficit in the state's general fund. This would require the balancing of the state's 1933 budget by effecting economies sufficient to hold expenditures within the limits of present sources of revenue.

It is realized however that the most optimistic estimate of revenue from a state sales tax would not be sufficient to provide for the relief program throughout the state for the coming year. It is our opinion, therefore, that we must look to some other source for funds with which to carry out the relief work.

R. F. C. Funds Are Also Necessary

According to the Emergency Relief and Construction Act of 1932, funds are available from the R. F. C. for emergency relief work under certain terms and conditions. The State of Oregon Relief Council has assisted several counties to obtain funds from the R. F. C. and the requirements and procedure are therefore quite well known. Briefly stated, upon application by the Governor, funds may be obtained from the R. F. C. to pay for labor on relief work, such funds, except those used for self liquidating projects, to be repaid at the rate of 20% per year, beginning in 1935. Judging from the course followed by the R. F. C. in other states, funds will be advanced only after the legislature has done all that it legally can do to meet the situation and the results prove insufficient.

Steps are now being taken by the City, County and State through special committee toward the consideration of means whereby application may be made to the R. F. C. for funds for both relief work and self-liquidating projects. Since the need is urgent and funds cannot be immediately obtained through economies in government and through the sales tax, immediate steps must be taken to submit applications to the R. F. C.

RECOMMENDATIONS AND CONCLUSIONS

Your committee therefore recommends that funds for emergency relief be obtained:—

1. In part from tax levies through drastic reduction in expenditures of city and county government.
2. In part from state funds through the enactment of a state sales tax imposed for the sole purpose of meeting the present deficit in the state general fund and for relief requirements, and
3. The balance from the R. F. C. in the manner provided in the Emergency Relief and Construction Act of 1932.

Respectfully submitted,

HERBERT W. MCINTOSH,
WALTER S. KLEIN,
T. S. JOHNSON,
RALPH THOM, *Chairman*.

Approved by Edmund Hayes, chairman of the Public Welfare Section

Accepted by the Board of Governors and ordered printed and submitted to the membership for consideration and action on December 30, 1932