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# **1959 Minnesota State Legislature**

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**MINNESOTA TAXPAYERS ASSOCIATION**

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The main objectives of the Minnesota Taxpayers Association, a non-profit, non-partisan organization of representative taxpayers, are —

- to curb waste and extravagance in government,
- to establish more efficient governmental policies and practices,
- to work for sound governmental fiscal policies, and
- to contribute to the information of the citizens and taxpayers of the State of Minnesota on the affairs of their governments.

RESEARCH BULLETIN No. 42

*Financial and Administrative Review:*

**1959 Minnesota  
State Legislature**

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APRIL 1960

**MINNESOTA TAXPAYERS ASSOCIATION  
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## TABLE OF CONTENTS

	Page
I. SUMMARY .....	5
II. GENERAL INTRODUCTORY TO FINANCING AND APPROPRIATIONS.....	6
III. COMPARISON OF TOTAL APPROPRIATIONS .....	7
A. Four Omnibus Appropriation Bills and Miscellaneous Appropriations.....	7
IV. APPROPRIATIONS COMPARED ACCORDING TO FUNCTION.....	10
A. General Comments .....	10
B. State Departments .....	12
C. Semi-State Activities .....	14
D. Welfare and Institutions.....	15
E. Education .....	17
F. Miscellaneous .....	22
G. Highways .....	23
H. State Borrowing .....	24
V. THREE MAJOR RETIREMENT FUNDS .....	25
VI. THE TAX PROGRAM.....	26
VII. ADMINISTRATIVE CHANGES .....	29

## LIST OF TABLES

Table	Page
1. Laws Passed by the 1957 and 1959 Legislatures in Regular and Extra Sessions.....	7
2. Comparison of the Four Omnibus Money Bills and Miscellaneous Appropriations as Enacted by 1957 and 1959 Legislatures.....	8
3. Comparison of Open and Standing Appropriations for 1957-1959 and 1959-1961 Bienniums	8
4. Comparison of Appropriations Financed Either from Borrowed Monies or Directly by State Mill Levies on Property.....	8
5. Summary of Appropriations.....	8
6. Total Spending Authorized, Appropriations Enacted and Estimated Highway Expenditures for the Periods 1957-59 and 1959-61.....	10
7. New Positions Requested, Recommended, and Enacted and Legislative Reductions in Existing Complements .....	11
8. Comparison of State Department Appropriations, 1957 and 1959 Legislative Sessions.....	12
9. Comparison of Semi-State Activities Appropriations, 1957 and 1959 Legislative Sessions...	14
10. Comparison of Welfare and Institutions Appropriations, 1957 and 1959 Legislative Sessions .....	15
11. Comparison of Education Appropriations, 1957 and 1959 Legislative Sessions.....	17
12. Aid to Schools Appropriation, Tentative Allocation .....	18
13. Additional State College Personnel Requested, Recommended, and Enacted.....	20
14. University Maintenance Account, New Personnel Requested, Recommended, and Enacted	20
15. General Hospital, New Personnel Requested, Recommended, and Enacted.....	21
16. Multiple Sclerosis, New Personnel Requested, Recommended, and Enacted.....	21
17. Comparison of Miscellaneous Appropriations, 1957 and 1959 Legislative Sessions.....	22
18. Comparison of Estimated Highway Expenditures, 1957-59 and 1959-61 Biennial Periods...	23
19. State Building Bills—1957 and 1959 Sessions .....	24

APPENDIX TABLES

A. Comparison of the Appropriations Authorized by the 1957 and 1959 Legislatures..... 31

B. Estimated Receipts for 1959-61 Biennium (State Portion Only) for Financing of  
General Revenue and Income Tax School Fund Appropriations..... 34

C. Comparative Analysis of Selected Tax Rates for 1957-59 and 1959-61 Bienniums (Per-  
manent and Temporary)..... 35

CHARTS

1. Comparison of Total Appropriations..... 9

2. Estimated Revenues—1959-61 Biennium, General Revenue and Income Tax School Funds 27

## I. SUMMARY

Amid a highly-charged political atmosphere the 1959 Legislature concluded its regular and record-breaking long extra session on July 1, 1959. Not only was the Extra Session the longest in the state's 101-year history, but the 1959 Legislature also set new records for spending, enacted the highest rates for income, inheritance, and several excise taxes, and finally passed reapportionment legislation—the first since 1913.

Appropriations for the four major omnibus money bills and the miscellaneous bills totaled \$490,560,296—up nearly \$54 million (12.4%) over the \$436,602,390 provided for comparable bills in the 1957 session.

Open and standing appropriations reached new spending heights, totaling nearly \$40 million—up over \$8.3 million (29.3%) over the \$28½ million appropriated for the 1957-59 biennium.

Appropriations to be financed from borrowed monies, such as the state buildings and the Maximum Effort School construction bill, total over \$57.7 million—but are a reduction of \$7.1 million from the record-breaking \$64,921,939 appropriated for similar items by the 1957 Legislature.

The grand total of 1959-61 appropriations was \$585,215,610—up over \$55.1 million (10.4%) over the \$530 million provided for the 1957-59 biennium. (These amounts do not include Highway expenditures estimated at \$121.4 million for 1959-61 as compared to \$152.6 million for the 1957-59 biennium, nor do they include the Federal aid which the state will receive and spend for highway, health, education, and welfare purposes. Federal funds distributed as grants-in-aid during fiscal year 1959 were estimated at \$44,630,344).

Cost-of-living salary adjustments amounting to over \$7.2 million were provided by the 1959 Legislature covering state employees under civil service—financed from either non-dedicated or dedicated receipts. Approximately one-half of this sum was made available to cover the economic adjustment made July 1, 1958 (for which specific funds had not previously been provided), and the other half for a further economic salary adjustment effective July 1, 1959. Notwithstanding any provisions of law to the contrary none of the moneys appropriated for the 1959-61 biennium shall be expended for economic salary adjustments during the second year of the biennium, beginning July 1, 1960.

Over \$3 million was allowed for merit increases in the coming biennium (excluding the Department of Highways for which the Legislature will not initiate specific appropriations until July 1, 1961).

Of the more than 2,000 new positions requested by the individual state departments and agencies, the 1959 Legislature allowed slightly less than one-fourth—472.5 positions at a cost of \$3,337,164 for the coming biennium. Many of the new "additions" were directly attributable to

staffing of the new Centennial Building and the two new Youth Conservation Commission Camps, and to additional staffing at both the Brainerd and Faribault State School and Hospital. The Legislature further reduced existing complements by 230 positions at an estimated biennial saving of over \$2.3 million.

The educational appropriation "Aid To Schools" was increased nearly \$45 million—from \$172,055,068 in 1957 to \$216,967,283 in the 1959 session. Foundation Aid was increased from \$240 to \$270 per pupil unit, the mill rate revised upward from 16.5 to 19 mills, and basic aid raised from \$85 to \$87 per pupil unit.

Aid to Junior Colleges was increased from \$200 to \$250 per student in average daily attendance.

A total of \$7 million was provided for loans for school construction in districts having an exceptionally high level for debt service. Of this sum, \$5 million is to be financed through borrowing and \$2 million was appropriated directly from the Income Tax School Fund.

Gross University appropriations were increased over \$5 million—from slightly over \$57 million in 1957-59 to slightly over \$62 million for the 1959-61 biennium.

State Colleges, with their ever-increasing enrollments received nearly \$2 million more in state appropriations—from \$9.6 million in the 1957-59 biennium to \$11.6 million for 1959-61.

New authorized borrowing for state buildings continued at a high level, totaling nearly \$52 million as compared to the all-time high of \$55 million approved by the 1957 Legislature. The 1959 Building Bill, among other things, provided for further development of the new Brainerd State School and Hospital, for the initial construction of a Youth Treatment Center, and for the first three University classroom buildings on the West Bridgehead, across the Mississippi River from the present Minneapolis Campus.

As in the 1957 Session, the tax problem continued to hold the spotlight throughout the 1959 Regular and Extra Session. The principal recommendations of the Governor's Tax Study Committee to make Minnesota's tax structure more friendly to business, industry and the farmer were again completely ignored. Once again the question of a withholding of state income taxes dominated the scene to the exclusion of a revised and equitable tax program. Many of the temporary taxes and surtaxes were made permanent. In addition, virtually every existing tax was increased—making the new rate for each the highest in the state's history. The beer tax was increased for the first time in 25 years, the malt beverage surtax was eliminated, and a new documents tax added.

Except for a county option on repeal of the personal property tax on household goods, no general tax relief

was provided personal property taxpayers by the 1959 Legislature.

Endless debate on seemingly inconsequential matters is always a part of every session, and the 1959 session was no exception. However, some solid achievements did come out of the session among which were the following:

Establishment of a new Department of Corrections incorporating the functions of three state agencies—the Youth Conservation Committee, the Parole Board, and the Penal Institutions (formerly under the Department of Public Welfare).

Probation services were expanded providing a state-wide system and permitting counties the option of employing their own probation officer(s) for service to YCC wards, or requesting such service of the state agency.

The presidential primary law enacted in 1949 was repealed 10 years later—in 1959.

## II. GENERAL INTRODUCTORY TO FINANCING AND APPROPRIATIONS

When the Minnesota legislators convened in regular session last January, they were faced with the Herculean task of meeting the administration's request for \$101½ million of additional new revenue to balance the Governor's recommended budget for the 1959-61 biennium.

This sum greatly exceeded the estimated shortage of \$67 to \$69 million predicted by the Minnesota Taxpayers Association two years ago, an estimate based on the resultant effects of having used "windfalls," surpluses, and certain diversionary methods in balancing the 1957 budget.

The Taxpayers Report of September 1957\* almost prophetically forecast the current fiscal problems when it stated,

"The large balances and windfalls will not be available in 1959, and the high pattern of spending set at this session (1957) will be difficult to change at the next session."

The current fiscal problems further emphasize the hazardous practice of using surpluses and "windfalls" to finance recurring expenditure programs. Future Legislatures might wish to give serious consideration to one or more of the following alternatives in using surplus revenues more prudently:

1. *Tax Credit*—to reduce tax rates temporarily, and use the accrued surpluses to replace the reduced revenues.
2. *Debt Retirement*—to permit debt retirement in advance of maturity which, in turn, would afford a property tax reduction.

The three major pension funds—State Employees Retirement, Teachers Retirement, and Public Employees Retirement—were again revised incorporating both administrative changes and those dealing with the fiscal structure of the respective funds.

New codes correlating and revising prior laws were enacted covering the fields of education, the juvenile court, highways, municipal annexation, election laws, and the uniform municipal court.

Two legislative actions were taken regarding legislative reapportionment—the first since 1913. One bill adds four house members bringing the total to 135, and retains the present number of 67 members in the Senate, the new districts to become effective January 1, 1962. The other bill presents a constitutional amendment, to be submitted to the voters at the general election in 1960, which would authorize legislative reapportionment after the 1970 census and each decennial census thereafter (with the Senate limited to 67 members and the House to 135 members).

3. *Capital Construction* — to meet the most urgent needs based on long-range planning and materially reduce interest charges.
4. *Reserve Fund*—to meet state's recurring obligations should future revenues decline.

The regular session as well as the extra session, which was the longest in the state's history, was marked with somewhat more than the usual amount of bitterness and politics.

Although two of the major appropriation bills had been virtually confereed at the close of the regular session, none of the four omnibus appropriation bills had actually been passed nor had the tax bill.

A matter of fact, it was necessary for each legislative body to appoint three sets of tax conferees before agreement was finally reached. Understandably, certain appropriation differences were virtually inter-related to the discussions of the tax conferees, and were not resolved, therefore, as readily as might otherwise have been possible—had financing not been such a vital factor. This situation also points up very clearly the necessity for closer liaison between the appropriations and tax committees—to start early in the session and continue until the enactment of both the appropriation and tax measures. It would also be hoped that such liaison might expedite the introduction of both the appropriation and tax measures thus affording an opportunity for citizen-expression through public hearings.

There was also very definite disagreement as to the necessity of instigating individual state income tax withholding. The Senate, rejecting the withholding system,

\*Research Bulletin No. 41, September 1957.



insisted that the contemplated revenues from (permanent and temporary) taxes were substantially under-estimated. The House steadfastly insisted that the collection of individual income taxes on a pay-as-you-go basis would provide a convenient method of payment and eliminate tax evasion. Behind these two opposing views, however, was the more vital question of "doubled-up" tax liability and the disposition of such a "windfall"—the tremendous import and political significance of which both legislative bodies fully realized.

By the middle of June, the estimate of additional revenue needs had been reduced to \$68 to \$75 millions—depending on the disposition of certain appropriation differences and on possible tax changes.

Before the close of the special session, revision of revenue estimates and more definite appropriation liabilities had further reduced this additional requirement to approximately \$47½ million. It was apparently on this basis of additional revenue needs that the tax bill was finally drawn.

A detailed resume of the tax program enacted is contained in Section VI.

#### Legislative "Scoreboard"

It was hoped that fewer "special legislation" bills would be required after passage of the constitutional amendment proposed in the 1957 Legislative Session (L '57, C 809) which provided for greater "home rule" and local autonomy for cities, counties and villages. While some reduction was evident in the 1959 session, a great many of the 793 bills passed still dealt with purely local matters.

While many of the measures introduced in both the House and Senate were companion bills and many individual claim bills became embodied in a single Omnibus Bill, nevertheless a large proportion of the measures introduced were obviously not meritorious or lacked sufficient support to achieve enactment.

A "scoreboard" of 1957 and 1959 Regular and Extra Sessions follows:

**Table 1**

#### LAWS PASSED BY THE 1957 AND 1959 LEGISLATURES IN REGULAR AND EXTRA SESSIONS\*

	1957 <u>Legislature</u>	1959 <u>Legislature</u>
Bills introduced in House.....	2,109	2,097
Bills introduced in Senate.....	1,937	1,887
<b>Total Bills introduced.....</b>	<b>4,046</b>	<b>3,984</b>
Bills enacted into law.....	986	793
Bills vetoed by Governor.....	1	....
Bills pocket-vetoed by Governor.....	4	6
Line item vetoes by Governor.....	..	1
Bills which became law without Governor's signature .....	3	1
Constitutional amendments to be submitted to popular vote .....	3	4
Resolutions passed .....	15	10
Total number of days in regular and special session* .....	95	140

\*Exclusive of the Special Session of June 23-27, 1958, called to consider the following specific legislative matters:  
 (a) Extension of unemployment insurance benefits.  
 (b) Immediate payment of the Korean bonus—otherwise not to be paid until January 1, 1959 under existing law.  
 (c) Maximum authorization of \$1,500,000 for work projects in areas suffering 15% or more unemployment.

### III. COMPARISON OF TOTAL APPROPRIATIONS

#### A. FOUR OMNIBUS APPROPRIATION BILLS AND MISCELLANEOUS APPROPRIATIONS

The four Omnibus Appropriation Bills (State Departments, Semi-State Activities, Welfare and Institutions, and Education) as enacted by the 1959 Legislature amounted to \$486,024,994—an increase of \$67,475,799 or 16.1%—over the \$418,549,195 provided in the previous biennium. An overall comparison of these four major appropriation bills is presented in Table 2 below.

In addition the miscellaneous appropriations which are also the direct result of action by a particular legislative session are being considered jointly with the Major Omnibus Bills in the comparative statistics which follow.

Miscellaneous appropriations decreased substantially from \$18,053,195 in the 1957 Session to \$4,535,302 in the 1959 Session—a reduction of \$13,517,893. The Korean Bonus was the principal miscellaneous item and accounted for a large portion of the sizeable comparative reduction. The Bonus Supplement enacted in 1959 was \$2,400,000 as compared to the original \$15,000,000 provided by the 1957 Legislature.

The 1957 Omnibus and Miscellaneous appropriation bills totaled \$436,602,390 as compared to \$490,560,296 in the 1959 Session—an increase of \$53,957,906 or 12.4%.

**Table 2**

**COMPARISON OF THE FOUR OMNIBUS MONEY BILLS AND MISCELLANEOUS APPROPRIATIONS AS ENACTED BY 1957 AND 1959 LEGISLATURES**

	1957 Legislature	1959 Legislature	Increase or (Decrease)
State Departments			
Bill .....	\$ 63,031,970	\$ 68,236,844	\$ 5,204,874
Semi-State Activities			
Bill .....	2,491,497	2,493,630	2,133
Welfare and Institutions Bill .....	103,320,589	113,393,842	10,073,253
Education Bill .....	249,705,139*	301,900,678**	52,195,539
Total .....	\$418,549,195	\$486,024,994	\$67,475,799
Miscellaneous			
Korean Bonus ....	\$ 15,000,000	\$ 2,400,000	\$(12,600,000)
Probation Officers .....		673,012	673,012
Employment Security Building (Mpls.) .....	1,250,000		(1,250,000)
Other .....	1,803,195	1,462,290	(340,905)
Total .....	\$ 18,053,195	\$ 4,535,302	\$(13,517,893)
Grand Totals ...	\$436,602,390	\$490,560,296	\$ 53,957,906

\*Includes \$2,000,000 for school construction loans, to achieve comparability. Also Occupational tax, 23/100 Mill Tax, and Trust Fund Revenues as they apply to the University (\$11,182,640).

\*\*Includes deficiency appropriations of \$18,270,773 (as compared with \$8,480,560 in the 1957 bill). Also Occupational Tax, 23/100 Mill Tax and Trust Fund Revenues as they apply to the University (\$9,171,472).

**Open and Standing Appropriations**

Open and standing appropriations, which do not need to be re-enacted each legislative session, rose from \$17,250,600 to \$20,049,088—an increase of \$2,798,488.

To this group should rightly be added the open appropriation authority for the Teachers' Retirement Fund since it is a current obligation though financed as a part of the tax levy against real and personal property of the state, exclusive of cities of the first class.\* The actuary's estimated requirement for the next two years, as provided in the 1959 Session, was \$16,857,946 as compared to \$11,298,200 in the 1957 Session—an increase of \$5,559,746. With this addition, open and standing appropriations increased \$8,358,234 over the 1957 Session estimates—or a 29.3% increase.

Since these "open-end" spending authorizations do not have any specific appropriation limitations, and since their growth is now making them an important factor in the state's total financing program, they are deserving of increased legislative concern. Any Legislature can alter these open appropriation authorizations if it so desires since they have been created by statute rather than by the Constitution.

**Borrowing, and Other Statutory Tax Levy Items**

Total authorized new borrowing, to be financed from the property tax levy, and other statutory items included in the property tax were reduced from \$64,921,939 in the 1957 Session to \$57,748,280 in the 1959 Session—a decrease of \$7,173,659. The Building Bill constitutes the largest single item in this group. New borrowing for state buildings authorized in 1959 totaled \$51,922,280—closely approximating the record high of \$55,121,939 enacted by

\*Cities of the first class maintain their own Teachers' Retirement Plans.

**Table 3**

**COMPARISON OF OPEN AND STANDING APPROPRIATIONS FOR 1957-1959 AND 1959-1961 BIENNIUMS**

	1957 Legislature	1959 Legislature	Increase
\$10 per Child Census			
School Aids .....	\$13,950,000	\$14,900,000	\$ 950,000
Income Tax Refunds	1,400,000	1,850,000	450,000
Aids to Fire Departments .....	1,155,000	2,100,000	945,000
Other .....	745,600	1,199,088	453,488
Total .....	\$17,250,600	\$20,049,088	\$2,798,488
Teachers' Retirement Fund .....	11,298,200	16,857,946 (Est.)	5,559,746
Total .....	\$28,548,800	\$36,907,034	\$8,358,234

the 1957 Legislature. The new Building Bill is again to be amortized over a 20-year period and includes, as did the corresponding 1957 Bill, many repair and alteration items which, prior to 1957, had been financed from current funds. And, as in 1957, these current maintenance items which aggregated approximately \$850,000 were a point of disagreement between the Senate and House Building Bill conferees.

**Table 4**

**COMPARISON OF APPROPRIATIONS FINANCED EITHER FROM BORROWED MONIES OR DIRECTLY BY STATE MILL LEVIES ON PROPERTY**

	1957 Legislature	1959 Legislature	Increase or (Decrease)
State Building Bill...	\$ 55,121,939	\$ 51,922,280	\$(3,199,659)
Maximum Effort			
School Levy Bill...		5,000,000	5,000,000
State Teachers' Retirement Fund .....	(Reported under "Open and Standing" appropriations)		
State Airports .....	3,800,000	826,000	(2,974,000)
Other .....	6,000,000		(6,000,000)
Total .....	\$ 64,921,939	\$ 57,748,280	\$(7,173,659)

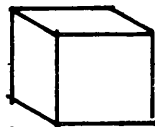
**Summary of Appropriations**

A summary comparison of the foregoing appropriation groupings for the 1957 and 1959 legislative sessions follows:

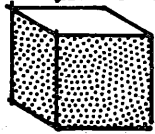
**Table 5**

**SUMMARY OF APPROPRIATIONS**

	1957 Legislature	1959 Legislature	Increase or (Decrease)
Four Omnibus Appropriation Bills .....	\$418,549,195	\$486,024,994	\$67,475,799
Miscellaneous Appropriations .....	18,053,195	4,535,302	(13,517,893)
Open and Standing Appropriations ...	28,548,800	36,907,034	8,358,234
Total .....	\$465,151,190	\$527,467,330	\$62,316,140
Borrowing and Tax Levy .....	64,921,939	57,748,280	(7,173,659)
Grand Total ...	\$530,073,129	\$585,215,610	\$55,142,481



1957 SESSION



1959 SESSION

Chart No. 1

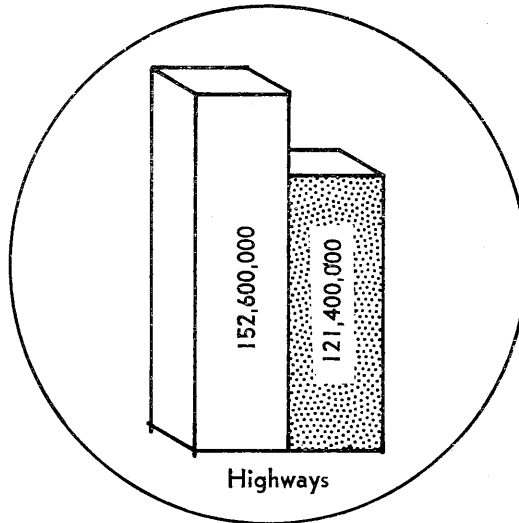
### COMPARISON OF TOTAL APPROPRIATIONS

Enacted and Open Authorities

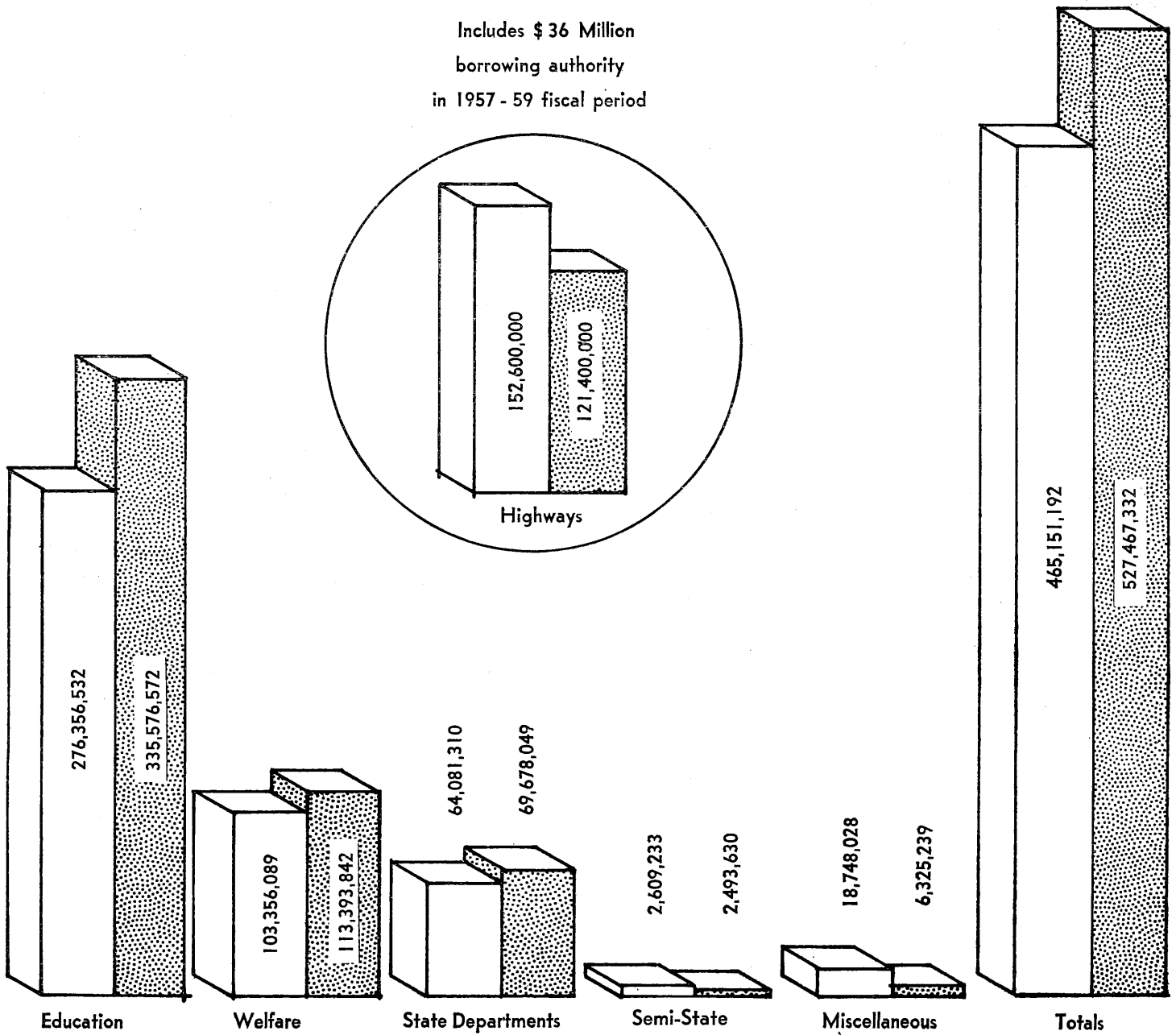
(Plus Estimated Highway Expenditures)

For 1957 - 1959 and 1959 - 1961 Bienniums

Includes \$ 36 Million  
borrowing authority  
in 1957 - 59 fiscal period



Highways



## IV. APPROPRIATIONS COMPARED ACCORDING TO FUNCTION

For many years interest in the state's spending programs has been concentrated largely on the Major Omnibus Appropriation Bills.

In the budget planning process, modest allowances have previously been calculated for the various miscellaneous appropriation bills. However, with the enactment of appropriations for payment of the Korean Bonus and the creation of new or expanded state activities, the miscellaneous appropriations are fast becoming increasingly important fiscally.

Because of their growth, considerable concern is now being evidenced regarding the Open and Standing Appropriations, which do not have to be re-enacted each legislative session, but do need to be financed and, as has already been stated, have now grown to a point of considerable significance in the budget-balancing process.

Those interested in appropriation statistics have generally considered each of these groupings individually and have also compared them separately. No particular effort has been made, in the past, to identify the miscellaneous and open-and-standing appropriations according to major functions of government.

Further, supplemental appropriations or additions have been made to the various Omnibus Bills which, in many instances, were not germane to the particular bill effected. Nor have these additions, i.e., salary adjustments, merit increases, and others been subsequently related to the particular state department or agency involved.

In the next few sub-sections an effort has been made to align all of the appropriations—omnibus, open and standing, and miscellaneous—according to the state activity effected, and in conformity with the functional titles of the four major bills:

State Departments  
Semi-State Activities  
Welfare and Institutions  
Education

Those appropriations which are general in character have been placed in a Miscellaneous category.

### A. GENERAL COMMENTS

Much that can be said regarding legislative action on state employees' salaries, merit increases, and supplies and expense is equally applicable to each of the functional groupings. Each of these items will be discussed in general at this point with specific details included in the appropriate individual functional groupings.

#### Salaries

Shortly after the close of the 1957 Session virtually all of the classified civil service positions in the first 20

Highway expenditures, for which the Legislature does not yet make specific appropriations,\* have been included under a separate heading.

While these groupings may not conform to the more detailed governmental accounting classifications and, admittedly, are not as definitive as one might wish, it is felt, nevertheless, that they do serve a purpose in focusing attention on the particular phases of government for which the tax dollar is being spent.

**Table 6**  
**TOTAL SPENDING AUTHORIZED**  
**Appropriations Enacted and Estimated Highway Expenditures For The Periods 1957-59 and 1959-61**

	1957 Legislature		1959 Legislature		Percent of Increase or (Decrease)
	Amount	%	Amount	%	
Education	\$276,356,532	44.7	\$335,576,572	51.7	21.4%
Welfare and Institutions	103,356,089	16.7	113,393,842	17.5	9.7
State De- partments	64,081,310	10.4	69,678,049	10.7	8.7
Semi-State	2,609,233	0.4	2,493,630	0.4	(4.4)
Miscellaneous	18,748,028	3.0	6,325,239	1.0	(66.3)
Sub-Total	465,151,192	75.3	527,467,332	81.3	13.4
Estimated High- way Expendi- tures exclusive of federal monies*	152,600,000	24.7	121,400,000	18.7	(20.4)
Total	\$617,751,192	100.0	\$648,867,332	100.0	5.0

\*Estimates supplied by Department of Highways.

Major non-appropriation legislative measures have also been "catalogued" according to the functions outlined and have been included in the appropriate sub-sections.

\*Under the recodified Highway Laws (L '59, C 500) certain of the Highway Department operations will be placed under appropriation control effective July 1, 1961.

ranges were reallocated to higher ranges. The Legislature had no knowledge of such impending changes and obviously had made no provision for these increased costs in the several appropriations. In order to provide the necessary financing, many state departments and agencies left vacancies unfilled.

Under the provisions of law, a cost-of-living increase was indicated for all classified personnel effective July 1, 1958. The Commissioner of Administration directed such

increase be granted despite the fact that no provision had been made in the appropriations to cover this additional salary liability. Vacancies had to be continued to provide the necessary funds and, in some instances, earned merit increases were not granted in an effort to stay within the limits of the appropriations.

In addition to providing for these two salary adjustments which approximated 8% (the additional 4% for those in Ranges 1 through 20) and also for retroactive merit increases, the 1959 Legislature, due to the Cost-of-Living Index, was further obliged to provide for another 4% economic salary adjustment effective July 1, 1959.

The official estimated annual cost of a 1-Step Economic Salary Adjustment for the approved complement of classified employees as of June 30, 1959 was \$2,275,920 distributed as follows:

General Revenue Fund.....	\$1,928,394
Income Tax School Fund.....	221,580
All Other Funds.....	125,946
<b>Total .....</b>	<b>\$2,275,920</b>

An additional sum of \$1,337,778 was estimated to cover those employees whose salaries are covered by Open Appropriations, Federal Funds or dedicated receipts—such as the Highway Department, Employment Security, and Iron Range Resources and Rehabilitation—making the total annual estimated cost of a 1-Step Economic Salary Adjustment for classified state employees, \$3,613,698.

Notwithstanding any provisions of law to the contrary none of the moneys appropriated shall be expended for economic salary adjustments during the second year of the biennium, beginning July 1, 1960. This provision will permit full complements of employees without the necessity of maintaining vacancies to finance unplanned-for additional salary liabilities.

#### Merit Increases Allowed

In addition to the Cost-of-Living provision, the 1959 Extra Session also authorized merit increases for the coming biennium in the sum of \$3,146,120 (excluding the Department of Highways), but with the proviso that none may be granted during the first six months of either fiscal year.

This allowance was one of several issues which can be attributed to the Extra Legislative Session. Both the House Appropriations and Senate Finance Committees had mutually agreed, during the regular session, to a two-year moratorium on merit increases in view of the economic salary adjustments which, under existing law, had to be granted.

#### New Positions Granted

Since Personnel Service is the largest single operating expenditure of state government and since it is a continuing and ever-increasing liability, considerable legislative attention was given to additional new personnel requested and recommended, as well as to the necessity for continuing vacant positions which had remained unfilled for a considerable period of time.

The individual 1959 Biennial Budgets requested a total of 2,083.31 new positions, amounting to \$16,773,154 for the 1959-61 biennium. Of these, the Governor's Budget recommended 930.23 at a biennial cost of \$6,869,128.

The Legislature, after conducting its budget hearings and after careful deliberation both in separate committees and in joint appropriation conferences, were able to further reduce the Governor's recommendations—allowing a total of 472.5 new positions amounting to \$3,337,164 for the coming biennium.

Taking cognizance of vacancies and staffing ratios, the Legislature reduced existing complements by a total of 230.2\* positions for a biennial saving of \$2,382,742.

In the detailed analysis which follows, the calculations do not include the cost of the state's contribution for retirement purposes which amounts to 7½% of the first \$4,800 of annual earnings (to become effective January 1, 1960). Thus, the appropriation savings indicated are conservative.

**Table 7**  
**NEW POSITIONS REQUESTED, RECOMMENDED, AND ENACTED**  
and  
**LEGISLATIVE REDUCTIONS IN EXISTING COMPLEMENTS**

New Personnel	Departmental Requests		Governor's Recommendations		Legislative Enactments	
	No.	Amount	No.	Amount	No.	Amount
State Departments	471.17	4,046,715	222.67	1,761,518	100	709,222
Semi-State Activities	7.	54,936	3.	20,916	0	0
Welfare & Institutions	779.74	5,758,778	300.16	2,083,894	105.5	540,511
Education	825.4	6,912,725	404.4	3,002,800	267	2,087,431
<b>Totals</b>	<b>2,083.31</b>	<b>16,773,154</b>	<b>930.23</b>	<b>6,869,128</b>	<b>472.5</b>	<b>3,337,164</b>

#### Reductions in Existing Complements

Omnibus Appropriation Bills	Reductions	
	No.	Amount
State Departments .....	61.5	\$ 506,161
Semi-State Activities .....	3.	20,652
Welfare & Institutions .....	73.	718,085
Education .....	92.7	1,137,844
<b>Totals .....</b>	<b>230.2</b>	<b>\$2,382,742</b>

#### Appropriation Savings Effected

	Amount
From Biennial Budget Requests .....	\$16,773,154
Enacted Allowances .....	3,337,164
Reductions in Existing Complements.....	2,382,742
<b>Total Reduction .....</b>	<b>\$15,818,732</b>
From Governor's Recommended Budget..	\$ 6,869,128
Enacted Allowances .....	3,337,164
Reductions in Existing Complements.....	2,382,742
<b>Total Reduction .....</b>	<b>\$ 5,914,706</b>

\*Excluding 107.75 positions at Sandstone State Hospital which has reverted to the Federal Government.

## Supplies and Expense

Necessary increases were allowed in certain expenditure categories consistent with increased costs. However, a detailed examination of travel, particularly out-of-state trips, resulted in some reductions from the sums recommended. In many instances, only one trip per year was sanctioned by the appropriation and finance committees and, in a few cases, only one out-of-state trip for the biennium was provided in the enacted appropriation.

Where it was deemed more efficient and economical, state-owned vehicles were provided in lieu of allowances for private car mileage.

Likewise, all capital expenditure items requested or recommended received a very thorough legislative review and only the most urgent new acquisitions or necessary replacements were allowed.

However, despite the Legislature's careful and thoughtful review of budget requests, it is a recognized fact that the finance committees lack certain "yardsticks" for measurement of work-loads or accomplishments. Performance budgeting has been tried and discarded in several states. The variable nature of some activities precludes the possibility of precise and definite measurement. All too frequently the only criteria left has been "past experience" which, used alone, can only perpetuate frugality or excessive spending depending on the disposition of the particular department head.

In the interim between the 1957 and 1959 Sessions, a group of legislators composed of members of both the House Appropriations and Senate Finance Committees studied the operations of several of the larger state departments in an effort to gain a greater "working knowledge" of these activities and to expedite the budgetary review during the legislative session. Continuance, and even expansion, of this type of interim legislative review might will provide an even better form of budgetary "yardstick."

## B. STATE DEPARTMENTS

While State Departments appropriations increased only slightly as a proportion of total spending (10.4% to 10.7%), the increase in 1959 appropriations over those of the previous biennium amounted to \$5,596,739—or 8.7%. For a detailed analysis of the appropriation increases see Appendix Table A.

**Table 8**  
COMPARISON OF STATE DEPARTMENT  
APPROPRIATIONS 1957 AND 1959  
LEGISLATIVE SESSIONS

Total Appropriations and Estimated Highway Expenditures (Table 6) State Departments	1957	1959	Increase or (Decrease)	
	Session	Session	Amount	Percent
Appropriations	64,081,310	69,678,049	5,596,739	8.7
Percentage of Total	10.4%	10.7%		

Increased salaries, additional personnel, and the introduction of new activities account for some of this "extra" percentage increase. The new activities and the sums appropriated for the biennium include:

Mobile Home Tax Administration	\$ 20,000
Watercraft Licensing	50,000
Department of Corrections	37,178
Probation Officers	673,012

### Merit Increases Allowed

Merit increases for state departments, provided in separate, individual appropriations, total \$819,271 for the 1959-61 fiscal period.

### New Positions Added

For the various activities included in the State Departments Bill, a total of 471 1/6 new positions were requested costing \$4,046,715 for the coming biennium. The Governor's Budget recommended 222 2/3 positions at a biennial cost of \$1,761,518. The Legislature allowed 100 new positions at a cost of \$709,222.

However, existing complements were reduced by 61 1/2 positions aggregating \$506,161—leaving a net increase of 38 1/2 jobs amounting to \$203,061 for the 1959-61 biennium.

	Number	Amount
Requested by Departments	471 1/6	\$4,046,715
Recommended by Governor	222 2/3	1,761,518
Allowed by Legislature	100	709,222
Reduction from present Complement	61 1/2	506,161
Net Increase	38 1/2	\$ 203,061

The 100 new positions allowed were distributed to the following activities:

- 40 New Centennial Building (Custodial and Maintenance personnel)
- 12 YCC Camp at St. Croix (New Camp)
- 13 YCC Camp at Rochester (New Camp-site made available by Federal Government during 1959 Session)
- 9 Training School for Boys } Previously approved by
- 3 Home School for Girls } L.A.C. action
- 3 Income Tax Division—Audit Section
- 2 Revisor of Statutes
- 2 Secretary of State—Chauffeurs' Division
- 16 All other State Departments

100 TOTAL

As one can see, 65 of the 100 new positions added were directly attributable to the new Centennial Building and the two new YCC Camp locations.

## MAJOR LEGISLATIVE MEASURES

### Interim Commissions

Chapter 82 of the 1959 Extra Session Laws provides for 17 legislative interim commissions—some of which are continued commissions from the 1957 and earlier sessions. Appropriations for these interim study groups are financed from the following funds:

General Revenue .....	\$259,000
Income Tax .....	25,000
Iron Range Resources.....	15,000
Highway Users Fund.....	20,000
	\$319,000

In addition and included in omnibus bills were provisions for continuation of the following additional interim commissions to be financed from the General Revenue Fund.

Great Lakes Commission.....	\$ 22,000
Commission on Interstate Cooperation..	22,000
State Claims Commission.....	15,000
Legislative Building Commission.....	37,000
	\$ 96,000

Not included in the above enumerations are the Legislative Advisory Committee (\$2,000) and the Legislative Research Committee (\$155,910) which are considered to have a permanent status. The Capitol Improvements Commission will continue its operations using an estimated reappropriated balance of \$50,410—available from the 1957 Session.

Work of the Legislature is not limited to only the 90 day biennial sessions. Much of the necessary study and time-consuming research is accomplished in the intervening periods through the work of the various interim commissions. Their diversity now encompasses a great many of the problem areas affecting the people of the State of Minnesota.

### Department of Corrections (L '59, C 263)

A new state Department of Corrections was created, which will unify adult and juvenile correctional work under a single commissioner, to be appointed by the Governor. The law provides for two deputy positions under the Commissioner—one the head of the Division of Youth Conservation and the other, the head of the parole board who will also be the deputy in charge of the Division of Adult Corrections.

The Department of Corrections will consist of the three adult correctional institutions (the State Prison, the Reformatory for Men, and the Reformatory for Women), the juvenile correctional institutions formerly under the Youth Conservation Commission (these include the Home School for Girls, the Training School for Boys, the Reception Centers, and the Work Camps), and the Board of Parole.

The creation of this department, which is in effect a consolidation, was the only portion of the Reorganization Bill to pass both houses of the 1959 Legislature.

### Juvenile Code Recodified (L '59, C 685)

The juvenile court laws, dating back to 1905 for the three metropolitan county district juvenile courts and to 1917 for the 84 probate-juvenile courts in the rest of the state, were re-codified. In 84 of the 87 counties (Hennepin, Ramsey and St. Louis counties excluded), probate judges are specifically designated as juvenile court judges, a duty they have had for some time without the title. In Ramsey and St. Louis counties one of the district court judges is assigned to juvenile court work. In Hennepin county the juvenile court judge runs specifically for that position as a branch of the district court.

### Probation Services Expanded (L '59, C 698)

A state-wide probation system was established, at an estimated biennial cost of \$673,012. The law permits counties the option of employing their own probation officer(s) or requesting such service of the state agency, to provide service to YCC wards or for those youths placed directly on probation by the juvenile or probate courts. Each county receiving such probation services from the Youth Conservation Commission shall reimburse the state for the total cost and expenses incurred—on a prorated population basis if more than one county is served by a single probation officer.

To reimburse counties of not more than 100,000 population for costs assumed in providing probation and parole services to YCC wards, the state shall annually provide state aid in the sum of ten cents for each resident according to the most recent estimate of population by the department of health.

The three counties of over 100,000 population are expected to provide their own probation services, since the state continues to assume the parole services for YCC wards in these particular counties.

### Additional YCC Camps at St. Croix and Rochester

Staff and necessary operating expenses were provided for the forestry camp at St. Croix and also for the recently-acquired former U. S. Radar Station near Rochester which is to become a vocational training center. The Youth Conservation Commission contemplates that each location will ultimately handle 60 boys which, in turn, should substantially ease any population problem at the State Training School.

### Computer Center

The 1957 Legislature appropriated \$50,000 to the Commissioner of Administration for a study of the feasibility of using electronic equipment in state governmental operations. Such a study was conducted by a professional consulting firm who suggested that certain statistical operations of five state departments would be adaptable to electronic processing. While the alleged personnel "savings" to be effected were detailed in the consulting firm's report, the Governor's Budget did not reflect corresponding reductions in its recommendations—presumably due to a time uncertainty in "programming" the contemplated

changes. Many of the Senate members, however, expressed skepticism regarding the potential savings claimed, pointing to the centralized payroll system which had already been established with no resultant saving in personnel. Proponents of the centralized payroll system claimed that the personnel time saved had been used to perform other services.

#### Board of Investment Council (L '59, C 693)

The amended act relating to the State Board of Investment established a policy for investing funds under its control and provided for a full time executive secretary who "shall be a person well qualified by training and experience to manage, administer and invest the money available from time to time for investment."

Trust Funds are limited as to type of investment, and the principal so invested must remain inviolate and undiminished. Retirement and other available monies for investment may now be converted if greater yields are possible, and may be invested in those securities which, under the law, are available to state banks.

The Legislature is to be commended for this action which, it is generally believed, should produce increased earnings for the various funds whose surpluses are available for investment—at least for those funds other than the Constitutional Trust Funds.

#### Training for Police Officers (L '59, Ex, C 34)

A biennial appropriation of \$25,000 was made available to the Superintendent of the Bureau of Criminal Apprehension for the establishment of training courses for peace

officers to be conducted at convenient locations in the state—such courses to deal with powers and duties, use of approved equipment, and latest techniques for detection, identification and apprehension of criminals.

#### Executive Council Borrowing Authority Increased (L '59 Ex, C 87)

The borrowing authority of the executive council was increased from \$200,000 to \$1,500,000 during any fiscal year to meet certain emergency conditions.

#### Consolidation of Separate Funds (L '59, C 30)

The new legislation relates to the accounting system of the state and defines the term "general revenue fund" and establishes the six groupings of bookkeeping accounts to be maintained by the State Auditor. The changes, which are the result of a Legislative Research Committee study, envision the consolidation of 133 separate funds in the state treasury to approximately 20 funds. The new legislation should prove to be particularly beneficial to the State Auditor, the State Treasurer, and the Public Examiner.

#### Reorganization Act

An administration-sponsored reorganization act was again introduced including many of the suggested changes proposed in the 1957 Session. However, the 1959 measure did not contain as many major departmental realignments as did the earlier bill. Only the creation of the new Department of Corrections was enacted into law.

### C. SEMI-STATE ACTIVITIES

Because Semi-State activities constitute such a small part of the state's total spending (state revenues only), the percentage relationship to the whole remains approximately the same—.4%—despite a biennial appropriation reduction of \$115,603 amounting to a 4.4% decrease when compared to the 1957 Session. A detailed analysis of appropriations is reported in Appendix Table A.

The major changes in the 1959 Omnibus Semi-State Appropriation Bill as compared with that of the 1957 Session are confined largely to the following items:

	1957	1959	Increase or (Decrease)
Sheriffs' Expenses .....	\$ 34,000	\$ 53,000	\$ 19,000
Historical Society .....	414,000	494,964	80,964
Bounties .....	374,700	282,000	(92,700)
Academy of Science.....	20,000	10,000	(10,000)
Special Aid to Cities.....	341,736	230,000	(111,736)

Table 9

#### COMPARISON OF SEMI-STATE ACTIVITIES APPROPRIATIONS 1957 AND 1959 LEGISLATIVE SESSIONS

Total Appropriations and Estimated Highway Expenditures (Table 6)	1957	1959	Increase or (Decrease)	
	Session	Session	Amount	Percent
Semi-State Activities Appropriations	2,609,233	2,493,630	(115,603)	(4.4)
Percentage of Total	0.4%	0.4%		

#### Merit Increases Allowed

An allowance of \$27,296 was provided in a separate appropriation for merit increases during the coming biennium covering the state employees at the Soldiers Home and the Minnesota Historical Society.

#### New Positions Requested

For activities included in the Omnibus Semi-State Bill, a total of seven new positions were requested costing \$54,936 for the biennium. Of these, the Governor's Budget recommended three—amounting to \$20,916 for the two-year period. The Legislature, after its deliberations, allowed



no additional new personnel and further reduced existing complements by three positions for a total biennial saving of \$75,588 (\$54,936 plus \$20,652).

	Number	Amount
Requested by Departments.....	7	\$54,936
Recommended by Governor.....	3	20,916
Allowed by Legislature.....	0	0
Reduction from present complement.....	3	20,652

## D. WELFARE AND INSTITUTIONS

While Welfare and Institution appropriations increased only slightly as a proportion of total spending (16.7% to 17.5%), the increase in 1959 appropriations over those of the previous biennium amounted to \$10,037,753—or 9.7% increase.

**Table 10**  
**COMPARISON OF WELFARE AND INSTITUTIONS**  
**APPROPRIATIONS 1957 AND 1959**  
**LEGISLATIVE SESSIONS**

Total Appropriations and Estimated Highway Expenditures (Table 6)	1957	1959	Increase or (Decrease)	
	Session	Session	Amount	Percent
Welfare and Institutions Appropriations	103,356,089	113,393,842	10,037,753	9.7
Percentage of Total	16.7%	17.5%		

In addition to the general salary adjustments previously discussed and increases in allowances for current expense items, the principal appropriation increases and decreases occurred in the following activity areas. (A detailed analysis of appropriation changes is reported in Appendix Table A).

Program	Increase or (Decrease) over 1957
Mental Health Research, Training, and Out-Patient Clinics .....	\$ 364,177
Care, Relief and Support of Dependent Children...	1,974,061
Care, Relief, and Support of Aged.....	287,562
Equalization of Welfare Costs.....	700,000
County Sanatoria Care.....	(422,000)
Mental Hospitals .....	2,378,519
Hospitals and Schools for the Mentally Retarded (Excluding Brainerd) .....	2,687,318
Brainerd State School and Hospital.....	963,009
Special Schools and Hospitals.....	410,226
Penal Institutions .....	608,032
All Others .....	86,849
<b>Total Increase .....</b>	<b>\$10,037,753</b>

### Old Age Assistance Program

Enacted appropriations for the care, relief and support of the aged for the coming biennium increased \$287,562—the state's share of the program increasing from \$26,669,438 in 1957-59 to \$26,957,000 for 1959-61.

### Major Non-Appropriation Legislation

There were no major non-appropriation measures introduced or passed by the 1959 Legislature covering quasi-state activities.

This program, like the other categorical aids, is jointly financed by the federal government, the state, and the counties. A breakdown of the estimates for the 1959-61 biennium, as requested in the Biennial Budget of the Department of Public Welfare, is as follows:

	1959-60	1960-61
Federal Share .....	\$24,856,440*	\$24,263,960*
County Share .....	11,678,210	12,524,479
State Share .....	13,294,188**	14,263,325**
Recoveries—State Share .....	49,828,838	51,051,764
	525,000	525,000
<b>Total Grants .....</b>	<b>\$50,353,838</b>	<b>\$51,576,764</b>

\*Exclusive of grants for administration—estimated at \$307,000 per fiscal year.  
\*\*Enacted state appropriations were \$12,994,000 for 1959-60, and \$13,963,000 for 1960-61—approximately \$300,000 less per year than requested.

In a projection of the trends in this program the Department of Public Welfare has estimated that "Total Medical Payments" will reach rather substantial proportions in the coming two-year period. A comparison of the actual experience in fiscal year 1948 with the estimates for 1960 and 1961 follows. Fiscal Year 1948 was selected rather than fiscal 1946\* (the initial year) in order to present comparatively an established and fully operating program.

Fiscal Year	Total Cases Monthly Average	Medical Cases Monthly Average	Proportion Medical Cases To Total Cases	Total Medical Payments	Proportion Medical Payments to Total
1948	54,330	11,739	21.6%	\$ 3,288,216	11.7%
1960	46,613	24,195	51.9	20,429,720	40.7
1961	45,535	24,560	53.9	22,021,487	42.8

From the above projected estimates of the Department of Public Welfare it is self-evident that the numbers of recipients is steadily declining. However, the estimates clearly indicate that Old Age Assistance is rapidly becoming more of a "medical," than a "subsistence" program. While only 21.6% of the total cases were medical in 1948, it is contemplated that 53.9% of the caseload will fall into this category by 1961.

All Old Age Assistance costs have risen since 1948. However, medical payments are estimated to constitute an even greater proportion of the total costs—increasing from 11.7% (in 1948) to an estimated 42.8% (in 1961)—as compared to the percentage increase in number of medical cases, from 21.6% (in 1948) to 53.9% (in 1961).

\*In calendar year 1946, medical payments amounted to \$1,923,378 for a monthly average of 9,621 cases and constituted 8.7% of total assistance expense.

The Federal Old Age Survivors Insurance Program was looked upon by many as a means of reducing the Old Age Assistance Program, which it has—to a degree. However, the monthly Social Security payment is generally inadequate in times of prolonged illness. In such instances the individual then applies to the state and is accepted as an Old Age Assistance recipient primarily for the medical benefits.

#### Merit Increases

By separate appropriations, allowances totaling \$1,262,491 were provided for merit salary increases during the 1959-61 biennium.

#### New Positions

Apparently due to the fact that resident populations in the mental hospitals had decreased generally, and also since many approved positions had been permitted to remain vacant during fiscal year 1959 in order to finance salary adjustments, the Legislature allowed full financing for almost all of the previously approved complements and permitted only a few additional new positions for existing state institutions.

To equalize staffing somewhat in the institutions for the mentally retarded, a total of 29 new positions were provided for Faribault State School and Hospital which were off-set by reductions of 21 positions at Cambridge State School and Hospital and 8 from the Owatonna State School. In anticipation of population increases at the new Brainerd State School and Hospital, 70 additional new positions were provided.

The staff at the State Sanatorium was reduced by 21 positions—leaving a complement of 205 for approximately 300 patients, for an over-all ratio of slightly better than 1:1.5.

A summary analysis of new positions requested, recommended, and the legislative action taken is as follows— together with reductions made in existing complements.

	Number	Amount
Requested by Departments.....	779.74	\$5,758,778
Recommended by Governor.....	300.16	2,083,894
Allowed by Legislature.....	105.5	540,511*
Reduction in present complement.....	73.	718,085**

\*Additional Brainerd personnel allowed in two "waves."  
 \*\*Excludes 107.75 positions at Sandstone State Hospital which has reverted to the Federal Government. Includes the sum of \$101,271 for merit increases requested for vacant positions which would not be filled during 1958-59.

## MAJOR WELFARE LEGISLATION

#### Residency Requirement Reduced (L '59, C 171)

The statutes relating to the legal settlement of paupers was cut from two to one year of continuous residence—with settlement in the county, town, city, or village in which the individual has resided the longest period within such one year period.

#### Charges for Care of Patients in State Hospitals for Mentally Ill (L '59, C 578)

The relative responsibility law regarding charges for patient care in state hospitals was clarified and inequities between such charges removed. The maximum cost to the relatives, as defined by law, shall not exceed ten percent of the average per capita cost of all maintenance, treatment and expenses (excluding the State Building Fund) at all the state hospitals for the mentally ill during the preceding fiscal year. Voluntary payments in excess of the ordered payment may be accepted by the Commissioner of Public Welfare.

This revision means a small increase from the previous payment of \$10 per month from the patient's relatives. The county liability continues at \$10 per month which sum is reimbursed from any funds received by the state from the patient and his relatives.

The husband-wife relative responsibility provisions continue unaltered.

#### County Nursing Homes (L '59, C 16)

Existing statutory authority was amended permitting county boards to transfer surplus funds from any fund except the road and bridge, sinking or drainage ditch funds for the purpose of establishing, *maintaining, enlarging, or adding* to a county nursing home.

#### Use of County Sanatoriums (L '59, C 125)

The revised legislation permits use of portions of county sanatorium facilities for the care and treatment of non-tuberculous patients. (In testimony presented, it was indicated these might include nursing-home type of patients as well as other chronically ill).

#### Department of Corrections Created (L '59, C 263)

A new Department of Corrections was created which transfers certain powers and duties from the Commissioner of Public Welfare to the Commissioner of Corrections, establishes a Division of Youth Conservation and a Division of Adult Corrections, and changes the name of the State Board of Parole and Probation to the Adult Corrections Commission. (For additional information see Section IV B, Page 13).

#### Community Mental Health Services Program (L '59, C 530)

The amended statute authorizes any city, county, town or village to levy annually a special tax in excess of any statutory or charter limitations but not to exceed one mill to finance the establishment and operation of a mental health services program including a clinic.

#### Hospital Districts Created (L '59, C 570)

The new legislation authorizes the creation and reorganization of hospital districts for the acquisition, and administration of hospitals and nursing home facilities, and defines the powers and duties of such districts.

**Care and Treatment of Indigent Crippled Children  
(L '59, C 609)**

The statutes were amended permitting the Commissioner of Public Welfare to authorize the care and treatment of qualified indigent children in facilities other than those located and available at the Gillette State Hospital when it is not feasible to provide such service in that hospital.

**Disqualification from Receiving Old Age Assistance  
(L '59, C 622)**

The amended law establishes five years as the period within which a person may not transfer property and still remain eligible for old age assistance.

**Establishment of a Laundry Industry at the State Prison  
(L '59, C 639)**

The Department of Welfare and the Legislature are to be congratulated on the establishment of a laundry industry at the state prison. "This facility shall be for the primary purpose of teaching proper work habits to and

providing vocational training for the inmates of the state prison and not as a competitive business venture." A secondary function, and of no less significance, is the service which will be available to other state institutions.

**Congregate or Foster Care for Old Age Assistance Recipients (L '59, C 697)**

The amended statute permits county welfare boards to allow up to \$115 per month for congregate or foster care or the services of a homemaker or a housekeeper in cases where the recipient is not in need of continual medical or nursing care.

This change would appear to be in the best interest of the old age assistance recipient, and provides care at less cost than would otherwise be possible.

**Youth Conservation Probation and Parole Service  
(L '59, C 698)**

This new legislation provides comprehensive amendments to the law relating to probation and parole services including appropriate orientation training of newly-appointed probation and parole agents and systematic in-service training to all such agents.

**E. EDUCATION**

Educational appropriations for 1959-61 will constitute over one-half of the estimated expenditure of state revenues—51.7% as compared to 44.7% in the previous biennium.

Appropriations for education, including open appropriation authorities, will exceed one-third of a billion dollars (\$335,576,572) during the 1959-61 biennium—an increase of \$59,220,040—or 21.4%—over the appropriations made by the 1957 session. A detailed analysis of the educational appropriations is reported in Appendix Table A. Principal increases and a single decrease are as follows:

**Table 11**

**COMPARISON OF EDUCATION APPROPRIATIONS  
1957 AND 1959 LEGISLATIVE SESSIONS**

Total Appropriations and Estimated Highway Expenditures (Table 6)	1957	1959	Increase or (Decrease)	
	Session	Session	Amount	Percent
Education Appropriations	276,356,532	335,576,572	59,220,040	21.4
Percentage of Total	44.7%	51.7%		

	1957 Session	1959 Session	Increase or (Decrease)
State Colleges . . . . .	\$ 9,629,936	\$ 11,628,345	\$ 1,998,409
University of Minnesota	57,016,475	62,089,285	5,072,810
Aid to Schools . . . . .	172,055,068	216,967,283	44,912,215
Aid to Junior Colleges . .	800,000	1,275,000	475,000
Special Aid to School Districts . . . . .	3,049,791	3,649,624	599,833
\$10 Per Pupil Census Aid	13,950,000	14,900,000	950,000
Teachers' Retirement Fund . . . . .	11,298,200	16,857,946	5,559,746
Minnesota Statehood Centennial Commission	1,100,000	.....	(1,100,000)

**EDUCATIONAL AIDS**

**Aid to Schools**

Since the major education appropriation, Aid to Schools, is such a substantial sum, and since it embraces so much more than the Foundation Program Aid referred to most frequently, a detailed analysis of how the total enacted appropriations might be allocated (as prepared by the State Department of Education) is presented in Table 12 which follows.

For informational purposes, the estimated \$10 per pupil Census Aid and the Endowment School Apportionment have also been included.

**Pupil Unit Defined**

Each kindergarten pupil on half-day sessions, each elementary pupil, and each pupil in grades 7 through 12 is counted as one-half, one, and one and one-half pupil

units, respectively in determining foundation aid payments. This school aid is determined on the basis of pupil units in average daily attendance (ADA). The \$10 Per Pupil Census Aid is distributed on the basis of the number of school children in the district between the ages of 6 through 16; the 16 year olds being counted only if attending school.

**Table 12**  
**AID TO SCHOOLS APPROPRIATION**  
**TENTATIVE ALLOCATION**

ITEM	1959-60	1960-61
Pupil Units (Estimated).....	703,819	717,074
1. Foundation Program Aid—excluding Census Aid and Apportionment .....	\$ 78,900,000	\$ 81,450,000
2. County .....	200,000	200,000
3. Emergency .....	500,000	500,000
4. Transportation .....	12,730,000	13,715,000
(a) Consolidated .....	\$10,600,000	\$11,500,000
(b) Isolated .....	30,000	25,000
(c) Crippled .....	300,000	350,000
(d) Secondary .....	1,750,000	1,750,000
(e) Closed .....	100,000	90,000
5. Special Classes for Handicapped Children .....	2,608,000	2,999,200
(a) Deaf .....	92,800	96,000
(b) Blind .....	89,600	102,400
(c) Mentally Retarded .....	1,072,000	1,145,600
(d) Speech Defect .....	320,000	416,000
(e) Crippled (Instruction in Home, Hospital or Sanatorium) .....	339,600	408,000
(f) Emotionally Disturbed .....	32,000	48,000
(g) Other Essential Personnel .....	569,000	690,200
(h) Supplies & Other Services .....	55,000	55,000
(i) Summer School for Crippled Children .....	38,000	38,000
6. Teacher Training Department..	18,000	18,000
7. Vocational Aid .....	2,301,000	2,542,000
Total Aid to School's Appropriation .....	97,307,000	101,424,200
8. Income Tax School Fund (\$10 per Pupil).....	7,350,000	7,550,000
9. Endowment School Apportionment .....	6,750,000	7,000,000
GRAND TOTAL .....	\$111,407,000	\$115,974,200

### Changes in Foundation Aid Program

The 1957 Legislature created a new "foundation program" concept for distributing school aids, based on equalization of assessed valuations. The three significant factors in application of the aid, and the changes made in the 1959 Session, are as follows:

Foundation Aid	1957	1959
(Based on Pupil Units in Average Daily Attendance)		
Formula A .....	\$240.	\$270.
Mill Rate .....	16.5	19.
Formula B .....	\$ 85.	\$ 87.

The Foundation Aid Program provides that the maximum amount of foundation aid (including the apportionment and \$10 census aid) shall equal the amount payable under Formula A or Formula B, whichever is the greater.

*Formula A* now provides \$270 (previously \$240) for each resident elementary, secondary, and area vocational-technical pupil unit in average daily attendance minus 19 mills (previously 16.5 mills) times the current adjusted assessed valuation of the district as established by the Equalization Aid Review Committee. (A district which receives gross earnings aid or special aid because of a major airport within its boundaries must include the taxable value of the exempt property in its adjusted valuation).

*Formula B* provides for the \$10 Census Aid plus \$87 per pupil unit (previously \$85) in average daily attendance for each resident elementary, secondary, and area vocational-technical school pupil. This is the minimum aid that any school district can receive.

*"Fall-Back" Provision Eliminated.* Prior to the 1959 legislative changes in the foundation program, school districts which did not spend less than \$210 per pupil unit received aid on the basis of \$240—which, in effect, was a "bonus." However, the 1959 law now provides that districts spending less than the present foundation aid of \$270 per pupil unit will receive aid only on the basis of the actual disbursements.

### Junior College Aid

Aid to Junior Colleges, initiated by the 1957 Legislature, was increased from \$200 to \$250 per student in average daily attendance in a junior college maintained by a public school district. Appropriations for the 1959-61 biennium total \$1,275,000 as compared to the \$800,000 provided by the 1957 Legislature—an increase of over 59%.

### Rural Library Aid

Appropriations of \$125,000 each year of the coming biennium were provided to match federal funds for rural library service. Not to exceed 10% of the annual appropriation shall be used

"for administration and for providing direct library service to rural areas including incorporated or unincorporated places with a population of 10,000 or less."

The balance of the funds are to provide financial assistance to

"rural public libraries . . . serving 20,000 or more persons or serving less than 20,000 with the approval of the Commissioner of Education, in a rural area and receiving annually from public funds financial support of at least one mill on the assessed valuation of the taxable property in the area served by the library."

## STATE COLLEGES

### Appropriations

In anticipation of continuing increases in enrollment at the five state colleges, provision was made for expanded academic and civil service staffs as well as for related increases in operating expenses.

Total appropriations for the State College Board and the five colleges, including the necessary adjustments for retirement purposes and supplemental merit increase appropriations, increased \$1,998,409—from \$9,629,936 in the 1957 Session to \$11,628,345 for the 1959-61 biennium.

### State College Personnel

Academic salary adjustments are discussed in detail subsequently under the heading "State Colleges—Academic Salaries," page 20.

Additional State College personnel requested, recommended, and allowed is presented in Table 13.

### Increases in Tuition

The 1959 Legislature directed the State College Board to increase tuition rates and provided a schedule of rates to be used. However, it also authorized the College Board to exceed the scheduled rates, if deemed advisable.

The previous rates and the 1959 proposed schedule are as follows:

<u>On-Campus</u>	<u>1959 Rate Per Credit Hour</u>	<u>Previous Rates</u>
Regular School year—Resident ...	\$3.50	\$40 Quarter
Regular School year, and Sum- mer Session— Non-Resident ....	5.50	4.50 Credit Hour
Summer Session— Resident .....	4.50	4.50
Graduate— Resident .....	5.50	{\$ 28 Quarter (6 Credits or less) \$ 51 Quarter (more than 6 Credits)
Graduate— Non-Resident ....	7.50	{\$ 60 Quarter (6 Credits or less) \$120 Quarter (more than 6 Credits)
<u>Off-Campus Tuition Rates</u>		
All Students— Resident and Non-Resident ....	7.50	7.50

Adjustments in the tuition rates were estimated to yield approximately \$900,000 in increased receipts during the 1959-61 biennium.

## UNIVERSITY OF MINNESOTA

Total appropriations for the University increased \$5,072,810—from \$57,016,475 in 1957 to \$62,089,285 in the 1959 Session. However, due to the fact that the University received a "windfall" from the Occupation Iron Ore Tax in fiscal year 1957 with the passage of Constitutional Amendment No. 3, the actual increase in the state's liability totaled \$7,083,978—of which nearly \$7 million (\$6,997,978) is chargeable to the General Revenue Fund.

A comparative breakdown of the University appropriations follows:

	<u>1957-1959</u>	<u>1959-1961</u>	<u>Increase</u>
Maintenance and Improvements .....	\$45,499,184	\$49,068,181	\$3,568,997
General Hospital .....	5,758,374	6,320,958	562,584
Psychopathic Department .	1,049,649	1,225,173	175,524
Child Psychiatric .....	408,951	476,524	67,573
Multiple Sclerosis .....	54,462	66,983	12,521
Rehabilitation Center ....	635,855	790,110	154,255
Replacing Equipment Chemistry Building ....	.....	100,000	100,000
Special Appropriations ...	3,610,000	4,041,356	431,356
Total Amounts .....	\$57,016,475	\$62,089,285	\$5,072,810

Excluding the receipts from the 23/100 mill property tax levy, the occupation iron ore tax, and the trust fund earnings (\$11,182,640 in 1957-59, and estimated \$9,171,472 for 1959-61), the state's increased liability is distributed—by funds—as follows:

General Revenue Fund.....	\$6,997,978
Iron Range Resource and Rehabilitation.....	100,000
Income Tax School Fund.....	(14,000)
Total State Increase.....	\$7,083,978

The Special Appropriations increased by \$431,356—from \$3,610,000 in 1957-59 to \$4,041,356 for 1959-61. The three major Special Appropriation increases are:

	<u>1957-1959</u>	<u>1959-1961</u>	<u>Increase</u>
Beneficiation of Manganiferous and Low Grade Ores.....	\$ 200,000	\$ 300,000	\$100,000
General Agricultural Research..	825,000	930,000	105,000
General Agricultural Extension..	1,175,000	1,310,818	135,818

A new special activity—"Industrial Relations Education Program"—was added by the 1959 Legislature and appropriations of \$35,000 in 1959-60 and \$40,000 in 1960-61 were provided. The Governor's Budget presented this item as "Workers' Education."

The Legume Seed Research appropriation was amplified to read "Legume and Grass Seed Research."

### University Tuition Increased

The 1959 Legislature, in arriving at the net state Maintenance Appropriation, contemplated an increase in tuition rates of \$15 per quarter for both Resident and Non-Resident students—to become effective in the fall of 1959. The University had previously anticipated an in-

crease of \$10 per quarter for Non-Resident students *only* and had included such increase in its estimated receipts. The legislatively-calculated increase—\$15 for Residents and the additional \$5 increase for Non-Residents—was estimated to produce \$2,101,879 in the 1959-61 fiscal period. (\$1,016,828 in 1960, and \$1,085,051 in 1961).

## SALARIES

Classified personnel in the State Department of Education, the State Colleges, and the University of Minnesota all received the same consideration regarding economic salary adjustments and merit increase allowances as was provided classified personnel in all other state departments and agencies.

### Department of Education

A summary of additional new positions requested by the Department of Education, the recommendations of the Governor, and legislative action taken is reported in the following analysis:

	Number	Biennial Amount
Requested by Department.....	135	\$1,252,812
Recommended by Governor.....	46	390,332
Allowed by Legislature.....	17	196,816
Reduction in present complement....	1	14,208

Of the 46 new positions recommended by the Governor, the Legislature granted 17. In addition, one position was eliminated from the current roster, making a net increase of 16 new positions, at a two-year added cost of \$182,608—a large portion of which will be borne by federal funds.

### State Colleges—Academic Salaries

The salary schedule for the professional-academic positions in all state colleges was revised upwards by \$900 in Groups I through IV (each step increase remaining at \$300), while Group V, the lowest academic rank, was increased \$360 at the minimum and each of the 10 steps (the step intervals remaining at \$120).

An annual merit increase of \$600 per year was provided for all academic personnel—permitting a biennial increase of \$1,200.

New faculty positions were allowed at an average salary of \$6,300 per year—with provision for an additional \$600 merit increase the second year of the biennium.

A Student-Teacher ratio of 1:19, exclusive of Administrative Officers and Deans,\* was calculated for each of the five state colleges. An additional faculty allowance was provided for the Laboratory Schools.

A summary of the new civil service and academic positions requested for the State College Board and the five Colleges, the Governor's Budget recommendations, and the legislative action is as follows:

\*Seven positions at Bemidji, Moorhead, and Winona; eleven at Mankato and St. Cloud.

Tuition rates vary between colleges. However, tuition for the most-often-referred-to colleges of Education and Science, Literature and the Arts is now \$71 per quarter for Residents and \$180 for Non-Residents, plus an Incidental Fee of \$17 per quarter for both groups. Fees for the General Extension Division were also raised from \$7 to \$8 per credit hour.

**Table 13**  
ADDITIONAL STATE COLLEGE PERSONNEL  
REQUESTED, RECOMMENDED, AND ENACTED

New Personnel—For 1959-60						
	Requested		Recommended		Enacted	
	No.	Amount	No.	Amount	No.	Amount
New Civil						
Service . . . . .	112	\$ 349,398	53.5	\$166,120	45.5	\$137,922
New Academic	147	990,200	87	522,000	40	252,000
Total						
1959-60 . . . . .	259	\$1,339,598	140.5	\$688,120	85.5	\$389,922

### Additional New Personnel—For 1960-61

	Requested		Recommended		Enacted	
	No.	Amount	No.	Amount	No.	Amount
New Civil						
Service . . . . .	17	\$ 46,370	8.5	\$ 23,832	7.5	\$ 20,886
New Academic	68	448,800	58	365,400	52	327,600
Additional						
1960-61 . . . . .	85	\$ 495,170	66.5	\$389,232	59.5	\$348,486

### University of Minnesota—Academic Salaries

Notwithstanding the University's program of research and public service in addition to its teaching function, many knowledgeable legislators apparently felt that the over-all number of faculty positions should be related to student enrollment. Both the House Appropriations and the Senate Finance Committees approached the question of the University's Maintenance appropriation in terms of student-teacher ratios—the first time to anyone's knowledge that *both* legislative bodies have employed this type of measure in determining the University's budgetary need.

The Hospitals and related special medical appropriations were allowed nearly in conformity with the University's Budget Request.

An analysis of the new academic and civil service positions requested in the Maintenance Account together with the legislative action follows.

**Table 14**  
UNIVERSITY MAINTENANCE ACCOUNT,  
NEW PERSONNEL REQUESTED, RECOMMENDED,  
AND ENACTED

New Personnel—For 1959-60						
	Requested		Recommended		Enacted	
	No.	Amount	No.	Amount	No.	Amount
New Academic . . . . .	26.3	\$ 210,781	0	0	(59.6)	\$(483,517)
New Civil Service. . . . .	21.9	90,766	0	0	(32.1)	(128,301)
New Building						
Caretakers . . . . .	21.45	61,551	21.45	61,551	.. . . .	.. . . .
Total 1959-60 . . . . .	69.65	\$ 363,098	21.45	\$ 61,551	(91.7)	\$(561,818)

**Table 14 (Continued)**

**Additional New Personnel—For 1960-61**

	Requested		Recommended		Enacted	
	No.	Amount	No.	Amount	No.	Amount
New Academic . . . . .	131.6	\$1,105,253	50	\$350,000	88	\$691,285
New Civil Service . . . . .	111.2	477,728	46	197,524	...	.....
New Caretakers ..	6.45	19,500	6.45	19,500	...	.....
Total Additional						
1960-61	249.25	\$1,602,481	102.45	\$567,024	88	\$691,285

Because University enrollments for both fiscal years 1958 and 1959 had not reached the predicted levels upon which the 1957-59 appropriations were based, the Legislature was able to reduce the complement of existing positions in the Maintenance Account for the coming biennium.

These reductions in both academic and civil service positions were made in accordance with a University-acknowledged vacancy factor of 1.43%. Thus it was contemplated that no persons would be laid off and only vacant positions, to the extent of the reduction, need be eliminated.

Appropriations for Maintenance Account personnel in 1959-60 were reduced \$561,818 which together with the requested new personnel of \$363,098 not granted amounted to a total annual saving of \$924,916, or \$1,849,832 for the biennium. To this sum can be added the personnel saving in *additional* new positions not granted in 1960-61 which amounted to \$911,196 (\$1,602,481 less \$691,285)—for a total 1959-61 appropriation saving of \$2,761,028 over the sums requested.

Employing the same method of calculations with respect to the Governor's Recommended Budget the biennial savings were \$876,273—not considering the additional saving in the state's matching contribution for retirement purposes. This amounts to 7½% of the first \$4,800 of annual earnings and becomes 8% effective January 1, 1960.

An analysis of new positions requested in the various hospital accounts, the Governor's recommendations, and the legislative action taken is reported in the following comparisons.

**MAJOR NON-APPROPRIATION LEGISLATION**

**Payment of Special Aids for Education of Trainable Children (L '59, C 259)**

Amendment provides that special aids for the education of trainable children (generally 25 to 50 I.Q. and depending on physical factors) shall be paid to the district providing the special instruction and service, and that the foundation program aid shall be paid to the district or unorganized territory of the pupil's residence.

**Special Instruction for Non-Resident Handicapped Children and Inter-District Participation (L '59, C 308)**

This new amendment authorizes school districts to enter into agreements to provide special instruction for

**Table 15**  
**GENERAL HOSPITAL**  
**NEW PERSONNEL REQUESTED, RECOMMENDED,**  
**AND ENACTED**

**New Personnel—For 1959-60**

	Requested		Recommended		Enacted	
	No.	Amount	No.	Amount	No.	Amount
New Academic . . . . .	0	0	0	0	0	0
New Civil Service . . . . .	10.5	\$42,935	10.5	\$42,935	0	0
Total 1959-60 . . . . .	10.5	\$42,935	10.5	\$42,935	0	0

**Additional New Personnel—For 1960-61**

	Requested		Recommended		Enacted	
	No.	Amount	No.	Amount	No.	Amount
Additional Academic . . . . .	0	0	0	0	0	0
Additional Civil Service . . . . .	16.3	\$67,000	16.3	\$67,000	16.3	\$67,000
Total Additional						
1960-61 . . . . .	16.3	\$67,000	16.3	\$67,000	16.3	\$67,000

While the Legislature did allow for additional civil service positions in the second year, consistent with the request, it did not grant the 10½ positions requested and recommended in the first year in the amount of \$42,935. The accumulative biennial saving was, therefore, \$85,870.

**Table 16**  
**MULTIPLE SCLEROSIS**  
**NEW PERSONNEL REQUESTED, RECOMMENDED,**  
**AND ENACTED**

**New Personnel—For 1959-60**

	Requested		Recommended		Enacted	
	No.	Amount	No.	Amount	No.	Amount
New Academic . . . . .		0		0		0
New Civil Service . . . . .	.7	\$2,000	.7	\$2,000	.7	\$2,000
Total 1959-60 . . . . .	.7	\$2,000	.7	\$2,000	.7	\$2,000

No additional new positions were requested or allowed for the second year of the biennium, 1960-61.

**Other Hospital Sections**

No new academic or civil service positions were requested for the Psychopathic Hospital, the Child Psychiatric Hospital, or the Rehabilitation Center.

handicapped children with each district paying a proportionate share.

**Transportation of Handicapped and Mentally Retarded Pupils (L 59, C 482)**

This enacted change provides for the payment of transportation costs of handicapped or mentally retarded pupils who cannot be transported on a regular school bus, and further provides that transportation funds may be used to reimburse such expenses—but not to exceed \$225 annually for each such pupil.

**Transportation of Trainable Children  
(L '59 EX, C 56)**

This amendment authorizes an increase in the state's reimbursement to school districts for the transportation or board and lodging of all types of trainable children—from not to exceed \$160 to \$225 annually.

**School Attendance in an Adjoining State  
(L '59, C 165)**

This statutory amendment authorizes the school board in a district maintaining a secondary school to provide by majority vote for the instruction of any resident pupil in a school district in an adjoining state nearer to the pupil's place of residence.

**Special Instruction for Handicapped Children  
in Other States (L '59, C 309)**

Special instruction and services for handicapped children may now be obtained in other states as provided by the amendment.

**Maximum Effort School Aid Law (L '59 EX, C 27)**

The 1957 appropriation for "Construction of School Facilities" was retitled "School Construction Loan Program" in 1959 and the new appropriation is to be used in addition to the funds provided under the "Maximum Effort School Aid Law." Despite title changes the substance of the original legislation remains substantially the same, namely, to provide financial aid for school construction through loans to those school districts having an exceptionally high levy for debt service. The 1959 Session provided a total of \$7 million for this purpose for the coming two-year period—five million to be financed through borrowing and two million appropriated directly from the Income Tax School Fund.

These sums are in addition to the \$2 million from the Income Tax School Fund, provided by the 1957 Legislature from the Income Tax School Fund. This was one of the 1957 "non-recurring" items which "recurred" in the 1959 Session.

**Educational Television (L '59 EX, C 48)**

A grant-in-aid of \$20,000 was appropriated to the Duluth-Superior Area Educational Television Corporation

and \$20,000 to the West Central Minnesota Educational Television Corporation. To qualify for these grants, the corporation must be non-profit, operating in the public interest and in accordance with the requirements set by the State Board of Education, and each must raise \$200,000 by subscription or from federal funds.

**Study of Need for Additional State College  
(L '59, C 397)**

The Legislative Research Committee was directed to study the need for a four year state college centrally located in the western and southwestern section of the state.

**Education Laws (L '59 EX, C 71)**

This statutory change completely recodifies the education laws of the state. Its length precludes a detailed analysis of the changes in this report.

**Unresolved Higher Education Problems**

Some of the basic problems of the state were left unresolved. Other than a resolution urging the formation of a voluntary coordinating committee to work on the problems of an integrated system of higher education for the state, no decision was reached as to the basic relationship—financially or otherwise—between the state university, the state colleges, and the junior colleges. Until this relationship is determined, there can be no well-planned program of college-level, publicly-supported education in this state. This is a decision of state-wide interest, and legislators were understandably cautious in not committing themselves to a large future program until, through further cooperative study, the most advisable plan for higher education in Minnesota has been determined. Both houses approved a resolution urging the University of Minnesota, the State College Board, and the State Board of Education to voluntarily form a coordinating committee to study this problem.

**University Branch Schools at Morris and Crookston**

The Legislature also asked the Regents of the University to consider and report to the Legislature before January 15, 1961, their conclusions as to the establishment of college courses at the agricultural schools at Morris and Crookston.

**F. MISCELLANEOUS**

Appropriations which cannot be specifically identified with any of the other "functional" categories have been placed in the miscellaneous grouping.

**Table 17**

**COMPARISON OF MISCELLANEOUS APPROPRIATIONS  
1957 AND 1959 LEGISLATIVE SESSIONS**

	1957	1959	Increase or (Decrease)	
	Session	Session	Amount	Percent
Total Appropriations and Estimated Highway Expenditures (Table 6)	\$617,751,192	\$648,867,332	\$31,116,140	5.0%
Miscellaneous Appropriations	18,748,028	6,325,239	(12,422,789)	(68.3)
Percentage of Total	3.0%	1.0%		

The principal reductions were the Korean Bonus (\$12,600,000) and the Employment Security Building (\$1,100,000). Principal increases include the increased Aid to Fire Departments (\$445,000), State Employees' Retirement (\$374,788), and the repurchase of liquor stamps (\$600,000) brought about by a 1959 legislative change in the liquor stamp purchasing procedure. A detailed comparative analysis of these appropriations for miscellaneous activities is contained in Appendix Table A.



## G. HIGHWAYS

The estimate of highway expenditures has been supplied by the Department of Highways and represent state expenditures *only*—exclusive of any federal moneys.

**Table 18**  
**COMPARISON OF ESTIMATED HIGHWAY**  
**EXPENDITURES 1957-59 AND 1959-61**  
**BIENNIAL PERIODS**

	1957	1959	Increase or (Decrease)	
	Session	Session	Amount	Percent
Total Appropriations and Estimated Highway Expenditures (Table 6)	\$617,751,192	\$648,867,332	\$31,116,140	5.0%
Estimated Highway Expenditures	152,600,000	121,400,000	(31,200,000)	(20.4)
Percentage of Total	24.7%	18.7%		

During the 1957-59 biennium the Highway Department borrowed \$36 million, which exhausts the present highway borrowing authority and also accounts for the sizeable differential between the two sessions compared.

### Appropriation Control

Probably the outstanding legislative action relating to highways was the recodification of all highway statutes adopted since 1921. A new section was added requiring the highway department to submit its administration and personnel budget to the Legislature for the first time beginning July 1, 1961.

While highway expenditures have been submitted for budgetary review and allotment, and encumbrances recorded by the state auditor, the placing of at least a portion of the highway department's operation under a definite legislative appropriation must be regarded as an important step forward in fiscal control.

This move toward legislative control of dedicated highway funds will affect only about ten to fifteen percent of total highway expenditures, since it applies only to administrative spending, and the Safety Division, exempting such items as construction and maintenance, personnel, and construction contracts.

### Occupational Diseases—Highway Patrol (L '59, C 20)

This statutory amendment extends workmen's compensation benefits to members of the Minnesota Highway Patrol for occupational diseases of myocarditis, coronary sclerosis, and pneumonia. While this legislation is probably most desirable to members of the Highway Patrol, there are, no doubt, many other state employees whose duties involve an equal degree of exposure and who in terms of equity, might be entitled to like consideration.

### Travel Expense of Applicants for Technical Positions (L '59, C 379)

The Department of Highways is authorized to pay necessary moving and travel expenses, including travel expenses to and from interviews for applicants for technical positions. This change should ease some of the Highway Department's problems in recruiting professional personnel.

### Salaries of Employees in State Highway Patrol (L '59, C 419)

By specific legislation, the basic salaries of various patrol classifications were increased effective July 1, 1959. The revised salary schedule and the number of positions involved, in all but the Patrol Officer classification, is presented below.

Classifications	Month	Annual
1 Highway Safety Director.....	\$950	\$11,400
1 Chief Supervisor .....	844	10,128
1 Chief Assistant Supervisor .....	751	9,012
2 Assistant Supervisors .....	667	8,004
9 Assistant Supervisors .....	616	7,392
20 Sergeants .....	547	6,564
Patrol Officers .....	385	4,620

Each employee in the classes enumerated, including the Highway Safety Director, shall receive a subsistence allowance of \$3 per day while engaged in the performance of duty, and in addition shall be reimbursed for all expenses necessarily incurred in excess of the \$3 subsistence allowance.

The statute was further amended, in the case of the patrol officers, authorizing a salary increase of four percent of the last previous salary at the completion of the first, second, third, fourth, fifth, seventh, and twelfth years of employment—to be effective at the payroll period nearest the officer's anniversary date of employment.

This marks a rather significant departure from the long-accepted philosophy that merit increases should be granted only on the basis of merit and completely ignores such individual differences as proficiency, initiative, and industry and the other "yardsticks" generally employed in good personnel administration.

### Air Patrol Duty (L '59, C 603)

The Commissioner of Highways may increase the salary of any member of the Highway Patrol in an amount not to exceed \$125 a month during the period such member is assigned air patrol duty.

### Uniform Markings of All Police Vehicles (L '59, C 554)

By rule or regulation the Commissioner of Highways shall establish uniform colors and markings for all motor vehicles used primarily in the enforcement of highway traffic regulations by any police department, highway patrol, or peace officer.

### Special Mobile Equipment Exempt (L '59, C 178)

This amendment defines special mobile equipment including, but not limited to, ditch digging apparatus, moving dollies, dump trucks, and highway construction equipment and exempts such equipment from taxation as motor vehicles.

### "Open Bottle" Legislation (L '59, C 255)

Prohibits the drinking of intoxicating or non-intoxicating malt liquors in any motor vehicle, possession on the person of any opened receptacle containing liquor while in a motor vehicle, and requires liquor receptacles with seals broken to be kept in the trunk or other place, excluding the glove compartment, not normally occupied by the driver or passenger.

**Motor Vehicle Retail Installment Sales Act**  
(L '59, C 364)

The amended legislation provides for the refund of the motor vehicle license fee (of sales finance companies) when sales on installment contracts do not exceed \$15,000 in a 12-month period.

**Re-examination after Revocation of Driver's License**  
(L '59, C 515)

This new legislation now requires drivers whose licenses have been revoked for certain reasons to pass an examination before another license may be issued.

**Limited Drivers Licenses (L '59, C 632)**

If a driver's livelihood depends on the use of his driver's license, the Commissioner of Highways is authorized to issue a limited drivers license and impose such conditions

and limitations as in his judgment are necessary to the interests of the public safety and welfare.

**Fees for Drivers Licenses Increased (L '59, C 634)**

The amended statute provides for increased fees as follows—one dollar for an instruction permit, three dollars for a drivers license, and fifty cents for a duplicate license.

**Great River Road (L '59, C 411)**

Minnesota is to cooperate with the federal government and with the interstate Mississippi River Parkway Planning Commission in the planning, establishment, construction, maintenance and improvement of the Great River Road or Mississippi River Parkway which is to follow generally the course of the Mississippi River from Canada to the Gulf of Mexico. The Commissioner of Highways shall establish and locate the route or routes of the Great River Road into the State of Minnesota.

**H. STATE BORROWING**

New borrowing for state buildings authorized by the 1959 Legislature totaled \$51,922,280 as compared to the \$55,121,939 approved by the 1957 Legislature—a decrease of \$3,199,659—but still the second highest Building Bill in the State's history. Comparative analysis of the 1957 and 1959 Building Bills is reported in Table 19.

The 1957 Building Needs Commission in its ten-year projection contemplated appropriations of \$56,337,311 in 1957, and \$52,277,201 in 1959—a total of \$108,614,512 for the four-year period. Actual new borrowing enacted for these two biennial periods amounted to \$107,044,219.

An appropriation item of \$200,000 for an addition to the Forest Products Laboratory Building at the University was vetoed by the Governor upon the petition of northern legislators even though the item, which had been the subject of considerable controversy, had been agreed upon by the Building Bill Conferees (composed of five members from each of the legislative bodies) and had been passed by both the Senate and the House. One-half of the \$200,000 would have been financed from borrowed money, and the other half from the Iron Range Resources and Rehabilitation Fund.

**Table 19**  
**STATE BUILDING BILLS—1957 AND 1959 SESSIONS**

	1957 SESSION				1959 SESSION			
	New Borrowing	Reapprop. Balances	Other Funds	Grand Total	New Borrowing	Reapprop. Balances	Other Funds	Grand Total
Mentals .....	\$ 7,901,538	\$ 15,000	.....	\$ 7,916,538	\$ 8,640,127	\$ 117,055	.....	\$ 8,757,182
Mentally Retarded ..	10,938,503	26,743.62	\$ 3,000	10,968,246.62	5,886,515	87,188	\$ 25,000	5,998,703
Special Schools and Hospitals .....	1,008,417	.....	.....	1,008,417	1,007,600	.....	.....	1,007,600
Penals .....	1,074,501	86,030	.....	1,160,531	1,329,400	17,179	.....	1,346,579
Total Department of Welfare .....	20,922,959	127,773.62	3,000	21,053,732.62	16,863,642	221,422	25,000	17,110,064
Youth Conservation .	549,265	.....	.....	549,265	1,285,980	.....	.....	1,285,980
Youth Treatment Center .....	.....	251,191.78	.....	251,191.78	4,278,138	.....	.....	4,278,138
Minn. Soldiers' Home	426,500	.....	.....	426,500	436,500	.....	.....	436,500
State Colleges & Bd..	11,764,706	.....	.....	11,764,706	11,479,590	455,500	.....	11,935,090
Univ. of Minnesota ..	16,530,518	.....	.....	16,530,518	14,557,150	.....	100,000	14,657,150
State Parks .....	254,000	.....	.....	254,000	487,480	.....	.....	487,480
Adjutant General ...	44,811	.....	.....	44,811	.....	.....	.....	.....
Capitol Group .....	4,579,180	.....	200,000	4,779,180	2,533,800	330,410	40,000	2,904,210
To Commr. of Adm.—for Administration.	50,000	.....	.....	50,000	100,000	.....	.....	100,000
Grand Totals .....	55,121,939	378,965.40	203,000	55,703,904.40	52,022,280	1,007,332	165,000	53,194,612
Less Line-Item Veto by Gov. (Forest Products Lab.—St. Paul) .....					(100,000)	.....	(100,000)	(200,000)
Net Grand Totals ...	<u>\$55,121,939</u>	<u>\$378,965.40</u>	<u>\$203,000</u>	<u>\$55,703,904.40</u>	<u>\$51,922,280</u>	<u>\$1,007,332</u>	<u>\$ 65,000</u>	<u>\$52,994,612</u>

(Denotes decrease)

## Youth Treatment Center

An appropriation of \$4,500,000 (from borrowed monies) was provided for the construction of a Youth Treatment Center at Circle Pines. This Center will house about 75 emotionally disturbed children for residential treatment and includes the transfer of children from the Hastings Childrens Unit and those presently in the Children's Center in St. Paul.

On the same site will be the new Diagnostic and Reception Center for the Youth Conservation Commission, with a capacity for approximately 250 children. It is expected that the new facilities will be completed within the present biennium and will provide a central Reception Center for all YCC commitments which, due to space limitations, has not been possible until now.

The balance of an appropriation for a children's center, originally made available in 1953, was reappropriated in the 1957 Session for the purpose of acquiring a site and the preparation of final plans and specifications for a psychiatric hospital, a reception and diagnostic center, and a children's center.

## University of Minnesota Building Appropriations

Of the University's 1959 appropriations of \$14,457,150 (excluding the Governor's line-item veto of the \$200,000 Forest Products Laboratory addition) the sum of \$6,579,000 was made available for the initial construction of facilities across the Mississippi River (the West Bridgehead)—about which there was considerable debate on the floor of both legislative houses. The initial three buildings proposed for the West Bridgehead are:

School of Business Administration and general purpose classroom building	\$2,124,000
Social Science and general purpose classroom building	2,223,000
Foreign languages, English and general purpose classroom building	2,232,000
Total	\$6,579,000

The 1957 Legislature had provided \$1,500,000 for the acquisition of "7 city blocks, or so much thereof (as could be purchased) immediately adjacent to the present Minneapolis Campus."

## Institutions for the Mentally Retarded

Of the \$5,998,703 provided for institutions for the mentally retarded, the sum of \$3,878,188 (including an estimated reappropriated balance of \$84,188) was appropriated for the Brainerd State School and Hospital—the newest of the state institutions. Together with future construction it is contemplated that this institution will accommodate an eventual population of 2,000 patients.

## Maximum Effort School Aid Law

In addition to the Building Bill projects, borrowing was also authorized to provide state financial aid through loans to certain school districts whose local debt service tax levies exceed reasonable maximums. The state auditor is empowered to prepare, execute, issue, and sell State of Minnesota School Aid certificates of indebtedness bearing interest not to exceed 5 percent per annum and providing that the maturity date shall in no case be more than 30 years after date of issue.

The sum of \$2,500,000 is to be available each year of the coming biennium, of which \$10,000 annually shall be used for the state's cost of administering the act.

## State Airports

Under authority of Laws 1959, Chapter 629 the state auditor is authorized to levy upon all taxable property in this state, in the manner in which other state taxes are levied, taxes sufficient to produce \$118,000 plus interest annually for a period of seven taxable years—1961 through 1967. The aggregate of \$826,000 shall be used by the Commissioner of Aeronautics for the following purposes of not more than—

\$434,000 on key system airports
209,000 on secondary airports
142,000 on the state landing-strip system
15,000 on radio navigational aids
11,000 for the purchase of an airplane
15,000 for air markings
<hr/>
\$826,000

Retirement of the certificates shall be made from the proceeds in the State Airports Fund which include: (1) Flight Property Tax, (2) Aviation Fuel Tax, (3) Aircraft License Fees, and (4) Aircraft Dealers License Fees.

If such revenues are sufficient, the tax levy for the taxable year shall be cancelled and shall not be made. It should be of considerable interest that revenues have always been sufficient to preclude the necessity of a general property tax levy for State Airport purposes.

## V. THREE MAJOR RETIREMENT FUNDS

Since many of the amendments to the retirement laws were technical or administrative, only a few of the major changes are presented in this report.

The State Employees Retirement laws were broadened to provide Federal Social Security coverage to employees of the Historical Society, Horticultural Society, Minnesota departments of Disabled Veterans and Veterans of Foreign Wars, and the Crop Improvement Association.

Among the amendments to the State Teachers' Retirement laws was the provision (L '59, Ex. C. 50) permitting teachers a choice, on an individual basis, between Teacher Retirement Association benefits or Teachers' Retirement Association benefits coordinated with Federal Social Security. Teachers will be given an opportunity to vote on their personal preferences before October 1, 1960. The law was also amended to provide for retirement at age 55 with

ten years of allowable service or at any age with 30 years of allowable service. A further change (L '59, C. 546) provides an additional \$25 per month to the payments of retired teachers who commenced drawing annuities under Laws 1915, Chapter 199.

The state's share of the cost of the State Employees' Retirement is included in the individual departments' appropriations for salaries. In addition, however, Laws 1959 Ex. Chapter 6 increased the employer's contribution, as previously established in M.S. 1957, Section 352.62, Subdivision 3, from 1½% to 2% for the years 1960-1964. This additional one-half percent increase is in addition to the sums included in the several appropriations and has been calculated as an "open" appropriation liability estimated to cost the General Revenue and Income Tax School Funds \$336,168 and \$38,619 respectively—during the 1959-61 fiscal period.

## VI. THE TAX PROGRAM

One of the unusual features of the record-breaking session of 1959 was the widespread public discussion of a retail sales tax among citizens, in newspapers, on radio and television; plus the adamant and forewarning public announcement of the Governor that he would veto such a tax if it were passed by both houses, even though no retail sales tax bill had yet been introduced.

The legislative tax program, as finally enacted in a forty-eight day extra session, was, as in previous legislative sessions, a compromise solution. A complete analysis of the tax program can be found in Appendix Table B.

### Individual Net Income Tax

The enacted tax plan on individuals, estates, and trusts split the first bracket (\$1,000) and increased all bracket rates above \$500 by ½ of 1 percent thereafter up to 10½% on net income over \$20,000—all applicable to taxable years beginning after December 31, 1958. Dependency credit was increased from \$10 to \$14 per dependent. The 10% surtax was continued on a temporary two-year basis.

Additional individual state income tax collections from these changes have been estimated to yield \$19,500,000 during the 1959-61 biennium.

As a budget-balancing procedure, 1/11th of the income tax proceeds (exclusive of those derived from banks and corporations) are to be transferred from the Income Tax School Fund to the General Revenue Fund during the 1959-61 biennium. This 1/11th transfer has been estimated at \$16,823,000, clearly indicating that over 86% of the estimated increased taxes will be used for general revenue fund obligations.

The state's share of the State Teachers' Retirement is financed by a tax levy on property. The levy for this purpose in 1959 (collectible in 1960) amounts to 5.73 mills on non-homestead property (.09 mills state-wide and 5.64 on property outside the first class cities which maintain their own Teachers' Retirement funds). While no definite figures are available at this time for the 1960 levy (collectible in 1961), it is estimated (on the basis of an actuarial estimate of the state's share as \$16,857,946) the total mill levy will approximate 7.23 mills.

The privilege of Public Employees to buy back-service credit, which expired July 1, 1958, was re-opened for a two-year period expiring July 1, 1961. Disability benefits for Public Employees, formerly payable to one over fifty years of age regardless of length of service, now requires a minimum of five years of service. A special Public Employees' police and fire fund was set up to provide more liberal pension provisions to men in this category who would otherwise be eligible for regular PERA membership.

The Governor's recommended rates were 1% on the first \$500, 2% on the next \$500, and a 1% increase in the rate of each bracket thereafter, with credit for dependents increased from \$10 to \$15. He urged the use of the withholding system to start July 1, 1959.

Unlike the State of New York which granted forgiveness of one full year's tax liability, the Governor proposed only partial forgiveness, with the resultant "windfall" from the doubling-up of tax payments to be used for what he termed "non-recurring" activities.

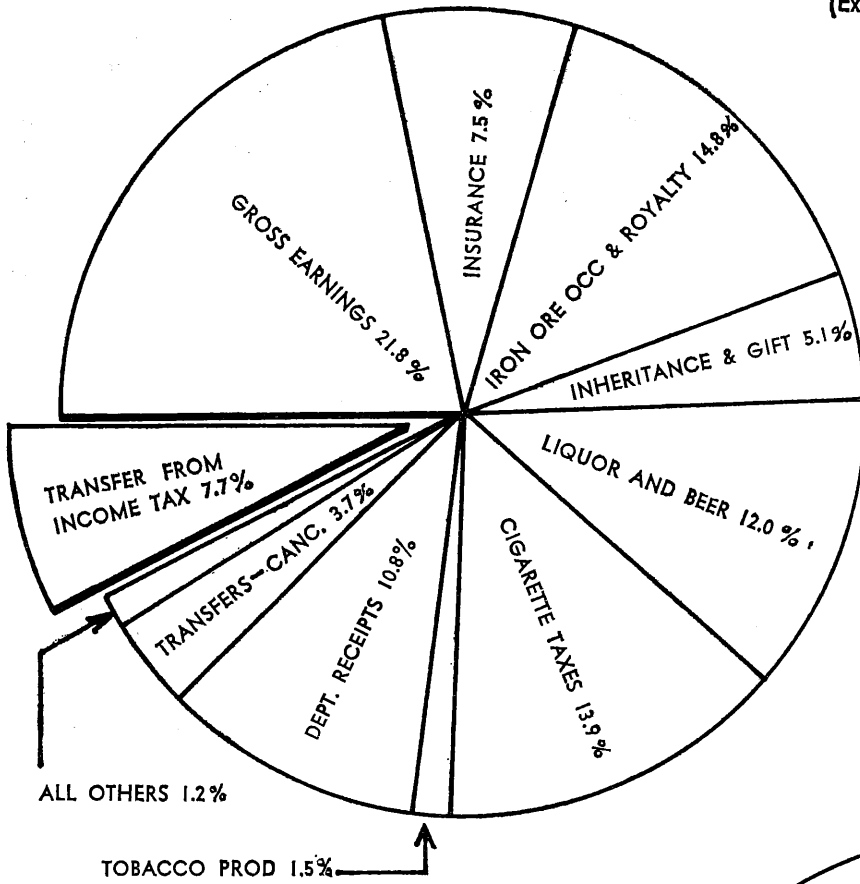
### Corporate Income Tax

The confereed tax program provided for an increase in the corporate net income tax rate from an effective 7.3% (6% basic, 1% temporary tax, and a surtax of 5% of the 6% basic) to an effective 9.3% rate (7.5% on a permanent basis and 1.8% on a temporary two-year basis). Proposed elimination of the federal income tax deductibility provision and proposed changes in the alternative allocation formula were rejected. The new rates are applicable to taxable years beginning after December 31, 1958, and are estimated to produce an additional \$11,800,000 over the basic and temporary taxes of the 1957-1959 biennium.

The Governor had proposed raising the same amount of money by reducing the corporate net income tax to 5% but eliminating the federal income tax deductibility provision and changing the alternative allocation formula from 70% sales to 50% sales, from 15% payrolls to 25% payrolls, and from 15% property to 25% property—thus making the allocation formula 50-25-25 instead of 70-15-15.

Chart No. 2

ESTIMATED RECEIPTS - 1959-61 BIENNIUM  
(Excluding Opening Balances)



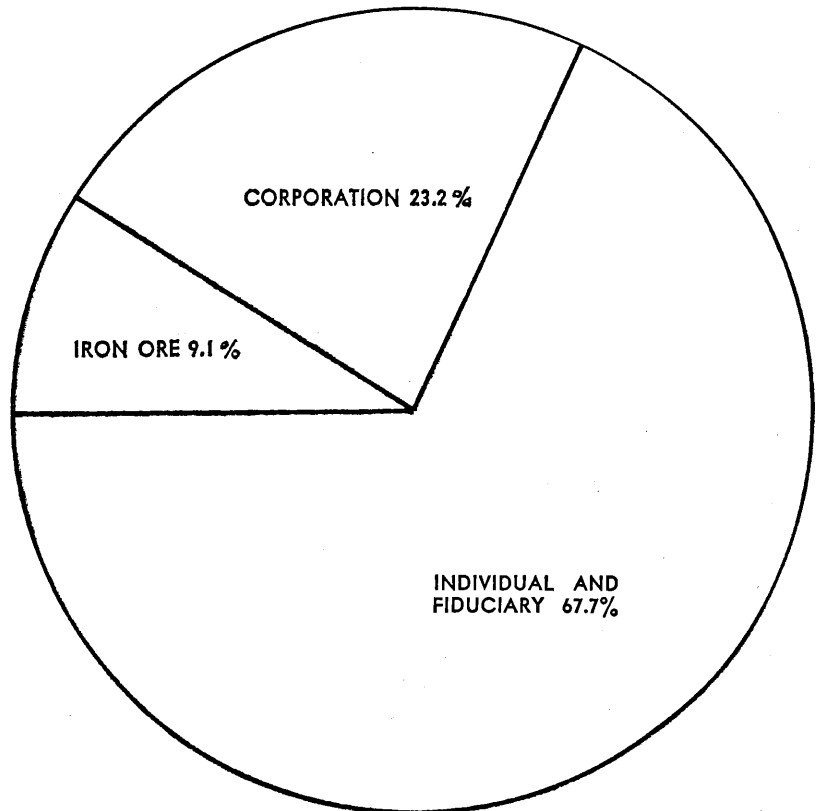
GENERAL REVENUE FUND

Excludes Estimated Iron Ore Taxes for  
University ..... \$ 5,650,402  
Iron Range Resources ... \$ 2,526,036

**\$218,413,682**

INCOME TAX SCHOOL FUND  
Total ..... \$ 265,451,600  
Less Transfer  
to Gen'l Rev. .... 16,823,000  
Net Total ..... \$ 248,628,600

**\$248,628,600**



## Bank Excise Tax Rate

The bank excise tax rate was changed from an effective 9.4% rate (8% plus a 5% surtax, plus a 1% temporary tax) to 9.5% on a permanent basis, with an additional temporary two-year tax of 1.9%—a total of 11.4%. The Department of Taxation estimated that this rate increase will produce an additional \$1,064,300 during the 1959-61 biennium.

## Iron Ore Occupation and Royalty Taxes

The Governor had recommended an effective rate of 14.65% for the iron ore occupation and royalty taxes (11% basic rate, 1.65% to replace the 15% surtax, 1% to replace the bonus tax, plus a further basic tax increase of 1%).

The conferred tax program provides for an increase from the 13.65% rate to 14.25% (12% on a permanent basis and 2.25% on a temporary two-year basis). This rate applies to all ores mined and produced after December 31, 1958.

Proceeds of the temporary 2.25% occupation tax will be distributed as is the permanent occupation tax—50% to the general revenue fund, 40% for the support of the elementary and secondary schools, and 10% for the support of the University. The Iron Range Resources and Rehabilitation Commission shares in the permanent tax only—receiving, as a legislatively-dedicated portion, 10% of the 50% distributed to the general revenue fund.

The royalty tax rate and the division between the permanent and temporary tax is the same as for the occupation tax. However, the proceeds of the entire royalty tax will continue to be credited to the general revenue fund. Subsequent to December 31, 1958, labor credits will be allowed against royalty taxes as well as occupation taxes—a new change in royalty tax computations.

Changes in the rates and credits of these two taxes are expected to add an additional net amount of \$1,074,902 to state revenues during the 1959-61 biennium.

## Semi-Taconite Tax

Extra Session Laws of 1959, Chapter 81, extends to semi-taconite lands, ores and facilities the special tax treatment granted to taconite. When the ore is beneficiated in Minnesota, the tax is 5 cents per gross ton plus 1/10 of one cent for each 1% that the iron content exceeds 55%.

When ore is beneficiated *outside* of Minnesota, the tax is 10 cents per gross ton, plus 1/10 of one cent for each 1/2% that the iron content exceeds 55%.

When semi-taconite ore is made merchantable by what is termed "simple methods of beneficiation", the tax rate is the same as for ore beneficiated *outside* of the state.

The semi-taconite tax is in addition to the occupation and royalty tax, but in lieu of ad valorem taxes. However, at least 1,000 tons must be produced from a 40 acre tract during the year or an ad valorem tax is imposed. This amounts to \$1 per acre maximum—the same rate as applied to taconite ore.

Proceeds of the semi-taconite tax are apportioned as are the taconite tax proceeds—22% to the city, village,

or township, 50% to the school district, 22% to the county, and 6% to the state.

## Alcoholic Beverage Taxes

The Governor had recommended an increase from 10% to 20% in the liquor surtax, making it a permanent surtax, and extending the 10% surtax on beer through June 30, 1961. The Legislature did not alter the basic rate, but did increase the liquor surtax from 10% to 15% and re-imposed this surtax for two more years, with the entire proceeds of the surtax to be credited to the general revenue fund. The increase in revenue from this source is estimated at \$1,078,000.

The tax rate on beer was increased from \$1 to \$1.60 per barrel on malt beer, and from \$2 to \$3.20 per barrel on strong beer. New revenue from this source is estimated at \$2,750,000.

## Cigarette and Tobacco Taxes

The Governor's Budget had recommended an increase in cigarette taxes from 4 cents to 5 cents per pack, and an increase in the tobacco products tax from 15% to 20% of the wholesale sales price. The distributors' discount would have been eliminated in the Governor's proposed budget financing. The Legislature increased the cigarette tax from 4 cents to 5½ cents; made the 15% tobacco tax a permanent part of the tax structure, added a temporary 5% tax for a two-year period; and reduced the cigarette and tobacco products distributors' discount from 4% to 2½%. These changes were estimated to produce an additional \$8,250,000 in cigarette taxes and \$825,000 in tobacco taxes for the biennium.

## Inheritance and Gift Taxes

Changes in inheritance and gift taxes were estimated to produce an additional million dollars for the 1959-61 biennium. Classes of beneficiaries were re-arranged, and exemptions for most classes of beneficiaries were increased. Tax rates on transfers to adult children were increased significantly; to widows and minors slightly. Rates on transfers in excess of \$1 million were decreased. All life insurance exemptions were eliminated with the exception of U. S. Government life insurance.

Gift tax classes and rates were changed to conform with the new inheritance classes and rates. Exemptions remain the same. Provision was made for one-time offsetting tax credits to a designated donee (amount dependent on relationship of donee to donor).

## Documentary Tax

A documentary tax or a real estate transfer tax is a new addition to the state's tax structure. It imposes a tax of \$1.10 on the first \$1,000 of consideration, plus 55 cents for each additional \$500, on the making, signing, issuing or selling in this state of any deed, instrument, or writing by which any interest in real estate, is credited, aliened, transferred, or assigned. It has been estimated to produce \$1,000,000 in the coming two-year fiscal period.

## Property Tax

The 1959 Legislature authorized a change permitting counties the option of exempting all household goods from the state property tax levy or repealing the \$400 exemption of household goods.

Grain in the hands of the producer is also exempted. Stored cheese is exempt while aging. Lakeshore summer properties other than those used commercially were reclassified as agricultural lands, assessable at 33 $\frac{1}{3}$ % instead of at 40% as formerly.

No property tax levy was made by the 1959 Legislature for general revenue fund purposes, it being assumed that the new financing would prove adequate. The small sum reported in Appendix Table B represents carry-overs from prior levies.

Mobile homes were made taxable as personal property (L '59, C 562) instead of as motor vehicles. Owners of mobile homes are also required to pay a small registration fee, the proceeds of which are apportioned as follows:

- 50% To School District in which trailer is located.
- 30% To Municipality.
- 10% To County.
- 10% To State.

## VII. ADMINISTRATIVE CHANGES

### Four Constitutional Amendments

*Chapter 680* proposes an amendment to Article V, Section 6, of the state constitution to provide for succession to the office of Governor and for continuity of government in times of emergency. (Referred to as Amendment No. 3).

*Chapter 696* proposes an amendment to Article VII, Section 1, of the state constitution to permit persons to vote who have moved from a precinct within thirty days preceding an election and to eliminate certain obsolete provisions. (Referred to as Amendment No. 4).

*Chapter 47* of the extra session proposes an amendment to Article IV, Section 2, authorizing legislative reapportionment after the 1970 census and each decennial census thereafter, with the senate limited to 67 members and the house to 135 members. (Referred to as Amendment No. 2).

"Representation in the House of Representatives shall be apportioned throughout the state on the basis of equality according to population. Representation in the Senate shall be apportioned in a manner which will give fair representation to all parts of the state."

*Chapter 89*, passed in the extra session, proposes an amendment to Article IV, Sections 1 and 9 to allow an extension of the legislative session but not to exceed 30 days, and restricting the time in which bills may be introduced to the first seventy days (except as authorized by the joint rules of the senate and house). In addition, it would permit legislators to run for any other public office without first resigning from the Legislature. (Referred to as Amendment No. 1).

These four Constitutional Amendments will be submitted to the voters for their approval or rejection in the general elections of 1960.

### Reapportionment

Two legislative actions were taken regarding legislative reapportionment.

*Chapter 45* of the 1959 Extra Session Laws reapportions the Legislature for the first time since 1913, adding four house members to provide a 135 member house, retaining the present number of 67 members in the senate. The new districts will become effective January 1, 1962, but will not affect the incumbent senate members until after expiration of their present four year terms.

House districts would be arranged within senate district lines. In both houses, however, representation from the metropolitan areas would be increased and representation elsewhere in the state modified to reflect changes in population growth since the last apportionment.

Under this law, the Ramsey County delegation would be increased from six senators to seven, from 12 representatives to 14; the Hennepin County delegation from 9 to 13 senators, from 18 to 26 representatives. The law also requires considerable rearrangement of district lines throughout the state.

*Chapter 47* of the Extra Session Laws presents a constitutional amendment to replace the existing provisions relating to legislative apportionment, with reapportionment in the first session following the decennial federal census, commencing in 1971.

Under this constitutional amendment the Senate would retain 67 members, the House would retain the enlarged membership of 135. House members would be apportioned "on the basis of equality according to population," Senate members on a basis giving "fair representation to all parts of the state." The amendment also provides that if the five counties adjacent to and including the seat of government have 35% or more of the total population, they shall have 35% of the members of the Senate.

This amendment, which will be submitted to the voters at the general election in 1960, was returned unsigned by the Governor. However, it does not require the Governor's signature in order to be placed on the ballot.

## State Debt Ceiling

Legislation was introduced, but not passed, which would have raised Minnesota's debt ceiling which the Constitution sets at \$250,000. The state's bonds and certificates of indebtedness outstanding on June 30, 1959 amounted to over \$158 million. Of the \$158 million of state debt, \$45.2 million is payable from special sources, i.e., gasoline tax receipts and motor vehicle license fee collections, and the remaining \$112.8 million, which is the portion subject to constitutional limitations, is payable from property taxes authorized by legislative acts. Thus, the limitation seems unrealistic.

"Friendly suits" have been instigated after both the 1957 and 1959 sessions. In 1957, the Supreme Court said, in effect, "it is all right this time, but don't do it again."

An appeal from a recent District Court decision was again filed—as in 1957. The Supreme Court, in a majority decision, has said in effect that it would not hold the borrowing illegal because of the chaos that would result in the building program from such an interpretation. The minority report stated in part,

"... Here we stand alone in calling an obligation that is admittedly a state debt something else as a subterfuge for continuing to ignore the plain meaning of language used in our Constitution."

Certificates of Indebtedness, as now issued, are tax-anticipation notes and are not generally construed as pledging the full faith and credit of the state. It is to be hoped that an increased debt limitation will permit an enlargement of the field of investors and a possible resultant lower interest rate.

## Local Legislation

The statutes relating to home rule charters was amended to permit the adoption and amendment of charters by 55% of those voting on the question (formerly 4/7 and 3/5 respectively of those voting at the election).

In other changes, the charter-drafting body is renamed "the charter commission" instead of the board of free holders, the former six-months' limitation on the time for preparation of an original charter is eliminated, statutory restrictions on the effective date of any charter or amendment are removed (30 days after the election, in the case of original charters under former law), and the five percent required to initiate amendments by petition is based upon the total votes cast at the last previous state general election. The former law was worded as "five percent of the voters in the city."

Cities of the first class were re-defined to those with a minimum population of 100,000 population, rather than 50,000 as formerly.

County planning and zoning were authorized. A three-member commission, as recommended by an interim commission, was created to hear petitions on annexation, incorporation of property into villages and detachment of property from municipalities.

## Presidential Primary Law Repealed

The presidential primary law enacted in 1949 was repealed in 1959. It was notable in two presidential election campaigns: in 1952 it gained national attention with the write-in of President Eisenhower, and again in 1956 when Estes Kefauver received more votes than Adlai Stevenson.

## Recodification of Laws

Probably among the most noteworthy actions of the 1959 Legislature was the passage of new codes correlating and revising prior laws. These included the education code, the juvenile court act, the highway code, the municipal annexation code, the election act, and the uniform municipal court act.



## APPENDIX TABLE A

### Comparison of the Appropriations Authorized By the 1957 and 1959 Legislatures

	1957 <u>Legislature</u>	1959 <u>Legislature</u>	Increase or <u>(Decrease)</u>
<b>Education</b>			
Department of Education (salaries, supplies and expense, revision and printing of curriculum, and research).....	\$ 1,308,131	\$ 1,503,267	\$ 195,136
Vocational Training of Disabled.....	1,022,129	1,135,304	113,175
Scholarships (Nurses, Indians).....	157,500	165,000	7,500
Community School Lunch.....	700,000	800,000	100,000
State Advisory Commission on School Reorganization.....	45,058	46,000	942
Rural Libraries.....	400,000	250,000	(150,000)
School Construction Loan Program.....	2,000,000	2,000,000	.....
State College Board.....	9,629,936	11,628,345	1,998,409
University of Minnesota.....	57,016,475	62,089,285	5,072,810
Aid to Junior Colleges.....	800,000	1,275,000	475,000
Aid to Schools.....	172,055,068	216,967,283	44,912,215
Special Aid to School Districts.....	3,049,791	3,649,624	599,833
Aid to School Districts.....	200,000	200,000	.....
School Aid to Counties.....	96,000	96,000	.....
Interest on Certificates.....	120,000	120,000	.....
Employees' Compensation.....	5,051	3,518	(1,533)
Advisory Board on Handicapped Children.....	3,192	.....	(3,192)
Educational TV Stations.....	.....	40,000	40,000
\$10 per Child Census School Aid.....	13,950,000	14,900,000	950,000
Income Tax Refunds.....	1,400,000	1,850,000	450,000
State Teachers Retirement Fund.....	11,298,200	16,857,946	5,559,746
Minnesota Statehood Centennial Commission.....	1,100,000	.....	(1,100,000)
	<u>\$276,356,532</u>	<u>\$335,576,572</u>	<u>\$ 59,220,040</u>
<b>Welfare and Institutions</b>			
Department of Public Welfare—Admin.....	1,963,799	2,131,436	167,637
Administrative Expense on Aging.....	33,900	30,634	(3,266)
Mental Health Research, Training Program, and Out-Patient Clinics.....	762,379	1,126,556	364,177
Contingent Fund—Institutions.....	200,000	200,000	.....
Working Capital Fund for Hospital Care.....	30,000	30,000	.....
Services for Deaf and Hard of Hearing.....	15,000	.....	(15,000)
<b>Aid Programs</b>			
Support for Children under Guardianship.....	810,000	1,008,779	198,779
Care of Dependent and Neglected Children.....	165,506	159,008	(6,498)
Care, Relief and Support of Dependent Children.....	7,562,939	9,537,000	1,974,061
County Sanatoria Care.....	1,647,000	1,225,000	(422,000)
Care, Relief and Support of Aged.....	26,669,438	26,957,000	287,562
Care, Relief and Support of Blind.....	838,776	690,500	(148,276)
Vocational Rehabilitation of Blind.....	125,000	120,000	(5,000)
Care, Relief and Support of Disabled.....	653,616	549,500	(104,116)
Equalization of Welfare Costs.....	1,950,000	2,650,000	700,000
Minnesota Public Relief.....	1,000,000	1,010,000	10,000
<b>Mental Hospitals</b>			
Schools and Hospitals for the Retarded.....	32,149,959	34,528,478	2,378,519
Brainerd State School and Hospital.....	13,289,072	15,976,390	2,687,318
Braille and Sightsaving School.....	500,156	1,463,165	963,009
School for the Deaf.....	604,485	663,177	58,692
School for the Deaf.....	1,156,451	1,261,749	105,298
Gillette State Hospital.....	2,427,196	2,615,263	188,067
Minnesota State Sanatorium.....	2,052,038	2,110,207	58,169
Penal Institutions for Adults.....	6,497,467	7,105,499	608,032
Employees' Compensation.....	251,912	244,501	(7,411)
	<u>\$103,356,089</u>	<u>\$113,393,842</u>	<u>\$ 10,037,753</u>
<b>State Departments</b>			
Legislature.....	\$ 2,173,150	\$ 2,407,788	\$ 234,638
Contingent Funds.....	575,000	555,000	(20,000)
Legislative Interim Committees.....	571,500	319,000	(252,500)
Municipal Annexation Commission.....	.....	35,000	35,000
Governor.....	272,716	284,452	11,736
Civil Defense.....	310,540	282,546	(27,994)
Lieutenant Governor.....	11,600	15,250	3,650
State Auditor.....	572,184	642,232	70,048
Civil Air Patrol.....	.....	20,000	20,000
State Treasurer.....	251,534	275,160	23,626
Treasurer's Revolving Fund.....	.....	40,000	40,000
Liquor Stamps and Labels.....	76,890	69,084	(7,806)
Public Examiner.....	399,653	448,126	48,473
Department of Taxation.....	6,380,737	6,989,977	609,240
Documents Tax Administration.....	.....	25,000	25,000

	1957 Legislature	1959 Legislature	Increase or (Decrease)
<b>State Departments (Continued)</b>			
State Board of Tax Appeals.....	48,370	42,915	(5,455)
Attorney General .....	595,685	596,301	616
Bureau of Criminal Apprehension.....	406,874	438,547	31,673
District Courts .....	1,805,500	1,770,968	(34,532)
Special Retirement Accounts (Attorney General, Clerk of Supreme Court, District Judges) .....	176,600	232,900	56,300
Supreme Court .....	578,636	602,474	23,838
Judicial Council Expense.....	1,000	1,000	.....
Revisor of Statutes.....	108,207	191,672	83,465
Department of Administration.....	3,291,875	3,948,792	656,917
Executive Council, Board of Investment, and Pardon Board.....	18,344	73,214	54,870
Secretary of State.....	382,014	266,777	(115,237)
Mobile Home Tax Administration.....	.....	20,000	20,000
Motor Vehicle Division.....	4,374,414	4,408,914	34,500
• Department of Civil Service.....	544,308	618,736	74,428
State Archives Commission.....	58,673	69,986	11,313
Fair Employment Practices Act.....	65,992	66,534	542
Adjutant General .....	1,900,855	1,974,278	73,423
Division of Banking.....	673,416	765,581	92,165
Division of Insurance.....	438,174	481,636	43,462
Fire Marshal .....	229,845	243,364	13,519
Division of Securities.....	116,036	129,532	13,496
Railroad and Warehouse Commission.....	6,435,934	6,933,250	497,316
Labor and Industry.....	1,279,210	1,448,070	168,860
Compensation Revolving Fund.....	50,000	30,000	(20,000)
State Board of Law Examiners.....	40,770	30,000	(10,770)
Minnesota Abstractors Board of Examiners.....	2,000	.....	(2,000)
Liquor Control Commission.....	440,295	495,170	54,875
Labor Conciliator .....	198,871	214,865	15,994
Department of Business Development.....	659,429	665,665	6,236
Compensation Insurance Board.....	43,972	44,651	679
Department of Aeronautics.....	303,262	395,025	91,763
Department of Agriculture.....	2,071,738	2,238,124	166,386
Department of Conservation			
Administration .....	840,717	1,333,678	492,961
Watercraft Licensing Fund.....	.....	50,000	50,000
Division of Waters.....	1,042,645	436,857	(605,788)
Division of Forestry.....	2,424,715	3,000,450	575,735
State Land Management Division.....	759,682	804,414	44,732
Consolidated Conservation Area.....	200,000	.....	(200,000)
Lands and Minerals Division.....	809,342	920,938	111,596
Game and Fish Division.....	6,541,289	6,888,757	347,468
Acquisition of Wetlands.....	685,000	680,000	(5,000)
Division of Parks.....	722,371	749,418	27,047
Department of Rural Credits.....	40,489	30,560	(9,929)
Surveyor General .....	176,366	168,456	(7,910)
State Mapping Advisory Board.....	100,000	72,000	(28,000)
State Soil Conservation Commission.....	387,966	411,285	23,319
Minnesota Water Resources Board.....	43,892	40,758	(3,134)
Board of Health.....	2,563,926	2,732,165	168,239
Livestock Sanitary Board.....	1,678,429	1,649,375	(29,054)
Governor's Human Rights Commission.....	28,658	29,758	1,100
Department of Corrections.....	.....	37,178	37,178
Youth Conservation Commission.....	769,189	828,472	59,283
Y.C.C. Work Camps.....	421,426	873,928	452,502
State Training School for Boys.....	1,408,091	1,636,297	228,206
Home School for Girls.....	899,299	956,512	57,213
State Board of Parole.....	631,418	687,305	55,887
Probation Officers .....	.....	673,012	673,012
War Veterans Affairs.....	1,623,173	1,851,038	227,865
State Law Library.....	129,590	143,604	14,014
Interest on Revenue Fund Deficiency.....	50,000	50,000	.....
Employees' Compensation .....	74,082	94,278	20,196
All Other .....	93,752	.....	(93,752)
	\$ 64,081,310	\$ 69,678,049	\$ 5,596,739
<b>Semi-State Activities</b>			
Interstate Cooperation Commission, Council of State Governments, and Uniform Laws Commission .....	\$ 22,350	\$ 24,005	\$ 1,655
Sheriff's Expenses .....	34,000	53,000	19,000
Societies and Associations for Development and Conservation of Natural Resources	482,900	477,650	(5,250)
Minnesota Historical Society.....	414,000	494,964	80,964
Bounties .....	374,700	282,000	(92,700)
Great Lakes Commission.....	23,000	22,000	(1,000)
Soldiers' Home .....	672,347	679,612	7,265
Miscellaneous Veterans Associations.....	32,400	32,400	.....
Sibley House .....	9,824	9,824	.....

	1957 <u>Legislature</u>	1959 <u>Legislature</u>	Increase or <u>(Decrease)</u>
<b>Semi-State Activities (Continued)</b>			
Minnesota Territorial Pioneers.....	1,000	.....	(1,000)
Aid to Common School Districts.....	100,000	100,000	.....
Minnesota Academy of Science.....	20,000	10,000	(10,000)
Special Aid to Cities.....	341,736	230,000	(111,736)
Special Aid to Counties.....	75,000	75,000	.....
Special Aid to Towns.....	3,000	3,000	.....
Employees' Compensation .....	2,976	175	(2,801)
	<u>2,609,233</u>	<u>2,493,630</u>	<u>(115,603)</u>
<b>Miscellaneous Activities</b>			
Korean Bonus .....	\$ 15,000,000	\$ 2,400,000	\$(12,600,000)
Legislative Claims .....	310,621	325,066	14,445
Claims Commissions Awards.....	78,607	35,935	(42,672)
Building Bill .....	203,000	65,000	(138,000)
Employment Security Building.....	1,250,000	150,000	(1,100,000)
Training Police Officers.....	.....	25,000	25,000
Parking Area—Highway Central Office Building.....	.....	25,000	25,000
All Other—General .....	5,200	150	(5,050)
Aid to Fire Departments.....	1,155,000	1,600,000	445,000
Surcharge, Firemen's Relief.....	500,000	500,000	.....
State Employees' Retirement.....	.....	374,788	374,788
Liquor Stamp Re-Purchase.....	.....	600,000	600,000
All Other Aids.....	245,600	224,300	(21,300)
	<u>\$ 18,748,028</u>	<u>\$ 6,325,239</u>	<u>\$(12,422,789)</u>
<b>GRAND TOTAL .....</b>	<b><u>\$465,151,192</u></b>	<b><u>\$527,467,332</u></b>	<b><u>\$ 62,316,140</u></b>

#### ALLOCATION OF APPROPRIATIONS BY FUNDS

Fund	1957 <u>Legislature</u>	1959 <u>Legislature</u>	Increase or <u>(Decrease)</u>
General Revenue Fund.....	\$199,670,389	\$216,114,888	\$ 16,444,499
Income Tax Fund.....	208,346,954	270,419,180	62,072,226
Iron Range Resources and Rehabilitation Fund.....	1,467,827	360,000	(1,107,827)
Game and Fish Fund.....	8,245,610	8,195,372	(50,238)
Consolidated Conservation Area Fund.....	1,139,411	244,953	(894,458)
Wetlands Acquisition Fund.....	650,000	680,000	30,000
Safety Revolving Fund.....	50,667	.....	(50,667)
Airport Fund .....	310,106	395,025	84,919
Highway Funds .....	4,384,783	4,347,667	(37,116)
Prison Revolving Fund.....	1,716,498	350,000	(1,366,498)
State Teachers Retirement Fund.....	11,298,200	16,857,946	5,559,746
Soldiers' Home Board Relief.....	138,319	120,000	(18,319)
Veterans' Adjusted Compensation Fund.....	15,258,225	15,880	(15,242,345)
Employment Security Building Fund.....	1,250,000	150,000	(1,100,000)
Rural Credit Fund.....	40,489	30,585	(9,904)
All Other .....	1,074	14,364	13,290
Sub-Total .....	<u>\$453,968,552</u>	<u>\$518,295,858</u>	<u>\$ 64,327,306</u>
Portion of the University's Maintenance and Improvements appropriation to be financed from the dedicated 10% of the iron ore occupation tax, the .23 mill tax levy on property, and the earnings of the University's constitutional trust funds .....	11,182,640	9,171,472	(2,011,168)
<b>TOTAL .....</b>	<b><u>\$465,151,192</u></b>	<b><u>\$527,467,330</u></b>	<b><u>\$ 62,316,138</u></b>

**APPENDIX TABLE B**

**ESTIMATED RECEIPTS FOR 1959-61 BIENNIUM (STATE PORTION ONLY)  
FOR FINANCING OF  
GENERAL REVENUE AND INCOME TAX SCHOOL FUND APPROPRIATIONS**

	<u>Rate</u>	<u>General Revenue Fund</u>	<u>Income Tax School Fund</u>	<u>University</u>	<u>Iron Range Resources and Rehabilitation</u>	<u>Total</u>
Estimated Balances (July 1, 1959) ..		\$ 2,450,177	\$ 19,092,493*	\$ .....	\$ 175,972	\$ 21,718,642
<b>Code</b>						
<b>Receipts Under Present Law</b>						
		220,000	.....	.....	.....	220,000
		47,662,500	.....	.....	.....	47,662,500
	2%	16,400,000	.....	.....	.....	16,400,000
(1)	11%	19,250,000	17,111,000	4,278,000	2,350,064	42,989,064
(2)	11%	6,149,000	.....	.....	.....	6,149,000
(3)		10,242,000	.....	.....	.....	10,242,000
(4)		20,195,500	.....	.....	.....	20,195,500
(5)	4¢ pk.	22,067,250	.....	.....	.....	22,067,250
(6)		101,500	.....	.....	.....	101,500
		.....	148,840,000	.....	.....	148,840,000
		.....	1,614,000	.....	.....	1,614,000
	6%	.....	37,800,000	.....	.....	37,800,000
		142,287,750	205,365,000	4,278,000	2,350,064	354,280,814
Departmental Receipts .....		23,528,000	.....	.....	.....	23,528,000
Transfers .....		5,008,532	.....	.....	.....	5,008,532
		28,536,532	.....	.....	.....	28,536,532
<b>Re-enactment of Temporary Taxes</b>						
(7)	15% of 11%	3,484,500	2,787,500	697,324	.....	6,969,324
(8)	15% of 11%	922,000	.....	.....	.....	922,000
	5% of 6%	1,900,000	.....	.....	.....	1,900,000
(9)	15%	2,474,000	.....	.....	.....	2,474,000
(10)	10%	2,156,500	.....	.....	.....	2,156,500
(11)	1%	2,111,500	1,689,200	421,976	.....	4,222,676
(11)	1%	559,000	.....	.....	.....	559,000
(12)	5% of 8%	283,700	.....	.....	.....	283,700
	10%	.....	14,884,000	.....	.....	14,884,000
	10%	.....	162,000	.....	.....	162,000
	1%	.....	6,300,000	.....	.....	6,300,000
		13,891,200	25,822,700	1,119,300	.....	40,833,200
<b>New Financing</b>						
(13)	1½¢ pk.	8,250,000	.....	.....	.....	8,250,000
(14)	5%	825,000	.....	.....	.....	825,000
(15)	5%	1,078,000	.....	.....	.....	1,078,000
(16)		1,000,000	.....	.....	.....	1,000,000
(17)	.6%	1,055,900	1,013,900	253,102	.....	2,322,902
(17)	.6%	352,000	.....	.....	.....	352,000
(18)		(1,600,000)	.....	.....	.....	(1,600,000)
	.60 and 1.20 Incr. per Bbl.	2,750,000	.....	.....	.....	2,750,000
(19)	\$1.10 per M	1,000,000	.....	.....	.....	1,000,000
	5% of 6%	(1,900,000)	1,900,000	.....	.....	.....
(20)	2%	1,064,300	.....	.....	.....	1,064,300
	.5%	.....	19,500,000	.....	.....	19,500,000
	.5%	.....	50,000	.....	.....	50,000
	2%	.....	11,800,000	.....	.....	11,800,000
		13,875,200	34,263,900	253,102	.....	48,392,202
<b>Other</b>						
		16,823,000	(16,823,000)	.....	.....	.....
		3,000,000	.....	.....	.....	3,000,000
		19,823,000	(16,823,000)	.....	.....	3,000,000
<b>GRAND TOTALS</b> .....		<b>\$220,863,859</b>	<b>\$267,721,093</b>	<b>\$5,650,402</b>	<b>\$2,526,036</b>	<b>\$496,761,390</b>

## APPENDIX TABLE C

### COMPARATIVE ANALYSIS OF SELECTED\* TAX RATES FOR 1957-59 AND 1959-61 BIENNIUMS (PERMANENT AND TEMPORARY)

Tax	1957-1959 Biennium		1959-1961 Biennium	
	Permanent	Temporary	Permanent	Temporary
Iron Ore Occupation Tax.....	11%	2.65%	12%	2.25%
Iron Ore Royalty Tax.....	11%	2.65%	12%	2.25%
Cigarette Tax** .....	4¢ per pack		5½¢ per pack	
Tobacco Products Tax** .....		15% of wholesale price	15% of wholesale price	5% of wholesale price
Corporate Income Tax.....	6%	1.3%	7.5%	1.8%
Bank Excise .....	8%	1.4%	9.5%	1.9%
Beer Tax (3.2%) .....	\$1 bbl.	10¢ bbl.	\$1.60 bbl.	
(strong) .....	\$2 bbl.	20¢ bbl.	\$3.20 bbl.	
Liquor Tax .....	20¢ to \$2.50 per gallon	10% surtax	Rates unchanged	15% surtax
Individual Income Tax .....				
	0—\$1,000—1%		0—\$ 500— 1%	
	1,000— 2,000—2		500— 1,000—1½	
	2,000— 3,000—3		1,000— 2,000—2½	
	3,000— 4,000—4		2,000— 3,000—3½	
	4,000— 5,000—5	10% surtax	3,000— 4,000—4½	
	5,000— 7,000—6		4,000— 5,000—5½	10% surtax
	7,000— 9,000—7		5,000— 7,000—6½	
	9,000—12,500—8		7,000— 9,000—7½	
	12,500—20,000—9		9,000—12,500—8½	
	Over 20,000 —10		12,500—20,000—9½	
	Dependent credit—		Over 20,000 —10½	
	\$10		Dependent credit—	
			\$14	
Documentary Tax .....			\$1.10 on first \$1,000 plus 55¢ for each additional \$500	

\*Rates and brackets of the Inheritance and Gift taxes have not been included due to the numerous 1959 changes which would involve a lengthy analysis. The semi-taconite tax rate is the same as that for taconite and is discussed on Page 28 of the report.

\*\*The cigarette and tobacco products distributors' discount was reduced from 4% to 2½%.

## CODE FOR APPENDIX TABLE B

### CODE:

- \* Prior to 1959 Deficiency appropriations totaling \$18,345,616.68.
- (1) Distributed 45% (GR), 40% (I.T.), 10% (Univ.) and 5% (I.R.R.).
  - (2) 100% General Revenue.
  - (3) Distributed 80% State, 20% Counties on Resident Inheritance; Non-Resident Inheritance and Gift 100% Gen'l Rev.
  - (4) Distributed 70% State, 30% Local on Liquor Tax only; Beer 100% Gen'l Rev.
  - (5) Distributed 75% State, 25% Local.
  - (6) Distributed 50% School Dist., 22% County, 22% Municipality and 6% State.
  - (7) Distributed 50% (GR), 40% (I.T.) and 10% (Univ.) 1959 Leg. Change—Surtax replaced by 1% increase.
  - (8) 100% General Revenue 1959 Leg. Change—Surtax replaced by 1% increase.
  - (9) 15% "temporary" tax made "permanent" in '59 Session—all Gen'l Rev.
  - (10) Surtax not distributed—100% General Revenue.
  - (11) Previously part of Veterans Adj. Comp. Fund.
  - (12) Surtax only to State (5% of 8% Basic = .4% to Gen'l Rev., plus 1% Corporate Surtax which was applied to Banks and credited to Income Tax School Fund).
  - (13) Distribution remains 75% State, 25% Local.
  - (14) Temporary increase from 15% to 20%.
  - (15) Increased surtax not distributed.
  - (16) Classes changed—distribution same as noted in Code 3.
  - (17) Add'l. .6% in 1959 Extra Session—Tax Rate in 3 segments—11%, 1%, & 2.25% = 14.25%.
  - (18) 100% General Revenue.
  - (19) 100% General Revenue.
  - (20) Tax rates revised—Basic rate 8% to 9.5% distributed; Surtax .4% plus 1% (Corporate Surtax) increased to 1.9% and credited to State General Revenue Fund.

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