

# Compensation Limits for Local Government Employees

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## State law limits compensation for local government employees

State law limits the compensation for an employee of a political subdivision to no more than \$175,621 per year, beginning January 2019 unless a waiver of the limit applies to the position. [Minn. Stat. § 43A.17](#), subd. 9.

The compensation limit for local government employees applies to employees of statutory and home rule charter cities, counties, towns, metropolitan and regional agencies, and other political subdivisions. The compensation limit does not apply to school districts, hospitals, clinics, or health maintenance organizations owned by a governmental unit, or to medical doctors and doctors of osteopathy.

## State law determines what is included in “compensation”

The statute specifies what is considered compensation for purposes of the limit. For political subdivision employees, compensation includes certain benefits as well as salary. The statute determines what is included and excluded for purposes of the compensation limit.

### Included

- All deferred compensation
- All direct and indirect items of compensation that are not specifically excluded by the statute (e.g., cash allowance for personal use of a car is included)

### Excluded

- Benefits that are provided for the majority of all other full-time employees of the political subdivision, vacation and sick leave, health and dental insurance, disability insurance, term life insurance, and pension benefits
- Dues paid to civic, professional, educational, or governmental organizations
- Reimbursement for actual expenses that are directly related to the job

## The statute contains a process and criteria for granting exemptions

The Commissioner of Management and Budget may increase the compensation limit for a position that the commissioner determines requires special expertise necessitating a higher salary to attract or retain a qualified person. In making this determination, the commissioner must consider salary rates paid to other people with similar responsibilities in the state and nation. Before granting an exception to the salary limit, the commissioner also must seek the advice of the Legislative Coordinating Commission. Any increase must also be adjusted annually by any increase in the Consumer Price Index (CPI) from the prior year. [Minn. Stat. § 43A.17](#), subds. 3 and 9.

According to Minnesota Management and Budget (MMB), as of January 1, 2019, a local government may increase by 2.5 percent the compensation of an employee with an existing waiver for compensation

that exceeds the current limit. If the existing approved waiver amount is below the current limit, the local government may increase an employee's compensation to the limit without a waiver.

### **The legislature has been addressing the issue of political subdivision salary caps since 1977**

In 1977, the legislature provided that no political subdivision employee could be paid more than the Commissioner of Finance. The 1980 Legislature repealed the political subdivision salary cap. In 1983, the legislature enacted something similar to the current cap—compensation for local government employees was limited to 95 percent of the governor's salary. There have been various refinements to the law since 1983. Most significantly, 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 decided to increase the cap to 110 percent of the governor's 2005 salary, with an annual adjustment for inflation using the CPI for all urban consumers in the prior year. The reference to 110 percent of the governor's salary is still in law, but is not currently relevant because the inflationary increases prescribed by law have made the current limit of \$175,621, much higher than 110 percent of the governor's salary. One hundred ten percent of the governor's salary is approximately \$140,000. For a chart on the current and past limits with CPI increases, see the MMB website at <https://mn.gov/mmb/employee-relations/compensation/laws/local-gov/comp-limits/lgcomplimitsbyyear.jsp>.

### **The local government limits do not apply to state employees**

The statute limiting political subdivision salaries does not cover state agency heads or state employees. For state agency head salary limits, see [Minnesota Statutes, section 15A.0815](#), subs. 2 and 3, and MMB's website, which gives the limits as adjusted for inflation. <https://mn.gov/mmb/employee-relations/compensation/laws/agency-head-salary-limit/>. Until 2013, the salary of employees of executive branch agencies was limited to the salary of the agency head, but this limit was repealed in 2013. Salaries for these employees are set by collective bargaining agreements or compensation plans that are approved by the legislature.

**For more information:** See the House Research publications *State Agency Head Salaries*, June 2016 and *State Elected Officials' Compensation*, December 2018.



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