



RESEARCH BULLETIN No. 44

Financial and Administrative Review:

**1963 Minnesota
State Legislature**

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MINNESOTA TAXPAYERS ASSOCIATION

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MINNESOTA TAXPAYERS ASSOCIATION

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

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

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DECEMBER 1963
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**MINNESOTA TAXPAYERS ASSOCIATION
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TABLE OF CONTENTS

	Page
I. HIGHLIGHTS	5
II. GENERAL INTRODUCTION TO FINANCING AND APPROPRIATIONS	6
III. COMPARISON OF TOTAL APPROPRIATIONS	8
A. Omnibus Appropriation Bills, Miscellaneous, and Open and Standing Appropriations	8
VI. APPROPRIATIONS COMPARED ACCORDING TO FUNCTION	13
A. General Comments	13
B. State Departments	15
C. Semi-State Activities	18
D. Welfare and Corrections	19
E. Education	22
F. Highways	31
G. Miscellaneous	32
H. State Borrowing	33
V. RETIREMENT FUNDS	35
VI. THE TAX PROGRAM	36
VII. ADMINISTRATIVE CHANGES	41
VIII. CONSTITUTIONAL AMENDMENTS	42
APPENDIX	43
INDEX	50

LIST OF TABLES

Table	Page
1. Laws Passed by 1963 Legislature	7
2. Comparison of Omnibus Appropriation Bills as Enacted by the 1961 and 1963 Legislatures ..	8
3. Comparison of Miscellaneous Appropriations as Enacted by the 1961 and 1963 Legislatures ..	9
4. Comparison of Estimated Open and Standing Appropriations for 1961-63 and 1963-65 Bienniums	10
5. Comparison of Appropriations Financed by State Mill Levies on Property	11
6. Summary of Appropriations	11
7. Total Appropriations Authorized, Direct and Open-Standing, by Function	13
8. New Positions—Requested, Recommended, and Enacted	15
9. State Departments, Comparison of Appropriations by the 1961 and 1963 Legislatures	15
10. Semi-State Activities, Comparison of Appropriations by 1961 and 1963 Legislatures	18
11. Welfare-Corrections, Comparison of Appropriations by 1961 and 1963 Legislatures	19
12. New and Transferred Positions (Welfare-Corrections)	19
13. Education, Comparison of Appropriations by 1961 and 1963 Legislatures	22
14. Aids to Schools Appropriation, Tentative Allocation	23
15. Additional State College Personnel Requested, Recommended, and Allowed	26
16. Highways, Comparison of Appropriations by 1961 and 1963 Legislatures	31
17. Miscellaneous, Comparison of Appropriations by 1961 and 1963 Legislatures	32
18. State Building Bills, 1961 and 1963 Sessions	33

APPENDIX TABLES

	Page
A. Comparison of the Appropriations Authorized by the 1961 and 1963 Legislatures	43
B. Estimated Receipts for 1963-65 Biennium (State Portion Only) for Financing of General Revenue and Income Tax School Fund Appropriations	47
C. Comparative Analysis of Selected Tax Rates for 1961-63 and 1963-65 Bienniums (Permanent and Temporary)	49

CHARTS

1. Comparison of Total Appropriations—By Function	12
2. University of Minnesota, Academic Salaries, Averages—By Classes	29
3. Estimated Receipts—1963-65 Biennium—General Revenue and Income Tax School Funds..	38

MAP

1. State's Public Colleges	25
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I. HIGHLIGHTS OF THE 1963 MINNESOTA STATE LEGISLATURE

Regarding Over-all Finances

The 1963 Minnesota State Legislature, in 117 days of the newly-authorized 120-day regular session, passed 888 laws and seven resolutions, voted to submit two Constitutional Amendments to the electorate, and once again set new records for spending and taxing.

The 1963 Legislature authorized appropriations totaling \$960,243,783 — an increase of \$180,154,959, or 23.1%, over comparable appropriations made by the 1961 Legislature.

Notwithstanding the “no new taxes or increase in taxes” theme which characterized the session from the outset, to finance this increased state spending, the Legislature increased the cigarette tax and the state gasoline tax rates, shifted the 10-cents per pound tax from uncolored to colored oleomargarine (following repeal of the ban on colored margarine), changed the base for computing the 1% minimum individual income tax, and relied heavily on an estimated additional \$77 million from existing taxes based upon projected “economic growth.”

Regarding Enacted Appropriations

Of the total appropriations authorized for the 1963-65 biennium, those to be financed from borrowed monies or by property tax levy were increased \$84,630,439—from \$20,583,274 in 1961-63 to an estimated \$105,213,713 for the 1963-65 period. This sizeable increase was due in part to the repassage of the 1961 State Building Bill (\$29,361,383) in the 1963 Session and to the increased school construction loan limit (\$16 million) established under the Maximum Effort School Aid Law.

Total appropriations for the Department of Highways were increased by \$16,888,763, or 11.8%, from \$143,347,402 in 1961-63 to \$160,236,165 for the 1963-65 fiscal period.

Increased educational appropriations from the Endowment School Fund and for payment of the \$10 Per Pupil Census Aid raised the total of open and standing appropriations to \$37,853,180—up \$4,267,670 over similar appropriations for the 1961-63 biennium.

The four Omnibus Appropriation Bills plus the various separate miscellaneous appropriation measures account for the balance of the appropriation liability, totaling \$656,940,724—up \$74,368,086, or 12.8%, over the \$582,572,638 provided by the 1961 Legislature.

Regarding New or Expanded Programs

Regarded by many as one of the most outstanding and important pieces of conservation legislation in many years was the enactment of the Omnibus Natural Resources and Recreation Act of 1963—a long-term comprehensive program to preserve, develop, and maintain the natural resources of the State. It was proposed as a 10-year program, estimated to cost approximately \$55 million. The 1963 Legislature provided \$7,043,609 for the initial phase, to be expended during the 1963-65 biennium.

The Water Pollution Control Commission was granted expanded powers to prevent and abate pollution of State waters.

A new criminal code, started in 1955, was completed with its enactment by the 1963 Legislature.

A State Junior College Board was created and given all powers necessary and incident to the management, jurisdiction and control of an eventual total of 15 public state junior colleges.

State Aid to the existing 11 junior colleges was increased from \$300 to \$350 per student in average daily attendance—such aid to continue until control is assumed by the new State Junior College Board or if operations are continued under the respective school districts.

The foundation aid program for public elementary and secondary schools was revised, and the “Aid to Schools” appropriation substantially increased from \$274,912,420 as provided by the 1961 Legislature to \$306,094,000 as provided for the 1963-65 biennium. Excluding a 1961 deficiency of \$18,636,420, the biennial increase in state aid to schools actually amounts to \$49,818,000.

State college appropriations were increased from \$15,172,584 to \$18,966,316. Tuition rates at the five state colleges were increased. Provision was also made for the establishment of a technical and two-year liberal arts college in southwestern Minnesota, to become a part of the state college system.

Gross appropriations to the University increased from \$71,528,463 for 1961-63 to \$82,463,238 as enacted by the 1963 Legislature. Tuition rates were increased by action of the University Board of Regents.

A new program, “Medical Assistance to the Aged,” was enacted as Minnesota’s adaptation of the federal Kerr-Mills law. The new legislation, to become effective July 1, 1964, provides the full range of recognized and licensed health care services for persons meeting certain requirements.

The “Minnesota Residential Treatment Center,” a new combined state facility, opened on June 5, 1963 with the initial transfer of children from the state-operated Oak Terrace Children’s Center. The new Center is designed to provide for the diagnosis, care, and treatment of emotionally disturbed and psychotic children under the jurisdiction of the Department of Public Welfare, and for the reception and diagnosis of juvenile delinquents and youthful offenders committed to the Youth Conservation Commission. Residential capacity of the new facility is 312. The initial staffing provided by the 1963 Legislature is 252 positions, and appropriations for the 1963-65 biennium total \$2,804,755.

Regarding State Personnel

Increasing enrollments at the State Colleges and at the University of Minnesota plus the need for staffing new or expanded institutional facilities accounted for most of the 1504 new positions allowed by the 1963 Legislature. Of

this added staffing, 1402 positions, or 93%, were granted for either educational or welfare activities.

A new Salary Plan for classified state employees, the second successive major adjustment, was approved at an estimated biennial cost of \$13,730,000.

Regarding Constitutional Amendments

Two proposed amendments to the State Constitution will be submitted to the voters in the general election in 1964.

In general, Constitutional Amendment No. 1 relates to the taxation of taconite and semi-taconite. In addition to enacting legislation declaring it to be the policy of the State not to increase the combined occupation, royalty and excise taxes on taconite and semi-taconite operations to exceed the greater of (a) the amount which would be payable if such taxes were computed under the laws in existence as of July 1, 1963 or (b) the amount which would be payable if such operations were taxed under the income, franchise and excise tax laws generally applicable to manufacturing corporations transacting business within the State, the Legislature also enacted legislation proposing a constitutional amendment, to extend this legislative assurance to the taconite and semi-taconite industry—and to the copper, copper-nickel and nickel industry—for a period of not more than 25 years.

Constitutional Amendment No. 2 concerns the elimination of certain obsolete language and other remedial provisions.

Regarding Enacted Tax Program

Excluding authorized new borrowing and other statutory items to be financed from the property tax levy, the balance of the 1963-65 appropriations, totaling \$855,030,070, was estimated to be financed as follows—\$518.6 million from existing normal taxes; \$72.5 million from temporary taxes and surtaxes; \$240.8 million from departmental earnings, dedicated funds, and other miscellaneous revenues; and \$23.1 million from new taxes and increased tax rates.

The cigarette tax rate was increased from seven to eight cents per pack, with the increase, estimated at \$6 million for the biennium, to be used to finance the new Natural Resources and Recreation Act during 1963-65.

The shift of the 10-cent per pound tax from uncolored to colored oleomargarine, following repeal of the ban on the sale of colored margarine, is expected to yield \$5 million during the biennium. A portion of this revenue is to be used to finance an increase in the State Aid grant to Junior

Colleges, and for research in dairy and related products and marketing.

A one-cent increase in the gasoline tax, from five to six cents per gallon, is estimated to raise an additional \$12 million during the biennium for highway purposes. The division of the increased revenues will continue as at present—62% to the Trunk Highway Fund, 29% to County State Aid, and 9% to municipalities of 5,000 or more population.

The base for computing the minimum individual income tax of 1% was changed from *adjusted* gross income to gross income. Increased yield was estimated at \$1 million for the biennium. However, as an offset to this increase, the 1963 Legislature extended the time within which individual income taxpayers might qualify for the 75% forgiveness credit against the 1961 tax. This extension is estimated to result in a \$1 million loss in revenue during the biennium.

Numerous tax changes were made in other areas. However, none of these changes will materially affect the general fiscal picture of the State.

Doubts regarding the adequacy of the enacted tax program to finance the spending authorized by the 1963 Legislature have been voiced by the Governor, individual legislators and others, with predictions of the possible biennial deficit ranging from \$13 million to \$28 million.

Regarding Tax Reform

Acting on the findings and recommendations of previous Tax Study Committees, the 1963 Legislature, in creating the Interim Tax Study Commission of 1963-64, apparently was desirous of implementing the various suggestions for tax reform which have been made in the past and expressed its feelings as follows:

"The legislature hereby finds and declares that a need exists for an evaluation of the tax resources both present and future and for a review as to the equity of current tax obligations on various groups and classes of taxpayers, and of the necessity of tax revision and tax reform so as to develop a sound and consistent program of balanced taxation, to provide for equitable treatment for all taxpayers, to provide for economic growth in the state of Minnesota and the creation of more job opportunities for the people of the state of Minnesota."

These objectives are crystal clear. Their achievement by the 1965 Legislature would be a significant milestone in Minnesota's fiscal history.

II. GENERAL INTRODUCTION TO FINANCING AND APPROPRIATIONS

Each of the recent legislative sessions, in addition to setting successively higher levels of state spending, seems also to have been marked by unusual events—such as additional extra or record-breaking long sessions.

The 1963 Legislative Session was no exception. In addition to having two governors during the session, and 80 freshman legislators among the 202 membership in the two Houses, this was the first session which reflected the

changes made by the 1959 redistricting legislation. (L '59x, C 45)

Under the 1959 redistricting legislation, the first since 1913, four House members were added to make a 135-member House. The Senate retained its 67 membership.

Because the law provided an increase in the urban representation in both Houses, the Ramsey County delegation was increased from six senators to seven, and the

number of representatives from 12 to 14. The Hennepin County delegation was increased from 9 to 13 senators, and the number of representatives from 18 to 26. The law further required the rearrangement of a considerable number of district lines throughout the State. The results of this new legislation were evident in the 1963 Session with the presence of many new legislators from the urban areas.

Of the 23 freshman senators, six were former House members. The 57 new House members include two former members whose service had been interrupted.

The 1963 Session convened on January 8, 1963 with Governor Elmer L. Andersen in office. As the result of a recount in the gubernatorial race, with the record-breaking narrow margin of 91 out of 1,239,593 votes legally cast determining the winner, Governor Karl F. Rolvaag took office on March 25, 1963—practically 11 weeks after the session had started. This also marked the start of the first four-year gubernatorial term in the history of the State.

While authorized spending was again substantially increased, the 1963 Legislature was not confronted with the necessity of having to enact a sizeable School Aid deficiency appropriation as had been the case in the three preceding sessions. In this respect the 1963 Session was again different and the appropriations enacted, with few exceptions, were for the ensuing two-year period.

The Proposed Biennial Budget was described in Governor Andersen's Message as being "more than a balanced budget." It was identified as being significant in that it would require "no new taxes or increase in taxes." However, as a source of additional revenue, the document included an estimated increase of \$23 million to be realized from a proposed reduction in Federal corporate and personal income taxes.

This projected \$23 million "windfall" was soon disregarded by the legislators. In balancing the budget for 1963-65, previous revenue estimates were re-examined, recommended appropriations reduced, the cigarette tax increased and a 10-cent tax on colored oleomargarine imposed.

However, as the major confereed appropriation bills were being passed, doubts regarding the adequacy of the estimated resources were voiced by some legislators—the anticipated biennial deficits ranging from \$13 million to \$28 million. It was on this note of concern that the 1963 Legislature concluded its budgetary and fiscal efforts.

Legislative "Scoreboard"

As usual, many companion bills were introduced in both the House and Senate in the 1963 Session. 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, the number enacted into law, and the number of measures vetoed.

Table 1
LAWS PASSED BY 1963 LEGISLATURE

Bills introduced—House	2010
Bills introduced—Senate	1893
Total Bills introduced	3903
Bills enacted into law	888*
Resolutions adopted	7
Bills vetoed by Governor	4
Bills pocket-vetoed by Governor	2
Constitutional Amendments to be submitted to popular vote	2
Total number of days in regular session	
House	100
Senate	102

(Legislature Convened January 8, 1963)
(Legislature Adjourned May 23, 1963)

*Includes three unsigned.

Vetoed Bills

The four measures vetoed by Governor Rolvaag were:

S. F. 196—A bill relating to unemployment security rates, the raising of benefits and tightening of eligibility provisions.

(The balance in the Unemployment Compensation Fund has dropped from \$134 million in 1953 to approximately \$37 million in 1962, with benefits paid out having exceeded income in all but one of last 10 years.)

H. F. 408—A bill to provide income tax reciprocity; to preclude taxation in two states on earned income of those individuals who reside in one state and are employed in another.

H. F. 787—A bill to enact a statewide Sunday and Holiday closing law for selling, with Saturday option. Small "corner" stores with four or fewer employees were to be exempt.

H. F. 1933—A bill to exempt from real property taxation any plant built for briquetting iron ore other than taconite or semi-taconite. The measure would have substituted a production tax in lieu of the property tax.

The two pocket-vetoes of Governor Rolvaag were:

S. F. 1109—A resolution memorializing Congress to call a convention to propose an amendment to the Constitution of the United States to provide for the election of the president and vice-president in a manner "fair and just to the people of the United States."

H. F. 1552—A bill to regulate the exercise of rights to appropriate, damage or acquire the surface of land in connection with the mining and removal of minerals therefrom; requiring payment of compensation to surface owners for such appropriation, damage or acquisition; and providing procedures for the determination of the amount of such compensation.

Need for "Fiscal Note" Continued

"Fiscal Note" legislation was adopted first by the state of Wisconsin in 1957. Since then similar legislation also has

been enacted by the states of Massachusetts, South Dakota, Missouri, New Jersey, Oklahoma, Nebraska, Colorado and Tennessee, bringing the total number of "Fiscal Note" states to nine.

In essence, these laws provide that all bills which create or increase a fiscal liability on the part of the state, or are revenue-raising measures, should have an accompanying note clearly disclosing their estimated fiscal effect—such note to be attached upon introduction or to be available at the time the bill is being heard in the assigned committee.

The Minnesota House of Representatives passed such

legislation in the 1963 Session. However, the bill did not get out of the Rules committee of the Senate.

While there appears to be substantial bipartisan support for this type of provision, there are some legislators who favor its inclusion in the joint rules of the Senate and House rather than as a specific law. Obviously, such a procedure would be equally acceptable in providing the essential statistical information to the legislators.

It is to be hoped that the 1965 Legislature will take the necessary action to provide for "fiscal notes" either as a joint rule or as a specific enactment.

III. COMPARISON OF TOTAL APPROPRIATIONS

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

Total appropriations in the five major money bills (State Departments, Semi-State Activities, Welfare and Corrections, Education, and three divisions of the Highway Department) as enacted by the 1963 Legislature amounted to \$662,937,066*—an increase of \$70,704,374 or 11.94% over the \$592,232,692* provided by the 1961 Legislature.

Those three divisions of the Highway Department whose operations are covered by direct appropriations (Administration, Safety and Plant and Equipment) received appropriations totaling \$19,900,890 for 1963-65—up \$1,159,195 from the \$18,741,695 provided for the 1961-63 fiscal period. The balance of the department's operations are financed by open appropriation authority.

Deficiency appropriations and those appropriations "made immediately available," as included in the Omnibus Bills, were markedly reduced—from \$19,823,014 as provided by the 1961 Session to the \$1,444,105 authorized by the 1963 Legislature, or a difference of \$18,378,909. All of this differential is accounted for in the single 1961 deficiency appropriation for "Aid to Schools" in the amount of \$18,636,420. No similar deficiency appropriation was provided by the 1963 Legislature. With the exclusion of these deficiency and "immediately available" appropriations from both the 1961 and 1963 totals, the *net* biennial increase for the five Omnibus Appropriation Bills becomes \$89,083,284.

An over-all comparison of these major appropriation bills is presented on Table 2 on page 8.

*Includes appropriated Occupation Tax and Trust Fund revenues as they apply to the University. Estimated amounts of \$6,552,071 for 1961-63, and \$6,012,698 for 1963-65.

Table 2
COMPARISON OMNIBUS APPROPRIATION BILLS
AS ENACTED BY 1961 AND 1963 LEGISLATURES
— DEFICIENCIES INCLUDED —

(Includes direct appropriations for portions
of the Department of Highways)

	1961 Legislature	1963 Legislature	Increase or (Decrease)
Omnibus Appropriation Bills			
State Departments . . .	\$ 67,324,858	\$ 74,765,322	\$ 7,440,464
Semi-State Activities . .	2,260,968	2,769,760	508,792
Welfare and Corrections	130,672,366	144,775,099	14,102,733
Education	373,232,803 ⁽¹⁾	420,725,994 ⁽²⁾	47,493,191 ⁽³⁾
Total	\$573,490,997	\$643,036,176	\$ 69,545,179
Highway Department			
Administration	4,024,521	4,229,511	204,990
Safety	10,129,941	10,932,655	802,714
Plant and Equipment . .	4,367,233	4,538,724	171,491
Contingent Fund	220,000	200,000	(20,000)
Total	\$ 18,741,695	\$ 19,900,890	\$ 1,159,195
Grand Total	\$592,232,692	\$662,937,066	\$ 70,704,374 ⁽³⁾

(1)Includes School Aid deficiency of \$18,636,420, and Occupation Tax and Trust Fund revenues as they apply to the University in the estimated amount of \$6,552,071.
(2)Includes Occupation Tax and Trust Fund revenues as they apply to the University in the estimated amount of \$6,012,698.
(3)Net General Revenue Fund Liability actually \$539,373, greater by reason of reduction in estimated yield from Occupation Tax and Trust Fund earnings.
Note: Columns may not add due to dropping of cents.

Comparison of Omnibus Appropriations

New or expanded services provided by the 1963 Legislature, reflected in the increased appropriations reported above, will be discussed in detail under the various functional sections of the report.

The shifting of certain items between the Omnibus, Miscellaneous, and Open appropriations also must be recognized in making a true biennial comparison.

Major changes or adjustments are:

1. An appropriation of \$330,000 for "Aid to Cities" was omitted from the Omnibus Semi-State Activities Bill by the 1961 Legislature, but provided for as a separate, miscellaneous appropriation. However, the 1963 Legislature included the item in the Omnibus Bill and in the same amount. With proper adjustment for comparability, the biennial increase in the Semi-State Activities Bill would be \$178,792.
2. Because the Omnibus State Departments Bill had already been confereed, provision for financing salary adjustments for the District Court Judges (\$512,000) and for the Supreme Court Judges (\$49,000) was covered by open appropriation authority. Proper adjustment of these items would make the increase in the State Department Bill \$8,001,464.
3. To keep like items together, the separate deficiency appropriation to cover operations of the Youth Treatment Center prior to July 1, 1963 could have been included in the Omnibus Welfare-Corrections Bill, except for the time element involved. This would have increased both the total 1963-65 appropriations and the differential over 1961-63 by \$92,986.
4. Similarly, the separate miscellaneous appropriation of \$750,000 for the new program, "Medical Assistance for the Aged," is actually a supplement to an appropriation of \$6,900,000 contained in the Omnibus Welfare-Corrections Bill for the same purpose. Properly adjusted, this would increase both the Omnibus Bill total and the differential over 1961-63 by \$750,000.
5. An additional separate appropriation of \$128,000 covering an adjustment in the new pay plan for Correctional Officers should, properly, have been a part of the regular appropriations in the Omnibus Welfare-Corrections Bill. Accordingly, the bill total and increase differential would be greater by this \$128,000.
Changes under Items 3, 4 and 5 total \$970,986 and, for comparative purposes, would increase the total of the Welfare-Corrections Bill to \$145,746,085, and the increase over 1961-63 to \$15,073,719.
6. "Aid to Junior Colleges" was increased by an additional separate appropriation of \$500,000 for the coming two-year period by reason of passage of the tax on colored oleomargarine. Keeping existing like activities together would increase the Omnibus Education Bill to \$421,225,994 and the increase differential over the 1961 Session appropriations to \$47,993,191.

These few items serve to point out some of the variances which make an exact 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 the variances is minor.

Miscellaneous Appropriations

Miscellaneous Appropriations, which are direct spending authorities and usually do not cover recurring items, increased rather substantially from \$9,081,641 as enacted by the 1961 Legislature to \$13,904,548 provided by the 1963 Legislature—an increase of \$4,822,907 or 53.1%.

Major miscellaneous appropriations for 1963-65 include sizeable supplemental amounts for withholding tax administration, for the Workmen's Compensation Fund, and for Junior College Aid. They also include amounts for Medical Assistance for the Aged, the long-range Natural Resources program, Dairy Research, recount costs in connection with the gubernatorial race, a World's Fair Exhibit, and the acquisition, development and improvement of new and existing State Parks.

A detailed listing of the Miscellaneous Appropriations enacted by the 1961 and 1963 Legislatures follows:

Table 3

COMPARISON OF MISCELLANEOUS APPROPRIATIONS AS ENACTED BY 1961 AND 1963 LEGISLATURES

(Including Deficiencies and Appropriations "Immediately Available")

Item	1961 Legislature	1963 Legislature	Increase or (Decrease)
Miscellaneous Claims and Veterans Bonuses..	\$ 501,918	\$ 439,326	\$ (62,592)
Distressed Area Work Projects and Relief..	3,000,000	750,000	(2,250,000)
State Buildings—			
Current Maintenance..	1,701,323	1,059,560	(641,763)
Withholding Tax Administration	750,000	150,000	(600,000)
Daytime Activity Centers, Mentally Retarded ..	36,000	155,000	119,000
Workmen's Compensation, Supplement .....	.....	350,000	350,000
Medical Assistance for Aged .....	.....	750,000	750,000
Southwest State College..	.....	100,000	100,000
Natural Resources .....	.....	7,043,609	7,043,609
Junior College Aid, Supplement .....	.....	500,000	500,000
Dairy Research .....	.....	250,000	250,000
Oleomargarine, Tax Enforcement .....	.....	75,000	75,000
Recount Cost, Governor's Race .....	.....	150,000	150,000
World's Fair Exhibit ..	.....	150,000	150,000
Interim Commissions ...	.....	205,000	205,000
State Parks—Acquisition, Development and Improvement .....	.....	862,200	862,200
Re-assessment Revenue Fund .....	.....	150,000	150,000
Motor Pool	838,000	.....	(838,000)
Aid to Cities	330,000	.....	(330,000)
Glen Lake Sanatorium Remodeling	400,000	.....	(400,000)
Camp Ripley Land Acquisition	500,000	.....	(500,000)
All Other	1,024,400	764,853	(259,547)
Total	\$ 9,081,641	\$13,904,548	\$ 4,822,907

Interim Commissions and Standing Committees

The 1963 Legislature provided for 12 temporary interim commissions, and for continuation of seven statutory commissions or committees. It also provided for continuing the standing committees of the Legislature.

The temporary commissions and the sums appropriated are:

	For Biennium
Tax Resources and Economy—Revision Commission	\$25,000
Mississippi River Parkway Commission..	10,000
Indian Affairs Commission	20,000
Commission on Taxation and Production of Iron Ore and other Minerals	25,000
Northeastern Minnesota Economic Problems Interim Commission	25,000
World's Fair Interim Commission	10,000
Interim Commission on Minnesota River Valley Development	15,000
Highway Interim Commission	25,000

Governmental Immunity Interim Commission	10,000
Interim Commission on Employee Retirement Systems	25,000
Elections Interim Commission	5,000
Interim Commission on Sale of Home Remedies	10,000

The statutory commissions and committees continued, and the funds provided, are:

	For Biennium
State Claims Commission	\$ 15,000
Legislative Buildings Commission	42,000
Interstate Cooperation Commission and Council of State Governments	33,950
Great Lakes Commission	22,000
Uniform Laws Commission	3,150
Legislative Research Committee	145,000
Legislative Advisory Committee	2,000

Open and Standing Appropriations

Excluding income tax refunds, the usually-compared open and standing appropriations of the General Revenue and Income Tax School Funds, which need not be re-enacted each legislative session, rose from \$18,415,510 to \$20,603,180—a two-year increase of \$2,187,670. Included for 1963-65 is the sum of \$400,000 to cover payment of deficiency interest should temporary borrowing in behalf of the Income Tax School Fund become necessary.

Estimated income tax refunds have been eliminated since their inclusion would distort any meaningful biennial comparison. Refunds in fiscal year 1962, which included provision for 75% cancellation of the individual income tax liability for calendar year 1961, amounted to \$7,701,356. For fiscal year 1963—the first reasonably complete year under the withholding system of collections—refunds totaled \$25,928,355*. Refunds for the 1963-65 two-year period have been estimated to be \$57,200,000 (\$28,200,000 in 1964, and \$29,000,000 in 1965).

Earnings of the Endowment School Fund, which are an open appropriation authority in behalf of elementary and secondary public education in the State, are expected to increase by \$2,080,000—from an estimated \$15,170,000 for the 1961-63 period to an estimated \$17,250,000 for 1963-65.

Exclusive of income tax refunds, the construction and maintenance portions of the Highway Department, and certain other dedicated receipt operations, open and standing appropriations for 1963-65 are estimated at \$37,853,180—up \$4,267,670, or 12.7%, over those authorized in the 1961 Session.

An analysis of the estimated Open and Standing Appropriations appears in Table 4.

*Income tax refunds processed to June 30, 1963 totaled \$22,459,143.25. Those processed after July 1, 1963, but applicable to fiscal year 1963, totaled \$3,469,212.

Table 4

COMPARISON OF ESTIMATED OPEN AND STANDING APPROPRIATIONS FOR 1961-63 AND 1963-65 BIENNIUMS

	1961 Legislature	1963 Legislature	Increase or (Decrease)
General Revenue Fund			
Aid to Fire Departments.	\$ 1,630,000	\$ 1,902,000	\$ 272,000
Surcharge for Firemen's Relief	435,000	495,000	60,000
Revenue Refunds	120,000	200,000	80,000
Salary Adjustment			
District Court Judges.		512,000	512,000
Supreme Court Judges		49,000	49,000
All Other	63,500	61,100	(2,400)
Total	\$ 2,248,500	\$ 3,219,100	\$ 970,600
Income Tax School Fund			
\$10 Per Pupil Census Aid.	\$15,900,000	\$16,900,000	\$1,000,000
Deficiency Interest	200,000	400,000	200,000
Attributable Costs	67,010	84,080	17,070
Total	\$16,167,010 ⁽¹⁾	\$17,384,080 ⁽²⁾	\$1,217,070
Total—General Revenue and Income Tax School Funds	\$18,415,510 ⁽¹⁾	\$20,603,180 ⁽²⁾	\$2,187,670
Endowment School Fund			
Portion of "Aid to Schools" Appropriation Calculation	15,170,000	17,250,000	2,080,000
Grand Total	\$33,585,510 ⁽¹⁾	\$37,853,180 ⁽²⁾	\$4,267,670

(1) Excludes Income Tax Refunds, estimated at \$2,210,000 (calculation prior to enactment of Withholding system).

(2) Excludes Income Tax Refunds, estimated at \$57,200,000.

Highway Department "Open" Appropriations

In addition to the open and standing appropriations listed above, estimated highway department expenditures of state revenues for construction, maintenance and other open appropriation authorities for the coming two-year period, exclusive of debt service, are calculated to be \$71,162,750 for 1963-64, and \$69,172,525 for 1964-65—a biennium total of \$140,335,275. The comparable sum for 1961-63 was \$124,605,707. The amount of the biennial increase is \$15,729,568.

Borrowing and Other Statutory Tax Levy Items

The total authorized new borrowing and other statutory items to be financed from the property tax levy increased from \$20,583,274 in the 1961 Session to \$105,213,713 in the 1963 Session—up \$84,630,439. Of the increase, \$29,361,383 originally was appropriated in 1961 but re-appropriated in 1963 following passage of Constitutional Amendment No. 2, and \$16,000,000 represents an increased loan limit set under the Maximum Effort School Aid law.

Table 5
COMPARISON OF APPROPRIATIONS FINANCED
BY STATE MILL LEVIES ON PROPERTY

	1961 Legislature	1963 Legislature	Increase or (Decrease)
New Borrowing Authorized			
State Building Bill—			
New Borrowing Only..\$		\$63,351,818 ⁽¹⁾	\$63,351,818
State Teachers' Retirement Fund	20,583,274	23,788,795 ⁽²⁾	3,205,521
Maximum Effort School Aid Law ⁽³⁾	16,000,000 ⁽⁴⁾	16,000,000
State Airports		2,073,100 ⁽⁵⁾	2,073,100
Total	\$20,583,274	\$105,213,713	\$84,630,439

- (1) Includes repassage of 29,361,383 in new borrowing (initially enacted in 1961 Session) following passage of Constitutional Amendment No. 2 in 1962 General Election.
- (2) Actuary's Preliminary Estimate for budgetary purposes only.
- (3) 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."
- (4) Maximum amount authorized under Minnesota Statutes, Section 124.471 to be issued pursuant to certification of Commissioner of Education on or before October 1 in each year.
- (5) Includes repassage, due to refinancing, of \$850,000 provided by 1961 Legislature.

Refunding Approved by Legislature

Since only authorized *new* borrowing has been included in the above comparison, the following refundment of existing certificates of indebtedness, approved by the 1963 Legislature pursuant to passage of Constitutional Amendment No. 2, have been omitted.

Maximum Effort School Aid	\$ 3,900,000
Various Authorizations (See Chap. 677)	40,700,000
Aeronautics	4,526,900
Total	\$49,126,900

State Teachers' Retirement Fund

The sum indicated for the State Teachers' Retirement Fund represents the actuary's preliminary estimate used for biennial budget purposes. Some revision, no doubt, will be necessary when the exact requirements are certified to the State Auditor for calculation in establishing the state mill rate.

Virtually all of the state mill levy required to finance this fund applies only to non-homestead property *outside* the three cities of the first class since these cities maintain their own retirement plans. Of the levy due in 1963 only .17 mill, covering teachers who were currently employed in state institutions and in the State Colleges, applies to non-homestead property in cities of the first class as well as to non-homestead property outside those cities.

State Airports

In the past, revenues available to the Department of Aeronautics for debt redemption have always been sufficient to preclude the necessity of a general property tax levy for State Airport purposes. It is anticipated that the same conditions will prevail during the 1963-65 biennium.

A general allocation of the State Airport funds to be expended in the coming biennium is found on page 34.

Summary of Appropriations

A summary comparison of the foregoing appropriation groupings enacted in the 1961 and 1963 Legislative Sessions follows:

Table 6
SUMMARY OF APPROPRIATIONS

	1961 Legislature	1963 Legislature	Increase or (Decrease)
Four Omnibus Appropriation Bills	\$573,490,997	\$643,036,176	\$ 69,545,179
Highway Department (Direct Approp. only)	18,741,695	19,900,890	1,159,195
Miscellaneous Appropriations	9,081,641	13,904,548	4,822,907
Open and Standing Appropriations	33,585,510	37,853,180	4,267,670
	634,899,843	714,694,795	79,794,952
Highway Department (Open Approp. Est.)	124,605,707	140,335,275	15,729,568
Total—to be financed by funds <i>other</i> than property tax	759,505,550	855,030,070	95,524,520
Borrowing and Tax Levy	20,583,274	105,213,713	84,630,439
Grand Total	\$780,088,824	\$960,243,783	\$180,154,959

TOTAL STATE SPENDING

Total state spending during the 1963-65 biennium will, in fact, exceed the \$960 million reported in Table No. 6 above.

Excluding certain non-operating expenditures (such as those from revolving funds), total state spending for the biennium, will exceed \$1.5 billion.

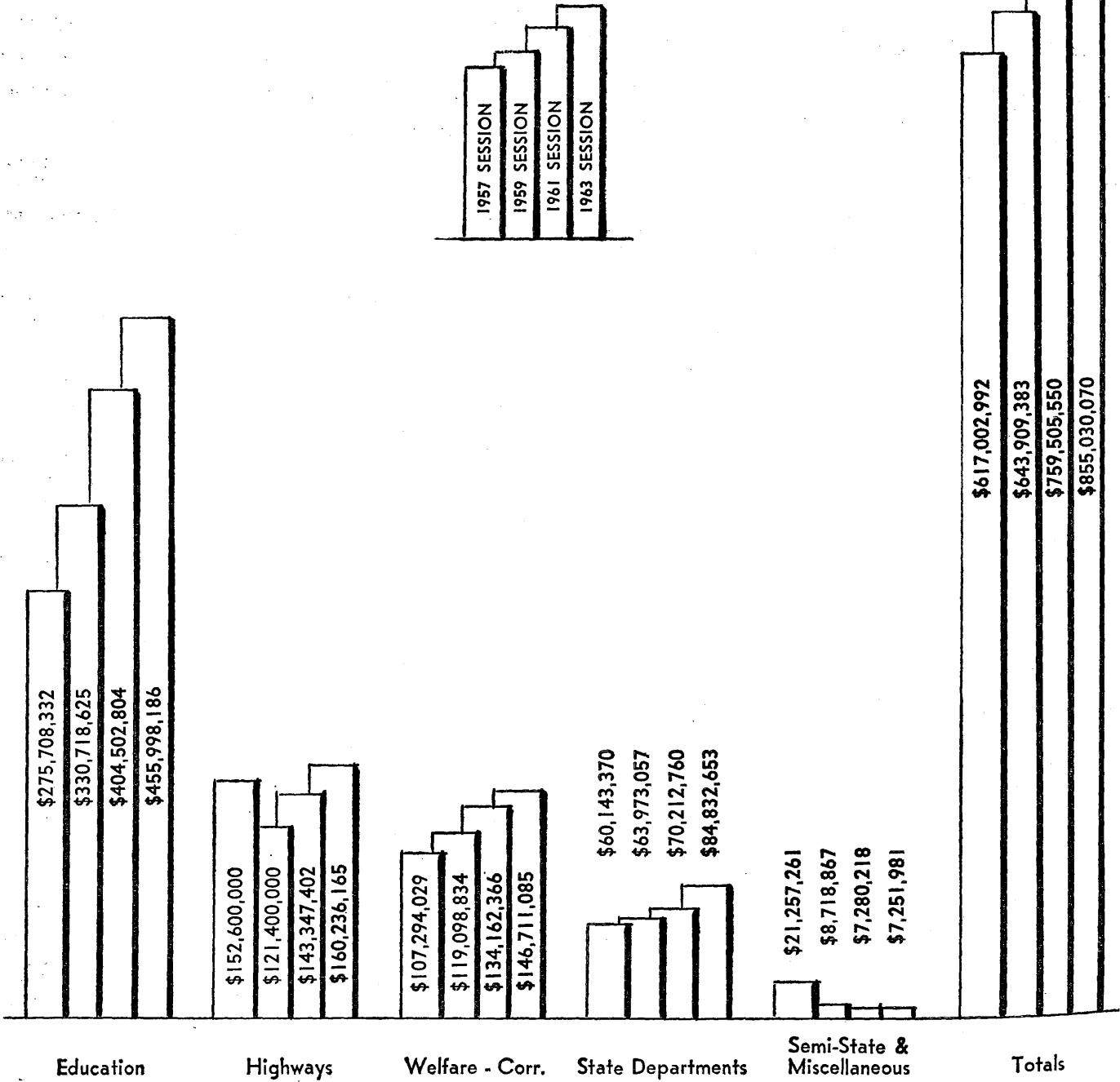
Though the disbursement of the additional funds has been authorized, these expenditures have not been included among the normally recognized open and standing appropriations.

Major expenditure items in addition to the \$960 million reported in Table 6 include:

	Biennium Totals
Federal Funds	\$376,579,255
General Revenue—	
Dedicated Receipts	53,168,922
Minnesota Aeronautics and State Airports	7,545,205
Iron Range Resources and Rehabilitation	765,699
Soldiers' Relief (1/10 mill tax)	350,636
Examining Boards	1,901,705
Distribution of specific taxes to Local Subdivisions	40,680,662
	\$480,992,084

This substantial amount of additional state spending seems to point up, most clearly, the need for legislative review and re-evaluation of (1) the various federal programs and their relationship to state participation and (2) the various shared-tax programs.

Chart No. 1
COMPARISON OF TOTAL APPROPRIATIONS - BY FUNCTION
 Enacted, and Open and Standing Authorities
 (Excluding Income Tax Refunds)
 For 1957-59, 1959-61, 1961-63, and 1963-65 Bienniums
 Endowment School Funds (open) included in comparison. Appropriations of 1957 and 1959 Sessions adjusted to provide comparability.



IV. APPROPRIATIONS COMPARED ACCORDING TO FUNCTION

Continuing the format of previous "Financial and Administrative Reviews," all appropriations—direct, miscellaneous, and open and standing—have been grouped in conformity with the functional titles of the five major appropriation bills:

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

In addition, those appropriations which are general in character have been included in a Miscellaneous category.

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 keep related items together and to focus attention on the particular phases of government for which the tax dollar is being spent.

Table 7

TOTAL APPROPRIATIONS AUTHORIZED

DIRECT AND OPEN—STANDING (I), BY FUNCTION

Includes Estimated Highway Expenditures (Open Appropriations) for the Fiscal Periods 1961-63 and 1963-65

	1961 Legislature		1963 Legislature		Percent Increase or (Decrease)
	Amount	%	Amount	%	
	State Departments	\$ 70,212,760	9.2	\$ 84,832,652		9.9	20.8
Semi-State	2,490,968	0.3	2,669,760	0.3	7.2
Welfare and Corrections	134,162,366 ⁽²⁾	17.7	146,711,085	17.2	9.4
Education	404,502,803	53.3	455,998,185	53.4	12.7
Highway (Direct Appropriations)	18,741,695	2.5	19,900,890	2.3	6.2
Miscellaneous	4,789,249 ⁽³⁾	0.6	4,582,221	0.5	(4.3)
Total	634,899,843⁽³⁾	83.6	714,694,795	83.6	12.6
Estimated Highway Expenditures, excluding Federal Funds and Direct (State) Appropriations	124,605,707	16.4	140,335,275	16.4	12.6
Grand Total	\$759,505,550⁽³⁾	100.0	\$855,030,070	100.0	12.6

(1) Includes General Revenue, Income Tax School, Endowment School and Trunk Highway Funds only.
 (2) Includes \$3,000,000 for Distressed Area Relief and Distressed Area Work Projects transferred from Miscellaneous category.
 (3) For comparability, income tax refunds—estimated at \$2,210,000—eliminated. Note: Columns may not add due to dropping of cents.

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

A. GENERAL COMMENTS

A second new salary plan in as many legislative sessions, additional personnel, merit increases, and the higher cost of supplies and expenses, were once again among the major considerations which confronted the 1963 Legislature in its appropriation deliberations. Since each of these factors are 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

In what was termed "a continuing effort to keep state employee compensation from lagging too far behind that of employees of private enterprise and other public authorities," the Governor's Budget included provisions for a New Salary Plan adjusting the "rates of pay for 845 classes affecting 92 percent of the employees."

The estimated 1963-65 biennium cost of the New Pay Plan covering the recommendations contained in the Governor's Proposed Budget was as follows:

Five Omnibus Bills	
—Excluding Federal Funds	\$ 9,384,346
—Federal Fund Accounts	254,379
	9,638,725
Non-Appropriation Accounts	4,286,003
	\$13,924,728

Total \$13,924,728

In the absence of a position-by-position analysis of all salary appropriations enacted, it is virtually impossible to ascertain the *exact* cost of the New Pay Plan as approved by the 1963 Legislature.

However, it can be estimated, reasonably accurately, that the cost of the Pay Plan, as allowed by the Legislature, will be \$13,730,000 since there were no changes in the recommended estimated costs as they pertained to existing complements. The only change required was in the costs applicable to the additional new personnel allowed—a comparatively small portion of the total cost of the Pay Plan.

The New Salary Plan as adopted by the Legislature actually required the review and allocation of some 885 classes of work, approximating 16,500 classified employees, within the State Civil Service Classification Plan.

No reallocations were proposed for 34 classes whose present classifications were deemed comparable to those of private industry or other governmental jurisdictions. Other classes were adjusted upward from one to six ranges as follows:

34 Classes	No Change
464 Classes	Up one range
290 Classes	Up two ranges
87 Classes	Up three ranges
7 Classes	Up four ranges
2 Classes	Up five ranges
1 Class	Up six ranges

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.

Unclassified positions in various quasi-state activities, whose work is comparable to that of classified employees under State Civil Service, were also similarly adjusted.

Each range change approximates a 4% increase in basic salary. Those classes for whom adjustments of two ranges were indicated received an immediate salary increase of approximately 8% effective July 1, 1963. Except for a few cases, immediate salary increases were limited to 8%. Thus, those whose classes were adjusted three or more ranges were granted an increase of 8% on July 1, 1963, plus having increased "head-room" for subsequent salary adjustments before reaching the maximums of their respective classes.

Economic Salary Adjustments Allowed

A one-step economic salary adjustment was allowed effective July 1, 1963, for those persons in the 34 classes for which no change was proposed in the New Pay Plan.

All other classified employees also received a salary increase of at least one step as an Economic Salary Adjustment, which was considered by the Legislature to be the first step under the New Pay Plan. Adjustments beyond the one-step increase were granted as required under the new salary plan.

Merit and Longevity Increases Allowed

In addition to the other salary adjustments, the 1963 Legislature 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, 1965.

The estimated biennial cost of merit increases for both the existing complements and new positions recommended was as follows:

MERIT INCREASES—1963-65 BIENNIUM

	General Revenue	Income Tax	Other	Total
State Departments ...	\$ 924,520	\$172,793	\$ 31,614 ⁽¹⁾ 131,141 ⁽²⁾ 52,251 ⁽³⁾ 41,700 ⁽⁴⁾	1,354,019
Semi-State Education Welfare	42,788	.....	.....	42,788
.....	1,950,453	76,256	46,056 ⁽¹⁾	2,072,765
.....	1,801,315	483,218	29,320 ⁽¹⁾	2,313,853
Highways .....	.....	.....	266,766 ⁽⁵⁾	266,766
Total	\$4,719,076	\$732,267	\$598,848	\$6,050,191

(1) Federal, (2) Game and Fish, (3) Highway User's Tax, (4) All Other, and (5) Trunk Highway

New Positions

The following statement, included in the Review of the 1961 Legislative Session, is certainly equally applicable today as one reflects on legislative action of the past few years:

"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—(1965) Legislative Session."

For the 1963-65 biennium operating state departments and agencies submitted Biennial Budget requests calling for a total of 4,082.7* new positions, requiring \$44,600,351.

The Governor's Proposed Biennial Budget reduced the departmental requests by over \$24 million, recommending 2,123.32* new positions at an estimated biennial cost of \$20,112,123.

After extensive hearings, field trips and much deliberation both in separate finance committees and in joint appropriation conferences, the 1963 Legislature approved a net total increase of 1,511.94* new positions, at a cost of \$13,330,938 for the coming biennium.

The distribution and biennial cost of the new positions granted—by major functions—were as follows:

—To State Colleges, a total of 284.25 academic and classified positions at a biennial cost of \$2,995,719.

—To the University, a total of 614 academic and classified positions at a biennial cost of \$6,281,983.

—For Mental Hospitals, a net total of 32 positions at a biennial cost of \$235,990. Of these, 10 positions were assigned to the Minnesota Security Hospital and 18 to Anoka State Hospital.

—For Institutions for the mentally retarded, a total of 162.25 positions at a biennial cost of \$1,032,911. Of these, 48 positions were allotted to the Faribault State School and Hospital and 100.25 to the Brainerd State School and Hospital—the newest state facility for the mentally retarded.

—For the new Minnesota Residential Treatment Center a total of 252 positions at a biennial cost of \$935,375. Of these, 54.5 were existing positions to be transferred, as requested, from other institutions or activities.

—For Correctional Institutions, a total of 45.11 positions at a biennial cost of \$423,910. Of these, 18 positions were allocated to the State Training School, and YCC Camps; 15 to the St. Cloud Reformatory, and State Prison; and 12.11 to the Department's Administrative Account.

—For the Historical Society a total of six positions at a biennial cost of \$56,594

—For various State Department activities, a total of 95.83 positions at a biennial cost of \$1,130,840. Of these, 27 positions were allocated to the Department of Taxation, 15.33 to the Department of Administration, and five each to the Governor's office, the State Auditor, and the Hotel Inspection Division of the Department of Health.

—For all other state agencies, a total of 20.5 positions at a biennial cost of \$237,616.

Existing Complements Reduced

The Legislature also specifically reduced the existing complements of various state departments by a total of seven positions, for an estimated biennial savings of \$40,814.

Summary of New Positions

A summary of new positions requested, recommended, and enacted is reported in Table 8 which indicates that the biennial cost of new positions allowed was \$31,228,599 less than the sum *requested* in the departmental budgets and \$6,740,371 less than the amount *recommended* in the Governor's Proposed Biennial Budget.

*Full-time equivalent.

Table 8

NEW POSITIONS

REQUESTED, RECOMMENDED, AND ENACTED

Function	Departmental Requets		Governor's Recommendations		Legislative Enactments	
	Number	Amount	Number	Amount	Number	Amount
State Departments	382.80	\$ 4,675,628	151.8	\$ 1,773,899	95.83	\$ 1,130,840
Semi-State	12.33	112,738	9.	79,825	6.	56,594
Education	1,625.05	19,935,890	1,107.9	12,025,425	901.25	9,310,268
Welfare-Corrections	2,008.52	19,349,923	835.62	6,027,938	500.86	2,728,119
Highways	54.	526,172	19.	205,036	8.	105,117
	<u>4,082.70</u>	<u>\$44,600,351</u>	<u>2,123.32</u>	<u>\$20,112,123</u>	<u>1,511.94</u>	<u>\$13,330,938</u>

REDUCTIONS IN EXISTING COMPLEMENTS

	Number	Amount
State Departments	7.	\$ 40,814

APPROPRIATION SAVINGS EFFECTED

From Biennial Budget	
Requests	\$44,600,351
Enacted Allowances	13,330,938
Decrease from Requests.	\$31,269,413
Reductions in Existing Complements	40,814
Total Reduction from Requests	\$31,228,599
From Governor's Recommended budget	\$20,112,123
Enacted Allowances	13,330,938
Decrease from Recommendations	\$ 6,781,185
Reductions in Existing Complements	40,814
Total Reduction from Recommendations ..	\$ 6,740,371

New Positions Granted by 1959, 1961 and 1963 Legislatures

During the last three legislative sessions a net total of 2,607.51* new positions have been granted for new or expanded state services including the staffing of new facilities. The estimated biennial cost of these added positions, when provided, was \$20,545,120.

Obviously, the total current liability would be even greater since most would have been affected by the last two Salary Plans (July 1, 1961 and July 1, 1963). In addition, those new positions which were "phased in," when allowed, would now have to be computed on a full annual salary liability basis.

*Full-time equivalent.

B. STATE DEPARTMENTS

On a functional basis, direct and open appropriations classified as state department activities increased \$14,619,892, or 20.8%, over similar appropriations enacted by the 1961 Legislature. State department activities account for 9.9% of the total appropriations authorized for the 1963-65 biennium—an increase from the 9.2% provided for the 1961-63 period.

Adoption of the new salary plan, additional personnel, and the introduction of new activities account for the increased appropriations. Some of the new activities or principal increases are reported below. A detailed listing of appropriations can be found in Appendix Table A.

Table 9
STATE DEPARTMENTS
COMPARISON OF APPROPRIATIONS BY
1961 AND 1963 LEGISLATURES

	1961	1963	Increase or (Decrease)	
	Session	Session	Amount	Percent ¹
State Departments Appropriations ...	\$ 70,212,760	\$ 84,832,652	\$14,619,892	20.8
Total Current Appropriations (Excluding Borrowing and property Tax Levy)				
From Table 7	759,505,550	855,030,070	95,524,520	12.6

Legislature	\$ 775,000*
Department of Taxation	983,609*
District Courts	669,382*
Supreme Court	175,617*
Department of Labor and Industry..	515,555
Department of Business Development	389,691
Department of Agriculture	589,033*
Division of Game and Fish	1,883,077
Division of State Parks	983,062
Natural Resources Bill	6,988,609*

*New activity or new function included.

Activation of Legislative Standing Committees Authorized

The sum of \$250,000 was provided for activation of the standing committees or subcommittees of both Houses of the Legislature (\$125,000 for each) during the coming interim. Such committees are "to make studies and investigations within the general jurisdiction of each such committee, or as otherwise prescribed by resolution, existing at the time the Legislature last adjourned in regular session."

The per diem expense allowance for legislators was increased from \$8 and \$12 to \$12 for those whose districts are in the metropolitan area and \$18 for out-state legislators. Legislative salaries were continued at \$200 per month for the term of office despite considerable discussion in support of an increase. The Legislature last granted itself a salary adjustment in 1955.

Collections Unit

The appropriation increase for the Department of Taxation includes \$122,401 for establishment of a Collections Unit—a new activity, as such, within the Income Tax Division. The new unit will apparently supplement, for the next two-year period, the present collections work being done, but with special emphasis on delinquent accounts.

District Courts

The increased appropriation for the District Courts provides for the salaries and expenses of five additional new judges—making a total of 64 for the State's ten judicial districts. Also included is provision for a \$4,000 annual increase for each of the 64 judges (from \$14,500 to \$18,500* effective July 1, 1963), for which the sum of \$512,000 for the biennium was provided by open appropriation authority. (Chap. 863)

Administrative Assistant Added to the Supreme Court

The 1963-65 appropriations for the Supreme Court include provision for the addition of an Administrative Assistant at a salary of not to exceed \$16,500 annually. Salaries of the Supreme Court Justices were also increased by \$3,500 annually, effective July 1, 1963—the Chief Justice from \$20,000 to \$23,500 and the Associate Justices from \$19,000 to \$22,500—the necessary funds also being provided by open appropriation authority.

Labor and Industry Legal Staff Increased

To expedite the handling of a backlog of workmen's compensation claims, three new positions were added to the legal staff of the Department of Labor and Industry.

Promotion of Tourist Industry and Business and Industrial Development Increased

The Department of Business Development was granted three additional personnel, plus a substantial increase in funds for advertising and public relations. The Department estimates that approximately 70% of the biennial allowance of \$480,000 will be used for tourist promotion, and the remaining 30% for business and industrial promotion.

*In addition to the payment by the State, \$1,500 shall be paid by each county in their respective districts having a population of 200,000 or more.

Promotion of Seaway Trade

Included among the appropriations for the Department of Business Development is a new appropriation of \$50,000 annually to the Port Authority of Duluth, to be used for the promotion of seaway trade.

Dairy Research

Of the appropriation increase for the Department of Agriculture, the sum of \$250,000 from the 10 cents a pound tax on colored oleomargarine is to be used in "carrying on research and development in the area of new and better uses for dairy and related products."

An additional appropriation of \$20,000 was made available for another new activity—the promotion of Minnesota agricultural products.

Game and Fish Appropriations Include Federal Funds

What appears to be a sizeable increase in appropriations to the Division of Game and Fish is, in fact, a reduction since the 1963-65 figures include, as direct appropriations, approximately \$1.9 million in federal funds—previously treated as federal reimbursements.

State Parks

In addition to its appropriations covering normal operations, the Division of State Parks received sizeable supplemental appropriations financed (1) from \$1 increase in park permits, (2) from its one-third share of the un-refunded tax on gasoline used in motor boats, and (3) from appropriations included in the Natural Resources Bill supported by a one cent increase in the cigarette tax.

Natural Resources Bill

One of the most outstanding and important pieces of conservation legislation in many years was the enactment of "The Omnibus Natural Resources and Recreation Act of 1963." (Chap. 790) Its legal purpose is—

"... to lay the basis for establishing a long-term, comprehensive program to preserve, develop and maintain the natural resources of this state. . . . Such resources include, but without limitation, forests, parks, historic sites, wildlife areas, access to and improvement of lakes, streams, scenic areas, and camping grounds."

While the act is silent regarding the anticipated life of the program, it was the general feeling among legislators and its supporters that it will require approximately 10 years and slightly over \$50 million for its accomplishment.

The act establishes the Minnesota Outdoor Recreation Resources Commission composed of 14 members—seven each from the Senate and House of Representatives.

An advisory council was also created consisting of a representative from each of several state agencies, a member designated by the mayor of each city of the first class (from among the professional park and recreation staff of such cities), and designees (one each) by the regional director of the U. S. Fish and Wildlife Service, the Federal Forest Service, the National Park Service, the Bureau of Outdoor Recreation, the Corps of Army Engineers, and the University of Minnesota. The sole function of the Advisory Council is to advise and counsel the Commission in the

development of ways, means, and procedures whereby maximum cooperation may be obtained from all agencies and groups in accomplishing the purposes expressed in the act.

Appropriations for the next two-year period, to be financed or repaid from a one cent increase in the cigarette tax (.07 to .08), totaled \$7,043,609, allocated as follows:

Land Acquisition	
For 14 new State Parks	\$1,072,702
For 20 existing State Parks	584,907
Development Savanna Portage State Park	265,000 (1)
Maintenance, operation, and improvement of Tower Soudan State Park	122,000 (2)
Development and improvement of State Parks	944,000
Acquisition and development of Fort Snelling State Park	400,000 (1)
Land in Memorial Hardwood State Forest.....	300,000
Development forest roads	300,000
Increased tree nursery production	200,000
Topographic, geological and mineral mapping together with aerial photographs for forestry purposes	400,000
Tree planting on state-owned lands	300,000
Public forest campgrounds	100,000
Study of Red River Basin	70,000
Hydrological studies and research	150,000
For contributions to watershed district and soil and water conservation projects	150,000
Development wildlife management areas, spawning areas, and sites for public access to and improvement of lakes and streams	300,000
Acquisition wildlife land	400,000
Acquisition land and water rights for spawning	150,000
Establishing and maintaining historic sites	80,000
Work projects in areas of economic distress	500,000
Expenses of Natural Resources Commission	150,000
Administration and Collection of additional cigarette tax	55,000
Contingent Fund	50,000
Total	\$7,043,609

(1) Includes provision for land acquisition.
 (2) No funds included for land purchase.

State Athletic Commission

A new direct appropriation to the State Athletic Commission in the amount of \$4,000 annually was initiated by the 1963 Legislature. The Commission has been operating exclusively on the receipts from boxing licenses and franchise fees.

New Positions Added

For the various activities included in the functional State Departments category, a total of 382.8 full-time equivalent new positions were requested by the various departments, at an estimated biennial cost of \$4,675,628.

The Governor's Budget recommended 151.8 full-time equivalent positions at an estimated cost of \$1,773,899.

The 1963 Legislature allowed 95.83 new positions at a biennial cost of \$1,130,840, while also deleting seven existing positions at an estimated savings of \$40,814—making a net increase of 88.83 full-time equivalent new positions at a biennial cost of \$1,090,026.

	<u>Number</u>	<u>Amount</u>
Requested by Departments	382.8	\$4,675,628
Recommended by Governor	151.8	1,773,899
Allowed by Legislature	95.83	1,130,840
Legislative Reductions	7	40,814
Net increase allowed by Legislature	88.83	\$1,090,026

MAJOR NON-APPROPRIATION LEGISLATION AFFECTING STATE DEPARTMENTS

Sale of Buildings and Other Personal Property Owned by the State

Chapter 24 provides that the Commissioner of Administration may sell buildings and other personal property at auction to the highest responsible bidder in lieu of advertising for bids. Such sales shall be made after publication of notice in a newspaper of general circulation in the area where property is located for at least two successive weeks and such other advertising as the Commissioner of Administration may direct.

Doctors of Osteopathy to be Licensed by Board of Medical Examiners

Chapter 45 abolishes the Board of Osteopathy but adds a Doctor of Osteopathy to the State Board of Medical Examiners and provides for licensing of Doctors of Osteopathy by that Board.

Hunting and Fishing License Fees

Chapter 476 increases resident license fees for taking deer with either firearms or bow and arrow from \$3.50 to \$5. Licenses for fish or dark houses during the winter fishing season were increased from \$1 to \$2, to \$3 if offered for rent. (Chap. 476)

Fees for Campgrounds in State Forests

Chapter 657 authorizes the Commissioner of Conservation to establish and develop campgrounds in state forests, and to charge fees for their use. The fees are to be deposited in the state treasury and appropriated to the Division of Forestry to cover the costs of the development and operation of such campgrounds.

Minnesota Criminal Code of 1963

Started in 1955 and completed with its enactment in 1963, the new criminal code (Chapter 753) is a comprehensive revision of all criminal laws of the State and is the culmination of diligent work by the legislative Interim Commission on Juvenile Delinquency, Adult Crime and Corrections, and of an Advisory Committee on Revision of the Criminal Law composed of members of the bench and bar.

The objectives sought in the revision, as summarized by the Advisory Committee, are:

- First, to remove duplications, inconsistencies, invalid provisions, and obsolete materials.
- Second, to state in clear, simple, and understandable terms the elements of the crime.
- Third, to conform the law to accepted modern standards and concepts within the field of the specific crime considered.
- Fourth, to confine the provisions of the criminal code to those matters of substantive criminal law which properly belongs there.

Administrative Assistant to Supreme Court

Chapter 758 creates the office of Administrative Assistant to the Supreme Court. It also provides for annual conferences of judges and for the reimbursement of necessary expenses incurred in attending these conferences.

Counsel Fees and Expenses

Chapter 838 provides funds for legal fees and appeal expenses incurred by persons convicted of a felony in a district court who, due to poverty, are unable to meet these expenses themselves, and who are without counsel and are acting in good faith and upon reasonable grounds.

Water Pollution Control Commission

Chapter 874 expands the powers of the Water Pollution Control Commission to enable it to prevent and abate pollution of state waters by the construction and operation of municipal sewage systems. The Commission is required

to classify the waters of the State into classes and adopt standards of purity and quality for each class, giving consideration to chemical and biological properties of the water and its capacity to absorb sewage disposal.

Any order adopted by the Commission for the prevention, control, or abatement of pollution may be enforced by injunction or other appropriate legal action by the Attorney General at the request of the Commission.

Taxes, special assessments, bonds or other evidences of indebtedness issued for the installation, construction, maintenance or operation of a municipal disposal system are excluded from any limitation on tax levies or debt limits.

C. SEMI-STATE ACTIVITIES

Semi-State activities, covering such quasi-state operations as the Historical Society, Minnesota Soldiers Home, and the Horticultural Society, continue to comprise 0.3% of the total appropriations authorized—despite an increase of \$178,791, or 7.2%, for the 1963-65 biennium.

Table 10
SEMI-STATE ACTIVITIES
COMPARISON OF APPROPRIATIONS BY
1961 AND 1963 LEGISLATURES

	<u>1961</u> <u>Session</u>	<u>1963</u> <u>Session</u>	<u>Increase or (Decrease)</u> <u>Amount Percent</u>	
Semi-State Activities Appropriations	\$ 2,490,968	\$ 2,669,760	\$ 178,791	7.2
Total Current Appropriations (Excluding Borrowing and property Tax Levy)	759,505,550	855,030,070	95,524,520	12.6

Major changes in appropriations made for Semi-State activities are:

	<u>1961</u> <u>Session</u>	<u>1963</u> <u>Session</u>	<u>Increase or</u> <u>(Decrease)</u>
Historical Society	\$518,498	\$683,675	\$165,177
Soldiers Home	633,885	654,271	20,386
Interstate Cooperation Commission, Council of State Government, and Uniform Laws Commission	24,450	37,100	12,650
Societies and Associations for Development and Conservation of Natural Resources	477,300	468,850	(8,450)
Academy of Science	13,000	5,000	(8,000)

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

New Positions Added

For the various activities included in the Semi-State category, a total of 12.33 new positions were requested by the various agencies, at an estimated biennial cost of \$112,738.

Of these, the Governor's Budget recommended nine, at an estimated cost of \$79,825 for the two-year period.

The 1963 Legislature allowed six of the eight new positions recommended for the Historical Society, at an

estimated biennial cost of \$56,594. It denied the one new position recommended for the Minnesota Soldiers Home.

	<u>Number</u>	<u>Amount</u>
Requested by Departments	12.33	\$112,738
Recommended by Governor	9	79,825
Allowed by Legislature	6	56,594

Bounty Payments

Payment of wolf, fox, and lynx or bobcat bounties was continued for another two-year period, to be financed by an appropriation from the Game and Fish Fund.

Bear bounties were also continued in the nominal amount of \$100 per year, financed by appropriations from the General Revenue Fund.

Minnesota Field Archaeology Act of 1963

Chapter 5 provides for a state archaeologist to be appointed by the director of the Minnesota Historical Society for a term of four years. The law also prohibits field archaeology on any state site by persons other than the state archaeologist or qualified individuals duly licensed by the director of the Minnesota Historical Society. The intent of the law is to discourage amateur archaeologists who might not have the requisite knowledge.

State Fair Funds Transferred to State Agricultural Society

Chapter 388 provides that all money in the state treasury credited to the Minnesota State Fair Operating Account be appropriated to the Minnesota State Agricultural Society.

Minnesota State Arts Council

Chapter 615 changes the name of the Minnesota State Art Society to the Minnesota State Arts Council.

Establishment and Maintenance of Historic Sites

The Omnibus Natural Resources and Recreation Act (Chapter 790) provides the sum of \$40,000 per year for the establishment and maintenance of historic sites. Such funds are to be expended subject to the approval of the Minnesota State Historical Society.

D. WELFARE AND CORRECTIONS

Although Welfare and Corrections appropriations for 1963-65 were increased by 9.4%, or \$12,548,718 over comparable enactments for the 1961-63 fiscal period, they will constitute a lesser percentage of the total spending authorized, decreasing from 17.7% for 1961-63 to 17.2% for the 1963-65 period.

Table 11

WELFARE — CORRECTIONS COMPARISON OF APPROPRIATIONS BY 1961 AND 1963 LEGISLATURES

	1961	1963	Increase or (Decrease)	
	Session	Session	Amount	Percent
Welfare-Corrections Appropriations	\$134,162,366 ⁽¹⁾	\$146,711,085	\$12,548,718	9.4
Total Current Appropriations (Excluding Borrowing and Property Tax Levy)	\$759,505,550	\$855,030,070	\$95,524,520	12.6

(1) Includes \$3 million for Distressed Relief Area and Distressed Area Work Projects. Included with Miscellaneous in Bulletin No. 43.

Principal biennium appropriation increases or decreases are as follows:

Program	Increase or (Decrease) 1963 over 1961
Mental Health Research, Training and Out-Patient Clinics	\$ 730,000
Support for Children Under Guardianship	268,720
Care, Relief, and Support of Dependent Children	2,380,000

Care, Relief, and Support of Aged	(6,210,000)
Medical Assistance to Aged	7,650,000 ⁽¹⁾
Mental Hospitals	1,093,179
Schools and Hospitals for Mentally Retarded	3,181,781
Day Care Centers—Mentally Retarded	119,000
Special Schools and Hospitals	522,850
Ah-Gwah-Ching Nursing Home	395,842
Glen Lake Hospital and Oak Terrace Nursing Home	1,041,511
Residential Treatment Center (New)	2,897,741
Department of Corrections, including Probation Services, Institutions, and YCC Camps	1,437,388
All Other	(2,959,294)
Total Increase	\$12,548,718

(1) Program effective July 1, 1964.

A detailed listing of Welfare-Corrections appropriations is reported in Appendix Table A.

New Positions Added

For the various welfare and correctional activities, a total of 2,008.52 full-time equivalent new or transferred positions were requested at an estimated biennial cost of \$19,349,923.

The Governor's Budget recommended 835.62 new or transferred positions at an estimated cost of \$6,027,938 for the two-year period.

The Legislature allowed 500.86 full-time equivalent new or transferred positions at an estimated biennial cost of \$2,728,119.

A summary of the new and transferred positions requested, recommended and enacted—by activity—follows:

Table 12

NEW AND TRANSFERRED POSITIONS (Estimated Biennial Costs Indicated)

	Requested		Recommended		Enacted	
	Number	Amount	Number	Amount	Number	Amount
Welfare-Corrections						
Welfare—Central Office						
Administration	10	\$ 122,429	2	\$ 22,016	2	\$ 22,032
Administration Exp. on Aging	7	79,320	4	60,562	2	24,942
Mental Hospitals	584	6,117,515	215	1,358,080	32	235,990
Mentally Retarded	702.25	5,480,357	245.75	1,199,843	162.25	1,032,911
Special Schools and Hospitals	136.5	1,134,319	11.75	108,100	5.5	52,959
Minnesota Residential Treatment Center	361.5 ⁽¹⁾	4,131,204 ⁽¹⁾	284 ⁽¹⁾	2,725,909 ⁽¹⁾	252 ⁽¹⁾	935,375 ⁽¹⁾
Corrections	207.27	2,284,779	73.12	553,428	45.11	423,910
Totals	2,008.52	\$19,349,923	835.62	\$6,027,938	500.86	\$2,728,119

(1) Includes 54.5 positions transferred from units providing services to be transferred to the Minnesota Residential Treatment Center as follows: 30 from Hastings Children's Unit, 13.5 from Children's Center, 8 from Corrections Administration, 1 from Home School for Girls, and 2 from Training School for Boys. Estimated biennium cost of 54.5 transferred positions, \$200,000.

**Mental Health Research
Mental Health Training Program**

Appropriations for mental health research were increased by \$80,000—from \$200,000 for the 1961-63 period to \$280,000 for the present biennium.

Training funds were substantially increased from \$200,000 for the 1961-63 biennium to \$350,000 for the 1963-65 period—up \$150,000, a 75% increase. The additional funds are intended to provide for an increase in the number of psychiatric residents.

**Mental Health
Out-Patient Clinics**

State support for Community Mental Health Centers was increased by \$500,000 to \$1,900,000 for the 1963-65 biennium. At present there are 17 such clinics operating throughout the State. With the increased appropriation the Department of Public Welfare anticipates that a few additional new Centers can be established (though even then not attaining 100% geographical coverage), plus providing for continued development and consolidation of programs in the larger existing facilities. The new Centers will be financed with state funds to the legal limit of 50% (75% to counties receiving Equalization Aid).

Aid to Dependent Children

State appropriations for the care, relief and support of dependent children for the coming biennium increased \$2,380,000—from \$12,620,000 in 1961-63 to \$15,000,000 for 1963-65.

Higher state costs are again the result of an increasing caseload and higher maintenance costs, plus a higher proportion of families receiving medical allowances.

The ADC caseload during the past five years has been rising faster than the proportionate increase in population. In June, 1957, the number of children receiving ADC—per 1,000 population under 18 years of age—was 18. It had reached 23 in June, 1962. And the trend is expected to continue, reaching 26 by June, 1965. At that time it is anticipated by the Department of Public Welfare that the caseload will be 13,036 families, involving 37,200 children.

Higher average maintenance allowance—3% increase per year anticipated—reflect increased costs of shelter and utilities and a slight increase in the size of the family units. The Department estimates that the average maintenance grant will reach \$162 per month by the end of the 1963-65 biennium.

The proportion of families receiving medical allowances is also expected to rise—from 49.7% in fiscal 1962 to an estimated 53.0% in fiscal 1965. Average medical grants are expected by the Department to increase almost 5% each year, to an estimated "average medical grant" of \$56.20 by June, 1965. With medical allowances constituting about 15% of the total costs, roughly \$4.5 million of the total program in 1965 will be expended for this service alone.

A breakdown of the gross program costs including trend adjustments and 1963 legislative changes, prepared by the Department of Public Welfare, follows:

AID TO DEPENDENT CHILDREN

<u>Grants in Aid</u>	<u>1963-64</u>	<u>1964-65</u>
Federal Share	\$10,877,000	\$11,430,000
County Share	7,498,500	8,389,500
State Share	7,501,500	8,392,500
Total Grants	<u>\$25,877,000</u>	<u>\$28,212,000</u>
<u>State Costs</u>		
State Share—Aid	\$ 7,498,500	\$ 8,389,500
State Share—Burials	3,000	3,000
	7,501,500	8,392,500
Less—State Share Recoveries.....	5,000	5,000
Net—State Cost (Estimated)	<u>\$ 7,496,500</u>	<u>\$ 8,387,500</u>
Appropriations	\$ 7,390,000	\$ 7,610,000

To conform with federal legislation enacted in 1962, the Minnesota ADC Act was amended by the 1963 Legislature as follows:

1. ADC to be available to children placed temporarily in a licensed foster home or private children's institution under certain conditions.
2. Child in ADC family, at the discretion of the county agency, to be permitted to save his earnings for some future purpose approved by the county agency. (College education.)
3. In not to exceed 5% of the cases in any month, ADC payment may be made to an individual other than parent or relative with whom the dependent child is living, i.e., where mother and child should remain together but mother inadequate to manage household budget in best interest of child.

Old Age Assistance Program

Appropriations for the care, relief and support of the aged for the coming biennium decreased \$6,210,000—the State's share of the program decreasing from \$24,300,000 for the 1961-63 period to the enacted \$17,090,000 for the 1963-65 biennium.

However, coincident with this decrease of \$6,210,000 in the Old Age Assistance (OAA) program was the enactment of two new separate appropriations covering "Medical Assistance to the Aged" (MAA), in the combined amount of \$7,650,000, to become effective July 1, 1964.

The old age assistance caseload is expected by the Department of Public Welfare to continue to decline due to improved coverage and benefits under the OASI program, reaching 10.1% of the total number of persons 65 years of age and over in Minnesota by June, 1965.

The Department estimates that higher average maintenance costs will be offset by a higher proportion of new recipients having income.

Nursing Home and "medical only" cases under the OAA program will be transferred to the new appropriation authority, MAA, effective July 1, 1964. It is anticipated that the number of such cases will approximate 9,075 of the then existing OAA caseload. The Department anticipates that only the more expensive OAA medical care cases will be transferred to the MAA program. Thus, medical costs in certain instances will still be paid under the OAA program. Personal incidentals for nursing home cases will be paid from MAA funds.

The projected gross program costs and the State's proportionate share including trend adjustments, as prepared by the Department of Public Welfare, follows:

OLD AGE ASSISTANCE

Grants in Aid	1963-64	1964-65
Federal Share	\$29,130,000	\$22,164,000
County Share	14,504,000	7,046,000
State Share	12,537,000	6,194,000
Total Grants	\$56,171,000	\$35,404,000
State Costs		
State Share—Aid	\$12,412,000	\$ 6,194,000
State Share—Burials	125,000	125,000
State Share—Refunds	8,000	8,000
	12,545,000	6,327,000
Less—State Share Recoveries	460,000	200,000
Net State Costs	\$12,085,000	\$ 6,127,000
Appropriations	\$11,990,000	\$ 6,100,000

Medical Assistance to the Aged

In addition to the estimated 9,075 recipients under the Old Age Assistance program who will be transferred to the Medical Assistance to the Aged program effective July 1, 1964, the Department estimates that the enacted appropriation also will provide for 5,700 persons who would not qualify as OAA recipients but would be eligible for medical assistance under Minnesota's version of the Kerr-Mills law.

From OAA Program	Case Load
Nursing Home Cases	8,500
Medical Only Cases	575
Not under Old Age Assistance	5,700
Total	14,775

The new law (Chapter 595) provides the full range of recognized and licensed health care services for any person meeting the following eligibility requirements:

1. Resides in Minnesota (any period of time; no one-year requirement as in OAA).
2. Is 65 years of age or over.
3. Equity in real property does not exceed \$15,000.
4. Does not have more than \$750 in cash or other liquid assets, if single, or \$1,000 if married.
5. Gross income does not exceed \$1,800 annually, if single, or \$2,400 if married.
6. Has spent or become obligated to spend not less than \$200 for medical care (including premiums on health insurance) during the 12 months preceding application. This requirement may be waived if applicant and spouse do not have sufficient resources or income to make this expenditure.

The projected gross program costs for fiscal year 1965 indicating the distribution by governmental units, as prepared by the Department of Public Welfare, follows:

MEDICAL ASSISTANCE FOR THE AGED

Grants in Aid	1963-64	1964-65
Federal Share	None	\$19,830,000
County Share		7,910,000
State Share		7,910,000
Total Grants		\$35,650,000
State Costs		
State Share—Aid		\$ 7,910,000
Appropriations		\$ 7,650,000

Contingent Fund for Food Established

A new contingent fund, under authority of the Legislative Advisory Committee, was created to provide such necessary supplemental funds as may be required for food at state institutions in the event the actual population exceeds the estimated population used in preparing the appropriation bill.

Day Care Centers—Mentally Retarded

State support for Day Care Centers for the mentally retarded was substantially increased from the initial appropriations of \$36,000 for 1961-63 to \$155,000 for the 1963-65 biennium.

During the 1961-63 fiscal period, 10 pilot daytime activity centers were established on a demonstration basis—some operated only on a half-time basis, others on a full daytime basis.

Approximately 125 children, ranging in age from 4 to 34 were enrolled—with young adults comprising 30 to 40 of the total group.

The biennium appropriation increase of \$119,000 is intended to cover the establishment of eight more Centers. With these additional facilities the Department expects that about 325 children can be served.

State support is limited, by law, to 50% of all operating costs. Of the existing 10 Centers, three have been financed 50% from county funds and 50% from state appropriation. The remaining seven Centers were financed 50% by state appropriation with the balance coming from United Funds, private sources, or non-profit corporations.

Computations by the Department of Public Welfare indicate that the average cost of operating the Day Care Centers is \$30 per month per child.

Minnesota Residential Treatment Center

A new combined state facility, the Minnesota Residential Treatment Center, located at Lino Lakes in Anoka County, started operating on June 5, 1963 with the initial transfer of 17 children from the state-operated Oak Terrace Children's Center.

The new Center is designed to accommodate the diagnosis, care and treatment of emotionally disturbed and psychotic children under the jurisdiction of the Department of Public Welfare, and the reception and diagnostic functions for juvenile delinquents and youthful offenders committed to the Youth Conservation Commission.

Residential capacity of the new facility is 312—providing living accommodations for 64 children under the Department of Public Welfare and 248 youths and juveniles under the Department of Corrections.

In addition to these two separate segments, there is an Administrative Division responsible for all aspects of the Center's operational facilities *exclusive* of the professional diagnostic, medical and treatment programs. Functions of the administrative division will include Business Management, Engineering, Maintenance, Food Service, House-keeping, Reception and Typing, Stores and Warehouse, and Personnel Service.

The approved staffing complement for 1963-65 is 252, distributed as follows:

- 64 for Administration
- 113 for Corrections
- 75 for Welfare

Appropriations for the 1963-65 biennium total \$2,804,755, distributed as follows:

Salaries	\$2,307,946
Current Expense	488,809
Repairs and Replacements	8,000
	\$2,804,795

Since both children and staff are to be "phased in" during the first year of the Center's operations, the full appropriation liability (for salaries and current expense) was not provided for until fiscal year 1965. Therefore the appropriations for 1965-67 will be substantially higher just to maintain the status quo.

E. EDUCATION

Appropriations for education for 1963-65 increased \$51,495,382, or 12.7% over comparable appropriations by the 1961 Legislature.

This 12.7% increase was consistent with the 12.6% increase in *total* current appropriations. Spending for education, as compared to the total appropriations authorized, rose slightly—from 53.3% to 53.4%.

Table 13
EDUCATION
COMPARISON OF APPROPRIATIONS BY
1961 AND 1963 LEGISLATURES

	1961	1963	Increase or (Decrease)	
	Session	Session	Amount	Percent
Education Appropriations	\$404,502,803	\$455,998,185	\$51,495,382	12.7
Total Current Appropriations (Excluding Borrowing and Property Tax Levy)				
From Table 7...	759,505,550	855,030,070	95,524,520	12.6

A detailed listing of the appropriations for education is reported in Appendix Table A. The principal increases are:

	1961	1963	Increase or (Decrease)	
	Session	Session	Amount	Percent
State College Board ..	\$15,172,584	\$18,966,316	\$3,793,732	
University of Minnesota	71,528,463	82,463,238	10,934,775	
Aid to Schools	274,912,420	306,094,000	31,181,580	
\$10 Census Aid	15,900,000	16,900,000	1,000,000	
Endowment School Fund	15,170,000	17,250,000	2,080,000	

New Positions Added

For the various activities included in the functional Education category, a total of 1,625.05 full-time equivalent new positions were requested at an estimated biennial cost of \$19,935,890.

The Governor's Budget recommended 1,107.9 positions at an estimated cost of \$12,025,425.

The 1963 Legislature allowed 901.25 full-time equivalent new positions at a biennial cost of \$9,310,268.

	Number	Amount
Requested by Departments	1,625.05	\$19,935,890
Recommended by Governor	1,107.90	12,025,425
Allowed by Legislature	901.25	9,310,268

DETAILS OF APPROPRIATIONS

Appropriations to the Department of Education, the State College Board, the University of Minnesota and the newly-created State Junior College Board are presented separately, and in greater detail, below.

DEPARTMENT OF EDUCATION

Continuing direct appropriations to the Department of Education increased by \$761,840—from \$4,490,777 in the 1961 Session to \$5,252,617 in the 1963 Session.

Funds for the School Construction Loan Program or Maximum Effort School Aid Law for the 1963-65 biennium are provided by new legislation (Chapter 601) covering the refunding of existing certificates of indebtedness and the authorization of additional funds for debt service and capital loans.

A comparison of the appropriations for the Department for 1961-63 and 1963-65 follows:

	1961	1963	Increase or (Decrease)
	Session	Session	
Salaries	\$1,539,264	\$1,702,467	\$ 163,203
Supplies and Expense	269,188	274,116	4,928
Research	80,000	60,000	(20,000)
Vocational Training of			
Disabled Persons	1,353,925	1,699,034	345,109
Community Lunch Program	800,000	900,000	100,000
Aid to Rural Public Libraries	250,000	375,000	125,000
Experimental Laboratory Program	164,400	195,000	30,600
Scholarship—Indian Students	27,000	40,000	13,000
Liaison Committee	7,000	7,000	.....
Totals	\$4,490,777	\$5,252,617	\$ 761,840

New Positions

For activities within the Department of Education, a total of 77 new positions were requested at an estimated biennial cost of \$840,175.

Of these, the Governor's Budget recommended 24 at a biennial cost of \$267,538.

The 1963 Legislature further reduced this number to three, at an estimated two-year cost of \$32,566.

	Number	Amount
Requested by Departments	77	\$840,175
Recommended by Governor	24	267,538
Allowed by Legislature	3	32,566

Educational Aids

The largest single appropriation for education—"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.

The \$10 Per Pupil Census Aid which 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) is included in Table 14 for informational purposes.

The Endowment School Apportionment which is distributed on the basis of pupil units in average daily attendance also is included for informational purposes.

Table 14

"AID TO SCHOOLS" APPROPRIATION TENTATIVE ALLOCATION

ITEM	1963-64	1964-65
Pupil Units (Estimated)	840,000	860,000
1. Foundation Program Aid—excluding Census Aid and Apportionment....	\$126,479,000	\$132,353,000
2. County Equalization Aid.....	200,000	200,000
3. Emergency Aid.....	600,000	600,000
4. Transportation Aid.....	13,970,886	14,885,666
(a) Independent.....	\$12,205,736	\$13,077,861
(b) Isolated.....	28,999	27,549
(c) Crippled.....	529,953	614,745
(d) Secondary.....	1,141,884	1,107,628
(e) Closed.....	64,314	57,883
5. Special Classes for Handicapped Children.....	3,945,500	4,457,000
(a) Deaf.....	140,000	151,000
(b) Blind.....	131,000	152,000
(c) Mentally Retarded—		
Educable.....	1,770,000	2,080,000
Trainable.....	185,000	215,000
(d) Speech.....	457,000	494,000
(e) Crippled.....	268,500	289,000
(f) Emotionally Disturbed.....	55,500	64,000
(g) Neuro Impaired.....	49,000	69,000
(h) Home and Hospital.....	400,000	420,000
(i) Other Essential.....		
Personnel.....	458,000	490,000
(j) Supplies and Other Services.....		
(k) Summer School for Crippled Children.....	31,500	33,000
6. Vocational Aid.....	3,851,614	4,551,334
Total "Aid to Schools" Appropriation.....	149,047,000	157,047,000
7. Income Tax School Fund (\$10 per Pupil).....	8,400,000	8,500,000
8. Endowment School Apportionment.....	8,500,000	8,750,000
GRAND TOTAL.....	<u>\$165,847,000</u>	<u>\$174,297,000</u>

Foundation Aid Program

In determining foundation aid payments, which are made on the basis of pupil units in average daily attendance (ADA), each kindergarten pupil on half-day sessions (approved by the Commissioner of Education), each elementary pupil, and each pupil in grades 7 through 12 in secondary schools, is counted as one-half, one, and one and one-half pupil units respectively.

The foundation aid concept, as enacted by the 1957 Legislature, was again increased by the 1963 Legislature as follows:

Foundation Aid
(Based on Pupil Units in Average
Daily Attendance)

	1963	1964	1965
Formula A	\$285	\$309	\$315
Mill Rate	19	19	19
Formula B	\$ 90	\$ 95	\$ 95

The Foundation Aid Program provides that the maximum aid shall equal the amount payable under Formula A or Formula B, whichever is the greater.

Formula A provides \$309 for Fiscal Year 1964 and \$315 for Fiscal Year 1965 (previously \$285) for each resident elementary, secondary, and area vocational-technical pupil unit in average daily attendance minus 19 mills times the current adjusted assessed valuation of the district as established by the Equalization Aid Review Committee. The \$10 census aid and the apportionment aid are included in the sums provided under Formula A. (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 payment of \$95 (previously \$90) per pupil unit in average daily attendance for each resident elementary, secondary, and area vocational-technical school pupil plus the \$10 Census Aid. The \$95 payment shall include the amount payable as apportionment from the school endowment fund.

The 1963 Legislature also revised the Foundation Aid Program to include actual debt redemption in addition to maintenance costs in computing per pupil unit costs under Formula A, and added certain conditions regarding the payment of aid under both Formulas A and B.

If a school district's per pupil unit cost for debt redemption and maintenance is less than \$309 in 1964 (\$315 in 1965), the aid shall be reduced by deducting the difference between such figure and the district's per pupil unit cost times the district's pupil units in average daily attendance. Under this new provision, the aid payable under Formula B could be reduced *below* the present \$90.

If a school district does not levy 19 mills, the aid payable under either Formula A or B shall be reduced by the amount of the current adjusted assessed valuation, times the number of mills the local effort is less than the required 19 mills. Formula B aid, however, shall not be reduced below \$90 in this instance.

Adjusted Assessed Valuation Limited

In calculating the foundation program aid the current adjusted assessed valuations shall not be increased more than eight percent annually, exclusive of any property added to the tax rolls—improved, reclassified, or reassessed—since the prior assessment. (Chap. 334)

Transportation Aid and Rates

Transportation Aid represents a very substantial—and growing—portion of the total State Aid appropriations. The State Department of Education estimates Transportation Aid to total \$28,856,552 for the current two-year period. (See Table 14 for detailed estimates.) The comparable allowance for 1961-63 was \$28,645,000.

The annual legal limits of transportation reimbursement aid for the various classifications of schools are:

Classification of Schools	Legal Limits
Independent	\$60 per pupil, not to exceed 80% of total cost (including depreciation).
Isolated	\$72 per pupil, not to exceed 80% of total actual costs.
Crippled	\$225 for transportation of crippled children and those mentally retarded.
Secondary	\$48 per pupil paid to county treasurer who, in turn, reimburses school district not to exceed one and one-half times amount to state aid.
Closed	One-half transportation costs but not to exceed \$18 per pupil.

Transportation Aid No Longer First Priority

The 1963 Legislature deleted the requirement that transportation aid shall be paid before any other aids are paid. (Chap. 20)

Teaching Certificate or Permit Required

The law relating to state aids to school districts was amended to provide that the employment of a teacher who does not hold a valid teaching certificate or permit shall be cause for the withholding of state aid to that district. (Chap. 203)

Closed School Districts

Chapter 547 provides for the inclusion of all territory of non-operating school districts within districts maintaining classified elementary or secondary schools.

Aside from a few specific exemptions, any organized school district which on July 1, 1965 is not maintaining a classified school shall be dissolved and the district attached to a district maintaining classified elementary and secondary schools.

Rural Library Aid

Appropriations for library service to rural areas of the State were increased from \$250,000 for 1961-63 to \$375,000 for 1963-65—up \$125,000.

An appropriation rider provides that—

“... not to exceed \$5,900 each year may be expended 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.”

Experimental Laboratory Program

The experimental laboratory program, started in fiscal 1962, was continued for another two-year period by the

1963 Legislature. Appropriations for 1963-65 total \$195,000—up \$30,600 from the funds provided for the 1961-63 period.

Appropriation language provides

“... for the continuation of the expanded experimental laboratory program in mathematics and other areas of elementary and secondary school curriculums to the greatest extent possible.”

Liaison Committee

A biennial appropriation of \$7,000 was again 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, the University of Minnesota, and the newly-created State Junior College Board each received appropriations in like amount (\$7,000) as their respective shares of the estimated total cost.

Maximum Effort School Loan Law

In addition to clarifying some of the statutory procedures of the Maximum Effort School Loan law (M. S. Sections 124.38 to 124.40 and 124.46), the 1963 Legislature directed the State Auditor (1) to issue and sell school loan bonds of the state of Minnesota in the maximum amount of \$3,900,000 to cover redemption of certificates of indebtedness previously issued, and (2) to issue and sell additional school loan bonds for the maximum amount of \$16,000,000 for use by the School Loan Committee in making debt service loans and capital loans for new construction. (Chap. 601)

STATE JUNIOR COLLEGES

Junior College Board Established

The 1963 Legislature created a State Junior College Board to have all powers necessary and incident to the management, jurisdiction and control of state junior colleges. (Chap. 837)

The law provides that not to exceed 15 state junior colleges are to be established under the Board, which may locate a state junior college at the place of any of the existing junior colleges maintained by a public school district. (There are eleven such public junior colleges with enrollment for 1963-64 estimated at 4,000 students.)

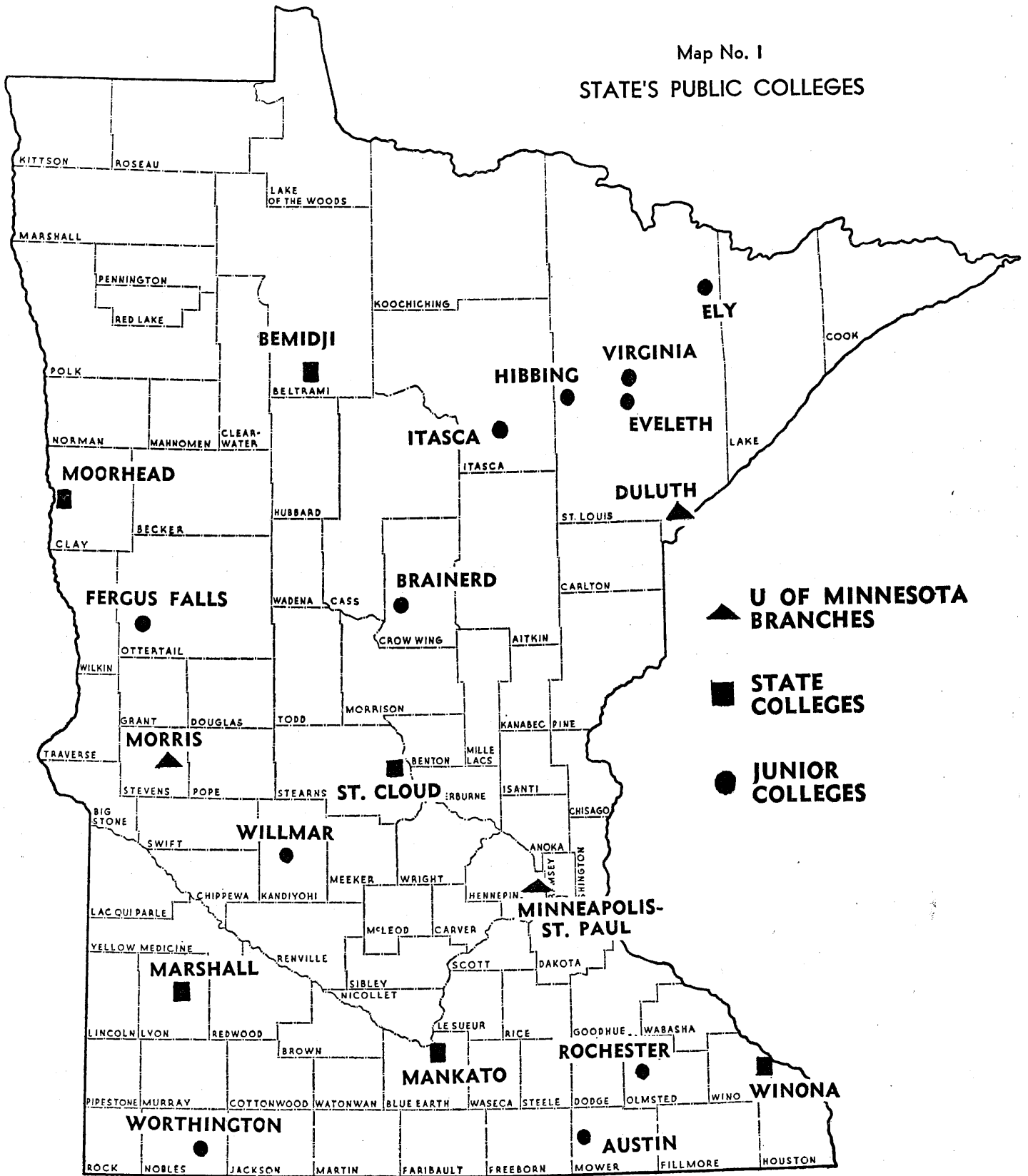
It further provides that three of the state junior colleges shall be situated within the counties of Ramsey, Anoka, Washington, and Hennepin, and that consideration also be given to the needs for a state junior college in northwestern Minnesota.

The law also provides, however, that the State Junior College Board shall not locate or take over the operation of an existing junior college prior to July 1, 1964.

The Board consists of five members appointed, for staggered terms, by the governor with the advice and consent of the Senate. Except for the first Board, members shall be appointed for seven-year terms commencing on July 1, in the year in which their terms begin.

A local advisory committee, composed of qualified persons with knowledge of and interest in junior colleges, is to be appointed by the Board for each state junior college. Advisory committee members must reside in the area served by such junior college.

Map No. 1
STATE'S PUBLIC COLLEGES



Map Courtesy St. Paul Dispatch

Junior College Aid

For fiscal year 1964, an appropriation of \$1,200,000 was provided, continuing the state aid grant of \$300 per student (both resident and nonresident) in average daily attendance in the existing eleven public junior colleges.

In addition, an allowance of \$50 per year—increasing the state aid grant payment to \$350 per student—was provided by the 1963 Legislature from revenues to be derived from the new 10-cent tax on colored oleomargarine. A sum of not to exceed \$250,000 per year was appropriated to cover this supplemental \$50 grant.

Operation and Maintenance of State Junior Colleges

For fiscal year 1965, an appropriation of \$2,128,000 was made to the newly-created State Junior College Board to cover the "Operation and Maintenance of Junior Colleges."

Expenses of the Board (salaries, supplies, and expense) were covered by appropriations of \$50,000 and \$60,000 for fiscal years 1964 and 1965, respectively.

In addition, a contingent appropriation in the biennial amount of \$100,000 was also provided to supplement, if needed, appropriations made to cover expenses of the Board or for the operation and maintenance of the junior colleges.

To those school districts still operating junior colleges after July 1, 1964, the state aid payment of \$350 per student will be continued. Payment will be made out of the \$2,128,000 appropriation to the newly-created State Junior College Board and from the funds appropriated from the 10-cent tax on colored oleomargarine.

State Costs of Junior College Program

State funds appropriated to cover "Aid to Junior Colleges" for the 1961-63 fiscal period, including a 1963 deficiency in the amount of \$93,365, totaled \$1,946,865. State funds provided for 1963-65 to cover salaries and expenses of the Board, cost of operating and maintaining such state junior colleges as are under its direction and for any continuing state aid payments, total \$4,038,000—an increase of \$2,091,135 in state funds in the field of junior college education.

STATE COLLEGES

Enrollment in the five state colleges continues to reach new "highs"—12,867 and 14,404 students during the 1962 and 1963 school years respectively. These totals include only regular students on a full-time equivalent basis.

Appropriations for the 1963-65 biennium were based on estimated enrollments of 16,014 in 1963-64, and 17,515 in 1964-65. (Actual enrollment as of the second week of the Fall Quarter of the 1964 school year was 16,151.)

In view of these anticipated enrollment increases, provision was made for additional academic and civil service positions as well as the necessary increases in related operating expenses.

Total appropriations to the State College Board, including the special Training Programs, increased \$3,793,-

732—from \$15,172,584 as enacted in the 1961 Session to \$18,966,316 as provided by the 1963 Legislature.

Additional Revenue Available

In addition to the state appropriations provided for maintenance and equipment, state college receipts for the coming biennium have been estimated at \$4,481,064 for 1963-64 and \$4,879,021 for 1964-65.

These estimates include tuition and course fees, tuition paid by school districts served by the college laboratory schools, plus the sum of \$25,000 annually from the Dormitory Account to cover the cost of services provided by the State College Board and the various college Business Offices.

Excluded are the dormitory fees, bookstore revenues, athletic department receipts and other college activity funds outside the Maintenance Account.

New Positions Provided

The State College Board requested a staffing increase of 539.75 new positions for the 1963-65 biennium at an estimated two-year cost of \$7,297,654.

The Governor's Budget recommended a total of 288 new positions at a biennium cost of \$3,086,507.

Enacted appropriations provide for 284.25 new positions during the two-year period, at an estimated cost of \$2,995,719.

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

	Requested		Recommended		Allowed	
	No.	Amount	No.	Amount	No.	Amount
Academic	423.5	\$6,459,936	210	\$2,607,888	207.	\$2,519,930
Classified	116.25	837,718	78	478,619	77.25	475,789
Totals	539.75	\$7,297,654	288	\$3,086,507	284.25	\$2,995,719

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—the grouping of the positions as established by State College Board rules and regulations.

The minimum and maximum salaries for each group, as provided by the 1963 Legislature, are as follows:

Group	Minimum	Maximum
I.....	\$7,100	\$13,000
II.....	6,200	11,000
III.....	5,400	9,500
IV.....	4,800	8,500
V.....	3,760	6,500

The 1963 Legislature provided for merit increases of 5% of the total salaries for unclassified employees. Individual increases may be granted of more or less than 5%, but the sum total can not exceed the 5% allowed.

The 1963 Legislature also set the following annual salary limitations:

	<u>Shall not exceed</u>
College Presidents	\$17,000
Any officer or employee of State College Board.....	16,000
Other 12-month Unclassified Positions.	14,500

Tuition Rates

Tuition rates for 1963-65 were increased by the 1963 Legislature. The new rates and those being replaced, are as follows:

On Campus	Per Credit Hour	
	Previous	1963-65
Regular School Year—Resident.....	\$3.50	\$4.25
Regular School Year and Summer Session—Non-Resident...	5.50	6.50
Summer Session—Resident	4.50	5.50
Graduate—Resident	5.50	6.00
Graduate—Non-Resident	7.50	8.50
<u>Off Campus Tuition Rates</u>		
All Students—Resident or Non-Resident	7.50	8.00
<u>New</u>		
Placement Service Registration Fee....	.....	6.00

This 75¢ tuition increase per credit hour for the regular resident student amounts to \$12 per quarter—based on the normal load of 16 credit hours per quarter.

In addition, all students pay a \$10 Student Activity Fee and a \$5 Student Union Fee, per quarter.

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.

New Programs Added

Three new programs were provided by the 1963 Legislature. These were assigned to Winona State College, with the following appropriations:

	<u>For 1963-65</u>
Nurses Training Program.....	\$41,000
Teaching Machine Research Project...	1,230
Oslo, Norway Affiliation Project.....	2,800

National Defense Student Loan Program

State funds for the National Defense Student Loan Program were again expanded from an appropriation of \$75,000 annually during the 1961-63 biennium to \$120,000 for 1963-64 and \$143,000 for 1964-65.

Federal funds presently available amount to \$250,000 annually per institution—or \$1,250,000 for Minnesota's five state colleges. Federal funds represent 90% of the total program; the State must contribute the remaining 10%.

Thus far Minnesota has not utilized all of the funds available (on a 90%-10% basis), but undoubtedly the maximum will be reached during 1963-65.

In 1962-63 the sum of \$1,054,526 was disbursed to 2,063 students, producing an average loan of \$511.16. Using this experience as a guide, the funds available should provide loans for approximately 2,675 and 2,725 students in 1964 and 1965, respectively.

Liaison Committee

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

College in Southwestern Minnesota

Chapter 689 provides for the establishment of a technical and two-year liberal arts college in southwestern Minnesota,* under the State College Board. The city of Marshall has now been selected as the site of this college. The selection was made by a committee consisting of the president of the University of Minnesota, the president of the State College Board, the commissioner of education, the executive director of the State College Board, and the director of the University High School. The sum of \$100,000 was appropriated to the State College Board for use in the initial stages of planning and construction. The law provides that the State College Board shall add a third and fourth year curriculum to the liberal arts courses at such time as it deems feasible and necessary.

The law removes the requirement that a director on the State College Board must be a resident of the county in which a state college is located, but adds that no two directors shall be residents of the same county.

Board May Award Master's Degree

Chapter 590 authorizes the State College Board to award Masters' degrees in other fields in addition to teacher education.

UNIVERSITY OF MINNESOTA

State funds appropriated for the University—exclusive of the Occupation Tax and Trust Fund earnings—increased \$11,474,148, from \$64,976,392 in the 1961 Session to \$76,450,540 in the 1963 Session.

However, with the addition of the Occupation Tax receipts and Trust Fund earnings—which are also appropriated by the Legislature—the net total increase becomes \$10,934,775, since estimated receipts from these sources decreased from \$6,552,071 for 1961-63 to an estimated \$6,012,698 for the 1963-65 biennium.

Gross appropriations to the University increased from \$71,528,463 for 1961-63 to \$82,463,238 as enacted by the 1963 Legislature.

	<u>1961 Legislature</u>	<u>1963 Legislature</u>	<u>Increase or (Decrease)</u>
State Funds	\$64,976,392	\$76,450,540	\$11,474,148
Occupation Tax and Trust Fund Earnings	6,552,071	6,012,698 ⁽¹⁾	(539,373)
Totals	\$71,528,463	\$82,463,238	\$10,934,775

(1) The appropriated receipts to the University of Minnesota Maintenance Account have been estimated in the total appropriation computations as follows:

	<u>For 1963-64</u>	<u>For 1964-65</u>
Occupation Tax	\$1,196,500	\$1,146,000
Permanent University and Swamp Land Interest Funds	1,761,940	1,908,258
Totals	\$2,958,440	\$3,054,258
Biennial Total	\$6,012,698	

*Within the area comprising the counties of Brown, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, Lincoln, Lyon, Martin, Meeker, Murray, Nobles, Pipestone, Redwood, Renville, Rice, Rock, Swift, Watonwan, and Yellow Medicine.

A comparative breakdown of the gross University appropriations follows:

	1961 Legislature	1963 Legislature	Increase or (Decrease)
Maintenance and Improvements	\$54,901,455	\$63,502,050	\$ 8,600,595
Morris Branch	563,529	964,135	400,606
Liason Committee	7,000	7,000	.....
General Hospital	8,138,120 ⁽¹⁾	9,318,656	1,180,536
Psychopathic Hospital ..	1,373,890	1,528,906	155,016
Child Psychiatric	532,474	593,874	61,400
Rehabilitation Center ..	902,999	1,112,269	209,270
Multiple Sclerosis	110,000	133,865	23,865
Special Appropriations ..	4,698,996	5,302,483	603,487
Computer Purchase	250,000	.....	(250,000)
Library Books	50,000	.....	(50,000)
Total Amounts	\$71,528,463	\$82,463,238	\$10,934,775

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

Excluding the receipts from the Occupation Tax on Iron Ore and the Trust Fund earnings (estimated at \$6,552,071 for 1961-63, and \$6,012,698 for 1963-65), the State's increased appropriation liability is distributed—by funds—as follows:

Funds	Increase or (Decrease)
General Revenue Fund	\$11,422,164
Iron Range Resources and Rehabilitation...	63,984
Income Tax School Fund	(12,000)
Total State Increase	\$11,474,148

Special Appropriations

Special Appropriations, covering specific research and studies, increased \$603,487—from \$4,698,996 in 1961-63 to \$5,302,483 for 1963-65.

New or expanded Special Appropriation Projects include:

	1961-63	1963-65	Increase
Beneficiation of Manganiferous and Low Grade Ores	\$ 324,000	\$ 387,984	\$ 63,984
Industrial Relations Education..	82,000	90,000	8,000
Training Program for Delinquency Control	20,500	38,500	18,000
General Research	235,000	250,000	15,000
Special Education, Training and Research Program	84,000	92,299	8,299
Livestock Sanitary Board and Laboratory	216,000	253,000	37,000
Agricultural Research—			
Rosemount	225,000	242,545	17,545
General Agricultural Research..	1,050,000	1,180,000	130,000
General Agricultural Extension..	1,450,000	1,630,800	180,800
Legume and Seed Research	80,000	90,000	10,000
Geological Survey	75,000	115,000	40,000
Beneficiation of Industrial Minerals and Nonferrous Deposits. ....	.....	100,000	100,000

Beneficiation of Industrial Minerals and Nonferrous Deposits

A new Special State Appropriation in the sum of \$50,000 annually was enacted "to provide beneficiation services for evaluating state industrial mineral deposits, such as sand, gravel, clays, limestone, building stone, and marl."

In its Biennial Budget Request the University also indicated that the program would be a service function of benefit to "the large number of small operators in the industrial minerals field who cannot afford the elaborate test facilities necessary. . . ."

In addition, the request indicated that "exploratory work should also be made to develop processes to recover the large tonnages of titanium, copper, and nickel in northern Minnesota."

Tuition Increased

No increase in tuition rates was contemplated in the Biennial Budget Request of the University of Minnesota.

Similarly, no increase in estimated tuition rates was anticipated in the Governor's Biennial Budget Recommendations.

After a re-appraisal of its fiscal requirements in the light of the enacted Omnibus Education Appropriation Bill, the University Board of Regents approved an increase in the fee schedule for the coming biennium—for most colleges—of \$5 per quarter for resident students and \$20 per quarter for nonresident students. The estimated increased revenue from the tuition adjustment is \$521,505 for 1964 and \$579,519 for 1965—a total of \$1,104,024 for the 1963-65 biennium.

These adjustments will increase the Resident tuition for the colleges of Education, and Science, Literature and the Arts, for example, from \$80 to \$85 per quarter, plus the Incidental Fee of \$20 per quarter. Nonresident tuition for these colleges will be \$240 per quarter—up \$20—plus the \$20 per quarter Incidental Fee.

Tuition for the technical and professional colleges will also be higher. For example, tuition and course fees for resident students in the College of Medical Science will be \$175 per quarter; for nonresident students, \$350 per quarter.

University Enrollments

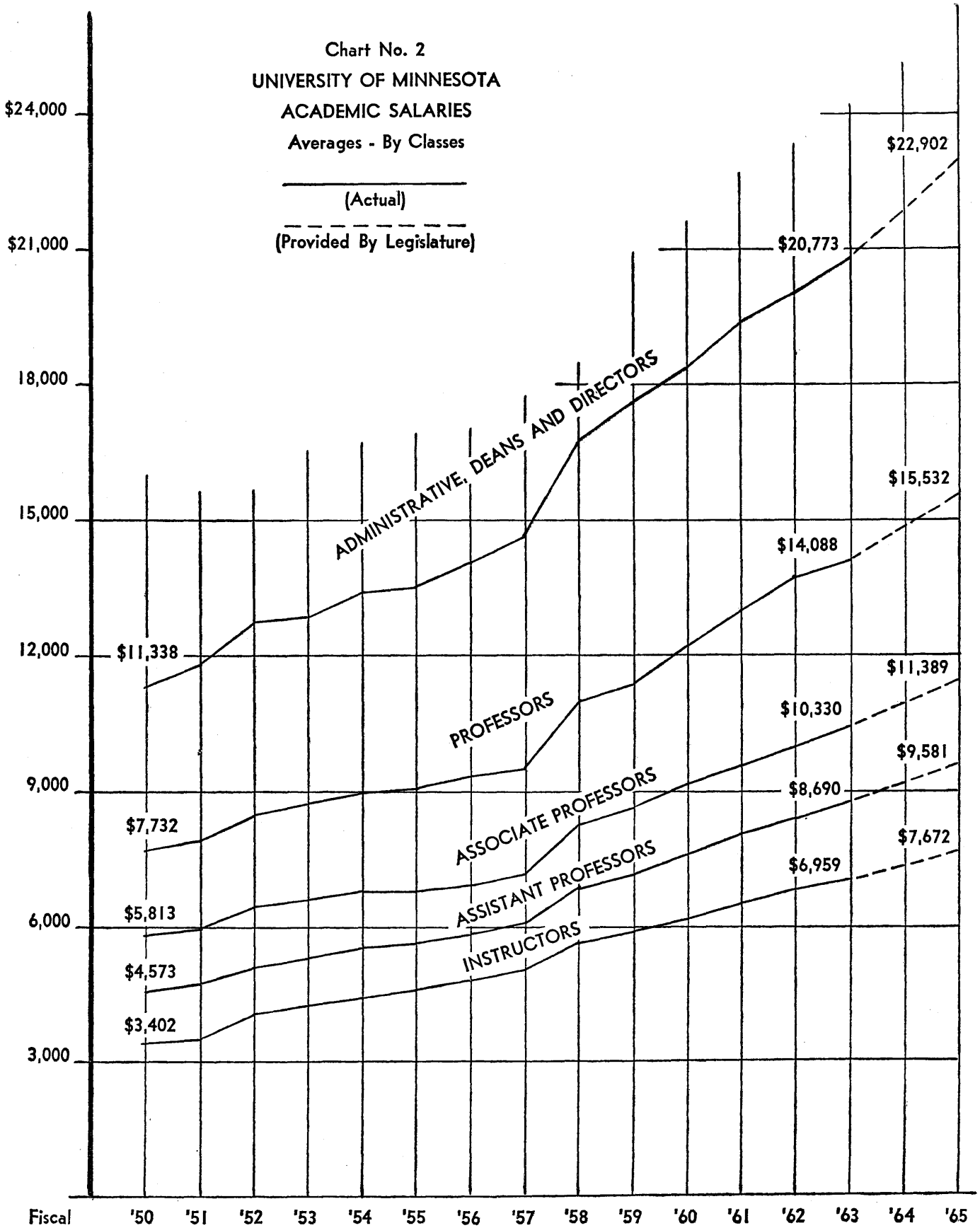
Collegiate enrollments are estimated and determined at the end of the second week of the Fall Quarter, generally the high point of the school year.

A comparison of past estimated and actual enrollments including the 1964 and 1965 estimates follows:

Year	University Estimate	Actual	Increase or (Decrease) over Estimate
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 Maintenance	28,200	30,409	2,209
Morris	410	437	27
1963-64 Maintenance	28,800	33,094	4,294
Morris	544	522	(22)
1963-64 Maintenance	32,750	34,422	1,672
Morris	650	690	40
1964-65 Maintenance	35,700	.....	.....
Morris	700	.....	.....

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

Chart No. 2
 UNIVERSITY OF MINNESOTA
 ACADEMIC SALARIES
 Averages - By Classes



Source: University Biennial Budget Requests

SALARIES

Academic

The University again—as in the 1961 Legislative Session—requested cumulative academic salary increases of 8% each year of the 1963-65 biennium for the academic staff to cover “salary improvements and promotions.” This same pattern obtained for all activities involving academic personnel, i.e., Maintenance, Hospitals, and Special Appropriations.

The estimated additional costs requested, covering academic salary adjustments for all accounts except the Special Appropriations,* were \$1,617,841 for fiscal year 1964 to be continued in fiscal year 1965, plus an additional \$1,946,832 for fiscal year 1965—for a projected biennial cost of \$5,182,514.

The Governor’s Budget Recommendations provided for 6% each year—for a cumulative biennial cost of \$3,822,811.

Enacted appropriations by the 1963 Legislature allowed increases of 5% each year—for a cumulative biennial cost of \$3,152,236.

Civil Service

Merit increases for the classified employees were requested on the basis of 3.4% per year—computed on an accumulative basis. Funds were also requested to cover the Proposed New Salary Plan, calculated at 6.7% of the fiscal 1963 budgeted salary liability.

For all accounts except the Special Appropriations, the sum of \$4,226,471 was requested as the biennial cost of merit increases and for the New Pay Plan.

The Governor’s Budget recommended the proposed New Pay Plan and merit increases for all eligible positions each year of the biennium. The “2% reversion factor,” used in computing recommended salary appropriations for state departments and agencies having 25 or more employees, was not applied to the various University accounts. The total amount recommended for the New Pay Plan and merit increases was \$3,925,302—after making reductions for those persons at the maximum of their classes.

The Legislature, as a general policy, however, granted no merit or longevity increases during the first year of the biennium—only in the second year. A one-step Economic Salary Adjustment was allowed for all classified employees effective July 1, 1963—such increase to be considered as part of the pay increase under the New Pay Plan. Any increases *beyond* the one-step adjustment were granted only as required by the New Pay Plan.

The total sum provided by the 1963 Legislature for both merit increases and the New Pay Plan was \$2,847,714 for the 1963-65 biennium.

* Included as a part of a “formula” increase.
** Full-time equivalents.

New Academic Positions**

Exclusive of the Special Appropriations (see page 28), the University requested an increase of 440.5 academic positions during the biennium—at a cumulative cost of \$7,215,094.

The Governor’s Budget recommended a total of 327.2 new academic positions at an estimated cost of \$4,987,423. Though computed by academic groupings, his recommendations provided for an over-all staffing ratio of 1:13.0 in 1964, and 1:13.4 in 1965.

The Legislature apparently concurred in most of the Governor’s Budget Recommendations. After making a reduction in the number of new academic positions recommended for the Morris Branch, a net staffing increase of 320 positions was allowed as follows:

	Number	Biennial Amount
Maintenance Account	301	\$3,917,995
Morris Branch	16	262,595
Child Psychiatric Hospital	1	5,174
Multiple Sclerosis	2	15,598
Total	320	\$4,201,362

New Civil Service Positions**

Again, exclusive of the Special Appropriations, a total of 567.8 additional classified positions were requested during the coming two-year period—at a cumulative cost of \$4,582,966.

The Governor’s Budget recommended 468.7 additional civil service positions, at a biennial cost of \$3,683,957.

The 1963 Legislature provided 294 new positions, at a cost of \$2,080,621, as follows:

	Number	Biennial Amount
Maintenance Account	216.1	\$1,626,852
Morris Branch	6.	56,710
University Hospital	39.4	252,511
Psychopathic Hospital	4.	28,844
Rehabilitation Center	28.5	115,703
Total	294.0	\$2,080,621

MAJOR NON-APPROPRIATION LEGISLATION AFFECTING EDUCATION

Permanent University Fund

Chapter 566 provides that the investment management of the Permanent University Fund shall be under the jurisdiction of the Board of Regents of the University, subject to any limitations imposed by the State Constitution, Article VIII, Section 6. Income from the Permanent University Fund shall be subject to appropriations to the Board of Regents by the Legislature.

F. HIGHWAYS

Total appropriations (both open and direct) for the Department of Highways increased by \$16,888,763 or 11.8% from \$143,347,402 for 1961-63 to \$160,236,165 for the 1963-65 fiscal period.

Anticipated expenditures for highway purposes will constitute 18.7% of the estimated 1963-65 total spending of state funds—a slight reduction from the 18.9% appropriated for the 1961-63 period.

Table 16
HIGHWAYS
COMPARISON OF APPROPRIATIONS BY
1961 AND 1963 LEGISLATURES

	1961	1963	Increase or (Decrease)	
	Session	Session	Amount	Percent
Highways (Direct & Open)	\$143,347,402	\$160,236,165	\$16,888,763	11.8
Total Current Appropriations (Ex- cluding Borrowing and Property Tax Levy Items)				
From Table 7 ..	\$759,505,550	\$855,030,070	\$95,524,520	12.6
Appropriations				
Direct	\$ 18,741,695	\$ 19,900,890	\$ 1,159,195	6.2
Open (Est.) ..	124,605,707	140,335,275	15,729,568	12.6
Total ...	\$143,347,402	\$160,236,165	\$16,888,763	11.8

Appropriation Control

The three segments of the Highway Department which continue under direct appropriation control (initiated July 1, 1961) are the Administrative Division, Safety Division, and Plant and Equipment Division.

In the interest of desirable budgetary control and good fiscal management, it is hoped that the next Legislature will give serious consideration to also placing the construction and maintenance divisions of the Department of Highways under direct appropriation control.

New Positions Added

For the three divisions subject to direct appropriation control, the Department requested a net increase of 54 new positions, at an estimated biennial cost of \$526,172.

The Governor's Budget Recommendations allowed for a net increase of 19, at an estimated two-year cost of \$205,036.

Final action by the 1963 Legislature provided nine new positions for the Administrative Division and a reduction of one in the Safety Division—a net increase of eight in the staffing of the three direct appropriation accounts, at an estimated biennial cost of \$105,117.

Salaries of Employees in State Highway Patrol

By specific legislation, the beginning monthly salaries of the various patrol classifications for fiscal years 1964 and 1965 are:

Classification	1964	1965
Highway Safety Director	\$988	\$1,028
Chief Supervisor	878	913
Chief Assistant Supervisor	781	812
Deputy Assistant Supervisor	694	722
Assistant Supervisors	641	667
Sergeants	569	592
Patrol Officers	416	433

Plus Subsistence Allowance

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

Additional Expenses Reimbursable

Actual expenses, as permitted by state regulation, are allowed in lieu of the \$3.00 payment in cases of special assignment or when on duty away from assigned headquarters.

Automatic Salary Increases

The statutory provision was continued which requires the granting to patrol officers 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—effective at the payroll period nearest the officer's anniversary date of employment.

As has been noted previously, this procedure for granting automatic annual increments is a departure from the long-accepted philosophy that merit increases should be granted only on a basis of merit, and is in sharp contrast to the merit increase provisions for other classified employees whose increases "shall be on the basis of established standards," or for academic personnel under direction of the State College Board whose salary increases shall be based on "standards of performance."

MAJOR NON-APPROPRIATION LEGISLATION AFFECTING HIGHWAYS

Seat Belts in New Cars Required

After January 1, 1964 all new motor vehicles—except busses, school busses, motorcycles, farm tractors, road tractors, and trucks—sold, offered for sale, or registered in Minnesota must be equipped to permit the installation of seat belts in the front seat thereof. The seat belts must be installed within 30 days of registration. (Chap. 93)

Minimum Driver Age Raised

Chapter 382 raises the minimum age for driving licenses and permits from 15 to 16 years. An exception is provided in that a restricted license may be issued to a person 15 years of age for the purpose of assisting his parents or guardians with farm work, but such person is limited to driving only during daylight hours, within a radius of 20 miles of his parents' or guardians' farmhouse, and in no case in a city of the first class. A restricted license to operate a motor scooter of not more than five brake power may be issued to a person of 15 years of age.

Safety Devices at Railroad-Highway Crossings

Chapter 458 authorizes the Railroad and Warehouse Commission to order the removal of obstructions to the view and installation of safety devices, underground or overhead crossings, or such safety provisions as it deems desirable, at railroad crossings. The Commission is authorized to determine the allocation of the costs of such safety provisions between the railroad company and the public authority involved.

Motor Vehicle Ownership Prohibited under 18 years of Age

Chapter 580 prohibits the ownership of a motor vehicle by a person under 18 years of age unless (1) he has completed an approved driver training course and has attained the age of 17, (2) is a high school graduate and has attained the age of 17, (3) is an employed emancipated minor who holds a Minnesota driver's license, (4) before January 1, 1964, he owns a passenger automobile or truck registered in his name with the Registrar of

Motor Vehicles, or (5) he is the owner of a passenger automobile or truck registered in a foreign country.

Filing of Accident Reports

The driver of a vehicle involved in an accident resulting in injury to or death of any person or total property damage to an apparent extent of \$100 (previously \$50) must file a written report with the Commissioner of Highways. (Chap. 280)

Length of Motor Vehicle Transports Increased

Chapter 770 amends the law to establish 55 feet as the maximum length for any combination of vehicles used as a motor vehicle transport (this is 5 feet in excess of the legal length of other vehicles).

Reimbursement of Moving Expenses

Chapter 554 provides that in certain cases and at his discretion, the Commissioner of Highways may authorize the payment of moving expenses of personal property belonging to a person whose lands have been acquired by the State through eminent domain proceedings.

G. MISCELLANEOUS

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

Appropriations classified as "Miscellaneous" decreased by \$207,027, or 4.3%, while also decreasing, percentage-wise, in relation to the total appropriations authorized—from 0.6% in 1961-63 to 0.5% for the 1963-65 period.

The principal appropriation changes or new items are:

	1961-63	1963-65	Increase or (Decrease)
Veteran's Bonus	\$ 108,092	\$ 30,919	\$ (77,172)
Building Bill (Current)	1,701,323	1,059,560	(641,763)
Aid to Fire Departments	1,630,000	1,902,000	272,000
Surcharge, Firemen's Relief...	435,000	495,000	60,000
Recount, Governor's Contest		150,000	150,000
World's Fair Exhibit		150,000	150,000

Building Bills

In one of the three building bills enacted (Chapter 804), the 1963 Legislature authorized the use of an accumulation of unspent balances from previous borrowing authorizations for the alteration, repair, and maintenance of several state buildings and the equipping and replacement of equipment of certain buildings.

A more detailed analysis of the building bills enacted is reported in Section H, STATE BORROWING.

Gubernatorial Election Contest

Though the total costs were reportedly much greater, the 1963 Legislature authorized the sum of \$150,000 for payment of expenses in connection with the 1962 gubernatorial election contest. (Chap. 868)

World's Fair Exhibit

The sum of \$150,000 was appropriated to the Commissioner of Business Development for use in planning, constructing, and operation of a state of Minnesota exhibit at the 1964-65 New York World's Fair. (Chap. 869)

Table 17

MISCELLANEOUS COMPARISON OF APPROPRIATIONS BY 1961 AND 1963 LEGISLATURES

	1961	1963	Increase or (Decrease)	
	Session	Session	Amount	Percent
Miscellaneous ...	\$4,789,249 ⁽¹⁾	\$ 4,582,221	\$ (207,027)	(4.3)
Total Current Appropriations (Excluding Borrowing and Property Tax Levy Items)				
From Table 7 ...	\$759,505,550	\$855,030,070	\$95,524,520	12.6

(1) Income tax refunds estimated at \$2,210,000 eliminated, and Distressed Area Relief and Work Projects in amount of \$3,000,000 transferred to Welfare-Corrections Section.

H. STATE BORROWING

The 1961 Legislature authorized new borrowing for state buildings totaling \$29,361,383. However, implementation of this borrowing was contingent on passage of Constitutional Amendment No. 2, relating to the State Debt Limit, at the 1962 General Election.

After passage of the amendment certain legal technicalities regarding the sale of the bonds were noted. To remove any possible "cloud," a duplicate bill (Chapter 1) was repassed by the 1963 Legislature. An analysis of the major items included in the repassed bill follows in Table 19.

The 1963 Legislature also enacted additional new borrowing in the amount of \$33,990,435 and reappropriated \$1,446,885 in balances available from previous authorizations. (Chap. 839) These items are also identified by major functions in Table 19.

The new borrowing authorized in Chapters 1 and 839 is to be financed by 20-year general obligation bonds. The State Auditor is directed to levy on *all* taxable property (including homesteads) in the State, an amount sufficient to pay the principal and interest on the bonds as authorized.

Table 18
STATE BUILDING BILLS—1961 AND 1963 SESSIONS

	1961 SESSION			1963 SESSION			
	Reapprop. Balances	Other Funds ⁽¹⁾	Grand Total	New Borrowing		Reapprop. Balances	Grand Total
				Re-enacted ⁽²⁾	1963 Legislature		
Mental Hospitals	\$ 437,350 ⁽³⁾	\$ 232,745	\$ 670,095	\$ 4,810,240	\$ 3,589,675	\$ 668,335	\$ 9,068,250
Mentally Retarded	84,400	346,600	431,000	4,808,925	2,970,000	98,500	7,877,425
Special Schools and Hospitals.....	302,900	95,400	398,300	581,000	78,400	63,750	723,150
Glen Lake State Sanatorium.....		400,000	400,000				
Correctional Institutions	29,600	239,200	268,800	1,306,868	1,115,410	177,700	2,599,978
Minnesota Residential Treatment Center	5,169,915 ⁽⁴⁾		5,169,915				
Minnesota Soldiers Home.....				817,000	130,000	12,000	959,000
State College Board.....	145,000	399,627	544,627	7,251,500	12,208,000	320,500	19,780,000
University of Minnesota.....	186,000	102,451	288,451	7,500,900	12,204,700	5,000	19,710,600
State Parks ⁽⁵⁾		135,800	135,800	479,000			479,000
Capitol Group		149,500	149,500	189,450	289,250	42,000	520,700
Land Acquisition							
—for State Colleges and Depart- ment of Health.....				1,350,000			1,350,000
—for State Colleges.....					1,000,000		1,000,000
—for University	47,396 ⁽⁶⁾		47,396		274,000		274,000
To Commissioner of Administration							
—for Administration				66,500	80,000		146,500
—for Contingency				200,000			200,000
—for Final Plans and Specifications	722,680		722,680				
To State Auditor							
—for Bond Expense.....					51,000		51,000
To Adjutant General.....						59,100	59,100
Totals	\$ 7,125,241	\$ 2,101,323	\$ 9,226,564	\$29,361,383	\$33,990,435	\$ 1,446,885	\$64,798,703

(1) All General Revenue except \$135,000 for State Parks to be financed from Game and Fish Fund.
(2) Passed initially in 1961 Session, re-enacted in 1963 pursuant to passage of Constitutional Amendment No. 2 in 1962 General Election.
(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) For 1963-65 period, the state park appropriations included in Natural Resources Bill and those financed by State Parks Development Account—both current funds—are included with the Miscellaneous appropriations.
(6) Includes sum of \$45,000 for the Duluth Campus and \$2,396 for Minneapolis Campus, East Bank.

MAJOR PROJECTS AUTHORIZED

Mental Hospitals

Of the \$3,589,675 in new borrowing authorized for the State's seven mental hospitals, \$2,400,000 was provided for the following two projects at St. Peter State Hospital:

Construction and equipment of Continued Treatment Building No. 3.....	\$1,700,000
Construction and equipment of a new heating plant	700,000
Total	\$2,400,000

Mentally Retarded

Of the \$2,970,000 provided for institutions for the mentally retarded, the sum of \$2,770,000 was allowed for the following two major projects:

At Brainerd State School and Hospital

Construction and equipment of a school
and rehabilitation therapeutics building.....\$1,170,000

At Faribault

Construction and equipment of a new central
kitchen and cottage food facilities, raze Huron
cottage and old laundry building, install auto-
matic heating control

\$1,600,000

State Colleges

Major construction projects were provided for the following institutions:

Bemidji

Construct and equip library building and complete science building\$ 987,000
Construct heating plant addition and add coal handling equipment 378,000

Mankato

Construct and equip speech-music building...\$1,500,000
Construct and equip library 1,700,000
Construct addition to heating plant and utility system 200,000

Moorhead

Construct and equip classroom building for art, music, speech, and dramatics\$1,520,000
Remodel, rehabilitate and equip Weld Hall.. 333,000

St. Cloud

Construct and equip classroom building for fine arts\$1,740,000

Winona

Construct and equip library addition\$ 750,000

University of Minnesota

Included in Chapter 839—the second building bill passed by the 1963 Legislature—was provision for \$12,478,700 in new borrowing for the University of Minnesota. Of this sum, \$12,204,700 is for buildings and their equipping, and the remaining \$274,000 is for acquisition of land for instructional sites and related uses on the West Campus.

The major allowances, by campus, are:

Minneapolis Campus

Construct and equip library on West Campus..\$4,200,000
Complete office buildings on West Campus.. 200,000
Remodel and rehabilitate University Hospital to provide 29 patient beds on existing Station 22 200,000
Construct new boiler 1,620,000

St. Paul Campus

Construct and equip Snyder Hall Auditorium for agriculture biochemistry\$1,450,000
Construct and equip crop research building, Phase II 1,290,000
Green Hall remodeling, rehabilitation and equipment 250,000

Duluth

Construct and equip library addition.....\$ 968,000
Complete construction and equip education building 200,000

Morris

Construct and equip science building\$ 648,000

ADDITIONAL CAPITAL FUNDS AUTHORIZED

Maximum Effort School Loan Fund

In addition to providing for the refundment of outstanding certificates of indebtedness in the amount of \$3,900,000, Chapter 601 authorizes the issuance and sale of school loan bonds of the state of Minnesota in the maximum amount of \$16,000,000 to provide moneys to

be loaned to school districts "for the acquisition and betterment of public land and buildings and other public improvements of a capital nature, in the manner provided by the maximum effort school aid law. . . ."

On or before October 1 in each year, the Commissioner of Education shall certify to the State Auditor the amount which he anticipates will be needed for debt service loans and capital loans, under the law, prior to October 1 in the following year.

State Airports

In addition to providing for the refunding of Minnesota aeronautics certificates of indebtedness in the amount of \$4,526,900, the 1963 Legislature also authorized the issuance and sale of Minnesota aeronautics bonds in the sum of \$2,073,100 for airport purposes—which amount included \$850,000 originally provided by the 1961 Legislature which enactment was repealed and a like sum made a part of the 1963 authorization.

The new legislation (Chapter 791) provides that not more than \$2,073,100 shall be spent on the Minneapolis-St. Paul International Airport and other key system airports, on secondary airports, and on the state landing strips system—including not more than \$50,000 to construct a landing strip on the north shore of Lake Superior in the vicinity of Beaver Bay, not more than \$82,000 for radio navigational aids, and not more than \$52,000 for the purchase of aircraft.

In case the revenues from the aviation fuel tax, the flight property, and aircraft license fees 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, these revenues have always been sufficient to preclude the necessity of a general property tax levy for State Airport purposes, and there appears to be ample evidence that this condition will continue during the 1963-65 biennium.

State Parks

In addition to the two building bills included in Table 19, the 1963 Legislature also enacted the following two measures which, wholly or in part, will be used in the acquisition, development and improvement of State Park facilities.

1. Chapter 840 provides for improvements to 39 existing state parks, in the amount of \$852,200, to be financed by the State Parks Development Account which is composed of 33⅓% of the unrefunded tax on gasoline used in motorboats plus the \$1.00 additional fee for park permits.
2. Chapter 790 is the Omnibus Natural Resources and Recreation Act of 1963 reported in detail on Page 16, and includes specific State Park items covering land acquisition, development, and improvement in the amount of \$3,388,609, to be financed from revenues derived from the one-cent increase in the cigarette tax.

Fourteen New State Parks Established

Continuing the policy of establishing more state parks as well as expanding existing facilities to meet the ever-increasing public use, the 1963 Legislature, in the Natural Resources and Recreation Act, authorized the establishment of fourteen new parks at the following locations:

<u>New State Parks</u>	<u>County</u>
Maplewood	Ottertail
Grand Mounds	Koochiching
Glacial Lakes	Pope
Forestville	Fillmore
Upper Sioux Agency	Yellow Medicine
Sakatah Lake	LeSueur and Rice
Lake Louise	Mower
Lake Maria	Wright
Rice Lake	Steele and Dodge
Little Elbow Lake	Mahnomen
Banning	Pine
O. L. Kipp	Winona and Houston
Traverse des Sioux	Nicollet
Tower Soudan	St. Louis

The necessary funds to finance the land acquisition for these new parks were included in the previously referenced appropriation to the Natural Resources and Recreation Act. With the new additions, there will be a total of 84 state parks.

Accessibility of Public Buildings

The Legislature authorized the promulgation of rules and regulations by the State Fire Marshal whereby all new public buildings financed by state funds after July 1, 1963 must include in their plans and specifications provisions for adequate accessibility and usability by handicapped and aged persons. (Chap. 813)

V. RETIREMENT FUNDS

Major changes in or additions to the retirement laws are:

Chapter 383 places related subject matter of the State Employees Retirement Fund Law in the same section, and also places in a separate section those provisions which apply only to the approximately 50 members not covered by Social Security as state employees.

Chapter 814 changes the formula for computing annuities of state employees to 1% of "average" salary per year of service through the first 20 years. In short, after 10 years service a member would receive 10% of "average" salary; after 15 years service, 15% of "average" salary, and so on. There was no change in the percentages of salary for service of more than 20 years.

Chapter 641 makes many changes and amendments to various sections of the laws governing the Public Employees Retirement Association. Among the changes involving eligibility, refunds, annuities and accrual of benefits were the following:

1. Definition of "member" amended to include persons on authorized leave of absence or on authorized layoff under certain conditions.
2. Definition of "allowable service" amended to include such periods of leave of absence and layoff as provided in the foregoing item.
3. A new section added which provides that any annuity or benefit payable from PERA will not be affected by any pension or benefit payable from another tax supported fund whether for the same or different public service.

4. Former members may apply for refundment of accumulated salary deductions at time of separation—previously 30 day waiting period required.
5. Refundments may be repaid by reinstated member within 18 months after return to public service.
6. PERA annuitant who resumes public service or enters state employment as a non-elective employee may earn up to \$1,200 in any calendar year without suspension of annuity.
7. Any person who has accumulated at least 10 years of allowable service credit in all three, or in two of the three retirement funds—State Employees, Public Employees and Teachers Retirement Association—shall upon attaining eligibility be entitled to a deferred annuity payable on a pro rata basis from each fund, based on the number of years of allowable service credit in each.

Chapter 793 provides for coverage of officers and employees of certain public hospitals under the combined Social Security—PERA retirement plan on an individual option basis.

Chapter 659 provides the same savings clause protection for members of the special Public Employees Police and Fire Fund as has been available to members of the general PERA fund. The amendment provides that any person who had ten years service in PERA prior to June 30, 1957 and who thereafter became a member of the special fund may have the option of electing benefits under the formula prescribed in the police and fire fund section of the PERA Law, or under the pre-1957 retirement formula.

Interim Commission on Employee Retirement Systems

An interim commission on employee retirement systems was created by the 1963 Legislature "to study the various retirement benefit plans available to employees of the State and employees of the various political subdivisions,

political corporations, and school districts of the State, including within the scope of its inquiry the governing law, management, financial condition, and benefits of all such plans, any federal program for which such employees or any of them could be eligible, and such related matters as the commission deems proper for full legislative understanding and action." (Chap. 888)

VI. THE TAX PROGRAM

Shortly after the 1963 Legislature convened, its leaders quickly accepted Governor Andersen's assertion—made in his Budget Message—that the budget for the 1963-65 biennium could be financed without any new taxes or increases in existing taxes.

This set the tax theme for the session, and influenced most of the legislative actions in the tax field.

To finance the spending authorized for the biennium—which was \$79.8 million greater than for the previous biennium—the Legislature relied on estimates furnished by the Departments of Taxation and Administration that receipts from existing normal taxes* would produce \$518½ million, and that re-enactment of the temporary taxes and surtaxes** would bring in \$72½ million. Some \$77 million of the \$591 million combined total of these two figures represented "economic growth."

In spite of the "no new taxes and no increases in existing taxes" theme, the Legislature did impose a new tax—the 10-cent per pound tax on colored oleomargarine, estimated to produce \$5 million of new tax revenue for the biennium. It also increased the cigarette tax rate from 7 cents to 8 cents per pack—estimated to bring in an additional \$6.1 million for the biennium, and the gasoline tax rate from 5 cents to 6 cents per gallon—estimated to produce an additional \$12 million for the biennium. And the \$105.2 million of spending for new state buildings and other appropriations to be financed either from borrowed monies or directly by state mill levies on property, will increase the property taxes which real and personal property taxpayers will be paying in 1964 and 1965.

Doubts regarding the adequacy of the enacted tax program to finance the spending authorized by the 1963 Legislature have been voiced by the Governor, individual legislators and others. The predictions of the amount of the possible biennial deficit run from \$13 million to \$28 million.

The optimistic belief that the budget could be balanced without new or increased taxes, coupled with the uncertainty over the governorship contest and the reluctance of the Conservative leaders in the House to have any of

their group identified with sales tax legislation, hampered efforts of tax reform supporters to get a replacement sales tax bill introduced, and precluded serious consideration of the bill (H. F. 1737) after its introduction.

Although the hearing before the House Tax Committee for the proponents of the bill lasted a good two and one-half hours—a standing room only crowd of well over 500 turned out to support the long list of businessmen, farmers, newspaper publishers and civic organization spokesmen from throughout the State who testified for it—no vote was taken and the bill died in Committee.

The Legislature did set up an Interim Commission on tax reform. Section 1 of Chapter 879, which creates the Commission, reads:

"The Legislature hereby finds and declares that a need exists for an evaluation of the tax resources both present and future and for a review as to the equity of current tax obligations on various groups and classes of taxpayers, and the necessity of tax revision and tax reform so as to develop a sound and consistent program of balanced taxation, to provide for equitable treatment for all taxpayers, to provide for economic growth in the state of Minnesota and the creation of more job opportunities for the people of the state of Minnesota."

This omission, composed of seven Senators and seven House members* and with an appropriation of \$25,000 for expenses, is to make its report to the 1965 Legislature, setting forth its recommendations, not later than January 15, 1965.

Noteworthy, also, was the Legislature's action with respect to the taxation of taconite and semi-taconite. In addition to enacting legislation declaring it to be the policy of the State not to increase the combined occupation, royalty and excise taxes on taconite and semi-taconite operations to exceed the greater of (a) the amount which would be payable if such taxes were computed under the laws in existence as of July 1, 1963 or (b) the amount which would be payable if such operations were taxed under the income, franchise and excise tax laws generally applicable to manufacturing corporations transacting business within the State, the Legislature also enacted legis-

* Existing normal taxes include the individual and corporate income taxes, the bank excise tax, the iron ore occupation and royalty taxes, the taconite and semi-taconite taxes, the cigarette and tobacco products tax, the liquor and beer taxes, the inheritance and gift taxes, the insurance gross premiums tax, the gross earnings taxes and the deed tax.

** Temporary taxes and surtaxes include the 1.8% additional corporate income tax, the 1.9% additional bank excise tax, the 2.25% additional iron ore occupation tax, the 2.25% additional iron ore royalty tax, the 10% and 5% surtaxes on the individual income tax, the 10% surtax on the corporate income tax, the 10% surtax on the bank excise tax, and the 15% surtax on the liquor tax.

* Members of the Commission are:

Senators
E. J. Anderson
Walter J. Franz
N. W. Hanson
Stanley W. Holmquist
John H. McKee
Raphael F. Salmore
Donald O. Wright

Representatives
Salisbury Adams
Roy E. Dunn
George A. French
Joe Gimpl
Robert W. Johnson
Martin J. McGowan, Jr.
Charles H. Miller

lation proposing a constitutional amendment, to be voted on by the people at the November 1964 general election, to extend this legislative assurance to the taconite and semi-taconite industry—and to the copper, copper-nickel and nickel industry—for a period of not more than 25 years.

A complete financial analysis of the tax program as enacted will be found in Appendix Table B.

Income Taxes

The so-called temporary income taxes and surtaxes—the 10% and 5% surtaxes on the individual income tax, the 1.8% additional corporate income tax, and the 10% surtax on the corporate income tax—were reimposed for another two years (Chap. 886).

The base for computing the minimum individual income tax of 1% was changed from *adjusted* gross income to gross income (Chap. 835).

The Minnesota Income Tax Act was amended to provide that proprietorships and partnerships owning unincorporated business enterprises, which have elected to be taxed as corporations for federal income tax purposes, shall be deemed to be corporations for state income tax purposes (Chap. 587).

The Act was amended to allow an additional depreciation deduction equal to the amount of the federal 7% investment tax credit (Chap. 236).

The Act was amended to provide that the amount of campaign expenditures paid by a candidate for public office, which he may deduct as an ordinary and necessary business expense for state income tax purposes, may not exceed the expenditure limitations set out in the Corrupt Practices Act (Chap. 880).

The Act was amended to allow as a credit against taxable net income, amounts paid by a taxpayer within the taxable year to maintain a foreign exchange student as a member of the taxpayer's household. The amount of the credit may not exceed \$50 multiplied by the number of calendar months during which the student was a member of the household (Chap. 331).

An additional remedy for collecting state income taxes withheld by employers but not paid over to the Commissioner of Taxation—a Commissioner's warrant to the sheriff commanding him to levy upon and sell real and personal property of the employers to satisfy the taxes—was provided (Chap. 666).

The time within which individual income taxpayers might qualify for the 75% forgiveness credit against the 1961 tax was extended to October 15, 1962 (Chap. 871).

The Legislature also made a number of technical changes in the Income Tax Act (Chap. 355).

Bank Excise Tax

The temporary 1.9% additional bank excise tax and 10% surtax on the bank excise tax were reimposed for another two years (Chap. 886).

Iron Ore Occupation and Royalty Taxes

The temporary 2.25% additional iron ore occupation tax and 2.25% additional iron ore royalty tax were reimposed for another two years (Chap. 886).

The requirement that notices of iron ore occupation tax determined by the Commissioner of Taxation to be due must be sent by registered mail was changed to *certified* mail (Chap. 525).

An additional tax credit against the iron ore occupation tax—for the cost of research, experimentation, etc.—was provided (Chap. 610). The Legislature also provided for the allowance of an additional tax credit against the iron ore occupation tax where allowable costs for any mine exceed the value of the ore at the mouth of the mine (Chap. 687).

The date on or before which the Commissioner of Taxation must file with the State Auditor and State Treasurer his certificates of royalty taxes due, was changed from June 15 to June 30 (Chap. 524).

The requirement that annual reports of royalties received (upon the basis of which the Commissioner of Taxation determines the amount of tax due on such royalties) must be *verified*, was eliminated (Chap. 523).

Taxes on Taconite, Semi-Taconite, and Other Iron-Bearing Materials

The legislative declaration of policy with respect to the taxation of taconite and semi-taconite is contained in Chapter 81. Chapter 99 proposes the constitutional amendment to extend this legislative assurance for a period of not to exceed 25 years.

The Legislature provided that in calculating the labor credit to be allowed against the occupation tax, *semi-taconite* operations would be treated the same as taconite operations (Chap. 232).

It also provided for the taxation of the production of iron-bearing material other than taconite and semi-taconite in the same manner and at the same rates as semi-taconite (Chaps. 735 and 841).

Liquor Tax

The temporary 15% surtax on the liquor tax was reimposed for another two years (Chap. 886).

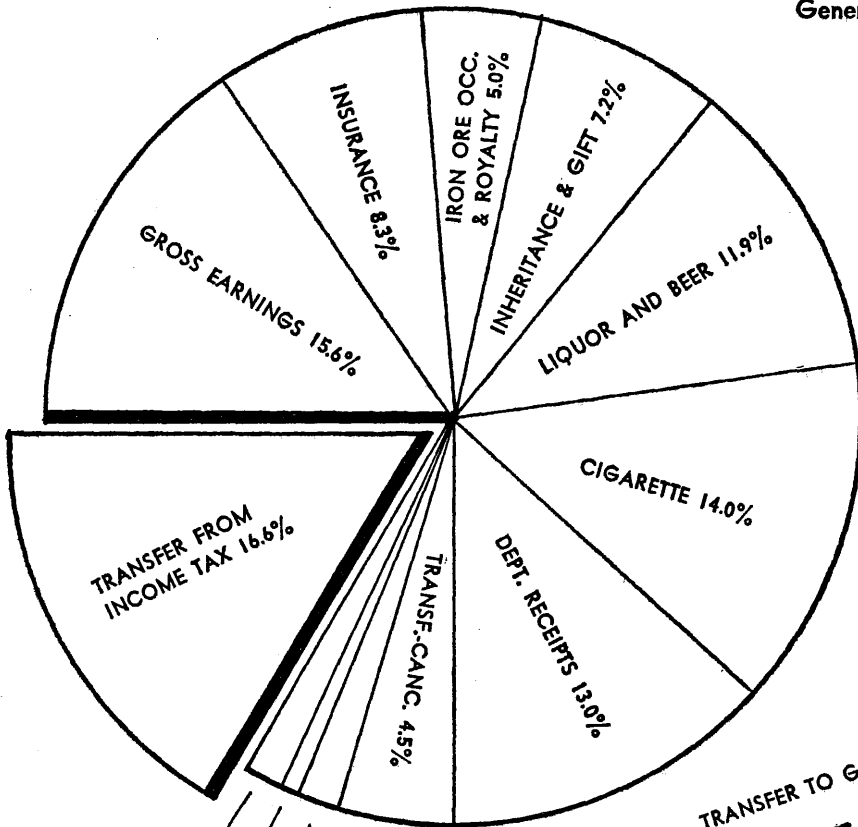
The Legislature authorized any city, village or borough to request a special census, in 1965 and each tenth year thereafter, for the purpose of determining its population for the purpose of receiving liquor tax distributions, and provided that the liquor tax apportionments for the second half of each decennial period were to be made on the basis of the population disclosed by such special census (Chap. 282).

It also provided that the prohibition against the importation into the State of intoxicating liquor (in excess of specified quantities) without the required payment of the Minnesota excise tax thereon, did not apply to common carriers with licenses to sell intoxicating liquor in more than one state (Chap. 439).

Cigarette Tax

The 1 cent per pack increase in the cigarette tax rate appears in Article IV of the Omnibus Natural Resources and Recreation Act (Chap. 790). The estimated \$6.1 million of revenue for the biennium from the rate increase is earmarked to finance this program.

Chart No. 3
ESTIMATED RECEIPTS - 1963-65 BIENNIUM
 General Revenue and Income Tax School Funds
 (Excluding Opening Balances)



GENERAL REVENUE FUND
 Excludes Estimated Iron Ore Taxes for
 University\$2,320,500
 Iron Range Resources.....\$1,044,000

\$287,483,557

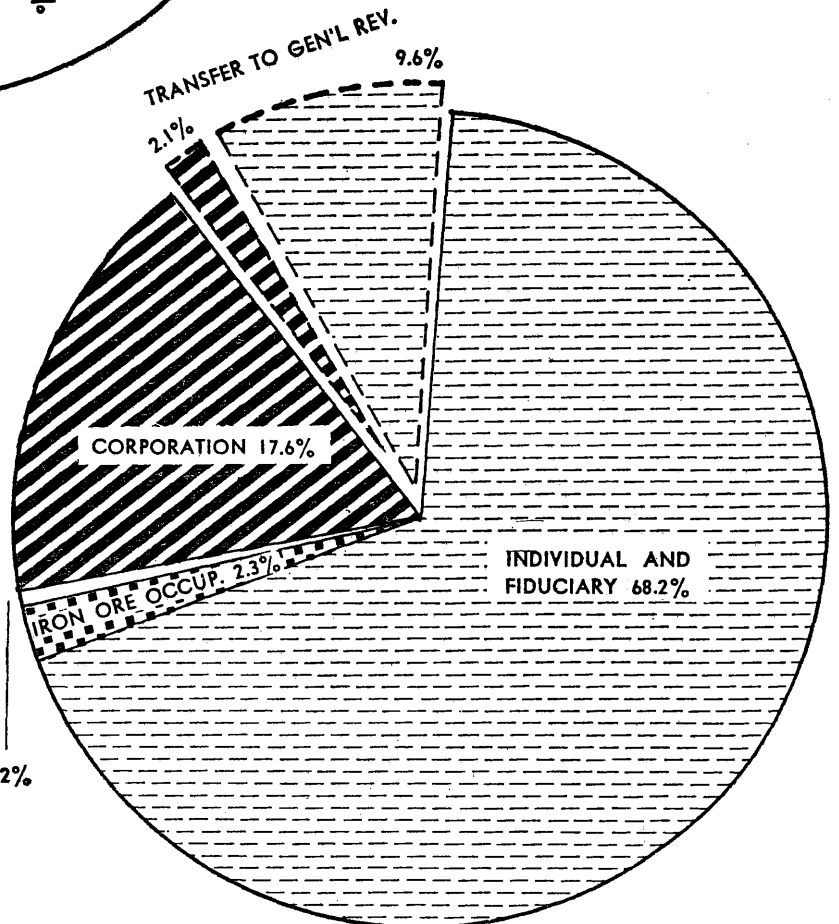
ALL OTHER 1.6%
 TOBACCO PROD. .6%
 YELLOW OLEO TAX 1.7%

INCOME TAX SCHOOL FUND
 (Excluding Refunds)

Total	\$407,512,042
Less Transfer to Gen'l Rev	47,555,025
Net Total	\$359,957,017

\$359,957,017

CANC.-ALL OTHER .2%



The Legislature increased the discount allowed distributors of cigarettes for acting as the State's tax collecting agents, from a straight 2½% of the face amount of the tax stamps purchased for affixing to the packages of cigarettes, to 3½% for the first \$150,000 of such stamps purchased in any fiscal year and 2½% for all additional stamps purchased in that year (Chap. 876).

It authorized any city, village, borough or town having village powers to request a special census, in 1965 and each tenth year thereafter, for the purpose of determining its population for the purpose of receiving cigarette tax distributions, and provided that the cigarette tax apportionments for the second half of each decennial period were to be made on the basis of the population disclosed by such special census (Chap. 282).

The Commissioner of Taxation was authorized to designate the county treasurer of any county as his representative to set the cigarette tax meter machine of any particular distributor and to collect the tax upon such setting (Chap. 462).

The Legislature broadened the definition of contraband in the Cigarette Tax Act to include certain vending machines (Chap. 712).

Inheritance and Gift Taxes

Amendments to the Inheritance Tax Act deal with exemption of payments received by beneficiaries under certain employee retirement annuity contracts (Chap. 105); appraisal of assets where the alternate valuation under Section 2032 of the Internal Revenue Code has been elected for federal estate tax purposes (Chap. 106); non-inclusion of certain exemptions in applying the statutory tax rates to that part of the first \$25,000 of property transferred which exceeds the applicable exemptions (Chap. 107); elimination of the requirement that the consent of the Commissioner of Taxation must be obtained before transfer or delivery of intangibles of a non-resident decedent (Chap. 108); changing the requirement that copies of orders of the Commissioner of Taxation denying or allowing applications for refund of tax must be mailed to applicants by registered mail, to *certified* mail (Chap. 109); exemption of certain bequests to clergymen, and the proceeds of payments from the United States railroad retirement fund or from the United States as social security benefit (Chap. 110); payment of refunds without interest in the case of certain overpayments of tax (Chap. 111); exemption of the proceeds of life and accident insurance policies where the decedent has divested himself of all incidents of ownership (Chap. 182); and powers of appointment (Chap. 218).

An amendment to the Gift Tax Act excludes from the tax certain gifts to minor donees as not being gifts of future interests in property (Chap. 356).

Both the Inheritance and Gift Tax Acts were amended to provide for self-assessment of the respective taxes by the person responsible for payment or his agent (Chaps. 740 and 664).

Insurance Gross Premiums, and Related Taxes

The date for payment of the insurance gross premiums tax was changed from April 30 to March 1 (Chap. 88).

New legislation was enacted to provide procedures for audit of returns of companies subject to insurance gross premiums, and related taxes; for assessment and collection of such taxes; and for payment of refunds (Chap. 87).

Tax on Instruments of Conveyance (Deed Tax)

The law imposing a tax on instruments of conveyance was amended to provide that the tax shall not apply to any deed, instrument or writing in which the United States or any agency or instrumentality thereof or the State of Minnesota or any agency, instrumentality, or governmental subdivision thereof, is the grantor, assignor, transferor or conveyor, and any deed, instrument or writing in which any of such units of government is the grantee or assignee where there is no consideration or where the consideration does not exceed \$1,000 (Chap. 249). (Before amendment, the law excepted any deed, instrument or writing to which any of the above enumerated entities was a party.)

The law also was amended to authorize the Register of Deeds or Registrar of Titles to refuse to record or register any document subject to tax on which documentary stamps in the proper amount have not been affixed (Chap. 831).

Tax on Colored Oleo

The Legislature repealed the statute prohibiting the sale of colored oleomargarine, and shifted the 10-cent per pound excise tax from uncolored to colored oleomargarine (Chap. 832).

Gasoline Tax

The excise tax on gasoline was increased from 5 cents to 6 cents per gallon (Chap. 681).

The excise tax on aviation gasoline also was increased to 6 cents per gallon, and the graduated rates of refunds of such tax—and of special fuel tax—were increased (Chap. 686).

The Legislature also made a number of technical changes in the language of different sections of the Gasoline Tax Act (Chap. 66).

Motor Vehicle Registration Tax

The Legislature rewrote the schedule of motor vehicle registration taxes applicable to trucks and tractors (Chap. 119); increased (from 25 cents to 50 cents) the additional taxes or fees for pairs of license number plates (Chap. 125); provided for one-way trip permits (\$10) in lieu of motor vehicle registration and taxation, where motor vehicles or mobile homes owned by nonresidents are being operated on Minnesota highways solely for the purpose of transporting them from points outside the State to other points outside the State (Chap. 53); provided for special registration and a special tax rate for "classic" cars (Chap. 579); granted certain reciprocity privileges to nonresident motor vehicle dealers (Chap. 63); provided that where a motor vehicle is permanently removed from Minnesota and the Registrar of Motor Vehicles is satisfied that the registration plates and certificates have been surrendered to and cancelled by the motor vehicle department of another state or country, pro rata refund of the tax may be made from the date of such surrender

and cancellation (Chap. 147); and provided for a standing appropriation from the highway user tax distribution fund to pay refunds of motor vehicle registration taxes overpaid by owners or operators of intercity busses (Chap. 166).

Lieu Tax on Aircraft (1% of value)

Amendments to the Aircraft Registration and Taxation Act include a new provision that aircraft of which a non-resident has the right to possession and which is used for commercial operations in Minnesota must first be registered and the lieu tax paid thereon, except where the aircraft is used for charter and the nonresident while in the State does not advertise, represent or hold himself out as giving or offering to provide such service (Chap. 113); a change in the due date for payment of the tax, from February 15 to June 1 (Chap. 97); an increase in the penalty for failure to pay the tax, from a straight \$2.50 to \$2.50 for the first month plus 5% of the tax for each additional month up to a maximum of \$200 (Chap. 112); and a provision for *pro rata* refund of tax where the aircraft is destroyed or removed from the State (Chap. 188).

Ad Valorem Property Taxes

The 1963 Legislature provided for the *appointment* (rather than election) of town and village assessors by the town boards and village councils. It provided that such assessors shall be residents of the State but need not be residents of the towns or villages for which they are appointed, that they shall be selected and appointed because of their knowledge and training in the field of property taxation, and that they shall serve at the pleasure of the appointing authorities (Chap. 799).

It provided that iron ore in stockpile which contains phosphorous in excess of .180% or is classified in the trade as manganiferous ore, shall be listed and assessed for ad valorem tax purposes as if it were unmined ore for *five* taxable years after being mined (other iron ore in stockpile may be so assessed for only three taxable years after being mined) (Chap. 426).

It provided for separate assessment and taxation of each apartment and its percentage of undivided interest in the common areas and facilities, where owners of apartments have elected to submit their property to the provisions of the Apartment Ownership Act (Chap. 457).

It provided that the privilege of paying real estate taxes in two installments will be available only when the taxes against any tract or lot exceed \$10 (was \$1), and that the privilege of paying delinquent real estate taxes, penalties and costs in quarterly installments will be available only when the taxes delinquent after November 1 against any tract or parcel exceed \$40 (was \$25) (Chap. 18).

The Legislature provided that beginning with the taxes payable in 1964, taxes on real property shall be designated by the year in which they become payable (Chap. 39).

It gave county assessors the authority to require local assessors to deliver their tax records to the county assessors at any time (Chap. 812).

It authorized the elimination of assessment books in any county employing a county assessor who maintains in his office a unit card ledger system or similar system of real estate and the true and full assessed valuation ascertained by him affecting such real estate, and which county has established an electronic data processing system or similar system to perform the processing of assessment and tax accounting (Chap. 781).

It authorized county boards to grant reductions or abatements of assessed valuation or taxes, and to order refundment of taxes which have been erroneously or unjustly paid, in cases where the application seeks a reduction in full and true valuation not in excess of \$300 (Chap. 591).

It created a permanent reassessment revolving fund (\$150,000) from which the Commissioner of Taxation can make payments of salaries and expenses of special assessors and deputies appointed to make reassessments of property. Reimbursements from the counties liable for the costs of reassessments are to be paid into the revolving fund (Chap. 714).

Auxiliary Forest Tax—Tree Growth Tax

The Legislature amended the auxiliary forest tax law to provide that temporary buildings, structures or other fixtures located upon land within an auxiliary forest shall be valued and assessed as Class 3 personal property under the general system of ad valorem taxation (rather than under the 10 cent per acre auxiliary forest tax) (Chap. 418).

It also amended the tree growth tax law to provide that lands used for administrative or management purposes, such as roads, logging camps or worksites, or for free public recreation, shall be classified the same as adjoining lands under the tree growth tax law, but that camp buildings or other temporary buildings shall be taxed as Class 3 personal property (Chap. 418).

Sales or Use Taxes Imposed by Other States

The Legislature provided that court actions in Minnesota for collection of sales or use taxes imposed by the laws of other states must be commenced within two years from the date such tax first became due and payable (Chap. 749).

Interim Commissions

The 1963 Legislature created two legislative interim commissions dealing with tax matters—(1) a Commission to investigate and study the tax laws, tax resources and revision of the tax laws (Chap. 879), and (2) a Commission to investigate and study all matters relating to the production and taxation of iron ore and other minerals (Chap. 888).

VII. ADMINISTRATIVE CHANGES

State Publications—Misuse by State Officers

Chapter 100 prohibits the inclusion in state publications of pictures of elected and administrative officials, the use of individual names likely to attribute the publication to an individual rather than a department, and distribution of such publications with a personal greeting or "with the compliments."

Rules and Regulations

Chapter 822 establishes an administrative rules publication account in the state treasury and provides that rules and regulations shall not have the effect of law unless they are filed in the office of the Commissioner of Administration as well as in the office of the Secretary of State.

Election Laws—Changes

The 1963 Legislature made numerous changes in the election laws, among which are the following major amendments:

Chapter 380 permits the use of electronic recording devices on voting machines.

Chapter 416 requires municipalities to provide a second set of qualified election judges to count the vote after the polls close in those precincts, not using voting machines, which had over 300 voters at the last general election. It also requires county auditors to provide pre-election training to clerks of municipalities and chairmen of election boards.

Chapter 535 sets the hours for town elections.

Chapter 624 provides that election judges serving at an election for filling a partisan political office must be appointed from lists supplied by the county chairmen of the two major political parties to the county auditor.

Chapter 625 provides that a candidate wishing identifying words (no more than three) on the ballot to distinguish his surname from that of another candidate must furnish them to the filing officer on or before the time limit set by law for withdrawal of candidacies.

Chapter 652 authorizes *counties* to purchase and use voting machines at elections.

Chapter 680 provides that every employee who is entitled to vote at any state-wide general election or at any election to fill a vacancy in the office of Representative in Congress may absent himself from work for the purpose of voting during the forenoon of such election day without loss of wages. (Previously this provision applied to any election.)

Chapter 682 authorizes contests for congressional offices to be brought in a state district court. The only question to be tried shall be the question as to which of the parties to the contest received the highest number of votes legally cast, and as to who is entitled to receive the certificate of election. Results of the judgment of the

court shall be certified to Congress to assist that body in seating the proper member.

Chapter 684 permits use of distinct marks other than an "X" on a ballot, as well as the written name of a person even though a mark (X) may not have been placed opposite the name.

Chapter 861 amends the statutes pertaining to the Corrupt Practices Act. Major changes include—

- (1) The penalty provision was clarified to provide that a violation of the act, except as specifically provided, is a gross misdemeanor.
- (2) The section dealing with expenditures by any candidate, personal campaign committee, party committee or political committee was re-written and clarified.
- (3) Limits on campaign expenditures by candidates or their personal campaign committee were raised.
- (4) Campaigning by radio and television on election day is specifically prohibited.
- (5) Places for and times of filing expense statements of volunteer political committees are stated specifically.

Chapter 880 provides that campaign expenditures (not to exceed the amount specified in Chapter 861) personally paid by a candidate are deductible for state income tax purposes.

Elections Interim Commission Created

Chapter 888 establishes an interim commission to study laws and problems relating to elections. This commission, composed of five members of the House, five members of the Senate, and five members appointed by the Governor, was given an appropriation of \$5,000 for its expenses.

Special Authorities—Established or Expanded

With increasing interest in metropolitan and city-county legislation, the following measures enacted by the 1963 Legislature are particularly noteworthy:

Hennepin County General Hospital Established

Chapter 738 provides for the transfer of the Minneapolis general hospital (lands, facilities, and staff) to Hennepin county for the care of poor persons, those unable to pay the full cost of hospital care and service, and for others in case of injury or emergency.

Before the act could become effective it was necessary to secure approval by resolution by a majority of the members of the county board of Hennepin County and also by resolution by a majority of the members of the city council of the city of Minneapolis. The section of the act dealing with the determination of charges and other accounting procedures became effective on approval of the resolutions; the balance of the legislation dealing with the transfer of facilities becomes effective January 1, 1964.

Hennepin County Municipal Court Created

Chapter 877 abolishes all existing municipal and justice courts in Hennepin County and combines them in a newly-created Municipal Court of Hennepin County, effective January 1, 1965. Civil jurisdiction of the new municipal court will be limited to cases involving not more than \$4,000, and criminal jurisdiction will be limited as at present to statutory misdemeanors and other ordinance violations. The act also increases the number of judges in the Minneapolis Municipal Court from eight to ten and provides for four additional judges from the remainder of Hennepin County on the effective date of the establishment of the court.

Hennepin County Park Reserve District Enlarged

Chapter 883 enlarges the boundaries of the Hennepin County Park Reserve District to include within its jurisdiction the area of the city of Minneapolis. Membership of the board of the district was increased from seven to eleven to include membership of four Minneapolis resi-

dents on the board. This act will not go into effect unless prior to January 1, 1965 the \$3 million bond issue authorized by L. 1963, C. 217 has been issued by the district. It is further dependent upon the approval of the board of park district commissioners, the city council of the city of Minneapolis, the Board of Park Commissioners of the city of Minneapolis, and the Hennepin County Board.

The law further provides that "so far as practicable the county of Hennepin shall make available to the Hennepin County Park Reserve District, and the Board of said district shall, if feasible, utilize to the fullest extent possible the services of all county departments. . . ."

State-Wide Sewage Disposal Law

Chapter 874 expanded the powers of the Water Pollution Control Commission to make this state agency primarily responsible for the classification of waters of the State (as to purity and quality) and for the prevention, control, and abatement of pollution of all waters of the State.

VIII. CONSTITUTIONAL AMENDMENTS

Two Constitutional Amendments Proposed

Chapter 99 proposes an amendment to the Minnesota State Constitution which would prohibit the amendment, modification or repeal for a period of 25 years of the laws relating to taxation of taconite and semi-taconite, and facilities for the mining, production and beneficiation thereof, and to taxes imposed upon or required to be paid with respect to the mining, production or beneficiation of copper, copper-nickel, and nickel in the State. This amend-

ment, if adopted, will become Article XXI of the State Constitution. (This will be referred to as Constitutional Amendment No. 1 on the ballot in the general election in 1964.)

Chapter 870 proposes various amendments to the State Constitution concerning obsolete language and other provisions relating to such constitutional categories as the Legislature, elections, and women's suffrage. (This will be referred to on the ballot as Amendment No. 2.)

APPENDIX TABLE A

Comparison of the Appropriations Authorized by the 1961 and 1963 Legislatures

	1961 Legislature	1963 Legislature	Increase or (Decrease)
State Departments			
Legislature	\$ 2,714,000	\$ 3,489,000	\$ 775,000
Contingent Funds	625,000	225,000	(400,000)
Legislative Interim Committees .....	.....	205,000	205,000
"Project 70" Reports to Legislators .....	.....	2,121	2,121
Governor	254,052	341,783	87,731
Civil Defense	277,420	231,199	(46,221)
Lieutenant Governor	15,100	12,300	(2,800)
State Auditor	744,774	856,691	111,917
Civil Air Patrol	20,000	20,000	.....
State Treasurer (Including Liquor Stamps and Labels)	368,220	424,211	55,991
Public Examiner	468,708	523,346	54,638
Department of Taxation	7,874,156	8,857,765	983,609
Reassessment Revolving Fund .....	.....	150,000	150,000
State Board of Tax Appeals	146,556	66,377	(80,179)
Attorney General	687,749	707,258	19,509
Bureau of Criminal Apprehension	502,092	615,227	113,135
District Courts	1,829,615	2,498,997	669,382
Special Retirement Accounts (Attorney General, Clerk of Supreme Court, District Judges)	226,000	340,276	114,276
Supreme Court	625,626	801,243	175,617
Revisor of Statutes	227,751	224,191	(3,560)
Department of Administration (Including Motor Pool)	5,470,456	5,092,820	(377,636)
Executive Council, Board of Investment, and Pardon Board	95,030	127,206	32,176
Secretary of State	285,123	294,449	9,326
Mobile Home Administration	26,928	30,000	3,072
Motor Vehicle Division	4,443,252	4,779,475	336,223
Department of Civil Service	680,473	730,865	50,392
State Archives Commission	96,016	129,154	33,138
Minnesota Municipal Commission	39,176	50,376	11,200
Adjutant General	2,727,812	2,369,719	(358,093)
Division of Banking	835,016	926,802	91,786
Division of Insurance	511,112	577,794	66,682
Fire Marshal	270,039	291,797	21,758
Division of Securities	140,718	155,382	14,664
Railroad and Warehouse Commission	6,769,111	7,151,968	382,857
Labor and Industry	1,575,740	2,091,295	515,555
Liquor Control Commission	504,297	528,054	23,757
Labor Conciliator	239,330	202,516	(36,814)
Department of Business Development	769,600	1,159,291	389,691
Compensation Insurance Board	47,923	52,169	4,246
Department of Aeronautics	385,236	435,213	49,977
Department of Agriculture	2,335,288	2,924,321	589,033
Department of Conservation			
Administration	1,355,140	1,381,375	26,235
Division of Waters	597,330	501,533	(95,797)
Division of Forestry (Including Land Management)	4,425,512	4,496,410	70,898
Lands and Minerals Division	921,962	969,159	47,197
Game and Fish Division	7,257,238	9,140,315	1,883,077
Acquisition of Wetlands	684,000	684,000	.....
Division of State Parks	1,058,478	2,006,540	948,062
Natural Resources Bill .....	.....	6,988,609	6,988,609
Surveyor General	175,009	166,093	(8,916)
State Mapping Advisory Board	72,000	50,000	(22,000)
State Soil Conservation Commission	535,160	556,497	21,337
Minnesota Water Resources Board	45,462	41,103	(4,359)
Board of Health	2,725,068	2,915,188	190,120
Livestock Sanitary Board	1,679,650	1,615,009	(64,641)
Governor's Human Rights Commission	30,168	49,124	18,956
War Veterans Affairs	1,874,958	1,909,215	34,257
State Law Library	162,082	168,482	6,400
State Commission against Discrimination	67,203	103,861	36,658
State Athletic Commission .....	.....	8,000	8,000
Interest on Revenue Fund Deficiency	340,000	130,000	(210,000)
Employees Compensation	76,999	56,308	(20,690)
Unemployment Compensation	274,844	203,179	(71,665)
	\$ 70,212,760	\$ 84,832,652	\$ 14,619,892

	1961 Legislature	1963 Legislature	Increase or (Decrease)
Semi-State Activities			
Interstate Cooperation Commission, Council of State Governments, and Uniform Laws Commission	\$ 24,450	\$ 37,100	\$ 12,650
Sheriffs' Expenses	66,370	68,000	1,630
Societies and Associations for Development and Conservation of Natural Resources.	477,300	468,850	(8,450)
Minnesota Historical Society	518,498	683,675	165,177
Bounties	282,000	280,200	(1,800)
Great Lakes Commission	20,500	22,000	1,500
Soldiers' Home	633,885	654,271	20,386
Miscellaneous Veterans Associations	32,400	32,400	.....
Sibley House	10,264	10,264	.....
Minnesota Academy of Science	13,000	5,000	(8,000)
Special Aid to Cities	330,000	330,000	.....
Special Aid to Counties	75,000	75,000	.....
Special Aid to Towns	3,000	3,000	.....
Employees' Compensation	4,301	.....	(4,301)
	\$ 2,490,968	\$ 2,669,760	\$ 178,791

Welfare and Corrections

Department of Public Welfare—Administration	2,147,503	2,180,315	32,812
Administrative Expense on Aging	46,000	75,000	29,000
Mental Health Research, Training Program, and Out-Patient Clinics	1,800,000	2,530,000	730,000
Contingent Fund—Institutions	250,000	250,000	.....
Contingent Fund for Food—State Institutions .....	.....	75,000	75,000
Working Capital Fund for Hospital Care	20,000	25,000	5,000
Aid Programs			
Support for Children under Guardianship	1,250,000	1,518,720	268,720
Care of Dependent and Neglected Children	178,715	.....	(178,715)
Care, Relief and Support of Dependent Children	12,620,000	15,000,000	2,380,000
County Sanatoria Care	1,000,000	195,000	(805,000)
State Grants to Local TB Programs .....	.....	60,000	60,000
Care, Relief and Support of Aged	24,300,000	18,090,000	(6,210,000)
Medical Assistance to Aged .....	.....	7,650,000	7,650,000
Care, Relief and Support of Blind	875,000	907,000	32,000
Vocational Rehabilitation of Blind	120,000	120,000	.....
Care, Relief and Support of Disabled	686,000	639,000	(47,000)
Equalization Welfare Costs	2,400,000	2,400,000	.....
Minnesota Public Relief	1,000,000	1,000,000	.....
Mental Hospitals	37,228,381	38,321,560	1,093,179
Schools and Hospitals for the Retarded	17,755,921	19,709,406	1,953,485
Brainerd State School and Hospital	2,668,930	3,897,226	1,228,296
Day Care Center—Mentally Retarded	36,000	155,000	119,000
Braille and Sightsaving School	694,853	763,500	68,647
School for the Deaf	1,338,324	1,496,050	157,726
Gillette State Hospital	2,874,605	3,171,082	296,477
Minnesota State Sanatorium	2,529,720	.....	(2,529,720)
Ah-Gwah-Ching Nursing Home .....	.....	2,925,562	2,925,562
Glen Lake Hospital and Oak Terrace Nursing Home	2,765,100	3,806,611	1,041,511
Minnesota Residential Treatment Center .....	.....	2,897,741	2,897,741
Department of Corrections			
Administration	1,824,634	2,041,388	216,754
Salary Adjustment for Correctional Staff .....	.....	128,000	128,000
Research	10,000	27,500	17,500
Personnel Training	17,980	35,000	17,020
Hospital Care	12,000	25,000	13,000
Vocational Training .....	.....	25,000	25,000
County Probation—Salaries, Supplies and Expense	345,002	380,095	35,093
Probation Service—County Reimbursement	344,262	411,000	66,738
YCC Work Camps	927,233	1,023,515	96,282
State Training School for Boys	1,837,605	1,941,984	104,379
Home School for Girls	1,123,004	1,352,909	229,905
Penal Institutions for Adults	7,791,786	8,279,503	487,717
Area Redevelopment Revolving Fund .....	.....	750,000	750,000
Distressed Area Relief	1,500,000	.....	(1,500,000)
Distressed Area Work Projects	1,500,000	.....	(1,500,000)
Employees' Compensation	149,139	341,436	192,297
Unemployment Compensation	64,128	7,548	(56,580)
All Other	130,541	82,433	(48,107)
	\$134,162,366	\$146,711,085	\$ 12,548,718

	1961 <u>Legislature</u>	1963 <u>Legislature</u>	Increase or <u>(Decrease)</u>
Education			
Department of Education (salaries, supplies and expense, revision and printing of curriculum, and research)	\$ 1,888,452	\$ 2,036,583	\$ 148,131
Vocational Training of Disabled	1,353,925	1,699,034	345,109
Scholarships (Nurses, Indians)	227,000	240,000	13,000
Community School Lunch	800,000	900,000	100,000
Experimental Laboratory Program	164,400	195,000	30,600
Rural Libraries	250,000	375,000	125,000
School Construction Loan Program	800,000	.....	(800,000)
Liaison Committee for Higher Education	7,000 ⁽¹⁾	7,000 ⁽¹⁾
State College Board	15,172,584	18,966,316	3,793,732
Southwest State College .....	.....	100,000	100,000
University of Minnesota	71,528,463	82,463,238	10,934,775
State Junior College Board			
Salaries, Supplies and Expense .....	.....	110,000	110,000
Liaison Committee .....	.....	7,000	7,000
Contingent Fund .....	.....	100,000	100,000
Aid to Junior Colleges	1,843,500	1,793,365	(50,134)
Operation and Maintenance—Junior Colleges .....	.....	2,128,000	2,128,000
Aid to Schools	274,912,420	306,094,000	31,181,580
\$10 Per Child Census School Aid	15,900,000	16,900,000	1,000,000
Endowment School Fund (Aid to Schools)	15,170,000	17,250,000	2,080,000
Special Aid to School Districts	4,086,000	4,037,649	(48,350)
School Aid to Counties	96,000	96,000	.....
Aid to Common School Districts	100,000	100,000	.....
Interest on Certificates	200,000	400,000	200,000
Employees' Compensation	3,059	.....	(3,059)
	<u>\$404,502,803</u>	<u>\$455,998,185</u>	<u>\$ 51,495,382</u>
Highway Department			
Administration, Safety, Plant and Equipment and Contingent Fund	\$ 18,741,695	\$ 19,900,890	\$ 1,159,195
Miscellaneous Activities			
Veterans' Bonus	\$ 108,091	\$ 30,918	\$ (77,172)
Claims Against the State	393,826	408,407	14,580
Building Bills	1,701,323	1,059,560	(641,763)
Aid to Fire Departments	1,630,000	1,902,000	272,000
Surcharge, Firemen's Relief	435,000	495,000	60,000
Recount Costs, Governor's Race .....	.....	150,000	150,000
World's Fair Exhibit .....	.....	150,000	150,000
Printing Rules and Regulations, State Agencies .....	.....	26,000	26,000
Restoration of Battle Flags .....	.....	15,000	15,000
Great Lakes Diversion Protest	82,316	.....	(82,316)
Volstead Lands	148,180	.....	(148,180)
Purchase of Jackson Armory	40,000	.....	(40,000)
All Other	250,510	345,335	94,825
	<u>\$ 4,789,249</u>	<u>\$ 4,582,221</u>	<u>\$ (207,027)</u>
GRAND TOTAL	<u><u>\$634,899,843</u></u> ⁽²⁾	<u><u>\$714,694,795</u></u>	<u><u>\$ 79,794,952</u></u>

NOTE: Columns may not add due to dropping "cents" column.

(1) In addition to this amount, a like sum has been appropriated to each of the following—the State College Board, the University of Minnesota, and the newly-created State Junior College Board in 1963-65.

(2) Total is \$2,210,000 less than reported in Research Bulletin No. 43 (Page 39) by reason of elimination of "Income Tax Refunds." For comparability, the refunds for the 1963-65 biennium, estimated at \$57,200,000, have also been eliminated from the total appropriations authorized by the 1963 Legislature.

ALLOCATION OF APPROPRIATIONS — BY FUNDS

<u>Fund</u>	<u>1961 Legislature</u>	<u>1963 Legislature</u>	<u>Increase or (Decrease)</u>
General Revenue Fund.....	\$262,926,810	\$293,220,962	\$ 30,294,152
Income Tax School Fund.....	316,428,731	353,209,163	36,780,431
Game and Fish.....	8,938,872	10,452,338	1,513,466
Highway User Tax Distribution.....	4,195,730	4,386,481	190,750
Trunk Highway.....	18,926,701	20,220,240	1,293,538
Natural Resources.....	.....	6,183,609	6,183,609
Endowment School Fund.....	15,170,000	17,250,000	2,080,000
Building Outlay.....	.....	1,059,560	1,059,560
State Parks Development Account.....	.....	852,200	852,200
Wildlife Acquisition.....	687,672	684,000	(3,672)
State Airports.....	385,486	435,513	50,027
Iron Range Resources and Rehabilitation.....	325,661	412,984	87,322
Consolidated Conservation Areas.....	213,717	136,398	(77,318)
Soldiers' Home Board Relief.....	110,000	100,000	(10,000)
Lac qui Parle—Big Stone Lake.....	.....	65,727	65,727
Rural Credits.....	19,780	10,659	(9,121)
Veterans Adjusted Compensation.....	8,165	.....	(8,165)
All Other.....	10,444	2,260	(8,184)
	<u>\$628,347,772</u>	<u>\$708,682,097</u>	<u>\$ 80,334,325</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 (for fiscal 1962 only), and the earnings of the University's constitutional trust funds.....	6,552,071	6,012,698	(539,373)
TOTAL.....	<u><u>\$634,899,843</u></u>	<u><u>\$714,694,795</u></u>	<u><u>\$ 79,794,952</u></u>

APPENDIX TABLE B

ESTIMATED RECEIPTS FOR 1963-65 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 Balances (July 1, 1963)		\$ 7,318,684*	\$ (3,794,031)*	\$.....	\$ 530,003	\$ 4,054,656
Present Permanent Taxes and Receipts						
		178,000				178,000
		44,869,500				44,869,500
	2%	23,800,000				23,800,000
(1)	12%	7,800,750	6,934,000	1,733,500	866,750	17,335,000
(2)	12%	3,071,000				3,071,000
(3)		1,260,050	930,000	232,500		2,422,550
(4)		20,575,000				20,575,000
(5)		29,957,750				29,957,750
(6)	7¢ plus 1¢ pk.	40,388,400				40,388,400
(7)	10%	1,780,000				1,780,000
(8)		1,920,000				1,920,000
(9)		6,025,974				6,025,974
		13,949,590				13,949,590
(10)		4,659,328				4,659,328
(11)			276,456,000			276,456,000
(12)	7.5%		58,651,000			58,651,000
		12,759,613	130,042			12,889,655
		212,994,955	343,101,042	1,966,000	866,750	558,928,747
Re-enacted Present Temporary Taxes						
(13)	2.25%	1,595,250	1,418,000	354,500	177,250	3,545,000
(14)	2.25%	629,000				629,000
(15)	15%	4,249,875				4,249,875
(16)	(1.9% plus) (Additional and Surtax)	2,608,400				2,608,400
	(10% of 11.4%)		40,644,000			40,644,000
	15%					
	1.8% plus) (Additional and Surtax)		21,349,000			21,349,000
	10% of 9.3%	9,082,525	63,411,000	354,500	177,250	73,025,275
Transfers From Other Funds						
(17)		2,000,000				2,000,000
(18)		1,319,000				1,319,000
(19)		491,470				491,470
		645,000				645,000
		2,431,682				2,431,682
		6,887,152				6,887,152
1963 SESSION CHANGES (Estimated)						
New Taxes and Adjustments						
(20)	10¢ lb.	5,000,000				5,000,000
(21)		(36,100)				(36,100)
(22)			1,000,000			1,000,000
(23)			(1,000,000)			(1,000,000)
		4,963,900				4,963,900
Legislative Transfers						
To cover appropriations made to State College Board (\$18,934,125), plus 6.3% of all Individual, Fiduciary and Corporate Income Tax Receipts (\$28,620,900 Estimated)		47,555,025	(47,555,025)			
Appropriation Cancellations (Estimated)		6,000,000	1,000,000			7,000,000
Total Receipts, Transfers and Cancellations		287,483,557	359,957,017	2,320,500	1,044,000	650,805,074
Total Resources (Including Opening Balances)		<u>\$294,802,241</u>	<u>\$356,162,986</u>	<u>\$2,320,500**</u>	<u>\$1,574,003</u>	<u>\$654,859,730</u>

CODE FOR APPENDIX TABLE B

CODE DISPOSITION OF TAX

- * Prior to 1963 Deficiency and "Immediately Available" Appropriations.
- ** For enacted University Maintenance appropriations, legislature used original estimates totaling \$2,342,500, as contained in Governor's Proposed Biennial Budget.
- (1) Distributed 45% (G.R.), 40% (I.T.), 10% (Univ.) and 5% (I.R.R.).
- (2) 100% General Revenue.
- (3) Taconite Occupation Tax distributed 40% (I.T.), 10% (Univ.), 25% (G.R.) and 25% (Local).
Taconite Tax distributed 50% School District, 22% County, 22% Municipality and 6% State.
Semi-Taconite Tax distributed same as Taconite Tax.
- (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) One-eighth of .08 tax credited to Natural Resources Fund; balance distributed 75% State, 25% Local.
- (7) 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) Estimated Computations of the Department of Taxation.

	Individual Income Taxes			Plus Fiduciary Tax	Total
	Gross	Refunds	Net		
For Fiscal 1964.....	\$178,900,000	\$ 28,200,000	\$150,700,000	\$ 1,600,000	\$152,300,000
For Fiscal 1965.....	192,000,000	29,000,000	163,000,000	1,800,000	164,800,000
	370,900,000	57,200,000	313,700,000	3,400,000	317,100,000
Less Temporary Taxes.....			40,200,000	444,000	40,644,000
Net Permanent Taxes.....			\$273,500,000	\$ 2,956,000	\$276,456,000

- (12) Total Tax Rate 10.23% — Permanent 7.5%, plus additional temporary 1.8%, plus 10% Surtax.
- (13) Temporary Surtax distributed the same as "basic" tax. (See Code 1.)
- (14) Temporary Surtax also 100% General Revenue. (See Code 2.)
- (15) Surtax *not* distributed — 100% General Revenue.
- (16) Total Tax Rate 12.54% — distributed portion 9.5%; credited to State General Revenue Fund 3.04%.
- (17) Reimbursement for services (utility and others) furnished to *other* than General Revenue-Financed activities.
- (18) Service Fee covering title transfer for ownership of motor vehicle.
- (19) Reimbursement for costs incurred in both the collecting and refunding of gasoline taxes.
- (20) Based on estimated sale of 25 million pounds per year.
- (21) Increased from 2½% to 3¼% on first \$150,000; excess at 2½% (1963 change).
- (22) Processing tax of 1% of first \$1,000 gross income. Changed from *adjusted* gross by 1961 Legislature.
- (23) "75% forgiveness of 1961 tax liability" extended to October 15, 1963.

Abbreviations

- G.R.—General Revenue Fund
- I.T.—Income Tax School Fund
- I.R.R.—Iron Range Resources and Rehabilitation Fund

APPENDIX TABLE C

COMPARATIVE ANALYSIS OF SELECTED TAX RATES FOR 1961-63 AND 1963-65 BIENNIUM (PERMANENT AND TEMPORARY)

Tax	1961-1963 Biennium		1963-1965 Biennium	
	Permanent	Temporary	Permanent	Temporary
Iron Ore Occupation Tax.....	12%	2.25%	Rate unchanged	Re-enacted
Iron Ore Royalty Tax.....	12%	2.25%	Rate unchanged	Re-enacted
Taconite Occupation Tax.....	12%		Rate unchanged	
Taconite Royalty Tax.....	12%		Rate unchanged	
Taconite Tax in Lieu of Property Tax.....	5¢ per ton of finished product having a content of 55% dry iron, plus 1/10 of 1¢ for each 1% the dry product exceeds 55%		Rate unchanged	
Beer Tax (3.2%)	\$1.60 bbl.		Rate unchanged	
(Strong)	\$3.20 bbl.		Rate unchanged	
Liquor Tax	20¢ to \$2.50 per gallon	15% Surtax	Rates unchanged	Surtax re-enacted
Cigarette Tax	7¢ per pack		8¢ per pack	
Tobacco Products Tax.....	10% of wholesale price		Rate unchanged	
Documentary Tax	\$1.10 on first \$1,000 plus 55¢ for each additional \$500		Rate unchanged	
Oleomargarine Tax (White).....	10¢ lb.		Repealed	
(Yellow)	Sale prohibited		10¢ lb.	
Gasoline Tax	5¢ gal.		6¢ gal.	
Corporate Income Tax.....	7.5%	1.8% plus Surtax of 10% of 9.3%	Rate unchanged	Re-enacted
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%	15% Surtax	Rates unchanged	Surtax re-enacted Surtax re-enacted
Non-taxpayers	1% on first \$1,000 of adjusted gross income, not to exceed \$10		1% on first \$1,000 of gross income, not to exceed \$10	
Bank Excise Tax.....	9.5%	1.9% plus Surtax of 10% of 11.4%	Rate unchanged	Re-enacted Surtax re-enacted

INDEX

	Page	Page
A		
Academy of Science	18	
Adjusted Gross Income Tax	6, 37	
Administration, Rules and Regulations	41	
Aeronautics	11, 34	
Agricultural Products, Promotion of	16	
Aid		
Census Aid, \$10 per Pupil	5, 10, 22, 23	
Community School Lunch Program	22	
Deficiency, School	7	
Fire Departments	32	
Foundation	5, 23	
Maximum Effort School Aid	5, 10, 11, 22, 24	
Medical Assistance to Aged	5, 19, 20, 21	
Old Age Assistance	19, 20, 21	
Rural Library	22, 24	
School Aid Formula	23	
Surcharge, Firemen's Relief	32	
To Cities	9	
To Dependent Children	19, 20	
To Junior Colleges	5, 6, 9, 25	
To Schools	22, 23	
Transportation School Aid	23, 24	
Aircraft, Registration License Tax		
Date of Payment Changed	40	
Increased Penalty	40	
Pro-Rata Refund	40	
Airports, State	34	
Alcoholic Beverages		
Importation into State	37	
Special Census	37	
Surtax Re-Imposed	37	
Appropriations		
Activation of Standing Committees	16	
Building Bill	32	
Comparability of	8, 9	
Deficiency	8	
Department of Education	22	
Education	8, 22, 23	
Experimental Laboratory Program	24	
From Borrowed Money	5, 10, 11, 33, 34	
Functional Distribution	13	
Highways	5, 8, 10, 31	
Junior Colleges	26	
Liaison Committees	24, 27	
Miscellaneous	5, 9, 32	
Minnesota Experimental Laboratory Program	24	
National Defense Student Loan Program	27	
Omnibus Appropriation Bill	5, 8	
Omnibus Natural Resources and Recreation Act	5, 17	
Open and Standing	5, 10	
Recount, Gubernatorial Contest	9, 32	
Rural Library Aid	22, 24	
School Aid	23	
School Aid Deficiency	8	
Semi-State Activities	8, 18	
State Airports	34	
State Building	5, 9, 33	
State College Board	22	
State Colleges	5, 26	
State Departments	8, 15	
Summary of	11	
Total	5, 8, 11	
University	5, 22, 27	
Variances in	8, 9	
Veterans' Bonus	32	
Welfare-Corrections	8, 19	
World's Fair Exhibit	9, 32	
Archaeology	18	
B		
Bank Excise Tax	37	
Borrowing		
Maximum Effort School Loan Fund	5, 10, 11, 22, 24, 34	
Mental Hospitals	33	
C		
Camp Ripley Land Acquisition	9	
Census, Special	37, 39	
Cigarette Tax	5, 6	
Contraband, Vending Machines	39	
Meter Settings, County Treasurer	39	
Omnibus Natural Resources and Recreation Act	17, 34, 37	
Special Census	39	
Tax Stamps, Discount to Distributors	39	
College Board	26, 27	
Constitutional Amendments	5, 6, 10, 42	
Repeal of Obsolete Provisions, No. 2	6	
Taconite Amendment, No. 1	6, 37	
Corporation Income Tax	37	
Courts		
District, Five Additional Judges	16	
District, Salary Increase	16	
Supreme Court, Administrative Assistant	17	
Supreme Court, Counsel Fees and Expenses	18	
Criminal Code of 1963	17	
D		
Dairy Research	6, 9, 16	
Daytime Activity Centers	9, 19, 21, 22	
Deed Tax	39	
Distressed Area Work Project and Relief	9	
District Courts		
Five Additional Judges	16	
Salary Increase	16	
Driver's License, Minimum Age	31	
E		
Economic Growth	5, 36	
Education		
Aids	23	
Appropriations	22	
Closed School Districts	24	
Department of Education	22	
Experimental Laboratory Program	22, 24	
Foundation Aid	23	
Junior Colleges	5, 6, 9, 26	
Aid Supplement	5, 26	
Board Established	24	
Liaison Committee	24, 27	
Maximum Effort School Loan Law	5, 10, 11, 22, 24, 34	
New Personnel	14, 22, 26, 30	
Pupil Unit Defined	23	
Rural Library Aid	22, 24	
State Colleges	26	
Additional Revenue	22	
Appropriations	27	
Degrees	26	
Enrollment	27	
National Defense Student Loan Program	27	
New Program Added	26	
Personnel	26, 27	
Salaries	9, 27	
Southwest State College	27	
Tuition Rates	23, 24	
Teaching Certificate	24	
University of Minnesota		
Appropriations	5, 22, 27	
Appropriations, Special	28	

INDEX (Cont'd)

	Page		Page
Beneficiation of Industrial Mineral and Non-ferrous Deposits	28	Windfall	7
Enrollment	28	Withholding	9
Permanent University Fund	27, 30	Inheritance and Gift Taxes	39
Personnel	30	Insurance Gross Premiums	39
Salaries	30	Interim Commissions	9, 36, 40, 41
Trust Fund Revenues	8, 27	Institutions	
Tuition	28	Contingent Fund for Food Established	21
Elections		Glen Lake Sanatorium	9, 19
Candidate, Identified on Ballot	41	Insurance Gross Premiums	39
Contests, Federal Legislative Contests	41	Interstate Cooperation Commission, Council of State Governments, and Uniform Laws Commission	18
Corrupt Practices Act	41	Iron Ore Occupation Tax	37
Election Judges, Appointment from Lists	41	Labor Credits	37
Election Judges, Counting Votes	41	Iron Ore Royalty Tax	37
Electronic Recording Devices	41	J	
Laws, Interim Commission to Study	41	Junior Colleges	5, 6, 9, 26
Marks to be Used on Ballots	41	Aid Supplement	5, 26
Town Elections, Hours of	41	Board Established	5
Voting, Absenting from Work to	41	K	
Voting Machines, Counties Authorized to Purchase and Use	41	Kerr-Mills	5
Endowment School Fund	5, 10, 22, 23	L	
F		Labor and Industry, Legal Staff Increased	16
Fiscal Notes	7, 8	Legislature	5, 6
Foundation Aid	5	Activation of Standing Committees	16
G		Additional Personnel Allowed	14, 15
Game and Fish	16	Legislative Interim Study Commissions	6, 9, 16, 40
Gasoline Tax	5, 6, 7, 36, 39	Membership	6, 7
Aviation Gasoline	39	Per Diem Expense Allowance	16
General Revenue Fund	38	Reduction in Personnel	15
Income Tax, Transfer to	38	Scoreboard	7
Gift Taxes	39	M	
Governor		Maximum Effort School Loan Fund	5, 10, 11, 22, 24, 34
Additional Personnel Recommended	14, 15	Medical Assistance for Aged	5, 9
Bills Vetoed by	7	Mental Health, Research and Training	19, 20
First Four-Year Term	7	Mentally Retarded	
Recount in Gubernatorial Race	7	Daytime Centers	9, 19, 21
H		Minnesota Field Archaeology Act of 1963	18
Hennepin County		Minnesota Outdoor Recreation Resources Commission	
General Hospital Established	41	Advisory Council	16
Municipal Park Created	42	Minnesota Residential Treatment Center	5, 19, 21, 22
Park Reserve District Enlarged	42	N	
Higher Education, Liaison Committee	24	National Defense Student Loan Program	27
Highway Department		Natural Resources	
Appropriations	5, 8, 10	Omnibus Natural Resources and Recreation Act of 1963	5, 16, 17
Reimbursement of Moving Expenses, Personal Property...	32	Nursing Homes	19, 20
Personnel	31	O	
Railroad Crossings, Protective Devices	32	Oleomargarine	9
Salaries	31	Tax Enforcement	5
Trunk Highway Fund	6	Ten-cent Tax on Colored	5, 6, 25
Highway Patrol, Salaries	31	Osteopathy, Doctors of	17
Highway Traffic Regulations		Out-Patient Clinics	20
Accident Reports	32	P	
Minimum Driver's Age	31	Permanent University Fund	27, 30
Motor Vehicle Transports, Length Limitation	32	Personnel	5, 6
Motor Vehicle Ownership Prohibited Under 18 Years of Age	32	Additional	14, 15, 19
Seat Belts Required	31	Education	22
Historic Sites	18	Highways	31
Historical Society	18	Semi-State	18
Hunting and Fishing License Fees	17	State Colleges	14, 26
I		State Departments	14, 17
Income Tax		University of Minnesota	14, 30
Collections Unit	16	Welfare-Corrections	14, 19
Corporate	37	Legislative Reduction in	15
Deductions		Merit Increases	14
Campaign	37, 41	Salaries	13, 14
Depreciation	37	Property Tax	
Students	37	Abatements and Refundments	40
Federal Reduction	7	Apartment Assessments	40
Individual		Assessment Books and Records	40
Credit for 1961 Tax	37	Auxiliary Forests, Assessment	40
Minimum 1% Gross	6, 37		
Refunds	10		

INDEX (Cont'd)

	Page		Page
Designation of Year	40	Rate	5, 6, 7, 17, 36, 37
Installation Payments	40	Tax Stamps, Discount to Distributors	39
Iron Ore in Stockpiles	40	Deed Tax	39
Mill Levy	36	Department of Taxation	16
Reassessment Revolving Fund	40	Gasoline Tax	5, 6, 7, 36, 39
Town and Village Assessors, Appointed not Elected	40	Aviation Gasoline	39
Pupil-Unit Defined	23	Gift Taxes	39
R		Income Taxes	
Railroad and Warehouse		Collections Unit	16
Railroad Crossings, Protective Devices, Highway Safety Account	32	Corporate	37
Resolutions	5	Deductions	37, 41
Retirement		Campaign	37, 41
Interim Commission on Employee Retirement Systems	36	Depreciation	37
Public Employees, Eligibility, Refunds, Annuities, Benefits	35	Student	37
Public Employees, Police and Fire Fund, Benefits	35	Federal Reduction	7
Public Hospital Employees, Social Security Coverage	35	Individual	
State Employees, Annuities Formula	35	Credit for 1961 Tax	37
State Teachers Retirement Fund	11	Minimum 1% Gross	6, 37
S		Refunds	10
Salaries		Withholding	9
District Court Judges	16	Windfalls	7
Highway Patrol	31	Inheritance and Gift Taxes	39
New Salary Plan	6, 13, 14	Insurance Gross Premiums	39
State Colleges	26, 27	Interim Commissions	40
Supreme Court Justices	16	Iron Ore Occupation Tax	37
University of Minnesota	30	Iron Ore Royalty Tax	37
Sale of State Buildings and Personal Property	17	Motor Vehicle Registration Tax	
Sales Tax	36, 40	Classic Cars Registration	39
School Aid Deficiency	7	Dealers, Reciprocity Privileges	39
Seaway Trade, Promotion of	16	Fee Increase, Pairs of License Plates	39
Societies and Associations for Development and Conservation of Natural Resources	18	One-Way Trip Permits	39
Soldiers Home	18	Pro-Rata Refunds	39
State Agricultural Society	18	Rates Amended	39
State Airports	11, 34	Refunds, Inter-City Buses	40
State Arts Council	18	Oleomargarine Tax	5, 6, 9, 36, 39
State Athletic Commission	17	Property Tax	5
State Buildings	5, 9, 11, 33, 34	Abatements and Refundments	40
Accessibility	35	Apartment Assessments	40
Sale of	17	Assessment Books and Records	40
State Colleges		Auxiliary Forests, Assessment	40
Additional Revenue	26	Designation of Year	40
Appropriations	22	Installation Payments	40
Degrees	27	Iron Ore in Stockpiles	40
Enrollment	26	Mill Levy	36
Merit Increases	26	Reassessment Revolving Fund	40
National Defense Student Loan Program	27	Town and Village Assessors, Appointed not Elected	40
New Personnel	26	Sales Tax	36, 40
New Program Added	26	Taconite, Semi-Taconite	36, 37
Salaries	26, 27	Tax Program, Adequacy of	6, 36
Southwest State College	9, 27	Tax Rates	49
Tuition Rates	23, 24	Tax Reform	6, 7, 36
State Departments	15	Tax Revenue	36
State Fair	18	U	
State Forests	17	University of Minnesota	
State Parks	9, 16, 34, 35	Additional Personnel	14, 30
State Publications	41	Appropriations	5, 22, 27
Statewide Sewage Disposal Law	42	Appropriations, Special	28
Supreme Court		Beneficiation of Industrial Material and Nonferrous Deposits	28
Administrative Assistant	17	Enrollment	28
Counsel Fees and Expenses	18	Occupation Tax	8, 27
T		Permanent University Fund	27, 30
Taconite	36	Personnel	30
Taxation		Salaries	30
Aircraft, Registration License Tax		Trust Fund Revenues	8, 27
Date of Payment Changed	40	Tuition	28
Increased Penalty	40	V	
Pro Rata Refund	40	Vetoed Bills	7
Alcoholic Beverage	37	W	
Bank Excise	37	Water Pollution Control Commission	5, 18
Cigarette		Welfare, Additional Positions	19
Contraband Vending Machines	39	Welfare-Corrections Appropriation	19
Meter Settings, County Treasurer	39	Withholding Tax Administration	9
Natural Resources and Recreation Act	17, 34, 37	Workmen's Compensation, Supplement	9
		World's Fair Exhibit	9, 32