

STATE OF MINNESOTA

COUNTY OF RAMSEY

BEFORE NATALIE HAAS STEFFEN
COMMISSIONER OF HUMAN SERVICES

BEFORE MARLENE E. MARSCHALL
COMMISSIONER OF HEALTH

BEFORE ARNE CARLSON
GOVERNOR

IN THE MATTER OF THE PROPOSED ADOPTION OF
RULES OF THE MINNESOTA MERIT SYSTEM
GOVERNING THE COMPENSATION PLAN AND SALARY
ADJUSTMENTS AND INCREASES

STATEMENT OF NEED
AND REASONABLENESS

I. The following considerations constitute the regulatory authority upon which the above-cited rule amendments are based:

1. Federal law requires that in order for Minnesota to be eligible to receive grant-in-aid funds for its various human services, health and public safety programs, it must establish and maintain a merit system for personnel administration. See, e.g. 42 USC §§ 4701-28.⁽¹⁾

⁽¹⁾Also see sections of the United States Code and Code of Federal Regulations cited herein where the following programs have statutory or regulatory requirement for the establishment and maintenance of personnel standards on a merit basis:

Aid to Families With Dependent Children - "AFDC" [42 USC § 602(a)(5)]
Food Stamps [7 USC § 2020(e)(6)(B)]
Medical Assistance - "MA" [42 USC § 1396(a)(a)(4)(A)]
Aid to the Blind [42 USC § 1202(a)(5)(A)]
Aid to the Permanently and Totally Disabled [42 USC § 1352(a)(5)(A)]
State and Community Programs on Aging [42 USC § 3027(a)(4)]
Adoption Assistance and Foster Care [42 USC § 671(a)(5)]
Old-Age Assistance [42 USC § 302(a)(5)(A)]
Emergency Management Assistance [44 CFR § 302.4]

The Legislative Commission to
Review Administrative Rules

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2. Pursuant to such congressional action the Office of Personnel Management, acting under authority transferred to the United States Civil Service Commission from the Departments of Health, Education and Welfare, Labor, and Agriculture by the Intergovernmental Personnel Act (IPA) of 1970 and subsequently transferred on January 1, 1979, to the Office of Personnel Management by the Reorganization Plan Number Two of 1978, promulgated the Standards for a Merit System of Personnel Administration codified at 5 CFR Part 900, Subpart F, which imposes on the State of Minnesota general requirements for a merit system of personnel administration in the administration of the federal grant-in-aid programs. (See, Footnote 1 Supra.)

3. Under the aforementioned grant-in-aid programs, the State of Minnesota, through its appropriate agencies, is the grantee of federal programs and administrative funds. Accordingly, the State is under an affirmative obligation to insure that such monies are properly and efficiently expended in compliance with applicable federal standards. Those standards require that in order for the agencies under the Minnesota Merit System to be eligible to receive federal grant-in-aid funds the Minnesota Merit System rules must specifically include, among other things, an active recruitment, selection and appointment program, current classification and compensation plans, training, retention on the basis of performance, and fair nondiscriminatory treatment of applicants and employees with due regard to their privacy and constitutional rights (48 Fed. Reg. 9211 (March 4, 1983) codified at 5 CFR § 900.603).

4. In conformance with 5 CFR Part 900, Subpart F, the Minnesota Legislature enacted sections 12.22 Subd. 3, 144.071 and 256.012 of Minnesota Statutes, which respectively authorize the Governor, the Commissioner of Health, and the Commissioner of Human Services to adopt necessary methods of personnel administration for implementing merit systems within their individual agencies. Collectively, the resulting programs are referred to as the "Minnesota Merit System".⁽²⁾

5. Pursuant to such statutory authority those state agencies have adopted comprehensive administrative rules which regulate administration of the Minnesota Merit System.⁽³⁾

6. The Minnesota Supreme Court has upheld the authority of the Commissioner of Human Services and by implication that of the Commissioner of Health and the Governor to promulgate personnel rules and regulations. The Court quashed a writ of mandamus brought by the Hennepin County Welfare Board against the county auditor in attempting to force payment of salaries in excess of the maximum rates established by the Director of Social Welfare.⁽⁴⁾ State ex rel. Hennepin County Welfare Board v. Fitzsimmons, 58 N.W.2d 882, 890 (1953). The court stated:

⁽²⁾ See also Minn. Stat. §§ 393.07 subdivisions 3 and 5, 256.01 subdivisions 4 and 5, and 256.011.

⁽³⁾ Minn. R. 9575.0010-1580, 7520.0100-1200, and 4670.0100-4300.

⁽⁴⁾ "Director of Social Welfare" was the former title of the Commissioner of Human Services.

[It is clear that the Director of Social Welfare was clearly right in adopting and promulgating a merit plan which included initial, intervening, and maximum rates of pay for each class of position of the county welfare board system included within the plan and that the plan so adopted was binding upon all county welfare boards within the state. In our opinion the federal and state acts, properly construed, provide that the Federal Security Administrator as well as the Director of Social Welfare shall have authority to adopt rules and regulations with respect to the selection, tenure of office, and compensation of personnel within initial, intervening, and maximum rates of pay but shall have no authority or voice in the selection of any particular person for a position in the state welfare programs nor the determination of his tenure of office and individual compensation.

7. The above cited proposed rule amendments are promulgated in accordance with the provisions of applicable Minnesota statutes and expressly guarantee the rights of public employers and Minnesota Merit System employees in conformance with the terms of the state's Public Employment Labor Relations Act (Minn. Stat. §§ 179A.01-179A.25).

II. The justifications establishing the need for and the reasonableness of the specific substantive provisions of the proposed rules, all of which concern the Minnesota Merit System operation, are as follows:

A. Salary Adjustments and Increases

Minnesota Rules, parts 9575.0350, 4670.1320 and 7520.0650

An amendment is proposed to parts 9575.0350 subpart 3; 4670.1320 and 7520.0650 subpart 3 providing for a recommended general salary adjustment of 2.5 percent for all non-bargaining unit Merit System employees on Merit System professional, support, clerical and maintenance and trades salary schedules to be effective January 1, 1993. The amendment is necessary not only because it changes the recommended general salary adjustment percentage in these rule parts from that adopted for 1992 but also because there is a need to provide competitive salary adjustments in 1993 for employees covered by the Human Services, Health and Public Safety Merit System rules. The amendment is also reasonable based on a review of adjustments to salary levels by employers with similar and competing types of employment and trends in the Twin City Consumer Price Index (TCCPI).

Merit System rules require that the annual recommended general salary adjustment for employees be based on salary adjustments granted by employers with similar and competing types of employment and trends in the TCCPI. Obviously, for the Merit System, employers with similar and competing types of employment means other public employers. Traditionally, other employers the Merit System has looked to in developing a recommended general salary adjustment are the State of Minnesota and other counties with their own personnel systems which are separate and apart from the Merit System.

The State of Minnesota has negotiated a contract with AFSCME Council 6 representing approximately 18,000 state employees providing across-the-board salary adjustments of 2% effective July 1, 1992, and another .5%

effective January 1, 1993. The state has also negotiated a contract with MAPE representing approximately 6,000 professional employees providing across-the-board adjustments of 1.25% effective July 1, 1992, and another 1.25% effective January 1, 1993. In addition, the state has negotiated a contract with supervisory employees (Middle Management Association) also providing for across-the-board adjustments of 2% effective July 1, 1992, and .5% on January 1, 1993. Several other jurisdictions have settled for 1993. Ramsey County has settled for 1% effective January 1, 1993 and another 2.5% effective July 1, 1993. Hennepin County has settled for 2.5% effective January 1, 1993 and Itasca County has settled for 4% in 1993 as part of a three year contract. Washington County has settled for 2% for 1993.

As indicated previously, proposed annual employee salary adjustments must also be based on the trends in the TCCPI. The United States Department of Labor's Bureau of Labor Statistics calculates changes in the index for all urban consumers (covering approximately 80% of the total population) twice a year. For the first half of 1991 to the first half of 1992, the index increased 3.2%. The Bureau also calculated changes in the Consumer Price Index for all urban consumers in the North Central Region which includes the State of Minnesota. For the period July, 1991, to July 1992, the index increased 2.9%.

Given the information presently available regarding across-the-board salary adjustments agreed to by competing employees for 1992 and 1993 as well as other measures of salary progression and increases in various consumer price indices as indicated, it is reasonable to recommend that salaries of Merit System employees not covered by the terms and conditions of a collective bargaining agreement be increased by 2.5% effective January 1, 1993, or on the beginning date of the first payroll period following January 1, 1993, for those agencies on a biweekly or four-week payroll period.

It should be emphasized that the recommended general salary adjustment of 2.5% is simply that, a recommendation. It lacks the binding effect of a negotiated collective bargaining agreement. Agencies, even those where there is no collective bargaining agreement, are not required to adopt the Merit System recommended general adjustment but have the flexibility, under Merit System rules, to adopt a different salary adjustment (or no adjustment at all) for agency employees. Under whatever salary adjustment is finally adopted by an agency, the only salary increases that agencies are required to make are those necessary to bring the salaries of individual employees up to the new minimum salary rate for their classification on the Merit System compensation plan adopted by the agency for that classification.

Another important point is that, under Merit System rules, Merit System compensation plan adjustments do not apply to employees in a formally recognized bargaining unit. There are 44 Merit System agencies where most of the agency employees are covered by a collective bargaining agreement and employee compensation is the product of negotiation between the appointing authority and the employee's exclusive representative. In these agencies, the only employees subject to Merit System compensation plans are those in positions that are excluded from the bargaining unit by virtue of being supervisory or confidential in nature.

B. Compensation Plan

Minnesota Rules, parts 9575.1500, 4670.4200-4240 and 7520.1000-1100

Amendments proposed to these parts specifically recommend adjustments to the 1993 minimum and maximum salaries for all Merit System classes of positions covered by the Human Services, Health and Public Safety Merit System rules to be effective January 1, 1993. Merit System rules require that Merit System compensation plans be adjusted annually to reflect changes in the level of salary rates in business and government for similar and competing types of employment and to achieve equitable compensation relationships between classes of positions based on their comparable work value. Amendments to these parts are necessary to provide Merit System agencies with salary ranges for all classes that are competitive in terms of salary rates being offered by competing employers for comparable work elsewhere in the public and private sector and also to comply with the provisions of Minnesota Statutes, sections 471.991-999 requiring the establishment of equitable compensation relationships between classes of positions based on their comparable work value as determined by a formal job evaluation system.

The Merit System reviewed current compensation plans for competing employers such as the State of Minnesota and the counties of Hennepin, Ramsey, St. Louis, Beltrami, Dakota, Anoka, Blue Earth, Olmsted, Scott, Washington and Itasca to determine their salary levels and consider them in proposing amendments changing the minimum and maximum salaries of Merit System comparable classifications for 1993.

Proposed amendments to parts 9575.1500, 4670.4200-4240 and 7520.1000-1100 adjust the minimum and maximum salaries for most of the Merit System classes by 2.5%, the same percentage adjustment that is being recommended as a general salary adjustment for employees in all Merit System classifications. That kind of adjustment provides that employees will remain on the same salary step in their new salary range as they were on their previous salary range. This is reasonable in terms of the practice in other public jurisdictions of adjusting salary ranges by the same percentage amount as the general salary adjustment granted to all employees of the jurisdiction. They are reasonable in light of the Merit System review of current salary ranges for comparable kinds of work in other public jurisdictions and by changes in general economic growth factors. They are adjustments necessary in order to maintain a competitive compensation plan providing equitable and adequate compensation for use by Merit System agencies covered by the plan.

Some of the salary range adjustments made in part 9575.1500 exceed 2.5%. These adjustments relate to classes of positions where a 2.5% adjustment is inappropriate because of a need to establish equitable compensation relationships between classes of positions based on their comparable work value or where labor market data would indicate an adjustment of something other than 2.5% to be proper. Subsequent to passage of Minnesota Statutes, sections 471.991-999, the Merit System conducted a formal job evaluation study which determined the comparable work value of all Merit System classes of positions. A basic principle of pay equity is that classes with identical or similar work values should have identical or similar salary ranges. The results of the study revealed a large number of situations where classes of positions with similar comparable work values had quite disparate salary ranges. These situations represented compensation inequities and, over the past six years, the Merit System has

proposed and adopted a significant number of comparability adjustments to either equalize or reduce the differences between salary ranges for classes with identical or similar comparable work values. It is necessary to continue this process to attain the statutorily-mandated requirement to establish equitable compensation relationships between all classes of positions. All of the proposed varying adjustments for 1993 are based on attaining the objective of having an internally consistent Merit System compensation plan with reasonable compensation relationships existing between classes of positions based on their comparable work value which is obviously consistent with the objective of the Local Government Pay Equity Act (Minn. Stat. §§ 471.991-999).

Minnesota Rules, part 9575.1500 includes the Department of Human Services Merit System compensation plan. The plan contains salary schedules for professional, support, clerical and maintenance and trades classes of positions. Adjustments proposed to minimum and maximum salaries for Human Services Merit System professional classifications are 2.5% with the following exceptions:

1. Office Services Supervisor, Child Support Officer I and Financial Assistance Specialist minimum salaries are adjusted approximately 7% and maximum salaries are adjusted 2.5%.
2. Financial Worker minimum and maximum salaries are adjusted approximately 10%.

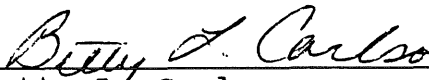
The adjustments to the ranges for Office Services Supervisor and Child Support Officer I are made as part of the Merit System's continuing efforts to achieve pay equity. The adjustments to the ranges for Financial Worker and Financial Assistance Specialist result from a classification study of these positions completed in August, 1992 which revealed that their comparable work value had increased significantly.

Minnesota Rules, parts 4670.4200-4240 includes the Department of Health Merit System compensation plan. It contains salary schedules for professional, support, clerical and building maintenance classes of positions. The adjustment proposed to minimum and maximum salaries for all Health Merit System classes is 2.5%.

Minnesota Rules, parts 7520.1000-1100 includes the Emergency Services Merit System compensation plan. It contains salary schedules for professional and clerical classes of positions. The adjustment proposed to minimum and maximum salaries for all Emergency Services Merit System professional and clerical classes is 2.5%.

The foregoing authorities and comments are submitted in justification of the final adoption of the above-cited rule amendments.

If this rule goes to public hearing, it is anticipated that there will be no expert witnesses called to testify on behalf of the agency. The small business considerations in rulemaking, Minnesota Statutes, Section 14.115, do not apply to this rule amendment.


Betty L. Carlson
Merit System Supervisor

Dated: 9/29/92