

**The Impact of the Political Subdivision Compensation Limit  
on Local Units of Government**

Greg Hubinger  
Subcommittee on Employee Relations  
Legislative Coordinating Commission

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# **The Impact of the Political Subdivision Compensation Limit on Local Units of Government**

## **Executive Summary**

Since 1977, state law has limited the compensation that can be paid to employees of local governments. Currently, the law effectively limits compensation for city and county employees to \$114,288, which is equal to 95% of the salary of the governor.

Although Minnesota has very capable and qualified top level employees, cities and counties contend that continuing to attract and retain top level employees will be extremely difficult if the cap remains as it is. Local government employers point out that a state-imposed cap is unique in the country. While the limit primarily affects top managers, the cap also has a compressing effect on the compensation of lower-level managers and certain professionals. The situation is exacerbated because the limit has not increased in almost seven years.

While the compensation limit initially applied to all local units of government, it has been amended several times in the last six years. During that time, employees of school districts and of government-owned hospitals have been excluded from the cap.

The limit includes a process to waive the limit for a particular position if there is a demonstrated need to attract or retain a qualified person. Those determinations are made by the commissioner of the Department of Employee Relations (DOER). Since 1997, 54 requests for waivers have been submitted to the Department. Thirty-five of those requests have resulted in waivers, although the waivers approved by the commissioner are often less than what was proposed by the local unit of government.

DOER contends that the cap is needed and reasonable, especially when the state and local units of government are experiencing significant budget shortfalls. DOER's commissioner also testified that it is unreasonable for the state to negotiate labor contracts with no across-the-board increases for state employees, and then consider salary increases for the highest-paid employees in local government.

This report reviews the history of the compensation limit, describes the compensation of local government employees affected by the limit, reviews issues created by the limit on local governments, and presents a number of options for consideration by the Legislature. The appendices include tables listing positions and salaries in local governments that may be affected by the limit.

## **Background**

Since 1977, the Legislature has set limits on the amount of compensation that local government employees can earn. Originally, local government employees could earn no more than the commissioner of the Department of Finance. Since 1983, compensation has been limited to 95% of the salary of the governor.

Local governments have increasingly urged the Legislature to repeal the cap. They have argued that as local elected officials, they are accountable to their taxpayers and therefore should be responsible for determining the compensation necessary to attract and retain qualified employees. This is especially important in a tight labor market, they argue, when they need more flexibility to fill vacancies for their higher level positions. Local governments also point out that it is inappropriate to compare salaries of career public servants to salaries of elected officials.

Some members of the Legislature and the governor argue that some form of limit continues to be needed. Some contend that, as the Chief Executive Officer of state government, the governor's salary should be higher than an employee of a political subdivision. Others argue that because the Legislature provides substantial funding in support of local units of government, there is legislative interest in making sure those dollars are well spent.

The statute that establishes the cap includes a waiver process to permit a local government to pay more than the cap. The local government may seek a waiver from the commissioner of the Department of Employee Relations (DOER). Before granting a waiver, the commissioner must consult with the Legislative Coordinating Commission Subcommittee on Employee Relations (SER). Since 1997, 54 requests for waivers have been submitted to the Department. Thirty-five of those requests have resulted in waivers, although the waivers approved by the commissioner are often less than what was proposed by the local unit of government. Representatives of local units of government have indicated that they have stopped submitting requests for waivers to the Department because they believe that the commissioner has essentially adopted a "no more waivers" stance.

During the 2004 legislative session, legislation was introduced to eliminate the limit. That bill passed through committees and was on the Senate floor when it was defeated in a House committee. As a compromise, language was passed that directed the Subcommittee to further study the issue. A copy of that bill is included as Attachment 1.

To conduct the study, the chair of the SER, Senator Linda Scheid, established a Working Group, consisting of the Subcommittee and representatives of various groups identified in the legislation. The membership is identified in Attachment 2. The Working Group met three times, receiving testimony and presentations of data from staff.

## History

Laws limiting local government employees' compensation have been in place since 1977. A separate but related law limiting compensation for purposes of pension contributions and benefits has been in place since 1994. Below is a chronology of these laws as well as a relevant Attorney General's opinion:

**Laws 1977, chapter 35, section 3** added a new subdivision 4 to Minnesota Statutes, section 43.067, prohibiting salaries of local government employees to exceed the salary of the commissioner of finance.

**Laws 1977, chapter 452, section 3** added a provision to the salary cap passed earlier in the session to clarify that the salary of the commissioner of finance included the maximum permissible achievement award available under section 43.069.

**Laws 1979, chapter 192, section 2** amended Minnesota Statutes, section 43.067, subdivision 4 by increasing the limitation to 105 percent of the salary of the commissioner of finance.

**Laws 1980, chapter 614, section 191** repealed Minnesota Statutes, 1979 Supplement, section 43.067, subdivision 4. This action repealed the cap.

**Laws 1983, chapter 299, section 14** added a new subdivision 9 to Minnesota Statutes, section 43A.17, limiting salaries of local government employees to 95 percent of the salary of the governor. Medical doctors were exempted from the cap, and the commissioner of Employee Relations was authorized to approve other exemptions in special circumstances.

**Laws 1988, chapter 667, section 8** defined the salary of local government employees to include deferred compensation and allocations to individual retirement annuities, but limited the salary of the governor to the annual rate of pay set by the Legislature after considering recommendations of the Compensation Council. The move was designed to prevent efforts by local units to avoid the salary cap by the use of deferred compensation and additional retirement benefits.

**Laws 1990, chapter 571, section 20** provided uniformity by extending to subdivision 9 the definition of "salary" used for the rest of section 43A.17.

**Laws 1992, chapter 549, section 2** extended to doctors of osteopathy the exemption from the salary cap previously applying only to medical doctors.

**Laws 1993, chapter 315, section 5**, provided that not only the salary, but also the "value of all other forms of compensation" provided to a local government employee may not exceed 95 percent of the governor's salary. Excluded were the value of benefits provided to the majority of other full-time employees of the local unit, such as health and retirement benefits; dues paid on an employee's behalf to civic, professional, educational, or governmental organizations; and actual expense reimbursements. Other new language also permitted the commissioner, in considering requests for exemptions, to consider salary rates paid to similarly qualified persons in the nation, as well as the state.

**Section 6** set a limit of six months' salary for severance pay for "highly compensated employees," defined as those making more than 60 percent of the governor's salary.

**Laws 1994, chapter 528, article 4, section 11** added Minnesota Statutes, section 356.611 that generally limited compensation used for determining public employee pension contributions and benefits to 95% of the governor's salary. Local government employees excepted from the salary cap under the appeal procedures under section 43.17 and state government employees excepted from a similar cap by the commissioner of Employee Relations were exempted from this limitation.

**Laws 1995, chapter 262, article 1, section 15** added the limitation in the federal tax code on allowable contribution to tax sheltered retirement plans as a second limitation on compensation used for determining public employee pension contributions and benefits.

**Laws 1998, chapter 398, article 5, sections 1 and 2** exempted school districts from the local government salary cap.

**Laws 2003, 1<sup>st</sup> special session, chapter 1, article 2, section 60** exempted hospitals, clinics or health maintenance organizations owned by local units of government from the limit.

**Attorney General Opinion #766659 dated January 3, 2003** opined that elected county officers were not subject to the salary cap.

**Laws 2004, chapter 267, article 2, section 7** exempted judges, all state employees, Gillette Hospital employees who are members of MSRS, and employees of the Minnesota Crop Improvement Council and the Minnesota Historical Society from the limitation on compensation used to determine public employee pension contributions and benefits. All local government employees other than those excepted from the salary cap under the administrative appeal provision remain subject to the limitation. (This includes elected officials exempted from the salary cap by the above Attorney General's opinion.)

A copy of the current statute is shown as Attachment 3.

## **Local Government Employees' Salaries**

### **City and County Salaries**

The Association of Metropolitan Municipalities, the League of Minnesota Cities, and the Association of Minnesota Counties each conduct salary surveys for their members, which are published annually. The three associations provided that data to the SER for its review. Participation in the survey is voluntary.

While the limit in the law applies to compensation, we limited our review of the city and county survey data to salary alone. The law generally refers to compensation as salary and other benefits that are not provided to other employees. As a result, most other benefits such as health, dental and life insurance, and deferred compensation contributions are excluded from the calculation.

City and counties have also indicated that one impact of the compensation limit over time has been a shift so that most, if not all, compensation that counts against the limit is in the form of salary.

The survey data show 19 positions being paid above the limit: these positions have been granted waivers by the commissioner of Employee Relations.

For some time, cities and counties have reported there are increasing numbers of positions that are at or close to the cap. According to salary survey data, 47 city and county employees are in positions that are at the cap (\$114,288). These employees are unable to receive salary increases unless either their positions receive a waiver from the commissioner, or the governor's salary is increased. There are 67 employees in positions that are paid more than 95% of the limit (\$108,574), but are currently under the maximum. These employees will likely soon be paid at the compensation limit.

<b>Salary in relation to the limit: \$114,288</b>	<b>Number of positions</b>
Above the limit	19
At the limit	47
At 95% of the limit (\$108,574) or higher, but below the actual limit	67

The survey data indicate that a wide range of positions have incumbents that are at or near the compensation limit. Positions include many department directors (county corrections and human services offices, city and county attorneys, human resources and information technology office directors, and directors of libraries, parks, and property records offices). Cities and counties that have positions being paid at or near the limit are located in the central cities, suburban areas, and regional centers in Greater Minnesota.

A table listing city and county positions and current salaries is included as Attachment 4.

### **Compression**

Cities and counties have begun pointing out that because the limit has not changed since 1998, multiple positions within single jurisdictions are being paid at or about the same level. A city manager or county administrator may have reached the cap several years ago, so their pay has been frozen. Meanwhile, the pay of their subordinates continues to increase at least at some marginal rate, so that over time the gap one would expect between positions with different levels of responsibility diminishes. As a result, the pay for numerous employees, with different levels of responsibility, is often about the same.

For example, the Ramsey County Manager, who is responsible for overall management of county government, has eleven positions with salaries that are identical to his. The City of Eagan has four positions paid at the rate of \$111,000; \$3,000 less than the City Manager. Dakota County has nine positions being paid at \$114,288, although there is a gap between these positions and the County Administrator's salary, for which a waiver was approved.

City and county representatives point out that because of compression, there is little incentive for lower-tier managerial employees to apply for higher level positions when they become vacant. Even though higher level positions carry significantly greater levels of responsibility, there is little or no additional pay. Because the limit has remained unchanged since 1998, managers in smaller cities and counties are also gradually receiving salaries approaching the cap. As a result, there is little incentive for these managers to apply for positions in larger jurisdictions.

### **Conflict with Pay Equity**

Cities and counties testified that the salary cap may result in local governments falling out of compliance with pay equity. The statistical test for compliance with pay equity can be failed if the male-dominated positions below predicted pay are less than 80% of the female-dominated positions below predicted pay (using a comparable value rating system to rank positions) or an alternative analysis test is failed. As more positions become subject to the cap, the chances become greater that a local government will not meet pay equity requirements because the cap prevents upper level female-dominated positions from being paid what the comparable value rating system would dictate. Failure to meet pay equity requirements exposes the noncompliant local government to financial penalties of the higher of \$100 or five percent of state aid per day of noncompliance. Usually, a noncompliant local government would adjust the compensation for noncompliant positions and avoid the penalty but, if noncompliance is due to the salary cap, such adjustments cannot be made.

### **Inequities Within Local Governments and Between Local Governments with Similar Positions**

In addition to the inequities with school districts discussed below, recent changes in the salary cap statute and the recently issued Attorney General's opinion have created several instances where identical positions within a local government or adjacent local governments may or may not be subject to the cap. The 2003 law change exempted nurses who worked for local government-owned hospitals, clinics or HMO's from the cap but nurses who work for a city or county public health department (outside of any local government-owned hospital, clinic or HMO) remain subject to the cap. With the 2003 Attorney General's opinion, elected county auditors, treasurers and recorders are no longer subject to the cap while identical positions in counties where these positions are appointed remain subject to the cap. The Attorney General's opinion also exempted elected sheriffs and county attorneys from the salary cap while police chiefs and city attorneys remain subject to the cap. Finally, while the Attorney General's opinion exempted elected county officials from the salary cap, the separate limit on compensation used for determining their pension contributions and benefits remains intact.

### **Salaries in School Districts**

In 1998, the Legislature exempted school districts from the compensation limit. While some believed that the exemption applied only to superintendents, all employees of school districts are exempt.

The Minnesota School Boards Association (MSBA) requests that school districts annually report compensation data for administrators. This reporting is done on a voluntary basis.

Because participation in the MSBA survey is voluntary, districts are not always consistent in reporting compensation data. For our evaluation, we included data from the last three fiscal years (03, 04 and 05). We used the most recent salary reported.

According to that data, 39 school districts pay their superintendent a salary that is greater than the \$114,288 level set by the compensation cap for local governments. The average salary for those superintendents was \$119,865. Three school districts report paying their assistant superintendents more than the cap. A list of those districts is included as Attachment 5.

Seventeen districts report paying their business managers more than \$100,000. The average salary for those managers was \$109,627. Of these, three are paid more than the compensation limit. City and county representatives point out that while school districts may compete in a distinct labor market for superintendents and assistant superintendents, business managers are similar in function to finance managers for cities and counties. They contend that cities and counties should also be free to compete in the market for these professionals just as school districts are permitted to do.

### **Salaries in Jurisdictions in Other States**

In response to the Working Group's request, local government representatives attempted to collect the salaries for the chief appointed officials in non-school local government jurisdictions in other states. Consistent with the legislative member's request, the jurisdictions did not include those on the east coast or California. While this restriction was honored, the local government representatives believe this arbitrarily excluded the salaries for jurisdictions where, in some instances, past Minnesota officials are now employed.

Most of the salary data was derived from the 2004 salary survey conducted by the International City/County Managers Association (ICMA). Limited additional salary data was derived from a phone survey of selected jurisdictions. A number of problems were encountered in assembling this data. These include:

1. Less than 1 in 5 jurisdictions responded and are within the ICMA survey data. The absence of larger jurisdictions and jurisdictions in the Chicago area was particularly pronounced;

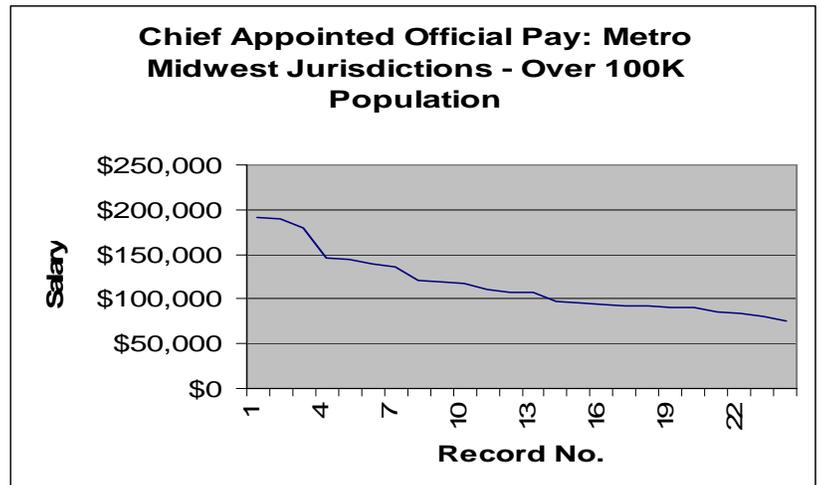
2. How a local government jurisdiction was organized, e.g. whether a city was a strong-mayor city or whether the county administrator/manager was elected and thus, in either instance, where it was likely the chief *elected* official was the highest compensated official, was not captured by the data; and
3. The ICMA data was extremely difficult to work with. The data had to be manually matched with the jurisdictions in the metropolitan areas selected as either comparable in size to the Twin Cities metropolitan area or being in the Midwest.

Given these problems, the local government representatives do not believe it is feasible to use a recurring survey to set the Minnesota salary cap.

An analysis of the limited amount of salary data that was collected for Midwest local government jurisdictions is presented below. The salary data is presented in two ways – 1) in raw, unadjusted dollars and 2) after making an ad hoc adjustment for cost of living differences using the Consumer Expenditure Survey that underlies the Consumer Price Index, inflation measure the federal government produces for the nation’s individual metropolitan areas.

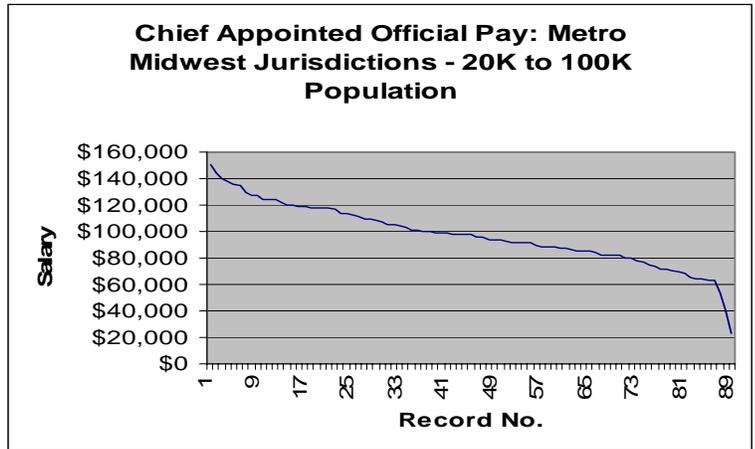
### Results for Midwest Jurisdictions of 100,000 & Greater Population

	Salary	Salary with Ad Hoc Adjustment for Cost of Living
Mean	\$116,081	\$132,730
Median	\$107,316	\$122,258
75th Percentile	\$136,696	\$146,238
Highest Salary	\$190,653	\$263,242
No. Greater than \$114,288 salary cap	10	13
No. of Records	24	24



## Results for Midwest Jurisdictions of 20,000 to 100,000 Population

	Salary	Salary with Ad Hoc Adjustment for Cost of Living
<b>Mean</b>	<b>\$97,207</b>	<b>\$122,987</b>
<b>Median</b>	<b>\$97,552</b>	<b>\$122,040</b>
<b>75th Percentile</b>	<b>\$114,192</b>	<b>\$147,382</b>
<b>Highest Salary</b>	<b>\$151,018</b>	<b>\$198,420</b>
<b>No. Greater than \$114,288 salary cap</b>	<b>22</b>	<b>57</b>
<b>No. of Records</b>	<b>89</b>	<b>89</b>



### **Waivers from the Limit**

Minnesota Statutes 43A.17, subdivision 9, permits the commissioner of Employee Relations to grant waivers from the limit. A local unit of government may request a waiver, and provide information indicating why a waiver is needed to attract or retain a qualified employee.

The commissioner must determine if the position requires special expertise necessitating a higher salary to attract or retain a qualified person. Before granting such an exemption, the commissioner is required to seek the recommendation of the Legislative Coordinating Commission Subcommittee on Employee Relations.

Since 1997, 54 requests for waivers have been submitted to the Department of Employee Relations. Waivers have been approved in 35 cases, although the limit approved by the commissioner is often less than what was requested. A list of waiver requests is included as Attachment 6.

Cities and counties express concern that the standards used by the commissioner to determine whether to grant a waiver are inconsistently applied. For example, they point out that Ramsey and Washington Counties recently requested waivers for their county manager and administrator, respectively. Counties with similar demographic characteristics (Anoka, Dakota, St. Louis) were granted waivers in the past. However, the commissioner rejected the second Ramsey and the Washington County request, concluding they had not demonstrated that they had a specific challenge in retaining their incumbents. The original Ramsey County request made during the national recruitment effort for the manager position was also denied.

### **Former Local Government Administrators**

Representatives of cities and counties have consistently reported that many experienced and able managers have left work in local governments in Minnesota for comparable employment in other states. Many of these top level managers have left in order to receive higher compensation, since no other state imposes such limits on local governments.

Staff distributed questionnaires to former county administrators and city managers identified by the League of Minnesota Cities, the Association of Minnesota Counties, the Association of Metropolitan Municipalities and, the Metropolitan Inter-County Association. While several respondents indicated that the move to a city or county management position in another state also afforded them greater professional growth opportunities, several said the move was at least partly driven by limitations in salary potential because of the compensation limit.

Observations by some of these former managers include:

- “If I had remained as (Assistant City Manager) in Burnsville, I would have had almost no room for growth in compensation due to compression with the City Manager under the state imposed cap. Also, any interest in career development to work for a larger Minnesota local government ...would have presented very limited compensation growth, while taking on the uncertainty of a new organization in an at-will position.” LaCrosse, Wisconsin County Administrator Steve O’Malley.

- “I had been at the salary cap in Minnesota for three years at what would have been the peak earning years of my career. While my situation in St. Louis Park as City Manager was highly rewarding and successful, I found myself being open to recruiters as a means to break out of the freeze on my earning potential. I did accomplish taking a new position with professional growth and opportunity. My frustration with the cap is what opened my interest in looking for new opportunities.” Virginia Beach, Virginia Chief Operating Officer, Charlie Meyer.
- “This is not a “popular” issue...but it’s probably a quiet crisis that will begin to grow rapidly in the next couple of years. With the baby boomers retiring and literally hundreds of thousands of people leaving local government, state government and federal service, the competition for talent will become very intense in the next few years. With that competition, salaries will become an issue. Being able to live in California, Washington, Texas, Arizona, Nevada, and Colorado (to name a few of the key states in my territory) and being able to make 50 to 100% more than a similar job in Minnesota WILL matter in the recruitment process.

“This is an issue that doesn’t have a lot of traction among voters and legislators, but Minnesota’s salary cap law is a case study of terrible public policy in a state that has long been at the forefront of thoughtful public policy decisions. People think nothing of paying a college football coach several multiples of what the Governor makes, but at the same time somehow believe that compensation for public employees should be tied to the Governor’s pay. The Office of the Governor is a partisan and political position, just as the positions of legislators are partisan, political and not intended to be career positions. To make matters worse, exempting school superintendents and others from the cap makes a further mockery of the whole concept.” David Childs, former Minnetonka City Manager, now works for International City/County Management Association.

- “While social and family commitments keep many talented managers in Minnesota, it is also true that Minnesota is becoming a training ground for competent, mobile managers who can grow financially in other states. It is sad for Minnesota and probably costing the State many times more than any salary dollars saved.” Roger Frazer, former Blaine City Manager, currently City Administrator, Ann Arbor, Michigan.

### **Some 95% Salary Cap Options**

Discussions by the Subcommittee’s Working Group resulted in identifying a number of alternatives for dealing with the salary limitation. Some of those options, including arguments for and against, include:

#### **1. Repeal the cap.**

**Background:** Representatives of local government favor repealing the cap and leaving compensation decisions to local control.

**Arguments for:**

- 1) Local government officials are elected and therefore are accountable to the public.
- 2) These officials make numerous decisions regarding compensation and should be permitted to decide compensation for their top managers as well.
- 3) The employment market is very competitive and local officials cannot effectively compete if they need state approval for some salaries. Because Minnesota is the only state with a cap on the salaries of local government employees, our cities and counties are at a competitive disadvantage when they attempt to attract and retain qualified employees in a national market.
- 4) The salary of the governor has nothing to do with the compensation of local government employees. The governor is an elected official, who operates in a political arena. Local government employees, especially top managers, are career public servants. While these employees may want to spend their careers to serving local government in Minnesota, the compensation cap makes them highly attractive to cities and counties in states where there is no such limit.

**Arguments against:**

- 1) Local governments are subdivisions of the state. As Chief Executive Officer of state government, the governor should have a salary greater than those of any subordinate positions.
- 2) Local governments receive substantial financial resources from the state. As a result, the state has an interest in assuring that its funds are well spent.
- 3) In times of severe budget constraints, and especially when public employees are being asked to accept little or no wage increases, it is inappropriate and inconsistent to permit highly paid local government employees to receive large salary increases.

**2. Retain the cap.**

**Background:** Some contend that the cap is an appropriate limit on local governments and that the waiver process provides a reasonable mechanism to deal with needed exceptions.

**Arguments for:**

- 1) The commissioner of DOER has testified that the administration of the salary cap law has not created a significant degree of recruitment and retention problems for local units of government.
- 2) The current economy speaks to this kind of compensation discipline of limiting salary increases, which also supports DOER's efforts in negotiating with state employees in relatively tough budget and economic times.

**Arguments against:**

- 1) Representatives of cities and counties contend that the cap has impacted their ability to attract and retain qualified employees.
- 2) Because the cap has not increased since 1998, salary compression has led to subordinates receiving compensation at the same or nearly the same level as that of their city managers and county administrators.

- 3) As more cities and counties have top administrators approaching the cap, it becomes more difficult to attract qualified candidates within Minnesota, since there is little room for growth in compensation, even if there are significant differences in job duties.

### **3. Adjust the cap to account for benefits.**

**Background:** Local governments point out that the current limit consists of an apples and oranges comparison: The *salary* of the governor sets the limit on the *compensation* of the local government employee. Even though most benefits are not counted in the local government employee's compensation (i.e., benefits that are paid to most other employees such as health insurance), several common elements such as deferred compensation and automobile allowances do count in the calculation of the cap.

It is difficult to establish a precise value on several of the compensation elements provided to the governor (e.g., the value of the mansion, or the value of a car and accompanying state trooper who provides security). Instead, some suggest that an estimated value be assigned. In the 2001 legislative session, the Senate passed S.F.1437, which established the limit at 125% of the salary of the governor. That bill was defeated in the House.

#### **Arguments for:**

- 1) Increasing the cap addresses the concern raised by city and county representatives that the cap is not equitable because it compares the salary of the governor to the larger compensation package of local government employees. Although not precise, increasing the cap by 30% provides a rough approximation of the value of the other benefits received by the governor.
- 2) Increasing the cap to 125% of the salary of the governor would provide at least temporary relief to cities and counties, and would continue to permit cities and counties to request waivers for specific situations where a larger salary was needed.

#### **Arguments against:**

- 1) Raising the cap to 125% of the governor's salary raises the limit for all local governments, whether or not there is a specific need to establish a higher salary to attract or retain a qualified employee. The waiver process currently in law is sufficient to meet those unique needs.

### **4. Index the cap for inflation.**

**Background:** One proposal is to index the limit for inflation, so that even if the Legislature does not act to increase the governor's salary, the limit would be adjusted to reflect normal cost of living increases.

If the governor's salary had been indexed to inflation since the last time it was increased, the annual limits would have been:

	95% of the Governor's salary	Inflation rate	CPI-U
1998	\$114,288		484.2
1999	\$116,200	101.7%	492.3
2000	\$119,386	102.7%	505.8
2001	\$123,800	103.7%	524.5
2002	\$125,240	101.2%	530.6
2003	\$128,450	102.6%	544.2
2004	\$130,975	102.0%	554.9

**Arguments for:**

- 1) Proponents argue that the salary of the governor has no relationship to what should determine the compensation for local government employees. Because the process of setting the governor's salary is so political (as evidenced by the fact that the salary has not changed since 1998), there is no consideration that that amount also affects other employees.

**Arguments against:**

- 1) There is reluctance by policymakers to build inflation into any law that results in increased government spending. Opponents contend that policymakers should affirmatively act before increased spending results.

## Attachment 1

### 2004 session laws, Chapter 207, SF 2703

Sec. 30. [LEGISLATIVE STUDY.]

The Legislative Coordinating Commission shall study and report to the governmental operations and local government committees of both houses of the Legislature by January 15, 2005, on the impacts of the political subdivision compensation limit on local units of government. The study must, at a minimum:

(1) examine local government compensation limits and comparative salary data in other states;

(2) assess the impacts of the local government compensation limit on salary structures, recruitment, and retention; and

(3) evaluate alternatives to the compensation limit, including elimination of the limit.

In developing this report, the commission must consult with the Commissioner of Employee Relations and local government associations, including the Association of Metropolitan Municipalities, Association of Minnesota Counties, League of Minnesota Cities, Metropolitan Inter-County Association, Municipal Legislative Commission, and the Minnesota City/County Management Association.

**Attachment 2**

**Subcommittee on Employee Relations  
Working Group Studying the 95% Compensation Limit**

<b>Organization</b>	<b>Representative</b>	<b>Title</b>
Association of Metropolitan Municipalities	Tom Goodwin	Member, Apple Valley City Council
Association of Minnesota Counties	Curt Yoakum	Policy Analyst, AMC
League of Minnesota Cities	Ardell Brede	Mayor, City of Rochester
Metropolitan Inter-County Association	Keith Carlson	Executive Director
Municipal Legislative Commission	Bill Hargis	Mayor, City of Woodbury
Minnesota City/County Management Association	Tom Hedges	City Administrator, City of Eagan
Department of Employee Relations	Jill Pettis	Compensation Manager, DOER

Subcommittee on Employee Relations	Senator Linda Scheid	Chair
Subcommittee on Employee Relations	Senator David Gaither	Secretary
Subcommittee on Employee Relations	Senator Betsy Wergin	Member
Subcommittee on Employee Relations	Senator Sandy Pappas	Member
Subcommittee on Employee Relations	Senator Steve Kelley	Member
Subcommittee on Employee Relations	Rep. Bill Haas	Vice-Chair
Subcommittee on Employee Relations	Rep. Jim Knobloch	Member
Subcommittee on Employee Relations	Rep. Chris DeLaForest	Member
Subcommittee on Employee Relations	Rep. Mike Paymar	Member
Subcommittee on Employee Relations	Rep. Kent Eken	Member

**Other participants**

League of Minnesota Cities	Laura Offerdahl	Intergovernmental Relations Representative
League of Minnesota Cities	Laura Kushner	Director of Human Resources
Association of Metropolitan Municipalities	Gene Ranieri	Executive Director
House Research	Mark Shepard	
Senate Counsel and Research	Tom Bottern	

**Attachment 3**

**M.S. 43A.17 Salary limits, rates, ranges and exceptions.**

**Subd. 9. Political subdivision compensation limit.**

(a) The salary and the value of all other forms of compensation of a person employed by a political subdivision of this state, excluding a school district, or employed under section [422A.03](#) may not exceed 95 percent of the salary of the governor as set under section [15A.082](#), except as provided in this subdivision. For purposes of this subdivision, "political subdivision of this state" includes a statutory or home rule charter city, county, town, metropolitan or regional agency, or other political subdivision, but does not include a hospital, clinic, or health maintenance organization owned by such a governmental unit.

(b) Deferred compensation and payroll allocations to purchase an individual annuity contract for an employee are included in determining the employee's salary. Other forms of compensation which shall be included to determine an employee's total compensation are all other direct and indirect items of compensation which are not specifically excluded by this subdivision. Other forms of compensation which shall not be included in a determination of an employee's total compensation for the purposes of this subdivision are:

(1) employee benefits that are also provided for the majority of all other full-time employees of the political subdivision, vacation and sick leave allowances, health and dental insurance, disability insurance, term life insurance, and pension benefits or like benefits the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986;

(2) dues paid to organizations that are of a civic, professional, educational, or governmental nature; and

(3) reimbursement for actual expenses incurred by the employee which the governing body determines to be directly related to the performance of job responsibilities, including any relocation expenses paid during the initial year of employment.

The value of other forms of compensation shall be the annual cost to the political subdivision for the provision of the compensation.

(c) The salary of a medical doctor or doctor of osteopathy occupying a position that the governing body of the political subdivision has determined requires an M.D. or D.O. degree is excluded from the limitation in this subdivision.

(d) The commissioner may increase the limitation in this subdivision for a position that the commissioner has determined requires special expertise necessitating a higher salary to attract or retain a qualified person. The commissioner shall review each proposed increase giving due consideration to salary rates paid to other persons with similar responsibilities in the state and nation. The commissioner may not increase the limitation until the commissioner has presented the proposed increase to the Legislative Coordinating Commission and received the commission's recommendation on it. The recommendation is advisory only. If the commission does not give its recommendation on a proposed increase within 30 days from its receipt of the proposal, the commission is deemed to have made no recommendation.

**Attachment 4**

**City and county positions exceeding cap or greater than \$100,000**  
 2004 Stanton 5 compensation survey

**Exceed cap (waivered)**

**Greater than \$100,000, but less than cap**

**City manager/county administrator**

Bloomington	119,995	Blaine	108,285
Rochester	120,000	Brooklyn Park	108,014
		Burnsville	106,995
Hennepin County	147,000	Coon Rapids	113,090
Dakota County	130,000	Duluth	108,285
Anoka County	130,000	Eagan	114,296
St. Louis County	119,060	Eden Prairie	109,824
Olmsted County	117,493	Edina	112,403
		Hutchinson	101,275
		Lakeville	114,275
		Mankato	112,154
		Maple Grove	115,586
		Minnetonka	114,462
		Plymouth	114,296
		Richfield	112,570
		Roseville	109,990
		St. Cloud	103,022
		St. Louis Park	114,005
		St. Paul (Exec Asst to Mayor)	114,288
		Woodbury	114,296
		Ramsey County	114,288
		Washington County	114,288
		Blue Earth County	113,214
		Stearns County	109,994

**Assistant city manager/Deputy county administrator**

Minneapolis (Asst City Coord)	118,518	Rochester	104,654
Hennepin County	125,000	Olmsted County	102,806
Hennepin County (Asst Admin)	120,000		

**Police Chief/County Sheriff**

Minneapolis	128,565	Bloomington	113,298
		Brooklyn Park	106,808
Dakota County	117,000	Burnsville	100,339
		Eagan	111,051
		Eden Prairie	102,752
		Edina	107,682
		Minnetonka	100,443
		Plymouth	107,952
		Rochester	109,440
		St. Louis Park	107,432
		St. Paul	104,351
		Washington County	112,029
		Ramsey County	109,650
		Hennepin County	114,288
		Sherburne County	105,624
		Anoka County	105,000
		Olmsted County	100,795

**Deputy police chief/deputy county sheriff**

St. Paul (2)	102,277
Hennepin County	105,708
Washington County	100,826
Ramsey County	111,726
Dakota County (Chief deputy)	104,073

<b>Fire Chief</b>		
		Burnsville 100,339
		Minneapolis 114,296
		Plymouth 103,043
		St. Paul 104,351
		Rochester 106,811
<b>City/County Attorneys</b>		
Minneapolis	116,002	Bloomington 111,779
		Minnetonka 103,542
Dakota County	130,000	Rochester 114,288
Anoka County	126,213	St. Paul 110,360
St. Louis County	121,366	
Ramsey County	118,780	Hennepin County 114,288
		Washington County 108,766
		Carver County 104,057
		Stearns County 103,000
<b>Deputy City/County Attorney</b>		
		St. Paul (3) 113,741
		Washington County 111,371
		Ramsey County (Div director) 114,288
		Hennepin-Chief dep/Exec Sec 113,988
		Anoka (Chief Deputy) 114,282
		Dakota County (Chief deputy) 114,288
<b>Senior Attorney</b>		
		St. Paul 113,676
		St. Paul (4) 106,683
		St. Paul 101,058
		Ramsey County-First Asst 114,098
		Ramsey County-Asst Div Dir (5) 114,148
		Ramsey County-Asst Cty 4 (7) 111,002
		Hennepin County-Senior (8) 108,144
		Hennepin County- Principal (6) 108,144
		Hennepin County-Senior (49) 102,996
		Anoka County:Div Attny 107,083
		Anoka County:Asst Attny I (4) 100,949
		St. Louis County (Asst-Div Head) 104,457
		Dakota County (1st asst county attny) 114,288
		Dakota County (division head) 107,436
		Dakota County (division head) 110,767
		Dakota County (division head) (2) 114,288
		Dakota County (attorney IV) 101,688
		Dakota County (attorney IV) 102,131
		Dakota County (attorney IV) 105,291
		Dakota County (attorney IV) 106,203
		Dakota County (attorney IV) 106,872
<b>Director of Public Works</b>		
		Bloomington 114,275
		Coon Rapids 108,472
		Duluth 102,856
		Eagan 111,051
		Eden Prairie 112,029
		Edina 105,123
		Maple Grove 105,498
		Maplewood 101,317
		Minneapolis 111,883
		Minnetonka 100,298
		Plymouth 107,952
		Rochester 114,288
		St. Louis Park 110,552
		St. Paul 104,351
<b>City/County Engineer</b>		
		St. Paul 111,282
		Hennepin County 114,288
		Ramsey County 114,288
		Anoka County 104,920
		Dakota County 104,300

	Carver County	107,869
	Kandiyohi County	101,262
	Scott County	100,474
	Blue Earth County	102,877
	St. Louis County	100,861
<b>Asst City/County Engineer</b>		
	St. Paul (6)	101,438
<b>Finance Director</b>		
	Bloomington	110,219
	Brooklyn Park	111,280
	Eagan	111,051
	Minneapolis	114,296
	Plymouth	107,952
	Rochester	109,300
	St. Paul	106,127
	Anoka County (Div Mgr:Fin&Cntrl Ser	110,587
	Hennepin County-Budget&Fin	114,288
	Olmsted County	114,288
	Blue Earth County	102,877
	Ramsey County (Dir of Budget..)	114,288
	Hennepin County-Fin & Collect	100,572
	Anoka County (Div Mgr:Public Srvces	110,587
	Anoka County (Div Mgr: Govtl Srvces	103,987
	Dakota County (OMB)	114,288
	Dakota County (Dep Dir Rev & Pub Srvcs	110,800
	Dakota County (Financial Services)	108,000
<b>Asst Div Dir Analysis &amp; Budget</b>		
	Dakota County	114,288
<b>County Auditors</b>		
	Hennepin County	114,288
<b>County Assessor</b>		
	Hennepin County	101,004
	Dakota County (Dir., Assessing Srvces)	102,700
<b>County Property Records director</b>		
	Ramsey County	114,288
<b>County Director of Taxpayer Services</b>		
	Hennepin County	114,288
	Anoka County (Div Mgr Prop Rec & Tax	107,391
	Dakota County (Rev & Public Srvces)	114,288
	Dakota County (Operations Mgmt Dir)	101,580
<b>Information Technology Director</b>		
	Minneapolis	114,296
	Anoka County	114,038
	Hennepin County-Div Mgr	114,288
	Hennepin County-Div Mgr	113,525
	Hennepin County-Tech Srvce Div Mgr	106,020
	Olmsted County	100,214
	Ramsey County	101,326
	Dakota County	113,972
<b>County Library Director</b>		
	Hennepin County (Library Admin)	108,168
	Hennepin County (Law Library)	103,020
	Dakota County	109,100
<b>Parks and Recreation Director</b>		
	Eagan	111,051
	Eden Prairie	111,176
	Plymouth	107,952
	Rochester	104,654
	St. Paul	105,142
	Ramsey County	114,288

		<b>Human Resources Director</b>	
		Minneapolis	103,501
		Rochester	101,000
		Dakota County (Employee Relations dir)	108,000
		Ramsey County	107,479
		Hennepin County (LR dir)	108,636
		<b>Community Development Director</b>	
		Bloomington	114,296
		Burnsville	100,339
		Minneapolis	114,296
		Plymouth	114,296
		St. Paul	104,351
		<b>County Public Health Directors</b>	
		Ramsey County	114,288
		Washington County	111,482
		Hennepin County	114,288
		Dakota County	104,410
		<b>County Employment Directors</b>	
		Ramsey County (Workforce Solutions)	103,324
		Dakota County (Employment/Econ Asst)	102,204
		<b>County Director Trans/Physical Dev.</b>	
		Washington County	112,784
		Hennepin County-Trans Dept Dir	114,288
		Hennepin County-Trans Dept Dir	111,300
		Dakota County (Transportation)	104,300
		Dakota County (Physical Development)	114,288
		<b>County Court Administrator</b>	
		Anoka County	103,434
		<b>Community Corrections</b>	
		Hennepin County (director)	108,288
		Ramsey County	114,288
		Washington County	101,131
		Hennepin County-administrator (3)	105,540
		Anoka County: Head of Criminal Oper	103,868
		Dakota County (Dir, Community Corr)	102,910
		<b>County Human Services directors</b>	
Anoka County	116,600	Dakota County (Social services)	106,810
		Ramsey County	114,288
		Stearns County	114,287
		St. Louis County	112,354
		Washington County	110,902
		Carver County	107,869
		Hennepin County (2)	114,288
		<b>County Human Services Assistant Directors</b>	
		Hennepin County	120,000
		<b>County Community Services Directors</b>	
		Dakota County	114,288
		<b>County Environmental Officer</b>	
		Hennepin County	103,020
		<b>Public Utilities</b>	
Rochester-General Mgr	117,800	Rochester-Division Head	114,288
		Rochester-Engineering Mgr	101,935
		Rochester-Power Plant Mgr	104,071
		<b>Regional Water Svcs Manager</b>	
		St. Paul (2)	101,438
		<b>County Director of Property Mgmt</b>	
		Ramsey County	110,278
		Hennepin County-Ex of Titles	114,288

**Attachment 5**

	0203 salary	0304 salary	0405 salary
<b>Business managers</b>			
Anoka Hennepin	\$106,500	\$110,495	
Buffalo			\$107,657
Detroit Lakes		\$102,078	
Edina	\$110,300		
Hopkins	\$107,457		
Lakeville	\$114,538		
Mahtomedi	\$103,000		
Minneapolis			\$100,341
Minnetonka	\$114,286	\$116,850	\$119,850
N St. Paul, Maplewood			
Oakdale	\$102,346		\$107,548
Robbinsdale	\$106,589		\$110,523
Rochester	\$114,750	\$106,000	\$106,000
Roseville	\$109,950		
St. Paul	\$111,623		\$113,297
Wayzata	\$115,597	\$118,487	
West St. Paul-Mendota Hts		\$108,825	\$110,325
White Bear Lake	\$111,819		
<b>Superintendents</b>			
Albany			\$106,000
Albert Lea			\$116,052
Alexandria			\$120,444
Anoka Hennepin		\$142,000	
Austin		\$103,000	
Becker		\$115,983	
Belle Plaine			\$105,000
Bemidji		\$106,211	
Big Lake		\$104,811	
Brooklyn Center		\$122,835	
Byron			\$102,600
Buffalo			\$135,000
Cambridge-Isanti		\$115,500	\$115,500
Chisago Lakes			\$107,726
Dassel-Cokato		\$103,752	
Delano		\$104,499	
Detroit Lakes		\$104,882	
East Grand Forks			\$103,040
Edina		\$151,000	\$161,911
Elk River			\$138,105
Faribault			\$116,200
Fergus Falls			\$118,900
Fridley		\$116,930	\$125,993
Glencoe-Silver Lake			\$109,331
Grand Rapids		\$101,284	
Greenbush-Middle River			\$103,000
Hastings			\$139,000
Hibbing		\$100,000	\$106,000
Hinckley-Finlayson			\$103,000

Hopkins	\$155,000	
Intermediate School Dist 917		\$119,600
Jordan		\$113,200
Lakeville	\$135,000	
Litchfield	\$104,911	\$114,380
Littlefork-Big Falls	\$108,974	
Mahtomedi	\$130,609	
Mankato		\$115,000
Melrose		\$108,800
Milaca		\$101,357
Minneapolis		\$163,500
Minnnetonka	\$149,350	\$156,907
Montevideo		\$108,000
Montgomery-Lonsdale		\$102,880
North Branch	\$119,435	
N St. Paul, Maplewood		
Oakdale	\$128,125	\$143,200
Northfield	\$113,027	
Osseo		\$165,620
Owatonna	\$127,300	\$120,000
Pine City		\$105,264
Princeton	\$107,500	\$111,000
Prior Lake-Savage	\$125,000	
Redwood Area		\$103,976
Richfield	\$116,000	\$123,980
Robbinsdale	\$153,750	\$156,285
Rochester	\$124,000	\$124,000
Rocori	\$100,000	
Roseville	\$126,425	
Sartell-St. Stephen	\$112,432	\$119,100
Shakopee		\$115,900
South Washington County	\$132,000	
St. Anthony-New Brighton	\$114,500	
St. Michael-Alberville		\$112,320
St. Paul	\$165,500	\$165,500
St. Peter	\$106,865	\$103,022
Waseca	\$105,550	
Wayzata	\$146,222	
West St. Paul-Mendota		
Hts	\$123,600	\$131,127
Westonka	\$107,738	
White Bear Lake	\$130,000	
Willmar	\$107,381	
Winona	\$118,450	
Worthington	\$104,676	\$109,000
<b>Assistant Superintendents</b>		
Anoka Hennepin	\$111,025	
Alexandria		\$105,025
Minnnetonka	\$115,100	\$118,500
Osseo		\$135,629
St. Paul		\$118,753

Requests/approvals for waiver from 95% salary cap  
05/06/04

Date considered	Notes	Appointing Authority	Position	Current comp	Requestor's estimate of market rate	Request	Compensation recommended by Subc	Comp rec as % of gov salary	DOER action
9/26/1997	(1)	HCMC	CEO	107,112	> 200,000	176,200	176,200	146%	176,200
9/26/1997	(1)	HCMC	COO	98,982	> 150,000	136,200	136,200	113%	136,200
9/26/1997		HCMC	CFO	93,276	> 130,000	121,200	No waiver	NA	No waiver
12/13/1999	(2)	MetroTransit	General Manager	114,288	156,862	156,200	156,200	130%	156,200
12/13/1999	(2)	MAC	Executive Director	114,239	165,000	167,000	156,200	130%	156,200
2/22/2000	(3)	Douglas Cty Hospital	CEO	112,670	186,100	175,000	20% of governor	NA	\$155,000
11/15/2000		Metro Transit	Asst General Manager	114,288	135,000	150,750	150,750	125%	150,750
11/15/2000		Monticello-Big Lake Hosp.	Executive Director	114,231	189,400	189,400	145,000	121%	145,000
11/15/2000		Hennepin County	County Administrator	114,288	163,266	165,000	165,000	137%	165,000
11/15/2000		Hennepin County	Dep Administrator	114,288	130,626	145,000	131,000	109%	131,000
11/15/2000		Hennepin County	Asst Admin-Hum Srvces	114,288	135,477	135,000	125,000	104%	125,000
11/15/2000		Hennepin County	Asst Admin-Pub Works	114,288	134,606	135,000	125,000	104%	125,000
12/18/2000		City of Minneapolis	Assist City Coordinator	109,632	126,454	121,763	126,000	105%	126,000
12/18/2000		City of Minneapolis	City Attorney	114,288	116,424	130,381	116,000	96%	116,000
12/18/2000		City of Minneapolis	ED, Convention Center	100,464	101,288	134,590	119,000	99%	119,000
12/18/2000		City of Minneapolis	City Coordinator	114,288	150,079	138,215	138,000	115%	138,000
12/18/2000		City of Minneapolis	Chief of Police	114,288	116,449	130,851	116,000	96%	116,000
12/18/2000		City of Minneapolis	Chief, Fire Dept	101,460	110,124	118,316	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Comm of Health	101,724	114,874	118,629	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Dir Human Resources	103,812	103,106	117,532	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Dir of Planning	101,460	104,555	118,316	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Dep Dir, Pub Works	89,880	98,960	122,233	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Finance Officer	114,979	109,431	123,800	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Chief Info Officer	114,288	101,934	130,966	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	City Engineer	114,288	111,384	138,118	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Dir Employee Svcs	109,188	81,396	121,273	No waiver	NA	No waiver
		Rice Memorial Hospital	CEO	113,908	210,600	210,600	160,000	133%	160,000
2/1/2002		Dakota County	County Administrator	114,288		142,000	118,900	99%	118,288
2/1/2002		St. Louis County	County Administrator	116,722		125,000	118,900	99%	118,288
3/18/2002		Rochester Public Utility	General Manager	114,288	165,000	130,000	130,000	108%	122,000
4/25/2002		District One Hospital-Faribault	CEO	114,661	191,000	160,000	160,000	133%	155,000
6/28/2002		Hutchinson Area Health Care	Cert. Reg. Nurse Anesth.	125,549	150,000	155,000	135,000	112%	135,000
6/28/2002		Mercy Hospital, Moose Lake	Cert. Reg. Nurse Anesth.	120,288	150,000	135,000	135,000	112%	135,000
8/26/2002		City of Rochester	City Administrator	114,288	141,400	125,000	130,000	108%	120,000
8/26/2002		City of St. Louis Park	City Manager	114,288	131,389	131,389	130,000	108%	116,600
8/26/2002		City of Minnetonka	City Manager	114,288	145,111	145,111	130,000	108%	116,600
8/26/2002		Minneapolis Public Library	Executive Director	103,796	135,000	135,000	130,000	108%	130,000
8/26/2002		Local Gov't Information Systems	Executive Director	114,288	161,775	150,000	130,000	108%	120,000
	(2)	City of Bloomington	City Manager	117,288	132,046	144,000			120,000
	(2)	City of Hutchinson	Utilities Commission Mgr	114,300		135,000			No waiver
	(2)	Olmsted County	County Administrator	114,971		121,064			122,000
	(2)	Olmsted County	Public Works Director	113,600		120,569			No waiver
	(4)	Olmsted County	Compensation plan						No waiver
	(2)	Anoka County	County Administrator	114,282	144,737	144,737			130,000
	(2)	Anoka County	Human Srvces Div Mgr	114,282	130,324	132,277			116,600
	(2)	Anoka County	Fin & Cntrl Srvces Div Mgr	107,063	133,060	119,245			No waiver
	(2)	Dakota County	County Administrator	118,288	158,000	146,600			130,000
	(2)	Regions Hospital	VP, Regulated Hosp Partne	184,100		240,000			220,000
	(2)	Regions Hospital	VP, Patient Care Srvces	140,490		200,000			143,000
	(5)	Ramsey County	County Manager	114,288		140,000			No waiver
	(6)	City of Minneapolis	Chief of Police	116,000	142,000	142,000			135,000
3/5/2004		Ramsey County	County Manager	114,288	144,000	140,000	140,000	116%	No waiver
3/5/2004		Washington County	County Administrator	114,282	135,800	135,000	130,000	108%	No waiver
	(7)	Hennepin County	Library Director	114,288	134,178	130,000			No waiver

- (1) The dollar amount recommended by the Subcommittee and adopted by DOER includes up to \$1,200 in stability pay.
- (2) No action taken by Subcommittee within 30 days. Considered positive recommendation under 43A.17.
- (3) The Subcommittee's recommendation was expressed as a percent of the governor's salary, which equaled \$144,364. DOER's decision was expressed as \$ amount.
- (4) The County requested a waiver for its compensation plan. The statute provides for waivers for individual positions only.
- (5) Request submitted 6/18/03, and declined by DOER 8/19/03. DOER did not consult the Subcommittee, since not required if commissioner intends to decline request.
- (6) No action taken by Subcommittee within 30 days. Considered under 43A.17 as no recommendation. DOER approve increase 12/22/03
- (7) Request submitted 2/19/04, and declined by DOER 4/12/04. DOER did not consult the Subcommittee, since not required if commissioner intends to decline request.