



Legislative Coordinating Commission

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COMPENSATION COUNCIL

March 11, 2013

The Honorable Paul Thissen
Speaker of the House of Representatives

The Honorable Sandy Pappas
President of the Senate

Dear Mister Speaker and Madam President:

In accordance with the duties assigned to it by Minnesota Statutes, section 15A.082, the Minnesota Compensation Council held four hearings, received testimony from interested parties, and engaged in extended discussions about salaries for Minnesota's elected state officials.

Background

The Compensation Council made specific note of the recent history of salaries of the governor and legislators. The 2005 Council noted that when the governor's salary was increased in 1998, our governor's salary was ranked sixth in the nation. Currently that salary, now unchanged in 15 years, is ranked 32nd. We are not saying that we are competing nationally for our governors, for we recognize this is a political office. The point is that other states have recognized the value of this office in managing a multibillion dollar enterprise and, as a result, these other states have increased the salary paid for those serving in these critical positions.

Although salaries of the members of the judiciary have been increased more regularly than constitutional officers and legislators, they have not received increases in five years. A study conducted for the Minnesota District Judges Association found that:

- Most Minnesota judges are paid below the national average;
- District court judges earn 13%—22% less than the county attorneys who argue cases in their courts;

- District court judges are paid only 8% more than new associates at the top ten law firms in the Twin Cities.

According to the study, the long-run implication is that talented candidates will be less likely to run or accept appointments for judicial positions. The study's author is concerned that we may end up with a judiciary in which only the wealthy, or those with fewer private sector opportunities, will be willing to serve. The Compensation Council echoes that concern.

The salaries of legislators have not changed since 1999. Although intended to be a part-time position, the legislator's role is increasingly complex, requiring more and more time for legislative duties, with less time available to devote to a second job. We think that salaries of legislators should be high enough so that potential candidates for these policy-making positions are not deterred by loss of income from running for office. Otherwise, we face the prospect of a Legislature that is not representative of Minnesota's citizenry.

We face a critical challenge in being able to attract and retain top management for our state agencies, starting with commissioners. Current law sets the salary limit of most commissioners at 95% of the governor's salary (which, as noted above, has not changed in a decade and a half). Another debilitating impact on our state's ability to attract top-quality employees results from the state statute that requires the salary of the agency head to be a cap on the salaries for all employees in that agency.

These limits are problematic for our state agencies as an employer:

- Salaries of commissioners are often less than those of managers of local government agencies carrying out that state agency's programs. As a result, top state employees can move to local governments and receive substantial improvements in compensation;
- Although agency-head salaries have not changed in 15 years, because salaries of other employees have continued to increase over time, many staff earn salaries that are little different from those of their commissioner;
- Because agency heads have different salary limits, an employee in a small agency may be performing the same work as an employee in a larger agency, but have a lower salary limit.

Members spoke of the public service motivation of Minnesota citizens who run for and serve in elective office. Council members understand and appreciate elected officials' tremendous commitment to public service.

The Council also understands that the State continues to find itself in tight fiscal times. However, the function of the Compensation Council is to make recommendations to the Legislature on the appropriate levels of salaries for its top elected officials. The law that establishes our Council specifically provides that we consider "the amount of compensation paid in government service and the private sector to persons with similar qualifications [and], the amount of compensation needed to attract and retain experienced and competent persons."

Recommendations

In accordance with Minnesota Statutes, section 15A.082, the Compensation Council makes the following recommendations:

1. **Salaries of judges.** With respect to the judges of the Supreme Court, Court of Appeals, and District Court, to increase salaries of Judges as follows:
 - a) by 4% on July 1, 2013
 - b) by 4% on July 1, 2014
 - c) by 4% effective July 1, 2015; and
 - d) by 4% effective July 1, 2016.

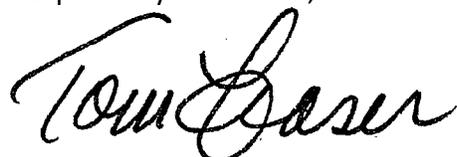
We endorse the Minnesota District Judges Association's proposal for legislation to reform the Judicial Pension Fund.

2. **Salaries for constitutional officers.** We recommend that the salary of the governor be increased by 3% effective January 1, 2015 and 3% effective January 1, 2016. Under existing law, the salaries of other constitutional officers would also increase accordingly.
3. **Salaries of legislators.** We recommend that effective January 1, 2015, the salaries of legislators be set by statute at 33% of the salary authorized for the governor.
4. **Salaries of agency heads.** With respect to salaries of heads of state agencies, we recommend that effective January 1, 2013:
 - a) The salary ranges of heads of state agencies be adjusted as follows:
 Group I: 133% of the salary of the governor;
 Group II: 120% of the salary of the governor;
 Group III: remain at 25% of the salary of the governor.
 - b) The salary ranges for heads of state agencies be adjusted annually for inflation in the same manner as is done for local government employees under Minnesota Statutes 43A.17, subd. 9 (b);
 - c) The governor be given authority to set the salary of an agency head anywhere within the respective salary range;
 - d) The use of the salary of the agency head as the limit on salaries of employees should be repealed, so that an employee's salary is limited by the salary range in an approved collective bargaining agreement or compensation plan.
 - e) Minnesota Management and Budget be directed to contract with an independent consultant to conduct a comprehensive market analysis of compensation for all unrepresented positions in the Executive Branch in order to better align compensation for these positions with comparable positions in the private sector and with other relevant public sector employers. The analysis

should evaluate total compensation, including insurance, retirement, and performance pay. If necessary, the Legislature should appropriate sufficient funds to pay for this analysis.

I have included a list of the members of the Council at the end of this recommendation. The members worked diligently and thoughtfully to develop these recommendations for consideration by the Legislature.

Respectfully submitted,

A handwritten signature in black ink that reads "Tom Fraser". The signature is written in a cursive, flowing style.

Tom Fraser
Chair, Compensation Council

cc: Governor Mark Dayton
Lt. Governor Yvonne Prettner-Solon
Chief Justice Lorie S. Gildea
Attorney General Lori Swanson
State Auditor Rebecca Otto
Secretary of State Mark Ritchie
Senator Tom Bakk
Senator David Hann
Representative Erin Murphy
Representative Kurt Daudt

Members of the Compensation Council**Appointed by the Governor**

Ann Glumac
Bob Hoffman
Jefferson Johnston
Ann Mulholland
Susan Rani
Khani Sahebjam
Michael Scully
Daniel Wenner

Appointed by the House of Representatives

Representative Susan Allen
Representative Mike Benson
Representative Mary Liz Holberg

Appointed by the Senate

Senator Richard Cohen
Senator Jeremy Miller
Senator Ann Rest

Appointed by the Supreme Court

Tom Fraser
Bob Schroeder