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Financial Data
Affecting the 1945-47 Budget
State of Minnesota



An Analysis of
State Fiscal Operations
1934-1945

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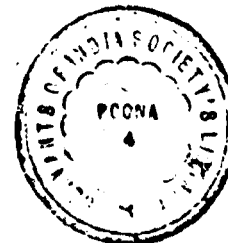
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Financial Data Affecting the 1945-47 Budget

State of Minnesota

The Legislature is now undertaking to determine the state fiscal program for the next two years beginning July 1, 1945. The Governor has submitted his proposed budget to the legislature for their consideration. The following brief analysis covering the fiscal operations of the state for the past year as well as comparisons with the previous year, also including tables on the ten year trends of revenue receipts, current costs and debt, is submitted as background material for the determination of a sound spending and tax program for the next biennium.

Key Problems Facing 1945 Legislature

There are a number of key problems facing the legislature and requiring attention by it before a sound fiscal program can be formulated.

- (1) Disposition of the surpluses in the various state funds and the problem of dedicating certain revenue receipts to particular activities.
- (2) Extent, method of administration and method of financing needed public works, deferred by war priorities.
- (3) Further adjustment of state employees' salaries so as to meet the rising cost of living as outlined in survey report of Public Administrative Service of Chicago.
- (4) Organization of various pension funds on a sound basis as recommended in four special actuarial reports.
- (5) Possibility of tax reduction or tax adjustment.
- (6) Development of a state-wide aviation program, extent of financial participation by the state and an aviation tax program to finance the aviation program.
- (7) Determination of the degree of responsibility for war veterans to be accepted by the state involving relief, education and bonus.
- (8) Problems which will be created for university, teacher colleges by the return of soldiers and increased enrollments.
- (9) Problem of consolidating thousands of wasteful and inefficient small rural schools.

- (10) Possibility of the state government sharing a larger portion of its revenue with the municipalities.
- (11) Proposals for revamping the present state school aid system.
- (12) Further reorganization of the state government along the lines outlined in the House of Representatives Interim Committee's report submitted to the Legislature in December.
- (13) Extent of the state's participation in financing county relief for the next two years, involving the financial problem of borrowing or "pay as you go".

Twenty-Two Million Dollar Surplus

The state ended the fiscal year June 30, 1944 with an overall surplus* of \$43,100,000. Total revenue receipts reached the highest point during the last ten years, namely, \$124,194,348, while current costs were only \$101,558,817. While similar surpluses have developed during each of the last three war years, the surplus for 1943-44 is the largest of all.

It should be emphasized at this point that practically all of the surplus funds except \$2,500,000 in the "general revenue fund" are in special funds dedicated to special activities, thus preventing their expenditure for general state activities. Thus, so far as general governmental expenditures are concerned, the available surplus is only about one-eighth of the total.

This problem of dedicated funds is discussed at length later in the report.

Comparison of Last Two Years

The revenue receipts for fiscal year 1943-44 increased \$4,404,409 over the previous year (being \$119,789,939 and \$124,194,348 respectively)*. At the same time current costs increased \$3,322,989 over the previous year. It is to be noted that costs did not increase to the same extent as the revenue receipts. Costs were \$98,235,828 in 1943 and \$101,558,817 for the year ending June 30, 1944.

*This analysis differs from the usual type of report issued by state governmental agencies in that it deals with only those state expenditures which become an actual tax burden currently falling upon the taxpayer. In addition, "fund" lines are ignored and the overall fiscal picture is presented. The method of compilation is explained fully in Bulletin No. 11 issued by the Institute.

*Surplus is defined to include free unencumbered or unobligated balances.

Why Revenue Receipts Were Higher

This unusually large increase in revenue receipts during the past fiscal year was not due to new tax sources or higher tax rates imposed by the 1943 Legislature but rather to the unusually high degree of business activity resulting directly from war production.

"Tax Revenues" (as distinguished from non-tax revenues and federal aids) increased, largely due to an increase of \$3,823,747 in income taxes. (See Table I.) Receipts from this tax source hit a record high of \$25,161,032 in 1943-44. Attention needs to be called to the fact that receipts from income taxes were \$11,108,000 in 1939-40, \$12,758,000 in 1940-41, then increased to \$16,885,000 in 1941-42, \$21,337,000 in 1942-43, and finally reached the peak figure of \$25,161,000. Larger receipts also occurred from various gross earnings (primarily railroads) taxes and bank excise taxes. The receipts from bank excises are returned to local units of government and, therefore, are not involved in the state spending program.

Some Tax Sources Showed Decreases

There were also some notable tax decreases during the year, namely, a \$1,792,530 drop in gasoline taxes (\$19,191,728 to \$17,399,198) and \$976,846 in auto licenses (\$9,039,575 to \$8,062,729). This was due to the rationing of gasoline and automobiles. Ore taxes dropped \$944,126 (\$6,278,868 to \$5,334,742) due to a smaller shipment of iron ore and to a more liberal labor credit authorized by the last legislature against taxes.

Property Tax Receipts Will Fall

The 1943 Legislature reduced the state mill rate on property from nine to five mills and suspended the money and credits tax for two years. The state government had received one-sixth of the money and credit tax receipts when it remained in force, amounting to \$437,000. As a result neither of these two actions showed up in lower state property tax receipts during the past year (\$9,749,231 to \$10,040,721). This is explained by the fact that receipts from this tax source arrive in the state treasury approximately a year after legislative action. Property tax receipts for the 1944-45 fiscal year will show a material reduction due to this action.

Non-Tax Revenue Also Increased

Non-tax Revenues showed an increase of \$2,115,193 over the previous year, being \$35,174,176 for the last year as against \$33,058,983 for fiscal year 1942-43. This increase was due in large part to higher receipts from licenses (large grain inspection fees), income from trust funds, donations and gifts (primarily to the University). Total federal aid*

*Does not include federal payments of \$2,581,297 for military training at the University. This payment is in the nature of a reimbursement. Does include similar payments to three teacher colleges since the system of accounting used did not make it possible to eliminate this item.

showed no material change for the first time in years being \$18,472,000 and \$18,339,000 for the last two years. This small decrease was due to the reduction of federal highway aid which was deferred until after the war.

Explanation of Higher Current Costs

On the total current cost side of the ledger the increase for the last year over the previous one was \$3,332,989 (\$98,235,828 to \$101,558,817). (See Table II.) This increase was the result of a number of factors. In the first place the 1943 Legislature authorized an increased war salary adjustment (totaling over \$3,000,000) which shows up in all of the departments and functions. This item of salary increases would have had a greater effect if the state had been able to obtain all of the employees authorized in the appropriations. This was especially true in all of the state institutions where it was impossible to obtain a full quota of employees.

Increase of Ten Millions Without Highways

If the reduction of expenditures for highways, amounting to \$6,562,000, were eliminated from the table, then the increase for 1943-44 would be approximately ten million dollars over the previous year. The largest increase was \$5,895,000 for "public welfare". The "public welfare" increase was largely due to an increase of \$2,376,767 for old age assistance and a \$2,947,828 increase in debt retirement for relief bonds. The increase for old age assistance was due to larger grants per case as authorized by the 1943 Legislature. This increase occurred in spite of the reduction of 3,218 cases during the fiscal year.*

The next largest increase was \$2,250,000 for education. Educational costs were higher due to higher salaries for all employees receiving less than \$250 per month at the University, inclusion of military programs at three teacher colleges, and over \$800,000 increase in school aids due to replacement grants for the money and credits tax loss. This latter sum is not an additional aid for local schools but is an additional expense to the state government.

State Aids Increased

The State Aids to local subdivisions (including schools) increased from \$44,381,896 to \$46,778,829, or \$2,396,933. (See summary at bottom of Table III.) This occurred in spite of the decrease in highway aids which dropped \$1,008,333. The reduction in the latter item was due to smaller gasoline tax receipts, of which one-third is automatically returned to the counties. The major increases in state aids

*There were 60,382 pension cases in June, 1943 but the number of cases had dropped to 57,154 in June, 1944. The highest number of cases (66,247) occurred in May, 1939 and the lowest figure was in January, 1946, being 56,008.

Table I
Minnesota State Government
COMPARISON OF REVENUE RECEIPTS
Fiscal Years 1943 and 1944

Revenue Source	1942-43	1943-44	Increase or Decrease
Tax Revenues			
Property	\$ 9,749,231	\$ 10,040,721	\$ 291,490
Gross Earnings			
Railroads	9,375,675	10,416,524	1,040,849
Telephone Company	1,562,313	1,678,704	116,391
Telegraph Company	89,284	94,597	5,313
Freight Lines	131,053	111,518	-19,535
Sleeping Car Company	51,047	79,525	28,478
Express Company	36,425	37,709	1,284
Inheritance	893,692	1,598,935	705,243
Gift	74,330	45,846	-28,484
Income	21,337,285	25,161,032	3,823,747
Liquor	5,939,053	5,435,247	-503,806
Insurance	2,179,501	2,233,277	53,776
Iron Ore Occupation	4,116,226	3,354,908	-761,318
Iron Ore Royalty	2,162,642	1,979,834	-182,808
Gasoline	19,191,728	17,399,198	-1,792,530
Motor Vehicle	9,039,575	8,062,729	-976,846
Bank Excise	562,614	1,012,458	449,844
All Other	239,282	277,409	38,127
Total Tax Revenues	86,230,956	89,020,172	2,289,216
U. S. Aid	18,472,345	18,339,145	-133,200
Non-Tax Revenues (licenses, fees, permits, income from trust funds, and other non-tax revenues)	14,586,638	16,835,031	2,248,393
TOTAL REVENUE RECEIPTS	\$119,789,939	\$124,194,348	\$ 4,404,409

Table II
Minnesota State Government
COMPARISON OF CURRENT GOVERNMENTAL COSTS
Fiscal Years 1943 and 1944

Function	1942-43	1943-44	Increase or Decrease
General Government	\$ 2,942,795	\$ 2,635,076	-307,719
Protection to Person and Property	3,827,967	3,605,758	-222,209
Health and Sanitation	1,638,394	1,888,745	250,351
Development and Conservation of Natural Resources ..	5,027,715	6,087,515	1,059,800
Highways and Airways	24,594,465	18,032,133	-6,562,332
Public Welfare	29,538,417	35,433,636	5,895,219
Education	29,346,582	31,596,699	2,250,117
Miscellaneous	1,319,493	2,279,254	959,761
TOTAL CURRENT COSTS	\$ 98,235,828	\$101,558,817	\$ 3,322,989

Note: Receipts and expenditures for army and navy training programs at the University are not included in these tables.

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TOTAL CURRENT COSTS	\$ 98,235,828	\$101,558,817	\$ 3,322,989

Note: Receipts and expenditures for army and navy training programs at the University are not included in these tables.

were \$748,144 for local school aids*, \$577,454 for larger bank excise receipts which are returned to local units, and \$2,123,504 for public welfare. Increased aids for public welfare are entirely due to a \$2,376,767 increase for old age assistance grants. This is due to higher monthly allowances authorized by the 1943 Legislature. Aid to dependent children also showed a reduction of \$272,577 in spite of an increase authorized by the last legislature (\$20 to \$23) for the first child. Both reductions in number of recipients were due to better opportunities to find work during this war period.

State Now Sharing 46% of Its Revenues

As already indicated the total aids granted by the state for the last year was \$46,778,829. This amount is 46% of the total costs for state government. During the past ten years the state government has been granting larger and larger shares of its revenue to the units of government on the lower levels. State aids and shared taxes amounted to only \$16,800,092 ten years ago, thus they have increased \$29,978,737 or 178.4% during the past decade. (See Table III). The major purpose for this move has been to ease the excessive tax burden on property. It is important to note that approximately half of state revenue receipts are assigned to local units of government.

Debt Service Increased 44%

Debt service (interest and principal repayment) amounting to \$14,088,090, showed an unusual increase of \$4,403,960 or 44% over the previous year. (See summary at bottom of Table III). The Legislature usually has no control over debt maturities because these dates are fixed by the legislature authorizing the bond issue. However, the 1943 Legislature did authorize a payment of debt not yet due out of surplus funds (\$2,000,000). This surprising action accounts in part for the large increase in this "debt service". For many years the state government had not been in a position to prepay debt.

Debt Situation Has Improved in Recent Years

The outstanding debt of the state government stood at \$82,176,508 on July 1, 1944. This total was made up of \$46,590,000 for rural credits, \$22,157,000 for highways, \$11,973,884 for relief and welfare, and \$1,455,624 for miscellaneous.

Ten years ago the debt was \$116,640,446. (See Table IV). It rose for four years, reaching its peak of \$134,155,892 in 1937. Since that time the trend has been steadily downward, reaching its lowest point last July.

*The amount of \$206,912 was granted to local schools from the income tax surplus to replace loss revenue from suspension of money and credits tax. In addition, state aids were paid in full for the first time in many years.

During the last six years the legislature has followed sound debt practices as well as a "pay as you go" policy for many improvements such as highways. As a result, the state is in an improved condition to face any new borrowing programs which may be necessary during the reconversion and postwar period without unduly straining its credit position.

It should be noted, however, that the reduction in rural credits indebtedness was largely the result of the sale of the best assets, leaving a smaller amount of inferior assets available to pay off the large remaining debt, much of which will have to be paid from general tax sources.

Condition of Various State Funds

It is estimated that on July 1, 1945, the various dedicated funds will show accumulated surpluses of approximately \$50,000,000. A surplus of \$15,458,000* will show in the Highway funds; \$25,568,000 in School Income Tax Fund; special Fish and Game funds \$1,293,000; University operating funds with \$1,377,000; \$785,000 in Iron Range Rehabilitation Fund; \$2,450,000 in Veterans' Relief and Educational Fund; and \$5,500,000 in the "General Revenue Fund". Although these surpluses seem to indicate that the state treasury is in a favorable position to meet postwar needs, such is far from being the true situation. The "General Revenue Fund" surplus amounting to \$5,500,000 is the only one which the legislature can use for general purposes. Further, this surplus must be used to balance the "General Revenue Fund" budget for the next two years. In other words, there are no free surplus funds available for any postwar building program, expansion of services, or even tax reduction as the law stands today.

Legislature Should Free Dedicated Funds

It was pointed out above that there will be approximately \$50,000,000 of surplus funds in various special dedicated funds on July 1, 1945. Unless the legislature is willing to break down the fences surrounding these various dedicated funds, thus making these surplus funds available for general purposes, little can be done for a postwar building program except by indulging in dubious borrowing. To borrow for a building program with these large surpluses lying idle in various dedicated funds can hardly be rated as sound financial practice. There never was a more advantageous opportunity for the legislature to reconsider its entire policy of dedicating funds to special purposes.

*An additional \$3,000,000 is held by the state highway department which belongs to the counties but has not been distributed. This amount will expand the road building program to that extent.

TABLE III
Minnesota State Government
CURRENT GOVERNMENTAL COSTS
Fiscal Years 1935-1944
(In thousands of dollars)

Function	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1941-44
General Government	\$ 2,519	\$ 2,263	\$ 2,737	\$ 2,106	\$ 2,496	\$ 2,328	\$ 2,834	\$ 2,454	\$ 2,943	\$ 2,635
Protection to Person and Property	2,646	2,345	2,723	3,934	4,391	3,871	3,916	4,076	3,828	3,606
Health and Sanitation	1,052	1,198	1,378	1,506	1,556	1,486	1,601	1,592	1,638	1,889
Development and Conservation of Natural Resources	5,345	5,849	4,471	4,810	4,382	4,377	4,637	4,717	5,028	6,088
Highways and Airways	26,954	24,787	34,477	35,370	30,875	28,491	29,121	35,754	24,594	18,032
Public Welfare	9,165	10,645	17,768	22,689	32,041	30,699	30,207	35,509	29,538	35,434
Education*	17,811	22,233	23,179	29,145	26,243	26,739	26,613	28,310	29,347	31,597
Miscellaneous	866	779	886	806	998	937	1,496	2,229	1,319	2,279
TOTAL CURRENT COSTS	\$66,359	\$70,099	\$87,619	\$100,366	\$102,983	\$98,928	\$100,425	\$114,642	\$98,236	\$101,559
Current Costs Summarized by Purpose										
General State Costs	\$40,884	\$37,952	\$50,525	\$51,819	\$48,376	\$43,112	\$46,155	\$53,030	\$44,170	\$40,692
Aids to Local Units	16,800	20,467	29,774	41,741	41,070	43,283	41,940	44,424	44,382	46,779
Debt Service	8,674	11,680	7,320	6,805	13,537	12,533	12,329	17,187	9,684	14,088
TOTAL CURRENT COSTS	\$66,359	\$70,099	\$87,619	\$100,366	\$102,983	\$98,928	\$100,425	\$114,642	\$98,236	\$101,559

*Does not include expenditures for navy training at University.

Table IV
Minnesota State Government
TEN YEAR TREND OF ANNUAL STATE GROSS INDEBTEDNESS
From June 30, 1934 Through June 30, 1944

As of June 30	Total Outstanding	Rural Credit	Highway	Relief & Welfare	All Other
1934	\$116,640,446	\$64,720,000	\$40,499,905	\$ 3,317,500	\$8,103,041
1935	115,034,502	64,208,854	38,287,055	5,733,500	6,805,093
1936	125,808,288	65,110,000	42,767,453	10,603,000	7,327,835
1937	134,155,892	66,770,000	44,502,704	17,736,100	5,147,088
1938	133,775,315	60,905,000	41,859,259	25,069,400	5,941,656
1939	130,497,185	61,065,000	39,582,841	24,024,670	5,824,674
1940	121,606,586	57,640,000	36,171,025	22,774,470	5,021,091
1941	115,602,489	56,195,000	33,705,152	21,416,971	4,285,367
1942	106,064,553	53,970,000	29,449,003	19,117,328	3,528,222
1943	98,770,284	52,065,000	25,820,000	17,969,712	2,915,572
1944	82,176,508	46,590,000	22,157,000	11,973,884	1,455,624

Opportunity to Abolish School Income Tax Fund

The income tax accumulated surplus amounted to over \$21,600,000 on July 1, 1944 and will probably increase to over \$25,000,000 during the current year. This fund presents a unique opportunity for the legislature to rid itself of the most serious of all dedicated funds. While school officials insist that this surplus money belongs to the schools, this claim is not entirely valid since this money can be spent for schools only if released by legislative appropriation in the form of school aids. It was by legislative act that the tentative dedication was made to the schools and it was made subject to biennial control or change of policy by the legislature.

Two years ago the legislature took the first step to break the strangle hold this fund has enjoyed over state finances and authorized a 3.7 million dollar diversion from this fund (1 mill property and money and credits tax replacement).

Any proposal to divert surplus income tax funds is attacked by educational officials. Yet it is of special interest to note that the Minnesota Educational Association is itself proposing to the 1945 Legislature a new foundation school aid bill which eliminates the existing practice of dedicating income tax receipts to school aids.

Diversion of Income Tax Surplus

The Governor's budget message outlined a plan for diverting a portion of the income tax surplus. The suggested diversion would be accomplished in an indirect manner by using income tax moneys to finance the university, teacher colleges and department of education appropriations during the next two years. This would amount to six million dollars each year thus relieving the "general revenue fund" of obligations amounting to twelve million dollars for the biennial period.

It is then proposed that \$3,000,000 of this amount be used to reduce the state property tax levy, five

million for new buildings, an undetermined sum (now estimated at four million dollars) for improvement of capitol grounds and construction of veterans' memorial building, place relief grants to counties on a "pay as you go" basis, involving \$2,260,000 and an unspecified amount for Mayo Memorial building at the University (now estimated at \$1,000,000).

Governor's Budget For Next Two Years

The Governor's budget to the 1945 Legislature is built on existing laws and practices. This is not in harmony with the budget sections of the 1939 Reorganization Law which requires that the proposed budget reflect the tax, borrowing and spending plans of the chief executive.

Revenue Receipts to Decrease

The revenue receipts for the "general revenue fund" were \$40,457,854 for the fiscal year 1943-44 and are estimated to be \$41,218,639 for the current year, ending June 30, 1945. The revenue estimates for the next two fiscal years are placed at \$38,848,643 and \$37,162,094 respectively by the governor's budget. This is a reduction of two and one-third million dollars the first year and four millions the second year over the amount being received during the current year.

Executive Recommendations in Respect to Taxes

The only major tax change suggested in the budget message was the reduction of the state property tax levy by one and a half mills each year for rural credit bonds and an implied continued suspension of the moneys and credits tax. The mill tax reduction is contingent on a diversion of part of the income tax surplus.

Indirectly the governor did recommend that the 10½% rate in occupational and royalty tax* be

*100% of the royalty and 50% of the occupational tax goes into the "general revenue fund", although 5% of the General Revenue Fund's share is dedicated to the Iron Range Rehabilitation Fund.

continued for two more years. If new legislation is not passed the rate would automatically drop to 9%.

Nothing was said about continuing the suspension of the one mill property tax for schools that was authorized by the 1943 Legislature.

The message did recommend that income taxes be not reduced at the present time. No recommendation on an aviation tax was made though it was assumed that the legislature might enact some type of tax.

Estimates Are Conservative

These estimates are conservative for the first year. It must be frankly stated that no one is in a position to estimate what will take place in the second year. It is difficult to predict with confidence the end of the German phase of the war, much less that of the war in the Pacific. Further, economists are not agreed as to what will happen to the general economy of the country as industry readjusts itself from war to civilian production. This transition or reconversion period may show a drastic decline in production, thus materially affecting state revenue receipts. On the other hand, inflation might develop which would tend to maintain revenue receipts at existing levels. Conservative state budget planning would call for the development of a sizeable surplus before entering such a period so that the state government would then be in a position to meet emergencies as they develop.

Proposed Budget Out of Balance

It is estimated that the "general revenue fund" surplus will be approximately \$5,500,000 on July 1, 1945. The budget, as outlined in the governor's budget document, proposes to use practically all excepting a million dollars of this surplus to balance proposed expenditures. In other words, the proposed current budget is out of balance by approximately four and one-half million dollars.

Salary Increases Will Add to Budget Difficulties

The governor's budget did not allow for any salary increases but assumed that some salary adjustment was necessary and called the attention of the legislature to the salary survey which was made at his request by the Public Administration Service of Chicago. The governor stated—"If you (the legislature) decide to accept the recommendations contained in this survey, you will see in the budget that there is sufficient balance to finance the increased cost of personal services". However, this means that little or no surplus would be left in the "General Revenue Fund". If some other plan for salary increases is authorized by the legislature such as a \$25 flat per month raise totaling \$2,700,000, the budget would be seriously out of balance.

It is obvious that the legislature is in no position to go on a spending spree unless either new tax sources are provided or fences which segregate the many dedicated funds are removed and such surpluses placed in the "General Revenue Fund".

Governor's Proposed Spending Plan

The spending plan for the next two years as outlined in the governor's budget document is \$769,808 lower than was authorized by the 1943 Legislature. (See Table VI at the end of the report.)

The 1943 Legislature appropriated \$2,000,000 for the prepayment of debt and \$2,500,000* for relief and educational grants to returning soldiers. These sums were taken from the surplus in the "general revenue fund". These items were unusual and are not repeated in the present budget. If these two appropriations are eliminated, then the proposed spending plan for the next two years is \$3,730,192 higher than was authorized two years ago.

It will be noted from Table VI and the following analysis that most items are larger than two years ago. In most instances (exceptions noted below) the increases are due to merit raises within the salary ranges and to the expectation that a full quota of employees will be available at least during the second year of the biennial period.

Comparison With Previous Appropriations

The governor's proposed spending plan as outlined in the present budget for the next two year shows an increase of \$253,889 for "General Government" over the amount appropriated by the 194 Legislature.

"Protection" shows a reduction of \$777,692, due to smaller amounts for the national guard, other military expenses and civilian defense.

An increase of \$917,687 over the previous biennial period is recommended for "Regulation", due to larger amounts for grain inspection in the Railroad and Warehouse Commission.

Highway (-\$15,050), Agriculture (\$36,100), Conservation (\$113,303), Health (\$154,620) and Institutions (\$75,091) show practically no change for the coming biennium.

There is a decrease in "Non-Institutional Welfare" amounting to \$1,354,145 due to an unusual appropriation made two years ago for veterans' relief and educational grants. This appropriation was not repeated for the coming biennium. In spite of the decrease mentioned above, there was an increase of \$813,361 for old age assistance grants.

"Education" shows an increase of \$1,202,422 and the University allowance accounts for 90% of the increase. Recommended grants in aid to local schools

*Less than \$50,000 was spent of this amount since the Federal Government made this appropriation unnecessary.

are down \$240,000 for the first time in many years. This is due to a declining school attendance.

"Miscellaneous" shows an increase of \$623,966 due to the inclusion of a larger contingent fund for the next two years.

"General Debt Service" is down \$2,000,000 because, as previously indicated, no prepayment of debt is suggested for the new biennial period as was done in 1943.

Larger Quota of Employees is Anticipated

Most of the increases suggested in the governor's budget are due to the expectation that most departments will be able to fill a larger portion of the positions authorized for employees during the first year of the biennium and that a full quota of employees will be available during the second year.

Deferred Repairs Postponed Until 1947

The proposed budget does not assume that rationed materials and supplies will be available to any large extent during the next two years. Therefore, allowances for repairs, maintenance and replacement of auto and other equipment are approximately the same as for the last two years. A vast amount of deferred expense for such items has accumulated during the war years. However, the difficulties of balancing the budget in 1947 will be increased by this action.

Additional Reorganization Suggested

The budget message mentioned the need of additional reorganization of departments and suggested legislative consideration of the report of the House Interim Committee on State Administration. In respect to the abolition of the small ineffective and wasteful rural school, it was suggested that plans be worked out to encourage the development of larger schools but no method of attaining this desirable objective was outlined.

Airport Expansion—New Field of Expenditure

The passage of the airways constitutional amendment last November opens up an entirely new field of public expenditure. This raises another special budget problem for legislative consideration. Building a state system of airports could easily run into many millions of dollars. New tax sources must be sought to finance such a program even if airport bonds are issued in the first instance, for eventually bonds must be paid. The 1943 Legislature made a million dollars available (from borrowing) for the Twin City Airport and other local air fields. This amount will aid only a very few communities. In assisting a few cities a general policy was therefore established of assisting all cities. To carry out such a policy will require many millions of dollars. The legislature, therefore, faces the task

of enacting tax legislation covering aeroplanes, gasoline used by planes, and the air transport industry.

Placing Pension Funds on Sound Basis

It has been recognized at the Capitol for some years that the various pension funds for employees were not on a sound financial basis. During the past year Mr. Edward D. Brown, Jr., of Chicago, a specialist in this field, was employed to make four actuarial reports on these funds. The one covering the State Employees' Retirement Fund was submitted to the governor and the others to the Commissioner of Administration and Legislative Interim Committee on State Administration.

The actuarial report on the State Employees' Retirement Fund recommends an appropriation of \$500,000 each year besides a number of corrective legislative changes. During the current biennium an appropriation of \$200,000 per year was authorized pending the receipt of the actuary's report.

The actuarial report shows that the Public Employees' Retirement Fund is in critical shape, needing much remedial legislation. The financial responsibility for this fund probably rests with the local governmental units, though the state may have an indirect responsibility.

The Highway Patrolmen's Retirement Fund, created by the 1943 Legislature, is reported by the actuary to be in fair financial shape but the latter recommends that due to its small size it be made a part of the State Employee's Fund, as a special class.

The State Teachers' Retirement Fund was reported to be on a reasonably adequate basis except that the state should provide larger appropriations to meet current obligations and to provide for contingent liabilities. In addition, legislation is required to reduce rates on which annuities are granted.

It is obvious from the four reports that legislation is urgently necessary to place these pension funds on a sound financial basis and that sizeable appropriations will be necessary to carry the state's share of the costs. It is not possible for the legislature any longer to ignore this pension problem on the plea that sufficient accurate data is not available to determine the proper corrective steps.

General Conclusions and Findings

Based on above data and analysis thereof, a number of general findings and conclusions can be arrived at.

It can be concluded that the current Legislature will have its usual problem of balancing the state budget during the final days of the session and that the outlook for the 1947 Legislature will be even more serious. The following statements of facts support this view.

In the first place, the large number of surpluses

in the various funds of the state gives a misleading picture and a false sense of economic well being, due to the fact that all but a small portion of such surpluses are dedicated to special purposes and cannot be used to meet more pressing needs in other fields.

Secondly, the surpluses in the Iron Range Rehabilitation Fund, Veterans' Educational and Relief Funds, as well as the School Income Tax Fund, can legally be diverted to the "General Revenue Fund", to permit the development of a sizeable postwar building program. Even such a step would only solve the fiscal problems for this biennial period, leaving many financial problems for the 1947 Legislature.

Third, it must be noted that the governor's budget proposal is brought in balance only by using over four and one-half million dollars of an accumulated surplus in the "General Revenue Fund". In addition, the proposed budget does not include any allowances for necessary salary increases. If the legislature increases any items in the governor's budget, raises salaries more than is suggested in the Public Administrative Survey Report, or authorizes new activities, it will then be necessary to increase the state property tax or seek out a new tax source or divert dedicated surpluses to the "general revenue fund".

Fourth, there is approximately a million dollars in the "General Revenue Fund" available for salary

increases over those allowed in the governor's budget. The salary report of Public Administrative Service provides for salary increases of a little over one million dollars. If any other type of salary increase, such as a flat salary raise of \$25 per month involving \$300 per year for nine thousand employees is adopted by the legislature, it would cost \$2,700,000 thus throwing the budget out of balance to a considerable degree.

Fifth, it must be borne in mind that state expenditures have been rising for ten years. Most of the increases have occurred in items like Mothers Aid, University, Old Age Assistance, School Aids etc., that will be difficult, if not impossible, to reduce. In addition, many state expenditures for repairs and replacement of equipment, etc., have been deferred during the war years due to federal controls over materials and manpower. Expenditures for these items will turn upward rather sharply when the war is over.

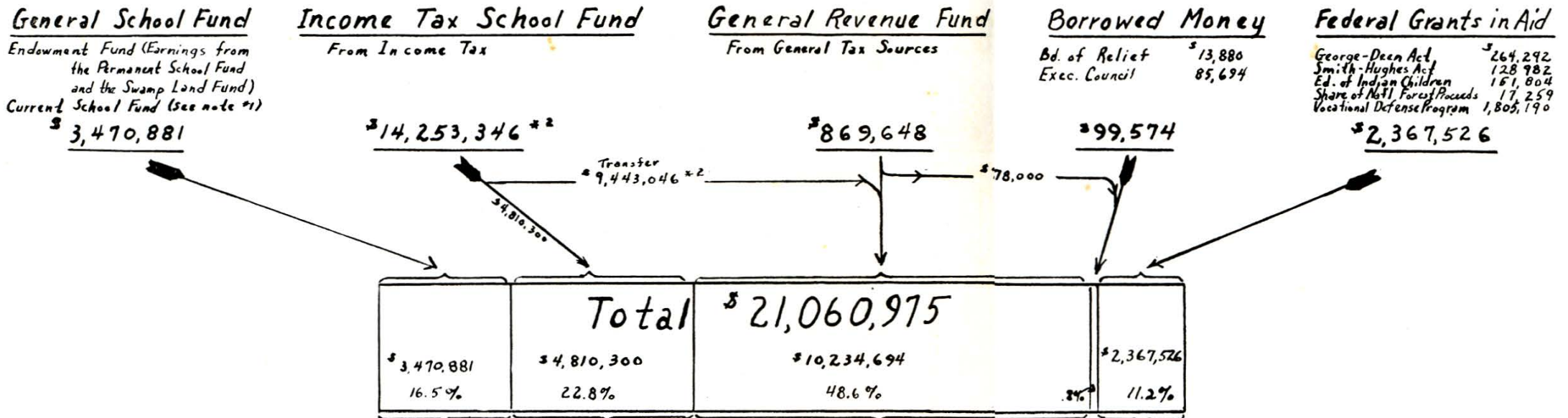
Sixth, the state has experienced a sizeable increase in revenue receipts due to a high level of production during the war years that cannot be expected to continue in the postwar years. In fact revenue receipts for the "General Revenue Fund" are estimated to decline approximately 2½ million during each of the next two years. A further decline will occur if business conditions in the state revert to the level of 1940.

Sources and Distribution of State Aids to Minnesota Schools

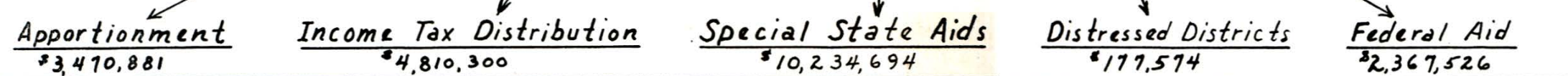
(Including Federal Grants)

Payments for Fiscal 1944

I Sources of Revenue for State School Aids:



II Distribution of State School Aids



Distributed on the basis of Average Daily Attendance between the ages of 5 and 21 in schools with terms of 8 months or more. (Ch. 169, Laws of 1941).

*1- The 1943 Legislature provided for a transfer of \$1,000,000 each year from the Income Tax School Fund to the Current School Fund for the fiscal years 1944 and 1945 in lieu of the one mill school tax which was suspended for those two years. The 1944 transfer was made but the \$1,000,000 remained intact in the Current School Fund at the close of fiscal 1944 since revenues from prior years' levies continued to be collected. The earnings of the Permanent School Fd. in 1944 amounted to \$3,470,881, and the earnings from the Swamp Land Fd. to the Gen. Sch. Fd. were \$191,337.

Distributed on the basis of \$10 per child of ages 6 to 16 residing in the district. Those of 16 years must be actually attending school. (Ch. 630, Laws of 1943).

*2- This amount represents only the amount paid out in aid and not the total income tax collection of \$25,161,032. The transfer to the Gen. Rev. Fd. was \$805,912 in lieu of the Money and Credits Tax, and \$8,637,134 for special state aid. The transfer of \$1,000,000 to the Current School Fund (in lieu of the one-mill property levy which was suspended for 1944 and 1945) is not shown on the chart as it was not disbursed in 1944 but remained an unencumbered balance in the Current School Fund at the close of the fiscal year. The unencumbered balance in the Income Tax School Fund on June 30, 1944, was \$21,690,820, of which \$15,000,000 was invested in government bonds.

- Supplemental Aid \$3,544,007
- Non-Res. High Tuition 2,422,509
- Transportation:
 - Consol. Schools } 1,081,255
 - Isolated Pupils }
 - Non-Res. High Crippled Children 236,823
 - Classification Aids 19,353
 - Classes for Defectives 1,145,625
 - Special Dep'ts. 330,957
 - Gross Earnings Tax Aid 274,744
 - Teacher Training 153,000
 - Libraries 57,449
 - Summer School for Crippled Children 24,412
 - Aid to Counties with 40% State-owned Land 8,500
 - Rural Credits Land Tax 24,000
 - In lieu of Money and Credits Tax 106,147
- Total \$805,912

\$10,234,693

Aid from the Board of Relief distributed on the basis of low assessed valuation or high tax delinquency. (Ch. 525, Laws of 1941).

Aid from Executive Committee distributed on the basis of the ratio of indebtedness to assessed valuation and area of state-owned land. (Ch. 897, Laws of 1941).

Aid from General Revenue Fund distributed on basis of low assessed valuation or high tax delinquency. (Ch. 655, Laws of 1943).

- Vocational Training \$393,274
- Education of Indian Children 151,804
- Districts in or near National Forests 17,259
- Vocational Defense Program 1,805,190

Source: Data from the State Auditor and the Dept. of Education.

Table V
Minnesota State Government
REVENUE RECEIPTS
Fiscal Years 1935-1944
(In thousands of dollars)

Revenue Source	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44
Tax Revenues										
Property *1	\$16,751	\$15,797	\$18,931	\$16,365	\$13,792	\$12,390	\$12,258	\$11,036	\$ 9,749	\$10,041
Gross Earnings										
Railroads	4,084	4,420	5,415	5,961	4,817	5,578	6,448	7,799	9,376	10,417
Telephone Company	720	753	819	1,335	1,362	1,273	1,426	1,497	1,562	1,679
Telegraph Company	53	56	57	78	74	75	76	86	89	95
Freight Lines	98	93	102	126	125	129	137	139	131	112
Sleeping Car Company	28	28	32	41	38	36	33	35	51	80
Express Company	29	29	30	35	33	31	31	50	36	38
Inheritance	1,296	1,235	791	1,234	1,872	1,136	859	1,353	894	1,599
Gift				1	108	63	76	189	74	46
Income *2	2,932	3,597	5,568	10,115	10,295	11,108	12,758	16,885	21,337	25,161
Liquor	3,009	3,645	4,338	5,686	5,375	6,085	5,263	6,299	5,939	5,435
Insurance	1,735	1,747	1,788	1,887	1,860	1,965	1,972	2,199	2,180	2,233
Iron Ore Occupation *3	586	724	1,318	4,496	760	2,443	3,231	4,200	4,116	3,355
Iron Ore Royalty	363	461	547	1,234	678	862	1,106	1,820	2,163	1,980
Gasoline *2	10,750	11,132	13,314	18,484	18,002	19,467	18,998	20,542	19,192	17,399
Motor Vehicle *2	6,787	7,903	8,613	9,201	9,421	9,764	10,651	10,310	9,040	8,063
Bank Excise							454	574	563	1,012
All Other	508	190	215	330	257	159	369	312	239	277
Total Tax Revenues	49,729	51,812	61,876	76,610	68,866	72,564	74,147	85,327	86,731	89,020
U. S. Aid *4	8,236	8,146	21,549	18,461	16,920	16,502	18,353	20,782	18,472	18,339
Licenses, fees, permits, income from trust funds, and other non-tax revenues	9,909	10,969	11,863	12,611	12,685	10,914	12,399	14,390	14,587	16,835
TOTAL REVENUE RECEIPTS	\$67,875	\$70,927	\$95,288	\$107,683	\$98,471	\$99,980	\$104,899	\$120,499	\$119,790	\$124,194

*1—Property tax includes taxes on real and personal property and money and credits; also bushel taxes, trust company taxes and state share of locally collected mortgage registry tax.

*2—Figures for Income Tax revenues are collections reported by the Department of Taxation. Gasoline and Motor Vehicle Tax revenues are figures reported by the Highway Department.

*3—Does not include the 50% of the ore occupational tax credited to the state trust funds for schools and the University.

*4—Does not include revenue receipts from army and navy training programs at University.

Table VI
STATE OF MINNESOTA
 Actual 1944-1945 and Recommended 1946-1947 Biennial Appropriations From the Non-Dedicated Receipts in the General Revenue Fund

Department	1944-1945	1946-1947	Increase or Decrease
General Government			
Legislature	\$ 717,000.00* ¹	\$ 735,000.00	\$ 18,000.00
Legislative Advisory Commission	4,000.00	4,000.00	
Governor	74,110.00	82,920.00	8,810.00
Lieutenant-Governor	200.00	2,000.00	1,800.00
State Auditor	244,600.00	254,800.00	10,200.00
State Treasurer	177,000.00	183,900.00	6,900.00
Public Examiner	425,000.00	478,000.00	53,000.00
Department of Taxation	691,257.00	728,340.00	37,083.00
Board of Tax Appeals	30,800.00	31,000.00	200.00
Attorney General	212,000.00	225,500.00	13,500.00
Secretary of State	370,206.00	358,593.50	-11,612.50
Department of Administration	965,627.00	1,073,600.00	107,973.00
Department of Civil Service	220,000.00	237,000.00	17,000.00
Executive Council	15,800.00	16,000.00	200.00
Board of Investments	12,800.00	800.00	-12,000.00
Board of Pardons	4,396.00	5,080.00	684.00
Supreme Court	233,626.00	239,400.00	5,774.00
District Courts	639,000.00	639,000.00	
State Law Library	57,644.00	58,232.00	588.00
Miscellaneous Judicial Expenses	97,570.00	93,360.00	-4,210.00
Minnesota Resources Commission	30,000.00	30,000.00	
	5,222,636.00	5,476,525.50	253,889.50
Protection			
Military and Naval Affairs	1,871,642.00	1,222,900.00	-648,742.00
Bureau of Criminal Apprehension	167,000.00	184,350.00	17,350.00
Sheriffs' Expenses	30,000.00	30,000.00	
Civilian Defense	160,000.00	13,700.00	-146,300.00
	2,228,642.00	1,450,950.00	-777,692.00
Regulation			
Department of Commerce			
Division of Banking	257,350.00	259,800.00	2,450.00
Division of Insurance	932,000.00	1,000,100.00	68,100.00
Division of Securities	66,000.00	59,700.00	-6,300.00
Railroad and Warehouse Commission	2,159,760.00	2,973,785.00	814,025.00
Labor and Industry	454,624.00	497,200.00	42,576.00
Labor Conciliator	86,000.00	85,000.00	-1,000.00
Liquor Control Commission	202,000.00	189,000.00	-13,000.00
Compensation Insurance Board	19,200.00	20,036.00	836.00
Department of Aeronautics	100,000.00	110,000.00	10,000.00
	4,276,934.00	5,194,621.00	917,687.00
Department of Highways			
Department of Highways	205,000.00	189,950.00	-15,050.00
Agriculture			
Department of Agriculture, Dairy and Food	838,400.00	938,800.00	100,400.00
Poultry Improvement Board	19,560.00	29,760.00	10,200.00
State Agricultural Society	50,000.00		-50,000.00
Aid to Agricultural Societies	361,400.00	336,900.00	-24,500.00
	1,269,360.00	1,305,460.00	36,100.00
Conservation			
Department of Conservation	1,295,900.00	1,401,648.00	105,748.00
Surveyor General of Logs and Lumber	45,000.00	48,005.00	3,005.00
Miscellaneous Conservation Expenses	25,000.00	29,550.00	4,550.00
	1,365,900.00	1,479,203.00	113,303.00
Health and Sanitation			
Department of Health	531,568.00	585,008.00	53,440.00
Livestock Sanitary Board	669,700.00	770,880.00	101,180.00
	1,201,268.00	1,355,888.00	154,620.00
Public Institutions			
Division of Public Institutions	597,900.00	556,287.75**	-41,612.25
Anoka State Hospital	696,946.00	759,195.00	62,249.00
Hastings State Hospital	598,288.00	645,653.00	47,365.00
Fergus Falls State Hospital	1,118,395.60	1,147,252.00	28,856.40
Moose Lake State Hospital	673,973.40	722,468.00	48,494.60
Rochester State Hospital	1,039,396.48	1,063,975.00	24,578.52
Willmar State Hospital	677,434.00	707,731.00	30,297.00

(continued on the following page)

Department	1944-1945	1946-1947	Increase or Decrease
St. Peter State Hospital	\$ 1,475,063.04	\$ 1,574,009.00	\$ 98,945.96
School for the Feeble-minded	1,493,506.20	1,605,190.00	111,683.80
Colony for Epileptics	649,382.80	671,580.00	22,197.20
Braille and Sight-saving School	212,166.80	225,670.82	13,504.02
School for the Deaf	394,058.95	416,795.00	22,736.05
State Public School	478,527.00	386,600.00	-91,927.00
Training School for Boys	506,435.06	517,749.00	11,313.94
Home School for Girls	352,310.10	357,601.00	5,290.90
Reformatory for Men	1,147,971.20	1,061,616.00	-86,355.20
Reformatory for Women	85,605.40	91,313.00	5,707.60
Sanatorium for Consumptives	869,850.00	865,500.00	-4,350.00
State Prison	519,000.00	286,253.00	-232,747.00
Hospital for Crippled Children	605,229.04	625,844.00	20,614.96
Minnesota Soldiers' Home	448,352.00	428,600.00	-19,752.00
Ladies' G. A. R. Home	8,000.00	6,000.00	-2,000.00
	<u>14,647,791.07</u>	<u>14,722,882.57</u>	<u>75,091.50</u>
Non-Institutional Welfare			
Division of Social Welfare Administration	585,716.64**	528,904.79***	-56,811.85
Old Age Assistance	13,920,591.79**	14,733,953.16***	813,361.37
Aid to Dependent Children	1,906,417.33**	2,033,860.26***	127,442.93
Aid to the Blind	441,719.87**	461,442.25***	19,722.38
Aid to Children under Guardianship	190,417.06**	190,000.00	-417.06
Aid to County Sanatoria	832,113.03**	743,000.00***	-89,113.03
Blind Rehabilitation		23,700.00	23,700.00
Board of Parole	117,500.00	143,600.00	26,100.00
Veterans' Affairs	2,702,810.00**	352,400.00	-2,350,410.00
Society for the Prevention of Cruelty		7,000.00	7,000.00
Division of Employment and Security	1,000.00	126,280.00	125,280.00
	<u>20,698,285.72</u>	<u>19,344,140.46</u>	<u>-1,354,145.26</u>
Education			
Department of Education	420,020.00	492,822.00	72,802.00
Educational Grants in Aid	18,414,000.00	18,174,000.00	-240,000.00
State Teachers College Board	2,400.00	11,700.00	9,300.00
Bemidji Teachers College	296,016.50	334,435.00	38,418.50
Duluth Teachers College	385,276.00	389,914.00	4,638.00
Mankato Teachers College	380,600.00	410,842.00	30,242.00
Moorhead Teachers College	291,715.00	405,914.10	114,199.10
St. Cloud Teachers College	464,000.00	508,499.50	44,499.50
Winona Teachers College	328,000.00	334,458.50	6,458.50
University of Minnesota	9,077,150.00	10,184,854.00***	1,107,704.00
Minnesota Historical Society	95,840.00	110,000.00	14,160.00
	<u>30,155,017.50</u>	<u>31,357,439.10</u>	<u>1,202,421.60</u>
Miscellaneous			
General Contingent Fund	350,000.00	1,000,000.00	650,000.00
Boards and Commissions	44,500.00	20,000.00	-24,500.00
Aids to Miscellaneous Commissions	22,840.00	22,820.00	-20.00
Miscellaneous State Expenditures	73.21	60.00	-13.21
Miscellaneous Aids to Subdivisions	273,500.00	272,000.00	-1,500.00
	<u>690,913.21</u>	<u>1,314,880.00</u>	<u>623,966.79</u>
General Debt Service			
Property Tax Accounts	50,000.00	50,000.00	
Prepayment of Debt	2,000,000.00		-2,000,000.00
Trust and Agency			
Retirement Associations	400,000.00	400,000.00	
GRAND TOTAL	<u>\$84,411,747.50</u>	<u>\$83,641,939.63</u>	<u>-769,807.87</u>

*1—Due to salary increase authorized by the 1945 Legislature, \$200,000 has been added to the 1944-1945 appropriations to make them comparable to the 1946-1947 appropriations.

*2—Includes an estimated unobligated appropriation balance as of June 30, 1945 of \$270,612.75.

*3—Includes a reappropriated balance as of June 30, 1943 of \$121,116.64.

*4—Includes a reappropriated balance as of June 30, 1943 of \$170,591.79.

*5—Includes a reappropriated balance as of June 30, 1943 of \$230,417.33.

*6—Includes a reappropriated balance as of June 30, 1943 of \$719.87.

*7—Includes a reappropriated balance as of June 30, 1943 of \$417.06.

*8—Includes a reappropriated balance as of June 30, 1943 of \$7,113.03.

*9—Includes a continuing appropriation of \$2,500,000 which was divided equally between veterans' relief and veterans' educational grants. Passage of the Federal G. I. law eliminated any need for these two appropriations.

*10—Includes an estimated unobligated appropriation balance as of June 30, 1945 of \$165,658.58.

*11—Includes an estimated unobligated appropriation balance as of June 30, 1945 of \$918,953.11.

*12—Includes an estimated unobligated appropriation balance as of June 30, 1945 of \$336,179.54.

*13—Includes an estimated unobligated appropriation balance as of June 30, 1945 of \$16,916.01.

*14—Includes an estimated unobligated appropriation balance as of June 30, 1945 of \$96,110.76.

*15—Includes an estimated unobligated appropriation balance as of June 30, 1945 of \$1,377,704.

Table VII
State of Minnesota
CURRENT GOVERNMENTAL COSTS
Fiscal Years Ending June 30

I GENERAL GOVERNMENT	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944
General										
Legislative	\$ 471,655	\$ 152,457	\$ 581,435	\$ 150,338	\$ 505,267	\$ 61,515	\$ 464,250	\$ 19,824	\$ 506,822	\$ 55,928
Chief Executive—Governor	26,311	28,798	32,664	29,561	31,385	33,815	30,978	32,838	33,688	44,442
Finance—Auditor, Treasurer, Comptroller (Public Examiner)	233,783	238,075	258,894	256,082	251,868	337,302	371,464	364,855	380,108	352,751
Assessment and Levy of Revenue	172,597	179,797	180,408	241,802	250,931	261,858	307,009	330,642	349,084	302,918
Collection of Revenue	438,004	440,221	462,521	494,899	510,072	645,272	657,098	741,424	686,371	746,246
Tax Appeals Board						8,338	11,412	10,711	10,442	13,377
Law—Attorney General	84,000	92,144	99,566	104,564	119,681	128,401	112,068	96,982	80,594	87,706
General Executive—Including Secretary of State	24,403	23,198	23,040	24,238	23,856	20,991	20,601	28,913	28,247	27,515
Civil Service Commission					810	87,897	85,185	76,301	84,871	91,100
Judicial	455,375	463,455	453,680	474,315	475,594	453,113	464,938	482,533	482,741	505,863
All Other General Government (Including Elections and Maintenance of Public Buildings)	851,971	243,105	274,814	269,450	326,295	309,182	238,628	270,761	319,826	313,740
Total General	2,253,049	1,861,250	2,366,517	2,045,249	2,495,734	2,327,664	2,333,631	2,453,793	2,942,795	2,635,076
Debt Service										
Retirement	240,000	360,000	315,000	50,000						
Interest	26,286	42,007	55,823	10,233						
Total Debt Service	266,286	402,007	370,823	60,233						
TOTAL GENERAL GOVERNMENT	2,519,285	2,263,257	2,737,340	2,105,482	2,495,734	2,327,664	2,333,631	2,453,793	2,942,795	2,635,076
II PROTECTION TO PERSON AND PROPERTY										
General										
Police—Highway and Criminal Apprehension	208,620	274,000	346,679	392,633	393,360	399,552	413,482	419,644	410,744	349,310
Fire Marshal	50,506	55,866	54,353	52,041	54,546	51,598	53,372	56,312	52,527	49,771
Militia and Armories	633,685	305,947	320,404	347,552	313,206	357,142	325,770	756,870	377,848	639,316
Civilian Defense										50,463
Regulation of Financial Institutions and Other Corporations (Including Insurance, Banks, R. R. and Warehouse, and Securities Commission)	355,963	345,932	344,319	421,505	430,517	390,520	373,547	368,416	372,955	367,633
Regulation of Sale of Oil and Gas	145,363	125,555	135,732	177,154	173,221	156,896	173,613	191,102	134,094	134,479
Regulation of Labor	215,831	223,090	235,204	246,204	251,045	274,132	254,234	256,109	254,408	259,633
State Employment Service				21,830	22,000	46,131	45,973			
Federal Employment Service and Administration of Unemployment Compensation	49,133	47,463	200,803	1,194,020	1,539,733	1,239,153	1,350,602	1,110,223	761,723	677,994
Regulation of Weights and Measures	72,536	104,940	119,673	154,432	148,513	163,979	174,266	169,404	132,566	207,334
Regulation of Other Activities	395,430	326,546	365,395	404,156	397,333	367,062	369,133	329,533	324,333	357,622
Forest Fire Prevention	342,463	238,244	357,143	330,713	330,713	352,512	310,231	347,637	347,159	397,159
Other Protection	24,573	43,551	55,519	53,459	40,740	22,636	11,365	16,631	17,633	14,000
Total General	2,497,133	2,146,134	2,535,235	3,795,754	4,320,430	3,321,363	3,365,633	4,005,904	3,737,037	3,605,753
Debt Service										
Retirement	119,000	156,000	155,000	103,000	62,000	40,000	47,000	67,000	40,000	
Interest	29,451	42,867	32,360	30,773	3,740	9,625	3,603	3,307	900	
Total Debt Service	148,451	198,867	187,360	133,773	65,740	49,625	50,603	70,307	40,900	
TOTAL PROTECTION TO PERSON AND PROPERTY	2,645,584	2,345,001	2,722,595	3,929,527	4,386,170	3,370,988	3,416,236	4,076,211	3,777,937	3,605,753

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III HEALTH AND SANITATION

General											
General	193,527	244,425	411,781	486,570	497,508	507,210	575,286	570,764	648,622	908,986	
TB Sanatorium at Walker	223,937	805,482	346,060	304,327	378,621	381,783	386,529	387,685	369,769	376,783	
All Other Health (Including Regulation of Professional Occupations)	196,431	211,514	217,547	244,233	249,139	227,654	229,284	224,372	225,316	240,567	
Total General	613,895	761,421	975,388	1,035,130	1,125,268	1,066,597	1,191,049	1,182,771	1,243,107	1,525,294	
Payments to Other Civil Divisions											
Aid to Sanatoria	438,568	486,098	402,712	471,168	481,223	419,002	409,823	409,565	407,387	363,451	
TOTAL HEALTH AND SANITATION	1,052,463	1,197,519	1,378,050	1,506,298	1,556,491	1,485,600	1,600,872	1,592,335	1,638,394	1,888,745	

IV DEVELOPMENT AND CONSERVATION OF NATURAL RESOURCES

General										
General (Agriculture Department largely)	1,791,338	2,249,692	2,307,206	2,580,510	2,588,048	2,658,195	2,616,660	2,733,976	2,711,325	2,822,651
Livestock Development—Livestock Board, Veterinarian Examiners, Stallion Registration Board	220,858	176,562	175,718	288,227	282,828	341,833	409,379	342,707	303,386	337,002
Reclamation—Drainage and Waters	7,555	10,570	14,854	40,001	31,029	28,886	31,573	41,011	52,107	57,085
Forestry—General	30,897	181,251	179,722	142,836	140,723	84,616	87,075	88,844	81,948	94,144
Game and Fish—General	692,861	678,356	716,904	856,259	939,360	821,507	876,336	993,917	1,154,446	1,294,950
Lands and Minerals	118,705	107,019	126,109	141,359	132,756	122,749	116,927	121,605	116,154	130,101
Other Development and Conservation	46,904	71,310	76,063	76,558	78,171	68,748	87,476	150,666	209,787	251,597
Parks and Recreation	49,642	76,184	60,346	103,839	82,555	78,605	80,216	80,667	79,320	83,508
Total General	2,958,760	3,600,824	3,666,910	4,229,585	4,270,465	4,205,039	4,304,642	4,558,293	4,708,944	5,070,988
Debt Service										
Retirement	2,241,055	2,237,214	783,194	566,570	109,370	165,340	312,320	152,905	205,286	338,998
Interest	150,591	110,552	31,457	13,363	2,121	6,703	19,546	11,112	113,466	177,529
Total Debt Service	2,391,646	2,347,766	814,651	579,933	111,491	172,043	331,866	164,017	318,751	516,527
TOTAL DEVELOPMENT AND CONSERVATION OF NATURAL RESOURCES	5,345,406	5,948,590	4,471,471	4,809,518	4,381,956	4,377,082	4,636,508	4,717,311	5,027,715	5,687,515

V HIGHWAYS AND AIRWAYS

General '01										
Highways—Administration	198,332	218,255	266,278	187,517	165,322	168,589	150,994	155,101	138,866	129,740
Highways—Maintenance	6,752,418	7,468,423	8,770,265	10,472,709	9,007,819	6,112,839	6,915,551	7,371,050	6,474,426	5,557,725
Highways—General Construction	3,564,602	2,776,123	6,804,800	10,810,886	10,427,122	9,737,956	11,344,667	16,252,500	7,931,569	3,362,915
N. I. R. A. Trust	7,912,818	5,367,547	10,174,661	3,058,565						
Total Highways	18,428,165	15,825,348	26,014,999	24,529,968	19,610,263	16,018,884	18,311,512	23,778,651	14,504,855	9,050,400
Airways—Supervision										18,917
Total General	18,428,165	15,825,348	26,014,999	24,529,968	19,610,263	16,018,884	18,311,512	23,778,651	14,504,855	9,069,317
Payments to Other Civil Divisions										
Gasoline Tax	3,200,000	3,412,753	3,432,805	5,322,943	5,969,344	6,343,500	5,769,640	4,797,642	3,929,832	3,276,099
State Road and Bridge Tax	1,486,918	1,169,308	1,650,829	1,200,250	1,427,500	1,281,140	1,261,864	1,727,522	1,514,786	1,160,196
Total Payments to Other Civil Divisions	4,686,918	4,581,961	4,483,634	6,523,193	7,406,844	7,624,640	7,031,504	6,525,164	5,444,618	4,436,295
Debt Service										
Retirement	2,154,086	2,669,601	2,264,745	2,643,446	2,276,419	3,411,816	2,465,873	4,256,149	3,629,008	3,668,000
Interest	1,784,493	1,710,489	1,713,460	1,673,660	1,581,257	1,436,081	1,312,429	1,193,680	1,015,990	868,531
Total Debt Service	3,938,579	4,380,090	3,978,205	4,317,106	3,857,676	4,847,897	3,778,302	5,449,829	4,644,998	4,536,531
TOTAL HIGHWAYS AND AIRWAYS	22,366,744	20,205,338	30,476,841	35,370,267	28,874,783	28,491,421	29,121,318	35,753,644	24,594,465	18,632,138

(continued on the following page)

CURRENT GOVERNMENT COSTS—continued

VI PUBLIC WELFARE

General

	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944
Supervision	69,135	100,413	157,793	269,052	237,294	336,645	371,664	596,332	541,554	487,343
Care of Children in State Public Schools and Children Unsuitable for Adoption	231,112	293,436	361,947	306,561	308,848	268,017	273,047	282,622	286,525	289,169
Other Child Care	56,296	63,563	94,324	98,876	95,708	42,738	34,081	87,173	31,758	35,597
Care of Blind, Deaf and Mute Outside Institutions	96,217	112,260	114,269	10,726	5,817	1,184	.....	.....	.....	.....
General Hospital at University	806,524	639,429	673,533	746,537	790,018	864,969	870,846	886,978	946,995	1,158,418
Hospital for Crippled Children and U. S. Aid	218,280	233,668	338,721	335,024	351,293	310,008	311,369	343,834	343,056	400,802
Special Hospitals (Insane, Feeble-Minded and Epileptic)	2,617,642	2,785,631	3,072,168	3,076,381	3,237,484	3,074,016	2,982,020	3,251,392	3,575,472	3,861,588
Corrections .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
For Adults	1,140,106	1,265,570	1,309,733	1,309,086	1,321,245	1,277,070	1,163,843	1,172,183	1,168,285	1,258,343
For Minors	348,841	346,238	370,393	400,257	400,304	336,933	317,764	362,066	368,637	391,220
Pardon and Parole Board and Officers	13,396	19,028	21,725	28,174	30,250	73,567	70,261	53,523	55,997	61,966
Public Relief *2	1,762,807	35	.....	.....	.....	.....	.....	.....	.....	.....
Soldiers' Welfare	447,484	431,933	477,592	412,403	375,880	379,743	448,548	449,048	392,089	458,547
All Other Welfare .....	.....	.....	.....	.....	.....	.....	105	2,439	223	2,422
Total General	7,632,640	6,281,189	6,992,224	6,993,077	7,204,091	7,003,386	6,843,545	7,436,591	7,740,591	8,390,414
Payments to Other Civil Divisions .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Aid to Blind .....	.....	.....	.....	138,786	224,162	278,846	303,542	339,082	361,157	380,473
Aid to Dependent Children .....	.....	.....	.....	1,151,028	1,775,372	2,388,734	2,630,675	2,685,868	2,368,964	2,493,327
Old Age Assistance .....	.....	542,165	9,223,388	12,777,582	13,404,243	13,838,022	12,583,262	14,133,335	14,534,305	16,911,072
Total Payments to Other Civil Divisions .....	.....	542,165	9,223,388	14,062,396	15,408,777	16,505,602	15,517,519	17,162,783	17,262,427	19,885,931
Debt Service .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Retirement	1,477,000	3,663,500	1,360,000	1,020,000	8,649,400	6,616,200	7,125,470	10,310,971	4,350,000	7,297,923
Interest	55,172	158,429	191,979	618,519	784,225	573,516	720,508	599,019	185,399	359,463
Total Debt Service	1,532,172	3,821,929	1,551,979	1,638,519	9,433,625	7,189,716	7,845,978	10,909,990	4,535,399	7,657,291
TOTAL PUBLIC WELFARE	9,164,812	10,645,283	17,767,591	22,688,992	32,041,493	30,699,204	30,207,040	35,509,364	29,538,417	35,433,636

VII EDUCATION

General

	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944
Schools Supervision, Department of Education, Teachers' College Board, Administration of Aid to Indian Children	104,315	102,203	107,380	136,623	123,518	118,187	124,485	116,058	121,908	175,172
Teachers' Colleges	905,397	1,055,465	1,012,901	1,121,073	1,239,189	1,259,200	1,165,646	1,224,081	1,237,441	1,659,719
University *8	4,954,570	5,890,847	6,061,335	7,134,734	7,073,600	6,654,790	6,837,954	7,011,871	6,950,408	7,468,279
Schools for Blind and Deaf	222,685	238,243	233,619	255,581	284,355	225,618	229,171	239,505	259,009	279,767
Libraries (Historical and Traveling)	46,343	50,246	53,876	54,864	55,080	52,468	49,553	51,161	51,253	53,897
Minneapolis School Survey .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	457
All Other, Including Teachers' Pensions	32,452	302,509	261,719	328,894	305,550	291,462	372,307	380,372	358,233	390,399
Total General	6,315,762	7,429,563	7,736,330	9,081,779	9,091,220	8,601,673	8,625,645	9,023,047	8,993,124	10,018,188
Payments to Other Civil Divisions .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Aid to High, Graded, Rural, etc., Schools	6,255,330	7,023,575	7,030,321	7,616,858	7,719,154	8,240,280	8,511,557	8,557,285	8,379,026	9,137,134
Apportioned School Fund	3,553,800	3,639,056	3,449,627	4,006,395	3,559,318	2,492,686	2,760,240	3,024,128	3,347,628	3,470,881
Income Tax School Fund	929,103	3,036,868	4,062,205	7,808,518	5,188,530	6,419,037	5,398,689	5,525,495	5,103,243	4,810,300
Evening School for Adults	7,763	7,123	7,063	5,327	6,812	4,000	4,000	.....	.....	.....
To Common School Districts	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	.....
Rural Credits Land Tax .....	.....	204,698	13	116,215	10,279	120,641	70,592	.....	.....	106,147
Federal Aid for Education of Indian Children	14,490	7,931	77,212	91,198	80,587	112,152	102,750	125,691	101,888	151,304
Indian Schools	20,809	121	22,849	268	.....	.....	.....	.....	.....	.....
Public School Libraries	97,688	103,035	122,558	129,420	129,421	129,420	129,381	128,551	131,022	123,932
Smith-Hughes Bill (U. S.)	152,270	145,428	151,677	139,576	167,650	155,000	151,250	150,000	143,137	153,000
Gross Earnings Tax Aid	34,046	70,553	71,525	71,525	171,934	227,768	245,814	269,434	270,025	264,292
George-Deen Bill (U. S.) .....	.....	.....	.....	7,957	7,964	7,822	8,104	8,190	8,420	8,500
Summer Classes for Crippled Children	7,500	7,500	7,500	.....	.....	.....	.....	.....	.....	.....
Aid to Counties with 35% State-Owned Land .....	.....	.....	.....	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Aid to Counties with 40% State-Owned Land	1,298	3,199	2,966	5,074	7,178	5,015	11,038	24,853	21,552	17,259
Share of National Forest Proceeds	7,500	.....	.....	.....	.....	.....	.....	.....	.....	.....
Aid to Counties with 75% Delinquent Taxes .....	.....	.....	.....	.....	.....	.....	874,855	1,226,038	2,127,416	1,805,190
Education of Defense Workers (U. S.) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	78,000
Aid to Distressed School Districts .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	805,912
Aid to Districts in Lieu of Money and Credits Tax .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total Payments to Other Civil Divisions	11,131,508	14,299,072	15,055,774	20,063,058	17,114,327	17,978,802	17,833,280	19,113,665	20,213,257	20,961,401
Debt Service .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Retirement	335,000	468,000	385,000	50,000	.....	121,500	121,500	121,500	121,500	571,100
Interest	28,891	36,411	2,364	.....	87,675	37,361	32,645	52,236	18,700	46,010
Total Debt Service	363,891	504,411	387,364	50,000	37,675	158,861	154,145	173,736	140,200	617,110
TOTAL EDUCATION	17,811,161	22,233,036	23,179,468	29,144,837	26,243,222	26,739,336	26,615,070	28,310,447	29,348,582	31,596,699

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VIII MISCELLANEOUS

General--Includes Pensions, Employees' Compensation, etc.	189,791	146,441	247,257	158,569	255,018	67,876	179,572	596,408	261,279	281,862
Payments to Other Civil Divisions										
Cities and Villages Gross Earnings Tax	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Vessel Tonnage Tax to Counties	26,721	2,840	14,654	34,160	12,923	11,123	18,336	3,259	11,171	4,239
Gross Earnings Tax to Counties	4,643	4,418	4,272	4,656	4,714	3,306	4,817	3,885	3,785	4,239
Counties' Share of Inheritance Tax	119,650	126,505	114,795	76,401	119,183	181,004	106,291	81,564	132,876	86,887
National Forests (to Counties)	1,211	3,201	2,967	5,075	7,179	5,016	11,088	24,853	21,552	17,259
Fire Department Aid to Cities and Villages	156,841	166,876	170,475	160,443	168,842	166,815	168,509	170,000	184,640	192,882
Employment Agency Licenses	1,875	1,850	1,438	1,475	1,500	1,525	1,600	2,563	2,100	1,800
Aid to Counties with 35% Non-Taxable Land	7,500	7,500	7,500							
Aid to Counties with 40% Non-Taxable Land				23,000	23,000	23,000	23,000	24,000	24,000	24,000
State Forest Fund				1,012						
Surtax, Firemen's Relief	65,840	78,414	67,194	76,306	80,602	77,984	79,888	80,000	99,216	98,877
Aid to Counties with Large Proportion Non-Taxable Real Estate				30,000	30,000	30,000	30,000	30,000	30,000	30,000
Aid to Towns with Large Proportion Non-Taxable Real Estate				4,000	3,000	3,000	3,000	3,000	3,000	3,000
Aid to Towns with Large Proportion Non-Taxable Real Estate										1,500
Cigarette Licenses	149,122	157,072	165,236	174,558	181,518	185,647	192,150	194,210		5,996
Cooperative Rural Electric Tax to Counties					4,313		7,166		7,407	
Nomination Fees to Counties	300	4,750	340	5,850	110		8,080		541	
Bank Excise Tax							447,726	518,991	481,941	1,069,202
Aid to Distressed Townships										47,630
Total Payments to Other Civil Divisions	593,108	607,424	608,871	621,576	718,758	754,583	1,148,172	1,218,069	1,054,907	1,631,761
Debt Service										
Retirement						110,000	124,000	882,150		258,850
Interest	88,455	25,227	29,624	26,198	26,285	4,990	44,253	36,980	3,907	7,281
Total Debt Service	88,455	25,227	29,624	26,198	26,285	114,990	168,253	419,130	3,907	266,131
TOTAL MISCELLANEOUS	866,349	779,092	885,752	806,343	998,011	936,899	1,495,997	2,228,604	1,319,493	2,279,254
GRAND TOTAL, CURRENT GOVERNMENTAL COSTS	\$866,358,687	\$70,099,327	\$87,619,113	\$100,365,609	\$102,982,916	\$98,328,194	\$106,424,905	\$114,641,714	\$98,235,828	\$101,558,817

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*1--Highway Department records do not distinguish between expenditures made from revenue receipts and those made from borrowed money. Highway bonds of \$7,150,000 were issued in fiscal 1936 and \$4,000,000 in fiscal 1937. From the figures for total Highway expenditures for the fiscal years 1936, 1937 and 1938 it was necessary to subtract the estimated amounts from borrowed money to arrive at the expenditures from revenue receipts represented by the figures in this Table.

*2--Financed by cash from liquor stamp taxes.

*3--Disbursements for military training at the University (to be financed from Federal money) have been excluded from these figures. Disbursements for military training amounted to \$31,905.89 in fiscal 1943; \$1,921,680.81 in fiscal 1944; \$3,424,627.82 in fiscal 1946.

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