SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 1651

(SENATE AUTHORS: HALL, Senjem and Bigham)

DATE	D-PG	OFFICIAL STATUS
02/25/2019	520	Introduction and first reading Referred to Local Government
03/26/2019	1361a	Comm report: To pass as amended
	1375	Second reading
	4689	Rule 47, returned to Local Government
02/20/2020		Comm report: To pass as amended and re-refer to State Government Finance and Policy and Elections

A bill for an act

relating to local government; modifying the political subdivision compensation limit; making a conforming change; amending Minnesota Statutes 2018, section 43A.17, subdivisions 9, 11.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2018, section 43A.17, subdivision 9, is amended to read:

Subd. 9. **Political subdivision compensation limit.** (a) The salary and the value of all other forms of compensation of a person employed by a political subdivision of this state, excluding a school district, may not exceed ~~110 percent of the salary of the governor as set under section 15A.082~~ $200,000, except as provided in this subdivision. For purposes of this subdivision, "political subdivision of this state" includes a statutory or home rule charter city, county, town, metropolitan or regional agency, or other political subdivision, but does not include a hospital, clinic, or health maintenance organization owned by such a governmental unit.

(b) Beginning in ~~2006~~ 2020, the limit in paragraph (a) must be adjusted annually in January. The limit must equal the limit for the prior year increased by the percentage increase, if any, in the Consumer Price Index for all-urban consumers from October of the second prior year to October of the immediately prior year.

(c) Deferred compensation and payroll allocations to purchase an individual annuity contract for an employee are included in determining the employee's salary. Other forms of compensation which must be included to determine an employee's total compensation are all other direct and indirect items of compensation which are not specifically excluded by this subdivision. Other forms of compensation which must not be included in a determination of an employee's total compensation for the purposes of this subdivision are:

(1) employee benefits that are also provided for the majority of all other full-time employees of the political subdivision, vacation and sick leave allowances, health and dental insurance, disability insurance, term life insurance, and pension benefits or like benefits the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986;

(2) dues paid to organizations that are of a civic, professional, educational, or governmental nature; and

(3) reimbursement for actual expenses incurred by the employee which the governing body determines to be directly related to the performance of job responsibilities, including any relocation expenses paid during the initial year of employment.

The value of other forms of compensation is the annual cost to the political subdivision for the provision of the compensation.

(d) The salary of a medical doctor or doctor of osteopathic medicine occupying a position that the governing body of the political subdivision has determined requires an M.D. or D.O. degree is excluded from the limitation in this subdivision.

(e) The commissioner may increase the limitation in this subdivision for a position that the commissioner has determined requires special expertise necessitating a higher salary to attract or retain a qualified person. The commissioner shall review each proposed increase giving due consideration to salary rates paid to other persons with similar responsibilities in the state and nation. The commissioner may not increase the limitation until the commissioner has presented the proposed increase to the Legislative Coordinating Commission and received the commission's recommendation on it. The recommendation is advisory only. If the commission does not give its recommendation on a proposed increase within 30 days from its receipt of the proposal, the commission is deemed to have made no recommendation. If the commissioner grants or granted an increase under this paragraph, the new limitation must be adjusted beginning in August 2005 and in each subsequent calendar year in January by the percentage increase equal to the percentage increase, if any, in the Consumer Price Index for all-urban consumers from October of the second prior year to October of the immediately prior year.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 43A.17, subdivision 11, is amended to read:

Subd. 11. **Severance pay for certain employees.** (a) For purposes of this subdivision, "highly compensated employee" means an employee of the state whose estimated annual compensation is greater than 60 percent of the governor's annual salary, and who is not covered by a collective bargaining agreement negotiated under chapter 179A or a compensation plan authorized under section 43A.18, subdivision 3a.

(b) Severance pay for a highly compensated employee includes benefits or compensation with a quantifiable monetary value, that are provided for an employee upon termination of employment and are not part of the employee's annual wages and benefits and are not specifically excluded by this subdivision. Severance pay does not include payments for accumulated vacation, accumulated sick leave, and accumulated sick leave liquidated to cover the cost of group term insurance. Severance pay for a highly compensated employee does not include payments of periodic contributions by an employer toward premiums for group insurance policies. The severance pay for a highly compensated employee must be excluded from retirement deductions and from any calculations of retirement benefits. Severance pay for a highly compensated employee must be paid in a manner mutually agreeable to the employee and the employee's appointing authority over a period not to exceed five years from retirement or termination of employment. If a retired or terminated employee dies before all or a portion of the severance pay has been disbursed, the balance due must be paid to a named beneficiary or, lacking one, to the deceased's estate. Except as provided in paragraph (c), severance pay provided for a highly compensated employee leaving employment may not exceed the lesser of:

(1) ~~six~~ three months pay; or

(2) the highly compensated employee's regular rate of pay multiplied by 35 percent of the highly compensated employee's accumulated but unused sick leave hours.

(c) Severance pay for a highly compensated employee may exceed the limit prescribed in paragraph (b) if the severance pay is part of an early retirement incentive offer approved by the state and the same early retirement incentive offer is also made available to all other employees of the appointing authority who meet generally defined criteria relative to age or length of service.

(d) An appointing authority may make severance payments to a highly compensated employee, up to the limits prescribed in this subdivision, only if doing so is authorized by a compensation plan under section 43A.18 that governs the employee, provided that the following highly compensated employees are not eligible for severance pay:

(1) a commissioner, deputy commissioner, or assistant commissioner of any state department or agency as listed in section 15.01 or 15.06, including the state chief information officer; and

(2) any unclassified employee who is also a public official, as defined in section 10A.01, subdivision 35.

(e) Severance pay shall not be paid to a highly compensated employee who has been employed by the appointing authority for less than six months or who voluntarily terminates employment.