



Financial and Administrative Review:

**1961 Minnesota
State Legislature**

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MINNESOTA TAXPAYERS ASSOCIATION

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RESEARCH BULLETIN No. 43

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I. SUMMARY

In addition to experiencing another "first"—a regular and two extra sessions all within one calendar year—the 1961 Minnesota State Legislature could be further characterized by three principal issues—spending, taxes and congressional redistricting.

It seems that records in authorized spending and taxes are only made to be broken. In this respect, the 1961 Session was no exception. Appropriations authorized by the 1961 Legislature required new tax revenues of nearly \$60 million *beyond* the anticipated increased yields from existing taxes. With the last of the possible sizeable "windfall" revenues having been utilized in the enactment of withholding, the 1963 Legislature will indeed be facing a real fiscal crisis—how to contain state spending within the limits of available resources, or if not, how to provide an equitable tax structure that will provide the necessary additional revenues without discouraging growth in our State's economy?

The loss of a congressman with the resultant changes in district boundaries brought forth oratory that could be heard from St. Paul to the Potomac. After failing to reach agreement on new district boundaries during the regular and first extra session, the Legislature was able, through pre-session agreement, to resolve its differences and pass the necessary redistricting legislation in a two-day second extra session.

Appropriations of the four major omnibus money bills and the miscellaneous bills totaled \$582,572,638—up over \$92 million (18.8%) over the \$490,560,295 provided by the 1959 Legislature.

A fifth major appropriation bill totaling \$18,741,695 covering the first *direct* appropriations for operations of three divisions of the Highway Department—Administration, Safety, and Plant Equipment—became effective July 1, 1961.

Open and standing appropriations totaled \$35,795,510—up almost \$2 million (5.9%) over the \$33,799,087 appropriated for the 1959-61 biennium.

In addition to the listed open and standing appropriations, highway expenditures of state revenues for construction and maintenance operations, exclusive of debt service, were estimated at \$124,605,707 for the 1961-63 biennium.

Appropriations to be financed from borrowed monies and other statutory items to be financed from the property tax levy were reduced from \$74,606,226 in the 1959 Session to \$50,794,657 in the 1961 Session, a decrease of \$23,811,569 (31.9%). Borrowing of the approximately \$29½ million for state buildings is contingent, however, upon passage of a constitutional amendment, to be voted on in 1962, increasing the present state debt limit.

The state tax levy on property in the amount of \$20,583,274 for the State Teachers Retirement Fund in-

creased \$3¾ million (19.0%) over the \$16,857,946 of the previous biennium.

The grand total of 1961-63 appropriations was \$812,510,207—up over \$92,144,598 over the \$720 million of the previous biennium. (These amounts include the estimated Highway expenditures but are exclusive of the federal aid the State will receive and spend for highway, health, education, and welfare purposes.)

A new salary plan was enacted, at an estimated cost of \$9,490,437 for the biennium (\$5,409,969 the General Revenue share, \$664,512 the Income Tax School Fund share, and the balance of \$3,415,956 the cost to the dedicated receipts and federal accounts).

Merit increases were waived for the first year of the biennium, except for those employees who received no increase under the revised salary plan. It was also anticipated that departments with 21 or more employees should be able to finance from 25% to 60% of their merit increases (depending upon the number of employees) in the second year of the biennium from savings accruing from turnover, vacancies and replacements at salaries lower than those of the previous incumbents. The annual cost of a merit increase for all eligible employees was estimated at \$2,245,200.

Of the 2,524 new positions requested by state departments and agencies, the 1961 Legislature allowed a net increase of 860 at a cost of \$6,300,574 for the biennium. Of these 860 additional positions provided, 305 were designated for staffing of Glen Lake Sanatorium and the Oak Terrace Nursing Home (for the care of tuberculous, and geriatric patients). The 1961 Legislature also authorized the conversion of the Minnesota State Sanatorium at Walker into the "Ah-Gwah-Ching Nursing Home" for geriatric patients, for which it provided 48 additional new positions.

The "Aid to Schools" appropriation was increased nearly \$58 million—from \$216,967,283 in 1959 to \$274,912,420 in the 1961 Session. Foundation Aid under Formula A was increased from \$270 to \$275 for 1962 and to \$285 for 1963, and the mill rate was revised from 19 mills in 1961 to 18.5 mills in 1962, to revert to 19 mills again in 1963. Formula B aid was increased from \$87 to \$90.

Aid to Junior Colleges was increased from \$250 to \$300 per student in average daily attendance.

Appropriations to the State College Board were increased over \$3 million—from \$11,628,345 in the 1959-61 biennium to \$15,172,584 in the 1961-63 biennium.

Gross University appropriations were increased almost \$9½ million—from \$62,089,285 in the 1959 Session to \$71,528,463 in the 1961 Session.

New borrowing for state buildings dropped from the \$51,922,280 authorized by the 1959 Legislature to \$29,-

361,383 authorized by the 1961 Legislature. Approximately one-half of the new borrowing was for buildings for the state colleges and the University. Implementation of the new borrowing authorized by the 1961 Legislature is contingent, however, on the passage of Constitutional Amendment No. 2 in the next general election. Re-appropriated balances of \$7,125,141 in the State Building accounts included \$5,169,915 for the Youth Treatment Center. Appropriations from current revenues for state buildings amounted to \$2,101,323.

As an economy move, the 1961 Legislature appropriated \$838,000 for the creation of a central motor pool to replace the use of private and/or department or agency cars.

Three constitutional amendments will be submitted to the voters at the next general election. The first relates to the consolidation of the permanent school fund and swamp land fund into a single perpetual fund; the second would remove the \$250,000 restriction on borrowing; and the third would replace the 90-day limitation with a 120-day limitation on the length of the regular legislative session. A proposed fourth amendment failed of enactment. However, this amendment, which would have limited the occupation tax on taconite to the equivalent level of the state corporation net income tax on manufacturing corporations, has become a lively political issue and undoubtedly will again be a subject for consideration by the 1963 Legislature.

As in the past, rates of existing and temporary taxes were adjusted with surtaxes being added or increased. The individual income tax surtax was increased from 10% to 15%, and a new 10% surtax added to both the corporate income and bank excise taxes. Dependency credits were increased from \$14 to \$15. A new minimum individual income tax of 1% of adjusted gross income was added. The cigarette tax was increased from 5½¢ to 7¢ per pack, and the tobacco products tax reduced from 20% to

10%. Sections 297.02 and 297.32 of the Minnesota Statutes were also amended whereby the cigarette and tobacco products taxes and excises paid were "presumed to be direct taxes on the retail consumer, advanced and prepaid for the purpose of convenience and facility only." As such, they would have been an allowable deduction for both federal and state individual income tax purposes. However, subsequent legislation (L '61, C 502), amending Section 290.09 of the statutes, specifically *excludes* cigarette and tobacco products excise taxes as deductions from gross state income. Therefore, though direct taxes on the consumer, these taxes are allowable deductions for federal individual income tax purposes only.

A withholding method of income tax collection was enacted to go into effect October 1, 1961.

As a budget-balancing device, the 1961 Legislature continued its practice of transferring funds from the Income Tax School Fund to the General Revenue Fund, except that the transfer grows larger. In addition to authorizing the transfer of funds sufficient to finance the 1961-63 appropriations to the State College Board and for Aid to Junior Colleges, 7.25% of the tax collections of individuals, fiduciaries, and corporations are also to be transferred. The total transfer for the biennial period, as estimated at the close of the 1961 Session, was \$41,716,084.

With these adjustments in the tax structure, plus the revenues derived from the windfall and improved compliance resulting from the withholding system of income tax collection, and the lag in payment of income tax refunds, the Legislature believed that the budget was in balance—a belief not shared by the Commissioners of Administration and Taxation. Thus, as in previous sessions, patches were added to the patches of the state tax system, and no positive action was taken on needed tax reform to improve the tax climate of the State for business, industry, and the farmer.

II. GENERAL INTRODUCTION TO FINANCING AND APPROPRIATIONS

Perhaps more uncertainty pervaded the 1961 Legislative Session than has been experienced in several years.

To start the session, an \$18 million School Aid deficiency, covering supplementation for both the 1957-59 and 1959-61 fiscal periods, was conspicuously absent from the Governor's Proposed Budget—it apparently being the feeling that the shortage resulted from prior legislative action and that any supplementation could only be a question for legislative determination.

Shortly thereafter followed minor adjustments to the budget document itself including changes in the 1961-63 recommended School Aid appropriations. There was even legislative indecision whether to accept the electronically-computed School Aid calculations which indicated a maximum requirement, or the customary manually-computed figures of the Department of Education based on past actual experience.

Merit increases were again unresolved until late in the regular session, with the Governor having recommended

consideration in each year of the biennium, while the Legislature allowed adjustments in the second year only—and then on a fractional basis of the total liability depending on the size of the department's approved complement.

Taxes were no less of an uncertainty than state spending. None of the three excise taxes recommended by the Governor—covering new automobile purchases, telephone and telegraph bills, and electric and power bills—received any serious legislative consideration. The House Tax Committee strongly favored adoption of the withholding system of individual tax collections with its "windfall" and contemplated improved collections as the principal source of additional new revenue. The Senate Tax Committee, however, favored a replacement Sales Tax plan which would have provided both property tax relief, and the necessary additional revenue.

Even after the tax bill finally started to take shape in the Tax Conference Committee considerable uncertainty developed regarding the estimates of receipts being em-

ployed—with the Legislature finally increasing certain of the estimates beyond the computations of the Department of Taxation.

Obviously the Legislature can and has substituted its judgment for that of the tax department officials, but such a procedure only points up more clearly the need for closer liaison between the appropriations and tax committees throughout the session to insure that such adjustments are entirely justified and are not merely a budget-balancing device. Deficiencies are never desirable and only serve to compound the fiscal problems when they must be financed *twice*—first, to meet the shortage, and secondly, to continue support of a higher spending program that was inadequately financed initially.

Legislative "Scoreboard"

Despite the passage in 1958 of a constitutional amendment which provided for a greater degree of home rule and local autonomy for cities, counties and villages, considerable purely local legislation is still being processed by each successive Legislature. In a truly democratic fashion, such matters, whenever possible, should be considered only at the appropriate local levels of government to permit expression by those directly affected as well as conserving legislative time for strictly state measures.

As usual, many companion bills were introduced in both the House and Senate. Legislation which appeared to have considerable public interest or voter-appeal was also introduced in several slightly different forms due to author limitations on a single bill. The following "scoreboard" shows the number of bills introduced, and the number enacted into law, in the three legislative sessions.

Table 1

LAWS PASSED BY 1961 LEGISLATURE IN REGULAR AND EXTRA SESSIONS

	Regular	First Extra	Second Extra	Total
Bills introduced in House.....	1948	294	35	2277
Bills introduced in Senate.....	1801	255	18	2074
Total Bills introduced.....	3749	549	53	4351
Bills enacted into law.....	757	100	3	860
Bills vetoed by Governor.....	2	...	...	2
Bills pocket-vetoed by Governor...	2	...	...	2
Line-item vetoes by Governor.....	...	...	...	...
Constitutional Amendments to be submitted to popular vote.....	...	3	...	3
Total number of days in regular and extra sessions.....	75	33	2	110

(House adjourned June 7, 1961)
(Senate adjourned June 8, 1961)
(Second Extra Session—December 18 and 19, 1961)

Need for "Fiscal Note" on Appropriation Measures

All bills which create or increase a fiscal liability on the part of the State, or are revenue-raising measures, should be accompanied by a note clearly disclosing their estimated fiscal effect.

This procedure is already operating successfully in other states in providing very useful and accurate information to both the public and the legislators.

Such legislation was introduced in both houses in the 1961 Session with bi-partisan support (from members of both the majority and minority groups). It is assumed that only the pressure of other measures precluded its passage in the 1961 Session, and that the 1963 Legislature will act favorably on what could be a very helpful and informative innovation.

III. COMPARISON OF TOTAL APPROPRIATIONS

A. OMNIBUS APPROPRIATION BILLS, MISCELLANEOUS, AND OPEN AND STANDING APPROPRIATIONS

The usual four Omnibus Appropriation Bills (State Departments, Semi-State Activities, Welfare and Corrections, and Education) as enacted by the 1961 Legislature amounted to \$573,490,997*—an increase of \$87,466,002 or 18.0% over the \$486,024,994* provided by the 1959 Legislature.

Deficiency appropriations and appropriations "to be made immediately available" again contributed substantially to the sums enacted in these four Omnibus Bills, amounting to \$19,823,014 in the 1961 Session as compared to the \$19,688,783 provided by the 1959 Legislature.

Of the \$19.8 million, the "Aid To Schools" deficiency alone amounted to \$18,636,420, of which \$1,472,400 was applicable to the prior 1957-59 biennial period. Obviously, not only did this sum have to be provided by the 1961 Legislature to cover past requirements, but a like sum also

had to be made available to cover the continuing obligation (a total of \$37.2 million)—without regard to the further sums needed by reason of additional pupil units or changes made in the School Aid formula.

A fifth major appropriation bill, covering the first *direct* appropriations for operations of three divisions of the Highway Department—Administration, Safety, and Plant and Equipment—became effective July 1, 1961. The total sums provided were \$10,068,291 for 1961-62, and \$8,673,404 for 1962-63—a biennial total of \$18,741,695.

An overall comparison of these major appropriation bills is presented in Table 2 on page 8.

*Includes appropriated Occupation Tax, 23/100 Mill Tax, and Trust Fund Revenues as they apply to the University. Estimated amounts of \$9,171,472 for 1959-61, and \$6,552,071 for 1961-63.

Table 2
COMPARISON OF THE FOUR OMNIBUS
APPROPRIATION BILLS AS ENACTED BY
THE 1959 AND 1961 LEGISLATURES

(Plus direct appropriations for portions of the Department of Highways, effective July 1, 1961)

	1959 Legislature	1961 Legislature	Increase or (Decrease)
Omnibus Appropriation Bills			
State Departments .. \$	63,204,863	\$ 67,324,858	\$ 4,119,994
Semi-State Activities	2,493,630	2,260,968	(232,661)
Welfare and Corrections	118,425,822	130,672,366	12,246,543
Education Bill	301,900,678 ⁽¹⁾	373,232,803 ⁽²⁾	71,332,125
Total	\$486,024,994	\$573,490,997	\$ 87,466,002
Highway Department			
Administration .....	.....	4,024,521	4,024,521
Safety .....	.....	10,129,941	10,129,941
Plant and Equipment .....	.....	4,367,233	4,367,233
Contingent Fund ...	.....	220,000	220,000
Total	\$	\$ 18,741,695	\$ 18,741,695
Grand Total ...	\$486,024,994	\$592,232,692	\$106,207,697

Notes: Enacted appropriations by 1959 Legislature adjusted for comparability due to transfer of Department of Corrections from State Departments Bill to Welfare-Corrections Bill by 1961 Legislature. Grand Total unchanged. Columns may not add due to dropping of cents.

- (1) Includes School Aid deficiency of \$18,236,083 as compared to \$18,636,420 in the 1961 Session. Also Occupation Tax, 23/100 Mill Tax, and Trust Fund revenues as they apply to the University—estimated amount \$9,171,472.
 (2) Includes School Aid deficiency of \$18,636,420 of which \$1,472,400 was applicable to prior 1957-59 biennium. Also Occupation Tax, 23/100 Mill Tax, and Trust Fund revenues as they apply to the University—estimated amount \$6,552,071.

Comparison of Omnibus Appropriations

Obviously, new or expanded services provided by the 1961 Legislature are reflected in the increased appropriations reported above.

However, the shifting of certain obligations between Omnibus Appropriation Bills or from the Miscellaneous Appropriation category to a specific Omnibus Bill, or vice versa, tend to distort the biennial appropriation comparisons.

In addition to the major shift of the Department of Corrections from the State Departments Bill to the Welfare-Corrections Bill (which has already been done to achieve comparability), other significant appropriation changes which should be recognized are as follows:

1. Appropriation for Probation Officers in the amount of \$673,012 was provided by the 1959 Legislature as a separate bill and listed among the Miscellaneous category. In 1961, provision was included in the Welfare-Corrections Bill. The proper adjustment would, therefore, reduce the increased enacted appropriations indicated.
2. An appropriation, "Aid to Cities" in the amount of \$230,000 was included in the Omnibus Semi-State Activities Bill by the 1959 Legislature. In 1961, this same item, but in the biennial amount of \$330,000, was omitted from the Omnibus Bill and enacted as a separate, miscellaneous appropriation. The proper adjustment for comparability, therefore, would reveal that the 1961 Semi-State Activities Bill was, in fact, increased by \$97,339 — rather than reduced as indicated.
3. Mobile Home Registration, a new item in 1959, was included among the 1959-61 miscellaneous appropriations in

the amount of \$20,000. In 1961, this item, in the amount of \$26,928, was made a part of the Omnibus State Departments Bill. The necessary adjustment would reduce the State Departments increase reported.

4. An allowance for Payroll Preparation costs was included in each of the several appropriations in all four Omnibus Bills in the 1959 Session. However, in the 1961 Session a single appropriation allowance was made to the Department of Administration (State Departments Bill) to cover such costs in the biennial total of \$142,416.

These few instances serve to point out some of the variances which make an accurate comparison of the Omnibus Appropriation Bills, as enacted, extremely difficult. However as a percentage of the total appropriations or total increase the sum total of these variances are minor.

Miscellaneous Appropriations

Miscellaneous Appropriations, which are direct spending authorities of a particular legislature and usually do not cover recurring items, increased markedly from \$4,535,301 in the 1959 Session to \$9,081,641 in the 1961 Session—an increase of \$4,546,340 or 100.2%.

Appropriations of \$1.5 millions each for Distressed Area Work Projects and Distressed Area Relief, in addition to provisions for the creation of a Motor Pool, the remodeling of Glen Lake Sanatorium, withholding tax administration, and reversion to the policy of repairing state buildings using current revenues—all contributed to this sizeable comparative increase.

A more detailed analysis of the Miscellaneous Appropriation enacted by the 1959 and 1961 Legislatures follows.

Table 3
COMPARISON OF MISCELLANEOUS APPROPRIATIONS
AS ENACTED BY 1959 AND 1961 LEGISLATURES

	1959 Legislature	1961 Legislature	Increase or (Decrease)
Korean Bonus (Supp.) ..	\$2,400,000	\$	\$ (2,400,000)
Veterans Bonus .....	.....	108,142	108,142
Probation Officers	673,012	⁽¹⁾	(673,012)
Interim Commissions ...	319,000	.....	(319,000)
Federal Unemployment Trust Fund	150,000	.....	(150,000)
Distressed Area Work Projects & Relief .....	.....	3,000,000	3,000,000
Motor Pool .....	.....	838,000	838,000
Aid to Cities .....	.....	330,000 ⁽²⁾	330,000
Glen Lake Sanatorium— Remodeling .....	.....	400,000	400,000
State Buildings—Current Maint.	65,000	1,701,323	1,636,323
Camp Ripley Land Ac- quisition .....	.....	500,000	500,000
Owatonna School—Land Purchase	54,000	.....	(54,000)
Withholding Tax Adminis- tration .....	.....	750,000	750,000
All Other	874,289	1,454,176	579,887
Total	\$4,535,301	\$9,081,641	\$4,546,340

- (1) Included in Welfare-Corrections Omnibus Appropriation Bill.
 (2) Previously included in Semi-State Activities Bill.

Interim Commissions

In contrast to the 17 new or continued legislative interim study commissions provided by the 1959 Legislature, few were authorized for the 1961-63 interim period.

Allowances were included in the Omnibus appropriation bills (not in the Miscellaneous appropriations) for continuation of the following interstate or continuing interim commissions to be financed from the General Revenue Fund.

	For Biennium
Great Lakes Commission.....	\$20,500
Interstate Cooperation Commission and Council of State Governments.....	22,000
State Claims Commission.....	15,000
Legislative Buildings Commission.....	37,000
Uniform Laws Commission.....	2,450

In addition, the 1961 Legislature continued the Legislative Advisory Committee (\$2,000) and the Legislative Research Committee (\$150,000)—both of which are considered to have permanent status.

Among the major commissions not continued were the Capitol Improvements Commission, the Commission on Taxation of Iron Ore (created in 1951), the Commission on Juvenile Delinquency and Adult Crime and Correction (which has worked for four years on recodification of Minnesota's Criminal Code), and the Commission on Education.

In the absence of specific interim commissions during the coming biennium, the Legislative Research Committee will undoubtedly play a greater role in conducting research pursuant to approved proposals. It would be hoped that much of the fine work of the now-terminated interim commissions be progressed through continued study by the Legislative Research Committee.

Open and Standing Appropriations

The usually-compared open and standing appropriations of the General Revenue and Income Tax School Funds, which do not need to be re-enacted each legislative session, rose from \$20,049,087 to \$20,625,510—a two-year increase of \$576,423.

Since earnings of the Permanent University Fund are considered in the total authorized spending of the University, the corresponding "open appropriation" authority for use of the Endowment School Fund earnings in behalf of elementary and secondary education should likewise be recognized. Anticipated expenditures from this source for the 1961-63 biennium total \$15,170,000 as compared to the estimated \$13,750,000 for 1959-61—an increase of \$1,420,000.

With these additions, open and standing appropriations—exclusive of the Highway Department and certain other dedicated receipt operations—totaled \$35,795,510—an increase of \$1,996,423 or 5.9% over the 1959 Session.

As has been pointed out previously, these "open-end" spending authorities have grown to such a degree that they are now an important factor in the State's total financing program. Fortunately they have been receiving increased legislative concern, particularly as they involve the General Revenue and Income Tax School Funds. While this is encouraging, more public education is seemingly necessary to provide an awareness of the State's total spending—a question frequently asked and for which an answer is not always readily available.

An analysis of the estimated Open and Standing Appropriations is reported in Table 4 which follows:

Table 4
COMPARISON OF ESTIMATED OPEN AND STANDING
APPROPRIATIONS FOR 1959-61
AND 1961-63 BIENNIUMS

	1959 Legislature	1961 Legislature	Increase or (Decrease)
General Revenue Fund			
Aid to Fire Departments.....	\$1,100,000	\$1,630,000	\$ 530,000
Surcharge for Firemen's Relief	1,000,000	435,000	(565,000)
Liquor Stamp Repurchase	600,000	.....	(600,000)
State Employees Retirement Fund	336,168	.....	(336,168)
All Other	224,300	183,500	(40,800)
Total	\$3,260,468	\$2,248,500	\$ (1,011,968)
Income Tax School Fund			
\$10 per Pupil Census Aid.....	\$14,900,000	\$15,900,000	\$1,000,000
Income Tax Refunds....	1,850,000	2,210,000	360,000
Deficiency Interest .....	.....	200,000	200,000
State Employees Retirement Fund	38,619	.....	(38,619)
All Other .....	.....	67,010	67,010
Total	\$16,788,619	\$18,377,010	\$1,588,391
Total—General Revenue and Income Tax School Funds	\$20,049,087	\$20,625,510	\$ 576,423
Endowment School Fund			
Portion of "Aid to Schools" Appropriation Calcula- tion	13,750,000	15,170,000	1,420,000
Grand Total	\$33,799,087	\$35,795,510	\$1,996,423

Highway Department "Open" Appropriations

In addition to the open and standing appropriations listed above, highway expenditures of state revenues for construction, maintenance, and related operations in the coming two-year period, exclusive of debt service, have been estimated at \$63,572,792 for 1961-62, and \$61,032,915 for 1962-63—a biennial total of \$124,605,707. Comparable budget requests covering the 1959-61 fiscal period were \$64,432,438 for 1959-60 and \$61,909,500 for 1960-61—a biennial total of \$126,341,938.

Borrowing and Other Statutory Tax Levy Items

Total authorized new borrowing and other statutory items to be financed from the property tax levy were reduced from \$74,606,226 in the 1959 Session to \$50,794,657 in the 1961 Session—a decrease of \$23,811,569.

Unlike previous legislative sessions, the Building Bill, which still remains the largest single item in this group, was divided by the 1961 Legislature into five separate enactments. (See Page 30). Only the authorized new borrowing (Chapter 72) is included in Table 5 which follows.

It should also be noted that implementation of this new borrowing is contingent on passage of Constitutional Amendment No. 2, relating to the State Debt Limit, in the 1962 General Election.

Table 5

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

	1959 Legislature	1961 Legislature	Increase or (Decrease)
State Building Bill—			
New Borrowing Only	\$51,922,280	\$29,361,383	\$(22,560,897)
State Teachers' Retirement Fund	16,857,946	20,583,274	3,725,328
Maximum Effort School Aid Law	5,000,000	(1)	(5,000,000)
State Airports	826,000	850,000	24,000
Total	\$74,606,226	\$50,794,657	\$(23,811,569)

(1) Sum of \$800,000 provided in Omnibus Education Bill and financed from current Income Tax School Fund revenues to supplement appropriations made by the "Maximum Effort School Aid Law" (\$400,000 for each of fiscal years 1962 and 1963)

State Teachers' Retirement Fund

While the tax receipts to be credited to the State Teachers' Retirement Fund are, in fact, an open appropriation authority, they are also a significant part of the total state tax levy, the requirements for which must be calculated by the State Auditor in establishing the State Mill Rate.

The estimated requirement for the next two years, as calculated by the actuary, is \$20,583,274 as compared to his estimate of \$16,857,946 for the 1959-61 biennial period—an increase of \$3,725,328.

Virtually all of the estimated requirement applies only to non-homestead property *outside* the three cities of the first class since these cities maintain their own retirement plans.

IV. APPROPRIATIONS COMPARED ACCORDING TO FUNCTION

Continuing the format started in the previous "Financial and Administrative Review of the 1959 Minnesota State Legislature" (Research Bulletin No. 42), all appropriations—direct, miscellaneous, and open and standing—have been grouped in conformity with the functional titles of the four major appropriation bills:

- State Departments
- Semi-State Activities
- Welfare and Corrections
- Education

Those appropriations which are general in character

State Airports

It should be noted that, in the past, revenues have always been sufficient to preclude the necessity of a general property tax levy for State Airport purposes. There appears to be ample evidence that the same conditions will prevail during the 1961-63 biennium.

A general listing of the State Airport projects to be undertaken in the coming biennium is found on Page 30.

Summary of Appropriations

A summary comparison of the foregoing appropriation groupings for the 1959 and 1961 legislative sessions follows:

Table 6

SUMMARY OF APPROPRIATIONS

	1959 Legislature	1961 Legislature	Increase or (Decrease)
Four Omnibus Appropriation Bills	\$486,024,994	\$573,490,997	\$ 87,466,002
Highway Department (Direct Approp.)	(1)	18,741,695	18,741,695
Miscellaneous Appropriations	4,535,301	9,081,641	4,546,340
Open and Standing Appropriations	33,799,088	35,795,510	1,996,423
	\$524,359,383	\$637,109,843	\$112,750,460
Highway Department (Open Approp.)	121,400,000	124,605,707	3,205,707
Total Current Appropriations	645,759,383	761,715,550	115,956,167
Borrowing and Tax Levy	74,606,226	50,794,657	(23,811,569)
Grand Total	\$720,365,609	\$812,510,207	\$ 92,144,598

(1) For comparative purposes, the Budget Requests covering the three divisions—Administration, Safety, and Plant and Equipment—totaled \$26,504,102 for the 1959-61 fiscal period, and included provision for the construction of a District Maintenance Building in 1960-61.

As indicated above, current appropriations (both direct and open) increased by \$115,956,167, from \$645,759,383 in the 1959-61 biennium to \$761,715,550 for the 1961-63 fiscal period. In addition, borrowing and other statutory tax levy items total \$50,794,657—making a grand total of \$812,510,207 for 1961-63.

have been continued in a Miscellaneous category.

Highway expenditures covering construction and maintenance operations and for which the open appropriation authority continues have been included under a separate heading.

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

Chart No. 1
COMPARISON OF TOTAL APPROPRIATIONS - BY FUNCTION
 Enacted, and Open and Standing Authorities
 (Plus Estimated Highway Expenditures)
 For 1957-59, 1959-61, and 1961-63 Bienniums
 Endowment School Funds (open) included in comparison. Appropriations of
 1957 and 1959 Sessions adjusted to provide comparability with 1961 Session.

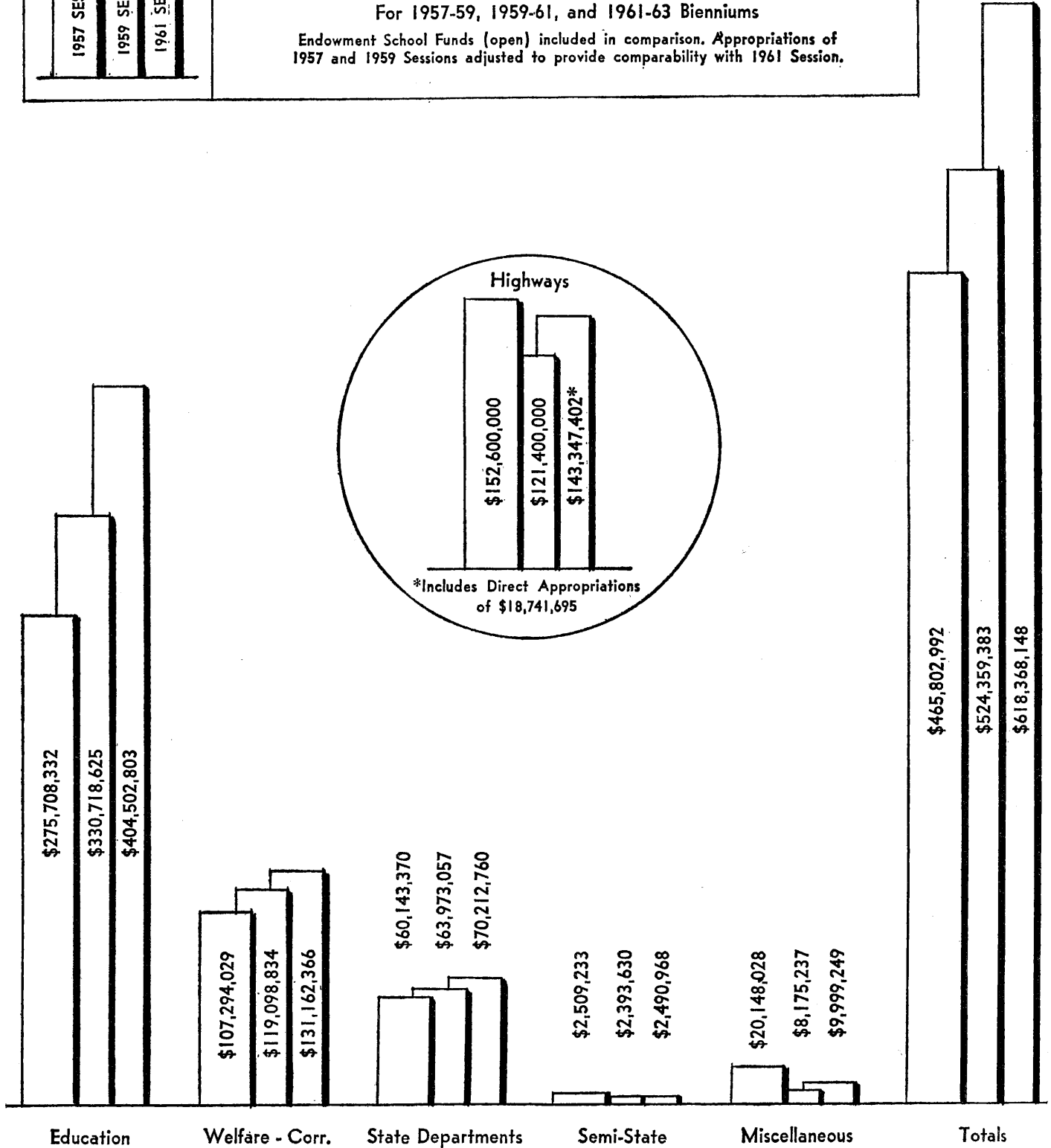
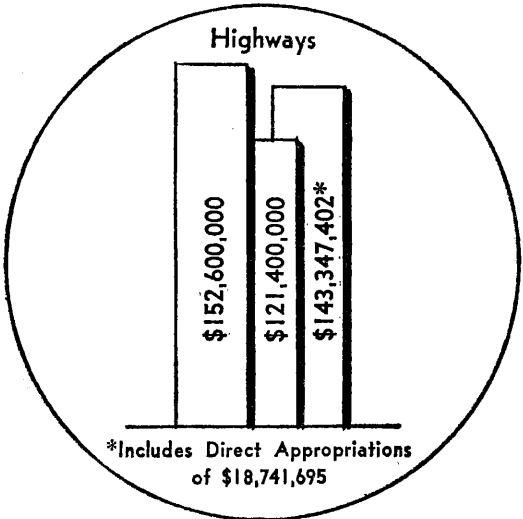
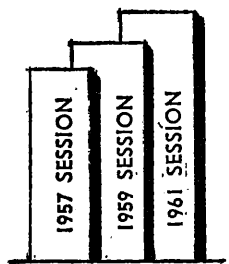


Table 7
TOTAL SPENDING AUTHORIZED
Appropriations Enacted and Estimated Highway
Expenditures for the Periods 1959-61 and 1961-63

	1959 Legislature		1961 Legislature		Percent of Increase or (Decrease)
	Amount	%	Amount	%	
Education	\$330,718,625	51.2	\$404,502,803	53.1	22.3
Welfare and Corrections	119,098,834	18.4	131,162,366	17.2	10.1
State Depart- ments	63,973,057	9.9	70,212,760	9.2	9.7
Semi-State	2,393,630	0.4	2,490,968	0.3	4.1
Highway (Direct Appropriation)	(1)		18,741,695	2.5	
Miscellaneous	8,175,237	1.3	9,999,249	1.3	22.3
Total	\$524,359,383	81.2	\$637,109,843	83.6	21.5

Estimated High- way Expendi- tures, Exclusive of Federal Funds and Direct Appro- priations	121,400,000 ⁽²⁾	18.8	124,605,707 ⁽²⁾	16.4	2.6
Grand Total	\$645,759,383	100.0	\$761,715,550	100.0	18.0

(1) For comparative purposes, the Budget Requests covering the three divisions—Administration, Safety, and Plant and Equipment—totalled \$26,504,102 for the 1959-61 fiscal period, and included provision for the construction of a District Maintenance Building in 1960-61.

(2) Estimates supplied by Department of Highways. Amount authorized by 1959 Legislature includes estimated requirement for three divisions referenced in footnote (1).

Note: Columns may not add due to dropping of cents.

Major non-appropriation legislative measures have also been identified, as nearly as possible, to the functions outlined and are included under the appropriate sub-sections.

A. GENERAL COMMENTS

As in previous sessions, employees' salaries, merit increases, and the higher costs of supplies and expenses were once again the vital factors facing the legislature in its appropriation deliberations. Since each of these factors were applicable to each of the functional groupings, they will be discussed in general at this point and in more specific detail as they apply to the respective individual functional sub-headings.

New Salary Plan Proposed

A new salary plan, covering personnel in the classified service and recommended in the Governor's Budget Message at an estimated cost of nearly \$9.5 million for the 1961-63 biennium, was concurred in by the 1961 Legislature.

A breakdown of the estimated additional biennial cost—by major funds—is as follows:

Table 8
NEW SALARY PLAN
ESTIMATED BIENNIAL COST

	General Revenue	Income Tax	Other	Total
State Departments	\$1,175,354	\$128,729	\$ 167,632 ⁽¹⁾ 299 ⁽²⁾ 120,379 ⁽³⁾	\$1,592,393
Semi-State	69,000	.....	.....	69,000
Education	2,003,995	105,083	.....	2,109,078
Welfare- Corrections	2,161,620	430,700	.....	2,592,320
Highways	.....	.....	243,576 ⁽²⁾	243,576
Total	5,409,969	664,512	531,886	6,606,367
Not Appro- priated	.....	.....	2,088,129 ⁽²⁾ 795,941 ⁽³⁾	2,884,070
Total	\$5,409,969	\$664,512	\$3,415,956	\$9,490,437

(1) Game & Fish, (2) Trunk Highway, and (3) All Other.

The proposal required the review and allocation of some 903 classes of work, nearly 15,000 classified employees, within the State Civil Service Classification Plan.

Because of special interim adjustments or because present classifications already were comparable to those of private industry or other governmental jurisdictions, certain of the cases were not reallocated, while others were adjusted from *one* to *six* ranges as follows:

74 Class(es)	.....	No change
436 Class(es)	.....	Up one range(s)
295 Class(es)	.....	Up two range(s)
66 Class(es)	.....	Up three range(s)
28 Class(es)	.....	Up four range(s)
3 Class(es)	.....	Up five range(s)
1 Class(es)	.....	Up six range(s)

In addition, comparable range changes were also applicable to classified employees of the University of Minnesota—operating under the University's own Civil Service Classification Plan.

Each range change approximates a 4% increase in basic salary. Thus, those classes for whom adjustments of two or more ranges were indicated received an immediate salary increase of approximately 8% effective July 1, 1961. In general, those receiving three or more ranges were granted an adjustment of 8% *plus* having increased "head-room" for subsequent salary adjustments before reaching the maximums of their respective classes.

Merit and Longevity Increases Allowed

In addition to the new salary plan which was enacted and became effective July 1, 1961, the 1961 Legislature also included provisions in the several appropriations for one merit increase for each eligible position below the maximum, or one longevity increase above the maximum for each eligible position—effective in the second year of the biennium ending June 30, 1963.

However, one merit or longevity increase may be granted during the first year, ending June 30, 1962, to those eligible persons "who do not receive a pay increase by reason of the adoption of the civil service pay plan . . ."

While these first-year increases may be in recognition of meritorious service, they nevertheless seem to violate the basic concept of the new pay plan of making state salaries consistent with "the average rates paid in private industry and other governmental jurisdictions throughout the State."

The estimated annual cost of a one-step merit increase, as computed by the Budget Division of the Department of Administration, is as follows:

MERIT INCREASES — ONE-YEAR

	General Revenue	Income Tax	Other	Total
State Departments	\$ 308,351	\$ 47,987	\$ 47,560 ⁽¹⁾ 37,399 ⁽²⁾	\$ 441,297
Semi-State Education	12,068	21,202	.....	12,068
Welfare-Corrections	997,139	86,560	.....	1,018,341
Highways	574,146	.....	112,788 ⁽³⁾	660,706
	.....	.....	.....	112,788
Total	\$1,891,704	\$155,749	\$ 197,747	\$2,245,200

(1) Game & Fish
(2) Other Funds
(3) Trunk Highway

New Positions

Since Personnel Service continues to be the largest single operating expenditure of state government and since it is a continuing and ever-increasing liability, greater concern by the public, department heads, the Governor, and the Legislature seems imperative as we approach the 1963 Legislative Session.

Operating departments and agencies submitted Biennial Budget Requests calling for a total of 2,523.88* new positions, for which the sum of \$24,586,429 was requested covering the 1961-63 biennium. These requests were exclusive of the staffing required at the Glen Lake State Sanatorium and Oak Terrace Nursing Home as well as the additional personnel due to the revised use of the State Sanatorium.

The Governor's Proposed Biennial Budget for 1961-63 recommended a total of 673.33* new positions, at a biennial cost of \$4,777,087. Of the new positions recommended, 315.58* were to be employed in the Department of Welfare in "operating new hospital facilities as well as meeting some of the most pressing needs elsewhere." Most of the remaining new positions recommended were to be employed by the State Colleges in meeting an expected large increase in enrollments.

It was proposed, as had been done in the past, that many of the additional personnel for State Institutions be provided for in "waves" or "phased in," since it would be extremely difficult to recruit and integrate a large number of new personnel all at one time. Obviously the impact of the full additional salary liability would not have been felt until the 1963-65 biennium.

The legislature, after conducting its budget hearings and after careful deliberations both in separate finance committees and in joint appropriation conferences, allowed a total of 550.27* of the 673.33* new positions recommended at a cost of \$4,357,490 for the coming biennium.

Contrary to the Governor's approach, the legislature allowed for all new positions (with the exception of Glen Lake and the State Sanatorium to be referred to later) to start effective July 1, 1961, and accordingly provided for a full two-year salary liability.

The 1961 Legislature also reduced existing complements by a total of 43 positions, for a biennial saving of \$188,957.

Additional New Positions

Glen Lake Sanatorium and Oak Terrace Nursing Home, and State Sanatorium

In addition, however, new legislation involving the long-term leasing of Glen Lake Sanatorium for use as the "State Tuberculosis Sanatorium and State Nursing Home," and the accompanying revised use of the present State Sanatorium for the care of geriatric patients, resulted in increases for new personnel beyond either the totals requested or recommended in the Proposed Biennial Budget.

To staff the additional state facility at Glen Lake an eventual total of 305 additional new positions were provided (295 in 1962, and 10 additional in 1963), at a biennial cost of \$1,883,783.

Similarly, additional new personnel were granted for the State Sanatorium because of its revised use for geriatric patients. A total of 48 new positions were allowed (16 in 1961-62 and an additional 32 in 1962-63), at an estimated biennial cost of \$248,258.

In the summary in Table 9, the calculations do not include the State's contribution for retirement purposes, computed at 8% of the first \$4800 until January 1, 1963, and at 8½% for the last six months of the biennium.

Supplies and Expense

Consistent with past legislative practices, increased allowances were granted in certain expenditure categories due to increased costs. Because travel requests generally had been carefully scrutinized in the 1959 Session, allowances for 1961-63 were maintained at levels consistent with past experience.

In addition to the creation of a Motor Pool, state-owned vehicles were authorized to replace privately-owned cars in several departments, including the Warden Service, Railroad and Warehouse Commission, and the Department of Agriculture. It is estimated that substantial savings will accrue to the State after an initial two-year period as a result of this change.

Capital expenditure items requested or recommended again received as thorough a review as is presently possible due to time limitations, and only the most urgent new acquisitions or necessary replacements were allowed.

Despite the Legislature's careful and thoughtful review of budget requests, it remains a recognized fact that the

*Full-time equivalent.

Table 9
NEW POSITIONS

REQUESTED, RECOMMENDED, AND ENACTED

New Personnel	Departmental Requests		Governor's Recommendations		Legislative Enactments	
	No.	Amount	No.	Amount	No.	Amount
State Departments	284.42	\$2,626,177	37.00	\$385,524	54.5	\$535,354
Semi-State	12.	110,010	5.	35,964	2.	17,445
Education	992.14	11,845,374	288.75	2,443,296	246.19	2,113,317
Welfare-Corrections	1,235.32	10,004,868	342.58	1,912,303	247.58	1,691,374
Sub-Total	2,523.88	24,586,429	673.33	4,777,087	550.27	4,357,490
Additional New Personnel						
Glen Lake - Oak Terrace State Sanatorium	.....	.....	.....	.....	305.	1,883,783
.....	.....	.....	.....	.....	48.	248,258
Total	2,523.88	24,586,429	673.33	4,777,087	903.27	6,489,531

REDUCTIONS IN EXISTING COMPLEMENTS

Legislative Reductions in Existing Complements	Reductions	
	No.	Amount
State Departments	19	\$120,143
Semi-State Activities	5	21,060
Education	..	.....
Welfare-Corrections	19	47,754
	43	\$188,957

APPROPRIATION SAVINGS EFFECTED

From Biennial Budget Requests.....	\$24,586,429
Enacted Allowances	4,357,490
Decrease from Requests.....	\$20,228,939
Reductions in Existing Complements.....	188,957
Total Reduction from Requests.....	20,417,896
Enacted Allowances for the Glen Lake Sanatorium and Oak Terrace Nursing Home and for the new use of the State Sanatorium at Walker.....	2,132,041
Net Reduction from Requests.....	<u>\$18,285,855</u>
From Governor's Recommended Budget. \$	4,777,087
Enacted Allowances	4,357,490
Decrease from Requests.....	\$ 419,597
Reductions in Existing Complements.....	188,957
Total Reduction from Recommendations.....	608,554
Enacted Allowances for the Glen Lake Sanatorium and Oak Terrace Nursing Home and for the new use of the State Sanatorium at Walker.....	2,132,041
Net Increase over Recommendations.....	<u>\$ 1,523,487</u>

respective finance committees lack certain "yardsticks" or other means for measuring workloads or departmental accomplishments. All too often the only criteria available has been "past experience" which used alone, can only perpetuate frugality or excessive spending depending on the disposition of the particular department head.

Application of staffing ratios and certain per capita allowances in determining appropriations for the University,

State Colleges, and State Institutions have provided a reasonable and equitable basis for deliberation.

Establishment of the Motor Pool should provide an effective control on state car mileage in the future.

Adoption of certain standards or policies regarding equipment replacement, plus an opportunity for, at least, spot checking of departmental operations would also be extremely helpful in formulating legislative decisions.

B. STATE DEPARTMENTS

Excluding the direct appropriations made covering three divisions of the Department of Highways, appropriations for state departments increased \$6,239,703, or 9.7%, over those of the previous biennium.

In relation to total spending, the net state departments appropriations comprised 9.2% of the 1961-63 biennial total, as compared to 9.9% for the 1959-61 fiscal period.

Adoption of the new salary plan, additional personnel, and the introduction of a few new activities account for the increased appropriations. Some of the new activities or principal increases include:

Table 10
COMPARISON OF STATE DEPARTMENTS
APPROPRIATIONS 1959 AND 1961
LEGISLATIVE SESSIONS

Total Current Appropriations and Estimated Highway Expenditures (Table 7)	1959	1961	Increase or (Decrease)	
	Session	Session	Amount	Percent
State Departments Appropriations	63,973,057 ⁽¹⁾	70,212,760	6,239,703	9.7
Percentage of Total	9.9	9.2		

Department of Taxation.....	\$859,179
Department of Administration.....	683,664
Motor Pool	838,000 (New)
Adjutant General	753,534
Division of Forestry.....	551,586
Division of Game and Fish.....	368,481
Division of State Parks.....	309,060
Interest on Deficiencies.....	290,000
Unemployment Compensation	274,845 (New)

A detailed listing of appropriations is reported in Appendix Table A.

⁽¹⁾Excluding Department of Corrections activities transferred to Welfare-Corrections functional category.

New Positions Added

For the various activities included in the functional State Departments category, a total of 284.42 full-time equivalent new positions were requested at an estimated cost of \$2,626,177 for the 1961-63 biennium.

The Governor's Budget recommended 37 positions at an estimated cost of \$385,524.

The 1961 Legislature allowed 54.5 new positions at a biennial cost of \$535,354, while deleting 19 existing positions at an estimated savings of \$120,143—making a net increase of 35.5 new positions at a biennial cost of \$415,211.

	<u>Number</u>	<u>Amount</u>
Requested by Departments.....	284.42	\$2,626,177
Recommended by Governor....	37	385,524
Allowed by Legislature.....	54.5	535,354
Legislative Reductions	19	120,143
Net Increase	35.5	\$ 415,211

MAJOR NON-APPROPRIATION LEGISLATION AFFECTING STATE DEPARTMENTS

Computer Center

The Proposed Biennial Budget for 1961-63 neither recommended the establishment of a Computer Center, which had previously been denied by the 1959 Legislature, nor the request for purchase of a computer by the University of Minnesota.

However, the legislature did allow the University's requested \$250,000—representing an estimated 25% of the total cost for replacement of the present high speed digital computer. According to the University's budget request it was expected that matching federal funds could be obtained to cover another 25% of the cost, and an educational discount cover the remaining 50%.

Since adjournment of the 1961 Extra Session, the school of business administration of the University has been given a \$500,000 electronic computer by a major manufacturer to be used by the school and also part-time by the firm in the training of its personnel.

The University has announced that it has also received a grant of \$500,000 from the National Science Foundation to be used in the purchase of a new \$2 million scientific computer.

In addition to the \$500,000 grant and the \$250,000 legislative appropriation, it is reported that the balance of the financing will come from university income, from supported research, from rentals of users outside the university, and from an educational discount.

Unlike the original legislative presentation, the University now plans to retain their old computer, plus having acquired or purchased two new electronic computers.

Committees on Ethics Established (L '61, C 558)

Establishes two permanent committees, consisting of four members each, of the House and Senate respectively—

to be known as the House (or Senate) Committee on Ethics.

Code of ethics to be established for officers and employees of state agencies, legislators and legislative employees.

A decision of the committee pertaining to the conduct of any legislator or legislative employee must be in writing and signed by three or more of the ethics committee. The complaint shall then be dismissed or, if the committee determines that a violation has occurred, the findings and recommendations as to appropriate disciplinary action shall be made to the appropriate branch of the legislature; or the findings may be delivered to the attorney general for such civil or criminal action as he may determine is warranted.

The head of each state agency is also required to prepare and publish a code of ethics for his officers and employees.

Investment of State Retirement Funds (L '61, C 380)

Regulates the investment and reinvestment of various state retirement funds by the State Board of Investment, providing generally for investment in interest-bearing obligations of the federal government, the state of Minnesota or other states, of Canada or its provinces, municipal obligations of Minnesota or other states, or Canada, obligations insured by International Bank for Reconstruction and Development, obligations insured by an agency of the United States, public housing obligations, obligations of state, municipal, or public authority, corporate obligations such as bonds, notes, debentures, corporate stocks, and commercial paper. Certain qualifications and limitations as to investment in these various obligations are specified in the law.

Central Motor Pool Established (L '61, C 575)

Appropriates \$838,000 for establishment of a Central Motor Pool for use by State Departments. Such Motor Pool to be operated under authority of the Commissioner of Administration.

Excluded from provisions of the act are vehicles of the University of Minnesota (which maintains its own car pool), the highway patrol, and the motor vehicles of any other department or agency which are specially equipped for the needs of such department or agency.

Board of Grain Appeals Abolished — Board of Grain Standards Created (L '61X, C 88)

The 1961 Legislature abolished the 3-Member Board of Grain Appeals and created in its stead a Board of Grain Standards consisting of three state employees—the chief grain inspector and the chief deputy inspectors of Minneapolis and Duluth.

The newly-created board shall meet annually on or before June 15, and establish grades of all grain subject to state inspection.

It has been estimated that the change will result in a savings of approximately \$25,000 to the state's general revenue fund.

Six New State Parks Established

In addition to providing the sum of \$126,550 for the expansion of existing state parks, the 1961 Legislature also took a forward-looking approach by appropriating an additional \$107,550 for the purchase of land and eventual establishment of new parks and wayside facilities as follows:

- Chapter 60x—Devils Track Falls State Park
(Building Bill) (Cook County—240 Acres)
- Chapter 101—Cross River Scenic State Wayside
(Cook County—600 Acres)
- Chapter 226—Savanna Portage State Park
(Aitkin County—15,000 Acres)
- Chapter 385—Bear Head Lake State Park
(St. Louis County, 7 miles S.E. of Ely—
5,000 Acres)
- Chapter 449—Big Stone Lake State Park
(Big Stone County, between Ortonville
and Brown's Valley—2,000 Acres)
- Chapter 570—Fort Snelling State Historical Park
(Dakota, Ramsey and Hennepin Coun-
ties—2,500 Acres)

New State Forests Established

Certain state-owned lands were withdrawn from sale and state forests established as follows:

- Chapter 330—Golden Anniversary State Forest (on
Mississippi River S.E. of Grand Rapids
in commemoration of 50th Anniversary
of the Division of Forestry).
- Chapter 521—Minnesota Memorial Hardwood State
Forest (Along Mississippi River from
Hastings to Iowa border).

Park Sticker Fee Increased (L '61X, C 60)

Increases the State Park sticker fee from \$1 to \$2 annually, effective October 1, 1961. Such additional funds are to be credited to a special capital account for the "purchase of park lands and for capital park improvements"—to be repaid to the Game and Fish Fund to cover an appropriation of \$135,800.

In addition, authorizes a new 50 cent permit, effective October 1, 1961, covering the use of a specified state park facility for a period of not more than two days.

Small Game License \$1 Surcharge Continued (L '61, C 66)

Extends the \$1 surcharge on Small Game Licenses for a period of 10 years to permit the acquisition of additional wetlands. Surcharge estimated to yield approximately \$340,000 per year.

Fishing License Fees Increased (L '61, C 456)

Increases the following resident fishing license fees, effective January 1, 1962, with the non-resident fishing license fees increased or established to become effective on passage of the act (April 20, 1961).

Resident individual from \$1.50 to \$2.25.

Resident combination for husband and wife from \$2.00 to \$2.75.

Non-Resident individual from \$4.00 to \$5.25.

Non-Resident combination for husband and wife \$8.25 (new).

Changes estimated to yield up to \$1.1 million in additional revenue during the 1961-63 biennium, and up to \$1.3 million when new or increased licenses are effective for a full two-year period.

Disposition of Unrefunded Excise Taxes on Gasoline Used for Motor Boats (L '61, C 585)

Provides for the distribution of unrefunded excise taxes on gasoline used for motor boats in three equal amounts for (1) public parks adjacent to lakes and rivers, (2) public access to public waters and lake improvement, and (3) boat and water safety.

Amount shall be equal to three-fourths of 1% of all revenues derived from excise taxes on gasoline, except that used for aviation purposes, or the sum of \$500,000, whichever is the lesser amount.

Payment Increased for Land Acquired for Public Hunting Grounds and Game Refuges (L '61, C 587)

Increases the payment to counties for private lands acquired for public hunting grounds and game refuges from 15 to 25 cents per acre or 35 percent of gross receipts from all special use permits and leases of land, whichever amount is the greater.

Licensing of "Bottle Clubs" (L '61, C 269)

Amends statute to cover licensing of duly incorporated bona fide clubs of congressionally chartered veterans organizations, which clubs have been in existence for ten years prior to January 1, 1961. License fee is \$100. (Sales limited to members only.)

Importation of Untaxed Intoxicating Liquor (L '61, C 496)

Permits any person to enter Minnesota from another state with *one quart* (or from a foreign country *one gallon*) of intoxicating liquor without the required payment of the Minnesota excise tax.

Re-use of Receipts by Iron Range Resources and Rehabilitation Commission (L '61, C 215)

Provides that all receipts from contracts entered into by the State covering Iron Range Resources and Rehabilitation Commission projects, shall be deposited to the credit of the commission for re-use as provided by law. Previously such reimbursements have been credited directly to the General Revenue Fund.

Fair Housing Law Established (L '61, C 428)

Changes name of State Fair Employment Commission to "State Commission Against Discrimination," and expands duties to cover unfair discriminatory practices, including discrimination in publicly assisted housing accommodations and other real property. To take effect December 31, 1962.

Railroad Stations and Service (L '61, C 138)

Amends statutes relating to agency service at common carrier railroad stations by removing specific dollar criteria and making it a responsibility of the Railroad and Warehouse Commission to determine, after public notice and hearing, if station agency service be established, re-established or expanded.

Minnesota Professional Corporation Act Established (L '61X, C 1)

Provides that three or more natural persons licensed to render the same type of professional service within the State may organize a corporation.

Three-year Motor Vehicle License Plates (L '61X, C 5)

Authorizes the issuance of a three-year license plate for motor vehicles starting January 1, 1962, with tabs to be issued for 1963 and 1964.

Single-year plates will continue to be issued for trucks, tractors, truck-tractors, trailers and semi-trailers, buses and inter-city buses until calendar year 1966.

This change should result in a saving to the State and the taxpayers in (1) reduced steel and reflectorizing costs, (2) reduced mailing costs, and (3) reduced clerical operations.

Minnesota Unfair Cigarette Sales Act (L '61X, C 35)

New legislation to prohibit sale of cigarettes below cost in the wholesale and retail trade and to confer upon the State Department of Business Development powers and duties for enforcement of the act.

Period for Reporting Transfer of Ownership of Motor Vehicles Extended (L '61, C 121)

Permits increase in period for transfer of ownership of motor vehicle from 7 to 14 days and provides an added fee of \$1 for failure or delay in reporting such transfer.

Installment Payments for Motor Vehicle Tax in Excess of \$300 (L '61, C 170)

Provides for payment of motor vehicle tax of more than \$300 in three installments. Payments to be made as follows: One-third of annual tax due or \$300, whichever is greater, plus two equal installments of the remainder, due May 1 and September 1 of the year for which tax is assessed.

Certain Ambulances Exempt from Taxation (L '61, C 621)

Exempts from ad valorem property taxation ambulances "used only for the benefit of the community in which it is owned or employed . . ."

C. SEMI-STATE ACTIVITIES

Because Semi-State activities constitute such a small part of the State's total current spending, and because they increased less, proportionally, than total spending, their percentage relationship to the whole decreased from .4% to .3%—despite a biennial appropriation increased for 1961-63 of \$97,338, or 4.1%, when compared to the 1959 Session.

A detailed listing of appropriations is reported in Appendix Table A.

New Positions Added

For activities included in the functional Semi-State Activities category, a total of twelve new positions were requested at an estimated biennial cost of \$110,010.

Of these, the Governor's Budget recommended five, at a cost of \$35,964 for the two-year period.

The 1961 Legislature allowed two additional new positions for the Historical Society at a cost of \$17,445, and also deleted five existing positions at the Soldiers Home at an estimated saving of \$21,060—making a net decrease of three positions and a savings of \$3,615.

**Table 11
COMPARISON OF SEMI-STATE ACTIVITIES
APPROPRIATIONS 1959 AND 1961
LEGISLATIVE SESSIONS**

Total Current Appropriations and Estimated Highway Expenditures (Table 7)	1959	1961	Increase or (Decrease)	
	Session	Session	Amount	Percent
	\$645,759,383	\$761,715,550	\$115,536,167	18.0
Semi-State Activities Appropriations	2,393,630	2,490,968	97,338	4.1
Percentage of Total	0.4	0.3		

	Number	Amount
Requested by Departments	12	\$110,010
Recommended by Governor	5	35,964
Allowed by Legislature	2	17,445
Reduction by Legislature	5	21,060
Net Decrease	(3)	(3,615)

Major changes in appropriations made for Semi-State activities by the 1961 Legislature as compared to those of the 1959 Session are as follows:

	1959 Session	1961 Session	Increase or (Decrease)
Historical Society	\$494,964	\$518,498	\$ 23,534
Sheriffs' Expenses	53,000	66,370	13,370
Soldiers Home	679,612	633,885	(45,727)
Special Aid to Cities	230,000	330,000	100,000

D. WELFARE AND CORRECTIONS

Current appropriations for 1961-63 covering Welfare and Corrections activities increased \$12,063,532, or 10.1%, over those of the previous biennium, despite the fact that—percentage-wise—they constituted less of the total current spending, decreasing from 18.4% to 17.2%.

Table 12
COMPARISON OF WELFARE-CORRECTIONS
APPROPRIATIONS 1959 AND 1961
LEGISLATIVE SESSIONS

Total Current Appropriations and Estimated Highway Expenditures (Table 7)	1959	1961	Increase or (Decrease)	
	Session	Session	Amount	Percent
Welfare-Corrections Appropriations	\$645,759,383 ⁽¹⁾	\$761,715,550	\$115,956,167	18.0
Percentage of Total	18.4	17.2		

⁽¹⁾Includes Department of Correction activities transferred from Omnibus State Departments Bill.

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) 1961 over 1959
Mental Health Research, Training, and Out-Patient Clinics	\$ 673,444
Support for Children Under Guardianship.....	241,221
Care, Relief and Support of Dependent Children..	3,083,000
County Sanatoria Care	(225,000)
Care, Relief and Support of Aged.....	(2,657,000)
Mental Hospitals	2,699,903
Schools and Hospitals for Mentally Retarded....	2,985,296
Special Schools and Hospitals.....	787,106
Glen Lake State Sanatorium and Oak Terrace Nursing Home	2,765,100 ⁽¹⁾
Department of Corrections, including Probation Service, Institutions, and YCC Camps.....	1,435,303
All Other	275,158
Total Increase	\$12,063,532

⁽¹⁾New leased facility. Total covers operating appropriations plus \$400,000 to be used "to remodel, repair, and rehabilitate" the facilities.

Out-Patient Clinics

Appropriations to cover expansion in both the operations of present facilities and in the number of Out-Patient Clinics were substantially increased from \$775,256 in 1959-61 to \$1,400,000 for the 1961-63 biennium.

Aid To Dependent Children

Enacted state appropriations for the care, relief and support of dependent children for the coming biennium increased \$3,083,000 — from \$9,537,000 in 1959-61 to \$12,620,000 for 1961-63.

Higher state costs are the result of an increasing case load and higher maintenance costs. Equally significant is the fact that Minnesota has now reached the maximum

allowable average federal grant; any further increases will have to be borne solely by the state and county.

A breakdown of the estimated financing from federal, state, and county funds, as prepared by the Department of Welfare, follows:

Grants in Aid	1961-62	1962-63
Federal Share	\$ 9,175,420	\$ 9,697,700
County Share	5,982,240	6,661,600
State Share	5,982,240	6,661,600
Total Grants	\$21,139,900	\$23,020,900
State Costs		
State Share Aid.....	\$ 5,982,240	\$ 6,661,600
State Share Burials.....	1,000	1,000
	5,983,240	6,662,600
Less—State Share Recoveries....	7,500	7,500
Net State Cost (Est.).....	\$ 5,985,740⁽¹⁾	\$ 6,655,100⁽¹⁾

⁽¹⁾Enacted state appropriations were \$5,970,000 for 1961-62, and \$6,650,000 for 1962-63.

Old Age Assistance Program

Appropriations for the care, relief and support of the aged for the coming biennium decreased \$2,657,000—the State's share of the program decreasing from an estimated \$26,957,000 for 1959-61 to an estimated \$24,300,000 for the 1961-63 biennium.

The decrease in state costs are the result of an estimated reduction in the case load, and an accompanying increase in federal participation in the medical costs.

However, like the Aid to Dependent Children Program, Minnesota has now reached the maximum allowable average federal grant for Old Age Assistance; any further increases will have to be borne solely by the state and county.

A breakdown of the estimated federal, state, and county portions of the program, as prepared by the Department of Public Welfare, follows:

Grants in Aid	1961-62	1962-63
Federal Share	\$29,033,134	\$28,558,604
County Share	12,674,389	14,283,257
State Share	11,907,477	13,203,356
Total Grants	\$53,615,000	\$56,045,217
State Costs		
State Share Aid.....	\$11,907,477	\$13,203,356
State Share Burials.....	139,400	139,400
Transfer Out	5,000	5,000
	12,051,877	13,347,756
Less—State Share Recoveries....	532,000	532,000
Net State Costs.....	\$11,519,877⁽¹⁾	\$12,815,756⁽¹⁾

⁽¹⁾Enacted state appropriations were \$11,500,000 for 1961-62, and \$12,800,000 for 1962-63.

In projecting the trends in this program the Department of Public Welfare estimates that "Total Medical Payments" will continue their upward climb, reaching an even higher proportion of the total cost during the coming two-year

period. A comparison of the actual experience in fiscal year 1948 together with that of the last five completed years follows. (Fiscal year 1948 was selected rather than fiscal 1946 [the initial year] in order to present comparatively a then established and fully operating program.) Estimates for fiscal years 1962 and 1963 have also been included.

Fiscal Year	Total Cases Monthly Average	Medical Cases Monthly Average	Proportion Medical Cases To Total Cases	Total Medical Payments	Proportion Medical Payments to Total Payments
1948	54,330	11,739	21.6%	\$3,288,216	11.7%
1957	50,224 ⁽¹⁾	23,248	46.3	18,642,683	42.1
1958 ⁽²⁾	49,090	23,251	47.3	17,107,982	36.8
1959 ⁽³⁾	48,074	24,090	50.1	18,738,458	38.4
1960	46,744	24,426	52.2	20,162,045	40.6
1961	45,456	25,061	55.1	22,481,891	43.9
Estimates					
1962	44,842	25,983	57.9	24,850,000	46.3
1963	44,125	26,725	60.6	27,350,000	48.8

(1) Adjusted to exclude Pooled Fund only cases.

(2) Definition of Nursing Home grants changed July 1957 to include the first \$60 of the grant as maintenance and the remainder as medical.

(3) Definition of Nursing Home grants changed October 1958 to include as maintenance \$60 plus the personal incidentals and clothing allowances.

Past actual experience reveals not only a continuous decline in the *total* number of cases, but also a constant increase in the number of medical cases as well as in medical payments.

It is also obvious that had it not been for a change in definition of Nursing Home grants, effective October 1958, the reported total medical payments in recent years might well have been even higher.

By fiscal 1963, the estimated number of medical cases will constitute over 60% of the entire case load and require nearly 50% of the total payments. Old Age Assistance will surely have then become more of a "Medical" than a "Maintenance" program.

MAJOR NON-APPROPRIATION LEGISLATION AFFECTING WELFARE ACTIVITIES

Distressed Area Work Projects (L '61, C 21)

Provides for the conservation of property and natural resources in areas of the State which have a high rate of unemployment, depressed business and agricultural conditions. Appropriates \$1,500,000 to the Commissioner of Conservation to cover such emergency relief projects.

Chronic Unemployment in Depressed Areas (L '61, C 629)

Creates a Development Revolving Fund in the amount of \$1.5 million in an effort to eliminate chronic unemployment in depressed areas within the State; providing for the establishment of industrial development projects in such areas and the necessary area redevelopment agencies. Hopefully, such projects would provide the necessary stimulus for continued improvement in areas of chronic unemployment.

Solicitation of Charitable Funds (L '61, C 309)

New legislation to provide that solicitation of funds by charitable organizations (with specific exceptions) are to be subject to registration and regulations, including the filing of an annual report and financial statement.

Funeral Expenses of Old Age Assistance Recipients (L '61, C 445)

Increases the maximum amount that may be paid by the county for funeral expenses of old age assistance recipients from \$150 to \$200 plus actual cemetery charges. Also liberalizes the limitation of property by permitting up to \$500 received and reserved for prepaid funerals.

Oleomargarine in State Institutions (L '61, C 484)

Permits the serving of oleomargarine or any other butter substitute to a specific patient or inmate in a state institution. Such substitution may be ordered by the institution superintendent when necessary for health reasons, and as directed by the physician in charge of the patient or inmate.

Work Relief Programs by Counties (L '61, C 553)

Authorizes any county welfare department to provide a work relief program for persons who qualify for relief, and who desire to perform useful work or acquire new skills. Work relief recipients shall be paid at the same wage rate as county employees doing similar work, with the hours of work contingent upon the needs of the worker and his family. Such workers are employees of the county within the meaning of the workmen's compensation laws, but not of retirement or civil service laws.

Leasing of Glen Lake Sanatorium Authorized (L '61, C 618)

Authorizes the leasing of the Glen Lake Sanatorium for a period of not less than 35 years for use as the "Glen Lake State Sanatorium" and "Oak Terrace Nursing Home" (for the care of geriatric patients). Also abolishes the Minnesota State Sanatorium at Ah-Gwah-Ching and substitutes in its stead the "Ah-Gwah-Ching Nursing Home" (for the care of geriatric patients).

Special Pay Ranges for Exceptionally Qualified Doctors of Medicine (L '61X, C 37)

Establishes three special pay ranges for exceptionally qualified Doctors of Medicine where it can be clearly demonstrated that such employees can not be employed at the established rates in the Compensation Plan.

The annual salaries for the additional ranges are as follows:

Range A	.....	\$14,000 to \$16,500
Range B	.....	\$16,500 to \$19,000
Range C	.....	\$19,000 to \$22,500

Change in Charges for Care of the Mentally Retarded and the Epileptic (L '61X, C 62)

New legislation enacted relative to charges for care of patients at state institutions for the mentally retarded and the epileptic, and the liability of patients, relatives of patients (parents and/or spouse in that order) and counties for such charges.

Charges are to be based on financial circumstances of each patient and his relatives—but not applicable to incomes of less than \$4,000 per year.

Maximum monthly charge shall not exceed the average per capita cost of all institutions for mentally retarded and epileptic, with minimum rate set at \$10 per month.

Relatives are not liable after the patient has reached the age of 21.

Upon the death of a patient or a former patient, the total cost of the care of the patient shall be allowed against his estate, and the proceeds collected by the State shall be divided between the State and the county in proportion to the cost each has borne.

Daytime Activity Pilot Project Centers for Mentally Retarded (L '61X, C 93)

New legislation to establish pilot daytime activity centers for the mentally retarded with reimbursement by the State not to exceed 50% of all operating costs. (State appropriation \$12,000 for fiscal year 1962, and \$24,000 for fiscal year 1963.)

The centers to be reimbursed are selected by the Commissioner of Public Welfare and must satisfy specific eligibility requirements.

The Commissioner of Public Welfare shall make reports every six months to the Minnesota Advisory Board on handicapped, gifted, and exceptional children, and the Board may make recommendations in regard to the pilot projects.

It is anticipated that the study of these centers will demonstrate the extent of the need for daytime activities for the mentally retarded; the staff, facilities, and types of activities necessary to carry out a program of this type; and the cost of such a program. The commissioner shall report his findings and recommendations in regard to the pilot project to the next legislature.

Aid to the Blind — Eligibility-Earned Income (L '61, 2Ex, C 3)

As one of the three bills enacted in the second extra session, changes were made in the Aid to Blind program in order to comply with revisions in the federal Social Security Act, thus assuring continuance of federal aid monies to Minnesota estimated at \$568,000.

Effective July 1, 1962, in determining the need of blind recipients, the first \$85 of earned monthly income plus one-half of such income in excess of \$85 (increased from first \$50 of earned monthly income) shall be disregarded.

E. EDUCATION

Despite a rather substantial increase in total current appropriations (an increase of \$115,956,167 between 1959-61 and 1961-63), appropriations for educational purposes will constitute an even greater proportion of total spending—increasing from 51.2% to 53.1%.

Table 13

COMPARISON OF EDUCATION APPROPRIATIONS 1959 AND 1961 LEGISLATIVE SESSIONS

Total Current Appropriations and Estimated Highway Expenditures (Table 7)	1959	1961	Increase or (Decrease)	
	Session	Session	Amount	Percent
Education Appropriations	330,718,625	404,502,803	73,784,178	22.3
Percentage of Total	51.2	53.1		

Educational appropriations, including open appropriation authorities, trust fund earnings and occupation tax receipts (in the case of the University), total \$404,502,803 for the 1961-63 biennium—an increase of \$73,784,178—or 22.3%—over appropriations made by the 1959 Legislature. A detailed analysis of the educational appropriations is reported in Appendix Table A. Principal increases and decreases are as follows:

	1959 Session	1961 Session	Increase or (Decrease)
State College Board...	\$ 11,628,345	\$ 15,172,584	\$ 3,544,239
University of Minnesota...	62,089,284	71,528,463	9,439,178
Aid to Schools.....	216,967,283	274,912,420	57,945,137
Aid to Junior Colleges..	1,275,000	1,843,500	568,500

Special Aid to School Districts	3,649,624	4,086,000	436,376
\$10 Per Pupil Census Aid.	14,900,000	15,900,000	1,000,000
Endowment School Fund	13,750,000	15,170,000	1,420,000
School Construction Loan	2,000,000	800,000	(1,200,000)

New Positions Added

For the various activities included in the functional Education category, a total of 992.14 full-time equivalent new positions were requested at an estimated biennial cost of \$11,845,374.

The Governor's Budget recommended 288.75 positions at an estimated cost of \$2,443,296 for the two-year period.

The 1961 Legislature allowed a total of 246.19 equivalent full-time positions at a cumulative biennial cost of \$2,113,317.

	Number	Amount
Requested by Departments.....	992.14	\$11,845,374
Recommended by Governor....	288.75	2,443,296
Allowed by Legislature.....	246.19	2,113,317

Detailed analyses covering the Department of Education, the State Colleges and the University of Minnesota are reported separately in appropriations which follow.

DEPARTMENT OF EDUCATION

Continuing appropriations made to the Department of Education increased by \$615,806—from \$3,703,571 in the 1959 Session to \$4,319,377 for 1961-63.

In addition, four appropriations were added, eliminated, or substantially modified.

The comparative analysis follows:

	1959-61	1961-63	Increase or (Decrease)
Salaries, Supplies and Expense, Printing of Curriculum, and Research	\$1,503,267	\$1,888,452	\$ 385,185
Vocational Training	1,135,304	1,353,925	218,621
Scholarships—Indians	15,000	27,000	12,000
Community School Lunch...	800,000	800,000	.....
Rural Libraries	250,000	250,000	.....
Sub-Total	3,703,571	4,319,377	615,806
Major Changes			
School Advisory Commission on School Reorganization.	46,000	.....	(46,000)
Experimental Laboratory Program .....	.....	164,400	164,400
School Construction Loan Program	2,000,000	800,000	(1,200,000)
Liaison on Higher Education.	.....	7,000	7,000
Grand Totals	<u>\$5,749,571</u>	<u>\$5,290,777</u>	<u>\$ (458,794)</u>

New Positions Added

A total of 44.5 additional new positions were requested at a cost of \$477,720 covering various activities within the State Department of Education.

Of these, the Governor's Budget recommended 15, at a biennial cost of \$241,368.

The 1961 Legislature allowed 12.43 additional positions at a cost of \$114,216—including four which had been provided temporarily by previous action of the Legislative Advisory Committee.

	Number	Amount
Requested by Departments.....	44.5	\$477,720
Recommended by Governor.....	15	241,368
Allowed by Legislature.....	12.43	114,216

Educational Aids

The largest single educational appropriation, "State Aid to Schools," includes so much more than the Foundation Aid Program referred to most frequently, that a detailed analysis of how the total enacted appropriation might be allocated (as prepared by the State Department of Education) is presented in Table 14 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 14

AIDS TO SCHOOLS APPROPRIATION TENTATIVE ALLOCATION

ITEM	1961-62	1962-63
Pupil Units (Estimated).....	783,000	813,000
1. Foundation Program Aid—excluding Census Aid and Apportionment	\$102,959,200	\$110,001,000
2. County Equalization Aid	200,000	200,000
3. Emergency Aid	500,000	500,000
4. Transportation Aid	13,715,000	14,930,000
(a) Consolidated	\$11,500,000	\$12,600,000
(b) Isolated	25,000	25,000
(c) Crippled	350,000	420,000
(d) Secondary	1,750,000	1,800,000
(e) Closed	90,000	85,000
5. Special Classes for Handicapped Children	3,429,800	3,773,000
(a) Deaf	115,000	122,000
(b) Blind	93,000	103,000
(c) Mentally Retarded	1,575,000	1,750,000
(d) Speech Defect	385,000	430,000
(e) Crippled (Instruction in Home, Hospital or Sanatorium)	462,000	490,000
(f) Emotionally Disturbed	67,800	72,000
(g) Other Essential Personnel	634,000	706,000
(h) Supplies and Other Services	55,000	60,000
(i) Summer School for Crippled Children	38,000	40,000
6. Teacher Training Department..	.....	.....
7. Vocational Aid	2,859,000	3,209,000
Total "Aid to Schools" Appropriation	123,663,000	132,613,000
8. Income Tax School Fund (\$10 per Pupil).....	7,800,000	8,100,000
9. Endowment School Apportionment	7,670,000	7,500,000
GRAND TOTAL	<u>\$139,133,000</u>	<u>\$148,213,000</u>

Changes in Foundation Aid Program

The foundation program concept, as enacted by the 1957 Legislature, for the distribution of school aids based on equalized assessed valuation was again increased by the 1961 Legislature as follows:

Foundation Aid (Based on Pupil Units in Average Daily Attendance)	1959-61	1962	1963
Formula A	\$270	\$275	\$285
Mill Rate	19	18.5	19
Formula B	\$ 87	\$ 90	\$ 90

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 provides \$275 for Fiscal Year 1962 and \$285 for Fiscal Year 1963 (previously \$270) for each resident elementary, secondary, and area vocational-technical pupil unit in average daily attendance minus 18.5 mills in fiscal year 1962, and 19 mills in fiscal year 1963 (previously 19 mills) times the 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 \$90 (previously \$87) per pupil unit 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. Such \$90 shall include the amount payable as apportionment from the school endowment fund.

Junior College Aid

Aid to Junior Colleges, initiated by the 1957 Legislature, was again increased by an additional \$50 from \$250 to \$300 per student (both resident and non-resident) in average daily attendance in a junior college maintained by a public school district.

Appropriations covering the present ten junior colleges in the State total \$1,843,500 for the 1961-63 biennium—an increase of \$568,500 or 44.6% over the \$1,275,000 provided for 1959-61. Enrollment is estimated at 2926 for 1961-62, and 3219 for 1962-63.

Rural Library Aid

Appropriations of \$125,000 each year of the coming biennium were again 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.”

Minnesota National Laboratory

A biennial appropriation of \$164,400 was enacted “for the expansion of the experimental laboratory program in mathematics to encompass elementary and secondary school curriculums to the greatest extent possible.”

The appropriation act also provides that—

“ - - - the laboratory program, known as the Minnesota National Laboratory may be conducted in cooperation with educational agencies of the several states and the federal government, so that the programs may be applied to schools both within and without the State.”

The expanded program is deemed to be experimental and not to be renewed unless justified by developments in this biennium.

Liaison Committee

A biennial appropriation of \$7,000 was provided as the Department of Education's share of the necessary supplies and expenses of the Liaison Committee on Higher Education.

The State College Board and the University of Minnesota each received appropriations in like amount as their respective shares of the estimated total cost.

STATE COLLEGES

Enrollment and Appropriations

Enrollment in the five state colleges reached new “highs” of 10,104 and 11,128 students (regular full-time equivalent) during 1960 and 1961 respectively—within less than 1% of the total enrollments estimated for the biennium.

Enrollment for 1961-62 is estimated to be 12,809 students.

With further enrollment increases anticipated, provision was made for expanded academic and civil service staffs as well as for necessary increases in related operating expenses.

Total appropriations for the State College Board and the five State Colleges, including the special Training Programs, increased \$3,544,239 — from \$11,628,345 as enacted by the 1959 Session to the \$15,172,584 provided by the 1961 Legislature.

Additional Revenues Available

In addition to the state appropriations provided for maintenance and equipment, state college receipts and the Swamp Land Interest distribution have been estimated as follows:

	1961-62	1962-63
College Receipts ⁽¹⁾	\$3,148,200	\$3,346,820
Swamp Land Interest	47,514	47,849
Total	\$3,195,714	\$3,394,669

(1)Excludes Dormitory, Bookstores and other fees.

New Positions Provided

Exclusive of the special Training Programs, the State College Board requested a total of 297 additional civil service and academic positions in 1961-62, plus 92 more in 1962-63 at a biennial cost of \$4,398,970.

The Governor's Budget recommended a total of 95 new positions in 1961-62, plus 69 more in 1962-63 at a biennial cost of \$1,362,056.

Enacted appropriations provide for 89 new positions in 1961-62, plus 64 more in 1962-63, at a biennial cost of \$1,266,907.

A summary of the additional new positions requested, recommended, and allowed follows in Table 15.

Table 15

ADDITIONAL STATE COLLEGE PERSONNEL REQUESTED, RECOMMENDED, AND ALLOWED

	New Personnel—For 1961-62					
	Requested		Recommended		Allowed	
	No.	Amount	No.	Amount	No.	Amount
New Civil Service	76	\$ 271,708	49	\$ 132,492	45	\$ 148,920
New Academic	221	1,564,000	46	317,400	44	290,400
Total						
1961-62	297	\$1,835,708	95	\$ 449,892	89	\$ 439,320

Additional New Personnel—For 1962-63

	Requested		Recommended		Allowed	
	No.	Amount	No.	Amount	No.	Amount
New Civil Service	24	\$ 106,254	16	\$ 82,772	14	\$ 45,067
New Academic	68	621,300	53	379,500	50	343,200
Additional 1962-63	92	\$ 727,554	69	\$ 462,272	64	\$ 388,267

Obviously the first year's salary liability for new positions would be carried over into fiscal year 1963. When added to the liabilities for additional new positions in 1962-63, the accumulative biennial amounts would be—

Requested	\$4,398,970
Recommended	1,362,056
Allowed	1,266,907

State Colleges — Academic Salaries

The salary schedule for professional-academic positions in the state colleges, except those of administrative personnel in the unclassified service of the state civil service, is composed of five major groups, each having a minimum salary plus 10-step increases. The step increases for Groups I through IV are \$300 each, while Group V, the lowest academic rank, are \$120 each.

The 1961 Legislature added an additional step increase to each Group in the schedule, in the amounts indicated above — \$300 for Groups I through IV, and \$120 for Group V. Minimum and maximum salaries in each Group are now as follows:

Group	Minimum	Maximum
I	\$7,100	\$10,400
II	6,200	9,500
III	5,400	8,700
IV	4,800	8,100
V	3,760	5,080

Tuition Rates

The same minimum rates remain in effect during the coming biennium as established by the 1959 Legislature.

On Campus	Per Credit Hour
Regular School Year—Resident	\$3.50
Regular School Year and Summer Session—Non-Resident	5.50
Summer Session—Resident	4.50
Graduate—Resident	5.50
Graduate—Non-Resident	7.50
Off Campus Tuition Rates	
All Students—Resident or Non-Resident	7.50

The State College Board is still authorized to exceed the scheduled rates, if deemed advisable, and may also waive tuition on certain institutes, courses or projects when the sponsor pays all costs.

National Defense Student Loan Program

Started as an appropriation "immediately available" by the 1959 Legislature, the National Defense Student Loan Program is to be continued with an appropriation of \$75,000 for each year of the coming biennium.

Liaison Committee

A biennial appropriation of \$7,000 was provided as the College Board's share of the necessary supplies and expenses of the Liaison Committee on Higher Education.

UNIVERSITY OF MINNESOTA

Total state funds appropriated for the University increased \$12,058,579—from \$52,917,813 for 1959-61 to \$64,976,392 in the 1961 Session.

However, with the addition of the Occupation Tax receipts, the 23/100 Mill Tax, and Trust Fund earnings—all of which are also appropriated by the Legislature—the total increase becomes \$9,439,178, since estimated receipts from these sources *decreased* from \$9,171,472 for 1959-61 to an estimated \$6,552,071 for the 1961-63 biennium.

Gross appropriations to the University increased from \$62,089,285 for 1959-61 to \$71,528,463 as enacted by the 1961 Legislature.

	1959 Legislature	1961 Legislature	Increase or (Decrease)
State Funds	\$52,917,813	\$64,976,392	\$12,058,579
Occupation Tax, 23/100 Mill Tax & Trust Fund Earnings	9,171,472	6,552,071	(2,619,401)
Totals	\$62,089,285	\$71,528,463	\$ 9,439,178

The aforementioned "appropriated" receipts have been estimated in the *total* appropriation computations as follows:

	For 1961-62	For 1962-63
Occupation Tax	\$1,789,490	\$1,789,490
Permanent University	1,383,051	1,293,901
Swamp Land Fund	143,065	144,074
23/100 Mill Tax	6,000	3,000
Totals	\$3,321,606	\$3,230,465
Biennial Totals	\$6,552,071	

A comparative breakdown of the gross University appropriations follows:

	1959 Legislature	1961 Legislature	Increase or (Decrease)
Maintenance and Improvements	\$49,068,181	\$54,901,455	\$5,833,274
Computer Purchase		250,000	250,000
Library Books		50,000	50,000
Liaison Committee		7,000	7,000
Morris Branch		563,529	563,529
General Hospitals	6,320,958	8,138,120 ⁽¹⁾	1,817,162
Psychopathic Hospital	1,225,173	1,225,173	148,717
Child Psychiatric	476,524	532,474	55,950
Rehabilitation Center	790,110	902,999	112,889
Multiple Sclerosis	66,983	110,000	43,017
Replacing Equipment			
Chemistry Building	100,000		(100,000)
Special Appropriations	4,041,356	4,698,996	657,640
Total Amounts	\$62,089,285	\$71,528,463	\$9,439,178

(1) Includes 1961 Deficiency in amount of \$100,000.

Excluding the receipts from the Occupation Tax on Iron Ore, the 23/100 Mill Tax, and the Trust Funds earnings (estimated at \$9,171,472 for 1959-61, and \$6,552,071 for 1961-63), the state's increased liability is distributed —by funds—as follows:

Funds	Increase or (Decrease)
General Revenue Fund.....	\$12,062,579
Iron Range Resources and Rehab.....	24,000
Income Tax School Fund.....	(28,000)
Total State Increase.....	\$12,058,579

Special Appropriations

Special Appropriations, covering specific research and studies, increased by \$657,640—from \$4,041,356 in 1959-61 to \$4,698,996 for 1961-63.

New or expanded Special Appropriation Projects include—

	1959-61	1961-63	Increase
Agriculture Extension Service.....	\$1,310,818	\$1,450,000	\$139,182
General Agricultural Research.....	930,000	1,050,000	120,000
Business and Economic Research	65,000	85,000	20,000
Livestock Sanitary Board Laboratory	136,000	216,000 ⁽¹⁾	80,000
Geological Survey		75,000	75,000
Potato Processing Research Laboratory		39,000	39,000
Soybean Research ⁽²⁾		100,000	100,000

(1)Includes additional sum of \$44,000 per year to operate field laboratories for testing of poultry, including turkeys, for pullorum and other diseases.
(2)Previously part of "General Agricultural Research."

Non-Resident Tuition Increased

No increase in tuition was contemplated by the 1961 Legislature in its computations of the Maintenance Appropriation. Estimates presented by the University were used without change.

However, after the appropriations for 1961-63 had been enacted, the University through its Board of Regents announced that Non-Resident tuition would be increased by \$20 per quarter. The University estimates the additional revenue for 1961-62 to be \$129,641.

This adjustment will increase the Non-Resident tuition for the colleges of Education, and Science, Literature and the Arts, for example, from \$180 to \$200 per quarter, plus the Incidental Fee of \$20 per quarter. (Resident tuition in these colleges will remain at \$71 per quarter, plus the \$20 per quarter Incidental Fee.)

Collegiate Enrollments Maintenance Accounts and Morris Branch

Collegiate enrollments are estimated and determined at the end of the second week of the Fall Quarter, generally the high point of the school year.

For fiscal years 1962 and 1963, the enacted appropriations for the Maintenance Account (including the Minneapolis, St. Paul, and Duluth Campuses), as well as the Morris Branch, have been based on University-estimated enrollments.

A comparison of past estimated and actual enrollments including the 1962 and 1963 estimates follows:

Year	University Estimate	Actual	Increase or (Decrease)
1949-50	25,000	25,084	84
1950-51	25,100	22,080	(3,020)
1951-52	17,000	18,682	1,682
1952-53	17,000	18,806	1,806
1953-54	18,800	19,074	274
1954-55	18,800	20,399	1,599
1955-56	21,250	23,393	2,143
1956-57	21,250	25,907	4,057
1957-58	27,450	25,825	(1,625)
1958-59	29,000	26,568	(2,432)
1959-60	28,150	26,538	(1,612)
1960-61	30,050	28,277 ⁽¹⁾	(1,773)
1961-62 Maint.	28,200	30,409	2,209
Morris	410	437	27
1962-63 Maint.	28,800		
Morris	544		

(1)Includes 238 at Morris Branch; not a separate appropriation until 1961-62.

SALARIES

Academic

The University requested cumulative *academic* increases of 8% each year of the 1961-63 biennium for the academic staff to cover "salary improvements and promotions." This same pattern obtained for all activities involving academic personnel.

The estimated additional costs requested covering academic salary adjustments for all accounts except the Special Appropriations* was \$1,510,337 for fiscal year 1962 to be continued in fiscal year 1963, plus an additional \$1,823,528 for fiscal year 1963—for a projected biennial cost of \$4,844,202.

The Governor's Budget Recommendations allowed for 8% the first year in the amount of \$1,510,337 to be projected into 1962-63, plus an additional 4% in fiscal 1963 of \$822,559—for a cumulative biennial cost of \$3,843,233.

Enacted appropriations by the 1961 Legislature provided for increases of 6% the first year totaling \$1,131,956 to be continued into 1962-63, plus an additional 4% the second fiscal year of \$807,928 — making a cumulative biennial cost of \$3,071,840.

Civil Service

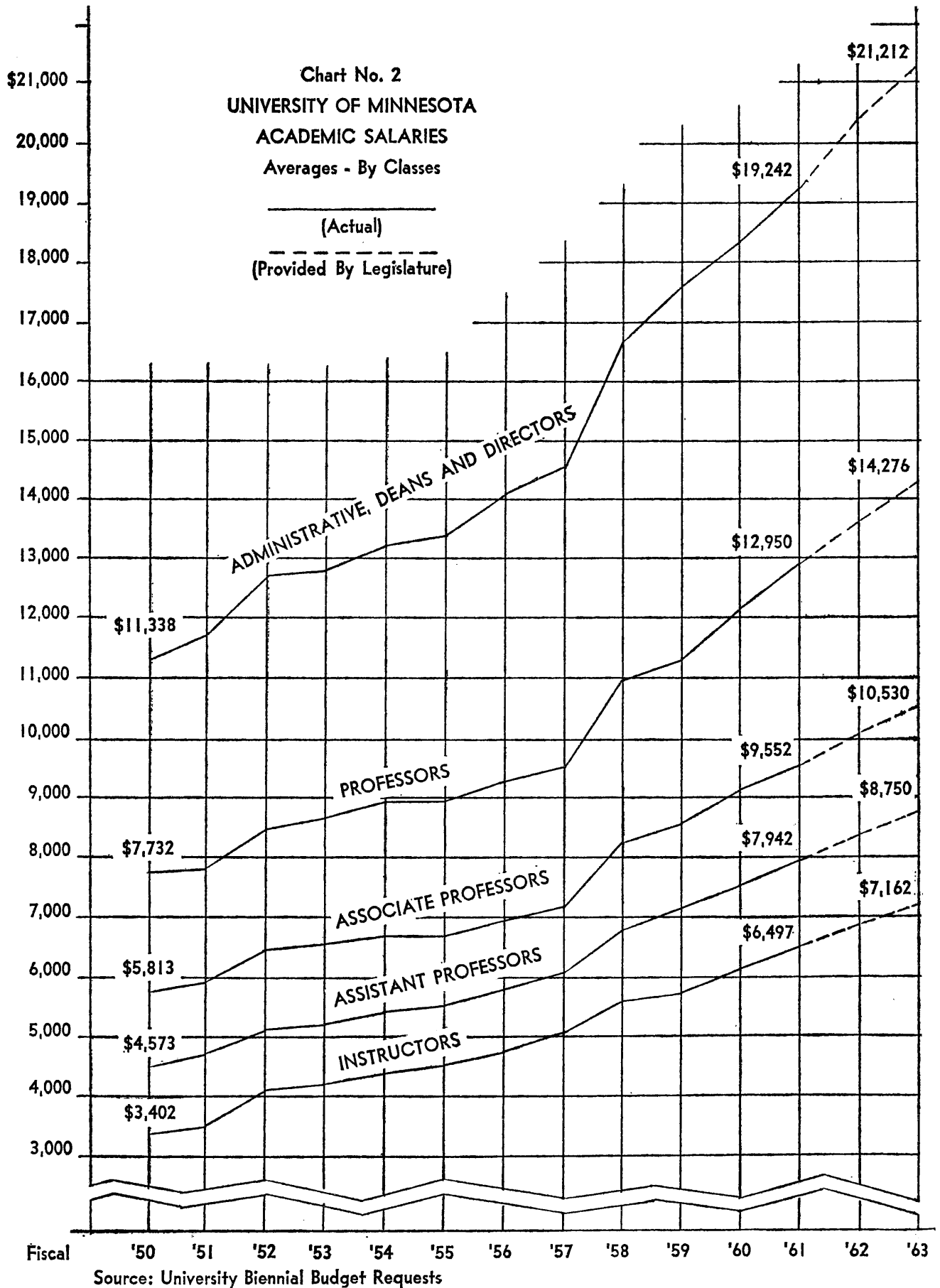
Merit increases, including some salary adjustments, were requested for the estimated *number* of eligible positions, on the basis of a full year's liability for each year of the 1961-63 biennium.

For all accounts except the Special Appropriations, this amounted to \$639,616 for 1961-62, to be continued into 1962-63, plus an additional \$614,057 for 1962-63—a cumulative biennial cost of \$1,893,289.

The Governor's Budget recommended the proposed merit increases as requested.

The Legislature, as a general policy, however, granted no merit or longevity increases during the first year of the biennium, except for those employees who would not receive a pay increase by reason of adoption of the new civil service pay plan. Increases were allowed during the second year on a percentage basis, depending on the size of the operating department. The total sum allowed to the University for the biennium was \$336,733.

*Included as a part of a "formula" increase.



Proposed Pay Plan

Funds requested to cover the new Civil Service Salary Plan for all classified employees of the University, except for a small number included in the Special Appropriations,* totaled \$901,705 for each year of the coming biennium—or a total biennial cost of \$1,803,410.

The Governor's Budget recommended this sum as requested.

The 1961 Legislature made one minor alteration, allowing a total of \$1,741,690 for the two-year period.

New Academic Positions**

Exclusive of the special State Appropriations, the University requested an increase of 274.16 academic positions in the first year, and an additional 75 positions in fiscal 1963—at a cumulative biennial cost of \$5,546,942.

In view of the estimated enrollments not having been reached—nor expected to be attained in the coming biennium—upon which the 1959-61 appropriations had been based, the Governor's Recommended Budget made no provision for additional staffing based solely on enrollment factors or programmatic changes. However, additional academic personnel were provided for the Morris Branch, as well as for various hospital activities, resulting in the addition of 26.66 positions in the first year plus 10 more in the second year—at a total biennial cost of \$470,356.

The legislature apparently concurred in the Governor's Budget Recommendation, and in addition, allowed one more new position in the first year making the total 27.66 plus the extra 10 in the second year—for a cumulative biennial cost of \$488,356.

The University, the Governor, and the Legislature were all in accord regarding the continuation and development of the collegiate program at the Morris Branch. Included in the above calculations were provisions for 21.66 additional academic positions in 1962 (\$162,000), plus 10 more positions in 1963 (\$80,500),—for a total biennial cost of \$404,500.

New Civil Service Positions**

Exclusive of the Special State Appropriation accounts, a total of 122.53 classified positions were requested for the first year, plus an additional 86.95 in the second year—at a total biennial cost of \$1,421,742.

The Governor's Budget did not recommend the additional classified personnel that were (1) enrollment-related, or (2) occasioned by space provided from funds *other* than legislative, or by changes of space use initiated by the University.

However, additional civil service positions were recommended where the physical plant expansion was the result of previous legislative action. In addition, increases were also recommended for various hospital activities, as well as the further expansion of the program at the Morris Branch. A total of 36.34 positions were recommended the first year, plus an additional 26.75 in the second year—for a total biennial cost of \$369,516.

*Included as a part of a "formula" increase.

**Full-time equivalent.

The 1961 Legislature disallowed all requested new positions that were enrollment or space-related, granting 16.6 positions in 1962, plus 26.5 more in 1963—for a total cumulative biennial cost of \$243,838. The legislative action provides for additional staff at the Morris Branch, for additions to the General Hospital including the Nursing Curriculum change scheduled for 1963, and one additional position each for the Psychopathic Hospital, the Rehabilitation Center, and for Multiple Sclerosis.

There was complete agreement with respect to the Morris Branch with 11 additional civil service positions being requested, recommended, and allowed in 1961-62, and eight more in 1962-63.

A summary of additional academic and civil service positions requested, recommended, and allowed is presented in Table 16 which follows:

Table 16

ADDITIONAL UNIVERSITY OF MINNESOTA PERSONNEL REQUESTED, RECOMMENDED, AND ALLOWED

	New Personnel—For 1961-62					
	Requested		Recommended		Allowed	
	No.	Amount	No.	Amount	No.	Amount
New Civil Service	122.53	\$ 522,268	36.34	\$138,619	16.6	\$ 64,506
New Academic	274.16	2,417,776	26.66	194,928	27.66	203,928
Total 1961-62	396.69	\$2,940,044	63.00	\$333,547	44.26	\$268,434

	Additional New Personnel—For 1962-63					
	Requested		Recommended		Allowed	
	No.	Amount	No.	Amount	No.	Amount
New Civil Service	86.95	\$ 377,206	26.75	\$ 92,278	26.5	\$114,826
New Academic	75	711,390	10	80,500	10	80,500
Total 1962-63	161.95	\$1,088,596	36.75	\$172,778	36.5	\$195,326

The first year's salary liability for new positions would be carried forward into fiscal year 1963. Added to the liabilities for additional new positions in 1962-63 the cumulative biennial amounts would be—

Requested	\$6,968,684
Recommended	839,872
Allowed	732,194

Liaison Committee

A biennial appropriation of \$7,000 was provided as the University's share of the necessary supplies and expenses of the Liaison Committee on Higher Education.

MAJOR NON-APPROPRIATION LEGISLATION AFFECTING EDUCATION

Educational Television (L '61, C 266)

Reappropriates and makes available for current biennium the unexpended balances of previous 1959 appropriations of \$20,000 each made to the Duluth-Superior Area Educational Television Corporation and the West Central Minnesota Educational Television Corporation.

Special State Aid to Schools (L '61, C 551)

Amends statutes relative to purposes for which Special State Aid may be used—to eliminate teacher training, and to add school lunch and county tuition equalization aid.

Education of and Aid to Handicapped Children (L '61, C 559)

Amends laws relative to the education of handicapped or mentally retarded pupils. Establishes reimbursement of actual transportation costs but not to exceed \$225 annually, and board and lodging for a non-resident handicapped child at actual cost but not to exceed \$900 per annum, exclusive of transportation of such child from the place where the pupil is boarded to the school building.

Tax Levy in School Districts of 5,000 or Less (L '61, C 668)

Provides that the tax levy in school districts having a population of 5,000 or less shall be \$110,000 plus \$81 per capita, or \$315 per resident pupil unit in average daily attendance plus the amount of any levies for bonds issued and the interest thereon—whichever is the smaller.

Area Redevelopment and Vocational Training and Re-training (L '61, C 719)

Authorizes state board of education to enter into agree-

ments with agencies of the federal government under such public laws as may be passed relating to area redevelopment and providing for vocational training and re-training, subsistence payments during re-training, and placement after re-training. Further, all public educational institutions are authorized to cooperate with such federal agencies through the services and facilities available at such institutions which may be utilized.

Free Tuition for Indian Students (L '61, C 312)

Provides for free tuition to Indian pupils qualified for admission to the University of Minnesota, Morris Branch.

Student Union Fee at State Colleges (L '61, C 460)

Authorizes state college board to charge each student in any state college a fee not to exceed five dollars per quarter "for the purpose of acquiring, constructing, completing, remodeling, or equipping a student union at the college where the fee is collected . . ."

School Districts May Borrow Money (L '61X, C 89)

Provides that, notwithstanding any provisions of law to the contrary, any school district may borrow money in anticipation of (1) general taxes levied by the district for school purposes, (2) state aid for schools or (3) federal school aids distributed by or through the state department of education.

F. MISCELLANEOUS

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

With the rather substantial increase in total authorized spending, miscellaneous items continue to constitute 1.3% of the total while actually increasing \$1,824,012 "dollar-wise," from \$8,175,237 in 1959-61 to an estimated \$9,999,249 for the 1961-63 fiscal period.

Table 17

COMPARISON OF MISCELLANEOUS APPROPRIATIONS 1959 AND 1961 LEGISLATIVE SESSIONS

Total Current Appropriations and Estimated Highway Expenditures (Table 7)	1959-61	1961-63	Increase or (Decrease)	
	Session	Session	Amount	Percent
Miscellaneous	\$8,175,237	\$9,999,249	\$1,824,012	22.3
Percentage of Total	1.3	1.3		

The principal changes were as follows:

	1959-61	1961-63	Increase or (Decrease)
Korean Bonus	2,400,000		(2,400,000)
Veterans' Bonus		108,091	108,091
Building Bills	65,000	1,701,323	1,636,323
Distressed Area Work			
Projects		1,500,000	1,500,000
Distressed Area Relief		1,500,000	1,500,000
Purchase Volstead Lands		148,180	148,180
Liquor Stamp Repurchase	600,000		(600,000)
Income Tax Refunds	1,850,000	2,210,000	360,000
Employment Security			
Building	150,000		(150,000)

Building Bills

Reverting to a procedure followed for many years prior to the 1957 Session, the 1961 Legislature authorized the repair and rehabilitation of several of the state's buildings, the purchase of land, and the improvement of several state parks out of current revenues from the General Revenue, and Game and Fish Funds—rather than long-term financing by a levy on real and personal property of the State.

Distressed Area Work Projects (L '61, C 21)

The sum of \$1,500,000 was appropriated to the Commissioner of Conservation out of the General Revenue Fund to be expended for work projects in the conservation of natural resources and to provide employment in defined areas of economic distress.

Distressed Area Relief (L '61X, C 92)

The sum of \$1,500,000 was appropriated to the Executive Council out of the General Revenue Fund to be used to (1) eliminate chronic unemployment in depressed areas with the State, (2) provide for establishment of industrial development projects in such areas and (3) provide for establishment of area redevelopment agencies to promote and assist economic redevelopment by private enterprise.

Volstead Lands (L '61, C 472)

Provides for the purchase of certain federally-owned lands in Minnesota (comprising 33,220.97 acres) subject to Volstead liens for drainage projects.

G. HIGHWAYS

Appropriations for the Department of Highways (open authorities and the initial direct appropriations for three divisions of the department) increased by \$21,947,402, or 18.1% from an estimated \$121,400,000 for 1959-61 to \$143,347,402 for the 1961-63 fiscal period.

Anticipated expenditures for highway purposes will constitute 18.8% of the estimated 1961-63 total spending of state funds—maintaining the same percentage relationship as existed for the 1959-61 biennium.

Table 18

COMPARISON OF HIGHWAY APPROPRIATIONS 1959 AND 1961 LEGISLATIVE SESSIONS

	1959-61	1961-63	Increase or (Decrease)	
	<u>Session</u>	<u>Session</u>	<u>Amount</u>	<u>Percent</u>
Total Current Appropriations and Estimated Highway Expenditures (Table 7)	\$645,759,383	\$761,715,550	\$115,956,167	18.0
Highways	121,400,000	143,347,402	21,947,402	18.1
Percentages of Total	<u>18.8</u>	<u>18.8</u>		

Highways	
Direct	\$ 18,741,695
Open	124,605,707
Total	143,347,402

Appropriation Control

Pursuant to a new section added to the recodified highway statutes by the 1959 Legislature, the Administrative Division, Safety Division, and Plant and Equipment Division were placed under direct appropriation control effective July 1, 1961. Operations of the construction and maintenance divisions continue under open appropriation authority.

In the interest of desirable budgetary control and good fiscal management, it would be hoped that the construction and maintenance divisions of the Department of Highways would soon be placed under direct appropriation control also.

MAJOR NON-APPROPRIATION LEGISLATION AFFECTING HIGHWAYS

Direct Negotiation on Highway Work Up To \$5,000 (L '61, C 17)

Authorizes Commissioner of Highways, on construction or maintenance work estimated not to exceed \$5,000, to enter into a contract by direct negotiation and without advertising for bids or otherwise complying with the requirements of competitive bidding.

Notice Regarding Revocation of Driver's License (L '61, C 32)

Requires the Department of Highways, upon revoking the driver's license of any person, to immediately notify the licensee by mail of such action.

Driver's Instruction Permit Extended (L '61, C 33)

Increases the effective period for driving instruction

Highway Patrol Increased

The 1961 Legislature authorized an increase in the Highway Patrol (Chap. 448) of up to 35 more positions in the first year of the biennium, plus an additional 12 more in the second year—bringing the total strength of the force up to 378 positions. Future personnel increases are geared to percentage of increase in vehicular miles traveled in the State for the previous year, but limited to 12 persons in any one year.

Salaries of Employees in State Highway Patrol

By specific legislation, the basic salaries of various patrol classifications are as follows:

<u>Classification</u>	<u>Month</u>	<u>Annual</u>
Highway Safety Director	\$950	\$11,400
Chief Supervisor	844	10,128
Chief Assistant Supervisor	751	9,012
Deputy Assistant Supervisors	667	8,004
Assistant Supervisors	616	7,392
Sergeants	547	6,564
Patrol Officers	385	4,620

Plus Subsistence Allowance

Each employee in above classes receives an additional \$3.00 per day—while on duty.

Additional Expenses Reimbursable

In addition, reimbursement is also allowed for all expenses incurred in excess of the \$3.00 subsistence allowance.

Patrol officers shall receive an increase equal to 4% of the last previous salary converted to the nearest dollar 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 procedure for granting automatic annual increments is a significant departure from the long-accepted philosophy that merit increases should be granted only on a basis of merit, and is also in sharp contrast to the merit increase provisions for other classified employees whose increases "shall be on the basis of established standards."

permit to six months, but such person must be accompanied by a licensed driver or chauffeur who is actually occupying a seat beside the driver.

Emergency Vehicles on One-Way Streets (L '61, C 166)

Repeals law which allowed emergency vehicles to proceed in the wrong direction on one-way streets.

Impounding of Motor Vehicle Registration Plates (L '61, C 386)

Requires mandatory confiscation by courts of registration plates and registration certificate upon conviction for driving after suspension or revocation of a driver's license or driving privilege.

Implied Consent Law Established (L '61, C 454)

Any person who drives or operates a motor vehicle upon the public highways of the State is deemed to have given consent to a chemical test for intoxication as a prerequisite to operating a motor vehicle.

"Unmarked" Highway Patrol Cars (L '61, C 458)

Authorizes the use of specially marked highway vehicles for the enforcement of highway traffic regulations—not to exceed 10% of total highway patrol vehicles used in law enforcement.

Uniform Traffic Ticket (L '61X, C 19)

Prescribes a uniform traffic ticket for highway traffic violations throughout the State.

Certain Highway Safety Measures Not Enacted

For various reasons, the 1961 Legislature did not pass the following proposed highway safety measures—

- a) Re-examination of drivers on their license renewal every four years.
- b) Mandatory motor vehicle inspection.
- c) Required safety belts on all new cars sold in Minnesota.

H. STATE BORROWING

New borrowing for state buildings authorized by the 1961 Legislature totaled \$29,361,383 as compared to the \$51,922,280 finally enacted in the 1959 Session (after the Governor's line-item veto)—a rather expected decrease (\$22,560,897) after the record "highs" in the 1957 (\$55,121,939) and 1959 Sessions.

In addition to the new borrowing, the 1961 Legislature authorized current appropriations of \$1,965,523 out of the General Revenue Fund; \$135,800 out of the Game and Fish Fund; and \$7,125,241 in reappropriated balances—making a total of \$38,587,947.

The 1957 Building Needs Commission in its ten-year projection had contemplated new borrowing in the 1961 Session of \$42,547,304. This amount was subsequently modified by the 1957-58 Legislative Building Commission to \$31,526,698, and by the 1959-60 Legislative Building Commission to \$33,253,214 (\$30,150,678 after applying available balances).

A comparative analysis of the 1959 and 1961 Building Bills follows in Table 19—the 1961 Session figures being a consolidated compilation of five building bills, Chapters 59, 60, 72, 618 and 723.

Table 19
STATE BUILDING BILLS—1959 AND 1961 SESSIONS

	1959 SESSION				1961 SESSION			
	New Borrowing	Reapprop. Balances	Other Funds ⁽¹⁾	Grand Total	New Borrowing	Reapprop. Balances	Other Funds ⁽²⁾	Grand Total
Mentals	\$ 8,640,127	\$ 117,055	\$	\$ 8,757,182	\$ 4,810,240	\$ 437,350 ⁽³⁾	\$ 232,745	\$ 5,480,335
Mentally Retarded	5,886,515	87,188	25,000	5,998,703	4,808,925	84,400	346,600	5,239,925
Special Schools and								
Hospitals	1,007,600	.....	.....	1,007,600	581,000	302,900	95,400	979,300
Glen Lake State								
Sanatorium .....	.....	.....	.....	.....	.....	.....	400,000	400,000
Penals	2,615,380	17,179	.....	2,632,559	1,306,868	74,600	239,200	1,620,668
Youth Treatment Center	4,278,138	.....	.....	4,278,138	.....	5,169,915 ⁽⁴⁾	5,169,915
Minnesota Soldiers								
Home	436,500	.....	.....	436,500	817,000	.....	.....	817,000
State Colleges and Board	11,479,590	455,500	.....	11,935,090	7,251,500	100,000	399,627	7,751,127
University of Minnesota.	14,557,150	.....	100,000	14,657,150	7,500,900	233,396 ⁽⁵⁾	102,451	7,836,747
State Parks	487,480	.....	.....	487,480	479,000	.....	135,800	614,800
Capitol Group	2,533,800	330,410	40,000	2,904,210	189,450	.....	149,500	338,950
Land Acquisition .....	.....	.....	.....	.....	1,350,000	.....	.....	1,350,000
To Commissioner of								
Administration								
—for Administration	100,000	.....	.....	100,000	66,500	.....	.....	66,500
—for Contingency	.....	.....	.....	.....	200,000	.....	.....	200,000
—for Final Plans & Specifications	.....	.....	.....	.....	.....	722,680	.....	722,680
Grand Totals	52,022,280	1,007,332	165,000	53,194,612	29,361,383	7,125,241	2,101,323	38,587,947
Less Line-Item Veto by								
Gov. (Forest Products								
Lab.—St. Paul)	(100,000)	.....	(100,000)	(200,000)	.....	.....	.....	.....
Net Grand Totals	\$51,922,280	\$ 1,007,332	\$ 65,000	\$52,994,612)	\$29,361,383	\$ 7,125,241	\$ 2,101,323	\$38,587,947

(Denotes Decrease)
 (1)Includes General Revenue in amount of \$40,000.
 (2)All General Revenue except \$135,800 for State Parks to be financed from the Game and Fish Fund.
 (3)Includes \$7,350 reappropriated to Moose Lake State Hospital (from kitchen rearranging), in addition to supplemental appropriation of \$67,000 enumerated in Act.
 (4)Includes reappropriation of \$4,169,915 to Youth Treatment Center, in addition to supplemental appropriation of \$1,000,000 reappropriated from available balances from authorizations in prior laws.
 (5)In addition to \$2,396 reappropriated balance, the University was given authority to expend a cash balance of \$65,581 for land acquisition on the Minneapolis Campus, East Bank.

Five Building Bills in 1961 Session

Unlike previous legislative sessions, the 1961 Building Bill was divided into five separate enactments as follows:

- Chapter 59 creates a building outlay account utilizing unexpended and unencumbered balances of moneys previously appropriated.

Reappropriated Balances	\$1,712,076
General Revenue	29,500
Total	\$1,741,576

- Chapter 60 provides for necessary current maintenance and repair of existing buildings to be financed out of the General Revenue Fund, or such other funds as designated.

Reappropriated Balances	\$ 168,900
General Revenue	1,536,023
Game and Fish	135,800
Total	\$1,840,723

- Chapter 72 creates the 1961 Minnesota State Building Fund to cover the normal type of capital expenditures, including construction of new buildings.

New Borrowing	\$29,361,383
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New borrowing is again to be amortized over a 20-year period and financed by a levy, including the payment of principal and interest, against all property in the State.

However, implementation of this new borrowing authority is contingent on passage of Constitutional Amendment No. 2, relating to the State Debt Limit, in the 1962 General Election.

- Chapter 618 appropriates the sum of \$400,000 out of the General Revenue Fund "to be used to remodel, repair and rehabilitate the facilities known as the Glen Lake Sanatorium."

- Chapter 723 reappropriates balances of appropriations previously made to the Youth Treatment Center and Moose Lake State Hospital, and supplements each by reappropriation of unexpended and unencumbered balances of moneys appropriated in prior laws.

<u>Reappropriated Balances</u>	
Youth Treatment Center.....	\$4,169,915
Moose Lake State Hospital.....	7,350
Total	\$4,177,265

<u>Supplemental Reappropriations</u>	
Youth Treatment Center.....	\$1,000,000
Moose Lake State Hospital.....	67,000
Total	\$1,067,000

Total Amount

\$5,244,265

A summary of the financing for the five Building Bills is as follows:

New Borrowing	\$29,361,383
Reappropriated Balances	7,125,241
General Revenue	1,965,523
Game and Fish	135,800
Total	\$38,587,947

The current General Revenue, and Game and Fish Fund obligations have been included in appropriate sections in the functional appropriation analysis.

Youth Treatment Center

In addition to the reappropriation of \$4,169,915 previously provided for the construction of a Youth Treatment Center at Circle Pines, the 1961 Legislature also authorized a supplemental appropriation of \$1,000,000 reappropriated from the unexpended and unencumbered balances of several appropriations of prior laws.

It is contemplated that the increased funds will make possible the construction of the entire facility (1) to provide care for 75 emotionally disturbed or mentally ill children, and (2) to accommodate approximately 250 juveniles and youths committed to the Youth Conservation Commission in the Reception and Diagnostic Center.

University of Minnesota

Completion of the Forest Products Laboratory was allowed in the amount of \$250,000. This item, in the amount of \$200,000, had previously been vetoed by the Governor in the 1959 Session.

Major allowances include:

Minneapolis Campus

Science classroom building, east campus.....	\$1,260,000
Physics Building addition, east campus.....	1,036,000
Replacing boiler and auxiliaries in heating plant	1,030,000

St. Paul Campus

Additional two floors to Veterinary Medicine Building	616,000
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Duluth Campus

Humanities Building addition.....	505,000
General classroom and home economics building	896,000

No allowance was made for additional structures requested for the West Bridgehead area of the Minneapolis Campus.

School Construction Loan Program

In supplementation to funds previously made available by the Maximum Effort School Aid Law, the 1961 Legislature provided the sum of \$400,000 annually under the School Construction Loan Program to afford state financial aid, through loans, to certain school districts whose local debt service tax levies exceed reasonable maximums.

State Airports (L '61, C 706)

The sum of \$850,000 was appropriated to the Department of Aeronautics "to construct, improve, maintain and operate and assist municipalities in constructing, improving, maintaining and operating airports and other navigational facilities."

The Commissioner of Aeronautics is directed not to spend more than the amounts specified for the following purposes:

\$622,000 Key System Airports
143,000 Secondary Airports
75,000 State Landing Strip System
10,000 Radio Navigational Aids
<hr/>
\$850,000

However, the Governor may on his own initiative or upon application by the Commissioner of Aeronautics issue his order authorizing a change in these provisional limitations.

Bonds shall be redeemed and the interest thereon paid from the Minnesota Aeronautics Fund. In case the funds

should not be adequate the state auditor shall levy a direct annual ad valorem tax on all the taxable property of the State in an amount sufficient to meet the deficiency. However, revenues have always been sufficient to preclude the necessity of a general property tax levy for State Airport purposes.

V. RETIREMENT FUNDS

Since many of the amendments to the retirement laws were either remedial, technical or administrative, only the major changes are included in the report.

Chapter 67 of the 1961 Extra Session Laws provides that any person who has been a member of the State Employees Retirement Association, the Public Employees Retirement Association, or the Teachers Retirement Association shall be entitled to an annuity from each fund if his total combined service in two or more of these funds total ten or more years.

Chapter 16 of the 1961 Extra Session Laws provides an additional \$1 per month upon retirement for each year of allowable service to those state college teachers who were members of the Teachers Retirement association for at least 15 years on July 1, 1957.

Laws 1961, Chapter 225 permits school boards of independent school districts to purchase an individual annuity contract for an employee at his request, the premium payment to be paid out of the employee's salary directly to the insurance company.

Laws 1961, Chapter 736 establishes a State Police Officers Retirement Fund covering game wardens and officers of the Bureau of Criminal Apprehension. The Game Warden Retirement Association was abolished, and its assets transferred to the new State Police Officers Retirement Fund.

There were no major changes in the laws relating to the Public Employees Retirement Association; amendments were largely correctional. An effort was made to place employees of the Association under Federal Social Security coverage, but the proposed legislation failed of passage.

VI. THE TAX PROGRAM

Supporters of a replacement Sales Tax program had their hopes buoyed up considerably when such a proposal, sponsored by the Minnesota Farm Bureau Federation, was recommended to pass by both the Senate Tax and Senate Finance Committees and had reached the full Senate for final action.

Many felt that with favorable Senate action the proposed legislation would, at least, have been referred to a Tax Conference Committee—despite its previous rejection by the House Tax Committee.

However, much additional necessary legislation also had to be enacted in the few remaining hours of the regular session. As it became increasingly apparent that the legislature could not conclude its work in the allotted time, the Governor announced that an Extra Session would be called after a week's recess. With this announcement, virtually all legislative activity ground to a halt—and with it all hopes for the sorely-needed tax reform quickly vanished.

The Withholding Method of Tax collections had already been passed in the regular session granting 100% cancellation of the 1961 tax liability. It was to become effective January 1, 1962.

In the First Extra Session the withholding legislation was amended to provide 75% cancellation of the 1961 tax liability (or a 25% "doubling-up" penalty on individual income taxpayers) and to start October 1, 1961. This one-time windfall will not be available again; its replacement should be of real concern to the 1963 Legislature.

As in the recent past sessions, most of the existing temporary taxes and surtaxes were reimposed. One new tax

was added and another reduced—a 1% tax (limited to \$10) on the adjusted gross income of "filers" who have no tax liability was imposed, while the tobacco products tax was reduced from 20% to 10%. Three new surtaxes were added—a 5% individual income surtax, a 10% corporate income tax, and a 10% bank excise surtax.

Doubts regarding the adequacy of the enacted tax program to finance the spending authorized by the 1961 Legislature were voiced jointly by the Commissioners of Administration and Taxation, with a possible biennial shortage of \$15 million estimated.

The 1963 Legislature will undoubtedly be faced with the problem of financing a substantial deficiency as well as providing new or expanded tax sources—beyond anticipated normal economic growth—to meet the ever-increasing state expenditures. The legislators will also have an opportunity to exercise real statesmanship in providing necessary tax reforms and a balanced tax structure to improve Minnesota's economic climate.

A complete financial analysis of the tax program as enacted, and as viewed by the Commissioners of Administration and Taxation, can be found in Appendix Tables B and C.

Individual Net Income Tax

The tax brackets for individuals, estates and trusts remain the same, ranging from 1 percent on net incomes up to \$500 to 10½% on net incomes over \$20,000.

An additional 5% surtax was added to the reimposed temporary 10% surtax, making the total temporary surtax

15%. This additional 5% surtax, which was made applicable to taxable years beginning after December 31, 1960, is not reducible by the 75% cancellation of 1961 tax liability allowed under the withholding provisions.

A new minimum income tax of 1% on the first \$1,000 of adjusted gross income or fraction thereof was enacted for individuals, estates and trusts required to file state income tax returns. The tax is applicable when the net income tax plus the surtax does not exceed \$10, and is not to be applied to increase the total taxes payable to more than \$10.

The dependency credit was increased from \$14 to \$15 per dependent.

Yields—the additional 5% surtax has been estimated to yield \$11,500,000, the new 1% adjusted gross income tax \$7,000,000, and the increased dependency credit a loss of from \$1 to \$1.3 million during the 1961-63 biennium.

These changes in the individual income tax rates will place a Minnesota family of four—a man, wife and two children—in the unenviable position of paying the third and second highest income tax among all the states imposing an individual income tax, on earnings of \$5,000 and \$10,000, respectively.

Withholding Adopted

The much-discussed but never-passed withholding system of income tax collections was finally enacted by the 1961 Legislature—to become effective October 1, 1961.

Provision was included for cancellation or forgiveness of 75% of the 1961 tax liability of individuals, estates and trusts. However, the 75% cancellation feature was not applicable to the new additional 5% surtax.

The Second Extra Session amended the withholding law relative to the 75% credit provision. Under the revision income taxpayers will qualify for 75% credit (against 1961 income tax liability) if, on or before April 16, 1962, they have filed all income tax returns required to be filed for taxable years commencing after December 31, 1954 and have either paid all taxes, penalties and interest or have confessed judgment for such taxes, penalties and interest. (Before amendment, the credit was limited to those taxpayers who had *duly filed* income tax returns for the required six consecutive taxable years commencing after December 31, 1954 and who had *timely paid* all taxes and interest.)

The Tax Conference Committee, in balancing the budget requirements, estimated that the biennial yield from (1) improved collections, (2) withholding windfall, and (3) the lag in refund of over-payments (from one fiscal year to the next) would total \$29.5 million.

However, the Departments of Taxation and Administration feel that the estimated receipts anticipated from improved collections have been over-stated. Their estimate of receipts from this new tax source is \$20 million—\$9 million less than the legislature's biennial "guess-estimate."

Corporate Income Tax

The confereed tax program continued the basic corporate net income tax rate of 7.5%, reimposed the temporary additional tax of 1.8%, and added a new temporary 10% surtax—making a total effective rate of 10.23%.

The new rate is applicable to taxable years which began after December 31, 1960 and prior to January 1, 1963, with the surtax estimated to yield an additional \$7.5 to \$7.6 million in the coming biennium.

Bank Excise Tax Rate

With the addition of a new temporary 10% surtax, the total bank excise tax was increased from an effective rate of 11.4% to 12.54%.

The basic tax, which after deducting refunds for over-payments is distributed semi-annually to the counties from which it was derived, was continued at 9.5%; the temporary tax of 1.9% was reimposed; and a new 10% surtax added.

This new 10% surtax, like the 1.9% temporary tax, is to be credited to the General Revenue Fund. The new surtax has been estimated by the Departments of Administration and Taxation to yield \$100,000 during the coming biennium. This item had inadvertently been omitted by the Tax Conference Committee in its calculations of income.

Iron Ore Occupation and Royalty Taxes

No changes were made in either the iron ore occupation or royalty taxes, which continue at effective rates of 14.25%—12% on a permanent basis and 2.25% on a temporary basis. The "temporary" tax was again reimposed for another two-year period.

Proceeds of both the permanent and temporary occupation taxes have been distributed 50% to the General Revenue Fund, 40% to the support of elementary and secondary public education, and 10% to the support of the University's Maintenance Account. Royalty tax proceeds continue to the General Revenue Fund.

The Iron Range Resources and Rehabilitation Commission has shared in only the permanent occupation tax—receiving, as a legislatively-dedicated portion, 10% of the 50% distributed to the General Revenue Fund.

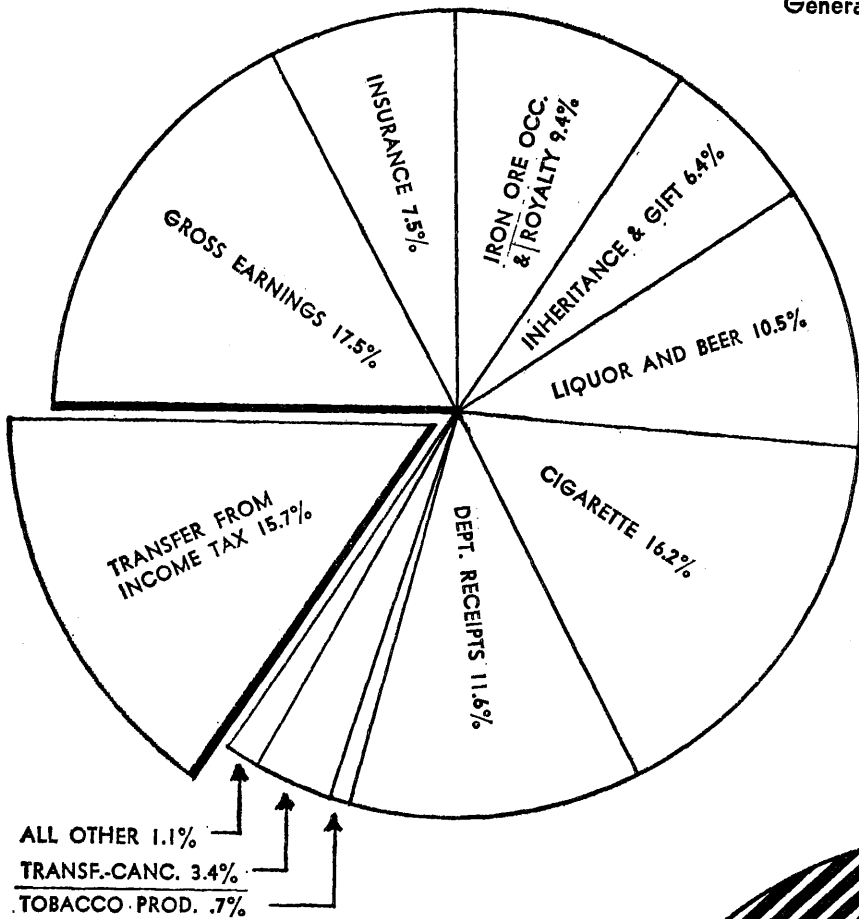
However, during fiscal year 1960 the Attorney General ruled that the Iron Range Resources and Rehabilitation Commission was entitled to share in *both* the permanent and temporary iron ore occupation taxes. The necessary retroactive transfer of funds in the amount of \$698,084.01 covering fiscal years 1955 through 1960, was effected.

Beer and Liquor Taxes

Existing tax rates on both beer and liquor remain unchanged. The permanent tax rate on beer continues at \$1.60 per barrel of malt beer and \$3.20 per barrel of strong beer. The permanent liquor tax of 20 cents to \$2.50 per gallon and the temporary surtax of 15% were also

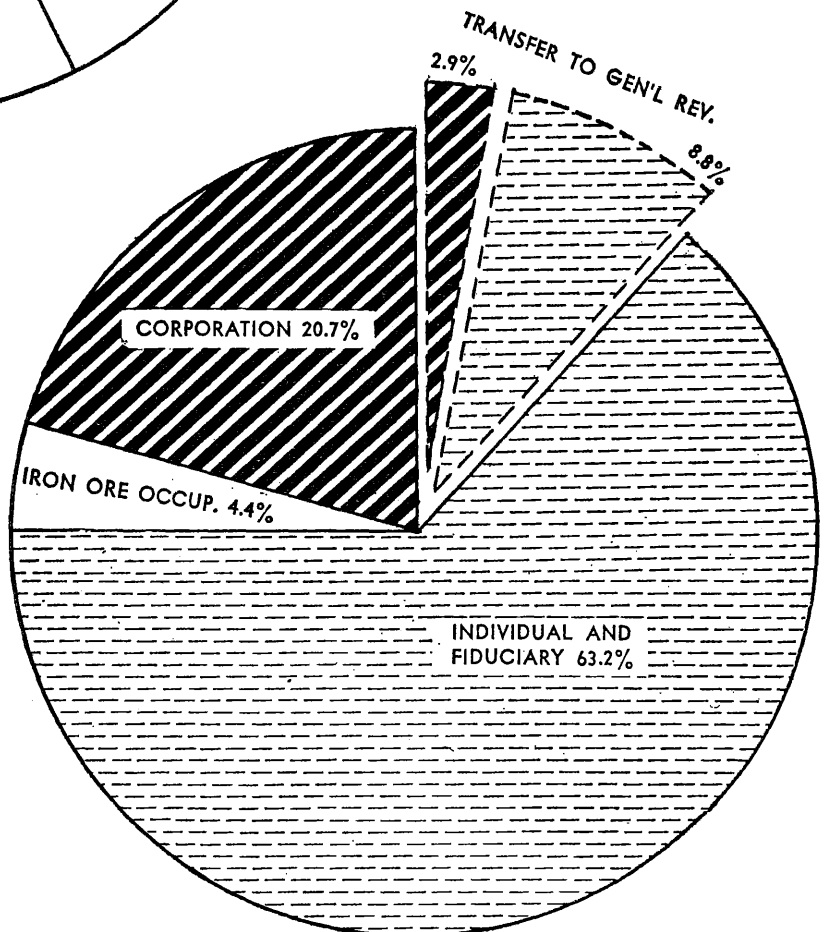
Chart No. 3
ESTIMATED RECEIPTS - 1961-63 BIENNIUM*

General Revenue and Income Tax School Funds
 (Excluding Opening Balances)



GENERAL REVENUE FUND
 Excludes Estimated Iron Ore Taxes for
 University\$ 3,931,920
 Iron Range Resources\$ 1,935,960

\$265,844,300



INCOME TAX SCHOOL FUND
 Total\$ 356,282,810
 Less Transfer to
 Gen'l Rev. 41,716,084
 Net Total\$ 314,566,726

\$314,566,726

* Tax Conference Committee Estimates

continued. The permanent liquor tax is apportioned 70% to the State, and 30% to local units of government. All of the temporary liquor surtax and the tax on beer is credited to the State General Revenue Fund.

Cigarette Tax

The enacted tax bill increased the permanent tax on cigarettes from 5½ cents to 7 cents per pack, with the 1½ cent increase which became effective July 1, 1961, estimated to yield \$9.3 million to the General Revenue Fund during the 1959-61 biennium.

The proceeds of this tax will continue to be distributed 75% to the State (General Revenue Fund), and 25% to local units of government—the State Auditor to make such distribution on or before February 15 and August 15.

Tobacco Products Tax

The enacted tax bill reduced the permanent tobacco products tax and tobacco products use tax rate from 15% to 10% of wholesale sales price, in addition to eliminating the temporary tax of 5%. The revenue loss to the General Revenue Fund is estimated to be \$1.8 million for the coming biennium.

Income Tax Transfer Provided

As a budget-balancing measure, the 1961 Legislature authorized the transfer of funds from the Income Tax School Fund to the General Revenue Fund in an amount sufficient to cover—

- (a) Appropriations to State College Board for 1961-63 biennium (\$15,172,584)
- (b) Appropriations for Aid to Junior Colleges for 1961-63 biennium (\$1,843,500)
- (c) Plus 7.25% of all individual, fiduciary, and corporate income tax receipts (\$24,700,000 estimated)

At the close of the First Extra Session, the total of these authorized transfers from the Income Tax School Fund for 1961-63 were estimated to be \$41,716,084.

Boat Tax (L '61, C 585)

This new legislation defines the method of computing the unrefunded gasoline tax used for motor boat purposes, and provides that one-third of that amount shall be allocated to the Department of Conservation for the acquisition, improvement, and development of public parks adjacent to lakes and rivers; one-third to the game and fish

fund for the acquisition, improvement, development, and maintenance of sites for public access to public waters of this State and for lake improvement; and one-third to the boat and water safety account.

Cigarette and Tobacco Products Taxes Presumed to be a Direct Tax on Retail Consumer (L '61, Chapters 271 and 272)

All cigarette and tobacco products taxes and excises paid pursuant to the laws of this State shall be conclusively presumed to be direct taxes on the retail consumer, advanced and prepaid for the purpose of convenience and facility only.

However, Laws 1961, Chapter 502 specifically exempts both cigarette and tobacco products excise taxes imposed on the consumer as allowable deductions from gross income for state individual income tax purposes. Apparently, the deductions will be allowable on federal individual income taxes only.

Filing under Federal Adjusted Gross Income (L '61, C 213)

Minnesota gross income, as defined prior to 1961, was changed by definition to mean Federal Adjusted Income. Rules and regulations with respect to federal gross income and the deductions therefrom in arriving at federal adjusted gross income were made controlling for state income tax purposes.

Are the Appropriations Completely Financed?

Because the Tax Conference Committee increased estimated receipts from certain existing permanent and temporary taxes and also used higher estimates in connection with the introduction of withholding, the Commissioners of Administration and Taxation expressed doubt at the close of the Extra Session, that the 1961-63 appropriations in the State's two major funds—the General Revenue and Income Tax School Funds—were adequately financed. Statements attributed to them indicated a possible biennium deficit of "up to \$20 million dollars."

Understandably, a large portion of the disparity centered around the anticipated collections, as well as the refunds, from the introduction of the withholding system of tax collections.

Detailed analyses of the comparative estimated receipts as calculated by the Tax Conference Committee, and the Commissioners of Administration and Taxation are reported in Appendix Tables B and C.

VII. ADMINISTRATIVE CHANGES

Three Constitutional Amendments

Chapter 14 of the 1961 Extra Session Laws proposes an amendment to the Minnesota state constitution which would consolidate the permanent school fund and the swamp land fund into a single perpetual fund, the earnings of which would be dedicated to the school districts of the state and distributed "in proportion to the number of scholars in each district between the ages of five and twenty-one years."

The amendment would also liberalize present restrictions on the investment of the monies in the fund, providing generally for investment in interest-bearing obligations of the United States, the State and its political subdivisions, and of other states (but not more than 50 percent of any issue by a political sub-division may be purchased); not more than 20 percent of the fund may be invested in certain corporate stocks, and not more than 40 percent in certain corporate bonds (the purchase of corporate stocks is contingent on earnings of such stocks for five consecutive years

prior to date of purchase, and purchase of bonds on amount of earnings in the same period of time). Investment must be approved by a board of investment consisting of the governor, the state auditor, the state treasurer, the secretary of state, and the attorney general. (This will be referred to as Constitutional Amendment No. 1 on the ballot in the general election in 1962.)

Chapter 99 of the 1961 Extra Session Laws proposes an Amendment to Article IX, Sections 5, 6, and 7 of the state constitution which would allow the state to incur indebtedness for temporary borrowing and also to incur indebtedness payable within 20 years for the acquisition and betterment of public lands and buildings and other improvements of a capital nature when authorized by a three-fifths vote of each branch of the legislature.

The present constitutional restriction of state debt to \$250,000 which may be incurred only for defraying ordinary expenditures, with the only obligations authorized for this purpose being 10-year bonds of \$500 face value, has been avoided in the past by issuing certificates of indebtedness.

This \$250,000 limitation has been evaded by legal stratagem for many years. However, more recently "friendly suits" have been instigated and the Supreme Court, on two occasions and in split decisions, has permitted the exception. In the most recent test case, however, the Supreme Court indicated that it will declare this device unconstitutional in the future, *Naftalin v. King*, 257 Minn. 498, 102 N.W. 2d 301 (1960). (Will be referred to as Amendment No. 2)

Chapter 100 of the 1961 Extra Session Laws would amend Article IV, Section I of the state constitution to provide that the regular biennial session of the legislature would not be limited to 90 days but would be increased to a term not exceeding 120 legislative days. The amendment also provides that no new bill could be introduced in either branch except upon written request of the governor during the final 30 days of the session. (Will be referred to as Amendment No. 3)

Proposed Taconite Amendment Rejected by Legislature

The proposed taconite tax amendment to the constitution, introduced in both houses of the legislature in both the regular and special sessions, failed to pass.

The bill introduced in the regular session provided that the combined occupation, royalty, and excise taxes imposed on the processing of taconite and/or semi-taconite should not exceed the greater of either (a) the amount of taxes computed under the tax laws in effect January 1, 1961, or (b) the amount of taxes computed under income, franchise and excise tax laws generally applicable to manufacturing corporations transacting business within the State; and that the amendment, if approved, would not become effective until the total annual capacity of the taconite and semi-taconite facilities had reached 19,500,000 tons.

The revised bill introduced in the extra session provided that production must reach an annual total of 21 million

tons within eight years and that \$250,000,000 of taconite facilities must have been made, contracted for, or otherwise committed within eight years (a provision intended to insure performance). The revised amendment also failed to pass.

Congressional Redistricting

Minnesota will lose one of its nine congressmen since, according to the 1960 census, our population growth has failed to keep pace with other parts of the country.

Several different plans for the necessary redistricting were offered in the Regular and First Extra Legislative Sessions, but the conference committee, composed of five members appointed from each body, failed to reach an agreement on all of the new boundaries required.

Without such redistricting legislation, candidates for the eight congressional seats would have had to run on an at-large, statewide basis.

Fortunately the Legislature in its Second Extra Session, called in December 1961, was able to pass a redistricting plan largely because of substantial prior agreement—a condition which the Chief Executive had insisted upon as a condition to his calling of the extra session.

Both the Governor and the Legislature are to be commended for their action in resolving a thorny problem.

Loon Named as Official Bird (L '61, C 76)

After several legislative attempts to select a state bird, the loon (*Gavia immer*) was designated by the 1961 Legislature as the official bird of the state of Minnesota.

State Salaries Adjusted to Working Hours (L '61, C 222)

In order to utilize modern accounting methods in processing payrolls, the Commissioner of Administration was authorized to adjust the salaries of all state officers and employees on the basis of 2088 working hours in a year, so that salaries are payable in equal installments throughout the year (presently 26 equal payments).

Office Facilities and Personnel for Governor-Elect (L '61, C 590)

An innovation by the 1961 Legislature, the sum of \$15,000 was appropriated to the Commissioner of Administration to provide a governor-elect, who is not the incumbent governor, with office facilities, office supplies, and personnel from the time of his election to the time of his inauguration.

Emergency First Aid Station Established (L '61, C 557)

Statutes amended directing the Commissioner of Administration to establish and operate an emergency first aid station with a registered nurse on its staff, to be located in the Centennial Building, for the state capitol group of buildings.

Joint Municipal Police Departments (L '61X, C 94)

Chapter 94 of the 1961 Extra Session Laws authorized two or more adjacent cities, villages or boroughs by agreement to operate a joint municipal police department. Such a joint police department will be organized and supervised by joint sessions of the governing bodies of the participating municipalities. In lieu of joint sessions, the agreement may provide for a board of police commissioners to control and supervise the administration of the joint department. Persons regularly employed as police officers in any municipality entering into such an agreement automatically

become officers of the joint police department unless they refuse to accept such employment. This law does not apply to municipalities in Hennepin, Ramsey or St. Louis counties.

Restricting Outdoor Advertising

The highly controversial bill restricting Outdoor Advertising along the new interstate highway system failed to pass, despite the efforts of the governor and several legislators to keep the issue alive.

APPENDIX TABLE A

Comparison of the Appropriations Authorized by the 1959 and 1961 Legislatures

	1959 Legislature	1961 Legislature	Increase or (Decrease)
Education			
Department of Education (salaries, supplies and expense, revision and printing of curriculum, and research).....	\$ 1,503,267	\$ 1,888,452	\$ 385,185
Vocational Training of Disabled.....	1,135,304	1,353,925	218,621
Scholarships (Nurses, Indians).....	165,000	227,000	62,000
Community School Lunch.....	800,000	800,000	.....
State Advisory Commission on School Reorganization.....	46,000	.....	(46,000)
Experimental Laboratory Program.....	.....	164,400	164,400
Rural Libraries.....	250,000	250,000	.....
School Construction Loan Program.....	2,000,000	800,000	(1,200,000)
Liaison Committee for Higher Education.....	.....	7,000	7,000
State College Board.....	11,628,345	15,172,584	3,544,239
University of Minnesota.....	62,089,285	71,528,463	9,439,178
Aid to Junior Colleges.....	1,275,000	1,843,500	568,500
Aid to Schools.....	216,967,283	274,912,420	57,945,137
Special Aid to School Districts.....	3,649,624	4,086,000	436,376
Aid to School Districts.....	200,000	.....	(200,000)
School Aid to Counties.....	96,000	96,000	.....
Aid to Common School Districts.....	100,000	100,000	.....
Interest on Certificates.....	120,000	200,000	80,000
Employees Compensation.....	3,518	3,059	(458)
Educational TV Stations.....	40,000	.....	(40,000)
\$10 Per Child Census School Aid.....	14,900,000	15,900,000	1,000,000
Endowment School Fund (Aid to Schools).....	13,750,000	15,170,000	1,420,000
	\$330,718,625	\$404,502,803	\$ 73,784,178
Welfare and Corrections			
Department of Public Welfare—Admin.....	\$ 2,131,436	\$ 2,147,503	\$ 16,067
Administrative Expense on Aging.....	30,634	46,000	15,366
Mental Health Research, Training Program, and Out-Patient Clinics.....	1,126,556	1,800,000	673,444
Contingent Fund—Institutions.....	200,000	250,000	50,000
Working Capital Fund for Hospital Care.....	30,000	20,000	(10,000)
Aid Programs			
Support for Children under Guardianship.....	1,008,779	1,250,000	241,221
Care of Dependent and Neglected Children.....	159,008	178,715	19,707
Care, Relief and Support of Dependent Children.....	9,537,000	12,620,000	3,083,000
County Sanatoria Care.....	1,225,000	1,000,000	(225,000)
Care, Relief and Support of Aged.....	26,957,000	24,300,000	(2,657,000)
Care, Relief and Support of Blind.....	690,500	875,000	184,500
Vocational Rehabilitation of Blind.....	120,000	120,000	.....
Care, Relief and Support of Disabled.....	549,500	686,000	136,500
Equalization of Welfare Costs.....	2,650,000	2,400,000	(250,000)
Minnesota Public Relief.....	1,010,000	1,000,000	(10,000)
Mental Hospitals.....	34,528,478	37,228,381	2,699,903
Schools and Hospitals for the Retarded.....	15,976,390	17,755,921	1,779,531
Brainerd State School and Hospital.....	1,463,165	2,668,930	1,205,765
Day Care Center—Mentally Retarded.....	.....	36,000	36,000
Braille and Sightsaving School.....	663,177	694,853	31,676
School for the Deaf.....	1,261,749	1,338,324	76,575
Gillette State Hospital.....	2,615,263	2,874,605	259,342
Minnesota State Sanatorium.....	2,110,207	2,529,720	419,513
Glen Lake State Sanatorium and Oak Terrace			
Nursing Home.....	.....	2,765,100	2,765,100
Department of Corrections			
Administration.....	865,650	1,824,634	958,984
Research.....	.....	10,000	10,000
Personnel Training.....	.....	17,980	17,980
Hospital Care.....	.....	12,000	12,000
Board of Parole.....	687,305	.....	(687,305)
Probation Officers.....	673,012	.....	(673,012)
County Probation—Salaries, Supplies and Expense.....	.....	345,002	345,002
Probation Service—County Reimbursement.....	.....	344,262	344,262
YCC Work Camps.....	873,928	927,233	53,305
State Training School for Boys.....	1,636,297	1,837,605	201,308
Home School for Girls.....	956,512	1,123,004	166,492
Penal Institutions for Adults.....	7,105,499	7,791,786	686,287
Employees Compensation.....	256,789	149,139	(107,650)
Unemployment Compensation.....	.....	64,128	64,128
To Becker County for Indian Relief.....	.....	130,541	130,541
	\$119,098,834	\$131,162,366	\$ 12,063,532

	1959 Legislature	1961 Legislature	Increase or (Decrease)
State Departments			
Legislature	\$ 2,407,788	\$ 2,714,000	\$ 306,212
Contingent Funds	555,000	625,000	70,000
Legislative Interim Committees.....	319,000	.....	(319,000)
Governor	284,452	254,052	(30,400)
Civil Defense	282,546	277,420	(5,126)
Lieutenant Governor	15,250	15,100	(150)
State Auditor	642,232	744,774	102,542
Civil Air Patrol.....	20,000	20,000	.....
State Treasurer (Inc. Liquor Stamps and Labels).....	344,244	368,220	23,976
Treasurer's Revolving Fund.....	40,000	.....	(40,000)
Public Examiner	448,126	468,708	20,582
Department of Taxation.....	7,014,977	7,124,156	109,179
Withholding Administration .....	.....	750,000	750,000
State Board of Tax Appeals.....	42,915	146,556	103,641
Attorney General	596,301	687,749	91,448
Bureau of Criminal Apprehension.....	438,547	502,092	63,545
District Courts	1,770,968	1,829,615	58,647
Special Retirement Accounts (Attorney General, Clerk of Supreme Court, District Judges)	232,900	226,000	(6,900)
Supreme Court	602,474	625,626	23,152
Judicial Council Expense.....	1,000	.....	(1,000)
Revisor of Statutes.....	191,672	227,751	36,079
Department of Administration.....	3,948,792	4,632,456	683,664
Motor Pool .....	.....	838,000	838,000
Executive Council, Board of Investment, and Pardon Board.....	73,214	95,030	21,816
Secretary of State.....	266,777	566,293	299,516
Mobile Home Tax Administration.....	20,000	26,928	6,928
Motor Vehicle Division.....	4,408,914	4,162,082	(246,832)
Department of Civil Service.....	618,736	680,473	61,737
State Archives Commission.....	69,986	96,016	26,030
Minnesota Municipal Commission.....	35,000	39,176	4,176
Fair Employment Practices Act.....	66,534	67,203	669
Adjutant General	1,974,278	2,727,812	753,534
Division of Banking.....	765,581	835,016	69,435
Division of Insurance.....	481,636	511,112	29,476
Fire Marshal	243,364	270,039	26,675
Division of Securities.....	129,532	140,718	11,186
Railroad and Warehouse Commission.....	6,933,250	6,769,111	(164,139)
Labor and Industry.....	1,448,070	1,575,740	127,670
Compensation Revolving Fund.....	30,000	.....	(30,000)
State Board of Law Examiners.....	30,000	.....	(30,000)
Liquor Control Commission.....	495,170	504,297	9,127
Labor Conciliator	214,865	239,330	24,465
Department of Business Development.....	665,665	769,600	103,935
Compensation Insurance Board.....	44,651	47,923	3,272
Department of Aeronautics.....	395,025	385,236	(9,789)
Department of Agriculture.....	2,238,124	2,335,288	97,164
Department of Conservation			
Administration	1,383,678	1,355,140	(28,538)
Division of Waters.....	436,857	597,330	160,473
Division of Forestry.....	3,000,450	3,552,036	551,586
State Land Management Division.....	804,414	873,476	69,062
Lands and Minerals Division.....	920,938	921,962	1,024
Game and Fish Division.....	6,888,757	7,257,238	368,481
Acquisition of Wetlands.....	680,000	684,000	4,000
Division of Parks.....	749,418	1,058,478	309,060
Department of Rural Credits.....	30,560	.....	(30,560)
Surveyor General	168,456	175,009	6,553
State Mapping Advisory Board.....	72,000	72,000	.....
State Soil Conservation Commission.....	411,285	535,160	123,875
Minnesota Water Resources Board.....	40,758	45,462	4,704
Board of Health.....	2,732,165	2,725,068	(7,097)
Livestock Sanitary Board.....	1,649,375	1,679,650	30,275
Governor's Human Rights Commission.....	29,758	30,168	410
War Veterans Affairs.....	1,851,038	1,874,958	23,920
State Law Library.....	143,604	162,082	18,478
Interest on Revenue Fund Deficiency.....	50,000	340,000	290,000
Employees Compensation	81,990	76,999	(4,990)
Unemployment Compensation .....	.....	274,845	274,845
	\$ 63,973,057	\$ 70,212,760	\$ 6,239,703
Highway Department (3 Divisions only).....	.....	18,741,695*	18,741,695
	\$ 63,973,057	\$ 88,954,455	\$ 24,981,398
Semi-State Activities			
Interstate Cooperation Commission, Council of State Governments, and Uniform Laws Commission	\$ 24,005	\$ 24,450	\$ 445
Sheriffs' Expenses	53,000	66,370	13,370
Societies and Associations for Development and Conservation of Natural Resources.....	477,650	477,300	(350)

	1959 Legislature	1961 Legislature	Increase or (Decrease)
Semi-State Activities (Continued)			
Minnesota Historical Society.....	\$ 494,964	\$ 518,498	\$ 23,534
Bounties	282,000	282,000	.....
Great Lakes Commission.....	22,000	20,500	(1,500)
Soldiers Home	679,612	633,885	(45,727)
Miscellaneous Veterans Associations.....	32,400	32,400	.....
Sibley House	9,824	10,264	440
Minnesota Academy of Science.....	10,000	13,000	3,000
Special Aid to Cities.....	230,000	330,000	100,000
Special Aid to Counties.....	75,000	75,000	.....
Special Aid to Towns.....	3,000	3,000	.....
Employees Compensation	175	4,301	4,126
	<u>\$ 2,393,630</u>	<u>\$ 2,490,968</u>	<u>\$ 97,338</u>
Miscellaneous Activities			
Korean Bonus	\$ 2,400,000	\$	\$ (2,400,000)
Veterans Bonus .....	.....	108,091	108,091
Legislative Claims	325,066	347,015	21,949
Claims Commissions Awards.....	35,935	45,566	9,631
Building Bills	65,000	1,701,323	1,636,323
Employment Security Building.....	150,000	.....	(150,000)
Training Police Officers.....	25,000	.....	(25,000)
Parking Area—Highway Central Office Building.....	25,000	.....	(25,000)
Distressed Area Relief.....	.....	1,500,000	1,500,000
Distressed Area Work Projects.....	.....	1,500,000	1,500,000
Great Lakes Diversion Protest.....	.....	82,316	82,316
Purchase of Jackson Armory.....	.....	40,000	40,000
Volstead Lands .....	.....	148,180	148,180
Bonus Claims (in Claims Bill).....	.....	1,245	1,245
All Other—General	150	.....	(150)
Aid to Fire Departments	1,600,000	1,630,000	30,000
Surcharge, Firemen's Relief.....	500,000	435,000	(65,000)
State Employees' Retirement.....	374,788	.....	(374,788)
Liquor Stamp Repurchase.....	600,000	.....	(600,000)
Income Tax Refunds.....	1,850,000	2,210,000	360,000
All Other	224,300	250,510	262,110
	<u>\$ 8,175,237</u>	<u>\$ 9,999,249</u>	<u>\$ 1,824,012</u>
GRAND TOTAL	<u>\$524,359,383</u>	<u>\$637,109,843</u>	<u>\$112,750,460</u>

*Three Divisions included are—Administrative, Safety, and Plant and Equipment.

ALLOCATION OF APPROPRIATIONS — BY FUNDS

Fund	1959 Legislature	1961 Legislature	Increase or (Decrease)
General Revenue Fund.....	\$216,114,888	\$262,926,810	\$ 46,811,922
Income Tax School Fund.....	270,419,179	318,638,731	48,219,553
Iron Range Resources and Rehabilitation.....	360,000	325,661	(34,339)
Game and Fish.....	8,195,372	8,938,872	743,500
Consolidated Conservation Areas.....	244,952	213,717	(31,236)
Wildlife Acquisition	680,000	687,672	7,672
State Airports	395,025	385,486	(9,539)
Trunk Highway	181,305	18,926,701	18,745,396
Highway User Tax Distribution.....	4,166,361	4,195,730	29,369
Prison Revolving	350,000	.....	(350,000)
Endowment School Fund.....	13,750,000	15,170,000	1,420,000
Soldiers Home Board Relief.....	120,000	110,000	(10,000)
Veterans Adjusted Compensation.....	15,880	8,165	(7,715)
Employment Security Building.....	150,000	.....	(150,000)
Rural Credit	30,584	19,780	(10,805)
All Other	14,364	10,444	(3,919)
	<u>\$515,187,911</u>	<u>\$630,557,772</u>	<u>\$115,369,861</u>
Portion of the University's Maintenance and Improvements appropriation to be financed from the 10% of the iron ore occupation tax, the .23 mill tax levy on property, and the earnings of the University's constitutional trust funds....	9,171,472	6,552,071	(2,619,401)
TOTAL	<u>\$524,359,383</u>	<u>\$637,109,843</u>	<u>\$112,750,460</u>

NOTE: Columns may not add due to "rounding."

APPENDIX TABLE B

**TAX CONFERENCE COMMITTEE VERSION
ESTIMATED RECEIPTS FOR 1961-63 BIENNIUM (STATE PORTION ONLY)
FOR FINANCING OF
GENERAL REVENUE AND INCOME TAX SCHOOL FUND APPROPRIATIONS**

<u>Code</u>	<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, 1961)						
		\$ (1,824,454)*	\$ 1,911,228*	\$	\$1,203,956	\$ 1,290,730
Present Permanent Taxes						
		170,000	.....	.....	.....	170,000
		46,672,150	.....	.....	.....	46,672,150
	2%	20,000,000	.....	.....	.....	20,000,000
(1)	12%	13,179,880	11,715,460	2,928,860	1,464,430	29,288,630
(2)	12%	5,128,000	.....	.....	.....	5,128,000
(3)		223,200	240,000	60,000	.....	523,200
(4)		15,431,400	.....	.....	.....	15,431,400
(5)		24,511,700	.....	.....	.....	24,511,700
(6)	5½¢ pk.	33,780,000	.....	.....	.....	33,780,000
(7)	15%	2,722,500	.....	.....	.....	2,722,500
(8)		1,450,000	.....	.....	.....	1,450,000
(9)		5,930,230**	.....	.....	.....	5,930,230
		6,343,910**	.....	.....	.....	6,343,910
(10)		3,930,405**	.....	.....	.....	3,930,405
		10,511,065**	.....	.....	.....	10,511,065
(11)		.....	190,765,950	.....	.....	190,765,950
(12)	7.5%	.....	61,632,000	.....	.....	61,632,000
		189,984,440	264,353,410	2,988,860	1,464,430	458,791,140
		4,976,006	.....	.....	.....	4,976,006
Transfers From Other Funds						
Re-enactment Present Temporary Taxes						
(13)	2.25%	2,655,620	2,360,560	590,120	295,060	5,901,360
(14)	2.25%	1,038,000	.....	.....	.....	1,038,000
(15)	15%	3,469,650	.....	.....	.....	3,469,650
(16)	5%	907,500	.....	.....	.....	907,500
(17)	1.9%	1,027,000	.....	.....	.....	1,027,000
(18)	10%	19,076,800	.....	.....	.....	19,076,800
	1.8%	.....	14,792,040	.....	.....	14,792,040
		28,174,570	17,152,600	590,120	295,060	46,212,350
1961 SESSION CHANGES						
New Financing, Rate Changes, and						
Estimated Receipt Adjustments						
(19)		1,400,000	.....	.....	.....	1,400,000
		.....	9,000,000	.....	.....	9,000,000
		.....	15,500,000	.....	.....	15,500,000
		.....	5,000,000	.....	.....	5,000,000
(20)	5%	.....	11,500,000	.....	.....	11,500,000
(21)	1%	.....	7,000,000	.....	.....	7,000,000
	10% of 9.3%	.....	7,500,000	.....	.....	7,500,000
	10% of 11.4%	.....	.....	.....	.....	.....
(6)	1½¢ pk.	9,300,000	.....	.....	.....	9,300,000
		1,500,000	.....	.....	.....	1,500,000
(22)		3,500,000**	.....	.....	.....	3,500,000
(23)		600,000**	.....	.....	.....	600,000
(24)		1,800,000	1,200,000	352,940	176,470	3,529,410
(25)		1,000,000	.....	.....	.....	1,000,000
(26)		170,000	.....	.....	.....	170,000
Reductions						
(27)	\$14 to \$15	.....	(1,000,000)	.....	.....	(1,000,000)
(28)		(1,800,000)	.....	.....	.....	(1,800,000)
		17,470,000	55,700,000	352,940	176,470	73,699,410

APPENDIX TABLE B (Cont'd)

Code	Rate	General Revenue Fund	Income Tax School Fund	University	Iron Range Resources and Rehabilitation	Total
Other						
Individual Income Surtax plus Withholding Loss and Legislative Adjustment from General Revenue to Income Tax School Fund.....						
		(19,076,800)	19,076,800	.....	.....	.....
Transfer to cover appropriations made to State College Board (\$15,172,584) and Aid to Junior Colleges (\$1,843,500), plus 7.25% of all Individual, Fiduciary and Corporate Income Tax receipts (\$24,700,000 Estimated)....						
		41,716,084	(41,716,084)	.....	.....	.....
		4,000,000	.....	.....	.....	4,000,000
		26,639,284	(22,639,284)	.....	.....	4,000,000
Total Receipts and Transfers.....						
		267,244,300	314,566,726	3,931,920	1,935,960	587,678,906
Grand Total (Including Opening Balances)						
		<u>\$265,419,846</u>	<u>\$316,477,954</u>	<u>\$3,931,920</u>	<u>\$3,139,916</u>	<u>\$588,969,636</u>

APPENDIX TABLE C

DEPARTMENTS OF TAXATION AND ADMINISTRATION VERSION ESTIMATED RECEIPTS FOR 1961-63 BIENNIUM (STATE PORTION ONLY) FOR FINANCING OF GENERAL REVENUE AND INCOME TAX SCHOOL FUND APPROPRIATIONS

Code	Rate	General Revenue Fund	Income Tax School Fund	University	Iron Range Resources and Rehabilitation	Total
Estimated Balance (July 1, 1961)						
		\$ (1,824,454)*	\$ 1,911,228*	\$	\$1,203,956	\$ 1,290,730
Present Permanent Taxes						
State Property Tax.....						
		170,000	.....	.....	.....	170,000
Gross Earnings Taxes.....						
		46,672,150	.....	.....	.....	46,672,150
Insurance Gross Premium Tax.....						
	2%	20,000,000	.....	.....	.....	20,000,000
(1)	12%	13,179,880	11,715,460	2,928,860	1,464,430	29,288,630
(2)	12%	5,128,000	.....	.....	.....	5,128,000
(3)		223,200	240,000	60,000	.....	523,200
(4)		15,431,400	.....	.....	.....	15,431,400
(5)		24,511,700	.....	.....	.....	24,511,700
(6)	5½¢ pk.	33,780,000	.....	.....	.....	33,780,000
(7)	15%	2,722,500	.....	.....	.....	2,722,500
(8)		1,450,000	.....	.....	.....	1,450,000
(9)		5,724,869**	.....	.....	.....	5,724,869
		6,343,910**	.....	.....	.....	6,343,910
(10)		4,019,060**	.....	.....	.....	4,019,060
		10,511,065**	.....	.....	.....	10,511,065
(11)		.....	190,765,950	.....	.....	190,765,950
(12)	7.5%	.....	61,632,000	.....	.....	61,632,000
<hr/>						
		\$189,867,734	\$264,353,410	\$2,988,860	\$1,464,430	\$458,674,434
Transfers From Other Funds						
		4,976,006	.....	.....	.....	4,976,006
<hr/>						
Re-enactment Present Temporary Taxes						
(13)	2.25%	2,655,620	2,360,560	590,120	295,060	5,901,360
(14)	2.25%	1,038,000	.....	.....	.....	1,038,000
(15)	15%	3,469,650	.....	.....	.....	3,469,650
(16)	5%	907,500	.....	.....	.....	907,500
(17)	1.9%	1,027,000	.....	.....	.....	1,027,000
(18)	10%	19,076,800	.....	.....	.....	19,076,800
	1.8%	.....	14,792,040	.....	.....	14,792,040
<hr/>						
		28,174,570	17,152,600	590,120	295,060	46,212,350

APPENDIX TABLE C (Cont'd)

<u>Code</u>	<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>
1961 SESSION CHANGES						
New Financing, Rate Changes, and Estimated Receipt Adjustments						
		1,400,000	.....	.....	.....	1,400,000
(19)		.....	.....	.....	.....	.....
		.....	15,500,000	.....	.....	15,500,000
		.....	5,000,000	.....	.....	5,000,000
(20)	5%	.....	11,500,000	.....	.....	11,500,000
(21)	1%	.....	7,000,000	.....	.....	7,000,000
	10% of 9.3%	.....	7,600,000	.....	.....	7,600,000
	10% of 11.4%	100,000	.....	.....	.....	100,000
(6)	1½¢ pk.	9,300,000	.....	.....	.....	9,300,000
		1,500,000	.....	.....	.....	1,500,000
(22)		3,000,000**	.....	.....	.....	3,000,000
(23)		.....	.....	.....	.....	.....
(24)		.....	.....	.....	.....	.....
(25)		.....	.....	.....	.....	.....
(26)		.....	.....	.....	.....	.....
Reductions						
(27)	\$14 to \$15	.....	(1,300,000)	.....	.....	(1,300,000)
(28)	20% to 10%	(1,815,000)	.....	.....	.....	(1,815,000)
		<u>13,485,000</u>	<u>45,300,000</u>	.....	.....	<u>58,785,000</u>
Other						
		(19,076,800)	19,076,800	.....	.....	.....
	
		41,633,084	(41,633,084)	.....	.....	.....
		4,000,000	.....	.....	.....	4,000,000
		<u>26,556,284</u>	<u>(22,556,284)</u>	.....	.....	<u>4,000,000</u>
		263,059,594	304,249,726	3,578,980	1,759,490	572,647,790
		<u>\$261,235,140</u>	<u>\$306,160,954</u>	<u>\$3,578,980</u>	<u>\$2,963,446</u>	<u>\$573,938,520</u>

CODE FOR APPENDIX TABLES B AND C

CODE EXPLANATION OF ITEMS

- * Prior to 1961 Deficiency and "Immediately Available" Appropriations.
- ** Treated as "Departmental Receipts."
- *** No estimate from this source included by Tax Conference Committee.
- (1) Distributed 45% (G.R.), 40% (I.T.), 10% (Univ.) and 5% (I.R.R.).
- (2) 100% General Revenue.
- (3) Taconite Tax distributed 50% School District, 22% County, 22% Municipality and 6% State. Taconite Occupation Tax distributed 40% (I.T.), 10% (Univ.), 25% (G.R.) and 25% (Local).
- (4) Distributed 80% State, 20% Counties on Resident Inheritance; Non-Resident Inheritance and Gift 100% General Revenue.
- (5) Distributed 70% State, 30% Local on Liquor Tax only; Beer 100% General Revenue.
- (6) Distributed 75% State, 25% Local.
- (7) Permanent 15% and Temporary 5% changed to 10% Permanent by 1961 Legislature—100% General Revenue.
- (8) 100% General Revenue.
- (9) Fees set to cover appropriation liability plus 3% administrative expense.
- (10) Reimbursement by counties covering indigent patients.
- (11)-(17) Computations used by Tax Conference Committee:

	Basic	Surtax
— Estimated after enactment of Withholding (Reg. Session effective 1-1-62)...	\$183,675,950	\$18,366,800
— Restored estimated reduction a/c Withholding.....	7,013,050	703,200
— Legislative Adjustment	76,950	6,800
Totals	\$190,765,950	\$19,076,800
- (12) Total Tax Rate 10.23%—Permanent 7.5%, plus additional temporary 1.8%, plus 10% Surtax (1961 Change).
- (13) Temporary surtax distributed the same as "basic" tax (See Code 1).
- (14) Temporary surtax also 100% General Revenue.
- (15) Surtax not distributed — 100% General Revenue.
- (16) Temporary 5% tax eliminated by 1961 Legislature (See Code 7).
- (17) Total Tax Rate increased from 11.4% to 12.54% — distributed portion 9.5%; credited to State General Revenue Fund 3.04%.
- (18) See Code 11 above.
- (19) Supplemental amount estimated from Improved Enforcement and Collections, not concurred in by Departments of Administration and Taxation.
- (20) Additional 5% Surtax effective January 1, 1961, making total Surtax 15%. Only existing 10% to be allowed in computing "75% forgiveness" of 1961 tax liability.
- (21) Processing tax of 1% on first \$1,000 adjusted gross income, or fraction thereof, on individuals required to file returns but whose taxes do not exceed \$10.
- (22) Estimated increase a/c addition of Glen Lake Sanatorium, and conversion of State Sanatorium for use as Nursing Home.
- (23) Not available as Non-Dedicated receipt; already reflected in appropriate appropriation calculations.
- (24) Estimated increased ore shipments, not concurred in by Departments of Administration, and Taxation.
- (25) Estimated increased ore shipments, not concurred in by Departments of Administration, and Taxation.
- (26) Dedicated receipt, not available for General Revenue financing.
- (27) Dependents Credit increased. Department of Taxation estimates loss at \$1,300,000 for biennium.
- (28) Tax rate change. Department of Taxation estimates loss at \$1,815,000 for biennium.

APPENDIX TABLE D

COMPARATIVE ANALYSIS OF SELECTED* TAX RATES FOR 1959-61 AND 1961-63 BIENNIUMS (PERMANENT AND TEMPORARY)

Tax	1959-1961 Biennium		1961-1963 Biennium	
	Permanent	Temporary	Permanent	Temporary
Iron Ore Occupation Tax.....	12%	2.25%	Rate unchanged	Rate unchanged
Iron Ore Royalty Tax.....	12%	2.25%	Rate unchanged	Rate unchanged
Cigarette Tax.....	5½¢ per pack		7¢ per pack	
Tobacco Products Tax.....	15% of wholesale price	5% of wholesale price	10% of wholesale price	Eliminated
Corporate Income Tax.....	7.5%	1.8%	Rate unchanged	1.8% Plus Surtax
Bank Excise.....	9.5%	1.9%	Rate unchanged	10% of 9.3% 1.9% Plus Surtax
Beer Tax (3.2%).....	\$1.60 bbl.		Rates unchanged	10% of 11.4%
(Strong).....	\$3.20 bbl.			
Liquor Tax.....	20¢ to \$2.50 per gallon	15% Surtax	Rates unchanged	Rate unchanged
Individual Income Tax.....	0 to \$ 500—1% 500 to 1,000—1½% 1,000 to 2,000—2½% 2,000 to 3,000—3½% 3,000 to 4,000—4½% 4,000 to 5,000—5½% 5,000 to 7,000—6½% 7,000 to 9,000—7½% 9,000 to 12,500—8½% 12,500 to 20,000—9½% Over \$20,000 —10½%	10% Surtax	Rates unchanged	15% Surtax
Documentary Tax.....	\$14 \$1.10 on first \$1,000 plus 55¢ for each additional \$500		Dependents Credit— \$15	Rate unchanged

***NOTE:**

- Rates and brackets of the Inheritance and Gift taxes have not been included as they would involve a lengthy analysis.
- The Semi-Taconite tax rate is the same as that for Taconite and is discussed on Page 35 of the report.
- Cigarette and Tobacco Products distributors' discount.

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