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BUDGET MESSAGE OF GOVERNOR C. ELMER ANDERSON

DELIVERED TO A JOINT SESSION OF THE MINNESOTA LEGISLATURE
ON WEDNESDAY, JANUARY 14th, 1953.

Mr. Speaker, Mr. President, and Members of the 58th Session of the Minnesota Legislature:

We have gathered here today to consider the financial needs of our state government. I am submitting to you, as required by law, the budget for the biennium beginning July 1st, 1953, and ending June 30th, 1955. A printed copy has been placed on your desk. I wish merely to make a few explanations and discuss briefly some of the problems that confronted us as we prepared it. Later in committee sessions and in discussion on the floor, you will have opportunity to weigh the suggestions made and determine for yourself the needs of the various departments.

Preparing a budget for a big enterprise like the state is hard enough in normal times. It is especially difficult in periods like the present when prices are high and fluctuations are frequent. Some items have gone down in recent months. Others have risen in price. Prices of many articles which the state must buy still are more than 160% above 1939 prices. What future prices are going to be, no one can say with certainty.

State governments all over the country are having difficulty getting enough revenue to meet the needs confronting them. Local governments likewise are hard pressed. Many of the states are being forced to seek additional revenue. Pennsylvania authorities estimate that \$175,000,000 in additional revenue will be needed by the government in that state for the next biennium. Michigan will have a deficit of \$90,000,000 by the end of the current fiscal year on June 30th, fiscal officers in that state estimate. If no additional revenue is obtained, the deficit will run up to \$110,000,000 in another year. Governor Williams of Michigan has proposed that

the state provide taxes that will bring in \$40,000,000 to \$50,000,000 a year in additional revenue in an effort to clear up the deficit.

TRIMMING BUDGETS

After this brief glimpse into what is happening in some of the other states, we can now turn with some appreciation to Minnesota. I think you will agree when you have studied this budget that the recommendations made are moderate in consideration of the needs that confront us and that the appropriations proposed can be financed without undue hardship on the people.

I have looked forward to this day from the time I took over the responsibility of the Governor's office and have tried in every way I could to shape events to make easier the task that now confronts you. Aware of the need to hold down expenditures, I asked our department heads early in my administration to reshape their budgets where possible to effect savings. Improvements were introduced in a number of cases which resulted in substantial economies.

As a result of the increased caution, I am glad to say, many of the departments found they could withhold or defer some of the expenditures that had been contemplated. I can report to you that approximately \$4,300,000 of the appropriations authorized from the General Revenue Fund for this year will be unspent at the end of the fiscal year, much of it due to the efforts of department heads to effect savings. When the time approached for preparation of the budget I again asked our department heads to keep their request down to the lowest possible amount that would provide adequate services. I then held conferences with the heads of the major departments and in co-operation with them was able to trim another \$12,148,945.69 off the budget requests. In these and other ways, it has been our aim constantly to make savings wherever we could.

It is my sincere belief that the appropriations I have suggested are the minimum that ought to be provided, considering both the needs to be met by our state services and the burdens involved in raising the money to finance them. But you very properly will want to study this problem and decide for yourself what will best serve the people as a whole. I am asking all our state departments to assist you in every way possible by supplying the information which you may request.

I. SERVICES FINANCED FROM GENERAL REVENUE FUND

First, let us consider the needs which must be met through the General Revenue Fund. It is from this fund that most of the departments get the bulk of their support, as you know, and it is with this fund that the Legislators have most to do in making their appropriations.

After a careful study of prospective needs, I have decided to recommend appropriations of \$165,895,098.77 from the General Revenue Fund for the coming biennium, compared to \$158,728,846.21 in the current biennium, or an increase of \$3,583,126.28 a year. In addition to the appropriations recommended from the General Revenue Fund, I am also suggesting that you use \$5,338,786.36 more from the income tax school fund to help pay the costs of education and care of children in seven state institutions. We have been using \$1,000,000 of income tax school fund money for this purpose during the past two years, as a result of action taken by the Minnesota Legislature, and feel justified in suggesting an expansion of this important public service. The institutions maintain schools that are comparable in large degree to other elementary and secondary schools, except that children in the institutions are more in need of the public's interest and help than youngsters in the ordinary school. Our state law for many years has provided for the payment of board and lodging and transportation of handicapped children that they might have the fullest opportunity for education. Surely no one will say these children are not entitled to the same benefits from school aid distribution that is granted

to other children.

SERVICES REQUIRING INCREASE

All of you will want to know what the major items are in the recommended increases in appropriations. You will find from examining the budget that biggest items of increase are for (a) continuance and improvement of the mental health program, (b) development of the rehabilitation program at the state's penal institutions, (c) provision for increased facilities, research and services at the University of Minnesota, (d) added funds for increased costs at the Teachers' Colleges, and (e) an appropriation to launch an expanded campaign against Brucellosis. Here in brief summary are the major items of increase for the biennium:

Mental Hospital Improvements.....	\$3,795,728.00
Penal Institutions Reform.....	981,453.91
Needs of Other State Institutions.....	1,746,338.91
University of Minnesota Services.....	4,526,025.00
Teachers' Colleges Services.....	714,529.00
Youth Conservation Program.....	341,332.84
Brucellosis Eradication.....	1,000,000.00
Board of Parole Services.....	100,307.00
Bureau of Criminal Apprehension.....	77,693.90
Business Research and Development.....	71,453.00

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Against the increases recommended, there were, of course, reductions in some lines. Notable example is the welfare division. Cost of operating the welfare program has increased considerably, like many other functions of government. But due to increased participation by the federal government in the social security program, cost to the state general revenue fund for the coming biennium will be \$2,590,546 less than the appropriations made for this purpose for the current biennium.

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REASONS FOR SOME OF THE INCREASES

One of the agencies looming large in appropriations is the division of institutions. Directing eight mental hospitals, three penal institutions and eight other institutions or schools, the division looks after the welfare of more than 18,000 persons. Many of its services affect large numbers. Among the plans in prospect, if the recommended appropriations are approved, is one calling for raising the food allowances for meals in all institutions and hospitals from 65 to 70 cents a day. This would cost more than \$800,000 for the biennium, but heads of the institutions feel that it is needed to provide an adequate diet.

Provision also is made in the budget for funds to employ 200 persons in the mental hospitals and 29 additional persons in the penal institutions to improve the safety and care of inmates and patients. There is a substantial shortage of doctors, psychiatric aides and other trained personnel in the mental hospitals. Heads of the hospitals are hopeful that this shortage can be relieved somewhat during the coming two years. Funds have been included in the budget, too, for equipment and other facilities to improve opportunities for rehabilitation of men in our penal institutions.

A study of possible fire hazards conducted in four state institutions this past year disclosed the need for steps to improve the protection of inmates of these institutions. Action already has been taken to correct some of these shortcomings, and other badly needed improvements will be made when funds for the purpose are available. I have included funds in the budget to carry through some of the most needed improvements indicated and to extend the survey to other institutions.

I ask you special consideration of this need. Safety of the men and women in our state institutions surely ought to be a matter of the first concern.

I know that you will want to give special consideration to the needs of both the mental health program and the penal reform program. Aim of the mental

health program is not merely to improve care of the mentally ill, but to restore them to usefulness where possible. The penal reform program is being developed along a somewhat similar line. Our aim in the penal institutions is not merely to provide custodial care, but to rehabilitate the prisoner and equip him to return to civilian life and take a useful position. It is the human course to take and it is going to be cheaper to return him to society and make him self-supporting than pay for his maintenance in prison.

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The University of Minnesota offered many compelling arguments when presenting its request for increased funds. Where an enrollment of 17,000 was expected at this time, the number of students has increased to 18,600. To provide for an increase in faculty members and other services that go with a growing enrollment, said the University men, additional funds are needed. They asked for increases of approximately \$8,500,000 for worthwhile and desirable services. Unable to include all requests, I followed the methods used in examining needs of the state departments and found, when the sifting out was over, that I had increases totaling about \$4,500,000 for inclusion in the budget. I included increased allowances for the University Hospitals, added funds to permit opening of a rehabilitation center in the Mayo Memorial to aid the handicapped, staff increases to meet needs due to increased enrollment and expansion of the University's widespread research program. I recommended increases of \$542,000 for research at the University, increasing to \$1,571,000 the money available for various forms of research, including studies of the corn borer, stem rust, brucellosis, soil conservation, and other types of agricultural, business, economic and industrial research.

Our University is one of the greatest in the country in service to the people. I hope a way may be found to grant it increased funds.

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Teachers' colleges have faced much the same difficulties encountered by the University. I have included increased allowances of \$714,529 in the college budgets for the coming biennium.

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One agency that has proved its usefulness in a very effective way, our Youth Conservation Commission, has been allotted increased funds in the budget I am submitting to you and should be able to make some expansion in its work if the recommendation is approved. I have included increases of \$341,332.84 in the budget for this purpose for the coming two years. The commission should be able, among other things, to make some increase in the number of probation and parole agents, who have been so helpful in the rehabilitation of youthful offenders.

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I have included increased funds in the budget for another agency, the State Parole Board, that is engaged in probation and parole work. I have included some funds in the budget for this agency also to increase the number of its probation and parole agents.

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I have included \$1,000,000 in the budget to launch the first extensive, state-wide effort to eradicate brucellosis and feel that it will prove helpful to farmers and give added protection to the people's health.

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I have been glad also to include in the budget an increase of \$70,000 for the biennium for tourist and business promotion to attract additional visitors and new industry to our state.

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One of the things about which I am greatly concerned is soil conservation work, in which we have lagged. I am recommending to you the entire amount requested by the State Soil Conservation Committee for operation of soil conservation districts. I have also approved the full request of the University of Minnesota on operation of the soil conservation work of the extension services instituted two years ago. It is my understanding that this figure was reduced before it came to me. Your consideration of revising it upward will have my support.

THE REVENUE NEEDED

To pay for the services we have been discussing will require some additional revenue. Fortunately, the fiscal picture is much better than many have thought. A sizeable balance will be left in the General Revenue Fund at the end of the current biennium and will be available to help pay the costs of the coming biennium. Receipts from the present taxes have been larger than expected. Estimates of anticipated receipts from this source are such that we should be able to balance the General Revenue Fund budget by three steps. I am suggesting:

1. Appropriation from the General Revenue Fund of the amount recommended in the budget.
2. Appropriation from the Income Tax School Fund of \$5,338,786.36 additional revenue for education and care of children in 7 state institutions.
3. Provision for \$10,436,440 in proposed new tax revenues.

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Let us see how the plan will work out.

Appropriations recommended from the General Revenue Fund, as we have seen, total \$165,895,098.77. Past experience has shown that from 4 to 5 % of the money

appropriated will not be spent. Some employees authorized to be employed cannot be obtained, it develops, and it sometimes is impossible to get materials which the department has planned to purchase. A fairly constant proportion of the appropriations remains unspent at the end of each year, and is returned to the General Revenue Fund. Deducting 4% for these cancellations from the \$165,895,098.77 of appropriations recommended, we find that \$159,259,294.82 will be required to meet appropriation needs for the coming biennium.

Here, in tabular form, is a picture of how the program would meet appropriation needs and balance the General Revenue Fund budget:

Estimated balance July 1, 1953	5,720,081.95	
Estimated Revenues from present sources, 1953-55	143,104,112.00	
Proposed New Tax Revenues	10,436,440.00	
Additional Income Tax Funds	<u>5,338,786.36</u>	
Total estimated resources, 1953-1955		164,599,420.31
Less net appropriations (General Fund, \$159,259,294.82 - Income Tax Funds, \$5,338,786.36)		<u>164,598,081.18</u>
Estimated Balance June 30, 1955		<u><u>1,339.13</u></u>

PROPOSALS FOR NEW REVENUE

I have canvassed the various methods used in other states to raise revenue and have found no completely satisfying solution for our Minnesota revenue problem. In nearly all the suggested tax sources, I have found both advantages and disadvantages. Considering all aspects of the problem, I have come to the conclusion that we should raise the additional revenue needed from (a) an increase in the iron ore mining occupation and royalty taxes, (b) a revision of the labor credit allowed on the occupation tax and (c) an increase in the tax on beer.

I feel that such a program will have the least ill effects and will prove least burdensome on the people of any program I can suggest.

The mining companies are taking out of the ground a vital resource which, when exhausted, cannot be replaced, and there is perhaps some justification for requirement of a somewhat heavier tax contribution from them. The labor credit provided some years ago to assist and encourage operation of mines with high labor costs does not need to be kept up to the present levels in times like these when market conditions supply unusual incentives for mining of low as well as higher grade ores.

The Minnesota tax on beer has not been raised, I am informed, since inception of the law taxing beer. I am advised that 24 states now tax strong beer at a higher rate than Minnesota does and 32 states tax 3.2 beer at a higher rate than Minnesota does. The proposed tax on beer is small. It would amount to only a fifth of a cent on a glass of beer and only a third of a cent on a bottle.

The taxes and the change in the iron mining labor credit which I am suggesting would produce, according to the best estimates, during the two years:

Increase of 2 1-2 % in occupation and royalty taxes	\$ 6,336,440
Revision of labor credit	600,000
Tax of \$1 per barrel on beer	<u>3,500,000</u>
TOTAL	\$10,436,440

You will see that the increased taxes from these sources and the aid from the income tax school fund will be sufficient, with our present tax resources, to balance the budget.

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While I personally feel that the revenue program I am suggesting is preferable, I will welcome other suggestions. I hope you will explore all possi-

bilities for raising any additional revenue that may be needed. If you will do this, I feel sure the program you adopt will not prove burdensome and inequitable.

II. SERVICES FINANCED FROM DEDICATED FUNDS

We pass now to the activities financed from dedicated funds. Most of the money for such services, as you know, is paid through open or standing commitments, and you legislators do not pass on financial needs of such services when you make your biennial appropriations.

One instance, however, in which you have full opportunity to make decisions every two years is in determining the amount of school aid to be appropriated. The vast sum of money distributed to our local schools from the income tax and the importance of this aid in providing adequate schools for education of our children make school aid decisions big events in the Legislature. The school aid payments authorized have increased from session to session in recent years and support may be expected for further increase this year as the session proceeds.

I have felt that our school aids should be increased, at least in proportion to the increased services required and the inflated prices. I have not attempted to determine in specific terms what the increase should be, for this requires information which I do not possess in sufficient fullness and involves matters of policy on which the Legislators ultimately must make the decision.

I am glad to say that the income tax school fund is in excellent shape. It will have an estimated balance on June 30th of \$55,894,621.13, I am informed. Receipts from income tax collections during the next two years will amount to more than \$115,000,000, the state tax department reports.

III. BUILDING PROGRAM

I want to talk to you briefly now about the building program proposed. If you will turn to page 24 in your budget book, you will find all the recommended

appropriations for buildings fully listed and some detail that will indicate the character of the improvements.

I feel that the improvements requested have been scaled down to the very minimum and that we cannot well omit others from the list. After every effort had been made to eliminate improvements that could be deferred, heads of our state institutions felt obliged in good conscience to make requests for \$37,000,000 building improvements. I have trimmed \$14,000,000 of improvements off the list and am recommending appropriations of \$23,557,000 for building construction for the two years.

Biggest and, I think, most essential of the improvements recommended is the proposed new institution for care of mentally deficient children. Proposals for the erection of such an institution were initiated fully ten years ago, but construction was deferred from session to session. Waiting lists lengthened with the years. I can't remember a time when we didn't have a long list of children waiting to get into an institution where they could get proper care. I called your attention in my inaugural address to a statement by Governor John A. Johnson pointing out there was a waiting list in 1909 of 400 retarded children who could not gain admittance in an institution where they might receive needed care. There still is a waiting list. I doubt if we have ever caught up with the need.

I have been glad to include \$6,500,000 in the building program for erection of a new institution for care of retarded children. I do not know of any public service that ought to appeal more to our citizens than the early construction of an institution that will reach out a helping hand to children who have been denied opportunity for the institutional care they so much need.

Another badly needed building which I have recommended is the construction of a therapy building at Minnesota's wonderful Gillette Hospital for Crippled Children. I am recommending an appropriation of \$300,000 for this building.

Other badly needed improvements recommended include \$1,250,000 for a building at the Anoka Hospital, \$1,300,000 for a food service building at the Willmar Hospital, \$305,000 for a gymnasium at the Braille and Sight Saving School at Faribault, \$450,000 for a boys' dormitory at the School for the Deaf at Faribault, and \$300,000 for a Children's Center building to shelter children under care of the Social Welfare division.

One proposal which I would like especially to call to your attention is the recommended appropriation of \$3,000,000 for the erection of a new state office building. The state now is paying out more than \$150,000 a year in rent for office space for departments which cannot be housed in the Capitol or present State Office Building.

Another appropriation recommended which merits your consideration is one of \$500,000 for a rehabilitation building at the St. Cloud Reformatory, which is to provide needed facilities for the new program being developed there for rehabilitation of men in the reformatory. There is an item of \$1,200,000 for a new power plant at the capitol. This is a most urgent request. Major equipment is now nearly half a century old. Newer equipment is 30 years old. It is in such shape that it can break down any day and cause a standstill in many state operations. With consideration of additional buildings in the capitol group, it is particularly important that this matter be taken up this year. Also in the building budget is an item of \$3,000,000 for buildings at the university.

FINANCING OF BUILDING PROGRAM

To pay for the \$23,557,200 of improvements in the Building Program and meet annual interest charges, spread over a 15-year period, will require only a small levy annually. The levy would start at .99 of a mill for the first year, 1 mill for the second year and reaching a peak of 1.06 mills.

I think that is about all I have to say to you on the budget. It has not been easy for me sometimes to make the cuts that I felt should be made. I imagine that you, too, may find it difficult on occasion to draw a hard and fast line and say "This can be allowed and this cannot." I think that it must be our endeavor to weigh all the benefits that come from each of these state services and the burdens that are required to maintain them and make our decisions on the basis of what is best for the people as a whole.