

THE MINNESOTA SENATE CONSERVATIVE-REPUBLICANS

A STUDY IN THE ABUSE OF POWER

PREPARED AND DISTRIBUTED BY THE  
MINNESOTA DEMOCRATIC-FARMER-LABOR PARTY

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THE RECORD OF THE REPUBLICAN-CONSERVATIVE MAJORITY IN THE MINNESOTA STATE  
SENATE, 1959

A PROFILE OF THE ABUSE OF POWER

Rejection of  
Political  
Responsibility

On January 6, 1959, the first day of the legislative session, with the vote for President Pro Tempore of the Senate, all Senators were publicly identified as either conservative or liberal. The following Senators comprise the conservative-Republican bloc:

Allen	Harren	Mitchell	Wahlstrand
Anderson, Ernest	Holand	Nelson	Westin
Bergerud	Holmquist	O'Laughlin	Wright
Butler	Imm	Olson	Zwach
Child	Josefson	Popp	
Dosland	Keller	Richardson	
Dunlap	Kroehler	Root	
Erickson	Larson, Lew	Rosenmeier	
Feidt	Larson, Norman	Sinclair	
Franz	Lauerman	Sundet	
George	Lofvegren	Ukkelberg	
Goodin	McKee	Vadheim	
Hanson, Randolph	Metcalf	Welch	

Throughout the remainder of the session and throughout the special session this group, acting as a unit, blocked, buried and otherwise wrecked havoc on programs that would have been of inestimable benefit to the people of Minnesota. This abuse of power marked the Sixty-first Senate the worst in this state's history and produced the longest, most expensive extra session in Minnesota's one hundred and two years of existence.

Despite the fact that they used their numbers to further their own ends, the Republican majority tried to duck responsibility. They tried to hide behind the subterfuge that they were forty-three independent individuals rather than the Republican-conservative group.

Their actions in the Senate for six long months give the lie to this claim of independence.

ABUSE OF POWER:

The Committee  
System

Disguised as a means for more efficient committee functioning was a Senate conservative leadership move to strengthen its strangle-hold on Senate operations. By reducing the number of Senate standing committees to twenty, they claimed they would have a more streamlined operation. Instead, they loaded

S J Jan 6 pp. 11-15 key committee assignments on a few powerful, willful members of their group, stacked the committees with overwhelming Republican conservative majorities and virtually ignored the liberal group. Senators Wright, Root and Rosenmeier each had ten committee assignments. Keller had nine. Zwach, Welch, Norman Larson and Feidt each had eight. These men were thus in a position to dominate every single Senate committee.

The liberals protested their lack of proportionate representation and offered a motion to provide fair representation on committees. Not one conservative voted for fair

SJ Jan 29, pg. 10 representation and the motion was defeated.

With a few conservative senators serving on so many different committees it became impossible for the committees to meet regularly. Committee work lagged badly. The result was that the regular session drew toward the closing date with the bulk of the Senate's work undone. The liberal group were denied the opportunity to present their views adequately during committee sessions.

ABUSE OF POWER

THE MAYHOOD BILL

Support of special  
interest at the  
expense of the aged.

\*SJ Jan. 26, pg. 22

SJ April 17, pg. 60-  
61

The Senate Republicans directed their power against the aged who receive nursing home care in the city of Mpls. by defeating the repeal of the so-called Mayhood Bill. The Mayhood Bill makes Minneapolis the only city in Minnesota without the authority to act and regulate standards for nursing homes. The result is sub-standard conditions and undesirable accommodations for those senior citizens unable to care for themselves. (On February 18, the DFL House unanimously passed a bill to repeal this special legislation.) For months this bill languished in the Senate Welfare Committee. It is doubtful that it ever would have come out of committee had not liberal Senator Davies, Minneapolis, let it be known he intended to revoke little used \*Rule 71 of the Senate rules to bring it to the floor of the Senate. The Republican controlled Welfare Committee attached crippling amendments to the bill and brought it to the floor. The liberals tried to restore the original provisions but the Republican Senate majority on two consecutive votes defeated this measure to aid nursing home residents. The bill was re-referred to committee where it died. Thus, the first rule-by-veto action was made. It set the pattern for the Conservative Senate leadership in the 61st legislative session.

## ETHICS

If there is one area in which non-partisanship should prevail, it is in the field of ethics in government. Yet it is precisely in this field that Senate conservative Republicans demonstrated one of the most cynical and narrow approaches to this problem ever witnessed in our state Legislature.

## ABUSE OF POWER

### The Conservative Republican Senate Rejects Ethics in State Government

The administration, on February 19, 1959, introduced a bill which would have established basic ethical standards for public servants in government. The bill was based on the recommendations of the Governor's 12-Man Commission on Ethics in Government headed by Rabbi W. Gunther Plaut. This non-partisan commission had made an exhaustive 18-month study of the problems involved and the administration felt that their recommendations were sound.

The bill, submitted to both the House and the Senate, proposed a code of conduct for those holding public office and sought to eliminate "conflicts of interest". The bill had a provision for disclosure of any personal or special interest in legislation and banned the acceptance of gifts. Had it passed, the bill would have created a commission on ethical standards to judge complaints of unethical performance on the part of public officials. While ethics is not a partisan issue, not a single conservative in the Senate or the House would put their names on the bill as a sponsor.

The House did make revisions of this bill but its judiciary committee on April 8, 1959, unanimously recommended its passage. The conservative Republican Senate did nothing to help provide better ethics in government. The bill died

in the conservative Senate Civil Administration Committee  
graveyard.

ABUSE OF POWER

LOBBY REGISTRATION

Senate kills bill  
seeks to hide  
behind Senate  
Rule

Closely allied to the concept of ethics in government is the question of lobbyist registration. To bring the activities of lobbyists into the open and reveal to the public those who seek to influence legislation, the administration recommended legislation that would require a lobbyist to register, to reveal his employer and to report on the money he spends to influence legislation. Such a bill was introduced in the House and was passed with only four dissenting votes on April 18. It was sent to the Senate where it was laid on the table. The regular session ended without the lobby bill having been acted upon. Liberal Senator Thuet introduced a lobby bill in the Senate. It was never moved from committee. Instead a Republican Senator sought to introduce a Senate Rule 80 that ostensibly provided for lobbyist registration. In actual practice it could have been used as a gag rule against anyone out of favor with Republican Senators. It virtually made campaigning against a Senator in an election a cause for disqualification from appearing before a Senate committee. Even the Republican-conservative leadership recognized this was going too far; hence, they excluded the reference to elections from the final rule. The liberals tried to provide for the disclosure of amounts received by lobbyists for their activities and for conflicts of interest among Senators. Both were defeated by the Republican majority.

SJ May 11, p. 13-15

SJ June 3, p 3-4



## ABUSE OF POWER

Atomic Fallout  
dangers ignored  
by Senate  
conservative  
Republicans

Atomic fallout and other dangers resulting from the use of atomic energy is and will continue to be a serious problem. Minnesota can be proud that it was the first state to thoroughly investigate the problems connected with the use of atomic energy. A Governor's Advisory Committee on Atomic Development Problems was established in July, 1957, to investigate atomic hazards and uses, and submitted its recommendations to the Governor on June 2, 1958.

During the regular session of the Legislature, the Administration recommended the creation of an Atomic Energy Board to pursue a continuing study of this problem. The Board and its 15 members also would coordinate groups -- Industry, the University and State Board of Health - working on atomic energy studies and nuclear fallout problems in Minnesota.

The bill as passed by the House required no appropriations. The cost of investigations and research projects which the committee envisaged would come from federal grants now available.

Sponsoring Senator Novak tacked on appropriation to the Atomic Energy bill at the request of the Conservative leadership.

Even though there would be little cost to the state in organizing such a Board, the Senate Republican leadership did not allow the Senate to vote.

The House passed the Atomic Energy Board Bill and the Conservative Senate Civil Administration Committee

recommended that it pass on April 9, 1959. But the bill was opposed by Republicans Wright, Feidt, and Wahlstrand. Since expenditures were involved, it was sent to the Senate Finance Committee instead of being sent to the floor for passage as recommended. It died in the Senate Finance Committee.

#### COMPUTER CENTER

One of the most important proposals for efficiency in government to be introduced during the regular legislative session the bill to create a state computer center. In the 1957 session, the Legislature appropriated \$50,000 for a study to determine whether Minnesota should use the electronic computer developed by industry as a means to reduce the cost of paper-work. The consultants hired for the study recommended that Minnesota establish an electronic computer center to cut the cost of government operations and improve efficiency in all state departments.

#### ABUSE OF POWER

Senate  
Republicans  
kill state  
computer  
center

Electronic  
equipment for  
more efficient  
operation  
denied by  
Senate

The Administration recommended that the Legislature appropriate \$500,000 this biennium to establish a computer center. During hearings on the bill, it was demonstrated that the state would save a minimum of \$590,000 yearly in operating costs with such equipment. Several representatives from large Minnesota businesses and industries testified during these hearings that computers similar to those requested by the Administration had saved their firms countless manhours of labor and the machines had more than paid for their cost in savings to their firms.

With all the Conservatives opposing, the House Civil Administration Committee on February 6, 1959, recommended the bill to establish a center to pass. (The House bill, H. F. 373, passed and reached the Senate on March 26, 1959.) After lengthy

Senate hearings during which the computer was opposed by State Auditor Stafford King, the bill was recommended to pass by the Civil Administration Committee and was sent to the Senate Finance Committee on April 17, 1959, where it was approved two days later.

Normally, this would bring the bill to the Senate floor where all Senators could vote on the computer centers. In an unusual move the Senate Finance Committee voted to reconsider the computer bill. This action brought the bill back to committee where it died.

Senate Finance Committee Role Call April 20. The Minneapolis Star editorial on April 4, 1959 said: "It would be a fiscal tragedy for Minnesota if it (the computer center bill) should fail to get through the Senate."

## REORGANIZATION

Reorganization of state government has been a long sought after goal in Minnesota. In 1949 the state Legislature created the "Little Hoover Commission" to study the problem. The Commission, comprised of 19 civic-minded citizens was assisted by 130 other unpaid persons. This Commission made its recommendations to the Legislature in December 1950. Little action was taken on these recommendations either administratively or by legislative action.

## ABUSE OF POWER

Republican  
Senate  
Conservatives  
reflect  
efficient  
Government  
organization

In 1955, a Self-Survey was undertaken by all state departments to seek ways of improving service and economize on administrative costs.

This year for the third time since 1955, the Administration made a proposal to reorganize state government with the goal to provide better, more efficient, less expensive government. Many of the recommendations for reorganization evolved out of the lengthy and detailed studies of the "Little Hoover Commission" and the "Self-Survey".

The 1955 bill called for the reorganization of 14 state agencies

The 1955 bill passed but was later ruled invalid by the courts because of a technical error in engrossing and enrolling the law. On February 9, 1959, the Administration's reorganization bill was introduced. This bill was much the same as the one it introduced in 1955.

The 1959 bill called for the reorganization of 14 state agencies into three new departments. It was the ultimate goal of the Administration to reduce the existing 105 state agencies into 10 major departments.

On March 23, 1959, the House Civil Administration Committee approved a modified reorganization bill and the full House passed this bill on April 18, 1959. This bill, so important to streamlining state government, a bill to begin the elimination of duplication, competition, and working at cross purposes among state agencies, died in the Republican Conservative Civil Administration Committee.

## THE ABUSE OF POWER

### REAPPORTIONMENT

Republican  
Senate  
attempts to  
tamper with  
Constitution to  
control  
Senate  
composition.

The Constitution of the State of Minnesota provides for reapportionment on the basis of population every ten years. This provision has been generally ignored until a recent court action prompted the legislature to come to grips with its reapportionment responsibilities. The Republican Senate leadership tried to take advantage of popular sentiment for reapportionment to amend the Constitution to delegate to themselves complete control over future Senate representation. The Republican dominated Committee on Elections and Reapportionment amended the House bill to provide for regular apportionment for representatives. However, when it came to the

SJ April 14, pp Senate, the wording was, "The Senate may be reapportioned..."

Their proposal also stated that concurrence of one House would not be required for a bill which reapportions the other. If the Senate proposals had become law, the Republican majority would have had the power to manipulate Senate districts almost at will. The Republican majority were prepared to subordinate the Constitution of the State of Minnesota to their partisan ends.

Attempted  
abuse of power

MULTIPLE  
OWNERSHIP

During the 1958 election campaign the question of multiple ownership of liquor establishments was raised repeatedly despite the fact that state law did not specifically prohibit the practice but relied on local control. In order to clarify the situation and make multiple ownership unlawful, liberal House members introduced appropriate legislation which passed the House unanimously April 1. When the bill reached the Senate, it was assigned to the Liquor Control Committee that apparently intended to sit on the bill until the session ended. The destiny of the multiple ownership prohibition bill appeared to be death in committee.

Senate Journal  
April 14, P51-52

Senate Journal  
April 16, p43-44

Senate Journal  
April 18, p49-50

Liberal Senator Donald Fraser refused to accept this fate for the bill. With one week remaining of the regular session, he invoked Senate Rule 71 to remove the bill from committee. By winning a special order of business and insisting on roll call votes each step of the way, Fraser was able to get the bill passed. Republican Senators Wright and Feidt, realizing the difficulty of getting a majority of their colleagues to cast a record vote for multiple ownership and in effect for the Minneapolis liquor syndicate, tried to attach crippling amendments to the bill. Fraser stood his ground, fought off

most amendments. The bill passed, but only through determined support of liberals.

Despire Senate  
Republican  
opposition

HOME RULE

CHARTER

REVISION

Passes

Senate Journal  
April 2, pg. 29

In order to make local government more responsive to the will of the people a bill was introduced in the House to provide for simplified charter revision. According to the proposal as it passed the House 52-1/2% of those voting would be able to change a city or village charter or adopt an entirely new charter. The old statute called for 60% of all eligible voters. When the bill reached the Senate, the Republican Senators, led by Senator Wright, tried to restore the 60% requirement. Most of the maneuvering took place when the Senate sat as a Committee of the Whole where voting is not recorded. Although Senate Republicans were unable to boost the necessary percentage to its old level they were able to increase the necessary margin of those voting to 55%. They were also able to eliminate the provision for city adoption of new charters. The combined efforts of the House and Senate liberals, however, were successful in providing some improvement in the mechanics of charter revision.

THE ABUSE OF  
POWER

Taxation:  
A Record of  
Irresponsibility

In the overall view, the action of the Senate Conservative Leadership can be described as essentially political in regard to the important question of taxation. They sought to take political advantage of the critical circumstances surrounding Minnesota's revenue needs -- needs which grew from the combined pressure of a Republican recession and the increased costs due to both price increases and population growth. The Senate leadership sought to create a thorough fiscal breakdown as part of the strategy to force a sales tax at this session of the Legislature. The history of the sales tax is that it has been a tax of last resort used in a fiscal crisis. Of the 33 states with a sales tax, 25 were forced to adopt it during the Great Depression. The Senate strategy which was successful in these states was, thankfully, not successful here.

It is important to remember that at no time during the regular session did the Senate introduce or propose a revenue program. It was only in the seventh week of the special session, within 10 days of the end of the session, that any Senate tax proposals saw the light of day. The Senate leadership insisted during the 90 days of the regular session that only the House had authority to propose new tax measures. Yet the Senate leadership knew they could introduce new tax measures as had been done in the past. They could strike all the content of the House tax bill after the enacting clause and substitute any proposal for new revenue the Senate desired. This was not done, either with the sales tax or any other tax proposal. Even with the great public clamor arising from business interests for the sales tax, no such proposal was introduced.

In sharp contrast to the scheming irresponsibility of the Senate Conservative leadership, the Governor and the House liberals gave positive and serious consideration to the fiscal problems which Minnesota faced.

The administration worked long hours over the Christmas holidays prior to the session to prepare a balanced budget which would allow state services to continue unimpaired. At the time the Governor delivered the budget message to the joint session of the House and Senate, the complete tax program was laid on the desks of each legislator. This was the earliest in Minnesota history that a budget for the operation of the state was submitted to the Legislature. This action was taken so that the Legislature could tackle a difficult problem and resolve it within the time allotted for legislative action. It was the first time in history that the Governor had prepared a fully drafted tax program at the time of the budget message. The House tax committee began hearings on the tax program in late March. Within days the Senate tax committee began its hearings.

The House passed its tax bill, modifying in some respects the Governor's recommendations, and sent the bill to the Senate with adequate time for the upper house to act. The Senate received the tax program at the time it had always customarily been delivered each session within the memory of most legislators. Yet the Senate this time complained it had not been given adequate time to consider the bill, although it had held hearings nearly as long as did the House. In the closing days of the regular session the Senate tax committee stripped the tax bill, with one exception, of all revenue increasing measures. In



addition, they refused to renew present surtaxes on individual and corporate income taxes. As a result the Senate Republican proposals were more than \$93 million short of financing Senate approved expenditures. Despite the glaring inadequacies of their actions, the Republican senators made no real effort to effect a compromise. As they did with other conference committees, the Senate failed to attend committee meetings, or scheduled them in a casual, lackluster manner. It was obvious they were intending to force the Legislature into a special session. In this they succeeded. The special session was called immediately, but the Senate Republicans voted themselves a four-day holiday because they said they needed their rest.

The House, during the Senate holiday, passed the tax bill in the same form as during the regular session. On the Senate's return, the Senate Tax Committee settled down to a protracted chewing on the tax bill. Three weeks later they came forth with a tax bill which again was short of the Senate's spending program. This time the Senate was only \$20 million short. Both houses for a second time appointed conference committees, but it soon became evident that the Republican conferees had little interest in reaching a fair compromise which included withholding. Although the House tax proposals conformed to the recommendations of the Governors Tax Study Committee--which the Republican party endorsed--the Senate Republicans were adamant in their opposition. To achieve withholding, the House liberals offered to cancel 75 percent of taxes on income earned in 1959. Coupled with that was an offer to eliminate the personal property tax and replace it with a business use tax. The House acceded to virtually

SJ May 15  
pp 4-17

Refer House  
proposals  
June 17 and 19

every demand of the Republican conferees, but the Senate would not make a single concession which involved accepting withholding. The House tax bill would adequately finance state government for some years and it was obvious the Senate Republicans wanted to make a sales tax possible, if not during this session, then certainly in the future. They made little effort to conceal the fact that they were playing politics with the tax program. In the end, although they cried about an unfavorable tax climate for business, they were prepared to increase corporate taxes falling most heavily on small business. They decried the loss of ore production in Minnesota, but used figures indicating record iron ore production to justify increased revenue estimates. They wept over the need for more jobs, but used the figures for increased individual incomes to show that more tax revenue than anticipated would be available. And incredible, they traded the increased collections possible under withholding for a political mirage -- the belief that it would be to their advantage in an election year. The honest taxpayer had his taxes raised higher than needed because the GOP played politics.

Republican  
Senator

Rosenmeier stalls

until last day  
of session for  
Crow Wing County  
appropriations

S.J. April 3  
pp 21-27

These same men stood idly by to watch one man block important legislative appropriations at the close of the fiscal year in order to gain an advantage for measures in which he was interested. These same men were prepared to disregard legislative procedures and traditions for elections of members to the Board of Regents of the University of Minnesota. Rather than pursue the normal procedures for a joint session of the Legislature. The Republicans tried to force a joint session by a petition signed only by Republican legislators and senators.

\*R O Christie They even secured the signature of a legislator hospitalized with a critical illness.\* These same men blocked the Junior College building program.

These same men refused to remove the ceilings on Old Age Assistance payments. These same men killed workmen's compensation and unemployment insurance measures regarded as just and fair by even national standards. Although there were a number of significant accomplishments during the 61st Legislative Session such as:

- Reapportionment
- Charter Reform
- Municipal Annexation Commission
- Increased aids to junior colleges
- Department of Corrections
- Increased school aids
- Etc.,

C they were generally achieved against the opposition of the Republican members of the Legislature.

Republican  
Senator Wright

The sixty-first Senate under Republican control achieved a record of arrogance and irresponsibility unmatched in the state's history. When in the history of this state is there an example to match the arrogance of Senator Wright's statement, "Not even the people have the right to decide...."?

"NOT EVEN THE  
PEOPLE"

But this audacity was not restricted to Wright alone. If merely reflected the attitude of the willful men who dominated the Senate Republican group. These same men refused to let the people vote to help resolve the impasse on pay-as-you-go.

\*Letter from  
Republican  
Senator  
Wahlstrand

These same men even considered visitors onlookers in the Senate public galleries as spies.\* These same men insisted on secret conference sessions and deplored the fact that the liberal conferees wanted to keep the public informed. These same men took a four day vacation at the end of the regular session despite the fact that their backlog of unfinished work had created the necessity for a special session. These same men permitted the comic-opera performance of one of their Republican members hiding a bill from his fellow Senators and refusing to produce it.

Republican  
Senator Westin  
and the Liquor  
Patrol Limits  
Bill

THE ABUSE OF  
POWER

THE TAX PROGRAM  
WE HAVE: AND THE  
PROGRAM WE COULD  
HAVE HAD?

Two points stand out clearly in weighing the comparative values of the Liberal House program presented June 22 and the Senate compromise tax bill enacted -- the only tax program Conservative Republicans would accept.

First, the individual will pay more tax increases than would have been necessary had the Liberal program been accepted. And the small business and corporation - those with net incomes of \$25,000 or less - will pay proportionally higher taxes instead of receiving a small decrease. The individual income tax increase will amount to nearly \$20 million for the biennium instead of \$15 million as the House proposed. In addition, the individual taxpayer will face higher taxes on cigarettes, beer, and documents (real estate transfer). Had the Conservative Senate leadership desired to improve income tax collections through withholding, these increases would have been unnecessary - more than \$7 million would have been received from individuals who now evade their state income taxes. In the corporate tax field, the Senate compromise plan strikes harder at 5,000 small corporations. These firms, in many cases, are the backbone of the growing small communities of Minnesota. Under the House proposal (5% rate without federal deductibility) the small corporation earning less than \$25,000 a year would have received a small tax decrease. Under the bill demanded by Senate Republicans, these firms will pay a greater percentage tax increase than will have large corporations earning a million or \$10 million a year.

Husband & Wife, Two  
Children, earning  
\$5,000, in 1959:

House

Senate Compromise

These increases

Income Tax	\$ 4.94	\$ 11.12
Cigarettes	3.65	5.48
Liquor	.60	.30
Beer	-0-	1.20
Tobacco	<u>2.19</u>	<u>2.19</u>
Total	\$ 11.38	\$ 20.29

State Taxes

Corporations Net Income	Present Rate	House Plan Increase	Senate Compromise Increase
10,000	511	-8	98
25,000	1,278	-20	244
50,000	2,154	166	283
1,000,000	35,442	6,988	4,661
10,000,000	350,802	71,615	46,133

GOVERNOR'S STATEMENT - SIGNING OF TAX BILL

1. Today, on the last day of the current biennium, I signed the compromise tax bill.
2. I signed it, in spite of its serious deficiencies, because:
  - (a) government services must go on in an orderly manner;
  - (b) and because there was every reason to believe that any further effort to get a better program would continue to be as futile as all such efforts have been during the past two months of the special session.

For eight weeks the Minnesota State Senate stubbornly blocked the payment of income tax on a pay-as-you-go system. It is clear that further struggle would be both expensive and useless.

The new revenue program does provide some improvements:

- (1) it increases the allowance for dependent children;
- (2) it provides tax relief for small business;
- (3) it encourages mining by applying labor credits to the royalty tax;
- (4) it repeals the personal property tax on farm stored grain;
- (5) it provides that counties may repeal the burdensome personal property tax on household goods.

My chief objections to the new tax law are:

- (1) that it imposes a heavier tax burden on individuals - on incomes, on beer, on cigarettes, and on documents - than would have been necessary, had we taken steps to collect from the thousands of tax evaders by means of withholding; and
- (2) that the inflexible opposition to withholding also dictated the rejection of the final Liberal compromise proposal

which would have permitted the elimination of all taxes on personal property and the cancellation of three-fourths of the 1959 tax on individual incomes.

The new tax bill does, however, provide revenue for a balanced budget for the next two years. Its defects can then be remedied, after the voters of Minnesota have clearly indicated the preference that I am confident they have for the withholding principle.



HERE'S BACKGROUND OF TAX CALCULATIONS (From a news release issued at the State Capitol) Minneapolis Tribune, Monday, June 29, 1959

AN ANALYSIS of the financing program recommended by the legislative tax conference committee validates the claim made by Gov. Freeman that the state's financing problem is largely related to the factor of economic recession and recovery, Commissioner of Administration Arthur Naftalin said Sunday.

Naftalin released an analysis of the financing program reported out by the conference committee.

"The protracted delay in concluding the work of the special session has made it possible to use new estimates of anticipated income that reflect a degree of economic recovery that could not have been anticipated six months ago," he said.

"In January of this year, when the Governor submitted his budget proposals, there were no grounds upon which to base any prediction of substantial economic recovery. During the last six months however, we have experienced larger income tax collections than had been anticipated and it is assumed now that upward revision in projected receipts for the next biennium are justified.

"Gov. Freeman has repeatedly asserted that much of the need for new revenue was due to adverse effects of the recession. At one point he challenged the claim that \$72,000,000 in new revenue would be needed for the forthcoming biennium, maintaining that this claim made no allowance for possible economic growth."

"The governor asserted that if economic growth proceeded at the same rate that it had in the past, the need for new revenue would be greatly reduced.

"By January of this year, when he submitted the budget, the general economic outlook had hit a low point, and the best estimates of potential revenue indicated that a substantial increase in taxes would be needed to cover revenue losses resulting from the recession. The governor estimated these losses to be approximately \$40,000,000.

"As a consequence, in submitting his budget, the governor proposed that there be raised in new financing \$89,107,000.

"IN THE PERIOD since January, income tax collections, both individual and corporate, have greatly exceeded the estimates made in preparing the budget at the low point of the recession. The enlarged income tax receipts can be attributed in part of the vigorous program of the commissioner of taxation in prosecuting individuals who have failed to file returns or to make proper payment.

"Because there is evidence now of brisk economic recovery, the tax conference committee felt justified in using much larger estimates of anticipated receipts under the existing tax structure."

In his analysis, Naftalin pointed out that where the governor had requested \$89,107,000 in new financing the conference committee is recommending \$46,599,700. This is a difference of \$42,507,300.

Naftalin pointed out that the reduced financing need is not the result of legislative action in reducing the governor's requested appropriations.

The governor requested a total of \$488,487,000 in appropriations from the two funds. The legislative action with respect to appropriations, if major appropriation bills are approved as recommended by the various conference committees, will total \$487,695,210.

The legislative action is therefore only \$791,790 less than the governor's recommendations, or less than two-tenths of one per cent under his requests.

The reduction of \$42,507,300 in needed new financing recommended by the conference committee results from the committee's use of the following factors:

1. The conference committee anticipated that \$3,000,000 of the appropriations will not be spent for one reason or another and thus reduced the financing by that amount.
2. The governor in January anticipated that balances in the two funds as of July 1, 1959, would aggregate \$14,300,000. Owing to the improved collections the balances on July 1 are estimated now at \$21,542,670, an increase of \$7,212,670.
3. The governor's program provided for a closing balance at the end of the forthcoming biennium of \$1,948,000. The conference committee has reduced this balance to \$376,842, for a difference of \$1,571,158.
4. The conference committee made a new analysis of departmental transfers and receipts, and concluded that it was valid to anticipate an additional \$1,512,532 in receipts from these sources.
5. The most important factor in the conference committee's lower figure is related to sharp increases in the anticipated receipts at present rates of the taxes assigned the two funds.

THESE INCREASES total \$28,419,150 and result from three basic considerations:

(a) Substantially increased estimates by the iron mining companies of the amount of iron ore that will be shipped during the two years of the forthcoming biennium. The iron mining

company figures indicate that at present rates an additional \$11,185,700 will be produced by iron ore taxes.

At the same time, the gross earnings taxes, which are closely related to iron ore shipments, will produce an additional \$999,500 at present rates, assuming the validity of the iron mining company estimates of iron ore shipments. Another factor in iron ore tax increases is anticipated gain of \$35,500 in the taconite tax.

(b) The improved income tax collections which are due to economic recovery on the one hand and a vigorous enforcement policy on the other hand, which at present rates will yield, in individual income taxes, \$6,691,200 more than the governor estimated in January, and, similarly, in corporate taxes, an additional \$8,891,000.

(c) Upward-revised estimates in liquor and beer taxes amounting to \$110,000, and in cigarette tax of \$542,250, again at present rates.

"IN GENERAL terms," Naftalin said, "the financing program can be described as 'tightly drawn' and based on assumptions that cannot be wholly validated by the department of administration at this time.

"The tightness in the tax conference committee's program is reflected in the almost razor-tight balance anticipated at the end of the biennium. This will allow for no cushion in the event the estimates used by the tax conference committee are not fully realized."

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EDITORIAL--MINNEAPOLIS Morning Tribune, Monday, June 29, 1959

"FORESIGHT VS. HINDSIGHT ON TAXES"

WE SUPPOSE it was inevitable that the Republicans and Democrat-Farmer-Laborites should begin debating the merits of the tax bill even before the legislature has accepted the compromise measure drawn up by the senate and house conferees. Newspapers, including this one, already had had their say about the bill, and we should not deny any equal opportunity to the two parties.

However, we think the politicians on both sides ought to stick to the facts even when they are drawing conclusions about the accomplishments of the legislature. Admittedly, this is difficult to do in reviewing the tax situation because the state has to plan its budget two years ahead and must estimate--rather than know for certain--what its future receipts and expenses will be. But we think that the review by Arthur Naftalin, state commissioner of administration, that is found elsewhere on this page sheds some light on the subject.

When the governor offered his budget to the legislature

last January, he said that \$83,556,000 in new revenue would be needed to balance the budget. (Naftalin uses the figure of \$89,107,000 because he includes the deficit in the income tax school fund.) But the governor promptly was attacked--and with some justification in our opinion--because he had not admitted during the election campaign last fall that he would need new sources of revenue. Indeed, during the campaign he had scoffed at the legislative research committee's forecast that another \$72,000,000 in revenue would be needed.

THE GOVERNOR at that time was working on the theory that the same economic growth that had occurred in recent years would continue and that tax revenue would necessarily increase. In an address on Oct. 28, 1958, just before the election he conceded that "tax revenues will suffer as a result of the drop in steel production," but pointed out that the commerce department's business advisory committee had just said the recession was over. But he also said, "we cannot predict with accuracy how much revenue we should expect from our present tax structure."

Unfortunately for him--and for the rest of us--his hopes of avoiding new taxes proved to be wrong. The recession cut into the state's income and required the revised estimate of \$83,556,000 in new revenue that the governor presented to the legislature in January.

However, as the legislative session droned on this year, business picked up and so did the state's income. Thus the estimate of the state's additional revenue needs began to decline. State officials first cut their estimate of added revenue needs to \$72,000,000.

Then about 10 days ago, during the special session, new figures showed that the need would be only \$45,484,000 in extra revenue. (Naftalin again uses a slightly larger figure.) Estimates of increased receipts from existing taxes on iron ore, corporations, individuals and the gross earnings of railroads--all resulting from the upturn in business in Minnesota and nationally--were largely responsible for this more optimistic view.

THE LEGISLATURE'S total appropriations won't be known exactly until the session ends, but Commissioner Naftalin now estimates that legislative spending will be within a million dollars of the governor's budget requests. So the legislature did not materially reduce the governor's spending program. What happened was that the state tax department and the iron mining industry raised their estimates of the income expected from present tax laws during the coming biennium.

Now it is true that the legislature ignored some of the governor's requests. But many of them were in the nature of one-shot expenditures that he had proposed to pay for out of the "windfall" from the withholding of income taxes. He did not get withholding, and he did not get state aid for building new junior colleges, or aid for building nursing homes, or the purchase of an electronic computer or several other non-recurring

items listed in the governor' budget.

It no doubt would have been better for everyone concerned if the governor and the state had known more accurately last January what the future held insofar as tax revenue was concerned. But it hardly seems fair to have berated the governor in January because he had under-estimated the state's money needs last summer--and now to berate him again because he had over-estimated the need for additonal revenue in January. We can't blame the governor just because our hindsight is better than his foresight.

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