

MINN. LEG.
REFERENCE

JK

6153

B9Y7

1947

COPY 1

BUDGET MESSAGE OF LUTHER W. YOUNGDAHL,
DELIVERED TO A JOINT SESSION OF THE 55th SESSION OF THE MINNESOTA LEGISLATURE
ON JANUARY 15, 1947

Mr. Speaker, Mr. President, Members of the 55th Session of the Minnesota
Legislature:

Pursuant to the requirements of law, I am submitting to you today the
proposed budget for the biennium beginning July 1, 1947 and ending June 30, 1949.
A printed copy of the detailed budget has been placed upon your desks.

Shortly after the election I spent almost five weeks in going over the
various department requests. I assure you that when I studied these requests
and made my recommendations, I tried to keep in mind the tremendous financial
problems involved at this session of the Legislature, with the necessity for
economy on the one hand and yet the urgency of meeting our impelling postwar
needs on the other hand.

You will appreciate the difficulties involved in preparing a budget in
the first postwar session of the Legislature. During the war, the state received
large income from various tax sources which will naturally decline in the postwar
period. Add to this the fact that we are confronted with inflation and we are
truly faced with a difficult task in meeting our great postwar needs. The effect
of inflation is apparent in all requests and recommendations. Two or three
examples will clearly demonstrate the trend.

EFFECT OF PRICE INCREASES

Consider the item of legislative printing and binding expense, which
includes calendars, resolutions, bills, journals, Session laws and similar items.

In 1945 this cost us approximately \$44,500. The low bid on this work for the 1947 session amounted to \$70,000.

Our public institutions have not received everything they have ordered and needed since the calendar year 1940. Since 1940 the population of these institutions has changed very little. If we take 1940's demand for all items and extend it on October, 1946, prices, astounding results can be readily observed. Actual purchase orders show that we paid thirty and a half cents a pound for top-grade butter in October, 1940, to supply the institutions; in October, 1946, this same grade was purchased for seventy-eight cents a pound. In October, 1940, blue denim cost thirteen and a half cents a yard; in October, 1946, we paid forty and three-fourth cents per yard for it. Unbleached muslin cost \$.071 a yard in October, 1940; in October, 1946, it cost \$.21 per yard. These increases are indicative of the higher cost of government today.

This budget, then, has to be built in a time of inflated prices such as these. Should the rise continue contingent funds must be utilized. Should a price decline occur, the Department of Administration with its close control over allotments, as set up under the Reorganization Act of 1939, will be vigilant in effecting maximum savings for the state.

All of our state departments for the past five years have been denied the opportunity of purchasing much badly needed equipment because of war restrictions. A tremendous backlog of needs has accumulated. The war-time restrictions now have largely been removed, and most equipment can be obtained, but at very definitely inflated prices.

In going over the budget, I have tried to follow the policy of approving only those items of equipment that seemed necessary to the proper maintenance of the departments and have kept in mind, in passing on other requests, the need of effecting economies wherever possible and recognized that we are entering a period in which many of the state's revenues may be expected to decline. What I am

recommending in appropriations for the state's services represents the very minimum of what I think the state should do.

I think it may help, if at the outset, I outline some of the major proposals I am making for improvement of the state's services, indicate in a general way the funds that will be required and then suggest what will be needed in additional tax revenue. With this general pattern before us, we can then discuss more in detail some phases of the budget that require explanation.

INCREASES IN SERVICES PROPOSED

In my inaugural address, I pointed out to you some of the fields in which we need to provide additional funds to maintain and expand vital services for the preservation and development of our human resources. Looming large in these services are education, our public institutions, our welfare services and health agencies. I want to enumerate some of the steps which I think you should take, among others, to provide increased funds for present services, for new services, and for improvements. I propose that you:

**FOR MAINTENANCE OF
PRESENT SERVICES**

1. Approve the plan of re-organization of state aid for local schools and provide \$6,000,000 a year additional state aid, over the amount for the present biennium, to help put Minnesota schools on a more adequate basis of support.

To be financed from Income Tax School Fund

FOR THE BIENNIUM. \$12,000,000

2. Increase funds for maintenance of University of Minnesota, State Teachers Colleges and State Department of Education, above the current biennium.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 8,590,000

3. Provide additional funds, over the present biennium, to meet expanded maintenance needs at Minnesota's public institutions.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 5,650,000

4. Appropriate added funds, over the present biennium, to raise standards for assistance programs for aged, dependent children, blind and needy and to raise or eliminate maximum limitations on old age assistance and aid to dependent children.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 4,000,000

**FOR MAINTENANCE
OF NEW SERVICES**

5. Authorize state assistance for counties providing for county public health nurse program during the coming two years.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 261,000

6. Authorize and provide funds for systematic Youth Conservation program.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 300,000

7. Provide for a State Housing Commission to encourage and assist in development of housing.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 100,000

8. Enact measure authorizing one full-time official, who, working with Inter-Racial Commission, will administer law to prevent discriminatory practices.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 50,000

9. Create a Business Research Department, through consolidating existing agencies, to encourage and assist in business development.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 100,000

10. Establish Legislative Research Council to assist in work of Legislature.

To be financed from General Revenue Fund

FOR THE BIENNIUM. \$ 75,000

FOR NEW BUILDINGS

11. Vote the additional funds required, due to the price increases that have occurred, to complete the state buildings previously authorized.

*To be financed from borrowing**

\$ 850,000

12. Authorize state institutions to join with local communities in providing for sewage disposal.

*To be financed from borrowing**

\$ 731,000

13. Approve a new building program to improve and expand Minnesota's public institutions.

*To be financed from borrowing**

\$10,000,000

14. Authorize new buildings to relieve over-crowded conditions at University of Minnesota.

*To be financed from borrowing**

\$ 5,000,000

15. Authorize building program to enlarge facilities at State Teachers Colleges.

*To be financed from borrowing**

\$ 2,000,000

*Present state property tax of two and one-half mills now being levied for General Revenue Fund would be set aside for financing building program, thus making it possible to pay off bonds and interest without increasing present tax on property.

All recognize the need of additional funds for these and other vital services of the State. The only question raised has been whether we can afford to put through all these important proposals on as ample a basis as we should. I have said frankly that the welfare of the boys and girls and the men and women helped through these services mean so much that we cannot hold back, that we have no alternative but to provide the funds required to meet the crucial needs.

FACTORS THAT MAKE TASK EASIER

A few extenuating circumstances fortunately will make the meeting of these needs easier, however, than most persons have realized. I might mention a few:

1. Realizing there would be a great need for increasing many of the vital services, our budget officials, in preparing this budget, reduced less important items wherever possible to make available more money for the more essential needs. Altogether \$8,512,074 was cut off the requests of the departments financed from the General Revenue Fund.

2. Through careful management of the state's funds and the continuance of an unexpectedly high return from many of the state's earnings' taxes, our fiscal officials will be able to close the present biennium on June 30th, it is estimated, with a balance in the general revenue fund of approximately \$8,000,000, which will be available to help finance state services during the coming biennium.

3. The income tax school fund will have a balance of \$17,000,000 at the end of this biennium on June 30th, which will help materially in financing the increased aids needed for schools.

4. The state debt has been cut \$65,000,000, or 50 per cent, in the last eight years, and smaller and smaller amounts will be required for this purpose.

THE NEW REVENUE NEEDED

With these gains and other fortunate circumstances, we will be able under the program I am presenting, to carry through the expansion of services and the improvements listed above, together with other increases in departmental funds, with increased tax revenues for the general revenue fund of only \$7,000,000 a year, or \$14,000,000 for the biennium. I am glad to say that we can do this without increasing the state property tax and that we will be able to pay appropriations for the University and the Teachers' Colleges out of the general revenue fund.

An examination of the suggested expenditure increases listed above and the details presented in the budget and in this message will make this clear. The balance in the income tax school fund and the receipts estimated for the coming two years should be sufficient to cover the present school aids and the \$6,000,000 a year additional which the state would be expected to contribute under the school aid re-organization plan.

Money has been included in the budget I am submitting, to pay out of the general revenue fund the increase of \$8,590,000 recommended for maintenance of the University, the Teachers' Colleges and the Department of Education; \$5,651,000 additional for public institutions, and a \$2,000,000 increase in welfare funds, which it is estimated, will be needed to increase allowances in public assistance under present laws.

If the ceiling on old age assistance and aid to dependent children is raised or eliminated, as I have suggested, it is estimated that another \$1,000,000 a year, or \$2,000,000 for the biennium, will be needed. I have not included a specific item in the budget for this purpose, but have followed present laws in preparation of the budget. I have felt that I should not endeavor to anticipate the action the legislature will take in this question of policy. I do, however, favor action to provide more adequately for the more needy persons being assisted,

and so draw the problem to your attention. I have followed the same policy in not including formally in the budget items for the proposed state assistance for county nurses, the business research and development department, the state housing commission, the youth conservation program, Legislative research council and the official to administer a proposed fair employment practices act. An estimated balance of \$2,900,000 in unappropriated funds will be available in the general revenue fund at the end of the next biennium, it is estimated, and this will be sufficient to cover the appropriations suggested for these items and other activities that might be included.

I should say to you also that I have not included in the formal printed budget an item to cover the \$6,000,000 a year of additional state aid needed under the proposed school aid re-organization plan. The aids listed in the printed budget are the amounts needed for payment of the aids in full under present laws. I believe, however, that the re-organization plan should be approved and that, when its terms finally are agreed upon, you should proceed to appropriate the \$6,000,000 additional needed on the part of the state.

The \$17,000,000 in new buildings proposed for the University, Teachers' Colleges and state institutions; the \$850,000 to complete the already authorized state buildings and the \$731,000 for state institution sewage disposal would be financed through borrowing, which is a usual practice for capital improvements and one to be carried through with little cost in these days when money can be borrowed at such low rates. The 2 1-2 mills tax on property of the state now being levied for the general revenue fund can be set aside to finance this borrowing and will make possible repayment of the bonds and the interest over a period of years.

In other words, the program I am recommending can be carried through, in the manner I have suggested, with an addition of \$7,000,000 a year in new revenue to the general revenue fund.

APPROPRIATIONS FOR GENERAL REVENUE

The appropriations recommended in this budget, to be paid from the general revenue fund, for the coming two years total \$109,007,690.50, compared to an estimated \$94,997,610.24 for the present biennium, or a difference of \$14,010,080.26.

The general revenue fund, as you know, is the fund from which most of the state departments are financed and the one from which most of the difficulties come as Legislators seek an answer to the biennial problem of trying to balance the state's income and outgo. With \$7,000,000 a year in new revenue needed, it is only natural that you and others interested in the welfare of the state should ask where the money is coming from.

SOURCES FOR NEW REVENUE

I pointed out in my inaugural address what I thought would be the fairest approach in raising the additional money needed. I said at that time that I thought the fairest approach could be made through what might be called luxury taxes. I suggested that doubling the present liquor tax would yield \$6,000,000 or \$7,000,000 additional a year, that a 3-cent cigarette tax would yield \$5,500,000 to \$6,000,000 a year, and that an admissions tax of 20 per cent would raise up to \$5,000,000 a year, dependent on the types of admission included. I also suggested the possibility of securing approximately \$1,000,000 a year from a nite club or cabaret tax. Taxes on other items in the luxury class or other types of taxes that fit into a program of fair distribution of the tax burden may occur to you. I think also, as I suggested in my inaugural message, that you should explore the possibility of securing additional revenue from occupational and royalty taxes on iron ore and from gross earnings of utilities and railroads. I think you will have no trouble shaping a tax program from these and other proposals that will provide the additional money needed for our vital services without undue hardship.

I wish to draw your attention again, as I did in my inaugural address, to the difficulties of our local units of government when you are arranging for the proposed new special taxes. Rising costs have made it increasingly difficult for these local governments to finance their activities, and I would like to recommend the distribution of some part of the new special taxes to the municipalities. I think you should also consider the advisability of passing a law that will enable the municipalities to levy certain new special taxes in addition to the property tax to help finance themselves.

No amount has been included in the formal budget for a proposed soldiers' bonus, for the amount that can be authorized for that purpose, if approved by the Legislature, can only be determined after an examination of the needs for schools, hospitals, welfare and other vital services, and a decision by the Legislators following this, of how ample a bonus resources of the state will permit. Some special revenue, aside from the usual sources, will be needed in any event to make possible payment of a bonus.

I want to review briefly with you now some of the major items of expenditure that have figured largely in preparing the budget:

EDUCATION

The new school aid bill and the proposed increase of \$6,000,000 a year in state school aid naturally raise a question as to status of the income tax school fund.

It is estimated that we will have a balance in this fund as of June 30, 1947, of \$17,000,000; and, estimating new income tax collections for 1947-1949 biennium at \$34,500,000, we will then have available for the coming biennium an estimated amount of \$51,500,000, which will be ample to meet the requirements of the \$10 per pupil allotment, and other rightful charges against the income tax school fund; and also the proposed \$6,000,000 a year additional school aid.

In considering the needs of the teachers colleges and of the University of Minnesota for maintenance and operation, I believe the amounts recommended are the minimum requirements considering the tremendous increase in enrollment and other problems facing those institutions.

Our University is confronted with a very serious problem. As many of you know, in the fall quarter of this year there was an enrollment of 27,300 students, 60% of whom were veterans. This is a tremendous increase over the pre-war peak of enrollment and I feel that one of two things must be done.

Either the enrollment at the University must be limited, which I am sure you will all agree with me would be untenable in a democracy, or the money must be made available so that a creditable job can be done in taking care of not only the veterans, but of all other students.

In the research laboratories of today the study and experiments are carried on which determine science's contribution to a better world of tomorrow. I, therefore, hope that you give very serious consideration to my recommendations for the special University appropriations, most of which are for research purposes.

MENTAL INSTITUTIONS

I have recommended in the budget an additional amount of money which I think will be necessary to bring our mental institutions to an average level among other states in the country. A very careful study of our ratios of doctors and nurses to patients as compared with other states has been made and will be presented to the proper legislative committees at a later date. New positions have been recommended for our public institutions. In my inaugural message I pointed to the need for a building for mental patients under 21 years of age. These children require special care if they are to be rehabilitated and given opportunities of normal life.

WELFARE

In my inaugural message I urged that the maxima in the Old Age Assistance and the Aid to Dependent Children programs be increased in order to provide a decent standard of living for recipients of these types of aid during the difficult days of high prices. Such increase in the financial limits of these programs will, of course, require additional funds, but such funds must be provided in order to adequately care for the aged and for dependent children.

Furthermore, it is necessary to provide adequate funds with which to administer the necessary services to underprivileged children through our Child Welfare services, and this I deem to be a very important purpose inasmuch as it is an investment for the future.

SALARIES OF CLASSIFIED EMPLOYEES

Although the 1945 Legislature enacted an employees' salary bill the problem is again before the Legislature.

In the recommended salary appropriations, there is provided in the budget a sufficient amount of money to take care of three salary steps for all the classified employees in the State service that are now on the payroll, and for the new positions recommended in this budget. To make this salary adjustment for these employees in departments financed from the General Revenue Fund will take about \$1,500,000 a year, or \$3,000,000 for the biennium, it is estimated. This three-step economic salary adjustment increase is, in my opinion, the minimum requirement to meet the increased cost of living which has taken place since July 1, 1945.

Chapter 598 of the 1945 Session Laws provides for the downward adjustment of employees' salaries on an annual basis when the cost of living indices drop a certain number of points. I cannot urge too strongly that this law be amended to provide also an automatic upward adjustment when investigation by the

Director of Civil Service shows that there have been certain increases in the cost of living in this state, as reflected in the indices published by the Bureau of Labor Statistics of the United States Department of Labor. If it is fair to automatically cut salaries when the cost of living declines, then, in my opinion, it is equally fair to adjust wages upwards under reverse circumstances.

The last Legislature provided that the head of each department and division of the State government in the unclassified service should be paid his salary as fixed by law plus ten per cent for the current biennium. In the budget before you all the salary recommendations for heads of departments and divisions have been calculated on the base salary as of June 30, 1945, plus twenty per cent, instead of ten per cent as the present law provides. This will give these department heads approximately ten per cent more than they are currently earning. This, in my opinion, is the minimum adjustment which should be made.

I would like to point out that the majority of these salaries were set by law many years ago and have not been changed in the intervening years. I, therefore, suggest that possibly the proper solution to this important question is a complete re-evaluation of the duties and responsibilities of the various department heads, executive secretaries and similar positions.

I have not included in my recommendations in this class of employees the faculty members and presidents of the six State Teachers Colleges because, by law, the Teachers College Board is given the power to set the salaries for these employees. They have established a new salary plan for these employees and will submit that plan to the Legislature in their requests for appropriations. Salary adjustments in this group also deserve careful consideration.

PUBLIC HEALTH

It will be noted that I have recommended three new activities in our Department of Health:

(1) A dental health program to be carried on in conjunction with the public schools of the state.

(2) A program of industrial health to assure safe, healthful conditions for employees in industry.

(3) In addition to the above, I want to point out that a committee has been inventorying existing hospital facilities and surveying the total needs for hospitals for the purpose of establishing a state-wide plan for hospital services as available under the terms of Public Law 725, 79th Congress. I recommend continuance of this survey until completed.

I am hopeful that some financial aid will be extended to counties so as to insure a state-wide public health nursing program.

I am recommending funds for the purchase of a traveling mobile laboratory for the Department of Agriculture for bacteriological analysis of foods as a further means of promoting public health.

BUILDING PROGRAM

With the exception of the addition to the School for Feeble Minded at Faribault, the State, because of war restrictions, has not been able to do any major alterations or construct any new buildings since 1940. This naturally has brought about, now that the war is over, a very large building program request by the Public Institutions, State Teachers' Colleges and the University.

We have funds available in the amount of \$10,549,000 for buildings, including the state's contribution to the Mayo Memorial and the Veterans Building. During this Session, bids will be opened on most of the buildings for which appropriations have been made so that you will have definite information as to how much additional money is needed due to the increased cost of construction. It is estimated that this additional amount will be approximately \$850,000.

It is recommended that the Legislature make available the amount necessary so that each state institution may join with the municipalities wherein they are situated in building much needed sewage disposal plants. It is recommended that the State participate on a per capita basis. This would cost an estimated \$731,000.

In addition to the buildings which have already been provided for, I consider the minimum basic needs to be \$5,000,000 for the University, \$2,000,000 for the six state Teachers Colleges, \$10,000,000 for the nineteen Public Institutions and \$1,800,000 for airports. If this money can be made available, it will give the State a building program for the next four years of \$31,000,000.

The buildings for the Public Institutions which are listed in the budget have been carefully selected as the most important of the total building request.

Regarding the \$2,000,000 which I am recommending for the six State Teachers Colleges, I feel that the Teachers College Board should determine the priority as to importance of buildings and what buildings should be built with the money made available, and I also feel that the Board of Regents at the University should determine what buildings they want to build with the money which you make available to them for building, as the amount recommended is approximately one-third of their total request.

In considering the total building needs of the state, the special emergency at the University must be recognized. Space to enable effective teaching, research and public service, insufficient even for the prewar University program, is plainly inadequate today. Wartime research accomplishments have resulted in postwar demands for increased research activities at the University. Private and federal government grants-in-aid for research projects of direct benefit to the people of Minnesota have increased notably, but the University lacks the space to do the work. In the field of health and medicine, and in industrial investigation; the need is clearly evident.

Any appraisal of long-range building needs, or the means to meet them, is difficult at this time -- but it is my considered judgment that immediate building assistance in an approximate amount of \$5,000,000 is completely justified for the University.

It would be my further suggestion that the Legislature take account of increased construction costs for the proposed splendid Mayo Memorial project, already approved, by making an additional appropriation for this project, the sum decided upon to be included within the five million dollars recommended. Facilities to be provided by the Memorial will help directly to meet critical space needs for medical investigation and the improvement of medical teaching and public health.

CENTENNIAL

Minnesota will be 100 years old March 3, 1949, and this anniversary should be appropriately observed. During the course of the Session you will be presented with recommendations of a committee appointed by Governor Thye and I invite your respectful consideration of a plan of the Centennial observance.

I am a firm believer in a strong executive budget and am opposed to department heads taking a position inconsistent with the recommendations in the legislative and budget messages. This does not mean, of course, that the department head is precluded from appearing before a legislative committee to give the complete facts as to the needs of the department. But as Governor of the State, I am responsible to the people and the department heads under me, as members of the executive team, will be required to adjust their activities to the general policies of the Governor. In saying this, I would like to reserve the right to point out any injustices that might have been done in my detailed recommendations in the budget. I am sure you understand that somewhat of an elasticity in our working arrangements is required before we finally arrive at a fair conclusion in the over-all financial picture.

In closing I would like to pay tribute to that stalwart character Senator A. J. Rockne who served so many faithful years as chairman of the Senate Finance Committee. We wish him well. I am sure Senator Sullivan, his successor,

will carry on in a fine spirit of cooperation and dedication to public service. I would also like to pay tribute to Representative Claude Allen, chairman of the House Appropriations Committee, for his many years of faithful and able service. It is not a very popular or agreeable responsibility to be the watch-dogs of the treasury. I feel sure that these men, along with the other legislators, will do everything possible to secure the greatest value for each dollar expended. I also feel sure that they will have the vision and courage to see the urgency of meeting our basic postwar needs.

I have complete faith that you will be motivated by a desire to do that which is best for all the people. Though we serve in different capacities and in different departments of government we are the chosen leaders of the same people and we serve the same cause. There are bound to be many diverse opinions on particular phases of this budget. I am confident, however, that by careful study and discussion we shall arrive at satisfactory solutions. Let us resolve together to put forth our best efforts to attain the highest degree of public service. By the confidence reposed in us, the people are entitled to that type of service.

During the session I will devote myself to working with you all in securing a constructive program of legislation. To accomplish this I will be happy to welcome any suggestions. I pledge you my full cooperation in the work that lies before us. Together we shall build a constructive program of benefit to all the people of Minnesota.