



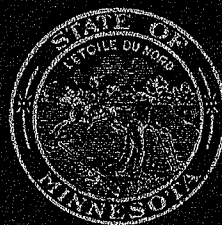
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BUDGET MESSAGE

of

Governor Elmer L. Andersen

1961 - 1963



Delivered Before a Joint Session of the
Minnesota Legislature

January 24, 1961

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BUDGET MESSAGE OF GOVERNOR ELMER L. ANDERSEN

Delivered before a joint session of
the Minnesota Legislature on
Tuesday, January 24, 1961

Mr. Speaker, Mr. President, and Members of the 62nd
Session of the Minnesota Legislature:

Pursuant to Minnesota Statutes 16.15, I present the biennial budget message. This message supplements the detailed recommendations contained in the printed budget document and the capital outlay budget as contained in the Report of the Legislative Building Commission, copies of both of which documents were distributed to you today.

Budget in Brief

Generally, this budget provides for a continuation of existing levels of state service. It provides for only those new positions necessary to man and operate new facilities and otherwise where the need for additional personnel could not be denied. We have sought to economize. In the months ahead we will personally observe operations in further efforts to save. However, there are certain services which require special attention, and in those areas this budget provides for essential expansion:

- + In the field of mental health and for the mentally retarded, this budget includes a \$600,000 increase for the purchase of drugs and surgical supplies. This is the full amount requested by the department. It also includes the amount requested by the Department of Public Welfare for food. In addition

it provides \$1,376,000 in appropriations to strengthen the developing local mental health clinic program and \$240,000 for in-service training of personnel. It provides for the addition of 308 new employees, phased into the system in four six-months intervals.

- + This budget not only provides for additional faculty necessary to meet increased enrollments at our university and our state colleges, but provides for improvement in the level of faculty salaries as well.
- + An increase in funds for the university in the field of research is included, and especially in the fields of agricultural research and for geologic survey and mapping work in northern Minnesota.
- + It recommends adoption of and provides the funds to finance the proposed civil service salary plan which from all funds including highway and university, approximates a \$9,600,000 increase for the biennium.
- + In keeping with our effort to economize whenever possible, this budget does not recommend an appropriation for the Grain Appeals Board; and accordingly I recommend that the agency be abolished. Furthermore, the budget anticipates that the Banking Division will assume the activities of Rural Credits.
- + An increase of \$719,000 is provided to accelerate and strengthen our state forestry program.

- + An urgently recommended increase of over \$300,000 is provided for the Department of Business Development to sell Minnesota and publicize our resources.
- + In the field of crime detection an addition of \$35,000 is provided for needed laboratory equipment and a laboratory technician for the Bureau of Criminal Apprehension.
- + Greater assistance in the area of adult and youth correction is provided in additional personnel and an increase in supplies and expense.
- + School aid is improved with the recommendation that formula A be modified by changing the local mill levy from 19 to 18 1/2 mills while retaining the foundation aid figure of \$270. It is also recommended that formula B be changed from \$87 to \$90. In this manner, the budget not only provides needed aid for increasing enrollments but some relief for increasing costs.
- + This budget provides for the removal of the ceiling on old age assistance and anticipates the removal of the maximum limits on aid to the disabled, for which an additional \$1,392,000 is recommended. Largely this is a transfer to the state budget of moneys now paid out as direct relief by counties, and some easing of property tax burdens.
- + The budget recommends and finances \$65,400 for a new student nurses training program at Winona State College.

- + The budget includes increased appropriations of \$52,524 for education research, \$394,420 for vocational training of disabled, an additional \$5,000 for Indian scholarships, \$250,000 for increased aid to rural libraries, and \$100,000 for the community lunch program.
- + It increases aid to junior colleges by providing \$300 per year for each resident student and \$400 per year for each non-resident student.
- + A major item of this budget, which is also included in the financing, gives some relief for local units of government. The budget anticipates all present taxes and the reenactment of existing surtaxes. In addition, in order to balance the budget and take into account a deficit in the General Fund of \$2,592,000, it will be necessary to raise \$39,430,000 for the biennium in new revenues. It recommends the adoption of a 3% excise tax on the gross cost of new automobiles, a 3% excise tax on all telephone and telegraph bills and a 3% excise tax on electric and power bills, with the proviso that of the amount received in the General Fund from these and other sources, any surplus in excess of \$10,000,000 in the General Fund on June 30, 1962, and each fiscal year thereafter shall be paid to the counties for redistribution to local units of government to provide local property tax relief. Senator Rosenmeier has prepared

a bill that provides the mechanics of redistribution.

This is the program in brief. Now I would like to turn to a more detailed examination of some of the phases of the budget.

State Personnel

As I have expressed to you previously, it is my belief that fewer, well paid employees, properly guided and supervised will execute better the programs of state government. There are a great many areas where we have declined to recommend requested new personnel and expanded programs. We would stress again that we plan to continue our review and re-evaluate present operations in all departments looking for economies. However, in order to retain and attract personnel with the skills required to provide state services, employees should be paid a salary comparable to those of similar skills and training outside state government.

In a biennial survey, the Department of Civil Service compared state salaries of key positions with 819 employers in the area who employ 50 or more, representing 302,000 workers. This study was also supplemented by other private and public surveys for the area. The result is a proposed salary plan the adoption of which I recommend to you, and for which the budget includes \$9,600,000, including OASI and SERA contributions.

The Legislative Interim Commission on Employee-Employer Relations has considered an overall increase for department and agency heads. In order to eliminate the inequities that exist between these salaries and those of upper level but subordinate classified employees, I support such a proposal.

Public Welfare Institutions

You know of my interest in and concern for the patients of our institutions. I recommend to you increased appropriations for additional personnel, for the purchase of drugs and food, to improve research, for residency training, and for the rapidly developing local mental health clinics.

The Department of Public Welfare requested 1,041 new positions. Against this, I recommend to you an appropriation sufficient to employ 308 additional personnel on a phasing-in basis over the biennium. I base this on the need for operating new hospital facilities as well as meeting some of the most pressing needs elsewhere. This would mean that the hospital at St. Peter which shows acute understaffing, will gain the largest number of new employees.

The value of tranquilizing drugs in the treatment of the mentally ill is well-documented and dramatic. Our hospitals are constantly reducing their resident population, while at the same time admitting and discharging a larger number of patients. Some of this can be attributed to the new miracle drugs. It seems both humane and sound economics to appropriate to treatment and cure rather than sustain the larger cost of custodial care. I urge your approval of the increase provided in the budget for drugs and surgical supplies.

Training in residency is the most successful method tried to date for obtaining some of the professional personnel needed to carry on our mental health program. I ask your favorable consideration of an appropriation of \$240,000 for this purpose.

The mental health clinic program, now established in some communities and developing in others, is proving its worth. I recommend to you the appropriation of \$1,376,000 for this purpose.

Finally, \$1,392,000 is included in the budget as the anticipated cost of eliminating the ceilings on old age assistance and aid to the disabled for which I urge your approval. Most of this will replace direct relief now paid entirely at county expense to supplement old age assistance and aid to disabled grants. Your counties have no ceiling on direct relief, but stand the whole burden of that cost. Why not give them the benefit of state and federal sharing on the costs they are now finding it necessary to bear above present maximums on these two categorical aids?

Higher Education

Higher education in Minnesota is at a crossroads with the full impact of the war and post-war birth rate yet to be felt.

The Liaison Committee for Higher Education is now attempting to assess the proper role of the public supported junior colleges, state colleges and the university. The work of this committee is important and this budget includes \$21,000 to continue and improve upon the progress already made by this committee on a voluntary basis.

University of Minnesota

I share with you a deep respect for our great university, and wish to see its quality and integrity protected. I am recommending to you an aggregate appropriation from the General Fund which exceeds that of the current biennium by \$10,300,000.

The budget as submitted will provide for the faculty necessary to meet present enrollments, and will provide for improvement in the level of faculty salaries as well. The budget includes also the funds necessary to finance the proposed civil service salary plan for the staff personnel.

The so-called special accounts are increased to provide for research, and especially an increase of \$100,000 for agricultural research, and the sum of \$75,000 for geological surveying and mapping in northeastern Minnesota.

The budget includes essential new personnel for the University Hospital together with the application of the salary increase formula for both faculty and staff.

State College Board

The five state colleges are confronted with an increased and accelerating student enrollment, and all indications are that this trend will continue at least through 1970.

I recommend an increase of \$759,742 to finance salary adjustments upward both for faculty and staff. The budget also provides an additional \$675,517 necessary to remove the ceiling on summer school faculty salaries, thus enabling the payment of regular rates of pay to those faculty personnel who are assigned to summer school teaching.

The new staff positions, which are recommended and for which \$324,726 is budgeted, are related to the operation and maintenance of physical plant resulting from campus expansion and the construction of new campus facilities. I have also included in my recommendations an

increase of \$976,342 in appropriations for educational supplies and teaching equipment.

The only new program recommended is a student nursing training program at Winona State College. With the completion of the new community hospital, the professional men and women of the area have indicated their support and will provide professional lecturers gratis. In the face of the need for trained nurses, and convinced of the interest, available resources and support of the community, I recommend that you give this program your favorable consideration.

I have provided also for a 40% increase for the education and training of handicapped children, and \$150,000 to match federal funds for the student loan program.

The financing of the state colleges is included as an obligation of the General Fund.

Department of Education

I urge an increase in school aid and ask also that you give favorable consideration to a proposed increase in aid for junior colleges. It is my recommendation that you modify formula A by changing the local mill levy from 19 to 18 1/2 mills, while retaining the foundation aid figure of \$270. I also recommend that formula B be changed from \$87 to \$90. This will provide some relief to the local burden on property taxes.

With respect to junior colleges I recommend that the aid be financed from the General Fund, and have budgeted \$300 annually for each resident student and \$400 for each non-resident student.

The budget also provides for an increase of \$52,524 for education research; \$394,420 for vocational training of the disabled; an increase of \$5,000 for Indian scholarships; an increase of \$100,000 for the community lunch program; and an increase of \$250,000 in aid to rural libraries. Each of these items warrants your favorable consideration.

By providing increased aid to schools, I would hope for a means of expanding the student driver training programs so as to make this training available to every high school student in the state. I would urge that you consider legislation to require driver education and finance it from highway funds. It seems to me that this is proper as a part of the highway safety program.

Department of Corrections

In creating the Department of Corrections, the last legislature brought together in one agency the state's services and institutions for youthful and adult offenders. In so doing the legislature gave recognition to the magnitude and seriousness of the problems related to delinquency and crime, and made possible coordinated planning and action so essential to effective correction and prevention.

This budget offers a beginning in the next step by providing added staff to help these offenders meet and solve their own problems that they may return as assets to their family and community.

Community protection and the preservation of human dignity in themselves demand that we develop the most effective possible prevention system. But in light of the staggering costs of crime and delinquency, it becomes an economic necessity.

The employment of youth and other sound programs can be developed in our communities. I do not mean "made work", but jobs and programs which are meaningful, character building and training for the future. The state cannot attempt to do this job alone, but with joint planning and action by the state and the local communities, real progress can be anticipated.

With respect to County Reimbursement Probation Services it is my recommendation that you appropriate \$100,000 each year and that the 10¢ per capita be paid as heretofore, but add that the payment be conditioned to provide that the state's payments to the counties shall not exceed fifty percent of the county's total cost for this service.

Conservation - Forestry

In keeping with attitudes I expressed in my inaugural address, an enlightened and accelerated forestry program not only will be a continuing economic asset, but can help relieve a distressing economic situation in northern Minnesota.

The planned program of the Department of Conservation, Division of Forestry, includes a timetable for the growing of nursery stock and transplanting of seedlings at a scheduled rate of 50 million trees per annum. To encourage this and to accelerate generally the state's forestry program, I recommend an increase in appropriations of \$719,000.

Conservation - Game and Fish

For many years prior to 1955 the Game and Fish Fund consistently showed a very comfortable balance of over \$2,000,000. Despite increasing receipts each year, this balance has steadily decreased. To provide for

expansion of existing programs and to adopt new programs contemplated by the Division of Game and Fish, the raising of additional revenues would have been necessary in order to avert a deficiency in the Game and Fish Fund approximating \$2,000,000. While the programs may be warranted, I did not feel I could justify the request for additional revenue. Instead it is my feeling that the new administration should be allowed the opportunity of taking a careful look at the full program of the Division of Game and Fish in action, and chance to review its organization. However, if you choose to provide the additional revenue, I am confident the money will enable the Division to provide many fine services.

The budget for Game and Fish submitted contemplates only the existing level of activities, and to finance it, it has been necessary to take into account the beginning balance, anticipated receipts, estimated additional receipts and probable cancellations.

Minn. State Board of Grain Appeals

I am convinced that there is no longer any need for the Minnesota State Board of Grain Appeals, and recommend that the legislature abolish this state agency. The Board has two principal functions: (1) to establish the grain standards for Minnesota, and (2) to establish the grade on individual lots of grain when an appeal is called.

All major grain standards are identical to those established by the United States Department of Agriculture. In the matter of appeals, more and more grain owners are turning to the United States Department of Agriculture. Furthermore, since the decisions of the state board can be appealed to the federal grain inspection service, the importance of the state service is further diminished. Of the one or two minor grains

for which federal standards have not been established, it is my recommendation that these standards be set by the Railroad and Warehouse Commission on recommendation of the Chief Grain Inspector.

Civil Defense

I feel strongly that we must be prepared for any eventuality, and am grateful to the many men and women who are voluntarily contributing their time and talent to provide for disaster assistance and plan for survival.

You will note that my recommendations for the Department of Civil Defense are substantially the same as you appropriated two years ago. I would like to point out that while my recommendations parallel the previous appropriation, this amounts to approximately a doubling of the activity in that it will be expanded by that amount of aid under the Federal Civil Defense Agency's new matching fund program.

I request that you consider this recommendation favorably.

Department of Business Development

In order to sell Minnesota, publicize our natural and human resources, attract industry and build jobs, I urge an increased appropriation for this department of over \$300,000. We discussed this at length in the inaugural message.

Iron Range Resources & Rehabilitation

Had it not been for two "windfalls" during the current biennium, which totalled approximately \$700,000, the Iron Range Resources and Rehabilitation Commission program would have come to a halt late in

1959, and the fund would have been exhausted. As it is, the program as reflected in the current request of the Department exceeds anticipated receipts and would dissipate also its small reserve or balance.

Thus, the budget request of this agency and the recommendations made in the budget are a presentation only. I ask you to give the new Commissioner, when chosen, an opportunity to review his plans with you.

In the meantime, I recommend that the receipts from projects financed by the fund, be reappropriated for financing other projects.

Division of Banks

The Rural Credit Division has reduced its outstanding accounts to a point approximating 500 contracts and remaining collections of about one-quarter million dollars. I am recommending that this entire function be transferred to the Banking Division and an appropriation to that agency of an amount sufficient to pay one salary and necessary communications, and ask that the division assume the limited clerical assistance needed for collections.

Capital Outlay Program

The Legislative Building Commission has released to each legislator today its excellent report. You will note that this report is submitted with my concurrence, and, therefore, becomes a companion document to the printed budget.

This report represents over 50 days of the Commission's time in careful study, intimate counsel and hard decision-making. It presents detailed findings and recommendations with respect to the state's

physical plant, and I would like you to know that these recommendations have my full support. However, in addition to the findings of the Building Commission I am recommending that you appropriate \$250,000 for the acquiring of a site and the beginning of the plans for a school and hospital for mentally retarded to be located on the Iron Range.

The building program requires new financing in the amount of \$30,186,214. This sum will enable the state to continue the rehabilitation of existing physical plant and to provide only the most essential new buildings for state programs, and in particular those of the Department of Corrections, Department of Public Welfare and our system of higher education.

By reason of the ruling of the Supreme Court, traditional methods of financing this program are no longer available. Though it considered a number of alternatives for financing, the Commission is silent as to any recommended method.

Our constitution must be amended to change the archaic \$250,000 limitation on state indebtedness. Twice in the past three years, the Supreme Court has made it clear that this legal subterfuge must end. Bills proposed in the past have offered two alternative methods in giving us a realistic debt limit. One approach would keep the existing system of fixing a flat sum, but would raise it to \$250,000,000 or \$300,000,000. The other would embody a formula under which the issuance of certificates of indebtedness would be legalized on the basis of a percentage of property valuation. Some favor a percentage of assessed valuation such as, for example, 15 percent of that total, now approximately two billion dollars, or an effective debt limit of about \$300,000,000. Others prefer the market value of taxable property as the base, with a lower fixed percentage.

In either approach, flexibility would be attained. The legal debt limit would rise as property values increase.

There are other alternatives. Minnesota's Legislature might do as Congress does nationally if the constitution so provided, setting the debt limit from time to time through statutory enactment. The constitution might also be so changed as to ban bonded indebtedness except when approved by a referendum vote of the people. This system is used not only by our municipal units, but by some states as well. Some states have established "authorities" for the financing of building programs -- governmental entities created by legislative act, with freedom from established restrictions in view. It is my belief that creation of such an authority would be challenged in the courts as a continuation of legal subterfuge.

The amendment to be proposed to voters should, I feel, follow one of two courses -- a fixed limitation that is realistic as to foreseeable future needs; or a flexible limitation which would accomplish the same purpose, permitting automatic increase in the debt limit as property valuations increase.

Department of Highways

The 1959 legislature directed that beginning July 1, 1961, standing appropriations of the Department of Highways for purposes of the Safety Division and the Administrative Division would be abolished, and required the submission of a biennial budget. For the first time, meaningful recommendations to the legislature on Department of Highway spending are included in the budget.

For the safety activities of the department, this budget provides \$9,765,000, which is an increase of about 6%. However, this budget reduces

over-all appropriation requests of the department for administrative salaries, supplies, buildings and certain office and other non-road building or maintenance equipment. These recommended reductions amount to \$6,700,000, and can be added to those funds available for road construction.

I also recommend that the requirements of the Department of Highways for new buildings, major repairs and building alterations be subjected to review by and the recommendations of the Legislative Building Commission, including the proposed district headquarters buildings at Rochester and St. Paul.

Income Tax School Fund

It is with regret that I advise that when the legislature appropriates for aid deficiencies, the income tax school fund on June 30, 1961, will be in the red by over \$17,000,000. Provision for this deficiency will be discussed in a subsequent message.

My recommendations for agencies supported by this fund plus the school aid program total \$282,086,000. On the basis of current rates for existing taxes, including the continuation of the so-called temporary taxes, it is estimated that \$283,311,000 will be available for the coming biennium.

This will leave in the income tax school fund as of June 30, 1963, an anticipated balance of \$1,225,000 from this biennium's operation.

General Fund Accounts

I regret to advise that we shall begin the year with a cash deficit in the General Fund which it now appears will approximate 2 1/2 million dollars.

The Departments of Administration and Taxation estimate that the current rates applied to existing taxes, including reenactment of the temporary taxes, will make available for the General Fund in the next biennium the sum of \$223,802,000, not including the deficit.

We have reduced the requests of the state agencies supported by the General Fund to \$242,370,000, a reduction of approximately \$30,000,000 for the biennium. We have also transferred \$18,270,000 for the State College Board and the aid for junior colleges which last biennium was financed from the Income Tax School Fund. Therefore, in order to balance recommended appropriations against revenue and provide for the cash deficit, it will be necessary to raise \$39,430,000 in new revenues.

Financing The Budget

You may recall that prior to election I suggested that additional revenue necessary to balance the budget might be obtained by the enactment of selected excise taxes. A number of these have been adopted by other states and the following are recommended to you:

1. A three percent excise tax on the gross price of new automobiles. The revenue from this measure is estimated at \$24,000,000 for the biennium. The excise tax should be coupled with a use provision that would provide that persons who purchase cars outside the state would pay the tax in this state at the time the automobile is first licensed in Minnesota.
2. A three percent excise tax on the use of telephone and telegraph. This would produce an estimated \$9,800,000 for the biennium.

3. A three percent excise tax on the use of electricity. This would produce revenue estimated at \$15,600,000 for the biennium.

Any new taxes invite criticism. I would welcome alternative suggestions. I looked hard but could find no source for \$50,000,000 that no one would have to pay.

These taxes will produce \$49,400,000, leaving the \$10,000,000 balance previously mentioned, and establish a base for state taxes for local property tax relief.

The Need to Improve Tax Structure

No state in our union has had a better study of tax reform than has Minnesota in the work of the Citizens Committee headed by Mr. J. Cameron Thompson. This significant work, published in 1958, is worthy of study by every citizen and certainly a must for every state administrator and legislator. It is a blue print for action which does not need to be done all at once. Together we need to find the best way to implement it even if it takes several years. This session should make a beginning.

In a special message, I should like to present for your consideration suggestions relative to tax reform and observations on where a withholding tax plan could fit in.

Conclusion

This budget represents our present judgment as to the needs and requirements of state agencies as related to available and proposed revenues. As your deliberations proceed, I shall be happy to work and consult with

you, and will make available to you any information we have. The Department of Administration and all other state agencies responsible to me as Governor, are prepared to cooperate with you. We have requested state department people to always give their best professional judgment rather than simply restating an administration position.