



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



February 12, 2021

***Sent via Email**

The Honorable Representative Masin
Chair, Local Government Division
Minnesota House of Representatives
543 State Office Building
Saint Paul, MN 55155

RE: Olmsted County Support for HF 325

Dear Chair Masin and Local Government Division:

On behalf of Olmsted County, we would like to express our strong support for [HF 325](#) (Masin) to remove the compensation limits for persons employed by political subdivisions of the state. Olmsted County is in a period of significant growth¹ and is a regional hub for southeast Minnesota. To best serve our constituencies, it is vital for the county to retain our highly skilled, educated, and experienced employees. We would like to offer a few key points relating to the salary cap from our perspective in Olmsted County.

Waiver Process is Limited

While the possibility of a waiver to the salary cap is appreciated, the criteria for that process is not always able to factor in complex situations within regions of the state. For example, the county last requested a compensation limit increase in 2018. We learned the request was denied based on the per capita size of Olmsted County compared to other counties in the state. At the same time, the city of Rochester was granted a waiver, as they rank third in population compared with other cities in Minnesota. At times the city and county compete for the same qualified candidates since we employ many similar functions and services and are co-located in the same vicinity. We point this out as an example of the limitations of the waiver process, but in no way discredit the need or validity of the city's request. Counties in the metropolitan area² were also granted waivers in the last few years. Olmsted County has found our staff heavily recruited for positions with these governmental agencies.

Salary Levels Established by the Marketplace

With the growth of the regional economy, Olmsted County also experiences competition from the private sector where salaries and benefits are oftentimes more lucrative. We would like to be able to offer salaries that are competitive with salary levels established by the marketplace to help us attract the best employees.

Local Control

Olmsted County does our due diligence to be fair and equitable to staff and carefully manage local tax dollars on behalf of residents. The salary cap inhibits our ability to make the best possible local decisions.

Thank you for your consideration of HF 325 and we respectfully ask for your support. Please do not hesitate to contact me with any questions.

Sincerely,
Signed by:

Stephanie Podulke

2/13/2021 | 10:15 AM CST

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Stephanie Podulke, Chair
Olmsted County Board of Commissioners
podulke.stephanie@co.olmsted.mn.us

¹ Olmsted County's population grew by about 16% between 1990 and 2020 and is projected to grow 17% between 2020 and 2030. (Comprehensive Housing Needs Analysis for Olmsted County, MN, July 2020).

² The 2020 median household income in Olmsted County is slightly higher than the metro area (\$80,078 versus \$79,721). However, four of the seven metro area counties have median household incomes higher than Olmsted County. (Comprehensive Housing Needs Analysis for Olmsted County, MN, July 2020).

STATE LIMITS ON LOCAL COMPENSATION

Issue

Minnesota statute 43A.17 limits the amount of compensation statutory and home rule charter cities may pay employees. The limitation does not allow employee salaries to exceed 110 percent of the governor's salary.

Problem

This wage cap exists in Minnesota, and not in other states which border Rochester and pay considerably higher wages to their executive-level employees as does the school system (which is exempt from this statute) and other large employers. This salary compensation cap has proven to have a negative impact on employee retention and recruitment. It also compresses the wage scale throughout a local government organization—for example, making it challenging for local governments to hire highly technically-trained professional positions that compete with comparable private sector positions.

Solution

Consistent with policy language adopted by the League of Minnesota Cities (LMC) and MN Municipal Utilities Association (MMUA), remove the salary limitation so that Minnesota may pay their executive-level professionals market competitive wages. Allow local elected officials to determine employee compensation.

Impact

The City of Rochester, including Rochester Public Utilities (RPU) wishes to retain existing talent and wishes to offer more competitive salary packages similar to those provided to local government professionals in bordering states within the same-sized jurisdiction.





February 17, 2021

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

RE: Support for HF 325 - Political subdivision compensation limit repealed

Dear Rep. Masin,

On behalf of the Municipal Legislative Commission (MLC), a coalition of 19 suburban communities, I write in support of HF 325 which repeals the salary cap for local units of government.

The MLC strongly believes locally elected officials are in the best position to determine the needs of their communities, and as such, supports policies that empower these officials to do so. One such decision is the ability for local officials to determine compensation of city employees. Currently, Minnesota law limits salaries of city employees to 110% of the governor's salary, without a waiver from the state. The law was put into place in 1997, repealed in 1980, and reinstated in 1983.

This artificial salary cap puts cities at a disadvantage when attracting and retaining talented high level individuals to help lead their cities. Minnesota cities face significant challenges competing nationally, as we are the only state in the country that has a local government salary cap.

Further, the salary cap law has also not been applied in a uniform way – exemptions have been granted for school districts, hospitals, clinics and HMOs owned by political subdivisions, and most recently, the Metropolitan Airports Commission.

Thank you for your leadership in addressing this issue and offering a solution to equip localities with an additional tool necessary to attract and retain the best talent. The MLC looks forward to working with you to move this legislation forward.

Sincerely,

James Hovland
Chair, MLC
Mayor, City of Edina