



February 15, 2021

Representative Sandra Masin
543 State Office Building
St. Paul, MN 55155

Dear Representative Masin,

On behalf of the 835 members of the League of Minnesota Cities, I am writing to indicate our support for H.F. 325, your bill that would repeal the local government compensation cap (Minn. Stat. § 43A.17, subd. 9), a law that significantly restricts the ability of cities and counties to attract and retain employees. The League and its members support the repeal of this statute as an essential element of local control.

Minnesota is unique among all states with this limit in place. The current local government compensation cap was enacted in 1983 and specified that compensation for local government employees was limited to 95 percent of the governor's salary. In 1993, the legislature clarified what types of compensation are to be included when comparing a political subdivision employee's compensation to the governor's salary. In 2005, the legislature debated repealing the cap altogether but instead increased the cap to 110 percent of the governor's 2005 salary, that would be adjusted annually for inflation.

Currently, Minnesota law limits the compensation for an employee of a political subdivision to no more than \$180,927 per year, beginning January 2021. The law also includes a waiver process whereby a local unit of government can seek a waiver from Minnesota Management and Budget. Under that process, the commissioner must find that the position requires special expertise necessitating a higher salary to attract or retain a qualified person.

The compensation limit applies to employees of statutory and home rule charter cities, counties, towns, metropolitan and regional agencies, and other political subdivisions. The compensation limit has been narrowed over the years and currently does not apply to school districts, hospitals, clinics, or health maintenance organizations owned by a governmental unit, or to medical doctors, doctors of osteopathy and most recently, employees of the Metropolitan Airports Commission.

The compensation cap not only directly impacts specific positions in some jurisdictions but the cap also results in salary compression issues for positions below the cap.

The waiver process is not a solution to the issues created by the cap. The process is time-consuming and decisions are not always timely. In 2019, there were 41 requests for waivers but only 22 were granted, some for only a portion of the compensation waiver sought by the local

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government. Despite local officials devoting the time and energy to file for a waiver, 19 of those requests were deemed unnecessary or unneeded. The number of requests this past year declined substantially due to the impacts of the pandemic. However, in discussions with city officials, the number of requests will likely rebound again in the coming years as the difference between and annually-inflated cap and the market for a growing number of local government positions grows wider.

With this bill, we are essentially asking you to allow city councils to make the best decisions based on their circumstances and needs. Councils are elected to make many important decisions for their communities and compensation of their staff is one of those most important decisions.

Sincerely,

A handwritten signature in cursive script that reads "Gary N. Carlson".

Gary Carlson

League of Minnesota Cities