

STATE LIMITS ON LOCAL COMPENSATION

Issue

Minnesota statute 43A.17 limits the amount of compensation statutory and home rule charter cities may pay employees. The limitation does not allow employee salaries to exceed 110 percent of the governor's salary.

Problem

This wage cap exists in Minnesota, and not in other states which border Rochester and pay considerably higher wages to their executive-level employees as does the school system (which is exempt from this statute) and other large employers. This salary compensation cap has proven to have a negative impact on employee retention and recruitment. It also compresses the wage scale throughout a local government organization—for example, making it challenging for local governments to hire highly technically-trained professional positions that compete with comparable private sector positions.

Solution

Consistent with policy language adopted by the League of Minnesota Cities (LMC) and MN Municipal Utilities Association (MMUA), remove the salary limitation so that Minnesota may pay their executive-level professionals market competitive wages. Allow local elected officials to determine employee compensation.

Impact

The City of Rochester, including Rochester Public Utilities (RPU) wishes to retain existing talent and wishes to offer more competitive salary packages similar to those provided to local government professionals in bordering states within the same-sized jurisdiction.

