

Minnesota counties lead in payroll and employment growth

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Counties registered bigger increases in total payroll and employment than state and other local Minnesota governments between 1980 and 1991. The rise in top managers' salaries in sampled counties also exceeded the

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July 1994



PLANNING

increase in salaries in other jurisdictions between 1989 and 1993.

What happened at the county level happened to most other jurisdictions, though to a lesser extent. Cities, townships, school districts and the state grew in terms of payroll and number of employees, while many top managers' salaries increased. The result is more government workers than a decade ago, but there also are more people and a greater demand for services.

Among some of the most significant changes over the decade were:

- Total public payroll rose 108 percent; even adjusted for inflation, the gain was 26 percent.
- Counties had the highest increase in payroll spending — 42 percent, adjusted for inflation.
- Total public employment per capita expanded almost 7 percent.
- Since 1991, salaries for top managers at the state, county and city level have grown at less than the rate of inflation. This is the reverse of what happened between 1989 and 1991, when top management salaries for all levels of government exceeded the rate of inflation.

This *Line Item* looks at the trends in state and local government payroll, employment and top managers' salaries. While it suggests some causes of these trends, an in-depth examination of the driving forces is beyond the report's scope.

Total public payroll more than doubles in 1980s

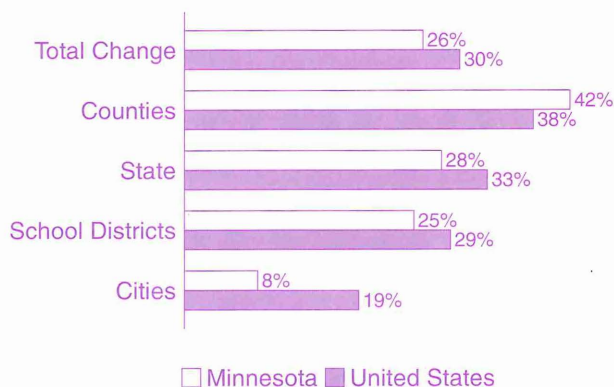
Total payroll expenditures of state and local governments in Minnesota rose 108 percent between 1980 and 1991. A large part of the increase can be explained by inflation, but even after adjusting for inflation, total payroll costs increased 26 percent, compared to a national average of nearly 30 percent. The figures in the rest of this report are adjusted for inflation.

Payroll includes salaries, wages, fees, commissions and bonuses paid to employees but not fringe benefits. Fringe benefits, such as employer contributions to Social Security and health insurance, ranged from about 18 percent to almost 21 percent of total compensation (payroll plus fringe benefits) in fiscal year 1992.

Even without fringe benefits, payroll accounts for a big portion of direct government spending: 58 percent for school districts, 31 percent for counties, 25 percent for cities, and 31 percent for the state in 1991. Total state and local payroll costs

actually grew slightly slower than other government costs, dipping from 36 to 35 percent of total direct expenditures between 1980 and 1991. Direct expenditures exclude money transferred between jurisdictions, such as for welfare benefits.

Percent Change in Public Payroll 1980 to 1991



Counties were the only jurisdiction to exceed the national average for public payroll gains.

Note: Figures are adjusted for inflation and are for October 1980 and 1991.

Source: U.S. Department of Commerce, *Public Employment* (1980 and 1991)

Growth in payroll reflects increases both in wages and salaries and in number of employees. Several factors influenced the growth in payroll. Wage and salary raises exceeded those necessary to keep up with inflation, which was 65 percent between 1980 and 1991. At the same time, Minnesota's population went up nearly 9 percent.

After adjusting for both inflation and population growth, government payrolls in Minnesota grew 16 percent between 1980 and 1991. This growth could reflect both increases in wages and salaries and increases in government services and employment. Some of the growth in services may be due to federal and state mandates requiring local governments to provide more services or simply a local decision to increase services.

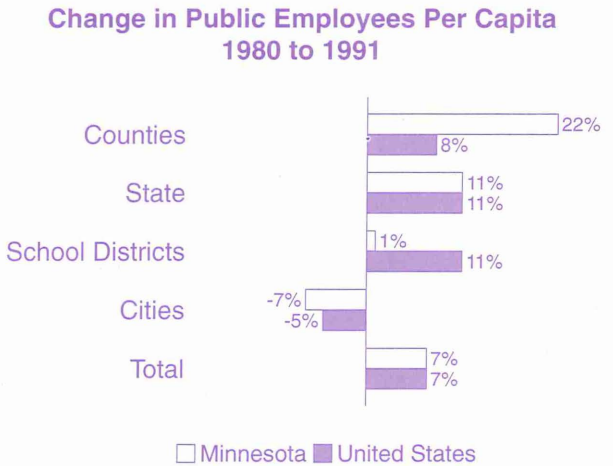
County payroll, employment gains outpace other units

Counties had greater increases in payroll and employment during this period than did the state, cities, townships or school districts. The state had the second-highest increases, while cities and townships showed the smallest gains.

Minnesota county payrolls rose 42 percent, a bit faster than the national pace for counties, while the payroll increases of state and local governments trailed the growth of their counterparts in the rest of the country. Payrolls of Minnesota cities grew at less than half the pace of cities nationally.

In Minnesota counties, the per capita number of public employees rose about 22 percent — almost three times as fast as in counties nationally — between 1980 and 1991. Minnesota state government employment grew at the same rate as for other states — 11 percent. School district employment grew only slightly while cities' per capita employment actually declined.

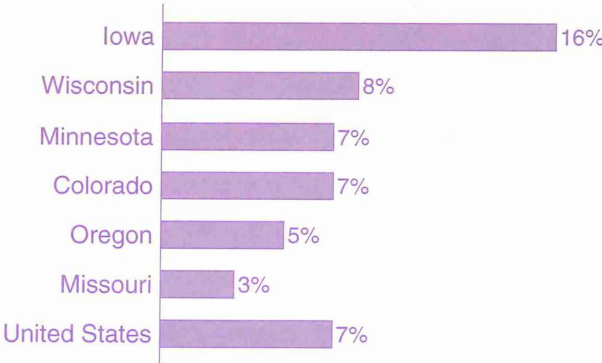
Total public employment per capita in Minnesota expanded almost 7 percent between 1980 and 1991. The number of employees is defined as the number of full-time employees who could have been employed if the number of hours worked by part-time employees had been worked by full-time employees.



Unlike other government levels, cities in Minnesota and the nation experienced a reduction in the number of employees per capita.

Source: U.S. Department of Commerce, *Public Employment* (1980 and 1991)

Percent Increase in Per Capita State and Local Employees – 1980 to 1991



Minnesota per capita public employment increased about the same as the country.

Note: These states were selected because their size and characteristics are comparable to Minnesota.
Source: U.S. Department of Commerce, *Public Employment* (1980 and 1991)

Compared to neighboring states and other states of similar size and urban-rural mix, Minnesota's 7 percent growth in total public employment was not unusual. It was slightly less than Wisconsin's and less than half of Iowa's growth rate.

Corrections and human services drive county payroll growth

One of the fastest growing parts of Minnesota county budgets was corrections, which rose 65 percent between 1980 and 1991. Among local government, counties make virtually all the expenditures for corrections. Contributing to this increase

Percent Change in State and Local Per Capita Employment – Selected Functions 1980 to 1991

	Minnesota	Wisconsin	Oregon	Iowa	Colorado	Missouri	United States
Higher Education	42%	18%	24%	63%	16%	29%	19%
Corrections	40	51	53	31	87	97	95
Police	6	4	-8	16	0	-2	7
Courts	0	-4	14	15	14	10	9
K-12	-2	14	1	5	6	3	8
Fire	-6	1	-2	3	2	2	2

Source: U.S. Department of Commerce, *Public Employment* (1980 and 1991)

was legislation passed in the 1980s that made drunk driving a gross misdemeanor for repeat offenders and set a mandatory 30-day jail sentence, forcing counties to add jails and personnel.

Nationally, public employment expanded most in corrections in the last decade. Contributing to the increases in corrections employment from 1980 to 1991 were stronger laws and longer sentences. Among neighboring and similar states, however, Minnesota and Iowa had smaller increases in per capita corrections employment. Recent Minnesota legislation increasing the average prison stay will probably fuel continued growth in corrections employment.

Local government personnel costs for welfare and health services rose nearly 46 percent between 1980 and 1991. Counties assume the bulk of these costs. The Association of Minnesota Counties and the Minnesota Department of Human Services cite three influential legislative changes during the decade that drove these personnel costs up. First, legislation passed in 1987 and 1989 gave counties more planning and administrative responsibilities for mental health services. Case-management activities were expanded for adults with serious mental illness and children with severe emotional disturbances. Second, the move away from institutions to community-based services required additional social services at the local level. Finally, changes in medical assistance eligibility increased county caseloads.

Higher education employment soars

The number of higher education employees grew markedly in Minnesota and Iowa, compared to the selected states and the country as a whole. Most of Minnesota's 42 percent increase during the 1980s was in noninstructional employees rather than for teachers or other instructional staff. Nonin-

structional employees typically engage in administrative duties, support and student services, maintenance, counseling and research. Noninstructional employees accounted for nearly 73 percent of Minnesota's growth in per capita employment in higher education between 1980 and 1991.

In Minnesota elementary and secondary education, however, the number of employees per capita decreased about 2 percent between 1980 and 1991. Total licensed employees in this area declined about 3 percent, while enrollment during the period rose about 1 percent.

Growth rate of top managers' salaries slows down beginning in 1991

Government salaries for top managers grew at a slower pace between 1991 and 1993 than during the previous two-year period.

At all levels of government — cities, counties, school districts and the state — salary increases for top managers between 1989 and 1991 equaled or exceeded the rate of inflation, which was 8 percent. Beginning in 1991, that trend reversed for the state, counties and cities.

Salaries for state government managers had the lowest rate of growth between 1991 and 1993; agency heads were under a pay freeze and the salaries of top managers increased by 4.7 percent, well below the inflation rate of 6 percent. Salaries for top managers in cities and counties increased by 5.9 percent. School districts were the only unit of government in which top managerial salaries increased more than the rate of inflation.

Salary is the annual rate of pay in effect on any given day and does not include fringe benefits.

Average Salaries for Top Managerial Positions

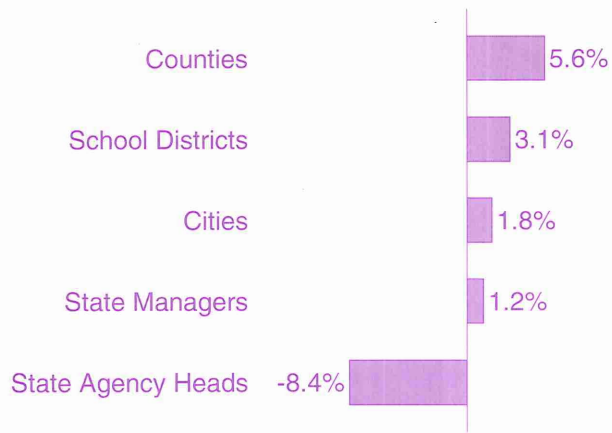
	1989	1989-91 % change	1991	1991-93 % change	1993
Cities	\$47,781	10.3%	\$52,412	5.9%	\$55,506
Counties	47,611	14.9	54,169	5.9	57,379
Schools	57,487	7.9	61,621	9.7	67,621
State					
Managers	52,070	14.3	57,425	4.7	60,135
Agency heads	64,172	4.6	67,094	0.0	67,094

Note: Salaries for local government and school districts are the average of the four highest-paid positions for selected jurisdictions.
Source: Minnesota Department of Employee Relations

Salary comparisons in this report are based on a sampling of surveys of local governments and data provided by the Minnesota Department of Employee Relations.

While 14 of the 15 jurisdictions with the highest paid managers were in the Twin Cities area, a jurisdiction's location and size do not necessarily explain the salaries of top managers. Corroborating this finding is a 1991 State Auditor's report, *Local Government Salary Study*, that said that at least in cities, there is "no apparent relationship between city size, expenditures, and the salary paid to the city manager."

Change in Average Salaries for Top Managers
1989 to 1993



Except for state agency heads, top management salaries in state and local government kept pace with or slightly exceeded inflation.

Note: Adjusted for inflation, salaries for local government and school districts are the average of the four highest-paid positions for selected jurisdictions.

Sources: Minnesota Department of Employee Relations and Minnesota Planning

Research for this *Line Item* shows that salaries for top city positions in some regional centers, such as Mankato and Rochester, were comparable to the highest paying Twin Cities area communities of Edina, Golden Valley, Minneapolis and Bloomington. In other regional centers, such as St. Cloud, Moorhead and Duluth, however, the salaries were lower. Five local governments with the lowest salaries for top positions were all outside the Twin Cities area, and four had populations of less than 6,000. Only cities with a population of 5,000 or more were surveyed.

Such variation is not seen in salaries for state top managers because state government offers the same salary range to managers in the same job classification regardless of where they work.

Size also does not always explain salary differences in school districts. All lower-paying school districts had fewer than 500 students during

Highest and Lowest 1993 Salaries
for Top Positions Surveyed

Cities			
City Manager			
	HIGHEST	LOWEST	
Edina	\$90,000	Waite Park	\$43,500
Bloomington	89,100	Alexandria	43,680
Golden Valley	88,800	Sartell	44,668
Minneapolis	88,200	Morris	44,796
Rochester	87,500	Corcoran	45,800

Counties			
County Administrator/Coordinator			
	HIGHEST	LOWEST	
Hennepin	\$103,600	Fillmore	\$27,981
Ramsey	100,256	Aitkin	30,000
Anoka	97,868	Grant	31,411
Washington	92,280	Mille Lacs	31,429
Dakota	88,100	Mahnomen	31,871

School Districts			
Superintendent			
	HIGHEST	LOWEST	
Hopkins	\$105,622	Ceylon	\$38,000
Minneapolis	103,600	Oslo	41,000
Wayzata	100,488	Delavan	42,000
Rosemount	98,754	Lyle	44,500
Anoka-Hennepin	97,410	Silver Lake	44,520

State Agencies	
All Eight Salary Categories for Agency Heads	
Education, Finance, Revenue	\$78,500
Public Safety	76,128
Administration, Corrections, Planning	67,500
Human Rights, Public Service	60,000
Veterans Affairs	58,464
Public Utilities Commission	54,500
Ombudsman for Mental Health	52,761
Ombudsman for Corrections	52,164

Note: Salaries here do not include fringe or other benefits. There are eight salary categories for state agency heads. Examples of the 32 agencies are provided for each category.

Sources: Minnesota Department of Employee Relations and 1993 surveys by League of Cities, DCA Stanton, Minnesota School Board Association and Minnesota Association of Counties

the 1991-92 school year, but salaries in other, larger districts varied widely. For example, Moorhead's superintendent received about the same salary as Duluth's in 1993, yet Moorhead had fewer than half the students of Duluth — about 5,700 compared to 14,000. The Moorhead district's total operating budget in 1992 was \$26 million, compared to Duluth's \$65 million.

The same kind of variation was found in surveyed districts in the Twin Cities area. The Wayzata and Anoka-Hennepin districts paid their superintendents comparable salaries, even though Wayzata has one-fourth as many students as Anoka-Hennepin.

Public managers' pay trails private sector

Even with the increases, top managerial positions in the public sector still paid significantly less than their private sector counterparts, according to the State Auditor's 1991 study.

The lower pay of the top public sector positions is partly the result of a cap enacted by the Legislature in 1983 to control the growth of these salaries. The law limits local government employee salaries to 95 percent of the Governor's salary; the cap in 1993 was \$103,600.

At the same time, however, public employees in nonprofessional jobs paying less than \$50,000 a year generally earned more than their private sector counterparts. People in professional and mid-management jobs paying more than \$50,000 earned about the same in both the private and public sectors.

Increases in salaries for lower paying public jobs have been generated in part by pay equity laws passed in 1982 and 1984 to correct compensation inequities between male- and female-dominated jobs of comparable worth in the public sector.

The salary increases for a sample of nonmanagement jobs (clerical, technical, and professional) were comparable to the raises for top city and state managers between 1989 and 1993, according to the Department of Employee Relations.

Technical notes

To examine changes in average salaries of top management positions, Minnesota Planning and the Department of Employee Relations selected a random sample from surveys of metropolitan and nonmetropolitan local governments. The sample included 51 cities, 32 counties and 48 school districts drawn from surveys conducted by DCA Stanton Group, League of Minnesota Cities, Association of Minnesota Counties and the Minnesota School Board Association. These surveys were used to compare average salary rates in 1993 for the top four management positions and

the highest and lowest salaries for the top position in cities, counties and townships. Supplemental information was provided by the Department of Employee Relations.

The top four management positions surveyed in cities were city manager or administrator, finance director, chief of police and director of public works; in counties, they were county administrator or coordinator, finance director or treasurer, sheriff and director of public works or highway engineer; and in school districts, they were superintendent, business manager, high school principal and elementary school principal. State government positions used for comparison were agency head, deputy commissioner and all managers.

Line Item is a series of brief publications highlighting key facts and findings from Minnesota Planning's in-progress study of government spending. The study will examine past local and state government spending and revenues, identify major driving forces and forecast what is expected to happen in the next five to 10 years.

Line Item reports will be issued periodically during the course of the study, and a final report will be released in December 1994.

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July 1994

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