



February 9, 2023

Senator Steve Cwodzinski
95 University Avenue West
Minnesota Senate Building, Room 3207
St. Paul, MN 55155

Dear Senator Cwodzinski,

On behalf of the 837 members of the League of Minnesota Cities, I am writing to indicate our support for SF1086, 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.

Currently, Minnesota law limits the compensation for an employee of a political subdivision to no more than \$206,939 per year, beginning January 2023. 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 cap not only directly impacts specific positions requiring expertise, educational attainment and experience, in many jurisdictions the cap also results in salary compression challenges for other positions below the cap. In addition, the current Minnesota job market has roughly two job openings for every one job seeker and this cap can limit the ability of local government employers to attract highly qualified candidates from neighboring states and across the country.

Minnesota is unique among all states with this compensation limit in place. The current local government compensation cap was originally enacted in 1983 and specified that compensation for local government employees was limited to 95 percent of the governor's salary.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 and added an annual adjustment for inflation.

The law does include 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. This determination includes an assessment of compensation for similar positions in similar jurisdictions but despite the best efforts of the department, waivers cannot account for the array of factors that cities and counties must consider when assembling a compensation package to effectively attract and retain employees.

The Minnesota compensation limit law 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 existing waiver process is not a solution to the issues created by the cap. The process is time-consuming and decisions are not always timely. Despite local official's efforts to secure specific waivers, many past requests were deemed unnecessary, unneeded or approvals were authorized below the request of the jurisdiction creating immediate challenges for city and county employers. Although the number of waiver requests during the pandemic were lower than in previous years, current labor market forces coupled with uncertainty about future inflation pressures could result in a rebound in waiver requests in the coming years.

City mayors and councils are elected to govern their cities and they must be allowed to make the decisions based on their city's individual circumstances and needs.

Sincerely,

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

Gary Carlson
League of Minnesota Cities