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To: State Government Finance and Elections Committee
HF325 Testimony

Mr. Chairman and members, I have testified and/or lobbied against local government salary cap repeal bills for almost 20 years, most recently in 2019.

As members of the Legislature debate this public policy issue, I would like to raise a few points for consideration.

Equity & Equality

We hear a lot about the words “equity & equality” in government these days. What some may not recognize is that Minnesota has applied this to local government salaries since 1977. (See Laws 1977, Chapter 35, Section 3)

If one were to compare the salary cap in Rochester, Olmsted County, Lakeville, or even my hometown of Roseville, one would see that the salary cap assures that local government employees make no more than 5 times that of what the average citizen earns in the community that they serve.

The City of Rochester legislative priorities statement erroneously states that the cap is 110% of the Governor’s salary. The actual salary cap is \$180,927 per year plus benefits.

DEED states that the average per capita income in Olmsted County is \$39,667. The salary cap is approximately 4.5 times higher.

The City of Rochester’s city administrator and public utilities general manager appear to both have waivers to the salary cap. Their cap is roughly \$200,000 per year plus benefits. This is approximately 5 times what the average citizen earns in the community that they serve.

A repeal of the salary cap will likely increase this gap. In other states, one could easily find scenarios where the gap is double what it is in Minnesota.

Law Enforcement Greatest Beneficiary of Cap Repeal

We also hear a lot of discussion about funding or defunding the police these days. What some may not recognize is that unlike state or school districts, likely the largest employee group currently covered under the salary cap is law enforcement.

In the City of Rochester, 58% of their budget is spent on public safety with the largest employee group being the police department.

In the City of Roseville, the greatest percentage of the tax levy is devoted to the police department, which is the largest employee group.

A repeal of the salary cap will likely lead to an increase in salaries across the board and the greatest beneficiary of this overall will be police officers.

Severance Packages Will Grow

Many and perhaps a majority of highly compensated local government employees take full advantage of Minnesota Statutes 43a.17, subdivision 11, which will remain untouched under HF325.

If an employee is asked to leave, is fired, or if any attempt is made to lower their salary, this triggers the six month severance package provision.

Note that it is common practice for employee contracts to contain “poison pill” language which makes it nearly impossible to lower salary once raised, without triggering the severance package. This contract language is promoted by the Minnesota City/County Management Association, which is associated with the League of Minnesota Cities.

Earning the salary cap of \$180,000, an employee is entitled to an automatic \$90,000 for leaving employment.

Repealing the salary cap will lead to severance packages growing in excess of \$100,000 per highly compensated employee.

In 2019, a Senate committee amended a salary cap bill by capping severance packages to three months. (Sen. Rarick amendment) No such effort is being made under HF325.

State Government Employee Salaries Will Grow

In 2005, in a report issued by the Subcommittee on Employee Relations, Legislative Coordinating Commission, the Department of Employee Relations stated:

“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.”

Contrary to testimony previously provided to legislators, a repeal of the local government salary cap will result in a cost to the state. The timing will depend upon when state employee contracts come due.

Hiring of Consultants Not Impacted

Testimony was made that a repeal of the salary cap would lead to fewer consultants being hired, or that consultants are hired to get around the salary cap. No evidence was provided to the committee to support these claims.

Many local governments hire consultants solely due to it being impractical to hire employees for a job task or project.

The City of Roseville hires a city attorney as a consultant because the city receives the support and services of an entire law firm at a price of less than the cost of hiring one city staff attorney.

The City of Oak Grove hires a finance consultant because their city council determined that an on staff finance director would only have two days’ worth of work per week due to their size.

Conclusion

The Legislature directed the LCC to study the salary cap issue in 2004. The Legislature in 2005 permanently resolved the issue by increasing the cap annually and escalating it with the rate of inflation. A repeal of the cap is unnecessary and counterproductive to broader public policy goals in the State of Minnesota.

Local Government Compensation Limits by Year

Local Government

Effective Date	Compensation Limit*	CPI-U Increase
01/01/2021	\$180,927	1.2%
01/01/2020	\$178,782	1.8%
01/01/2019	\$175,621	2.5%
01/01/2018	\$171,338	2.0%
01/01/2017	\$167,978	1.6%
01/01/2016	\$165,333	0.2%
01/01/2015	\$165,003	1.7%
01/01/2014	\$162,245	1.0%
01/01/2013	\$160,639	2.2%
01/01/2012	\$157,181	3.5%
01/01/2011	\$151,866	1.2%
01/01/2010	\$150,065	0.0%
01/01/2009	\$150,065	3.7%
01/01/2008	\$144,711	3.5%
01/01/2007	\$139,817	1.3%
01/01/2006	\$138,023	4.3%
08/01/2005	\$132,333	--

*Unless increased in accordance with Minnesota Statute 43A.17 Subd. 9(e)

Minnesota State Statute [43A.17 \(https://www.revisor.mn.gov/statutes/?id=43a.17\)](https://www.revisor.mn.gov/statutes/?id=43a.17) limits the salary and the value of all other forms of compensation of a person employed by a political subdivision of this state, excluding school districts starting in 2005. The statute establishes that the limits are adjusted on January 1 of each year based on the Consumer Price Index increase. The new limit is equal to the limit for the prior year and increased by the percentage increase in the Consumer Price Index for all-urban consumers (CPI-U) from October of the second prior year to October of the immediately prior year. **The Bureau of Labor Statistics releases the monthly readings for the Consumer Price Index in the second half of the following month. The October readings are typically released after November 15th, therefore Minnesota Management and Budget will calculate and post the salary limit for the next calendar year in late November of each year.** Refer to [Subdivision 9 of State Statute 43A.17 \(https://www.revisor.mn.gov/statutes/?id=43a.17\)](https://www.revisor.mn.gov/statutes/?id=43a.17) for complete text.

The employee's salary includes deferred compensation and payroll allocations to purchase an individual annuity contract. The value of other forms of compensation is defined as the annual cost to the political subdivision for the provision of the compensation. Other forms of compensation which **must be** included to determine an employee's total compensation for the limit are all other direct and indirect items of compensation which are not specifically excluded by the subdivision. Other forms of compensation which **must not** be included in a determination of an employee's total compensation limit are: 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; dues paid to organizations that are of a civic, professional, educational, or governmental nature; and 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.

Compensation Limit Increase Process

The total value of compensation may not exceed the limits as shown in the chart above without a compensation limit increase from the Commissioner of MMB. The Commissioner may increase the limit for a position if the commissioner determines the position requires special expertise and needs a higher salary to attract and retain a qualified candidate. The Commissioner shall also consider the salary rates paid to other persons with similar responsibilities in the decision to increase the limit. The Commissioner may not increase the limit until it is presented to the Legislative Coordinating Commission and after receipt of the Commission's recommendation. Local governments wishing to apply for a compensation limit increase for a position may do so by filling out the [Compensation Limit Increase Request Form \(word version\) \(/mmb/assets/lgcomplimitwaiverform_tcm1059-128233.docx\)](#) (pdf version [\(/mmb/assets/lg-comp-limit-waiver-form_tcm1059-128232.pdf\)](#)). The questionnaire may be sent to the Commissioner of Minnesota Management & Budget. If a local government receives a compensation limit increase for a position, the limit is increased annually by the amount of the CPI-U increase in the chart.

Agency Head Salary Limits -January 1,2020

Group I

Effective January 1, 2020, the salary for each of the following positions shall not exceed \$183,556.

Position	Actual Salary
Commissioner, Administration	\$144,991
Commissioner, Agriculture	\$144,991
Commissioner, Commerce	\$144,991
Commissioner, Corrections	\$150,002
Commissioner, Education	\$150,002
Commissioner, Employment and Economic Development	\$150,002
Commissioner, Health	\$150,002
Commissioner, Housing Finance Agency	\$144,991
Commissioner, Human Rights	\$144,991
Commissioner, Human Services	\$154,992
Commissioner, Labor and Industry	\$144,991
Commissioner, Management and Budget	\$154,992
Commissioner, Natural Resources	\$154,992
Commissioner, Office of Higher Education	\$144,991
Commissioner, Pollution Control Agency	\$150,002
Commissioner, Public Safety	\$154,992
Commissioner, Revenue	\$154,992
Commissioner, Transportation	\$154,992
Commissioner, Veterans Affairs	\$144,991

Group II

Effective January 1, 2020, the salary for each of the following positions shall not exceed \$165,613.

Position	Actual Salary
Commissioner, Bureau of Mediation Services	\$139,980
Ombudsperson, Corrections	\$115,007
Executive Director, Gambling Control Board	\$119,997
Commissioner, Iron Range Resources & Rehabilitation Board	\$140,000
Ombudsman for Mental Health & Developmental Disabilities	\$119,997
Chair, Metropolitan Council	\$145,558
Executive Director, Pari-mutuel Racing	\$115,988
Commissioner, Public Utilities Commission	\$140,000
Director, School Trust Lands	\$125,009
Commissioner, Bureau of Mediation Services	\$139,980
Ombudsperson, Corrections	\$115,007
Executive Director, Gambling Control Board	\$119,997
Commissioner, Iron Range Resources & Rehabilitation Board	\$140,000
Ombudsman for Mental Health & Developmental Disabilities	\$119,997

Group III

Effective January 1,2020, the salary for the following position shall not exceed \$31,907.

Position	Actual Salary
Chair, Metropolitan Airports Commission	\$30,000