

SPECIAL MESSAGE
of
Governor Floyd B. Olson
To the Legislature of
Minnesota

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SPECIAL MESSAGE OF
GOVERNOR FLOYD B. OLSON
TO THE LEGISLATURE
OF MINNESOTA
December 6, 1933

Pursuant to the power vested in the Governor of Minnesota, a special session of the Legislature has been called, primarily for the purpose of enacting laws designed to enable the state and the political subdivisions thereof to more adequately cope with destitution and unemployment; and to endeavor to control the manufacture, transportation and sale of intoxicating liquor.

No compensation being allowed to members of the Legislature for their services during a special session, the call for the special session suggested that the Legislature confine its activities to the consideration of this subject matter. The Executive branch of our state government has no authority to control or regulate the scope of the activities of the Legislative branch of the government, and I am sure that you will not construe my suggestion as an attempt to encroach upon your jurisdiction. The suggestion was and is made as a reflection of what I believe to be the public sentiment of the citizens of the state, and as an indication of my willingness, in my relationships with you, to confine myself to the consideration of the subject matter indicated.

There is every indication that relief needs for the coming winter will be heavy, and that despite the earnest endeavors of the federal, state, and local governments, the unemployment situation will continue to be acute.

The federal government has been generous in its allocation of funds to Minnesota for relief of destitution and unemployment, but the state should not take advantage of that generosity nor permit itself to assume an attitude of dependency upon the federal government. Neither must we permit local communities which have resources with which to care for their destitute and unemployed to depend entirely upon state assistance.

Above all, however, we must keep in mind at all times that the care of the destitute is a public obligation and not a private one, and that this fundamental obligation of government must be performed even to the exhaustion of all the resources of the state and its communities.

RELIEF LEGISLATION

Enabling and corrective legislation will be necessary with respect to certain counties in order to enable those counties to raise funds for caring for the needy therein resident.

The federal government now has various projects in operation to relieve destitution and unemployment. Additional projects will be put in operation during the winter. In order for Minnesota to receive the full benefit of those projects it is necessary that certain contractual relations be entered into by the state government with the federal government. To accomplish this a state agency must be given the power to contract in behalf of the State. Such power has already been conferred upon the State Executive Council in certain instances in the past.

It is therefore recommended:

(1) That Chapter 355, Session Laws of 1933, authorizing the Executive Council to expend \$750,000 per annum for the relief of destitute and disabled persons, be amended so as to empower the Executive Council to expend the sum of five million dollars per annum for direct relief and work relief, and for the purpose of matching funds granted to Minnesota by the Federal Government.

(2) That the Executive Council be empowered to enter into any and all contracts with the federal government affecting the joint use of federal and state lands for the purpose of furnishing employment and relief to citizens of Minnesota.

A concrete example explanatory of the foregoing may be found in the so-called Roseau River Flood Control project, which is classified by the Federal Public Works Administrator as an all-federal enterprise. As a part of the project, flood waters must be impounded in the so-called "Big Roseau Swamp." Minnesota owns extensive areas of Trust Fund swamp lands in this area, of no present market value, which would be flooded as part of the project. The Federal Public Works Administrator expects the state to provide the lands needed for right of way flowage and other construction purposes in the carrying out of the project by the Federal Government.

(3) That the Executive Council be empowered to contract with the federal government for the creation of subsistence farms, so-called, in the state of Minnesota, upon lands owned by the State through its Rural Credit Bureau or otherwise.

(4) That a quasi-public corporation be created, empowered to enter into contracts with the federal

government for the clearance of slums and the creation of model housing facilities for people of little means.

(5) That legislation be enacted, modeled after the National Industrial Recovery Act, applicable to intra-state commerce.

COLLECTION OF MONEYS FOR RELIEF EXPENDITURES

In order that adequate funds may be available for the relief of the destitute and unemployed, it is absolutely essential that taxes be collected, particularly from those who have the means and ability to pay. There are many persons and corporations in the state of Minnesota having the means and ability to pay taxes owing under existing tax laws, who and which are wilfully refusing to pay such taxes. This wilful refusal is made possible by reason of the leniency of the existing tax collection laws, and by reason of the lack of drastic power in the state and its local political subdivisions to compel payment of such taxes by such persons and corporations.

Existing laws now place a premium upon the non-payment of taxes. Special extensions and special discounts are given in the event of delinquency. If any discount is given it should be given to a person who pays promptly. I am willing to go to any lengths to aid the taxpayer who is unable to pay, but in the present economic situation discounts are of no benefit to such taxpayers because of their general inability to pay taxes in any amount.

The legislation passed at the last general session of the Legislature and at preceding sessions, designed to help taxpayers without means and ability to pay, has operated almost exclusively as a means for the

avoidance of the payment of taxes by those having the means and ability to pay, who wilfully refuse to do so.

In order to relieve the taxpayer who is without means or ability to pay taxes, from forfeiture or penalty, special powers should be given to the Tax Commission to avert forfeitures and to abate penalties, in the cases of those without the means or ability to pay taxes.

Legislation should be enacted authorizing the state and the political subdivisions thereof to institute receivership proceedings against tax delinquents immediately upon the non-payment of taxes when due, in the case of property having an actual or potential income through rents; or through the manufacture of commodities; or through the sale of mineral products; or through the rendering or sale of public service, financial or otherwise. Under such legislation the Receiver should be empowered to take over and operate the affected business, and as soon as possible collect unpaid taxes from the income of the property or business and/or from the sale of the personal property of such business. This legislation shall not include home-steads or farm products.

Subject to the abatement right hereinbefore proposed for the Tax Commission, the interest rates and penalties on unpaid taxes should be increased progressively according to the amount of the delinquency, and all defenses to the non-payment of taxes should be eliminated, except the defense that the property of the taxpayer contesting the amount of taxes levied, is appraised on a higher basis than other and similar property in the same taxing district. The existing defense that the property of the contesting taxpayer is assessed at a value in excess of its true value (a value

which cannot now be accurately estimated) has been used by large property owners as a means for refraining from paying taxes, and as a club upon the taxing body for the compelled reduction of the contesting taxpayers' taxes to a sum below a fair and reasonable tax levy. It has been of no benefit to the small property owner who is without means to employ counsel to carry on protracted litigation in the courts of the state.

This defense is a detriment to all taxpayers except those who have large tax interests at stake, and can afford to carry on litigation with the taxing body, because as the aggregate assessed valuation of a community goes down by reason of the substantial reduction of the assessed valuation of valuable property situate in that community,—the tax rate in terms of mills increases a proportionate amount, and results in the payment by those who cannot afford to contest valuations, of the amount of taxes from which these large property owners escape payment.

Subject to the right of abatement in the Tax Commission, hereinbefore recommended, the period of redemption from the non-payment of taxes, as extended at the last session of the Legislature, should be terminated at once. The state can never commence a real land-use program for the purpose of taking marginal lands out of agricultural production, and for the purpose of building up income-producing forests unless definite legislation is passed, lodging the title to tax delinquent lands in the state itself, with provision for compensation to counties in which such tax delinquent lands are situated,—in the form of a share in the proceeds of timber and minerals taken from such lands, or through the outright payment of cash to such counties. Minnesota has talked about Conservation for a long time, but continues to drift insofar as a definite

land-use program is concerned. That drifting, like the drifting we had with reference to our general economic welfare in this Nation for many years, and which brought on the economic debacle which now confronts us,—will only make the ultimate solution of the land problem in Minnesota more difficult and more costly.

You and I have a great opportunity, here and now, to make a lasting contribution to the relief of citizens of this state and to the promotion of the common welfare. Interwoven with the matters which I have outlined to you in general terms, is the destiny of our state and its people. I hope we will not be found wanting in our appreciation of our responsibilities nor in our actions.

Secondary in importance to the relief needs of the people of the state is the subject matter to which I now direct your attention, that of liquor control.

LIQUOR CONTROL

Administration

The repeal of the Eighteenth Amendment to the Constitution of the United States, with the consequent withdrawal of prohibition enforcement by the federal government from the state of Minnesota necessitates a more adequate control of the manufacture, transportation and sale of intoxicating liquor than is now possible under existing laws of this state. In my opinion the question of the prohibition of the manufacture, transportation and sale of intoxicating liquor is not an issue before us at this session. The people of Minnesota have adjudicated that issue by the conclusive expression of their opinion in the referendum taken in Minnesota on the repeal or non-repeal of the Eighteenth Amendment. The question at issue is how can

we best control the permitted manufacture, transportation and sale of intoxicating liquor within this state.

The most preferable system, in my opinion, for such control is through a state dispensary, confining the sale to bottled liquors, not to be consumed upon the premises where sold. The elimination of the profit motive in the business would be the best means of protecting consumers as to price and quality, and for eliminating the bootlegging traffic in intoxicating liquors. To those who fear politics and consequent corruption if a state dispensary system be adopted, I say that political corruption can be avoided far easier when jurisdiction is conferred upon one authority than it can be avoided under a private system, where jurisdiction is lodged in hundreds of governing bodies, all subject to political influence and corruption.

If you do not concur in this recommendation you should at least submit the question to the people of our state, the great majority of whom are opposed to the return of the saloon in open or disguised form. While the Attorney General has correctly ruled that the state may engage in the liquor business without an amendment to its Constitution, yet I believe that the question of the operation of a state dispensary should be submitted to the people for a referendum vote upon a proposed amendment to the Constitution of Minnesota. I therefore recommend that you submit such a proposed amendment to the people for a vote at the next general election. By that time, if legislation is now enacted for the sale of liquor through private concerns, we will have had sufficient opportunity to correctly gauge the advisability of continuing to permit the manufacture, transportation and sale of intoxicating liquor through private handlers.

In your consideration of liquor control through a private system, I earnestly recommend the study of the report submitted by the Minnesota Liquor Control Committee appointed by me. The Committee has given sincere, thoughtful consideration to the question and has furnished us with valuable information and recommendations.

If you decide to turn the sale of liquor over to private interests, legal enforcement powers should be centralized in the state. A Liquor Control Commissioner, appointed by the Governor, should be given authority to pass upon all licenses for the sale of intoxicating liquor in the state of Minnesota in package form for consumption off the premises whereon the liquor is sold. All applications for such permits should first have the approval of the governing body of the political subdivision in which it is proposed to operate such liquor store. The right to reject an application should, however, be reserved to the State Commissioner, despite the recommendation of the local governing body. Any municipality should be given the right and power to own and operate, under a license from the State Commissioner, liquor stores within such municipality.

Manufacturers, wholesalers, distributors, blenders, and rectifiers should be licensed exclusively by the State Commissioner.

Licenses for the sale of liquor for consumption on the premises where sold, should, subject to restrictions and qualifications imposed by you, be under the exclusive control of the governing body of the political subdivision which decides to permit such sale. Entire responsibility can then be placed upon the community which decides to permit the sale of liquor for consumption upon the premises where it is sold.

Dispensing

Consistent with our home-rule principle, the sale of intoxicating liquors should not be permitted in those counties of our state which cast a majority vote against the repeal of the Eighteenth Amendment in the last referendum, until and unless, under county option laws, the voters therein decide for themselves to permit such sale.

In counties where the sale of liquor becomes legal, so-called off-sale licenses should be permitted to be issued, under strict regulation, to persons and corporations engaged in the business of retailing drugs and/or general food supplies. So-called on-sale licenses for the sale of liquor to be consumed upon the premises where sold should be issued by the local governing bodies of political subdivisions, if and when there exists an ordinance or resolution by such local governing body permitting the issuance of such licenses. The number of licenses to be issued should be based upon population, and such licenses should be issued only to bona fide hotels, restaurants, and clubs having certain defined housing and eating facilities. No person or corporation should be permitted more than one license, and manufacturers and wholesalers should be prohibited from engaging in or being financially interested in a retail establishment.

Taxation

License fees in all cases should be in substantial amounts and should be payable into the treasury of the political subdivision in which the business for which the license is issued is to be operated. A gallonage tax upon all intoxicating liquor—which should be defined as any liquid potable as a beverage, containing more than 3.2% of alcohol by weight—should be imposed,

and the proceeds thereof paid into the Revenue Fund of the state.

A tax of \$1.00 per barrel should be imposed upon the beverage known as beer (and containing 3.2% or less alcohol by weight), and the proceeds thereof paid into the Revenue Fund of the state.

Restrictions and Penalties

Heavy penalties should be imposed for the manufacture and/or sale of intoxicating liquor without license, and for the illegal transportation thereof. The sale of liquor to a person under twenty-one years of age, or to one intoxicated, should be made illegal, with appropriate penalties for violation.

The authority issuing a license should have power to revoke it for cause.

Provision should be made for the closing of premises for a period of one year upon the revocation for cause of the license issued covering said premises.

Adequate laws for the protection of those counties in which the sale of liquor is illegal should be enacted.

The State Commissioner should have authority to limit wholesale or retail profit made upon liquor sold under so-called off-sale license.

* * *

The foregoing recommendations for liquor control are made in general terms. No perfect plan for liquor control has ever been devised, and in all probability cannot be devised. The people, by their vote on the Repeal of the Eighteenth Amendment, have given us a mandate. In the carrying out of that mandate we cannot permit ourselves to be swayed by over-zealous Wets or over-zealous Drys.

If we keep in mind certain fundamentals—the safeguarding of youth, the promotion of temperance, and the elimination of the bootlegging traffic, we will arrive at as satisfactory a solution of the problem as can be expected at this time.

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As other matters coming within the scope of the subject matter hereinbefore outlined come to my attention during this session, I shall transmit them to you by special messages.



Johnson Ptg. Co., St. Paul

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