

Legislative Oversight of Executive Branch Employee Compensation

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In the executive branch, employee compensation is generally determined by collective bargaining agreements and compensation plans, with one important exception—the salaries for agency heads and constitutional officers are determined by a citizen council. The legislature can exert influence through its general oversight and lawmaking powers.

The executive branch determines compensation for most of its employees

Approximately 90 percent of executive branch employees are represented by a union. Minnesota Management and Budget (MMB) represents the state as an employer and negotiates collective bargaining agreements (CBAs) with union representatives. A CBA is a contract that, once approved by MMB and a majority of union members, establishes the terms and conditions of employment for employees in a particular bargaining unit. These terms and conditions can include salary ranges, compensation increases, employee benefits (other than pensions, which are determined by the legislature in law), grievance procedures, and workplace safety.

In essence, MMB determines compensation for the remaining 10 percent of the executive branch workforce. MMB does so by developing compensation plans (one for managerial employees, and one for all other employees not covered by the managerial plan or a CBA). Similar to CBAs, compensation plans address employee pay, benefits, working conditions, etc. Unlike CBAs, which require negotiation between MMB and employee unions, MMB establishes compensation plans unilaterally. Each CBA or compensation plan is effective for a two-year period that coincides with the state's biennial operating budget.

A citizen council sets compensation for constitutional officers and agency heads

Salaries for constitutional officers (i.e., the governor, lieutenant governor, attorney general, secretary of state, and state auditor) and agency heads (e.g., commissioners) are determined not by a CBA or compensation plan, but rather by a bipartisan citizen council. These citizens are appointed by the chief justice of the supreme court (eight members), the governor (eight members), and the House and Senate majority and minority leaders (two members each).

By April 1 of each odd-numbered year, this compensation council must prescribe salaries for constitutional officers and agency heads. State law requires the council to consider three factors: compensation paid to persons with similar qualifications in the public and private sectors; compensation required to attract and retain experienced and competent persons; and the state's ability to pay the compensation. Salaries prescribed by the council take effect beginning on July 1 unless the legislature provides otherwise by law.

The council's purview is limited to salaries. In practice, the benefits provided to constitutional officers and agency heads are those established by MMB in the managerial plan.

The legislature recently modified oversight of CBAs and compensation plans

Prior to 2023, a CBA or compensation plan could only take permanent effect if ratified by the legislature. The Legislative Coordinating Commission's Subcommittee on Employee Relations was empowered to review and reject or preliminarily approve CBAs and compensation plans. The full legislature would ratify each CBA and compensation plan by law. In 2023, the legislature amended state statutes to allow each CBA to take effect once approved by MMB and the union. Legislative ratification was no longer required. In 2024, the legislature provided that compensation plans developed by MMB also no longer require legislative approval.

In 2023, the legislature modified oversight of constitutional officer and agency head salaries

Prior to 2023, the salaries of constitutional officers and agency heads were determined by law. Salaries for agency heads were effectively capped at a fixed percentage of the governor's salary. When the governor proposed an increase to agency head salaries, review by the Subcommittee on Employee Relations and an act of the legislature were required before an increase could take permanent effect. The compensation council could recommend increases for the salary ranges for agency heads and for salaries of constitutional officers, but their recommendations were purely advisory.

In 2023, the legislature eliminated agency head salary limits and provided that the compensation council's decisions regarding agency head and constitutional officer salaries are no longer advisory. Instead, the new salaries take effect on July 1 unless modified by the legislature in law.

The legislature can exert its influence through oversight and lawmaking

As noted above, state law no longer requires legislative approval of CBAs and compensation plans for employees, or salary increases for constitutional officers and agency heads. Legislators are of differing opinions regarding this change. Opponents argue that it was a mistake to diminish legislative authority over such a significant issue and wrong to delegate compensation decisions to MMB and a citizen council. Proponents contend that under the prior system, the livelihood of executive branch employees was too often used as a bargaining chip in legislative-executive negotiations and years of legislative inaction resulted in stagnant and uncompetitive salaries for constitutional officers and agency heads.

However, the House of Representatives and Senate still retain some control over executive branch employee compensation. Through its oversight powers, the legislature can request information and hold public hearings. For example, one statutory duty of the Subcommittee on Employee Relations is to continually monitor the state civil service system and the collective bargaining process and identify needed improvements. For each new CBA or compensation plan, MMB must submit to the subcommittee an accounting of how the new agreement or plan will impact state compensation costs.

The legislature can also exert influence through its constitutional authority to determine agency operating budgets by law. Employee compensation is a significant aspect of agency spending. If MMB agrees to compensation increases that strain an agency's operating budget, the agency must absorb these costs elsewhere (e.g., by leaving vacant positions unfilled) or request supplemental funding from the legislature. Finally, the legislature can impact executive branch compensation directly through its general lawmaking powers. For example, the legislature may enact laws that deviate from and override the compensation council's decisions regarding constitutional officer and agency head salaries.



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