



Case & Doc #

810139

EXECUTIVE AND JUDICIAL COMPENSATION

Report and Recommendations
for the State of Minnesota



to

Governor Albert H. Quie

and

Commissioner Barbara L. Sundquist

Submitted by

Governor's Task Force
on Executive and Judicial Compensation

December 19, 1980

JK
6157
.M45
1980x

Pursuant to Executive Order #80-8
(Gov Quie) 1980

JOHN S. PILLSBURY, JR.

880 DAIN TOWER
MINNEAPOLIS, MINNESOTA 55402
612 • 898-4382

December 19, 1980

The Honorable Albert H. Quie
Governor
State of Minnesota
130 State Capitol
St. Paul, Minnesota 55155

Dear Governor Quie:

On behalf of The Task Force on Executive and Judicial Compensation, I am transmitting to you herewith through the office of Commissioner of Employee Relations the report which you directed us to prepare in your Executive Order No. 80-8.

Subject to some adjustments required by a few special situations, our general recommendation for the salaries for the executive and judicial positions in Minnesota Statutes Sections 15A.081 and 15A.083 propose a 12% increase effective July 1, 1981 and a 10% increase effective July 1, 1982.

It is the unanimous conviction of the members of The Task Force who attended its final meeting that these increases are equitable and appropriate in the light of competitive salary practices for positions of comparable responsibility in the public and private sectors.

The members of The Task Force are obviously keenly aware of the difficult financial problems facing the state government at this time. In the context of the whole state budget, however, the total salaries covered by our recommendations and the increases recommended constitute a very modest amount of money. This is pointed out in the report.

Our report, of course, states the full rationale for our recommendations. Most significant, however, is the fact that if the salaries of the top executive and judicial positions are held to too low a level, it creates a compression on the salary levels for those jobs under and reporting to the top officials which makes it impossible to maintain such salaries at competitive levels with other governmental jurisdictions and the private sector. This makes it difficult and in some cases virtually impossible to attract and retain the kind of competent people who are needed to deal with the state's complex problems.

While this report completes The Task Force's principal assignment, its existence under your Executive Order does not terminate until June 30, 1981. Accordingly, the members of The Task Force stand ready on your call

The Honorable Albert H. Quie

-2-

December 19, 1980

to discuss our recommendations with you and to assist you in presenting them to the Legislature.

In addition, if there are any other questions relating to the executive and judicial salaries which you would like to have The Task Force explore, please do not hesitate to call on us.

Respectfully submitted,


John S. Pillsbury, Jr.
Chairman

JSP:bp
Enclosure

REPORT OF THE TASK FORCE ON EXECUTIVE AND JUDICIAL COMPENSATION

INTRODUCTION

The Governor's Task Force on Executive and Judicial Compensation was created by Executive Order No. 80-8 and was constituted in October, 1980 by the appointment of the following persons to serve as members:

MEMBERS

John S. Pillsbury, Jr., Chairman of the Board Northwestern National Life Insurance Company	Chairman
Don Paterick Minnesota Taxpayers Association	Tom West Mankato Free Press
Harlan Hogsven, Vice President, Human Resources Division Lutheran Brotherhood	Dee H. Kemnitz, Vice President Personnel Division Carlson Companies
W. Don Norris, Vice President Personnel Division The Pillsbury Company	Mabel Cason, Assistant Director Personnel Division St. Paul Public Schools
Jack A. McHugh, Vice Chairman Northwestern National Bank of Minneapolis	Richard Brubacher, Executive Director Minnesota Petroleum Council
Jean Burhardt, Deputy Administrator Hennepin County	Dennis Howard, Administrator 9th Judicial District Court
Frank Claybourne, Attorney at Law	Ray Faricy, State Representative
Dave Roe, President AFL-CIO	Rod Searle, State Representative

The most significant assignments given to the Task Force were: 1) to study and analyze the difficulty and responsibility of executive and judicial positions by a quantifiable system which will array these positions in relation to the respective demands placed on them; and 2) to prepare a report setting forth its recommendations of salaries for the positions listed in Minnesota Statutes Sections 15A.081 and 15A.083 for the biennium commencing on July 1, 1981 and ending on June 30, 1983.

From July, 1973 until June, 1980 the authority to analyze the salaries of the constitutional officers, agency heads and members of the judiciary and to make recommendations on salaries for these positions to the Governor was vested in the State Personnel Board. When the Personnel Board was abolished on June 30, 1980, the statutory responsibility for submitting salary recommendations for these positions became solely that of the Governor. The Governor established the Task Force to provide the advisory functions with respect to Executive and Judicial Compensation formerly provided by the Personnel Board.

The full Task Force held three meetings on October 23, November 12 and December 10, 1980. At its first meeting a subcommittee on position evaluation, chaired by Task Force member W. Don Norris, was appointed. It held meetings on October 30 and November 12 for the purpose of reviewing the evaluations recommended by Hay and Associates. Henri van Adelsberg, Director of State and Local Government Services for Hay was present at the October 30 meeting.

Staff work for the Task Force was provided by the Commissioner of Employee Relations, the Assistant Commissioner and the Manager of Classification and Compensation.

The Task Force addressed special attention to the Hay evaluations of all positions considered by the Subcommittee and also to all positions commented on in letters received from various state officials raising questions about the evaluations and salary levels. The Task Force decided that in view of the shortness of time at its disposal it could not take oral testimony.

Considerable time was spent reviewing salary trends and salary surveys which reflected what was occurring and what was projected to occur in salaries for comparable positions in the public and private sectors over the past two years and the next two years.

The recommendations which follow represent the unanimous agreement of the Task Force members in attendance at the meetings.

RECOMMENDATIONS:

1. Continue use of the Hay system to establish the internal relationships between these positions. The State has utilized the Hay system for the positions reviewed by the Task Force for the past ten years, and it is also the system which the Department of Employee Relations uses to classify other state service jobs.

In addition, the Hay system is used by many major industrial and financial institutions in Minnesota and nationwide. While obviously there are questions about the system from time to time, the very fact that the Hay system has been so broadly used is strong evidence that it has worked reasonably well over the years in both the public and private sectors.

Hay and Associates last evaluated the executive and judicial positions in 1978. This year staff of the Department of Employee Relations provided current office holders in the executive branch with existing position descriptions for their positions and asked each incumbent to update their position descriptions, pointing out any major areas of change in responsibilities and authorities. The Sub-Committee on Position Evaluation of the Task Force identified those positions where sufficient change appeared to have occurred to indicate the need for re-evaluation by Hay and Associates. Of the 16 positions selected for review, Hay and Associates recommended higher ratings for six, and these recommendations were adopted by the Task Force. Because the statutory responsibilities assigned to the judicial branch had not changed since 1978, these positions were not re-evaluated.

2. Make salary adjustments for 1981-83 from a new salary base in which each salary is either 1) the present salary for each position if that salary is equal to or above the Hay 1980 salary practice line, or 2) the salary which should be paid to bring the position to the 1980 practice line. The Hay process involves the computation of a point value for each position by an appraisal of the factors going into the job content. By use of a formula each position is assigned a salary based upon its points. When the salary is plotted on the vertical axis of a graph and the points on the horizontal axis, the line passing through the points at which perpendicular lines from each of these axis meet becomes the Hay salary practice line. (See Attachment 2.)
3. Increase salaries for the executive and judicial positions in Minnesota Statutes Sections 15A.081 and 15A.083 by 12% effective July 1, 1981 and by 10% effective July 1, 1982. Salaries for each position resulting from this recommendation are listed on Attachment 1. The position of Chairman of the Waste Management Board is dealt with in Recommendation 4.

State salaries are reasonably competitive with the private sector until reaching the level of the top managers in the major departments and just below the salary level of elected constitutional officers. At this point, the state's salary line flattens out and becomes increasingly horizontal while the private sector salary line continues to rise vertically at an ever ascending rate with increased job responsibility. As a result, state managerial salaries and salaries for the elected officials fall below the lowest salary levels paid currently by private employers in Minnesota for jobs of comparable responsibility. This is illustrated in Attachment 2.

Furthermore, if state salaries are maintained at the present level, the gap between salaries for state managers and their counterparts in the private sector is projected to become even greater by January 1, 1982 as seen in Attachment 3. It should be noted in this connection that Minnesota Statute Section 43.111 reads in part as follows:

"It is also established as the policy of the State of Minnesota that employees be paid a total compensation which is competitive with that paid for like positions in other private and public employment."

It is true that if salaries for constitutional officers, agency heads and members of the judiciary are compared only with comparable positions in other state governments, Minnesota would appear to be in a satisfactory position. The Minnesota salary for Governor at the present time is fifth highest among the states, and a nationwide survey of judicial salaries shows Minnesota to be among the top ten states. The Task Force would, however, like to call attention to the following points:

- A. Most state legislatures throughout the country will hold sessions in 1981, and it is a reasonable assumption in view of the increases in the cost-of-living and inflation that further increases in their salary schedules will be made by most of these states to become effective on or before the date contemplated for increases in Minnesota.
- B. The critical competitive factors in attracting high caliber persons to run for elective office or to accept positions as heads of state agencies in the Executive Branch come not from other states but from the private sector within the state and from top management jobs in other public jurisdictions in Minnesota.

- C. Minnesota has come to expect high qualifications and comparable performance by its public officials. The Task Force believes that the state should maintain its leadership position in this respect.
- D. One of the greatest problems in the administration of salaries in the state system is the compression brought about in large measure by the fact that Minnesota Statutes Section 43.067 provides in part that:

"The base salary of the head of any state department or other agency in the Executive Branch shall serve as the upper limit of compensation in the agency."

Thus, while the top elective and appointive positions may carry a high degree of public recognition, prestige and authority that perhaps provide personal compensation for a relatively low level of pay in relation to the private sector, these factors either are not present at all or are present to a much lesser degree with the positions reporting to these top officials. Such positions are nevertheless important and their salaries must be competitive with the private sector to attract competent people. This compression factor was emphasized as a very serious problem in recruiting and keeping competent personnel by a number of state officials in letters addressed to the Task Force.

Salaries paid for top management jobs by other public jurisdictions in Minnesota place the state in a distinctly disadvantageous position. This is illustrated by Attachment 4. As a few examples, the President of the University of Minnesota receives \$75,500, several University Vice Presidents in excess of \$55,000, Executive Directors of Metropolitan Authorities are well into the \$50,000 bracket and the Hennepin County Administrator with a range maximum of \$72,648 and the Minneapolis Superintendent of Parks with \$52,234, all significantly exceed the state salary structure. These are present salaries many of which will probably increase again effective July 1, 1981.

In the field of higher education, the salaries of the Chancellors of both the State University and Community College Systems have fallen below their counterparts in comparable systems elsewhere. Furthermore the salary of the State Commissioner of Education is exceeded by an appreciable number of Superintendents of Schools in Minnesota.

The Task Force spent a considerable time in a thorough discussion of the issues involved in determining the magnitude of the increase to be recommended. It concluded that there was a need to "catch-up" with the relative position which the department head positions held in the total structure at the beginning of the biennium. The proposed 12% and 10% for the next two years commencing on July 1, 1980 and July 1, 1981 in combination with the 5.5% received under the law at the beginning of the current fiscal year produces an average of 9.2% per year for this three year period. During this same time, the pattern of general increase for management jobs in the private sector was 8.5% to 9% per year and gives every indication of increasing.

The law passed by the Legislature in 1979 relating to the salaries of positions listed in Minnesota Statutes Sections 15A.081 and 15A.083 established executive and judicial salaries in keeping with the guidelines

of the Presidential Wage and Price Council as recommended by the Governor. At that time the expectation was that all other state employee salary increases would be contained within the guidelines. However, the subsequent rise in the rate of inflation resulted in increasing the salaries of almost all other state employees during the present biennium by virtue of cost-of-living adjustments varying from 18% in the lower ranges to about 3% for the eligible positions just below the department head and deputy level. These cost-of-living adjustments were in addition to the general adjustments made at the beginning of the biennium and progression increases achieved during this biennium. Because the executive and judicial salaries were locked into statutes, cost-of-living adjustments could not be applied to them.

The Task Force considered the rate at which salaries are increasing in almost all sectors of the private economy. The trend in management salary increases this year based on a variety of sources known to members of the Task Force is in excess of 10%. Widely quoted surveys include one by Sibson and Co. reporting 11.3%. Hay Associates shows a range of increases from 6.6% to 11.4% for a variety of categories covering the period from May 1, 1979 to May 1, 1980. This trend appears to be accelerating so that the rate of increase may be even greater by next July.

Any effort to forecast the status of the economy, the rate of inflation or the increase in the cost-of-living in the second year of the forthcoming biennium, requires almost prophetic skill. However, every available indicator suggests continued pressures on the economy sufficient to justify the 10% additional increase recommended for July 1, 1982.

In terms of impact on the total budget, the cost increase to install the recommended salaries is minimal. The total amount of the salaries for the positions listed in Sections 15A.081 and 15A.083 which constitute the salary base for the recommended percentage increase is \$13,231,000. This is 0.2 of 1% of the total state budget of \$6,000,000,000 per year. The additional expenditure for the first year for the 12% increase is \$1,588,000 and the additional cost of a 10% adjustment in the second year amounts to \$1,482,000.

4. Two new positions created by the 1980 Legislative Session should be dealt with as follows:

- A. The position of Board Member, Transportation Regulation Board was added to Section 15A.081 by the 1980 Legislature. As of this date, the Board has not begun to function so that it was not possible to obtain a job description for the Board Member position and consequently no Hay rating could be made.

The Task Force was advised that the salary established by law for this position (\$32,000) was based on the similarity of responsibilities between this position and that of a public utilities commissioner. The proposed salary maintains that relationship by recommending \$41,500 effective July 1, 1981 and \$45,500 effective July 1, 1982 which are the increases recommended for a public utilities commissioner.

- B. The position of Chairman of the Waste Management Board was created by the 1980 Legislative Session in Chapter 564 and a salary of \$45,000 was established. While this position is not in Section 15A.081, the Task Force believes that it is comparable to positions in that section and recommends that it be dealt with as if it were in that section. The valuation of this position under the Hay system produced a rating of 1182 points. Converting this to the 1980 formula would have produced a base salary of only \$37,000. Accordingly, it is recommended that the \$45,000 salary established by the Legislature be continued through the first year of the biennium and that the rate be increased to \$45,500 for the year beginning July 1, 1982.

The Task Force respectfully submits these recommendations and hopes that the Governor and the Legislature will give them due consideration. It is the conviction of the Task Force that the salary increases recommended are realistic and reasonable in the light of competitive factors and increases in the cost-of-living which have already occurred and which are projected for the future.

Respectfully submitted,



John S. Pillsbury, Jr., Chairman
Task Force

ATTACHMENT 1
 Salary Recommendations for 1981-83
 Adopted by Governor's Task Force on Executive and Judicial Compensation
 December 10, 1980

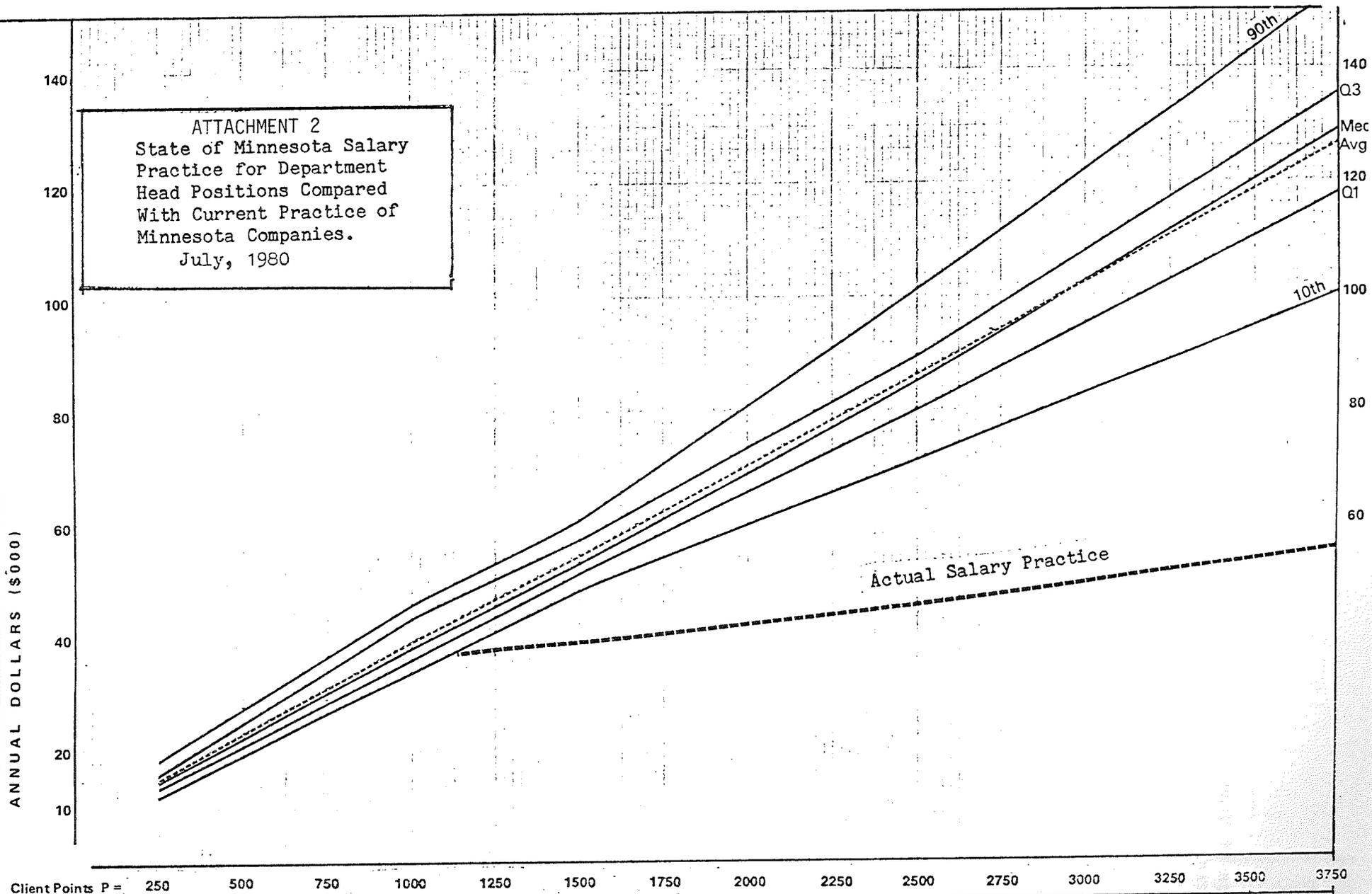
<u>Position</u>	<u>Points</u>	<u>Present Salary</u>	<u>Base Salary for 1981-83 Projection*</u>	<u>Recommended Salaries Effective 7/1/81</u>	<u>Effective 7/1/82</u>
Governor	5872	\$66,500	\$66,500	\$74,500	\$82,000
Attorney General	3376	56,000	56,000	62,500	69,000
Lieutenant Governor	1600	40,000	40,000	45,000	49,500
State Auditor	1308	36,000	38,000	42,500	47,000
State Treasurer	830	36,000	36,000	40,500	44,500
Secretary of State	775	36,000	36,000	40,500	44,500
Chief Justice-Supreme Court	4216	59,000	59,000	66,000	72,500
Associate Justice-Supreme Court	3672	56,000	56,000	62,500	69,000
District Court Judge	2556	48,000	48,000	54,000	59,500
County Court Judge	1560	48,000	48,000	54,000	59,500
Municipal Court Judge	1560	48,000	48,000	54,000	59,500
Public Defender	1560	40,000	40,000	45,000	49,500
State Court Administrator	1074	47,000	47,000	52,500	58,000
Exec. Dir.-County Attorney's Council	890	23,500-34,000	27,000-36,500	30,000-41,000	33,000-45,000
District Court Administrator	677	28,500-40,000	28,500-40,000	32,000-45,000	35,000-49,500
Exec. Director Board of Judicial Standards	654	38,000	38,000	42,500	47,000
County Court Judge (not learned)	551	31,500	31,500	35,500	39,000
Tax Court Judge (same as District Court Judge)	-	48,000	48,000	54,000	59,500
Commissioner of Public Welfare	3232	48,000	50,500	56,500	62,000
Commissioner of Transportation	3232	48,000	50,500	56,500	62,000
Commissioner of Finance	2676	50,000	50,000	56,000	61,500
Commissioner of Economic Security	2656	45,000	46,500	52,000	57,000
Chancellor of State University System	2556	46,000	46,000	51,500	56,500
Commissioner of Health	2556	49,000	49,000	55,000	60,500
Commissioner of Administration	2556	47,000	47,000	52,500	58,000
Commissioner of Natural Resources	2556	47,000	47,000	52,500	58,000
Commissioner of Corrections	2328	45,000	45,000	50,500	55,500
Commissioner of Education	2228	45,000	45,000	50,500	55,500
Commissioner of Employee Relations	2228	47,000	47,000	52,500	58,000
Commissioner of Public Safety	2148	41,000	43,500	48,500	53,500
Commissioner of Revenue	2148	47,000	47,000	52,500	58,000
Director of State Planning Agency	2136	45,000	45,000	50,500	55,500
Chancellor of Community College System	2028	46,000	46,000	51,500	56,500

<u>Position</u>	<u>Points</u>	<u>Present Salary</u>	<u>Base Salary for 1981-83 Projection*</u>	<u>Recommended Salaries Effective 7/1/81</u>	<u>Effective 7/1/82</u>
Commissioner of Agriculture	1868	\$40,000	\$41,500	\$46,500	\$51,000
Commissioner of Labor and Industry	1868	40,000	41,500	46,500	51,000
Executive Director-Pollution Control Agency	1688	40,000	40,500	45,500	50,000
Director of Energy Agency	1418	40,000	40,000	45,000	49,500
>Commissioner of Insurance	1312	36,500	38,000	42,500	47,000
Exec. Dir.-Higher Education Coord. Board	1308	42,000	42,000	47,000	51,500
Exec. Dir.-Minn. Housing Finance Agency	1262	41,000	41,000	46,000	50,500
Commissioner of Securities	1262	36,500	38,000	42,500	47,000
Commissioner of Public Utilities	1182	36,000	37,000	41,500	45,500
Board Member, Transportation Regulation Board	-	-	37,000**	41,500	45,500
Chairman, Waste Management Board	1182	45,000	45,000	45,000	45,500
Director of Mediation Services	1182	38,000	38,000	42,500	47,000
Chief Hearing Examiner	1182	40,000	40,000	45,000	49,500
Commissioner of Banks	1142	36,500	36,500	41,000	45,000
Commissioner of Economic Development	1142	36,000	36,500	41,000	45,000
Commissioner of Veterans Affairs	1142	33,000	36,500	41,000	45,000
Director of Public Service Department	1142	36,000	36,500	41,000	45,000
Judge-Workers' Compensation-Ct. of Appeals	1136	40,000	40,000	45,000	49,500
Exec. Dir.-Crime Control Planning Board	988	35,000	35,000	39,000	43,000
Commissioner of Human Rights	954	33,000	33,000	37,000	40,500
Executive Director-Indian Affairs	800	29,000	30,000	33,500	37,000
Director of Consumer Services	775	30,000	30,000	33,500	37,000
Commissioner of I.R.R.R.B.	702	31,000	31,000	34,500	38,000
Corrections Ombudsman	677	35,000	35,000	39,000	43,000
Chairman-Metro Council (part-time)	1560	22,500	22,500	25,000	27,500
(full-time)	-	44,500	44,500	50,000	55,000
Chairman of Metro Transit Commission (part-time)	1142	19,000	19,000	21,500	23,500
(full-time)	-	38,000	38,000	42,500	47,000
Chairman of Metro Airports Commission	775	11,500	11,500	13,000	14,500
Chairman-Metro Waste Control Commission	775	17,000	17,000	19,000	21,000

*Base salary is (1) present salary if equal to or above 1980 salary practice line or (2) salary needed to bring the position to the 1980 salary practice line.

**Salary in original legislation intended salary to parallel Public Utilities Commissioner

ATTACHMENT 2
 State of Minnesota Salary
 Practice for Department
 Head Positions Compared
 With Current Practice of
 Minnesota Companies.
 July, 1980



Highest
 Quartile Q3
 Median
 Quartile Q1
 Lowest
 Average-----

Q3 and Q1 enclose middle 50% of Company median lines

State of Minnesota
Special Survey 3799
Minnesota Companies
October 1980

List of Participants

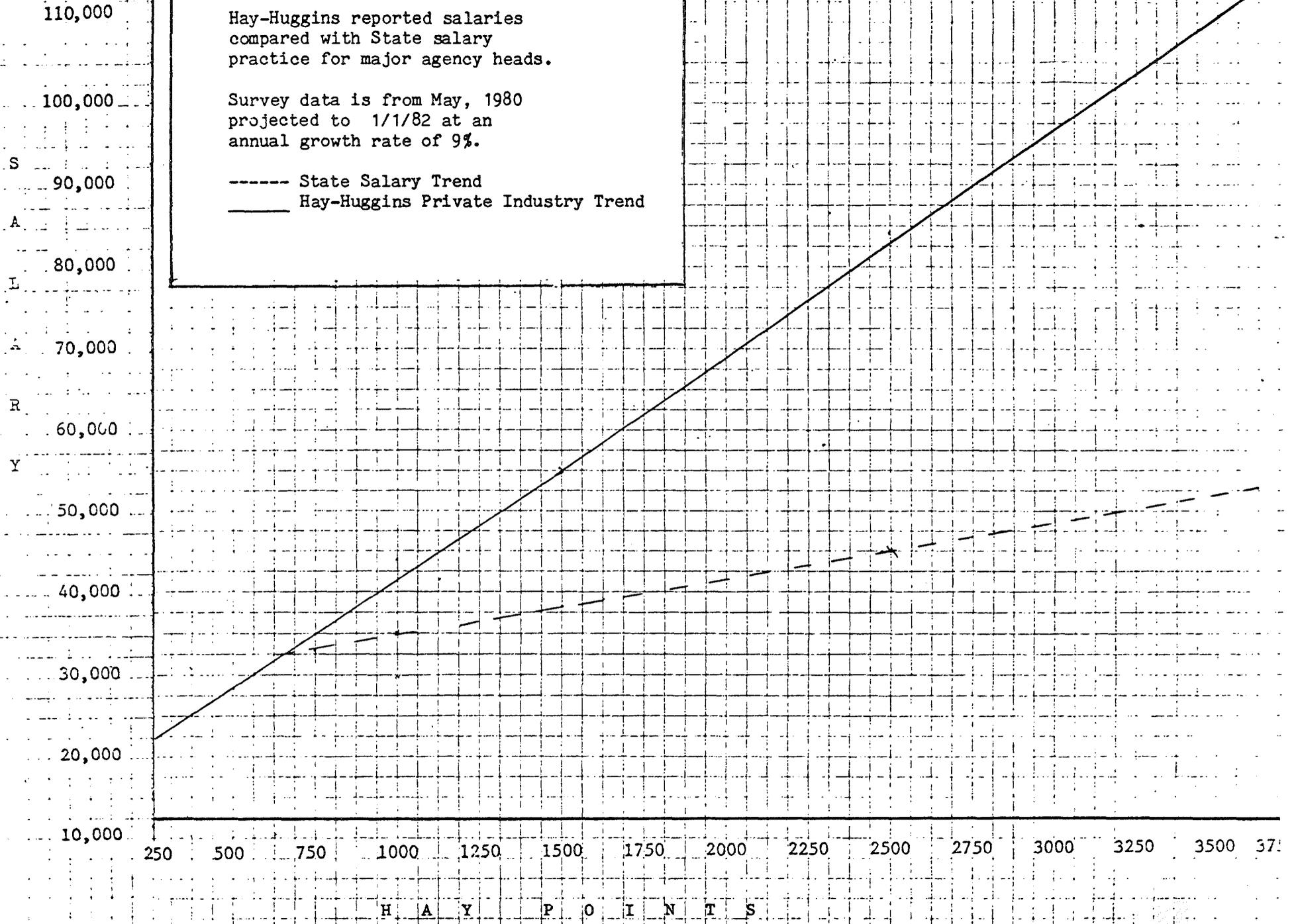
American Crystal
Amhearst H. Wilder Foundation
Cargill
Data Card
Delux Check Printers
Economics Laboratory
First American National Bank
F & M Savings Bank
First National Bank of Minneapolis
First Trust Company St. Paul
General Mills
Honeywell
Hormel
International Multifoods
Investors Diversified Services
Luthern Brotherhood
Magnetic Controls
McQuay Perfex
Midland National Bank
Ministered Life Insurance
Minneapolis Electric Steel Castings
Minnesota BC/BS
Minnesota Mutual Life Insurance
North American Life & Casualty
Northern City National Bank
Northern States Power
Northwest National Bank
Northwestern National Bank - Minneapolis
Northwestern National Life Insurance
Pako
Peavy
Pillsbury
Red Owl Stores
St. Paul Companies
St. Paul Fire and Marine
St. Paul Title Insurance
Western Life
Super Valu
Tonka

ATTACHMENT 3

Hay-Huggins reported salaries compared with State salary practice for major agency heads.

Survey data is from May, 1980 projected to 1/1/82 at an annual growth rate of 9%.

----- State Salary Trend
—— Hay-Huggins Private Industry Trend



ATTACHMENT 4

SALARIES OF SELECTED PUBLIC OFFICIALS
October, 1980

<u>Unit of Government</u>	<u>Position</u>	<u>Salary</u>
University of Minnesota	President	\$75,500.00
	Academic Vice President	62,000.00
	Vice President, Health Sciences	63,900.00
	Vice President for Financial Planning and Operations	58,000.00
	Vice President for Institutional Relationships	63,600.00
	Vice President for Student Affairs	57,000.00
	Vice President for Administrative Operations	53,500.00
	Associate Vice President, Health Sciences	58,500.00
	Assistant Vice President, Physical Planning	49,648.00
	Assistant Vice President, Support Services Operations	55,122.00
	Assistant Vice President, Student Affairs	39,000.00
	Director of Physical Planning	37,440.00
	Football Coach	42,500.00
	Athletic Director	64,200.00
	Metropolitan Council	Director of Health Board Planning
Director of Transportation Planning		37,600.00
Executive Director		53,830.00
Metropolitan Airport Commission	Executive Director	55,000. to 60,000.00
Ramsey County	Executive Director, St. Paul Ramsey Medical Center	60,000.00
	Executive Director	45,000.00
	Director of Community Human Services	44,500.00
	Director of Public Works	42,759.00
	Director of Recreation	42,516.00
	Director of Community Corrections	43,000.00
	Director of Libraries	33,000.00
Hennepin County	Medical Center Administrator	38,520. to 51,636.00
	County Administrator	51,636. to 72,648.00
	Director of Community Services	35,952. to 50,556.00
	Director of Economic Assistance	31,044. to 45,876.00
	Library Director	40,452. to 56,916.00

St. Paul	Superintendent of Schools	42,508.00*
	City Attorney	39,872. to 55,500.00
	Director of Department of Public Works	37,585. to 52,316.00
	Assistant Director and City Engineer	35,194. to 49,077.00

*\$52,500.00 with tax deferred annuity.

Minneapolis	Superintendent of Schools	54,500.00
	City Coordinator	53,976.00
	City Engineer	53,976.00
	City Attorney	53,976.00
	Commissioner of Health	55,978.00
	Planning Director	46,670.00
	Superintendent of Parks	52,234.00

Metropolitan Transit Commission	Chief Administrator	56,000.00
---------------------------------	---------------------	-----------

Metropolitan Waste Control Commission	Chief Administrator	52,070.00
	Deputy Chief	49,500.00
	Director of Engineering	49,000.00