



League of Women Voters of Minnesota Records

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LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: FSG Committee and State Board

FROM: Karen Anderson

SUBJECT: First Draft FSG Position Statement

DATE: August 19, 1977

Enclosed is the first draft of the FSG consensus/position statement as discussed at the 8/10 FSG committee meeting. Please review it and send your corrections, suggestions, whatever to the state office by August 29 (I'll be out of town, and my home mail is likely to be in a confusing state). Note especially the additional statement in first paragraph where I attempted to deal with questions I.A. and II.A. I hate to ignore it when opinion was so strong; your reaction?

I'm sending copies to the state Board for your remarks on the form of the statement. It differs a bit from the previous FSG statement in order to accurately reflect member responses. Your comments will be appreciated. The final draft will be reviewed at the September Board meeting.

Thank you.

LWVMN 8/18/77

Financing State Government

POSITION STATEMENT - First Draft

Support of an equitable and flexible system of taxation/ (LWVUS Principles).
Support of a flexible Minnesota multi-tax system with emphasis on maintaining state services through a combination of spending cuts and increased taxation when state funds are short and decreased taxation when there is a budget surplus.
Support of using the Minnesota individual income tax as the elastic tax, making rates more progressive when increasing state revenue and lowering rates for all income levels when decreasing state revenues. Support of state relief for property taxes/ (LWVMN 1977). Support of property tax reform (LWVMN 1967).

Strong support for setting priorities in allocating state funds. Strong support of state aids to local governments, especially to local school districts and to the local governmental unit that provides the major portion of local services (county and/or city). (LWVMN 1977)

POSITIONS

- When taxation is increased to provide additional revenue, we:
 - support retaining exemptions to the sales tax; support of any sales tax increases being on cigarettes and tobacco and alcoholic beverages; ^{do} not agree ~~with~~ on a general raise in sales tax rates.
 - support more progressive individual income tax rates with exemptions retained at 1977 level; strongly support retaining deductibility of federal income taxes as a feature of the Minnesota income tax; strongly oppose an across-the-board increase in income tax rates.
 - strongly support retaining the Minnesota corporate excise tax with no increase in rate; do not agree on changing the corporate tax to a progressive rate.
 - very strongly support retaining the homestead credit and senior citizen freeze credit as forms of state relief for property taxes; support retaining the income-adjusted homestead credit (circuit-breaker).
- When measures are taken to decrease taxation, we:
 - support retaining the 4% Minnesota sales tax with no increase in exemptions.
 - strongly support a decrease in individual income tax rates; oppose an increase in individual income tax exemptions; ^{oppose} ~~do not~~ a general tax refund.
 - do not agree on decreasing the corporate excise tax rate.
 - support an increase in the homestead credit as a form of state relief for property taxes.

- do not agree on providing an increase in the income-adjusted homestead credit (circuit-breaker).

• When cuts in state spending are necessary, we:

- strongly support cuts in spending for general state government, governor and related agencies, and the legislative branch.
- oppose cuts in state aid to local governments, especially local school districts.
- oppose cuts in state spending for natural resources, corrections, higher education and agriculture.

• When increases in state spending are proposed, we:

- strongly support setting priorities for state spending rather than a percentage increase in all areas of state funding.
- support an increase in state aids to local school districts.
- strongly oppose increases in spending for general state government, governor and related agencies, and the legislative branch; oppose increases in spending for public retirement benefits.
- oppose increases in state spending for transportation unless those increases are designated for mass transportation measures of benefit to the entire state.

Property tax reform statements will be here as printed in 75-77 Program for Action

PROJECT REQUEST FORM

TO: LEAGUE OF WOMEN VOTERS EDUCATION FUND
1730 M STREET, N.W.
WASHINGTON, D.C. 20036

Date May 15, 1977

FROM: Name Harriett Herb, Executive Director

League of Women Voters of Minnesota

Address 555 Wabasha

St. Paul, MN 55102

Proposed Project: Completion of Financing State Government project to complement that Ed Fund project begun in 1976 via: Publication of FACTS and ISSUES #3 and 4 re Funding a Quality Life and Governmental Expenditures in Minnesota, and the development of a slide/tape show on Financing State Government to be used in schools, by civic groups, etc.

Details of the project to be considered, including plans for execution: FACTS AND ISSUES

1 & 2 were a Primer of Minnesota Taxes and Minnesota's Multi-Tax System. FACTS & ISSUES 3, Funding a Quality Life, will focus on explanations for the increase in state spending, a history of spending trends, a review of state fiscal procedures, and some legislative concerns about expenditures in Minnesota. FACTS & ISSUES 4 will cover state government appropriations, and, since the state passes on revenues to local governments in the form of state aids, grants and shared taxes, expenditures made at the local governmental level, where two-thirds of governmental expenditures in the state are made. The proposed slide/tape show will provide an overview of the entire study. It will be based not only on materials from the study but also on research provided by a Minnesota M-A-L who is an economist and advisor to the committee. The slide/tape program will be loaned to League and non-League organizations for use in schools, presentations to civic groups, Chambers of Commerce, etc.

Donor(s): H.B. Fuller Community Affairs Council; 1st Bank Systems, Inc., Affiliates; Control Data Corp.

Proposed budget for the use of the grant (including 5% overhead due Education Fund):

<u>Income</u>	<u>Expenditures</u>
1976 \$2550 (received) + 1977	Printing of publications (1 & 2 - 2036.11 already
\$1500 from donors plus portion	reimbursed) - 3 & 4 - 2038.92
of current balance in Ed Fund (686.08	(including sales tax of \$78.31 for 1 & 2; \$78.42
as of 4-20).	for 3 & 4 = \$156.73 total)
	Slide/tape presentation \$500
	5% due Ed Fund \$202.50 for 1976 & 1977

Any deficit will be absorbed by LWVMN payment of sales taxes & balance of pubs. printing.

Distribution plans for printing material (if such material is part of the project):

In addition to League members, members of the Minnesota Legislature, Minnesota Tax Study Commission, PTSA, State Universities and Community Colleges, Social Studies Teachers/curriculum directors of public schools, Jaycees and Mrs. Jaycees, Women's Meeting, contributors to local Leagues, city and county government officials via local Leagues.

Request must be submitted before project is started. Allow three weeks for approval.

6/22/76 LWVMN

Financing State Government Committee

Committee Roster

State Board Members

Karen Anderson, chairperson, 935-2445
16917 Clear Spring Terrace, Minnetonka 55343, LWV, MEPH Area
Carolyn Cushing, 612-633-0602
3031 Simpson, St. Paul 55113, LWV Roseville
Mary Poppleton, 612-890-4486
11009 London Drive, Burnsville 55378, LWV West Dakota County
Jean Reeves, 507-645-6161
Rt. 3, Northfield 55057, LWV Northfield
Helene Borg, 612-472-2674
P.O. Box 5, Mound 55364, LWV Westonka Area
Jerry Jenkins (ex-officio) 612-645-1452
2252 Folwell, St. Paul 55108, LWV Falcon Heights

Off-Board Members

Mary Mantis, 612-644-1156
2352 Buford Ave., St. Paul 55108, LWV St. Paul
Sid Moss, 612-544-1875
5705 Westbrook Rd., Minneapolis 55422, LWV Golden Valley
Erica Buffington, 612-929-8168
3845 Lynn Ave. S., St. Louis Park, 55416, LWV St. Louis Park
Judy McGuire, 612-927-6825
4048 Zenith Ave. S., Minneapolis 55410, LWV Minneapolis
Ernie Hasbargen, 612-636-4825
1950 Westwood Circle, Roseville 55113, LWV Roseville
Margaret Bloyer, 612-336-6107
19 S. 1st St., Apt. B 2008, Minneapolis 55401, LWV Minneapolis
Joan Strouse, 612-698-9175
820 S. Syndicate, St. Paul 55116, LWV St. Paul
Barbara Namie, 507-387-5049
345 Ramsey St., Mankato 56001, LWV Mankato
J.W. Miller, 612-489-9696
373 W. Nebraska, St. Paul 55117, LWV St. Paul
Kathy Gilder, 612-774-2947
1288 Hazelwood, #205, St. Paul 55106, LWV St. Paul
Irma Sletten, 612-544-6264
7245 Green Valley Rd., Golden Valley 55427, LWV Golden Valley

LWVMN 5/7/77

May Board Memo - Financing State Government - Karen Anderson

FSG Consensus deadline is June 30, 1977.

A slide-tape presentation on governmental finances will be ready for pre-view at the LWV state convention. This will be financed with development funds raided for the FSG study and specifically earmarked for community education. We think you'll find it an excellent resource for use in the community and schools. The presentation will supplement material contained in the four FSG Facts and Issues; it is based upon Arley Waldo's "travelling show" which many of you have heard in the past two years. Plan to pre-view this at convention and to think about ways it could best be used in your community.

Sent out 3/9/77

LEAGUE OF WOMEN VOTERS OF MINNESOTA



555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO:

FSG committee

FROM:

K. Anderson

SUBJECT:

FSG # 344

DATE:

3-8-77 (or whenever sent)

Enclosed are copies of FSG # 344,
the committee guide and consensus questions.
It's gratifying ~~to me~~ to see the efforts
of the last 18 months come forth in
black & white (green & white?). Thank you.

FINANCING STATE GOVERNMENT

Consensus Questions

Return to State Office by June 30, 1977

LWV of _____

Total # of Members _____ # of Members Participating _____

Record vote in numbers voting yes or no for each question.

I. In the event that state revenue falls short of projected state expenditures, how would you prefer this be resolved? In other words, what are we going to do when the state needs more money?

YES

NO

I.A. Increase taxation

Cut spending

A combination of these

Proceed with all questions regardless of the answers given above.

I.B. If taxation is increased to provide additional revenue, how would you prefer this be done?

YES

NO

1. Sales Tax

Higher rates

Fewer exemptions

2. Individual Income Tax

Higher rates

Fewer exemptions

More progressive rates

Remove Federal deductibility

3. Corporate Excise Tax

Higher percentage rate

Progressive rate structure

4. Property Tax Relief

Eliminate homestead credit

Eliminate circuit breaker

Eliminate senior citizen freeze credit

5. Other Tax(es); be specific:

I.C. If there have to be cuts in state spending, where would you prefer these cuts be made?

YES

NO

1. Percentage cuts in all areas

2. Cut state aid to:

counties

cities

local schools

3. Cut state spending for:

Higher education

Transportation

(Over)

	YES	NO
Welfare	_____	_____
Health and Hospitals	_____	_____
Corrections	_____	_____
Justice	_____	_____
Natural Resources	_____	_____
Agricultural	_____	_____
General State Government	_____	_____
Governor and related agencies	_____	_____
Legislative Branch	_____	_____
Public Safety	_____	_____
Public Retirement Benefits	_____	_____
Miscellaneous	_____	_____
Other: be specific:	_____	_____

4. Cut spending in another way: be specific

II. In the event that the state should have a substantial budget surplus, what would you prefer be done with the surplus?

	YES	NO
II.A. Decrease taxation	_____	_____
Increase spending	_____	_____
A combination of these	_____	_____

Proceed with all questions regardless of the answers given above.

II.B. If taxation is decreased, how would you prefer this be done?

	YES	NO
1. Sales Tax		
Lower rates	_____	_____
More exemptions	_____	_____
2. Individual Income Tax		
Lower rates	_____	_____
Higher deductions	_____	_____
More exemptions	_____	_____
Tax refund	_____	_____
3. Corporate Excise Tax		
Lower percentage rate	_____	_____
4. Property Tax Relief		
Higher homestead credit	_____	_____
Higher circuit breaker credit	_____	_____
5. Other Tax(es): be specific	_____	_____

II.C. If state spending is increased, how would you prefer this be done?

	YES	NO
1. Percentage increases in all areas	_____	_____
2. Increase state aid to:		
counties	_____	_____
cities	_____	_____
local schools	_____	_____
3. Increase state spending for:		
Higher Education	_____	_____
Transportation	_____	_____
Welfare	_____	_____
Health and Hospitals	_____	_____
Corrections	_____	_____
Justice	_____	_____
Natural Resources	_____	_____
Agriculture	_____	_____
General State Government	_____	_____
Governor and related agencies	_____	_____
Legislative Branch	_____	_____
Public Safety	_____	_____
Public Retirement Benefits	_____	_____
Miscellaneous	_____	_____
Other: be specific:	_____	_____

4. Increase spending in another way: be specific:

Name of person submitting report

The LWV of _____ Board approved the above consensus at its
meeting of _____
date

President



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: FSG Committee

FROM: Karen Anderson

SUBJECT: Committee Meeting 2/16/77

DATE: February 4, 1977

Please note next committee meeting, Wednesday, February 16, 12:30 p.m., state office. The agenda will be devoted to the committee guide.

Enclosed: Minutes of 2/2 committee meeting;
FSG consensus questions as they are going to the Board 2/8 for approval.

If you have further comments on the questions, call me on Sunday or on Monday (after 4:00 p.m.).

LWVMN 2/4/77

Financing State Government
Committee minutes of 2/2/77 meeting

The meeting was called to order at 12:45. Present: Anderson, Bloyer, Buffington, Gilder, Hasbargen, McGuire, Hanson (N. Dak. Cty.), Kuehn (Arden Hills), Sawyer (Mpls.) and Berkwitz (Mpls.)

Brief discussion of publications #3 and 4. #3 will go to printer Monday morning (Feb. 7) and #4 by Wed. morning. Anderson will contact Buffington and Hasbargen over the weekend about final changes.

Committee guide: Anderson, McGuire and Alice Moorman (Mpls.) will try to meet before Feb. 16 to outline and begin writing. Committee meeting the 16th of Feb. will be devoted entirely to committee guide.

Balance of meeting was spent discussing final version of consensus questions for 2/8 board approval. Decided to use only two broad questions and not address old position at this time because it deals with the property tax, which is a local rather than state tax. Also decided to omit question on fiscal procedures; it can be put into committee guide for discussion and possible direction.

Adjourned 2:45 p.m.

Karen Anderson

LWVMN 1/28/77

FSG Consensus Question Worksheet for 2/2/77

Proposed new format for questions

1. In the event that the state should see a need for additional revenue, how would you prefer this revenue be obtained?

1. A. Increase taxation _____
Cut spending _____
A combination of these _____

Proceed with all questions regardless of the answer given above.

1. B. If taxation is increased to provide additional revenue, how would you prefer this be done? Through:

Sales Tax ie sales tax	yes	no
Higher rates	yes	no
Fewer exemptions	yes	no
Individual income tax	"	"
Higher rates		
Fewer exemptions		
More progressive rates		
Remove federal deductibility		
Corporate excise tax	yes	no
Higher % rate		
Progressive rate structure		
Property tax	yes	no
No levy limitations		
Reduce state aids		
Less exempt property		
Other tax(es) ; be specific		

1. C. If there is a decrease in state spending, how would you prefer these cuts be made?

Percentage cuts in all areas	yes	no
Decrease state aids to:		
counties	yes	no
cities	yes	no
local schools	yes	no
Decrease state spending	yes	no
Choose five categories from the following		
Higher education		
Transportation		
Welfare		
Health and hospitals		
Corrections		
Justice		
Natural resources		
Agriculture		
General state government		
Governor and related agencies		
Legislative		
Public safety		
Public retirement benefits		
Miscellaneous		
Other; be specific:		
Decrease spending in another way; be specific		

P. 2 consensus worksheet

2. In the event that the state should have a substantial budget surplus, what would you prefer to be done with the surplus?

- A. Decrease taxation _____
 Increase spending _____
 A combination of these _____

Proceed with all question regardless of the answer given above

2.B. If taxation is decreased, how would you prefer this be done? Through:

Sales tax	yes	no
lower rates		
more exemptions		
Abolish tax		
Individual income tax	yes	no
Lower rates		
Higher deductions		
More exemptions		
Simplification		
Tax refund tax		
Abolish tax		
Corporate Excise tax		
Lower % rate		
Abolish tax		
Property tax		
Increase state aids		
Abolish tax		
Other tax(es); be specific		

2.C. If state spending is increased, how would you prefer this be done?

Percentage increases in all areas	yes	no
Increase state aids to:		
counties		
cities		
local school districts		
Increase state spending		
Choose five categories from the following		
(list same as for question 1.c.)		

3. Which of the following state fiscal procedures would you like to see changed or investigated for possible change? *Refer to Facts & Issues # 3 For a description of each subject.*

	Remain the Same	Investigated	Changed (attach any specific suggestions)
Budget preparation by departments			
Budget preparation by Governor			
Committee procedures			
Tax bills			
Appropriation bills			
Legislative budget adoption			
Department of Finance accounting and control procedures			

3. B. *On* Which of the following suggestions for future changes would you like to be adopted or investigated? *further information?*

	Adopted	further information	not interested
Zero-based budgeting			
sunset legislation			
legislative budget review committee			

2/4/77 LWVMN

FINANCING STATE GOVERNMENT CONSENSUS QUESTIONS

as presented to the Board 2/8/77

Record vote in numbers voting yes or no for each question.

script — **I.** In the event that state revenue falls short of projected state expenditures, how would you prefer this be resolved? In other words, what are we going to do when the state needs more money?

- I.A.** Increase taxation
Cut spending
A combination of these

YES NO

script — Proceed with all questions regardless of the answers given above.

I.B. If taxation is increased to provide additional revenue, how would you prefer this be done?

1. Sales Tax
Higher rates
Fewer exemptions
2. Individual Income tax
Higher rates
Fewer exemptions
More progressive rates
Remove Federal deductibility
3. Corporate Excise Tax
Higher percentage rate
Progressive rate structure
4. Property Tax Relief
Eliminate homestead credit
Eliminate circuit breaker
Eliminate senior citizen freeze credit
5. Other ~~Taxes~~ be specific:
Tax(es);

YES NO

I. C. If there have to be cuts in state spending, where would you prefer these cuts be made?

1. Percentage cuts in all areas
2. Cut State aid to:
counties
cities
local schools
3. Cut state spending for:
Higher Education
Transportation
Welfare
Health and Hospitals
Corrections
Justice
Natural Resources
Agriculture
General State Government
Governor and related agencies
Legislative Branch
Public Safety
Public Retirement Benefits
Miscellaneous
Other; Be specific:
4. Cut spending in another way; be specific:

YES NO

II 2. In the event that the state should have a substantial budget surplus, what would you prefer be done with the surplus?

YES NO

- II 2.A. Decrease taxation
Increase spending
A combination of these

script Proceed with all questions regardless of the answers given above

II 2.B. If taxation is decreased, how would you prefer this be done?

YES NO

1. Sales Tax
 - Lower rates
 - More exemptions
2. Individual Income Tax
 - Lower rates
 - Higher deductions
 - More exemptions
 - Tax refund
3. Corporate Excise Tax
 - Lower Percentage rate
4. Property Tax Relief
 - Higher homestead credit
 - Higher circuit breaker credit
 - ~~Higher~~
5. Other Tax(es); Be specific:

II 2.C. If state spending is increased, how would you prefer this be done?

YES NO

1. Percentage increases in all areas
2. Increase state aid to:
 - counties
 - cities
 - local schools
3. Increase state spending for:
 - Higher Education
 - 9 Transportation
 - Welfare
 - Health and Hospitals
 - Corrections
 - Justice
 - Natural Resources
 - Agriculture
 - General State Government
 - Governor and related agencies
 - Legislative Branch
 - Public Safety
 - Public Retirement Benefits
 - Miscellaneous
 - Other; Be specific:

- Chit/spechd*
4. Increase spending in another way; Be specific:

quest. 4

EXPENDITURE SIMULATION GAME

The Governor has asked you, as a group of budget-conscious Leaguers, to assist him in preparing the budget for the next biennium. He is particularly interested in your recommendations on expenditures for the next two years. The Governor has already promised Minnesotans that there will be no tax increases in the next biennium. Total state expenditures, therefore, must be kept under \$7 billion to have a balanced budget. He will include your expenditure suggestions in his budget message to the Legislature.

The budget categories you should consider are the following:

- . Local education
- . Higher education
- . Transportation
- . Welfare
- . Health and hospitals
- . Corrections
- . Justice
- . Natural resources
- . Agriculture
- . General state government
- . Governor and related agencies

- . Legislative
- . Public safety
- . Public retirement benefits
- . Miscellaneous

Refer to General Fund Expenditures Chart in Ftd #4, p. - to get an idea of how state funds are currently distributed.
Descriptions of specific programs in each category, which were funded in the previous biennium, can be found in the Facts and Issues #4 publication. *The GFE Chart on page 4 of #4 will give you some indication of how state funds are currently distributed.*
The Governor has suggested a discussion strategy which

might be an efficient method of registering expenditure priorities of group members:

- . Use a non-monetary unit to rank the budget categories from most important to least important. Let one non-monetary unit be called a "chit". Buttons or poker chips could be used as chits to help group members see the results

of their decisions.

- . All budget categories should be allocated at least one chit.

The Governor feels this is the minimum appropriation which should be made in each category. Use the following value scale to rank budget categories:

- 5 chits = most important
- 4 chits = very important
- 3 chits = important
- 2 chits = sort of important
- 1 chit = least important

- . Let the Governor's \$7 billion budget ceiling equal 45 chits. As a group, discuss how you would allocate the 45 chits between the 15 budget categories. If poker chips or buttons are being used, a poster such as the following could be made. Place one to five chits in each square showing the group's ranking of each category.

BUDGET CATEGORIES	APPROPRIATIONS (IN CHITS)
State aids to counties	
State aids to cities	
Local education	
Higher education	
Transportation	
Welfare	
Health and hospitals	
Corrections	
Justice	
Natural resources	
Agriculture	
General state government	
Governor and related agencies	
Legislative	
Public safety	
Public retirement benefits	
Miscellaneous	
* Other	
TOTAL	45

* Other is not included in the 15 categories, but gives you the opportunity to include an item not listed or not currently being funded by the state.

Heading & due date

February 4, 1977 - League of Women Voters of Minnesota

Local LWV

FINANCING STATE GOVERNMENT CONSENSUS QUESTIONS

as presented to the Board 2/8/77

Unit #

of members

Record vote in numbers voting yes or no for each question.

due at State Office June 30, 1977

- I. In the event that state revenue falls short of projected state expenditures, how would you prefer this be resolved? In other words, what are we going to do when the state needs more money?

YES

NO

- I.A. Increase taxation
Cut spending
A combination of these

Proceed with all questions regardless of the answers given above.

- I.B. If taxation is increased to provide additional revenue, how would you prefer this be done?

YES

NO

1. Sales Tax
Higher rates
Fewer exemptions
2. Individual Income Tax
Higher rates
Fewer exemptions
More progressive rates
Remove Federal deductibility
3. Corporate Excise Tax
Higher percentage rate
Progressive rate structure
4. Property Tax Relief
Eliminate homestead credit
Eliminate circuit breaker
Eliminate senior citizen freeze credit
5. Other Tax(es); be specific:

more
space
between

line after
sub-categories
only

- game -
major consideration -
can we use them

- I.C. If there have to be cuts in state spending, where would you prefer these cuts be made?

YES

NO

1. Percentage cuts in all areas
2. Cut state aid to:
counties
cities
local schools
3. Cut state spending for:
Higher education
Transportation
Welfare
Health and Hospitals
Corrections
Justice
Natural Resources
Agricultural

(Over - Continued)

comm. work
& outside

started with
5 questions

- criteria

did position
local tax, not state

didn't cover a
couple of pts.

can
still
keep
this way

NO fiscal procedures

several laws
not local budget

would have
gotten direction

but not positive
can still use

in comm. guide

YES

NO

General State Government
 Governor and related agencies
 Legislative Branch
 Public Safety
 Public Retirement Benefits
 Miscellaneous
 Other: be specific:

4. Cut spending in another way: be specific

II. In the event that the state should have a substantial budget surplus, what would you prefer be done with the surplus?

YES

NO

II.A. Decrease taxation
 Increase spending
 A combination of these

Proceed with all questions regardless of the answers given above.

II.B. If taxation is decreased, how would you prefer this be done?

YES

NO

1. Sales Tax
 - Lower rates
 - More exemptions
2. Individual Income Tax
 - Lower rates
 - Higher deductions
 - More exemptions
 - Tax refund
3. Corporate Excise Tax
 - Lower percentage rate
4. Property Tax Relief
 - Higher homestead credit
 - Higher circuit breaker credit
5. Other Tax(es): be specific:

II.C. If state spending is increased, how would you prefer this be done?

YES

NO

1. Percentage increases in all areas
2. Increase state aid to:
 - counties
 - cities
 - local schools
3. Increase state spending for:
 - Higher Education
 - Transportation
 - Welfare
 - Health and Hospitals
 - Corrections
 - Justice

(Continued)

YES

NO

Natural Resources
Agriculture
General State Government
Governor and related agencies
Legislative Branch
Public Safety
Public Retirement Benefits
Miscellaneous
Other: be specific:

4. Increase spending in another way: be specific:

File

LWVMN 2/4/77

Financing State Government

Committee minutes of 2/2/77 meeting

The meeting was called to order at 12:45. Present: Anderson, Bloyer, Buffington, Gilder, Hasbargen, McGuire, Hanson (N. Dak. Cty.), Kuehn (Arden Hills), Sawyer (Mpls.) and Berkwitz (Mpls.)

Brief discussion of publications #3 and 4. #3 will go to printer Monday morning (Feb. 7) and #4 by Wed. morning. Anderson will contact Buffington and Hasbargen over the weekend about final changes.

Committee guide: Anderson, McGuire and Alice Moorman (Mpls.) will try to meet before Feb. 16 to outline and begin writing. Committee meeting the 16th of Feb. will be devoted entirely to committee guide.

Balance of meeting was spent discussing final version of consensus questions for 2/8 board approval. Decided to use only two broad questions and not address old position at this time because it deals with the property tax, which is a local rather than state tax. Also decided to omit question on fiscal procedures; it can be put into committee guide for discussion and possible direction.

Adjourned 2:45 p.m.

Karen Anderson



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: FSG Committee and Sally Sawyer

FROM: Karen Anderson

SUBJECT: Committee Meeting 2/2/77
12:30 p.m., State Office

DATE: January 28, 1977

Agenda: Finalize consensus questions

Enclosed: Minutes from 1/19

Original consensus draft with inserted changes
Consensus worksheet for 2/2 meeting

This is a drastically different version which came from an expansion of the original question #2. It attempts to include important parts of old 1, 3 and 4; will it work? Our mission: to incorporate old, new questions into something we can live with. Expenditure stimulation game can still be used as exercise for 1C and 2C.

*what to do with:
tax incentives - energy
H.R. 27*

FSG committee - Rough draft - consensus questions

Taxation

1. Which of the following criteria are most important to you in relation to each of the major taxes? Rank from 1 (least important) to 5 (most important) for each of the taxes listed

	Individual Income	Corp Excise	Sales	Property	Other (specify)
Equity					
Ability to pay	yes	no	yes	no	yes no
Progressive	yes	no			
Proportional					
Benefits received					
Widespread participation					
Yield					
Adequate/productive					
Reliable/stable					
Flexible/elastic					
Simplicity					
easy to understand					
easy to pay					
easy to collect					
easy to administer					

2. In the event that the state should see a need for additional revenue, where would you prefer this revenue to come from?

	Individual income	sales	Individual income	Corp. Excise	property	other tax (es)	Qualifications	Other
	yes/no						more progressive rates higher rates; fewer exemptions	
							Higher rates; more progressive rates;	
							remove federal deductibility	
							remove levy limitations; reduce state aids	
							remove exempted property	
							more progressive rate structure, higher 90 rate	

- B. In the event that the state continues to have a substantial budget surplus, which tax would you prefer to be cut first?

Tax	Qualifications	Other
sales	yes no	lower rates; increased exemptions, abolish tax
individual income	yes no	lower rates; tax refund; increased deductions; built-in inflation factor (indexing)
corporate income		lower rates; increased state aid; abolish tax
property		
other		

3. The present LWVMN FSG position "supports property tax reform through equitable assessments, fewer classifications, and more restrictive criteria for determining exemptions. We also advocate less dependence on the property tax as a source of revenue." (complete statement in committee guide)

Do you support this position as it now stands? yes no partly

If not, what change(s) would you prefer?

Equitable assessments agree disagree (be specific)

fewer classifications

restrictive criteria for determining exemptions

less dependence on property tax

- / B. The present LWVMN Education position supports, in part, supports recognition of the proportion of property taxes used for municipal services, and partial financing by property tax to maintain local control?

Do you continue to support this position? yes no partly agree disagree

If not, what change(s) would you prefer?

p. 2 rough draft consensus questions

3. B.

~~partial funding of local education by property tax to maintain local control.~~ Agree ~~Disagree (be specific)~~

~~Expenditures~~

4. Which of the following areas of state expenditure are most important to you? Rank each according to level of priority from 1 (least important) to 5 (most important).

Local education	Agriculture
Higher education	General state government
Transportation	governor and related agencies
Welfare	judicial
Health and hospitals	legislative
Corrections	public safety
Justice	public retirement benefits
Natural Resources	misc.
Land use	aid to local governments
Energy	

(Kathy Gilder is working with this question for the 19th)

5

Which of the following state fiscal procedures would you like to see changed or investigated for possible change?

remain the same investigated changed (in what way)

budget preparation
by departments

budget preparation by governor

committee procedures
tax bills

appropriation bills
legislative budget adoption

dept. of finance accounting
and control procedures

other?

- suggestions for future changes

zero-based budgeting

sunset legislation

legislative budget review committee

involvement by more committees

set revenue limits prior to appropriating funds

set bonding limits

economic impact statements for all bills

would like
further info.

not interested





LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: FSG committee

FROM: Karen Anderson

SUBJECT: FSG # 344

DATE: 1/21/77

Enclosed are ^{draft} 1 copies of FSG # 344.

Please review your section for accuracy -- especially numbers that might have been changed in the re-write process.

Readers will be returning their copies 1/31/77. Enjoy your 10 day respite!



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: Rhoda Lewin

FROM: Karen Anderson

SUBJECT: FSG # 344

DATE: 1/21/77

Here are the pubs as going to outside readers. I'd appreciate any more comments you might have by Jan. 31st. We did some pretty extensive re-writing, so I'm including copies of your original comments in case you need a point of reference.

Thank you.



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: Mr. Ted Miller

FROM: Karen Anderson

SUBJECT: phone conversation 1/20/77

DATE: 1/21/77

I am unable to get additional information for you about the LWV - State Planning Agency series on intergovernmental relations. The coordinator of the series, Ann Thomas, is in Florida and retained all records and evaluations. The State Planning Agency has copies of these, so I suggest you contact Peter Vanderpool or Sam Newman if you'd like more information.

January 21, 1977

Enclosed are copies of the draft form of the Financing State Government publications #3 and 4.

I'd appreciate any comments you have about accuracy of content. Please return them to the LWVMN office by January 31, 1977; return envelope is enclosed for your convenience.

Thank you for your help.

Sincerely,

Karen Anderson, Chairperson
Financing State Government Committee

A:M
Enclosures

LWVMN 1/10/77

FSG - Readers for FSG Facts and Issues # 3 and 4

On-Board readers: Poppleton, DeSantis, Watson, Jenkins, Mueller

Off-Board Readers:

Mr. Ted Miller, Fiscal Analyst, Senate Finance Committee, Rm. 121, Capitol 55105
Representative Jerry Knickerbocker, 379 State Office Bldg., St. Paul
Mr. Arley Waldo, Dept. of Agricultural and Applied Economics, ^{Classroom} U of M, Office Bldg,
St. Paul, 55108

Mr. Fred Post, Director of Economic Analysis, MN Dept of Finance,
309 Administration Bldg., St. Paul 55101

plus - all FSG comm. members

+ Larry Clogg

+ Rhoda Lewin - memo attached

3 cover letters -

on-board - memo attached

off-board - " "

committee - " "

LWVMN 1/10/77

FINANCING STATE GOVERNMENT

Committee Minutes - 1/5/77

Meeting was called to order at 12:30 p.m.

Present: Anderson, Gilder Namie, Buffington, Hasbargen and McGuire.

Reviewed publication schedule for FSG Facts and Issues #3 and #4. In order to meet March 1 deadline, we're asking state board to combine on-board and off-board reading time. Schedule as it now stands:

- Jan. 14 - returned from editor, Rhoda Lewin. Individual sections will be sent to each writer for re-writes.
- Jan. 19 - FSG committee meeting, 12:30 p.m.; re-writes due
- Jan. 21 - mailed to on and off-board readers
- Jan 31 - returned from readers
- Feb. 2 - FSG committee meeting, 12:30; Pubs in final form; Anderson will do this between 1/31 and 2/2 via phone with writers; this meeting will also finalize consensus questions with aid of any local Leaguers who show up
- Feb 4 to 9 - Pubs to printer; this date depends on amount of re-writes and re-typing by office staff. Will give printer 3 weeks to complete.

Discussed off-board readers; decided on: Ted Miller, fiscal analyst with Senate Finance Comm. (Gilder will contact); Rep. Jerry Knickerbocker, on House Appropriations Comm. (Anderson will contact); Arley Waldo, U of M (Hasbargen will contact); and someone from MN Dept. of Finance (Anderson later got agreement of Fred Post, Director of Economic Analysis, Dept. of Finance).

Discussed content and form of consensus questions.

Agreed that questions should be few and general, and in the case of open-ended questions would have a number of specific responses. Questions will be in two sections -- those dealing with taxation and expenditures.

Taxation: Ranking of criteria in relation to specific taxes.

Source(s) of future revenue - if increase needed, which tax should provide it?

Present tax and education positions - in light of new knowledge, do you agree with this or does it change your attitude?

Expenditures: Ranking of priorities in state expenditures -- giving specific function areas to rank; considered idea of presenting this question as a "game" with chits to disburse among various areas. Kathy Gilder will explore possibilities.

State Fiscal Procedures - reaction to specific changes in budget-making and adoption procedures, such as zero-based budgeting, sunset laws, legislative review committee, other review committee.

Sally Sawyer, Mpls. LWV asst. to president, will be asked to help with consensus questions at Jan. 19th committee meeting.

Committee Guide discussion: ideas on what a committee guide should do:

- contain further information than what's in publications, information to help members respond to consensus
 - point out information members already have which will help in making a decision on consensus
 - give a unit meeting timetable, in minutes, for presentation and discussion; we may need to give two timetables, for those using only one unit meeting and those using two units.
 - include visual aids; this may be attained with "game" question
- Special inclusions -- why we need all the data in the 4 Facts and Issues;

Special inclusions -- why we need all the data in the 4 Facts and Issues; we don't address the issue of people's values as reflected in government financing, it's not possible with present available data; we need to know values and priorities of LWV members; have provided present data and background on taxation and expenditures to determine what's important to members.

LWV principle stating need for "adequate financing" of government and current state and CNAL positions calling for adequate funding in specific areas -- keeping these in mind when making decisions on expenditure priorities. List those positions affected by funding decisions.

Would like to devise committee guide outline on Jan. 19th, time permitting. Anderson will try to have something rough by then.

Meeting adjourned at 2:35.

K. Anderson



FACTS and ISSUES FINANCING STATE GOVERNMENT

League of Women Voters of Minnesota

October 1976

Primer of Minnesota Taxes

This *Primer* is the first of four "Facts and Issues" prepared by the League of Women Voters of Minnesota to explain how government is financed in Minnesota. It contains a history of legislative trends in taxation, an explanation of criteria used in evaluating taxes, and a glossary of terms used in explaining both taxation and government expenditures in Minnesota.

The League of Women Voters of Minnesota (LWVMN) has been observing government tax policy and expenditures since 1965. In March 1976, LWV members throughout the state conducted a survey to find out what Minnesotans knew about government financing in Minnesota and how they felt about it. Results of the survey are included with the glossary and are used throughout these four "Facts and Issues" in discussing specific taxes and public expenditures.

The other three "Facts and Issues" will explain Minnesota's basic tax structure, legislative trends in spending, and how the state spends most of its money.

HISTORY

Taxation in Minnesota formally began with statehood in 1858. The new State Constitution provided for a property tax, on real and personal property, which would finance almost all the needs of state and local governments. Since then, tax legislation has occurred in piecemeal fashion, with little regard for overall structure, long-range planning, or clear-cut goals. Two trends are clear, though. One, of course, is the great increase in taxes as the government has needed more and more revenue to serve a growing population, to keep pace with urbanization, industrialization, and technology, and to fund the growing government support of education and health and welfare services. Another trend is the legislature's desire to broaden the tax base, relying on many different segments of society to provide revenue, and to depend less on regressive taxes, like the property tax, and more on progressive taxes like the income tax.

While local governments still rely heavily on property taxes for their revenue needs, state government began an

early move toward more diversified sources of revenue by assessing a gross earnings tax, instead of a property tax, against railroads, insurance company premiums, telephone, telegraph, railroad car and express companies. The tax was based on varying rates until 1887, when a uniform gross earnings tax was enacted for railroads, and by 1903 these gross earnings taxes were producing more revenue for the state government than property taxes. Meanwhile, though, the legislature was still concentrating much of its efforts on improving the administration of the property tax.

Then, in 1906, a constitutional amendment, called the "wide-open" amendment, was ratified, greatly enlarging the legislature's taxing powers. An inheritance tax and mortgage registry tax soon followed, and in 1913 the legislature worked out a "classified" property tax, allowing for four classes of property taxed at different rates. In 1920, special taxes and royalties on iron ore mining were introduced.

From 1920 to 1957, major changes in Minnesota tax policy reflected national economic and social conditions — the advent of the automobile, the Depression and World War II. The automobile brought a constitutional amendment in 1920 authorizing the financing of highways by motor vehicle and gasoline taxes. These were the state's first direct "use" taxes and were so lucrative that by 1932 they would be providing more than half the \$44,000,000 in tax revenue collected by the state.

The "Great Depression" of the 1930's brought the state income tax, passed in 1933. As the depression worsened, people's incomes dropped and state and local tax revenues decreased, too, as property taxes, which were levied by the state and local government units, became increasingly difficult to collect. Assessed values declined as prices fell. Meanwhile, costs of such government responsibilities as education stayed nearly constant, and general relief expenditures mounted rapidly as unemployment increased. The repeal of Prohibition made possible new taxes on alcoholic beverages and their manufacture, but this was not enough. Faced with the conflicting demands for both property tax relief and additional revenues, the legislature responded with the Income Tax Act of 1933. There had

been attempts to enact an income tax before, but the way was finally made clear when the Attorney General ruled that the income tax could be introduced without a constitutional amendment. Some favored the new graduated income tax as a desirable alternative to the property tax, others saw it as a means of establishing a progressive, more equitable tax system. Those opposed to the tax were concerned mostly with how its revenue would be distributed. Today, the income tax is the backbone of the state's tax structure, with the property tax the primary source of local government tax revenue.

World War II eased or eliminated much of the financial stress of the 1930's. Tax revenues rose sharply and relief expenditures went down as employment and farm incomes increased and industries went into wartime production. Moreover, many government spending projects had to be curtailed because workers and materials were unavailable. A big backlog of maintenance, replacement, and expansion of public facilities built up. In the postwar period, spending for such projects soon outran the income from existing taxes and tax rates and used up the surpluses built up during the war. Moreover, high postwar birthrates meant new schools had to be built, and postwar inflation widened the gap between the government costs and the revenue potential of the existing tax structure.

The 1947 legislature responded by looking for ways to increase state revenues and to help local governments collect property taxes more effectively. A new tax was imposed on cigarettes, and taxes on liquor, iron ore, and mining royalties were increased. County boards of commissioners were required to appoint either county

assessors or assessment supervisors, thus attempting to professionalize assessment personnel and to make their procedures more businesslike and more uniform.

By 1955, however, Minnesota was in financial trouble again. Legislative appropriations voted during the regular session greatly exceeded potential revenue, and the state's revenue balance was too small to cover the deficit for fiscal 1956-58. The legislature met for a one-day extra session and passed an "omnibus" tax bill which added a 5% surtax on individual income taxes, a 1% surtax on corporate income taxes, and a 15% surtax on iron ore occupation and royalty taxes.

It was obvious that new ways of financing state government had to be found, and in 1956 Governor Orville Freeman appointed a Tax Study Committee to review the state's entire tax structure. This "blue-ribbon" committee included twenty members representing business, finance, industry, labor, farm and university interests. The committee recommended simplification and consistency in the property tax — there were 2700 different assessment officers at that time — by having a county assessment system rather than a local one and by valuing all property at 100% of its market value — values were typically assessed far below market values. It also recommended reduction or elimination of personal property assessments. It urged an additional 1% surtax on corporate income taxes and a gross earnings tax, which would be set aside for property tax relief. Other committee recommendations were aimed mostly at making taxes easier to understand and to levy.

TAX REVENUE SOURCES OF STATE GOVERNMENT IN MINNESOTA BY PERCENT OF TOTAL STATE REVENUE SELECTED FISCAL YEARS, 1922-1975

Source of Tax Revenue	1922	1932	1949	1954	1962	1969	1975
Property Tax	34.9%	22.7%	5.2%	5.3%	6.0%	—	—
Individual Income	—	—	20.3%	21.3%	31.1%	33.3%	40.4%
Sales and Use	—	—	—	—	—	19.0%	19.0%
Corporate Income	—	—	10.4%	5.3%	7.6%	8.1%	8.9%
Bank Excise	—	—	0.7%	0.8%	1.3%	0.9%	0.8%
Gross Earnings	28.1%	13.6%	9.9%	8.0%	5.5%	3.3%	2.7%
Insurance Premiums	3.6%	4.3%	2.8%	2.7%	2.7%	2.0%	1.7%
Inheritance and Gift	3.0%	4.2%	1.4%	1.7%	2.3%	2.3%	2.1%
Iron Ore Occupation	—	3.2%	7.5%	12.6%	3.7%	1.6%	1.6%
Iron Ore Royalty	—	1.4%	1.3%	1.5%	0.6%	0.2%	0.2%
Alcoholic Beverages	—	—	8.6%	5.8%	5.0%	3.1%	2.4%
Tobacco Products	—	—	5.6%	4.7%	6.4%	3.7%	3.9%
Gasoline	—	26.8%	16.5%	17.9%	15.1%	12.7%	7.1%
Motor Vehicle	29.7%	23.6%	9.5%	12.0%	11.0%	6.9%	6.7%
Other	0.7%	0.2%	0.3%	0.4%	1.7%	2.9%	2.9%
Total Tax Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SOURCE: 1922-1962: Report of the Governor's Minnesota Tax Study Committee, 1962

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The League of Women Voters of Minnesota

is pleased to present
this information to you as a public service.

These publications were made possible by a grant from the Community Affairs Council of the H. B. Fuller Company. The League of Women Voters is a nonpartisan organization established in 1920 to encourage citizen participation in government.

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The 1971 legislature tried to do what the 1967 legislature had tried but failed to do. This time, though, the legislature was determined that property tax relief would be permanent. It imposed tax levy limitations on all units of local government, then went to work to find the money to make up the local governments' revenue losses. Rates were in-

creased for individual, corporate, and bank income taxes, certain excise taxes, and the sales tax. Corporations and banks were no longer allowed to deduct federal taxes from their state taxes which, in effect, doubled their state income taxes. Most of the increase in revenue was channeled into property tax relief through increased state aid to local governments and school districts.

The 1973 legislature went still further by increasing the homestead credit and enacting a property tax "freeze" for citizens over 65 which would refund the difference between the current property tax and that paid in the year the property-owner reached age 65. The 1975 legislature added an income-adjusted property tax credit for every taxpaying property owner, and offset the lost tax revenue for counties and municipalities by enacting new state aids for welfare and general municipal expenditures. It also enacted an income tax forgiveness and relief program for low income workers. Overall, it continued the trend away from the property tax and toward the income tax and the sales tax as major sources of revenue.

The Tax Revenue Sources table illustrates trends in state government financing over the past 55 years. Note that the property tax in 1922 was only slightly less important as a percentage of total tax revenues than the income tax is today. Note also the decline in importance of the gross earnings and motor vehicle taxes, although these sources of revenue have greatly increased in dollars since 1922. Their decline in importance indicates the tremendous increase in total state tax revenues, from \$29,400,000 in 1922 to over \$2,000,000,000 in 1975. (This table does not include the revenues of local government units. Thus there is no property tax revenue shown in the last two columns, because the state property tax was eliminated in 1967.)

The General Revenue Sources table shows the importance of revenue other than taxes for financing state and local governments. Federal aid has become an increasing source of revenue, rising at a faster rate in the past 15 years than revenue from state and local sources.

GENERAL REVENUE SOURCES OF STATE and LOCAL GOVERNMENTS IN MINNESOTA FISCAL 1960, 1967 and 1974

SOURCE	1960 million dollars	1967 million dollars	1974 million dollars
All sources:			
From Federal Government	143.4	314.3	820.9
From Own Sources	926.6	1,626.9	3,528.1
TOTAL	1,070.0	1,941.2	4,349.0
STATE and LOCAL SOURCES			
Taxes	743.4	1,278.8	2,725.6
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The only one of these recommendations enacted into law by the next legislature was the removal of the state tax on household goods, with county boards directed to phase out this tax by 1968. Few of the committee's other recommendations have ever been implemented. There was, in fact, very little tax activity in the legislatures of 1959, 1961 and 1963. Existing tax rates were increased, but the basic structure stayed almost the same. Meanwhile, though, the need for new revenues continued to increase. The state government's share of local expenditures grew steadily as proportions of the very young and the very old in the population increased, requiring an increase in education and social welfare spending. With local government units allowed to tax only property, the burden on property owners became so great that the 1963 legislature responded by funding a commission to study the property tax. The study's findings resulted in the Tax Reform and Relief Act of 1967. It eliminated the state's portion of property tax revenue and the personal property tax on farm machinery and livestock, and permitted manufacturers to be taxed on the value of their inventories or their tools and machinery. It gave some property tax relief to older persons and renters and created the property tax relief fund and a county assessor system. To cover the loss in property tax revenues to local government units, a state sales tax was enacted. Part of the revenue from this highly controversial tax was designated for property tax relief through the homestead credit, and to increased state aid to schools and localities. In the next two years, however, local governments greatly increased their spending, and property taxes rose about 40% in Minnesota; there was increased public pressure, particularly from senior citizens, for lower property taxes.

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SOURCE: 1922-1962: Report of the Governor's Minnesota Tax Study Committee, 1962
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CRITERIA

What makes a tax good or bad, fair or unfair? How can we judge the effects of a widely diversified tax system, such as we have in Minnesota, on individuals — on people? Are taxes a burden on the majority of people? On a minority? Are the people getting their "money's worth"?

Over the years, various criteria, or standards of testing, have been applied to individual taxes as well as to the total tax system. Beginning with Adam Smith's statement that a tax should be "simple, certain and convenient," and his expansion of these objectives in his 1776 "canons of taxation" from *The Wealth of Nations*, criteria for evaluating taxes have been expanded and refined. Some are useful for individual taxpayers in evaluating taxes, others are important to government.

Whether a tax is *equitable*, or fair, is probably the most important criterion. It is most important to the people, and it is also important to government, inasmuch as elected officials try to please their constituencies. The concept of equity assumes that a tax should affect people in similar economic situations the same, and includes such guidelines as ability to pay, benefits received, and widespread participation in paying the tax. Equity is probably the most difficult quality to measure.

In using *ability to pay* as a criterion for evaluating the equity of a tax, we need to know three definitions: 1) A tax is *progressive* when it takes a bigger percentage of a large income than a small one (state and federal income taxes are generally *progressive* taxes). 2) A tax is *proportional* if it takes the same percentage from everybody. 3) A tax is *regressive* if it takes a bigger percentage of a small income than a large one (a general sales tax with no exemptions is *regressive*).

If we use *benefits received* as a measurement of equity, we are asking whether people who benefit from a government program should pay for it. This was a fairly workable idea in the days when government was primarily concerned with serving the property owners who paid most of the taxes. Today, however, a great deal of government money is spent on welfare and education, and those who benefit can hardly be taxed to pay the costs of these programs. Current examples of application of the benefits received principle find government using excise taxes on motor fuels to pay for highways, selling game and fish licenses to help finance the state's Department of Natural Resources, and charging tuition at state universities.

Philosophically, the criterion of *widespread participation*, which requires a broad segment of the population to pay a tax, assumes that people's interest in and awareness of government increases with the level of taxes they pay, and considers this a good thing. However, the Minnesota 4% retail sales tax, while allowing for widespread participation and therefore by definition being equitable, is also regressive, because it takes a larger proportion of income from the poor, who spend all their income and do not have any surplus, such as wealthier people do, for savings, investment, charity, and so on. Minnesota has tried

to make its sales tax less regressive by exempting food and clothing and prescription drugs.

So far, we've been talking about people-oriented criteria. The government also has criteria for evaluating taxes. An important one is the concept of revenue yield, which includes such factors as *adequacy, productivity, reliability, stability, flexibility* and *elasticity*. The Minnesota income tax, for example, takes all these factors into consideration. It is adequate and productive, because it provides enough revenue to pay for the needs for which it was adopted. It is reliable and stable, because it gives government a predictable source of revenue and gives people some certainty of the amounts they are expected to pay. Yet it is also flexible and elastic, because it is a progressive tax, and thus mirrors changing economic conditions. As incomes rise, the total tax yield increases more than total taxable income, because more people move into higher income brackets, which are taxed at higher rates. This flexibility makes the government happy, and it's also good for the taxpayer, because it imposes a lower tax rate when incomes drop. In times of inflation, however, the taxpayers whose incomes rise only to keep pace with inflation will find themselves in a higher income bracket, and their real income will be reduced.

It is also important that people who pay taxes and people who collect them are able to understand and easily obey the tax laws. If a tax is administered equitably, efficiently and economically by the government, and if it is easy, convenient, and predictable for the taxpayer, everybody will benefit. Economical, efficient tax-collecting leaves more funds to provide public services for people; a tax which is simple (easily understood by people) and convenient (easily paid) enables government to enforce compliance with the tax law and reduce tax evasion. Withholding taxes on wages and salaries, and collecting retail sales tax at time of purchase, are examples of making taxes convenient for people to pay, although the items exempted from the sales tax to make it less regressive have confused some and made it harder for retailers to compute and pay their sales taxes. A similar complication may arise from the 1975 Income-Adjusted Homestead Credit, which was first applied in 1976. It was designed to make the property tax less regressive by considering each property owner's income, but property owners and even tax experts have found it extremely complicated to compute, and administrative and compliance costs may be unjustifiably high in relation to the benefits of adding this "ability to pay" factor to the property tax.

Attention to the whole picture also should include an understanding of a comparatively new development — government manipulation of general economic conditions through taxing, spending and borrowing. The old assumption was that a tax should be "economically neutral", should not work to the hardship or advantage of any specific group in the community. Today, some taxes are

levied precisely because they are not economically neutral, because they influence individual or business behavior. Revenue policy is used primarily at the federal level to affect economic growth, distribution of income, and use of resources. In Minnesota, the state gives income tax credits for pollution control devices. This is one way of using tax policy to influence business decisions.

A final important factor in determining the economic impact of a tax is its *incidence* — that is, who eventually pays it. The *impact* of a tax falls on the first person or business paying it. But if that person or business can shift the tax to someone else, it becomes an *indirect tax* whose *incidence*, or final resting place, is always on people, even though the original tax may have been on business or property. An example is the corporate income tax, which in the final analysis is paid by consumers in higher prices, workers in lower wages, or stockholders in smaller dividends. Another example is the shifting of property taxes to renters; this can be compensated for by giving tenants'

GLOSSARY

The following terms refer to both taxation and expenditures in public financing and will be used in all four "Facts and Issues." They will not be fully defined each time they are used in the texts. Most of the terms are used universally in the field of public finance; those referring only to Minnesota are so indicated.

ability to pay: the principle that a tax should be levied on individual taxpayers in accordance with their ability to pay, rather than in proportion to benefits they receive or how much it costs the state for services rendered.

apportioned tax: a tax collected by one political unit but distributed among several.

assessment: (1) a value placed on property for the purpose of taxing it; (2) amount exacted as a tax.

assessed value: in Minnesota, the actual market value of property is reduced by a specified percentage set by the government; the resulting "assessed value" is the valuation used in computing taxes on the property.

benefits-received principle of taxation: the principle that taxpayers should pay taxes in proportion to the benefits they receive.

capital outlay expenditure: direct expense of construction and/or purchase of equipment, land, and buildings used to produce income.

circuit-breaker: in Minnesota, refers to the income-adjusted homestead credit — a property tax credit based on income and amount of property taxes paid.

rent credits, either as an income tax credit or refund, or as a cash payment.

When applying criteria to taxes, it is important to remember that some criteria are compatible, some are direct opposites. No tax can meet all criteria. *Who* does the evaluating is also important, for personal values and self-interest can influence the relative importance of criteria to different people. Taxes also must be evaluated in the context of the total tax and expenditure structure, which includes federal, state, and local taxes, both direct and indirect. And still another factor making application of criteria difficult is that a multi-tax system like Minnesota's dilutes the inequities of any one tax, since the inequities of each tax may fall on a different group. It also may make for lower tax rates in some areas, since there are so many different sources of tax revenue.

In the pamphlet describing specific taxes in Minnesota, appropriate criteria will be applied to each tax in an effort to help the reader evaluate them.

classified property tax: a tax system in which property is classified according to its nature and purpose, so that different tax rates can be applied against each class; some classes may be exempted from taxation.

compensatory principle of taxation: see benefits-received, above.

consumption tax: a tax levied on some phase of the production or distribution of goods and services, and sometimes applied to customs duties; see excise tax, below.

current operation expenditure: money spent for wages and salaries, and for supplies, materials and contractual services, excepting capital outlay.

delinquent tax: a tax that remains unpaid after the date due.

discriminatory taxation: (1) taxation designed to favor certain industries; (2) any tax exemption or allowance which seems to favor one taxpayer at the expense of another; (3) regressive taxes which put a heavier burden on low-income persons than on high-income persons.

EARC ratio: in Minnesota, the percentage relationship between the assessor's market value and the state-determined market value of property.

EARC values: in Minnesota, actual market value of a tax district's property as determined by the Equalization Aid Review Committee (EARC); made by comparing selling price of properties with the market values at which the properties were assessed.

equalization: adjustment of locally-determined market values in each assessment district, such as county, so that the valuations in each district represent the same percentage of actual market value.

estate tax: tax levied on estate of a deceased person before the estate is divided among the heirs.

excise tax: a selective sales tax; see consumption tax, above.

expenditure: money paid out by government, excepting debt payments, investments, loans, and transactions between government agencies.

foundation aids: in Minnesota, state aids provided to school districts on the basis of pupil units; supplements local property taxes.

franchise tax: tax levied on some special privilege extended by government to a private enterprise.

general expenditure: all government expenditures except those necessary to operate public utilities, liquor stores, and insurance trust funds.

general revenue: all revenue of a government except revenue from operation of public utilities, liquor stores, and insurance trust funds.

general revenue sharing: money received by state and local governments from the federal government under the State and Local Fiscal Assistance Act of 1972.

gift tax: a tax imposed on property transferred from one person to another as a gift.

hidden tax: an indirect tax which is part of the price of goods and services; the taxpayer doesn't know he or she is paying it.

homestead: in Minnesota, a residence occupied by its owner; a property owner may have only one homestead.

incidence of taxation: who really pays a tax irrespective of how or against whom it is levied (for example, a sales tax is almost always paid by the consumer although the seller is the one formally taxed; thus the incidence is on the consumer).

income tax: federal, state or local tax on corporate or individual income, which includes wages, rents, interest, dividends, royalties, profits, commissions, etc.

indirect tax: a tax which can be easily passed on to someone else by the person required to pay the tax; see incidence of taxation, above.

inheritance tax: tax paid by an individual who receives property from the estate of a deceased person.

intergovernmental expenditure: payments from one unit of government to another as grants-in-aid, shared revenue, payments in lieu of taxes, or reimbursements for services.

joint return: for tax purposes, combined report of income of husband and wife.

levy limits: amount local governments are permitted to levy against their property tax base for certain services.

license tax: see occupation tax.

limited market value: in Minnesota, properties reassessed at more than 10% above former value, or 1/4th of the increase in valuation, must be increased in increments; the old value plus the incremental increase constitute the limited market value, which is then used for computing the tax on the property.

local government aids: in Minnesota, state aids to counties, cities, towns and special taxing districts, based on population, mill rate and sales ratio.

luxury tax: a tax imposed on articles not considered essential to a normal standard of living.

market value: what the assessor says a property is worth, and supposedly what the property would be worth if it were sold; however, market value varies in Minnesota sometimes 20-30% from actual value.

mill: a unit of value used to determine taxes on Minnesota property and payrolls; if one mill is levied by local government, the taxpayer pays \$1 on every \$1,000 of assessed value, a two mill levy would mean \$2 on every \$1,000, etc.

miscellaneous general revenue: money government receives from charges for public services, special assessments against property owners, interest earnings (excluding interest earned on insurance trust funds), and any other money taken in except taxes and intergovernmental revenue.

occupation tax: (1) fee charged for license issued by the government for certain occupations and professions; (2) generally, a tax levied on a particular occupation or profession, also known as a privilege tax or a license fee.

payroll tax: tax levied against an employer, based on wages and salaries he pays to his employees.

personal property tax: see property tax.

privilege tax: see occupation tax.

proceeds: money a tax yields after collection costs are deducted.

progressive taxation: a tax which takes a larger percentage of income as income increases.

property tax: a tax levied on any kind of property, including land and buildings (real property) and stocks and bonds or home furnishings (personal property).

proportional taxation: a tax which takes the same percentage of income from all income levels.

public revenue: government income from taxes and all other sources.

real estate tax: see property tax.

regressive taxation: a tax system which takes a larger percentage of low income than of higher income.

revenue: all money received by a government, except that received from borrowing, liquidation of investments, and agency and private trust transactions.

sales ratio: in Minnesota, the comparison between the assessor's estimated market value and the actual selling price of property as determined by the EARC.

sales tax: tax levied on sale of goods and services.

severance tax: tax levied on value of natural resources taken from land or water.

shifting of taxation: see incidence.

special aids: in Minnesota, school aids for specific purposes such as transportation, education of the handicapped, etc.; see foundation aids.

special levies: in Minnesota, levies which are not covered by the levy limitation law, principally welfare and bonded debt levies.

surtax: (1) an extra tax on an amount which has already been taxed; (2) additional tax calculated as a percentage of a tax already levied.

Statewide Survey Results

In March, 1976, members of 52 Leagues of Women Voters conducted a statewide telephone survey on people's attitudes and knowledge of government financing in Minnesota. 244 people, chosen by random sample, were surveyed. The questions and responses are shown here. Although 244 people were surveyed, totals may be different since not all people answered all questions.

1. *Of the three major taxes in Minnesota, the individual income tax, the property tax, and the sales tax, which do you feel is the most fair?* individual income - 74, property - 31, sales - 125
Which do you feel is the least fair? individual income - 84, property - 101, sales - 40
2. *Of all the taxes collected by state and local governments, do you happen to know which raises the most money?* individual income - 87, property - 36, sales - 28, not sure - 86
3. *Do you feel the services you receive from state and local governments are adequate in relation to the taxes you pay; that is, do you think you're getting money's worth?* yes - 108, no - 92, uncertain - 42
4. *Do you happen to know on which of the following items you pay a sales tax?* food - 17, automobiles - 205, drugs and medicines - 41, household appliances - 203, fur coats - 150

tax base: a unit of value, privilege or object used as a base for calculating a tax to be levied; it may be property, income, an estate, a corporate franchise, an occupation, or the volume, number, quality, or other characteristic of certain articles. To this the rates are applied: base times rate equals tax.

tax exempt: persons, property, or goods not subject to taxation.

tax limit: constitutional or legislative limitation on kind of tax and maximum rate.

tax revenue: all revenue a government gets from taxes it imposes, including interest and penalties.

tax sharing: a tax levied and collected by one jurisdiction and shared with others; see general revenue sharing.

use tax: tax designed to reach taxable persons who have not paid the sales tax.

value added tax: a tax on all levels of manufacturing, processing and distribution based on the amount each operation adds to the price.

5. *Many people feel the income tax forms are too complicated, too hard to understand and fill out; do you pay someone to help you fill out your income tax forms?* yes - 150, no - 67, not sure - 5
6. *Do you know whether any of your state income tax moneys are used to help run your local city or county government?* yes - 146, no - 30, not sure - 65
7. *Do businesses in MN pay more of the total income tax than individuals?* yes - 62, no - 106, not sure - 73
8. *Does state government levy general property taxes?* yes - 68, no - 101, not sure - 73
9. *By state law, assessors are required to assess property at its full market value. How do you feel most property in your community is assessed in relation to its actual market value?* higher - 51, lower - 88, about the same - 60, no opinion - 41
10. *If the assessment of a piece of property is raised, will the tax on that property automatically be raised?* yes - 146, no - 20, not necessarily - 45, not sure - 30
11. *Do you happen to know, on the average, what portion of the local property tax goes to finance local schools?* 1/4 - 42, 1/2 - 58, 3/4 - 25, not sure - 117
12. *Of all the money that will be spent on public assistance (welfare) programs in MN, do you happen to know how much comes from local tax sources?* 8% - 34, 29% - 50, 57% - 22, not sure - 133

13. *Do the taxes you pay have an influence on who you vote for?* yes - 80, no - 148, not sure - 14
14. *Are there any government services you'd like to see improved even if it would mean increasing taxes?* "nothing" or "none" was mentioned most (66 times); others mentioned often were: local law enforcement, health and hospitals, education, highway building and maintenance; other answers mentioned at least once covered the entire scope of governmental services.

Are there any services you'd like to see cut back? "nothing" or "none" mentioned 65 times; welfare and highways were also mentioned (although many welfare responses were categorized as welfare "reform"); many of the responses referred to administrative costs or bureaucratic excesses in many different areas of governmental services.

Correct Answers:

2. *Property taxes* 31.8%
Individual income tax 25.6%
Sales and use taxes 13.8%
Corporate income tax 6.2%

*All 1975
estimated figures from
MN Dept. of Revenue*
4. *yes — household appliances, fur coats (usually) although automobiles are exempt from the MN Sales Tax, they are subject to a 4% motor vehicle tax.*
6. *yes — state supplements local government revenues from the property tax via local government aids (aids to counties, municipalities, townships, special districts, and aids to school districts).*
7. *no — of total income taxes collected in 1973, 16.5% came from corporation tax.*
8. *no — local governments levy property taxes; counties collect and administer them.*
10. *not necessarily — the amount of tax is determined by the mill rates of the government units in the county. If all assessments were raised equally, the mill rate could be lowered and taxes remain the same.*
11. $\frac{1}{2}$ — statewide average is 54%.
12. 8% — the major portion comes from federal sources.

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FACTS and ISSUES FINANCING STATE GOVERNMENT

League of Women Voters of Minnesota

October 1976

Minnesota's Multi-Tax System

This "Facts and Issues" contains a description of every tax used for raising revenue in Minnesota. The major taxes, personal income, property, and sales taxes, are presented first. The other taxes are grouped by type. Each tax is explained in terms of who is taxed, how much is collected, which government unit collects and distributes the tax, and which criteria can be used to evaluate the tax. Collection figures for each tax are for the fiscal year 1975, running from July 1, 1974, to June 30, 1975. The total collected by the Minnesota Department of Revenue and other state agencies in fiscal 1975 was \$2,019,936,000; this does not include property tax revenue, collected by local governments, estimated at \$1,001,208,000 in fiscal 1975.

PROPERTY TAX

One of the first taxes levied by civilized man was the tax on property. As early as the fourth century B.C., the Greeks and Romans were working out definitions for terms like "property," "equitable assessment," and "administration." The property tax survived through the years despite considerable criticism, perhaps because (1) it raises revenue needed by local government units, (2) it has a certain "relevance," because it pays for services to those who are taxed (e.g. street maintenance and fire and police protection), and (3) it is easy to locate for assessing because real property is mostly fixed or immobile. Today, property taxes account for about one out of every six tax dollars collected in the United States.

In computing property taxes in Minnesota, each local taxing district — cities, counties, townships, and special taxing units like school districts — decides how much money it needs from the property tax for the coming year. This amount, called a levy, is applied against the assessed values to arrive at the mill rates required to raise necessary amounts. Then all the mill rates for a given area are applied to the assessed value of each piece of property within the area to compute the tax on that property. The property owner pays the taxes to the county treasurer, who returns the money to each local government or taxing unit in proportion to the unit's mill rate.

Not to be confused with property tax are special assessments levied on property for improvements like storm sewers, curbs, water mains, and sidewalks. Such improve-

ments may benefit the property receiving them and may increase the market value of the property, but special assessments are levied for specific projects and appear on property tax statements as a separate item.

Although the state no longer imposes or collects the property tax, it still regulates many of its aspects. Sometimes, such regulation becomes extremely complicated. For example, state law requires that all property in Minnesota must be valued at market value for tax purposes. This means that the assessor's estimated value for each real estate parcel should be the same as the probable selling price of the property, thus "equalizing" taxes for individual property owners and taxing districts. Actual practice, however, varies considerably, despite the law. Studies have shown that estimated market values in the state range from 50% to 140% of actual market value; this ratio of estimated market value to probable selling price at the time of assessment is called the sales ratio. Recognizing this variation, and recognizing its special importance to local governments and school districts, whose municipal aids and state school aids are based on the equalization principle, the state has established the Equalization Aid Review Committee (EARC). The state commissioners of education, revenue, and administration meet as the EARC to review such studies and adjust assessed values where necessary. Assessment/sales ratio studies also provide valuable information for taxpayers, assessors, the legislature, and tax administrators.

The state legislature also limits the amount of revenue each taxing unit can raise by property tax levies. The first such legislation was passed in 1971. Today, there are two basic levy limitation laws; one pertains to local governments and one to school districts. Local governments with a population over 2500 are limited to a percentage increase per year, while school districts are limited to increases based on the maximum mill rate.

There are also numerous tax advantages in the form of classifications, credits, and exemptions by which the legislature has tried to make the property tax less burdensome and more equitable. The first of these devices was classification, adopted in 1913. The legislature divided real and personal property into four classes, with the tax rate applied to varying proportions of assessed value. The home-

stead classification was adopted in 1933 to help property owners in danger of foreclosure and eviction. It was also supposed to encourage homeownership, because it reduced the tax levied on real property occupied by its owner. The homestead classification now includes mobile homes, and defines a farm homestead as up to 120 acres of land contiguous to the dwelling. The number of classifications has increased steadily over the years; currently there are more than 30. This makes Minnesota's tax system complex and cumbersome to administer, and makes property difficult to assess. Some classification of property may be desirable, but many experts deplore the results of the system: favored treatment of one group or class of property is nearly always achieved at the expense of other groups.

The Tax Reform and Relief Act of 1967 introduced the first tax credit for property owners through the homestead credit. Low-income senior citizens and renters were also given special property tax relief by the 1967 legislature. Each legislative session since 1967 has made changes in the credit. In 1973, for example, totally disabled and legally blind persons became eligible for the credit, and a special property tax "freeze" was enacted, freezing the net homestead property tax at the amount it was when the homeowner reached age 65. This freeze now depends on income.

In 1975 the legislature created the income-adjusted homestead credit. It introduced the concept of personal income as a factor in the property tax system. This was Minnesota's first "circuit breaker" type legislation, so-called because it prevents an overload on taxpayers, just as an electrical circuit breaker prevents an overload on an electric power source. It authorized the state to "pay" the taxpayer, in the form of a credit against his income taxes, if property taxes exceeded a certain percentage of household income. Renters also benefit from this circuit breaker. They may assume that 20% of their rent goes for property tax, and apply for a refund or state income tax credit. The income-adjusted homestead credit, and the other special freezes and credits, are administered through the income tax, and are further explained in that section.

Another legislative device concerns certain kinds of property which are exempt from taxation — property owned by religious, educational, charitable, and governmental entities, certain personal property, Indian lands, real and personal property used to control air, water or land pollution, and industrial commercial tools, machinery and equipment. Certain types of public utilities property are also exempt, but are subject to the gross earnings tax instead. Federally owned land is also exempt from taxation except for specific cases authorized by Congress. Some experts view exempt property as beneficial, because tax-exempt private institutions, for example, render services to the community that would otherwise have to be provided at public expense. However, in a community with a high proportion of exempt property, non-exempt taxpayers carry a heavier portion of taxation.

Minnesota's pioneering Fiscal Disparities Act, passed in 1971, acknowledges the wide differences in taxing capabilities of the more than 300 units of government in the seven-county Minneapolis-St. Paul metropolitan area. It

recognizes that benefits of local services flow across the boundaries of the taxing governments, among suburbs, between suburbs and central cities, and among school districts. It calls for pooling 40% of the growth of the commercial and industrial tax base in the metropolitan area. The pooled tax base is then redistributed to local taxing units, both governments and school districts, by a formula based on population and need.

The state legislature has also used its tax regulatory powers to try to achieve more equitable property taxation in other areas. The 1967 Agricultural Property Tax Law, known as the "green acres" law, defers tax increases and special assessments on property in urban fringe areas which is used for agricultural purposes. Although the land may increase in value because of its potential for residential or commercial use, the tax continues to be based on the value for agricultural use until it's sold or is no longer used for agriculture. It is then subject to additional taxes equal to the difference between its agricultural value and its market value for the three years of deferment immediately preceding the sale. Thus increases in land values do not discourage property-owners on the urban fringe who want to continue farming. Here too, however, tax relief granted to one group must be borne by other groups.

Two other taxing methods offered by the state and designed to encourage use of land for conservation practices are the Tree Growth Tax and the Auxiliary Forest Tax. Owners of five or more acres of forest land may apply to have their land taxed under the "tree growth" tax law instead of paying any other type of property tax on it. Charges for the land differ according to its current productivity. Land suitable for growing commercial timber, in lots of no less than five nor more than 40 acres, may be taxed as "auxiliary forests" if the county auditor approves. This levy supersedes any property tax. Salable timber or mineral interests in the land are taxed separately.

The 1975 state legislature passed a number of laws which affect property taxes. In addition to the income-adjusted homestead credit, the legislature (1) directed the state to assume 90% of non-federally funded medical welfare costs which counties had been funding primarily through the property tax. (2) increased state aid to local governments and revised the formula for distributing such aids; (3) modified tax levy limitations to reduce restrictions on local spending; (4) repealed the 5% assessment limitation on increases in property valuation so that all property assessments may be brought up to market value within four years; (5) changed homestead assessment procedures to make them more responsive to inflation; (6) increased the taconite production tax and changed its distribution formula; (7) increased the school maintenance mill reduction for agricultural property and seasonal recreational property.

Revenue from property taxes in Minnesota was estimated at \$1,001,208,000 in fiscal 1975. While this figure has been rising, it has grown smaller as a percentage of total revenues in the state, reflecting the legislation drawn to afford relief to property owners. In fiscal 1974, for the first time, the property tax lost its distinction as top revenue raiser in Minnesota, being surpassed by the combined total of personal and corporate income tax revenues.

If economists and politicians were polled on which of tax they preferred, most would probably choose the income tax. Economists like it because it can be structured in accordance with the taxpayer's ability to pay; politicians like it because it is a relatively easy way to raise substantial sums of money. Minnesota first levied a state income tax in 1933; today it is the state's major source of tax revenue. In fiscal 1975 it produced \$807,100,000, or about 40% of state tax revenues. Collected by the Minnesota Department of Revenue, it goes to the state treasury, where it is credited to the general revenue fund.

The Minnesota income tax is levied on most income including wages, salaries, tips, dividends, interest, pensions and annuity payments. Wages and salaries are taxed by withholding a specified portion; other forms of income are taxed in quarterly prepayments based on a declaration of estimated tax. By law, Minnesotans must file an income tax return if their Minnesota income exceeds a certain specified amount, the amount varying with such factors as age and marital status.

The taxpayer does not pay income tax on gross income. Instead, he pays taxes on what is called taxable income. To arrive at taxable income, the taxpayer must first compute his Minnesota adjusted gross income. This is all the money received during the year which is subject to Minnesota taxation, including any federal income tax refund, minus federal taxes paid for the year. Then the standard or itemized deductions allowable are subtracted from this adjusted gross income; what's left is taxable income.

Besides being able to reduce the net income on which taxes must be paid, the taxpayer may be able to reduce the tax itself by using tax credits. Minnesota law provides two types of credits, refundable and non-refundable. Refundable credits may be paid to the taxpayer in cash, non-refundable ones are subtracted from his tax liability. There are five *non-refundable credits*. (1) *Personal and dependent credits*, allowed since 1972, include \$21 each for the taxpayer, his or her spouse, each dependent, and the estate of a family member who has died during the year, plus an additional \$21 for the spouse if they are 65 or older. (2) *Income tax paid to other states* can be credited if the income was derived from personal or professional services, if the other state doesn't allow a credit for Minnesota residents, and if he must pay income tax to the other state on the earnings. (3) *Pollution control equipment credit* can be taken for items purchased to reduce air, land, or water pollution. (4) *Political contributions* to a party and candidate can be used as a tax credit up to 50% of the contribution up to \$12.50, or to \$25 for a married couple filing jointly. When the contribution is only to a party, the credit is \$5 for an individual and \$10 for a joint return. (5) *Low income credit* "forgives" all or part of income tax owed by the so-called "working poor." The amount of qualifying income varies according to family size, from \$4,400 for a single wage-earner to \$7,800 for a family of six or more.

There are three *refundable credits* which may be paid in cash to the taxpayer if they exceed his total state income tax liability. (1) *the income-adjusted homestead credit (circuit breaker)* — enacted by the 1975 legislature — attempts to tie property tax liability to a renter's or homeowner's income. It is based on whether the homeowner's

ERRATA Facts and Issues Financing State Government

MINNESOTA'S MULTI-TAX SYSTEM

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sentence beginning on line 4 should read:

Homeowners over 65, disabled persons, and renters may claim this credit against their income taxes or receive a cash payment if the amount due exceeds their tax liability; other homeowners must claim it as a cash refund.

taxes, this form of taxation does meet a number of the common criteria for judging a tax. One of the chief advantages is that it matches the taxpayer's ability to pay, because the rate structure is progressive up to \$20,000 of taxable income, and it can be personalized through deductions and credits so that, for example, a single taxpayer with an income of \$8,000 pays more than a married taxpayer trying to support a spouse and two children on the same \$8,000.

Another feature of the income tax which is attractive to government is that it is elastic. It is the only major tax which grows faster than overall economic activity. A 10% rise in personal income can yield a 15% increase in tax collections, because as a taxpayer's income rises, he or she moves into higher tax brackets. Much of the \$200,000,000 surplus in the state treasury at the end of the 1975-76 biennium was a result of the elastic nature of the income tax. Income tax receipts in fiscal 1975 increased 15% over 1974, although the rate structure stayed the same.

Other qualities of the income tax desirable to government are its high yield and the relative ease with which it is administered.

The Minnesota income tax does have its limitations, however. Some contend that the current flat rate of taxation on incomes over \$20,000 should be changed to make the rates progressive at higher levels of income. One way to accomplish this would be elimination of the federal deductibility provision, which would raise taxes substantially for persons with higher incomes by no longer allowing Minnesota taxpayers to deduct federal taxes paid from their state taxable income. The federal rate structure is more progressive than Minnesota's, so if Minnesota eliminated federal deductibility, people in higher income brackets would see their taxable income increase by a larger percentage than people with lower incomes.

In considering the merits of this suggestion, it might be instructive to examine the impact of federal deductibility on state revenues. The federal income tax is the single

stead classification was adopted in 1933 to help property owners in danger of foreclosure and eviction. It was also supposed to encourage homeownership, because it reduced the tax levied on real property occupied by its owner. The homestead classification now includes mobile homes, and defines a farm homestead as up to 120 acres of land contiguous to the dwelling. The number of classifications has increased steadily over the years; currently there are more than 30. This makes Minnesota's tax system complex and cumbersome to administer, and makes property difficult to assess. Some classification of property may be desirable, but many experts deplore the results of the system: favored treatment of one group or class of property is nearly always achieved at the expense of other groups.

The Tax Reform and Relief Act of 1967 introduced the first tax credit for property owners through the homestead credit. Low-income senior citizens and renters were also given special property tax relief by the 1967 legislature. Each legislative session since 1967 has made changes in the credit. In 1973, for example, totally disabled and legally blind persons became eligible for the credit, and a special property tax "freeze" was enacted, freezing the net homestead property tax at the amount it was when the homeowner reached age 65. This freeze now depends on income.

In 1975 the legislature created the income-adjusted homestead credit. It introduced the concept of personal income as a factor in the property tax system. This was Minnesota's first "circuit breaker" type legislation, so-called because it prevents an overload on taxpayers, just as an electrical circuit breaker prevents an overload on an electric power source. It authorized the state to "pay" the taxpayer, in the form of a credit against his income taxes, if property taxes exceeded a certain percentage of household income. Renters also benefit from this circuit breaker. They may assume that 20% of their rent goes for property tax, and apply for a refund or state income tax credit. The income-adjusted homestead credit, and the other special freezes and credits, are administered through the income tax, and are further explained in that section.

Another legislative device concerns certain kinds of property which are exempt from taxation — property owned by religious, educational, charitable, and governmental entities, certain personal property, Indian lands, real and personal property used to control air, water or land pollution, and industrial commercial tools, machinery and equipment. Certain types of public utilities property are also exempt, but are subject to the gross earnings tax instead. Federally owned land is also exempt from taxation except for specific cases authorized by Congress. Some experts view exempt property as beneficial, because tax-exempt private institutions, for example, render services to the community that would otherwise have to be provided at public expense. However, in a community with a high proportion of exempt property, non-exempt taxpayers carry a heavier portion of taxation.

Minnesota's pioneering Fiscal Disparities Act, passed in 1971, acknowledges the wide differences in taxing capabilities of the more than 300 units of government in the seven-county Minneapolis-St. Paul metropolitan area. It

recognizes that benefits of local services flow across the boundaries of the taxing governments, among suburbs, between suburbs and central cities, and among school districts. It calls for pooling 40% of the growth of the commercial and industrial tax base in the metropolitan area. The pooled tax base is then redistributed to local taxing units, both governments and school districts, by a formula based on population and need.

The state legislature has also used its tax regulatory powers to try to achieve more equitable property taxation in other areas. The 1967 Agricultural Property Tax Law, known as the "green acres" law, defers tax increases and special assessments on property in urban fringe areas which is used for agricultural purposes. Although the land may increase in value because of its potential for residential or commercial use, the tax continues to be based on the value for agricultural use until it's sold or is no longer used for agriculture. It is then subject to additional taxes equal to the difference between its agricultural value and its market value for the three years of deferment immediately preceding the sale. Thus increases in land values do not discourage property-owners on the urban fringe who want to continue farming. Here too, however, tax relief granted to one group must be borne by other groups.

Two other taxing methods offered by the state and designed to encourage use of land for conservation practices are the Tree Growth Tax and the Auxiliary Forest Tax. Owners of five or more acres of forest land may apply to have their land taxed under the "tree growth" tax law instead of paying any other type of property tax on it. Charges for the land differ according to its current productivity. Land suitable for growing commercial timber, in lots of no less than five nor more than 40 acres, may be taxed as "auxiliary forests" if the county auditor approves. This levy supersedes any property tax. Salable timber or mineral interests in the land are taxed separately.

The 1975 state legislature passed a number of laws which affect property taxes. In addition to the income-adjusted homestead credit, the legislature (1) directed the state to assume 90% of non-federally funded medical welfare costs which counties had been funding primarily through the property tax. (2) increased state aid to local governments and revised the formula for distributing such aids; (3) modified tax levy limitations to reduce restrictions on local spending; (4) repealed the 5% assessment limitation on increases in property valuation so that all property assessments may be brought up to market value within four years; (5) changed homestead assessment procedures to make them more responsive to inflation; (6) increased the taconite production tax and changed its distribution formula; (7) increased the school maintenance mill reduction for agricultural property and seasonal recreational property.

Revenue from property taxes in Minnesota was estimated at \$1,001,208,000 in fiscal 1975. While this figure has been rising, it has grown smaller as a percentage of total revenues in the state, reflecting the legislation drawn to afford relief to property owners. In fiscal 1974, for the first time, the property tax lost its distinction as top revenue raiser in Minnesota, being surpassed by the combined total of personal and corporate income tax revenues.

STATE INCOME TAX

If economists and politicians were polled on which kind of tax they preferred, most would probably choose the income tax. Economists like it because it can be structured in accordance with the taxpayer's ability to pay; politicians like it because it is a relatively easy way to raise substantial sums of money. Minnesota first levied a state income tax in 1933; today it is the state's major source of tax revenue. In fiscal 1975 it produced \$807,100,000, or about 40% of state tax revenues. Collected by the Minnesota Department of Revenue, it goes to the state treasury, where it is credited to the general revenue fund.

The Minnesota income tax is levied on most income, including wages, salaries, tips, dividends, interest, pensions, and annuity payments. Wages and salaries are taxed by withholding a specified portion; other forms of income are taxed in quarterly prepayments based on a declaration of estimated tax. By law, Minnesotans must file an income tax return if their Minnesota income exceeds a certain specified amount, the amount varying with such factors as age and marital status.

The taxpayer does not pay income tax on gross income. Instead, he pays taxes on what is called taxable income. To arrive at taxable income, the taxpayer must first compute his Minnesota adjusted gross income. This is all the money received during the year which is subject to Minnesota taxation, including any federal income tax refund, minus federal taxes paid for the year. Then the standard or itemized deductions allowable are subtracted from this adjusted gross income; what's left is taxable income.

Besides being able to reduce the net income on which taxes must be paid, the taxpayer may be able to reduce the tax itself by using tax credits. Minnesota law provides two types of credits, refundable and non-refundable. Refundable credits may be paid to the taxpayer in cash, non-refundable ones are subtracted from his tax liability. There are five *non-refundable credits*. (1) *Personal and dependent credits*, allowed since 1972, include \$21 each for the taxpayer, his or her spouse, each dependent, and the estate of a family member who has died during the year, plus an additional \$21 for the spouse if they are 65 or older. (2) *Income tax paid to other states* can be credited if the income was derived from personal or professional services, if the other state doesn't allow a credit for Minnesota residents, and if he must pay income tax to the other state on the earnings. (3) *Pollution control equipment credit* can be taken for items purchased to reduce air, land, or water pollution. (4) *Political contributions* to a party and candidate can be used as a tax credit up to 50% of the contribution up to \$12.50, or to \$25 for a married couple filing jointly. When the contribution is only to a party, the credit is \$5 for an individual and \$10 for a joint return. (5) *Low income credit* "forgives" all or part of income tax owed by the so-called "working poor." The amount of qualifying income varies according to family size, from \$4,400 for a single wage-earner to \$7,800 for a family of six or more.

There are three *refundable credits* which may be paid in cash to the taxpayer if they exceed his total state income tax liability. (1) *the income-adjusted homestead credit (circuit breaker)* — enacted by the 1975 legislature — attempts to tie property tax liability to a renter's or homeowner's income. It is based on whether the homeowner's

property tax, or the portion of property tax included in rent, exceeds a certain percentage of the taxpayer's gross income. The percentage rises with income and is determined by a sliding scale. Homeowners over 65, disabled persons, and renters may claim this credit against their income taxes or receive a cash payment if the amount due exceeds their tax liability; other homeowners can claim it only as a credit against their income tax. It does not replace the existing homestead credit allowed against a homeowner's property tax, but the income-adjusted credit is reduced by the amount allowed for the homestead credit. (2) *The property tax freeze credit* freezes a homeowner's property tax when he reaches 65. The state then pays the county any difference between the amount at which the tax was frozen and the amount due in subsequent years. The 1975 circuit breaker legislation partially removed the freeze for senior citizens with incomes over \$10,000; those with annual incomes of \$19,500 or more must pay current property taxes in full. (3) There is also an *exempt agricultural electricity credit*, which refunds sales tax paid on electricity used for farming.

Although taxpayers lament about having to pay income taxes, this form of taxation does meet a number of the common criteria for judging a tax. One of the chief advantages is that it matches the taxpayer's ability to pay, because the rate structure is progressive up to \$20,000 of taxable income, and it can be personalized through deductions and credits so that, for example, a single taxpayer with an income of \$8,000 pays more than a married taxpayer trying to support a spouse and two children on the same \$8,000.

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In considering the merits of this suggestion, it might be instructive to examine the impact of federal deductibility on state revenues. The federal income tax is the single

most important deduction Minnesotans make in computing their taxable income; it comprised 48% of all deductions in 1968. As a result of this deduction, 14% of gross income earned in Minnesota is not subject to Minnesota income tax. In fiscal 1967, removal of federal deductibility would have increased state tax revenues by \$87,000,000, or 34%, and by fiscal 1973, the increase would have been \$360,400,000. Given the accelerating demands on state government, it's easy to understand why the proposal to eliminate federal deductibility has strong support.

Proponents of this measure also put forward several other arguments in its favor. They claim that permitting federal deductibility makes Minnesota dependent on the federal tax system and its periodic rate changes. They also point out that if federal deductibility were eliminated, the legislature could lower the rate structure and still raise as much as, or more than, the state collects now.

An argument put forward against removal of federal deductibility is that it is unfair to tax income used to pay taxes, but supporters of the idea counter by pointing out that many other taxes are not deductible, and that taxes are simply part of the cost of living, just as goods and services are. The argument for maintaining federal deductibility is strengthened by the fact that Minnesota consistently ranks in the top ten states in income tax rates. With-

SALES AND USE TAX

As the demand for state government services expanded in the 1960's, Minnesota had to find additional sources of revenue, and in 1967 the legislature introduced a 3% sales tax. The sales tax was part of a major tax reform and relief act, and was designed to cover revenue losses projected by elimination of personal property taxes and state property levies. In 1971, the legislature raised this tax to 4%.

Most retail sales are subject to this tax. The important exceptions are food, clothing, and prescription medicines and drugs. Sales taxes are also collected on admissions, amusement devices, furnishing of meals, drinks, and/or take-out food, hotel and motel rooms, electricity, gas, water, and certain telephone services. Coin-operated vending machines which make taxable sales are subject to a tax of 3% of their gross receipts. There is also a use tax, a sales tax primarily intended to cover purchases from out-of-state retailers. It is imposed on the storage, use, or consumption of taxable items, and serves the useful purpose of preventing Minnesotans from evading the sales tax on "big-ticket" items like large appliances, carpeting, or boats by purchasing them in a nearby state. Motor vehicles are exempt from the sales and use tax, but they are subject to a 4% excise tax collected by the Department of Public Safety.

Together, the sales and use taxes netted \$350,000,000 in fiscal 1974 and \$383,000,000 in fiscal 1975. They are expected to generate 17% of all state and local taxes during the 1975-77 biennium. Every person who leases, rents or sells taxable items at retail in Minnesota must have a Minnesota Sales and Use Permit; he must impose the tax on the buyer and report it and pay it to the state. The money goes to the state treasury, where it is credited to the

out lower rates, a rise in individual tax liabilities could become a political liability for many a state legislator.

Another criticism frequently leveled at the Minnesota income tax structure is that the family with one wage-earner is penalized, since it pays taxes at a significantly higher rate than the family with two wage-earners. This happens because Minnesota tax laws make a different distinction between married and single taxpayers than federal laws do. A family with one wage-earner who earns \$20,000, for example, pays approximately \$1,315 in state income tax, but a family with two wage-earners who together earn the same \$20,000 might pay only \$947, depending, of course, on other deductions. Those who favor the present plan contend that families with two wage-earners incur additional expenses, such as child care and transportation, which should be reflected in their tax liability. They also like the balanced contrast Minnesota taxes offer to federal taxes, which fall more heavily on the single taxpayer.

Other proposals for the income tax are concerned with simplification of forms and rates, or changes which would allow more people to use standard rather than itemized deductions. Since taxable income is based primarily on figures from federal income tax determinations, changes proposed in Minnesota are sometimes limited in impact by what happens to the income tax at the federal level.

general fund.

The sales and use tax, like any tax, has both advantages and disadvantages. One of its major advantages is that it is reliable, and its yield grows automatically as the economy grows. Another advantage is that it is economically neutral — that is, it does not materially affect business decisions of either industry or labor. A third advantage is that, because it falls on the ultimate consumer, it is easy to increase or decrease the tax "take" from a given category of users. (A tax increase at any other point in production or sales would involve such things as inventory counting; and setting up new reporting and collecting procedures.) Another advantage of the sales tax in a tourist state like Minnesota is that it is also paid by visitors from out-of-state, who come to enjoy the state's recreational and vacation facilities. By paying sales tax, they help pay for many government services which benefit them, too.

The sales tax is apparently popular with taxpayers — 54% of respondents in the LWVMN telephone tax survey chose it as the "most fair" tax, and it is also popular with the tax collector. Among the reasons are these: (1) it's relatively painless, because it's collected in small and often unnoticed amounts; (2) the taxpayer is always current, never in arrears; (3) there are no lump sum payments to make or deadlines to meet; (4) the government can collect large amounts of money despite the low rate. For example, increasing the sales tax from 3% to 4% in fiscal 1971 brought in an additional \$96,000,000 in tax revenue. Politicians like the sales tax because it seems to incur less voter resistance than other taxes; businessmen like it because it doesn't interfere with how they run their business, and it doesn't take away the incentive to work.

One of the disadvantages of the sales tax is the confusion both buyers and sellers sometimes face when the specific use of an item determines whether it's taxable. If a person is buying upholstery fabric (which is taxable) to make a skirt or vest (which are wearable items of clothing and thus tax-exempt), no sales tax should be charged. The true cost to retailers of these and other collection details is hard to compute, but can be substantial. Another disadvantage of the sales tax is that it is regressive, because it taxes the poor, who must spend a large proportion of their income for necessities, at the same 4% rate as higher-income people. Minnesota tax law combats this regressive feature by exempting food and clothing from the sales tax,

OTHER TAXES

Corporate Excise Tax

Every state that taxes personal incomes also taxes corporate incomes. By law, a corporation has no tax-paying ability separate and apart from that of its stockholders, so Minnesota calls its tax a corporate excise tax, and defines it as a tax on the value of the privilege of operating in the state. In contrast to the personal income tax, which is progressive, the corporation tax is proportional, in that it taxes all income at the same rate.

In fiscal 1975, Minnesota collected \$180,482,000 in corporate excise taxes. Although this was 18.2% of all income tax collected, it was only 9% of total state tax revenues, compared to 40.1% in 1941 and 16.5% in 1973. This decrease in percentage of total tax collections occurred despite an actual increase in collections. The corporate excise tax rate was increased from 7% to 12% during that period, but the addition of new taxes (like the sales tax) and increases in other tax rates made the percentage difference.

A Minnesota corporation is required to file an annual tax return if its gross income is over \$5,000 or its taxable net income over \$500. Since 1973, every such corporation must pay at least the minimum tax of \$100. Net taxable income is determined by total gross income, less business expenses paid during the year and a number of exemptions and credits. For example, there is a formula for exempting out-of-state sales from state income taxes. This formula, in effect, encourages Minnesota-based manufacturers to expand manufacturing, research and office facilities in the state, and serves as an incentive for those firms to sell finished products or services nationwide. There is also a \$500 credit for every corporation filing a return, and there are credits for dividends received from another corporation, contributions to the state and its political subdivisions (but not individuals), and contributions to nonprofit organizations operating in Minnesota. A 5% credit for the cost of buying, installing, and using pollution control equipment is allowed up to a maximum of \$50,000, with feedlot operators allowed 10% and no maximum. Taxes paid to the federal government or to foreign countries are not deductible.

Revenue from the corporate excise tax is deposited in the state treasury and credited to the general fund. Quarterly pre-payments are required if the annual tax is expected to be over \$1,000.

Minnesota's 12% rate for corporate taxes is the highest in the country, and has been a source of conflict between

although it does not exempt certain high-priced, so-called "luxury" items. Fur coats, for example, are an item of clothing, but the buyer must pay sales tax, if the value of the fur is more than three times the value of the next most costly material in the coat. In this way, relatively affluent people who buy expensive items like boats, furs, and recreational goods and services make large sales and use tax payments each year, while low income people whose earnings go primarily for such necessities of life as food and clothing make relatively small sales tax payments. Thus, though the sales tax is still regressive, it is less so in Minnesota than in many other states, except, perhaps, for the very poor and the very rich.

Minnesota business firms and state officials in recent years. A series of articles in the *Minneapolis Star* in December, 1975, examined the issue and concluded that each side had been "overstating" its case. The series made the point that the level of public services the state provides is high enough to bring companies into the state in spite of the high tax rate. Moreover, a recent U.S. Bureau of Economic Analysis report predicts a faster growth of employment in Minnesota through 1990 than in neighboring states which have lower corporate taxes. This could seem to discredit corporation claims that high taxes are costing the state money and jobs.

An important point to remember is that the burden of corporate taxes does not fall on an impersonal business; it falls on people. The corporation's taxes are absorbed by stockholders, who receive reduced dividends, by consumers, who pay higher prices, or by workers, who receive lower wages. The specific incidence of the tax, however — who eventually pays what part of it — is controversial and difficult to measure, although economists continue to investigate this tax-shifting process in an effort to measure the tax burden on different groups in the population more accurately.

Government views the corporate income tax as providing stable, reliable growth in yield. It is easy to administer and there are few attempts to evade the tax.

Bank Excise Tax

The bank excise tax is a 12% tax on the net income of every national and state bank in Minnesota. Each bank is considered a separate corporation, even if it is part of a large bank system or group. Net income is determined just as it is determined for other corporations, with additional adjustments for certain investments and dividends. Filing requirements and tax minimums are also identical to those for corporations. This tax contributed \$15,412,000 to state revenues in fiscal 1975.

The bank excise tax is in lieu of all taxes on capital, surplus, property assets and shares. However, banks do pay the local property tax. Until 1973, part of the revenue from the bank excise tax also went to local taxing districts. Now all revenues are deposited in the state treasury and credited to the general fund.

Like the corporate excise tax, the bank excise tax is stable, grows steadily in yield, and is easy to administer and enforce. Unlike corporate excise taxes, it is not a subject of widespread criticism, perhaps because the tax rate was reduced in 1973 from 13.34% to the present 12%.

Employer's Excise Tax

Minnesota is the only state with an employer's excise tax. Enacted in 1973, this tax is imposed on payrolls over \$100,000 per calendar year. Specifically exempted are freight, express, sleeping car and taconite company railroads, incorporated public institutions, government-owned corporations, and public charitable institutions. The tax rate is two mills per dollar (.2%) on payroll excess over \$100,000, or 1% if an employer has no net taxable income. It is reported and paid quarterly, and all revenue is credited to the state general fund. Revenues from this source totaled \$15,180,000 in fiscal 1975.

The employer's excise tax is stable, efficient, economical and easily administered, but employers call it unfair. They claim it is not based on ability to pay because it does not take corporate income into consideration, and they cite it as an example of the so-called anti-business climate the state legislature has created in the state. The question of who really pays what part of this tax is unanswerable. Obviously, the costs are passed on to stockholders, employees, and customers, just as they are with corporate and bank excise taxes. Legislation to repeal this tax passed the state senate during the last session, but not the house.

Inheritance and Estate Taxes

The inheritance tax is levied when real or personal property is transferred to a new owner after the death of the original owner. The 1976 legislature made several changes in the inheritance tax law. It doubled the amount of property exempted from the inheritance tax from \$30,000 to \$60,000, extended the period of time in which the tax can be paid from one year to five when more than \$5,000 in tax is involved, removed sex designations so that the law refers to the "surviving spouse" rather than the "widow," added an "undue hardship" deferral provision, and increased the deduction which is an amount allowed for survivors' living expenses for one year.

In addition to the inheritance tax, estate taxes may also be levied on estates exceeding \$60,000, but seldom are. This is because such estates are taxed by the federal government; the state estate tax, if one is assessed, is the difference between the maximum federal credit allowed for state death taxes and those actually paid, and the difference is usually minus. Both the inheritance and the estate tax, if any, are collected by the state and credited to the general fund, but 10% is returned to the county it came from. Inheritance and estate taxes brought in \$39,209,000 in fiscal 1975.

Gift Tax

Taxes are imposed on property transferred from one person to another as a gift. Gifts up to \$3,000 in any calendar year are exempt, as are gifts to the country, state, locality, non-profit organizations and employees. Exemptions are also allowed on gifts to relatives, with the exemption increasing with the closeness of the relationship between the giver and the recipient. State income from this tax in fiscal 1975 was \$2,482,000.

Alcoholic Beverage Taxes

Minnesota charges taxes on liquor, wine, and malt beverages (beer and ale) at the wholesale distribution level, in addition to the regular 4% sales tax at retail. The tax rate for wine and malt beverages depends on the amount of

alcohol they contain. All distilled spirits (liquor), however, are taxed at \$4.39 per gallon, no matter what the alcoholic content. These taxes brought in a total of \$48,878,000 in fiscal 1975.

Cigarette and Tobacco Taxes

Cigarettes are not subject to the regular Minnesota sales tax. Instead, they have their own excise tax based on weight. This tax on a pack of cigarettes is now 18 cents, with other tobacco products taxed at 20% of the wholesale price. A small discount is allowed for large volume purchases. State income from these taxes was \$78,785,000 in fiscal 1975.

Mortgage Registry Tax

When a mortgage on real property is filed — that is, recorded by the county recorder in the county in which the transaction takes place — the mortgagee pays a tax of 15 cents on each \$100 of debt secured by the property. This tax netted \$4,672,000 for the state in fiscal 1975, with 95% of the proceeds retained by the state and 5% by the county.

Deed Transfer Tax

This tax is imposed on the transfer of all land and buildings. The tax is based on a certificate of value which must be presented before the transfer is recorded by the county auditor. Documentary stamps purchased from the auditor are used to pay the tax. Proceeds from this tax go to the state's general fund and in fiscal 1975 were \$4,197,000.

Motor Vehicle Recycling Tax

Purchasers of new or used vehicles weighing more than 1,000 pounds pay a fee of \$1 which the state uses to recycle or dispose of abandoned vehicles and scrap metal. All these dollar bills added up to \$816,000 in fiscal 1975.

Gross Earnings Taxes

Certain kinds of companies are exempted from property taxes and instead pay a percentage of their gross earnings. This includes railroads, taconite railroads and express companies, which pay 5%; freight lines, which pay 7%; and sleeping car and telegraph companies, which pay 6%. Telephone companies with annual gross earnings of \$1,000 or less pay 30 cents for each phone they have connected, while the rest pay a percentage of gross earnings based on the population of the area served (4% for rural or small town service, 7% for larger areas). The state retained all of the \$53,800,000 collected in gross earnings taxes in fiscal 1975 except for taconite railroad taxes, of which 6% is retained by the state and the remaining 94% is distributed to local government units in the districts where the taconite railroads are located.

Insurance Premiums Taxes

Taxes paid on insurance sold in the state depend on the type of insurance sold and the type of company. The tax is allowed as a credit against the corporation excise tax, and for many companies this credit reduces the amount of income tax they pay to the minimum of \$100. Domestic and foreign insurance sales companies are assessed a 2% tax on gross insurance premiums, both general and life, less returned premiums for all business received in Minnesota. In addition, all companies except mutual and township fire

insurance companies must pay ½ of 1% on fire insurance premiums, minus returns, to maintain the office of the fire marshal. Town and farmer's mutual, mutual insurance companies like Blue Cross, and fraternal organizations like Lutheran Brotherhood are taxed only on fire, lightning and sprinkler premiums. Proceeds from these taxes in fiscal 1975 came to \$34,443,000.

Rural Electric Cooperatives Tax

Electric utilities cooperatives operating in rural areas pay a tax of \$10 per 100 members in lieu of property taxes on their lines. This tax brought in \$32,000 in fiscal 1975.

Boxing Exhibition Tax

Gross receipts from professional boxing or sparring exhibitions and receipts from lease or sale of radio, movie, and television rights to such exhibitions are taxed at 5%. The tax must be paid within 24 hours after the event, and brought the state \$18,000 in fiscal 1975.

Airflight Property Tax

This tax is levied on the flight property — that is, the equipment — of all air carriers operating in Minnesota under Civil Aeronautics Board certificates. Carriers without a CAB certificate pay a 1% aircraft registration tax or may choose to pay this tax if computations result in a lower amount. To compute the tax, the airline's total flight property value is determined. Then an amount is apportioned to Minnesota based on the airline's tonnage, time in flight, and number of revenue ton miles of passengers, mail, express, and freight flown in the state. This Minnesota portion is then multiplied by the state's average rate of property taxes to determine the tax owed. The airlines paid \$2,334,000 in taxes to Minnesota in fiscal 1975.

Severance Taxes

A severance tax is a specialized business tax imposed in Minnesota on all minerals taken out of the ground. There are three kinds of Severance Taxes — Occupation, Royalty, and Production — and there is also a Severed Mineral Interests Tax. Most of these taxes are paid in lieu of state income taxes; the exception is taxes paid on copper-nickel ores, which may be credited against state income taxes.

The *Occupation Tax* is an excise tax on the occupation of mining, and is computed at various percentages for different minerals, averaging about 15% of the value of the mineral being mined. Net proceeds from this tax in fiscal 1975 were \$9,820,000 on iron ore and \$10,235,000 on taconite. This revenue is divided between Iron Range school districts, the University of Minnesota, the Iron Range Resources and Rehabilitation Commission, and the general fund.

The *Royalty Tax* on mining is the state's share of the profits paid to the owner of the property on which the mine is located. The mining company pays at a statutory rate of about 15%, depending on the type of mineral. In fiscal 1975, net proceeds from this tax were \$1,532,000 on iron ore, \$2,356,000 on taconite, and \$2,000 on copper-nickel. This revenue all goes into the general fund.

The *Production Tax* applies only to taconite and is based on the amount produced. In 1975, the state legislature increased this tax; the current production tax of 22.5¢ per ton will almost triple by 1979, increasing to 61.5¢ a ton. In

fiscal 1975, net proceeds from the taconite production tax were \$11,952,000. This revenue is divided among the cities, towns, school districts, and counties in which the taconite is mined.

The *Severed Mineral Interests Tax* applies to the entrepreneur who owns mineral rights without owning surface rights on land which is taxed some other way, or is tax-exempt. The mineral rights are taxed at 25 cents an acre, with a minimum of \$2. Twenty per cent of the proceeds from this tax is earmarked for loans to Indians who want to start or expand a business, and 80% is distributed to local government units in the same way as general property tax revenues.

Motor Vehicle Excise Tax

Automobiles are not subject to the 4% Minnesota sales tax; they are, however, subject to a 4% tax called a motor vehicle excise tax, which is collected on sales of both new and used automobiles and trucks. Exemptions include government purchases, gifts between family members, and voluntary or involuntary transfer between husband and wife in a divorce proceeding. The motor vehicle excise tax is paid to a deputy registrar, and must be paid before license plates or a certificate of ownership can be issued. The net amount collected in fiscal 1975 was \$51,346,000. Revenues are deposited in the state treasury and credited to the general fund.

Motor Fuel Taxes

Minnesota's highway users help pay for their roads through dedicated funds, which are specific tax revenues set aside for a specific purpose. The principal sources of highway funds collected by the state are the motor fuels (gasoline) tax and the motor vehicle registration tax (license plate fee). An excise tax of nine cents per gallon on gasoline for motor vehicles operated on public highways goes to the Highway User Tax Distribution Fund, which is part of the Trunk Highway Fund. Under the so-called "62-29-9" amendment to the state constitution, ratified in the fall of 1956, 62% of the Trunk Highway Fund is allocated to trunk highways, 29% to counties and municipalities under 5,000 population, and 9% to municipalities over 5,000 population.

The highway gasoline tax netted \$142,446,000 in 1975, the motor vehicle (and aircraft) registration fee \$84,201,000. Because Minnesota is on a 90-10 sharing arrangement with the federal government on interstate highway projects and a 70-30 sharing plan on most state highway projects, the state received \$86,638,828 in federal matching funds in 1974.

The same fuels excise tax of nine cents per gallon is also imposed on marine and aviation fuels and on combustible gases and liquid petroleum products, except for petroleum substitutes manufactured from waste materials. The revenue from this part of the motor fuels excise tax goes to various state agencies depending on type of fuel. Taxes paid for off-road vehicle fuels (marine, snowmobile and aviation) may be refunded to the individual who paid the tax if he files a claim with the Department of Revenue. Unrefunded revenue collected on fuel for snowmobiles goes to the Commissioner of Natural Resources for snowmobile trail and area maintenance and construction; unrefunded marine gasoline tax monies are divided equally among the

state park development account, the game and fish fund, and the general fund for boat and water safety. Unrefunded revenues from aviation and special fuels are credited to the aviation fuel tax fund.

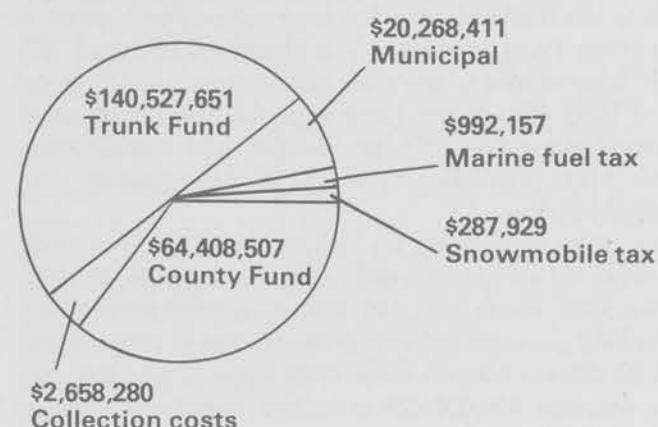
Motor Vehicle Licenses (Registration Tax for License Plates)

Minnesotans pay a variety of license and registration fees, some to support activities connected with the license (motor vehicle and game and fish), and some to simply add to state general revenues. All of them add an aspect of widespread participation to the general tax system and provide a dependable source of revenue to the state.

Motor vehicles using the public streets and highways are taxed to help pay for them. Rates vary according to the vehicle's age and use. New passenger cars are taxed at a rate of \$10 per vehicle plus 1.25% of the base value, which is the manufacturer's suggested retail price, plus destination charges, but excluding cost of accessory items or optional equipment. The base value is decreased by a certain percentage each year, reflecting the decreasing value of the car as it gets older. Other vehicles, like farm trucks, buses and recreational vehicles, are taxed according to weight, with depreciation usually starting after the third year. Licenses must be renewed every year.

Motor vehicle licensing fees brought in \$83,574,000 in fiscal 1975. They are collected by the registrar of motor vehicles, paid into the state treasury, and credited to the Highway User Tax Distribution Fund.

HIGHWAY USER TAX DISTRIBUTION FUND (1974 figures)



Motor Vehicle Operators Licenses (Driver's Licenses)

Everyone operating a motor vehicle in Minnesota must have either an instruction permit or a drivers license. As of January 1975, there were 2,455,000 licensed drivers in Minnesota. Of the three classes of license, the most familiar is class "C," the license issued to passenger car drivers. The others are for single unit vehicles (like buses) and for all other vehicles (trucks, etc.). Licenses must be renewed every four years. Minnesota residents paid \$3,859,000 for drivers licenses and permits in fiscal 1975, of which 90% was credited to the Trunk Highway Fund and 10% to the general fund.

Watercraft Licenses

There are four categories of watercraft license fees — canoes and sailboats used by non-profit organizations for teaching water safety, watercraft for rent, privately-owned watercraft, and dealers. Fees range from \$2 to \$15 for a three-year license, and are collected by the Department of Natural Resources and dedicated to administration and enforcement of water and watercraft safety laws, inspection of watercraft, and acquisition and development of sites for public access to Minnesota waters. Up to 75% of the monies may be paid to counties to defray expenses for these activities. Total yield from this source in fiscal 1975 was \$646,000.

Snowmobile Registration Fees

This fee is divided into three categories. Manufacturers and dealers pay the higher fees, snowmobile users — that is, private citizens — the lowest fee. The former must register annually, but private citizens register only every three years. In fiscal 1975, \$1,282,000 was collected in snowmobile fees and deposited in the state treasury for the general fund.

Boxing Exhibition Licenses

This license is in essence an amusement tax, and is in addition to the 5% tax on boxing exhibitions. It is issued by the Boxing Commission to persons conducting a boxing or sparring exhibition. The fee varies according to population and whether the exhibition is amateur or professional. A minor source of tax revenue, this fee raised \$7,000 in fiscal 1975.

Game and Fish Licenses

These licenses are required for both residents and non-residents who plan to hunt or fish in Minnesota. Costs vary according to resident or non-resident status, method of taking the animal, and type of animal, with various exemptions. Persons under 16 years of age and over 64 do not have to buy a fishing license; others with qualifying physical and mental disabilities are also exempt. The county auditor issues the licenses, retaining 10% of the fee, and sending the remainder to the Department of Natural Resources; the yield in fiscal 1975 was \$9,611,000.

Wild Rice Licenses

This license fee varies according to who is doing the harvesting, with special consideration given to Indians on certain reservations. Only Indians or other reservation residents may harvest rice on the White Earth, Leech Lake, Nett Lake, Vermillion, Grand Portage, Fond du Lac and Mille Lacs reservations. The state regulates types of boats used and methods and hours of harvesting, and also specifies how much rice can be harvested each year. 6,122 licenses were sold in fiscal 1975, raising \$22,476 for the state.

Business Licenses and Permits and Corporation Fees

There are 78 kinds of occupations or businesses which require state permits or licenses. The fees and restrictions are determined by state statutes and many are renewable annually. Revenue from these sources was \$16,100,000 in fiscal 1975. All corporations operating in the state are required to file with the Secretary of State; this fee is paid only once and yielded \$774,000 in fiscal 1975.

LOCAL TAXES

Local Cigarette Licenses

Any city or town can license and regulate retailers who sell cigarettes and cigarette paper. A county can also do so if it has no organized municipalities. The maximum annual licensing fee, set by the state, is \$12, with proceeds going to the levying body.

Sand and Gravel Occupation Tax

Clay, Wilkin and Norman counties tax persons whose business is removing gravel from pits. Proceeds go to the three counties' road and bridge funds, and are also used to restore abandoned pits.

Trust Companies Gross Earnings Tax

Trust companies must pay 6% of their gross earnings to the counties in which their principal place of business is

located. The revenue derived is distributed to local government units within the county.

Utility Companies Gross Earnings Tax

St. Paul and Minneapolis levy their own gross earnings taxes on utilities operating within their borders. St. Paul gets 8% of gross earnings on gas, steam, and electricity sold within the city; Minneapolis gets 3% of gross revenue on gas and electricity sold within the city.

Local Sales Tax

Duluth, Bloomington, Minneapolis, Rochester and St. Paul all impose some kind of local sales tax. Most involve payments for lodging, some for admissions and amusements, and one, Duluth, has a 1% "piggyback" sales and use tax which is charged in addition to the state sales and use tax.

COMPARISONS

Chart A

General Revenue of state and local governments from own sources per \$1,000 of personal income, fiscal 1973 & 1974

State	Amount (dollars)		As a % of U.S. average		Rank (among 50 states and D.C.)	
	1973	1974	1973	1974	1973	1974
U.S. average	161.36	156.83	100.0	100.0	—	—
Wisconsin	193.04	180.73	119.6	115.2	5	7
Minnesota	193.63	176.24	120.0	112.4	4	9
South Dakota	175.09	144.85	108.5	92.4	13	31
North Dakota	184.35	140.44	114.2	89.5	7	38
Iowa	156.34	139.93	96.9	89.2	26	40

Many sets of statistics are available for comparing tax revenues in Minnesota with those in other states. However, these statistics, like others, must be used with caution when making generalizations; one can almost always find supporting statistics for both sides of an argument!

Information on revenue and expenditures is compiled regularly by the Government Division of the U.S. Bureau of the Census. The Bureau uses uniform data classifications for all states and localities, but one should be cautious in using them to make comparisons among states, for the following reasons. (1) State figures are actual totals, but local government information is estimated from a random sample from each state; this makes aggregate state-local figures more reliable than local figures alone. (2) Comparing specific individual taxes or using either state or

local revenue alone can be misleading, because states vary widely in their dependence on a particular tax as a percentage of total revenue. (3) Incomes of individuals in a state may vary considerably from one year to the next, changing certain tax revenues as a percentage of the state's total revenue. (4) Some states rely on revenue primarily from tax sources, but others rely more on charges for public services and other non-tax revenue.

Some of the more meaningful comparisons can be made by using both total state and local collections per \$1,000 income and total collections per capita. (See charts A and B.) Another interesting question concerns what services the state provides in relation to its level of revenue. Chart C shows per capita general expenditures for two years.

Chart B

Per Capita General Revenue of state and local governments from own sources fiscal 1973 & 1974

State	Amount (dollars)		As a % of U.S. average		Rank (among 50 states and D.C.)	
	1973	1974	1973	1974	1973	1974
U.S. average	719.18	784.80	100.0	100.0	—	—
Minnesota	832.05	900.71	115.7	114.8	7	6
Wisconsin	812.57	859.03	113.0	109.5	10	12
North Dakota	680.64	803.61	94.6	102.4	23	19
Iowa	667.36	750.59	92.8	95.6	25	23
South Dakota	643.02	685.82	89.4	87.4	29	34

People's attitudes toward taxes and services color their comparisons of one state's taxes with another's, and are important political considerations as well. But people seldom base their attitudes on statistical knowledge. The LWVMN telephone survey showed that people do not know how the Minnesota tax system works, but they have definite ideas, nevertheless, about what is "fair" or "unfair" about the system. More than half the respondents said the sales tax, which is actually a regressive tax, is the "most fair" tax, even though many did not know which items are taxed and which are not. And of those who said the property tax was the "most unfair," many did not know how property values are assessed, or how property taxes are computed.

The charts show that Minnesotans are taxed more than residents in most states, but that Minnesota also spends a great deal per capita on services to its citizens. One reason for those high levels of taxation and public expenditure is the high proportion of Minnesotans under 18 and over 65,

two population groups who cost more to care for. In 1974, for example, 40.2% of state and local expenditures — four out of every ten tax dollars collected — went for education. Another reason is Minnesota's size in relation to where Minnesotans live and what our weather is like; Minnesota spends much more than most states do on highway building and maintenance, and on snow removal. Minnesotans traditionally have demanded a high level of services, and get them, yet only half the people in the LWVMN survey thought they were getting their money's worth, and many couldn't decide on an answer to this question.

In the final analysis, comparisons rely on each person's values and priorities of what is fair about government taxation and spending. The purpose of this "Facts and Issues" and others in the Financing State Government series is to present information, so that attitudes and values of those involved in decision-making processes may be based on fact.

Chart C

Per Capita General Expenditures of state and local governments, fiscal 1973 & 1974

State	Amount (dollars)		As a % of U.S. average		Rank (among 50 states and D.C.)	
	1973	1974	1973	1974	1973	1974
U.S. average	862.93	939.58	100.0	100.0	—	—
Minnesota	965.62	1,041.69	111.9	110.9	11	13
Wisconsin	888.88	978.56	103.0	104.1	17	16
North Dakota	804.84	889.18	93.3	94.6	25	24
South Dakota	818.44	867.42	94.8	92.3	23	26
Iowa	735.36	850.63	85.2	90.5	35	27

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Research for this publication done by Karen Anderson, Margaret Bloyer, Erica Buffington, Ervie Hasbargen, Judy McGuire, Sid Moss, and Joan Strouse. Edited by Rhoda Lewin.



FACTS and ISSUES #3 FINANCING STATE GOVERNMENT

League of Women Voters of Minnesota

March 1977

Funding a "Quality Life"

This "Facts and Issues" is the third in a four-part series on financing government in Minnesota. It contains explanations for the increase in state spending, a history of spending trends, a review of state fiscal procedures, and some legislative concerns about expenditures in Minnesota. Because it is easy to confuse the terms used, the reader should keep two definitions in mind. One is "appropriation," which is an amount voted by the state Legislature for spending for a two-year period. The other is "direct general expenditures," which is the amount paid out by government and includes funds received from federal as well as state and local sources.

The history of appropriations and expenditures in Minnesota is a history of continual expansion. Appropriations during Minnesota's first state budget, 1858-59, were just under \$147,000, and there were only 131 separate line expenditures, ranging from \$2,500 for the Governor's salary down to \$17.50 for candles and wood for the Auditor's office. Such figures seem almost unreal compared, for example, to 1935-37's omnibus appropriation bill of \$37,600,000, or the 1975-77 biennium's \$3,300,000,000. And these figures do not reflect total spending by state and local units of government, whose direct general expenditures doubled between 1968 and 1975 to a total of more than \$4,500,000,000. What are some of the reasons for this increase in government spending?

Primary causes of the increase in expenditures include demographic trends like population growth, the general shift from being a predominantly rural farm state to an urban industrial state, and the technological changes, especially in transportation, that accompanied this shift. Almost 11% of today's expenditures, for example, are spent on highway construction and maintenance.

Such trends, of course, are nationwide, but in Minnesota their effect on taxes is magnified by administrative and legislative concern with adequate funding for education and health and welfare services, and on creating a "quality life" for all. For example, the state has financed a steadily increasing share of the costs of health and welfare programs, and in effect has provided more money by seeing to it that local governments could provide adequate welfare funds regardless of their ability to raise

the funds themselves. This trend began during the depression of the 1930's when local governments found themselves unable to provide these benefits because their property tax base was shrinking and tax delinquencies were growing. The state has continued to provide such funds, which have become increasingly necessary as benefits and programs expanded.

Another major factor in increasing government expenditures is inflation and the general upward trend in salaries, wages, and standards of living. The price of goods and services purchased by state and local governments has greatly increased, going up even faster (68.8% between 1968 and 1975) than the prices of goods and services purchased by consumers (64.4% for the same period).

Another reason sometimes given for increasing expenditures is the public's demand for more and more services. This explanation may be valid, but it is difficult to document. The public may learn to rely on a particular service and expect an increase to keep pace with population growth and inflation, but government administrators, legislators, officials and/or employees responsible for preparing and passing government budgets are the ones who translate "felt" or "perceived" public needs into new or expanded programs. Today's budgets, for example, include appropriations for the State Planning Agency, the Pollution Control Agency, the Metropolitan Council, and the Environmental Quality Council, and for grants to local governments or private agencies for things like reduction of solid waste. All these were unheard of ten or twenty years ago, but it is hard to prove that they were created because of public demand.

The stress both government and the public place on "quality of life" is an item of particular importance to Minnesota expenditures. In 1931, H.L. Mencken wrote a series of articles on "The Worst American State." Minnesota placed 42nd in Mencken's satirical competition (the first place being "worst") and has consistently ranked among the best, and usually among the top 10, since then. In the past five years, for example, Minnesota has been praised for its "quality of life" or described as "a good place to live" in Neal Peirce's book, *THE GREAT PLAINS STATES OF AMERICA*, and in a number of national magazines, including *TIME*, *NATIONAL GEOGRAPHIC*, *HARPERS*

and FORTUNE. However, there is an inevitable correlation between quality of life and taxation, and a recent Minnesota Department of Economic Development investigation showed that the public couldn't have one without the other. Minnesota ranked 9th among the states in per capita tax revenues, 4th in tax revenues per \$1,000 personal income, and 4th in the study's composite "quality of life" measurement, indicating that Minnesotans do pay comparatively high taxes, but that the state's level of expenditures is indeed providing Minnesotans with a high quality of life. A dissenting note on this point was voiced in a 1976 League of Women Voters of Minnesota (LWVMN) poll designed to test the public's perception of the relationship between state taxes, expenditures, and quality of life. When the question was asked, "Do you feel the services you receive from state and local governments are adequate in relation to the taxes you pay; that is, do you think you're getting your money's worth?" 108 said "yes," but 92 said "no," and 42 were uncertain.

**DIRECT GENERAL EXPENDITURE*
OF STATE AND LOCAL GOVERNMENTS
IN MINNESOTA, SELECTED YEARS 1967-75,
in millions of dollars,
from the U.S. Bureau of the Census**

YEAR	STATE	LOCAL	TOTAL
1967-68	694,000,000	1,387,200,000	2,081,100,000
1969-70	846,900,000	1,923,400,000	2,770,400,000
1971-72	1,054,700,000	2,473,600,000	3,528,300,000
1974-75	1,541,800,000	3,165,600,000	4,707,400,000

*Direct general expenditures include all money paid out by a government other than for retirement of debt, investment in securities, extension of credit, or as agency transactions.

Besides quality of life, or perhaps because of it, both government and the public have stressed *equality* — equalization of opportunity and equalization of tax burden. This attempt to achieve equality has resulted in a growing tendency to collect revenues statewide and then channel them back to local governments according to population or need. A locality may receive funds based on how many miles of highway it has, or on the number of school children, or the number of "poor," and so on. This has made it possible for all areas of the state, regardless of the local tax base, to provide such necessary services as education and health, and to provide them on an equal basis. Whether equal spending truly provides equal opportunity is an issue currently being debated in educational, health and other areas, but the principle of equalization seems well established, for several reasons.

One of the benefits that accrues from equalization of the tax burden is that it eases the pressure on individual localities to develop and industrialize in order to increase their tax base. Thus lands that properly should be used as farm acreage or preserved as wilderness areas may be kept for such purposes without penalizing the local government and its schools and other services. Another benefit of equalization is that senior citizens and lower income groups can have property tax relief and special services that local governments might not otherwise be able to provide because of the concentration of these groups in certain localities.

**OMNIBUS APPROPRIATION BILLS,
STATE OF MINNESOTA
Selected Legislative Sessions 1935-76**

BIENNIUM	AMOUNT (Other than Highways)	HIGHWAYS	TOTAL
1935-37	37,650,740		37,650,740
1945-47	99,569,177		99,569,177
1949-51	224,172,257		224,172,257
1961-63	566,938,926	18,741,695	585,680,621
1969-71	1,279,073,887	42,746,853	1,321,820,740
1975-77	3,094,230,284	249,110,000	3,343,340,284

Additional factors in the growth of government expenditures were cited in a January, 1977, Minneapolis TRIBUNE series of articles by staff writer Bernie Shellum. One is the nature of the progressive income tax, which automatically provides large, unlegislated increases in tax revenues as salaries and wages increase during periods of inflation. With more money coming in, the government spends more, and the high levels of expenditure tend to continue. Another factor Shellum cites is political pressure. As the number of people directly benefiting from government programs grows, the tendency to vote for politicians who support increased government programs also grows. Shellum also points out how difficult it is to trace political accountability for government growth. He writes, "As the complexity of government financing grows, so does the cost in time and money for the citizen who tries to understand what is happening."

STATE FISCAL PROCEDURES

The Minnesota Department of Finance was created in 1973 to consolidate the fiscal responsibilities which had previously been shared by the State Auditor, the State Treasurer and the Commissioner of Administration. The Commissioner of Finance now is in charge of the financial affairs of the state. His responsibilities include preparing a biennial budget and a ten-year cash receipts and disbursements projection, keeping records and accounting systems for all state revenue and expenditures, and financial supervision and control of all state departments and agencies.

BUDGET MAKING

Minnesota operates on a two-year budget basis. The steps involved in preparing this biennial budget have been established by the Legislature. The Commissioner of Finance is charged with preparing the budget subject to the approval of the Governor.

State statutes require that budget estimate forms be distributed to all state departments and agencies by September 1 of each even-numbered year. In actuality, this is done sooner. In 1976 budget forms were distributed along with guidelines from the Governor in July to give adequate preparation time because they must be returned to the Commissioner of Finance by October 1. Departments and agencies are expected to submit program-type budgets, clearly stating goals and objectives, in order to substantiate their requests for funds. Controllers from the Department of Finance assist in the preparation of the budget requests. During October and the first two weeks of November, the budget is evaluated and refined through hearings held by the Department of Finance with each department and agency. Budget requests must be forwarded by November 15 to the

Senate Committee on Finance and the House Appropriation Committee.

The Department of Finance then reviews the budget with the Governor and his staff. The result is the Governor's "budget message," which must be submitted by the Governor to the Legislature within three weeks after the first Monday in January in odd-numbered years, which is the first year of the biennium. The budget message must include recommendations for capital expenditures, and it must be in two parts, with the contents of each part specified by state law. The first part of the budget message contains a general budget summary with the Governor's recommendations for expenditures for the next two years and plans for raising revenue to support those expenditures. The second part contains detailed budget estimates of both expenditures and revenues and a report on state bonded indebtedness, including the present state of the debt and estimates of the use of debt for supporting the two-year proposals. Both parts of the budget also include corresponding figures for the last two fiscal years and the current year.

ADOPTING THE BUDGET

Armed now with both the Department of Finance's estimated budget and the Governor's budget recommendations, the Legislature is ready to begin the lengthy process of budget adoption. The Legislature carries out this process by passing bills for raising revenue or authorizing the appropriation of funds; its responsibility is established by the Minnesota Constitution, which states that "No money shall be paid out of the treasury of this state except in pursuance of an appropriation by law."

Bills for raising revenue must originate in the House of Representatives, but bills calling for expenditures may originate in either the House or Senate. The committees hearing bills for appropriations are the Senate's Committee on Finance and the House's Committee on Appropriations, sometimes called the "money committees." State statutes specify eight major appropriation bills which must be reported out of committee — that is, sent to the floor of the House and Senate for consideration and passage — at least twenty days prior to adjournment. These eight bills cover 1) administrative and judicial expenses of state government for two years; 2) public welfare, health and corrections; 3) education; 4) payment of claims against the state; 5) semi-state activities — those activities only partially state-funded, such as the Minnesota Historical Society; 6) issuance of bonds for public building construction; 7) appropriations for public building maintenance or construction; and 8) highway department. All other appropriations must be in separate bills and can be reported out of the two money committees at any time up to the end of the session.

The Senate Finance and House Appropriations Committees meet first as subcommittees to hear specific parts of bills before they are put together in the full committee as an "omnibus" appropriations bill. For example, a bill calling for an expenditure by a penal institution would be heard first by the Welfare-Corrections subcommittee of Senate Finance and the Health, Welfare and Corrections subcommittee of House Appropriations. If passed, it is heard by the full committee before becoming part of a larger omnibus welfare, corrections and health bill. It then goes through the same process as other bills, facing a hearing on the floor of each house. If passed by both

bodies, it is considered by a conference committee of five Senate and five House members who resolve differences in the two bills before it is returned in identical form for both houses to consider. If passed again, it then goes to the Governor for his signature or veto.

Even though each Senator and Representative has the opportunity to express his or her constituents' point of view through a vote on each appropriation bill, it is acknowledged that most decisions on state expenditures are made in subcommittee and committee. A legislator objecting to one part of an omnibus bill will usually vote in favor rather than jeopardize the parts of the bill he/she agrees with. All subcommittee, full committee and conference committee meetings are now open to the public, so that other legislators, the news media and the general public may be aware of the decisions involved in formation of appropriation bills.

COLLECTION AND DISBURSEMENT PROCEDURES

While the Commissioner of Administration is the ex-officio state budget director and purchasing agent, and the Commissioner of Revenue is responsible for the assessment and collection of most state taxes, it is the Commissioner of Finance who controls state funds and is responsible for the accounting system. The accounting system keeps a detailed account of state money showing funds available, funds already spent, and cash balances of all state departments and agencies. All departments and agencies are required to participate in this statewide accounting system except the judicial and legislative branches, which have internal accounting systems.

AUDIT FUNCTIONS

Two types of financial audits are desirable in state government. The pre-audit is a review of transactions before they are made. The post-audit is a review of transactions after they are completed, to learn if and how the money appropriated by the Legislature is being spent.

In Minnesota, audit responsibilities are divided. The Department of Finance does the pre-audit. The State Auditor, an official elected to a four-year term, is responsible for the post-audit of all local governments in the state, including counties, cities, townships, school districts and special districts. The post-audit of all state departments, agencies, boards and commissions is done by the Legislative Auditor. He is appointed by the Legislative Audit Commission for a six-year term and acts as the executive secretary of the Commission. The Legislative Audit Commission, which is composed of sixteen House and Senate members representing both major political parties, is ultimately responsible for the post-audit of state departments and agencies.

INVESTMENT PROCEDURES

The State Board of Investment, composed of the Governor, Secretary of State, State Treasurer, State Auditor and Attorney General, sets policies for the investment of state funds. Although the Board is composed of elected officials, it appoints an executive secretary to administer investment policies and the purchase and sale of securities for the permanent school fund, various state retirement funds, highway funds and other funds which are available for investment as provided by law. Investment income for the 1975-77 biennium will be an estimated \$60,280,992 to be credited to the General Fund.

STATE BORROWING

The State Constitution provides for the sale of general obligation bonds and certificates of indebtedness to finance major state building construction, land acquisition, highway building and maintenance, and other specific activities.

Certificates of indebtedness are issued for short periods during a biennium in anticipation of revenue. Bonds are issued based on a 20-year maturity date. The Constitution limits trunk-highway bonds to a 5% interest rate and an unpaid maximum of \$150,000,000. A three-fifths vote of each house of the Legislature is required to authorize debt contracted for acquisition of land and capital building programs.

During the 1975-77 legislative biennium, the issuance and sale of \$135,809,000 in bonds was authorized for things like building programs at the University of Minnesota, other state universities and Metropolitan Community College, and for regional open spaces, water pollution control, and the student loan program. An additional \$25,000,000 bond issue was authorized for construction and repair of bridges throughout the state.

At the end of fiscal 1976, Minnesota's outstanding debt totaled \$817,455,000.

LEGISLATIVE CONCERNS

Many suggestions have been made for coping with the growth in governmental expenditures. Some states have adopted sunset laws, which write an expiration date into laws which relate to an agency or program. Sunset laws can apply to new programs or to all existing programs; as the expiration date approaches, the program is reviewed to see if it should be continued or allowed to expire. Zero-based budgeting is another concept used in some form in several states. Under zero-based budgeting, department and agency budgets must include justification for all activities, not just new or expanded ones. Another suggestion is indexing of the individual income tax to reduce or eliminate the unlegislated increase in income tax revenues during periods of inflation — an increase in income which encourages government spending. Indexing would adjust rates to compensate for the rate of inflation.

Biennial Report # 18 to the Governor and Legislature, Minnesota Department of Revenue

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Constitution of the State of Minnesota, as amended November 5, 1974

Decision Making in Government, a speech by Gerald W. Christenson for Minnesota Horizons: A Legislative Symposium, January, 1975

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It's Your Business: Local and State Finance, L. Laszlo Ecker-Racz, National Municipal League, 1976

The Minnesota Legislative Manual 1973-74, compiled by Arlen I. Erdahl, Secretary of State

The Minnesota Legislative Manual 1975-76, compiled by Joan A. Growe, Secretary of State

Dedicated highway funds are another legislative concern. The State Constitution dedicates gasoline tax revenues to highway building. Because of the need for other transportation funds, such as mass transit, the 1975 Legislature approved a proposed amendment to the Constitution which would have allowed some of the future increases in these revenues to be put into the state's general fund. The amendment was placed on the November, 1976, ballot but failed to pass, possibly because of wording which made the intent unclear. There probably will be further attempts to change the dedicated nature of highway funds.

Recognizing the public concern about increasing taxation and government expenditures in Minnesota, LWVMN members conducting their regular legislative interviews in 1976 asked state Senators and Representatives how the budget-making process could be improved. The most common suggestions favored some form of zero-based budgeting and some method for holding expenditures to revenue rather than raising revenue levels to meet increases in expenditures. Some mentioned adopting a sunset law or indexing the individual income tax. Several suggested a legislative budget review committee to oversee and coordinate revenue and appropriation bills, and a few suggested that all major committees should be involved in appropriation procedures for items of that committee's interest.

Legislators were also asked to name the primary influences on setting their spending priorities. Those who responded said that priorities are set by subcommittees and committees, and that a legislator has limited input to a committee other than his or her own. However, many cited the voters in their district as a primary influence on their final votes. Other influences named were personal priorities, social conscience, "just plain common sense," testimony from citizens at hearings, legislative staff reports and recommendations, other legislators and lobbyists. Thus it would seem that, when changes are needed in fiscal procedures or when priorities are being set for state expenditures, the public's voice is important. If the public is concerned about the tax burden, or the level of expenditures for education, highways, or other programs, the public can make its voice heard.

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Research for this publication done by Karen Anderson and Margaret Bloyer. Edited by Rhoda Lewin.

Prepared by the League of Women Voters of Minnesota
Published by the League of Women Voters Education Fund



FACTS AND ISSUES #4

FINANCING STATE GOVERNMENT

League of Women Voters of Minnesota

March 1977

Governmental Expenditures in Minnesota

This, the last of four Facts and Issues, is about government spending. It covers primarily state government appropriations and expenditures but also covers expenditures made at local levels of government. The reader should keep in mind that while the major portion of revenue is collected by the state, over two-thirds of all governmental expenditures in the state are made at the local level. This is possible because the state passes on revenue to local governments in the form of state aids, grants and shared taxes. Another important fact to remember is the increasing reliance on federal funds. In fiscal 1975 state and local governments in Minnesota received \$961,700,000

from the federal government.

State government expenditures are explained here by function — that is, they are divided into major categories of spending used by the federal government in tabulating spending figures for all the states. Direct expenditures are funds paid directly by the state to perform a function or service; intergovernmental expenditures (sometimes listed on budget charts as "state aids") are those spent by local units of government but received from state or federal sources. Expenditure figures are for the fiscal year July 1, 1974, to June 30, 1975. These are the most current figures available from the U.S. Bureau of the Census.

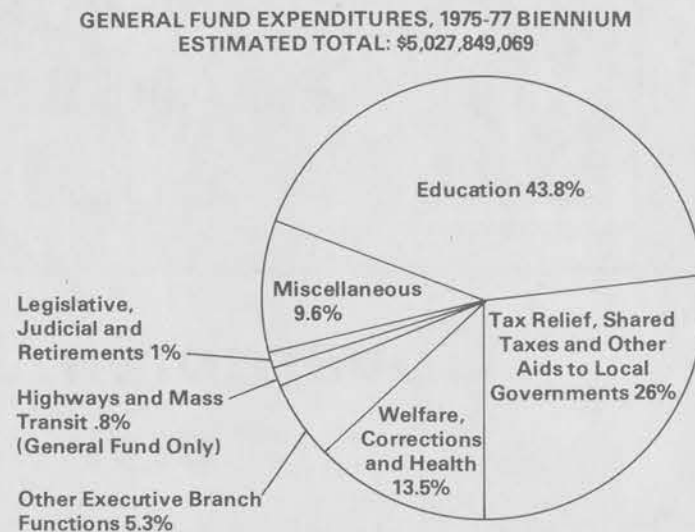
DIRECT GENERAL EXPENDITURE OF STATE AND LOCAL GOVERNMENTS IN MINNESOTA BY FUNCTION, BY LEVEL OF GOVERNMENT: 1974-75 (In Millions of Dollars)

FUNCTION	STATE GOVT.	LOCAL GOVTS.	TOTAL MN.
Total	\$1,541.8	\$3,165.6	\$4,707.4
other than capital outlay	1,275.2	2,524.3	3,799.5
Education Total	576.5	1,363.6	1,940.1
other than capital outlay	502.1	1,186.2	1,688.3
Local Schools	—	1,363.6	1,363.6
other than capital outlay	—	1,186.2	1,186.2
Institutions of Higher Education	510.3	—	510.3
Other Education	66.2	—	66.2
Highways Total	258.0	278.5	536.5
other than capital outlay	91.0	150.2	241.3
Public Welfare	224.3	386.0	610.3
Health and Hospitals Total	164.9	158.4	323.3
other than capital outlay	161.0	137.1	298.0
Police Protection	12.8	98.3	111.1
Fire Protection	—	42.1	42.1
Sewerage Total	—	124.8	124.8
other than capital outlay	—	37.4	37.4
Sanitation other than sewerage	—	20.7	20.7
Local Parks and Recreation	—	84.7	84.7
Financial Administration	25.2	39.2	64.4
General Control	25.1	72.0	97.1
Interest on General Debt	40.9	137.7	178.5
All other general expenditure	214.2	359.7	573.9

Federal data on expenditures are used here because they are often used for comparisons between states. These figures include all expenditures, both for capital outlay and general operating expenses. However, government spending in Minnesota has increased since fiscal 1975, so appropriations made during the 1975-77 legislative biennium are included to give some indication of current spending. These appropriations are for two years of state operations, from July 1, 1975, to June 30, 1977, rather than for the single fiscal year covered by the Direct General Expenditures figures, and also differ from the federal figures in that the state's budget categories are sometimes quite different from federal categories.

Most appropriations are passed during the first year of the legislative biennium, but the 1975-77 Legislature passed several major appropriation bills in 1976. There are three kinds of state appropriation bills — omnibus, miscellaneous, and open and standing — and each functional area, such as education, may receive funds from several different appropriation bills. Omnibus appropriation bills are the two-year appropriations worked out for the legislative biennium and are divided into five areas of functions: education, welfare (which includes corrections and health), state departments, semi-state activities (which are only partially funded by the state), and buildings. Miscellaneous appropriations are usually single bills for a particular purpose. There are three types: 1) recurring, such as bills for claims against the state which are put together into one bill heard each year of the session; 2) non-recurring, or single-purpose, which are for onetime projects like the road to the new state zoo; and 3) new activities appropriations for experimental programs like the Freshwater Biological Institute, which may warrant a single-purpose bill at its inception but later become on-going and therefore part of an omnibus bill. The terms "open" and "standing" are also used in describing appropriation bills and refer to dollar amounts. Open appropriation bills provide authority to collect or disburse funds but contain no specific dollar amounts; standing appropriations provide a specific dollar

amount which cannot be changed without a change in the law authorizing the appropriation.



STATE APPROPRIATIONS

An indication of the relative size of each functional area of state government is shown by the General Fund Expenditures Chart. The trend toward state sharing of revenue with local governments is seen by the large portion allocated as aids to education and local governments. Property tax relief, shared taxes, and aids to local units of government, in a variety of forms, accounted for over 60% of total disbursements of the state during the 1975-77 biennium. This is a dramatic increase compared to the 1965-67 biennium figure of 45%. The chart shows only a small portion of the general fund being used for highways. Actually, the state spends a larger portion for transportation, but the money comes from constitutionally dedicated funds rather than from the general fund. In 1975 highways accounted for about 11% of spending by all governments in Minnesota; the state spent about half of this percentage.

EDUCATION

Since its earliest days, Minnesota has demonstrated its concern for education. In 1849 a territorial law provided for common schools open "to all persons between the ages of four and twenty-one free," and by 1878 the principle of state aid for high schools had been established. The state has also demonstrated its concern for education through generous funding; for the 1975-77 biennium the Legislature appropriated over \$2.2 billion, or 40.6% of its total

appropriations, for education.

The Education Appropriations table shows the growing magnitude of state aid to schools. However, it is interesting to note that although the amount appropriated for education has increased dramatically, it has declined as a percentage of total state spending. This is because there have been even greater increases in other areas of state spending.

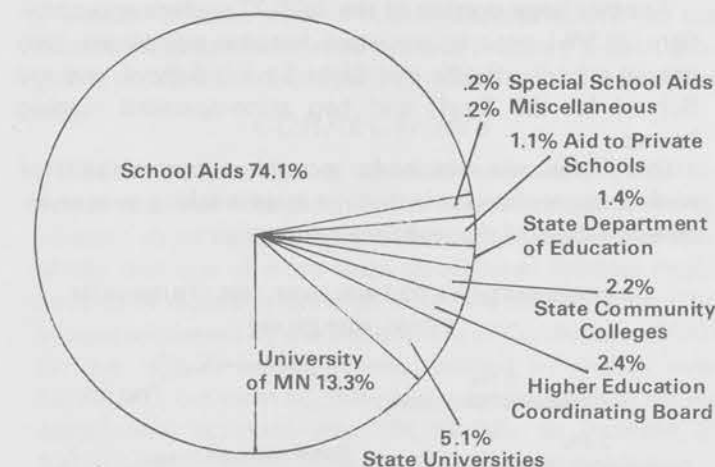
EDUCATION APPROPRIATIONS, SELECTED YEARS			
BIENNIUM	TOTAL STATE APPROPRIATION FOR EDUCATION	EDUCATION APPROPRIATIONS AS A PER CENT OF TOTAL STATE SPENDING	PERCENTAGE INCREASE
1959-61	\$ 335,576,572	63.6	
1961-63	404,502,803	63.5	20.5
1963-65	455,988,185	63.8	12.8
1965-67	546,816,570	54.3	20.0
1967-69	717,374,019	52.2	31.2
1969-71	1,057,766,539	41.9	47.4
1971-73	1,678,394,875	51.0	58.6
1973-75	1,756,025,750	44.2	4.6
1975-77	2,269,090,121	40.6	29.2

The Legislature uses all three kinds of appropriation bills in authorizing spending for education. Each biennium it passes an omnibus education bill which contains the bulk of appropriations for education, including foundation aid for elementary and secondary schools, funds for post-secondary education, and money to operate the State Department of Education. It also makes open appropriations for education. In the 1975-77 biennium these included funding for a work-study program at the state universities and community colleges and for tuition reciprocity agreements with North Dakota, South Dakota, and Wisconsin. The Legislature also makes special appropriations for education. In the 1975-77 biennium, these included aid for districts experiencing fluctuating enrollment and aid to non-public schools.

The \$2,269,090,121 which the 1975 and 1976 Legislatures appropriated for education, an increase of almost 30% over the 1973-75 biennium, still does not represent the total education budget for the state. It does not include \$203,891,342 in federal funds made available to the schools, nor does it include \$164,111,709 received by the University of Minnesota, state universities and community colleges in the form of tuition and course fees, or \$83,285,525 in University Hospital receipts. All of this money, over \$450 million, was or is being spent on education in Minnesota.

To get some idea of the size and complexity of education appropriations, it may be helpful to look at some of the items included in that \$2.2 billion legislative appropriation for 1975-77.

STATE EDUCATION APPROPRIATIONS, 1975-77 BIENNIUM:
TOTAL: \$2,269,090,121



The Department of Education, which received \$32,669,616 in the 1975-77 biennium, sets requirements for and certifies teachers and administrators, designs curricula for elementary and secondary schools, and supervises the health and safety of students. The Department also supervises aid for libraries and school lunch programs, among other functions.

School aids, accounting for almost three-fourths of the 1975-77 appropriations, went mainly for foundation aids for elementary and secondary schools (see MINNESOTA VOTER, January, 1975). These so-called foundation aids, which are based on the number and grade level of students

in each school, accounted for almost \$1.2 billion of the money appropriated. Other large items include transportation, which received \$129,483,000; special education, \$89,275,600; post-secondary vocational schools, \$138,600,000 (combined foundation and other aids), and community education, \$2,800,000.

For the community colleges and state universities, the major appropriation went for maintenance and equipment, a budget category which covers operating costs and includes salaries. At the community colleges, maintenance and equipment was funded at \$48,622,527; at the state universities, \$107,527,466; and for the University of Minnesota, \$246,000,000. The University also received over \$10 million for its Agricultural Extension Service, over \$9 million for agricultural research, and smaller amounts for a host of other activities.

TRANSPORTATION

There are more than 12,000 miles of state trunk highways in Minnesota and approximately 30,000 miles of county state aid highways, 15,000 miles of county roads, 56,000 miles of township roads, 12,000 miles of municipal streets, and 2,000 miles of Indian reservation roads and other federal roads. Taking care of them involves continual planning, construction and maintenance, financed by a combination of local, state and federal funds. The Department of Transportation (DOT) was formed in November, 1976, and includes the Highway Department, Aeronautics Department, and the transportation-related functions of the State Planning Agency and Public Service Commission.

Until 1961, sufficient funds were available from the Highway Users Tax Fund, established by Constitutional amendment in 1920 as a repository for funds generated by excise taxes on motor vehicle registrations and gasoline. In 1961, however, the Legislature found it necessary to appropriate an additional \$18,741,695 for costs associated with construction of the new Interstate highway system. By the 1973-75 biennium, the Highway Department had grown in size and scope to include a legal staff, a research and standards program, a planning and programming department, and a staff to administer state aids. The omnibus highway appropriation for the 1973-75 biennium totaled \$183,549,941.

The main reasons for the rapid growth in spending for transportation has been the continuing demand for adequate and up-to-date roads and the rising cost, nearly 40% from the 1975 to 1977 biennium, of building and maintaining roads. Another reason is environmental and ecological considerations like noise abatement, conservation of natural resources, highway beautification, and restoration of land from which highway materials are extracted.

The \$207,000,000 omnibus highway appropriations figure for 1975-77 does not tell the whole story of DOT expenditures, which are estimated at \$830,481,600 for the biennium. This expenditure figure includes \$575,500,000 from the Trunk Highway Fund, of which \$215,000,000 are federal funds and \$322,100,000 are estimated income from the motor vehicle registration fee and the gasoline excise tax, which the Legislature increased in 1975 from 7¢ to 9¢ per gallon. The state General Fund can also be drawn on

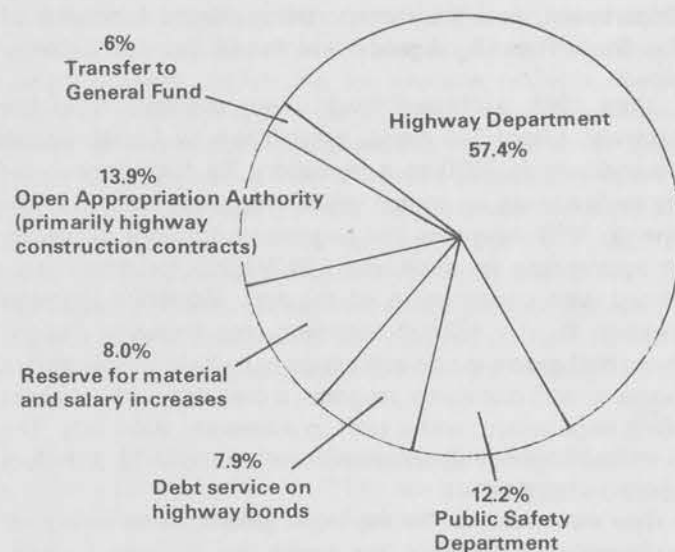
for highway dollars, and it was in 1976, when \$25,000,000 was transferred from the General Fund for bridge construction. There have also been single-purpose appropriations during the current biennium. \$28,100,000 was appropriated in 1975 to fund public transit, including a demonstration public transit program and a Metropolitan Council study of Interstate highway routing in Minnesota, and in 1976 extra funds were voted for an access road to the new zoo, for Interstate rest facilities, and for organization of the DOT.

Part of the income from the gasoline excise tax and motor vehicle registration tax is distributed to local governments as state aids. An estimated \$197,800,900 of these tax monies, plus an estimated \$10,000,000 in earned interest on investments, are being divided in the 1975-77 biennium between the County State Aid Highway Fund and the Municipal State Aid Street Fund, as provided in the state Constitution. Some \$157,100,000 will go to 87 counties, and another \$50,700,000 will go to 101 cities for highway and local street work outside the trunk highway and Interstate systems.

DISTRIBUTION OF TRUNK HIGHWAY FUNDS, 1975-77 BIENNIUM

TOTAL: \$575,700,000

(The Trunk Highway Fund includes primarily revenue from the Highway User Tax Distribution Fund, Federal Funds and Driver's License Fees — see Facts & Issues #2, p. 7)



WELFARE

The Department of Welfare supports a variety of programs. A combination of federal, state and county funds is used to finance welfare activities and services.

The 1975-77 omnibus appropriation bill for welfare was \$599,273,540. This figure was supplemented by an additional \$14,713,000 appropriation by the 1976 Legislature, bringing the state's total appropriation to \$613,986,540. When federal funding for state welfare expenditures, \$679,671,752, and estimated unreimbursed county appropriations of \$252,466,062 are added, the total budget for welfare in Minnesota for the 1975-77 biennium comes to \$1,646,124,354.

Three major program areas constitute 59.4% of the

1975-77 biennium welfare appropriations made by the state Legislature.

First are the three big public assistance programs which are Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and Medical Assistance (MA). AFDC is provided through counties to qualifying families who are eligible because of low or no income and a lack of other assets. The federal government pays about 57% of AFDC, the state pays half of the remainder, and the counties the other half through property tax levies. SSI is paid to Minnesota residents who are aged, blind or disabled and get welfare aid directly from the federal government. These supplements are financed 50% by the state and 50% by the county. Medical Assistance payments are made to medical vendors (nursing home operators, physicians, dentists, druggists) on behalf of welfare recipients and others who are eligible because they lack resources to pay for medical care. The federal government pays about 57% of MA, the state pays 90% of the remainder, and the county pays the rest.

There are also two general assistance programs in operation. General Assistance Maintenance consists of cash payments to eligible poor persons who do not qualify for AFDC or SSI. This program is financed 50% from state funds and 50% from local funds. General Assistance Medical payments are made to medical vendors on behalf of medically indigent persons who do not qualify for federally assisted aid because they do not qualify as present or potential AFDC or SSI recipients. The state finances 90% of this program, and the counties finance 10%.

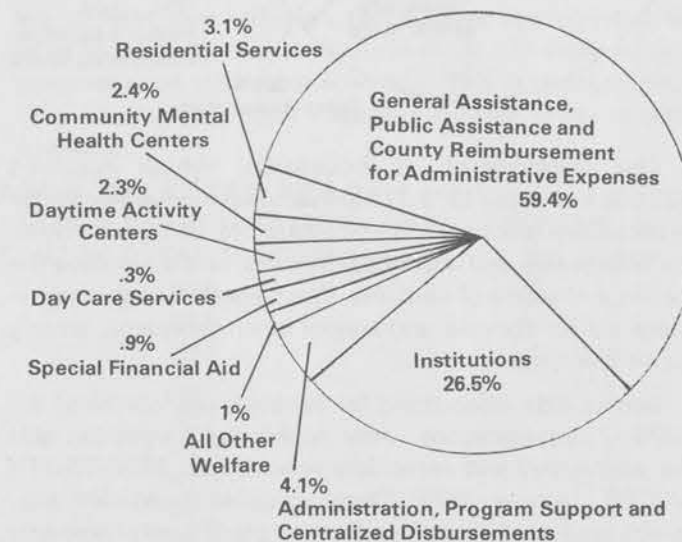
The state also reimburses counties for 50% of certain administrative expenses for public assistance programs.

Another large portion of the 1975-77 welfare appropriation (26.5%) goes to ten state hospital complexes, two special schools (Braille and Sight Saving School, and the School for the Deaf) and two state-operated nursing homes.

One of the main reasons for recent increases in the state welfare appropriations is that the state is taking over an increasing share of the welfare payments.

APPROPRIATIONS FOR WELFARE, 1975-77 BIENNIUM

TOTAL: \$599,273,540



HEALTH

State health services take another substantial cut of Minnesota's budget. This is due in part to the recognized need for more preventive health services, and in part to the rising costs of medical services in the private sector.

Appropriations to the State Board of Health and for health-related activities total \$20,950,300 for the 1975-77 biennium, more than double the approximately \$9,600,000 appropriated in 1973-75. The chart shows health appropriations by function.

Appropriations by Function

Health Services (persons and preventive)	\$11,706,400
Health Systems and Quality Assurance	2,016,600
Management, Planning and Information Services	2,374,000
Dental Health for Elderly	142,500
Water Filtration and Purification System Grants	2,500,000
Cystic Fibrosis — Adult	80,000
Nutritional Program — Women and Children	1,000,000
Health Related Boards	1,130,800

The Department of Health also received additional state funds during the 1976 legislative session totaling \$3,393,128, as follows:

Additional Appropriations — 1976

Comm. Health Education (subsidies and grants)	\$2,700,000
Administration of Community Health Services	50,000
MN Hospital Administration Act of 1976	125,000
Office of Health Facilities Complaints	67,000
Preventive and Personal Health Service	249,826
Health System Quality Assurance	164,302
Board of Dentistry	37,000

Several of these are new activity appropriations, like the nutritional program for mothers and children. If such programs are continued, they will be added to future omnibus bills.

CORRECTIONS

The corrections field is currently an extremely controversial one, with the debate over determinate sentencing, concern about sentencing and parole policies, and the possibility that one or more state correctional facilities might have to be closed or undergo extensive rehabilitation. The budget requested by the Department of Corrections (DOC) for the 1975-77 biennium was reduced by slightly over \$2,000,000, but even so, the omnibus appropriation bill for correctional activities was \$64,496,045, an increase of \$18,273,348, or 39.5%, over the 1973-75 appropriation.

Of this total, \$38,844,300 was appropriated for operation of the Department's seven correctional facilities. Administrative costs accounted for \$10,000,000, an increase of slightly over 50% from the previous biennium, due to increased staff at the departmental offices and at institutions as well as cost of living pay increases. \$2,312,000 was allocated for health care of inmates in or outside correctional facilities, \$278,600 to the Corrections Ombudsman's office, \$425,000 to Community Corrections Centers, and \$7,369,900 was set aside for grants under the Corrections Subsidy Act for counties wishing to develop and operate community-based correctional systems. Five counties were participating by the end of 1976, and the DOC esti-

mated that 20 additional counties would be involved by the time the biennium ended on June 30, 1977.

In 1975 the Legislature authorized the Corrections Commissioner to utilize corrections facilities in what he feels is the most efficient and beneficial manner. This will allow the DOC to convert some juvenile facilities to adult use and make other program changes, but the law forbids closing the Minnesota State Prison at Stillwater or the St. Cloud Reformatory with legislative consent.

The 1976 Legislature appropriated additional monies for corrections, supplementing the Ombudsman's budget by \$10,000, and voting \$2,400,000 for repairs and improvements at correctional institutions.

JUDICIAL

The judicial appropriation is one of the smallest in the entire state budget, totaling \$9,402,841 for the 1975-77 biennium, or .16% of state spending. This was augmented by \$103,310 from federal funds.

The Supreme Court appropriation for the biennium was \$2,836,264. The District Court appropriation was \$5,351,080, which went for basic salaries of the 72 District Court judges. In Hennepin, Ramsey and St. Louis Counties, each district judge receives an additional \$1,500 from county funds.

The remaining judicial appropriations for the 1975-77 biennium were distributed as follows:

State Public Defender	\$579,500
State Law Library	423,028
Commission on Judicial Standards	73,704
Judicial Councils	6,000
Tax Court	133,264

NATURAL RESOURCES

This department is concerned with land use and seven natural resources — air, sunshine, water, soil, forests, minerals and wildlife. As our population and degree of urbanization has increased, so have concerns over preservation of these natural resources.

The Department of Natural Resources (DNR) was reorganized in the past biennium in an attempt to reach the people of Minnesota more directly through regionalization and decentralization. Instead of a central office made up of a number of separate divisions, DNR now has a regional structure that divides the state into six geographical areas, each with a regional director responsible for all resources (parks, wild life, fisheries, recreation, forestry, water, etc.) in his or her area.

Leadership still comes from the state office through planning, research and administrative services. The planning and research division includes environmental planning and protection, enforcement, fish and wildlife, forestry parks and recreation, water, soils and minerals. Administrative services include engineering, field services, fiscal, license, management information systems, office services and personnel.

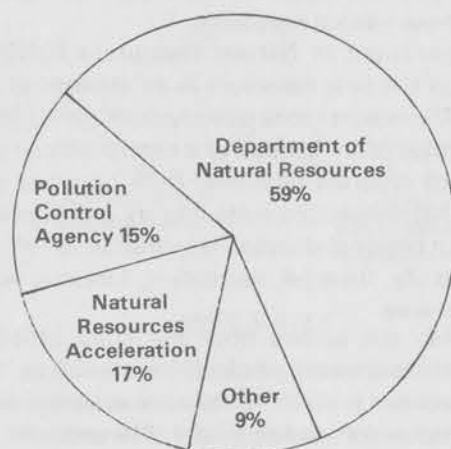
Three other major sections also operate out of the Commissioner's office. These are the Bureau of Land, the Bureau of Information and Education, and the Soil and Water Conservation Board. The Bureau of Land acquires land for state parks, state forests, wildlife preserves or other purposes. It also trades land with other government agencies or private owners and can sell or lease out state

land. During the 1973-75 biennium, land transactions involved 12,065 acres valued at \$507,605. The Bureau of Information and Education plans, produces and distributes materials about Minnesota's natural resources and environment. The Soil and Water Board, an independent agency until 1971, when the Legislature made it part of the DNR, has statutory powers to provide administrative, coordinational, educational and financial assistance to the 92 soil and water conservation districts in the state. Unlike many departments, the DNR does not have its own legal department. Its legal matters are handled by a Deputy Attorney General and Assistants provided by the State Attorney General.

The Legislature appropriated \$121,444,579 for natural resources in 1975 and added another \$8,145,750 in 1976, to bring the total to \$129,590,329 for the 1975-77 biennium. This is 68.65% more than was appropriated for the 1973-75 biennium. This increase is due to public awareness and concern for preserving our many natural resources, which the Legislature translated into increased funding and new appropriations.

Funds provided for natural resources acceleration by the 1975-77 Legislature totaled \$23,133,650. This was for acquisition and development of state lands and trails, state forests and wildlife habitat, grants-in-aid for local recreation and natural areas, regional recreation and natural areas, and other specific acquisition and development projects. The Minnesota Pollution Control Agency was appropriated \$20,014,669 for the 1975-77 biennium, over half of which was for grants to cities and state agencies for water pollution control and sewer construction projects.

APPROPRIATIONS FOR NATURAL RESOURCES, 1975-77 BIENNIUM
TOTAL: \$129,590,329



AGRICULTURE

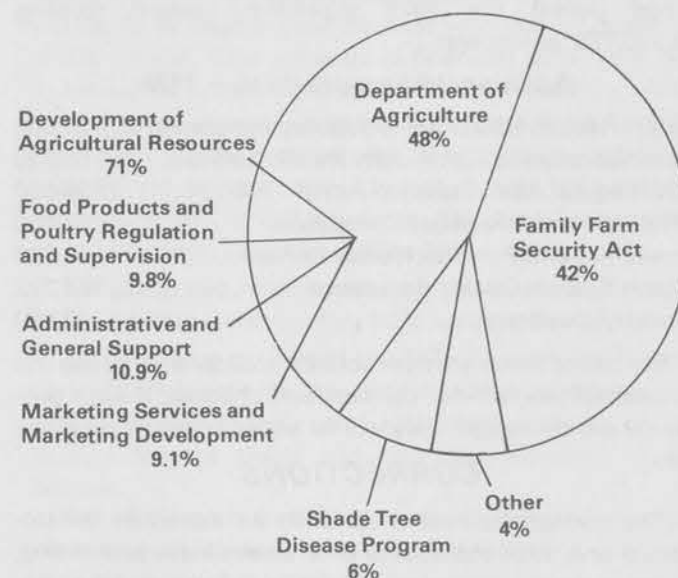
The Minnesota Department of Agriculture enforces laws which protect the public health and works to prevent fraud and deception in the manufacture and distribution of foods, animal feeds, fertilizers, pesticides, seed and other items. In addition to the regulatory powers assigned by law, the Commissioner of Agriculture has the power to

enact rules, definitions and standards to explain and clarify the laws, or to cope with changing conditions.

Prior to January 1, 1976, this Department was organized into four major program areas for budget purposes. It is now organized into three basic functional areas: farm production, food processing and staff. Each is headed by an Assistant Commissioner who reports directly to the Commissioner and who has both responsibility and authority for his area's activities.

The 1975-77 Legislature appropriated \$25,666,159 for agriculture, which included \$12,409,508 for the Department of Agriculture and \$10,874,300 for the 1976 Family Farm Security Act, to be used to guarantee loans for the purchase of land by beginning farmers. The Legislature also appropriated \$50,000 for a farm census and \$1,595,000 for shade tree disease control, which was for assisting local governments in expanding their programs.

APPROPRIATIONS FOR AGRICULTURE, 1975-77 BIENNIUM
TOTAL: \$25,666,159

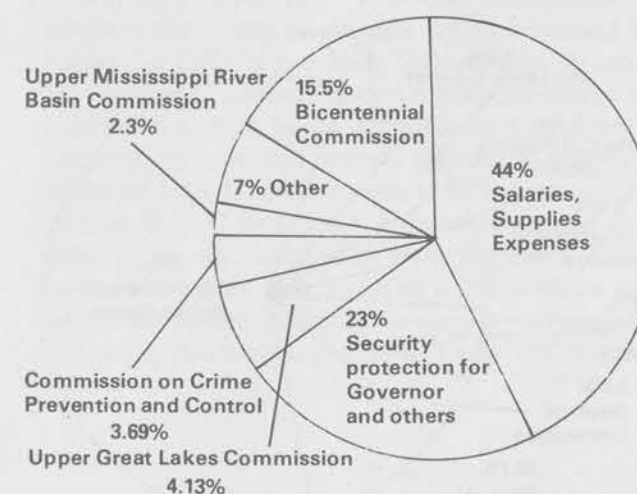


GOVERNOR

The 1975-77 Legislature appropriated \$3,457,683 for the Governor. This appropriation covers staff and administrative activities of the office, security protection for the Governor and government buildings, and commissions the Legislature has directed the Governor to oversee. Some of these commission expenditures are contributions to interstate programs which include Minnesota; others are purely Minnesota expenditures, like the \$240,000 allocated to the Bicentennial Commission for grants to local projects.

The Governor's budget grew 57% between the 1973-75 and 1975-77 bienniums. Increases in staff and in salaries to keep pace with inflation account for a major part of this budget growth. A 1976 memorandum from the Governor to the Department of Finance promised no further increases in the Governor's staff during the next biennium.

APPROPRIATIONS FOR THE GOVERNOR, 1975-77 BIENNIUM
TOTAL: \$3,457,683



GENERAL STATE GOVERNMENT

Appropriations to General State Government are for state departments and agencies which do not have a separate classification in the budget, a carry-over based on the old Auditor's code. Appropriations in this category more than doubled between the 1973-75 and 1975-77 bienniums, to a total of \$157,880,333. Much of this increase funded new or expanded programs.

The Minnesota Housing Finance Agency (MHFA) accounted for the largest share of the General State Government appropriation. The MHFA was established in 1971, with a \$250,000 appropriation, to be a self-supporting agency financed by service fees and investment income. However, the MHFA received \$34,200,000 from the Legislature in 1975 to provide grants and low-interest loans for home rehabilitation and to develop housing delivery systems for low-income households, native Americans and the elderly.

The Department of Revenue received some \$34,000,000 to discharge its duties which include supervising the administration of all state taxes and aids to local governments, directing proceedings against tax law violators, collecting and distributing information on property assessments and revenues, and formulating legislation to improve the system of assessment and taxation in the state, such as the circuit breaker for property tax relief.

The Department of Finance budget grew 346% between the 1973-75 and 1975-77 bienniums, reflecting in part new budgetary and management responsibilities transferred to it from the Department of Administration. The Department of Finance also keeps general account books for the state and supervises the general accounting system used by all state agencies and departments.

The Department of Administration's 1976-77 budget increased 61% over the 1973-75 budget, even though some of its functions were transferred to the Department of Finance. Several new programs in the Department of Administration were funded in 1975-77, including programs for car pooling, energy surveys, and improve-

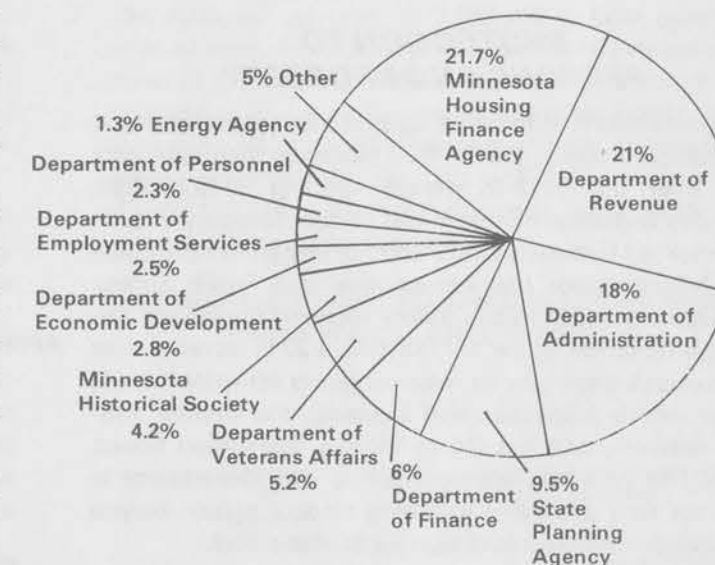
ments in government buildings. This Department also works to improve state programs and management of those programs and provides the general services and support services necessary for day-to-day operations of state government, such as procurement and purchasing of materials.

The Energy Agency, created in 1974, grew 432% during the 1973-75 and 1975-77 bienniums, from \$380,000 to \$2,023,423. This rise reflects the increase in the number and scope of energy programs. The Energy Agency promotes energy conservation in state buildings, disseminates energy conservation information to the public and works to develop alternative energy sources.

The State Planning Agency, created in 1965, has broad authority to engage in comprehensive state-wide planning, to harmonize activities at all levels of government and to render assistance to all government levels. Its budget grew 332% between the 1973-75 and 1975-77 bienniums, reflecting in part a 310% increase in the Environmental Quality Council budget, the addition of several new environmental planning activities, and a \$3,250,000 appropriation for railroad line rehabilitation. Most of the \$2,500,000 appropriated for land use planning and the \$75,000 for training of local public officials went to local governments in the form of grants, as did another \$2,062,000 for regional and local assistance.

Localities received \$800,000 through the Secretary of State's office to cover the costs of election-day voter registration.

APPROPRIATIONS FOR GENERAL STATE GOVERNMENT 1975-77 BIENNIUM
TOTAL: \$157,880,333



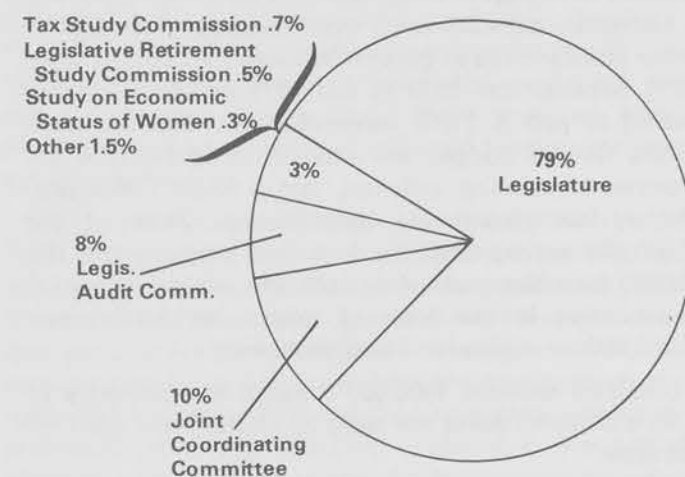
LEGISLATIVE

Appropriations to finance the Legislature increased 36% during the 1973-75 and 1975-77 bienniums, to \$26,808,462. This reflects increased salaries and the addition of new activities during the 1975 and 1976 sessions, including the Legislative Audit Commission and a study of the economic status of women.

The Legislative Audit Commission was created to audit the finances of all state departments and agencies at least once a year and to evaluate state-funded activities and programs to determine how well they accomplish their goals and objectives.

Although 79% of the appropriations in this category went to the Legislature, only 16% of this total covered legislators' salaries and insurance benefits. The balance was for travel and per diem expenses of legislative members, staff salaries, printing of bills and journals, and miscellaneous expenses.

APPROPRIATIONS FOR LEGISLATIVE ACTIVITIES, 1975-77 BIENNIUM TOTAL: \$26,808,462



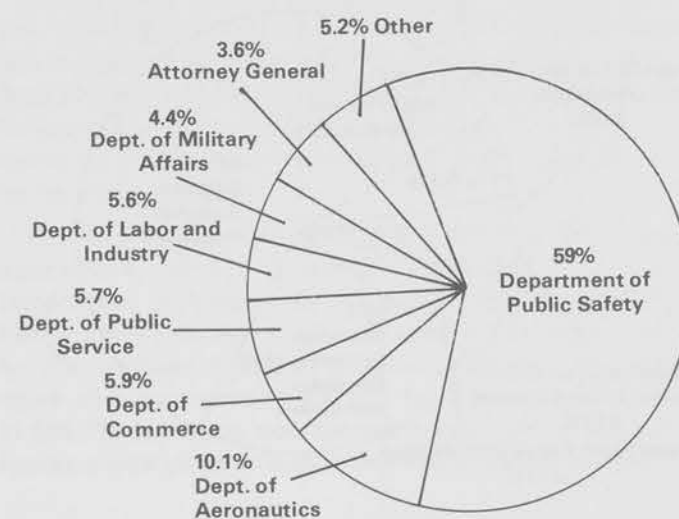
PROTECTION TO PERSONS AND PROPERTY

Appropriations to the state agencies and departments in this category during the 1975-77 biennium increased only 25% over the 1973-75 period, totaling \$119,365,269. Agencies and departments in this budget category include the Attorney General's Office and the Departments of Military Affairs, Labor and Aeronautics, and Public Safety. The Department of Public Safety received the largest single appropriation, some \$71,000,000, a 27% increase over the previous biennium; its major ongoing activities include motor vehicle inspection and licensing, the sheriffs' teletype network, and the Crime Victims Reparation Board. \$1,260,814 was also appropriated to this Department in 1976 for new programs including alcohol safety, bicycle registration and graphic design for license plates.

There was a 34% increase in the Department of Aeronautics budget. Half of this Department's budget went to the construction and improvement of Key Systems Airports (airports being used by or intended to be used by large, multi-engine and jet aircraft), a 115% increase over 1973-75.

Localities were granted \$3,289,293, including \$2,519,293 for a teletype communications network, \$700,000 for training peace officers, \$60,000 for air warning systems, and \$10,000 to the local airport at Orr.

APPROPRIATIONS FOR PROTECTION TO PERSONS AND PROPERTY 1975-77 BIENNIUM TOTAL: \$119,365,269

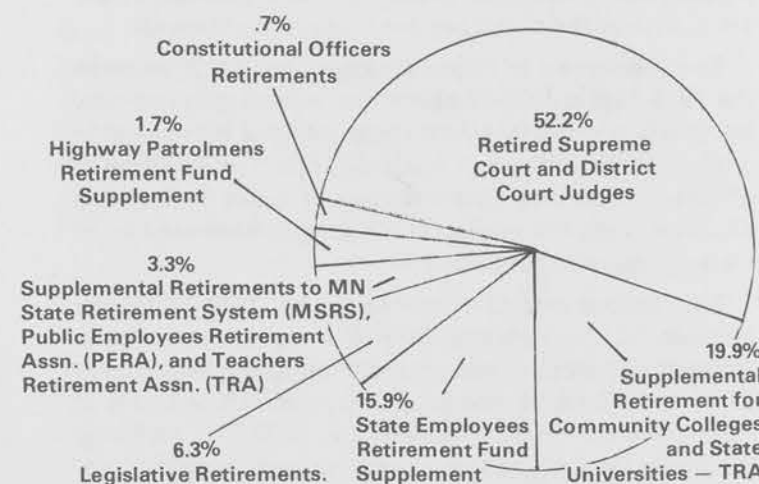


RETIREMENT

Pension funds were a "fringe benefit" developed after the World War II wage freeze to make public employment and public service more attractive and more competitive with higher salaried private sector jobs. However, the matching contributions made by employees and employers to pension funds have not been enough to finance retirement benefits, for several reasons. One is that the original programs required only a five-year investing period, so that early retirees collected far more than they contributed, and another is that benefits have been increased to counter inflation and to meet the demands of new public employee unions. Financing of public pension funds will become even more difficult as the pool of contributing employees shrinks relative to the large number of future retirees in the "baby boom" generation.

Supplemental appropriations are made by the Legislature to offset some of the accrued liability. Appropriations for supplements to state and local pension funds and to fund retirement programs for judges and legislators increased 156% between the 1973-75 and 1975-77 bienniums, from \$5,439,460 to \$13,918,436.

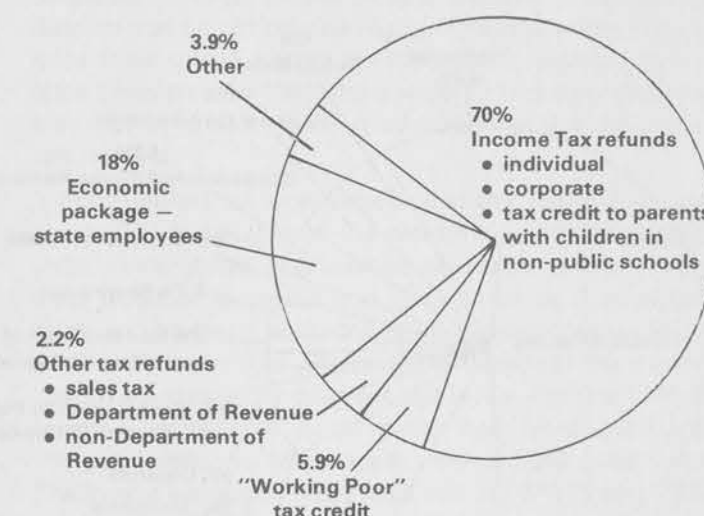
APPROPRIATIONS FOR RETIREMENT PROGRAMS AND PENSION FUNDS 1975-77 BIENNIUM TOTAL: \$13,918,436



MISCELLANEOUS

Items in this budget category are those which are not or cannot be charged to an operating department. One example is tax credits or refunds, which increased 30% between the 1973-75 and 1975-77 bienniums. Another is the General Fund Contingent, which was transferred from the Legislative budget to the Miscellaneous category in 1976 because it does not reflect legislative spending. This \$4,000,000 fund, which increased 86% between the 1973-75 and 1975-77 bienniums, is used as needed to supplement funds appropriated to state programs. The Miscellaneous category also includes appropriations made for salary and benefit increases for state employees. The total budget for this category in 1975-77 was \$530,394,506.

APPROPRIATIONS FOR MISCELLANEOUS EXPENDITURES 1975-77 BIENNIUM TOTAL: \$530,394,506



FINANCING LOCAL GOVERNMENT

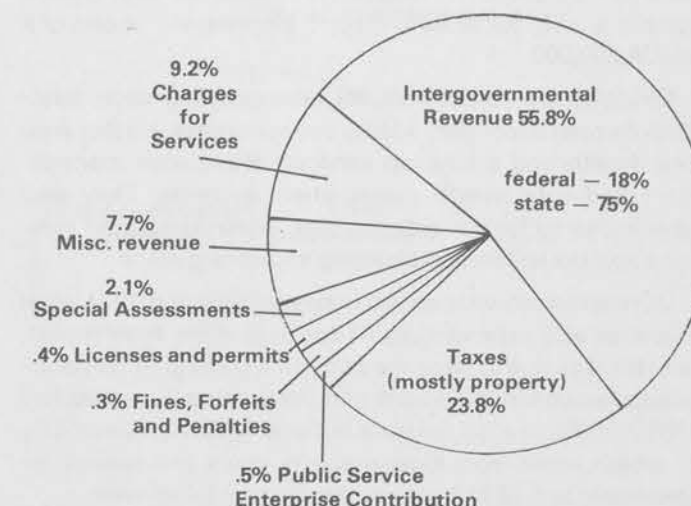
Minnesota had 3,388 local units of government in 1976, each an agent of the state and subject to varying degrees of control by the state. There are 87 counties, 855 cities, 1,798 townships, 436 school districts, and 211 miscellaneous special tax districts, such as the Metropolitan Council and the Mosquito Control District. All are required by the state to provide certain services, and all have some taxing power, although the state imposes certain restrictions on raising of revenue and on the rates levied. Together, these units received revenue of \$3,870,779,772 in fiscal 1974-75, of which 20% went to counties, 17% to cities, 1% to townships, 37% to school districts, and 23.6% to other agencies (including metropolitan agencies, housing authorities, and the University of Minnesota).

In recent years there has been a marked change in the relative importance of property taxes and intergovernmental revenues, which are revenues received from the state and federal government, in financing local government. In fiscal 1963-64, 67% of local revenues came from property taxes and only 15% came from intergovernmental revenue. Today the figures are almost reversed, as in fiscal 1974-75, when 23.8% came from property taxes and 55.8% from intergovernmental revenue. This decline in the importance of property taxes as a source of local revenue is a national trend.

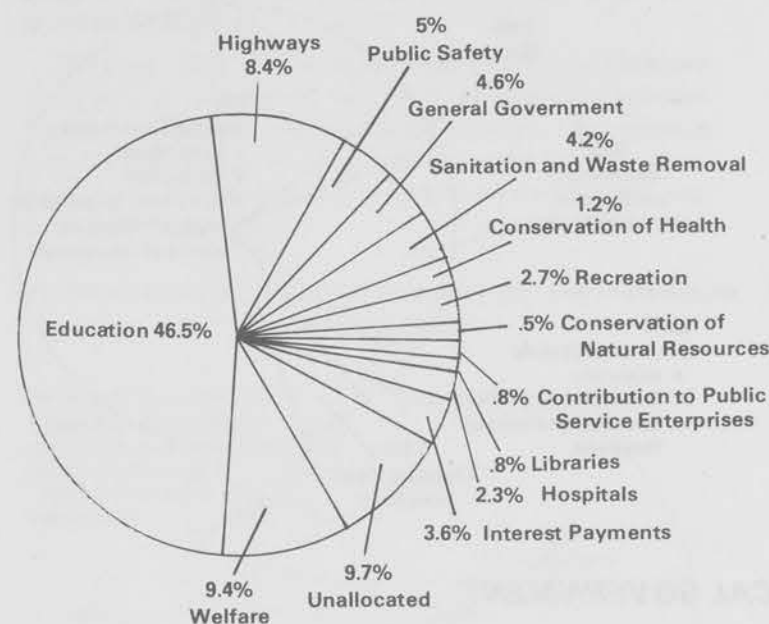
The changing emphasis on who collects the tax money and who spends it stems from a number of causes. One was the need for property tax relief, which led the 1971 Legislature to, in effect, enact such tax relief by limiting the total dollar amount local governments might levy, although certain additional special levies and assessments outside the overall limit were allowed. This levy limitation law applies to all county governments, cities of 2,500 population or more, and towns of 2,500 population or more with statutory powers.

Another important piece of legislation in 1971 which changed the collection and distribution of tax monies was the local government aid law. This law, which has been amended several times, provides for regular quarterly payments to counties, cities, towns and special tax districts in accordance with a statutory formula. The formula takes into account population, average mill rate for the past three years, and the aggregate sales ratio. In fiscal 1976-77 the state will pay out \$171,258,145 in local government aids, and will also make intergovernmental payments in the form of property tax relief, shared taxes (inheritance and taconite and occupation taxes) and other grants and special aids. All of these bring the amount appropriated to local governments by the 1975-77 Legislature to \$1,342,140,288, a figure which would be far larger if it included aids to school districts.

TOTAL REVENUE OF LOCAL GOVERNMENT UNITS IN MINNESOTA, FISCAL 1974-75 TOTAL: \$3,870,779,772



TOTAL EXPENDITURES OF LOCAL GOVERNMENT UNITS IN MINNESOTA, FISCAL 1974-75 TOTAL: \$3,863,976,294



Combined Expenditures of all Local Governmental Units

Local governments collectively spend much more money than the state government does on its own operations. Total expenditures for fiscal 1974-75 for all local government units in Minnesota amounted to \$3,863,976,294, representing an increase over the preceding 10 years of 146%. The largest dollar increase in expenditures was for education, which accounted for 46.5% of total expenditures. Next in amount spent was welfare, which accounted for 9.4% of total expenditures; county governments today spend some 99% of all welfare funds.

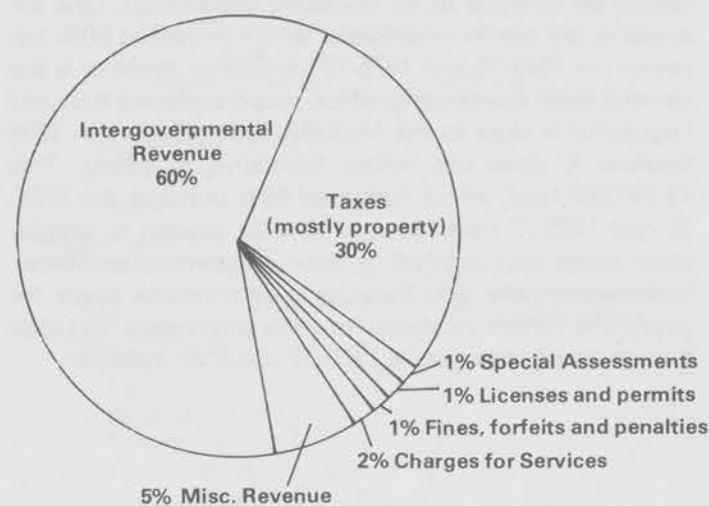
Counties

Minnesota's counties vary in size from Ramsey county's 160 square miles to St. Louis county's 6,281 square miles. Their populations range from 3,574 people in Cook county to 960,000 in Hennepin county. The 1974 total assessed valuation of property ranged from Lake of the Woods county's \$18,250,000 to Hennepin county's \$9,734,200,000.

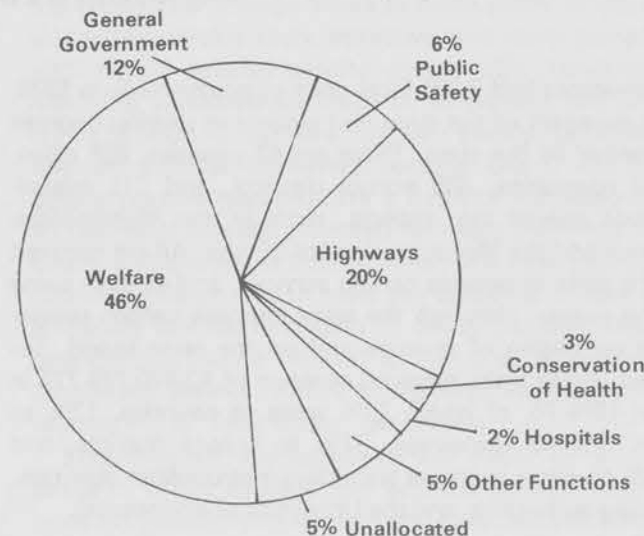
Counties are responsible for administering such functions as rural secondary roads, county courts, certain welfare, health and education services, shorelands management and solid waste management systems. They also have authority for law enforcement, administration of elections and tax levies, and planning and zoning.

During the ten-year period between 1964 and 1974, total revenues and expenditures of counties more than tripled, but this was due in large measure to a shifting of responsibilities for welfare payments and other items. Counties had \$785,734,980 in total revenue in fiscal 1974-75, about 30% of which came from local property taxes and special assessments and 60% from intergovernmental revenue.

REVENUE OF COUNTIES IN MINNESOTA, FISCAL 1974-75 TOTAL: \$785,734,980



EXPENDITURES OF COUNTIES IN MINNESOTA, FISCAL 1973-74 TOTAL: \$791,417,163



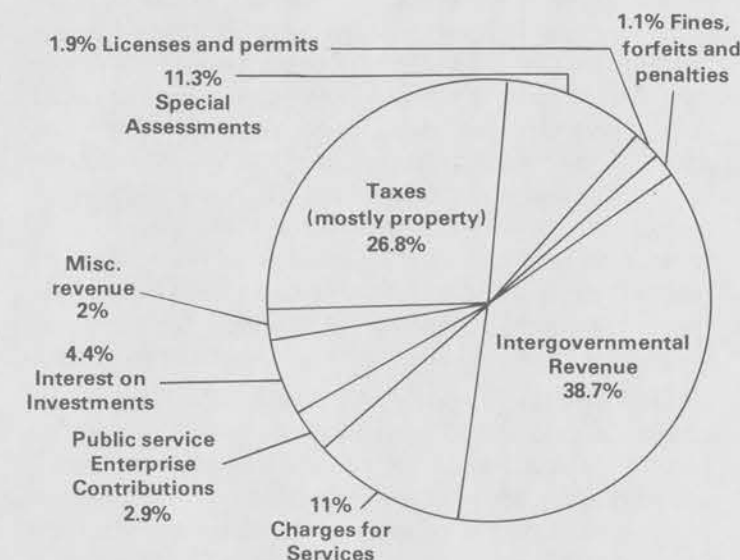
Cities

Minnesota's 855 cities range in population from more than 400,000 in Minneapolis to less than 100. Once they were called villages, boroughs or cities, but since January, 1974, they are all officially cities. The terms village and borough can no longer appear in state statutes or be used in legal proceedings, although they are still used informally out of habit or local custom.

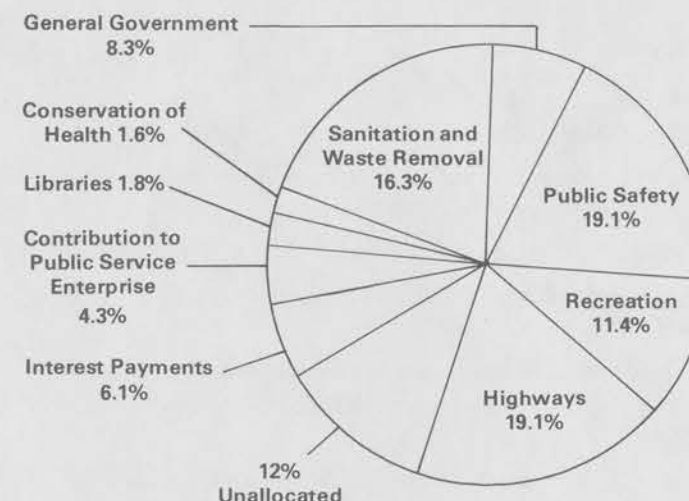
Cities are subdivisions of the counties, although some cross county lines. Their residents vote for county officers, pay county taxes and benefit from county services. Cities are also part of school districts which may encompass a different area and maintain a separate governing body from the city. Thus residents of cities benefit from state aids to their city, as well as from state aids to their county and their school district.

Cities are responsible for such things as streets, sewers and sewage treatment plants, fire and police protection, public libraries, hospitals, waterworks, parks and general governmental administration.

REVENUE OF CITIES IN MINNESOTA, FISCAL 1974-75 TOTAL: \$670,363,200



EXPENDITURES OF CITIES IN MINNESOTA, FISCAL 1974-75 TOTAL: \$745,235,017



Townships

Minnesota is divided into townships, which are geographical areas usually six square miles in size. When the people living in a township organize a local government, it is called township or town government. Because of this, the word "town" should not be used in Minnesota to mean a village or small city. The unorganized townships — areas in which no town government has been organized — are found mostly in the less populated northern part of the state and are governed by the county in which they are situated. The prime responsibility of towns is maintenance of township roads and bridges. Some also provide fire protection and law enforcement.

In fiscal 1974-75, towns accounted for 1% of the state's total local government revenue and slightly more than 1% of total local government expenditure. 59% of total township revenue came from intergovernmental revenue and 33% from property taxes. 69% of total expenditure was for highways and 15% for general government.

School Districts

Minnesota has 436 local school districts charged with providing educational services for students in grades kindergarten through twelve. There are also 4 elementary districts that do not provide high school education. Prior to large-scale school district consolidation mandated by the state Legislature in 1964, there were 1,515 school districts, only 481 of which provided education at the secondary school level.

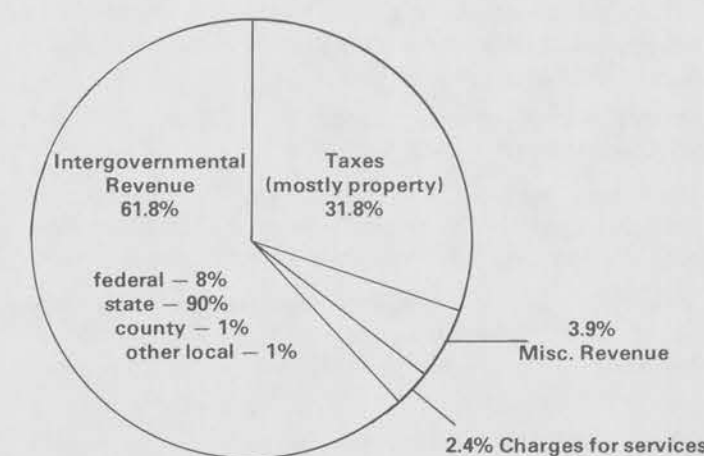
Expenditures of local school districts depend on the number of *pupil units* in the district. In computing pupil units, kindergarten students are each counted as .5 of a unit, students in grades one through six as 1 pupil unit each, and students in grades seven through twelve as 1.4 pupil units each. The differential is based on the relative cost of educating the different age levels. For the 1974-75 school year, districts varied in size from Verdi, with only 164 pupil units, to Minneapolis, with 63,540 pupil units. The lowest expenditure per pupil unit in 1974-75 was \$935, the highest \$3,282. Total expenditures per pupil unit include all of the district's expenditure — salaries, supplies, transportation, food services, building maintenance and operation as well as capital and debt service expenditures.

The school aid formula is explained in the January, 1975, LWVMN VOTER, "The Minnesota Miracle." The formula dictates how much income a local district will be allowed to receive in a given year as well as how much of that income will come from the state. The Legislature appropriated \$1,686,290,284 for elementary and secondary education in the 1975-77 biennium. This included school aids and special school aids for the two-year period.

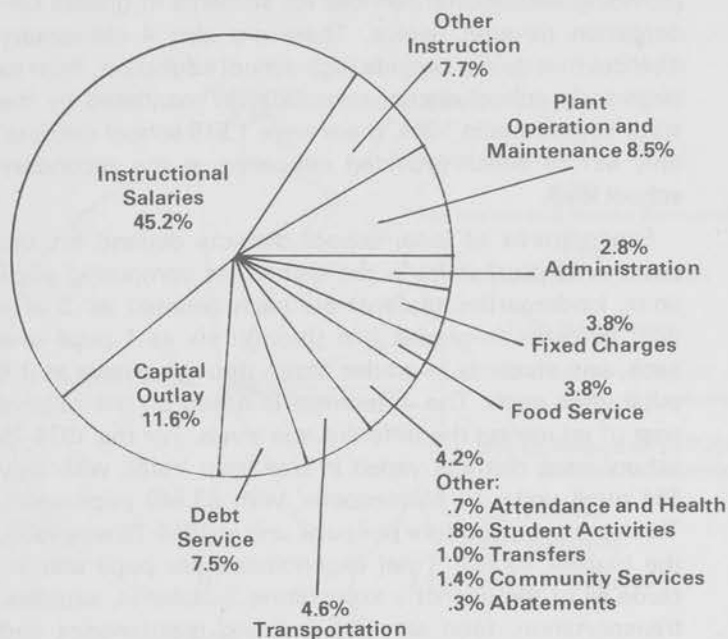
However, the appropriation figures are not a reliable measure of local expenditures. The school aid formula dictates how much each school district may receive from state and local sources but does not require that each local district spend the entire amount it receives. A local district may put some of its receipts in a reserve account for spending in future years.

This is one reason why total expenditures by all local school districts in 1974-75 totaled \$1,515,717,689, or \$56,700,180 more than total revenues.

TOTAL REVENUE OF SCHOOL DISTRICTS, FISCAL 1974-75 TOTAL: \$1,459,017,518



TOTAL EXPENDITURES OF SCHOOL DISTRICTS, FISCAL 1974-75
(Individual districts may vary greatly from the average)



CONCLUSION

This series of publications, designed to explain how government is financed in Minnesota, is a result of the continuing concern of members of the League of Women Voters of Minnesota to inform themselves and the public about governmental issues. How state government is financed has been of interest to the LWVMN since the early 1950's and is of particular interest in the 1970's when government costs are rising at a rapid rate. Minnesota is faced with hard decisions on sources and allocations of funds. These decisions affect all taxpayers and the services they receive from government. The wrong decisions may be costly, not only in money but in terms of human needs.

It is hoped that these Facts and Issues will help prepare citizens to help state legislators make these choices. Our democracy depends on the interest and informed participation of its citizens, a concept around which the League of Women Voters is organized. Financing state government is a complex subject, but it can be understood by those who want to. If everyone makes the effort, a "quality life" may prevail in Minnesota.

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Research for this publication done by Karen Anderson, Margaret Bloyer, Erica Buffington, Lorry Clugg, Kathy Gilder, Ervie Hasbargen, Judy McGuire, and Sid Moss. Edited by Rhoda Lewin

Prepared by the League of Women Voters of Minnesota;
Published by the League of Women Voters Education Fund



LEAGUE OF WOMEN VOTERS OF MINNESOTA

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MEMO

TO: FSG Committee

FROM: Karen Anderson

SUBJECT: Committee Meeting, Wednesday,
January 19, 1977, 12:30 - State Office

DATE: January 11, 1977

Agenda:

- 12:30 - Consensus Discussion - Sally Sawyer, Minneapolis LWV, will help us work/word consensus questions - rough outline enclosed.
- 1:45 - Committee Guide Discussion - attempt to complete outline today.
- 2:30 - Adjourn.

Enclosed:

Minutes of January 5 committee meeting

FSG section, January Board Memo, for your information; note Minneapolis TRIBUNE articles.

Rough Outline - consensus questions

LWVMN 1/10/77

FINANCING STATE GOVERNMENT

Committee Minutes - 1/5/77

Meeting was called to order at 12:30 p.m.

Present: Anderson, Gilder Namie, Buffington, Hasbargen and McGuire.

Reviewed publication schedule for FSG Facts and Issues #3 and #4. In order to meet March 1 deadline, we're asking state board to combine on-board and off-board reading time. Schedule as it now stands:

- Jan. 14 - returned from editor, Rhoda Lewin. Individual sections will be sent to each writer for re-writes.
- Jan. 19 - FSG committee meeting, 12:30 p.m.; re-writes due
- Jan. 21 - mailed to on and off-board readers
- Jan 31 - returned from readers
- Feb. 2 - FSG committee meeting, 12:30; Pubs in final form; Anderson will do this between 1/31 and 2/2 via phone with writers; this meeting will also finalize consensus questions with aid of any local Leaguers who show up
- Feb 4 to 9 - Pubs to printer; this date depends on amount of re-writes and re-typing by office staff. Will give printer 3 weeks to complete.

Discussed off-board readers; decided on: Ted Miller, fiscal analyst with Senate Finance Comm. (Gilder will contact); Rep. Jerry Knickerbocker, on House Appropriations Comm. (Anderson will contact); Arley Waldo, U of M (Hasbargen will contact); and someone from MN Dept. of Finance (Anderson later got agreement of Fred Post, Director of Economic Analysis, Dept. of Finance).

Discussed content and form of consensus questions.

Agreed that questions should be few and general, and in the case of open-ended questions would have a number of specific responses. Questions will be in two sections -- those dealing with taxation and expenditures.

Taxation: Ranking of criteria in relation to specific taxes.

Source(s) of future revenue - if increase needed, which tax should provide it?

Present tax and education positions - in light of new knowledge, do you agree with this or does it change your attitude?

Expenditures: Ranking of priorities in state expenditures -- giving specific function areas to rank; considered idea of presenting this question as a "game" with chits to disburse among various areas. Kathy Gilder will explore possibilities.

State Fiscal Procedures - reaction to specific changes in budget-making and adoption procedures, such as zero-based budgeting, sunset laws, legislative review committee, other review committee.

Sally Sawyer, Mpls. LWV asst. to president, will be asked to help with consensus questions at Jan. 19th committee meeting.

Committee Guide discussion: ideas on what a committee guide should do:

- contain further information than what's in publications, information to help members respond to consensus
 - point out information members already have which will help in making a decision on consensus
 - give a unit meeting timetable, in minutes, for presentation and discussion; we may need to give two timetables, for those using only one unit meeting and those using two units.
 - include visual aids; this may be attained with "game" question
- Special inclusions -- why we need all the data in the 4 Facts and Issues;

Special inclusions -- why we need all the data in the 4 Facts and Issues; we don't address the issue of people's values as reflected in government financing, it's not possible with present available data; we need to know values and priorities of LWV members; have provided present data and background on taxation and expenditures to determine what's important to members.

LWV principle stating need for "adequate financing" of government and current state and CMAL positions calling for adequate funding in specific areas -- keeping these in mind when making decisions on expenditure priorities. List those positions affected by funding decisions.

Would like to devise committee guide outline on Jan. 19th, time permitting. Anderson will try to have something rough by then.

Meeting adjourned at 2:35.

K. Anderson

L WVMN 555 Wabasha etc.

Financing State Government League Local League
FSG Consensus Question Worksheet for 2/2/77 Report due June 30, 1977

Please record # vote in numbers.
Proposed new format for questions

1. In the event that the state should see a need for additional revenue, how would you prefer this revenue be obtained? *revenue Falls short of projected state expenditures, (what are we going to do when the state needs more money?)*

- 1.A. Increase taxation *yes*
Cut spending *no*
A combination of these *X*

Proceed with all questions regardless of the answer given above.

1.B. If taxation is increased to provide additional revenue, how would you prefer this be done? Through:

- | | | |
|--|---------------|--------------|
| Sales Tax | yes | no |
| Higher rates | yes <i>Am</i> | no <i>Am</i> |
| Fewer exemptions | yes | no |
| Individual income tax | " | " |
| Higher rates | | |
| Fewer exemptions | | |
| More progressive rates | | |
| Remove federal deductibility | | |
| Corporate excise tax | yes | no |
| Higher % rate | | |
| Progressive rate structure | | |
| Property tax relief | yes | no |
| No levy limitations | | |
| Reduce state aids | | |
| Eliminate homestead credit | | |
| Less exempt property | | |
| Eliminate senior citizen freeze credit | | |
| Other tax(es); be specific | | |

*specific page references
FSG 1+2*

*Prop. tax -
any of these
would reduce
state aids
through tax
relief*

1. C. ~~If there is a decrease in~~ *It is necessary to IF there have to be cuts in* state spending, *where* how would you prefer these cuts be made?

- Percentage cuts in all areas yes — no —
Decrease state aids to:
counties yes — no —
cities yes — no —
local schools yes — no —
Decrease state spending yes — no —

Choose five categories from the following

- | | | |
|-------------------------------|------------|-----------|
| Higher education | <i>yes</i> | <i>no</i> |
| Transportation | | |
| Welfare | | |
| Health and hospitals | | |
| Corrections | | |
| Justice | | |
| Natural resources | | |
| Agriculture | | |
| General state government | | |
| Governor and related agencies | | |
| Legislative | | |
| Public safety | | |
| Public retirement benefits | | |
| Miscellaneous | | |

cut Other; be specific: *no lines*

Decrease spending in another way; be specific: *Am*

*Expenditure
Simulation
Game
direction
& equipment
FSG 4
references*

*appropriate
for state
funding
most important
for the state
to fund*

*Game - what
legislature has to
go through
Bend in
chit lists*

2. In the event that the state should have a substantial budget surplus, what would you prefer to be done with the surplus?

A. Decrease taxation yes no
Increase spending _____
A combination of these _____

Proceed with all question regardless of the answer given above

- 2.B. If taxation is decreased, how would you prefer this be done? Through:

Sales tax	yes	no
lower rates	—	—
more exemptions	—	—
Individual income tax	yes	no
Lower rates		
Higher deductions		
More exemptions		
Simplification		
Tax refund		
Abolish tax		
Corporate Excise tax		
Lower % rate		
Abolish tax		
Property tax		
Increase state aid <u>relief</u>		
Abolish tax		
Other tax(es); be specific		

- 2.C. If state spending is increased, how would you prefer this be done?

Percentage increases in all areas yes no

Increase state aids to:

 counties
 cities
 local school districts

Increase state spending

Choose five categories from the following yes no
(list same as for question 1.c.)

~~Would you like further information on any of the~~

3. Which of the following state fiscal procedures would you like to see changed?
or investigated for possible change?

	Remain the Same	Investigated	Changed (attach any specific suggestions)
Budget preparation			
by departments			
Budget preparation by Governor			
Committee procedures			
Tax bills			
Appropriation bills			
Legislative budget adoption			
Department of Finance accounting and control procedures			

3. B. Which of the following suggestions for future changes would you like
to be adopted or investigated?

	<u>See considered?</u>	Adopted	further information	not interested
Zero-based budgeting				
sunset legislation				
legislative budget review committee				

P. 3 consensus worksheet

3. B.

Involvement by more committees
set revenue limits prior to appropriating funds
set bonding limits
economic impact statements for all bills
other; be specific

Committee guide -

*what to do with material; we supply data to
help you make decisions - now you make
personal judgments on state spending based on
the data*

FSG committee - Rough draft - consensus questions

Taxation

1. Which of the following criteria are most important to you in relation to each of the major taxes? Rank from 1 (least important) to 5 (most important) for each of the taxes listed

	Individual Income	Sales	Property	Other (specify)
Equity				
Ability to pay				
Progressive				
Proportional				
Benefits received				
Widespread participation				
Yield				
Adequate/productive				
Reliable/stable				
Flexible/elastic				
Simplicity				
easy to understand				
easy to pay				
easy to collect				
easy to administer				

2. In the event that the state should see a need for additional revenue, where would you prefer this revenue to come from?

	Qualifications	Other
Individual income		
sales	higher rates; fewer exemptions	
Individual income	Higher rates; more progressive rates; remove federal deductability	
property	remove levy limitations; reduce state aid	
other tax (es)		

- B. In the event that the state continues to have a substantial budget surplus, which tax would you prefer to be cut first?

Tax	Qualifications	Other
sales	lower rates; increased exemptions	
individual income	lower rates; tax refund; increased deductions, built-in inflation factor	
property	lower rates; increased state aid;	

3. The present LWVMN FSG position "supports property tax reform through equitable assessments, fewer classifications, and more restrictive criteria for determining exemptions. We also advocate less dependence on the property tax as a source of revenue." (complete statement in committee guide)
- Do you support this position as it now stands? yes no partly
- If not, what change(s) would you prefer?
- Equitable assessments agree disagree (be specific)
- fewer classifications
- restrictive criteria for determining exemptions
- less dependence on property tax

- / B. The present LWVMN Education position ~~supports~~, in part, supports recognition of the proportion of property taxes used for municipal services, and partial financing by property tax to maintain local control?
- Do you continue to support this position? yes no partly
- If not, what change(s) would you prefer?

p. 2 rough draft consensus questions

3. B.

partial funding of local education by property tax to maintain local control. Agree Disagree (be specific)

Expenditures

1. Which of the following areas of state expenditure are most important to you? Rank each according to level of priority from 1 (~~most~~ least important) to 5 (most important).

Local education	Agriculture
Higher education	General state government
Transportation	governor and related agencies
Welfare	judicial
Health and hospitals	legislative
Corrections	public safety
Justice	public retirement benefits
Natural Resources	misc.
Land use	, aid to local governments
Energy	

(Kathy Gilder is working with this question for the 19th)

2. Which of the following state fiscal procedures would you like to see changed or investigated for possible change?

remain the same investigated changed (in what way)

budget preparation
by departments

budget preparation by governor

committee procedures
tax bills

appropriation bills

legislative budget adoption

dept. of finance accounting
and control procedures

other?

- suggestions for future changes

zero-base budgeting

sunset legislation

legislative budget review committee

involvement by more committees

set revenue limits prior to appropriating funds

set bonding limits

economic impact statements for all bills

LWVMN 1/10/77

FINANCING STATE GOVERNMENT

Committee Minutes - 1/5/77

Meeting was called to order at 12:30 p.m.

Present: Anderson, Gilder Namie, Buffington, Hasbargen and McGuire.

Reviewed publication schedule for FSG Facts and Issues #3 and #4. In order to meet March 1 deadline, we're asking state board to combine on-board and off-board reading time. Schedule as it now stands:

- Jan. 14 - returned from editor, Rhoda Lewin. Individual sections will be sent to each writer for re-writes.
- Jan. 19 - FSG committee meeting, 12:30 p.m.; re-writes due
- Jan. 21 - mailed to on and off-board readers
- Jan 31 - returned from readers
- Feb. 2 - FSG committee meeting, 12:30; Pubs in final form; Anderson will do this between 1/31 and 2/2 via phone with writers; this meeting will also finalize consensus questions with aid of any local Leaguers who show up
- Feb 4 to 9 - Pubs to printer; this date depends on amount of re-writes and re-typing by office staff. Will give printer 3 weeks to complete.

Discussed off-board readers; decided on: Ted Miller, fiscal analyst with Senate Finance Comm. (Gilder will contact); Rep. Jerry Knickerbocker, on House Appropriations Comm. (Anderson will contact); Arley Waldo, U of M (Hasbargen will contact); and someone from MN Dept. of Finance (Anderson later got agreement of Fred Post, Director of Economic Analysis, Dept. of Finance).

Discussed content and form of consensus questions.

Agreed that questions should be few and general, and in the case of open-ended questions would have a number of specific responses. Questions will be in two sections -- those dealing with taxation and expenditures.

Taxation: Ranking of criteria in relation to specific taxes.

Source(s) of future revenue - ~~if~~ increase needed, which tax should provide it?

Present tax and education positions - in light of new knowledge, do you agree with this or does it change your attitude?

Expenditures: Ranking of priorities in state expenditures -- giving specific function areas to rank; considered idea of presenting this question as a "game" with chips to disburse among various areas. Kathy Gilder will explore possibilities.

State Fiscal Procedures - reaction to specific changes in budget-making and adoption procedures, such as zero-based budgeting, sunset laws, legislative review committee, other review committee.

Sally Sawyer, Mpls. LWV asst. to president, will be asked to help with consensus questions at Jan. 19th committee meeting.

Committee Guide discussion: ideas on what a committee guide should do:

- contain further information than what's in publications, information to help members respond to consensus
 - point out information members already have which will help in making a
 - ~~give~~ ~~decision~~ ~~to~~ ~~meeting~~ ~~agenda~~ ~~timetable~~, in minutes, for presentation and discussion; specific may need to give two timetables, for those using only one unit meeting and those using two units.
 - include visual aids; this may be attained with "game" question
- Special inclusions -- why we need all the data in the 4 Facts and Issues;

Special inclusions -- why we need all the data in the 4 Facts and Issues; we don't address the issue of people's values as reflected in government financing, it's not possible with present available data; we need to know values and priorities of LWV members; have provided present data and background on taxation and expenditures to determine what's important to members.

LWV principle stating need for "adequate financing" of government and current state and CMAL positions calling for adequate funding in specific areas -- keeping these in mind when making decisions on expenditure priorities. List those positions affected by funding decisions.

Would like to devise committee guide outline on Jan. 19th, time permitting. Anderson will try to have something rough by then.

Meeting adjourned at 2:35.
K. Anderson

LWVMN 1/10/77

Jan Board Memo - FSG - Karen Anderson

The state LWV Financing State Government committee will be meeting Wednesday, Feb. 2, at 12:30 p.m. at the state office to discuss the final draft of the FSG consensus questions. All local leagues are invited to send someone to this meeting so that we may receive your input before the consensus. The committee is still planning to meet ~~the~~ the March 1 deadline for Facts and Issues #3 and #4 and also for the committee guide and consensus questions. WE have no firm funding as yet for the publications so we cannot speculate on prices. Watch for an order form in the next Board Memo.

"Big government: Can we regain control?" is a series of Minneapolis Tribune articles by staff writer Bernie Shellum which began in the Sunday, Jan. 9, 1977 edition. This is a superb series which directly addresses our FSG program. Please make every effort to read them and urge your members to do so too.

Last month the state PR staff sent out 317 press releases about the FSG tax publications (and copies of the pubs.) to weekly and daily newspapers throughout the state. We ~~are~~ no longer subscribe to a clipping service, so if any of the newspapers in your area have had related articles, please send them to the state office.

LWVMN 1/10/77

FSG - Readers for FSG Facts and Issues # 3 and 4

On-Board readers: Poppleton, DeSantis, Watson, Jenkins, Mueller

Off-Board Readers:

Mr. Ted Miller, Fiscal Analyst, Senate Finance Committee, Rm. 121, Capitol

Representative Jerry Knickerbocker, 379 State Office Bldg., St. Paul

Mr. Arley Waldo, Dept. of Agricultural and Applied Economics, U of M,
St. Paul, 55108

Mr. Fred Post, Director of Economic Analysis, MN Dept of Finance,
309 Administration Bldg., St. Paul 55101

Rm 112 at 3 on Wed.



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: Financing State Government Committee
Members

FROM: Karen Anderson

SUBJECT: Committee Meeting, Wednesday,
January 5, 1977, 12:30 p.m.

DATE: December 29, 1976

Committee Meeting: WEDNESDAY, JANUARY 5, 1977
12:30 p.m.

Agenda:

- 12:30 Expenditure Publication Schedule - *outside readers*
- 1:00 Committee Guide -- Discuss Content and Procedure
- 1:30 Consensus Questions -- Discuss Objectives and Arrange Schedule for Review by LWV Members. These must be submitted in final form for Board review on February 8th.
- 2:30 Adjourn

*dates - Rhoda return 12-14th
meet 19th
21st - to all readers
31st - returned
meet Feb. 2 & to printer*

*present minutes -
Tax & Editor
renew or what?*

*person ~~Allen~~
Knickerbocker -
Miller -
Walder -
Christensen's office
on Carlson
Layman of 12/29/76?*

M TO: Irma

E FROM: Harriett

M SUBJECT

O

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE Nov. 19

As per your phone request of the other morning,
here are your original copies and comments
on the two Facts and Issues.

Karen ~ This was one of Irma's "better" calls where
she was so irritated at not having her name on
the pub that she was wishing she weren't.
So she asked for her materials back - copied
them for us before so doing however!

Would it be possible to have writing assignments completed by November 15th?
I'll be at the state office that morning and would be able to meet with you
any time between 9:30 and 11:30. Let me know if that isn't all right with you.

PHONE: 224-5445

ST. PAUL, MINNESOTA 55102

555 WABASHA

LEAGUE OF WOMEN VOTERS OF MINNESOTA

SUBJECT 1st Draft Expenditure Pubs

DATE November 9, 1976

FROM: Karen Anderson

TO: Hasbarger, Moss, McGuire

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TO: FSG Committee

FROM: Karen Anderson, Chairperson

SUBJECT Discussion Questions on Taxation DATE November 9, 1976

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

Enclosed are sample discussion questions for those local Leagues having unit meetings on taxes in December. I'd appreciate your suggestions/comments on them by mail or phone by November 15th. I'll be in the state office from 9:30 to 12:00 on the 15th if you'd like to call me then. Thanks.

Financing State Government
DISCUSSION QUESTIONS ON MINNESOTA TAXES

These are general discussion questions for use in unit meetings on Minnesota taxation. While they are not consensus questions, we would appreciate a general account of responses from those local Leagues using them.

1. One of the League of Women Voters Principles states: "That government should maintain an equitable and flexible system of taxation." In your opinion, what elements are necessary for an "equitable" tax system?

- progressivity (ability to pay)
- benefits received
- widespread participation

Which of the major taxes used in Minnesota best reflects each of these elements?
Which of these elements is most important to you?

2. Government is concerned with a tax system which will provide:

- adequate yield
- reliability
- stability
- flexibility
- elasticity

How would you rank these criteria in order of importance?

3. One of Adam Smith's basic tenets for taxation was that a tax be certain, simple and convenient.

How important are these criteria to you?

Do you see a conflict between these and the elements of an "equitable" tax system? (e.g., the addition of the circuit-breaker to the property tax)
How could these conflicts be resolved?

4. The present LWVMN position in support of property tax reform states:
"The LWVMN supports property tax reform through equitable assessments, fewer classifications, and more restrictive criteria for determining exemptions.
We also advocate less dependence on the property tax as a source of revenue."

Does this statement accurately reflect your views when considering the property tax as part of a multi-tax system?

Do you think the trend in Minnesota toward less reliance on the property tax has reached a "holding point," or would you like to see it continued/expanded?

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, MN 55102 - November 1976

EXCERPTS FROM IT'S YOUR BUSINESS

Financing State Government

Minnesota is not the only state which has seen a dramatic increase in state expenditures in the past few years. This is true throughout the country and has been reflected in rising taxes. The processes involved in this cycle of rising revenues and expenditures are discussed by L. Laszlo Ecker-Racz, noted economist and expert in public finance, in his book, IT'S YOUR BUSINESS: LOCAL AND STATE FINANCE. He directs his comments to you, the citizen and voter. The following ideas are taken from his book:

Continued economic growth is as critical to government's ability to provide services as it is to improvement in living standards. The economic growth, both real and inflationary, has provided a source of new revenue without disturbing the established uses of money, both in public areas as well as private. When increased revenue from economic growth is available, the cost of new and better programs doesn't overburden the taxpayer.

Ecker-Racz mentions some factors about the structure of our government and some of our basic concepts that bear upon government finance. He says our tenacious attachment to decentralized decision-making is at odds with the growing centralization in the economy and with the increasing interdependence of one area with another. This interdependence extends to the world at



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Financing State Government Committee

The following poem was written by Sharon Dlugosh, New Brighton LWV, and printed in their bulletin:

"Let's study about tax!
Tax your property and your fun
Tax most anything under the sun
Plow your streets
Tax your treats
Build your schools
Swim in your pools
Buy your clothes
No - don't tax those
If you want to smoke
Be taxed till you choke
Pay the teachers, keep parks clear
Want to drink? We'll tax your beer
Build a hospital, treat the poor
We'll tax your income, that's for sure!
Care for the aged, handicapped too
Build a civic center and a zoo
Get rid of the waste
Produce water fit to taste
Catch the dogs
And spray the bogs
Protect us from fire
Find policemen to hire
What is equitable?
What is effective?
How can we make possible
A tax structure that is objective?
Well look for us
(The Financing State Government Committee)
We plan to make a fuss
In the VOTER monthly
So for all of our sakes
Don't be lax
Let's study
About tax!

Minneapolis Tribune



Established 1867

Charles W. Bailey Editor
Wallace Allen Managing Editor
Leonard Inskip Editorial Editor

20A •

Sunday, October 3, 1976

An immovable tax system? Not really

We were impressed by two points in a recent Minnesota Taxpayers Association newsletter. One is familiar: Few states offer more public services than this one does. In 1975 Minnesota ranked

them. In 1969, local property taxes made up 37 percent of city budgets; in 1975, 27 percent.



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LWVMN 11/9/76

November Board Memo - FSG - Karen Anderson

Enclosed in the 3rd class mailing are several items for you:

- General ~~questions~~ discussion questions for LWV's doing Dec. Units on Taxes. These are only suggestions; you may prefer using your own discussion questions.
- Excerpts from It's Your Business: Local and State Finance, by L. Laszlo Ecker-Racz. If you don't already have a copy of this book for your FSG committee, we again urge you to order it from the National Municipal League, 47 East 68th St., New York, N.Y. 10021. It costs \$4. We borrowed the excerpts from the LWV Kansas Voter; they're involved in the same sort of study as ours (as is Iowa and New Jersey).
- A poem by Sharon Dlugosh, LWV New Brighton, which you may want to use in your bulletin for encouraging member interest.

The state FSG committee is deep into research/writing for the expenditures publications. If we're not serving your immediate needs, it's because we have "tunnel-vision" right now -- a necessity if the job is to be done by spring. Please call me or the state office with any questions you may have.

Also, we need input in forming consensus questions on taxes and expenditures. We'll be following the guidelines presented at the '75 convention by the consensus committee chaired by Dottie Stone, ~~but~~ Is there anyone ~~who/would~~ out there willing to help write the questions? Is there anyone who would like to participate in a mock-unit meeting to ~~pre-test~~ pre-test the questions? Let us know who you are!



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: FSG Committee

FROM: Karen Anderson

SUBJECT: General Information

DATE: October 22, 1976

Enclosed are your copies of the first two Facts and Issues and a copy of the FSG section of the October Board Memo.

The Board Memo is the monthly communication between the state Board and Local LWVs. In it I try to let local FSG chairmen know of the progress of the state FSG Committee; usually you are all already aware of the information. Sometimes, however, I'm faced with some rather momentous on-the-spot decisions, as has been the case this month. I wanted you all to know what I've told local LWVs "on behalf of you."

Thanks to all who have accepted writing assignments for the expenditure pubs. I'm uncomfortable about the lack of direction at this point, especially for new writers. Let's keep in contact by phone to straighten out any problems; I'm home most evenings except Thursdays.

For those without writing assignments: there are several other tasks that need doing.

- .. Observing House Appropriation Committee once or twice a week during the legislative session. They will probably meet daily at 8:00 a.m.
- .. Work on drafting of tax consensus questions.
- .. Work with state LWV Development Committee on fulfilling the requirements of the H. B. Fuller grant and preparing for other possible future grants.

Please contact me if you're interested in any of these.

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, MN 55102 - October 1976

FINANCING STATE GOVERNMENT, FACTS AND ISSUES ORDER FORM

Facts and Issues #1, Primer of Minnesota Taxes

Facts and Issues #2, Minnesota's Multi-Tax System

League of Women Voters of _____

of Members in our League _____

We have the following plans for distributing them to our members _____

You will be billed for postage and handling charges.

Return above to League of Women Voters of Minnesota, 555 Wabasha, St. Paul, MN 55102

Karen



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: FSG Committee

FROM: Karen Anderson

SUBJECT: Miscellaneous

DATE: October 8, 1976

Enclosed are copies of:

September 29th committee minutes
Minneapolis TRIBUNE editorial
MONEY MAGAZINE article

For those with writing assignments:

You don't need to keep background notes on 3 x 5 cards, but you do need to keep them on something for our own reference. Also, we will need a complete list of your resources for bibliography -- both people and written sources.

Next committee meeting - November 3rd (see September 29th minutes)

LWVMN 10/4/76

Financing State Government
Minutes of Sept. 29 meeting

Present: Anderson, Hasbargen, McGuire, Bloyer, Buffington

Business: the tax publications are to be delivered by printer Oct. 4. Prices will not be established until after Oct. 4 funding proposal to H B. Fuller Community Affairs Council. Bloyer suggested another printer for next 2 pubs. for more favorable price.

Time forms: Researchers are to keep track of time spent researching, writing, travelling, etc. for the purposed of haveing a record of this when going for grants.

77/78 budget suggestions: State Board budget requests for next year are due at next Board meeting. Some discussion on whether committee should be involved with publications distribution (development committee suggested FSG committee train local League personnell to give presentation along with publication distribution). Committee agreed that this was not a proper function -- that publications/PR proceed as they wish with guidance only from FSG chairperson. Budget for FSG will be figured on basis of support position only -- observing and lobbying on consensus position reached next June.

Legislators' questionnaire: local Leagues regularly question legislators elected in Nov. election. Committee wanted questions dealing with expenditures; hopefully we'll get some data/opinions that can be used in publications. Suggestions: How do you arrive at your spending priorities; name your primary influences. What could be improved in the budget-making and adoption procedures? These will be refined and turned in to Action committee Oct. 5.

Editting: Rhoda Lewin, while no longer serving on state board, has agreed to edit the expenditures publications.

Guest: Mr Ted Miller, Fiscal Analyst with the Senate Committee on Finance, came to the committee meeting to help identify sources of information for the expenditure publications and to help categorize areas of state spending to correspond with the available figures.

Mr. Miller is the author of Fiscal Review of the 1975 Legislative Session and recent '76 update of that piece. Some of the points he make:

Fiscal Review of the 1976 Legislative Session must be used in conjunction with the '75 version; it contains supplementary information.

While the General Fund is usually used to describe state spending, there are many other funds to take into account, including federal fund monies. Expenditure pub^l. will cover all funds, with just a brief mention of federal.

Two kinds of state moneys: those consitutionally dedicated, and those legislatively dedicated. Some of the dedicated funds go through the general fund before distribution.

Appropriations:

- A. 5 Omnibus appropriation bills
 - 1. a. education (state aids)
 - b. all other education
 - 2. welfare, corrections and health
 - 3. state depts.
 - 4. semi-state ~~app~~ activities (quasi-state activities) those not funded entirely by state (like historical society)

Omnibus appropriation bills

5. two building appropriations; capitol outlay, by constitution, must be time limited bonding bills
- B. misc. appropriations; are usually single bills for a particular purpose. include those that aren't a part of omnibus bills. 3 categories:
 1. recurring -- claims bills; usually 1 heard during interim and 1 during session
 2. non-recurring -- one-shot deals like road to new zoo or sewer assessment for a state college
 3. new activities. something like the fresh water biological institute or nutrition program for the elderly. These may later be on-going and be added to future omnibus bills.
- C. Open and Standing appropriations
 1. standing -- an amount appropriated and specifically designated, like the reimbursement of the trunk hiway fund for the use of the highway building -- the amount is specified in the bill and remains the same
 2. open -- authority to collect, disburse, etc. contained in law but no specific dollar amounts. eg. the homestead credit -- state authorizes reimbursement to county auditors for money they haven't received. also includes aid to local gov'ts.

All of these appropriations include categories that may fall under our own categories in expenditures outline. Since these have already been gathered together for Fiscal Review we will follow general categories as shown on page 33 of '75 Fiscal Review

History resources: previous to 1930 -- old state Auditors biennial reports; should be found in legislative reference library, Hill reference library or Mpls. municipal library.

Resource people for specific categories: senate and house committees; the administrative assistants or aids (known as A.A.'s)

Budget procedures resources: primary source is Chapter 16 of '74 state Statutes; this calls for principle budget officer (Dept. of Finance) and a 2-part budget (governor's budget and 5-year plan). sets receipt date and presentation date. all agencies must submit budget requests by Oct. 4; Dept. of Finance holds hearings, evaluates and refines. Nov/Dec discussions with governor and staff. end of Dec., Governor and Dept of Finance devise "budget message" which contains 2 years of requests (6 mos. actual spending and 18 mos. projected). "budget message" is accompanied by supplementary data for each specific fund. Then goes through committee process in each house. Sub-committees, back to full committees for omnibus bills, then to full Senate and House, then to conference committee with 5 members of House and Senate; "very seldom come out a compromise, usually higher than either houses version"

Mr. Miller will remain primary resource for this section.

NEXT COMMITTEE MEETING: Wed. Nov. 3 at state office. First drafts are due at that time. There will be no full committee meeting; individuals will come to go over their sections individually. Schedule--9:20 Buffington and McGuire; 10:30 Bloyer; 12:30 Hasbargen. Others to be scheduled before 2 p.m.

Minneapolis Tribune



Established 1867

Charles W. Bailey Editor
Wallace Allen Managing Editor
Leonard Inskip Editorial Editor

20A .

Sunday, October 3, 1976

An immovable tax system? Not really

We were impressed by two points in a recent Minnesota Taxpayers Association newsletter. One is familiar: Few states offer more public services than this one does. In 1975 Minnesota ranked seventh highest in the nation.

them. In 1969, local property taxes made up 37 percent of city budgets; in 1975, 27 percent.

That change has been largely due to



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M TO: Karen, Betty

E FROM: Herbie

M
O SUBJECT More forms

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE 9-16-76

When one goes for a grant it is very helpful if one can point out the total number of hours volunteers spent in research, etc. (It is also a help when one wants to justify the cost of a publication for I R S, but that's a 'nother whole story.) Anyhoo - would's't thee have thy committee members keep track of their research time, telephone time, travel time, etc. so that we can have a record thereof. Me thanks you.

9/15/96

Memo to: FSG committee

From: Karen Anderson

Re: meeting notice and Misc.

Enclosed are: revised committee list and minutes of Sept. 9 meeting

Please review the minutes carefully. On Sept. 22 the outline sub-committee will be meeting at Judy McGuire's at 10 a.m. to complete the outline for the expenditure publications. If you have any additions, corrections, ~~exan~~ suggestions, please related them to Anderson, McGuire or Buffington before then.

Wed., Sept. 29, 12:30 p.m., State Office, entire committee will meet. You will not receive another notice of this meeting. Have in mind what areas of the outline you are most interested in researching. We'll have a better idea of information sources at that time so that researchers will have definite starting places. If you aren't able to attend, please call me or state office to ~~put~~ state your preferences - we don't want to assign an area you abhor.

The first committee meeting was so exciting and encouraging that I'm still on a high over what I once considered a "dry" subject. Thank you!

LWVMN 9/13/76

Financing State Government

Minutes of Committee, September 9, 1976

The meeting began at 9:45 with a discussion of future meeting schedule. Since dates will revolve on deadline schedules for expenditure publications, we decided to set dates as we go along, but to try Wednesday afternoons, 12:30 to 2:30 as days to meet. These may be first Wed. of month or adjusted as deadlines permit. Specific dates: Wed., Sept. 29, 12:30 to 2:30, state office, whole committee meeting; Wed., Sept 22, 10a.m., at Judy McGuire's, sub-committee on publication outline (Anderson, McGuire, Buffington and anyone else who can make it).

Present: Anderson, Buffington, Gilder, Hasbargen, McGuire, Cushing, Sletten, Moss, and Brown visiting from Crystal-New Hope.

Tax Publications: discussed printing schedule; still striving for Oct. 1 deadline. As yet have no funding; if none comes, they will cost under \$.75 for both.

TV presentation: state board authorized hiring of state Development/ Public Relations person. If this person does not materialize in 6 weeks, about Oct. 21, will have to cancel "big dream".

Expenditure Publications: we will be breaking material into two Facts and Issues, 6 to 12 pages each (about 45 type-written). Deadline schedule is roughly:

Sept. 22 - outline committee meets

Sept. 29 - final outline ready; whole committee meets to make assignments, discuss sources.

Nov. 3 - 1st draft due

Nov. 19 - 2nd draft due

Nov. 24 - to editor

Dec. 3 - returned from editor and back to researchers for completions

Dec. 17 - re-writes due

Dec. 24 - sent to on-board readers

Jan. 3 - due back from on-board readers

Jan. 10 - sent to outside readers (suggestions were League of MN Municipalities Citizens League, Dept of Finance or Econ. Devel.)

Jan. 25 - due back from outside readers

Feb. 1 - to printer

Feb. 18 - mailed with monthly board mailing

Discussed possible outline for publications. The following is in draft form and will be expanded, refined, etc. by outline committee Sept. 22.

Section	Possible information sources	Researchers (tentative)
I. Introduction - set focus for whole subject; refer to concerns of people, expenditures reflecting changing values of people, changes in political theory		Anderson Gilder McGuire
II. History - trends in expenditures in MN. following focus on people's concerns	1973 Tax Study Comm. staff papers Dept. of Econ. Devel.	
III. State Fiscal Procedures		
A. Budget Making	MN Dept. of Finance	Anderson
B. Budget Adoption		
C. Collection and Disbursement procedures.		
D. Audit functions		
E. "How a Budget Becomes a Spending Program" (also used separately as Citizen Information piece?)		

Outline (cont.)

Section	Possible information sources	Researchers (tentative)
IV. Governmental Expenditures in the State of MN		
A. Lead-In - combined effect of federal, state local funds being spent on state and local levels	Appropriate MN Depts. Senate Research (author of Fiscal Review of the '75 Legis. Session)	McGuire Buffington
B. State expenditures		
1. Education		
2. Transportation		
3. Public Welfare		
4. health care	Metro Council and Econ. Devel. (regional health boards)	
5. justice and corrections		
6. natural resources (inclu. land use) and energy	PCA, DNR	
7. housing		Gilder
8. others		
a. unique background		
b. amount fiscal year ending June '76		
c. amount spent here and amount passed to other level		
C. Local Expenditures		
1. Counties		
a. definition, how many, population ranges, responsibilities		
2. Cities		
3. Townships	State Auditor's Dept.	
4. School Districts	U of M Dept. of Agricul and Applied Econ.	
5. Special Districts	(Arley Waldo and John Helmberger)	
D. Summary - combined effects explained and shown by chart(s)		
V. Trends		
total summary; related to general focus on people; citizen participation	Dept. of Econ. Devel. MN Commission on Futures (Neil Gustafson)	

Committee Guide and Consensus Questions: discussed the inter-relatedness of the two. Committee Guide needs to be comprehensive and exact if we wish to do the consensus via broad questions. Consensus to determine LNV values on Taxes (using criteria) and Expenditures (using priorities). Aim toward 3 questions on each. Tentative deadlines:

Nov. 19 - board memo mailing; tax questions done in draft form and sent as sample discussion questions for those Leagues doing tax units in Dec.

Jan. 3 to 17 - massive writing effort with good committee input; Cushing and McGuire especially concerned in this area

Jan. 17 - sent to LNV "screeners"

Jan. 28 - due back from screeners

Feb. 8 - consensus questions approved by state board

Feb. 18 - mailed with monthly board mailing

Meeting adjourned 11:45.

Submitted by Karen Anderson, chairperson

6/22/76 LWVMN

Financing State Government Committee

Committee Roster

State Board Members

Karen Anderson, chairperson, 935-2445
16917 Clear Spring Terrace, Minnetonka 55343, LWV, MEPH Area
Carolyn Cushing, 612-633-0602
3031 Simpson, St. Paul 55113, LWV Roseville
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1288 Hazelwood, #205, St. Paul 55106, LWV St. Paul
Irma Sletten, 612-544-6264
7245 Green Valley Rd., Golden Valley 55427, LWV Golden Valley

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, MN 55102 - December, 1976

To: all Minnesota local Leagues

Re: sample 5-minute speech for presenting FSG Facts and Issues to local citizen and government groups.

FEEL FREE TO ADAPT THIS PRESENTATION TO YOUR OWN NEEDS.

There is nothing that people complain about more or understand less than taxes. They affect all of us, but just who pays, and for what, remains something of a mystery.

In 1965, members of the Minnesota League of Women Voters, like most people, felt uninformed about the sources and uses of taxes. As a state organization, members decided to make state financing less of a mystery to themselves and the public. They adopted a study of the financing of local and state governments, focusing on the property tax. This study led to a position supporting property tax reform and advocating less dependence on the property tax as a source of revenue.

The League study coincided with one commissioned by the 1963 Legislature, at a time when property taxes, the primary source of local government funds, had become a great burden on property owners. The legislative commission's study resulted in the Tax Reform and Relief Act of 1967, two main provisions of which eliminated the property tax as a source of state revenue and instituted a state sales tax. Lobbying on the position adopted by its members, the League succeeded in having some of its recommendations incorporated in the 1967 and succeeding tax reform laws.

A League of Women Voters study item is adopted at state convention when it gains sufficient support from local delegates. Evidently many members felt a need to look into state taxes again, because in 1975 the convention adopted a study of the source and distribution of state revenue, with emphasis on the effects of shifting tax burdens.

One of the first things the resulting study committee did was to conduct a state-wide survey to find out what Minnesotans know about state government financing and their attitudes toward taxes and services. Armed with this information, the committee undertook an ambitious project--a series of four publications designed to explain how government is financed in Minnesota.

The first two publications have been completed and I have them here today. They will help League members arrive at a position on our study item. Equally important, they can help citizens of Minnesota understand a complex system of financing that directly touches everyone in the state.

A Minnesota business firm, recognizing that this information can fill a vital need, has subsidized the publication of enough copies for us to provide free distribution to interested groups and individuals. Additional funding for state-wide distribution is currently being sought.

Rep. Kelly, who chairs the Minnesota Tax Study Commission, has commended the League on the excellence of these publications. He is asking all legislators to read and retain their copies.

What do these publications contain? The first one, an eight-page "Primer of Minnesota Taxes," has a short history of taxation in Minnesota, an explanation of

criteria used in evaluating taxes, a glossary of finance terms and the results of the survey mentioned earlier.

No. 2 in the series, "Minnesota's Multi-Tax System," describes in 12 pages every tax used for raising revenue in the state. Beginning with the major taxes--property, personal income and sales, it explains each tax in terms of who is taxed, how much is collected, which government unit collects and distributes the tax, and which criteria can be used to evaluate it. Finally, some comparisons among states in our area are made.

The remaining two publications, which we expect to be available in March, will deal with state expenditures, tracing legislative trends and explaining how the state spends most of its revenue.

(TO LOCAL GOVERNMENT OFFICIALS)

Why is this information important to you? It can help you to better understand the financial relationship between local units and the state government. Our survey shows that many Minnesotans are misinformed or uninformed on the subject of taxes. The information here can help you answer constituents' questions about taxes and services. These publications can be useful to you as a private citizen, too.
(CONTINUE AT "TO ALL")

(TO CITIZEN GROUPS)

Why is this information important to you? As our survey shows, many Minnesotans are misinformed or uninformed on the subject of taxes. (CONTINUE AT "TO ALL")

(TO ALL)

Minnesota is faced with hard decisions on sources and allocation of funds. These decisions will affect your pocketbook and the services you receive from the state government. The wrong decisions may be costly, not only in money but in human suffering. Are you prepared to help state legislators make these choices?

Our democracy depends on the interest and informed participation of its citizens (a concept around which the League of Women Voters is organized). Financing state government is a complex subject, but it can be understood by interested citizens. Unless we all make the effort, government will be left to the "experts." When that happens, we will no longer be living in a democracy.

(ADD FOR THOSE TO WHOM IT APPLIES)

Your group may be interested in supplementary information. A slide-tape presentation on the sources and expenditures of state and local revenue will be available later in the year. I'll contact you when it's ready.

J.J., K.A., J.R., & G.H. - Jim's proposed press release.
Okay?

Many Minnesotans are confused and misinformed about taxes, government expenditures and government finance in general, according to a new report prepared by the League of Women Voters of Minnesota.

The League report, ~~xx~~ "Financing State Government -- Facts and Issues," showed that of 244 persons randomly selected and questioned, 184 did not know what portion of their property tax goes to finance schools. Of the 244, 205 did not realize that property taxes support less than 10 per cent of welfare payments and 150 were unaware that the property tax produces more tax dollars in Minnesota than any other tax.

"I hope distribution and study of this report will bring greater understanding of the financial workings of state and local governments and will broaden citizen participation in decision making about taxes and government spending," said League President Jerry Jenkins of St. Paul.

The first two of the four-part "Facts and Issues" series are now being distributed by ^{to interested groups and individuals} Local Leagues throughout the state. One is an 8-page report entitled "Primer of Minnesota Taxes." It contains a history of ~~tax~~ legislative trends in taxation, a glossary of tax terms, and results of the survey taken by the League last March.

The second is a 10-page report on "Minnesota's Multi-Tax System." It describes in detail every form of taxation in Minnesota and how revenue from those taxes is spent.

The final two reports, to be issued next spring, will deal with legislative trends in spending and how the state spends most of its money.

Cost of the study was partially funded by a \$2,500 grant to the League from the H. B. Fuller Community Affairs Council of St. Paul.

##

JJ - this out over your signature?

Harriet: This cover letter should be sent out to editors of the editorial page of all daily papers in the state and also Al Austin of WCCO-TV.

We are pleased to enclose for your information and use the first two of a four-part series on "Financing State Government" prepared by the League Of Women Voters of Minnesota, with the financial assistance of the H. B. Fuller Community Affairs Council of St. Paul.

The final two reports will be available next spring and will deal with legislative trends in spending and how the state spends most of its money. We will send you these reports as soon as they are available.

We hope the tax reports will be of some use to you.

Sincerely,

Harriet Herb
Director

p.s. Harriet: I think these should also be sent to all members of the Legislature soon after the Nov. 2 elections.

jim

6/22/76 LWVMN

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LWVMN 9/13/76

Financing State Government

Minutes of Committee, September 9, 1976

The meeting began at 9:45 with a discussion of future meeting schedule. Since dates will revolve on deadline schedules for expenditure publications, we decided to set dates as we go along, but to try Wednesday afternoons, 12:30 to 2:30 as ~~to~~ days to meet. These may be first Wed. of month or adjusted as deadlines permit. Specific dates: Wed., Sept. 29, 12:30 to 2:30, state office, whole committee meeting; Wed., Sept 22, 10a.m., at Judy McGuire's, sub-committee on publication outline (Anderson, McGuire, Buffington and anyone else who can make it).

Present: Anderson, Buffington, Gilder, Hasbargen, McGuire, Cushing, Sletten, Moss, and Brown visiting from Crystal-New Hope.

Tax Publications: discussed printing schedule; still striving for Oct. 1 deadline. As yet have no funding; if none comes, they will cost under \$.75 for both.

TV presentation: state board authorized hiring of state Development/ Public Relations person. If this person does not materialize in 6 weeks, about Oct. 21, will have to cancel "big dream".

Expenditure Publications: we will be breaking material into two Facts and Issues, 6 to 12 pages each (about 45 type-written). Deadline schedule is roughly:

Sept. 22 - outline committee meets

Sept. 29 - final outline ready; whole committee meets to make assignments, discuss sources.

Nov. 3 - 1st draft due

Nov. 19 - 2nd draft due

Nov. 24 - to editor

Dec. 3 - returned from editor and back to researchers for completions

Dec. 17 - re-writes due

Dec. 24 - sent to on-board readers

Jan. 3 - due back from on-board readers

Jan. 10 - sent to outside readers (suggestions were League of MN Municipalities Citizens League, Dept of Finance or Econ. Devel.)

Jan. 25 - due back from outside readers

Feb. 1 - to printer

Feb. 18 - mailed with monthly board mailing

Discussed possible outline for publications. The following is in draft form and will be expanded, refined, etc. by outline committee Sept. 22.

Section	Possible information sources	Researchers (tentative)
I. Introduction - set focus for whole subject; refer to concerns of people, expenditures reflecting changing values of people, changes in political theory		Anderson Gilder McGuire
II. History - trends in expenditures in MN. following focus on people's concerns	1973 Tax Study Comm. staff papers Dept. of Econ. Devel.	
III. State Fiscal Procedures		
A. Budget Making	MN Dept. of Finance	Anderson
B. Budget Adoption		
C. Collection and Disbursement procedures.		
D. Audit functions		
E. "How a Budget Becomes a Spending Program" (also used separately as Citizen Information piece?)		

Outline (cont.)

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7. housing		Gilder
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a. unique background		
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a. definition, how many, population ranges, responsibilities		
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3. Townships	State Auditor's Dept.	
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total summary; related to general focus on people; citizen participation	Dept. of Econ. Devel. MN Commission on Futures (Neil Gustafson)	

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Meeting adjourned 11:45.

Submitted by Karen Anderson, chairperson

Expenditures Publications

Interviews 9/13/76

Wallace Dahl, director of Local Government Aids and Analysis, Dept. of Revenue

Auditor's Dept.-- Report of the State Auditor of MN, by years, have revenues, expenditures and debt of local governments

Legislative staffs.

Ted Miller, Senate committee on Finance

Budget committee:

David Johnson, Beuliew, Evanson

House staff -- Ronald Duncan or appropriate supervisor

Tom Lavalie -- Dept. of Administration -- on administrative budget making

Basic background -- old Auditor's publications

Bernard Carlson, MN Dept. of Finance, Director of Budgets, Planning and Control

History only goes back 10 years in Dept. of Finance

Requests for detailed report at end of year from Roy Muscatello, Dir. of Accounting

Dept of Finance functions: helps other departments come up with budget and interpret their spending programs as determined by legislature

Budget process -- Ed Dirkswager, legislative staff, knows much about

Governors staff draws up proposes budget (has delegated on Senate Finance comm)

Legislators act on proposed budget program, first meeting as committees and then with proposed bills

Specific budget areas: transportation; semi-state; state depts.; welfare, corrections and health; education

Then bills come to Dept. of Finance; spending plans based on specific bills; laws broadly interpreted here; Attorney general may be asked to interpret.

Audit Functions -- state government legislative auditors (Bob Wittaker)

State Auditor handles local expenditures now (the old public examiners job)

Budget process -- Tom Lavalie

Dept. of Finance now split into: accounting and budgeting

General fund and operating funds (a more inclusive list)

government aids information here but not federal aids

More leads: Christianson, commissioner of finance

Governor's staff, Haynes best

Appropriations staffs: Earl Evanson(educ.), Ron Duncan

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TO:

Harriett and Karen

FROM:

Nancy Atchison

SUBJECT

printing bids for tax pubs.

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE

September 12, 1976

Roberts Litho, Chaska (927-3321) 5,000 6-page \$634 add'l 1,000 \$51/1000
5,000 8-page \$822 add'l 1,000 \$73/1000

includes typesetting, graphs, screens and art would requote for 10,000

6500 Lake St. St. Louis Park
Associated Litho, St. Louis Park 5,000 6-page \$462, 10,000 - \$604 - 8pg - \$799
Bob Wolf 5,000 8-page \$553, 10,000 - \$726 - 10pg - \$1044
Sue Stroud 1015 \$1303

60# paper, typesetting, art and graphs, one color ink 8 1/2 x 11, unfolded.

recommends saddle stitching (stapling) at \$39 for 5,000 and \$73 for 10,000

estimated time, 10 working days

contacts at Assoc. Litho:

Ken Wolf

Bob Wolf

Sue Stroud -

\$1054

799
244
1043
786
799
1116
1915
Total
stitched
5000
5500.00



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102 • TELEPHONE (612) 224-5445

September 30, 1976

Felice H. Sorett
State and Local Projects
League of Women Voters Education Fund
1730 M Street N.W.
Washington, DC 20036

Dear Felice,

Enclosed is a tentative budget for the
League of Women Voters of Minnesota's FACTS AND
ISSUES on Financing State Government.

The first two publications in the series
will be delivered on October 4. We have imprinted
on them an acknowledgement that they are published
by the League of Women Voters Education Fund. We
are also copywriting the series.

Sincerely,

Harriett Herb
Executive Director

Enclosure

✓
Hall, Reeves, Anderson, file

BUDGET

For printing and distribution of 2 FACTS AND ISSUES on Financing State Government

Design, Printing and stapling of 10,000 copies of each publication \$1916

Administration of program

Survey development

Travel cost of research committees

Manuscript typing 500

Distribution of Publication

Mailing costs 1,000

Promotion of Meetings and Material

Graphics

Speakers Training

Publicity 400

\$3816

All research conducted by volunteer committee

AUG 27 1976

League of Women Voters Education Fund



1730 M St. NW, Washington, DC 20036 (202) 659-2685

August 24, 1976

*should be:
6 pg or multiples of 4
8 pg
12 pg
16 pg*

Harriet Herb, Executive Director
League of Women Voters of Minnesota
555 Wabasha
St. Paul, Minnesota 55102

Dear Harriet:

It is with pleasure that I can inform you that the Education Fund Trustees have approved your project request to print and distribute publications on Financing State Government.

The Trustees would like to remind you to acknowledge the role of the Education Fund in the FACTS AND ISSUES. This may be done by stating somewhere on the publications: "Prepared by the League of Women Voters of Minnesota; published by the League of Women Voters Education Fund." You may if you wish, acknowledge the local contributions received for this project.

Would you please send an estimated budget for these publications when you have the figures available? Meanwhile we wish you success in obtaining funding.

Sincerely,

Felice H. Sorett
State and Local Projects

EF: FS:hb
cc: Jerry Jenkins, State President

CHAIRMAN
RUTH C. CLUSEN

OFFICERS
Vice Presidents

Ruth J. Hinerfeld
Larchmont, New York
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Muscatine, Iowa

Secretary
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A. Holly O'Konski
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Dot Ridings
Louisville, Kentucky

Ruth Robbins
Mamaroneck, New York

Ann W. Viner
New Canaan, Connecticut
Veta Winick
Dickinson, Texas

EXECUTIVE DIRECTOR
Peggy Lampl

M
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TO: Financing State Government
Committee

FROM: Karen Anderson

SUBJECT Committee Meeting

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE August 13, 1976

Thursday, September 9th, 9:30 a.m. - State Office

AGENDA

- vouchers*
- 9:30 - Future meeting schedule; have some idea of what days, times, are best for you.
 - 9:45 - Tax publications - progress report, Board policy on credits
 - 10:00 - Project responsibilities, timetables
 - Expenditure publications ✓
 - Consensus questions
 - Committee guide
 - Legislative observing/lobbying - need list of both for Helene (esp. appropriate mkt/thurs. 8 a.m. Mammography course + Tax Study Comm.)
 - TV presentation
 - 11:30 - Adjourn

Please let state office know if you won't be able to attend.

~~Wed Sept~~

~~copy given table of content~~

M.
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TO: Financing State Government
Committee

FROM: Karen Anderson

SUBJECT Progress Report

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE June 22, 1976

The tax publications are being edited and will be returned to me this week. If there are questions concerning any section you worked on, I'll call you. The publications will then go to state Board readers before going to outside readers (Wallace Dahl, Arley Waldo and Irma Sletton).

Enclosed are copies of the current committee roster and the Financing State Government section of the OUTLOOK (used by local LWV Boards for planning their calendar for next year). Our committee will work toward those promised deadlines.

Our next committee meeting will be in September; you'll be notified. Thank you to the new committee volunteers!

6/22/76 LWVMN

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Kathy Gilder, 612-774-2947
1288 Hazelwood, #705, St. Paul 55106, LWV St. Paul

June '76 Outlook

COUNTERPART COMMUNIQUE -- Financing State Government

Karen Anderson (612) 935-2445

We're beginning the second year of the current state study of Financing State Government. The state Resource Committee has been busy researching, writing and planning for next year. We're presenting the plans to you in calendar form to aid in your planning at the local level:

- Oct. 1, 1976 - two tax publications ready for distribution. These will be Facts and Issues-type publications helpful for every member. The first is a Primer of Minnesota Taxation and the second explains specific taxes in Minnesota. Costs of these will not be known until we have more information on outside funding.
- Nov. or Dec. 1976 - you will want to have a unit or general meeting on the tax structure in Minnesota based on the publications. Some LWVs covered taxes adequately this past year. If you think your general membership is already informed, you may decide not to have this meeting; if you had poor attendance at your previous meeting or your membership has changed, you will want to have another in Nov. or Dec. There is too much material to cover to expect to deal with taxation and expenditures in one meeting.
- Mar. 7, 1977 - two publications on expenditures ready for distribution. These will also be Facts and Issues-type publications planned for every member.
- Mar. 11, 1977 - committee guide and consensus questions sent to local Leagues. This is a change in plans from what you heard at state Council. The committee was concerned with membership turnover and Convention program procedures if the consensus were scheduled for the fall.
- Apr. 1-15, 1977 - we're still hoping for a statewide TV presentation sometime during these two weeks. It would cover both taxes and expenditures. You may want to gather your members to watch this together and discuss, but that's optional.
- Apr. or May 1977 - you will want to have a unit meeting one of these months based on the two expenditure publications and to do the consensus. (Note: Education unit meeting will also have to be scheduled.)
- June 30, 1977 - consensus due in state office. (Note: Education consensus also due.)

The state Financing State Government Committee will begin meeting in September to work on the expenditure publications, consensus questions, committee guide and TV presentation. We are hoping for the addition of other committee members who have an interest or ability in any of these areas. Please contact the state office.

COUNTERPART COMMUNIQUE -- International Relations

Mary Davies (218) 233-2175

Relations between developed and developing nations will come to the fore in our International Relations focus this year. Economic issues, whether at the United Nations, in trade, or development aid, will demand our attention.

IR in the League.....

If you're new to the IR portfolio this year, be sure you get all of the materials your predecessor or local files may have. Skim this to get an overall picture of what League has done. Check the League publications catalog and order whatever looks helpful to you. Get a jump on the year by recruiting committee members now. An inactive member might be willing to clip pertinent articles, or how about someone who's gone into retirement but may have been the guiding light in IR for years? Meet with this committee to set goals and tentative plans for the year, and give out reading assignments to get their minds in gear for fall. If there is another League nearby, even in an adjoining state, you might consider forming a joint IR committee so you'll have even more ideas,

June 3, 1976
16917 Clear Spring Terrace
Minnetonka, MN 55343

Mr. Paul Krueger
447 2nd Ave. N.E.
Perham, MN 56573

Dear Mr. Krueger;

The League of Women Voters of Minnesota is currently doing research on financing Government in MN. We are completing two publications on revenues in the state and have been able to obtain most of our information from the Department of Revenue. They do not, however, have information on collections from wild rice license fees. The DNR referred me to you as the person incharge of such collections. I would appreciate it if you would send me the figure for total amount collected in wild rice license fees for the fiscal year ending June 30, 1975. If your figures are based upon a different fiscal year, I would like your most current figures.

Thank you for your help.
Sincerely,

Karen Anderson
Financing State Government Chr.
League of Women Voters of MN

June 8, 1976

Paul Krueger
447 2nd Ave. N.E.
Perham, Minn. 56543

Karen Anderson
16917 Clear Spring Terrace
Minnetonka, Minn. 55343

Karen:

I work on wild rice only three months of the year beginning in July and the information you requested, I acquire during that period.

If you will contact the license section in St. Paul, that is managed by Margaret Winkels, you will be able to get all the information you will need.

Sincerely,

Paul Krueger

M. TO: Financing State Government Committee

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

E FROM: Karen Anderson

ST. PAUL, MINNESOTA 55102

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PHONE: 224-5445

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SUBJECT Telephone Survey Results

DATE May 10, 1976

Enclosed are results of telephone survey. Survey results in terms of numbers will be released to local leagues in May, but no statements or general conclusions will be is-ued until committee reviews them. If you have any comments on this format, call me or leave message with state office.

Also enclosed, minutes of May 5 committee meeting -- contains dates and deadlines which will be given to local leagues in Outlook.

LWVMN 5/7/76

Financing State Government Committee

Minutes of May 5, 1976 meeting

Present: Anderson, Hasbargen, Buffington, Strouse, McGuire, Bloyer, D. Stone,
and two New Brighton observers

Research for publications collected from everyone; property tax section coming from Sid Moss within next week.

Telephone survey results: due to breakdown of Xerox, results will be mailed to committee next week with minutes of this meeting. Committee asked to respond with possible conclusions we may draw from results.

Uses of survey results:

Plug into various sections of publications to add interest and show effects on people.

By local Leagues - in bulletins; survey given at local units or community meetings to see how results compare with state-wide results.

In grant proposal - committee will determine conclusions to be added to numbers shown.

Press release - committee decided to hold off until closer to time of publication release in hopes of adding interest in publications.

Dottie Stone asked committee about target audiences for various parts of grant proposal. Agreed that: publications and TV presentation are directed to two different audiences. Publications are resource pieces, aimed toward a limited audience including Leaguers, schools, community groups or organizations, those with specific interests in state and local gov't. affairs. TV presentation is aimed at larger audience - taxes affect everyone - educational piece to inform people about taxes and spending in MN, done in interesting fashion with emphasis on the impact on people who live in the state. Some discussion of type of TV presentation; must be quality, show things happening rather than a review of charts and graphs, prepared for 1st half of April showing -- income tax time -- why are you paying these taxes and what happens to them? Agreed that we need to "pick brains" of the people who know about technical limitations and needs and for cost estimates.

Timetable for Outlook for local Leagues:

Oct. 1 - two tax publications available

Nov or Dec. - unit or general meeting on tax structure; necessity if they haven't done anything on taxes this year, optional if they have already covered taxes.

March, 1st week, 1977 - two expenditure publications available.

consensus and questions and guide available.

(decision made to complete consensus in Spring '77 to avoid re-education of new members in fall of '77 and to ease convention processes in '77)

April 1-15, 1977 - TV presentation, may be able to coordinate with local meeting.

April or May 1977 - unit meeting on expenditures with general, short, simple consensus on taxes and expenditures.

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Committee business: McGuire and Anderson will put publications together within 10 days; then will go to editor. Committee members may be telephoned with questions about their sections. Will be able to advise development committee in 2 weeks as to size, looks, layout of publications.

Committee will not meet formally until Sept.; any business will be conducted by phone in the meantime. Sept. meeting will be a morning, but not Wed., will decide then about subsequent meetings.

MEMO TO: Local League Presidents
FROM: Karen Anderson, Chairperson, Financing State Government Committee
RE: Statewide Telephone Survey Results
May 24, 1976

In March, 1976, 52 local LWV's conducted a statewide telephone survey on people's attitudes and knowledge of governmental financing in MN. 244 people, chosen by random sample by the state committee, were surveyed by members of local LWV's.

The results, along with conclusive statements, will be issued for general release in the fall. In the meantime, you may use the raw numbers if you'd like:

- print in your bulletin
- if your membership has already done the survey for fun, you may want to compare your results with statewide results
- use the survey now, with your membership and/or community, and compare results with statewide results.

Please use raw numbers only; don't draw any conclusions, even if they seem obvious!

Although 244 people were surveyed, totals may be different; not all people answered all questions.

1. Of the three major taxes in MN, the individual income tax, the property tax, and the sales tax, which do you feel is the most fair?
individual income-74, property-31, sales-125
Which do you feel is the least fair?
individual income-84, property-101, sales-40
2. Of all the taxes collected by state and local governments, do you happen to know which raises the most money?
individual income-87, property-36, sales-28, not sure-86
3. Do you feel the services you receive from state and local governments are adequate in relation to the taxes you pay; that is, do you think you're getting your money's worth? yes-108, no-92, uncertain-42
4. Do you happen to know on which of the following items you pay a sales tax? food-17, automobiles-205, drugs and medicines-41, household appliances-203, fur coats-150
5. Many people feel the income tax forms are too complicated, too hard to understand and fill out; do you pay someone to help you fill out your income tax forms? yes-150, no-67, not sure-5
6. Do you know whether any of your state income tax moneys are used to help run your local city or county government? yes-146, no-30, not sure-65
7. Do businesses in MN pay more of the total income tax than individuals? yes-62, no-106, not sure-73
8. Does state government levy general property taxes? yes-68, no-101, not sure-73
9. By state law, assessors are required to assess property at its full market value. How do you feel most property in your community is assessed in relation to its actual market value? higher-51, lower-88, about the same-60, no opinion-41.
10. If the assessment of a piece of property is raised, will the tax on that property automatically be raised? yes-146, no-20, not necessarily-45, not sure-30
11. Do you happen to know, on the average, what portion of the local property tax goes to finance local schools? 1/4-42, 1/2-58, 3/4-25, not sure-117
12. Of all the money that will be spent on public assistance (welfare) programs in MN, do you happen to know how much comes from local tax sources? 8%-34, 29%-50, 57%-22, not sure-133.

p. 2, statewide telephone survey results

13. Do the taxes you pay have an influence on who you vote for?
yes-80, no-148, not sure-14

14. Are there any government services you'd like to see improved even if it would mean increasing taxes? "nothing" or "none" was mentioned most (66 times); others mentioned often were: local law enforcement, health and hospitals, education, highway bld. and maintenance; other answers mentioned at least once covered the entire scope of governmental services.

Are there any services you'd like to see cut back? "nothing" or "none" mentioned 64 times; welfare and highways were also mentioned (although many welfare responses were categorized as welfare"reform"); many of the responses referred to administrative costs or bureaucratic excesses in many different areas of governmental services.

Correct answers:

2. Property taxes 31.8%

Individual income tax 25.6%

Sales and use taxes 13.8%

Corporate income tax 6.2%

All 1975 estimated figures from
MN Dept. of Revenue

4. yes -- household appliances, fur coats (usually)

although automobiles are exempt from the MN Sales Tax, they are
subject to a 4% motor vehicle excise tax

6. yes -- state supplements local government revenues from the property tax
via local government aids (aids to counties, municipalities, townships,
special districts, and aids to school districts).

7. no -- of total income taxes collected in 1973, 16.5% came from corporation tax.

8. no -- local governments levy property taxes; counties collect and administer them.

10. not necessarily -- the amount of tax is determined by the mill rates of
the government units in the county. If all assessments were raised equally,
the mill rate could be lowered and taxes remain the same.

11. 1/2 -- statewide average is 54%.

12. 8% -- the major portion comes from federal sources.

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TO: Financing State Government Committee

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

FROM: Karen Anderson

KA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

SUBJECT Telephone Survey Results

DATE May 10, 1976

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LWVMN 5/7/76

Financing State Government Committee

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TO: Financing State Government Committee

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

FROM: Karen Andersom

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

SUBJECT Committee meeting

DATE 4/27/76

Wednesday, May 5, 1976, 9:30 a.m. State Office

Agenda: Deadline and Decision Time!

We'd like ~~for~~ all first draft publication materials ready to be turned in May 5. J. McGuire and K. Anderson will put them together in the following week and turn them over to the editor.

Review again the draft of grant proposal sent in last mailing. We'll have to make final decisions on all the projects: go or no-go and more specific dates.

Pattie

Committee agreed on 4/26 to aim for May '77 consensus. Do you all agree?

Poll results are tabulated; how do you want to proceed?

Would you like a different meeting date for next fall?

Enclosed, April 26 committee minutes.

specific audiences

LWVMN 4/27/76

Financing State Government Committee

Minutes of meeting 4/26/76 held at Judy McGuire's

Present: Bloyer, McGuire, Hasbargen, Buffington, Anderson

Publications: all parts accounted for except property tax. Need to have all turned in at May 5 committee meeting; McGuire and Anderson will put together following week and turn over to editor.

Introduction to Primer: will deal with whole study, tell what 4 publications will do.

Introduction to Tax Structure: overview of contents

Conclusion and both introductions will be put together after other contents are put together, after May committee meeting.

Those present agreed to try for May '77 consensus. Reasoning -- won't have to hassle with re-adopting program at State Convention; won't have to re-educate new members of fall '77. This moves all deadlines up to March '77; will make final decision on this at May committee; State Board must have final dates by May 18. March publications will need outline by Oct. and first draft done Dec. 15.

Consensus: keep it simple; deal with most evident concerns.

Grant proposal - discussed potential audiences: who is "general public"? Civic and business organizations, political organizations, local government officials and staffs. Travelling resource team could possibly be gathered from outstate colleges or U Extension (cooperating with county agents would drastically reduce costs).

Request for change of meeting day next fall (instead of 1st Wed.). Will consider at May committee.

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TO: Financing State Govt. Committee

FROM: Karen Anderson

SUBJECT Committee meeting, Monday April 26 DATE

at Judy McGuire's, 4048 Zenith Ave. s. 1 p.m.

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

We'll be discussing publications again.

Also, review preliminary outline for grant proposal(s). We need to come up with more specific dates and to refine outline.

Enclosed: April 7 minutes

Preliminary outline for grant proposal

(both attached)

file



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102

PHONE: (612) 224-5445

MEMO

TO: Marie N.V. Pearson

FROM: Pat Lucas

SUBJECT: Taxes

DATE: 4/25/77

Thank you for mailing us a copy of your letter to Mr Sabo. I have passed it on to a member of our state board that has been working in the area of taxes.

We have recently published the four facts and issues that I have inclosed. I hope you will find them interesting. I possible we would appreciate a donation of \$1.00 to cover the cost of handling and postage.

Copy to - League of Women Voters of Minnesota

APR 22 1977

April 18, 1977

1260 E. Lake Como Blvd.,
St. Paul, Minn. 55117

Mr. Martin O. Sabo, Speaker
Minnesota House of Representatives,
State Capitol,
Saint Paul, Minnesota 55155

Sir:

The Circuit Breaker is a fraud so far as tax relief is concerned. Legislators, the former Governor, and supporting politicians of this system ought to be sued for false statements and permitting other people advertising them, for it is definitely not tax relief to a portion of Senior Citizens or Disabled Persons! And, what the Minnesota legislators "saved" by reducing the refunds to these elderly, I suppose "justifies" their own exorbitant salary increases since they, therefore, did not have to dig big holes in "general" or "special" funds for their "rewards" which, of course, would have been too revealing to voters.

Are the legislators and top government officials true representatives of the people? What are they? Friends? No! Enemies? - except to their cronies - Yes! For what purpose? Self-interest!

The following examples show how they cheated the elderly by "clever" maneuverability of words and figures; they also show how they destroyed the original intent of the homestead credit and the tax freeze! Compare my tax returns:

M-1SC 1973 Minnesota Senior Citizens or Disabled Persons

1973 - Base Year Tax Freeze

Maximum Income Tax Credit - \$800
" Tax Freeze Credit - \$800

The Freeze - \$756.34

1976 Minnesota Homeowner & Renter)
M-1HC Income-Adjusted Homestead Credit)
Circuit Breaker)

This heading is A Jumble of words.

Maximum Income-Adjusted Homestead
Credit - \$675 - which
applies equally to incomes of \$ 20,500
and \$500, if the property tax is -
\$1150, or over. This is grossly unfair.

My Income is less than \$3500,
and my Qualifying Property Tax is -
\$ 1495.52, which is only home-property,
not investment for gain.

The "paper" Credit of \$675 from the
1976 Tax Table, is Trick #1, and is
dishonest because it is the sum of the
Income-Adjusted Homestead Credit amounting
to - \$350, and the real Homestead Credit
of - \$325, laboriously and unnecessarily

My Income: less than \$3500.

Income Tax Credit was - \$504,
prepared from Tax Table
for that purpose -
not like The Jumble.

1973

The Return as figured in 1973:
(Similarly in 1974)

Qualifying Tax (described in 1973

as Net Property Taxes) -

\$1151.06, less

Homestead Credit:

325.00

Current Year

Tax - 826.06

Base Year

Property

Tax Freeze 756.34, subtracted directly
fr Current Yr Tax

Tax Freeze

Credit: 69.72

Plus Income

Tx Credit - 504.00, Taken from Table I.

\$573.72, Total Refund

I received.

As you see from the above, the figuring in 1973 was very simple, and should have remained that way in 1975 and 1976.

That was the original intent of the real Homestead Credit and the Tax Freeze Credit, and it constituted the -

Beneficial Circuit

for the Elderly.

1976

described this year as "State-paid" Homestead Credit, as if the State were doing an exceptional favor, whereas there has been a Homestead Credit for many years for all Homeowners - already deducted from the Qualifying Tax to produce the Current Year Tax.

There is no simple Income Tax Credit as in 1973 because the item of Income Tax Credit was eliminated in 1975 (Trick #2), which in 1973 yielded for me \$504.

In other words:

In 1976, instead of the single Income Tax Credit (which I received in the amount of \$504 in 1973) produced from Table I for Senior Citizens, etc., with Household Income of \$6000 or less, there is the following maneuver:

The Household Income "and the Qualifying Tax Amount" become the - Maximum Income-Adjusted Homestead Credit of - \$675. It is created by subtracting the real (State Paid) Homestead Credit of - \$325 from \$675, leaving \$350, designated as the - Income-Adjusted Homestead Credit, which is considerably less than the \$504 Income Tax Credit.

Here Trick #3 is perpetrated by using the word:

Adjusted-income, thus eliminating the genuine Income, and consequently eliminating its credit which, in my case, was a credit of \$504 in 1973 for which there is nothing comparable in 1976.

The 1976 Return as figured in 1976:

Qualifying Tax	\$ 1495.52
Less "State Paid" Homestead Credit	<u>325.00</u>
Current Year Tax	1170.52
Less prospective "refund"	<u>350.00</u>

derived, as stated above, from See next page -

artificial Maximum Income-

Adjusted Homestead Credit of

\$675 by subtracting "State Paid"

Homestead of \$325, which means

the prospective "refund" of \$350, taken from the Current Year Tax, is given by one hand and taken with the other to produce

Speaker Sabo -

4-18-77

There was no "Net" Current Year Tax in 1973.

In 1975 and 1976 there were 3 kinds of taxes:

1. Qualifying Tax
2. Current Year Tax
3. Net Current Year Tax, which is an added complication.

1973

If my 1976 actual taxes were figured as in 1973, it would have worked out as follows:

Qualifying Tax -	\$1495.52, less
Homestead Credit	<u>325.00</u>
Current Year Tax	1170.52

Base Year Property Tax Freeze -	756.34, sub-	
	tracted	
	<u>directly</u>	
	instead of	
	from <u>Net</u> ,	
	as in 1976.	

This would-be Tax Freeze Credit -	414.18
Plus <u>Income</u> Tx Cr	<u>504.00</u>
	918.18
Less	118.18, excess over
	\$800 not permitted.

This should be - \$800.00, my total refund in 1976 instead \$414.18, in opposite column.

Of course, the "compassionate" Legislature, in its greedy concern about - not for - the elderly, and in its monstrous Wisdom, realized that a refund of \$800 really would be too good for the elderly (in 1974 my refund was \$747.34, which was just too, too good!), so Lo! and Behold! - they produced the great Circuit Breaker! - and called it Tax Relief! The audacity of legislators describing it thus is beyond normal imagination.

To be sure, the maneuvering was so subtle that few elderly have bothered to analyze their situation. However, the politicians forgot that there is a law higher and automatic - above their powers - which is, that too much smartness always backfires.

a Net Current Year Tax of - \$820.52 which is Trick #4 because the Net has a lesser Property Tax figure to which the Property Tax Freeze - 756.34 is applied, leaving a smaller Tax Freeze Credit 64.18 even though the Qualifying Tax of - \$ 1495.52 is greater than in 1973, which was - \$ 1151.06 - and the Tx Fr Cr was - \$69.72.

Note that the Tax Freeze of \$765.34 here is subtracted from the Net Current Year Tax instead of from the Current Year Tax, as in 1973, and this constitutes Trick #5.

Next step:

Plus - <u>Income-Adjusted</u> Homestead Credit	350.00
--	--------

which had been deducted (See page 2) from the Current Year Tax - here the Take and Give routine.

<u>Total 1976 Refund</u>	<u>\$414.18</u>
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compared to \$573.72 in 1973, and 747.34 in 1974, and 918.18 in 1976, if figured as in 1973 - See opposite column, minus - \$118.18 because the Maximum Refund in 1973 was \$800 (compared to the artificial \$675 in 1976), reduced to \$414.18.

4-18-77

The real effect of the Circuit Breaker for the elderly is the breaking of the Beneficial Circuit originally intended and figured so easily in 1973! Figures do not lie even when buried under political shenanigans, such as the Circuit Breaker.

My loss in two years via the Adjusted-business amounts approximately to \$400 per year. Compare that loss for a single elderly citizen with the increase practically doubling a single legislator's government income, which was ample to begin with, plus fringe benefits, by self-imposed god-like powers. His (or her) brain power, however, is no greater than the average citizen, and he spends less time using it, judging by the "fruit of his labor". So how is the unearned exorbitant increase justified - especially while busying himself lucratively on the outside?

It is no wonder the 1975 and 1976 tax forms are complicated since the lawmakers had to resort at least to five tricks to overcome the simple form of 1973, M-10C.

Furthermore, besides the loss stated above, I, a single, unmarried person, who has taken care of her ailing family, but who has never had any children, am charged with a School tax this year of \$670.60, and has paid School taxes for more than 50 years; my parents did likewise (so my schooling has been paid to society).

As I said, I have never had children, but must pay for those of others, including families who want a large flock despite over-population, and who pay no more than I, or even as much. Is this fair?

The elderly in my situation surely are at the mercy of layers of government each of which we are obliged to sustain at high cost and precious little benefit!

It is sad to discover, also, that the American Association of Retired Persons has approved the Circuit Breaker, either deliberately misinforming their huge membership, or top officials have not examined the Circuit Breaker sufficiently to know what is wrong with it.

In the long run all Senior Citizens will suffer from reduced Refunds - not only those in a situation similar to mine. Small increases in refund were granted the majority in 1975 and 1976 (therefore known as "tax relief") at the expense of the minority (those in my situation) - because 1975-1976 were election years. This sets up a legitimate charge against legislators of discriminating against the elderly minority.

But, this is a warning! By tampering with some of the elderly, the legislators will eventually and continually wield their power - figuring all oldsters are too decrepit and mentally deficient to catch on - over all the elderly, not only those with small fixed incomes and property whose value increases by inflation, with consequent higher taxes.

I shall withdraw my membership from the AARP, and shall vote negatively against every legislator, Congressman, the Vice President, and the President, or any other public official, who approves of the Circuit Breaker, or anything comparable to it! And, I shall apprise every friend, relative and acquaintance of the foregoing facts.

The growing numbers of Senior Citizens will, no doubt, cause them to appreciate more and more their potential in the Battles of the Ballot.

Very truly,

Marie N. V. Pearson
Marie N. V. Pearson

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TO: Financing State Govt. Committee

FROM: Karen Anderson

SUBJECT Committee meeting, Monday April 26 DATE
at Judy McGuire's, 4048 Zenith Ave. S. 1 p.m.

K. Anderson
LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

2 4/20

We'll be discussing publications again.

Also, review preliminary outline for grant proposal(s). We need to
come up with more specific dates and to refine outline. - *define audience*
Walt's comments

Enclosed: April 7 minutes

Preliminary outline for grant proposal

(both attached)

LWVMM 4/9/76

Financing State Government Committee Minutes 4/7/76

Present: Anderson, Bloyer, Buffington, Hasbargen, Mantis, McGuire

Poll results have been received from 48 of the 68 Local Leagues. They will be tabulated individually and then recorded on large sheet in a manner that may enable us to draw evident conclusions. Will be ready by next meeting.

Meeting schedule: Monday, April 26, 1 p.m. at the home of Judy McGuire, 4048 Zenith Ave. S., Minneapolis -- to re-gather writing assignments.

Wed., May 5, 9:30 a.m., State Office, regular committee meeting; work on poll and complete 1st draft of booklets.

Publications discussion:

General Tone - determined by sentence length, vocabulary, etc. We want to be as clear as possible; use shorter words, simple sentences, use active rather than passive voice.

Frame of reference - stick to 3rd person, "they/Minnesotans" in order to sound as objective as possible.

Discussed individual parts of publications to be completed and revised by April 26.

Financing State Government Committee - Karen Anderson
Preliminary Outline for Grant Proposal(s)

I. Statement of Problem -- need for projects

It is apparent through recent issues being raised by public and private sectors that there is great concern over the level of taxation in MN and the level of services provided by state and local governments. Each group toward which a specific tax is directed is voicing concern over what they see as an unfair burden; a multitude of special interest groups are demanding increased governmental services and spending in their particular area of interest. Behind the conflict there appears to be a lack of information on the multi-tax ~~system~~ structure used in MN to generate revenue, on the processes involved in distributing the revenue to the various levels of ~~the~~ government in order for them to provide services and on the amounts needed to provide services at each governmental level.

After conducting a poll on citizens knowledge of and attitude toward financing government, we have found that there is confusion about the total picture of government finance in MN. (More poll information available soon) Pressures on government decision-makers tend to be based on immediate needs and narrow issues, and resultant decisions often disregard long-range, broad-based implications.

The LWV has held public meetings in various parts of the state in the past year attempting to inform people about the tax structure in MN, but we feel that much more needs to be done in informing the public on the total picture of financing government in MN

II. LWV Public Education Project on Financing Government in MN

A. Four Publications

1. Fall '76 Taxation Primer (like Oct. 1)
or sooner.
4 pages (8 sides, similar to MN Voter format)
Trends in taxation; Evaluating taxes; Glossary on Governmental finances
2. Spring Basic Tax ~~System~~ Structure in MN (same Fall Date)
6 pages (12 sides)
Specific taxes in state: rationale for, description of, evaluation of.
Brief comparison with other states.
Concentration on the effects on people in the state
3. Spring '77 Revenue Distribution Primer (4 page)
Trends in MN, methods of distribution among governmental levels, effects of inflation of gov't costs, effects on people in the state.
4. Spring '77 Services provided by state and local (in general) gov't in MN. Rationale for, description of, expenditures for specific services; brief comparison with other states; effects on, attitudes of people in the state.

Walt Reeves comments
- who is the audience?
- how & to whom distributed?

- Can we really say very much in that sig 2 (more clear)
- who's going to write it?
- statement of problem - much more specific, more detail (use more info)

- what makes us think the program will do what we want it to do
- what do we want to achieve to do with our info.

Complete outlines attached

B. Fall '76 - Travelling Resource Team

five, one-day presentations throughout state by team of 5 experts in field of governmental finance. Each paid for travelling and time. Co-sponsored with county, city, educational gov't.. people;

Issues to be covered:

- philosophic tax issues, multi-tax system, evaluation methods, trends.
- Mn's tax structure
- philosophic view of services, trends, etc.
- specifics in MN services
- increasing taxation and increasing demand for services
- including evaluation techniques (either written or workshop format feedback)

C. Spring '77 - Media Presentation

Live plus animated plus illustrated video-tape on effects of taxation and spending in the state and the effects on people and programs. Trends and implications.

1 hour public TV in those areas having it; local programming on network TV in other areas.

Would need to hire intern or other expert to direct this, coordinated by LWV committee. Evaluation --- call-in responses?

*or a Normandy or -
to design -*

Newspaper fill-in response?

III. Why the LWV?

- A. no axe to grind; have direct experience with broad issues in both taxation and spending; background of cooperation with all levels of government (to draw audience and support for presentations).
- B. Less expensive, much work on project provided by volunteer committee, workers.
- C. Quality - we have a reputation to uphold and a record of quality projects.

IV. Budget - no wild guesses at this point

audiences: who is the prime audience?

*- resource team to state C of C, or to corp. executives;
educate people in business - it's next to live here*

"we want to influence the influential" - don't say that though

*Dottie - meet with Walt Reeves about this;
he'll check subsequent drafts*

*would scratch
this if in conflict
with total
LWV outlook*

Financing State Government - Tentative Publications Outlines

Program Charge from Convention:

- A study of the source and distribution of state revenue.
- A study of the effect of shifting tax burdens.
- Evaluation of the most equitable and effective method of funding services to all levels of government.

Focus of the study is upon issues and policies concerning revenue and revenue distribution and their effects on people and programs in the state.

Publication Goal: concentrate on readability through: specific examples of effects of taxes on people; appropriate charts/graphs

Two publications for Oct. 1, 1976:

BASIC TAX PRIMER

PRESENT MN TAX STRUCTURE

BASIC TAX PRIMER

I. Trends

History since 1930's - how ~~present~~ structure has changed, how present structure has emerged.

Pie charts for 10-yr internals

II. Criteria for judging taxes

explained in terms of how taxes effect people

III. Definitions/Glossary

Will include basic terms dealing with expenditures as well as taxes

PRESENT MN TAX STRUCTURE

A Description of the present MN Tax Structure and its effects on people.

I. Introduction—

II. Revenue Sources

A. Income Tax (Individual Income Tax, with sentence on Corporate Excise Tax)

1. Rationale

2. Description - sub-outline to be used in describing each revenue source

- a. how much it collects
- b. who collects it
- c. to whom it is distributed
- d. on what it is collected
- e. apply selected criteria - the effects on people

p. 2 Outline for Present Tax Law

II. B. Property Tax

1. Rationale

2. Description

a.

b.

c.

d. homestead credit
circuit breaker
freeze credit
exempt property
tax base
home improvements

fiscal disparities
tax increment
green acres
agricultural
industrial
commercial

e. mill rates
sales ratios
assessment practices
assessment limits

C. Sales and Use Taxes

1. Rationale

2. Description

a, b, c, d, e

Judy has Evers

D. Excise Taxes

1. Corporation

a. Rationale

b. Description

1) how much it collects
2) etc. 3, 4, 5

2. Bank excise tax

a. Rationale

b. Description

1)

2)

3)

4)

5)

3. Employer's Excise Tax

4. Motor Vehicle Excise Tax

5. Motor Fuels Taxes (Gasoline and Special Fuels Excise Tax)

II. Revenue Sources

E. Licenses and Fees

1. Motor Vehicle License fees
 - a. Rationale
 - b. Description
 - 10 how much it collects
 - 20 etc.
2. Motor Vehicle Operator License
3. Watercraft Licenses
4. Snowmobile Registration fees
5. Boxing Exhibitions license
6. Game and Fish licenses
7. Wild Rice license

F. Severance Taxes

1. Occupation taxes by Type of Mineral
2. Production Taxes by Type of Mineral
3. Royalty Taxes by Type of Mineral

G. Other Taxes

1. State

- a. withholding tax
- b. Inheritance Tax
- c. Estate Tax
- d. Gift Tax
- e. Alcoholic Beverage Taxes
- f. Tobacco Taxes
- g. Mortgage Registry Tax
- h. Deed Transfer Tax
- i. Motor Vehicle Recycling
- j. Gross Earnings

- k. Insurance premiums
- l. Rural Electric Cooperatives
- m. Boxing Exhibitions
- n. Airflight Property Tax
- o. Severed Mineral Interests Tax
- p. Tree Growth Tax
- q. Auxiliary Forest Tax

2. Local

- a. Local Cigarette License
- b. Sand and Gravel Occupation Tax
- c. Trust Companies Gross Earnings
- d. Utility Companies Gross Earnings
- e. Local Sales Tax

III. Comparisons

With other states; effects on people who live in MN; do they feel they pay more (poll results?), do they actually pay more?
Can we find statistics to prove on or the other?

IV. Conclusions

LWVMN 4/12/76

copies to: Jenkins, Stone, FSG Committee

Financing State Government Committee - Karen Anderson
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need specific dates
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a.

b.

c.

d. homestead credit
circuit breaker
freeze credit
exempt property
tax base
home improvements

fiscal disparities
tax increment
green acres
agricultural
industrial
commercial

e. mill rates
sales ratios
assessment practices
assessment limits

C. Sales and Use Taxes

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1)

2)

3)

4)

5)

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2. Production Taxes by Type of Mineral
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- | | |
|-----------------------------|----------------------------------|
| a. withholding tax | k. Insurance premiums |
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| i. Motor Vehicle Recycling | |
| j. Gross Earnings | |

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LWVMN 4/9/76 Capitol Letter

Karen Anderson 935-2445

Financing State Government

LWVMN Position: property tax reform through equitable assessments, fewer classifications, and more restrictive criteria for determining exemptions; less dependence on property tax as a source of revenue.

9

There were no bills supported under the LWVMN property tax position. Monitoring done related to bills affecting changes in the current tax structure, of interest in relation to our current study: Study of the source and distribution of state revenue. For example, SF 633 making changes in the inheritance and gift taxes passed the House April 6 and the Senate concurred with the House version. Effective June 30, 1976, it will increase inheritance tax exemptions; provide that the same inheritance rates and exemptions apply to widow and widower; increase the maintenance deduction; and provide for the payment of the inheritance tax in installments over five years and provide an undue hardship deferral.

LWVMN 4/9/76

Financing State Government Committee Minutes 4/7/76

Present: Anderson, Bloyer, Buffington, Hasbargen, Mantis, McGuire

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work on poll and complete 1st draft of booklets.

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Frame of reference - stick to 3rd person, "they/Minnesotans" in order to sound as objective as possible.

Discussed individual parts of publications to be completed and revised by April 26.

M
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M
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TO: Financing State Government
Committee

FROM: Karen Anderson

SUBJECT Committee Meeting -
Wednesday, April 7, 1976
9:30 a.m. - state office

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE April 2, 1976

468
340

We can all be proud of what's already been done on the publications.
We'll discuss "filling the gaps" and other things April 7;
son't have a specific agenda until Judy McGuire and I meet on the 31st.

Enclosed: minutes of March 22 meeting.

Agenda: Poll - how to colate, use, etc.

*- General tone - factual / less-factual.
formal / informal*

whatever, we need to be consistent

From ^{by} speaker He/she; we/they; MN's - what do we want

Dedicated funds - in intro?

MAR 29 1976

Financing State Government Committee

Minutes - March 22 special meeting

Present: Anderson, McGuire, Moss, Bloyer, Buffington, Hasbargen, Cushing

Waldo's two new booklets: A Statistical Summary of State and Local Government Finances in the United States, (fat green one) and Using Census Bureau Statistics on Governmental Finances (slim blue one). Decided to ask Waldo for 80 copies of slim blue, to be mailed to local Leagues in next Board mailing. Will advise Leagues of availability of fat green one.

Timetable - must be ready before leadership workshops in June; Anderson will attempt to write draft before April 7 committee meeting

State Council - report on committee activities for year will include request for more committee members.

Publications:

Major problems:

Readability - how much comic relief can we include?

Resources for rationale/criteria: Tax Study Commission Staff Progress Report, 1973; ACIR Publications; L.Laszlo Ecker-Racz

Overlap of rationale/criteria - need to make decisions which should be in Primer and which under individual taxes

Detail - need to cut out some detail for sake of readability

Items used in describing each tax - do not have to be in specific order listed; will be presented for each tax as appropriate.

Sections to be finished by Hasbargen, Buffington and Strouse to be sent to McGuire and Anderson by Mon. March 29.

Timing: McGuire and Anderson to meet Wed, March 31, 1 p.m., to go over general structure, find gaps

April 7 committee: sections sent back to people to fill in gaps

Late April: extra committee meeting to pull it all together

May 5 committee: draft ready for Editor.

Next meeting April 7, 1976

LWVMN

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Next meeting April 17, 1976

Call Judy 1:30 Mon.

*formality / informality
factual / less-factual*

*we / they
Lef/ches
Innovation*

- use personal examples?

LWVMN 3/26/76

Karen Anderson

State Council - "brief, chatty report" on what Financing State Government committee and chairman have done this year.

As a new committee ~~and~~ "new-to-Board" chairman, the Financing State Government with a Committee has spent the past 9 months informing ourselves - about the topic and about total Board responsibility at the State level.

We've held 10 committee meetings, the first several attended by many local League members who were interested in hearing the speakers: Arley Waldo, Wallace Dahl, Gerald Caulfield, and Ron Rainey. Since then, the committees ^{meetings} have been "working meetings", concentrating on specific projects:

The Fall workshops included a Financing State Gov't. presentation by Arley Waldo on the basic tax structure in MN.

The Telephone Opinion Poll on financing government was conceived as a "nice little side-light" and grew into ^a fascinating, but time-consuming, endeavor with lots of researching and re-writing involved.

We've begun the writing of two "facts and issues type" publications with an anticipated fall distribution.

We've covered the monthly meetings of the Tax Study Commission at the Capitol and ^{have} a limited amount of bill-watching during the legislative session.

Responsibilities of the chairman included: consultant visits, planning sessions for the Focus on Emerging Issues, some financing education meetings, regular Board meeting/Board memo deadlines and an opportunity to talk to and work with some of the most fascinating women around.

Committee plans for next year are ambitious and varied, but we'll need a much larger committee if we expect to accomplish what we'd like to. Anyone with an interest in the following three broad categories is welcome to join us: research and writing; ^{gathering} travelling resource team of outside experts in governmental financing; video presentation on governmental financing. Karen Anderson wants you!

MAR 29 1976

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TO: Financing State Government
Committee

FROM: Karen Anderson

SUBJECT Committee Meeting, Monday,
March 22, 9:30 a.m. State Office

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE March 16, 1976

Agenda:

- 9:30 general business
vouchers ✓
Waldo's new booklet ✓
timetable
state Council ~~presentation~~
- 10:00 publications discussion
what we've done; what we need to do. Anyone with an assignment
bring: 3 x 5 resource cards, typed draft, comments, suggestions
- 11:45 adjourn

Regular committee meeting is still scheduled for Wed., April 7, 9:30 a.m.
state office.

*minutes
J. Strouse
letter to Fairmont
memo to people for
com. over letter
29th - report for
covered*

Peggy - Pm d 3425

Minnesota State Tax Collections
Fiscal Years Ending June 30, 1974, and June 30, 1975

	Fiscal Year 1974				Fiscal Year 1975				Change in Net Amounts	
	Gross	Refund	Net	Net as % of Total	Gross	Refund	Net	Net as % of Total	Amount of Difference	Percent Change
Income Taxes										
• Individual	\$859,030,000	\$ 157,641,000	\$701,389,000	38.09%	\$976,593,000	\$169,485,000	\$807,108,000	39.96%	\$105,719,000	15.07%
• Corporation	187,216,000	12,487,000	174,729,000	9.49	199,004,000	18,522,000	180,482,000	8.94	5,753,000	3.29
• Bank Excise	16,529,000	921,000	15,608,000	.85	16,170,000	747,000	15,423,000	.76	-185,000	-1.19
• Inheritance	30,112,000	385,000	29,727,000	1.62	39,705,000	496,000	39,209,000	1.94	9,452,000	31.76
• Gift	3,717,000	22,000	3,695,000	.20	2,500,000	18,000	2,482,000	.12	-1,213,000	-32.83
Sales and Excise Taxes										
• General Sales and Use	148,157,000(R)	862,000	147,295,000(R)	18.86	384,391,000	1,531,000	382,860,000	18.95	35,565,000	10.24
• Motor Vehicle Excise	50,966,000(R)	-0-	50,966,000(R)	2.77	51,346,000	-0-	51,346,000	2.54	380,000	.75
• Highway Gasoline	153,356,000	10,715,000	142,641,000	7.75	152,169,000	9,723,000	142,446,000	7.05	-195,000	-.14
• Aviation Gasoline	2,143,000	435,000	1,708,000	.09	2,025,000	478,000	1,547,000	.08	-161,000	-9.43
• Intoxicating Liquor	40,208,000	-0-	40,208,000	2.18	39,887,000	-0-	39,887,000	1.97	-321,000	-.80
• Fermented Malt Beverage	8,825,000	-0-	8,825,000	.48	8,991,000	-0-	8,991,000	.45	166,000	1.88
• Cigarette	75,783,000	2,000	75,781,000	4.11	76,649,000	2,000	76,647,000	3.79	866,000	1.14
• Tobacco Products	2,085,000	1,000	2,084,000	.11	2,140,000	2,000	2,138,000	.11	54,000	2.59
• Oleomargarine	3,913,000	29,000	3,884,000	.21	1,666,000	159,000	1,507,000	.07	-2,377,000	-61.20
• Mortgage Registration	1,244,000	-0-	1,244,000	.07	4,672,000	-0-	4,672,000	.23	3,428,000	275.56
• Deed Transfer	4,730,000	7,000	4,723,000	.26	4,208,000	11,000	4,197,000	.21	-526,000	-11.14
• Motor Vehicle Recycling	836,000	-0-	836,000	.05	816,000	-0-	816,000	.04	-20,000	-2.39
Employers Excise Tax										
• Employers Excise Tax	7,419,000	-0-	7,419,000	.40	15,240,000	60,000	15,180,000	.75	7,761,000	104.61
Gross Earnings Taxes										
• Telephone	26,951,000	2,000	26,949,000	1.46	29,300,000	-0-	29,300,000	1.45	2,351,000	8.72
• Telegraph	186,000	-0-	186,000	.01	280,000	-0-	280,000	.01	94,000	50.54
• Railroad, Regular	18,455,000	15,000	18,440,000	1.00	20,967,000	-0-	20,967,000	1.04	2,527,000	13.68
• Railroad, Taconite	2,614,000	-0-	2,614,000	.14	2,703,000	-0-	2,703,000	.13	89,000	3.40
• Express	6,000	-0-	6,000	.00	-0-	-0-	-0-	.00	-6,000	-100.00
• Freight Line	513,000	-0-	513,000	.03	550,000	-0-	550,000	.03	37,000	7.21
• Insurance Premiums	30,550,000	-0-	30,550,000	1.66	33,481,000	-0-	33,481,000	1.66	2,931,000	9.59
• State Fire Marshall	529,000	-0-	529,000	.03	561,000	-0-	561,000	.03	32,000	6.05
• Firemen's Relief Surcharge	401,000	-0-	401,000	.02	401,000	-0-	401,000	.02	-0-	-0.00
• Rural Electric Cooperatives	11,000	-0-	11,000	.00	32,000	-0-	32,000	.00	1,000	3.23
• Boxing Exhibition	14,000	-0-	14,000	.00	18,000	-0-	18,000	.00	4,000	28.57
Severance and Tonnage Taxes										
• Royalty Tax on Iron Ore	1,437,000	-0-	1,437,000	.08	1,532,000	-0-	1,532,000	.08	95,000	6.61
• Royalty Tax on Taconite	1,953,000	-0-	1,953,000	.11	2,356,000	-0-	2,356,000	.12	403,000	20.63
• Royalty Tax on Copper-Nickel	2,000	-0-	2,000	.00	2,000	-0-	2,000	.00	-0-	100.00
• Occupation Tax on Iron Ore	8,958,000	-0-	8,958,000	.49	9,820,000	-0-	9,820,000	.49	862,000	9.62
• Occupation Tax on Taconite	6,885,000	-0-	6,885,000	.37	10,235,000	-0-	10,235,000	.51	3,350,000	48.66
• Taconite Tonnage (Production)	10,159,000	-0-	10,159,000	.55	11,952,000	-0-	11,952,000	.59	1,793,000	17.65
Property Taxes										
• Delinquent State Property Tax	49,000	-0-	49,000	.00	20,000	-0-	20,000	.00	-29,000	-59.18
• Forfeited Property	5,000	-0-	5,000	.00	2,000	-0-	2,000	.00	-3,000	-60.00
In Lieu of Property Taxes										
• Motor Vehicle Licenses	87,469,000(R)	198,000	86,971,000(R)	4.72	84,006,000	432,000	83,574,000	4.14	-3,397,000	-3.91
• Aircraft	578,000	-0-	578,000	.03	627,000	-0-	627,000	.03	49,000	8.48
• Airflight Property	1,943,000	-0-	1,943,000	.11	2,334,000	-0-	2,334,000	.12	391,000	20.12
Licenses										
• Motor Vehicle Operators	4,120,000(R)	-0-	4,120,000(R)	.22	3,859,000	-0-	3,859,000	.19	-261,000	-6.33
• Corporation Filing Fees	712,000(R)	-0-	712,000(R)	.04	774,000	-0-	774,000	.04	62,000	8.71
• Alcoholic Beverages	323,000	-0-	323,000	.02	342,000	-0-	342,000	.02	19,000	5.88
• Amusements (Boxing)	7,000	-0-	7,000	.00	7,000	-0-	7,000	.00	-0-	-0.00
• Hunting & Fishing	9,138,000	-0-	9,138,000	.50	9,611,000	-0-	9,611,000	.48	473,000	5.18
• Boat & Water Safety	987,000	-0-	987,000	.05	646,000	-0-	646,000	.03	-341,000	-34.55
• Cigarette Distributors	47,000	-0-	47,000	.00	42,000	-0-	42,000	.00	-5,000	-10.64
• Petroleum Inspection	844,000	-0-	844,000	.05	832,000	-0-	832,000	.04	-12,000	-1.42
• Petroleum Distribution	38,000	-0-	38,000	.00	38,000	-0-	38,000	.00	-0-	-0.00
• Occupation & Business Taxes										
Not Elsewhere Classified	13,448,000(R)	-0-	13,448,000(R)	.73	16,100,000	-0-	16,100,000	.80	2,652,000	19.72
Subtotals										
Collected by Dept. of Revenue	\$1,825,587,000(R)	\$187,524,000	\$1,642,063,000(R)	89.16%	\$2,019,025,000	\$201,234,000	\$1,817,791,000	89.99%	\$175,728,000	10.70%
Collected by Other Agencies	200,074,000(R)	493,000	199,581,000(R)	10.34	202,577,000	432,000	202,145,000	10.01	564,000	1.29
Grand Total	\$2,025,661,000(R)	\$187,997,000	\$1,842,664,000(R)	100.00%	\$2,221,602,000	\$201,666,000	\$2,019,936,000	100.00%	\$178,267,000	9.68%

Notes:

- 1) Totals may not add due to rounding
- 2) * collected by Dept. of Revenue
- 3) ** means less than .005%

- 4) "R" means revised
- 5) Grand Total excludes Unemployment Compensation Insurance - 100.00%

	F.Y. 1974	F.Y. 1975	Change	%
	\$1,842,664,000	\$2,019,936,000	\$177,272,000	9.68%

LWVMN 3/8/76

Financing State Government Committee - Minutes of March 3 Meeting

Present: K. Anderson, J. McGuire, S. Moss, M. Mantis, J. Strouse, C. Cushing

OPINION POLL - each LWV was given 2 or 3 substitute names besides 5 to call; if committee members are called because substitutes don't work out either, instruct them to go back to original name in phone book (or closest alphabetically) and call next person down.
Recording responses - will get as many as possible done before April committee meeting, do the rest there.
How to use poll - local LWV's urged to use in community in any way they wish after sending in their responses to us. General PR ideas for entire topic as well as poll: approach Dave Moore with program as one that needs to be brought before public; work out format to be used throughout state, ~~of~~ or taped centrally and distributed throughout state. Publications - plugged on Boone-Erickson WCCO. Committee still turned on to TV presentation as best method of reaching Leaguers and public.

TIMETABLE: 2 tax publications out Oct 1, to complement travelling resource team (outside experts on taxes and distribution of revenue to make presentation in 5 areas of state); Spring publications on distribution of revenue to complement media presentation on taxes/distribution.
Need two committees composed of people not working on publications to explore: Travelling resource team; TV presentation

NEXT COMMITTEE MEETINGS: March 22nd, 9:30 a.m., State Office
April 7th, 9:30 a.m. State Office

PUBLICATIONS OUTLINE:

assignments made for writing due March 22nd; notes to be taken on 3x5 cards, pages refer to typewritten double-spaced. Interested in facts at this point, will try to make interesting at later writing stage. Concentrate on readability and specific examples of effects of taxes on people, what kind of charts, graphs, illustrations are appropriate?

Tax Primer: Trends, Margaret Bloyer, 6 pages
Criteria, Karen Anderson, 3 pages
Definitions/Glossary, M. Bloyer, 6 pages

Present MN Tax Structure

Income Tax, Judy McGuire, 6 pages
Property tax, SiM Moss, 10 pages
Sales and Use, Ervie Hasbargen, 3 pages
Exise Taxes, Karen Anderson, 3 pages
Erika Buffington, 1 page for Motor Vehicle and Motor Fuels
Licenses and Fees, Erika,
Severance Taxes, Erika, 3 pages for both these
Other Taxes, Joan Strouse, 4 pages
Comparisons, Karen Anderson 1-2 pages

Will get most current figures from Revenue dept. Terms/definitions used can be explained in Glossary, not detailed in text.

LWVMN 3/10/76

State Board Memo - ~~April~~ March

Financing State Government - Karen Anderson

Response sheets for the telephone Opinion Poll are due in the State Office March 30th. You probably noticed that the answer to question #4 about the Sales Tax got rather complicated (in regard to automobiles). Well, it gets even more complicated (in regard to fur coats). According to the Department of Revenue "Sales of articles made of fur, ~~it's taxable~~ even though worn as clothing, are taxable when the value of the fur is more than 3 times the value of the next most valuable component material!" Sorry about the error; as we've been told repeatedly "you have to be careful of wording in this business".

In the ~~March~~ ^{Feb.} Board Memo we told you about a new publication available from the National Municipal League, It's Your Business: Local & State Finance. Although expensive (\$5) we ~~heartily~~ enthusiastically recommend it to anyone interested in the ~~the~~ rationale/philosophy behind the total government finance picture.

LWVMN 3/8/76

Financing State Government Committee - Minutes of March 3 Meeting

Present: K. Anderson, J. McGuire, S. Moss, M. Mantis, J. Strouse, C. Cushing

OPINION POLL - each LWV was given 2 or 3 substitute names besides 5 to call; if committee members are called because substitutes don't work out either, instruct them to go back to original name in phone book (or closest alphabetically) and call next person down.

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How to use poll - local LWV's urged to use in community in any way they wish after sending in their responses to us. General PR ideas for entire topic as well as poll: approach Dave Moore with program as one that needs to be brought before public; work out format to be used throughout state, ~~of~~ or taped centrally and distributed throughout state. Publications - plugged on Boone-Erickson WCCO. Committee still turned on to TV presentation as best method of reaching Leaguers and public.

TIMETABLE: 2 tax publications out Oct 1, to complement travelling resource team (outside experts on taxes and distribution of revenue to make presentation in 5 areas of state); Spring publications on distribution of revenue to complement media presentation on taxes/distribution.

Need two committees composed of people not working on publications to explore: Travelling resource team; TV presentation

NEXT COMMITTEE MEETINGS: March 22nd, 9:30 a.m., State Office

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Tax Primer: Trends, Margaret Boyer, 6 pages
Criteria, Karen Anderson, 3 pages
Definitions/Glossary, M. Boyer, 6 pages

Present MN Tax Structure

Income Tax, Judy McGuire, 6 pages
Property tax, Sina Moss, 10 pages
Sales and Use, Ervie Hasbargen, 3 pages
Exise Taxes, Karen Anderson, 3 pages
Erika Buffington, 1 page for Motor Vehicle and Motor Fuels
Licenses and Fees, Erika,
Severance Taxes, Erika, 3 pages for both these
Other Taxes, Joan Strouse, 4 pages
Comparisons, Karen Anderson 1-2 pages

Will get most current figures from Revenue dept. Terms/definitions used can be explained in Glossary, not detailed in text.

M
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TO: Financing State Government
Committee

FROM: Karen Anderson

SUBJECT Committee Meeting, Wednesday,
March 3, 1976, 9:30 a.m.,
state office

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE February 26, 1976

This is probably the most vital committee meeting of the year! Please review the agenda and enclosed material and be prepared for a lively discussion.

AGENDA

- 9:30 General Business
 ✓ vouchers
 ✓ opinion poll responses - *how to handle; name requests*
- 9:45 Publication Preparation
 ✓ program charge from Convention
 ✓ writing mechanics
- 10:10 ✓ timetable -- publication by October means we'll want to have major work done by June.
 Can we schedule an extra committee meeting mid-March? What's your
 preference: 15th, 19th, 22, 24, 25? - *expand*
- 10:20 Publication outlines
 subcommittee of McGuire, Moss and Anderson met February 23 to lay out tentative outline
 (enclosed). Come prepared to: discuss, refine, enlarge, etc. Bring along basic
 information you have gathered and choices for areas you're most interested in
 researching.

LWVMN 2/4/76 Financing State Government Committee

Minutes of Feb. 4 meeting

Present: K. Anderson, M. Mantis, E. Hasbargen, C. Cushing, M. Bloyer, J. McGuire, E. Buffington, S. Moss, E. Sletton

Fiscal Review of the '75 Legislative Session, MN State Senate Copies have been obtained for each local League and the committee. Suggested that a copy be sent with March 3rd class Board Memo mailing with note to president to keep in her file unless there is a working Financing State Gov't chairman who could use it right now.

Discussion on telephone opinion poll on MN taxes:

committe members will receive all information going to local Leagues when its all put together. Questions were revised and tested - found to take 8 minutes without preliminary introduction/explanation. Format: each League will receive 1 instruction/question/answer sheet; 1 form for recording responses; list of people to be called. Sampling: names will be chosen by committee members and sent to state office by Fri. Feb. 13. LWV's are fairly representative of state population; decided to choose in 3 sections - Minneapolis and suburbs, 105 names (J. McGuire and E. Buffington); St. Paul and suburbs, 70 names (C. Cushing); outstate, 165 names (K. Anderson and M. Bloyer). Most materials must be ready by Feb. 13; will be mailed out Feb. 20.

Discussion on publications:

Set tentative timetable in hopes of having 2 publications ready for fall '76 distribution. Basic tax Primer; review of MN system. Committee of four - J. McGuire, S. Moss, M. Bloyer, K. Anderson, will meet Feb. 23 to begin working outline. March committee meeting will work on outline and be given assignments for information gathering. April committee - all information gathered, 1st draft underway; May committee - final writing done or in process; summer - final editing, outside readers, etc. Importance of outline stressed. All committee members urged to attend crucial March 3 committee meeting. We need input on outlines for publications. Assignment for March 3 - in what areas of basic tax theory and history or specifics on MN structure do you have information available? Bring a written list; we need to know what our resources are!

Financing State Government - Tentative Publications Outlines

Program Charge from Convention:

- A study of the source and distribution of state revenue.
- A study of the effect of shifting tax burdens.
- Evaluation of the most equitable and effective method of funding services to all levels of government.

Focus of the study is upon issues and policies concerning revenue and revenue distribution and their effects on people and programs in the state.

Publication Goal: concentrate on readability through: specific examples of effects of taxes on people; appropriate charts/graphs

Two publications for Oct. 1, 1976:

BASIC TAX PRIMER

PRESENT MN TAX STRUCTURE

BASIC TAX PRIMER

I. Trends

History since 1930's - how ~~present~~ structure has changed, how present structure has emerged.

Pie charts for 10-yr intervals

II. Criteria for judging taxes

explained in terms of how taxes effect people

III. Definitions/Glossary

Will include basic terms dealing with expenditures as well as taxes

PRESENT MN TAX STRUCTURE

A Description of the present MN Tax Structure and its effects on people.

I. Introduction

II. Revenue Sources

A. Income Tax (Individual Income Tax, with sentence on Corporate Excise Tax)

1. Rationale

2. Description - sub-outline to be used in describing each revenue source

- a. how much it collects
- b. who collects it
- c. to whom it is distributed
- d. on what it is collected
- e. apply selected criteria - the effects on people

II. B. Property Tax

1. Rationale

2. Description

a.

b.

c.

d. homestead credit
circuit breaker
freeze credit
exempt property
tax base
home improvements

fiscal disparities
tax increment
green acres
agricultural
industrial
commercial

e. mill rates
sales ratios
assessment practices
assessment limits

C. Sales and Use Taxes

1. Rationale

2. Description

a, b, c, d, e

D. Excise Taxes

1. Corporation

a. Rationale

b. Description

- 1) how much it collects
- 2) etc. 3, 4, 5

2. Bank excise tax

a. Rationale

b. Description

- 1)
- 2)
- 3)
- 4)
- 5)

3. Employer's Excise Tax

4. Motor Vehicle Excise Tax

5. Motor Fuels Taxes (Gasoline and Special Fuels Excise Tax)

II. Revenue Sources

E. Licenses and Fees

1. Motor Vehicle License fees

10

a. Rationale

b. Description

10 how much it collects

20 etc.

2. Motor Vehicle Operator License

3. Watercraft Licenses

4. Snowmobile Registration fees

5. Boxing Exhibitions license

6. Game and Fish licenses

7. Wild Rice license

F. Severance Taxes

1. Occupation taxes by Type of Mineral

2. Production Taxes by Type of Mineral

3. Royalty Taxes by Type of Mineral

G. Other Taxes

1. State

a. withholding tax

b. Inheritance Tax

c. Estate Tax

d. Gift Tax

e. Alcoholic Beverage Taxes

f. Tobacco Taxes

g. Mortgage Registry Tax

h. Deed Transfer Tax

i. Motor Vehicle Recycling

j. Gross Earnings

k. Insurance premiums

l. Rural Electric Cooperatives

m. Boxing Exhibitions

n. Airflight Property Tax

o. Severed Mineral Interests Tax

p. Tree Growth Tax

q. Auxiliary Forest Tax

2. Local

a. Local Cigarette License

b. Sand and Gravel Occupation Tax

c. Trust Companies Gross Earnings

d. Utility Companies Gross Earnings

e. Local Sales Tax

III. Comparisons

With other states; effects on people who live in MN; do they feel they pay more (poll results?), do they actually pay more?

Can we find statistics to prove on or the other?

IV. Conclusions

LWVMN 2/25/76

To: Financing State Government Committee

From: Karen Anderson

Re: Committee meeting, Wed. March 3, 1976, 9:30 a.m., State Office

This is probably the most vital committee meeting of the year! Please review the agenda and enclosed material and be prepared for a lively discussion.

AGENDA

- 9:30 General Business
vouchers
opinion poll responses
- 9:45 Publications Preparation
program charge from convention
writing mechanics
- 10:10 timetable -- publication by Oct. means we'll want to have major work done by June. Can we schedule an extra committee meeting mid-March? What's your preference: 15th, 19th, 22, 24, 25?
- 10:20 Publication outlines
sub-committee of McGuire, Moss, and Anderson met 2/23 to lay out tentative outlines (enclosed). Come prepared to: discuss, refine, enlarge, etc.
Bring along basic information you have gathered and choices for areas you're most interested in researching.
- 9

ENCLOSE:

Feb. committee minutes
opinion poll copy
publication outlines

LWVMN 2/25/76

Financing State Government - Tentative Publications Outlines

Program Charge from Convention:

- A study of the source and distribution of state revenue.
- A study of the effect of shifting tax burdens.
- Evaluation of the most equitable and effective method of funding services to all levels of government.

Focus of the study is upon issues and policies concerning revenue and revenue distribution and their effects on people and programs in the state.

Publication Goal: concentrate on readability through: specific examples of effects of taxes on people; appropriate charts/graphs

Two publications for Oct. 1, 1976:

BASIC TAX PRIMER

PRESENT MN TAX STRUCTURE

BASIC TAX PRIMER - ~~Margaret~~ *Introduction to whole study 8 sides max. (15 with charts) (20 typed pages)*

- I. Trends *Margaret*
History since 1930's - how ~~present~~ structure has changed, how present structure has emerged.

Pie charts for 10-yr intervals

- 3 II. Criteria for judging taxes - *Karen*
explained in terms of how taxes effect people - *circled & broken as example*

- III. Definitions/Glossary - *Margaret*
Will include basic terms dealing with expenditures as well as taxes

*Deleg's request -
Tax Study Comm. Feb., 3 terms*

PRESENT MN TAX STRUCTURE

12 minimum sides size 30-35 typed pages plus charts
A Description of the present MN Tax Structure add its effects on people.

- I. Introduction *of revenue sources -*

- II. Revenue Sources *6 pages*
A. Income Tax *(Individual Income Tax, with sentence on Corporate Excise Tax)*

1. Rationale *Judy*

2. Description - sub-outline to be used in describing each revenue source

- a. how much it collects
- b. who collects it
- c. to whom it is distributed
- d. on what it is collected
- e. apply selected criteria - the effects on people

p. 2 Outline for Present MN Tax Structure

II. B. Property Tax *10 pages - Sid*

1. Rationale

2. Description

a.

b.

c.

d. homestead credit
circuit breaker
freeze credit
exempt property - *M. Manti*
tax base
home improvements

fiscal disparities
tax increment
green acres
agricultural
industrial
commercial

e. mill rates
sales ratios
assessment practices
assessment limits

###

C.

Sales and Use Taxes - *Ernie* *3 pages*

1. Rationale

2. Description

a, b, c, d, e

D.

Excise Taxes - *Karen* *3 pages*

1. Corporation

a. Rationale

b. Description

- 1) how much it collects
- 2) etc. 3, 4, 5

2. Bank excise tax

a. Rationale

b. Description

- 1)
- 2)
- 3)
- 4)
- 5)

3. Employer's Excise Tax

4. Motor Vehicle Excise Tax - *Ernie*

5. Motor Fuels Taxes (Gasoline and Special Fuels Excise Tax) - *Ernie*

II. Revenue Sources

E. Licenses and Fees *Erika*

1. Motor Vehicle License fees
a. Rationale
b. Description
10 how much it collects
20 etc.
2. Motor Vehicle Operator License
3. Watercraft Licenses
4. Snowmobile Registration fees
5. Boxing Exhibitions license
6. Game and Fish licenses
7. Wild Rice license

F. Severance Taxes *Erika* —

1. Occupation taxes by Type of Mineral
2. Production Taxes by Type of Mineral
3. Royalty Taxes by Type of Mineral

G. Other Taxes *Joan*

1. State

- | | |
|-----------------------------|----------------------------------|
| a. withholding tax | k. Insurance premiums |
| b. Inheritance Tax | l. Rural Electric Cooperatives |
| c. Estate Tax | m. Boxing Exhibitions |
| d. Gift Tax | n. Airflight Property Tax |
| e. Alcoholic Beverage Taxes | o. Severed Mineral Interests Tax |
| f. Tobacco Taxes | p. Tree Growth Tax |
| g. Mortgage Registry Tax | q. Auxiliary Forest Tax |
| h. Deed Transfer Tax | |
| i. Motor Vehicle Recycling | |
| j. Gross Earnings | |

2. Local

- a. Local Cigarette License
- b. Sand and Gravel Occupation Tax
- c. Trust Companies Gross Earnings
- d. Utility Companies Gross Earnings
- e. Local Sales Tax

III. Comparisons — *Karen* — 1-2 pages charts

With other states; effects on people who live in MN; do they feel they pay more (poll results?), do they actually pay more?

IV. Conclusions Can we find statistics to prove one or the other?

FINANCING STATE GOVERNMENT
OPINION POLL ON TAXES IN MINNESOTA

The League of Women Voters of Minnesota

TO: Local League Financing State Government Chairpersons
FROM: Karen Anderson, Chairperson, Financing State Government Committee
RE: Instructions
February 20, 1976

The five names you are to call and their telephone numbers are listed on the enclosed card. Make your first calls in the evening, so that your chances of reaching a man or women are equal. You may speak to any adult at the number listed. If you cannot reach anyone at the number after trying at several different times of day, choose a different number from the list of substitutions.

When making calls, remember the purposes of the poll: (1) public relations for your local and state LWV; (2) to generate interest in the subject; (3) to collect data about people's knowledge and opinions of financing government. You are an impartial interviewer who records opinions; you do not express your own. Introduce yourself in a friendly manner, such as, "Hello, my name is _____. I'm with the League of Women Voters of _____. We're conducting a statewide opinion poll on taxes in Minnesota. Would you have a few minutes to answer some questions for us?" If asked, you may assure the person that his or her name will not be used in any way or connected with the answers they give; this is an anonymous poll.

The first 13 questions ask for a yes/no or a multiple choice response. Circle the response given on the recording sheet. The last question gives the person being polled a chance to voice his or her opinions on government services. When asking this question, you may not need to say anything else. Offer the examples as suggestions only if the person seems to need them.

You will notice that some of the questions ask for opinions, but many are designed to test knowledge of taxation and tax expenditures. It is very important not to make the interview sound like an examination. If you are asked to provide the correct answer, do so after all the questions have been answered. The answers are given at the bottom of the question sheet. Each call should take no more than 15 minutes and may take much less.

We have trimmed the number of interviews to five per League so as not to overburden you. Therefore, we must receive responses from all Leagues to have an adequate sample. Responses are due in the state office March 30, 1976.

After the March 30 deadline, you may use the questions in any way you choose with your own LWV members or in the community at large. Would they help stir up interest at a unit meeting? Does your League have a booth at a community fair where you might use the questions? It may be interesting to see how the responses you receive compare to the statewide responses. We'll be letting you know of our results as soon as they're available.

See other side for names and phone numbers of Financing State Government Committee.

Financing State Government Committee

State Board Members:

Karen Anderson, chairperson - 612-935-2445
Carolyn Cushing - 612-633-0602
Mary Poppleton - 612-890-4486
Jean Reeves - 507-645-6161
Helene Borg - 612-472-2674

Off-Board Members:

Mary Mantis - 612-644-1156
Betty Stoker - 507-373-1744
Sid Moss - 612-544-1875
Erica Buffington - 612-929-8168
Judy McGuire - 612-927-6825
Ernie Hasbargen - 612-636-4825
Irma Sletten - 612-544-6264
Margaret Bloyer - 612-336-6107
Joan Strouse - 612-698-9175

FINANCING STATE GOVERNMENT
Statewide Opinion Poll on Taxes in Minnesota

QUESTIONS

Follow the general directions on the instruction sheet. Responses are to be recorded on the sheet enclosed for that purpose.

1. First, I would like to ask your opinion about the major taxes. Of the three major taxes in Minnesota, the individual income tax, the property tax, and the sales tax, which do you feel is the most fair? the least fair?
2. Of all the taxes collected by state and local governments, do you happen to know which raises the most money? individual income tax/ property tax/ sales tax/ not sure
3. Do you feel the services you receive from state and local governments are adequate in relation to the taxes you pay; that is, do you think you're getting your money's worth? yes/ no/ uncertain
4. Do you happen to know on which of the following items you pay a sales tax? food/ automobiles/ drugs and medicines/ household appliances/ fur coats
5. Many people feel the income tax forms are too complicated, too hard to understand and fill out; do you pay someone to help you fill out your income tax forms? yes/ no/ not sure

Some of the following questions ask for specific knowledge about the tax system. We find most people don't know many of the answers, due to the complicated tax systems we have, but I'd appreciate your response if you happen to know.

6. Do you know whether any of your state income tax moneys are used to help run your local city or county government? yes/ no/ not sure
7. Do businesses in Minnesota pay more of the total income tax than individuals? yes/ no/ not sure
8. Does state government levy general property taxes? yes/ no/ not sure
9. By state law, assessors are required to assess property at its full market value. How do you feel most property in your community is assessed in relation to its actual market value? higher/ lower/ about the same/ no opinion (If asked to define the word "community," define it as city.)
10. If the assessment of a piece of property is raised, will the tax on that property automatically be raised? yes/ no/ not necessarily/ not sure
11. Do you happen to know, on the average, what portion of the local property tax goes to finance local school? 1/4; 1/2; 3/4; not sure
12. Of all the money that will be spent on public assistance (Welfare) programs in Minnesota, do you happen to know how much comes from local tax sources? 8%/ 29%/ 57%/ not sure
13. Do the taxes you pay have an influence on who you vote for? yes/ no/ not sure
14. Are there any government services you'd like to see improved even if it would mean increasing taxes? _____ Are there any you'd like to see cut? _____
Examples of government services might be: local education; higher education system; road and highway building; local law enforcement; state prison system; health and hospitals.

ANSWERS

2. Property taxes 31.8%
Individual income tax 25.6%
Sales and use taxes 13.8%
Corporate income tax 6.2%

All 1975 estimated figures from Dept. of Revenue

4. yes - ~~automobiles~~, household appliances
6. yes - state supplements local government revenues from the property tax via local government aids (aids to counties, municipalities, townships, special districts, and aids to school districts).
7. no - of total income taxes collected in 1973, 16.5% came from corporation tax
8. no - local governments levy property taxes; counties collect and administer them.
10. not necessarily - the amount of tax is determined by the mill rates of the government units in the county. If all assessments were raised equally, the mill rate would be lowered and taxes remain the same.
11. 1/2 - statewide average is 54%
12. 8% - the major portion comes from federal sources.

QUESTION 4 - The retail sales of automobiles are *exempt* from the 4% Minnesota Sales Tax; *however*, they are subject to a 4% motor vehicle excise tax, as is any transfer of a motor vehicle from one party to another for any purpose other than resale.

RECORDING SHEET - Statewide Opinion Poll on Taxes in Minnesota

Name of LWV _____

Date _____

Person(s) conducting poll _____

CIRCLE response given

- (A) 1. most fair: individual income tax property tax sales tax
least fair: individual income tax property tax sales tax
2. individual income property sales not sure
3. yes no uncertain
4. food automobiles drugs and medicines household appliances fur coats
5. yes no not sure
6. yes no not sure
7. yes no not sure
8. yes no not sure
9. higher lower about the same no opinion
10. yes no not necessarily not sure
11. 1/4 1/2 3/4 not sure
12. 8% 29% 57% not sure
13. yes no not sure
14. services improved:

services cut back:

-
- (B) 1. most fair: individual income tax property tax sales tax
least fair: individual income tax property tax sales tax
2. individual income property sales not sure
3. yes no uncertain
4. food automobiles drugs and medicines household appliances fur coats
5. yes no not sure
6. yes no not sure
7. yes no not sure
8. yes no not sure
9. higher lower about the same no opinion
10. yes no not necessarily not sure
11. 1/4 1/2 3/4 not sure
12. 8% 29% 57% not sure
13. yes no not sure
14. services improved:

services cut back:

- (C) 1. most fair: individual income tax property tax sales tax
least fair: individual income tax property tax sales tax
2. individual income property sales not sure
3. yes no uncertain
4. food automobiles drugs and medicines household appliances fur coats
5. yes no not sure
6. yes no not sure
7. yes no not sure
8. yes no not sure
9. higher lower about the same no opinion
10. yes no not necessarily not sure
11. 1/4 1/2 3/4 not sure
12. 8% 29% 57% not sure
13. yes no not sure
14. services improved:

services cut back:

-
- (D) 1. most fair: individual income tax property tax sales tax
least fair: individual income tax property tax sales tax
2. individual income property sales not sure
3. yes no uncertain
4. food automobiles drugs and medicines household appliances fur coats
5. yes no not sure
6. yes no not sure
7. yes no not sure
8. yes no not sure
9. higher lower about the same no opinion
10. yes no not necessarily not sure
11. 1/4 1/2 3/4 not sure
12. 8% 29% 57% not sure
13. yes no not sure
14. services improved:

services cut back:

-
- (E) 1. most fair: individual income tax property tax sales tax
least fair: individual income tax property tax sales tax
2. individual income property sales not sure
3. yes no uncertain
4. food automobiles drugs and medicines household appliances fur coats
5. yes no not sure
6. yes no not sure
7. yes no not sure
8. yes no not sure
9. higher lower about the same no opinion
10. yes no not necessarily not sure
11. 1/4 1/2 3/4 not sure
12. 8% 29% 57% not sure
13. yes no not sure
14. services improved:

services cut back:

LWVIN 2/10/76

MARCH BOARD MEMO - FINANCING STATE GOVERNMENT - Karen Anderson

The information and forms needed for conducting the opinion poll on MN Taxes is included with this memo (one copy per League). Each League is receiving: an instruction/question/answer sheet, a sheet for recording responses and a list of ^{five} people to be called. Each telephone interview will take less than 15 minutes. The recording sheet is due in the State Office by March 30. Thank you!

Minnesota State Senate, A Fiscal Review of the 1975 Legislative Session. We were able to obtain a copy of this for each local League. While its primary focus is on expenditures, there are also sections on taxes which will be useful to you now if you are having a general or unit meeting this spring. Keep this copy in the President's file for future reference unless your financing state Gov't chairman/committee has use for it right now. Each library and school district in the state also has a copy for reference. Additional copies may be available through your state legislator.

Several local Leagues are tying in the Financing State Gov't program with a study on local government financing. You may be interested in a new publication: Its Your Busingss: Local State Finance by L. Leszlo Ecker-Racz, 1976, 160 pages. It's available for \$5 from: National Municipal League, 47 East 68th St., New York, N.Y. 10021

LWVMN 2/4/76 Financing State Government Committee

Minutes of Feb. 4 meeting

Present: K. Anderson, M. Mantis, E. Hasbargen, C. Cushing, M. Bloyer, J. McGuire, E. Buffington, S. Moss, E. Sletton

Fiscal Review of the '75 Legislative Session, MN State Senate Copies have been obtained for each local League and the committee. Suggested that a copy be sent with March 3rd class Board Memo mailing with note to president to keep in her file unless there is a working Financing State Gov't chairman who could use it right now.

Discussion on telephone opinion poll on MN taxes:

committee members will receive all information going to local Leagues when its all put together. Questions were revised and tested - found to take 8 minutes without preliminary introduction/explanation. Format: each League will receive 1 instruction/question/answer sheet; 1 form for recording responses; list of people to be called. Sampling: names will be chosen by committee members and sent to state office by Fri. Feb. 13. LWV's are fairly representative of state population; decided to choose in 3 sections - Minneapolis and suburbs, 105 names (J. McGuire and E. Buffington); St. Paul and suburbs, 70 names (C. Cushing); outstate, 165 names (K. Anderson and M. Bloyer). Most materials must be ready by Feb. 13; will be mailed out Feb. 20.

Discussion on publications:

Set tentative timetable in hopes of having 2 publications ready for fall '76 distribution. Basic tax Primer; review of MN system. Committee of four - J. McGuire, S. Moss, M. Bloyer, K. Anderson, will meet Feb. 23 to begin working outline. March committee meeting will work on outline and be given assignments for information gathering. April committee - all information gathered, 1st draft underway; May committee - final writing done or in process; summer - final editing, outside readers, etc. Importance of outline stressed. All committee members urged to attend crucial March 3 committee meeting. We need input on outlines for publications. Assignment for March 3 - in what areas of basic tax theory and history or specifics on MN structure do you have information available? Bring a written list; we need to know what our resources are!

LWVMN Jan. 10, 1976

Minutes, Financing State Government Committee, Jan. 7

Present: K. Anderson, E. Hasbargen, M. Bloyer, C. Cushing, J. Strouse, G. Kuehn

Report on what local LWV's are doing with tax topic this year --- extremes of doing nothing to 1 unit meeting, a general meeting, a unit and general meeting, 2 unit meetings.

Reviewed purposes of Poll on what people know about taxes; refined timetable as shown on sheet sent with Dec. minutes.

Sample - prefer random sample; simplest, meaningful sample with proper sampling techniques. Use of outside professional, possibly Marian McCloskey, for help with: instructions to local Leagues, tips on professionalism, determining number to be interviewed, in what areas of state, number/length of questions.

Recommended that official sample be kept separate - local Lwv's do poll on themselves, if they wish, or use with public anytime during year, community gatherings, for own p.r. and information.

Recommended no more than 10 interviews, keeping simple as possible.'

Questions - geared to spending no more than 15 min. per interview; simplicity from posers pt. of view. Discusses types of questions - yes/no, multiple choice, open-ended. Need expert help in deciding this. Basic goal of questions - where does ~~govt~~ tax money come from; where does it go? Want to include in questions -- property tax area; knowledge of basic tax structure (state and local roles)

Discussion of publications/presentations

Timetable for projects shown on Board room wall. Funding proposals must be ready 6 mos. before anticipated publication date.

Publications - 2 basic facts and issues - a basic tax facts primer, defining tax terms, criteria; and a boiled down version of MN tax system.

Media presentation - Ed. TV doesn't cover entire state, but Ed radio does; do we want to consider that?

1/7/76 LWVMN

Feb. Board Memo - Financing State Government - Karen Anderson

Watch for the March Board Memo, which will contain all the information you'll need for conducting our Poll on Citizen Knowledge of Taxes.

As the state committee has been gathering materials and listening to resource people, we have become aware of how little we knew about state revenues -- where the money comes from and where it $\frac{1}{2}$ goes. Is this lack of knowledge common throughout the state? That's what we intend to find out.

The purpose of the poll is:

- to build LWV/public interest in the subject of taxes
- public relations for local and state LWV (the PR section of the March Memo will have suggestions for using the poll of local PR)
- collection of data to help determine the direction of publications/projects and to determine if there is a need for our project when approaching outside sources for funding.

The poll information will reach you the week of Feb. 23rd and will be due back in the State office on March 30th. We realize this is a busy time of year in all Leagues, and we will be keeping the poll ~~as~~ basic ~~as possible~~ and fun in order for you to complete it in one month. While questions and interview samplings are still at a tentative stage, we can ~~assure~~ assure you there will be less than 10 interviews which will take less than 15 minutes each to complete. You may also wish to poll your LWV members at a Unit meeting; this is optional and can be done at any time, but if you choose to fit it into March, we would welcome those results too.

If you don't have a Financing State Government portfolio and chairman, you'll want to appoint someone to be in charge of the poll. Please let the state office know who that person is. Thank you.

M TO: Financing State Government Committee

E FROM: Karen Anderson, Chairperson

M SUBJECT January Committee Meeting

O Wed., Jan. 7, 1976, 9:30 a.m., State Office

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE December 29, 1975

The January meeting of the Financing State Government Committee will be held on the 7th, Wednesday, at 9:30 a.m. - at the state office, 555 Wabasha.

AGENDA

- 9:30 - Attendance, vouchers, etc.
- 9:45 - Poll on citizen knowledge of taxes, Timetable, questions/answers, sampling
Enclosed is a copy of information for Jan. 6 State Board Meeting. We will be using that for our discussion.
- 10:50 - Presentation on taxes form (separate consensus on tax criteria?) timetable funding
- 11:45 - adjourn

Bill Flanagan
Sat. p.m. after 2
374-2892

Margaret Bloyer

Bill Flanagan

Marian McCloskey 835-5267

#90 282

2 parts, questions & instructions, sampling

will send to Ed mbrs with agenda

*64
20
1280
102
2562*

Financing State Government - Information for Board Meeting - January 6, 1976

Karen Anderson, Chairperson

Re: Poll on citizen knowledge of taxes

December 29, 1975

The Financing State Government committee has been meeting monthly since August with excellent attendance. We've had four outside speakers and have been pleased to have local League members who are not on the committee come to hear the speakers and participate in committee decisions. At the December meeting, we decided to go ahead with plans for a poll on citizen knowledge of taxes.

Purpose of the poll:

- building LWV/public interest in the subject of taxes (interest levels among local LWV's run the gamut - representatives from some have attended all the committee meetings (15 LWVs at October meeting). Some are having a general meeting on topic before June, some a unit meeting (Excelsior/Deephaven having both), some are doing nothing this year.
- PR for local and state LWV (one suggestion was for out-state LWVs to have media accompany poll-takers).
- collection of data to aid in:
 - determining direction of publication/presentation
 - establishing "need" for our project when approaching outside sources for funding

Tentative timetable:

- Jan 7 - committee chart course, determine sources of help with questions and samplings
- Jan 9 - Board Memo information on Poll - ready for Jan. Memo - general outlook, timetable
- Jan 12-30 - bulk of work
- Feb 4 - committee finalize all parts
- Feb 13 - ready for Feb. Memo mailing; questions, suggested sampling, PR suggestions, deadline instructions
- March 31 - due in state office

Question Areas:

Will cover general tax questions as well as some dealing specifically with income, property and sales taxes. Will use outside help in wording of questions. Will provide answers to those questions with statewide scope; minimum research for local LWVs. Question types:

- What's your rough estimate of the amount (in \$) of taxes collected in MN in 1975 by state and local governments?
- Are most taxes collected by the state also spent by the state government?
- Do the taxes you pay have an influence on the individuals you vote for? How?
- Which taxes are higher in MN than in neighboring states? income/property/sales?
- What % of your property tax is spent by your city government? By the state?
- Do you know of any instances of unfair property assessments?
- What can you do if you feel your assessment is unfair?
- If the assessment of your property is raised, will your taxes go up?
- If all the assessments in your city (county) are raised by 10%, will all the property taxes increase by 10%?
- Do you use outside help in filing your MN income tax statements?
- Do you use any tax "loop-holes" when filing your income tax statement? Do you know of any other people who do?
- Do single people pay more income taxes than married people?
- What items that you buy are exempt from the sales tax?

Sampling

We'll use outside help in determining a valid sample. Committee ideas at this point are: poll could be taken of all League members; we will also ask for a

specific sample (no more than 10%) of others representative of certain groups, such as:

20-30 year old/60-70 year old

homeowner/renter

single/married

native Minnesotans/newcomers in past 5 years.

Your questions/comments on all this are more than welcome. Bring them to the Board meeting.

Financing State Government - Information for Board Meeting - January 6, 1976

Karen Anderson, Chairperson

Re: Poll on citizen knowledge of taxes

December 29, 1975

The Financing State Government committee has been meeting monthly since August with excellent attendance. We've had four outside speakers and have been pleased to have local League members who are not on the committee come to hear the speakers and participate in committee decisions. At the December meeting, we decided to go ahead with plans for a poll on citizen knowledge of taxes.

Purpose of the poll:

- building LWV/public interest in the subject of taxes (interest levels among local LWV's run the gamut - representatives from some have attended all the committee meetings (15 LWVs at October meeting). Some are having a general meeting on topic before June, some a unit meeting (Excelsior/Deephaven having both), some are doing nothing this year.
- PR for local and state LWV (one suggestion was for out-state LWVs to have media accompany poll-takers).
- collection of data to aid in:
 - determining direction of publication/presentation
 - establishing ^{there is a} "need" for our project when approaching outside sources for funding

Tentative timetable:

- Jan 7 - committee chart course, determine sources of help with questions and samplings
- Jan 9 - Board Memo information on Poll - ready for ^{Feb} Jan. Memo - general outlook, timetable
- Jan 12-30 - bulk of ^{committee} work, then pre-test, fit in Rhoda, Jan. 26
- Feb 4 - committee finalize all parts
- Feb 13 - ready for ^{March} Memo mailing; questions, suggested sampling, PR suggestions, deadline instructions, March 1 - 29, Local LWV work
- March 30 - due in state office

Question Areas:

Will cover general tax questions as well as some dealing specifically with income, property and sales taxes. Will use outside help in wording of questions. Will provide answers to those questions with statewide scope; minimum research for local LWVs. Question types:

- What's your rough estimate of the amount (in \$) of taxes collected in MN in 1975 by state and local governments? 3.1 bil.
- Are most taxes collected by the state also spent by the state government? no - 3/4 returned
- ★ Do the taxes you pay have an influence on the individuals you vote for? How? for what offices?
- Which taxes are higher in MN than in neighboring states? income/property/sales?
- ★ What % of your property tax is spent by your city government? By the state? Who spends - which divisions of govt.
- Do you know of any instances of unfair property assessments?
- What can you do if you feel your assessment is unfair?
- ★ If the assessment of your property is raised, will your taxes go up?
- If all the assessments in your city (county) are raised by 10%, will all the property taxes increase by 10%?
- Do you use outside help in filing your MN income tax statements?
- ★ Do you use any tax "loop-holes" when filing your income tax statement? Do you know of any other people who do? - What are loop-holes?
- Do single people pay more income taxes than married people?
- What items that you buy are exempt from the sales tax?

Sampling - ^{What do you think too much is being spent on what would you be willing to cut?}
We'll use outside help in determining a valid sample. Committee ideas at this point are: poll could be taken of all League members; we will also ask for a

specific sample (no more than 10% ^{people}) of others representative of certain groups,
such as:

20-30 year old/60-70 year old

homeowner/renter

single/married

native Minnesotans/newcomers in past 5 years.

Your questions/comments on all this are more than welcome. Bring them to the Board meeting.

M
E
M
O

TO: Financing State Government
Committee and Nov./Dec. visitors

FROM: Karen Anderson

SUBJECT January Committee Meeting

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE 12/5/75

The next meeting of the LWVMN Financing State Government Committee will be January 7, Wednesday, 9:30 a.m., state office. There will be no outside speaker, but all visitors are welcome to aid committee in future planning and working on proposed "poll on citizen knowledge of taxes."

Enclosed: Minutes of November and December meetings
CMAL statement

agendas to office by Dec. 29

*call: Linda - study ^{writing} procedures Marge. idam
poll help
Arley 3 - his Sept.*

LWVMN 11/5/75

Financing State Government Committee meeting minutes

Called to order 9:35, 11/5/75

Present: K. Anderson, N. Cassano, A. Hammer, M. Porter, M. Bloyer, E. Hasbargen, C. Cushing, M. Pula, B. Phelan, M. Knoll, C. Chapman, C. Huhnke, J. Strouse, B. Hogan, J. Brown, J. Arnold, E. Buffington, G. Kuehn, I. Sletten, S. Moss, M. Mantis

Discussion of ways to present information to local Leagues/public:

- Travelling resource team - LWV or other resource people deliverring material throughout state

- Publications - several shorter publications rather than "fat book"

- Media Presentation - using public TV to make basic presentation, maybe presentated during morning and evening time slot to be watched as part of a unit meeting

- Slide presentation - made available to every League for more consistent presentation

Preparing a project proposal for outside funding - discussion of establishing a "need" for our tax information:

- "taxes are Everything" - all other issues/programs are dependent on revenue and distribution of that revenue

- public misconception of what we're getting for our tax dollar.

- Use of quotations showing taxes and revenue as basis for programs.

- Need for the public to be aware of the total tax structure rather than concentrating on which tax affects them most.

- Political overtones - information should be available to public about taxes and expenditures other than that given by elected officials at election time

- Intentional blindness on part of public - subject seemingly too complicated or too frightening.

- MN poll on taxes - what do people think about their taxes; what do they know about taxes - use this for our own information as well as for establishing a need for our project

- Timing important for any presentation - information about income tax given at that time of year, etc.

Vouchers were passed out to committee members; these are to be completed for each committee meeting attended regardless of whether you are asking for reimbursement of travel expenses.

Metro Council Staff meeting - Sid Moss and Karen Anderson will be meeting with J. Enders and Metro staff 11/6 at 1:30 to discuss Investment Guide draft part of the Metropolitan Development Framework

Discussion of Criteria for Evaluating Taxes

- Basic source for these is Walter Heller's article in Enclyclopedia Brittanica under "taxes" heading, and Adam Smith's Wealth of Nations (taxes should be simple, certain and convenient).

- Part IV. - Economic Effects rather than neutrality; add to paragraph: fiscal policy should consider consumer expenditures, investment expenditures, incentives to work, save and invest.

Part III. Administration and Compliance; III. A. equitably, economically, efficiently and easily administered

Distribution of minutes of this meeting: committee members will receive with next agenda as usual; visitors will be sent copy of minutes via their Local League president with her regular Board Memo mailing.

Committee was urged to get on mailing list of American National Bank, St. Paul for their weekly publication Impact. It's free.

It was pointed out that Wisconsin LWV position is based on criteria for evaluating taxes rather than position on a specific tax. Makes tax pertinent for longer period of time and makes position applicable to wider area of revenue policy. Is this a possibility for us?

Gerald Caulfield, Acting Director, Income Tax Division, MN Dept. of Revenue spoke to the committee on the income adjusted property tax law (circuit-breaker). Some points made:

- his department is an employee of the legislature; dept.'s job is to comply with laws devised by legislature
- originally property tax was based on ability to own and income tax on ability to pay. Circuit-breaker is legislature's way of introducing ability to pay factor to the property tax system.
- explanation of the theory behind compliance with the law, giving specific examples of how law would affect senior citizen renters and homeowners, disabled, regular homeowners and renters. Explanation of limitations affecting various categories of income and ownership; explanation of options for ways and times of filing.

Meeting adjourned 11:55

Next month's meeting - Wed. Dec. 3, 9:30 a.m. Speaker Ron Rainey, Exec. Dir. Tax Study Commission, Background and history of income tax, possible changes.

LWVMN 12/4/75

Financing State Government Committee

Minutes of meeting 12/3/75

Called to order at 10 a.m. by Karen Anderson. Those present: C. Cushing, G. Kuehn, S. Erickson, K. Kemper, M. Selin A. Nystuen, M Mantis, C. Huhnke, M. Bloyer, J. McGuire, J. Arnold, B. Hogan, J. Brown

Reviewed position statement presented by Jerry Enders, ~~MM~~ CMAL, at hearing on proposed Metro Investment Framework (copy enclosed). The statement reflected state as well as CMAL positions on property tax.

Report on criteria for evaluating taxes: we're waiting for response from Wisconsin LWV. (information arrived 12/4; it's not really what we were hoping for--total tax position was arrived at in pieces over 20-yr. period; they're anticipating up-date soon except for education-finance position which was done '73)

Discussion on poll to find out what people know about their taxes: Per last month's suggestion on ways to establish a need for our eventual project(s). General agreement that local LWV's would welcome a chance to do something concrete in our program area; would not feel over-burdened by another un-anticipated assignment; have felt previous suggestions were 'loose'.

Purposes: spurring interest, LWV and other, in subject; PR for local and state LWV (suggestion for media to follow us in our poll-taking); background data showing people need to be educated on gov't finances.

Agreed that we needed outside help (via Rhoda Lewin and U of M) for determining a valid sample to be polled and for question writing.

Tentative timetable: to be done in Feb. by local LWVs. This would mean information would have to go out with Jan. Board Memo - may not be feasible due to Dec. holidays.

Suggestions for valid sample:

- people who've lived in state a long tim/newcomers
- older/younger
- homeowner/renter
- single/married

Suggested areas of questions:

What percentage of your tax goes to local (or state) level?

Assessment process - do you know of any instances of unfair assessment; what can you do if you feel your assessment is unfair?

Taxes collected by one level of gov't., spent by another-- are people aware of this, what are their reactions?'

What services are most important to you; would you pay more to get more service in some area (snowplowing)?

Do you feel you're taxed twice in some instances (subsidization of tax exempt property)?

Is the way you vote determined by y your present taxes?

Attitudes towards loopholes - *legal help*

Who else would agree to work on designing poll? Present group includes K. Anderson, Margaret Bloyer, Judy McGuire (in Feb.)

Speaker - Ron Rainey, Executive Director of the Tax Study Commission gave background on Tax Commission and on the income tax, using table presented to the commission at their Sept. meeting. We taped his talk, available at state office, and have a few more copies of the tables he discussed.

Adjourned 11:55 - There will be ~~no~~ no speaker Jan meeting - planning time!



COUNCIL of METROPOLITAN AREA LEAGUES

League of Women Voters of Minnesota



ANOKA
ARDEN HILLS
BLAINE
BLOOMINGTON
BROOKLYN CENTER
BROOKLYN PARK
CHASKA
COLUMBIA HEIGHTS
CRYSTAL -- NEW HOPE
DEEPHAVEN
EDINA
EXCELSIOR AREA
FALCON HEIGHTS
FRIDLEY
GOLDEN VALLEY
MAHOMET AREA
MAPLEWOOD
MINNEAPOLIS
MINNETONKA-EDEN
PRAIRIE AREA
MOUNDS VIEW
NEW BRIGHTON
NORTHERN DAKOTA
COUNTY AREA
RICHFIELD
ROBBINSDALE
ROSEVILLE
ST. ANTHONY
ST. CROIX VALLEY
ST. LOUIS PARK
ST. PAUL
SHOREVIEW
WAYZATA AREA
WESTONKA
WEST DAKOTA COUNTY
WHITE BEAR LAKE
WOODBURY

Testimony before the Physical Development Committee of the Metropolitan Council dealing with the Metropolitan Investment Framework.

November 18, 1975 Hennepin County Government Center

I am Jerry Enders, Chairman of the Council of Metropolitan Area Leagues of Women Voters. We represent the members of the 34 local leagues in the metro area.

After meeting with Mr. Muglia and Mr. Byrnes of your staff, we have carefully reviewed the proposed Metropolitan Investment Framework in terms of the goals established in our study process.

We find that the framework fits in well with our existing positions. It improves the review and comment procedures regarding the long term capital improvement budgets and plans of agencies with an areawide impact. It furthers the goal of area-wide sharing of fiscal resources to finance metropolitan services and aids in the solution of the problems of fiscal disparities.

In one area we do have some question.

Our position supports reduced reliance on the property tax as a source of revenue, and the improvement of assessment procedures to eliminate disparities within the seven counties. To reach these goals we feel it would be necessary to have some measure in addition to the market value of real property as an indicator of the ability to pay. Such factors as inequities in the assessment procedures, varying combinations of taxing districts, varying income levels, and the amount and location of tax exempt property can all effect the ability of the tax payer to assume additional debt.

We realize that real property valuation is the single statistical indicator that is readily available and we are familiar with the problems of using other statistical measures but this one indicator can be misleading if other factors are not considered.

The Investment Framework is an exciting approach to fiscal management that will benefit all the citizens in the metro area. We will continue to follow it and if we have an additional comment I hope you will give us an opportunity to present them to you.

Thank you for your attention.

LWVMN 12/4/75

Financing State Government Committee

Minutes of meeting 12/3/75

Called to order at 10 a.m. by Karen Anderson. Those present: C. Cushing, G. Kuehn, S. Erickson, K. Kemper, M. Selin A. Nystuen, M Mantis, C. Huhnke, M. Bloyer, J. McGuire, J. Arnold, B. Hogen, J. Brown

Reviewed position statement presented by Jerry Enders, ~~MM~~ CMAL, at hearing on proposed Metro Investment Framework (copy enclosed). The statement reflected state as well as CMAL positions on property tax.

Report on criteria for evaluating taxes: we're waiting for response from Wisconsin LWV. (information arrived 12/4; it's not really what we were hoping for--total tax position was arrived at in pieces over 20-yr. period; they're anticipating up-date soon except for education-finance position which was done '73)

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Purposes: spurring interest, LWV and other, in subject; PR for local and state LWV (suggestion for media to follow us in our poll-taking); background data showing people need to be educated on gov't finances.

Agreed that we needed outside help (via Rhoda Lewin and U of M) for determining a valid sample to be polled and for question writing.

Tentative timetable: to be done in Feb. by local LWVs. This would mean information would have to go out with Jan. Board Memo - may not be feasible due to Dec. holidays.

Suggestions for valid sample:

- people who've lived in state a long time/newcomers
- older/younger
- homeowner/renter
- single/married

Suggested areas of questions:

- What percentage of your tax goes to local (or state) level?
- Assessment process - do you know of any instances of unfair assessment; what can you do if you feel your assessment is unfair?
- Taxes collected by one level of gov't., spent by another-- are people aware of this, what are their reactions?
- What services are most important to you; would you pay more to get more service in some area (snowplowing)?
- Do you feel you're taxed twice in some instances (subsidization of tax exempt property)?
- Is the way you vote determined by your present taxes?
- Attitudes towards loopholes

Who else would agree to work on designing poll? Present group includes K. Anderson, Margaret Bloyer, Judy McGuire (in Feb.)

Speaker - Ron Rainey, Executive Director of the Tax Study Commission gave background on Tax Commission and on the income tax, using table presented to the commission at their Sept. meeting. We taped his talk, available at state office, and have a few more copies of the tables he discussed.

Adjourned 11:55 - There will be ~~no~~ no speaker Jan meeting - planning time!

Dec. 3

name	LNV	Committee member?	visitor?
Karen Anderson	MEPH Area	✓	
Carolyn C. Curbing	Roseville	✓	
Gloria Kuehn	Arden Hill		✓
Sandra Erickson	Fridley		✓
Kathleen Kemper	Fridley		✓
Meladie Selin	Fridley		x
Arlene M. Nystruen	Mtka		x
Mary Mantis		✓	
Cynthia Schube	St. Croix Valley		✓
Margaret Boyer	Mpls	✓	
Judy McDevire	Mpls	✓	
Quay Arnold	Bak. Park		✓
Bob Hogan	Crystal - New Hope		✓
Joann Brown	" "		✓

Visitors should get minutes via
 their presidents Board memo mailing

name	LWV	comm.? member?	visitor?
Lauren Anderson	MEPH Area	✓	
Nancy Cassano	Buffalo		✓
ANN HAMMER	BUFFALO		—
MARY PORTER	EDINIA		✓
Margaret Bloyer	Mpls #39	✓	
Erdee Waspargen	Roseville	✓	
Carolyn Cushing	Roseville (SB)	✓?	
Mickey Pula	Wayzata		✓
Betty Hulan	Westonka		✓
Merika Knoll	Westonka		✓
Carol Chapman	Exc. Spur		✓
Cynthia Zuhke	St. Crisp Valley		✓
Joan Strouse	St. Paul	✓	
Beverly Hogan	Cryptal New Hope		✓
Joan Brown	Cryptal - New Hope		✓
Judy Arnold	Brklyn Park		✓
Estica Buffington	St. Louis Park	✓	
Gloria Kiehl	Arden Hill		✓
Jenna Lletten	Golden Valley	✓	
Lid Moss	" "	✓	
Mary Mauntis	St. Paul	✓	

LWVMN 11/5/75

Financing State Government Committee meeting minutes

Called to order 9:35, 11/5/75

Present: K. Anderson, N. Cassano, A. Hammer, M. Porter, M. Bloyer, E. Hasbargen, C. Cushing, M. Pula, B. Phelan, M. Knoll, C. Chapman, C. Huhnke, J. Strouse, B. Hogan, J. Brown, J. Arnold, E. Buffington, G. Kuehn, I. Sletten, S. Moss, M. Mantis

Discussion of ways to present information to local Leagues/public:

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"taxes are Everything" - all other issues/programs are dependent on revenue and distribution of that revenue

public misconception of what we're getting for our tax dollar.

Use of quotations showing taxes and revenue as basis for programs.

Need for the public to be aware of the total tax structure rather than concentrating on which tax affects them most.

Political overtones - information should be available to public about taxes and expenditures other than that given by elected officials at election time

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Timing important for any presentation - information about income tax given at that time of year, etc.

Vouchers were passed out to committee members; these are to be completed for each committee meeting attended regardless of whether you are asking for reimbursement of travel expenses.

Metro Council Staff meeting - Sid Moss and Karen Anderson will be meeting with J. Enders and Metro staff 11/6 at 1:30 to discuss Investment Guide draft part of the Metropolitan Development Framework

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Basic source for these is Walter Heller's article in Encyclopedia Britannica under "taxes" heading, and Adam Smith's Wealth of Nations (taxes should be simple, certain and convenient).

Part IV. - Economic Effects rather than neutrality; add to paragraph: fiscal policy should consider consumer expenditures, investment expenditures, incentives to work, save and invest.

Part III. Administration and Compliance; III. A. equitably, economically, efficiently and easily administered

Distribution of minutes of this meeting: committee members will receive with next agenda as usual; visitors will be sent copy of minutes via their Local League president with her regular Board Memo mailing.

Committee was urged to get on mailing list of American National Bank, St. Paul for their weekly publication Impact. It's free.

It was pointed out that Wisconsin LWV position is based on criteria for evaluating taxes rather than position on a specific tax. Makes tax pertinent for longer period of time and makes position applicable to wider area of revenue policy. Is this a possibility for us?

Gerald Caulfield, Acting Director, Income Tax Division, MN Dept. of Revenue spoke to the committee on the income adjusted property tax law (circuit-breaker). Some points made:

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- explanation of the theory behind compliance with the law, giving specific examples of how law would affect senior citizen renters and homeowners, disabled, regular homeowners and renters. Explanation of limitations affecting various categories of income and ownership; explanation of options for ways and times of filing.

Meeting adjourned 11:55

Next month's meeting - Wed. Dec. 3, 9:30 a.m. Speaker Ron Rainey, Exec. Dir. Tax Study Commission, Background and history of income tax, possible changes.

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TO: Financing State Court
committee members
& Nov/Dec. visitors
FROM: Karen Anderson
SUBJECT Jan. comm. meet.

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE 12/3/75

✓ 12/5 ✓
The next meeting of LWV MN Financing State
Court comm. will be Jan. 7, Wed. 9:30 a.m.
state office. There will be no outside
speaker, but all visitors are welcome to
aid committee in future planning and
working on proposed "poll on citizen knowledge
of taxes."

Enclosed: minutes of Nov. & Dec. comm. meetings
CMAA statement
~~and "criteria for evaluating taxes"~~

LWVMN 12/4/75

Financing State Government Committee

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COUNCIL of METROPOLITAN AREA LEAGUES

League of Women Voters of Minnesota



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BLAINE
BLOOMINGTON
BROOKLYN CENTER
BROOKLYN PARK
CHASKA
COLUMBIA HEIGHTS
CRYSTAL - NEW HOPE
DEEPHAVEN
EDINA
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FRIDLEY
GOLDEN VALLEY
MAHTOMEDI AREA
MAPLEWOOD
MINNEAPOLIS
MINNETONKA-EDEN
PRAIRIE AREA
MOUNDS VIEW
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COUNTY AREA
RICHFIELD
ROBBINSDALE
ROSEVILLE
ST. ANTHONY
ST. CROIX VALLEY
ST. LOUIS PARK
ST. PAUL
SHOREVIEW
WAYZATA AREA
WESTONKA
WEST DAKOTA COUNTY
WHITE BEAR LAKE
WOODBURY

Testimony before the Physical Development Committee of the Metropolitan Council dealing with the Metropolitan Investment Framework.

November 18, 1975 Hennepin County Government Center

I am Jerry Enders, Chairman of the Council of Metropolitan Area Leagues of Women Voters. We represent the members of the 34 local leagues in the metro area.

After meeting with Mr. Muglia and Mr. Byrnes of your staff, we have carefully reviewed the proposed Metropolitan Investment Framework in terms of the goals established in our study process.

We find that the framework fits in well with our existing positions. It improves the review and comment procedures regarding the long term capital improvement budgets and plans of agencies with an areawide impact. It furthers the goal of area-wide sharing of fiscal resources to finance metropolitan services and aids in the solution of the problems of fiscal disparities.

In one area we do have some question.

Our position supports reduced reliance on the property tax as a source of revenue, and the improvement of assessment procedures to eliminate disparities within the seven counties. To reach these goals we feel it would be necessary to have some measure in addition to the market value of real property as an indicator of the ability to pay. Such factors as inequities in the assessment procedures, varying combinations of taxing districts, varying income levels, and the amount and location of tax exempt property can all effect the ability of the tax payer to assume additional debt.

We realize that real property valuation is the single statistical indicator that is readily available and we are familiar with the problems of using other statistical measures but this one indicator can be misleading if other factors are not considered.

The Investment Framework is an exciting approach to fiscal management that will benefit all the citizens in the metro area. We will continue to follow it and if we have an additional comment I hope you will give us an opportunity to present them to you.

Thank you for your attention.

Visitors should get minutes via
 NW. S. their presidents Broad memo mailing
 name LWV comm.? member? visitor?

Lauren Anderson ✓ 12/5	MEPH Area	✓	
Nancy Cassano ✓	Buffalo		✓
ANN HAMMER ✓	BUFFALO		—
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Elda Buffington ✓ 12/5	St. Louis Park	✓	
Gloria Kuehn ✓	Argon Hill		✓
Gema Sletten ✓ 12/5	Golden Valley	✓	
Sid Moss ✓ 12/5	" "	✓	
Mary Mantle ✓ 12/5	St. Paul	✓	

Stoker ✓ 12/5
 Pederson ✓ 12/5

Dec. 3

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Gloria Kuelin	Arden Hill		✓
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Kathleen Kemper	Fridley		✓
Meradice Selin	Fridley		x
Arlene M. Nystuen	Witka		x
Mary Mantis		✓	
Cynthia Hukube	St Croix Valley		✓
Margaret Blyer	Nysk	✓	
Judy Mc Gwire	Nysk	✓	
Quay Arnold	Bk. Park		✓
Bea Hogan	Crystal - New Hope		✓
Joann Brown	" "		✓

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TO: Financing State Government Committee

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

FROM: Karen Anderson, chairperson

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

SUBJECT Committee meeting, Wed.,
Dec. 3, 1975 - 9:30 A.M., LWVMN Office

DATE November 24, 1975

Agenda:

9:30 General Business

CMAL Statement

Report on Criteria

LWV poll on attitudes toward taxes - do we want to do this?
timing; question suggestions

Jan. committee meeting - tentative agenda - Wed., Jan. 7, 1976.

10:30 Speaker - Ron Rainey, Executive Director, MN Tax Study Commission
Background on MN

11:45 Adjourn

categories of people to interview

single, married

Marge Albert for publicity for poll itself

could be good way to document our needs,

*- identify which part of project you
want funded - will poll relate to
this part?*

- give

*what people don't know about tax
structure*

Ethics for specifics at U.

Some - 636 - 7354

*total amount state spends
or people spend*

*call Rhoda Lewin - has poll
help access*

*designing poll - statistical
& no misinterpretation*



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M TO: Financing State Government
Committee

E FROM: Karen Anderson, chairperson

M SUBJECT Committee meeting, Wednesday,
November 5, 9:30 a.m.,
State Office

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE October 28, 1975

Agenda

9:30 General business

✓ *Metro square - 1:30 Thurs. - J. Enders - 473-4171*
✓ vouchers for office

✓ *Financial Investment Chapter David Haide Framework*

✓ Ed. Fund proposal -- how are we going to proceed?

statement of problem - helps, sub-committee?
Criteria for evaluating taxes -- copy enclosed; what are
your comments, suggestions?

10:30 Speaker: Gerald Caulfield, Acting Director, Income Tax Division,
MN Dept. of Revenue -- '75 Omnibus Tax Bill, focusing on the
income-adjusted property tax (circuit-breaker)

11:30 uncompleted business

12:00 adjourn

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, Minnesota 55102

State Committee for Study of Financing State Government

Minutes
October 2, 1975

Next meeting: November 5, 1975

Karen Anderson led us in a discussion of budget priorities. She had drawn up a list that met with no objections by the rest of the committee. It went as follows:

(numbers indicate funding priority)

Committee meetings - 12 meetings	#1
Subcommittee meetings	#1
Mailings - 6	#1
Publications - 6 (4 pages - 8 sides) spaced throughout the year	#3 *
Traveling resource teams - 5 people; 5 all day presentations (3 outstate, 2 metro) no charge	#3 *
Legislative watching/lobbying	#1
Tax study	
committee meetings - 9	#1
Committee interviews	
8 possible	#1

* - possible Ed. Fund activities

We also need to work on at the next meeting the Education Fund proposal for possible funding for our publications. The form has to be filled out. Sid Moss was going to try and find a copy of the form for us to use.

Lobbyists: The Tax Committee meets on Saturdays at 8 a.m. If anyone is interested in attending these meetings and plans to lobby for the League, the state Board has to first give approval. Give name to Karen, if interested.

Need some sort of criteria to evaluate taxes. Karen had a list used in the past. She said she would go over it and select the criteria and bring it back to the committee at the next meeting. Some criteria not necessarily apply to all forms of taxes.

Wallace Dahl, Director, Tax Research Division, Minnesota Dept. of Revenue was the speaker. Brought along a booklet for us -- full of facts and figures regarding Minnesota tax structure. He spoke for approximately 30 minutes and the remaining time was used for questions and answers.

Meeting adjourned at 2:20 p.m.

Financing State Government - Karen Anderson

CRITERIA FOR EVALUATING TAXES

A compilation of guidelines and criteria developed by those in the field of public finance.

I. Equity

What makes a tax equitable? Individual viewpoints vary as to what a fair tax is, but most would agree that equity might involve:

A. Ability to pay

1. progressive -- higher rates applied to those with higher incomes and lower rates to those with lower incomes
2. proportional -- taxes all income levels at same rate
3. regressive -- takes a larger percentage of income from low income people

B. Benefits received

Examples: gasoline tax for highway use; student fees for public education. Originally, the property tax was considered to be based on benefits received because it was used primarily for local government services to property owners

C. Widespread participation -- the tax is applied to a broad spectrum of the populace

II. Yield

Involves adequacy, reliability and stability, and growth

- A. Adequacy -- should provide sufficient revenue to supply the needs for which it was adopted
- B. Reliability and Stability -- the yield should be fairly stable, with some flexibility desirable for changing government needs and for consideration of hardships on people during "bad times"
- C. Growth -- should provide reasonable growth in line with general economic growth of the community

III. Administration

Most agree that a tax should be:

- A. equitably, economically and easily administered -- impartial, subject to little discretion on part of the collectors; have low collection costs and auditing costs
- B. easily understandable to those being taxed and have low compliance costs for those being taxed
- C. difficult to evade -- few "loopholes"

IV. Economic Neutrality

Should produce a minimum of economic hardship on the community; should not interfere with economic decisions of families or businesses unless deliberately intended to do so (unless it's used to attain other public policy goals such as economic growth, distribution of income and resource use -- i.e. cigarette and liquor tax to discourage use and higher gasoline tax to support energy policy)

V. Incidence

Consideration of who is actually paying the tax

The "impact" of a tax falls on the first person or firm to pay it, but the person or firm liable for the tax may be able to "shift" the tax to someone else. Incidence is the final resting place of a tax. This is always on people. The incidence of any tax should be known as nearly as can be determined; otherwise, the tax may fall on persons or industries which cannot afford it and thus be detrimental to economic growth and the interests of the society

(This is especially pertinent to our study with its focus on "the effects of taxes on people and programs.")

It is impossible for any tax to meet these criteria completely. Some of the criteria are in direct opposition to each other --- recent changes (circuit-breaker) in the property tax to make it more equitable (based on income), will increase administrative and compliance costs and make it difficult to understand. Through the use of many taxes (a multi-tax system), criteria should balance out inequities found in any specific tax.

Financing State Government - Karen Anderson

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II. Yield

Involves adequacy, reliability and stability, and growth

- A. Adequacy -- should provide sufficient revenue to supply the needs for which it was adopted
- B. Reliability and Stability -- the yield should be fairly stable, with some flexibility desirable for changing government needs and for consideration of hardships on people during "bad times"
- C. Growth -- should provide reasonable growth in line with general economic growth of the community

III. Administration & Compliance

Most agree that a tax should be:

- A. equitably, economically and ^{efficiently} easily administered -- impartial, subject to little discretion on part of the collectors; have low collection costs and auditing costs
- B. easily understandable to those being taxed and have low compliance costs for those being taxed, *convenient & simple*
- C. difficult to evade -- few "loopholes"

IV. Economic ~~Neutrality~~ *Effects*

Should produce a minimum of economic hardship on the community; should not interfere with economic decisions of families or businesses unless deliberately intended to do so (unless it's used to attain other public policy goals such as economic growth, distribution of income and resource use -- i.e. cigarette and liquor tax to discourage use and higher gasoline tax to support energy policy).

Fiscal Policy should consider consumer expenditure, investment expenditure, incentives to work, save and invest.

V. Incidence

Consideration of who is actually paying the tax

The "impact" of a tax falls on the first person or firm to pay it, but the person or firm liable for the tax may be able to "shift" the tax to someone else. Incidence is the final resting place of a tax. This is always on people. The incidence of any tax should be known as nearly as can be determined; otherwise, the tax may fall on persons or industries which cannot afford it and thus be detrimental to economic growth and the interests of the society

(This is especially pertinent to our study with its focus on "the effects of taxes on people and programs.")

It is impossible for any tax to meet these criteria completely. Some of the criteria are in direct opposition to each other --- recent changes (circuit-breaker) in the property tax to make it more equitable (based on income), will increase administrative and compliance costs and make it difficult to understand. Through the use of many taxes (a multi-tax system), criteria should balance out inequities found in any specific tax.

*Adam Smith: "a tax should be
simple, certain, convenient."*

LWVMN 10/10/75

OCTOBER BOARD MEMO

Financing State Government (K. Anderson)

Thanks to those members who responded to our request for more committee members! Remember it's a standing invitation--either to join the committee as a full-time member or to come and hear the speakers at the regular committee meetings. Now that our interest has been revved up and general knowledge increased by Arley Waldo's presentation at the workshops, we're going to be looking at specific areas within the tax structure. The committee schedule and speakers will be:

Wednesday, Nov. 5 - *Gerald Caulfield, acting director, Income Tax Div.,*
~~speaker from the Commissioner's Office, Dept.~~ 296-3438
of Revenue, on the ~~Phil~~ '75 Omnibus Tax Bill,
especially the Circuit-Breaker provision.

Wednesday, Dec. 3 - Ron Rainey, Exec. Director of the Tax Study
Commission~~ff~~, Background on the MN Income Tax

Both meetings will be at 9:30 a.m., LWVMN Office

Rhoda - 922-1888

editing schedule -

Procedural outline for LWV Studies

1. Chairman and steering committee~~s~~ plan study and line up research staff
2. Researchers write up all material they collect as best they can and submit it to chairman with name of source who will OK final copy.
3. Chairman and steering committee organize material (edit~~s~~, ask~~s~~ for additional info, etc., as ^{they} ~~she~~ choose~~s~~), write~~s~~ table of contents, and give~~s~~ everything to editor.
4. Editor returns material to chairman with list of further questions to be asked and confusions to be cleared up.
5. Chairman and steering committee add own questions, if any, and send sections, with questions asked by editor, chairman, and steering committee, to source~~s~~ designated by researchers. Covering letter should indicate that if there is no reply by a given date, LWV will consider material approved as submitted. This material should be mailed with a return receipt, to make sure proper person receives it.
6. Chairman makes additions and corrections.
7. Editor re-checks entire paper, working with chairman.
8. To the printer, by way of final typist. Final mats must be proof-read.

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TO: Financing State Government
Committee

FROM: Karen Anderson, Chairman

SUBJECT Financial Development
Workshop

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

DATE October 15, 1975

Enclosed is a registration form for the LWVMN
Financial Development Workshop on October 30th.
Information coming out of our committee (publications,
travelling resource team, whatever) would be prime
candidates for outside funding, so it would be to our
advantage to learn about the procedures involved.

Try to attend!

9/30/75 LWVMN

Financing State Government

COMMITTEE ROSTER

State Board Members

Karen Anderson, chairperson, 935-2445 (612)
16917 Clear Spring Terrace, Minnetonka 55343, LWV MEPH Area

Carolyn Cushing, 612-633-0602
3031 Simpson, St. Paul 55113, LWV Roseville

Mary Poppleton, 612-890-4486
11009 London Drive, Burnsville 55378, LWV W. Dakota County

Jean Reeves, 507-645-6161
Rt. 3, Northfield 55057, LWV Northfield

Helene Borg, 612-472-2674
P.O. Box 5, Mound 55364, LWV Westonka Area

Rhoda Lewin
Off-Board Members

Mary Mantis, 612-644-1156
2352 Buford Ave., St. Paul 55108, LWV St. Paul

Betty Stoker, 507-373-1744
405 Channel Rd., Albert Lea 56007, LWV Freeborn County

Sid Moss, 612-544-1875
5705 Westbrook Rd., Minneapolis 55422, LWV Golden Valley

Erica Buffington, 612-929-8168
3845 Lynn Ave. S., St. Louis Park, 55416, LWV St. Louis Park

Judy McGuire, 612-927-6825
4048 Zenith Ave. S., Minneapolis 55410, LWV Minneapolis

~~Donna Pederson, 612-824-9790
5133 Colfax S., Minneapolis 55419, LWV Minneapolis~~

Ernie Hasbargen, 612-636-4825
1950 Westwood Circle, Roseville 55113, LWV Roseville

Margaret Bloyer, 612-336-6107
19 S. 1st St., Apt. 2208, Minneapolis 55401, LWV Minneapolis

Specific short-term assignments:

Betty Shaw, Minneapolis, 926-6093 Revenue sharing

Irma Sletton, Golden Valley - 544-6264 - 7245 Green Valley Rd. Golden Valley, 55427

Fran Boyden, St. Paul 646-1028 (work - St. Paul City Hall - 298-5378)

Rosemary Ritchie, Minnetonka - sales/assessment ratio
local govt aids

Readers:

Jean Wirsig, 612-436-7198
St. Mary's Pt., River Rd. Rt. 1, Lakeland, MN 55043, LWV St. Croix Valley

Sub-Committees:

Property Tax: McGuire, Pederson, Mantis (exempt prop.), Poppleton

Income Tax: Anderson, Moss

Sales & Use Taxes: Stoker

Other Taxes: Buffington

Joan Strouse
820 S. Syndicate
St. Paul 55116
698-9175

Barbara Namie
345 Ramsey St.
Mankato, MN 56001
507-387-5049

works
- MM Systems
Research

9/30/75 LWVMN

Financing State Gov't Committee

Possible Criteria for Evaluating Taxes

From LWV Facts and Issues, 1966:

- ✓ Equity treat equally those in similar situations based on "ability to pay" or benefits received progressive vs. proportional vs. regressive
- ✓ Yield provide sufficient revenue for needs for which it was adopted
- ✓ Stability fairly stable, with some flexibility for "hard times"
- ✓ Administration equitably, economically, easily administered; costs not to exceed 5% of gross yields
- Appropriateness for particular level of government using it
- Economic Effect produce a minimum of economic hardship on the community; unless a tax is intended to effect some particular economic decisions, it should be as "neutral" as possible

Arley Waldo Workshop presentation and Property Taxes: Reform Relief Repeal?

- ✓ Equity
 - Ability to pay (income tax in most cases)
 - Benefits received (gas tax for highways most obvious)
- Economic Neutrality - should not interfere with economic decisions of families, business unless deliberately established to do so
- ✓ Adequacy, Reliability, Growth (re: yield)
- ✓ Collection & Compliance Costs
- ✓ Impartial Administration - clearly understandable and subject to little discretion on part of collectors

From U of M series on Gov't Finances; adapted from Smith's Wealth of Nations

- ✓ Adequacy - sufficiently productive
- ✓ Flexibility
- ✓ Elasticity - (same as economic neutrality)
- ✓ Efficiency, convenience and certainty (stability, understandable)
- Compatibility of objectives - should contribute to attaining other public policy goals; econ. growth, distribution of wealth, resource use

From same source--- Incidence:

the "impact" of a tax falls on the first person or firm to pay it, but the person or firm liable for the tax may be able to "shift" the tax to someone else. "incidence" is the final resting place of a tax. This is ~~also~~ always on people. The incidence of any tax should be known as nearly as can be determined; otherwise, the tax may fall on persons or industries which cannot afford it and thus be detrimental to economic growth and the interests of ^{the} society.

file copy

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, Minnesota 55102

State Committee for Study of Financing State Government

Minutes
October 2, 1975

Next meeting: November 5, 1975

Karen Anderson led us in a discussion of budget priorities. She had drawn up a list that met with no objections by the rest of the committee. It went as follows:

(numbers indicate funding priority)

Committee meetings - 12 meetings	#1
Subcommittee meetings	#1
Mailings - 6	#1
Publications - 6 (4 pages - 8 sides) spaced throughout the year	#3 *
Traveling resource teams - 5 people; 5 all day presentations (3 outstate, 2 metro) no charge	#3 *
Legislative watching/lobbying	#1
Tax study	
committee meetings - 9	#1
Committee interviews	
8 possible	#1

* - possible Ed. Fund activities

We also need to work on at the next meeting the Education Fund proposal for possible funding for our publications. The form has to be filled out. Sid Moss was going to try and find a copy of the form for us to use.

Lobbyists: The Tax Committee meets on Saturdays at 8 a.m. If anyone is interested in attending these meetings and plans to lobby for the League, the state Board has to first give approval. Give name to Karen, if interested.

Need some sort of criteria to evaluate taxes. Karen had a list used in the past. She said she would go over it and select the criteria and bring it back to the committee at the next meeting. Some criteria not necessarily apply to all forms of taxes.

Wallace Dahl, Director, Tax Research Division, Minnesota Dept. of Revenue was the speaker. Brought along a booklet for us -- full of facts and figures regarding Minnesota tax structure. He spoke for approximately 30 minutes and the remaining time was used for questions and answers.

Meeting adjourned at 2:20 p.m.

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TO: Financing State Government Committee

Copy to: Wallace Dahl, Director

FROM:

Tax Research Div., Dept. of Revenue

Karen Anderson, 935-2445

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

SUBJECT

Committee Meeting

DATE

Sept. 22, 1975

Thursday, October 2, 12:15 p.m., state office

AGENDA:

- ✓ 12:15 - Budget Priorities form (enclosed with agenda; please review it and come with ideas for what our committee priorities will be for next year)
- ✓ 12:40 - Ed. Fund proposal
- ✓ Lobbyists - *me*
- 12:45 - Discuss criteria for evaluating taxes
- 1:45 - Speaker - Wallace Dahl, Director, Tax Research Division, Minnesota Department of Revenue
- 2:15 - Leftover business; assignments
- 2:30 - Adjourn

The Tax Study Commission will meet Friday, Sept. 26 at 9 a.m. in Room 15, State Capitol. Staff will give a presentation on Minnesota's income tax -- history, role in state and local finances, comparisons with other states.

I have to be at the Duluth workshop that day; could anyone else attend?
If so, please call me. K. Anderson

Minutes: Financing State Government Committee Meeting
September 3, 1975

Present: K. Anderson, J. Jenkins, M. Watson, S. Moss, M. Mantis, J. McGuire,
B. Stoker, D. Pederson, E. Ponto

Absent: C. Cushing, J. Reeves, M. Poppleton, E. Buffington

Next meeting - October 2, 1975 - Thursday - 12:15

Karen to arrange for speaker - perhaps Wallace Dahl - try to find speaker for each of our meetings to address one area of topic.

J. Jenkins - be sure to put meetings on calendar.

Budget - fill out expense vouchers monthly.

M. Mantis - suggested - use local files for potential committee members - but be careful of robbing local resources - put notice in Board Memo - perhaps local Board chairmen on this topic could be invited to sit in - perhaps in the VOTER - or local VOTER.

Arley Waldo - speaker for the day:

Local Leagues can request from Waldo speakers for a program on government finance - there will be hearings outstate in late September with Waldo and John Helmsberg speaking to state legislators - could publish dates of these hearings which local Leagues could attend -

To communicate to local Leagues - questions of value judgments involved in taxation - hard to find objective speakers - e.g. tax assessors - perhaps try county auditors, city managers, regional commissioners - these people can explain how tax system works - members can pass their own judgment on fairness and effectiveness - a variety of opinions valuable - interpretations of data is crucial - question: how comprehensive is the data? (e.g. Minnesota Taxpayer Association material) - alert members to pitfalls of statistics in drawing comparisons -

What to put in committee guide? -

- defining tax structure - perhaps a state legislator could address this - big issue: what to do when state needs more revenue -
- balance of taxation - look for issues behind the current balance as well as proposed changes - value judgements - economists cannot make these - Minnesota has de-emphasized property taxes in favor of state aids to take pressure off local governments - property taxes vs. other taxes - restrictions on amount local governments can levy - every form of tax implies a philosophy - who benefits?

Much discussion of complexity of issue - who bears burden?

How are taxes distributed, e.g. corporate taxes?

Topic - basic tax structure - 45 minutes - small group afterwards to discuss.

Which resource people for local Leagues? - beware of biases of speakers - perhaps a panel representing various opinions - get list of groups from League of Minnesota Municipalities publications.

Further committee assignments:

- Donna Pederson - property tax
- Betty Stoker - sales and use tax.

9/4/75 - LWVMN

Financing State Government - Committee Guide

Second Draft - K. Anderson

In 1965, the LWVMN began its study of financing state and local governments which resulted in the current position in support of property tax reform. While the study included total state revenue and disbursements, the state's dependence on the property tax as the major revenue source and the apparent need for reform resulted in the following consensus:

1. Support of property tax reform through:
 - a. equitable assessments
 - b. fewer classifications
 - c. more restrictive criteria for determining exemptions
2. Support of less dependence on the property tax as a source of revenue.

Background and further explanation of the position is in the LWVMN Program for Action 1973-75 (to be updated fall '75), and in the March, 1974 MN Voter.

The changes which have occurred in the past 10 years in the property tax as well as in total state revenue, the 1967 Sales Tax Law which added the sales tax to revenue sources, the ~~large~~ increase in state expenditures, and the need expressed by League members to be aware of state resources and funding in all our program items, led to the adoption of this addition to the financing state government program item at the 1975 State Convention:

- A study of the source and distribution of state revenue.
- A study of the effect of shifting tax burdens.
- Evaluation of the most equitable and effective method of funding services to all levels of government.

Focus of the study is upon issues and policies concerning revenue and distribution and their effects on people and programs in the state.

This is a large, comprehensive program area. In order to approach it on a manageable level, the financing state government state LWV committee agreed to concentrate, for the first year, on revenue sources -- specifically, the property tax, corporate and individual income taxes, sales and use taxes, and other taxes (severance, inheritance, alcohol and tobacco, license and privilege, etc.). Since there are over 40

different taxes collected by the state, the subject is adequately large for the first year.

In order to reach an "evaluation of the most equitable and effective method of funding services", we need to familiarize ourselves with the basic tax structure in MN, trends causing a shift in this structure, and possible alternatives to the present structure. Such an evaluation must necessarily be based on value judgements; what is "equitable" or "effective" for one person may not seem to be for another. Ideally, we will try to become familiar with many resources and opinions from a broad base (representing many points of view), in order to make our evaluations as objective as possible.

There is no "ideal" tax structure for a state. In reference to the balance or mix of taxes, it has been stated, "There are literally innumerable ways for a state to raise tax revenue. The point to be emphasized is that tax policymaking is not simply a matter of determining the amount of tax money to be raised. It involves choosing among alternative forms of taxation, each of which has different characteristics. The tax mix in each state will properly depend on the problems the state faces, what it wants to achieve, and on the values and preferences of its citizens and policymakers."¹

The "shifting tax burden" in Minnesota is characteristic of many state governments seeking to broaden their revenue sources. While property taxes were still the largest single source of tax revenue in 1973, accounting for 36% of total tax receipts,² this percentage has been dropping in the last few years. The enactment of the 1967 Sales Tax Law, and the shift away from the property tax to greater state funding of education in 1971, both were major factors in revenue diversification. Passage of 1975 legislation, such as the income-adjusted (circuit-breaker) property tax relief, state assumption of 90% of medical costs for the indigent, and the additional taconite and iron sulphides tax, may "shift the burden" further. The impact of this legislation is still unknown.

1. Financing State and Local Government, What Are the Choices?, National Public Education Publication #3, 1973
2. Summary of Governmental Finances in MN, Staff Paper Series, Dept. of Agricultural & Applied Economics, U of M, August 1975

"A gradual but steady movement toward more diversified revenue structures - that is, a more balanced use of the three major revenue producers, income, sales and property taxes - emerges as a salient characteristic of the state-local sector. This movement reflects both the growing importance of the state sector in the overall state-local fiscal picture and the increased utilization of sales and income taxes by state as well as local governments."³

The state LWV committee will be meeting monthly on a regular basis to share information. We will have outside speakers at many of our meetings and will notify you via the Board Memo of dates and times. You're welcome to attend -- on a regular or once-only basis. ~~Eventually~~ We're all in the beginning stages of a new study and welcome anyone as a committee member who has an interest in the area. ~~Eventual~~ publications will be of a "newsletter" type, such as the LWVEF land use letters or Energy series. These will be dependent on Education Fund approval and funding from state development sources. Publication is not anticipated until spring, 1976.

In the meantime, we need to begin raising the interest and education levels of all Leaguers on MN's tax structure. Because of the reliance on outside speakers, it would be best to have a general meeting; the topic suggestion is: "A Description of the Basic Tax Structure in MN". One speaker might ~~address~~ the total structure, while a panel of speakers could explain particular tax areas (property tax, sales tax, etc.). A ~~pan~~ panel may also represent varied points of view on the effects of the tax structure certain segments of society (see list below), but the net result should be increased knowledge of the total tax structure. a panel might ensure you of a balance of opinion, but only if the panel is balanced in terms of points of view; you'll want to give your speakers a specific subject or issue to address and meet with them before the general meeting to discuss their particular points of view.

The list of resources contains people with broad tax backgrounds as well as some with very limited points of view or strong biases. Keep this in mind when seeking people out, and remember the total goal of informing ourselves on the whole tax picture.

3. Local Revenue Diversification: Income, Sales Taxes and User Charges,
Advisory Commission on Intergovernmental Relations, Oct. 1974

Other areas you may want to explore, or additional questions you may want to raise at a general meeting, could be:

Property Tax Reform in MN - has there been some?

Decision-making in the Tax Process - who really makes changes in tax policy and structure?

The Tax "Burden" - is there an overburden on any segment of society?

Criteria for Shooosing Taxes - what makes a tax equitable?

Shifting Tax Sources in MN

For a panel, you might look for individual views on taxes affecting:

the farmer	property owners
big business/corporations	consumers
land developers	low income/elderly
small business	city/rural property owners

Written resources, for statistical background data:

State of MN, Department of Revenue

The MN State and Local Tax System, State & Local Tax Bulletin #1,
March, 1974

Biennial Report #18, Fiscal years 1973-74

U.S. Bureau of the Census, Governmental Finances 1972-73

Dept. of Agricultural & Applied Economics, U of M

Summary of Governmental Finances in MN, August 1975, Arley D.
Waldo, Carole B. Yoho and Glenn Knowles
(copy included with Committee Guide)

Your city financial officer or county auditor should have copies of Dept. of Revenue or U.S. Bureau of Census reports and may let you borrow them. These resources contain data without drawing conclusions, which may not be true of statistics compiled by special-interest groups. You might refer to How to Lie With Statistics, by Dell Huff and Irving Geis in order to beware of the pitfalls of statistics in drawing comparisons or conclusions.

Resource Persons:

County Auditors

County Commissioners

City managers

Municipal or County assessors

State Legislators - especially those serving on tax committees:

Senate Taxes and Tax Laws Committee -

Perpich, A., Chrm.; Schrom, Vice Chrm; Bang, Berg, Blatz,
Chmielewski, Coleman, Conzemius, Frederick, Gearty, Hanson (Baldy),
Jensen, Kleinbaum, Larson, Laufenburger, McCutcheon, Olson (A.),
O'Neill, Sillers, Wegener

House Taxes Committee -

Kelly, W., Chrm.; Tomlinson, Vice Chrm.; Abeln, Adams (S.),
Anderson (I.), Berg, Brinkman, Casserly, DeGroat, Dieterich,
Grabe, Jacobs, Jaros, Johnson (C.), Johnson (D.), Jopp, Kempe (A.),
Kvam, McCollar, Pehler, Prah, Sabo, Savelkoul, Schulz,
Sieloff, Vanasek, White

Tax Study Commission members:

Senators - Blatz, Conzemius, Olson (A.), O'Neill, vacancy

Representatives - Anderson (I.), Kelly (W.) chrm.; Sabo, Savelkoul,
Tomlinson

Governor's Appointees - Dr. F.M. Boddy, U of M; Edward Foster, U of M;

John Haynes, Governor's staff; John Helmberger, U of M; S. F.

Keating, Honeywell

Tax Study Commission Staff members

League of MN Municipalities

MN Regional Commissions' Staff

University and College Economics Departments - look for experts in the
tax policy areas

Citizens League

MN Assoc. of Commerce and Industry (MN Chamber of Commerce)

St. Paul C of C

West Suburban C of C

MN Bankers Association

Associated Industries

Associated ~~of~~ General Contractors

MN Housing Institute

MN Farm Bureau Federation

MN Taxpayers Assoc.

The Department of Agricultural and Applied Economics, U of M Extension
Service, will be presenting programs for local officials in three out-state
areas which you are welcome to attend. They will be:

P. 6 - FSG Committee Guide

We are also interested in feedback from local Leagues. Let the state committee what your resources are telling you! If you have any problems, questions, information for us, contact the state office or any committee member.

Present Committe members:

from the State Board -

Karen Anderson, Minnetonka-Eden Prairie-Hopkins Area

Carolyn Cushing, Roseville

Mary Poppleton, West Dakota County

Jean Reeves, Northfield

Off-Board -

Erica Buffington, St. Louis Park

Judy McGuire, Minneapolis

Mary Mantis, St. Paul

Sid Moss, Golden Valley

Donna Pederson, Minneapolis

Betty Stoker, Freeborn County

LWVMN

September 4, 1975

To: Financing State Government Committee; Mr. Arley Waldo

From: Karen Anderson

Enclosed is the 2nd draft of the Financing State Gov't. Committee Guide. I'd like your comments on content, suggestions for changes or additions, and any additions to the resource list.

Please return it, by Tues., Sept. 9, to my home address:
16917 Clear Spring Terrace, Minnetonka 55343

Our Oct. committee meeting had to be re-rescheduled for 12:15 p.m. on Thurs., Oct. 2nd. due to a conflict with CMAL Board. Let me know if this isn't all right for you.

Thank you!

W

The League of Women Voters of Minnesota

FINANCING STATE GOVERNMENT COMMITTEE GUIDE

To: Local League Presidents and Financing State Government Chairmen
From: Financing State Government Committee, Karen Anderson, Chairman
September 1975

League of Women Voters of Minnesota Position.

In 1965, the League of Women Voters of Minnesota began its study of financing state and local governments which resulted in the current position in support of property tax reform. While the study included total state revenue and disbursements, the state's dependence on the property tax as the major revenue source and the apparent need for reform resulted in the following consensus:

1. Support of property tax reform through:
 - a. equitable assessments
 - b. fewer classifications
 - c. more restrictive criteria for determining exemptions
2. Support of less dependence on the property tax as a source of revenue.

Background and further explanation of the position is in the LWVMN PROGRAM FOR ACTION 1973-75 (to be updated Fall '75), and in the March 1974 Minnesota VOTER.

League of Women Voters of Minnesota Current Study.

The changes which have occurred in the past 10 years in the property tax as well as in total state revenue, the 1967 Sales Tax Law which added the sales tax to revenue sources, the large increase in state expenditures, and the need expressed by League members to be aware of state resources and funding in all our program items, led to the adoption of this addition to the Financing State Government program item at the 1975 state Convention:

- A study of the source and distribution of state revenue.
- A study of the effect of shifting tax burdens.
- Evaluation of the most equitable and effective method of funding services to all levels of government.

Focus of the study is upon issues and policies concerning revenue and revenue distribution and their effects on people and programs in the state.

Background.

This is a large, comprehensive program. In order to approach it on a manageable level, the LWVMN Financing State Government Committee agreed to concentrate, for the first year, on revenue sources. Since there are over 40 different taxes collected in the state, we will also be dividing into subcommittees to research specific revenue sources -- the property tax, corporate and individual income taxes, sales and use taxes, and other taxes (severance, inheritance, alcohol and tobacco, license and privilege, etc.). Since state legislation determines the tax structure in Minnesota, we will need to look at taxes collected at all levels of government within the state in order to focus on the impact of taxes on residents.

In order to reach an "evaluation of the most equitable and effective method of funding services," as our program is stated, we need to familiarize ourselves with the basic tax

structure in Minnesota, trends causing a shift in this structure, and possible alternatives to the present structure. Such an evaluation must necessarily be based on value judgements; what is equitable or effective for one person may not seem to be for another. In order to make our evaluations as objective as possible, we will try to become familiar with many resources and opinions representing many points of view.

There is no right or wrong answer to the question of what tax structure is best for a state. In reference to the balance or mix of taxes, it has been stated, "There are literally innumerable ways for a state to raise tax revenue. The point to be emphasized is that tax policy-making is not simply a matter of determining the amount of tax money to be raised. It involves choosing among alternative forms of taxation, each of which has different characteristics. The tax mix in each state will properly depend on the problems the state faces, what it wants to achieve, and on the values and preferences of its citizens and policymakers."¹

The shifting of the tax burden among Minnesota taxpayers is characteristic of the trend in many states seeking to broaden their revenue sources. While property taxes were still the largest single source of tax revenue in 1973, accounting for 36% of total tax receipts,² this percentage has been dropping in the last few years. The enactment of the 1967 Sales Tax Law, and the shift away from the property tax to greater state funding of education in 1971, both were major factors in revenue diversification. Passage of 1975 legislation, such as the income-adjusted (circuit-breaker) property tax relief, state assumption of 90% of medical costs for the indigent, and the additional taconite and iron sulphides tax, may shift the burden further. The impact of this legislation is still unknown. "A gradual but steady movement toward more diversified revenue structures - that is, a more balanced use of the three major revenue producers, income, sales and property taxes - emerges as a salient characteristic of the state-local sector. This movement reflects both the growing importance of the state sector in the overall state-local fiscal picture and the increased utilization of sales and income taxes by state as well as local governments."³

Role of Local Leagues: Study Activities.

The LWVMN committee will be meeting monthly on a regular basis in the state office to share information. The state committee will have outside speakers at many of their meetings and will notify local Leagues via the Board Memo of dates and times. You're welcome to attend -- on a regular or once-only basis. We're all in the beginning stages of a new study and welcome anyone as a committee member who has an interest in the topic. Eventual publications will be of a "newsletter" type, such as the LWVEF land use letters or Energy series. Publication is not anticipated until spring 1976.

Local League Boards need to begin raising the interest and understanding of all Leaguers on Minnesota's tax structure. Because you will need to rely on outside speakers at this point, it would be best to have a general meeting; the topic suggestion is: "A Description of the Basic Tax Structure in Minnesota." You may find one speaker to address the total tax structure, or a panel of speakers to explain particular tax areas (property tax, sales, income tax, etc.) You could also find a panel to represent varied points of view on the effects of the tax structure on certain segments of society (see list next page), but the net result should be increased knowledge of the total tax structure. A panel might ensure you of a balance of opinion, but only if the panel is balanced in

1. Financing State and Local Government, What Are the Choices? National Public Education Publication #3, 1973
2. Summary of Governmental Finances in Minnesota, Staff Paper Series, Dept. of Agricultural and Applied Economics, University of Minnesota, Aug. 1975
3. Local Revenue Diversification: Income, Sales Taxes and User Charges, Advisory Commission on Intergovernmental Relations, Oct. 1974

terms of points of view; you'll want to give your speakers a specific subject or issue to address, a firm time limit and meet with them before the general meeting so you'll have a firm grasp on what particular points of view they will express.

Resources.

The list of resources contains people with broad tax backgrounds as well as some with very limited points of view or strong biases. Keep this in mind when seeking people out, and remember the total goal of informing ourselves on the whole tax picture. We will be expanding the resource list and making it more specific throughout the year.

For a panel, you might look for individual views on taxes affecting:

the farmer	property owners
big business/corporations	consumers
land developers	low income/elderly
small business	city/rural property owners

Other areas you may want to explore, or additional questions you may want to raise at a general meeting, could be:

- Property Tax Reform in Minnesota - has there been some?
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People Resources.

- County Auditors
- County Commissioners
- City Managers
- Municipal or County Assessors
- State Legislators - especially those serving on tax committees:
 - Senate Taxes and Tax Laws Committee - A. Perpich, Chrm; Schrom, Vice Chrm.
Bang, Berg, Blatz, Chmielewski, Coleman, Conzemius, Frederick, Gearty, Baldy
Hanson, Jensen, Kleinbaum, Larson, Laufenburger, McCutcheon, A. Olson, O'Neill,
Sillers, Wegener
 - House Taxes Committee - W. Kelly, Chrm.; Tomlinson, Vice Chrm.
Abeln, S. Adams, I. Anderson, Berg, Brinkman, Casserly, DeGroat, Dieterich, Graba,
Jacobs, Jaros, C. Johnson, D. Johnson, Jopp, A. Kempe, Kvam, McCollar, Pehler,
Prahl, Sabo, Savelkoul, Schulz, Sieloff, Vanasek, White
- Tax Study Commission members:
 - Senators - Blatz, Conzemius, A. Olson, O'Neill, Wegener
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 - Governor's Appointees - Dr. F. M. Boddy, U of MN; Edward Foster, U of MN; John Haynes, Governor's staff; John Helmberger, U of MN; S. F. Keating, Honeywell
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St. Paul

Office of Minneapolis City Clerk, Stan Kehl - tax legislation specifically affecting
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John W. Connelly, City of St. Paul Research Council

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Minnesota Bankers Association, Minneapolis

Associated Industries, Minneapolis

Association of General Contractors, Minneapolis

Minnesota Housing Institute, Minneapolis

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Minnesota Taxpayers Association, St. Paul

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will be presenting programs for local officials in outstate areas (January to
March) which are open to the public. The schedule will be printed in the Board Memo.

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March 1974

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borrow them. They contain data without drawing conclusions, which may not be true of
statistics compiled by special-interest groups. You might refer to How to Lie With
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Need for feedback

*LWVMN Financing State Government Committee is interested in
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special assignments - Betty Shaw, Minneapolis; Irma Sletton, Golden Valley

reader - Jean Wirsig, St. Croix Valley

FINANCING STATE GOVERNMENT COMMITTEE GUIDE

The League of Women Voters of Minnesota

To: Local League Presidents and Financing State Government Chairmen
From: Financing State Government Committee, Karen Anderson, Chairman
September 1975

League of Women Voters of Minnesota Position.

In 1965, the League of Women Voters of Minnesota began its study of financing state and local governments which resulted in the current position in support of property tax reform. While the study included total state revenue and disbursements, the state's dependence on the property tax as the major revenue source and the apparent need for reform resulted in the following consensus:

1. Support of property tax reform through:
 - a. equitable assessments
 - b. fewer classifications
 - c. more restrictive criteria for determining exemptions
2. Support of less dependence on the property tax as a source of revenue.

Background and further explanation of the position is in the LWVMN PROGRAM FOR ACTION 1973-75 (to be updated Fall '75), and in the March 1974 Minnesota VOTER.

League of Women Voters of Minnesota Current Study.

The changes which have occurred in the past 10 years in the property tax as well as in total state revenue, the 1967 Sales Tax Law which added the sales tax to revenue sources, the large increase in state expenditures, and the need expressed by League members to be aware of state resources and funding in all our program items, led to the adoption of this addition to the Financing State Government program item at the 1975 state Convention:

- A study of the source and distribution of state revenue.
- A study of the effect of shifting tax burdens.
- Evaluation of the most equitable and effective method of funding services to all levels of government.

Focus of the study is upon issues and policies concerning revenue and revenue distribution and their effects on people and programs in the state.

Background.

This is a large, comprehensive program. In order to approach it on a manageable level, the LWVMN Financing State Government Committee agreed to concentrate, for the first year, on revenue sources. Since there are over 40 different taxes collected in the state, we will also be dividing into subcommittees to research specific revenue sources -- the property tax, corporate and individual income taxes, sales and use taxes, and other taxes (severance, inheritance, alcohol and tobacco, license and privilege, etc.). Since state legislation determines the tax structure in Minnesota, we will need to look at taxes collected at all levels of government within the state in order to focus on the impact of taxes on residents.

In order to reach an "evaluation of the most equitable and effective method of funding services," as our program is stated, we need to familiarize ourselves with the basic tax

structure in Minnesota, trends causing a shift in this structure, and possible alternatives to the present structure. Such an evaluation must necessarily be based on value judgements; what is equitable or effective for one person may not seem to be for another. In order to make our evaluations as objective as possible, we will try to become familiar with many resources and opinions representing many points of view.

There is no right or wrong answer to the question of what tax structure is best for a state. In reference to the balance or mix of taxes, it has been stated, "There are literally innumerable ways for a state to raise tax revenue. The point to be emphasized is that tax policy-making is not simply a matter of determining the amount of tax money to be raised. It involves choosing among alternative forms of taxation, each of which has different characteristics. The tax mix in each state will properly depend on the problems the state faces, what it wants to achieve, and on the values and preferences of its citizens and policymakers."¹

The shifting of the tax burden among Minnesota taxpayers is characteristic of the trend in many states seeking to broaden their revenue sources. While property taxes were still the largest single source of tax revenue in 1973, accounting for 36% of total tax receipts,² this percentage has been dropping in the last few years. The enactment of the 1967 Sales Tax Law, and the shift away from the property tax to greater state funding of education in 1971, both were major factors in revenue diversification. Passage of 1975 legislation, such as the income-adjusted (circuit-breaker) property tax relief, state assumption of 90% of medical costs for the indigent, and the additional taconite and iron sulphides tax, may shift the burden further. The impact of this legislation is still unknown. "A gradual but steady movement toward more diversified revenue structures - that is, a more balanced use of the three major revenue producers, income, sales and property taxes - emerges as a salient characteristic of the state-local sector. This movement reflects both the growing importance of the state sector in the overall state-local fiscal picture and the increased utilization of sales and income taxes by state as well as local governments."³

Role of Local Leagues: Study Activities.

The LWVMN committee will be meeting monthly on a regular basis in the state office to share information. The state committee will have outside speakers at many of their meetings and will notify local Leagues via the Board Memo of dates and times. You're welcome to attend -- on a regular or once-only basis. We're all in the beginning stages of a new study and welcome anyone as a committee member who has an interest in the topic. Eventual publications will be of a "newsletter" type, such as the LWVEF land use letters or Energy series. Publication is not anticipated until spring 1976.

Local League Boards need to begin raising the interest and understanding of all Leaguers on Minnesota's tax structure. Because you will need to rely on outside speakers at this point, it would be best to have a general meeting; the topic suggestion is: "A Description of the Basic Tax Structure in Minnesota." You may find one speaker to address the total tax structure, or a panel of speakers to explain particular tax areas (property tax, sales, income tax, etc.) You could also find a panel to represent varied points of view on the effects of the tax structure on certain segments of society (see list next page), but the net result should be increased knowledge of the total tax structure. A panel might ensure you of a balance of opinion, but only if the panel is balanced in

1. Financing State and Local Government, What Are the Choices? National Public Education Publication #3, 1973
2. Summary of Governmental Finances in Minnesota, Staff Paper Series, Dept. of Agricultural and Applied Economics, University of Minnesota, Aug. 1975
3. Local Revenue Diversification: Income, Sales Taxes and User Charges, Advisory Commission on Intergovernmental Relations, Oct. 1974

terms of points of view; you'll want to give your speakers a specific subject or issue to address, a firm time limit and meet with them before the general meeting so you'll have a firm grasp on what particular points of view they will express.

Resources.

The list of resources contains people with broad tax backgrounds as well as some with very limited points of view or strong biases. Keep this in mind when seeking people out, and remember the total goal of informing ourselves on the whole tax picture. We will be expanding the resource list and making it more specific throughout the year.

For a panel, you might look for individual views on taxes affecting:

the farmer	property owners
big business/corporations	consumers
land developers	low income/elderly
small business	city/rural property owners

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Donna Pederson, Minneapolis

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Arley's criteria:

1. *Equity*

a. *ability to pay*

b. *benefits received*

2. *economic neutrality*

3. *adequacy, reliability*

Growth

4. *collection & compliance costs*

5. *impartial administration*

State Board Memo - September '75

Karen Anderson

Article for local bulletins:

Notice from the LWVMN Financing State Government Committee:

Did you know that: almost 1/2 of all general revenue originated at the state level, 1/3 at the local level, and 1/6 at the federal level, but after distribution of federal and state grants, local governments accounted for over 2/3 of all general revenue? the total general expenditure of MN state and local governments more than doubled between 1966 and 1973?

These are some of the facts we're discovering as we begin the new study chosen at convention. We're concentrating this year on the ~~the~~ MN tax structure and its effects on people, and we're hoping for a broad-based (both geographically and philosophically) committee. Are you interested in helping us?

This is not an "expert" committee; we're at the beginning stages of what ~~it~~ promises to be a fascinating study. Meetings are held regularly, usually the 1st Wednesday morning of the month at the state office. If you'd like to join us, contact the ~~state~~ state office, 612-224-5445.

Financing State Government

The state office has a list of local board people serving as Financing State Government chairpeople in their League. If you are serving as off-board chairperson in this area, please notify the state office so we can keep you current with information and resources.

The Financing State Government LWVMN Committee will be meeting Thurs., Oct. 2 at 12:15 at the state office, and Wed. Nov. 5 at 9:30 a.m. ~~Will~~ There will be outside speakers at both meetings and you're welcome to attend.

FOR MY INFORMATION

Sept. '75

Resources:

Wallace Dahl, Director, tax research div., dept of revenue
296-3425 2246-

Dennis Sederholm, Dir. west suburban chamber of commerce

~~Laura Donaldson~~ - Minority House Research - 296-8188

Arly Waldo, Ag. Ext. Serv. U of M 376-3803 or 376-3800
Agricultural & Applied Economics

Agricultural Extension Service
U.S. Dept. of Agric.
U of M, Institute of Agric.
St. Paul 55108

John W. Connelly, City of St. Paul Research Council
706 Courthouse, St Paul

Stan Kehl - Minneapolis office of city clerk
Rm 311, Minneapolis 55415
legislative program

Phil Raup - ~~land economics~~ ~~agric. and taxes~~, former tax study comm. advisory board
Arley's dept. at U.

Moe - city assessor in Minneapolis, prop. tax expert

Dennis Erno - Admin. Asst. to the Commissioner
296-3401 Dept. of Revenue
Rm. 201, Centennial Off. Bldg.
St. Paul

Gerald Caulfield, Acting Dir, Income Tax Div.
Dept. of Revenue 296-3438

Distribution

Gerald Weiszhaar - Henn. Cty Admin. Office
Principal Management Analyst

(Ted) Harold T. Miller - Fiscal Analyst, Senate Finance Comm. Rm. 121 Capitol 296-6436
Fiscal disparities/municipal aide Formula

Poll help:

Marion McCloskey - 835-5267

Bill Flanagan - 374-2892

Expenditures:

Bernard Carlson - Dept. of Finance - Dir. of Budget 296-5188

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, Minnesota 55102 - Sept. 1975

Minutes: Financing State Government Committee Meeting
September 3, 1975

Present: K. Anderson, J. Jenkins, M. Watson, S. Moss, M. Mantis, J. McGuire,
B. Stoker, D. Pederson, E. Ponto

Absent: C. Cushing, J. Reeves, M. Poppleton, E. Buffington

Next meeting - October 2, 1975 - Thursday - 12:15

Karen to arrange for speaker - perhaps Wallace Dahl - try to find speaker for each of our meetings to address one area of topic.

J. Jenkins - be sure to put meetings on calendar.

Budget - fill out expense vouchers monthly.

M. Mantis - suggested - use local files for potential committee members - but be careful of robbing local resources - put notice in Board Memo - perhaps local Board chairmen on this topic could be invited to sit in - perhaps in the VOTER - or local VOTER.

Arley Waldo - speaker for the day:

Local Leagues can request from Waldo speakers for a program on government finance - there will be hearings outstate in late September with Waldo and John Helmberg speaking to state legislators - could publish dates of these hearings which local Leagues could attend -

To communicate to local Leagues - questions of value judgments involved in taxation - hard to find objective speakers - e.g. tax assessors - perhaps try county auditors, city managers, regional commissioners - these people can explain how tax system works - members can pass their own judgment on fairness and effectiveness - a variety of opinions valuable - interpretations of data is crucial - question: how comprehensive is the data? (e.g. Minnesota Taxpayer Association material) - alert members to pitfalls of statistics in drawing comparisons -

What to put in committee guide? -

- defining tax structure - perhaps a state legislator could address this - big issue: what to do when state needs more revenue -
- balance of taxation - look for issues behind the current balance as well as proposed changes - value judgements - economists cannot make these - Minnesota has de-emphasized property taxes in favor of state aids to take pressure off local governments - property taxes vs. other taxes - restrictions on amount local governments can levy - every form of tax implies a philosophy - who benefits?

Much discussion of complexity of issue - who bears burden?

How are taxes distributed, e.g. corporate taxes?

Topic - basic tax structure - 45 minutes - small group afterwards to discuss.

Which resource people for local Leagues? - beware of biases of speakers - perhaps a panel representing various opinions - get list of groups from League of Minnesota Municipalities publications.

Further committee assignments:

- Donna Pederson - property tax
- Betty Stoker - sales and use tax.

Aug. 22, 1975

To: Financing State Gov't. Committee

From: K. Anderson, chr. 935-2445

Re: Committee meeting
Wed., Sept. 3, 9:30 a.m. state office

Agenda:

9:30 Oct. meeting change (conflicts with Mankato workshop)

budget/voucher explanation

committee guide planning/format

10:30 Arly Waldo, Agriculture Ext. Serv., U of M

trial run of workshop presentations; time for questions

11:30 more committee guide discussion, if necessary

12:00 Adjourn

Add to committee roster:

Donna Pederson 824-9790

5133 Colfax S., Minneapolis 55419, LWV Minneapolis

~~staff for tax study commission~~
~~some city managers~~
~~League of MN Municipalities~~
~~staff for regional commissions~~
~~Citizens League~~

~~next month - Oct. 2 Thurs.~~

~~expanding committee - call.~~

~~board memo:~~

~~interest list~~

~~ask for name of local Fin. Gov. chr.~~
~~to facilitate communication~~

~~bulletin ante. per board memo, bulletin section~~

~~possible speakers - Oct. 2~~

~~Kent~~
~~Dph~~

~~request from Ext. Serv. decided specific dates with Olson, etc.~~

~~workshop title:~~

~~Basic~~

~~Betty Staker -~~
~~Select use~~
~~Donna Pederson.~~
~~Property~~

Minutes - August 12, 1975 - Financing State Government
LWVMN

PRESENT: K. Anderson, M. Poppleton, J. Jenkins, N. Atchison, M. Mantis, S. Moss,
E. Buffington, J. McGuire

ABSENT: C. Cushing, J. Reeves, B. Stoker

How to break down the study: Divide into groups and each group take a portion of the study and then come together as a committee of the whole to share our findings.

The categories will be revenue sources and distribution of revenue.

Do we want to make judgments as to the fairness of taxes? Do we decide if we are getting services rendered for taxes paid?

We will have to find a way of dealing with the property tax -- a comparison study.

If we are to zero in on one thing - revenue sources - we have a lot of information. If we zero in on services, how do we do it?

What do we have now? Distribution of revenue.

It was decided to postpone distribution of revenue and make our first concentrated effort on sources of revenue.

Breaking down sources of revenue:

- property tax
- income tax
- sales and use tax
- other taxes

Tax Study Commission is concentrating on income taxes this year. We should get their background material as they get it.

Property taxes - Arly Waldo will help.

Assignments to sections:

- Property tax - M. Poppleton
- J. McGuire
- M. Mantis
- Other Taxes - E. Buffington
- Donna Nesheim
- Income Taxes - K. Anderson
- S. Moss
- Sales & Use Tax - Open now

We will meet again on Wednesday, September 3rd, and on the first Wednesday of each month at 9:30 a.m. at the state office.

Arly Waldo will provide a speaker for each of the workshops. We will ask him to come to the next meeting. If we decide to publish material, it will take Ed. Fund money. Fall workshops will provide a speaker and a committee guide. Find your sources of information for this by next meeting. We hope to have an explanation of the omnibus tax bill at the workshops.

Ideas as to what we might want to publish: We have to know by November in order to get Ed. Fund monies. We decided to publish a series of short things - how many do we want?

Interview - 8/22/75

Dennis Sederholm, Director, West Suburban Chamber of Commerce

Tax structure effects on business/industry:

slow erosion of business climate rather than mass exodus from state

factors involved:

- slow population growth due to lack of jobs
- exodus of wealth-producers (agriculture, manufacturing, mining, tourism & convention) as opposed to wealth-user (gov't.) or wealth-turner-overs (retail sales, services)
- dept. of economic devel. distorted figures on new jobs - showed moving companies as new job producers
- corporate income tax - not hard on large corps selling nation wide due to 70% sales-destination factor for goods goin out of state. Hard on corps selling locally and other small business
- large employer costs - workman comp.; unemployment comp.; employees exise tax (MN only state having it); are all costs ⁺now shown in tax records but hard on business
- sewer rates
- commercial/industrial property taxes
- fiscal disparities law - metro-wide mill rate applies to the 40% shared tax, not mill rate of particular community
- taconite tax - "broken promises" cliche
- attitude of state and legislature toward business as "rip-off" artists
- Minnetonka property tax expecially harsh since it truly assesses at full market value

All this hard on everyone, since ultimate tax payer is the consumer

Suggested resources:

Jim Heltzer

MN Assoc. of commerce & Industry (MN CC); Jim Faber, pres. from Stillwater
St. Paul office - 227-9591

St. Paul CC; Rick Renner, legis man, and Amos Martin

MN Taxpayers Assoc.

MN Bankers Assoc. - mpls. 338-7851

Assoc Industries - mpls. 335-4161

Assoc Gen'l Contractors - mpls. 339-4801

MN Housing Institute - mpls. 854-4140

8/1/75 interview

Wallace Dahl, Director, ~~Research & Development~~ Tax Research Div. (research & planning)
Dept. of Revenue

296-3425

handles all reports/statistics for other divisions in Dept. of revenue
circuit breaker / Omnibus tax bill - feels was not adequately funded for
administration / statistics regarding may not be compiled or at least
not by this office

much research also being done by: legislative research assistants - may provide
other pts. of view or analysis of stat. from this dept.

Resources:

Legislators, esp. those on approp. committees

MN taxpayers Assoc

tax study commission members

university & college economics departments

Dept. of revenue - commissioner has 2 deputy assistants now; one,
Dennis Erno, all-around knowledge
Richard Gardner, research dept.-
Jerry Silkey ?

Dept. of Finance - Gerald Christianson, director

Bernard Carlson, director, fiscal analysis

will both be broader view of income and expenditures

Regional offices of revenue dept. field audit group - more technically oriented
how to fill out forms types

County Auditors

County Commissioners

Municipal or county Assessors

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TO: Financing State Government Committee

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA

FROM: Karen Anderson, Chairman

ST. PAUL, MINNESOTA 55102

PHONE: 224-5445

SUBJECT Committee Meeting, Tuesday,
Aug. 12, 1975, in LWVMN office

DATE

July 23, 1975

If you are unable to attend and have not already told me, please call me or
Agenda: state office.

9:30 - Grand Plan discussion:

Committee and program breakdown into manageable parts
Tentative timetable
Publication possibilities

10:30 - Fall workshops:

Presentation

Committee Guide/Bibliography

will be held 9/23-Alexandria

9/26-Duluth

9/27 & 9/30-Metro

10/1-Austin *Moulato*

11:45 - Adjourn

Enclosed:

Financing Government Section of OUTLOOK 75-76
Committee Roster

You may also wish to call the Citizens League, 338-0791, and ask them to send you
their March 5, 1975 report "Reducing Property Tax Inequities Among Taxpayers and
Cities."

7/21/75

LWVMN

Financing State Government

COMMITTEE ROSTER

State Board Members

Karen Anderson, chairperson, 935-2445 (612) *- income*
16917 Clear Spring Terrace, Minnetonka 55343, LWV MEPH
Carolyn Cushing, 612-633-0602
3031 Simpson, St. Paul 55113, LWV Roseville
Mary Poppleton, 612-890-4486
11009 London Drive, Burnsville 55378, LWV W. Dak. Cty. *- property*
Jean Reeves, 507-645-6161
Rt. 3, Northfield 55057, LWV Northfield

Off-Board Members

Mary Mantis, 612-644-1156
2352 Buford Ave., St. Paul 55108, LWV St. Paul *- property (exempt especially)*
Betty Stoker, 507-373-1744
405 Channel Rd., Albert Lea 56007, LWV Freeborn County
Sid Moss, 612-544-1875
5705 Westbrook Rd., Minneapolis 55422, LWV of Golden Valley *- income*
Erica Buffington, 612-929-8168
3845 Lynn Ave. S., St. Louis Park, 55416, LWV St. Louis Prk. *- other*
Judy McGuire, 612-927-6825
4048 Zenith Ave. S. Minneapolis 55410, LWV Minneapolis *property*
Donna Pederson 824-9790
5133 Colfax S.
Minneapolis 55419, LWV Minneapolis

Special assignments:

Betty Shaw, Mpls.

Irma Sletton, Golden Valley

Readers:

Jean Wirsig, St. Mary's Pt., River Rd. Rt. 1,
Lakeland, MN 55043

Specific, short term assignment:

Betty Shaw, 926-6093

*Sales & use -
no me*

*charges & other
non-tax sources*

Minutes of the Financing Government Committee meeting, July 31, 1973

Present: Brown, Helmberger, Ebbott, Knutson, Phillips, Moss

The Committee met to decide the direction our study should take to comply with the '73 state Convention request for an "update". Committee members brought out the fact that recent legislative sessions have changed the "tax picture" since the League's original study was completed (in 1967). For example, levy and spending limitations have been introduced; one unit of government may levy a tax and another may spend it.

Discussion at the meeting centered on what we could/should do, i. e., how to interpret the intent of the Convention. Two schools of thought were debated: whether to update the total picture (relationship of all taxes, both state and local), or, to concentrate on property tax changes only. It was decided that the former would mean more of a new study rather than an update, which was not the direction from the Convention.

Consequently, it was agreed that: 1) at this point in time (sorry--too much Watergate-watching!) we cannot include a new consensus in our planning. However, it does not preclude the possibility of asking for one at the '74 Council. 2) We will direct our efforts on bringing the facts up-to-date on our support positions:

1. Support of property tax reform through
 - a. equitable assessments
 - b. fewer classifications
 - c. more restrictive criteria for determining exemptions.
2. Support of less dependence on the property tax as a source of revenue.

The end result of our labors should include an overview first, then an analysis using the positions format (above), including side effects (e. g., 5% freeze, levy and spending limitations, etc.). We will deal with the revenue side of taxation rather than expenditures. There will be no attempt at comparisons with other states.

We will aim toward a publication--the size and type to be decided at a later meeting. The possibility of using the Voter was mentioned.

We will try to have information ready for Leagues in November, and a questionnaire to them before the '74 Council.

The next meeting of the committee was set for Sept. 12, 9:30 a. m., in the state office. Hope to see you then.

I would appreciate it if you would let me know, either by phone (544-1875) or brief note (5705 Westbrook Rd., Golden Valley 55422), whether you are interested in:

- being on the committee
- working on 1 a, b, c, or 2 above
- observing at the interim legislative committees
- observing or lobbying during the next legislative session

I'll be out of town Aug. 21st thru Sept. 6th.

Thank you for your interest.

Sid Moss

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, Mn. 55102

July 20, 1973

To: ^{Jean}Reeves, ^{Jean}Helmberger, ^{Shelley}Wright, ^{Karlyn}Fronek, ^{Irma}Sletten, ^{Ruth}Schultz, ^{Arline}Brown, ~~Cahiro~~,
~~K~~Goodrich, Duff, McCoy, Ebbott, Waldo, Knutson, Rosenbloom, Phillips,
Watson

From: Sid Moss, chairman, Financing Government committee

Re: Meeting of the Fin. Govt. committee on July 31st, 12:30 p. m. in the
state office

Your names were suggested to me as being interested in becoming a member of the Financing Government committee. Certainly, all of you are most welcome, and if you know of other Leaguers who might also be interested, please let me know their names.

As you are probably aware, the state Convention directed the state to do an update of our original Financing Government study. At this first meeting of the committee it's my thought that we might do some "brainstorming" as to how and/or what to do to comply with the Convention's bidding. For example, we could update our publications to reflect the changes in the tax laws (following the original format); or we could concentrate on an in depth study of the property tax--or income or sales taxes--or the relationship of all three. Should we aim toward a new consensus? Shall we plan workshops for the coming year? There are many ways to go, and you undoubtedly have some ideas of your own, which I hope you will come and share.

Of course, after we determine the thrust of the study we'll need to organize our forces, allocate work, compile a bibliography, etc., etc.

In preparation for our meeting on the 31st, you might like to dig up--(that's literally what I had to do)--our publications: Financing Public Services in Minnesota (the green book), ^①Property, Income and Sales Taxes (a F & I), ^②Property Taxes: Probing Some Options (a F & I)*, and the Sept.-Oct. 1967 ^{①+②}Minnesota Voter. We have copies in the office of ~~the~~ two Facts and Issues, but none of the "green" book ^{or ③}. If you can't locate your copy, perhaps you can prevail upon someone in your League to lend you ~~one~~ ^{you} ~~Theirs~~.

If you are interested in joining the committee, but cannot come on July 31st, please let me know and we will send you a report of the meeting. If you have any ideas or thoughts on the subject, please also drop me a line. My address is: 5705 Westbrook Rd.
Golden Valley 55422
phone: 544-1875

For Your Information: The Minnesota Tax Study Commission is meeting on Fri., July 27th, 9:30-3:30, in Room 15 of the State Capitol. The subjects to be discussed include the property tax system, classification, assessment process, equalization process. The Commission is made up of members of both Houses plus public members. The subjects certainly are pertinent to League interest, so if ^{you} are available it would be a beneficial meeting to observe.

* ^③ also, Some Property Tax Flaws and Options (a F & I)

OUTLINE OF SUGGESTED DIRECTIONS WHICH COULD BE TAKEN UNDER ALTERNATIVE (1) ON PAGE 4 OF STATE COUNCIL WORKBOOK

(Note: The areas indicated in the outline are suggestions, and the examples are for purposes of clarification. The committee expects that delegates will exercise their right to amend, delete from, and/or add to the outline, if delegates' choice is for this alternative.)

I. DOES MINNESOTA NEED TAX REFORM?

A. By type of taxes

Is our total tax system sound?

1. Is it based on ability to pay and/or benefits received?

Areas to explore:

- a. Are any particular taxes unjustifiable? Does any tax specially favor or burden a particular type of business or group of citizens? If so, can the undesirable features be corrected or should the tax be dropped? (Example: Margarine tax burdens the margarine industry and is regressive in effect on low-income families.)
- b. Are any particular taxes unfairly administered? If so, is the difficulty inherent or can it be corrected? (Example: Inequalities in property assessments.)
- c. Are any taxes excessively expensive to collect or police? If so, can the situation be corrected or should the tax be dropped? (Example: Personal property tax on household goods)
- d. Are any particular taxes levied in a manner which discourages business from locating in Minnesota? (Example: Policy of levying corporation income tax after federal income tax has been deducted rather than before makes the Minnesota tax rate seem very high in comparison to other states.)

2. Does the practice of dedicating receipts from specific taxes for special purposes or for certain levels of government create too inflexible a revenue framework for subsequent legislatures? Should criteria be set up by which to judge whether or not dedication of funds is desirable in particular instances? (Examples: The criterion of benefits received is the basis for earmarking the motor vehicle gasoline and registration taxes for the highway fund; the criterion of substitute for other taxes is used as the basis for allocating power companies' taxes to counties, since these taxes are in lieu of general property taxes; the only criterion for earmarking \$125,000 annually from the margarine tax to the Department of Agriculture Dairy Research Program seems to have been political pressure.)
3. Are revenues relatively stable in spite of the ups and downs of business activity?

B. By level of government

1. Are taxes allocated to the level of government according to the proportion of services provided by that level of government? Areas to explore:

- a. Should certain types of taxes be specified as reserved for a particular level of government? (Example: property tax might be reserved for local governments and excise taxes for state government.)
- b. Should the larger governmental unit (because it is in a better position to collect) act as collecting agent for the smaller unit and rebate after collection? (Example: a selective sales tax might be collected by the state; the proportion collected in each school district might be rebated to that school district.)

- c. Should the larger governmental unit make revenue available to the smaller unit without any stipulation as to where or how the funds should be spent? (Example: state government could make funds available to cities and villages. This differs from b in that there is no attempt to return to the smaller unit "its own" taxes—that is, those collected within the area of the governmental unit.)
- d. Should there be continuation of the present system but an increase in the quantity of state aid? (Example: more state aid to school districts according to present formulas.)
- 2. Should some services be provided by a different level of government than is now the case? (Example: welfare might be financed by state government.)
If so, what criteria should be used to determine which level of government is appropriate? (Examples: ability to obtain revenue; administrative efficiency; closeness to level where services are provided.)
- 3. In situations where one governmental unit collects the taxes and another spends the revenue, which governmental unit should set the major policy as to purposes of and standards for expenditures—the distributing unit or the receiving unit?

II. IS MINNESOTA'S PROBLEM PRIMARILY ONE OF NEED FOR GREATER REVENUES?

If so,

A. Should rates of existing taxes be increased? If so,

- 1. Which taxes?
- 2. How shall the increase be levied—across the board or in some other proportion?

B. What additional taxes might be used? Are completely new taxes possible? Are there types of taxes used by other states which might be adopted in Minnesota? If so,

- 1. Are these taxes sound for Minnesota?
- 2. For which level of government is each tax most appropriate? Will the tax provide revenues in areas where revenues are most needed?
- 3. What are the administrative problems and costs of these taxes?

C. Should Minnesota increase its use of charges for services? If so, should there be an increase in levels of present charges or should there be charges for more services that is now policy? (Examples: higher fees for use of state parks or higher tuition for state colleges and university; introduce fees for public school textbooks or set up prepayment plan for medical care for low-income families)

Considerations:

- 1. Would such charges defeat the purpose of providing such services through public channels or would the charges make possible extended services to more citizens?
- 2. Could public supplements reduce the problem of hardship cases?

III. IS MINNESOTA'S PROBLEM AT LEAST PARTLY ONE OF ATTEMPTING TO PROVIDE TOO MANY OR TOO EXTENSIVE SERVICES? If so,

A. What criteria should be used to decide upon needed or desirable services?

B. On the basis of these weighted criteria, which services should be reduced or eliminated?

FINANCING GOVERNMENT COMMITTEE --- Notes

The Financing Government committee met June 14, 1966 at 9:30 in Clay School. Present were: Arline Brown, Ruth Schultz, Mrs. Smith of Hibbing, Vici Oshiro, Marilee Ward, Fran Boyden, Elsie Colborn and Mary Nash.

It was decided to write a short, multiple-choice quiz on "Financing Public Services in Minnesota for local leagues to use next fall." Mrs. Smith offered to prepare one for our consideration at the next meeting.

Our next publication will be of the 'Facts and Issues' type -- but probably more than 4 pages. We hope to fit the number of pages to the material rather than vice-versa. It will begin with a discussion of criteria used in judging taxes and tax systems. Then the property, income and sales taxes will each be considered in turn. The way each tax is used presently will be rated according to the various criteria and also the ways it might be set up will be evaluated. Then the final section will tie it altogether and point out the interrelationships and the need to evaluate the system as a whole.

It was decided that the criteria to be used would be the following:

Equity of burden --- ability to pay
 benefits received
 who pays
Administration --- cost
 enforcement problems
 equity
 convenience
Stability of income and revenue yield
Control measure
Appropriateness of tax for particular level of government
How it affects economic growth

The first section on criteria will be prepared by Mary Nash. Fran Boyden and Kitty Goodrich will do the section on the property tax; Marilee Ward and Ann Huff, the personal income tax and Vici Oshiro, the corporate income tax; and Arline Brown and Mary Ann McCoy, the sales tax. The final section will have to be ~~done~~ written after the rest is done.

The rough draft is to be in the office by July 5. It will be reproduced and sent to each member so she can read the whole first draft before the next meeting on July 14.

Memo to: Mary Nash
From: A. Whiting

2 in 89 Book
FEB 8 1966

The more I read in the tomes on financing government the more I wonder about Mabelle Long's suggestion that they would not "rule out of order" a negative response to our question "should the League be in the field of tax reform?" I find them fascinating reading and would think they would be required reading for all resource committees for our work in this area which we know is going to be difficult requires more expertise than have any of our more recent state items.

As I have proceeded with my reading I have also kept in mind our area workshops and feel that perhaps the goal should be more than helping to provide interesting, satisfying meetings for your members on the subject of Financing Government in Minnesota. Not that this is not of prime importance but I keep wondering about the panel and its role in this purpose....I keep wondering if the panel, unless they are truly experts, will have a tendency to undermine what we are trying to do at this stage in our study. Are we not trying to establish some basis for consideration of the problems related to financing government services in Minnesota? If we have a panel whose members are not "experts" with a sound basis for their views and yet presented to our members as "representatives" of the various viewpoints I know our members will think they need no more knowledge than these panel members appear to have. True the panel is a PR gimmick but I wonder if that point is sufficient to overcome what I feel may be real pitfalls to its use (I must admit that when they have been used in the past I felt that generally they pretty poor and therefore a waste of the League members' time). I am wondering if we do not have members of your committee who could serve on this panel with a member of the academic community to bring out the various points with the idea that this could be used at a general League meeting or in the community...and ask people in the community to come to this part of the workshop simply because a discussion of financing government is important. I realize that such a suggestion is probably not very acceptable at this stage in the planning but throw it out nevertheless because I am most anxious to have these workshops have real meaning to our Leagues and at the same time help establish the right approach to this whole study.

Another suggestion for the morning session--we talked about use of the material in the community (promotion of publication, etc.) along with "What's in the Book" and combining the two but the more I thought about what Arlene could contribute the more I thought she should do what she wishes with "content" and let Ann take some time in winding up the morning session to introduce some ideas on taking this to the community in preparation for the afternoon session. Of course you, Ele and Arlene would want to carefully coordinate your sections so they tie together smoothly and with no repetition.

I need some clarification on mailings....what about the discussion guides, outlines, etc. I think there should be more than one suggested outline...for those Leagues with one unit meeting (their first) for those who may have some background, for those who have used the previous "kit" and done something on updating themselves on their local situation....this is a situation where I would think you should depend upon your state Board committee members to help you and perhaps recruit special assistance such as Jeanne Deifenbach might be able to give you--don't forget Rozycki and Schultz on your Board committee as well as Schultz and of course Ele is concerned as our Program Coordinator. Will this be ready when the publication is ready to be mailed out or will this go in the February Board Memo? When do we alert the League resource chairmen (and their committees too?) to Waldo's series? Do I write Dr. Waldo and tell him that we are recommending them to a specific group or do I just tell him we are alerting our local Leagues so they can contact their local County Extension Agent (and he need not know our selection process!)? I would say you were practically psychic in your choice of dates because I really see no conflict between the two and furthermore feel that attendance at both should not be difficult and add real interest to League activity--and as we mentioned the other day help provide a better base for Council discussion and decisions.

Take care of yourself--lots of work still to be done!

Notes from Financing Government Committee meeting, September 14, 1965

Bibliography: A few additions were suggested to be added to the list Ann Duff had prepared. This was sent to all local Leagues with the September Board Memo. The committee would like the Board to send each local League a kit containing "Fiscal Facts about Minnesota State Government", and four reprints from IMM's Minnesota Municipalities. If this can be given free, it would be nice but if necessary the League members could buy it. We would like to have every League have one.

Seminar: Carole Yoho and Dr. Waldo, Public Affairs Specialists, with the Agricultural Extension Service, are very interested in doing the same sort of thing we'd like to do. It is hoped that we will be able to work together on a series which will probably take place in March, 1966. They would be done on a regional basis, perhaps two all-day meetings: One day each week for a couple of weeks.

Publication: Progress on each section was discussed at length and suggestions were given as to what should be included in each part. It was agreed that committee would get information to state office by Oct. 4. The office will make copies and send each member a copy of the whole draft. It should be read over by the members before the next meeting, October 19.

MN:mk

cc: Mmes. Boyden, Brown, Driscoll, Drotning, Duff, Goodrich, Kaplan, Kennan, McCoy, Myslajek, Neumaier, Oshiro, Stabnow, Steldt, Ward

MINUTES OF COMMITTEE ON FINANCING GOVERNMENT

Present: Mmes. Nash, Duff, McCoy, Myslajek, Stabnow, Steldt, Boyden, Brown, Goodrich, Neumaier and Oshiro.

Reports were given on the progress in each of the six sections of the forthcoming publications, Financing Government in Minnesota, and suggestions made for work to be done before the next meeting, September 14.

The bibliography was discussed first. Copies of the rough draft were handed out by Mrs. Duff. General t. xts on public financing nationally and in Minnesota will be listed first followed by readily available articles and pamphlets. A brief description will accompany each listing and those of special significance will be starred. The suggestion was made that we send a small kit out to the local Leagues with the bibliography; included in the kit might be the League of Minnesota Municipalities' reprints. They will sell to us 3 of the reprints of 60 copies each at the reduced rate of \$30. The fourth, Rolland Hatfield's article, is in short supply at IMM but might be available from the state office of the Commissioner of Taxation. Mrs. Duff wants each committee member to make additions or corrections to the bibliography and send to her as soon as possible for mailing to the local Leagues next month.

A Seminar Series for Research Chairmen was discussed at length along with an Institute. It could be done on a neighborhood basis. Staff people could be picked, location would have to be decided upon. One suggestion was that of eight sessions, two hours in length. The charge would be \$22.50 per person with a 15 person minimum. This could be done both in the Twin Cities and outstate, through the Center of Continuation Study; however, outstate seminars would use local people as leaders to save on travel expenses and to stimulate local interest with local talent. The suggestion was made that this seminar and institute should be tied in with the Agricultural Extension program. Mrs. Stabnow said she attended one for six weeks at the cost of \$10, including lunch. Could this pattern be established using local people? The committee mentioned the need for carefully planned meetings by local Leagues; Moorhead has plans this fall for a speaker representing only one point of view. Mrs. Nash will write to them pointing out that since the League position is open on the Finance subject it would be a better idea to have a debate or a panel rather than a speaker of one opinion, which could give the impression that the League has already taken a stand when in reality the ground is just being broken. Also mentioned was the regrettable tendency of local Leagues to "do a topic" by listening to a speaker rather than by studying the subject in depth themselves via unit meetings under the competent leadership of a well-informed local research committee.

Section One. Introduction. Mrs. Duff handed out a tentative listing of trends and current problems, nationally and in Minnesota. This section will be the last written, after the main body of the booklet, and tied to a summary at the end which Mrs. Neumaier will work on. Currently in this introduction is a small piece about constitutional problems plus a brief listing of criteria for judging a tax.

Mrs. Brown reported on Section Two, principal sources of revenues and services received. She asked the committee's guidance on how much detail was needed for this section, whether to compare Minnesota with a national average, with a regional average or with selected nearby states; and which years to use and what sources for figures. These same questions came up when Mrs. Myslajek reported on Section Three, state expenditures and also in Sections Four, Five and Six. Agreement was reached that for each section in the booklet the following guidelines will be used:

U.S. Census figures (Compendium of State Government Finances in 1964)

Financing Government Committee Meeting minutes

State figures from the U.S. census and the State Department of Administration and the Auditor's office.

Years to be used for comparison - national and state - fiscal 1950, 1960 & 1964.

Minnesota will be compared with the following states: North Dakota, South Dakota, Illinois, Wisconsin, Iowa, Missouri, Nebraska, Ohio, Indiana, Michigan and Kansas.

How detailed should the figures be? It was agreed that the breakdowns in Fiscal Facts about Minnesota State Government (Dep. of Administration, 1963 edition) should be expanded slightly.

The reports on Sections Three and Six brought out the problems of how to show federal monies in state and local finances (grants) and how much money goes from state funds to political subdivisions. The suggestion was made that a chart be created showing trends in expenditures.

Under Section Four, major state taxes: Who administers? What are the inequities? Reciprocity with the federal government: Tax deducted by the federal government, also bookkeeping services were mentioned. Again the need for consistency was stressed since the federal government has certain divisions, and the individual units have their own divisions and the figures differ.

Mrs. Steltdt reported on Section Five, state fiscal procedures, using as her resource the budget manual prepared by the Department of Administration. The suggestion was made to add a personal bit (Mrs. Brown will help here) about the problems of projecting far in advance and the necessary trimming at agency and administrative levels.

The last report, Section Six, local finance, was given by Mmes. McCoy and Boyden. The pertinent points were that one part should concentrate on state and one on local. Division should be made on unit basis. Breakdown should be made on basis of counties, townships, municipalities, etc. Taxes are assessed locally. The county collects. The report could be detailed on county expenditures and city expenditures. The point was brought out that some communities keep low mill rates so that they get more state aid. When per capita tax burden is mentioned, it should also be accompanied by per capita income figures. In the case of handling problems, one should foresee problem areas, discuss current income and present operation. In the discussion that followed, the fact was brought out that the EARC (basis for figuring school state aids) has caused the state tax commissioner to recommend to a community that higher tax rates are in order in some communities bordering on lake property as an additional source of revenue (example, Battle Lake).

It was decided to add a final section on trends. Mrs. Neumaier will work on this.

The meeting was adjourned shortly after noon.

Note: Mary Nash will be at home after Labor Day, and don't forget the date of the next meeting: September 14.

Financing Government Committee Meeting minutes

Sources of information suggested for committee members:

The Public Administration library in the classroom section between the Business Administration and Social Sciences Buildings. A great deal of resource material could be obtained and used there.

Compendium of State Government Finances in 1964. This has been ordered for you from the federal government by the State Office. It will be sent to the members presently involved with using it.

Intergovernmental Fiscal Relations, William Anderson, U. of M. Press or your library.

Fiscal Facts about Minnesota State Government - 1963 (1965 edition not yet published) from the State Department of Administration.

Minnesota Tax Study Commission Reports (see bibliography handed out by Mrs. Duff at the committee meeting for details of these reports and other items being suggested to local Leagues.)

Upper Midwest Research and Development Institute, Factors Influencing the Economic Growth Rate of the Midwestern States. Available at 969 Business Administration Building. Get personal copy immediately because there are not many left.

State Auditor's Report (Available at Public Administration Library)

From the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575, individual copies free:

Tax Overlapping in the United States 1964, Report M-23

Measures of State and Local Fiscal Capacity and Tax Effort, Report M-16, Oct. 1962

Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs, Report A-25, January 1965.

Minnesota State Assessor's Manual: Try your library

Estimated Distribution of Minnesota Taxes and Public Expenditure Benefits, O. H. Brownlee, University of Minnesota Studies in Economics and Business. University of Minnesota Press, No. 21, 1960. Try your library.

Minnesota 1965 Laws, published in newspaper form under the direction of the Department of Administration and available free from your local newspaper office. This is the complete listing of all laws passed by the 1965 session of the Minnesota Legislature, including the detailed listing of appropriations.

1964 Financial Program, City of Minneapolis, by the Board of Estimate and Taxation.

FINANCING GOVERNMENT COMMITTEE MEETING - July 20, 1965

Present: Mmes. Nash, Janski, Steldt, Driscoll, Duff, Oshiro, Brown, McCoy, Drotning, Rozycki, Myslajek.

The possibility of a seminar on financing government was discussed briefly. Mrs. Oshiro will explore this further with the Extension Division. It would be helpful if something could be arranged to involve outstate people.

Publication -

Mrs. Nash presented a tentative Table of Contents:

- | | |
|---|----------------------------|
| I. Introduction | V. State Fiscal Procedures |
| A. Current Problems | A. Budget |
| B. Minnesota Economy | B. Collection |
| C. Criteria for Judging Taxes | C. Disbursement |
| II. Principle Sources of Revenue and Major Expenses | VI. Local Finance |
| III. State Expenditures | A. Types of Local Units |
| A. Education | B. Expenditures |
| B. Welfare | C. Revenue |
| C. Highways | 1. Assessments |
| D. Other | 2. State Aids |
| E. Local Grants | D. Procedures |
| IV. Major State Taxes | Glossary |
| A. Sales and Earning Taxes | Sources |
| B. Individual Income Taxes | |
| C. Licenses | |
| D. Corporation Net Income Taxes | |
| E. Property Taxes | |
| F. Mining Taxes | |
| G. Death and Gift Taxes | |

Under VI - Local perhaps do section on 1st class cities; do a comparison between suburban and outstate towns; compare school districts. Under VI C add federal aids and other sources of revenue. Township status should be investigated. Item III - Expenditures should be presented as services rendered not just expenditures.

The publication won't be too detailed - will give broad picture. The second year a series of F & I on specific areas might be published. Local League people must be able to relate the material to their own situations and communities.

Assignments: I - Duff; II - Brown; III - Myslajek; IV - Driscoll, Oshiro; V - Steldt; VI - McCoy, Drotning.

Work on a bibliography needs to be done by next meeting of the committee. Mrs. Duff will work on this. Committee members are to send their information on sources to her.

Discussion guides and helps to accompany the publication will be essential - also a list of definitions.

Opinions on drawings, questions, graphs, tables, etc. were very freely discussed.

Minutes of Committee on Financing Government

Attendance: Mrs. Nash, Chairman
Mrs. Wash, State Board Publications Chairman
Mmes. Boyden, Steldt, Duff, Kennan, Goodrich

Mrs. Nash stated that the committee will find out how the state operates --where the money comes from, how collected and how spent. It is necessary to define terms in the publication. In general the League membership is not informed. The material is to be gathered from various sources. Care must be taken in making comparisons between states: it is necessary to get the total tax structure.

It was decided that the aim of this publication is to inform the public as well as League members. It should be attractive, well indexed, concise and to the point, but "meaty". Mrs. Reynold Jensen will be the editor. The publication should be out in February for League use in March or April as some members said their Leagues do not have programs at their May meeting.

The question was raised whether the publication could be divided in sections for printing or for work by committee members. After discussing the possibility of presenting the publication over a period of two years it was decided that the publication should be completed this year. A bibliography will be sent out to the Leagues in the fall. The consensus was that it is better to have as few writers as possible for conformity in style of writing and so the editor would have a minimum of rearranging or rewording and would not have to rewrite. Mrs. Goodrich suggested the use of charts and graphs.

A discussion followed as to the various kinds of material needed and how the material was to be divided for gathering of information. Three broad topics seemed to be:

1. Revenue sources - background & history of the state budget; what levels of government levy taxes
2. Revenue - disbursements & uses
3. Special taxes & assessments

The topics chosen to begin with are as follows:

1. Income-tax sources at various levels --Mrs. Goodrich, Mrs. Kennan
2. Disbursements - needs at various levels --Mrs. Steldt, Mrs. Duff
3. Information available on assessments --Mrs. Duff
4. Sources of revenue & disbursement, problems of cities of first class (Minneapolis, St. Paul, Duluth) --Mrs. Boyden

Each one will begin to find possible material available and sources of information and begin a bibliography and outline for the next meeting. Absentees will be sent minutes. They are to notify the chairman what sources of material would be available to them to determine what aspect of the publication they could best work on. The chairman will present a general outline of the whole structure of the publication at the next meeting for the committee to review and revise.

The committee felt it was necessary to meet at least once a month regardless of full attendance in order to check on any duplication of information being gathered and to compare and exchange findings. Absentees will be given a report. Tentative dates were set for:

July 20	1 pm	Oct 19
Aug 19-9:30 am		Nov 16
Sept 14-9:30 am		Dec 14

The time may be adjusted for out-of-town committee members if necessary.

The meeting was adjourned at 12 noon.

FINANCING GOVERNMENT OFF-BOARD COMMITTEE

1967

<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE</u>
Mrs. Nicholas Duff(Ann)	R. #3, Box 120, Wayzata	473-9189
Mrs. Leon Goodrich (Kitty)	1735 Rone Ave. St. Paul	699-4092
Mrs. R. A. Jensen (Lil)	16424 Lake St. Ext. Minnetonka	938-4614
Mrs. Jerome Moss Jr. (Sid)	5705 Westbrook Rd. Mpls.	544-1875
Mrs. Seiki Oshiro (Vici)	Highland Dr. Highland Forest Burasville	890-2965
Mrs. M. I. Smith (Marian)	Star Route 2, Box 65, Hibbing	
Miss Marilee Ward	1935 Bryant Ave. S. Mpls. office	374-3789 373-2025

BOARD COMMITTEE

Mrs. O. J. Janski (Irene)	6500 Second Ave. S. Mpls.	869-7885
Mrs. Kenneth Brown (Arlene)	1216 Highland Ave., Mankato	507-388-7746
Mrs. Allan Carlson (Nancy)	10031 Emerson Ave. S. Mpls.	881-1967
Mrs. Earl Colborn (Ele)	5309 Girard Ave. S. Mpls.	825-5541
Mrs. Harold Nash (Mary)	R. #7, Box 436, Excelsior	474-8315

FINANCING GOVERNMENT COMMITTEE MEMBERS

--- OFF BOARD

<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE</u>
Mrs. Arthur Boyden (Fran)	389 Otis Ave., St. Paul	646-1028
Mrs. Kenneth Brown (Arlene)	1216 Highland Ave., Mankato	507-388-7746
Mrs. Nicholas Duff (Ann)	R. #3, Box 120, Wayzata	473-9189
Mrs. Leon Goodrich (Kitty)	1735 Rome Ave., St. Paul	699-4092
Mrs. R. A. Jensen (Lil)	16424 Lake St. Ext., Minnetonka	938-4614
Mrs. Charles McCoy (Mary Ann)	1035 Prentice, Granite Falls	564-3931
Mrs. Seiki Oshiro (Vici)	Highland Dr. Highland Forest Burnsville	890-2965
Mrs. M. I. Smith	Star Route 2, Box 65, Hibbing	
Mrs. Frank Steldt (Emy)	4 Oriole Lane, North Oaks, St. Paul	484-1686
Miss Marilee Ward	1935 Bryant Ave. S., Mpls. office	374-3789 373-2025
Mrs. Harold Nash (Mary)	R. #7, Box 436, Excelsior	474-8315

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Mrs. Earl Colborn (Ele)	5309 Girard Ave. S., Mpls.	825-5541
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FINANCING GOVERNMENT COMMITTEE MEMBERS

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Mrs. Leon Goodrich (Kitty)	^{1735 Rome Ave} 896 Cleveland Ave. S., St. Paul	699-4092
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Mrs. Kody Kennan (Marge)	209 E. Rice St., Owatonna	
Mrs. Charles McCoy (Mary Ann)	1035 Prentice, Granite Falls	564-3931
Mrs. John Myslajek (Florence)	1820 Long Lake Road, New Brighton	633-5192
Mrs. John Neumaier (Ginny)	Route 2, River Oaks, Moorhead	
Mrs. Seiki Oshiro (Vici)	Highland Drive, Highland Forest, Burnsville 55378	890-2965
Mrs. Ronald Stabnow (Virginia)	Battle Lake 56515	
Mrs. Frank Steldt (Emy)	4 Oriole Lane, No. Oaks, St. Paul	484-1686
Miss Marilee Ward	1935 Bryant Ave. S., Mpls.	(office) 373-2025 (home) FR 4-3789
Mrs. Harold Nash (Mary) Chairman	Route 7, Box 436, Excelsior	K 474-8315

9/30/75 LWVMN

Financing State Government

COMMITTEE ROSTER

Jenkins
Watson
Atchison
Lewin

State Board Members

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~~Donna Pederson, 612-824-9790 Alaska!~~
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Sub-Committees:

Property Tax: McGuire, Pederson, Mantis (exempt prop.), Poppleton

Income Tax: Anderson, Moss
Stoker

Sales & Use Taxes:

Other Taxes: Buffington

Judy Arnold - poll
8822 West River Rd N
B.P. 55444
560-8972

Margaret Bloyer
19 S. 1st St.-Apt
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FACTS and ISSUES #3

FINANCING STATE GOVERNMENT

League of Women Voters of Minnesota

March 1977

Funding a "Quality Life"

This "Facts and Issues" is the third in a four-part series on financing government in Minnesota. It contains explanations for the increase in state spending, a history of spending trends, a review of state fiscal procedures, and some legislative concerns about expenditures in Minnesota. Because it is easy to confuse the terms used, the reader should keep two definitions in mind. One is "appropriation," which is an amount voted by the state Legislature for spending for a two-year period. The other is "direct general expenditures," which is the amount paid out by government and includes funds received from federal as well as state and local sources.

The history of appropriations and expenditures in Minnesota is a history of continual expansion. Appropriations during Minnesota's first state budget, 1858-59, were just under \$147,000, and there were only 131 separate line expenditures, ranging from \$2,500 for the Governor's salary down to \$17.50 for candles and wood for the Auditor's office. Such figures seem almost unreal compared, for example, to 1935-37's omnibus appropriation bill of \$37,600,000, or the 1975-77 biennium's \$3,300,000,000. And these figures do not reflect total spending by state and local units of government, whose direct general expenditures doubled between 1968 and 1975 to a total of more than \$4,500,000,000. What are some of the reasons for this increase in government spending?

Primary causes of the increase in expenditures include demographic trends like population growth, the general shift from being a predominantly rural farm state to an urban industrial state, and the technological changes, especially in transportation, that accompanied this shift. Almost 11% of today's expenditures, for example, are spent on highway construction and maintenance.

Such trends, of course, are nationwide, but in Minnesota their effect on taxes is magnified by administrative and legislative concern with adequate funding for education and health and welfare services, and on creating a "quality life" for all. For example, the state has financed a steadily increasing share of the costs of health and welfare programs, and in effect has provided more money by seeing to it that local governments could provide adequate welfare funds regardless of their ability to raise

the funds themselves. This trend began during the depression of the 1930's when local governments found themselves unable to provide these benefits because their property tax base was shrinking and tax delinquencies were growing. The state has continued to provide such funds, which have become increasingly necessary as benefits and programs expanded.

Another major factor in increasing government expenditures is inflation and the general upward trend in salaries, wages, and standards of living. The price of goods and services purchased by state and local governments has greatly increased, going up even faster (68.8% between 1968 and 1975) than the prices of goods and services purchased by consumers (64.4% for the same period).

Another reason sometimes given for increasing expenditures is the public's demand for more and more services. This explanation may be valid, but it is difficult to document. The public may learn to rely on a particular service and expect an increase to keep pace with population growth and inflation, but government administrators, legislators, officials and/or employees responsible for preparing and passing government budgets are the ones who translate "felt" or "perceived" public needs into new or expanded programs. Today's budgets, for example, include appropriations for the State Planning Agency, the Pollution Control Agency, the Metropolitan Council, and the Environmental Quality Council, and for grants to local governments or private agencies for things like reduction of solid waste. All these were unheard of ten or twenty years ago, but it is hard to prove that they were created because of public demand.

The stress both government and the public place on "quality of life" is an item of particular importance to Minnesota expenditures. In 1931, H.L. Mencken wrote a series of articles on "The Worst American State." Minnesota placed 42nd in Mencken's satirical competition (the first place being "worst") and has consistently ranked among the best, and usually among the top 10, since then. In the past five years, for example, Minnesota has been praised for its "quality of life" or described as "a good place to live" in Neal Peirce's book, *THE GREAT PLAINS STATES OF AMERICA*, and in a number of national magazines, including *TIME*, *NATIONAL GEOGRAPHIC*, *HARPERS*

and FORTUNE. However, there is an inevitable correlation between quality of life and taxation, and a recent Minnesota Department of Economic Development investigation showed that the public couldn't have one without the other. Minnesota ranked 9th among the states in per capita tax revenues, 4th in tax revenues per \$1,000 personal income, and 4th in the study's composite "quality of life" measurement, indicating that Minnesotans do pay comparatively high taxes, but that the state's level of expenditures is indeed providing Minnesotans with a high quality of life. A dissenting note on this point was voiced in a 1976 League of Women Voters of Minnesota (LWVMN) poll designed to test the public's perception of the relationship between state taxes, expenditures, and quality of life. When the question was asked, "Do you feel the services you receive from state and local governments are adequate in relation to the taxes you pay; that is, do you think you're getting your money's worth?" 108 said "yes," but 92 said "no," and 42 were uncertain.

**DIRECT GENERAL EXPENDITURE*
OF STATE AND LOCAL GOVERNMENTS
IN MINNESOTA, SELECTED YEARS 1967-75,
in millions of dollars,
from the U.S. Bureau of the Census**

YEAR	STATE	LOCAL	TOTAL
1967-68	694,000,000	1,387,200,000	2,081,100,000
1969-70	846,900,000	1,923,400,000	2,770,400,000
1971-72	1,054,700,000	2,473,600,000	3,528,300,000
1974-75	1,541,800,000	3,165,600,000	4,707,400,000

*Direct general expenditures include all money paid out by a government other than for retirement of debt, investment in securities, extension of credit, or as agency transactions.

Besides quality of life, or perhaps because of it, both government and the public have stressed *equality* — equalization of opportunity and equalization of tax burden. This attempt to achieve equality has resulted in a growing tendency to collect revenues statewide and then channel them back to local governments according to population or need. A locality may receive funds based on how many miles of highway it has, or on the number of school children, or the number of "poor," and so on. This has made it possible for all areas of the state, regardless of the local tax base, to provide such necessary services as education and health, and to provide them on an equal basis. Whether equal spending truly provides equal opportunity is an issue currently being debated in educational, health and other areas, but the principle of equalization seems well established, for several reasons.

One of the benefits that accrues from equalization of the tax burden is that it eases the pressure on individual localities to develop and industrialize in order to increase their tax base. Thus lands that properly should be used as farm acreage or preserved as wilderness areas may be kept for such purposes without penalizing the local government and its schools and other services. Another benefit of equalization is that senior citizens and lower income groups can have property tax relief and special services that local governments might not otherwise be able to provide because of the concentration of these groups in certain localities.

**STATE OF MINNESOTA
Selected Legislative Sessions 1935-76**

BIENNIUM	AMOUNT (Other than Highways)	HIGHWAYS	TOTAL
1935-37	37,650,740		37,650,740
1945-47	99,569,177		99,569,177
1949-51	224,172,257		224,172,257
1961-63	566,938,926	18,741,695	585,680,621
1969-71	1,279,073,887	42,746,853	1,321,820,740
1975-77	3,094,230,284	249,110,000	3,343,340,284

Additional factors in the growth of government expenditures were cited in a January, 1977, Minneapolis TRIBUNE series of articles by staff writer Bernie Shellum. One is the nature of the progressive income tax, which automatically provides large, unlegislated increases in tax revenues as salaries and wages increase during periods of inflation. With more money coming in, the government spends more, and the high levels of expenditure tend to continue. Another factor Shellum cites is political pressure. As the number of people directly benefiting from government programs grows, the tendency to vote for politicians who support increased government programs also grows. Shellum also points out how difficult it is to trace political accountability for government growth. He writes, "As the complexity of government financing grows, so does the cost in time and money for the citizen who tries to understand what is happening."

STATE FISCAL PROCEDURES

The Minnesota Department of Finance was created in 1973 to consolidate the fiscal responsibilities which had previously been shared by the State Auditor, the State Treasurer and the Commissioner of Administration. The Commissioner of Finance now is in charge of the financial affairs of the state. His responsibilities include preparing a biennial budget and a ten-year cash receipts and disbursements projection, keeping records and accounting systems for all state revenue and expenditures, and financial supervision and control of all state departments and agencies.

BUDGET MAKING

Minnesota operates on a two-year budget basis. The steps involved in preparing this biennial budget have been established by the Legislature. The Commissioner of Finance is charged with preparing the budget subject to the approval of the Governor.

State statutes require that budget estimate forms be distributed to all state departments and agencies by September 1 of each even-numbered year. In actuality, this is done sooner. In 1976 budget forms were distributed along with guidelines from the Governor in July to give adequate preparation time because they must be returned to the Commissioner of Finance by October 1. Departments and agencies are expected to submit program-type budgets, clearly stating goals and objectives, in order to substantiate their requests for funds. Controllers from the Department of Finance assist in the preparation of the budget requests. During October and the first two weeks of November, the budget is evaluated and refined through hearings held by the Department of Finance with each department and agency. Budget requests must be forwarded by November 15 to the

Senate Committee on Finance and the House Appropriation Committee.

The Department of Finance then reviews the budget with the Governor and his staff. The result is the Governor's "budget message," which must be submitted by the Governor to the Legislature within three weeks after the first Monday in January in odd-numbered years, which is the first year of the biennium. The budget message must include recommendations for capital expenditures, and it must be in two parts, with the contents of each part specified by state law. The first part of the budget message contains a general budget summary with the Governor's recommendations for expenditures for the next two years and plans for raising revenue to support those expenditures. The second part contains detailed budget estimates of both expenditures and revenues and a report on state bonded indebtedness, including the present state of the debt and estimates of the use of debt for supporting the two-year proposals. Both parts of the budget also include corresponding figures for the last two fiscal years and the current year.

ADOPTING THE BUDGET

Armed now with both the Department of Finance's estimated budget and the Governor's budget recommendations, the Legislature is ready to begin the lengthy process of budget adoption. The Legislature carries out this process by passing bills for raising revenue or authorizing the appropriation of funds; its responsibility is established by the Minnesota Constitution, which states that "No money shall be paid out of the treasury of this state except in pursuance of an appropriation by law."

Bills for raising revenue must originate in the House of Representatives, but bills calling for expenditures may originate in either the House or Senate. The committees hearing bills for appropriations are the Senate's Committee on Finance and the House's Committee on Appropriations, sometimes called the "money committees." State statutes specify eight major appropriation bills which must be reported out of committee — that is, sent to the floor of the House and Senate for consideration and passage — at least twenty days prior to adjournment. These eight bills cover 1) administrative and judicial expenses of state government for two years; 2) public welfare, health and corrections; 3) education; 4) payment of claims against the state; 5) semi-state activities — those activities only partially state-funded, such as the Minnesota Historical Society; 6) issuance of bonds for public building construction; 7) appropriations for public building maintenance or construction; and 8) highway department. All other appropriations must be in separate bills and can be reported out of the two money committees at any time up to the end of the session.

The Senate Finance and House Appropriations Committees meet first as subcommittees to hear specific parts of bills before they are put together in the full committee as an "omnibus" appropriations bill. For example, a bill calling for an expenditure by a penal institution would be heard first by the Welfare-Corrections subcommittee of Senate Finance and the Health, Welfare and Corrections subcommittee of House Appropriations. If passed, it is heard by the full committee before becoming part of a larger omnibus welfare, corrections and health bill. It then goes through the same process as other bills, facing a hearing on the floor of each house. If passed by both

bodies, it is considered by a conference committee of five Senate and five House members who resolve differences in the two bills before it is returned in identical form for both houses to consider. If passed again, it then goes to the Governor for his signature or veto.

Even though each Senator and Representative has the opportunity to express his or her constituents' point of view through a vote on each appropriation bill, it is acknowledged that most decisions on state expenditures are made in subcommittee and committee. A legislator objecting to one part of an omnibus bill will usually vote in favor rather than jeopardize the parts of the bill he/she agrees with. All subcommittee, full committee and conference committee meetings are now open to the public, so that other legislators, the news media and the general public may be aware of the decisions involved in formation of appropriation bills.

COLLECTION AND DISBURSEMENT PROCEDURES

While the Commissioner of Administration is the ex-officio state budget director and purchasing agent, and the Commissioner of Revenue is responsible for the assessment and collection of most state taxes, it is the Commissioner of Finance who controls state funds and is responsible for the accounting system. The accounting system keeps a detailed account of state money showing funds available, funds already spent, and cash balances of all state departments and agencies. All departments and agencies are required to participate in this statewide accounting system except the judicial and legislative branches, which have internal accounting systems.

AUDIT FUNCTIONS

Two types of financial audits are desirable in state government. The pre-audit is a review of transactions before they are made. The post-audit is a review of transactions after they are completed, to learn if and how the money appropriated by the Legislature is being spent.

In Minnesota, audit responsibilities are divided. The Department of Finance does the pre-audit. The State Auditor, an official elected to a four-year term, is responsible for the post-audit of all local governments in the state, including counties, cities, townships, school districts and special districts. The post-audit of all state departments, agencies, boards and commissions is done by the Legislative Auditor. He is appointed by the Legislative Audit Commission for a six-year term and acts as the executive secretary of the Commission. The Legislative Audit Commission, which is composed of sixteen House and Senate members representing both major political parties, is ultimately responsible for the post-audit of state departments and agencies.

INVESTMENT PROCEDURES

The State Board of Investment, composed of the Governor, Secretary of State, State Treasurer, State Auditor and Attorney General, sets policies for the investment of state funds. Although the Board is composed of elected officials, it appoints an executive secretary to administer investment policies and the purchase and sale of securities for the permanent school fund, various state retirement funds, highway funds and other funds which are available for investment as provided by law. Investment income for the 1975-77 biennium will be an estimated \$60,280,992 to be credited to the General Fund.

STATE BORROWING

The State Constitution provides for the sale of general obligation bonds and certificates of indebtedness to finance major state building construction, land acquisition, highway building and maintenance, and other specific activities.

Certificates of indebtedness are issued for short periods during a biennium in anticipation of revenue. Bonds are issued based on a 20-year maturity date. The Constitution limits trunk highway bonds to a 5% interest rate and an unpaid maximum of \$150,000,000. A three-fifths vote of each house of the Legislature is required to authorize debt contracted for acquisition of land and capital building programs.

During the 1975-77 legislative biennium, the issuance and sale of \$135,809,000 in bonds was authorized for things like building programs at the University of Minnesota, other state universities and Metropolitan Community College, and for regional open spaces, water pollution control, and the student loan program. An additional \$25,000,000 bond issue was authorized for construction and repair of bridges throughout the state.

At the end of fiscal 1976, Minnesota's outstanding debt totaled \$817,455,000.

LEGISLATIVE CONCERNS

Many suggestions have been made for coping with the growth in governmental expenditures. Some states have adopted sunset laws, which write an expiration date into laws which relate to an agency or program. Sunset laws can apply to new programs or to all existing programs; as the expiration date approaches, the program is reviewed to see if it should be continued or allowed to expire. Zero-based budgeting is another concept used in some form in several states. Under zero-based budgeting, department and agency budgets must include justification for all activities, not just new or expanded ones. Another suggestion is indexing of the individual income tax to reduce or eliminate the unlegislated increase in income tax revenues during periods of inflation — an increase in income which encourages government spending. Indexing would adjust rates to compensate for the rate of inflation.

Biennial Report # 18 to the Governor and Legislature, Minnesota Department of Revenue

Big Government: Can We Regain Control? Minneapolis Tribune series by Bernie Shellum, beginning January 9, 1977

Comparison Omnibus Appropriation Bills — Legislative Sessions 1935 through 1976, prepared by: Senate Finance Committee, October 7, 1976

Constitution of the State of Minnesota, as amended November 5, 1974

Decision Making in Government, a speech by Gerald W. Christenson for Minnesota Horizons: A Legislative Symposium, January, 1975

Governmental Finances in 1974-75, GF 75, No. 5, U.S. Bureau of the Census, September, 1976

It's Your Business: Local and State Finance, L. Laszlo Ecker-Racz, National Municipal League, 1976

The Minnesota Legislative Manual 1973-74, compiled by Arlen I. Erdahl, Secretary of State

The Minnesota Legislative Manual 1975-76, compiled by Joan A. Growe, Secretary of State

Dedicated highway funds are another legislative concern. The State Constitution dedicates gasoline tax revenues to highway building. Because of the need for other transportation funds, such as mass transit, the 1975 Legislature approved a proposed amendment to the Constitution which would have allowed some of the future increases in these revenues to be put into the state's general fund. The amendment was placed on the November, 1976, ballot but failed to pass, possibly because of wording which made the intent unclear. There probably will be further attempts to change the dedicated nature of highway funds.

Recognizing the public concern about increasing taxation and government expenditures in Minnesota, LWVMN members conducting their regular legislative interviews in 1976 asked state Senators and Representatives how the budget-making process could be improved. The most common suggestions favored some form of zero-based budgeting and some method for holding expenditures to revenue rather than raising revenue levels to meet increases in expenditures. Some mentioned adopting a sunset law or indexing the individual income tax. Several suggested a legislative budget review committee to oversee and coordinate revenue and appropriation bills, and a few suggested that all major committees should be involved in appropriation procedures for items of that committee's interest.

Legislators were also asked to name the primary influences on setting their spending priorities. Those who responded said that priorities are set by subcommittees and committees, and that a legislator has limited input to a committee other than his or her own. However, many cited the voters in their district as a primary influence on their final votes. Other influences named were personal priorities, social conscience, "just plain common sense," testimony from citizens at hearings, legislative staff reports and recommendations, other legislators and lobbyists. Thus it would seem that, when changes are needed in fiscal procedures or when priorities are being set for state expenditures, the public's voice is important. If the public is concerned about the tax burden, or the level of expenditures for education, highways, or other programs, the public can make its voice heard.

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LWVMN interview, Harold T. Miller, Legislative Fiscal Analyst, Senate Committee on Finance, September, 1976

Research for this publication done by Karen Anderson and Margaret Bloyer. Edited by Rhoda Lewin.

Prepared by the League of Women Voters of Minnesota
Published by the League of Women Voters Education Fund



FACTS and ISSUES FINANCING STATE GOVERNMENT

League of Women Voters of Minnesota

October 1976

Primer of Minnesota Taxes

This *Primer* is the first of four "Facts and Issues" prepared by the League of Women Voters of Minnesota to explain how government is financed in Minnesota. It contains a history of legislative trends in taxation, an explanation of criteria used in evaluating taxes, and a glossary of terms used in explaining both taxation and government expenditures in Minnesota.

The League of Women Voters of Minnesota (LWVMN) has been observing government tax policy and expenditures since 1965. In March 1976, LWV members throughout the state conducted a survey to find out what Minnesotans knew about government financing in Minnesota and how they felt about it. Results of the survey are included with the glossary and are used throughout these four "Facts and Issues" in discussing specific taxes and public expenditures.

The other three "Facts and Issues" will explain Minnesota's basic tax structure, legislative trends in spending, and how the state spends most of its money.

HISTORY

Taxation in Minnesota formally began with statehood in 1858. The new State Constitution provided for a property tax, on real and personal property, which would finance almost all the needs of state and local governments. Since then, tax legislation has occurred in piecemeal fashion, with little regard for overall structure, long-range planning, or clear-cut goals. Two trends are clear, though. One, of course, is the great increase in taxes as the government has needed more and more revenue to serve a growing population, to keep pace with urbanization, industrialization, and technology, and to fund the growing government support of education and health and welfare services. Another trend is the legislature's desire to broaden the tax base, relying on many different segments of society to provide revenue, and to depend less on regressive taxes, like the property tax, and more on progressive taxes like the income tax.

While local governments still rely heavily on property taxes for their revenue needs, state government began an

early move toward more diversified sources of revenue by assessing a gross earnings tax, instead of a property tax, against railroads, insurance company premiums, telephone, telegraph, railroad car and express companies. The tax was based on varying rates until 1887, when a uniform gross earnings tax was enacted for railroads, and by 1903 these gross earnings taxes were producing more revenue for the state government than property taxes. Meanwhile, though, the legislature was still concentrating much of its efforts on improving the administration of the property tax.

Then, in 1906, a constitutional amendment, called the "wide-open" amendment, was ratified, greatly enlarging the legislature's taxing powers. An inheritance tax and mortgage registry tax soon followed, and in 1913 the legislature worked out a "classified" property tax, allowing for four classes of property taxed at different rates. In 1920, special taxes and royalties on iron ore mining were introduced.

From 1920 to 1957, major changes in Minnesota tax policy reflected national economic and social conditions — the advent of the automobile, the Depression and World War II. The automobile brought a constitutional amendment in 1920 authorizing the financing of highways by motor vehicle and gasoline taxes. These were the state's first direct "use" taxes and were so lucrative that by 1932 they would be providing more than half the \$44,000,000 in tax revenue collected by the state.

The "Great Depression" of the 1930's brought the state income tax, passed in 1933. As the depression worsened, people's incomes dropped and state and local tax revenues decreased, too, as property taxes, which were levied by the state and local government units, became increasingly difficult to collect. Assessed values declined as prices fell. Meanwhile, costs of such government responsibilities as education stayed nearly constant, and general relief expenditures mounted rapidly as unemployment increased. The repeal of Prohibition made possible new taxes on alcoholic beverages and their manufacture, but this was not enough. Faced with the conflicting demands for both property tax relief and additional revenues, the legislature responded with the Income Tax Act of 1933. There had

been attempts to enact an income tax before, but the way was finally made clear when the Attorney General ruled that the income tax could be introduced without a constitutional amendment. Some favored the new graduated income tax as a desirable alternative to the property tax, others saw it as a means of establishing a progressive, more equitable tax system. Those opposed to the tax were concerned mostly with how its revenue would be distributed. Today, the income tax is the backbone of the state's tax structure, with the property tax the primary source of local government tax revenue.

World War II eased or eliminated much of the financial stress of the 1930's. Tax revenues rose sharply and relief expenditures went down as employment and farm incomes increased and industries went into wartime production. Moreover, many government spending projects had to be curtailed because workers and materials were unavailable. A big backlog of maintenance, replacement, and expansion of public facilities built up. In the postwar period, spending for such projects soon outran the income from existing taxes and tax rates and used up the surpluses built up during the war. Moreover, high postwar birthrates meant new schools had to be built, and postwar inflation widened the gap between the government costs and the revenue potential of the existing tax structure.

The 1947 legislature responded by looking for ways to increase state revenues and to help local governments collect property taxes more effectively. A new tax was imposed on cigarettes, and taxes on liquor, iron ore, and mining royalties were increased. County boards of commissioners were required to appoint either county

assessors or assessment supervisors, thus attempting to professionalize assessment personnel and to make their procedures more businesslike and more uniform.

By 1955, however, Minnesota was in financial trouble again. Legislative appropriations voted during the regular session greatly exceeded potential revenue, and the state's revenue balance was too small to cover the deficit for fiscal 1956-58. The legislature met for a one-day extra session and passed an "omnibus" tax bill which added a 5% surtax on individual income taxes, a 1% surtax on corporate income taxes, and a 15% surtax on iron ore occupation and royalty taxes.

It was obvious that new ways of financing state government had to be found, and in 1956 Governor Orville Freeman appointed a Tax Study Committee to review the state's entire tax structure. This "blue-ribbon" committee included twenty members representing business, finance, industry, labor, farm and university interests. The committee recommended simplification and consistency in the property tax — there were 2700 different assessment officers at that time — by having a county assessment system rather than a local one and by valuing all property at 100% of its market value — values were typically assessed far below market values. It also recommended reduction or elimination of personal property assessments. It urged an additional 1% surtax on corporate income taxes and a gross earnings tax, which would be set aside for property tax relief. Other committee recommendations were aimed mostly at making taxes easier to understand and to levy.

TAX REVENUE SOURCES OF STATE GOVERNMENT IN MINNESOTA BY PERCENT OF TOTAL STATE REVENUE SELECTED FISCAL YEARS, 1922-1975

Source of Tax Revenue	1922	1932	1949	1954	1962	1969	1975
Property Tax	34.9%	22.7%	5.2%	5.3%	6.0%	—	—
Individual Income	—	—	20.3%	21.3%	31.1%	33.3%	40.4%
Sales and Use	—	—	—	—	—	19.0%	19.0%
Corporate Income	—	—	10.4%	5.3%	7.6%	8.1%	8.9%
Bank Excise	—	—	0.7%	0.8%	1.3%	0.9%	0.8%
Gross Earnings	28.1%	13.6%	9.9%	8.0%	5.5%	3.3%	2.7%
Insurance Premiums	3.6%	4.3%	2.8%	2.7%	2.7%	2.0%	1.7%
Inheritance and Gift	3.0%	4.2%	1.4%	1.7%	2.3%	2.3%	2.1%
Iron Ore Occupation	—	3.2%	7.5%	12.6%	3.7%	1.6%	1.6%
Iron Ore Royalty	—	1.4%	1.3%	1.5%	0.6%	0.2%	0.2%
Alcoholic Beverages	—	—	8.6%	5.8%	5.0%	3.1%	2.4%
Tobacco Products	—	—	5.6%	4.7%	6.4%	3.7%	3.9%
Gasoline	—	26.8%	16.5%	17.9%	15.1%	12.7%	7.1%
Motor Vehicle	29.7%	23.6%	9.5%	12.0%	11.0%	6.9%	6.7%
Other	0.7%	0.2%	0.3%	0.4%	1.7%	2.9%	2.9%
Total Tax Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SOURCE: 1922-1962: *Report of the Governor's Minnesota Tax Study Committee, 1962*

1969: *Minnesota State Tax Collections*: Prepared by Minnesota Dept. of Taxation, Research & Planning Div.

1975: *Minnesota State Tax Collections*: Prepared by Minnesota Dept. of Revenue, Research & Planning Div.

The only one of these recommendations enacted into law by the next legislature was the removal of the state tax on household goods, with county boards directed to phase out this tax by 1968. Few of the committee's other recommendations have ever been implemented. There was, in fact, very little tax activity in the legislatures of 1959, 1961 and 1963. Existing tax rates were increased, but the basic structure stayed almost the same. Meanwhile, though, the need for new revenues continued to increase. The state government's share of local expenditures grew steadily as proportions of the very young and the very old in the population increased, requiring an increase in education and social welfare spending. With local government units allowed to tax only property, the burden on property owners became so great that the 1963 legislature responded by funding a commission to study the property tax. The study's findings resulted in the Tax Reform and Relief Act of 1967. It eliminated the state's portion of property tax revenue and the personal property tax on farm machinery and livestock, and permitted manufacturers to be taxed on the value of their inventories or their tools and machinery. It gave some property tax relief to older persons and renters and created the property tax relief fund and a county assessor system. To cover the loss in property tax revenues to local government units, a state sales tax was enacted. Part of the revenue from this highly controversial tax was designated for property tax relief through the homestead credit, and to increased state aid to schools and localities. In the next two years, however, local governments greatly increased their spending, and property taxes rose about 40% in Minnesota; there was increased public pressure, particularly from senior citizens, for lower property taxes.

The 1971 legislature tried to do what the 1967 legislature had tried but failed to do. This time, though, the legislature was determined that property tax relief would be permanent. It imposed tax levy limitations on all units of local government, then went to work to find the money to make up the local governments' revenue losses. Rates were in-

creased for individual, corporate, and bank income taxes, certain excise taxes, and the sales tax. Corporations and banks were no longer allowed to deduct federal taxes from their state taxes which, in effect, doubled their state income taxes. Most of the increase in revenue was channeled into property tax relief through increased state aid to local governments and school districts.

The 1973 legislature went still further by increasing the homestead credit and enacting a property tax "freeze" for citizens over 65 which would refund the difference between the current property tax and that paid in the year the property-owner reached age 65. The 1975 legislature added an income-adjusted property tax credit for every taxpaying property owner, and offset the lost tax revenue for counties and municipalities by enacting new state aids for welfare and general municipal expenditures. It also enacted an income tax forgiveness and relief program for low income workers. Overall, it continued the trend away from the property tax and toward the income tax and the sales tax as major sources of revenue.

The Tax Revenue Sources table illustrates trends in state government financing over the past 55 years. Note that the property tax in 1922 was only slightly less important as a percentage of total tax revenues than the income tax is today. Note also the decline in importance of the gross earnings and motor vehicle taxes, although these sources of revenue have greatly increased in dollars since 1922. Their decline in importance indicates the tremendous increase in total state tax revenues, from \$29,400,000 in 1922 to over \$2,000,000,000 in 1975. (This table does not include the revenues of local government units. Thus there is no property tax revenue shown in the last two columns, because the state property tax was eliminated in 1967.)

The General Revenue Sources table shows the importance of revenue other than taxes for financing state and local governments. Federal aid has become an increasing source of revenue, rising at a faster rate in the past 15 years than revenue from state and local sources.

GENERAL REVENUE SOURCES OF STATE and LOCAL GOVERNMENTS IN MINNESOTA

FISCAL 1960, 1967 and 1974

SOURCE	1960 million dollars	1967 million dollars	1974 million dollars
All sources:			
From Federal Government	143.4	314.3	820.9
From Own Sources	926.6	1,626.9	3,528.1
TOTAL	1,070.0	1,941.2	4,349.0
STATE and LOCAL SOURCES			
Taxes	743.4	1,278.8	2,725.6
Charges & Misc.	183.2	348.2	802.4
	926.6	1,626.9	3,528.1

CRITERIA

What makes a tax good or bad, fair or unfair? How can we judge the effects of a widely diversified tax system, such as we have in Minnesota, on individuals — on people? Are taxes a burden on the majority of people? On a minority? Are the people getting their "money's worth"?

Over the years, various criteria, or standards of testing, have been applied to individual taxes as well as to the total tax system. Beginning with Adam Smith's statement that a tax should be "simple, certain and convenient," and his expansion of these objectives in his 1776 "canons of taxation" from *The Wealth of Nations*, criteria for evaluating taxes have been expanded and refined. Some are useful for individual taxpayers in evaluating taxes, others are important to government.

Whether a tax is *equitable*, or fair, is probably the most important criterion. It is most important to the people, and it is also important to government, inasmuch as elected officials try to please their constituencies. The concept of equity assumes that a tax should affect people in similar economic situations the same, and includes such guidelines as ability to pay, benefits received, and widespread participation in paying the tax. Equity is probably the most difficult quality to measure.

In using *ability to pay* as a criterion for evaluating the equity of a tax, we need to know three definitions: 1) A tax is *progressive* when it takes a bigger percentage of a large income than a small one (state and federal income taxes are generally *progressive* taxes). 2) A tax is *proportional* if it takes the same percentage from everybody. 3) A tax is *regressive* if it takes a bigger percentage of a small income than a large one (a general sales tax with no exemptions is *regressive*).

If we use *benefits received* as a measurement of equity, we are asking whether people who benefit from a government program should pay for it. This was a fairly workable idea in the days when government was primarily concerned with serving the property owners who paid most of the taxes. Today, however, a great deal of government money is spent on welfare and education, and those who benefit can hardly be taxed to pay the costs of these programs. Current examples of application of the benefits received principle find government using excise taxes on motor fuels to pay for highways, selling game and fish licenses to help finance the state's Department of Natural Resources, and charging tuition at state universities.

Philosophically, the criterion of *widespread participation*, which requires a broad segment of the population to pay a tax, assumes that people's interest in and awareness of government increases with the level of taxes they pay, and considers this a good thing. However, the Minnesota 4% retail sales tax, while allowing for widespread participation and therefore by definition being equitable, is also regressive, because it takes a larger proportion of income from the poor, who spend all their income and do not have any surplus, such as wealthier people do, for savings, investment, charity, and so on. Minnesota has tried

to make its sales tax less regressive by exempting food and clothing and prescription drugs.

So far, we've been talking about people-oriented criteria. The government also has criteria for evaluating taxes. An important one is the concept of revenue yield, which includes such factors as *adequacy, productivity, reliability, stability, flexibility* and *elasticity*. The Minnesota income tax, for example, takes all these factors into consideration. It is adequate and productive, because it provides enough revenue to pay for the needs for which it was adopted. It is reliable and stable, because it gives government a predictable source of revenue and gives people some certainty of the amounts they are expected to pay. Yet it is also flexible and elastic, because it is a progressive tax, and thus mirrors changing economic conditions. As incomes rise, the total tax yield increases more than total taxable income, because more people move into higher income brackets, which are taxed at higher rates. This flexibility makes the government happy, and it's also good for the taxpayer, because it imposes a lower tax rate when incomes drop. In times of inflation, however, the taxpayers whose incomes rise only to keep pace with inflation will find themselves in a higher income bracket, and their real income will be reduced.

It is also important that people who pay taxes and people who collect them are able to understand and easily obey the tax laws. If a tax is administered equitably, efficiently and economically by the government, and if it is easy, convenient, and predictable for the taxpayer, everybody will benefit. Economical, efficient tax-collecting leaves more funds to provide public services for people; a tax which is simple (easily understood by people) and convenient (easily paid) enables government to enforce compliance with the tax law and reduce tax evasion. Withholding taxes on wages and salaries, and collecting retail sales tax at time of purchase, are examples of making taxes convenient for people to pay, although the items exempted from the sales tax to make it less regressive have confused some and made it harder for retailers to compute and pay their sales taxes. A similar complication may arise from the 1975 Income-Adjusted Homestead Credit, which was first applied in 1976. It was designed to make the property tax less regressive by considering each property owner's income, but property owners and even tax experts have found it extremely complicated to compute, and administrative and compliance costs may be unjustifiably high in relation to the benefits of adding this "ability to pay" factor to the property tax.

Attention to the whole picture also should include an understanding of a comparatively new development — government manipulation of general economic conditions through taxing, spending and borrowing. The old assumption was that a tax should be "economically neutral", should not work to the hardship or advantage of any specific group in the community. Today, some taxes are

levied precisely because they are not economically neutral, because they influence individual or business behavior. Revenue policy is used primarily at the federal level to affect economic growth, distribution of income, and use of resources. In Minnesota, the state gives income tax credits for pollution control devices. This is one way of using tax policy to influence business decisions.

A final important factor in determining the economic impact of a tax is its *incidence* — that is, who eventually pays it. The *impact* of a tax falls on the first person or business paying it. But if that person or business can shift the tax to someone else, it becomes an *indirect tax* whose *incidence*, or final resting place, is always on people, even though the original tax may have been on business or property. An example is the corporate income tax, which in the final analysis is paid by consumers in higher prices, workers in lower wages, or stockholders in smaller dividends. Another example is the shifting of property taxes to renters; this can be compensated for by giving tenants'

rent credits, either as an income tax credit or refund, or as a cash payment.

When applying criteria to taxes, it is important to remember that some criteria are compatible, some are direct opposites. No tax can meet all criteria. *Who* does the evaluating is also important, for personal values and self-interest can influence the relative importance of criteria to different people. Taxes also must be evaluated in the context of the total tax and expenditure structure, which includes federal, state, and local taxes, both direct and indirect. And still another factor making application of criteria difficult is that a multi-tax system like Minnesota's dilutes the inequities of any one tax, since the inequities of each tax may fall on a different group. It also may make for lower tax rates in some areas, since there are so many different sources of tax revenue.

In the pamphlet describing specific taxes in Minnesota, appropriate criteria will be applied to each tax in an effort to help the reader evaluate them.

GLOSSARY

The following terms refer to both taxation and expenditures in public financing and will be used in all four "Facts and Issues." They will not be fully defined each time they are used in the texts. Most of the terms are used universally in the field of public finance; those referring only to Minnesota are so indicated.

ability to pay: the principle that a tax should be levied on individual taxpayers in accordance with their ability to pay, rather than in proportion to benefits they receive or how much it costs the state for services rendered.

apportioned tax: a tax collected by one political unit but distributed among several.

assessment: (1) a value placed on property for the purpose of taxing it; (2) amount exacted as a tax.

assessed value: in Minnesota, the actual market value of property is reduced by a specified percentage set by the government; the resulting "assessed value" is the valuation used in computing taxes on the property.

benefits-received principle of taxation: the principle that taxpayers should pay taxes in proportion to the benefits they receive.

capital outlay expenditure: direct expense of construction and/or purchase of equipment, land, and buildings used to produce income.

circuit-breaker: in Minnesota, refers to the income-adjusted homestead credit — a property tax credit based on income and amount of property taxes paid.

classified property tax: a tax system in which property is classified according to its nature and purpose, so that different tax rates can be applied against each class; some classes may be exempted from taxation.

compensatory principle of taxation: see benefits-received, above.

consumption tax: a tax levied on some phase of the production or distribution of goods and services, and sometimes applied to customs duties; see excise tax, below.

current operation expenditure: money spent for wages and salaries, and for supplies, materials and contractual services, excepting capital outlay.

delinquent tax: a tax that remains unpaid after the date due.

discriminatory taxation: (1) taxation designed to favor certain industries; (2) any tax exemption or allowance which seems to favor one taxpayer at the expense of another; (3) regressive taxes which put a heavier burden on low-income persons than on high-income persons.

EARC ratio: in Minnesota, the percentage relationship between the assessor's market value and the state-determined market value of property.

EARC values: in Minnesota, actual market value of a tax district's property as determined by the Equalization Aid Review Committee (EARC); made by comparing selling price of properties with the market values at which the properties were assessed.

equalization: adjustment of locally-determined market values in each assessment district, such as county, so that the valuations in each district represent the same percentage of actual market value.

estate tax: tax levied on estate of a deceased person before the estate is divided among the heirs.

excise tax: a selective sales tax; see consumption tax, above.

expenditure: money paid out by government, excepting debt payments, investments, loans, and transactions between government agencies.

foundation aids: in Minnesota, state aids provided to school districts on the basis of pupil units; supplements local property taxes.

franchise tax: tax levied on some special privilege extended by government to a private enterprise.

general expenditure: all government expenditures except those necessary to operate public utilities, liquor stores, and insurance trust funds.

general revenue: all revenue of a government except revenue from operation of public utilities, liquor stores, and insurance trust funds.

general revenue sharing: money received by state and local governments from the federal government under the State and Local Fiscal Assistance Act of 1972.

gift tax: a tax imposed on property transferred from one person to another as a gift.

hidden tax: an indirect tax which is part of the price of goods and services; the taxpayer doesn't know he or she is paying it.

homestead: in Minnesota, a residence occupied by its owner; a property owner may have only one homestead.

incidence of taxation: who really pays a tax irrespective of how or against whom it is levied (for example, a sales tax is almost always paid by the consumer although the seller is the one formally taxed; thus the incidence is on the consumer).

income tax: federal, state or local tax on corporate or individual income, which includes wages, rents, interest, dividends, royalties, profits, commissions, etc.

indirect tax: a tax which can be easily passed on to someone else by the person required to pay the tax; see incidence of taxation, above.

inheritance tax: tax paid by an individual who receives property from the estate of a deceased person.

intergovernmental expenditure: payments from one unit of government to another as grants-in-aid, shared revenue, payments in lieu of taxes, or reimbursements for services.

joint return: for tax purposes, combined report of income of husband and wife.

levy limits: amount local governments are permitted to levy against their property tax base for certain services.

license tax: see occupation tax.

limited market value: in Minnesota, properties reassessed at more than 10% above former value, or $\frac{1}{4}$ th of the increase in valuation, must be increased in increments; the old value plus the incremental increase constitute the limited market value, which is then used for computing the tax on the property.

local government aids: in Minnesota, state aids to counties, cities, towns and special taxing districts, based on population, mill rate and sales ratio.

luxury tax: a tax imposed on articles not considered essential to a normal standard of living.

market value: what the assessor says a property is worth, and supposedly what the property would be worth if it were sold; however, market value varies in Minnesota sometimes 20-30% from actual value.

mill: a unit of value used to determine taxes on Minnesota property and payrolls; if one mill is levied by local government, the taxpayer pays \$1 on every \$1,000 of assessed value, a two mill levy would mean \$2 on every \$1,000, etc.

miscellaneous general revenue: money government receives from charges for public services, special assessments against property owners, interest earnings (excluding interest earned on insurance trust funds), and any other money taken in except taxes and intergovernmental revenue.

occupation tax: (1) fee charged for license issued by the government for certain occupations and professions; (2) generally, a tax levied on a particular occupation or profession, also known as a privilege tax or a license fee.

payroll tax: tax levied against an employer, based on wages and salaries he pays to his employees.

personal property tax: see property tax.

privilege tax: see occupation tax.

proceeds: money a tax yields after collection costs are deducted.

progressive taxation: a tax which takes a larger percentage of income as income increases.

property tax: a tax levied on any kind of property, including land and buildings (real property) and stocks and bonds or home furnishings (personal property).

proportional taxation: a tax which takes the same percentage of income from all income levels.

public revenue: government income from taxes and all other sources.

real estate tax: see property tax.

regressive taxation: a tax system which takes a larger percentage of low income than of higher income.

revenue: all money received by a government, except that received from borrowing, liquidation of investments, and agency and private trust transactions.

sales ratio: in Minnesota, the comparison between the assessor's estimated market value and the actual selling price of property as determined by the EARC.

sales tax: tax levied on sale of goods and services.

severance tax: tax levied on value of natural resources taken from land or water.

shifting of taxation: see incidence.

special aids: in Minnesota, school aids for specific purposes such as transportation, education of the handicapped, etc.; see foundation aids.

special levies: in Minnesota, levies which are not covered by the levy limitation law, principally welfare and bonded debt levies.

surtax: (1) an extra tax on an amount which has already been taxed; (2) additional tax calculated as a percentage of a tax already levied.

tax base: a unit of value, privilege or object used as a base for calculating a tax to be levied; it may be property, income, an estate, a corporate franchise, an occupation, or the volume, number, quality, or other characteristic of certain articles. To this the rates are applied: base times rate equals tax.

tax exempt: persons, property, or goods not subject to taxation.

tax limit: constitutional or legislative limitation on kind of tax and maximum rate.

tax revenue: all revenue a government gets from taxes it imposes, including interest and penalties.

tax sharing: a tax levied and collected by one jurisdiction and shared with others; see general revenue sharing.

use tax: tax designed to reach taxable persons who have not paid the sales tax.

value added tax: a tax on all levels of manufacturing, processing and distribution based on the amount each operation adds to the price.

Statewide Survey Results

In March, 1976, members of 52 Leagues of Women Voters conducted a statewide telephone survey on people's attitudes and knowledge of government financing in Minnesota. 244 people, chosen by random sample, were surveyed. The questions and responses are shown here. Although 244 people were surveyed, totals may be different since not all people answered all questions.

1. *Of the three major taxes in Minnesota, the individual income tax, the property tax, and the sales tax, which do you feel is the most fair?* individual income - 74, property - 31, sales - 125
Which do you feel is the least fair? individual income - 84, property - 101, sales - 40
2. *Of all the taxes collected by state and local governments, do you happen to know which raises the most money?* individual income - 87, property - 36, sales - 28, not sure - 86
3. *Do you feel the services you receive from state and local governments are adequate in relation to the taxes you pay; that is, do you think you're getting money's worth?* yes - 108, no - 92, uncertain - 42
4. *Do you happen to know on which of the following items you pay a sales tax?* food - 17, automobiles - 205, drugs and medicines - 41, household appliances - 203, fur coats - 150
5. *Many people feel the income tax forms are too complicated, too hard to understand and fill out; do you pay someone to help you fill out your income tax forms?* yes - 150, no - 67, not sure - 5
6. *Do you know whether any of your state income tax moneys are used to help run your local city or county government?* yes - 146, no - 30, not sure - 65
7. *Do businesses in MN pay more of the total income tax than individuals?* yes - 62, no - 106, not sure - 73
8. *Does state government levy general property taxes?* yes - 68, no - 101, not sure - 73
9. *By state law, assessors are required to assess property at its full market value. How do you feel most property in your community is assessed in relation to its actual market value?* higher - 51, lower - 88, about the same - 60, no opinion - 41
10. *If the assessment of a piece of property is raised, will the tax on that property automatically be raised?* yes - 146, no - 20, not necessarily - 45, not sure - 30
11. *Do you happen to know, on the average, what portion of the local property tax goes to finance local schools?* $\frac{1}{4}$ - 42, $\frac{1}{2}$ - 58, $\frac{3}{4}$ - 25, not sure - 117
12. *Of all the money that will be spent on public assistance (welfare) programs in MN, do you happen to know how much comes from local tax sources?* 8% - 34, 29% - 50, 57% - 22, not sure - 133

13. *Do the taxes you pay have an influence on who you vote for?* yes - 80, no - 148, not sure - 14
14. *Are there any government services you'd like to see improved even if it would mean increasing taxes?* "nothing" or "none" was mentioned most (66 times); others mentioned often were: local law enforcement, health and hospitals, education, highway building and maintenance; other answers mentioned at least once covered the entire scope of governmental services.

Are there any services you'd like to see cut back? "nothing" or "none" mentioned 65 times; welfare and highways were also mentioned (although many welfare responses were categorized as welfare "reform"); many of the responses referred to administrative costs or bureaucratic excesses in many different areas of governmental services.

Correct Answers:

2. *Property taxes* 31.8%
Individual income tax 25.6%
Sales and use taxes 13.8%
Corporate income tax 6.2%

*All 1975
estimated figures from
MN Dept. of Revenue*
4. *yes — household appliances, fur coats (usually) although automobiles are exempt from the MN Sales Tax, they are subject to a 4% motor vehicle tax.*
6. *yes — state supplements local government revenues from the property tax via local government aids (aids to counties, municipalities, townships, special districts, and aids to school districts).*
7. *no — of total income taxes collected in 1973, 16.5% came from corporation tax.*
8. *no — local governments levy property taxes; counties collect and administer them.*
10. *not necessarily — the amount of tax is determined by the mill rates of the government units in the county. If all assessments were raised equally, the mill rate could be lowered and taxes remain the same.*
11. $\frac{1}{2}$ — *statewide average is 54%.*
12. *8% — the major portion comes from federal sources.*

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- Research for this publication was done by Karen Anderson, Margaret Bloyer and Judy McGuire. Edited by Rhoda Lewin.



FACTS and ISSUES FINANCING STATE GOVERNMENT

League of Women Voters of Minnesota

October 1976

Minnesota's Multi-Tax System

This "Facts and Issues" contains a description of every tax used for raising revenue in Minnesota. The major taxes, personal income, property, and sales taxes, are presented first. The other taxes are grouped by type. Each tax is explained in terms of who is taxed, how much is collected, which government unit collects and distributes the tax, and which criteria can be used to evaluate the tax. Collection figures for each tax are for the fiscal year 1975, running from July 1, 1974, to June 30, 1975. The total collected by the Minnesota Department of Revenue and other state agencies in fiscal 1975 was \$2,019,936,000; this does not include property tax revenue, collected by local governments, estimated at \$1,001,208,000 in fiscal 1975.

PROPERTY TAX

One of the first taxes levied by civilized man was the tax on property. As early as the fourth century B.C., the Greeks and Romans were working out definitions for terms like "property," "equitable assessment," and "administration." The property tax survived through the years despite considerable criticism, perhaps because (1) it raises revenue needed by local government units, (2) it has a certain "relevance," because it pays for services to those who are taxed (e.g. street maintenance and fire and police protection), and (3) it is easy to locate for assessing because real property is mostly fixed or immobile. Today, property taxes account for about one out of every six tax dollars collected in the United States.

In computing property taxes in Minnesota, each local taxing district — cities, counties, townships, and special taxing units like school districts — decides how much money it needs from the property tax for the coming year. This amount, called a levy, is applied against the assessed values to arrive at the mill rates required to raise necessary amounts. Then all the mill rates for a given area are applied to the assessed value of each piece of property within the area to compute the tax on that property. The property owner pays the taxes to the county treasurer, who returns the money to each local government or taxing unit in proportion to the unit's mill rate.

Not to be confused with property tax are special assessments levied on property for improvements like storm sewers, curbs, water mains, and sidewalks. Such improve-

ments may benefit the property receiving them and may increase the market value of the property, but special assessments are levied for specific projects and appear on property tax statements as a separate item.

Although the state no longer imposes or collects the property tax, it still regulates many of its aspects. Sometimes, such regulation becomes extremely complicated. For example, state law requires that all property in Minnesota must be valued at market value for tax purposes. This means that the assessor's estimated value for each real estate parcel should be the same as the probable selling price of the property, thus "equalizing" taxes for individual property owners and taxing districts. Actual practice, however, varies considerably, despite the law. Studies have shown that estimated market values in the state range from 50% to 140% of actual market value; this ratio of estimated market value to probable selling price at the time of assessment is called the sales ratio. Recognizing this variation, and recognizing its special importance to local governments and school districts, whose municipal aids and state school aids are based on the equalization principle, the state has established the Equalization Aid Review Committee (EARC). The state commissioners of education, revenue, and administration meet as the EARC to review such studies and adjust assessed values where necessary. Assessment/sales ratio studies also provide valuable information for taxpayers, assessors, the legislature, and tax administrators.

The state legislature also limits the amount of revenue each taxing unit can raise by property tax levies. The first such legislation was passed in 1971. Today, there are two basic levy limitation laws; one pertains to local governments and one to school districts. Local governments with a population over 2500 are limited to a percentage increase per year, while school districts are limited to increases based on the maximum mill rate.

There are also numerous tax advantages in the form of classifications, credits, and exemptions by which the legislature has tried to make the property tax less burdensome and more equitable. The first of these devices was classification, adopted in 1913. The legislature divided real and personal property into four classes, with the tax rate applied to varying proportions of assessed value. The home-

stead classification was adopted in 1933 to help property owners in danger of foreclosure and eviction. It was also supposed to encourage homeownership, because it reduced the tax levied on real property occupied by its owner. The homestead classification now includes mobile homes, and defines a farm homestead as up to 120 acres of land contiguous to the dwelling. The number of classifications has increased steadily over the years; currently there are more than 30. This makes Minnesota's tax system complex and cumbersome to administer, and makes property difficult to assess. Some classification of property may be desirable, but many experts deplore the results of the system: favored treatment of one group or class of property is nearly always achieved at the expense of other groups.

The Tax Reform and Relief Act of 1967 introduced the first tax credit for property owners through the homestead credit. Low-income senior citizens and renters were also given special property tax relief by the 1967 legislature. Each legislative session since 1967 has made changes in the credit. In 1973, for example, totally disabled and legally blind persons became eligible for the credit, and a special property tax "freeze" was enacted, freezing the net homestead property tax at the amount it was when the homeowner reached age 65. This freeze now depends on income.

In 1975 the legislature created the income-adjusted homestead credit. It introduced the concept of personal income as a factor in the property tax system. This was Minnesota's first "circuit breaker" type legislation, so-called because it prevents an overload on taxpayers, just as an electrical circuit breaker prevents an overload on an electric power source. It authorized the state to "pay" the taxpayer, in the form of a credit against his income taxes, if property taxes exceeded a certain percentage of household income. Renters also benefit from this circuit breaker. They may assume that 20% of their rent goes for property tax, and apply for a refund or state income tax credit. The income-adjusted homestead credit, and the other special freezes and credits, are administered through the income tax, and are further explained in that section.

Another legislative device concerns certain kinds of property which are exempt from taxation — property owned by religious, educational, charitable, and governmental entities, certain personal property, Indian lands, real and personal property used to control air, water or land pollution, and industrial commercial tools, machinery and equipment. Certain types of public utilities property are also exempt, but are subject to the gross earnings tax instead. Federally owned land is also exempt from taxation except for specific cases authorized by Congress. Some experts view exempt property as beneficial, because tax-exempt private institutions, for example, render services to the community that would otherwise have to be provided at public expense. However, in a community with a high proportion of exempt property, non-exempt taxpayers carry a heavier portion of taxation.

Minnesota's pioneering Fiscal Disparities Act, passed in 1971, acknowledges the wide differences in taxing capabilities of the more than 300 units of government in the seven-county Minneapolis-St. Paul metropolitan area. It

recognizes that benefits of local services flow across the boundaries of the taxing governments, among suburbs, between suburbs and central cities, and among school districts. It calls for pooling 40% of the growth of the commercial and industrial tax base in the metropolitan area. The pooled tax base is then redistributed to local taxing units, both governments and school districts, by a formula based on population and need.

The state legislature has also used its tax regulatory powers to try to achieve more equitable property taxation in other areas. The 1967 Agricultural Property Tax Law, known as the "green acres" law, defers tax increases and special assessments on property in urban fringe areas which is used for agricultural purposes. Although the land may increase in value because of its potential for residential or commercial use, the tax continues to be based on the value for agricultural use until it's sold or is no longer used for agriculture. It is then subject to additional taxes equal to the difference between its agricultural value and its market value for the three years of deferment immediately preceding the sale. Thus increases in land values do not discourage property-owners on the urban fringe who want to continue farming. Here too, however, tax relief granted to one group must be borne by other groups.

Two other taxing methods offered by the state and designed to encourage use of land for conservation practices are the Tree Growth Tax and the Auxiliary Forest Tax. Owners of five or more acres of forest land may apply to have their land taxed under the "tree growth" tax law instead of paying any other type of property tax on it. Charges for the land differ according to its current productivity. Land suitable for growing commercial timber, in lots of no less than five nor more than 40 acres, may be taxed as "auxiliary forests" if the county auditor approves. This levy supersedes any property tax. Salable timber or mineral interests in the land are taxed separately.

The 1975 state legislature passed a number of laws which affect property taxes. In addition to the income-adjusted homestead credit, the legislature (1) directed the state to assume 90% of non-federally funded medical welfare costs which counties had been funding primarily through the property tax. (2) increased state aid to local governments and revised the formula for distributing such aids; (3) modified tax levy limitations to reduce restrictions on local spending; (4) repealed the 5% assessment limitation on increases in property valuation so that all property assessments may be brought up to market value within four years; (5) changed homestead assessment procedures to make them more responsive to inflation; (6) increased the taconite production tax and changed its distribution formula; (7) increased the school maintenance mill reduction for agricultural property and seasonal recreational property.

Revenue from property taxes in Minnesota was estimated at \$1,001,208,000 in fiscal 1975. While this figure has been rising, it has grown smaller as a percentage of total revenues in the state, reflecting the legislation drawn to afford relief to property owners. In fiscal 1974, for the first time, the property tax lost its distinction as top revenue raiser in Minnesota, being surpassed by the combined total of personal and corporate income tax revenues.

If economists and politicians were polled on which kind of tax they preferred, most would probably choose the income tax. Economists like it because it can be structured in accordance with the taxpayer's ability to pay; politicians like it because it is a relatively easy way to raise substantial sums of money. Minnesota first levied a state income tax in 1933; today it is the state's major source of tax revenue. In fiscal 1975 it produced \$807,100,000, or about 40% of state tax revenues. Collected by the Minnesota Department of Revenue, it goes to the state treasury, where it is credited to the general revenue fund.

The Minnesota income tax is levied on most income, including wages, salaries, tips, dividends, interest, pensions, and annuity payments. Wages and salaries are taxed by withholding a specified portion; other forms of income are taxed in quarterly prepayments based on a declaration of estimated tax. By law, Minnesotans must file an income tax return if their Minnesota income exceeds a certain specified amount, the amount varying with such factors as age and marital status.

The taxpayer does not pay income tax on gross income. Instead, he pays taxes on what is called taxable income. To arrive at taxable income, the taxpayer must first compute his Minnesota adjusted gross income. This is all the money received during the year which is subject to Minnesota taxation, including any federal income tax refund, minus federal taxes paid for the year. Then the standard or itemized deductions allowable are subtracted from this adjusted gross income; what's left is taxable income.

Besides being able to reduce the net income on which taxes must be paid, the taxpayer may be able to reduce the tax itself by using tax credits. Minnesota law provides two types of credits, refundable and non-refundable. Refundable credits may be paid to the taxpayer in cash, non-refundable ones are subtracted from his tax liability. There are five *non-refundable credits*. (1) *Personal and dependent credits*, allowed since 1972, include \$21 each for the taxpayer, his or her spouse, each dependent, and the estate of a family member who has died during the year, plus an additional \$21 for the spouse if they are 65 or older. (2) *Income tax paid to other states* can be credited if the income was derived from personal or professional services, if the other state doesn't allow a credit for Minnesota residents, and if he must pay income tax to the other state on the earnings. (3) *Pollution control equipment credit* can be taken for items purchased to reduce air, land, or water pollution. (4) *Political contributions* to a party and candidate can be used as a tax credit up to 50% of the contribution up to \$12.50, or to \$25 for a married couple filing jointly. When the contribution is only to a party, the credit is \$5 for an individual and \$10 for a joint return. (5) *Low income credit* "forgives" all or part of income tax owed by the so-called "working poor." The amount of qualifying income varies according to family size, from \$4,400 for a single wage-earner to \$7,800 for a family of six or more.

There are three *refundable credits* which may be paid in cash to the taxpayer if they exceed his total state income tax liability. (1) *the income-adjusted homestead credit (circuit breaker)* — enacted by the 1975 legislature — attempts to tie property tax liability to a renter's or homeowner's income. It is based on whether the homeowner's

property tax, or the portion of property tax included in rent, exceeds a certain percentage of the taxpayer's gross income. The percentage rises with income and is determined by a sliding scale. Homeowners over 65, disabled persons, and renters may claim this credit against their income taxes or receive a cash payment if the amount due exceeds their tax liability; other homeowners can claim it only as a credit against their income tax. It does not replace the existing homestead credit allowed against a homeowner's property tax, but the income-adjusted credit is reduced by the amount allowed for the homestead credit. (2) *The property tax freeze credit* freezes a homeowner's property tax when he reaches 65. The state then pays the county any difference between the amount at which the tax was frozen and the amount due in subsequent years. The 1975 circuit breaker legislation partially removed the freeze for senior citizens with incomes over \$10,000; those with annual incomes of \$19,500 or more must pay current property taxes in full. (3) There is also an *exempt agricultural electricity credit*, which refunds sales tax paid on electricity used for farming.

Although taxpayers lament about having to pay income taxes, this form of taxation does meet a number of the common criteria for judging a tax. One of the chief advantages is that it matches the taxpayer's ability to pay, because the rate structure is progressive up to \$20,000 of taxable income, and it can be personalized through deductions and credits so that, for example, a single taxpayer with an income of \$8,000 pays more than a married taxpayer trying to support a spouse and two children on the same \$8,000.

Another feature of the income tax which is attractive to government is that it is elastic. It is the only major tax which grows faster than overall economic activity. A 10% rise in personal income can yield a 15% increase in tax collections, because as a taxpayer's income rises, he or she moves into higher tax brackets. Much of the \$200,000,000 surplus in the state treasury at the end of the 1975-76 biennium was a result of the elastic nature of the income tax. Income tax receipts in fiscal 1975 increased 15% over 1974, although the rate structure stayed the same.

Other qualities of the income tax desirable to government are its high yield and the relative ease with which it is administered.

The Minnesota income tax does have its limitations, however. Some contend that the current flat rate of taxation on incomes over \$20,000 should be changed to make the rates progressive at higher levels of income. One way to accomplish this would be elimination of the federal deductibility provision, which would raise taxes substantially for persons with higher incomes by no longer allowing Minnesota taxpayers to deduct federal taxes paid from their state taxable income. The federal rate structure is more progressive than Minnesota's, so if Minnesota eliminated federal deductibility, people in higher income brackets would see their taxable income increase by a larger percentage than people with lower incomes.

In considering the merits of this suggestion, it might be instructive to examine the impact of federal deductibility on state revenues. The federal income tax is the single

most important deduction Minnesotans make in computing their taxable income; it comprised 48% of all deductions in 1968. As a result of this deduction, 14% of gross income earned in Minnesota is not subject to Minnesota income tax. In fiscal 1967, removal of federal deductibility would have increased state tax revenues by \$87,000,000, or 34%, and by fiscal 1973, the increase would have been \$360,400,000. Given the accelerating demands on state government, it's easy to understand why the proposal to eliminate federal deductibility has strong support.

Proponents of this measure also put forward several other arguments in its favor. They claim that permitting federal deductibility makes Minnesota dependent on the federal tax system and its periodic rate changes. They also point out that if federal deductibility were eliminated, the legislature could lower the rate structure and still raise as much as, or more than, the state collects now.

An argument put forward against removal of federal deductibility is that it is unfair to tax income used to pay taxes, but supporters of the idea counter by pointing out that many other taxes are not deductible, and that taxes are simply part of the cost of living, just as goods and services are. The argument for maintaining federal deductibility is strengthened by the fact that Minnesota consistently ranks in the top ten states in income tax rates. With-

out lower rates, a rise in individual tax liabilities could become a political liability for many a state legislator.

Another criticism frequently leveled at the Minnesota income tax structure is that the family with one wage-earner is penalized, since it pays taxes at a significantly higher rate than the family with two wage-earners. This happens because Minnesota tax laws make a different distinction between married and single taxpayers than federal laws do. A family with one wage-earner who earns \$20,000, for example, pays approximately \$1,315 in state income tax, but a family with two wage-earners who together earn the same \$20,000 might pay only \$947, depending, of course, on other deductions. Those who favor the present plan contend that families with two wage-earners incur additional expenses, such as child care and transportation, which should be reflected in their tax liability. They also like the balanced contrast Minnesota taxes offer to federal taxes, which fall more heavily on the single taxpayer.

Other proposals for the income tax are concerned with simplification of forms and rates, or changes which would allow more people to use standard rather than itemized deductions. Since taxable income is based primarily on figures from federal income tax determinations, changes proposed in Minnesota are sometimes limited in impact by what happens to the income tax at the federal level.

SALES AND USE TAX

As the demand for state government services expanded in the 1960's, Minnesota had to find additional sources of revenue, and in 1967 the legislature introduced a 3% sales tax. The sales tax was part of a major tax reform and relief act, and was designed to cover revenue losses projected by elimination of personal property taxes and state property levies. In 1971, the legislature raised this tax to 4%.

Most retail sales are subject to this tax. The important exceptions are food, clothing, and prescription medicines and drugs. Sales taxes are also collected on admissions, amusement devices, furnishing of meals, drinks, and/or take-out food, hotel and motel rooms, electricity, gas, water, and certain telephone services. Coin-operated vending machines which make taxable sales are subject to a tax of 3% of their gross receipts. There is also a use tax, a sales tax primarily intended to cover purchases from out-of-state retailers. It is imposed on the storage, use, or consumption of taxable items, and serves the useful purpose of preventing Minnesotans from evading the sales tax on "big-ticket" items like large appliances, carpeting, or boats by purchasing them in a nearby state. Motor vehicles are exempt from the sales and use tax, but they are subject to a 4% excise tax collected by the Department of Public Safety.

Together, the sales and use taxes netted \$350,000,000 in fiscal 1974 and \$383,000,000 in fiscal 1975. They are expected to generate 17% of all state and local taxes during the 1975-77 biennium. Every person who leases, rents or sells taxable items at retail in Minnesota must have a Minnesota Sales and Use Permit; he must impose the tax on the buyer and report it and pay it to the state. The money goes to the state treasury, where it is credited to the

general fund.

The sales and use tax, like any tax, has both advantages and disadvantages. One of its major advantages is that it is reliable, and its yield grows automatically as the economy grows. Another advantage is that it is economically neutral — that is, it does not materially affect business decisions of either industry or labor. A third advantage is that, because it falls on the ultimate consumer, it is easy to increase or decrease the tax "take" from a given category of users. (A tax increase at any other point in production or sales would involve such things as inventory counting; and setting up new reporting and collecting procedures.) Another advantage of the sales tax in a tourist state like Minnesota is that it is also paid by visitors from out-of-state, who come to enjoy the state's recreational and vacation facilities. By paying sales tax, they help pay for many government services which benefit them, too.

The sales tax is apparently popular with taxpayers — 54% of respondents in the LWVMN telephone tax survey chose it as the "most fair" tax, and it is also popular with the tax collector. Among the reasons are these: (1) it's relatively painless, because it's collected in small and often unnoticed amounts; (2) the taxpayer is always current, never in arrears; (3) there are no lump sum payments to make or deadlines to meet; (4) the government can collect large amounts of money despite the low rate. For example, increasing the sales tax from 3% to 4% in fiscal 1971 brought in an additional \$96,000,000 in tax revenue. Politicians like the sales tax because it seems to incur less voter resistance than other taxes; businessmen like it because it doesn't interfere with how they run their business, and it doesn't take away the incentive to work.

One of the disadvantages of the sales tax is the confusion both buyers and sellers sometimes face when the specific use of an item determines whether it's taxable. If a person is buying upholstery fabric (which is taxable) to make a skirt or vest (which are wearable items of clothing and thus tax-exempt), no sales tax should be charged. The true cost to retailers of these and other collection details is hard to compute, but can be substantial. Another disadvantage of the sales tax is that it is regressive, because it taxes the poor, who must spend a large proportion of their income for necessities, at the same 4% rate as higher-income people. Minnesota tax law combats this regressive feature by exempting food and clothing from the sales tax,

although it does not exempt certain high-priced, so-called "luxury" items. Fur coats, for example, are an item of clothing, but the buyer must pay sales tax, if the value of the fur is more than three times the value of the next most costly material in the coat. In this way, relatively affluent people who buy expensive items like boats, furs, and recreational goods and services make large sales and use tax payments each year, while low income people whose earnings go primarily for such necessities of life as food and clothing make relatively small sales tax payments. Thus, though the sales tax is still regressive, it is less so in Minnesota than in many other states, except, perhaps, for the very poor and the very rich.

OTHER TAXES

Corporate Excise Tax

Every state that taxes personal incomes also taxes corporate incomes. By law, a corporation has no tax-paying ability separate and apart from that of its stockholders, so Minnesota calls its tax a corporate excise tax, and defines it as a tax on the value of the privilege of operating in the state. In contrast to the personal income tax, which is progressive, the corporation tax is proportional, in that it taxes all income at the same rate.

In fiscal 1975, Minnesota collected \$180,482,000 in corporate excise taxes. Although this was 18.2% of all income tax collected, it was only 9% of total state tax revenues, compared to 40.1% in 1941 and 16.5% in 1973. This decrease in percentage of total tax collections occurred despite an actual increase in collections. The corporate excise tax rate was increased from 7% to 12% during that period, but the addition of new taxes (like the sales tax) and increases in other tax rates made the percentage difference.

A Minnesota corporation is required to file an annual tax return if its gross income is over \$5,000 or its taxable net income over \$500. Since 1973, every such corporation must pay at least the minimum tax of \$100. Net taxable income is determined by total gross income, less business expenses paid during the year and a number of exemptions and credits. For example, there is a formula for exempting out-of-state sales from state income taxes. This formula, in effect, encourages Minnesota-based manufacturers to expand manufacturing, research and office facilities in the state, and serves as an incentive for those firms to sell finished products or services nationwide. There is also a \$500 credit for every corporation filing a return, and there are credits for dividends received from another corporation, contributions to the state and its political subdivisions (but not individuals), and contributions to nonprofit organizations operating in Minnesota. A 5% credit for the cost of buying, installing, and using pollution control equipment is allowed up to a maximum of \$50,000, with feedlot operators allowed 10% and no maximum. Taxes paid to the federal government or to foreign countries are not deductible.

Revenue from the corporate excise tax is deposited in the state treasury and credited to the general fund. Quarterly pre-payments are required if the annual tax is expected to be over \$1,000.

Minnesota's 12% rate for corporate taxes is the highest in the country, and has been a source of conflict between

Minnesota business firms and state officials in recent years. A series of articles in the *Minneapolis Star* in December, 1975, examined the issue and concluded that each side had been "overstating" its case. The series made the point that the level of public services the state provides is high enough to bring companies into the state in spite of the high tax rate. Moreover, a recent U.S. Bureau of Economic Analysis report predicts a faster growth of employment in Minnesota through 1990 than in neighboring states which have lower corporate taxes. This could seem to discredit corporation claims that high taxes are costing the state money and jobs.

An important point to remember is that the burden of corporate taxes does not fall on an impersonal business; it falls on people. The corporation's taxes are absorbed by stockholders, who receive reduced dividends, by consumers, who pay higher prices, or by workers, who receive lower wages. The specific incidence of the tax, however — who eventually pays what part of it — is controversial and difficult to measure, although economists continue to investigate this tax-shifting process in an effort to measure the tax burden on different groups in the population more accurately.

Government views the corporate income tax as providing stable, reliable growth in yield. It is easy to administer and there are few attempts to evade the tax.

Bank Excise Tax

The bank excise tax is a 12% tax on the net income of every national and state bank in Minnesota. Each bank is considered a separate corporation, even if it is part of a large bank system or group. Net income is determined just as it is determined for other corporations, with additional adjustments for certain investments and dividends. Filing requirements and tax minimums are also identical to those for corporations. This tax contributed \$15,412,000 to state revenues in fiscal 1975.

The bank excise tax is in lieu of all taxes on capital, surplus, property assets and shares. However, banks do pay the local property tax. Until 1973, part of the revenue from the bank excise tax also went to local taxing districts. Now all revenues are deposited in the state treasury and credited to the general fund.

Like the corporate excise tax, the bank excise tax is stable, grows steadily in yield, and is easy to administer and enforce. Unlike corporate excise taxes, it is not a subject of widespread criticism, perhaps because the tax rate was reduced in 1973 from 13.34% to the present 12%.

Employer's Excise Tax

Minnesota is the only state with an employer's excise tax. Enacted in 1973, this tax is imposed on payrolls over \$100,000 per calendar year. Specifically exempted are freight, express, sleeping car and taconite company railroads, incorporated public institutions, government-owned corporations, and public charitable institutions. The tax rate is two mills per dollar (.2%) on payroll excess over \$100,000, or 1% if an employer has no net taxable income. It is reported and paid quarterly, and all revenue is credited to the state general fund. Revenues from this source totaled \$15,180,000 in fiscal 1975.

The employer's excise tax is stable, efficient, economical and easily administered, but employers call it unfair. They claim it is not based on ability to pay because it does not take corporate income into consideration, and they cite it as an example of the so-called anti-business climate the state legislature has created in the state. The question of who really pays what part of this tax is unanswerable. Obviously, the costs are passed on to stockholders, employees, and customers, just as they are with corporate and bank excise taxes. Legislation to repeal this tax passed the state senate during the last session, but not the house.

Inheritance and Estate Taxes

The inheritance tax is levied when real or personal property is transferred to a new owner after the death of the original owner. The 1976 legislature made several changes in the inheritance tax law. It doubled the amount of property exempted from the inheritance tax from \$30,000 to \$60,000, extended the period of time in which the tax can be paid from one year to five when more than \$5,000 in tax is involved, removed sex designations so that the law refers to the "surviving spouse" rather than the "widow," added an "undue hardship" deferral provision, and increased the deduction which is an amount allowed for survivors' living expenses for one year.

In addition to the inheritance tax, estate taxes may also be levied on estates exceeding \$60,000, but seldom are. This is because such estates are taxed by the federal government; the state estate tax, if one is assessed, is the difference between the maximum federal credit allowed for state death taxes and those actually paid, and the difference is usually minus. Both the inheritance and the estate tax, if any, are collected by the state and credited to the general fund, but 10% is returned to the county it came from. Inheritance and estate taxes brought in \$39,209,000 in fiscal 1975.

Gift Tax

Taxes are imposed on property transferred from one person to another as a gift. Gifts up to \$3,000 in any calendar year are exempt, as are gifts to the country, state, locality, non-profit organizations and employees. Exemptions are also allowed on gifts to relatives, with the exemption increasing with the closeness of the relationship between the giver and the recipient. State income from this tax in fiscal 1975 was \$2,482,000.

Alcoholic Beverage Taxes

Minnesota charges taxes on liquor, wine, and malt beverages (beer and ale) at the wholesale distribution level, in addition to the regular 4% sales tax at retail. The tax rate for wine and malt beverages depends on the amount of

alcohol they contain. All distilled spirits (liquor), however, are taxed at \$4.39 per gallon, no matter what the alcoholic content. These taxes brought in a total of \$48,878,000 in fiscal 1975.

Cigarette and Tobacco Taxes

Cigarettes are not subject to the regular Minnesota sales tax. Instead, they have their own excise tax based on weight. This tax on a pack of cigarettes is now 18 cents, with other tobacco products taxed at 20% of the wholesale price. A small discount is allowed for large volume purchases. State income from these taxes was \$78,785,000 in fiscal 1975.

Mortgage Registry Tax

When a mortgage on real property is filed — that is, recorded by the county recorder in the county in which the transaction takes place — the mortgagee pays a tax of 15 cents on each \$100 of debt secured by the property. This tax netted \$4,672,000 for the state in fiscal 1975, with 95% of the proceeds retained by the state and 5% by the county.

Deed Transfer Tax

This tax is imposed on the transfer of all land and buildings. The tax is based on a certificate of value which must be presented before the transfer is recorded by the county auditor. Documentary stamps purchased from the auditor are used to pay the tax. Proceeds from this tax go to the state's general fund and in fiscal 1975 were \$4,197,000.

Motor Vehicle Recycling Tax

Purchasers of new or used vehicles weighing more than 1,000 pounds pay a fee of \$1 which the state uses to recycle or dispose of abandoned vehicles and scrap metal. All these dollar bills added up to \$816,000 in fiscal 1975.

Gross Earnings Taxes

Certain kinds of companies are exempted from property taxes and instead pay a percentage of their gross earnings. This includes railroads, taconite railroads and express companies, which pay 5%; freight lines, which pay 7%; and sleeping car and telegraph companies, which pay 6%. Telephone companies with annual gross earnings of \$1,000 or less pay 30 cents for each phone they have connected, while the rest pay a percentage of gross earnings based on the population of the area served (4% for rural or small town service, 7% for larger areas). The state retained all of the \$53,800,000 collected in gross earnings taxes in fiscal 1975 except for taconite railroad taxes, of which 6% is retained by the state and the remaining 94% is distributed to local government units in the districts where the taconite railroads are located.

Insurance Premiums Taxes

Taxes paid on insurance sold in the state depend on the type of insurance sold and the type of company. The tax is allowed as a credit against the corporation excise tax, and for many companies this credit reduces the amount of income tax they pay to the minimum of \$100. Domestic and foreign insurance sales companies are assessed a 2% tax on gross insurance premiums, both general and life, less returned premiums for all business received in Minnesota. In addition, all companies except mutual and township fire

insurance companies must pay $\frac{1}{2}$ of 1% on fire insurance premiums, minus returns, to maintain the office of the fire marshal. Town and farmer's mutual, mutual insurance companies like Blue Cross, and fraternal organizations like Lutheran Brotherhood are taxed only on fire, lightning and sprinkler premiums. Proceeds from these taxes in fiscal 1975 came to \$34,443,000.

Rural Electric Cooperatives Tax

Electric utilities cooperatives operating in rural areas pay a tax of \$10 per 100 members in lieu of property taxes on their lines. This tax brought in \$32,000 in fiscal 1975.

Boxing Exhibition Tax

Gross receipts from professional boxing or sparring exhibitions and receipts from lease or sale of radio, movie, and television rights to such exhibitions are taxed at 5%. The tax must be paid within 24 hours after the event, and brought the state \$18,000 in fiscal 1975.

Airflight Property Tax

This tax is levied on the flight property — that is, the equipment — of all air carriers operating in Minnesota under Civil Aeronautics Board certificates. Carriers without a CAB certificate pay a 1% aircraft registration tax or may choose to pay this tax if computations result in a lower amount. To compute the tax, the airline's total flight property value is determined. Then an amount is apportioned to Minnesota based on the airline's tonnage, time in flight, and number of revenue ton miles of passengers, mail, express, and freight flown in the state. This Minnesota portion is then multiplied by the state's average rate of property taxes to determine the tax owed. The airlines paid \$2,334,000 in taxes to Minnesota in fiscal 1975.

Severance Taxes

A severance tax is a specialized business tax imposed in Minnesota on all minerals taken out of the ground. There are three kinds of Severance Taxes — Occupation, Royalty, and Production — and there is also a Severed Mineral Interests Tax. Most of these taxes are paid in lieu of state income taxes; the exception is taxes paid on copper-nickel ores, which may be credited against state income taxes.

The *Occupation Tax* is an excise tax on the occupation of mining, and is computed at various percentages for different minerals, averaging about 15% of the value of the mineral being mined. Net proceeds from this tax in fiscal 1975 were \$9,820,000 on iron ore and \$10,235,000 on taconite. This revenue is divided between Iron Range school districts, the University of Minnesota, the Iron Range Resources and Rehabilitation Commission, and the general fund.

The *Royalty Tax* on mining is the state's share of the profits paid to the owner of the property on which the mine is located. The mining company pays at a statutory rate of about 15%, depending on the type of mineral. In fiscal 1975, net proceeds from this tax were \$1,532,000 on iron ore, \$2,356,000 on taconite, and \$2,000 on copper-nickel. This revenue all goes into the general fund.

The *Production Tax* applies only to taconite and is based on the amount produced. In 1975, the state legislature increased this tax; the current production tax of 22.5¢ per ton will almost triple by 1979, increasing to 61.5¢ a ton. In

fiscal 1975, net proceeds from the taconite production tax were \$11,952,000. This revenue is divided among the cities, towns, school districts, and counties in which the taconite is mined.

The *Severed Mineral Interests Tax* applies to the entrepreneur who owns mineral rights without owning surface rights on land which is taxed some other way, or is tax-exempt. The mineral rights are taxed at 25 cents an acre, with a minimum of \$2. Twenty per cent of the proceeds from this tax is earmarked for loans to Indians who want to start or expand a business, and 80% is distributed to local government units in the same way as general property tax revenues.

Motor Vehicle Excise Tax

Automobiles are not subject to the 4% Minnesota sales tax; they are, however, subject to a 4% tax called a motor vehicle excise tax, which is collected on sales of both new and used automobiles and trucks. Exemptions include government purchases, gifts between family members, and voluntary or involuntary transfer between husband and wife in a divorce proceeding. The motor vehicle excise tax is paid to a deputy registrar, and must be paid before license plates or a certificate of ownership can be issued. The net amount collected in fiscal 1975 was \$51,346,000. Revenues are deposited in the state treasury and credited to the general fund.

Motor Fuel Taxes

Minnesota's highway users help pay for their roads through dedicated funds, which are specific tax revenues set aside for a specific purpose. The principal sources of highway funds collected by the state are the motor fuels (gasoline) tax and the motor vehicle registration tax (license plate fee). An excise tax of nine cents per gallon on gasoline for motor vehicles operated on public highways goes to the Highway User Tax Distribution Fund, which is part of the Trunk Highway Fund. Under the so-called "62-29-9" amendment to the state constitution, ratified in the fall of 1956, 62% of the Trunk Highway Fund is allocated to trunk highways, 29% to counties and municipalities under 5,000 population, and 9% to municipalities over 5,000 population.

The highway gasoline tax netted \$142,446,000 in 1975, the motor vehicle (and aircraft) registration fee \$84,201,000. Because Minnesota is on a 90-10 sharing arrangement with the federal government on interstate highway projects and a 70-30 sharing plan on most state highway projects, the state received \$86,638,828 in federal matching funds in 1974.

The same fuels excise tax of nine cents per gallon is also imposed on marine and aviation fuels and on combustible gases and liquid petroleum products, except for petroleum substitutes manufactured from waste materials. The revenue from this part of the motor fuels excise tax goes to various state agencies depending on type of fuel. Taxes paid for off-road vehicle fuels (marine, snowmobile and aviation) may be refunded to the individual who paid the tax if he files a claim with the Department of Revenue. Unrefunded revenue collected on fuel for snowmobiles goes to the Commissioner of Natural Resources for snowmobile trail and area maintenance and construction; unrefunded marine gasoline tax monies are divided equally among the

state park development account, the game and fish fund, and the general fund for boat and water safety. Unrefunded revenues from aviation and special fuels are credited to the aviation fuel tax fund.

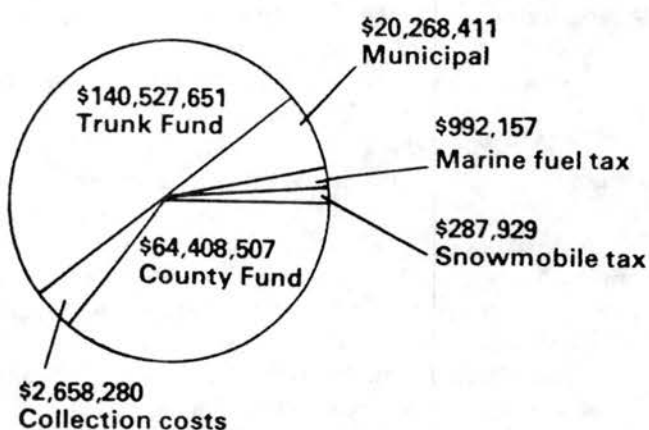
Motor Vehicle Licenses (Registration Tax for License Plates)

Minnesotans pay a variety of license and registration fees, some to support activities connected with the license (motor vehicle and game and fish), and some to simply add to state general revenues. All of them add an aspect of widespread participation to the general tax system and provide a dependable source of revenue to the state.

Motor vehicles using the public streets and highways are taxed to help pay for them. Rates vary according to the vehicle's age and use. New passenger cars are taxed at a rate of \$10 per vehicle plus 1.25% of the base value, which is the manufacturer's suggested retail price, plus destination charges, but excluding cost of accessory items or optional equipment. The base value is decreased by a certain percentage each year, reflecting the decreasing value of the car as it gets older. Other vehicles, like farm trucks, buses and recreational vehicles, are taxed according to weight, with depreciation usually starting after the third year. Licenses must be renewed every year.

Motor vehicle licensing fees brought in \$83,574,000 in fiscal 1975. They are collected by the registrar of motor vehicles, paid into the state treasury, and credited to the Highway User Tax Distribution Fund.

**HIGHWAY USER TAX
DISTRIBUTION FUND
(1974 figures)**



Motor Vehicle Operators Licenses (Driver's Licenses)

Everyone operating a motor vehicle in Minnesota must have either an instruction permit or a drivers license. As of January 1975, there were 2,455,000 licensed drivers in Minnesota. Of the three classes of license, the most familiar is class "C," the license issued to passenger car drivers. The others are for single unit vehicles (like buses) and for all other vehicles (trucks, etc.). Licenses must be renewed every four years. Minnesota residents paid \$3,859,000 for drivers licenses and permits in fiscal 1975, of which 90% was credited to the Trunk Highway Fund and 10% to the general fund.

Watercraft Licenses

There are four categories of watercraft license fees — canoes and sailboats used by non-profit organizations for teaching water safety, watercraft for rent, privately-owned watercraft, and dealers. Fees range from \$2 to \$15 for a three-year license, and are collected by the Department of Natural Resources and dedicated to administration and enforcement of water and watercraft safety laws, inspection of watercraft, and acquisition and development of sites for public access to Minnesota waters. Up to 75% of the monies may be paid to counties to defray expenses for these activities. Total yield from this source in fiscal 1975 was \$646,000.

Snowmobile Registration Fees

This fee is divided into three categories. Manufacturers and dealers pay the higher fees, snowmobile users — that is, private citizens — the lowest fee. The former must re-register annually, but private citizens register only every three years. In fiscal 1975, \$1,282,000 was collected in snowmobile fees and deposited in the state treasury for the general fund.

Boxing Exhibition Licenses

This license is in essence an amusement tax, and is in addition to the 5% tax on boxing exhibitions. It is issued by the Boxing Commission to persons conducting a boxing or sparring exhibition. The fee varies according to population and whether the exhibition is amateur or professional. A minor source of tax revenue, this fee raised \$7,000 in fiscal 1975.

Game and Fish Licenses

These licenses are required for both residents and non-residents who plan to hunt or fish in Minnesota. Costs vary according to resident or non-resident status, method of taking the animal, and type of animal, with various exemptions. Persons under 16 years of age and over 64 do not have to buy a fishing license; others with qualifying physical and mental disabilities are also exempt. The county auditor issues the licenses, retaining 10% of the fee, and sending the remainder to the Department of Natural Resources; the yield in fiscal 1975 was \$9,611,000.

Wild Rice Licenses

This license fee varies according to who is doing the harvesting, with special consideration given to Indians on certain reservations. Only Indians or other reservation residents may harvest rice on the White Earth, Leech Lake, Nett Lake, Vermillion, Grand Portage, Fond du Lac and Mille Lacs reservations. The state regulates types of boats used and methods and hours of harvesting, and also specifies how much rice can be harvested each year. 6,122 licenses were sold in fiscal 1975, raising \$22,476 for the state.

Business Licenses and Permits and Corporation Fees

There are 78 kinds of occupations or businesses which require state permits or licenses. The fees and restrictions are determined by state statutes and many are renewable annually. Revenue from these sources were \$16,100,000 in fiscal 1975. All corporations operating in the state are required to file with the Secretary of State; this fee is paid only once and yielded \$774,000 in fiscal 1975.

LOCAL TAXES

Local Cigarette Licenses

Any city or town can license and regulate retailers who sell cigarettes and cigarette paper. A county can also do so if it has no organized municipalities. The maximum annual licensing fee, set by the state, is \$12, with proceeds going to the levying body.

Sand and Gravel Occupation Tax

Clay, Wilkin and Norman counties tax persons whose business is removing gravel from pits. Proceeds go to the three counties' road and bridge funds, and are also used to restore abandoned pits.

Trust Companies Gross Earnings Tax

Trust companies must pay 6% of their gross earnings to the counties in which their principal place of business is

located. The revenue derived is distributed to local government units within the county.

Utility Companies Gross Earnings Tax

St. Paul and Minneapolis levy their own gross earnings taxes on utilities operating within their borders. St. Paul gets 8% of gross earnings on gas, steam, and electricity sold within the city; Minneapolis gets 3% of gross revenue on gas and electricity sold within the city.

Local Sales Tax

Duluth, Bloomington, Minneapolis, Rochester and St. Paul all impose some kind of local sales tax. Most involve payments for lodging, some for admissions and amusements, and one, Duluth, has a 1% "piggyback" sales and use tax which is charged in addition to the state sales and use tax.

COMPARISONS

Chart A

General Revenue of state and local governments from own sources per \$1,000 of personal income, fiscal 1973 & 1974

State	Amount (dollars)		As a % of U.S. average		Rank (among 50 states and D.C.)	
	1973	1974	1973	1974	1973	1974
U.S. average	161.36	156.83	100.0	100.0	—	—
Wisconsin	193.04	180.73	119.6	115.2	5	7
Minnesota	193.63	176.24	120.0	112.4	4	9
South Dakota	175.09	144.85	108.5	92.4	13	31
North Dakota	184.35	140.44	114.2	89.5	7	38
Iowa	156.34	139.93	96.9	89.2	26	40

Many sets of statistics are available for comparing tax revenues in Minnesota with those in other states. However, these statistics, like others, must be used with caution when making generalizations; one can almost always find supporting statistics for both sides of an argument!

Information on revenue and expenditures is compiled regularly by the Government Division of the U.S. Bureau of the Census. The Bureau uses uniform data classifications for all states and localities, but one should be cautious in using them to make comparisons among states, for the following reasons. (1) State figures are actual totals, but local government information is estimated from a random sample from each state; this makes aggregate state-local figures more reliable than local figures alone. (2) Comparing specific individual taxes or using either state or

local revenue alone can be misleading, because states vary widely in their dependence on a particular tax as a percentage of total revenue. (3) Incomes of individuals in a state may vary considerably from one year to the next, changing certain tax revenues as a percentage of the state's total revenue. (4) Some states rely on revenue primarily from tax sources, but others rely more on charges for public services and other non-tax revenue.

Some of the more meaningful comparisons can be made by using both total state and local collections per \$1,000 income and total collections per capita. (See charts A and B.) Another interesting question concerns what services the state provides in relation to its level of revenue. Chart C shows per capita general expenditures for two years.

Chart B

Per Capita General Revenue of state and local governments from own sources fiscal 1973 & 1974

State	Amount (dollars)		As a % of U.S. average		Rank (among 50 states and D.C.)	
	1973	1974	1973	1974	1973	1974
U.S. average	719.18	784.80	100.0	100.0	—	—
Minnesota	832.05	900.71	115.7	114.8	7	6
Wisconsin	812.57	859.03	113.0	109.5	10	12
North Dakota	680.64	803.61	94.6	102.4	23	19
Iowa	667.36	750.59	92.8	95.6	25	23
South Dakota	643.02	685.82	89.4	87.4	29	34

People's attitudes toward taxes and services color their comparisons of one state's taxes with another's, and are important political considerations as well. But people seldom base their attitudes on statistical knowledge. The LWVMN telephone survey showed that people do not know how the Minnesota tax system works, but they have definite ideas, nevertheless, about what is "fair" or "unfair" about the system. More than half the respondents said the sales tax, which is actually a regressive tax, is the "most fair" tax, even though many did not know which items are taxed and which are not. And of those who said the property tax was the "most unfair," many did not know how property values are assessed, or how property taxes are computed.

The charts show that Minnesotans are taxed more than residents in most states, but that Minnesota also spends a great deal per capita on services to its citizens. One reason for those high levels of taxation and public expenditure is the high proportion of Minnesotans under 18 and over 65,

two population groups who cost more to care for. In 1974, for example, 40.2% of state and local expenditures — four out of every ten tax dollars collected — went for education. Another reason is Minnesota's size in relation to where Minnesotans live and what our weather is like; Minnesota spends much more than most states do on highway building and maintenance, and on snow removal. Minnesotans traditionally have demanded a high level of services, and get them, yet only half the people in the LWVMN survey thought they were getting their money's worth, and many couldn't decide on an answer to this question.

In the final analysis, comparisons rely on each person's values and priorities of what is fair about government taxation and spending. The purpose of this "Facts and Issues" and others in the Financing State Government series is to present information, so that attitudes and values of those involved in decision-making processes may be based on fact.

Chart C

Per Capita General Expenditures of state and local governments, fiscal 1973 & 1974

State	Amount (dollars)		As a % of U.S. average		Rank (among 50 states and D.C.)	
	1973	1974	1973	1974	1973	1974
U.S. average	862.93	939.58	100.0	100.0	—	—
Minnesota	965.62	1,041.69	111.9	110.9	11	13
Wisconsin	888.88	978.56	103.0	104.1	17	16
North Dakota	804.84	889.18	93.3	94.6	25	24
South Dakota	818.44	867.42	94.8	92.3	23	26
Iowa	735.36	850.63	85.2	90.5	35	27

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Research for this publication done by Karen Anderson, Margaret Bloyer, Erica Buffington, Ervie Hasbargen, Judy McGuire, Sid Moss, and Joan Strouse. Edited by Rhoda Lewin.



FACTS AND ISSUES #4

FINANCING STATE GOVERNMENT

League of Women Voters of Minnesota

March 1977

Governmental Expenditures in Minnesota

This, the last of four Facts and Issues, is about government spending. It covers primarily state government appropriations and expenditures but also covers expenditures made at local levels of government. The reader should keep in mind that while the major portion of revenue is collected by the state, over two-thirds of all governmental expenditures in the state are made at the local level. This is possible because the state passes on revenue to local governments in the form of state aids, grants and shared taxes. Another important fact to remember is the increasing reliance on federal funds. In fiscal 1975 state and local governments in Minnesota received \$961,700,000

from the federal government.

State government expenditures are explained here by function — that is, they are divided into major categories of spending used by the federal government in tabulating spending figures for all the states. Direct expenditures are funds paid directly by the state to perform a function or service; intergovernmental expenditures (sometimes listed on budget charts as "state aids") are those spent by local units of government but received from state or federal sources. Expenditure figures are for the fiscal year July 1, 1974, to June 30, 1975. These are the most current figures available from the U.S. Bureau of the Census.

DIRECT GENERAL EXPENDITURE OF STATE AND LOCAL GOVERNMENTS IN MINNESOTA BY FUNCTION, BY LEVEL OF GOVERNMENT: 1974-75 (In Millions of Dollars)

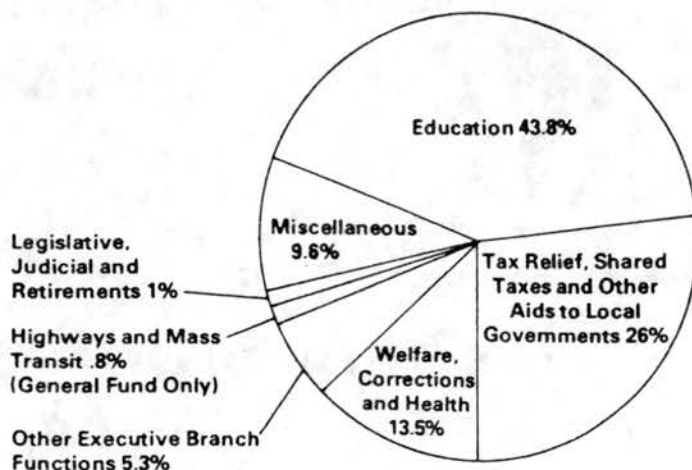
FUNCTION	STATE GOVT.	LOCAL GOVTS.	TOTAL MN.
Total	\$1,541.8	\$3,165.6	\$4,707.4
other than capital outlay	1,275.2	2,524.3	3,799.5
Education Total	576.5	1,363.6	1,940.1
other than capital outlay	502.1	1,186.2	1,688.3
Local Schools	—	1,363.6	1,363.6
other than capital outlay	—	1,186.2	1,186.2
Institutions of Higher Education	510.3	—	510.3
Other Education	66.2	—	66.2
Highways Total	258.0	278.5	536.5
other than capital outlay	91.0	150.2	241.3
Public Welfare	224.3	386.0	610.3
Health and Hospitals Total	164.9	158.4	323.3
other than capital outlay	161.0	137.1	298.0
Police Protection	12.8	98.3	111.1
Fire Protection	—	42.1	42.1
Sewerage Total	—	124.8	124.8
other than capital outlay	—	37.4	37.4
Sanitation other than sewerage	—	20.7	20.7
Local Parks and Recreation	—	84.7	84.7
Financial Administration	25.2	39.2	64.4
General Control	25.1	72.0	97.1
Interest on General Debt	40.9	137.7	178.5
All other general expenditure	214.2	359.7	573.9

Federal data on expenditures are used here because they are often used for comparisons between states. These figures include all expenditures, both for capital outlay and general operating expenses. However, government spending in Minnesota has increased since fiscal 1975, so appropriations made during the 1975-77 legislative biennium are included to give some indication of current spending. These appropriations are for two years of state operations, from July 1, 1975, to June 30, 1977, rather than for the single fiscal year covered by the Direct General Expenditures figures, and also differ from the federal figures in that the state's budget categories are sometimes quite different from federal categories.

Most appropriations are passed during the first year of the legislative biennium, but the 1975-77 Legislature passed several major appropriation bills in 1976. There are three kinds of state appropriation bills — omnibus, miscellaneous, and open and standing — and each functional area, such as education, may receive funds from several different appropriation bills. Omnibus appropriation bills are the two-year appropriations worked out for the legislative biennium and are divided into five areas of functions: education, welfare (which includes corrections and health), state departments, semi-state activities (which are only partially funded by the state), and buildings. Miscellaneous appropriations are usually single bills for a particular purpose. There are three types: 1) recurring, such as bills for claims against the state which are put together into one bill heard each year of the session; 2) non-recurring, or single-purpose, which are for onetime projects like the road to the new state zoo; and 3) new activities appropriations for experimental programs like the Freshwater Biological Institute, which may warrant a single-purpose bill at its inception but later become on-going and therefore part of an omnibus bill. The terms "open" and "standing" are also used in describing appropriation bills and refer to dollar amounts. Open appropriation bills provide authority to collect or disburse funds but contain no specific dollar amounts; standing appropriations provide a specific dollar

amount which cannot be changed without a change in the law authorizing the appropriation.

GENERAL FUND EXPENDITURES, 1975-77 BIENNIUM
ESTIMATED TOTAL: \$5,027,849,069



STATE APPROPRIATIONS

An indication of the relative size of each functional area of state government is shown by the General Fund Expenditures Chart. The trend toward state sharing of revenue with local governments is seen by the large portion allocated as aids to education and local governments. Property tax relief, shared taxes, and aids to local units of government, in a variety of forms, accounted for over 60% of total disbursements of the state during the 1975-77 biennium. This is a dramatic increase compared to the 1965-67 biennium figure of 45%. The chart shows only a small portion of the general fund being used for highways. Actually, the state spends a larger portion for transportation, but the money comes from constitutionally dedicated funds rather than from the general fund. In 1975 highways accounted for about 11% of spending by all governments in Minnesota; the state spent about half of this percentage.

EDUCATION

Since its earliest days, Minnesota has demonstrated its concern for education. In 1849 a territorial law provided for common schools open "to all persons between the ages of four and twenty-one free," and by 1878 the principle of state aid for high schools had been established. The state has also demonstrated its concern for education through generous funding; for the 1975-77 biennium the Legislature appropriated over \$2.2 billion, or 40.6% of its total

appropriations, for education.

The Education Appropriations table shows the growing magnitude of state aid to schools. However, it is interesting to note that although the amount appropriated for education has increased dramatically, it has declined as a percentage of total state spending. This is because there have been even greater increases in other areas of state spending.

EDUCATION APPROPRIATIONS, SELECTED YEARS

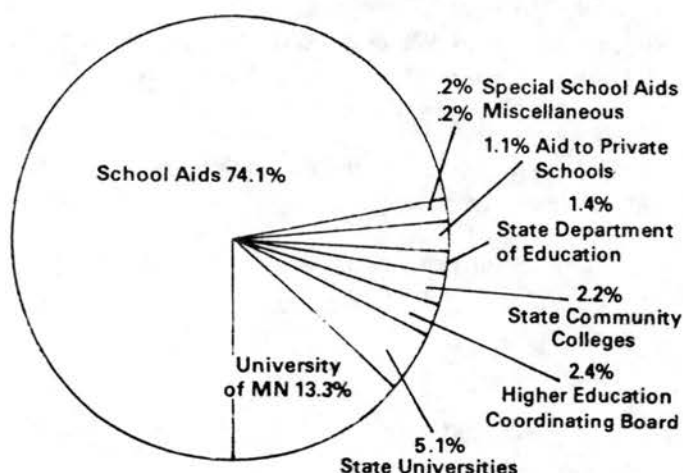
BIENNIUM	TOTAL STATE APPROPRIATION FOR EDUCATION	EDUCATION APPROPRIATIONS AS A PER CENT OF TOTAL STATE SPENDING	PERCENTAGE INCREASE
1959-61	\$ 335,576,572	63.6	
1961-63	404,502,803	63.5	20.5
1963-65	455,988,185	63.8	12.8
1965-67	546,816,570	54.3	20.0
1967-69	717,374,019	52.2	31.2
1969-71	1,057,766,539	41.9	47.4
1971-73	1,678,394,875	51.0	58.6
1973-75	1,756,025,750	44.2	4.6
1975-77	2,269,090,121	40.6	29.2

The Legislature uses all three kinds of appropriation bills in authorizing spending for education. Each biennium it passes an omnibus education bill which contains the bulk of appropriations for education, including foundation aid for elementary and secondary schools, funds for post-secondary education, and money to operate the State Department of Education. It also makes open appropriations for education. In the 1975-77 biennium these included funding for a work-study program at the state universities and community colleges and for tuition reciprocity agreements with North Dakota, South Dakota, and Wisconsin. The Legislature also makes special appropriations for education. In the 1975-77 biennium, these included aid for districts experiencing fluctuating enrollment and aid to non-public schools.

The \$2,269,090,121 which the 1975 and 1976 Legislatures appropriated for education, an increase of almost 30% over the 1973-75 biennium, still does not represent the total education budget for the state. It does not include \$203,891,342 in federal funds made available to the schools, nor does it include \$164,111,709 received by the University of Minnesota, state universities and community colleges in the form of tuition and course fees, or \$83,285,525 in University Hospital receipts. All of this money, over \$450 million, was or is being spent on education in Minnesota.

To get some idea of the size and complexity of education appropriations, it may be helpful to look at some of the items included in that \$2.2 billion legislative appropriation for 1975-77.

STATE EDUCATION APPROPRIATIONS, 1975-77 BIENNIUM:
TOTAL: \$2,269,090,121



The Department of Education, which received \$32,669,616 in the 1975-77 biennium, sets requirements for and certifies teachers and administrators, designs curricula for elementary and secondary schools, and supervises the health and safety of students. The Department also supervises aid for libraries and school lunch programs, among other functions.

School aids, accounting for almost three-fourths of the 1975-77 appropriations, went mainly for foundation aids for elementary and secondary schools (see MINNESOTA VOTER, January, 1975). These so-called foundation aids, which are based on the number and grade level of students

in each school, accounted for almost \$1.2 billion of the money appropriated. Other large items include transportation, which received \$129,483,000; special education, \$89,275,600; post-secondary vocational schools, \$138,600,000 (combined foundation and other aids), and community education, \$2,800,000.

For the community colleges and state universities, the major appropriation went for maintenance and equipment, a budget category which covers operating costs and includes salaries. At the community colleges, maintenance and equipment was funded at \$48,622,527; at the state universities, \$107,527,466; and for the University of Minnesota, \$246,000,000. The University also received over \$10 million for its Agricultural Extension Service, over \$9 million for agricultural research, and smaller amounts for a host of other activities.

TRANSPORTATION

There are more than 12,000 miles of state trunk highways in Minnesota and approximately 30,000 miles of county state aid highways, 15,000 miles of county roads, 56,000 miles of township roads, 12,000 miles of municipal streets, and 2,000 miles of Indian reservation roads and other federal roads. Taking care of them involves continual planning, construction and maintenance, financed by a combination of local, state and federal funds. The Department of Transportation (DOT) was formed in November, 1976, and includes the Highway Department, Aeronautics Department, and the transportation-related functions of the State Planning Agency and Public Service Commission.

Until 1961, sufficient funds were available from the Highway Users Tax Fund, established by Constitutional amendment in 1920 as a repository for funds generated by excise taxes on motor vehicle registrations and gasoline. In 1961, however, the Legislature found it necessary to appropriate an additional \$18,741,695 for costs associated with construction of the new Interstate highway system. By the 1973-75 biennium, the Highway Department had grown in size and scope to include a legal staff, a research and standards program, a planning and programming department, and a staff to administer state aids. The omnibus highway appropriation for the 1973-75 biennium totaled \$183,549,941.

The main reasons for the rapid growth in spending for transportation has been the continuing demand for adequate and up-to-date roads and the rising cost, nearly 40% from the 1975 to 1977 biennium, of building and maintaining roads. Another reason is environmental and ecological considerations like noise abatement, conservation of natural resources, highway beautification, and restoration of land from which highway materials are extracted.

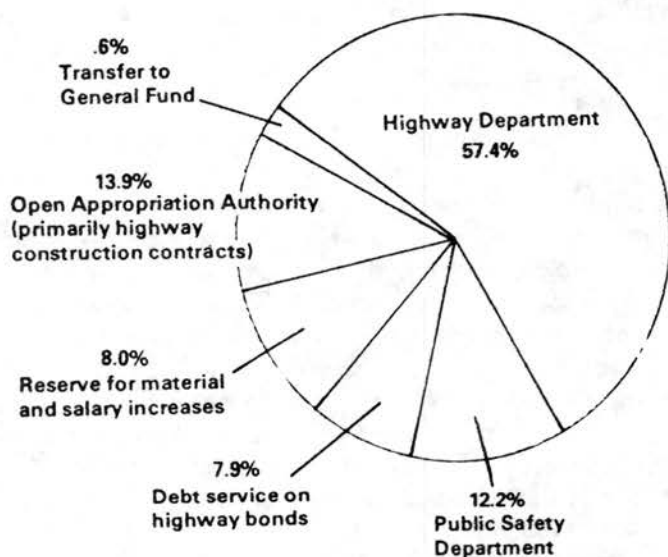
The \$207,000,000 omnibus highway appropriations figure for 1975-77 does not tell the whole story of DOT expenditures, which are estimated at \$830,481,600 for the biennium. This expenditure figure includes \$575,500,000 from the Trunk Highway Fund, of which \$215,000,000 are federal funds and \$322,100,000 are estimated income from the motor vehicle registration fee and the gasoline excise tax, which the Legislature increased in 1975 from 7¢ to 9¢ per gallon. The state General Fund can also be drawn on

for highway dollars, and it was in 1976, when \$25,000,000 was transferred from the General Fund for bridge construction. There have also been single-purpose appropriations during the current biennium. \$28,100,000 was appropriated in 1975 to fund public transit, including a demonstration public transit program and a Metropolitan Council study of Interstate highway routing in Minnesota, and in 1976 extra funds were voted for an access road to the new zoo, for Interstate rest facilities, and for organization of the DOT.

Part of the income from the gasoline excise tax and motor vehicle registration tax is distributed to local governments as state aids. An estimated \$197,800,900 of these tax monies, plus an estimated \$10,000,000 in earned interest on investments, are being divided in the 1975-77 biennium between the County State Aid Highway Fund and the Municipal State Aid Street Fund, as provided in the state Constitution. Some \$157,100,000 will go to 87 counties, and another \$50,700,000 will go to 101 cities for highway and local street work outside the trunk highway and Interstate systems.

DISTRIBUTION OF TRUNK HIGHWAY FUNDS, 1975-77 BIENNIUM TOTAL: \$575,700,000

(The Trunk Highway Fund includes primarily revenue from the Highway User Tax Distribution Fund, Federal Funds and Driver's License Fees — see Facts & Issues #2, p. 7)



WELFARE

The Department of Welfare supports a variety of programs. A combination of federal, state and county funds is used to finance welfare activities and services.

The 1975-77 omnibus appropriation bill for welfare was \$599,273,540. This figure was supplemented by an additional \$14,713,000 appropriation by the 1976 Legislature, bringing the state's total appropriation to \$613,986,540. When federal funding for state welfare expenditures, \$679,671,752, and estimated unreimbursed county appropriations of \$252,466,062 are added, the total budget for welfare in Minnesota for the 1975-77 biennium comes to \$1,646,124,354.

Three major program areas constitute 59.4% of the

1975-77 biennium welfare appropriations made by the state Legislature.

First are the three big public assistance programs which are Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and Medical Assistance (MA). AFDC is provided through counties to qualifying families who are eligible because of low or no income and a lack of other assets. The federal government pays about 57% of AFDC, the state pays half of the remainder, and the counties the other half through property tax levies. SSI is paid to Minnesota residents who are aged, blind or disabled and get welfare aid directly from the federal government. These supplements are financed 50% by the state and 50% by the county. Medical Assistance payments are made to medical vendors (nursing home operators, physicians, dentists, druggists) on behalf of welfare recipients and others who are eligible because they lack resources to pay for medical care. The federal government pays about 57% of MA, the state pays 90% of the remainder, and the county pays the rest.

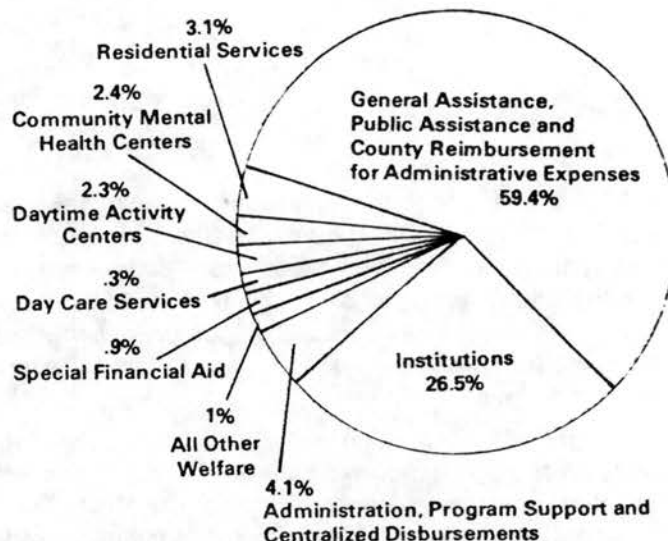
There are also two general assistance programs in operation. General Assistance Maintenance consists of cash payments to eligible poor persons who do not qualify for AFDC or SSI. This program is financed 50% from state funds and 50% from local funds. General Assistance Medical payments are made to medical vendors on behalf of medically indigent persons who do not qualify for federally assisted aid because they do not qualify as present or potential AFDC or SSI recipients. The state finances 90% of this program, and the counties finance 10%.

The state also reimburses counties for 50% of certain administrative expenses for public assistance programs.

Another large portion of the 1975-77 welfare appropriation (26.5%) goes to ten state hospital complexes, two special schools (Braille and Sight Saving School, and the School for the Deaf) and two state-operated nursing homes.

One of the main reasons for recent increases in the state welfare appropriations is that the state is taking over an increasing share of the welfare payments.

APPROPRIATIONS FOR WELFARE, 1975-77 BIENNIUM TOTAL: \$599,273,540



HEALTH

State health services take another substantial cut of Minnesota's budget. This is due in part to the recognized need for more preventive health services, and in part to the rising costs of medical services in the private sector.

Appropriations to the State Board of Health and for health-related activities total \$20,950,300 for the 1975-77 biennium, more than double the approximately \$9,600,000 appropriated in 1973-75. The chart shows health appropriations by function.

Appropriations by Function

Health Services (persons and preventive)	\$11,706,400
Health Systems and Quality Assurance.	2,016,600
Management, Planning and Information Services	2,374,000
Dental Health for Elderly	142,500
Water Filtration and Purification System Grants .	2,500,000
Cystic Fibrosis — Adult	80,000
Nutritional Program — Women and Children . . .	1,000,000
Health Related Boards	1,130,800

The Department of Health also received additional state funds during the 1976 legislative session totaling \$3,393,128, as follows:

Additional Appropriations — 1976

Comm. Health Education (subsidies and grants)	\$2,700,000
Administration of Community Health Services . . .	50,000
MN Hospital Administration Act of 1976	125,000
Office of Health Facilities Complaints	67,000
Preventive and Personal Health Service.	249,826
Health System Quality Assurance	164,302
Board of Dentistry.	37,000

Several of these are new activity appropriations, like the nutritional program for mothers and children. If such programs are continued, they will be added to future omnibus bills.

CORRECTIONS

The corrections field is currently an extremely controversial one, with the debate over determinate sentencing, concern about sentencing and parole policies, and the possibility that one or more state correctional facilities might have to be closed or undergo extensive rehabilitation. The budget requested by the Department of Corrections (DOC) for the 1975-77 biennium was reduced by slightly over \$2,000,000, but even so, the omnibus appropriation bill for correctional activities was \$64,496,045, an increase of \$18,273,348, or 39.5%, over the 1973-75 appropriation.

Of this total, \$38,844,300 was appropriated for operation of the Department's seven correctional facilities. Administrative costs accounted for \$10,000,000, an increase of slightly over 50% from the previous biennium, due to increased staff at the departmental offices and at institutions as well as cost of living pay increases. \$2,312,000 was allocated for health care of inmates in or outside correctional facilities, \$278,600 to the Corrections Ombudsman's office, \$425,000 to Community Corrections Centers, and \$7,369,900 was set aside for grants under the Corrections Subsidy Act for counties wishing to develop and operate community-based correctional systems. Five counties were participating by the end of 1976, and the DOC esti-

mated that 20 additional counties would be involved by the time the biennium ended on June 30, 1977.

In 1975 the Legislature authorized the Corrections Commissioner to utilize corrections facilities in what he feels is the most efficient and beneficial manner. This will allow the DOC to convert some juvenile facilities to adult use and make other program changes, but the law forbids closing the Minnesota State Prison at Stillwater or the St. Cloud Reformatory with legislative consent.

The 1976 Legislature appropriated additional monies for corrections, supplementing the Ombudsman's budget by \$10,000, and voting \$2,400,000 for repairs and improvements at correctional institutions.

JUDICIAL

The judicial appropriation is one of the smallest in the entire state budget, totaling \$9,402,841 for the 1975-77 biennium, or .16% of state spending. This was augmented by \$103,310 from federal funds.

The Supreme Court appropriation for the biennium was \$2,836,264. The District Court appropriation was \$5,351,080, which went for basic salaries of the 72 District Court judges. In Hennepin, Ramsey and St. Louis Counties, each district judge receives an additional \$1,500 from county funds.

The remaining judicial appropriations for the 1975-77 biennium were distributed as follows:

State Public Defender	\$579,500
State Law Library	423,028
Commission on Judicial Standards	73,704
Judicial Councils.	6,000
Tax Court	133,264

NATURAL RESOURCES

This department is concerned with land use and seven natural resources — air, sunshine, water, soil, forests, minerals and wildlife. As our population and degree of urbanization has increased, so have concerns over preservation of these natural resources.

The Department of Natural Resources (DNR) was reorganized in the past biennium in an attempt to reach the people of Minnesota more directly through regionalization and decentralization. Instead of a central office made up of a number of separate divisions, DNR now has a regional structure that divides the state into six geographical areas, each with a regional director responsible for all resources (parks, wild life, fisheries, recreation, forestry, water, etc.) in his or her area.

Leadership still comes from the state office through planning, research and administrative services. The planning and research division includes environmental planning and protection, enforcement, fish and wildlife, forestry parks and recreation, water, soils and minerals. Administrative services include engineering, field services, fiscal, license, management information systems, office services and personnel.

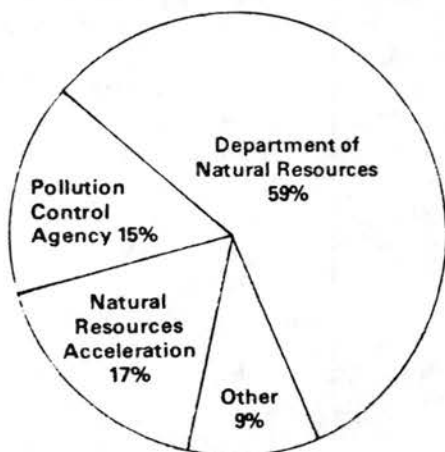
Three other major sections also operate out of the Commissioner's office. These are the Bureau of Land, the Bureau of Information and Education, and the Soil and Water Conservation Board. The Bureau of Land acquires land for state parks, state forests, wildlife preserves or other purposes. It also trades land with other government agencies or private owners and can sell or lease out state

land. During the 1973-75 biennium, land transactions involved 12,065 acres valued at \$507,605. The Bureau of Information and Education plans, produces and distributes materials about Minnesota's natural resources and environment. The Soil and Water Board, an independent agency until 1971, when the Legislature made it part of the DNR, has statutory powers to provide administrative, coordinational, educational and financial assistance to the 92 soil and water conservation districts in the state. Unlike many departments, the DNR does not have its own legal department. Its legal matters are handled by a Deputy Attorney General and Assistants provided by the State Attorney General.

The Legislature appropriated \$121,444,579 for natural resources in 1975 and added another \$8,145,750 in 1976, to bring the total to \$129,590,329 for the 1975-77 biennium. This is 68.65% more than was appropriated for the 1973-75 biennium. This increase is due to public awareness and concern for preserving our many natural resources, which the Legislature translated into increased funding and new appropriations.

Funds provided for natural resources acceleration by the 1975-77 Legislature totaled \$23,133,650. This was for acquisition and development of state lands and trails, state forests and wildlife habitat, grants-in-aid for local recreation and natural areas, regional recreation and natural areas, and other specific acquisition and development projects. The Minnesota Pollution Control Agency was appropriated \$20,014,669 for the 1975-77 biennium, over half of which was for grants to cities and state agencies for water pollution control and sewer construction projects.

APPROPRIATIONS FOR NATURAL RESOURCES, 1975-77 BIENNIUM
TOTAL: \$129,590,329



AGRICULTURE

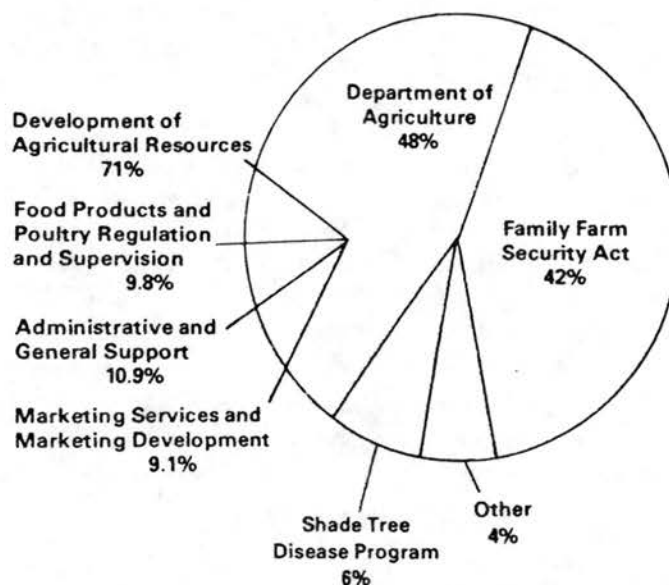
The Minnesota Department of Agriculture enforces laws which protect the public health and works to prevent fraud and deception in the manufacture and distribution of foods, animal feeds, fertilizers, pesticides, seed and other items. In addition to the regulatory powers assigned by law, the Commissioner of Agriculture has the power to

enact rules, definitions and standards to explain and clarify the laws, or to cope with changing conditions.

Prior to January 1, 1976, this Department was organized into four major program areas for budget purposes. It is now organized into three basic functional areas: farm production, food processing and staff. Each is headed by an Assistant Commissioner who reports directly to the Commissioner and who has both responsibility and authority for his area's activities.

The 1975-77 Legislature appropriated \$25,666,159 for agriculture, which included \$12,409,508 for the Department of Agriculture and \$10,874,300 for the 1976 Family Farm Security Act, to be used to guarantee loans for the purchase of land by beginning farmers. The Legislature also appropriated \$50,000 for a farm census and \$1,595,000 for shade tree disease control, which was for assisting local governments in expanding their programs.

APPROPRIATIONS FOR AGRICULTURE, 1975-77 BIENNIUM
TOTAL: \$25,666,159



GOVERNOR

The 1975-77 Legislature appropriated \$3,457,683 for the Governor. This appropriation covers staff and administrative activities of the office, security protection for the Governor and government buildings, and commissions the Legislature has directed the Governor to oversee. Some of these commission expenditures are contributions to interstate programs which include Minnesota; others are purely Minnesota expenditures, like the \$240,000 allocated to the Bicentennial Commission for grants to local projects.

The Governor's budget grew 57% between the 1973-75 and 1975-77 bienniums. Increases in staff and in salaries to keep pace with inflation account for a major part of this budget growth. A 1976 memorandum from the Governor to the Department of Finance promised no further increases in the Governor's staff during the next biennium.

APPROPRIATIONS FOR THE GOVERNOR, 1975-77 BIENNIUM
TOTAL: \$3,457,683



GENERAL STATE GOVERNMENT

Appropriations to General State Government are for state departments and agencies which do not have a separate classification in the budget, a carry-over based on the old Auditor's code. Appropriations in this category more than doubled between the 1973-75 and 1975-77 bienniums, to a total of \$157,880,333. Much of this increase funded new or expanded programs.

The Minnesota Housing Finance Agency (MHFA) accounted for the largest share of the General State Government appropriation. The MHFA was established in 1971, with a \$250,000 appropriation, to be a self-supporting agency financed by service fees and investment income. However, the MHFA received \$34,200,000 from the Legislature in 1975 to provide grants and low-interest loans for home rehabilitation and to develop housing delivery systems for low-income households, native Americans and the elderly.

The Department of Revenue received some \$34,000,000 to discharge its duties which include supervising the administration of all state taxes and aids to local governments, directing proceedings against tax law violators, collecting and distributing information on property assessments and revenues, and formulating legislation to improve the system of assessment and taxation in the state, such as the circuit breaker for property tax relief.

The Department of Finance budget grew 346% between the 1973-75 and 1975-77 bienniums, reflecting in part new budgetary and management responsibilities transferred to it from the Department of Administration. The Department of Finance also keeps general account books for the state and supervises the general accounting system used by all state agencies and departments.

The Department of Administration's 1976-77 budget increased 61% over the 1973-75 budget, even though some of its functions were transferred to the Department of Finance. Several new programs in the Department of Administration were funded in 1975-77, including programs for car pooling, energy surveys, and improve-

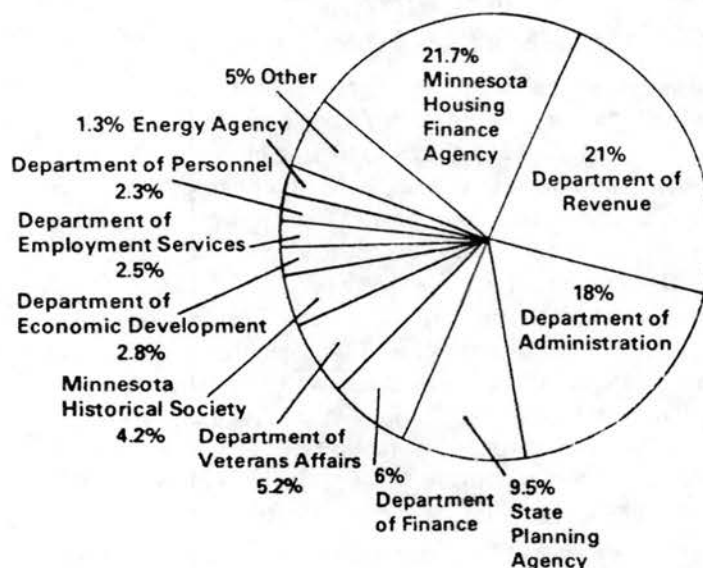
ments in government buildings. This Department also works to improve state programs and management of those programs and provides the general services and support services necessary for day-to-day operations of state government, such as procurement and purchasing of materials.

The Energy Agency, created in 1974, grew 432% during the 1973-75 and 1975-77 bienniums, from \$380,000 to \$2,023,423. This rise reflects the increase in the number and scope of energy programs. The Energy Agency promotes energy conservation in state buildings, disseminates energy conservation information to the public and works to develop alternative energy sources.

The State Planning Agency, created in 1965, has broad authority to engage in comprehensive state-wide planning, to harmonize activities at all levels of government and to render assistance to all government levels. Its budget grew 332% between the 1973-75 and 1975-77 bienniums, reflecting in part a 310% increase in the Environmental Quality Council budget, the addition of several new environmental planning activities, and a \$3,250,000 appropriation for railroad line rehabilitation. Most of the \$2,500,000 appropriated for land use planning and the \$75,000 for training of local public officials went to local governments in the form of grants, as did another \$2,062,000 for regional and local assistance.

Localities received \$800,000 through the Secretary of State's office to cover the costs of election-day voter registration.

APPROPRIATIONS FOR GENERAL STATE GOVERNMENT 1975-77 BIENNIUM
TOTAL: \$157,880,333



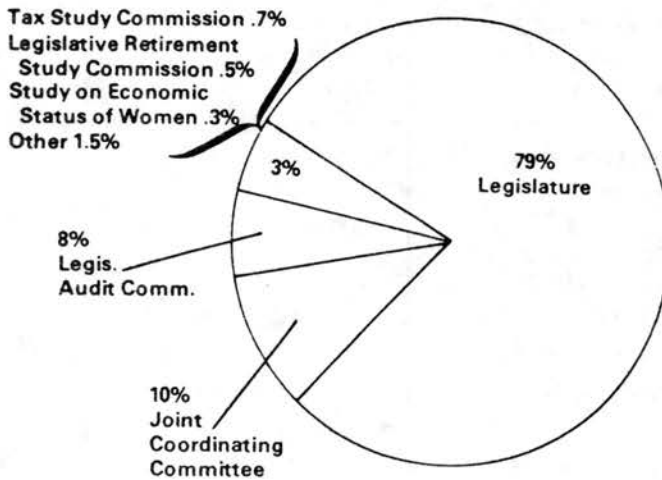
LEGISLATIVE

Appropriations to finance the Legislature increased 36% during the 1973-75 and 1975-77 bienniums, to \$26,808,462. This reflects increased salaries and the addition of new activities during the 1975 and 1976 sessions, including the Legislative Audit Commission and a study of the economic status of women.

The Legislative Audit Commission was created to audit the finances of all state departments and agencies at least once a year and to evaluate state-funded activities and programs to determine how well they accomplish their goals and objectives.

Although 79% of the appropriations in this category went to the Legislature, only 16% of this total covered legislators' salaries and insurance benefits. The balance was for travel and per diem expenses of legislative members, staff salaries, printing of bills and journals, and miscellaneous expenses.

APPROPRIATIONS FOR LEGISLATIVE ACTIVITIES, 1975-77 BIENNIUM
TOTAL: \$26,808,462



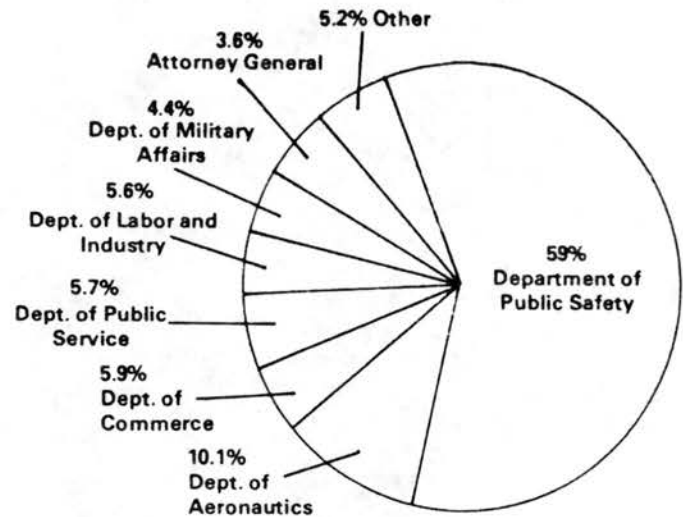
PROTECTION TO PERSONS AND PROPERTY

Appropriations to the state agencies and departments in this category during the 1975-77 biennium increased only 25% over the 1973-75 period, totaling \$119,365,269. Agencies and departments in this budget category include the Attorney General's Office and the Departments of Military Affairs, Labor and Aeronautics, and Public Safety. The Department of Public Safety received the largest single appropriation, some \$71,000,000, a 27% increase over the previous biennium; its major ongoing activities include motor vehicle inspection and licensing, the sheriffs' teletype network, and the Crime Victims Reparation Board. \$1,260,814 was also appropriated to this Department in 1976 for new programs including alcohol safety, bicycle registration and graphic design for license plates.

There was a 34% increase in the Department of Aeronautics budget. Half of this Department's budget went to the construction and improvement of Key Systems Airports (airports being used by or intended to be used by large, multi-engine and jet aircraft), a 115% increase over 1973-75.

Localities were granted \$3,289,293, including \$2,519,293 for a teletype communications network, \$700,000 for training peace officers, \$60,000 for air warning systems, and \$10,000 to the local airport at Orr.

APPROPRIATIONS FOR PROTECTION TO PERSONS AND PROPERTY
1975-77 BIENNIUM TOTAL: \$119,365,269

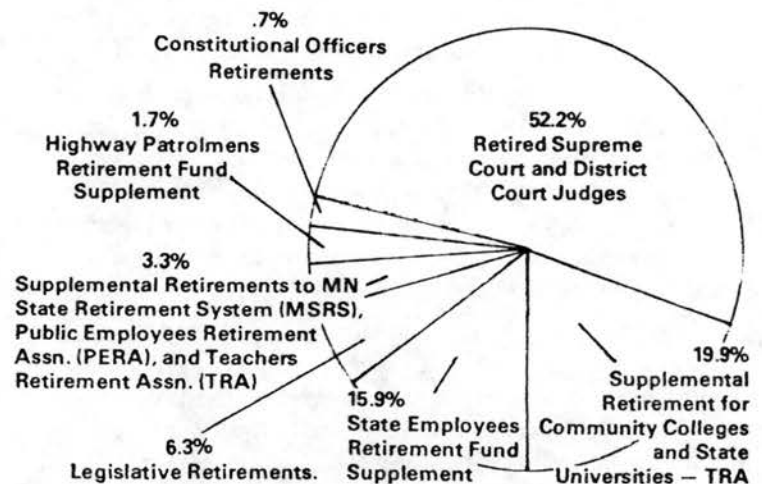


RETIREMENT

Pension funds were a "fringe benefit" developed after the World War II wage freeze to make public employment and public service more attractive and more competitive with higher salaried private sector jobs. However, the matching contributions made by employees and employers to pension funds have not been enough to finance retirement benefits, for several reasons. One is that the original programs required only a five-year investing period, so that early retirees collected far more than they contributed, and another is that benefits have been increased to counter inflation and to meet the demands of new public employee unions. Financing of public pension funds will become even more difficult as the pool of contributing employees shrinks relative to the large number of future retirees in the "baby boom" generation.

Supplemental appropriations are made by the Legislature to offset some of the accrued liability. Appropriations for supplements to state and local pension funds and to fund retirement programs for judges and legislators increased 156% between the 1973-75 and 1975-77 bienniums, from \$5,439,460 to \$13,918,436.

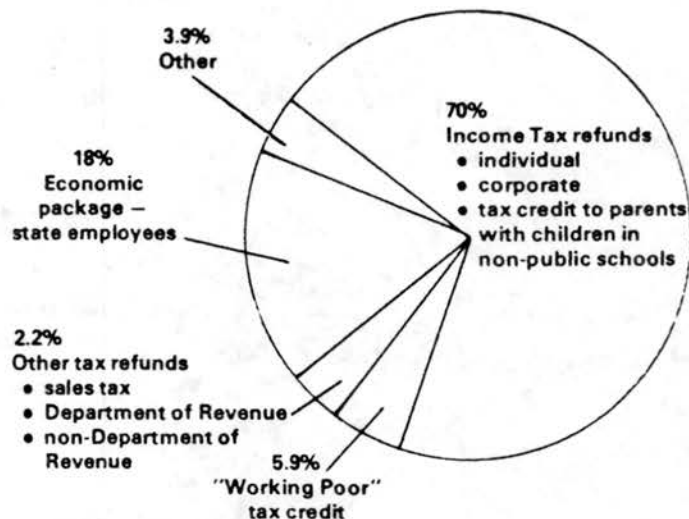
APPROPRIATIONS FOR RETIREMENT PROGRAMS AND PENSION FUNDS
1975-77 BIENNIUM TOTAL: \$13,918,436



MISCELLANEOUS

Items in this budget category are those which are not or cannot be charged to an operating department. One example is tax credits or refunds, which increased 30% between the 1973-75 and 1975-77 bienniums. Another is the General Fund Contingent, which was transferred from the Legislative budget to the Miscellaneous category in 1976 because it does not reflect legislative spending. This \$4,000,000 fund, which increased 86% between the 1973-75 and 1975-77 bienniums, is used as needed to supplement funds appropriated to state programs. The Miscellaneous category also includes appropriations made for salary and benefit increases for state employees. The total budget for this category in 1975-77 was \$530,394,506.

APPROPRIATIONS FOR MISCELLANEOUS EXPENDITURES 1975-77 BIENNIUM TOTAL: \$530,394,506



FINANCING LOCAL GOVERNMENT

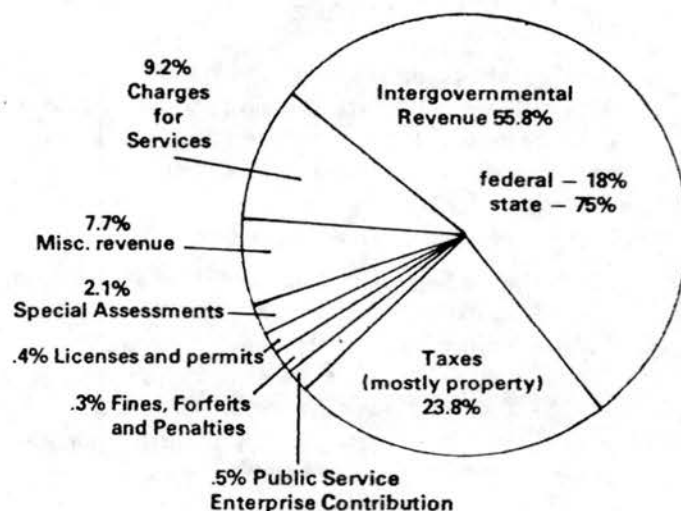
Minnesota had 3,388 local units of government in 1976, each an agent of the state and subject to varying degrees of control by the state. There are 87 counties, 855 cities, 1,798 townships, 436 school districts, and 211 miscellaneous special tax districts, such as the Metropolitan Council and the Mosquito Control District. All are required by the state to provide certain services, and all have some taxing power, although the state imposes certain restrictions on raising of revenue and on the rates levied. Together, these units received revenue of \$3,870,779,772 in fiscal 1974-75, of which 20% went to counties, 17% to cities, 1% to townships, 37% to school districts, and 23.6% to other agencies (including metropolitan agencies, housing authorities, and the University of Minnesota).

In recent years there has been a marked change in the relative importance of property taxes and intergovernmental revenues, which are revenues received from the state and federal government, in financing local government. In fiscal 1963-64, 67% of local revenues came from property taxes and only 15% came from intergovernmental revenue. Today the figures are almost reversed, as in fiscal 1974-75, when 23.8% came from property taxes and 55.8% from intergovernmental revenue. This decline in the importance of property taxes as a source of local revenue is a national trend.

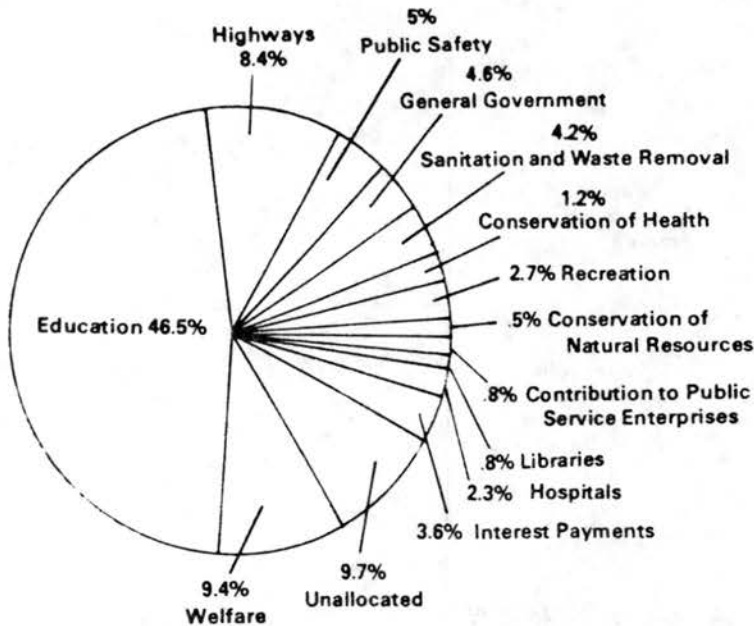
The changing emphasis on who collects the tax money and who spends it stems from a number of causes. One was the need for property tax relief, which led the 1971 Legislature to, in effect, enact such tax relief by limiting the total dollar amount local governments might levy, although certain additional special levies and assessments outside the overall limit were allowed. This levy limitation law applies to all county governments, cities of 2,500 population or more, and towns of 2,500 population or more with statutory powers.

Another important piece of legislation in 1971 which changed the collection and distribution of tax monies was the local government aid law. This law, which has been amended several times, provides for regular quarterly payments to counties, cities, towns and special tax districts in accordance with a statutory formula. The formula takes into account population, average mill rate for the past three years, and the aggregate sales ratio. In fiscal 1976-77 the state will pay out \$171,258,145 in local government aids, and will also make intergovernmental payments in the form of property tax relief, shared taxes (inheritance and taconite and occupation taxes) and other grants and special aids. All of these bring the amount appropriated to local governments by the 1975-77 Legislature to \$1,342,140,288, a figure which would be far larger if it included aids to school districts.

TOTAL REVENUE OF LOCAL GOVERNMENT UNITS IN MINNESOTA, FISCAL 1974-75 TOTAL: \$3,870,779,772



**TOTAL EXPENDITURES OF LOCAL GOVERNMENT UNITS IN MINNESOTA,
FISCAL 1974-75 TOTAL: \$3,863,976,294**



**Combined Expenditures of all
Local Governmental Units**

Local governments collectively spend much more money than the state government does on its own operations. Total expenditures for fiscal 1974-75 for all local government units in Minnesota amounted to \$3,863,976,294, representing an increase over the preceding 10 years of 146%. The largest dollar increase in expenditures was for education, which accounted for 46.5% of total expenditures. Next in amount spent was welfare, which accounted for 9.4% of total expenditures; county governments today spend some 99% of all welfare funds.

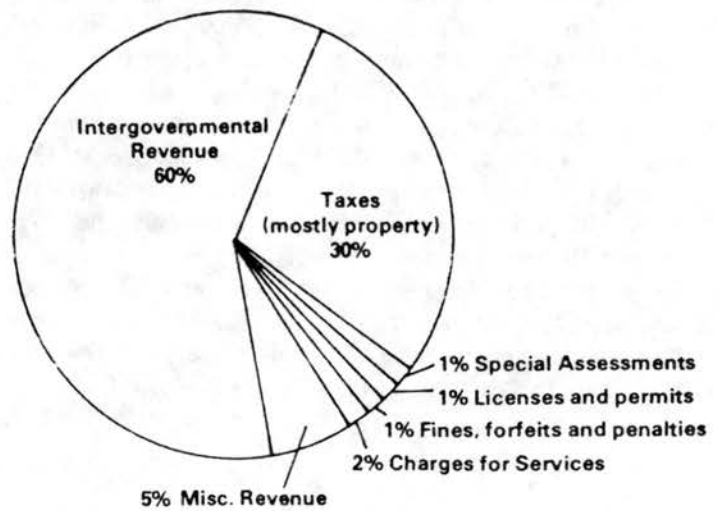
Counties

Minnesota's counties vary in size from Ramsey county's 160 square miles to St. Louis county's 6,281 square miles. Their populations range from 3,574 people in Cook county to 960,000 in Hennepin county. The 1974 total assessed valuation of property ranged from Lake of the Woods county's \$18,250,000 to Hennepin county's \$9,734,200,000.

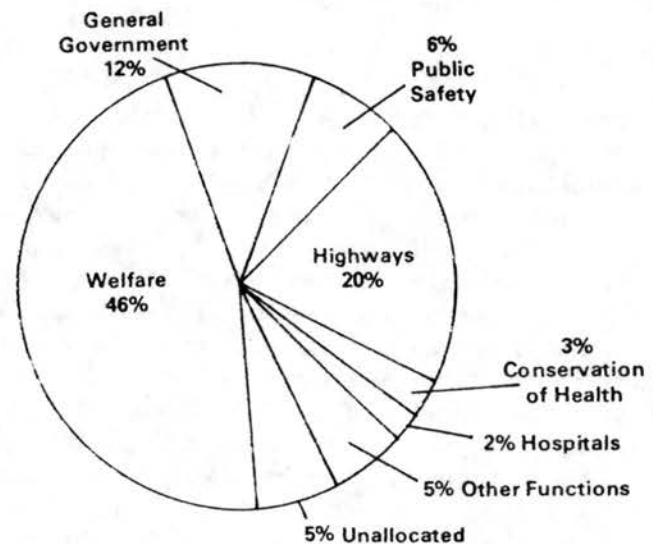
Counties are responsible for administering such functions as rural secondary roads, county courts, certain welfare, health and education services, shorelands management and solid waste management systems. They also have authority for law enforcement, administration of elections and tax levies, and planning and zoning.

During the ten-year period between 1964 and 1974, total revenues and expenditures of counties more than tripled, but this was due in large measure to a shifting of responsibilities for welfare payments and other items. Counties had \$785,734,980 in total revenue in fiscal 1974-75, about 30% of which came from local property taxes and special assessments and 60% from intergovernmental revenue.

**REVENUE OF COUNTIES IN MINNESOTA, FISCAL 1974-75
TOTAL: \$785,734,980**



**EXPENDITURES OF COUNTIES IN MINNESOTA, FISCAL 1973-74
TOTAL: \$791,417,163**



Cities

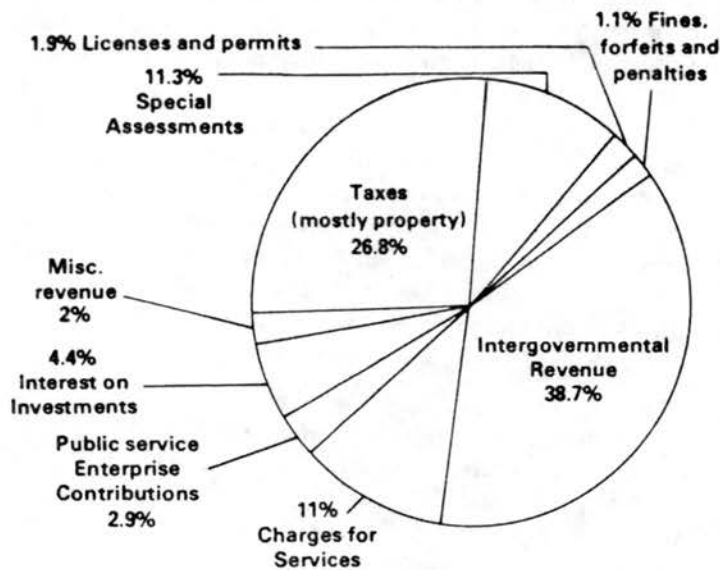
Minnesota's 855 cities range in population from more than 400,000 in Minneapolis to less than 100. Once they were called villages, boroughs or cities, but since January, 1974, they are all officially cities. The terms village and borough can no longer appear in state statutes or be used in legal proceedings, although they are still used informally out of habit or local custom.

Cities are subdivisions of the counties, although some cross county lines. Their residents vote for county officers, pay county taxes and benefit from county services. Cities are also part of school districts which may encompass a different area and maintain a separate governing body from the city. Thus residents of cities benefit from state aids to their city, as well as from state aids to their county and their school district.

Cities are responsible for such things as streets, sewers and sewage treatment plants, fire and police protection, public libraries, hospitals, waterworks, parks and general governmental administration.

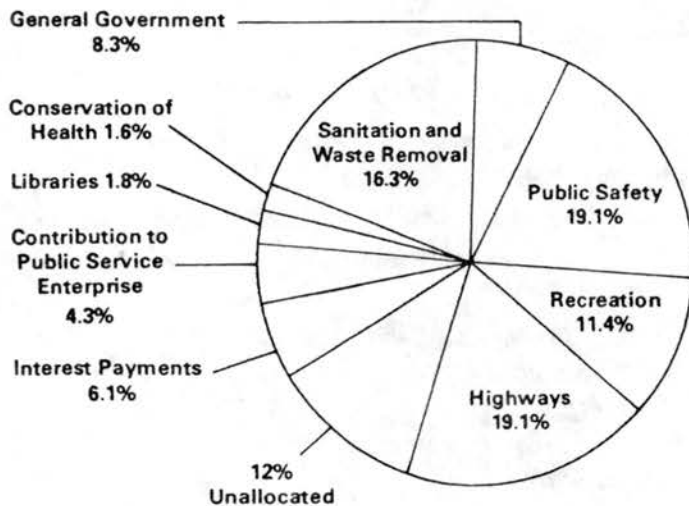
REVENUE OF CITIES IN MINNESOTA, FISCAL 1974-75

TOTAL: \$670,363,200



EXPENDITURES OF CITIES IN MINNESOTA, FISCAL 1974-75

TOTAL: \$745,235,017



Townships

Minnesota is divided into townships, which are geographical areas usually six square miles in size. When the people living in a township organize a local government, it is called township or town government. Because of this, the word "town" should not be used in Minnesota to mean a village or small city. The unorganized townships — areas in which no town government has been organized — are found mostly in the less populated northern part of the state and are governed by the county in which they are situated. The prime responsibility of towns is maintenance of township roads and bridges. Some also provide fire protection and law enforcement.

In fiscal 1974-75, towns accounted for 1% of the state's total local government revenue and slightly more than 1% of total local government expenditure. 59% of total township revenue came from intergovernmental revenue and 33% from property taxes. 69% of total expenditure was for highways and 15% for general government.

School Districts

Minnesota has 436 local school districts charged with providing educational services for students in grades kindergarten through twelve. There are also 4 elementary districts that do not provide high school education. Prior to large-scale school district consolidation mandated by the state Legislature in 1964, there were 1,515 school districts, only 481 of which provided education at the secondary school level.

Expenditures of local school districts depend on the number of *pupil units* in the district. In computing pupil units, kindergarten students are each counted as .5 of a unit, students in grades one through six as 1 pupil unit each, and students in grades seven through twelve as 1.4 pupil units each. The differential is based on the relative cost of educating the different age levels. For the 1974-75 school year, districts varied in size from Verdi, with only 164 pupil units, to Minneapolis, with 63,540 pupil units. The lowest expenditure per pupil unit in 1974-75 was \$935, the highest \$3,282. Total expenditures per pupil unit include all of the district's expenditure — salaries, supplies, transportation, food services, building maintenance and operation as well as capital and debt service expenditures.

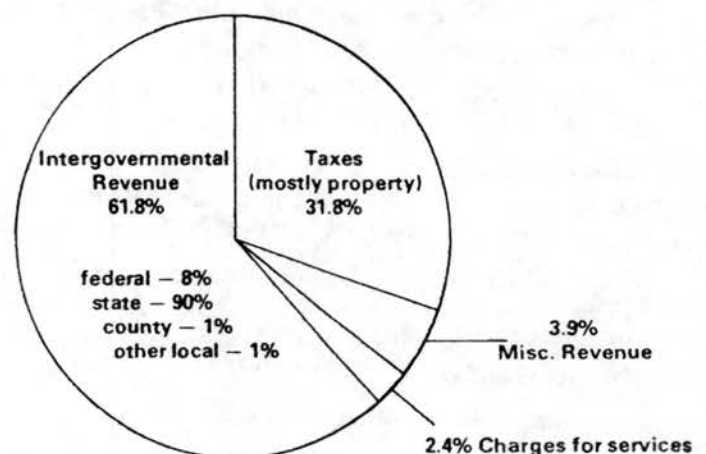
The school aid formula is explained in the January, 1975, LWVMN VOTER, "The Minnesota Miracle." The formula dictates how much income a local district will be allowed to receive in a given year as well as how much of that income will come from the state. The Legislature appropriated \$1,686,290,284 for elementary and secondary education in the 1975-77 biennium. This included school aids and special school aids for the two-year period.

However, the appropriation figures are not a reliable measure of local expenditures. The school aid formula dictates how much each school district may receive from state and local sources but does not require that each local district spend the entire amount it receives. A local district may put some of its receipts in a reserve account for spending in future years.

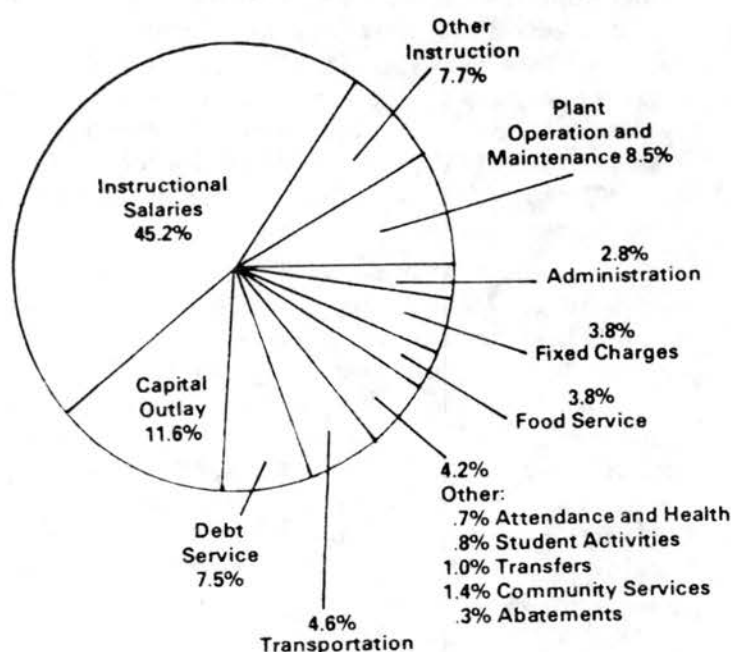
This is one reason why total expenditures by all local school districts in 1974-75 totaled \$1,515,717,689, or \$56,700,180 more than total revenues.

TOTAL REVENUE OF SCHOOL DISTRICTS, FISCAL 1974-75

TOTAL: \$1,459,017,518



TOTAL EXPENDITURES OF SCHOOL DISTRICTS, FISCAL 1974-75
(Individual districts may vary greatly from the average)



CONCLUSION

This series of publications, designed to explain how government is financed in Minnesota, is a result of the continuing concern of members of the League of Women Voters of Minnesota to inform themselves and the public about governmental issues. How state government is financed has been of interest to the LWVMN since the early 1950's and is of particular interest in the 1970's when government costs are rising at a rapid rate. Minnesota is faced with hard decisions on sources and allocations of funds. These decisions affect all taxpayers and the services they receive from government. The wrong decisions may be costly, not only in money but in terms of human needs.

It is hoped that these Facts and Issues will help prepare citizens to help state legislators make these choices. Our democracy depends on the interest and informed participation of its citizens, a concept around which the League of Women Voters is organized. Financing state government is a complex subject, but it can be understood by those who want to. If everyone makes the effort, a "quality life" may prevail in Minnesota.

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Interviews were conducted with the following to collect additional information: Harold T. Miller, Legislative Fiscal Analyst, Senate Committee on Finance, September, 1976; G.S. Buffington, Minnesota Highway Department, Special Assistant Attorney General — Legal Division, November, 1976; A. Waelti, Minnesota League of Municipalities, November, 1976

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