



Possible Role  
of the State of Minnesota  
In Post-War Public Works Program

(11)



An Analysis of  
State Fiscal Operations  
1934-1943

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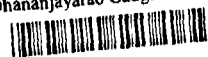
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## Possible Role of The State of Minnesota in Post-War Public Works Program

This report is presented as background material for planning the role of the State of Minnesota in the post-war public work period. America is planning conscious today. Citizens are participating in this program to an extent unlike any other period of our history. This is a highly commendable trend in a functioning democracy.

However, any such post-war plans for the State of Minnesota must be based on a careful review of the ten year trend in revenue, expenditures, and borrowing policy as well as the financial condition of the state treasury today. This must be the case unless it is assumed that the federal government will make available the necessary funds to finance this vast program of state and local post-war public works. The role of the federal government in the post-war planning program is one of the really live political issues of the day.

### STATE GOVERNMENT FACES OWN BUDGET PROBLEM

It must be stated at the outset that the State of Minnesota will have difficulty in balancing its own budget during this current biennium, for the six and one-half million dollar surplus in the General Revenue Fund on July 1, 1943 will have been exhausted.\* If the war closes before the end of the current biennial period (July 1, 1945) and if there is even a very moderate business recession during the biennium, state receipts will immediately decline, thus throwing the state budget seriously out of balance; that is to say that the result would be a deficit for the period.

Should the war be over when the Legislature assembles in January, 1945, the budget for the following two years would be likely to present one of the most serious financial problems of many decades. As business conditions in Minnesota were improved in recent years by the stimulation of war work, state tax receipts likewise increased. This general improvement resulted in a substantial but temporary and unreliable enlargement of the revenue base. Unfortunately, recent legislatures have increased appropriations as revenue receipts became larger. Thus we find appropriations on a very high level. It is obvious that state revenue receipts will not long continue at the present high levels when the war is over. As business conditions assume a position less distorted by war conditions, the state income must likewise recede to a lower level. So, in turn, must state tax receipts follow this downward trend. The question may well be asked whether the legislature will reduce appropriations, increase taxes, or borrow money in order to balance the budget.

### ECONOMY NOT POPULAR WITH LEGISLATIVE BODIES

Legislative bodies have showed little enthusiasm for reducing the cost of government during recent years. Even during the nineteen-thirties when the nation faced a serious business depression, state expenditures increased in Minnesota. Based on this experience, it seems unlikely that the budget balancing problem will be met by curtailing governmental activities. Higher taxes on any level of government may not be so popular with the citizens as soon as the "win the war" effort dies out. The most probable resort would then be to borrowing as offering politically the easiest way out. However, such a policy is likely to prove unsound economically in the long run unless the debt structure has previously been greatly reduced.

### EXPANDING STATE TAX SYSTEM

Any review of our present tax system or that of our neighboring states indicates that Minnesota has already tapped every major tax field open to state government except a retail sales tax. Moreover, they have been tapped at rates approaching the point of diminishing returns; and also to the point at which Minnesota industries are placed at a disadvantage in competition with industries in other localities. Sales tax bills have been presented to every legislature in recent years, but little legislative support developed for these bills.

The legislature could reverse its policy of reducing the state property tax levy. This levy has been reduced from a high of 13.57 mills in 1936 to 5.4 mills for the current year. An increase of 10 mills in the state property tax levy would raise over ten million dollars additional funds. However, the burden would fall upon a base which is already heavily taxed for local government or upon the farming community.

The Institute showed in its Bulletin No. 12 of a year ago that the state government in Minnesota places a far higher per capita tax burden on property than most of the other 47 states. The present legislative trend is eventually to eliminate the state levy on property as a source of revenue for the state government. (One effect of this policy would be to eliminate the only remaining element of tax revenue which is practically stable without constant alterations in rates.)

\*See Institute Report No. 14, October, 1943, page 14.

## CONDITION OF STATE'S OUTSTANDING DEBT

The state's outstanding debt was \$98,770,284 on July 1, 1943. This is the lowest figure in the last seven years. It is estimated that the state's debt will decrease ten million dollars more by the end of this current biennial period. The condition of the state debt at the present time is better than it has been for many years past. Though Minnesota is ranked close to the top of the forty-eight states as to debt, nevertheless if conditions warranted, new borrowings could be authorized to assist in financing a post-war building program.

As a word of caution, it must be borne in mind that if new borrowings are authorized, in the end the property taxpayer must provide the means of repayment. In recent years it has been the policy of all political groups to eliminate the state property levy as rapidly as possible. The authorization of new debt would operate in the opposite direction because all state debt (except highway) is secured by all the tangible property within the state.

## PRESENT CONDITION OF STATE TREASURY

The "general revenue fund" ended the fiscal year on June 30, 1943 with a six and one-half million surplus. This fund has been plagued with deficits each year of the decade except the last two. The 1943 Legislature reduced taxes thirteen million dollars for the current biennial period and, in order to balance the budget, saw fit to use this surplus in the "general revenue fund". Therefore, there is no present surplus which can enter into the discussion of the post-war financial picture.

## LARGE BALANCE IN HIGHWAY FUNDS AND INCOME TAX SCHOOL FUND

There is a fourteen million dollar surplus in highway funds, as well as an eleven and one-half million balance in the income tax school fund. However, both of these surpluses are dedicated to special purposes which fact blocks any legislative move to use these funds for balancing the general budget needs of the state, let alone assist local units in their post-war rebuilding programs.

## SURPLUS HIGHWAY FUNDS MAY HELP

The state government will be able to make some contribution to a construction program in the period immediately following the war—the so-called conversion period—since it does have \$14,000,000 of highway moneys set aside for a post-war road building program. This sum may reach an even higher figure before the war is over, and may be supplemented with sizeable grants from the federal government. It must be pointed out that there is a clear intention that this highway money shall be spent relatively soon after the lifting of restrictions on construction material by the federal government. The Highway Department has most of the plans completed for this work. It will therefore be difficult, if not impossible, to get this program adjusted to meet the needs of serious unemployment periods as they may arise, rather than rush them through regardless of employment needs.

## INCOME TAX SURPLUS DEDICATED TO LOCAL SCHOOLS

There is also a surplus of \$11,500,000 in the Income Tax School Fund. This money also is dedicated entirely to aiding local schools, hence this surplus cannot be used at the present time to finance any other post-war needs. The legislature might well consider the use of a portion of this surplus for new buildings for the University and teachers' colleges, or even for new school buildings for local school districts under sound restrictions to prevent expenditures which would be useless or which would result in increased operating costs. However, this proposal would require legislation.

It is apparent from the above brief analysis that the state government of Minnesota will be rather busy solving the problems concerned with its own budget needs and will be in no position to accept any major responsibility for assisting local units of government in financing their post-war public works.

The following analysis is presented in order that citizens may be fortified with the facts. Only through the device of a well-informed and alert citizenry can the finances of a state government be kept on a sound basis.

This analysis\* is prepared from the citizens' point of view. It shows the actual cost of state government which accrues to the citizen in the form of taxes. Though the figures are based on the official records, it is unlike official documents of the state auditor and other departments as explained in the footnotes.

\*This analysis includes only transactions that directly or indirectly burden the taxpayer and citizen. It shows the actual cost of state government and the corresponding sources of revenue necessary to finance the same. Transactions of revolving, agency, and trust funds are excluded from the tables. The operation of self-sustaining enterprises such as dormitories, cafeterias, farms, prison industries, and like activities are not included unless a profit or loss is sustained. The purchase or sale of bonds for the various trust funds, as well as the refunding of rural credit bonds which are included in the biennial report of the State Auditor's office, are not included in this analysis. Such transactions are merely an exchange of one asset for another and do not affect the actual cost of government. It is hoped that the State Auditor will soon add tables to his biennial report prepared on the same basis as outlined here.

## Summary Findings and Conclusions

The total of revenue receipts for the fiscal year 1942-43 (\$119,706,494), despite all federal restrictions limiting the use of automobiles and liquor, was only \$702,119 less than that for the previous year 1941-42. Receipts from "tax revenue" sources increased \$1,410,699 largely because there was a high return from income taxes. A decrease in federal aid amounting to \$2,309,773 arose from restrictions on new constructions for highways.

Although purely "tax revenue" sources showed an increase, five taxes—property, inheritance and gift, liquor, gasoline, and motor vehicle—yield smaller receipts. While the state has the policy of reducing the amount of the property tax, federal war regulations and controls tended to decrease the state's income from the last three tax sources.

The major increases among the "tax revenue" sources appeared in the receipts from the "Railroad Gross Earnings Taxes" (\$1,577,094) and the "Income Taxes" (\$4,452,422). Greater business activity rather than legislative vision produced this increase, which is, in fact, reflected in the income tax receipts that reached the all time peak of \$21,337,000.

Three patterns assist the analysis of the costs of government for the state of Minnesota; first, the analysis of the overall cost of state operation; second, an analysis of the cost of the major functions; and third, an analysis of expenditures as they are related to major funds.

The total current costs decreased from \$114,591,714 in 1941-42 to \$98,185,828 in 1942-43, or the significant sum of \$16,405,886. Inasmuch as revenue receipts (\$119,706,494) continued at approximately the same level as for the previous fiscal year, large surpluses developed in all the major funds. Reductions appeared in every division of "current costs": in General Operations it amounted to \$8,860,658; in Debt Service, \$7,502,878; and in State Aids to Local Civil Divisions to the smallest decrease of \$42,351.

"General Operations" cost the citizens of the state less because the federal government placed restrictions on the procurement of construction materials—the Highway Department alone cut its expenditures by \$9,273,796—while military requirements made it impossible to fill the full quota of state employees. "Debt Service" costs were less because war conditions relieved unemployment relief for which purpose the state previously had been borrowing money. The lower gasoline tax receipts automatically reduced the "State Aids to Local Civil Divisions". Again it is apparent that these reductions of current costs arose from conditions unrelated to a conscious economy drive by the legislature.

State aids to local schools, in contrast with the current decreases in total state aids to local divisions, increased \$1,099,592 during the last fiscal year. Three of the fifteen different types of school aids account in large part for this increase—apportionment aids, transportation aids, and classification aids. Two aids unexpectedly showed decreases, non-resident high school tuition and supplemental aid. The 1943 Legislature allowed for a notable increase in the last named aid which will show an increase in the next fiscal year 1943-44.

The problem of state aids for educational purposes will demand the most serious and thoughtful consideration of the next legislature; first, because the state now distributes the large sum of \$20,000,000 to local school units, and second, because it is widely recognized that the present system of school aids does not meet modern standards. The reports of two legislative interim committees, studying educational problems over the last four years, failed to produce constructive legislation in respect to revamping the school aid system.

The analysis of governmental costs by "Major Functions" during the two fiscal years calls attention to the causes for increases or decreases in the eight classes. Expenditures for "general government" increased because the legislature was in session; "development and conservation of natural resources" because fish and game promotion activities expanded along with the creation of the iron ore rehabilitation project in St. Louis county; and "education" received more money to give special training to a vast number of defense workers.

Four functions showed lower expenditures: "protection to person and property" (\$248,244), "highways" (\$11,159,179), "public welfare" (\$5,970,947), and "miscellaneous" (\$909,111). These four functions required less money largely because there were drastic reductions in the activities of the military and high-



way agencies of the state, unemployment was reduced, and the debt service of the state contracted. These reductions might well be credited to "delayed costs" which will show up following the war when federal war restrictions on materials are lifted.

The analysis of state expenditures as they are related to "Major Funds" again calls attention to the ever present dedicated funds that hamper desirable accounting procedures. Four dominant conclusions are emphasized:

1. Dedicated funds create a rigid financial structure for the state.
2. Dedicated funds sponsor privileged and protected activities that tend to expand unduly.
3. Dedicated funds encourage the lack of a simple and desirable accounting system for the state.
4. Dedicated funds reduce the legislature's control to only 29% of the money spent by the state government.

#### A TEN YEAR ANALYSIS OF REVENUE RECEIPTS AND EXPENDITURES FOR THE DECADE, 1934-43

The total revenue receipts for the state government rose from \$58,493,389 for the fiscal year 1933-34 to \$119,706,494 in 1942-43; an increase of \$61,213,105 or 104.6% during the ten-year period. This large increment in revenue receipts has necessitated a vast change in the tax system of the state.

Four primary reasons are credited for the expanded revenues. Nearly every tax—with the important exception of the sales tax—available for state taxing purposes was utilized; drastic revision upwards occurred in the rates of almost all taxes existing in 1937; federal aids expanded noticeably; and, of signal importance, general business conditions improved as the war expanded.

State expenditures for the ten-year period, 1934-43, lead to three overall observations:

1. Total "current costs" increased \$39,002,989 or 65.9%.
2. The highest expenditure for the period (\$114,591,714) occurred in 1942.
3. The decrease of sixteen million dollars in 1943, which reversed the upward trend, is actually a "deferred expenditure" that will appear in the post-war years.

Five factors tended to create this large ten-year increase. The federal social security program called for new state expenditures which reached a total of \$17,262,427 in 1943. The state's policy of "owe-as-you-go" led to large borrowing that increased the annual cost of debt service by \$2,009,801. The perennial demands for tax relief by local property taxpayers forced the state to use new tax sources as well as increase the rates on others in an effort to produce larger state aids. War time salary adjustments called for an expenditure of an additional three million dollars in the last year of the decade. Greater expenditures were required to pay for enlarged governmental operations of new functions that appeared during the ten-year period. The state expanded its operations into new fields of activity illustrated by the following: collection of new tax revenues, especially income tax; the control of Bangs disease in cattle; the licensing of motor vehicle drivers; livestock weighing; and the establishment of the new departments for liquor control, civil service, tax appeals, and labor conciliator.

#### THE STATE'S HIT OR MISS POLICY OF BORROWING

The borrowing policy of the state is the responsibility of the legislature. This policy affects the indebtedness of the state which was \$112,891,783 in 1933, reached its peak of \$134,155,892 in 1937, and then regularly declined to \$98,770,284 in 1943. The state's obligations for debt service started at \$7,674,000 in 1934, rose to \$17,187,000 in 1942, only to decline to \$9,684,000 in 1943.

Four factors caused the state's debts to increase, especially during the early years of the decade; highway bond issues (\$7,150,000 in 1936 and \$4,000,000 in 1937), unemployment relief (\$7,818,000 in 1936 and \$5,587,000 in 1937), old age assistance program (\$2,100,000 in 1937), and the state building program (\$2,074,500) that included the construction of the Moose Lake hospital for the insane.

Four factors also appeared to reduce the state's indebtedness: the legislature stopped borrowing for highways, reduced borrowing for relief purposes, decreased the Rural Credit indebtedness by \$17,705,000, and cut borrowing for "all other purposes".

The state's policy of "going without paying" has been characterized by its "hit or miss" borrowing policy. Today the current tax burden might well be 1/10 less if the state had a "pay-as-you-go" policy of financing current operations.

## Section 1—Comparison of Last Two Fiscal Years

Before discussing the ten-year trend, it is of interest to analyze the revenue receipts and expenditures of the State of Minnesota for the last fiscal year ending June 30, 1943 and to note special shifts over the previous year.

### Revenue Receipts Same for Both Years

The total revenue receipts for the fiscal year 1942-43 (\$119,706,494) was only \$702,119 less than for the previous year 1941-42 (\$120,408,613). This small reduction is surprising in light of federal restrictions on the use of automobiles, rationing of gasoline and scarcity of liquor.

Table 1.  
Comparison of Revenue Receipts  
State of Minnesota

|                                       | Fiscal Years 1942 and 1943 |                | Increase<br>or Decrease |
|---------------------------------------|----------------------------|----------------|-------------------------|
|                                       | 1941-42                    | 1942-43        |                         |
| Tax Revenues . . . . .                | \$ 85,236,812              | \$ 86,647,511  | \$ 1,410,699            |
| Licenses, Fees, and Permits . . . . . | 4,377,147                  | 4,567,853      | 190,706                 |
| Departmental Earnings . . . . .       | 4,380,832                  | 4,265,285      | -115,547                |
| Income From Trust Funds . . . . .     | 3,799,678                  | 3,413,408      | -386,270                |
| Miscellaneous Revenue . . . . .       | 1,832,026                  | 2,340,092      | 508,066                 |
| Federal Aids . . . . .                | 20,782,118                 | 18,472,345     | -2,309,773              |
| Total . . . . .                       | \$ 120,408,613             | \$ 119,706,494 | \$ -702,119             |

Some rather interesting changes did occur in some of the major revenue fields. In the first place, receipts from "tax revenue" sources did increase \$1,410,699 or from \$85,236,812 in 1941-42 to \$86,647,511 in 1942-43. This was due to the unusually high receipts from the income taxes which more than offset losses from liquor and automobile taxes. On the other hand, receipts from federal aids decreased \$2,309,773, which accounts for the over-all loss in receipts. This reduction was due to a smaller amount of federal aid for new roads since it was impossible to build new highways due to war restrictions on construction materials. This federal money will no doubt be available to the state government when highway construction can again be undertaken after the war.

Receipts from licenses, departmental earnings, income from trust funds and miscellaneous revenues did not vary in any marked degree over the previous year.

### Comparison of Major Tax Sources for Past Two Years

Receipts from tax sources were larger for the fiscal year 1942-43 although there were a number of important shifts in trends in special tax fields. In fact, five taxes suffered sizeable reductions, namely, "property taxes" \$1,286,797, "inheritance taxes" \$459,769, "liquor taxes" \$352,617, "gasoline taxes" \$1,350,517, and "motor vehicle taxes" \$1,270,540. (See Table B in the Appendix).

It was expected that the revenue receipts from the liquor, gasoline, and motor vehicle taxes would fall off materially because there were new federal war regulations and controls. Receipts from the state property tax levy dropped as a result of the 1941 legislative policy of reducing the state levy on property. This tax source will bring in even less money during the current and succeeding year due to an action taken by the 1943 Legislature in limiting this levy to six mills for 1943 and five and one-half mills for 1944.

### Two Major Tax Increases

The major increases occurred in two items, namely, "Railroad Gross Earnings taxes" \$1,577,094 and "Income taxes" \$4,452,422. These two substantial increases were not due to any legislative increase in tax rates but were the result of greater business activity arising from war conditions. The receipts from the income tax reached the unprecedented figure of \$21,337,285 for the fiscal year 1942-43.

### Comparison of Current Government Costs

As we turn to the "current costs" or the expenditure side of the fiscal picture for 1942-43, a startling reduction over the previous year is to be noted. Expenditures decreased \$16,405,886 (from \$114,591,714 in 1941-42 to \$98,185,828 in 1942-43). Inasmuch as approximately the same amount of revenue was taken in during each of the past two years, surpluses developed in practically all funds.

Table 2  
Comparison of Current Government Costs  
Fiscal Years 1942 and 1943

|   | 1941-42       | 1942-43      | Decrease     |
|---|---------------|--------------|--------------|
| General Operation . . . . .                 | \$ 52,980,460 | \$44,119,802 | \$ 8,860,658 |
| Debt Service . . . . .                      | 17,187,008    | 9,684,130    | 7,502,878    |
| Payments to Local Civil Divisions . . . . . | 44,424,246    | 44,381,895   | 42,351       |
| Total . . . . .                             | \$114,591,714 | \$98,185,828 | \$16,405,886 |

### Decrease For General Operation

The shrinkage in expenditures is accounted for by two major factors. We note from Table 2 that the decrease for "general operation" of state government amounted to \$8,860,658. This large reduction was not due to any economy move on the part of the 1941 Legislature; but was the result of war restrictions placed by the federal government on construction, priorities on certain supplies, and the inability of many departments to replace employees who were called into military service or entered industries producing war materials. The actual reduction in governmental services was greater than indicated by the figures since a war salary adjustment of over three millions of dollars is included in the 1942-43 costs.

War restrictions have had a notable effect in the field of highway construction where a \$9,273,796 reduction took place. It should be noted at this

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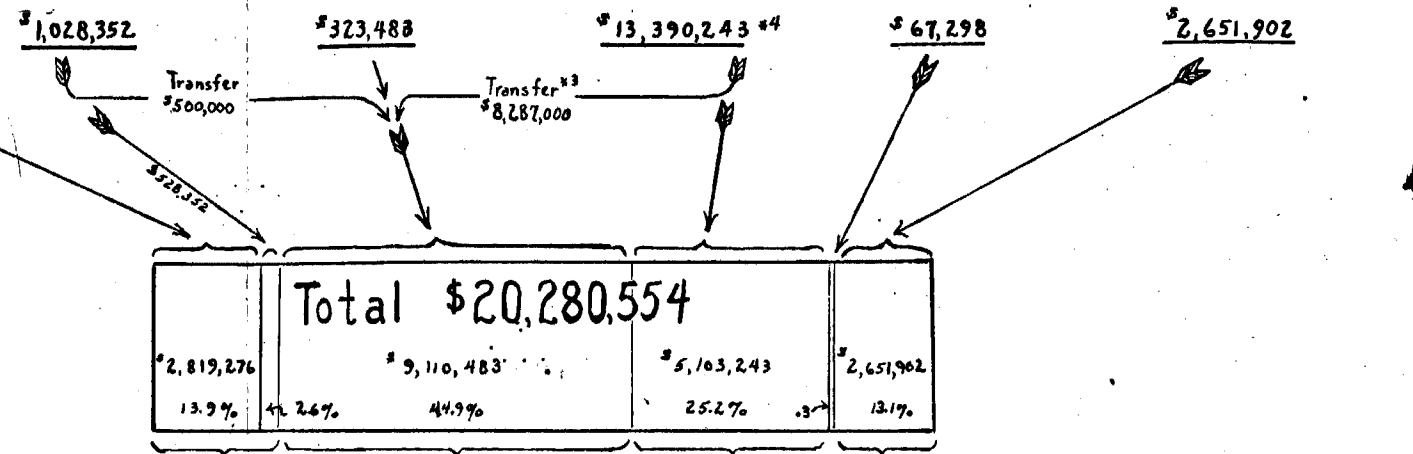
CHART I

Sources & Distribution of State Aids to Minnesota Public Schools

(Including Federal Grants)  
Payments For Fiscal 1943

Revenue for State School Aids :-

| Current School Fund         | General Revenue Fund <sup>*2</sup> | Income Tax School Fund | Borrowed Money                             | Federal Grants in Aid  |
|-----------------------------|------------------------------------|------------------------|--|--|
| Mill School Tax \$1,028,352 | General Tax Sources \$323,483      |                        | Ed. of Relief \$6,970<br>Exec. Council 328 | George-Deen Act \$270,024<br>Smith-Hughes Act 131,022<br>Ed. of Indian Children 101,888<br>Share of Nat'l Forest Proceeds 21,552<br>Vocational Defense Prog. 2,127,416 |



Distribution of State School Aids :-

| Category  | Amount             | Notes   |
|---|--------------------|---|
| <b>Special State Aids</b>                       | <b>\$9,110,483</b> |   |
| Supplemental Aid                                | 3,539,830          |   |
| Non-Res. High Tuition                           | 2,415,998          |   |
| Transportation                                  | 1,334,832          |   |
| Consol. Schools (Isolated Pupils)               | 1,081,253          |   |
| Non-Res. High                                   | 234,445            |   |
| Crippled Children                               | 19,134             |   |
| Classification Aids                             | 1,145,627          |   |
| Classes for Defectives                          | 330,957            |   |
| Special Depts.                                  | 274,744            |   |
| Process Earnings Tax Aid                        | 148,137            |   |
| State-owned Land Tax Aid to Common School Dist. | 50,000             |   |
| Teacher Training                                | 59,449             |   |
| Libraries                                       | 24,412             |   |
| Summer Sch. for Crippled Ch.                    | 8,420              |   |
| Aid to Counties with 40% State-owned Land       | 24,000             |   |
| Other   | 6,226              |   |
| <b>Less Adjustment</b>                          | <b>259,149</b>     |   |
| <b>Total</b>                                    | <b>\$9,110,483</b> |   |
| <b>Income Tax Distribution</b>                  | <b>\$5,103,243</b> | Distributed on basis of \$10 per child, ages 6 through 16 in the district. Those 16 must be in school to be counted. (Basis fixed by Ch. 49, Laws of 1937 Ex. Sess.)  |
| <b>Distressed Districts</b>                     | <b>\$67,298</b>    | Aid from the Board of Relief was distributed on the basis of low assessed valuation or high tax delinquency. (Ch. 525, Laws of 1941.)<br>The Executive Committee's distribution was based on the ratio of indebtedness to assessed valuation & area of State-owned land. (Ch. 297, Laws of 1941.) |
| <b>Federal Aid</b>                              | <b>\$2,651,902</b> | Vocational Training \$401,046<br>Ed. of Indian Children 101,888<br>Dist. in a new Nat'l. Forests 21,552<br>Vocational Defense Program 2,127,416   |

\*3 This transfer applied to meet the Legislative Appropriation of \$8,287,000 from the General Revenue Fund for aid to High, Graded & Rural Schools.

\*4 Represents only amount paid out. Collections for 1943 were \$21,337,285 thus resulting in a surplus in the "Income Tax School Fund".

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

point that the Highway Department has set aside \$14,000,000 in a special post-war construction fund. These moneys have been temporarily invested in federal war bonds. If it had been possible to spend this amount during the past fiscal year, it is obvious that the expenditure picture would be approximately the same for the past two years. It is apparent that as soon as the war is over highway expenditures are going to reach a new all-time peak due to the availability of this large reserve.

#### **Debt Service Dropped Materially**

In the second place, there was a \$7,502,878 reduction in expenditures for interest on debt and repayment of borrowed moneys. Again the 1941 Legislature had no control over this trend. It should be pointed out that expenditures for this purpose reached a peak of \$17,187,008 in fiscal year 1941-42. Most of the decrease for the fiscal year 1942-43 occurred in unemployment relief debt. The state for many years, while attempting to provide relief, has been borrowing through the issuance of short term (usually five year) notes, the number outstanding reaching a peak in 1941-42. With the improvement in business conditions, unemployment fell off during the past two years and new borrowing for relief purposes was reduced accordingly.

#### **State Aids Decrease**

State aids to local units of governments decreased \$42,351 during the past year after following an upward trend for many years. The total aids declined from \$44,424,246 in 1941-42 to \$44,381,895 in 1942-43. The reduction was not due to any change in legislative policy but to a drop in gasoline tax receipts. Counties receive one-third of the gas tax receipts, and, as this tax source fell off under stress of war restrictions, aids to counties were automatically lowered.

#### **State Aid For Education Was Higher**

While the total for all state aids was lower for the fiscal year 1942-43 the state aids for local schools showed an increase of \$1,099,592. The items causing this increase were \$323,279 larger distribution from the apportionment fund (due to larger earnings of the trust apportionment fund), \$387,256 increase for transportation of pupils, and \$400,379 increase for classification aids.

The most important school aid of all, namely, supplemental aid to the financially distressed districts decreased \$187,221. The 1941 report of the Interim Committee on Education had recommended that this aid be given the first consideration for an increase by the 1941 Legislature, yet the result was stated above, namely, a reduction.

The 1943 Legislature did allow for a sizeable increase in supplemental aid by raising the old percentage of pro-ratio from 65% to 67% for schools

levying over 30 mills up to 35 mills, 75% for schools levying 35 mills up to 40 mills, 87% for schools levying 40 mills and more. The effect of this change will not show up until 1943-44.

Non-resident high school tuition aid showed a reduction of \$252,135. All other special aids are not large in amount and their respective increases or decreases did not affect the over-all picture.

#### **Tax Sources For School Aids**

Each year we find many citizens showing a great deal of interest in a chart depicting the sources of revenue for state aids to local schools as well as the amounts granted for different types of aid. This chart (Chart I) is necessary due to the practice of the state in creating numerous funds whose receipts are dedicated to a special governmental purpose. For years the Institute has criticized this fiscal practice of dedicating funds as impairing the efficiency of the budgeting process, careful planning, and scientific management. A thorough housecleaning of all dedicated funds and the creation of a single state fund servicing all activities of the state government would simplify the accounting procedure to such an extent that legislators and citizens could understand the financial statements.

#### **Chart Good Illustration of Dedicated Funds**

This chart itself is a perfect example of the confusion that results in state finances from a policy of dedicating receipts and taxes to special purposes. The chart shows that while \$20,280,554 was made available by the state to local schools, this money came from six funds or tax sources. In some instances the moneys are received in one fund from which they are transferred to other funds before being paid to school district boards. Even if the legislature could not see its way clear to create one general fund for all state activities, it could simplify matters greatly by creating one school aid fund. This would eliminate the Chinese puzzle that now exists in respect to state school finances.

#### **A Sound System of School Aid Needed**

These tables also indicate quite clearly that the state government has assumed a far greater responsibility for the governmental affairs (particularly fiscal matters) of the local units of this state. We are now making available \$20,000,000 for local schools. The legislature can hardly duck the responsibility of determining whether or not this vast aid is being spent for better educational results on the local level of government. This is undoubtedly the biggest problem facing the next legislature. Two interim legislative committees studied this problem in 1939 and 1941 but little constructive legislation resulted. Governor Stassen called to the attention of the 1943 Legislature that the contribution of state aid to schools having an attendance of seven or less pupils should be halted.

## Analysis of Expenditures By Eight

### Major Functions

Table 3 presents an analysis of expenditures by the eight major functions of government for the past two years. Four functions ("general government", "conservation of health and sanitation", "development and conservation of natural resources" and "education") show larger expenditures in 1942-43 than over the previous fiscal year. Smaller expenditures occur in the remaining functions of "protection of person and property", "highways", "public welfare", and "miscellaneous".

Table 3  
Current Governmental Costs of the State of  
Minnesota

|  | By Major Functions |              | Increase<br>or Decrease |
|--|--------------------|--------------|-------------------------|
|  | 1942               | 1943         |                         |
| General Government . . . . .                       | \$ 2,453,798       | \$ 2,942,795 | \$ 488,997              |
| Protection to Person<br>and Property . . . . .     | 4,076,211          | 3,827,967    | -248,244                |
| Conservation of Health<br>and Sanitation . . . . . | 1,592,335          | 1,638,394    | 46,059                  |
| Dev. and Cons. of Nat-<br>ural Resources . . . . . | 4,717,311          | 5,207,715    | 310,404                 |
| Highways . . . . .                                 | 35,753,644         | 24,594,465   | -11,159,179             |
| Public Welfare . . . . .                           | 35,509,364         | 29,538,417   | -5,970,947              |
| Education . . . . .                                | 23,310,447         | 29,346,582   | 1,036,135               |
| Miscellaneous . . . . .                            | 2,178,604          | 1,269,493    | -909,111                |
| Total . . . . .                                    | \$114,591,714      | \$98,185,828 | \$-16,405,886           |

### Explanation of Major Increases

The larger expenditure (\$488,997) in 1942-43 for "general government" was due primarily to expenses incurred by the 1943 Legislative session. No session was held in the fiscal year 1941-42 since sessions are always held in odd numbered years.

The increase of \$46,059, for "development and conservation of natural resources" arose from greater expenditures made for fish and game promotion and iron ore rehabilitation in St. Louis County. The latter item is financed from 10% diversion of the "general revenue fund" share of the occupational tax. The state's portion is a dedicated fund, and expenditures therefrom are not controlled by legislative action but are limited only by the amount of the receipts.

The increase of \$1,036,135 for "education" is due largely to a heavier expenditure for educating defense workers (\$901,378) and larger grants (\$198,214) to local schools. The expense for educating defense plant workers was financed entirely by special federal grants and was not under the control of the legislature.

### Explanation of Major Decreases

Four functions showed lower expenditures in 1942-43 than those in the previous year. "Protection to person and property" expenditures dropped \$248,244. The major factors in this development were the large decrease of \$348,495 in administering the Division of Unemployment Compensation as offset

ting increases in a few activities in this field of "protection to person and property"; otherwise the net decrease would have been greater.

The largest decrease (\$11,159,179) occurred in the function of "highways". As explained above (see page 8), large shares of this reduction (\$8,320,937) were not due to a lack of funds but rather to federal war restrictions on construction materials of all types. In addition, \$936,624 less was spent for highway maintenance which is accounted for by the reduction in highway traffic load due to the rationing of gasoline. Debt service on highway bonds fell off \$804,836. Debt service payments for highways have been decreasing in recent years because the legislature adopted a policy in 1937 of building roads on a "pay-as-you-go" basis. There was also a decrease of \$1,080,546 in state aid for county roads. This decline resulted from smaller receipts from the gasoline tax after federal rationing of gasoline became effective. Counties automatically receive a third of the gasoline tax receipts.

### Public Welfare Expenditures Decrease

Expenditures for "public welfare" purposes fell off \$5,970,947, which sum accounts for a drastic drop in debt service expenditures amounting to \$6,374,591. Old age assistance expenditures were \$400,470 higher, although this increase was offset by a reduction of \$328,902 for "aid for dependent children". The number on the old age assistance rolls has decreased from 63,006 in July, 1942, to 60,284 in July, 1943, but pension grants have been increased for the same months from \$1,407,470 to \$1,562,597. While the average grant for the entire state was \$22.34 in July, 1942, it reached \$25.92 in July, 1943. The average grant for all forty-eight states and the District of Columbia was \$25.52 in July, 1943.

### Reduction in Miscellaneous Expenditures

A reduction of expenditures also took place in the last function labelled "miscellaneous". This amounted to \$909,111 and was due largely to the refund of illegal chain store taxes (\$476,530) made in 1941-42 and which did not occur in 1943. State licenses to sell cigarettes were abolished by the 1941 legislative session. These receipts were shared (90%) with counties and appeared for the last time in 1941-42.

### General Conclusion

The cost of state government in Minnesota for the fiscal year ending June 30, 1943, was less by over sixteen million dollars than for the previous year. Taxpayers did not benefit by this reduction since revenue receipts remained approximately the same for each year. From these stable revenue receipts sizeable surpluses arose in most of the state funds. On July 1, 1943 there were, for example, surpluses of approximately six and one-half millions of dollars in the "general revenue fund" and eleven and one-half millions in "school income tax fund".

The major share of the reduction in expenditures might well be credited to "delayed costs" which will show up in expenditures in the year the war is over, when federal war restrictions on construction, repair and maintenance materials will be lifted. This is particularly true in the highway field where fourteen million dollars have been set aside as a reserve for post-war road construction.

The smaller amount spent for debt service was also a major factor in the lower expenditure figures for 1942-43. The peak payment for debt service

was reached in 1941-42 (\$17,187,008). The comparable figure for 1942-43 was only \$9,684,131.

Likewise, the state's outstanding debt has been reduced each year for the past six years. Contrast-ed with the high point of \$134,155,892 reached on July 1, 1937 is the outstanding debt of \$98,770,284 on July 1, 1943. This reduction in the total debt explains the need for a smaller amount for debt service the past year. Debt service expenditures will continue to drop year-by-year if the legislature sustains its present "pay-as-you-go" policy in regard to state expenditures.

## Section II—Cost of State Government By Major Funds

We are presenting for the first time an analysis of state expenditures by the major funds of the state. See Appendix Table A.

It has been pointed out repeatedly that the finances of the State of Minnesota have been difficult to understand because either the Constitution or the Legislature has created numerous special funds. Heretofore the Institute has purposely ignored fund boundaries so as to simplify as much as possible the state financial problems.

The Institute has repeatedly urged legislative action to eliminate all unnecessary funds. The position of the Institute in this matter was clearly stated in its former Bulletin, No. 11. Inasmuch as this is still a major problem for the state, we are repeating the concluding paragraphs of this earlier report.\*

### Result of Allocation of Revenues

"These excessive allocations of revenue to special purposes in Minnesota under federal, constitutional and statutory provisions have had several very serious results.

"First, the resulting rigidity of the financial structure has made economical and well-balanced operation of public affairs of the state difficult. Since real flexibility of appropriations has been limited in effect to approximately 10% of the total revenue, in private business, since citizens must be informed if intelligent action is to be taken. This situation can be helped materially in Minnesota by a thorough housecleaning of allocations of revenue and dedicated funds in so far as possible. Such action would simplify the accounting procedure so that the legislators and interested citizens as well could be furnished with intelligible financial statements as to the condition of the treasury."

All expenditures are grouped under ten major fund headings. Attention is called to the fact that the Legislature is deprived of proper control over large expenditures for some purposes, and is also prevented from providing needed enlargements of other activities and from meeting emergency situations except by new or increased taxes or by borrowing. This situation seriously impairs the efficacy of the budgeting process.

"Secondly, the privileged and protected activities supported by allocated revenues tend to expand unduly. When their revenues increase during periods of prosperity, their expenditures are enlarged without proper legislative control. Thus they expand their scale of living. This is natural and human, but discourages economical operation. On the other hand, when the allocated revenues shrink (as they do inevitably in time of depression) the persons active in these activities, aided by groups especially interested in them, seek relief from the necessity of economizing and reducing expenditures by demanding from the Legislature higher tax rates or new allocations of revenue.

"Under these conditions, a few large privileged branches of governmental activity are to a great extent exempt from proper controls by the people and by their elected representatives, and from the necessity of seeking for economical methods of operation. Moreover, this is at the expense of the very large number of other essential activities and institutions dependent upon these revenues of the General Revenue Fund which are subject to appropriation.

"Thirdly, the creation of an excessive number of "funds" has accounted in large part for the lack of a simple and understandable accounting system. . . .

"Good accounting is indispensable to effective management, financial planning, and budget control. It is of even greater importance in government than

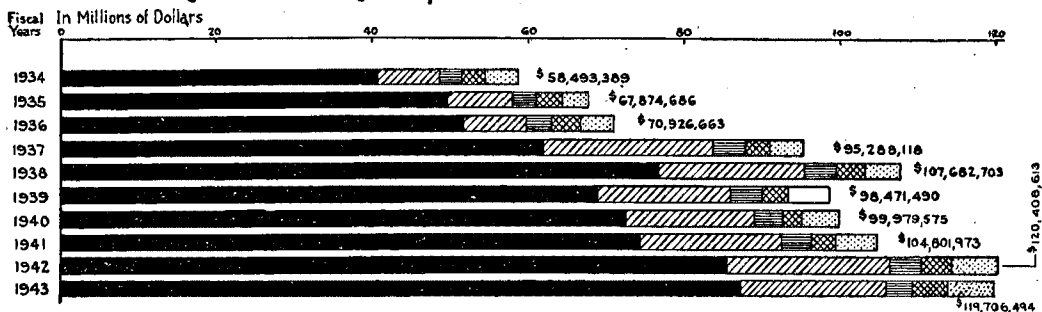
\*Bulletin No. 11, March, 1941, page 24.

## CHART II

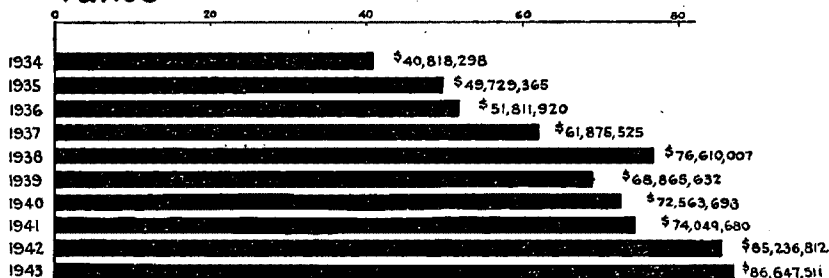
# State of Minnesota - Revenue Receipts

1934 thru 1943  
(Fiscal Years Ending June 30)

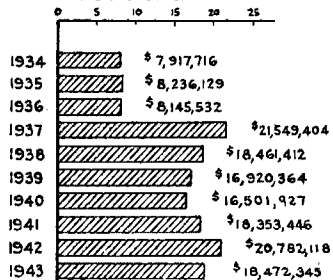
### Total Revenue Receipts



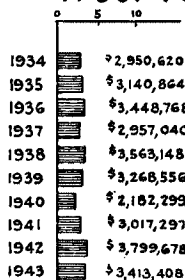
### Taxes



### U.S. Aid



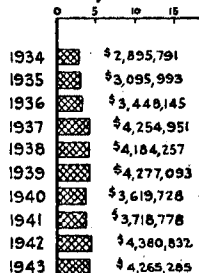
### Trust Fund Income



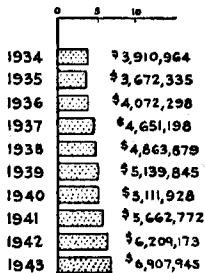
### Key

- Taxes
- U.S. Aid
- Trust Fund Income
- Departmental Earnings
- All Other \*

### Dept'l Earnings



### All Other \*



\* All Other\* includes Licenses, Fees, Permits, Fines & Forfeits, Donations & Gifts, Interest on Deposits, Transfers from Prison Revolving Fund & Miscellaneous.



in many instances there may be additional funds under the various major groups.

The distribution of the total expenditures by funds for 1942-43 is shown in Table A.

The "General Revenue Fund" is the main free fund of the state government. Legislative appropriations are made from this fund. Yet this fund covers only 29% of total state expenditures. In other words, the legislature has control over less than one-third of the expenditure program of the state government. This situation makes a farce out of the existing budget system of the state.

Table A\*  
Cost of Current State Government By Source of Fund

| Source                        | Cost                | Percent of Total |
|-------------------------------|---------------------|------------------|
| General Revenue Fund .....    | \$28,344,377        | 28.9%            |
| Highway Funds .....           | 25,591,645          | 26.0             |
| Income Tax Fund .....         | 13,636,843          | 13.9             |
| Sinking Funds .....           | 5,039,138           | 5.1              |
| Trust Funds .....             | 3,619,227           | 3.7              |
| General University Fund ..... | 3,528,843           | 3.6              |
| Game and Fish Fund .....      | 1,284,787           | 1.3              |
| Current School Fund .....     | 1,028,352           | 1.0              |
| Agency Funds .....            | 554,452             | .6               |
| Federal Funds .....           | 15,630,165          | 15.9             |
| <b>Total .....</b>            | <b>\$98,185,828</b> | <b>100.0%</b>    |

\*All tables designated by letters refer to tables in the appendices with similar letters.

## Section III—A Ten Year Analysis of Revenue Receipts—1934-43

We have discussed the revenue receipt trends over the ten-year period in considerable detail in our Bulletin No. 12 issued just a year ago. Inasmuch as receipts for 1942-43 did not materially change from the previous year, we will merely highlight the shifts for the ten-year period, 1934-43.

Revenue Receipts for the state government derived from taxes, state earnings and federal grants rose from \$58,493,389 for the fiscal year ending June 30, 1934 to \$119,706,494 by 1943. This was an increase of \$61,213,105 or 104.6% over the ten-year period.

With revenue receipts in excess of fifty-eight million dollars over comparable figures a decade ago, it is apparent that a vast change has occurred in the revenue and tax system of the state.

### Reasons for Increased Revenues for the Decade

This 104.6% expansion in state revenues over the past ten years may be laid principally to four factors.

The first of these is the expansion of the state's tax and revenue system in which practically every new tax source available to the state, except sales taxes, was tapped. The largest new tax sources were \$21,337,285 in income taxes and \$5,855,608 in liquor taxes.

The drastic revision upward of the rates of almost all existing taxes in 1937 was a second factor. Tax rates of liquor, iron ore, inheritance, gasoline and gross earnings taxes were raised steeply. Moreover, the income tax rates were raised to a level where in most brackets of an individual's income, the tax is exceeded by that of only two or three states. Again, gross earning taxes brought into the state treasury \$4,768,377 in 1934, but reached the unprecedented total of \$11,245,796 in 1943. For the

same years the occupational and royalty taxes on iron ore were \$809,055 and \$6,278,868 respectively. The increase for the ten-year period was \$6,477,419 for gross earning taxes, and \$5,469,813 for ore taxes.

The third factor is the expansion of federal aids, largely through the enactment of the federal social security program in 1935. In fact, the state now looks to the federal government for 15.4% of its total revenue receipts.

The fourth factor is the vast improvement in business conditions connected with the war which resulted in larger receipts from all sources. This factor was especially important during 1941 and 1942. Better business conditions remained a factor in 1943, although federal rationing had, in certain tax fields such as gasoline, motor vehicle licenses and liquor, limited the full effect of these conditions.

### Federal Grants in Aid

The growth of federal grants to the state for highways, education, and social welfare activities has been such a large factor in the increase in state revenue receipts during the past ten years that further comment is in order. In 1934 the federal aids to the state amounted to \$7,917,716 but totalled \$18,472,345 in 1943.

Among the federal grants to the state for the various purposes, those for Social Security, (blind, dependent child, and old age) have predominated during the last three years. These aids grew rapidly after the enactment of the Federal Social Security Act in 1935 and reached \$10,816,813 in the fiscal year 1943.

### Much Federal Money Excluded from the Tables

It might be pointed out that huge sums of federal money have been expended in the state since 1934 for various relief and unemployment purposes but which are not included in the tables of the In-

Table B  
State of Minnesota  
REVENUE RECEIPTS  
Fiscal Years Ending June 30  
(In Thousands of Dollars)

|   | 1933-34<br>Fiscal<br>Year<br>(000) | 1934-35<br>Fiscal<br>Year<br>(000) | 1935-36<br>Fiscal<br>Year<br>(000) | 1936-37<br>Fiscal<br>Year<br>(000) | 1937-38<br>Fiscal<br>Year<br>(000) | 1938-39<br>Fiscal<br>Year<br>(000) | 1939-40<br>Fiscal<br>Year<br>(000) | 1940-41<br>Fiscal<br>Year<br>(000) | 1941-42<br>Fiscal<br>Year<br>(000) | 1942-43<br>Fiscal<br>Year<br>(000) |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>I TAX REVENUES</b>   | <b>\$40,818</b>                    | <b>\$49,729</b>                    | <b>\$51,812</b>                    | <b>\$61,875</b>                    | <b>\$76,610</b>                    | <b>\$68,865</b>                    | <b>\$72,564</b>                    | <b>\$74,050</b>                    | <b>\$85,237</b>                    | <b>\$86,647</b>                    |
| Property*1  | 12,446                             | 16,751                             | 15,797                             | 18,931                             | 16,365                             | 13,792                             | 12,390                             | 12,258                             | 11,036                             | 9,749                              |
| Gross Earnings*2  | 4,724                              | 4,959                              | 5,322                              | 6,397                              | 7,498                              | 6,373                              | 7,048                              | 8,076                              | 9,521                              | 11,156                             |
| Inheritance and Gift  | 1,201                              | 1,296                              | 1,235                              | 791                                | 1,235                              | 1,980                              | 1,199                              | 935                                | 1,543                              | 968                                |
| Income*3  | 1,195                              | 2,932                              | 3,597                              | 5,568                              | 10,115                             | 10,295                             | 11,108                             | 12,758                             | 16,885                             | 21,337                             |
| Liquor  | 1,074                              | 3,009                              | 3,645                              | 4,336                              | 5,688                              | 5,375                              | 6,085                              | 5,186                              | 6,208                              | 5,858                              |
| Insurance   | 1,571                              | 1,785                              | 1,747                              | 1,788                              | 1,887                              | 1,860                              | 1,965                              | 1,972                              | 2,199                              | 2,179                              |
| Ore Occupational*4  | 473                                | 586                                | 724                                | 1,318                              | 4,496                              | 759                                | 2,443                              | 3,231                              | 4,200                              | 4,116                              |
| Ore Royalty   | 336                                | 363                                | 461                                | 547                                | 1,234                              | 678                                | 862                                | 1,106                              | 1,820                              | 2,183                              |
| Gasoline*3  | 10,296                             | 10,750                             | 11,133                             | 13,314                             | 18,484                             | 18,002                             | 19,467                             | 16,998                             | 20,542                             | 19,192                             |
| Motor Vehicle*3   | 7,170                              | 6,787                              | 7,903                              | 8,613                              | 9,201                              | 9,421                              | 9,764                              | 10,651                             | 10,310                             | 9,040                              |
| Bank Excise   |                                    |                                    |                                    |                                    |                                    |                                    |                                    | 454                                | 574                                | 563                                |
| Chain Store   | 221                                | 397                                | 42                                 | 31                                 | 106                                | 99                                 |                                    | 192                                | 48                                 | 19                                 |
| All Other Taxes   | 111                                | 164                                | 205                                | 241                                | 803                                | 231                                | 233                                | 254                                | 351                                | 310                                |
| <b>II NON-TAX REVENUES</b>  | <b>17,675</b>                      | <b>18,145</b>                      | <b>19,115</b>                      | <b>33,413</b>                      | <b>31,073</b>                      | <b>29,606</b>                      | <b>27,416</b>                      | <b>30,752</b>                      | <b>35,172</b>                      | <b>33,059</b>                      |
| Licenses, Fees, and Permits   | 2,930                              | 2,875                              | 3,035                              | 3,104                              | 3,343                              | 3,631                              | 3,796                              | 4,039                              | 4,377                              | 4,568                              |
| Departmental Earnings   | 2,896                              | 3,096                              | 3,449                              | 4,255                              | 4,184                              | 4,277                              | 3,620                              | 3,718                              | 4,381                              | 4,265                              |
| Trust Fund Income   |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |
| To General School Fund  | 2,534                              | 2,682                              | 2,939                              | 2,442                              | 3,040                              | 2,765                              | 1,679                              | 2,472                              | 3,176                              | 2,903                              |
| Other Trust Fund Income   | 417                                | 459                                | 509                                | 515                                | 524                                | 504                                | 603                                | 545                                | 624                                | 510                                |
| Miscellaneous Revenues*5  | 981                                | 997                                | 1,037                              | 1,548                              | 1,521                              | 1,509                              | 1,315                              | 1,624                              | 1,832                              | 2,340                              |
| United States Aid, Total  | 7,917                              | 8,236                              | 8,146                              | 21,549                             | 18,461                             | 16,920                             | 16,502                             | 18,353                             | 20,782                             | 18,472                             |
| Aid for Highways  | 7,254                              | 7,498                              | 5,833                              | 12,850                             | 6,250                              | 3,903                              | 3,170                              | 4,042                              | 5,305                              | 2,374                              |
| Aid for Social Security   |                                    |                                    | 931                                | 7,036                              | 8,869                              | 9,603                              | 10,536                             | 10,828                             | 11,330                             | 11,450                             |
| Unemployment Compensation Admin-<br>istration and Federal Employment<br>Service | 24                                 | 51                                 | 45                                 | 326                                | 1,151                              | 1,645                              | 1,220                              | 1,311                              | 1,070                              | 786                                |
| Vocational Defense Program  |                                    |                                    |                                    |                                    |                                    |                                    |                                    | 654                                | 1,336                              | 2,207                              |
| Aid for Education   | 231                                | 295                                | 561                                | 657                                | 964                                | 1,010                              | 1,059                              | 1,087                              | 1,216                              | 1,116                              |
| Other U. S. Aid   | 408                                | 392                                | 776                                | 680                                | 1,227                              | 859                                | 516                                | 432                                | 525                                | 539                                |
| <b>GRAND TOTAL, REVENUE RECEIPTS</b>  | <b>\$58,493</b>                    | <b>\$67,874</b>                    | <b>\$70,927</b>                    | <b>\$95,288</b>                    | <b>\$107,683</b>                   | <b>\$98,471</b>                    | <b>\$99,980</b>                    | <b>\$104,802</b>                   | <b>\$120,409</b>                   | <b>\$119,706</b>                   |

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

\*2—Includes the gross earnings taxes on railroads, telephone companies, freight lines, sleeping car companies, and express companies. Does not include telegraph company taxes, which were not placed on a gross earnings basis until 1937 and are included with item "All Other Taxes" in order to keep the data comparable.

\*3—Figures for Income Tax revenues are the collections reported by the Dept. of Taxation. Gasoline and Motor Vehicle Tax revenues are the collections reported by

the Highway Department. Formerly, in Bulletin No. 11, the state auditor's figures for receipts from these taxes were given. The present revision is made because receipts from these taxes are not always reported by the auditor in the fiscal year of collection, and their use would distort the year-by-year comparison of revenues.

\*4—Does not include the 50% of the ore occupational tax credited to the state trust funds for schools and the University.

\*5—Miscellaneous includes fines and forfeits, donations and gifts, interest on deposits, transfers from prison revolving fund and minor items.

stitute since these funds did not pass through the state treasury.

In addition, the payroll taxes for unemployment compensation claims are not included since they do not go through the state treasury. The administrative cost of the Department of Unemployment Compensation is included in the expenditure tables because the means of financing this item is shown as federal aid (amounting to \$786,105 for 1942-43). This payroll is now yielding a little over twelve million dollars a year. For those interested, we are presenting the following Table (See Table 4).

**50% of Iron Ore Occupational Tax Excluded**  
Each year 50% (10% to University Trust Fund

and 40% to the Permanent School Fund) of the iron ore occupational tax is diverted to educational trust funds; only the interest earned thereon year by year shows up as revenue available for state expenditures. Therefore we have not shown this item in the above table (see Table B) as a current receipt. In other words, the total tax burden shown in Table B would be increased each year by the following amounts: 1934—\$473,019, 1935—\$586,252, 1936—\$723,995, 1937—\$1,317,540, 1938—\$4,495,812, 1939—\$759,538, 1940—\$2,442,639, 1941—\$3,230,548, 1942—\$4,199,933, and 1943—\$4,116,226.

The total ore taxes thus allocated to these trust funds has been \$22,345,502 in ten years.

Table 4  
UNEMPLOYMENT COMPENSATION RECEIPTS, BENEFITS, AND BALANCES  
Fiscal Years Ending June 30

| Fiscal Year | Revenue Receipts *1 | Number of Initial Benefit Claims | Net Benefits Paid | Interest on Trust Fund | Balance in Trust Fund *4 |
|-------------|---------------------|----------------------------------|-------------------|------------------------|--------------------------|
| 1937        | \$ 5,653,482        | None                             | \$ None           | \$123,170*2            | \$ 4,704,607             |
| 1938        | 11,224,328          | 123,590                          | 4,861,093         | 297,477*2              | 11,592,807               |
| 1939        | 14,095,876          | 121,944                          | 8,532,844         | 203,245*3              | 17,220,289               |
| 1940        | 13,768,518          | 104,051                          | 8,754,459         | 546,818                | 23,517,676               |
| 1941        | 11,030,492          | 95,214                           | 8,470,102         | 583,756                | 24,035,606               |
| 1942        | 12,010,808          | 84,418                           | 6,531,939         | 685,962                | 30,171,729               |
| 1943        | 14,712,551          | 27,817                           | 2,192,351         | 808,780                | 43,650,742               |

\*1—Revenue Receipts includes Contributions received and penalties. They also include \$2,516,982 which has been transferred to the Railroad Retirement Board.

\*2—Totals based on calendar year.

\*3—Total for period from January 1, 1939 to June 30, 1939.

\*4—Includes Interest on Trust Fund.

## Section IV—A Ten Year Analysis of Minnesota Current Costs—1934 To 1943

As we turn from an analysis of revenue receipts to an analysis of "costs or expenditures" for the last ten years, we present first, a summary (See Table 5 below) showing current "costs" by three major types—(1) General operation maintenance and improvements (2) Payments to local civil divisions (state aids) and (3) Debt service (including payments for interest on debt and retirement of debt). This type of analysis is presented in order to bring out the trend in the cost of state government alone as well as the large part the state government pays in financing local units of government. In addition, it is easy to determine the results of the state's unsound borrowing policy during the past decade.

This Table produces three observations:

1. Total "current costs" increased from \$59,182,839 in 1934 to \$98,185,828 in 1943. This was an increase of \$39,002,989 or 65.9%.

2. The highest expenditure for the ten-year period occurred in 1942, namely \$114,591,714, and this record was reached due in large part to an un-

usual expenditure for debt service, highways, and education.

3. The decrease of approximately sixteen million dollars took place during the last year, and reversed the recent upward trend. However, most of this decrease is not an actual reduction in the cost of state government, but is what might be called a deferred expenditure which will show up in the post war years.

### Analysis of State Costs by Three General Purposes During the Decade

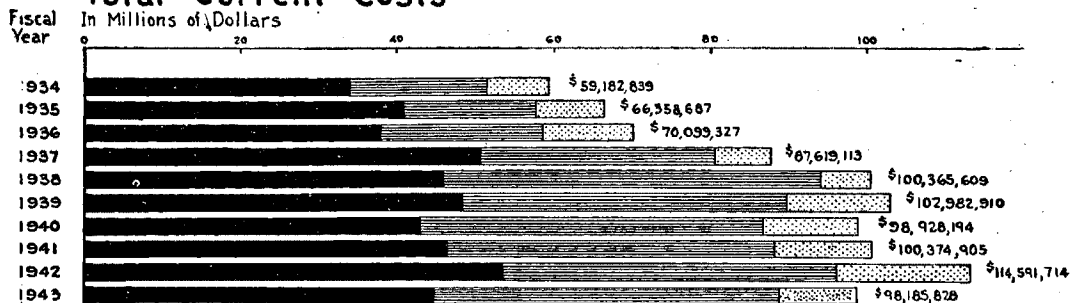
Costs of "general operations" (exclusive of debt service and state aids to local units) was 29.8% higher in 1943 (\$44,119,802) than ten years before (\$34,001,177). This increase of \$10,118,625 developed from an expansion in practically all activities or functions; while over three million dollars were allowed for a war salary increase to become effective during the last fiscal year—1942-43. Attention should also be called to the fact that the work week of state employees has been reduced dur-

CHART III

State of Minnesota - Current Governmental Costs  
Expenditures Financed From Revenue Receipts

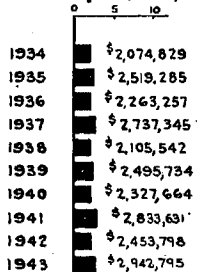
1934 thru 1943 - Fiscal Years Ending June 30

Total Current Costs



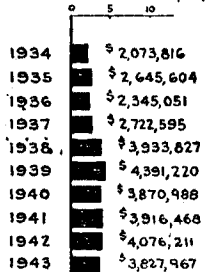
Gen'l Gov't

Legislative, Judicial, & Administrative

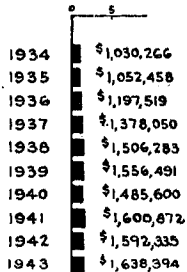


Protection

of Persons & Property

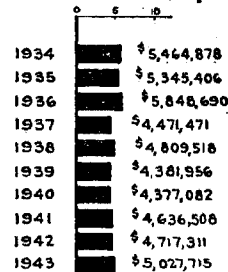


Health

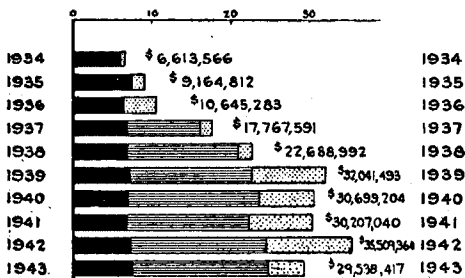


Nat. Resources

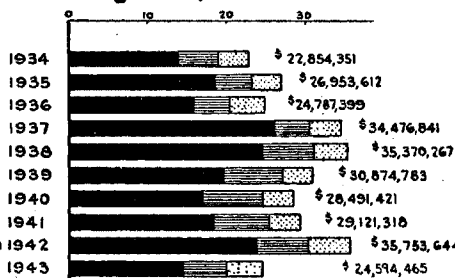
Conservation & Agriculture



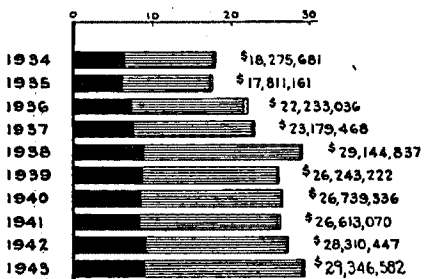
Welfare



Highways



Education



Key

- General State Costs
- ▨ Aid to Other Civil Divisions
- ▤ Debt Service

N.B. Annual totals for Miscellaneous are not large enough to show individually on this scale, but they have been included in the bars showing Total Current Costs.

Table 5  
STATE OF MINNESOTA  
TOTAL CURRENT COSTS OF STATE GOVERNMENT  
Fiscal Years Ending June 30  
(In Thousands of Dollars)

|                                       | 1933-34          | 1934-35         | 1935-36          | 1936-37          | 1937-38          |
|---------------------------------------|------------------|-----------------|------------------|------------------|------------------|
| General Operation of Government ..... | \$34,002         | \$40,884        | \$37,952         | \$50,525         | \$51,819         |
| Aids to Other Civil Divisions .....   | 17,507           | 16,800          | 20,467           | 29,774           | 41,741           |
| Debt Service .....                    | 7,674            | 8,674           | 11,680           | 7,320            | 6,805            |
| <b>Total</b> .....                    | <b>\$59,183</b>  | <b>\$66,359</b> | <b>\$70,099</b>  | <b>\$87,619</b>  | <b>\$100,366</b> |
|                                       | 1938-39          | 1939-40         | 1940-41          | 1941-42          | 1942-43          |
| General Operation of Government ..... | \$48,376         | \$43,112        | \$46,105         | \$52,980         | \$44,120         |
| Aids to Other Civil Divisions .....   | 41,070           | 43,283          | 41,490           | 44,424           | 44,382           |
| Debt Service .....                    | 13,537           | 12,533          | 12,329           | 17,187           | 9,684            |
| <b>Total</b> .....                    | <b>\$102,983</b> | <b>\$98,928</b> | <b>\$100,375</b> | <b>\$114,592</b> | <b>\$98,186</b>  |

ing the ten-year period. In addition, more liberal vacation and sick leaves have been granted. All these items are positive factors in the larger costs of state government at the end of the ten-year period.

This ten million dollar increase is distributed by functions in the following manner, namely; "general government" \$1,253,272, "protection to persons and property" \$1,756,389, "health and sanitation" \$659,339, "development and conservation of natural resources" \$1,580,717, "highways" \$637,961, "welfare" \$1,699,717, "education" \$2,448,303, and "miscellaneous" \$82,927. It is obvious that all activities have expanded in scope during the past decade. Some of the more important increases are due to enlarged health activities financed by federal aids, increased university expenditures, administration of social security costs, unemployment compensation claims, and a broader program in the department of conservation. (See Table C in Appendix).

#### State Aids Largest Factor

State aids to local units of government, on the other hand, have increased \$26,874,564, or 153.5% (from \$17,507,332 to \$44,381,896).

The two main factors accounting for this twenty-four million dollar increase are a \$8,872,794 increase for school aids and a \$17,262,427 increase for social welfare. The latter increase is brought about by the inauguration of the federal social security program. As the federal government finances 50% of this program, it contributed \$10,816,000 in 1942-43; the state's share in the same year was approximately six and one-half million—the counties contributing the balance.

#### Debt Service Up More Than 26%

Costs for "debt service" increased \$2,009,801 between 1934 and 1943. The highest figure for debt service during the decade was reached in 1942, namely, \$17,187,000. The failure of the state to go

on a "pay-as-you-go" basis during the past ten years resulted in this heavy toll from current tax resources. The smaller figure (\$9,684,130) for 1943 indicates that the state debt picture is slowly being placed on a better basis. If no new borrowing is authorized, the annual requirement for debt service will continue to decline in the years ahead.

#### Costs for Past Ten Years by Functions

In Table C and Chart III, the current costs (includes operation, aids and debt service) of the various state activities over the past ten years are grouped under eight principal functions.

Over the ten-year period, every function except "development and conservation of natural resources" shows an increase. The increases by amount and percentage appear in Table 6.

Table 6  
Increases or Decreases in Costs of Principal Functions  
Comparing 1934 with 1943

|                                      |                     |              |
|--------------------------------------|---------------------|--------------|
| General government .....             | \$ 867,966          | 41.8%        |
| Protection to Person and Property .. | 1,754,151           | 84.6         |
| Health and Sanitation .....          | 608,128             | 59.0         |
| Dev. & Cons. of Natural Resources .. | -437,163            | -8.0         |
| Highways .....                       | 1,740,114           | 7.6          |
| Welfare .....                        | 22,924,851          | 346.6        |
| Education .....                      | 11,070,901          | 60.6         |
| Miscellaneous .....                  | 474,041             | 59.6         |
| <b>Total</b> .....                   | <b>\$39,002,989</b> | <b>65.9%</b> |

It is obvious at once that "welfare" and "education" are the functions showing the substantial increases, though from a percentage basis "welfare" leads the field. In fact, these two functions alone account for \$33,995,752 of the \$39,002,989 total increase during the ten-year period.

#### Reasons for Increase in Welfare Costs

The phenomenal increase in "welfare" costs (from \$6,613,566 in 1934 to \$29,538,417 between 1934 and 1943) resulted first, from the large grants by the state to local units for public relief necessitated by the business depression (shown in Table C as "debt service" under Public Welfare); and sec-

Table C  
State of Minnesota  
**CURRENT GOVERNMENTAL COSTS**  
Expenditures Financed from Revenue Receipts  
Fiscal Years Ending June 30  
(In Thousands of Dollars)

| Function  | 1933-34<br>Fiscal<br>Year<br>(000) | 1934-35<br>Fiscal<br>Year<br>(000) | 1935-36<br>Fiscal<br>Year<br>(000) | 1936-37<br>Fiscal<br>Year<br>(000) | 1937-38<br>Fiscal<br>Year<br>(000) | 1938-39<br>Fiscal<br>Year<br>(000) | 1939-40<br>Fiscal<br>Year<br>(000) | 1940-41<br>Fiscal<br>Year<br>(000) | 1941-42<br>Fiscal<br>Year<br>(000) | 1942-43<br>Fiscal<br>Year<br>(000) |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>I GENERAL GOVERNMENT</b>                                       | <b>\$ 2,075</b>                    | <b>\$ 2,519</b>                    | <b>\$ 2,263</b>                    | <b>\$ 2,737</b>                    | <b>\$ 2,106</b>                    | <b>\$ 2,496</b>                    | <b>\$ 2,328</b>                    | <b>\$ 2,834</b>                    | <b>\$ 2,454</b>                    | <b>\$ 2,943</b>                    |
| General   | 1,690                              | 2,253                              | 1,861                              | 2,366                              | 2,045                              | 2,496                              | 2,328                              | 2,834                              | 2,454                              | 2,943                              |
| Debt Service  | 385                                | 266                                | 402                                | 371                                | 61                                 |                                    |                                    |                                    |                                    |                                    |
| <b>II PROTECTION TO PERSON AND<br/>PROPERTY</b>                   | <b>2,074</b>                       | <b>2,646</b>                       | <b>2,345</b>                       | <b>2,723</b>                       | <b>3,934</b>                       | <b>4,391</b>                       | <b>3,871</b>                       | <b>3,916</b>                       | <b>4,076</b>                       | <b>3,828</b>                       |
| General   | 2,031                              | 2,497                              | 2,146                              | 2,535                              | 3,796                              | 4,320                              | 3,821                              | 3,865                              | 4,006                              | 3,787                              |
| Debt Service  | 43                                 | 149                                | 199                                | 187                                | 138                                | 71                                 | 50                                 | 51                                 | 70                                 | 41                                 |
| <b>III HEALTH AND SANITATION</b>                                  | <b>1,030</b>                       | <b>1,053</b>                       | <b>1,198</b>                       | <b>1,378</b>                       | <b>1,506</b>                       | <b>1,556</b>                       | <b>1,486</b>                       | <b>1,601</b>                       | <b>1,593</b>                       | <b>1,638</b>                       |
| General   | 572                                | 614                                | 762                                | 975                                | 1,035                              | 1,125                              | 1,067                              | 1,191                              | 1,183                              | 1,231                              |
| Aids to Other Civil Divisions                                     | 458                                | 439                                | 436                                | 403                                | 471                                | 431                                | 419                                | 410                                | 410                                | 407                                |
| <b>IV DEVELOPMENT AND CONSERVA-<br/>TION OF NATURAL RESOURCES</b> | <b>5,465</b>                       | <b>5,345</b>                       | <b>5,849</b>                       | <b>4,472</b>                       | <b>4,810</b>                       | <b>4,382</b>                       | <b>4,377</b>                       | <b>4,637</b>                       | <b>4,717</b>                       | <b>5,028</b>                       |
| General   | 3,128                              | 2,954                              | 3,501                              | 3,657                              | 4,230                              | 4,270                              | 4,205                              | 4,305                              | 4,553                              | 4,709                              |
| Debt Service  | 2,337                              | 2,391                              | 2,348                              | 815                                | 580                                | 112                                | 172                                | 332                                | 164                                | 319                                |
| <b>V HIGHWAYS</b>   | <b>22,854</b>                      | <b>26,954</b>                      | <b>24,787</b>                      | <b>34,477</b>                      | <b>35,370</b>                      | <b>30,875</b>                      | <b>28,491</b>                      | <b>29,121</b>                      | <b>35,754</b>                      | <b>24,595</b>                      |
| General   | 13,867                             | 18,428                             | 15,825                             | 26,015                             | 24,530                             | 19,610                             | 16,019                             | 18,312                             | 23,779                             | 14,505                             |
| Aids to Other Civil Divisions                                     | 5,077                              | 4,637                              | 4,582                              | 4,484                              | 6,523                              | 7,407                              | 7,624                              | 7,031                              | 6,525                              | 5,445                              |
| Debt Service  | 3,910                              | 3,889                              | 4,380                              | 3,978                              | 4,317                              | 3,858                              | 4,848                              | 3,778                              | 5,450                              | 4,645                              |
| <b>VI WELFARE</b>   | <b>6,614</b>                       | <b>9,165</b>                       | <b>10,645</b>                      | <b>17,768</b>                      | <b>22,689</b>                      | <b>32,041</b>                      | <b>30,699</b>                      | <b>30,207</b>                      | <b>35,509</b>                      | <b>29,538</b>                      |
| General   | 6,041                              | 7,633                              | 6,281                              | 6,992                              | 6,993                              | 7,204                              | 7,004                              | 6,843                              | 7,436                              | 7,741                              |
| Aids to Other Civil Divisions                                     |                                    |                                    | 542                                | 9,223                              | 14,062                             | 15,404                             | 16,506                             | 15,518                             | 17,163                             | 17,262                             |
| Debt Service  | 573                                | 1,532                              | 3,822                              | 1,552                              | 1,634                              | 9,434                              | 7,190                              | 7,846                              | 10,910                             | 4,535                              |
| <b>VII EDUCATION</b>  | <b>18,276</b>                      | <b>17,811</b>                      | <b>22,233</b>                      | <b>23,179</b>                      | <b>29,145</b>                      | <b>26,243</b>                      | <b>26,739</b>                      | <b>26,613</b>                      | <b>28,310</b>                      | <b>29,347</b>                      |
| General   | 6,545                              | 6,316                              | 7,430                              | 7,736                              | 9,032                              | 9,091                              | 8,602                              | 8,626                              | 9,023                              | 8,993                              |
| Aids to Other Civil Divisions                                     | 11,341                             | 11,131                             | 14,299                             | 15,056                             | 20,063                             | 17,114                             | 17,979                             | 17,833                             | 19,114                             | 20,213                             |
| Debt Service  | 390                                | 364                                | 504                                | 387                                | 50                                 | 38                                 | 159                                | 154                                | 174                                | 140                                |
| <b>VIII MISCELLANEOUS</b>   | <b>795</b>                         | <b>866</b>                         | <b>779</b>                         | <b>886</b>                         | <b>806</b>                         | <b>998</b>                         | <b>937</b>                         | <b>1,446</b>                       | <b>2,179</b>                       | <b>1,269</b>                       |
| General   | 128                                | 190                                | 147                                | 247                                | 158                                | 258                                | 67                                 | 130                                | 546                                | 211                                |
| Aids to Other Civil Divisions                                     | 631                                | 593                                | 607                                | 609                                | 622                                | 714                                | 755                                | 1,148                              | 1,213                              | 1,054                              |
| Debt Service  | 36                                 | 83                                 | 25                                 | 30                                 | 26                                 | 26                                 | 115                                | 168                                | 419                                | 4                                  |
| <b>GRAND TOTAL—CURRENT GOVERN-<br/>MENTAL COSTS</b>               | <b>59,183</b>                      | <b>66,359</b>                      | <b>70,099</b>                      | <b>87,619</b>                      | <b>100,366</b>                     | <b>102,983</b>                     | <b>98,928</b>                      | <b>100,375</b>                     | <b>114,592</b>                     | <b>98,186</b>                      |
| <b>SUMMARY—TOTAL FOR ALL FUNCTIONS</b>                            | <b>59,183</b>                      | <b>66,359</b>                      | <b>70,099</b>                      | <b>87,619</b>                      | <b>100,366</b>                     | <b>102,983</b>                     | <b>98,928</b>                      | <b>100,375</b>                     | <b>114,592</b>                     | <b>98,186</b>                      |
| General   | 84,002                             | 40,834                             | 87,952                             | 50,525                             | 51,819                             | 48,378                             | 43,112                             | 46,105                             | 52,980                             | 44,120                             |
| Aids to Other Civil Divisions                                     | 17,507                             | 18,800                             | 20,487                             | 29,774                             | 41,741                             | 41,070                             | 43,283                             | 41,940                             | 44,424                             | 44,382                             |
| Debt Service  | 7,674                              | 8,674                              | 11,880                             | 7,320                              | 6,305                              | 13,537                             | 12,533                             | 12,329                             | 17,187                             | 9,684                              |

[18]

only, from the inauguration of the federal Social Security program adopted in 1935 under which grants to local units for old age assistance, aid to dependent children and to the blind got under way in 1936 and reached \$17,262,427 in 1943. As explained earlier (on page 7), this new activity cost the state government close to six and one-half million dollars last year.

**Relief Expenditures Financed Out of Borrowed Funds**

Practically all state expenditures for direct relief have been financed by successive short-term borrowing, the cost to the taxpayer thus being postponed until these debts are retired. The full impact of relief expenditures was not felt by the taxpayer until rather late in the ten-year period when his short term debt began to fall due. If relief had been financed out of current receipts year by year, costs for welfare activities would have been higher in the early years of the decade. Expenditures for relief are shown as "debt service" under the function "Welfare".

**General State Welfare Costs**

Costs for the subheading "General\*" under "Welfare" activities have increased only \$1,699,717

during the ten-year period. Most of this increase was due to a larger staff in administering the social welfare and relief programs.

The state's special hospitals (for insane, feeble minded, epileptic) account for some of the increases (\$846,754) and the University General Hospital was \$371,247 higher at the end of the decade.

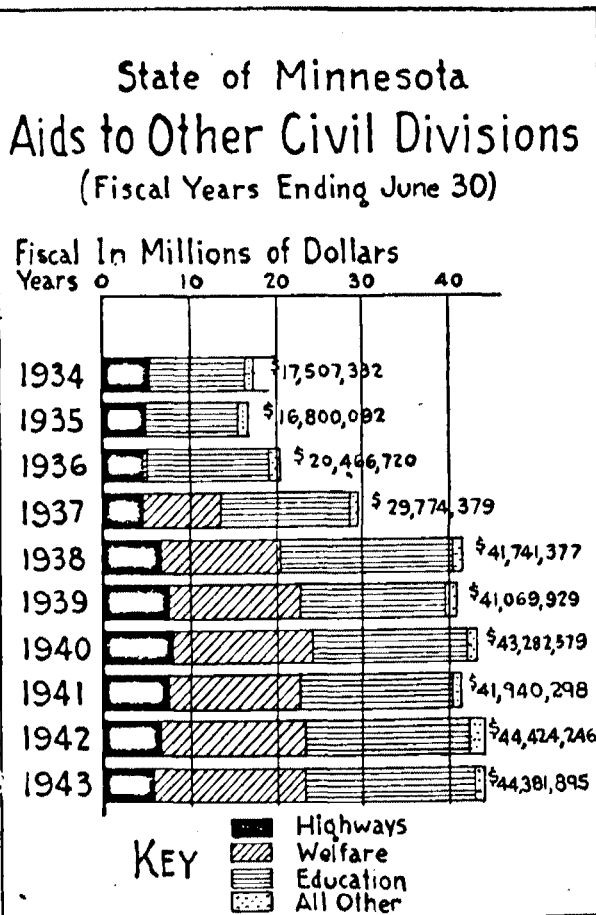
**Trends in Educational Costs**

Almost the entire increase of \$11,070,901 (60.6%) from 1934 through 1943 in "education" costs has resulted from additional state aids paid to local school districts. School aids rose \$8,872,794 or 78.2% during the ten years. A new item "Education of Defense Workers" accounts for \$2,127,416 of the increase, but this expense was made possible by a new federal grant and occurs only during the past three years. It will drop out of the picture as the war nears an end but may be replaced with a new post-war program.

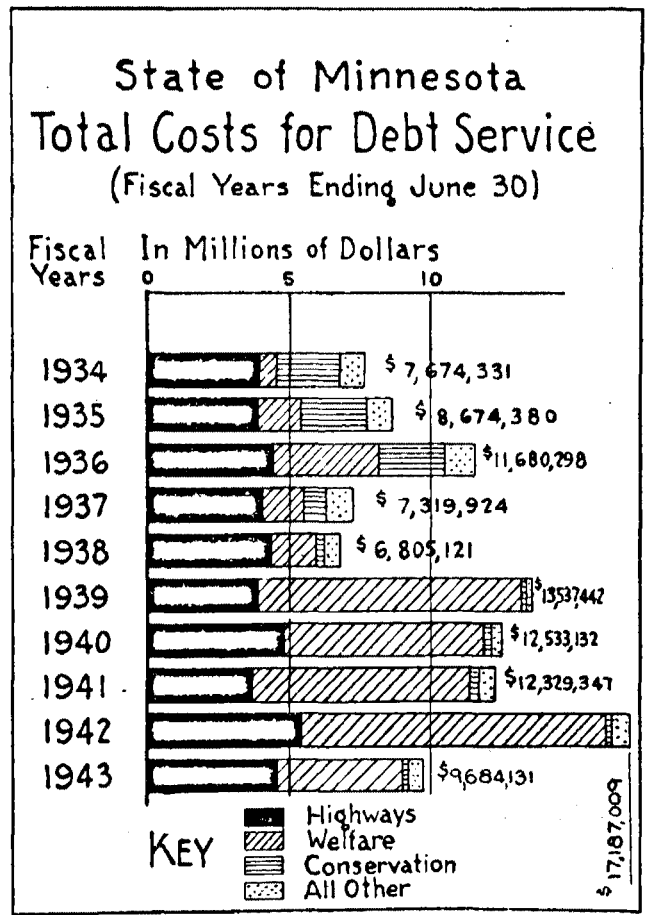
Costs in 1943 for the subtitle "General" under "Education" were \$2,448,303 higher than in 1934. The University is responsible for the largest

\*Subheading "General" under "Welfare" includes administrative costs for social welfare and relief, all state penal, correctional, asylums, and charitable institutions (including general hospital at the University).

**CHART IV**



**CHART V**



portion of this increase, namely \$1,920,544. The six state teachers' colleges account for only \$335,322 of the increase.

#### Larger Highway Costs

Highway costs were only \$1,740,114 larger at the end of the ten-year period. This is not a true picture of the trend in highway costs since federal war restrictions on road construction forced a large reduction in 1943. Over fourteen million dollars of highway moneys have been set aside and will be spent immediately in the post-war period.

The ten-year period, however, shows wide fluctuations. Highway expenditures reached a low of \$22,854,351 in 1934, with increases until \$34,477,000 (1937) and \$35,370,000 (1938) were reached. The all time peak for highway costs of \$35,754,000 came in 1942 when larger receipts grew from an increase of one cent in gasoline taxes granted by the 1941 Legislature, larger federal aids, and better business conditions.

In part, these fluctuations are accounted for by the variations in the amount of the federal grants to the state for highways, which were as low as \$2,374,072 in 1943 and as high as \$12,850,527 in 1937.

#### Other Functions Show Increases

"General Government" (included so-called overhead or staff activities) increased \$867,966 or 41.8% over the ten-year period; "protection to persons and property" \$1,754,151 or 84.6%; "health and sanitation" \$608,128 or 59.0%; and "miscellaneous" \$474,041 or 59.6%. (See Table 6). The above amounts (except for "protection to persons and property") are not large in dollars, although there were some large percentage increases.

#### Only One Decrease in Ten Year Period

There was a decrease in only one function, namely, \$437,163 or 8.0% for "development and conservation of natural resources". This was due to large amounts paid out for "debt service" in 1934, but which did not occur in 1943. This expenditure (in 1934) was caused by a state policy of setting up game and forest preserves in Marshall and Red Lake counties, and a sizeable payment (\$465,000) for Rural Credits tax certificates.

#### Other Factors Causing Increase

Federal aids played a part in increasing state costs for some of these five functions, particularly in health work, administration of unemployment claims, and employments offices furnishing various

agricultural activities. This new factor of federal aids is one over which the State Legislature has little, if any, control.

In addition, part of the total increased cost may be laid to a general expansion of the scope of state government. New activities assumed by the state are as follows: collection of the income tax and other new tax revenues; the control of Bangs disease in cattle; the licensing of motor vehicle drivers; livestock weighing; the establishment of new departments for liquor control, civil service, tax appeals and labor conciliation; and more modern practices in the fields of budget control, accounting and auditing. On the other hand, there were minor decreases in many activities that help to offset in some degree the increases mentioned above.

#### Conclusion

In summary, it can be said that the major responsibility for this large increase in state costs during the past ten years is explained by six major factors.

In the first place, the federal social security program opened up to the state a new program of aid to counties which totalled \$17,262,427 in 1943.

In the second place, the state's policy of "owe-as-you-go", or borrowing, to meet the relief needs arising out of the depression, to pay off operating deficits and to finance buildings and roads during the decade, eventually caused over a \$2,009,801 increase during the decade in the annual cost of debt service.

In the third place, the ever-insistant demand of local property taxpayers for tax relief was met to some extent by bringing out many new state tax sources, and increasing the rates on others. Practically all of these additional funds were made available to local governmental units by the process of increasing state aids, principally in the fields of education, welfare, highways and relief. In ten years state aids to all local units of government increased \$26,874,564.

"Highway" costs are only 7.6% larger at the end of the period than at the beginning, largely in compliance with federal war regulations restricting the construction of new roads. In other words, this is not a true picture of highway expenditure trends.

A fifth factor affecting costs for the final year was a war salary increase amounting to over three million dollars. This item of expense is to lapse sixty days after peace is declared.

Finally, there has been an expansion in nearly every field of governmental operation as well as the addition of many new functions and activities.



## Section V—Expenditures of Minnesota State Government From Current Revenue and Borrowed Money—1934-1943

### Expenditures from Both Current Revenue and Borrowing

State expenditures may be (and frequently are) analyzed from a second point of view quite different from that stated above: namely, by presenting expenditures for state operations in a given year regardless of whether or not they are currently financed by the taxpayer.

In this second type of analysis, expenditures from borrowed money as well as those from current revenue are shown, and the emphasis is placed upon the total spending policy of the administration (i. e., the governor and the legislature jointly) regardless of when the cost falls on the taxpayer.

This point of view is important in Minnesota where there are few restrictions on borrowing. One administration might adopt a policy of borrowing liberally in order to make a more favorable record in terms of smaller tax levies. Such a policy must result in postponing the day of reckoning for the taxpayer. In addition, one administration might deliberately under-budget proposed expenditures, knowing that at the end of the biennial period deficits would have to be financed by some form of borrowing. This borrowing practice occurred, for instance, in 1937, 1939 and 1941 in legislative budgeting of appropriations for old age assistance.

### The Combined Expenditure Record

The following Table 7 combines the expenditures from current revenue with those from borrowed money over a ten-year period, the grand totals being as follows:

Table 7  
State Government Expenditures From Current Revenue and Borrowed Money

| By Fiscal Years From<br>July 1, 1934 Through June 30, 1943 |  |                        |                    |
|--|--|------------------------|--------------------|
| Fiscal<br>Year   | Expenditures<br>from Current<br>Revenue and<br>Borrowed<br>Money | Annual Net<br>Decrease | Change<br>Increase |
| 1933 Legis. (1933-34)                                      | \$ 62,632,000  | \$ .....               | \$ .....           |
| (1934-35)  | 70,543,000   | .....                  | 7,911,000          |
| (1935-36)  | 80,879,000   | .....                  | 10,336,000         |
| 1935 Legis. (1936-37)                                      | 104,950,000  | .....                  | 24,071,000         |
| (1937-38)  | 112,470,000  | .....                  | 7,520,000          |
| 1937 Legis. (1938-39)                                      | 111,380,000  | 1,090,000              | .....              |
| (1939-40)  | 105,121,000  | 6,259,000              | .....              |
| 1939 Legis. (1940-41)                                      | 106,356,000  | .....                  | 1,235,000          |
| (1941-42)  | 120,304,000  | .....                  | 13,948,000         |
| 1941 Legis. (1942-43)                                      | 101,891,000  | 18,413,000             | .....              |

The net increase for the ten-year period was \$39,259,000. This is about the same increase as for "costs" (\$39,003,000) over the ten-year period. (See Section IV, page 15).

### Factors in the Shift of Combined Expenditures

The major factors accounting for the increased "costs" were outlined in Section IV and need not be repeated here. Expenditures from borrowing varied

widely in amount from year to year, though the amount for the first year of the decade is approximately the same as for the last year. The expenditures from borrowed funds for the ten years were as follows:

Table 8  
Expenditures From Borrowed Money  
Decade 1933-34—1942-43

| Year | Amount       |
|------|--------------|
| 1934 | \$ 3,449,457 |
| 1935 | 4,183,974    |
| 1936 | 10,780,162   |
| 1937 | 17,331,180   |
| 1938 | 12,103,958   |
| 1939 | 8,396,603    |
| 1940 | 6,193,103    |
| 1941 | 5,981,157    |
| 1942 | 5,712,035    |
| 1943 | 3,704,927    |

There was little consistency in the amount spent from borrowed funds during the first six years of the decade, the high point in this trend being \$17,331,180 in 1937. During the last four years, there has been a more uniform policy of borrowing though the amount has declined steadily each year.

The three principal factors in these fluctuations were (1) highway borrowing; (2) borrowing for unemployment relief; and (3) borrowing to finance current deficits.

1. Expenditures from highway bonds totalled approximately \$11,150,000 which was spent in 1937 and 1938. In 1937, the legislature declined to authorize the issue of more highway bonds. A "pay-as-you-go" policy of financing new highways was followed by both the 1939 and 1941 Legislature. This change in policy largely accounts for the material reduction in expenditures from borrowed funds in recent years.

2. Borrowing to meet the relief emergency arising out of the depression resulted in expenditures amounting to \$2,373,391 in the fiscal year 1934. Additional issues of bonds were authorized by succeeding legislatures, and expenditures rose annually to a peak of \$10,927,232 in 1937. Since that year, progressively smaller amounts have been borrowed to finance relief due to an improvement in economic conditions, and not due to any policy of economy. Relief expenditures from borrowed money declined to \$2,684,267 in 1943.

3. Attention should also be called to \$2,100,000 borrowed in 1937 to pay for a deficit created for old age assistance payments. Borrowing occurred again in 1939, amounting to \$1,021,000 and in 1941 to \$1,200,000. In all these instances borrowing was necessary because earlier there was careless budgeting. Failure to finance these deficits from current revenue permits one administration to shift to a following administration a portion of its responsibility for imposing taxes.

### Legislature Responsible for Spending Record

A still different type of analysis of state expenditures is presented in Table 9, shown below. This analysis permits citizens to determine the extent of expenditures for current purposes only as they are made by any single administration and legislature from the three big sources of state receipts; (1) Current Revenue, (2) Borrowed Money, and (3) Federal Money (See Sub-total under "A"). Expenditures from federal moneys are also listed separately to indicate clearly the extent of federal influence on state expenditures.

It is to be noted that the federal government is now an important factor in state finance. The state received only \$7,918,000 from federal sources in

1934, while in 1937 this figure reached a high of \$21,549,000. The figure for 1943 was somewhat less, namely, \$18,472,000. However even this sum is more than double the amount for any year at the beginning of the decade.

Equally important, it is to be remembered that federal grants in aid are usually made under conditions involving both matching of funds by the state and federal control of standards, both of which operate to increase state expenditures and therefore increase the burden of state taxation.

The amount paid out for debt service (item B) has likewise fluctuated during the ten-year period. The high point of the decade was reached in 1942 (\$17,187,000). A material drop occurred in 1943 and this downward trend may continue for some years.

Table 9  
State of Minnesota  
State Government Expenditures From Current  
Revenue and Borrowed Money  
by Fiscal Years from July 1, 1934 Through June 30, 1943  
(In thousands of dollars)

|   | 1934     | 1935     | 1936     | 1937      | 1938      | 1939      | 1940      | 1941      | 1942      | 1943      |
|---|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>A. TO MEET CURRENT COSTS</b>   |          |          |          |           |           |           |           |           |           |           |
| 1. Expenditures from Current Revenue . . . . .  | \$43,591 | \$49,449 | \$50,274 | \$58,750  | \$ 75,100 | \$ 72,526 | \$ 69,893 | \$ 69,692 | \$ 76,623 | \$ 70,029 |
| 2. Expenditures from Borrowed Money . . . . .   | 3,449    | 4,184    | 10,780   | 17,331    | 12,104    | 8,397     | 6,193     | 5,981     | 5,712     | 3,705     |
| 3. Expenditures from Federal Money . . . . .  | 7,918    | 8,236    | 8,145    | 21,549    | 18,461    | 16,920    | 16,502    | 18,353    | 20,782    | 18,472    |
| Sub Total . . . . .   | 54,958   | 61,869   | 69,199   | 97,630    | 105,665   | 97,843    | 92,588    | 94,026    | 103,117   | 92,206    |
| <b>B. TO MEET POSTPONED COSTS OF PRIOR YEARS — interest and principal repayment of indebtedness from current revenues . . . . .</b> | 7,674    | 8,674    | 11,680   | 7,320     | 6,805     | 13,537    | 12,533    | 12,329    | 17,187    | 9,684     |
| <b>C. TOTAL EXPENDITURES FROM CURRENT REVENUES AND BORROWING . . . . .</b>  | \$62,632 | \$70,543 | \$80,879 | \$104,950 | \$112,470 | \$111,380 | \$105,121 | \$106,356 | \$120,304 | \$101,891 |

## Section VI—Ten Year Trend of Minnesota Cross State Indebtedness From June 30, 1934 To June 30, 1943

During the past ten years the gross indebtedness of the State of Minnesota has followed two definite trends. (See Table 10). During the early years of the decade the trend was upward, indebtedness increasing from \$112,891,783 on July 1, 1934 (the beginning of the ten-year period) to \$134,155,892 on June 30, 1937. During the last six years the trend has been in the opposite direction, declining to \$98,770,284 on June 30, 1943, which debt is smaller than that owed at the beginning of the ten-year period. While there might have been some concern at the rapidity of the increase during the first half of the decade, taxpayers can now feel considerable satisfaction in the reduction made in the debt during recent years. The current trend is all to the good; for it coincides with the principle that in times

of high economic activity, debt should be paid as reserves are built up against periods of lessened prosperity that inevitably follow.

### Factors in the Debt Increases

Most of the increase in the state's debt occurred in the early two years of the decade under consideration, due to: (1) issues of highway bonds totalling \$7,150,000 in 1936 and \$4,000,000 in 1937; (2) large issues of indebtedness for unemployment relief amounting to \$7,818,000 in 1936 and \$5,587,000 in 1937; (3) an issue of \$2,100,000 in 1937 to meet a deficiency in the state's share of the cost of old age assistance; and (4) issues totalling \$2,074,500 for state buildings, including the Moose Lake state hospital for the insane.

Table 10  
State of Minnesota  
Ten Year Trend of Annual State Gross Indebtedness  
From June 30, 1933 Through June 30, 1943

| As of<br>June 30 | Total<br>Outstanding | Rural Credit | Highway      | Relief<br>and Welfare | All Other   |
|------------------|----------------------|--------------|--------------|-----------------------|-------------|
| 1933             | \$112,891,783        | \$64,882,500 | \$42,396,783 | \$ 1,430,800          | \$4,181,700 |
| 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   | 10,803,000            | 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   |

### Factors in Debt Reductions

The largest factor accounting for reductions in the debt was the legislative decision in 1937 to issue no more highway bonds. This decision was followed by the 1939, 1941 and 1943 Legislatures.

A further contributing factor to the reduction has been the gradual falling off in the amount of bonds issued for relief and "all other purposes" during the last three years.

Another factor in this reduction between 1937 and 1943 was the decrease of \$14,705,000 in Rural Credit indebtedness. This reduction is not so favorable as it appears on the surface, since it was made possible by the sale of farm properties at substantial losses. In other words, the decrease in the Rural Credit indebtedness was accompanied by a reduction in available assets of the Rural Credit Department.

### Rural Credits Indebtedness Trend

In theory the Rural Credits Department was to be a self-liquidating activity. It was not intended to become a burden upon the taxpayers, but an accommodation to farmers in the way of low interest loans. In practice the plan has not worked according to the theory.

The Rural Credits Department is in process of liquidation wherein the farm lands which were acquired are being sold. As a result, it is estimated that a loss of approximately \$40,000,000 will have to be paid from taxes.

With the exception of \$4,606,000 which was levied on the taxpayers between 1931 and 1934, this loss has been postponed by refunding the Rural Credit indebtedness as it matures. In 1941, the legislature finally had the courage to face this situation directly. It took the long-awaited steps necessary to meet this loss by providing for a state levy of \$1,500,000 plus interest to be collected annually in the years 1943 through 1966.

Thus for many years to come, Rural Credit indebtedness will continue to be a large component of total state indebtedness. It now comprises 50% of the total.

### Highway Indebtedness Trend

Highway debt includes two types of obligations—

issues for construction and improvement of the state trunk highway system, and issues of the so-called county highway reimbursement bonds. During the nineteen-twenties the state assumed payment of county bonds totalling \$34,782,436 which had been issued by the counties to improve roads that were later incorporated into the state trunk system. All but \$600,000 of these county bonds had been retired by July 1, 1943.

Between 1934 and 1937 highway bonds totalling \$11,500,000 were issued. During recent years the state's highway program, including new roads, has been financed on a "pay-as-you-go" basis from the state's share (2/3) of the gasoline tax and federal highway grants. The decision in 1937 to follow the "pay-as-you-go" method of financing highways and its continuance to date has been the major factor in placing the state's indebtedness on a sounder basis. No new highway bonds have been issued since 1937. As a result, highway obligations dropped from the peak of \$44,502,704 outstanding in 1937 to \$25,220,000 on June 30, 1943. Highway debt now comprises about one-fourth (26.1%) of the total state debt.

### Public Relief and Welfare Indebtedness

Third largest factor in present state indebtedness consists of issues for relief and welfare, of which \$17,969,712 were outstanding on June 30, 1943.

The state's policy of issuing bonds to meet current costs of unemployment relief has not followed sound financial principles. Expenditures from borrowed money represent postponement of payment for present enjoyment or utility. If the enjoyment or utility is a continuing one that is a permanent improvement, it may reasonably be paid for in installments providing the improvement will outlast the life of the bonds. Such is not the case with relief expenditures. Most states have financed relief costs out of current revenues. Unfortunately the 1943 Legislature continued its unsound policy of borrowing for relief purposes though the amount was much smaller than in previous years (\$3,200,000).

Retirement of relief and welfare issues in recent years have exceeded new issues with the result that there have been successive annual decreases in the amounts outstanding for this purpose at the close of each fiscal year since 1938.

**"All Other" Indebtedness**

Borrowing by the state for miscellaneous purposes not already discussed is grouped under the heading "All Other". These issues, which have never been a very large factor in total state indebtedness, reached a peak of \$8,103,041 outstanding on June 30, 1934. The total has declined gradually to \$2,915,572 on June 30, 1943.

Included in these figures are the amounts borrowed by the state to give financial assistance to certain counties in northern Minnesota in which bonds had been issued years ago to finance drainage ditches. In many instances the special assessment payments of the counties proved insufficient to meet the bond interest and principal. In return for assuming as much of these charges as the counties were unable to finance, the state took over the areas where the ditches are located and converted them into game preserves or reforestation areas. Altogether \$3,856,618 has been borrowed for this purpose over the ten-year period. On June 30, 1943, only \$159,249 was outstanding. This program is another form of state aid and has cost over five million dollars up to date.

**State Property Levy Largely for Debt Retirement**

The trend of state indebtedness is of particular interest to persons paying property taxes because debt service is taken care of by the general prop-

erty tax levy (excepting for highway bonds). Thus in 1940, the state property levy of 10 mills included 7.29 mills to meet debt charges, while in 1941, 6.12 mills of the 9 mill state levy were for this purpose. **State Had a Hit or Miss Borrowing Policy**

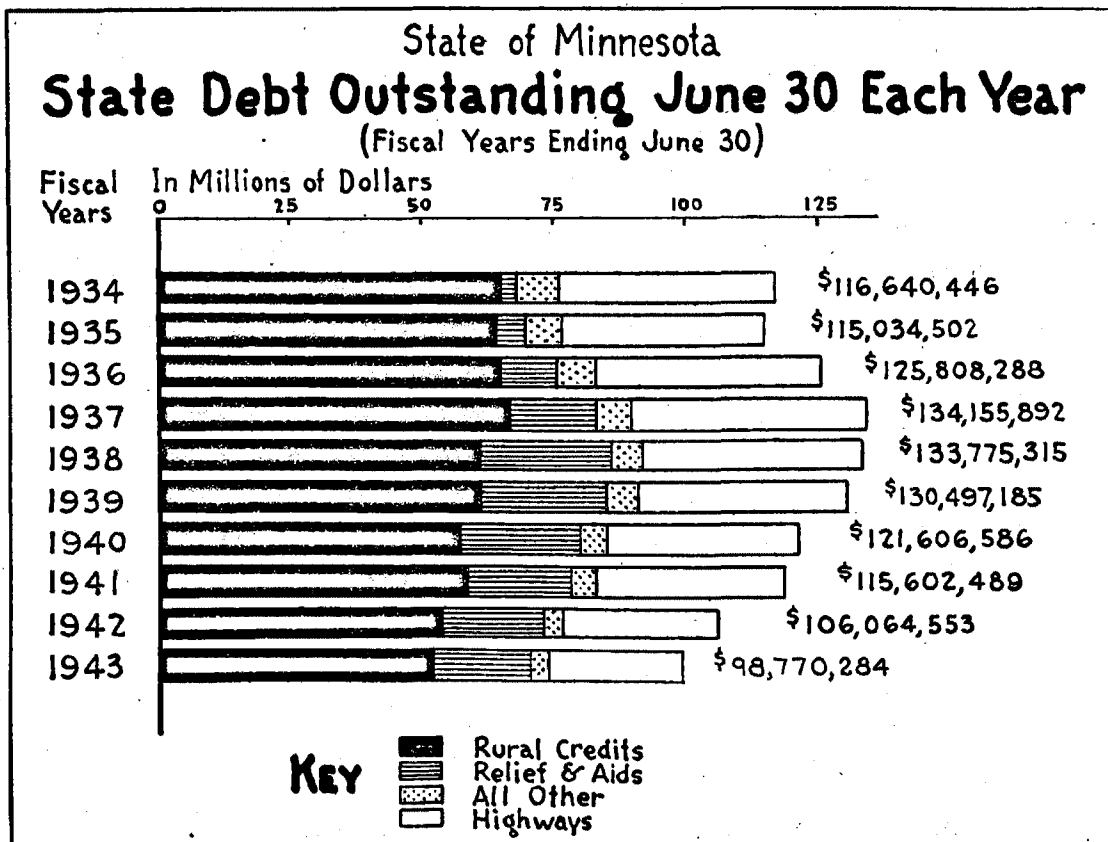
The State of Minnesota has for many years followed a hit or miss policy in respect to borrowing. At one time during the past decade the state's outstanding debt became a serious problem. Today approximately one-tenth of the current revenue is required to pay interest and retire debt. Hence, today the current tax burden might well be 1/10 less if the state had followed a "pay-as-you-go" policy in financing its operations.

**Minnesota in Better Financial Condition**

Minnesota operated on a balanced budget ending June 30, 1943, and the deficit of many years standing has been turned into a surplus. However the current biennial\* budget is out of balance. Further, the 1941 Legislature took steps to place the Rural Credits obligations on a sounder basis by levying against general property a tax of \$1,500,000 plus interest each year for the next twenty-four years. The outstanding debt of the state is now less than ten years ago. Minnesota faces the post-war problems in a better financial condition than would have been the case five years ago.

\*Biennial budget covers the two year period starting July 1, 1943 and ending June 30, 1945.

CHART VI



**Appendix Table A**  
**State of Minnesota**  
**CURRENT COST BY FUNCTION AND SOURCE OF FUND**  
Detail for the Data Summarized in Table A, Page 13  
Fiscal Year Ended June 30, 1943

|   | General<br>Revenue<br>Fund | Highway<br>Funds    | Income Tax<br>Fund  | Sinking<br>Funds   | Trust<br>Funds     | General<br>University<br>Fund | Game & Fish<br>Fund | Current<br>School Fd. | Agency<br>Funds  | Federal<br>Funds    | Total               |
|---|----------------------------|---------------------|---------------------|--------------------|--------------------|-------------------------------|---------------------|-----------------------|------------------|---------------------|---------------------|
| 1. General Government .....             | \$ 2,131,780               | \$ 532,949          | \$ 246,599          | \$ .....           | \$ .....           | \$ .....                      | \$ .....            | \$ .....              | \$ 21,467        | \$ 10,000           | \$ 2,942,795        |
| 2. Protection to Person and Property .. | 2,557,756                  | 392,231             | .....               | 40,900             | .....              | .....                         | 38,506              | .....                 | 36,847           | 761,728             | 3,827,967           |
| 3. Cons. of Health and Sanitation ....  | 1,058,947                  | .....               | .....               | .....              | 5,460              | .....                         | 5,000               | .....                 | 127,508          | 441,479             | 1,638,394           |
| 4. Dev. and Cons. of Natural Resources  | 2,331,003                  | .....               | .....               | 318,731            | .....              | 399,074                       | 1,241,281           | .....                 | 103,758          | 633,868             | 5,027,715           |
| 5. Highways .....                       | .....                      | 24,594,465          | .....               | .....              | .....              | .....                         | .....               | .....                 | .....            | .....               | 24,594,465          |
| 6. Public Welfare .....                 | 13,248,096                 | .....               | .....               | 4,535,399          | 79,177             | 746,995                       | .....               | .....                 | .....            | 10,928,749          | 29,538,417          |
| 7. Education .....                      | 5,772,788                  | .....               | 13,390,243          | 140,200            | 3,534,562          | 2,382,774                     | .....               | 1,028,352             | 264,872          | 2,832,790           | 29,346,582          |
| 8. Miscellaneous .....                  | 1,244,007                  | .....               | .....               | 3,907              | 27                 | .....                         | .....               | .....                 | .....            | 21,552              | 1,269,493           |
| <b>TOTAL .....</b>                      | <b>\$28,344,377</b>        | <b>\$25,519,645</b> | <b>\$13,636,842</b> | <b>\$5,039,138</b> | <b>\$3,619,226</b> | <b>\$3,528,843</b>            | <b>\$1,284,767</b>  | <b>\$1,028,352</b>    | <b>\$554,452</b> | <b>\$15,630,166</b> | <b>\$98,185,828</b> |
| Percent of Total .....                  | 28.9%                      | 26.0%               | 13.9%               | 5.1%               | 3.7%               | 3.6%                          | 1.3%                | 1.0%                  | .6%              | 15.9%               | 100.0%              |

[ 25 ]

Appendix Table B

State of Minnesota

REVENUE RECEIPTS

Detail for the Data Summarized in Table B, Page 14  
Fiscal Years Ending June 30

|  | Fiscal Year<br>1933-34 | Fiscal Year<br>1934-35 | Fiscal Year<br>1935-36 | Fiscal Year<br>1936-37 | Fiscal Year<br>1937-38 | Fiscal Year<br>1938-39 | Fiscal Year<br>1939-40 | Fiscal Year<br>1940-41 | Fiscal Year<br>1941-42 | Preliminary<br>Fiscal Year<br>1942-43 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------------------------|
| <b>I. TAX REVENUES</b>   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| Property*1   | \$12,446,868           | \$16,750,502           | \$15,797,120           | \$18,980,990           | \$18,365,255           | \$18,792,107           | \$12,889,711           | \$12,258,028           | \$11,086,028           | \$ 9,749,281                          |
| Gross Earnings   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| Railroads  | 3,869,941              | 4,089,935              | 4,419,798              | 5,414,582              | 5,960,569              | 4,816,788              | 5,578,474              | 6,448,465              | 7,798,581              | 9,376,676                             |
| Telephone Company  | 712,361                | 720,216                | 753,101                | 816,727                | 1,336,117              | 1,262,778              | 1,273,454              | 1,426,778              | 1,487,084              | 1,562,312                             |
| Freight Lines  | 95,925                 | 97,891                 | 92,922                 | 102,058                | 126,450                | 125,070                | 123,125                | 137,130                | 159,463                | 151,053                               |
| Sleeping Car Company   | 22,969                 | 28,314                 | 28,013                 | 32,118                 | 40,836                 | 35,899                 | 38,058                 | 33,253                 | 35,486                 | 51,047                                |
| Express Company  | 23,388                 | 29,088                 | 28,549                 | 29,942                 | 35,309                 | 32,743                 | 31,109                 | 31,359                 | 30,287                 | 36,425                                |
| Inheritance  | 1,201,301              | 1,295,975              | 1,285,003              | 791,314                | 1,233,944              | 1,372,009              | 1,136,881              | 858,810                | 1,353,461              | 893,692                               |
| Gift   |                        |                        |                        |                        | 1,805                  | 108,459                | 62,566                 | 75,918                 | 189,248                | 74,320                                |
| Income*2   | 1,194,768              | 2,332,461              | 3,597,636              | 5,595,397              | 10,115,123             | 10,236,086             | 11,107,897             | 12,767,789             | 18,854,868             | 21,837,286                            |
| Liquor   | 1,074,291              | 3,009,029              | 3,645,125              | 4,335,694              | 5,685,593              | 5,374,690              | 6,084,907              | 5,165,819              | 6,293,225              | 5,865,608                             |
| Insurance  | 1,671,089              | 1,735,332              | 1,747,066              | 1,788,090              | 1,887,131              | 1,869,980              | 1,965,438              | 2,199,720              | 2,199,172              | 2,179,501                             |
| Iron Ore Occupation*3  | 478,019                | 586,252                | 728,995                | 1,317,540              | 4,495,812              | 759,538                | 2,442,639              | 3,230,548              | 4,199,988              | 4,116,236                             |
| Iron Ore Royalty   | 386,036                | 461,446                | 546,971                | 1,234,423              | 678,081                | 862,055                | 1,105,449              | 1,820,034              | 2,162,642              | 19,191,728                            |
| Gasoline*2   | 10,296,976             | 10,750,852             | 11,132,456             | 13,818,948             | 13,488,760             | 13,001,712             | 13,467,387             | 15,993,308             | 20,542,245             | 19,191,728                            |
| Motor Vehicle*2  | 7,170,681              | 6,787,107              | 7,903,336              | 8,618,184              | 9,200,795              | 9,420,745              | 9,763,755              | 10,650,747             | 10,310,115             | 9,039,675                             |
| Telegraph Company  | 44,795                 | 52,519                 | 56,350                 | 67,153                 | 78,306                 | 73,731                 | 74,582                 | 76,391                 | 85,021                 | 89,234                                |
| Fire Marshal   | 37,644                 | 39,018                 | 39,498                 | 38,381                 | 52,781                 | 51,598                 | 52,478                 | 54,435                 | 62,819                 | 59,970                                |
| Vessel Tonnage   | 27,378                 | 4,682                  | 29,307                 | 48,728                 | 24,591                 | 22,246                 | 22,246                 | 26,673                 | 6,519                  | 22,342                                |
| Mortgage Registry  | 799                    | 1,642                  | 6,218                  | 34,987                 | 70,969                 | 519                    | 1,613                  | 10,285                 | 104,684                | 38,784                                |
| Chain Store  | 221,087                | 895,518                | 41,687                 | 30,587                 | 105,769                | 99,000                 | 192,040                | 47,746                 | 18,916                 | 18,916                                |
| Firemen's Relief Surtax  |                        | 65,840                 | 78,414                 | 87,194                 | 76,184                 | 79,725                 | 77,998                 | 78,921                 | 88,175                 | 91,710                                |
| Cooperative Rural Electric Tax                                   |                        |                        |                        |                        |                        | 4,540                  | 4,540                  | 6,000                  | 7,130                  | 7,560                                 |
| Bank Excise Tax  |                        |                        |                        |                        |                        |                        | 458,838                | 574,086                | 574,086                | 562,814                               |
| <b>TOTAL TAX REVENUES</b>  | <b>40,818,298</b>      | <b>49,729,365</b>      | <b>51,811,929</b>      | <b>61,875,525</b>      | <b>76,610,007</b>      | <b>68,865,632</b>      | <b>72,563,693</b>      | <b>74,049,680</b>      | <b>85,236,812</b>      | <b>86,647,511</b>                     |
| <b>II NON-TAX REVENUES</b>                                       |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| <b>A. Licenses, Fees and Permits</b>                             |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| Grain Inspection   | 593,751                | 521,868                | 869,671                | 501,570                | 693,116                | 712,715                | 768,303                | 781,772                | 878,076                | 915,150                               |
| Oil Inspection   | 207,028                | 218,492                | 241,904                | 278,149                | 256,529                | 256,445                | 308,461                | 299,721                | 310,579                | 268,491                               |
| Cigarette Licenses   | 199,898                | 177,071                | 184,838                | 196,397                | 206,512                | 208,523                |                        |                        |                        |                                       |
| Insurance Department   | 182,468                | 186,497                | 144,352                | 147,574                | 130,171                | 149,578                | 201,868                | 111,106                | 268,838                | 145,801                               |
| Game and Fish  | 727,524                | 728,022                | 666,658                | 869,356                | 765,391                | 1,109,781              | 957,280                | 1,260,364              | 1,499,647              | 1,836,528                             |
| Other Licenses, Fees and Permits                                 | 1,048,589              | 895,023                | 1,127,778              | 1,110,901              | 1,291,130              | 1,192,209              | 1,560,668              | 1,686,307              | 1,480,207              | 1,401,913                             |
| <b>Total Licenses, Fees and Permits</b>                          | <b>2,929,848</b>       | <b>2,874,968</b>       | <b>3,034,951</b>       | <b>3,108,547</b>       | <b>3,842,849</b>       | <b>3,681,252</b>       | <b>3,796,575</b>       | <b>4,039,269</b>       | <b>4,377,147</b>       | <b>4,567,858</b>                      |
| <b>B. Departmental Earnings</b>                                  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| State Institutions*4   | 768,275                | 820,674                | 977,298                | 1,098,129              | 973,660                | 1,099,242              | 526,182                | 567,141                | 948,942                | 921,142                               |
| Teachers' Colleges   | 116,465                | 124,581                | 128,147                | 128,514                | 184,578                | 172,392                | 171,935                | 215,366                | 160,123                | 144,563                               |
| University of Minnesota*5  | 1,491,568              | 1,675,905              | 1,823,842              | 2,081,669              | 2,230,782              | 2,234,445              | 2,229,435              | 2,228,881              | 2,422,219              | 2,417,805                             |
| Minnesota General Hospital*6                                     | 168,656                | 184,381                | 193,315                | 206,848                | 230,418                | 229,489                | 231,516                | 227,788                | 270,788                | 322,379                               |
| Highway Department   | 186,185                | 127,890                | 87,262                 | 519,353                | 364,949                | 355,175                | 147,307                | 160,380                | 245,782                | 111,795                               |
| State Fair   | 36,044                 | 79,456                 | 139,208                | 175,927                | 129,429                | 106,099                | 132,366                | 98,005                 | 203,710                | 148,954                               |
| Other Departmental Receipts                                      | 78,608                 | 83,408                 | 94,033                 | 118,016                | 137,446                | 122,751                | 129,986                | 126,219                | 136,818                | 203,647                               |
| <b>Total Departmental Earnings</b>                               | <b>2,995,791</b>       | <b>3,085,998</b>       | <b>3,448,145</b>       | <b>4,254,951</b>       | <b>4,184,267</b>       | <b>4,277,098</b>       | <b>3,619,728</b>       | <b>3,718,778</b>       | <b>4,380,632</b>       | <b>4,265,285</b>                      |
| <b>C. Income from Trust Funds to:</b>                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| 1. General School Fund   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| From Permanent School Fund*7                                     | 2,386,474              | 2,469,335              | 2,708,356              | 2,219,661              | 2,341,648              | 2,573,984              | 1,470,536              | 2,328,522              | 2,958,055              | 2,742,552                             |
| From Swamp Land Interest Fund                                    | 197,117                | 212,237                | 281,050                | 222,105                | 197,887                | 190,976                | 208,299                | 148,536                | 187,282                | 180,962                               |
| 2. Revenue Fund from Swamp Land Int. Fund                        | 170,919                | 197,117                | 212,997                | 231,051                | 222,105                | 197,887                | 190,977                | 175,800                | 264,254                | 180,862                               |
| 3. Road and Bridge Fund from Internal Improvement Land Int. Fund | 9,595                  | 10,397                 | 13,759                 | 12,791                 | 3,866                  |                        | 20,509                 | 12,053                 | 9,788                  | 8,530                                 |
| 4. General University from Permanent University Fund             | 239,515                | 250,138                | 271,391                | 258,332                | 285,152                | 296,508                | 291,078                | 350,559                | 340,084                | 340,602                               |
| 5. Soldiers' Welfare Investment                                  | 3,000                  | 1,000                  | 11,275                 | 12,500                 | 7,500                  | 7,200                  | 800                    | 7,327                  | 9,786                  |                                       |
| <b>Total Income from Trust Funds</b>                             | <b>2,950,620</b>       | <b>3,140,964</b>       | <b>3,448,768</b>       | <b>2,937,040</b>       | <b>3,668,148</b>       | <b>3,268,568</b>       | <b>3,182,399</b>       | <b>3,017,297</b>       | <b>3,799,678</b>       | <b>3,418,468</b>                      |

**D. Miscellaneous Revenue**

|  |         |         |         |         |         |         |         |         |           |           |
|--|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|
| Donations and Gifts                    | 321,061 | 300,288 | 298,314 | 672,312 | 680,024 | 690,087 | 596,222 | 837,575 | 1,007,237 | 1,597,060 |
| Board of Control*8                     | 171,976 | 188,439 | 223,496 | 216,254 | 234,531 | 228,300 | 244,116 | 261,779 | 249,559   | 259,138   |
| Minnesota General Hospital*9           | 177,845 | 168,596 | 184,486 | 222,697 | 181,084 | 250,890 | 222,616 | 259,980 | 251,829   | 261,267   |
| Prison Revolving Fund Transfers to the |         |         |         |         |         |         |         |         |           |           |
| General Revenue Fund                   | 136,780 | 157,654 | 128,197 | 194,100 | 209,000 | 155,500 |         |         |           |           |
| Fines and Forfeits                     | 18,681  | 36,087  | 47,255  | 74,526  | 86,912  | 75,520  | 180,211 | 138,257 | 173,663   | 183,377   |
| Interest on Deposits and Loans         | 184,734 | 90,908  | 95,491  | 105,062 | 49,018  | 88,107  | 42,534  | 47,398  | 49,645    | 46,478    |
| Other Miscellaneous Revenue            | 20,039  | 60,496  | 60,108  | 62,700  | 80,461  | 70,189  | 79,354  | 78,515  | 100,088   | 42,777    |

**Total Miscellaneous Revenue** 981,116 997,367 1,087,347 1,547,651 1,521,030 1,508,598 1,315,353 1,623,503 1,832,026 2,340,092

**E. United States Aid**

|  |           |           |           |            |           |           |           |           |           |           |
|--|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Highway                                  | 7,254,388 | 7,498,092 | 5,832,914 | 12,850,527 | 6,249,976 | 3,902,862 | 3,169,744 | 4,041,784 | 5,394,599 | 2,374,072 |
| Education                                | 231,267   | 295,443   | 561,414   | 666,785    | 964,258   | 1,010,334 | 1,059,480 | 1,086,633 | 1,215,531 | 1,115,857 |
| Vocational Defense Program               |           |           |           |            |           |           |           | 654,270   | 1,336,231 | 2,206,958 |
| Agriculture                              | 279,973   | 278,970   | 285,906   | 273,255    | 252,705   | 241,155   | 231,605   | 231,619   | 240,921   | 236,124   |
| Forestry                                 | 97,816    | 87,859    | 83,245    | 99,189     | 89,810    | 103,357   | 114,301   | 104,396   | 161,627   | 168,338   |
| Social Security                          |           |           |           |            |           |           |           |           |           |           |
| Old Age Assistance                       |           |           | 826,875   | 6,667,453  | 7,828,997 | 8,297,705 | 8,607,678 | 8,184,609 | 8,760,255 | 8,934,266 |
| Child Welfare Services                   |           |           | 11,300    | 29,490     | 38,074    | 83,189    | 35,413    | 29,114    | 34,147    | 33,853    |
| Crippled Children                        |           |           | 14,379    | 95,161     | 62,600    | 78,593    | 75,011    | 82,224    | 91,338    | 126,008   |
| Local Health Units                       |           |           | 3,600     |            |           |           |           |           |           |           |
| Public Health                            |           |           | 52,307    | 175,936    | 200,054   |           | 263,127   | 299,415   | 214,500   | 208,658   |
| Maternal and Child Health                |           |           | 21,782    | 67,506     | 72,053    | 274,053   | 86,182    | 101,815   | 91,784    | 125,762   |
| Blind Assistance                         |           |           |           |            | 71,995    | 111,624   | 146,656   | 171,474   | 188,446   | 186,435   |
| Dependent Children                       |           |           |           |            | 585,376   | 418,048   | 1,319,260 | 1,956,132 | 1,862,098 | 1,696,112 |
| Indian Health Work                       |           |           |           |            |           |           | 2,850     | 3,000     | 3,000     | 2,250     |
| Venereal Disease and Educ.               |           |           |           |            |           |           |           |           | 95,000    | 136,442   |
| U. S. Employment Service                 | 23,505    | 50,887    | 45,491    | 58,360     | 489,910   | 531,077   | 402,409   |           |           |           |
| Unemployment Compensation Admin. Fd.     |           |           |           | 268,479    | 660,647   | 1,018,716 | 817,799   | 1,311,364 | 1,070,322 | 786,105   |
| Minnesota State Building Fund            |           |           | 349,387   | 222,594    | 81,550    |           |           |           |           |           |
| Fourth Hospital for Insane               |           |           |           |            | 768,525   | 217,600   | 650       |           |           |           |
| University and Teachers' Colleges Bldgs. |           |           |           |            |           | 208,241   | 87,491    | 13,000    | 5,600     |           |
| Miscellaneous                            | 31,277    | 24,848    | 56,482    | 84,720     | 39,878    | 88,820    | 82,371    | 82,597    | 116,955   | 145,106   |

**Total United States Aid** 7,917,716 8,236,129 8,146,582 21,549,404 18,461,412 16,920,364 16,501,927 18,853,446 20,782,118 18,472,345

**TOTAL NON-TAX REVENUES** \$17,675,091 \$18,145,321 \$19,114,743 \$33,412,593 \$31,072,696 \$29,605,858 \$27,415,882 \$30,752,293 \$35,171,801 \$33,058,983

**GRAND TOTAL REVENUE RECEIPTS** \$58,493,389 \$67,874,696 \$70,926,663 \$95,288,118 \$107,682,703 \$98,471,490 \$99,979,575 \$104,801,973 \$120,408,613 \$119,706,494

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

\*2—Figures for Income Tax revenues are the collections reported by the Department of Taxation. Gasoline and Motor Vehicle Tax revenues are the collections reported by the Highway Department. Formerly, in Bulletin No. 11, the state auditor's figures for receipts from these taxes were given. The present revision is made because receipts from these taxes are not always reported by the auditor in the fiscal year of collection, and their use would distort the year-by-year comparison of revenues.

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

\*4—Includes insane hospitals, school for feeble-minded, colony for epileptics, state prison, reformatories and training schools, schools for blind and deaf, the hospital for crippled children, and the state tuberculosis sanatorium.

\*5—Includes student fees, athletic fees and university sales of services and material. Does not include a Federal payment of \$785,044.72 in 1943 for military training.

\*6—Does not include payments from counties, which are included under Miscellaneous Revenues.

\*7—Not including earnings re-invested.

\*8—Principally reimbursements by relatives for care of insane in state institutions.

\*9—Payments from counties.

Appendix Table C  
State of Minnesota  
**CURRENT GOVERNMENTAL COSTS**

Fiscal Years Ending June 30

Detail for the Data Summarized in Table C, Page 18

|   | Fiscal Year<br>1933-34 | Fiscal Year<br>1934-35 | Fiscal Year<br>1935-36 | Fiscal Year<br>1936-37 | Fiscal Year<br>1937-38 | Fiscal Year<br>1938-39 | Fiscal Year<br>1939-40 | Fiscal Year<br>1940-41 | Fiscal Year<br>1941-42 | Preliminary<br>Fiscal Year<br>1942-43 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------------------------|
| <b>I GENERAL GOVERNMENT</b>   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| General   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| Legislative   | \$ 87,201              | \$ 471,655             | \$ 152,457             | \$ 581,435             | \$ 150,338             | \$ 505,267             | \$ 61,515              | \$ 484,250             | \$ 19,824              | \$ 506,822                            |
| Chief Executive—Governor  | 29,991                 | 26,311                 | 28,798                 | 32,664                 | 29,561                 | 31,365                 | 33,815                 | 30,978                 | 32,838                 | 33,638                                |
| Finance—Auditor, Treasurer, Comptroller (Public Examiner)   | 216,907                | 233,733                | 238,075                | 258,394                | 256,082                | 251,863                | 337,302                | 371,464                | 364,855                | 360,103                               |
| Assessment and Levy of Revenue  | 114,259                | 172,697                | 179,797                | 380,403                | 241,302                | 250,931                | 261,358                | 307,009                | 330,642                | 349,094                               |
| Collection of Revenue   | 421,676                | 483,004                | 440,221                | 462,521                | 494,399                | 510,072                | 645,272                | 657,098                | 741,434                | 686,371                               |
| Tax Appeals Board   |                        |                        |                        |                        |                        |                        | 3,338                  | 11,412                 | 10,711                 | 10,442                                |
| Law—Attorney General  | 89,291                 | 84,000                 | 92,144                 | 99,566                 | 104,564                | 119,661                | 123,401                | 112,068                | 96,932                 | 80,534                                |
| General Executive—Including Secretary of State  | 30,365                 | 24,403                 | 23,198                 | 23,040                 | 23,856                 | 20,991                 | 20,501                 | 26,913                 | 26,217                 | 28,247                                |
| Civil Service Commission  |                        |                        |                        |                        |                        | 810                    | 87,897                 | 85,185                 | 76,301                 | 84,371                                |
| Judicial  | 448,116                | 455,375                | 468,455                | 458,680                | 474,315                | 475,594                | 458,113                | 464,938                | 432,538                | 482,741                               |
| All Other General Government (Inc. Elections and Maintenance of Public Buildings)   | 251,715                | 351,971                | 243,105                | 274,314                | 269,450                | 326,295                | 309,162                | 288,628                | 270,761                | 319,826                               |
| <b>Total General</b>  | <b>1,689,623</b>       | <b>2,268,049</b>       | <b>1,861,250</b>       | <b>2,366,517</b>       | <b>2,045,249</b>       | <b>2,495,734</b>       | <b>2,327,664</b>       | <b>2,333,631</b>       | <b>2,453,798</b>       | <b>2,942,795</b>                      |
| Debt Service  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| Retirement  | 860,000                | 240,000                | 860,000                | 315,000                | 50,000                 |                        |                        |                        |                        |                                       |
| Interest  | 25,306                 | 26,236                 | 42,007                 | 55,823                 | 10,293                 |                        |                        |                        |                        |                                       |
| <b>Total Debt Service</b>   | <b>885,306</b>         | <b>266,236</b>         | <b>402,007</b>         | <b>370,823</b>         | <b>60,293</b>          |                        |                        |                        |                        |                                       |
| <b>TOTAL GENERAL GOVERNMENT</b>   | <b>2,074,929</b>       | <b>2,534,285</b>       | <b>2,263,257</b>       | <b>2,737,345</b>       | <b>2,105,542</b>       | <b>2,495,734</b>       | <b>2,327,664</b>       | <b>2,333,631</b>       | <b>2,453,798</b>       | <b>2,942,795</b>                      |
| <b>II PROTECTION TO PERSON AND PROPERTY</b>   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| General   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| Police—Highway and Criminal Apprehension  | 216,987                | 208,520                | 274,000                | 346,679                | 332,833                | 333,260                | 339,552                | 418,432                | 419,644                | 410,743                               |
| Fire Marshal  | 47,355                 | 50,506                 | 52,366                 | 54,358                 | 52,941                 | 54,588                 | 51,593                 | 53,372                 | 56,312                 | 52,527                                |
| Militia and Armories  | 299,114                | 638,685                | 305,947                | 320,404                | 347,552                | 313,206                | 357,142                | 325,770                | 756,870                | 377,643                               |
| Regulation of Financial Institutions and Other Corporations (Inc. Insurance, Banks, R. R. and Warehouse, and Securities Commission) | 346,094                | 355,963                | 345,932                | 344,319                | 421,505                | 430,517                | 390,520                | 373,547                | 365,416                | 372,965                               |
| Regulation of Sale of Oil and Gas   | 143,653                | 146,363                | 125,555                | 135,732                | 177,154                | 173,221                | 156,896                | 178,613                | 191,102                | 184,034                               |
| Regulation of Labor   | 217,132                | 215,331                | 223,030                | 236,204                | 246,204                | 251,045                | 274,132                | 254,234                | 256,109                | 254,403                               |
| State Employment Service  |                        |                        |                        |                        | 21,380                 | 22,000                 | 46,131                 | 45,978                 |                        |                                       |
| Federal Employment Service & Administration of Unemployment Compensation  | 23,258                 | 49,138                 | 47,463                 | 200,808                | 1,194,020              | 1,599,793              | 1,239,153              | 1,350,602              | 1,110,223              | 761,728                               |
| Regulation of Weights & Measures  | 81,937                 | 72,536                 | 104,940                | 119,673                | 154,432                | 148,513                | 163,979                | 174,266                | 169,404                | 132,566                               |
| Regulation of Other Activities  | 299,957                | 393,430                | 326,546                | 365,395                | 404,156                | 397,338                | 387,062                | 369,143                | 329,533                | 324,333                               |
| Forest Fire Prevention  | 332,334                | 342,463                | 233,244                | 357,149                | 330,713                | 491,006                | 352,512                | 310,231                | 331,910                | 347,637                               |
| Other Protection (Wolf Bounties largely)  | 23,136                 | 24,373                 | 43,551                 | 55,319                 | 53,453                 | 40,740                 | 22,636                 | 11,365                 | 16,931                 | 17,663                                |
| <b>Total General</b>  | <b>2,030,678</b>       | <b>2,497,153</b>       | <b>2,146,134</b>       | <b>2,535,235</b>       | <b>3,795,754</b>       | <b>4,320,480</b>       | <b>3,321,363</b>       | <b>3,365,663</b>       | <b>4,005,904</b>       | <b>3,737,037</b>                      |
| Debt Service  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| Retirement  | 29,000                 | 113,000                | 156,000                | 155,000                | 103,000                | 62,000                 | 40,000                 | 47,000                 | 67,000                 | 40,000                                |
| Interest  | 14,133                 | 29,461                 | 42,367                 | 32,360                 | 30,073                 | 3,740                  | 9,325                  | 3,305                  | 3,307                  | 900                                   |
| <b>Total Debt Service</b>   | <b>43,133</b>          | <b>142,461</b>         | <b>198,367</b>         | <b>187,360</b>         | <b>133,073</b>         | <b>65,740</b>          | <b>49,325</b>          | <b>50,305</b>          | <b>70,307</b>          | <b>40,900</b>                         |
| <b>TOTAL PROTECTION TO PERSON AND PROPERTY</b>  | <b>2,073,811</b>       | <b>2,639,614</b>       | <b>2,344,501</b>       | <b>2,722,595</b>       | <b>3,928,827</b>       | <b>4,386,220</b>       | <b>3,370,688</b>       | <b>3,415,968</b>       | <b>4,076,211</b>       | <b>3,777,937</b>                      |
| <b>III HEALTH AND SANITATION</b>  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| General   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| General   | 193,315                | 193,527                | 244,425                | 411,731                | 436,370                | 497,503                | 507,210                | 575,236                | 570,764                | 645,522                               |
| T. B. Sanatorium at Walker  | 139,754                | 223,937                | 305,432                | 346,060                | 304,327                | 376,621                | 331,733                | 335,529                | 337,635                | 359,759                               |
| All Other Health (Inc. Regulation of Professional Occupations)  | 139,699                | 196,431                | 211,514                | 217,547                | 244,293                | 249,139                | 227,854                | 229,284                | 224,372                | 225,816                               |
| <b>Total General</b>  | <b>472,768</b>         | <b>613,895</b>         | <b>761,371</b>         | <b>975,338</b>         | <b>1,084,990</b>       | <b>1,126,263</b>       | <b>1,066,897</b>       | <b>1,140,049</b>       | <b>1,132,771</b>       | <b>1,231,107</b>                      |
| Payments to Other Civil Divisions   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                                       |
| Aid to T. B. Sanatoria  | 453,493                | 433,563                | 433,033                | 402,713                | 471,153                | 431,223                | 419,002                | 409,323                | 409,563                | 407,337                               |
| <b>TOTAL HEALTH AND SANITATION</b>  | <b>1,026,261</b>       | <b>1,047,458</b>       | <b>1,194,404</b>       | <b>1,378,051</b>       | <b>1,556,143</b>       | <b>1,557,486</b>       | <b>1,485,900</b>       | <b>1,549,372</b>       | <b>1,542,334</b>       | <b>1,638,444</b>                      |



IV. DEVELOPMENT & CONSERVATION OF NATURAL RESOURCES

| General  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|
| General—Agriculture Department largely   | 1,820,614        | 1,791,888        | 2,249,692        | 2,207,306        | 2,580,610        | 2,588,048        | 2,658,195        | 2,616,660        | 2,733,976        | 2,711,925        |  |
| Livestock Development—Livestock Board, Veterinary Examiners, Stallion Registration Board | 867,988          | 220,858          | 176,562          | 176,716          | 288,227          | 282,828          | 841,883          | 409,379          | 842,707          | 808,886          |  |
| Reclamation—Drainage and Waters  | 7,487            | 7,556            | 10,570           | 14,854           | 40,001           | 81,029           | 28,886           | 21,579           | 41,011           | 52,107           |  |
| Forestry—General   | 80,593           | 80,897           | 131,231          | 179,722          | 142,886          | 140,723          | 54,616           | 87,075           | 88,844           | 81,948           |  |
| Game and Fish—General  | 662,863          | 692,861          | 678,356          | 716,904          | 856,260          | 939,360          | 821,507          | 976,336          | 993,917          | 1,154,446        |  |
| Land and Minerals  | 104,908          | 119,705          | 107,019          | 126,109          | 141,869          | 132,756          | 122,749          | 116,927          | 121,605          | 116,154          |  |
| Other Development and Conservation   | 91,699           | 46,904           | 71,810           | 76,053           | 76,553           | 75,171           | 68,748           | 87,476           | 150,666          | 209,797          |  |
| Parks  | 42,182           | 49,642           | 76,184           | 60,846           | 103,839          | 82,555           | 78,506           | 80,216           | 80,567           | 79,820           |  |
| <b>Total General</b>   | <b>3,128,267</b> | <b>2,958,760</b> | <b>3,500,924</b> | <b>3,656,910</b> | <b>4,229,685</b> | <b>4,270,465</b> | <b>4,205,039</b> | <b>4,304,642</b> | <b>4,568,293</b> | <b>4,708,984</b> |  |
| Debt Service   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |  |
| Retirement   | 2,209,880        | 2,241,055        | 2,237,214        | 788,104          | 568,570          | 109,370          | 165,340          | 312,320          | 152,905          | 205,265          |  |
| Interest   | 126,731          | 150,591          | 110,552          | 31,457           | 18,963           | 2,121            | 6,708            | 19,546           | 11,112           | 113,466          |  |
| <b>Total Debt Service</b>  | <b>2,336,611</b> | <b>2,391,646</b> | <b>2,347,766</b> | <b>814,561</b>   | <b>579,933</b>   | <b>111,491</b>   | <b>172,048</b>   | <b>331,866</b>   | <b>164,017</b>   | <b>318,731</b>   |  |
| <b>TOTAL DEVELOPMENT &amp; CONSERVATION OF NATURAL RESOURCES</b>                         | <b>5,464,878</b> | <b>5,349,406</b> | <b>5,848,690</b> | <b>4,471,471</b> | <b>4,809,518</b> | <b>4,381,956</b> | <b>4,377,082</b> | <b>4,636,508</b> | <b>4,717,311</b> | <b>5,027,716</b> |  |

V HIGHWAYS

| General (See Note #1)                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |  |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|
| Administration                                 | 198,639           | 198,832           | 218,255           | 266,278           | 187,817           | 165,322           | 168,589           | 150,994           | 155,101           | 138,866           |  |
| Maintenance                                    | 3,770,665         | 4,752,418         | 7,463,423         | 8,770,285         | 10,472,700        | 9,007,819         | 6,112,339         | 6,915,851         | 7,371,060         | 6,434,426         |  |
| General Construction                           | 6,160,884         | 3,564,602         | 2,776,128         | 6,804,800         | 10,810,886        | 10,437,122        | 9,737,966         | 11,244,667        | 16,252,600        | 7,981,563         |  |
| N. I. R. A. Trust                              | 4,738,708         | 7,912,818         | 6,367,547         | 10,174,661        | 8,058,665         |                   |                   |                   |                   |                   |  |
| <b>Total General</b>                           | <b>13,866,894</b> | <b>18,428,165</b> | <b>16,826,348</b> | <b>26,014,999</b> | <b>24,529,968</b> | <b>19,610,263</b> | <b>16,018,894</b> | <b>18,311,512</b> | <b>28,778,651</b> | <b>14,604,855</b> |  |
| Payments to Other Civil Divisions              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |  |
| Gasoline Tax                                   | 3,600,000         | 3,200,000         | 3,412,753         | 3,432,805         | 5,322,948         | 5,969,344         | 6,348,500         | 5,769,640         | 4,797,642         | 3,929,332         |  |
| State Road and Bridge Tax                      | 1,477,592         | 1,436,918         | 1,169,208         | 1,050,829         | 1,200,250         | 1,487,500         | 1,281,140         | 1,261,864         | 1,727,522         | 1,514,786         |  |
| <b>Total Payments to Other Civil Divisions</b> | <b>5,077,592</b>  | <b>4,636,918</b>  | <b>4,581,961</b>  | <b>4,483,634</b>  | <b>6,523,198</b>  | <b>7,406,844</b>  | <b>7,624,640</b>  | <b>7,031,504</b>  | <b>6,525,164</b>  | <b>5,444,118</b>  |  |
| Debt Service                                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |  |
| Retirement                                     | 1,896,877         | 2,154,036         | 2,869,601         | 2,284,748         | 2,643,446         | 2,278,419         | 3,411,816         | 2,465,873         | 4,256,149         | 3,629,003         |  |
| Interest                                       | 2,012,988         | 1,734,498         | 1,710,489         | 1,715,460         | 1,678,660         | 1,581,267         | 1,436,981         | 1,312,429         | 1,193,680         | 1,015,990         |  |
| <b>Total Debt Service</b>                      | <b>3,909,865</b>  | <b>3,888,529</b>  | <b>4,580,090</b>  | <b>3,978,208</b>  | <b>4,317,106</b>  | <b>3,857,676</b>  | <b>4,847,897</b>  | <b>3,778,302</b>  | <b>5,449,829</b>  | <b>4,644,993</b>  |  |
| <b>TOTAL HIGHWAYS</b>                          | <b>22,854,351</b> | <b>26,953,612</b> | <b>24,787,399</b> | <b>34,476,841</b> | <b>35,370,267</b> | <b>30,874,783</b> | <b>28,491,421</b> | <b>29,121,318</b> | <b>35,753,644</b> | <b>24,594,465</b> |  |

VI PUBLIC WELFARE

| General   |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |  |
|---|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|
| Supervision   | 64,646           | 69,135           | 100,418           | 157,798           | 269,052           | 287,294           | 336,645           | 371,664           | 596,392           | 541,554           |  |
| Care of Children in State Public Schools and Children Unsuited for Adoption | 329,355          | 231,112          | 288,436           | 361,987           | 306,561           | 308,848           | 298,017           | 273,047           | 282,622           | 286,526           |  |
| Other Child Care  | 48,672           | 56,296           | 63,563            | 94,324            | 98,576            | 95,708            | 42,738            | 34,081            | 87,178            | 31,753            |  |
| Care of Blind, Deaf and Mute outside Institutions                           | 83,992           | 86,217           | 112,269           | 114,269           | 10,726            | 5,817             | 1,384             |                   |                   |                   |  |
| General Hospital at University  | 676,748          | 606,524          | 639,429           | 673,533           | 746,537           | 790,018           | 864,969           | 870,846           | 886,978           | 946,995           |  |
| Hospital for Crippled Children and U. S. Aid                                | 193,925          | 214,240          | 233,653           | 338,721           | 335,024           | 351,293           | 319,008           | 311,369           | 343,334           | 393,055           |  |
| Special Hospitals (Insane, Feeble-Minded and Epileptic)                     | 2,723,718        | 2,617,642        | 2,785,631         | 3,072,163         | 3,076,381         | 3,237,434         | 3,074,016         | 2,982,020         | 3,251,392         | 3,576,472         |  |
| Corrections   |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |  |
| For Adults  | 1,126,579        | 1,180,106        | 1,265,570         | 1,309,733         | 1,309,086         | 1,321,245         | 1,277,070         | 1,163,843         | 1,172,183         | 1,168,295         |  |
| For Minors  | 323,417          | 348,841          | 346,238           | 370,893           | 400,257           | 400,304           | 336,933           | 317,764           | 362,066           | 368,637           |  |
| Pardon and Parole Board and Officers  | 13,710           | 13,396           | 19,028            | 21,725            | 28,174            | 30,250            | 73,567            | 70,261            | 53,522            | 55,997            |  |
| Public Relief #2  | 91,216           | 1,752,607        | 35                |                   |                   |                   |                   |                   |                   |                   |  |
| All Other Welfare, Including Veterans                                       | 460,698          | 447,484          | 431,933           | 477,532           | 412,403           | 375,880           | 379,743           | 448,651           | 451,487           | 382,312           |  |
| <b>Total General</b>  | <b>6,040,874</b> | <b>7,632,640</b> | <b>6,281,189</b>  | <b>6,992,224</b>  | <b>6,993,077</b>  | <b>7,204,091</b>  | <b>7,003,886</b>  | <b>6,843,545</b>  | <b>7,436,591</b>  | <b>7,740,591</b>  |  |
| Payments to Other Civil Divisions   |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |  |
| Aid to Blind  |                  |                  |                   |                   | 183,786           | 224,162           | 278,846           | 303,592           | 333,082           | 361,157           |  |
| Aid to Dependent Children   |                  |                  |                   |                   | 1,151,023         | 1,775,372         | 2,388,734         | 2,630,675         | 2,696,366         | 2,366,984         |  |
| Old Age Assistance  |                  |                  | 542,165           | 9,223,388         | 12,777,582        | 12,404,243        | 13,838,022        | 12,588,262        | 14,133,335        | 14,534,305        |  |
| <b>Total Payments to Other Civil Divisions</b>                              |                  |                  | <b>542,165</b>    | <b>9,223,388</b>  | <b>14,062,396</b> | <b>15,403,777</b> | <b>16,505,602</b> | <b>15,517,519</b> | <b>17,162,738</b> | <b>17,262,427</b> |  |
| Debt Service  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |  |
| Retirement  | 518,800          | 1,477,000        | 3,663,500         | 1,360,000         | 1,020,000         | 8,649,400         | 6,616,200         | 7,125,470         | 10,310,971        | 4,850,000         |  |
| Interest  | 58,892           | 55,172           | 158,429           | 618,979           | 191,979           | 784,226           | 578,516           | 720,606           | 599,019           | 185,399           |  |
| <b>Total Debt Service</b>   | <b>572,692</b>   | <b>1,532,172</b> | <b>3,821,929</b>  | <b>1,961,979</b>  | <b>1,683,519</b>  | <b>9,433,625</b>  | <b>7,189,716</b>  | <b>7,845,976</b>  | <b>10,909,990</b> | <b>4,835,399</b>  |  |
| <b>TOTAL PUBLIC WELFARE</b>   | <b>6,613,566</b> | <b>9,164,812</b> | <b>10,645,233</b> | <b>17,767,591</b> | <b>22,688,992</b> | <b>32,041,493</b> | <b>30,699,204</b> | <b>30,207,040</b> | <b>35,509,364</b> | <b>29,538,417</b> |  |

**VII. EDUCATION**

**General**

Schools Supervision, Department of Education,  
Teachers' College Board, Administration of  
Federal Aid to Indian Children  
Teachers' Colleges  
University's  
Schools for Blind and Deaf  
Libraries (Historical and Traveling)  
Minneapolis School Survey  
All Other, Inaluding Teachers' Pensions

|               | Fiscal Year<br>1933-34 | Fiscal Year<br>1934-35 | Fiscal Year<br>1935-36 | Fiscal Year<br>1936-37 | Fiscal Year<br>1937-38 | Fiscal Year<br>1938-39 | Fiscal Year<br>1939-40 | Fiscal Year<br>1940-41 | Fiscal Year<br>1941-42 | Preliminary<br>Fiscal Year<br>1942-43 |
|---------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------------------------|
| Total General | 6,544,821              | 6,315,762              | 7,429,553              | 7,786,330              | 9,081,779              | 9,091,220              | 8,601,673              | 8,625,645              | 9,023,047              | 8,993,124                             |

**Payments to Other Civil Divisions**

Aids to High, Graded, Rural, Etc.  
Apportioned School Fund  
Income Tax School Fund  
Evening School for Adults  
To Common School Districts  
Rural Credits Land Tax  
Federal Aid for Education of Indian Children  
Indian Schools  
Public School Libraries  
Smith-Hughes Bill (U. S.)  
Gross Earnings Tax Aid  
George-Deen Bill (U. S.)  
Summer Classes for Crippled Children  
Aid to Counties with 35% State Owned Land  
Aid to Counties with 40% State Owned Land  
Share of National Forest Proceeds  
Aid to Counties with 75% Delinquent Taxes  
Education of Defense Workers

|                                   |            |            |            |            |            |            |            |            |            |            |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total Payments to Civil Divisions | 11,840,463 | 11,181,508 | 14,299,072 | 15,055,774 | 20,068,058 | 17,114,327 | 17,978,802 | 17,838,280 | 19,118,665 | 20,213,257 |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|

**Debt Service**

Retirement  
Interest

|                    |         |         |         |         |        |        |         |         |         |         |
|--------------------|---------|---------|---------|---------|--------|--------|---------|---------|---------|---------|
| Total Debt Service | 890,897 | 868,891 | 504,411 | 387,384 | 50,000 | 87,875 | 158,861 | 164,145 | 173,785 | 140,200 |
|--------------------|---------|---------|---------|---------|--------|--------|---------|---------|---------|---------|

**TOTAL EDUCATION**

**VIII. MISCELLANEOUS**

General—Includes Pensions, Employees' Compensation,  
etc.

**Payments to Other Civil Divisions**

Cities and Villages Gross Earnings Tax  
Vessel Tonnage Tax to Counties  
Gross Earnings Tax to Counties  
Counties' Share of Inheritance Tax  
National Forests (to Counties)  
Fire Department Aid to Cities and Villages  
Employment Agency Licenses  
Aid to Counties with 35% Non-Taxable Land  
Aid to Counties with 40% Non-Taxable Land  
State Forest Fund  
Surtax, Firemen's Relief  
Aid to Counties with Large Proportion Non-Tax-able Real Estate  
Aid to Towns with Large Proportion Non-Tax-able Real Estate  
Cigarette Licenses  
Cooperative Rural Electric Tax to Counties  
Nomination Fees to Counties  
Bank Excise Tax

|   |         |         |         |         |         |         |         |           |           |           |
|---|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|
| Total Payments to Other Civil Divisions | 680,779 | 593,108 | 607,424 | 608,871 | 621,576 | 713,758 | 764,538 | 1,148,172 | 1,218,049 | 1,054,807 |
|---|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|

**Debt Service**

Retirement  
Interest

|                    |        |        |        |        |        |        |         |         |         |       |
|--------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|-------|
| Total Debt Service | 36,320 | 38,465 | 25,227 | 29,424 | 26,198 | 26,235 | 114,990 | 168,253 | 419,130 | 3,907 |
|--------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|-------|

**TOTAL MISCELLANEOUS**

**GRAND TOTAL, CURRENT GOVERNMENTAL COSTS**

\$59,182,839    \$66,858,687    \$70,099,827    \$87,619,118    \$100,865,669    \$102,932,910    \$98,928,194    \$109,374,905    \$114,591,714    \$98,185,428

\*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—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 \$81,905.39 in fiscal 1942 and to \$1,821,680.31 in fiscal 1943.

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