



## Legislative Salary Council

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March 21, 2017

Representative Kurt Daudt  
Speaker of the House

Senator Michelle Fischbach  
President of the Senate

Representative Joyce Peppin  
House Majority Leader

Senator Paul Gazelka  
Senate Majority Leader

Representative Melissa Hortman  
House Minority Leader

Senator Tom Bakk  
Senate Minority Leader

Representative Sarah Anderson  
Chair, State Government Finance Committee

Senator Mary Kiffmeyer  
Chair, State Government Finance and Policy  
and Elections Committee

Representative Jim Knoblach  
Chair, Ways and Means Committee

Senator Julie Rosen  
Chair, Finance Committee

Governor Mark Dayton

Chief Justice Lorie S. Gildea

Dear Governor Dayton, Chief Justice Gildea, Representatives and Senators,

### Prescribed salaries

I am writing to you on behalf of the Legislative Salary Council. The Minnesota Constitution, Article IV, section 9, and Minnesota Statutes 2016, section 15A.0825 establishes the Legislative Salary Council (Council) whose responsibility is to prescribe the salaries of Minnesota state legislators by March 31<sup>st</sup> of each odd-numbered year. The Council is required to take other legislative compensation into account, but its authority is limited to prescribing the salary component of legislative compensation. The Council has no authority over other forms of legislative compensation, which include: per diems, insurance, retirement, and expense reimbursement. The Council has held six meetings and considered other legislative compensation, the budget forecast, and an extensive amount of other data and analysis, as reflected in the attached report. Please consider this transmittal letter as part of our report.

Based on our consideration of these materials and our extended discussion, the Legislative Salary Council prescribes that salaries of Minnesota senators and representatives be set at \$45,000, effective July 1, 2017.

**Rationale**

Salaries of Minnesota's legislators have been fixed at \$31,140 since 1999. During those 18 years, the cost of living, as measured by the CPI-U, has increased by more than 44%. Had salaries of legislators kept up with inflation, they would be \$44,860.

Minnesota's median household income has increased from \$47,035 in 1999 to \$68,730 in 2015, a change of 46.1%. If we believe that legislators' salaries should be adjusted to reflect the changes in the income of average Minnesotans, their pay would be \$45,503.

We considered other salary data points: For example, the average salary of county commissioners in the metro area (excluding Hennepin and Ramsey counties) was \$62,741. County commissioners in five non-metro regional centers were paid an average of \$40,972. If legislators were paid the average of these two groups, their salaries would be \$51,857. Other compensation comparisons are included in our report.

Ultimately, it is our judgement that a salary of \$45,000 is a fair and equitable salary to reflect the value provided to the State of Minnesota by legislators. In light of the 18 years since the last increase and our review of the data, we concluded that this increase was more than justified. Indeed several prior advisory compensation councils had recommended increases.

In our discussions, Council members agreed that it was in the state's best interest to provide fair and equitable compensation to legislators to reflect the value of their work for the state. The Council believes it is important to preserve the Minnesota Legislature as a citizens' legislature, a part-time legislature where any Minnesotan could consider serving, and where a broad and diverse mix of backgrounds and life experiences are represented among the members. The Council understands that we are setting the salary not just for those presently serving in the Legislature, but also for those who may desire to serve in the future. Unless Minnesota's Legislature has a competitive salary level, we will not be able to attract and retain legislators with the best skills and experience to represent us.

Council members also agreed that transparency in all aspects of compensation is essential to maintaining the public's confidence in the legislature. Transparency means that the value of all benefits including per diem, health care, and retirement are clearly stated and comprehensively reported.

In deciding to increase the salary of legislators, the Council considered a comprehensive set of data as outlined in our report, testimony from former legislators, and the analysis of experts. Among the highlights are the following:

- Former legislators, in testimony before the Council, indicated that while compensation is not generally an issue when citizens initially decide to run for public office, salaries often become an issue for members in deciding whether to continue serving in elective office.
- Data was presented indicating that the demographic makeup of the legislature has changed in recent years with fewer young and middle-aged members serving.

**Budget Forecast**

As required by statute, the Council considered Minnesota's financial status in making our decision. The February 2017 forecast prepared by Minnesota Management and Budget reports a projected

surplus of \$1.65 billion for the FY 18-19 biennium. Planning estimates for the 2020-21 biennium show projected revenues exceeding current law expenditures by \$2.124 billion.

### **Other legislative compensation**

The Council considered other forms of legislative compensation in determining the level of salary to prescribe for legislators. By law, legislators can participate in the insurance programs provided to all state employees. Those programs include health, dental, and life insurance. As with other state employees, premiums vary depending on whether the legislator elects single or family coverage and the tier of services the member selects. Minnesota statutes also require legislators participate in a state retirement program. For legislators elected after 1997 this is a defined contribution program in which the state contributes 6 percent of salary and per diem and the legislator contributes 5.5 percent.

### **Expense reimbursement**

Members of the legislature also receive payments for certain expenses incurred as they carry out the duties of their office. The Council does not consider the reimbursement for reasonable and legitimate expenses in performing legislative duties to be personal compensation to the legislators. We include them to demonstrate that the Council was aware of these expense reimbursements and so that the public can also know of these reimbursement provisions in the law.

Members are reimbursed for official travel. While the rules for mileage reimbursement differ slightly between the House and the Senate, reimbursement based on the federal mileage rate is allowed for official travel. Members may also receive reimbursement, up to \$200 per month for Senators and up to \$125 for Representatives, for communication expenses such as cellphone, telephone and internet services.

Representatives who live more than 50 miles from the Capitol may be reimbursed for up to \$1,800 per month in lodging expenses. All lodging reimbursements must be documented by receipts or lease agreements.

### **Per diem**

The Council devoted considerable time to discussing legislative per diem. "Per diem" means daily payment and generally is understood to refer to payments to compensate recipients for daily living expenses such as meals and travel costs. Per diem payments for Minnesota legislators are currently \$86 in the Senate and \$66 in the House of Representatives. Council members viewed per diem payments primarily as non-transparent supplemental income to the salary received by Minnesota legislators.

Data from the House of Representatives and the Minnesota Senate indicate that average per diem payments for regular sessions were:

|                          | 2015     | 2016    |
|--------------------------|----------|---------|
| House of Representatives | \$7,297  | \$4,524 |
| Senate                   | \$10,965 | \$6,361 |

Average per diems vary greatly by year: legislative sessions are longer in odd-numbered years when the biennial state budget is adopted, so more per diem is paid. We have more related data in our report.

It should be noted that Minnesota is not alone in the use of per diem to supplement legislative salaries. A National Conference of State Legislatures Survey shows per diem is part of the legislative compensation package in 42 states. Daily per diem rates are \$140 or more in 24 states.

The Council learned that per diem payments are taxed as income. However, under the Internal Revenue Service code, members who live more than 50 miles from the Capitol may, within federal limits, deduct their per diem payments from their income. In addition, the calculation of retirement contributions include regular and special session per diem payments.

When comparing Minnesota salaries with those offered in other comparable public sector positions and when making comparisons with legislative salaries in other states, the Council took Minnesota's legislative per diem into consideration.

Concerns over the transparency of the current legislative compensation package led the Council to recommend on a 12-1 vote, with three members absent, that the Senate and House consider eliminating per diem payments and reimburse members only for actual living expenses. While the Council's salary determination is based on current per diem levels, Council members noted that if per diems were not part of legislator compensation, they would have prescribed higher salaries.

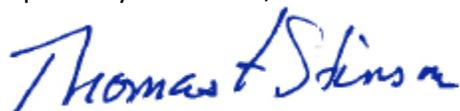
Council members considered a number of alternative methods of determining an appropriate legislative salary level to be effective July 1, 2017 and members reached their decisions based on their own analysis. However, the range in the salary level deemed appropriate for Minnesota legislators by Council members was relatively narrow.

Our report provides more detail regarding our process, the data and reports that we considered, and the testimony that we received in the course of our work.

I am pleased to report that the prescription of legislators' salaries was adopted by the Council on a 13-1 vote, with two members absent. The transmittal letter and report were adopted on a 15-0 vote, with one member absent.

I have included a list of the members of the Council. Each of the members worked diligently and thoughtfully as we executed our responsibility to prescribe legislative salaries. We are honored to have been the first Council to carry out this new duty adopted by Minnesota's citizens through the Constitutional amendment.

Respectfully submitted,



Thomas Stinson  
Chair

**Members of the Legislative Salary Council  
2017**

Appointed by Governor Dayton

|                    |                  |
|--------------------|------------------|
| Joseph Boyle       | Eighth District  |
| Patrice Hannan     | Fifth District   |
| Dr. David Metzen   | Second District  |
| Sherrie Pugh       | Third District   |
| Dr. Thomas Stinson | Fourth District  |
| Randy Twistol      | Seventh District |
| Marsha VanDenburgh | Sixth District   |
| Laura Witty        | First District   |

Appointed by Chief Justice Gildea,  
Minnesota Supreme Court

|                    |                  |
|--------------------|------------------|
| Diana Burlison     | Sixth District   |
| William P. Donohue | Fourth District  |
| Gregory R. Fox     | Eighth District  |
| James Joy          | Seventh District |
| Charles J. McElroy | Fifth District   |
| Gloria S. Myre     | Second District  |
| Deborah Olson      | Third District   |
| Kenneth Wilmes     | First District   |



# Report of the Legislative Salary Council

March 17, 2017

This report is submitted by the Legislative Salary Council, established under the Minnesota Constitution, Article IV, section 9, and Minnesota Statutes 2016, section 15A.0825,

### **Prescribed salaries**

As provided in the Minnesota Constitution, Article IV, section 9, and Minnesota Statutes 2016, section 15A.0825, the Legislative Salary Council prescribes the salaries of legislators at \$45,000, effective July 1, 2017.

### **Background**

The citizens of Minnesota voted on November 8, 2016 to amend their Constitution by establishing a Legislative Salary Council to prescribe salaries of Minnesota's legislators. The duties and other terms are specified in State Statute, section 15A.0825.

The Chief Justice of the Supreme Court and the Governor appointed their respective members on December 23, 2016. Governor Dayton, as provided in the Statute, appointed Dr. Thomas Stinson to convene and serve as chair of the first meeting. A list of the members is included in the Appendix.

The Council met six times between January 15 and March 31, 2017, the deadline for the Council to submit its determination. The Council reached agreement on its prescribed salary for Minnesota's 67 senators and 134 representatives at its meeting on March 10<sup>th</sup>, and completed its work at its meeting on March 17<sup>th</sup>, when it voted to adopt the letter of transmittal and this report.

### **Process**

The Council devoted its first three meetings to getting organized and gathering information and becoming informed about legislator compensation. The Council elected Dr. Stinson to serve as chair, and elected Patrice Hannan as Vice-Chair. It heard a presentation by the Information Policy Analysis Division of the Department of Administration on the State's Open Meeting Law and Data Practice's Act, and adopted data practices policies recommended by the Department.

The Council requested and received substantial data regarding compensation of legislators. The Council received background on compensation policies for members, and data reflecting rates, costs, payments and expenditures of the various components of legislative compensation.

The statute establishing the Council proscribes members of the legislature from communicating with Council members. To improve Council members' understanding of compensation issues, several former legislators were invited to speak to the Council. Their presentations were very informative and instructive. A complete list of those former members is included in the Appendix.

As required by statute, the Council considered the financial status of the State, as indicated in the State's budget forecast. The State Budget Director provided an in-depth explanation of the budget based on the November 2016 forecast. Dr. Stinson, as the former state economist, updated the Council after the February 2017 forecast was issued.

The Council heard presentations on compensation from other parties:

- The Minnesota Council for Fiscal Excellence
- The former Manager of State Employee Compensation, Minnesota Management and Budget
- The League of Women Voters

The Council considered other data: National Conference of State Legislatures' data on salary and compensation for legislatures in other states, salaries of county board members, and salaries of higher compensated administrators and policy makers in the Executive Branch.

The Council considered per diem payments primarily as a form of salary, and in evaluating salary of other legislatures, included both elements in its considerations. The issue of per diem is discussed separately in this report.

At its meeting on March 3<sup>rd</sup>, the Council narrowed the range of salaries it was considering, taking into account per diem payments to Minnesota legislators, and those for other institutions with which it was making comparison.

At its March 10<sup>th</sup> meeting, the Council reached agreement on its prescribed salary, and adopted a draft of its transmittal letter. It completed its work at its meeting on March 17<sup>th</sup>, when it voted to adopt the letter of transmittal and this report.

### **Principles**

The Council devoted some amount of time discussing principles that should be considered in establishing compensation. Those principles included:

- Providing fair and equitable compensation to legislators that reflects the value of their work to the State of Minnesota.
- Preserving the Legislature as a citizen Legislature, an institution where any citizen could consider serving. Where the salary and related compensation would be set fairly so that a citizen could serve while being able to meet family obligations. Where the salaries are not set so high that individuals would seek to be elected solely for the remuneration that was available.
- Recognizing the Legislature is a part-time institution, one where citizens serve for a period in their career and then return to private life. Where legislators work full time for four or five months a year, and then generally return home with more limited service during the interim.
- Recognizing that as the state's public representatives, transparency in compensation is critical, so that the public can understand the manner in which legislators are

compensated, and the amounts of that compensation.

The Council's statutory responsibility is to prescribe legislators' salaries. The focus of its deliberations was on this component of legislative compensation. The following describes other salaries the Council examined, and the rationale for determining the prescribed salary.

### **Comparable salaries**

The Council devoted considerable time to reviewing other comparable positions and salaries. The jobs of legislators are unique, especially in their time demands. The Council clearly heard that legislators work more than full time when they are in regular session, with committee hearings being held from early morning until well into the evening. Although committee hearings are not generally scheduled on Fridays, other meetings are conducted. Members attend meetings in their districts, and engage with constituents on weekends as well.

Regular session varies: In odd-numbers years, session begins on the first Monday after the first Tuesday in January, and adjourns the third week of May. This longer session is when the legislature enacts the biennial budget, funding state government for two years.

In even-numbered years, the Legislature typically convenes (based on agreement between legislative leaders) the end of January or early February, and then adjourns the third week of May.

Presentations by former legislators indicated consistent themes on the demands on legislators' time:

- Legislators work long hours during session. As sessions progress, evenings and weekends are also consumed.
- There is much variation in time demands during the interims between sessions. Many members continue to have demands from constituents, including individuals and business in their districts. Some members report that this is limited, while others reported that they easily spending 15-20 hours per week engaged in legislative business during the legislative interims.
- There was surprising consensus among the former legislators who testified that, overall, a legislator can expect that this "job" represents about 70% of a full-time job.

### **County commissioners**

The Council examined the salaries of county commissioners, who hold elective office, and serve in parallel functions, but at the county level. As with legislators, there is also a variation in the time demands for county commissioners. Some counties consider their commissioners to be full-time, while others clearly serve in more time-limited capacity.

A sampling of commissioner salaries shows:

| Sampling of county commissioner salaries |               |            |               |
|--|---------------|------------|---------------|
| County                                   | Annual salary | County     | Annual salary |
| Hennepin                                 | \$108,000     | Olmsted    | \$35,901      |
| Ramsey                                   | \$90,000      | St. Louis  | \$59,422      |
| Anoka                                    | \$64,000      | Stearns    | \$35,565      |
| Dakota                                   | \$75,000      | Scott      | \$59,930      |
| Carver                                   | \$62,064      | Washington | \$52,713      |

### Other State Legislatures

The National Conference of State Legislatures publishes survey data on compensation paid to legislators across the country. A report for 2016 is included in the Appendix. A review of that data indicates a wide variance in salary, per diem rates, and the number of days legislatures are in session.

Dr. Stinson conducted some analysis to standardize the data and enable rough comparisons to be made. For example, for Minnesota, Dr. Stinson assumed the annual salary of \$31,140, the House average amount paid in per diem of \$7,686, for a total of \$38,827.

This permits comparisons with similar assumptions with other states:

| Comparison of salary plus per diem with other Legislatures |          |
|--|----------|
| Minnesota  | \$38,876 |
| Iowa   | \$29,914 |
| Wisconsin  | \$54,910 |
| Washington   | \$56,739 |

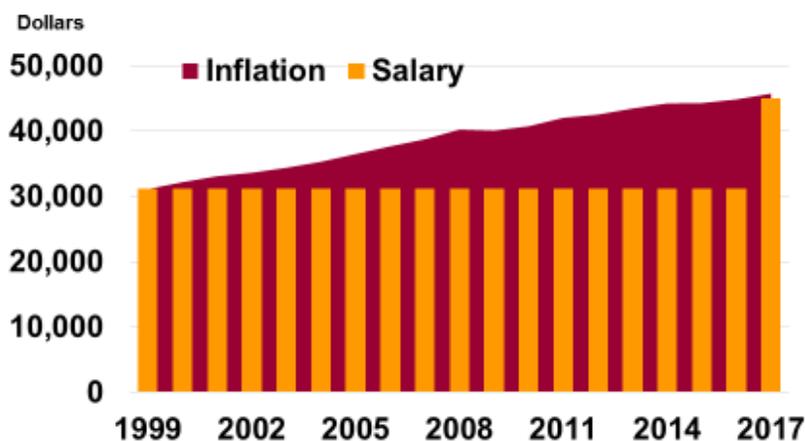
### Household median income

One comparison point has been that if Minnesota is to have a legislature that is broadly representative of the population, then the salaries of legislators should reflect that of a typical household. In Minnesota, according to the Census Bureau, the median household income in 1999 was \$47,035, and in 2015 was \$68,730, a change of 46.1%. If we believe that legislators' salaries should be adjusted to reflect the changes in the income of average Minnesotans, their pay, would be \$45,503. If both salary and per diem had grown at the rate of median family income, with income held at its current level, salaries would be \$47,344.

### Adjust salary for inflation

One approach is to keep legislator pay current by adjusting salaries by inflation. If legislators had received increases equal to inflation (Consumer Price Index) since their salaries were last increased in 1999, their pay today would be \$44,860. Had their per diem also been adjusted for inflation, the salary would have been \$46,570

## Legislative Salaries Have Not Changed Since 1999



### Salary as percentage of the Governor

The State Compensation Council is established in state law (section 15A.082) to recommend salaries for Constitutional Officers and Judges. Until the Constitutional amendment was adopted in 2016, the Compensation Council also recommended salaries for legislators. Several previous Councils (2013, 2009, 2007 and 2005) recommended that legislators' salaries be set at 33% of the salary of the Governor. In current terms, legislators would be paid \$42,118 under this approach. However, the Legislative Salary Council was not able to determine the precise basis by which the Compensation Council elected to use 33%.

### Congressional salaries

Many legislators have remarked that in conversations with their constituents, that the public believes their salaries are comparable to those of members of Congress. Current Congressional salaries are \$174,000. While no one is contending that legislator salaries should be the same, if legislative salaries had kept pace with the *increases* in Congressional salaries, Minnesota legislative salaries would be \$40,252. (Congressional salaries increased from \$136,700 in 1999 to \$174,000 today, an increase of 27.3%).

| <b>Summary of salary comparisons</b>                  |  |  |                         |                       |
|---|--|--|-------------------------|-----------------------|
|   | Description  | MN Legislator salary + per diem (\$31,140 + 7,686) | Resulting Salaries only | % change from current |
| Increase by inflation                                 |  | \$54,257   | \$46,570                | 49.5%                 |
| Increase equal to Median Household Income             | 1999: \$47,035<br>2015: \$68,730<br>Change: 46.1%    | \$55,030   | \$47,344                | 52.0%                 |
| Maintain same % increase as Congressional salaries    | 1999: \$136,700<br>2016: \$174,000<br>change: 27.29% | \$47,938   | \$40,252                | 29.3%                 |
| Salary at 33% of Governor's salary                    |  | \$42,543   | \$34,857                | 11.9%                 |
| 5 Metro counties (no Hennepin or Ramsey)              | \$62,741   | \$62,471   | \$55,095                | 76.9%                 |
| 5 Regional Center counties average                    | \$40,972   | \$40,972   | \$33,286                | 6.9%                  |
| 5 Metro counties + 5 Regional Center counties average | \$51,856   | \$51,856   | \$44,170                | 41.8%                 |
|   |  |  |                         |                       |
| Iowa legislators                                      | Salary: \$25,000<br>Per diem: \$12,600               | \$37,600   | \$29,914                | -3.9%                 |
| Wisconsin legislators                                 | Salary: \$50,950<br>Per diem Senate: \$3,960         | \$54,910   | \$47,224                | 51.6%                 |
| Washington legislators                                | Salary: \$46,839<br>Per diem: \$9,900                | \$57,160   | \$49,474                | 58.9%                 |

### **Rationale**

In reaching its determination, the Council considered what it had heard and the materials it had reviewed since its first meeting in January. This information included:

- Presentations and comments by former legislators.
- National survey data published by the National Conference of State Legislatures.
- All of the elements of legislators' compensation, with a particular focus on those components that are treated as income.
- The budget forecast issued by Minnesota Management and Budget.
- Salaries of county commissioners and other government employees.

The Council considered data indicating that the demographic makeup of the legislature includes fewer young and middle-aged members. The Council believes that Minnesota is best served if the Legislature is diverse. The Council heard consistent themes in discussions with former legislators, that while salary and compensation is not generally an issue when citizens initially decide to run for public office, salaries become an issue in deciding whether to continue serving in elective office.

The Council understands that we are setting the salary not just for those presently serving in the Legislature, but also for those who may desire to serve in the future. Unless Minnesota's Legislature has a reasonable salary level, we will not be able to attract and retain legislators with the best skills and experience to represent us.

As required in the Council's statute, Minnesota Management and Budget, the state agency tasked with preparing the state budget forecast, reported that the agency anticipates a surplus of \$1.65 billion for the FY 18-19 biennium, and a surplus of \$2.124 billion for the FY 20-21 biennium. The Council's salary determination is estimated as having a cost of \$3.2 million, approximately 5% of the \$64 million FY 18 base budget of the House of Representatives and the Senate.

The Council found that many of the data points in the summary of salary comparisons fit within a relatively narrow range of \$40,000 to \$47,000. Through extended discussion and informal polling at its March 10th meeting, members reached consensus that \$45,000 was the appropriate salary to prescribe for Minnesota's legislators to be paid effective July 1, 2017. A roll call vote with 13 ayes, 1 nay and two excused absences formalized the Council's position.

#### **Per diem**

Per diem payments are a not-well understood component of legislators' compensation. Per diem means "daily payment," and is generally understood to mean a payment to compensate a person for their daily expenses, such as meals and travel costs.

Minnesota Statutes 3.099 provides: "Each member shall also receive per diem living expenses during a regular or special session of the legislature in the amounts and for the purposes as determined by the senate for senate members and by the house of representatives for house members."

Per diem amounts and the rules under which those payments are made are determined by the respective Rules Committees of the House and the Senate. Individual members decide how much to accept.

In both the House and the Senate, members are eligible to receive payments seven days a week for the periods when the legislature is in session (generally the beginning of January through the third week in May in odd-numbered years, when the biennial budget is adopted.) In even-

numbered years, the Legislature will typically begin its session several weeks later, and conclude by the third week in May.

Members may also be paid per diem during the periods when the Legislature is not in session (“interims”), to attend committee hearings, or attend other meetings related to Legislative business. Eligibility for those per diem payments is determined by the respective Rules Committees.

The House and Senate currently have different per diem rates. Other than anecdotal statements, the Council did not hear any testimony that clearly explained why these rates are different. A complete history of these rates, collected by the Minnesota Legislative Reference Library, is included in the Appendix.

The per diem amounts paid vary widely: Data from the last four years show:

| <b>Per diem payments</b> |               |   |                                   |   |
|--------------------------|---------------|---|-----------------------------------|---|
| <b>Minnesota House</b>   | Per diem rate | Average per diem paid for regular session | Average per diem paid for interim | Total dollar amount of per diem paid to all members |
| 2013                     | \$66          | \$7,325                                   | \$490                             | \$1,103,255   |
| 2014                     | \$66          | \$4,768                                   | \$644                             | \$725,280   |
| 2015                     | \$66          | \$7,297                                   | \$503                             | \$1,142,567   |
| 2016                     | \$66          | \$4,524                                   | \$571                             | \$682,820   |

| <b>Minnesota Senate</b> | Per diem rate | Average per diem paid for regular session | Average per diem paid for interim | Total dollar amount of per diem paid to all members |
|-------------------------|---------------|---|-----------------------------------|---|
| 2013                    | \$86          | \$10,976                                  | \$868                             | \$798,142   |
| 2014                    | \$86          | \$6,670                                   | \$1,234                           | \$529,562   |
| 2015                    | \$86          | \$10,965                                  | \$1,034                           | \$810,340   |
| 2016                    | \$86          | \$6,361                                   | \$1,318                           | \$514,505   |

Regular session per diem payments are higher in odd-numbered years when the Legislature is in session from early January until the third week of May, in part because of its duty to adopt a biennial budget.

Under current law, per diem payments are treated as income when calculating legislators’ retirement contributions. Almost all legislators participate in a defined contribution retirement plan. Legislative retirement plans are discussed later in this report.

The issue of per diem payments is made more complex due to their treatment by the federal tax code. Under section (162 h) of the Internal Revenue Code, legislators who live more than 50 miles from the Capitol may have these payments excluded from the calculation of income. This exclusion is limited by federal per diem rates.

Council members expressed concern about numerous aspects of per diem payments:

- Per diem payments are substantial. Although per diem payments vary by the length of the session, legislators on average realize a 30% increase from their current published salary of \$31,140 so that their actual average salary is closer to \$38,800 (based on the lower House rate, and average number of days over the last several years.)
- It is unclear why per diem payments are different in the House and Senate, especially since legislators are separately reimbursed for mileage, communication expenses and, if eligible, for lodging expenses.
- Per diem payments average \$5,100 to \$7,900 in the House and \$7,600 to \$12,100 in the Senate. However maximum payments are considerably higher. In 2015, the maximum per diem payment in the House was \$13,398, and in the Senate \$16,426.
- The Council notes the disparate impact of the income tax treatment of per diem payments paid to members who live more than 50 miles from the Capitol compared to those who live within that range, when considering the provision of lodging and mileage reimbursements.

In keeping with the Council's interest in Legislator's salaries being transparent to Minnesota's citizens, the Council recommends that the Legislature consider eliminating per diem payments for their work during regular or special sessions. Instead, members should be reimbursed for their reasonable business expenses, as other organizations routinely do for their employees. Members of the Council indicated they would have set salaries at a higher level to make up for this diminishment if per diems were not provided. Upon advice of counsel from the Attorney General's Office, the Council understands it is within its legal authority to make this recommendation. One member filed a minority report, which is included in the Appendix.

#### **Other benefits**

**Insurance.** By law, Minnesota Statutes 43A.24, subd 2, legislators participate in the health insurance program provided to all state employees. The insurance program includes health, dental, and life insurance.

Premiums vary based on whether the legislator elects single or family coverage. Other costs, such as co-pays, co-insurance and deductibles depend on which tier of services the member elects. Members participate in the same manner as state employees.

Annual premiums for 2017 are:

| Annual insurance premiums |                 |                         |                    |
|---------------------------|-----------------|-------------------------|--------------------|
|                           |                 | Legislator contribution | State contribution |
| Health                    | Single coverage | \$367                   | \$6,992            |
|                           | Family coverage | \$2,510                 | \$19,132           |
| Dental                    | Single coverage | \$60                    | \$344              |
|                           | Family coverage | \$456                   | \$740              |
| Life insurance            |                 |                         | \$60               |

Council members note:

- The State health and dental insurance plan represents a significant benefit paid to legislators.
- Given that legislators typically work full time for the Legislature four or five months a year, but substantially less the remaining part of the year, it would be difficult to obtain other insurance while they serve. Some Council members noted that part-time employment is a challenge for many Minnesotans, who are not offered the opportunity to participate in this comprehensive insurance program.

**Retirement.** Under state law, members participate in a state retirement program, Minnesota Statutes 2016, section 352D. This is a defined contribution program where the State contributes 6%, while the legislator contributes 5.5%. Participation is mandatory. The member's salary and per diem payments for regular and special sessions are included when calculating the contributions. The legislator, like other state employees who participate in the State's defined contribution programs, can direct the investment in a variety of investment funds selected by the State Board of Investment.

At any time after employment ends, the legislator may withdraw the value of his or her account, including both employee and employer contributions, in a lump sum, which may be rolled, to continue the tax deferral, into an individual retirement account ("IRA"). A withdrawal forfeits the right to elect a retirement annuity at age 55.

At age 55 or later, provided legislative service has ended, the legislator may elect a distribution in the form of a lump sum or an annuity. The annuity, which is a monthly benefit paid for the life of the legislator, is calculated based on the account balance and the age of the legislator at the annuity starting date. In exchange for a lower monthly amount, the legislator may elect a joint and survivor annuity that pays a survivor benefit to a beneficiary after the death of the legislator. These options are also available if a legislator becomes totally and permanently disabled. Annuities are eligible for post-retirement adjustments (sometimes called "COLAs").

Retirement contributions based on average per diem payments paid in 2016 are:

| <b>State retirement contribution (6%)</b> |         |         |
|---|---------|---------|
|   | House   | Senate  |
| Salary: \$31,140                          | \$1,868 | \$1,868 |
| Average per diem                          |         |         |
| House: \$5,096                            | \$271   |         |
| Senate: \$7,679                           |         | \$382   |

### **Expense reimbursements and allowances**

Members of the legislature receive other payments for certain expenses they incur to carry-out the duties of their office. They are also reimbursed for expenses they incur for attending approved conferences or trips.

**Mileage.** Representatives who live more than 50 miles from the Capitol are reimbursed for their mileage from their homes to the Capitol. Representatives are also reimbursed for mileage for travel in their legislative districts, with a maximum of \$850 per month. (There are exceptions for districts with greater than 1,000 square miles)

During session, senators are reimbursed for their mileage to and from the Capitol no matter how far they live from the Capitol. Senators are also reimbursed for their mileage for constituent and district meetings. Senators must present documentation to receive the constituent and district mileage.

All mileage reimbursement is based on the federal mileage rate.

**Lodging.** Members who live more than 50 miles from the Capitol may be reimbursed for lodging expenses. All reimbursements must be documented by receipts or lease agreements.

Representatives may be reimbursed for rent, and related lodging expenses such as furniture rental, local telephone, internet access service, basic media service, utilities, renter's insurance, non-refundable fees, and parking. The maximum amount is \$1,800 per month. The House of Representatives limits the total of these reimbursements to a maximum of \$32,400 over the two year length of their terms.

Senators may be reimbursed for rent, utilities, and furniture rental. The maximum reimbursement is \$1,800 per month.

**Communications.** Members may receive reimbursement for communications expenses.

Representatives may request a communications expense allowance of up to \$125 per month for internet service, an additional phone line, optional telephone services, wireless services, or other communication services needed to maintain frequent and reliable communication with constituents, house staff, and other government officials.

Senators may receive reimbursement for communications expenses up to \$200 per month for such items as telephone, fax, cell phone pager, and Internet services.

For both senators and representatives, if receipts are provided, these will be treated as an expense. If there is no receipt, it will be treated as income and taxed.

**Leadership pay.** Under Minnesota Statutes section 3.099, Subdivision 3, the Senate and the House Rules Committees may designate additional pay of up to 140% for leadership positions in each body.

Subd. 3. **Leaders.** The senate Committee on Rules and Administration for the senate and the house of representatives Committee on Rules and Legislative Administration for the house of representatives may each designate for their respective body up to three leadership positions to receive up to 140 percent of the compensation of other members.

### **Budget forecast**

The Council's statute, section 15A.0825, Subdivision 7, requires it to take into account the most recent budget forecast. At its January 27<sup>th</sup> meeting, the Council heard a presentation on the state budget from Margaret Kelly, the State Budget Director.

Director Kelly indicated that, based on the November 2016 forecast, the state was estimating a surplus of \$736 million at the end of the current 2016-17 biennium, and a \$1.4 billion surplus at the conclusion of the 2018-2019 biennial budget period. She reported that the budget was structurally balanced, with reserves to help manage through an economic downturn. She indicated there is risk inherent in the forecast, given that 30 months remain until the end of the 18-19 biennium.

Minnesota Management and Budget issued an updated forecast on February 28<sup>th</sup>, which becomes the most current forecast for the Council to consider. Dr. Stinson, as the former state economist, summarized the Department's forecast for the Council at its meeting on March 3rd. That forecast projects a surplus of \$1.65 billion for the FY 18-19 biennium. Planning estimates for the 2020-21 biennium show projected revenues exceeding current law expenditures by \$2.124 billion.

**Conclusion**

The Council formally adopted its letter of transmittal and report at its final meeting on March 17, 2017. The letter was adopted on a 15-0 vote, with one member absent. This report was adopted at the same meeting on a 15-0 vote, with one member absent.

An appendix of key documents is attached.

## Appendices

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# **Appendix A**

## **Constitutional Amendment**

# CONSTITUTION OF THE STATE OF MINNESOTA

Adopted October 13, 1857

Generally Revised November 5, 1974

|            |   |             |  |
|------------|---|-------------|--|
| Article 1. | Bill of rights.                           | Article 8.  | Impeachment and removal from office.   |
| Article 2. | Name and boundaries.                      | Article 9.  | Amendments to the constitution.        |
| Article 3. | Distribution of the powers of government. | Article 10. | Taxation.                              |
| Article 4. | Legislative department.                   | Article 11. | Appropriations and finances.           |
| Article 5. | Executive department.                     | Article 12. | Special legislation; local government. |
| Article 6. | Judiciary.                                | Article 13. | Miscellaneous subjects.                |
| Article 7. | Elective franchise.                       | Article 14. | Public highway system.                 |

## ARTICLE IV LEGISLATIVE DEPARTMENT

**Sec. 9. Compensation.** The salary of senators and representatives shall be prescribed by a council consisting of the following members: one person who is not a judge from each congressional district appointed by the chief justice of the Supreme Court, and one member from each congressional district appointed by the governor. If Minnesota has an odd number of congressional districts, the governor and the chief justice must each appoint an at-large member in addition to a member from each congressional district. One-half of the members appointed by the governor and one-half of the members appointed by the chief justice must belong to the political party that has the most members in the legislature. One-half of the members appointed by the governor and one-half of the members appointed by the chief justice must belong to the political party that has the second-most members in the legislature. None of the members of the council may be current or former legislators, or the spouse of a current legislator. None of the members of the council may be current or former lobbyists registered under Minnesota law. None of the members of the council may be a current employee of the legislature. None of the members of the council may be a current or former judge. None of the members of the council may be a current or former governor, lieutenant governor, attorney general, secretary of state, or state auditor. None of the members of the council may be a current employee of an entity in the executive or judicial branch. Membership terms, removal, and compensation of members shall be as provided by law. The council must prescribe salaries by March 31 of each odd-numbered year, taking into account any other legislative compensation provided to legislators by the state of Minnesota, with any changes in salary to take effect on July 1 of that year. Any salary increase for legislators authorized in law by the legislature after January 5, 2015, is repealed.

[Amended, November 8, 2016]

# **Appendix B**

## **Statute**

**15A.0825 LEGISLATIVE SALARY COUNCIL.**

Subdivision 1. **Membership.** (a) The Legislative Salary Council consists of the following members:

(1) one person, who is not a judge, from each congressional district, appointed by the chief justice of the Supreme Court; and

(2) one person from each congressional district, appointed by the governor.

(b) If Minnesota has an odd number of congressional districts, the governor and the chief justice must each appoint an at-large member, in addition to a member from each congressional district.

(c) One-half of the members appointed by the governor and one-half of the members appointed by the chief justice must belong to the political party that has the most members in the legislature. One-half of the members appointed by the governor and one-half of the members appointed by the chief justice must belong to the political party that has the second most members in the legislature.

(d) None of the members of the council may be:

(1) a current or former legislator, or the spouse of a current legislator;

(2) a current or former lobbyist registered under Minnesota law;

(3) a current employee of the legislature;

(4) a current or former judge; or

(5) a current or former governor, lieutenant governor, attorney general, secretary of state, or state auditor.

Subd. 2. **Initial appointment; convening authority; first meeting.** Appointing authorities must make their initial appointments by January 2, 2017. The governor shall designate one member to convene and chair the first meeting of the council. The first meeting must be before January 15, 2017. At its first meeting, the council must elect a chair from among its members. Members that reside in an even-numbered congressional district serve a first term ending January 15, 2019. Members residing in an odd-numbered congressional district serve a first term ending January 15, 2021.

Subd. 3. **Terms.** (a) Except for initial terms and for the first term following redistricting, a term is four years or until new appointments are made after congressional redistricting as provided in subdivision 4. Members may serve no more than two full terms or portions of two consecutive terms.

(b) If a member ceases to reside in the congressional district that the member resided in at the time of appointment as a result of moving or redistricting, the appointing authority who appointed the member must appoint a replacement who resides in the congressional district to serve the unexpired term.

Subd. 4. **Appointments following redistricting.** Appointing authorities shall make appointments within three months after a congressional redistricting plan is adopted. Members that reside in an even-numbered district shall be appointed to a term of two years following redistricting. Members that reside in an odd-numbered district shall be appointed to a term of four years following redistricting.

Subd. 5. **Removal; vacancies.** Members may be removed only for cause, after notice and a hearing, for missing three consecutive meetings, or as a result of redistricting. The chair of the council or a designee shall inform the appointing authority of a member missing three consecutive meetings. After the second consecutively missed meeting and before the next meeting, the chair or a designee shall notify the member in writing that the member may be removed for missing the next meeting. In the case of a vacancy on the

council, the appointing authority shall appoint a person to fill the vacancy for the remainder of the unexpired term.

Subd. 6. **Compensation.** Members shall be compensated under section 15.059, subdivision 3.

Subd. 7. **Duties.** By March 31 of each odd-numbered year, the council must prescribe salaries for legislators to take effect July 1 of that year. In setting salaries, the council must take into account any other legislative compensation provided to the legislators by the state and the most recent budget forecast. The council must submit a report by March 31 of each odd-numbered year with the prescribed salaries to the governor, the majority and minority leaders of the senate and the house of representatives, the chairs of the committees in the senate and the house of representatives with jurisdiction over the legislature's budget, and the chairs of the committees in the senate and house of representatives with jurisdiction over finance. The report must describe the council's rationale for selecting the prescribed salaries.

Subd. 8. **Chair.** The commission shall elect a chair from among its members.

Subd. 9. **Staffing.** The Legislative Coordinating Commission shall provide administrative and support services for the council.

Subd. 10. **No ex parte communications.** Members may not have any communication with a member of the legislature during the period after the first meeting is convened under subdivision 2 and the date the legislator salaries are submitted under subdivision 7.

**History:** 2014 c 282 s 1

**NOTE:** This section, as added by Laws 2014, chapter 282, section 1, is effective upon adoption of the constitutional amendment proposed under Laws 2013, chapter 124, as amended by Laws 2014, chapter 282, sections 2 and 3. Laws 2014, chapter 282, section 1, the effective date.

**Appendix C**  
**Council Member Roster**

## Members of the 2017 Legislative Salary Council

The Legislative Salary Council consists of 16 members appointed as follows: one person, who is not a judge, from each congressional district, appointed by the chief justice of the Supreme Court; and one person from each congressional district, appointed by the governor. One-half of the members appointed by the governor and one-half of the members appointed by the chief justice must belong to the political party that has the most members in the legislature. The remaining half must belong to a political party that has the second most members in the legislature.

### Appointed by Governor Dayton

|                    |                  |
|--------------------|------------------|
| Joseph Boyle       | Eighth District  |
| Patrice Hannan     | Fifth District   |
| Dr. David Metzen   | Second District  |
| Sherrie Pugh       | Third District   |
| Dr. Thomas Stinson | Fourth District  |
| Randy Twistol      | Seventh District |
| Marsha VanDenburgh | Sixth District   |
| Laura Witty        | First District   |

### Appointed by Chief Justice Gildea

|                    |                  |
|--------------------|------------------|
| Diana Burlison     | Sixth District   |
| William P. Donohue | Fourth District  |
| Gregory R. Fox     | Eighth District  |
| James Joy          | Seventh District |
| Charles J. McElroy | Fifth District   |
| Gloria S. Myre     | Second District  |
| Deborah Olson      | Third District   |
| Kenneth Wilmes     | First District   |

## **Appendix D**

### **Former Members Testifying**

Former members of the Minnesota Legislature that provided testimony:

- David Hann, former Minority Leader of the Minnesota Senate
- Mary Liz Holberg, former member of the Minnesota House of Representatives
- Margaret Anderson-Kelliher, former Speaker of the Minnesota House of Representatives
- Kate Knuth, former member of the Minnesota House of Representatives
- Gene Merriam, former member of the Minnesota Senate
- Roger Moe, former Majority Leader of the Minnesota Senate
- Steve Sviggum, former Speaker of the Minnesota House of Representatives

# **Appendix E**

## **Minority Report**

## Minority Report

I, Joseph Boyle, believe the recommendation to the legislature to eliminate per diem is beyond the authority of the Legislative Salary Council.

The Authority of the Legislative Salary Council is as follows:

### AUTHORITY

Article IV of the Minnesota Constitution, LEGISLATIVE DEPARTMENT, Sec. 9.

Compensation declares:

The salary of senators and representatives shall be prescribed by a council....The council must prescribe salaries by March 31 of each odd-numbered year taking into account any other legislative compensation provided to legislators by the state of Minnesota....

Minnesota Statute §15A.0825 LEGISLATIVE SALARY COUNCIL, states:

Duties: By March 31 of each odd-numbered year, the council must prescribe salaries for legislators....In setting salaries, the council must take into account any other legislative compensation provided to the legislators by the state and the most recent budget forecast. The council must submit a report by March 31 of each odd-numbered year with the prescribed salaries....The report must describe the council's rationale for selecting the prescribed salaries.

Thus, the Constitutional Amendment states in part:

The salary of senators and representatives shall be prescribed by a council....taking into account any other legislative compensation provided to legislators by the State of Minnesota.

The enabling legislation states in part:

...the council must prescribe salaries for legislators....In setting salaries, the council must take into account any other legislative compensation....The report must describe the council's rationale for selecting the prescribed salaries.

It is clear the council does not have the authority to criticize the "...other legislative compensation", but to take into account "...other legislative compensation" when prescribing "...the council's rationale for prescribing the legislators salaries."

Further, substantively elimination of per diem will eliminate rural legislator's ability to take legal tax deductions, and be paid for incidental expenses incurred due to living and maintaining two residences.

Respectfully Submitted:

Joseph M. Boyle  
Council Member

**Appendix F**  
**MMB Budget Forecast**  
**(November and February)**

## Minnesota's Budget Outlook Remains Stable

### \$1.4 Billion Available for Upcoming Budget

**Current Biennium Balance Increases. \$334 million transferred to budget reserve, \$678 million balance remains.** A favorable FY 2016 close, partially offset by a reduced forecast for FY 2017, leaves projected revenues \$41 million higher for the current biennium compared to end of session estimates. Spending in the current biennium is projected to be \$245 million lower than prior estimates. Current law allocates 33 percent, or \$334 million of the resulting balance to the budget reserve. FY 2016-17 is now projected to end with a \$678 million balance, \$51 million lower than previous estimates.

#### FY 2016-17 General Fund Forecast

| (\$ in millions)         | November       | Change        |
|--------------------------|----------------|---------------|
| <b>Beginning Balance</b> | <b>\$2,103</b> | <b>\$ -</b>   |
| Revenues                 | 42,382         | 41            |
| Spending                 | 41,502         | (245)         |
| Cash & Budget Reserves   | 1,947          | -             |
| Stadium Reserve          | 24             | 3             |
| <b>Forecast Balance</b>  | <b>\$1,012</b> | <b>\$283</b>  |
| 33% to Budget Reserve    | 334            | 334           |
| <b>Budgetary Balance</b> | <b>\$678</b>   | <b>\$(51)</b> |

#### FY 2018-19 General Fund Forecast

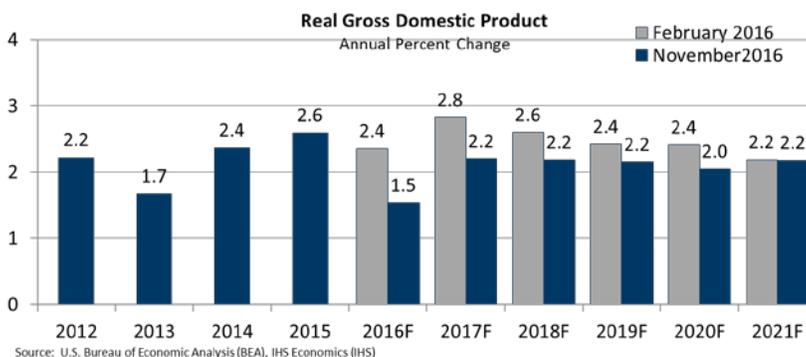
| (\$ in millions)         | November       | Change         |
|--------------------------|----------------|----------------|
| <b>Beginning Balance</b> | <b>2,982</b>   | <b>\$286</b>   |
| Revenues                 | 45,321         | (467)          |
| Spending                 | 44,585         | (152)          |
| Cash & Budget Reserves   | 2,280          | 334            |
| Stadium Reserve          | 38             | 13             |
| <b>Forecast Balance</b>  | <b>\$1,400</b> | <b>\$(376)</b> |

**Slower Revenue Growth reduces projected balance in FY 2018-19 to \$1.4 billion.** The balance between revenues and spending in the next biennium has been reduced compared to prior estimates. General fund revenues in FY 2018-19 are expected to grow to \$45.3 billion, while projected current law spending is estimated to be just under \$44.6 billion. The \$678 million ending balance forecast for the current biennium adds to resources available for the next biennium. As a result, a \$1.4 billion balance is projected to be available for the upcoming FY 2018-19 biennial budget.

**U.S. economic outlook weakens.** A reduction in business building and equipment purchases in the first half of this year slowed U.S. economic growth for 2016. Since February, Minnesota's macroeconomic consultant, IHS Markit, has decreased their forecast for real GDP growth in 2016. Lower forecasts for consumer spending and business capital purchases reduce the 2017 growth forecast. Consumer spending growth is expected to remain modest and helps lower the economic growth forecasts for 2018 and 2019.

**Slower economic growth lowers next biennium revenue forecast.** FY 2018-19 revenues are now forecast to be \$467 million (1.0 percent) less than the prior estimate. The sales tax shows the largest revenue forecast change for the next biennium, with lower expected taxable sales growth combining with higher projected refunds to reduce the general sales tax forecast by \$428 million.

**Structural Balance intact; revenue growth expected to outpace spending growth into FY 2020-21.** This forecast provides the first budget planning estimates for the FY 2020-21 biennium. The average annual growth rate for revenue, FY 2018 to FY 2021 is 3.7 percent compared to 2.5% for spending. However, these longer term projections have a higher degree of uncertainty and a significantly higher potential range of error. Revenue growth exceeds expenditure growth through the forecast horizon, indicating structural balance for FY 2020-21.



# BUDGET AND ECONOMIC FORECAST

February 2017

FOR IMMEDIATE RELEASE

## Minnesota's Budget Outlook Improves

*\$1.65 Billion Now Available for Upcoming FY 2018-19 Budget*

**Increased Revenues Raise Expected FY 2018-19 Balance to \$1.65 Billion; significant risk continues.** FY 2018-19 revenues are now forecast to be \$45.663 billion, a \$321 million increase (0.7 percent) compared to November 2016 estimates adjusted for law changes. Current law spending is forecast to be \$44.741 billion, \$156 million (0.4 percent) higher than prior estimates. Stadium reserves increased by \$3 million. As a result, the projected budgetary balance in the next biennium is now \$1.650 billion, \$250 million higher than prior estimates. The positive budget outlook continues into the planning estimates for the 2020-21 biennium, however federal policy unknowns create significant risk for this forecast.

### FY 2018-19 General Fund Budget Forecast

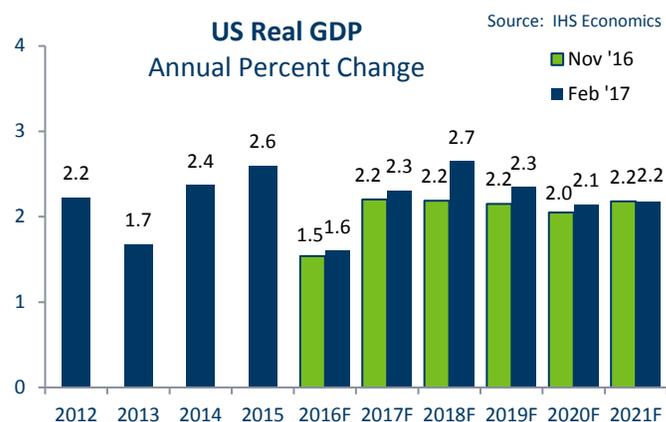
| (\$ in millions)         | February       | \$ Change    |
|--------------------------|----------------|--------------|
| <b>Beginning Balance</b> | <b>\$2,721</b> | <b>\$88</b>  |
| Revenues                 | 45,663         | 321          |
| Spending                 | 44,741         | 156          |
| Cash & Budget Reserve    | 1,953          | 0            |
| Stadium Reserve          | 40             | 3            |
| <b>Budgetary Balance</b> | <b>\$1,650</b> | <b>\$250</b> |

**Stronger expected economic growth raises the tax revenue forecast.** FY 2018-19 tax revenues are now forecast to be \$321 million (0.7 percent) more than the prior estimate. Higher expected income growth raises forecast individual income tax revenue for the next biennium by \$274 million. Higher forecast taxable sales growth—driven in part by expected fiscal stimulus—offsets higher projected refunds to raise the general sales tax forecast by \$48 million. A stronger corporate profits forecast adds \$69 million to expected corporate tax revenue.

### FY 2018-19 General Fund Revenue Forecast

| (\$ in millions)              | February        | \$ Change    |
|-------------------------------|-----------------|--------------|
| Individual Income             | \$24,401        | \$274        |
| General Sales                 | 11,466          | 48           |
| Corporate Franchise           | 2,623           | 69           |
| Statewide Property            | 1,742           | (2)          |
| All Other Revenues            | 3,667           | (50)         |
| <b>Total Tax Revenues</b>     | <b>\$43,899</b> | <b>\$339</b> |
| All Other Revenues, Transfers | 1,764           | (18)         |
| <b>Total Revenues</b>         | <b>\$45,663</b> | <b>\$321</b> |

**U.S. economic outlook improves.** The last few months of economic data have been mostly positive, showing improvements in personal income, business spending on equipment and structures, employment, and consumer spending. In addition, IHS has incorporated into their baseline outlook federal fiscal stimulus—in the form of lower individual income and corporate tax rates and increased infrastructure spending—which are expected to boost economic growth starting in 2018. IHS has increased their forecast for real GDP growth in 2017 from 2.2 percent in November's outlook to 2.3 percent in February. Higher forecasts for real consumer spending and business capital purchases offset increased drag from net exports to raise the 2018 growth forecast from 2.2 percent in November to 2.8 percent February.



**Increased Education and Health Care Forecast Adds to Overall Spending.** Spending in FY 2018-19 is now forecast to be \$44.741 billion, \$156 million (0.4 percent) higher compared to prior estimates. Driving the change are higher projections in the education and health and human services budget areas. Higher student enrollment and health care cost estimates increase state obligations for spending.

**Long Term Budget Outlook Improves.** The fiscal policy-fueled growth that is forecast to begin in 2018 raises the long term economic outlook. Consequently, the increased revenue forecast continues into FY 2020-21. Projected revenues are now estimated to exceed current law spending by \$2.124 billion, which is more than the \$1.480 billion projected in November. Economic changes as well as the nature and timing of any budget changes may materially affect both revenue and expenditure projections for the next biennium.

## **Appendix G**

### **Salary History: Stinson**

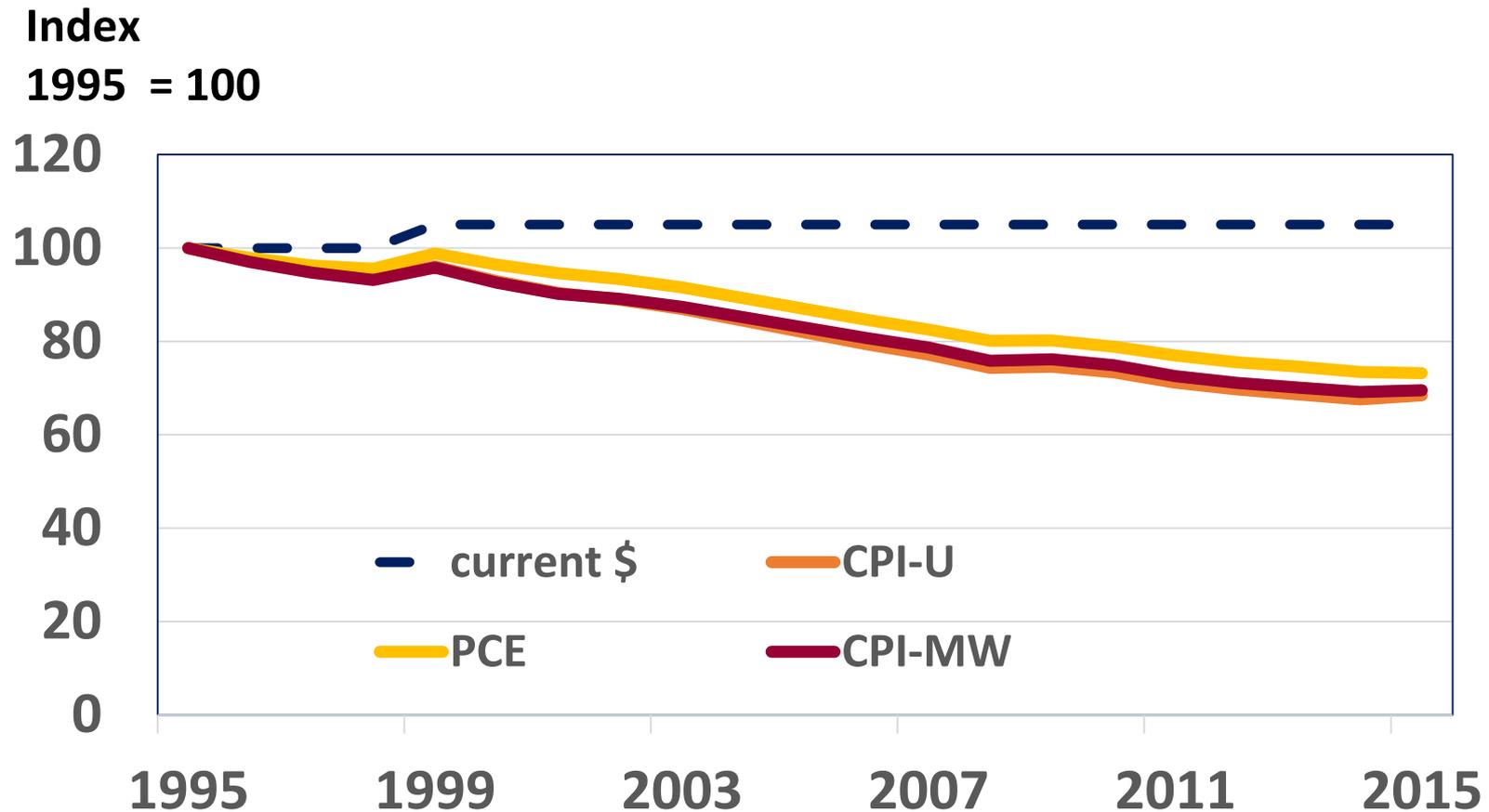
# **Minnesota Legislative Salaries: Background Data**

**Minnesota Legislative Salary Council  
January 11, 2017**

# Minnesota Legislative Compensation

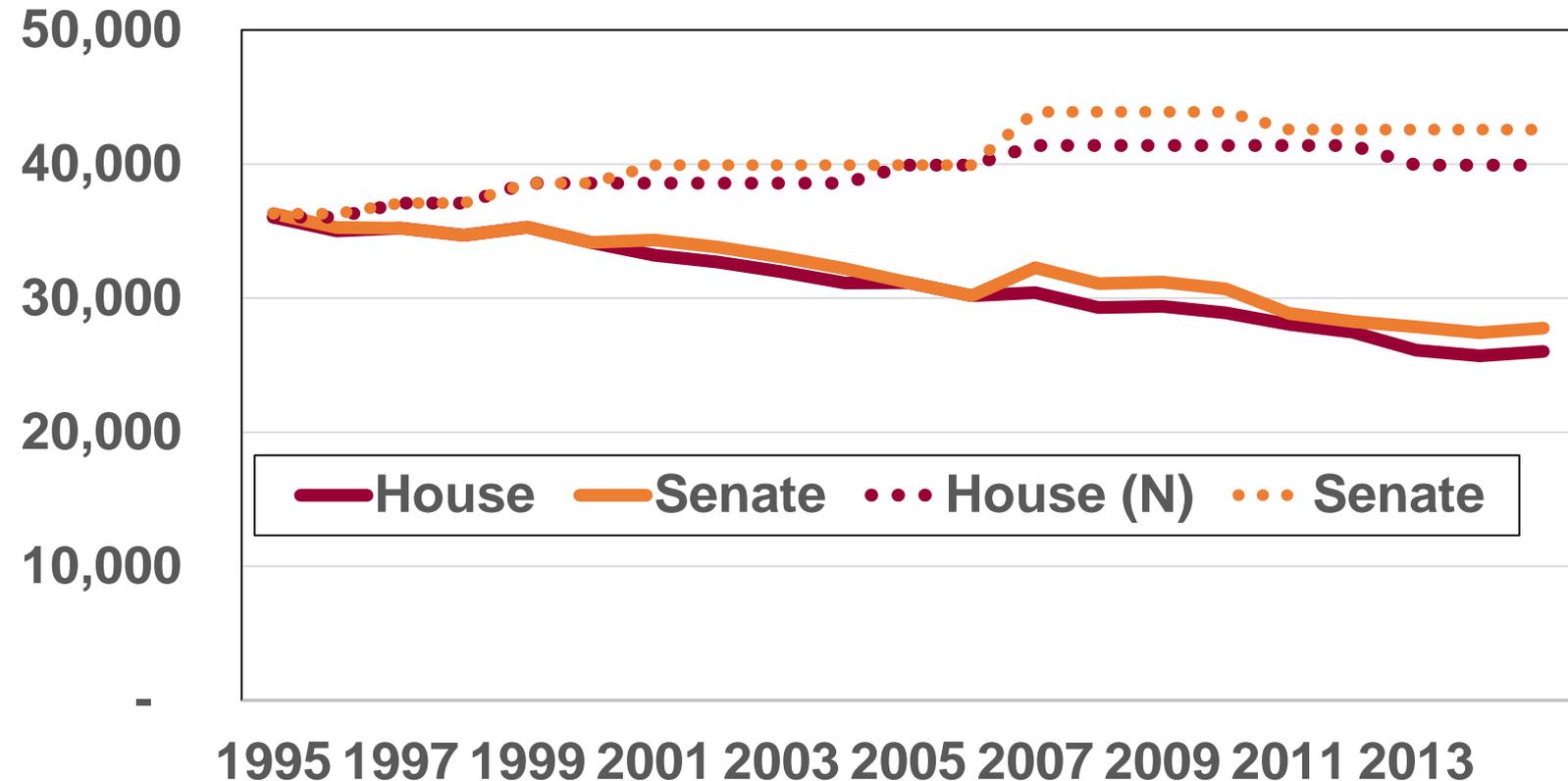
|                 | <u>HOUSE</u> | <u>SENATE</u> |
|-----------------|--------------|---------------|
| • Base Salary   | \$31,141.00  | \$31,141.00   |
| • Per Diem      | 8,778.00     | 11,438.00     |
| • Pension       | 2,395.14     | 2,554.74      |
| • Insurance (F) | 16,922.00    | 16,922.00     |
| • Insurance (E) | 6,430.00     | 6,430.00      |
| • Total:        |              |               |
| • Employee Only | \$48,217.45  | \$51,563.74   |
| • Family        | \$59,236.14  | \$62,055.74   |

# Real Legislative Salaries in Minnesota Have Fallen by More than 25 Percent

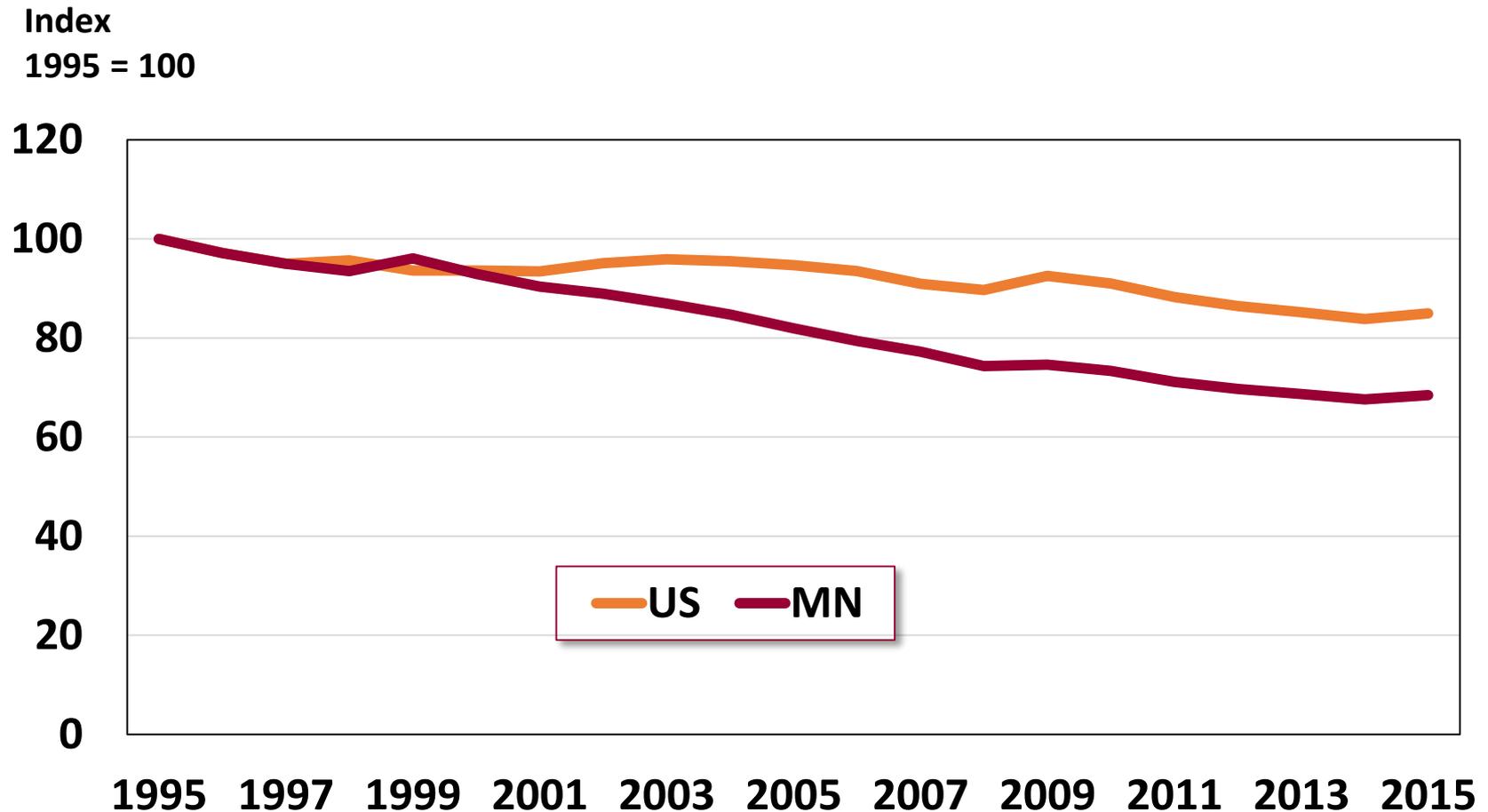


# Minnesota House and Senate Salary History, Real And Nominal, 1995-2015

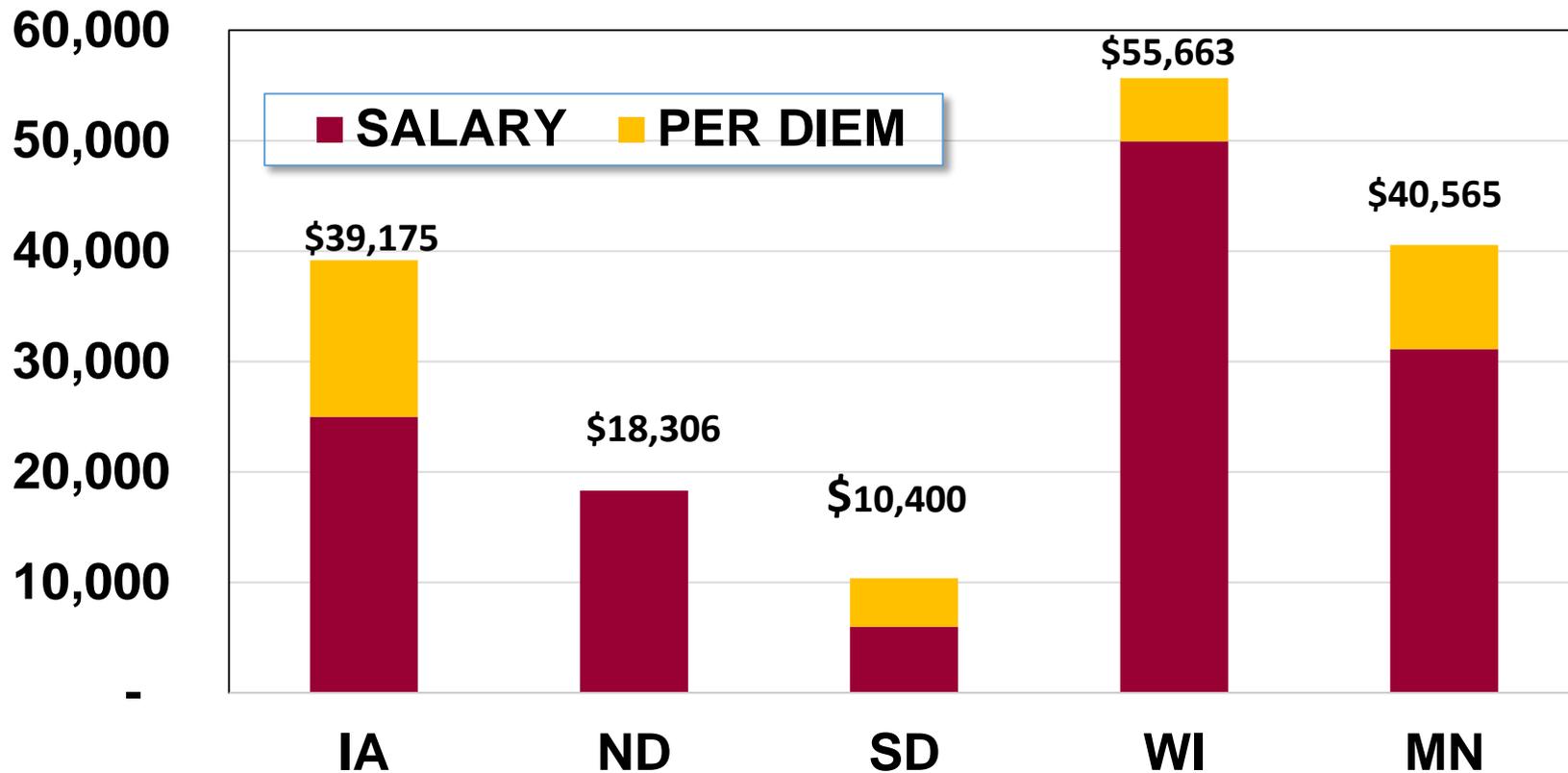
Dollars



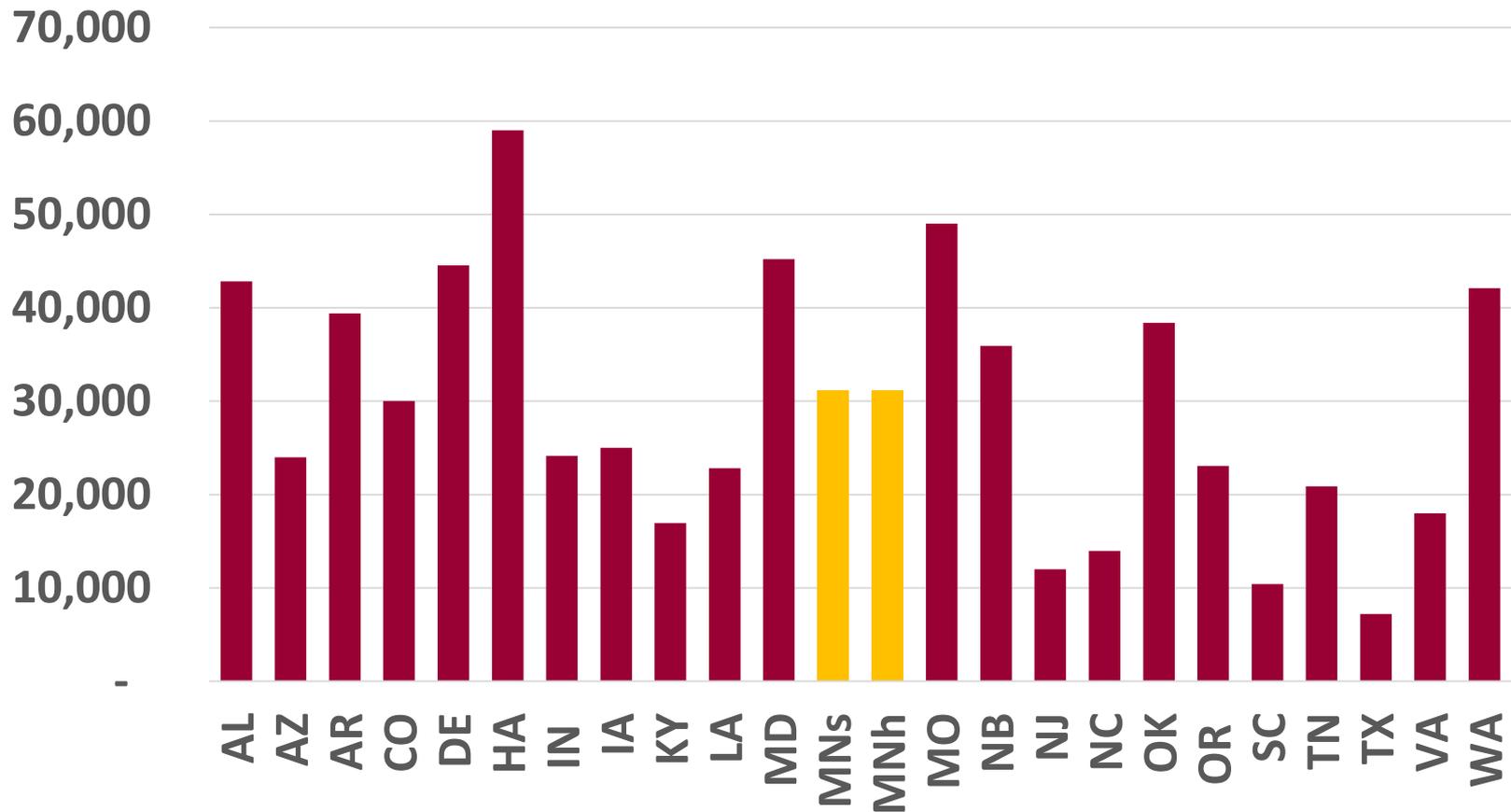
# Real Minnesota Legislative Salaries Have Fallen Faster than Congressional Salaries



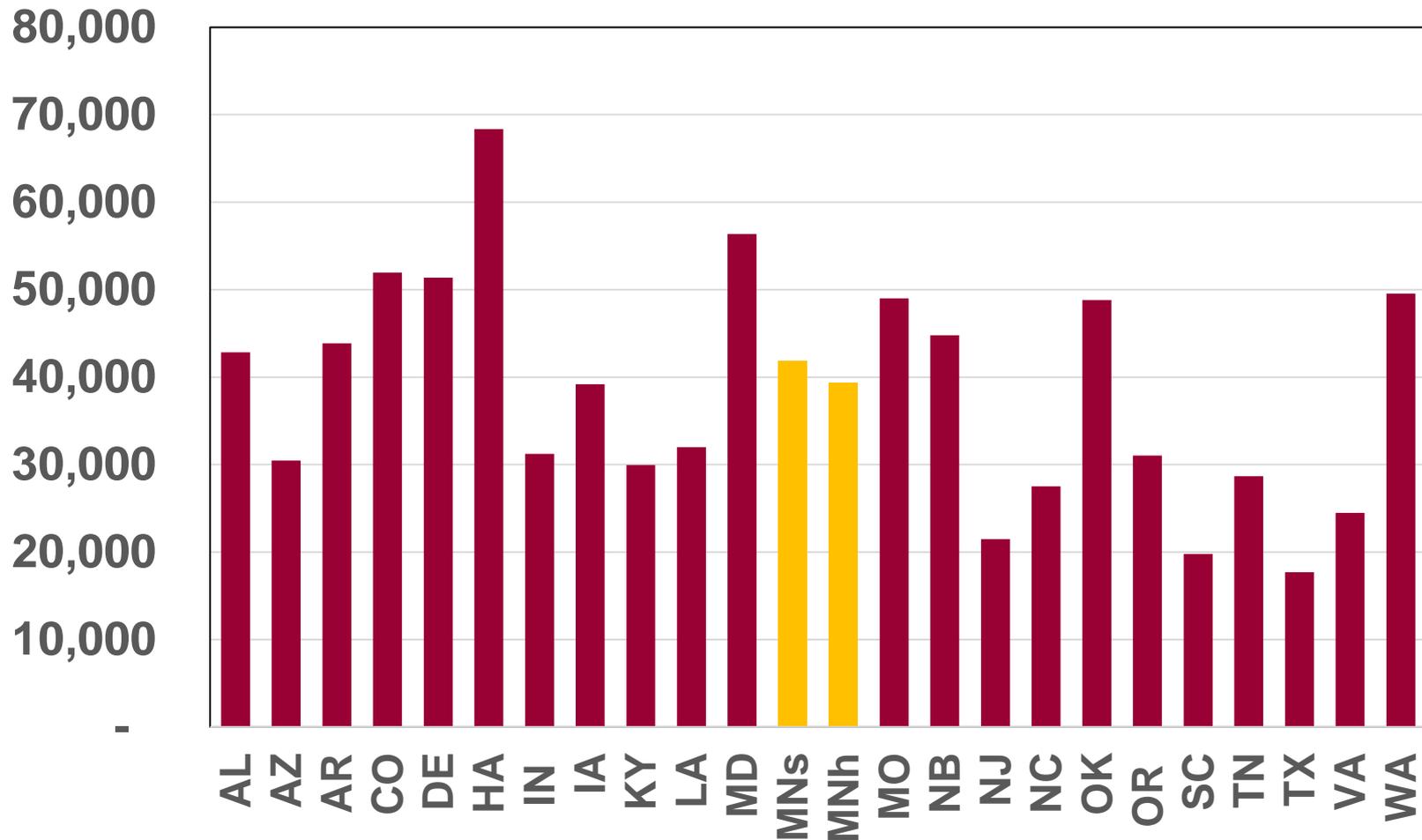
# Salaries and Per Diem Differ in Neighboring States



# Minnesota's Legislative Salaries Slightly above Average for "Hybrid" States in 2015

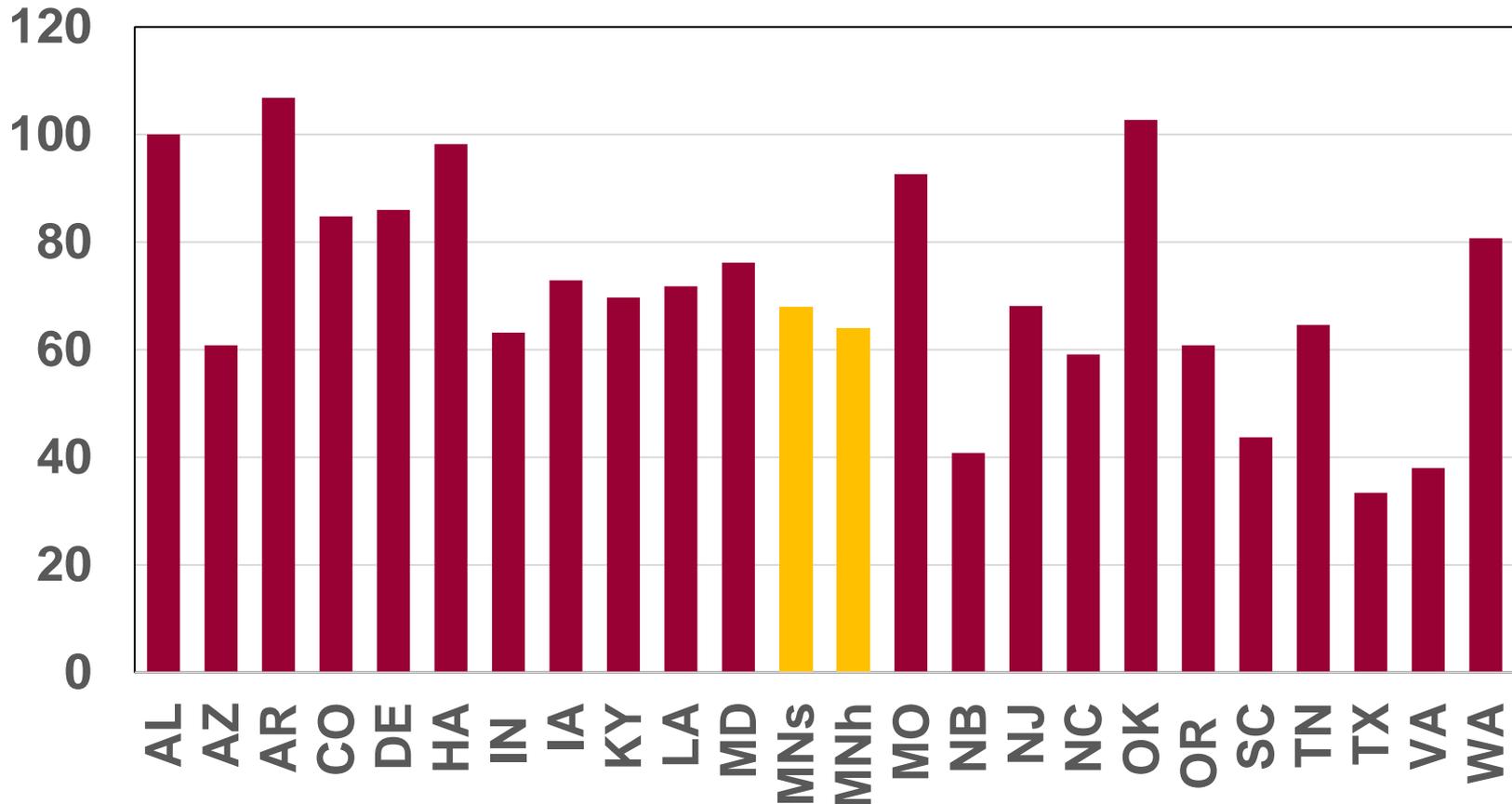


# Minnesota's Salaries and Per Diem above Average for “Hybrid” States

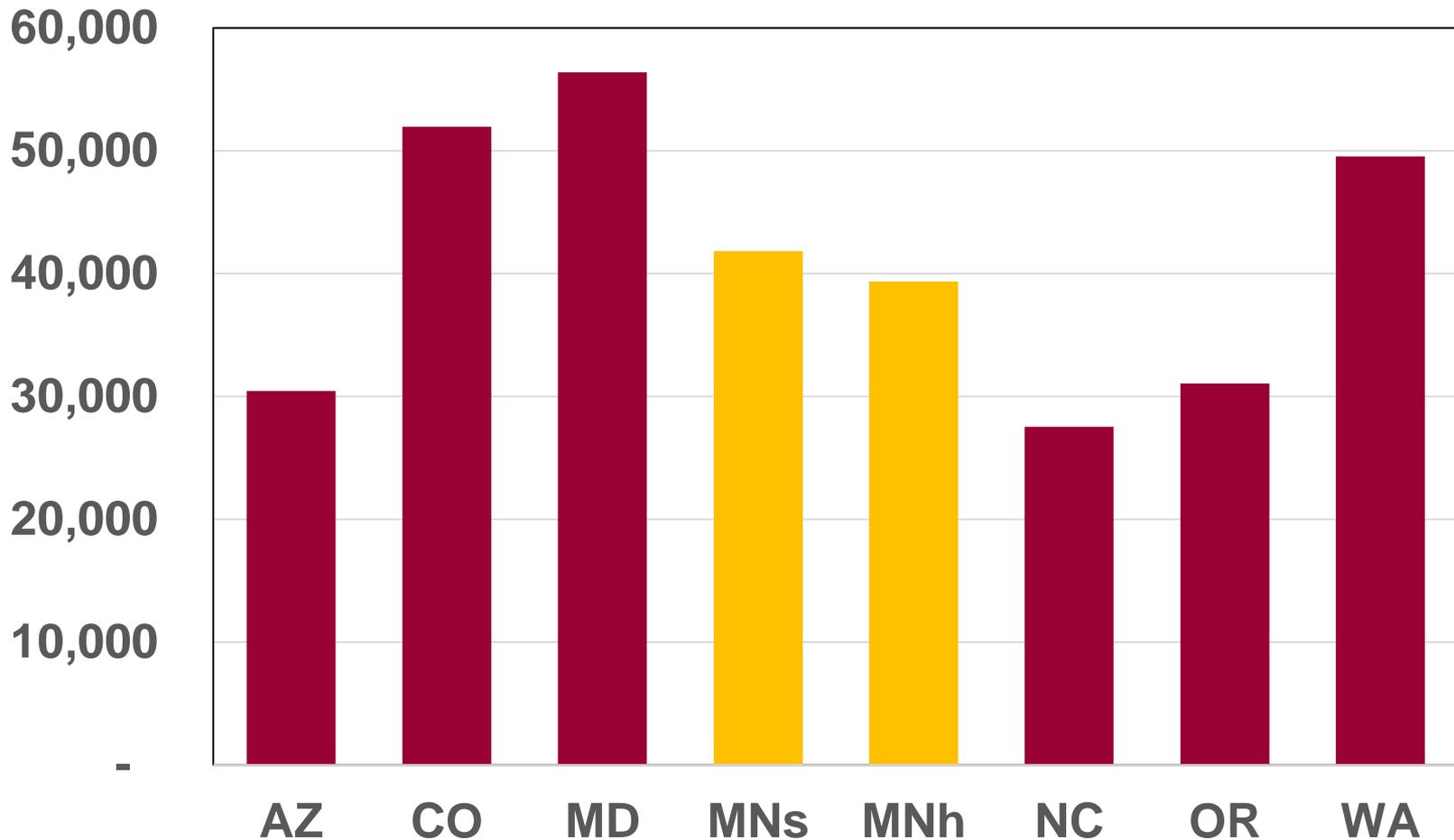


# Minnesota Salaries and Per Diem<sup>39</sup> Below Hybrid Average as Percent of Median Income

Percent



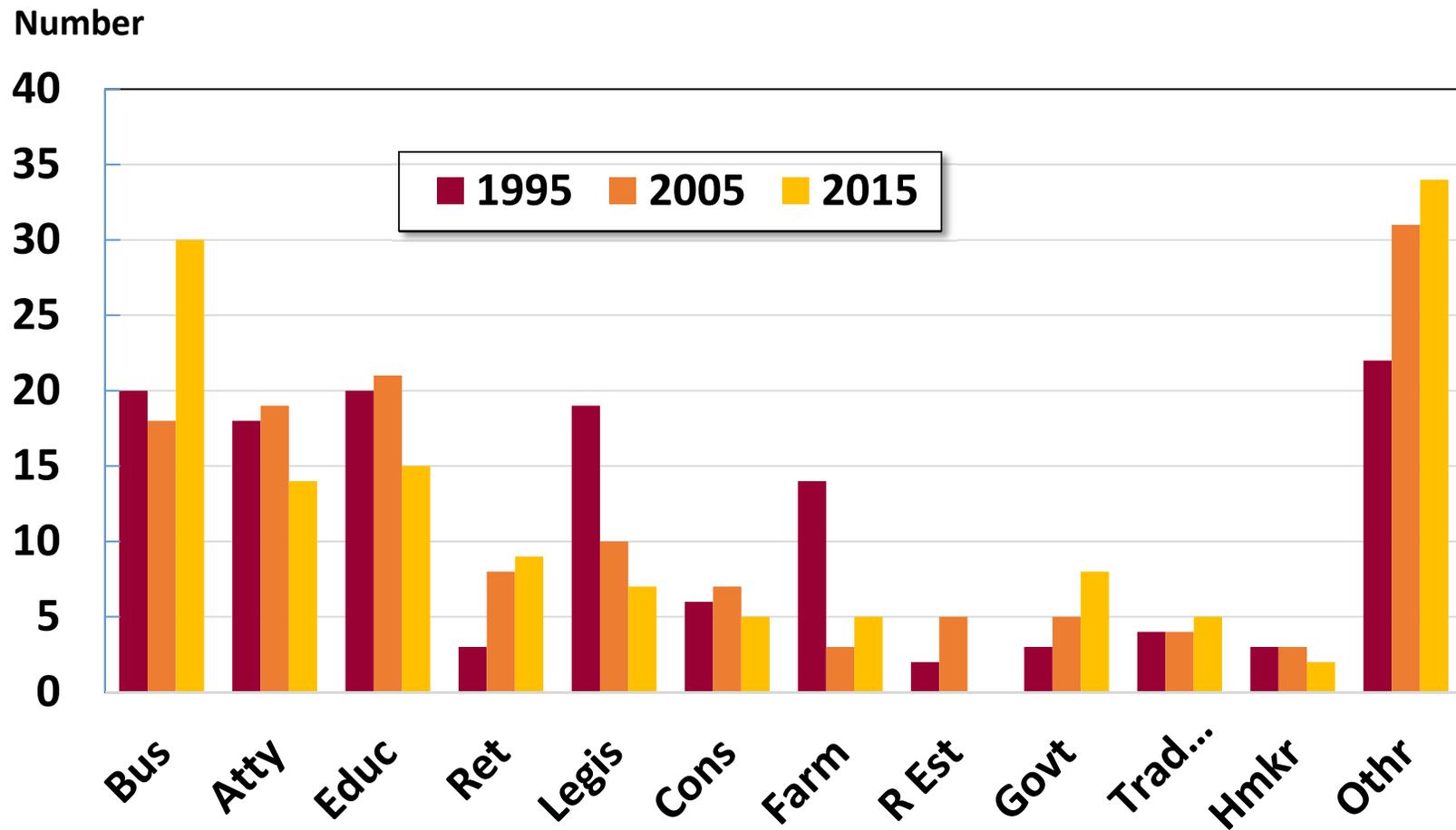
# Minnesota Salaries and Per Diem in Mid Range of Competitive States



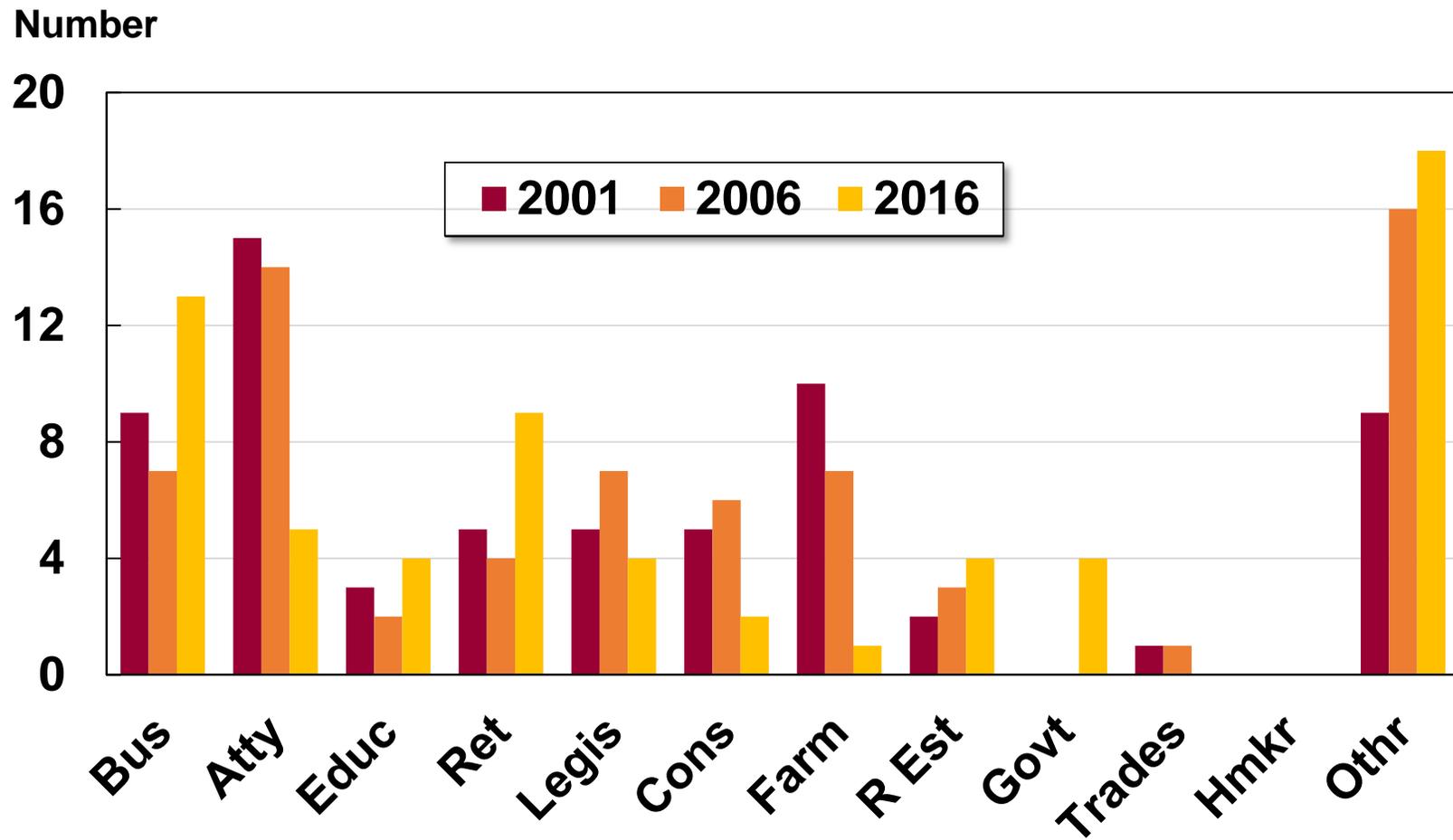
# **Appendix H**

## **Demographics: Stinson**

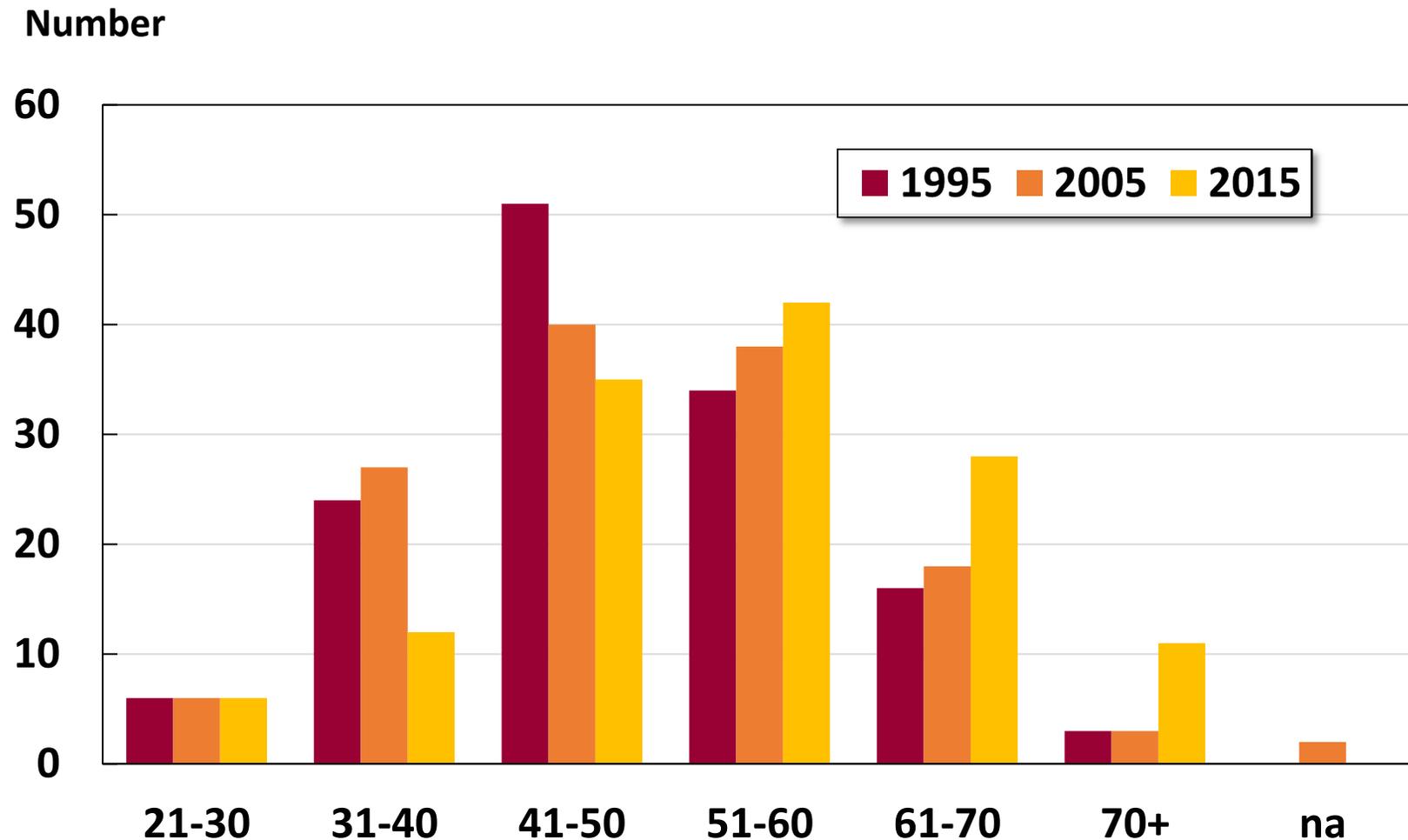
# Minnesota State Representatives by Occupation, 1995, 2005, 2015



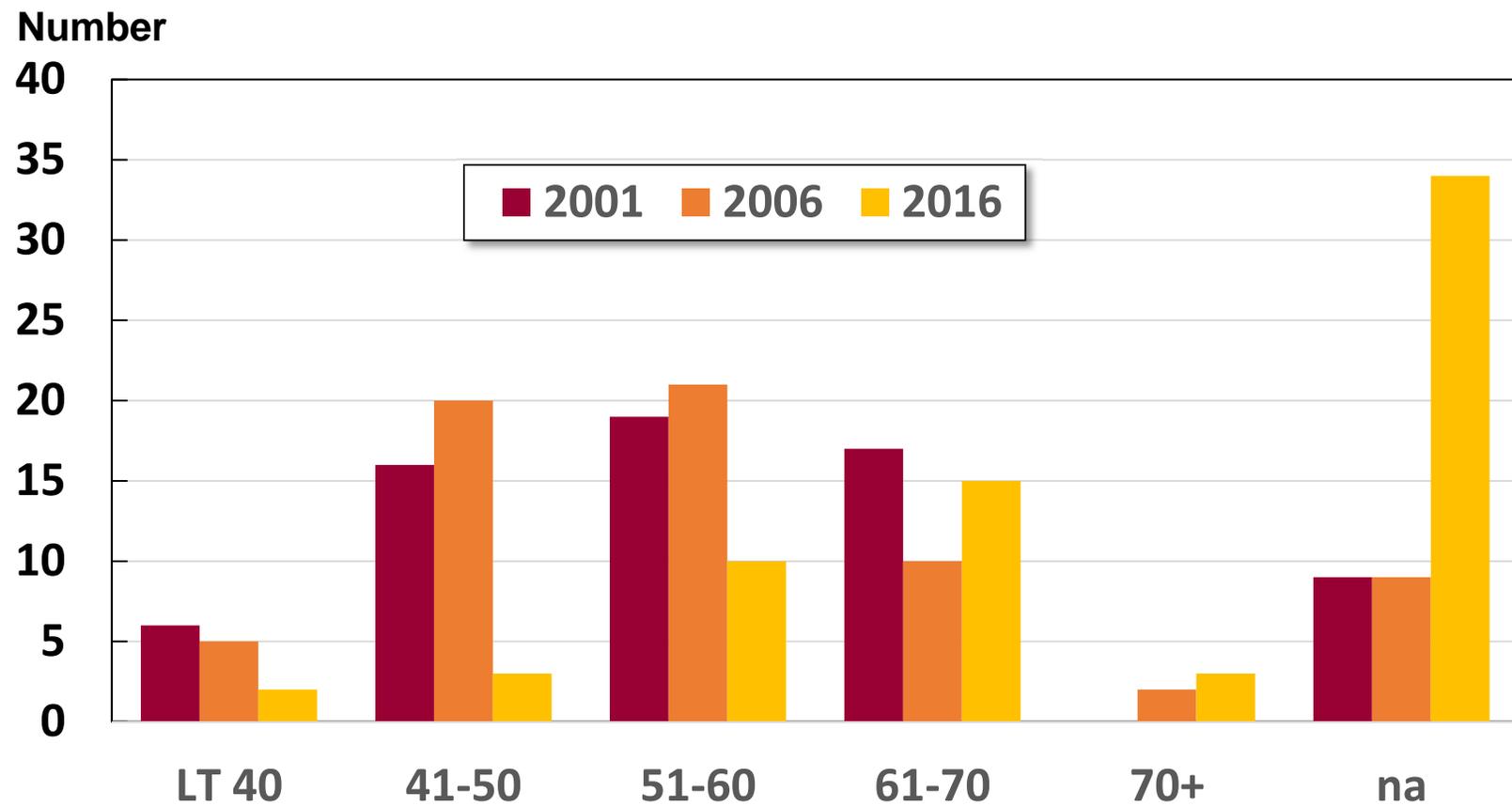
# Minnesota State Senators by Occupation, 2001, 2006, 2016



# Minnesota State Representatives by Age, 1995, 2005, 2015



# Minnesota State Senators by Age, 2001, 2006, 2016



**Appendix I**

**Comparison of Alternative Measures for Setting  
Legislative Salaries: Stinson**

# **Comparison of Alternative Measures for Setting Legislative Salaries**

# Salary and Per Diem Minnesota House and Senate

- Current Level
  - Salary = \$31,141
  - Per Diem = \$7,686 (H), \$10,014 (S)
  - Total = \$38,827(H), \$41,155 (S)

*Total Senate salary and per diem exceeds House salary and per diem by \$2,328 per year because Senate per diem rate is \$86 per day while House rate is \$66 per day*

*Per diem calculated using average number of days in regular session since 1999. No adjustment was made for special sessions or post session activities.*

# Other Benefits for Minnesota House and Senate Members

- Pension Contribution – Defined Contribution 6%
- Health Insurance
- Group Life Insurance
- Lodging expenses for members residing more than 50 miles from the Capitol
- Auto expenses

# Assumptions for Comparisons

- Compare only total (salary plus per diem)
- Per diem rates continue at 2016 levels
- Comparisons based on House level -- Senate level can be estimated by adding \$2,328 per year
- Auto expenses and communications expenses reflect actual costs of services
- Lodging reimbursements reflect actual costs
- Health and life insurance benefits in Minnesota are similar to those in other states
- Pension benefits similar to those in other states

# Adjust Only for Inflation

- Adjust for CPI inflation from 1999 levels
  - New Salary & Per Diem = \$54,257
  - New Salary = \$46,570
  - Salary Increase = \$15,429
  - Pct Change = 49.5%
- Adjust for PCE inflation from 1999 levels
  - New Salary & Per Diem = \$51,416
  - New Salary = \$43,779
  - Salary Increase = \$12,589
  - Pct Change = 40.4%

# Problems With Inflation Adjustments

- Assumes base year level (1999) is correct
- Legislators' wages as a proportion of average wage in state decrease over time because there is no adjustment for productivity increases, only changes in cost-of-living

# Hold the Percentage of Median Household Income Constant

- Median Household Income
  - 1999 \$47,035
  - 2015 \$68,730
  - 46.1% Change (1999-2015)
- Adjust for increase in Median Household Income from 1999
  - New Salary & Per Diem = \$55,030
  - New Salary = \$47,344
  - Salary Increase = \$16,203
  - Pct Change = 52.0%

# Problems with Income Based Adjustments

- Assumes base year level (1999) is correct
- Assumes legislative productivity tracks average productivity

# Adjust to Keep Same Percentage of U.S. Congressional Salaries

- U.S. Congressional Salaries
  - 1999 -- \$136,700
  - 2016 -- \$174,000
  - 27.29%
  - Last increase was in 2009
- Adjust for increase in Congressional Salaries
  - New Salary & Per Diem = \$47,938
  - New Salary = \$40,252
  - Salary Increase = \$9,111
  - Pct Change = 29.3%

# One-third of Governor's Salary

- Current Governor's Salary = \$127,629
- New Legislative Salary & Per Diem = \$42,543
  - New Salary = \$34,857
  - Salary Increase = \$3,716
  - Pct Change = 11.9%

# Set at Average for County Commissioners in Large Counties

## 5 TC Metro Counties (avg) = \$62,741

- New Legislative Salary & Per Diem = \$62,741
  - New Salary = \$55,095
  - Salary Increase = \$23,594
  - Pct Change = 76.9%

## 5 Regional Center Counties (avg) = \$40,972

- New Legislative Salary & Per Diem = \$40,972
  - New Salary = \$33,286
  - Salary Increase = \$2,145
  - Pct Change = 6.9%

# Set at Average for County Commissioners in Large Counties

10 Counties (avg) = \$51,856

- New Legislative Salary & Per Diem = \$51,856
  - New Salary = \$44,170
  - Salary Increase = \$13,029
  - Pct Change = 41.8%

## Set Salary and Per Diem at a Percentage of State Policy Managers

- Average Salary for 11 High Level Policy Managers was \$116,222 in 2015
- Salary & Per Diem at 70 percent of Managers' salary
  - New Salary and Per Diem = \$81,355
  - New Salary = \$73,669
  - Salary increase = \$42,528
  - Percent change = 136.6%

# Set Salary and Per Diem at a Percentage of State Policy Managers

- Average Salary for 11 High Level Policy Managers was \$116,222 in 2015
- Salary & Per Diem at 60 percent of Managers' salary
  - New Salary and Per Diem = \$69,233
  - New Salary = \$62,047
  - Salary increase = \$30,906
  - Percent change = 99.2%

# Set Salary and Per Diem at Level Paid in Other Similar States

## Iowa

- Salary = \$25,000
- Per Diem = \$160 per day (\$120 per day for Polk County residents) for 105 days = \$12,600
  - Assume difference reflects lodging costs
- Salary and Per Diem = \$37,600
  - New Salary = \$29,914
  - Salary increase = **(\$1,227)**
  - Percent change = **(3.9%)**

# Set Salary and Per Diem at Level Paid in other Similar States

## Wisconsin

- Salary = \$50,950
- Per Diem = \$88/day Senate (\$44 Dane County residents) \$138/day Assembly if overnight (\$69 no overnight) limit 90 days
- Assume higher rates reflect actual lodging costs
- Non lodging per diem is \$3,960 Senate and \$6,210 House

## Wisconsin (continued)

- Total Wisconsin Salary and Per Diem
- Senate = \$54,910
- New Salary and Per Diem = \$54,910
  - New Salary = \$47,224
  - Salary increase = \$16,083
  - Percent change = 51.6%

## Wisconsin (continued)

- Total Wisconsin Salary and Per Diem
- Assembly = \$57,160
- New Salary and Per Diem = \$57,160
  - New Salary = \$49,474
  - Salary increase = \$18,333
  - Percent change = 58.9%

# Set Salary and Per Diem at Level Paid in other Similar States

## Washington

- Salary = \$46,839
- Per Diem \$120 per day, average \$9,900
- Total salary and per diem \$56,739
- No adjustment for lodging expenses

## Washington (continued)

**Assume lodging cost is \$44 per night**

- Non lodging per diem is \$76 per day
- Salary + non lodging per diem = \$53,109
- New Minnesota Salary and per diem = \$53,109
- New Salary = \$45,423
- Salary increase = \$14,282
- Percent change = 45.9%

# Washington (continued)

**Assume lodging cost is \$60 per night**

- Non lodging per diem is \$60 per day
- Salary + non lodging per diem = \$51,789
- New Minnesota Salary and per diem = \$51,789
- New Salary = \$44,103
- Salary increase = \$12,962
- Percent change = 41.6%

# Summary

| <b>Item</b>           | <b>Salary</b> | <b>Percent Change</b> |
|-----------------------|---------------|-----------------------|
| Current               | \$31,140      | N.A.                  |
| CPI                   | \$46,750      | 49.5%                 |
| PCE                   | \$43,779      | 40.4%                 |
| Med Hhold Income      | \$47,334      | 52.0%                 |
| Congress              | \$40,252      | 29.3%                 |
| 1/3 Governor (\$127k) | \$34,857      | 11.9%                 |

## Summary (continued)

| Item                      | New Salary | Percent change |
|---------------------------|------------|----------------|
| County Comm (Metro)       | \$55,095   | 76.9%          |
| County Comm (Reg'l Ctr)   | \$33,286   | 6.9%           |
| County Comm (Met & Reg'l) | \$44,170   | 41.8%          |
| Iowa                      | \$29,914   | (3.9)%         |
| Wisconsin (A)             | \$49,474   | 58.9%          |
| Wisconsin (S)             | \$47,224   | 51.6%          |
| Washington (44)           | \$45,423   | 45.9%          |
| Washington (60)           | \$44,103   | 41.6%          |

## **Appendix J**

### **NCSL National Survey Data**



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2016 Survey:  
State Legislative Compensation, Session Per Diem and Mileage

| <i>Salaries</i>                    |                        |                      |                      |                                 |  |  |
|------------------------------------|------------------------|----------------------|----------------------|---------------------------------|--|--|
| <i>Regular sessions</i>            |                        |                      |                      |                                 |  |  |
| <i>State or other jurisdiction</i> | <i>Per diem salary</i> | <i>Limit on days</i> | <i>Annual salary</i> | <i>Mileage cents per mile</i>   | <i>Session per diem rate</i>   |  |
| Alabama                            | ...                    | ...                  | \$42,830 (a)         | 54/mile.                        | (b)  |  |
| Alaska                             | ...                    | ...                  | \$50,400             | 54/mile.                        | \$223 or \$249 a day (depending on the time of year). Tied to the federal rate. Legislators who reside in the capitol area receive 75% of the federal rate.  |  |
| Arizona                            | ...                    | ...                  | \$24,000             | 44.5/mile.                      | \$35 a day for the first 120 days of the regular session and for special sessions and \$10 a day thereafter; members residing outside Maricopa County receive an additional \$25 a day for the first 120 days of the regular session and for special sessions and an additional \$10 a day thereafter (V). Set by statute. |  |
| Arkansas                           | ...                    | ...                  | \$39,400             | 54/mile.                        | \$150 a day plus mileage (V). Tied to the federal rate.  |  |
| California                         | ...                    | ...                  | \$100,113            | 53/mile.                        | \$176 a day for each day in session.   |  |
| Colorado                           | ...                    | ...                  | \$30,000             | 49/mile.                        | \$99 a day for members living outside Denver; \$45 a day for members who live 50 or fewer miles from the capitol (V). Set by the legislature.  |  |
| Connecticut                        | ...                    | ...                  | \$28,000             | 54/mile.                        | No per diem is paid.   |  |
| Delaware                           | ...                    | ...                  | \$44,541             | 40/mile.                        | No per diem is paid.   |  |
| Florida                            | ...                    | ...                  | \$29,697             | 44.5/mile.                      | \$152 a day based on the number of days in Tallahassee (V).  |  |
| Georgia                            | ...                    | ...                  | \$17,342             | 54/mile. Tied to federal rate.  | \$173 a day (U). Set by the Legislative Services Committee.  |  |
| Hawaii                             | ...                    | ...                  | \$60,180             | (c)                             | \$175 a day throughout session for members who do not reside on the island of Oahu; \$10 a day for members living on Oahu during the mandatory five-day recess only.   |  |
| Idaho                              | ...                    | ...                  | \$16,684             | 54/mile. One roundtrip per week | \$129 a day for members establishing a second residence in Boise; \$49 a day if no second residence is established and up to \$25 a day travel (V). Set by the compensation commission.  |  |
| Illinois                           | ...                    | ...                  | \$67,836             | 39/mile                         | \$111 a session day.   |  |
| Indiana                            | ...                    | ...                  | \$24,671             | 54/mile. Tied to federal rate.  | \$161 a day (U). Tied to federal rate.   |  |
| Iowa                               | ...                    | ...                  | \$25,000             | 39/mile.                        | \$160 a day; \$120 a day for Polk County legislators (U). Set by the legislature to coincide with the federal rate.  |  |
| Kansas                             | \$88.66 a day (C)      | ...                  | ...                  | 54/mile.                        | \$140 a day.   |  |
| Kentucky                           | \$188.22 a day         | ...                  | ...                  | 54/mile.                        | \$154 a day.   |  |
| Louisiana                          | ...                    | ...                  | \$16,800             | 54/mile. Tied to federal rate.  | \$157 a day (U). Tied to federal rate.   |  |

## Salaries

## Regular sessions

| State or other jurisdiction | Per diem salary    | Limit on days | Annual salary   | Mileage cents per mile  | Session per diem rate  |
|-----------------------------|--------------------|---------------|---|---|--|
|                             |                    |               |   |   |  |
| Maine                       | ...                | ...           | \$14,074 a year first regular session; \$9,982 a year second regular session. (d) | 44/mile.  | \$38 a day lodging (or mileage and tolls up to \$38 a day in lieu of housing). \$32 a day meals. Set by statute.               |
| Maryland                    | ...                | ...           | \$46,061  | 54/mile. (e)  | \$45 a day meals. \$101 a day lodging.   |
| Massachusetts               | ...                | ...           | \$60,032  | (f)   | (f)  |
| Michigan                    | ...                | ...           | \$71,685  | 54/mile.  | \$10,800 a year expense allowance for session and interim (V). Set by the compensation commission.                             |
| Minnesota                   | ...                | ...           | \$31,141  | Tied to federal rate. (g)   | \$86 a day for senators; \$66 a day for representatives.   |
| Mississippi                 | ...                | ...           | \$10,000  | 54/mile.  | \$140 a day (U). Tied to federal rate.   |
| Missouri                    | ...                | ...           | \$35,915  | 37.5/mile.  | \$112 a day (U). Tied to federal rate.   |
| Montana                     | \$82.64 a day (L)  | ...           | ...   | 54/mile. Tied to federal rate.  | \$112.85 a day (U).  |
| Nebraska                    | ...                | ...           | \$12,000  | 54/mile. Tied to federal rate.  | \$140 a day for members residing 50 miles or more from the capitol; \$51 a day for members residing inside the 50-mile radius. |
| Nevada                      | \$146.29 a day (C) | Up to 60      | ...   | 54/mile. Tied to federal rate.  | \$140 a day.   |
| New Hampshire               | ...                | ...           | \$200 per 2-year term.  | (h)   | No per diem is paid.   |
| New Jersey                  | ...                | ...           | \$49,000  | None  | No per diem is paid.   |
| New Mexico                  | ...                | ...           | ...   | 54/mile. Tied to federal rate.  | \$163 a day (V). Tied to federal rate.   |
| New York                    | ...                | ...           | \$79,500  | 54/mile. Tied to federal rate.  | \$174 a day (including overnight) or \$59 a day (no overnight).  |
| North Carolina              | ...                | ...           | \$13,951  | 29/mile. One roundtrip per week.  | \$104 a day (U). Set by statute.   |
| North Dakota                | \$172 a day (C)    | ...           | ...   | 54/mile. One roundtrip per week. Tied to federal rate.  | Up to \$1,682 a month lodging (V).   |
| Ohio                        | ...                | ...           | \$60,584  | 52/mile. (i)  | No per diem is paid.   |
| Oklahoma                    | ...                | ...           | \$38,400  | 54/mile. Tied to federal rate.  | \$157 a day (U). Tied to federal rate.   |
| Oregon                      | ...                | ...           | \$23,568  | 54/mile.  | \$140 a day.   |
| Pennsylvania                | ...                | ...           | \$85,339  | 54/mile. Tied to federal rate.  | \$175 a day. Tied to federal rate.   |
| Rhode Island                | ...                | ...           | \$15,414  | 57.5/mile.  | No per diem is paid.   |
| South Carolina              | ...                | ...           | \$10,400  | 54/mile. Tied to federal rate.  | \$140 a day. Tied to federal rate.   |
| South Dakota                | ...                | ...           | \$6,000/session   | (j)   | \$140 a day (L) (U).   |
| Tennessee                   | ...                | ...           | \$20,884  | 47/mile.  | \$204 a day (L) (U). Tied to federal rate.   |
| Texas                       | ...                | ...           | \$7,200   | 50/mile. \$1.24/mile for single, twin and turbo engine airplanes. Set by general appropriations bill. | \$190 a day (U). Set by ethics commission.   |
| Utah                        | \$273 a day (C)    | ...           | ...   | 56/mile.  | Up to \$100 plus tax a day (C) lodging; up to \$39/date meals (V). Tied to in-state lodging and meal reimbursement rates.      |
| Vermont                     | ...                | ...           | \$693.74/w during session.  | 54/mile. Tied to federal rate.  | \$115 a day lodging (including overnight) or \$74 a day (no overnight).  |
| Virginia                    | ...                | ...           | \$18,000 a year Senate; \$17,640 a year House.                                    | 54/mile.  | \$185 a day senators; \$185 a day delegates.   |
| Washington                  | ...                | ...           | \$45,474 a year; increases to \$46,839 a year eff. 9/1/2016.                      | 54/mile.  | \$120 a day.   |

## Salaries

## Regular sessions

| State or other jurisdiction | Per diem salary | Limit on days | Annual salary | Mileage cents per mile          | Session per diem rate  |
|-----------------------------|-----------------|---------------|---------------|---------------------------------|--|
|                             |                 |               |               |                                 |  |
| West Virginia               | ...             | ...           | \$20,000      | 48.5/mile.                      | \$131 a day (U). Set by compensation commission.   |
| Wisconsin                   | ...             | ...           | \$50,950      | 51/mile. One roundtrip per week | Senate - up to \$88 a day (\$44 a day legislators living in Dane County).<br>Assembly - up to \$138 a day (including overnight) or up to \$69 a day (no overnight). The maximum number of days per year that per diem can be claimed is 80 days. |
| Wyoming                     | \$150 a day     | ...           | ...           | 54/mile.                        | \$109 a day (V). Set by legislature.   |

Source : National Conference of State Legislatures, 2016.

Key:

- C — Calendar day
- L — Legislative day
- (U) — Unvouchered
- (V) — Vouchered
- ... — Not applicable

Notes:

- (a) Alabama. The State Personnel Board met on Oct. 27, 2015, and set the median annual household income amount at \$42,830. This current median annual household amount will begin on January 1, 2016 and will continue through December 31, 2016.
- (b) Alabama. Legislators no longer receive a set per diem rate while in session. Legislators are reimbursed for in-state travel expenses which include mileage and per diem in accordance with rates and procedures applicable to state employees. All out-of-district reimbursable travel must be for official business and in the interests of the state or in the performance of official duties, as approved by the applicable presiding officer.
- (c) Hawaii. Members may claim a mileage reimbursement for reasonable and necessary use of a personal automobile in the conduct of official legislative business and discharge of duties when meeting certain criteria.
- (d) Maine. Annual cost of living adjustments apply. In addition, legislators receive a constituent service allowance (\$2,000 a year for senators and \$1,500 a year for representatives).
- (e) Maryland. \$750 annual allowance for in-district travel as taxable income. Members may decline the allowance.
- (f) Massachusetts. \$10-\$100 a day depending on distance from State House (V). Set by the legislature.
- (g) Minnesota. Senate: a reasonable allowance. House: range of \$100-\$1,650 a month for mileage reimbursement for travel in the legislative district during interim. During session, House members can request up to one round trip per week if they live more than 50 miles from the capitol.
- (h) New Hampshire. Round trip home to the State House at 38 cents/mile for the first 45 miles and 19 cents/mile thereafter, or members will be reimbursed for actual expenses and mileage will be paid at the federal rate.
- (i) Ohio. One roundtrip per week from home to the State House for legislators outside Franklin County only.
- (j) South Dakota. 42 cents/mile for one roundtrip from capital to home each weekend. One trip is paid at 5 cents/mile.

**Appendix K**  
**Per Diem, Salary History**  
**Legislative Reference Library**

# Minnesota Legislative Reference Library

## Compensation of Minnesota Legislators, 1872 - present

Until recently, the [Minnesota Constitution](#) provided that legislators' compensation was set by law and that the House and Senate could designate three leadership positions to receive up to 140 percent of the compensation of other members of the legislature. The annual salary for representatives and senators has been \$31,140 since January 1999.

A constitutional amendment regarding how legislators' salaries are set was on the ballot during the 2016 election. The amendment was adopted; legislator salaries will now be determined by the [Legislative Salary Council](#). The sixteen Council members are appointed by the governor and the chief justice of the Supreme Court. In March 2017, the Legislative Salary Council recommended an annual salary of \$45,000 beginning July 1, 2017.

Frequent requests are made for historical legislative salary and per diem information. This chart seeks to compile the information in one place.

These data on legislator salary, leadership salary, and per diem compensation are taken from a variety of sources: House and Senate Rules Committee books, House and Senate Journals, Session Laws, Statutes, [reports of the Minnesota State Compensation Council](#), and periodical sources. Individual data points link to their source of authority. Unique circumstances and other necessary details are included as footnotes to further explain the data.

For leadership salary and per diem data in particular, most data were found in materials from House or Senate Rules Committees, where resolutions on these matters are typically passed. Meeting minutes and the text of the resolutions are included.

While efforts have been made to verify this information, errors are possible. Please report any errors to the library staff.

| Years     | Legislator Salary | Session Law   | Effective Date of Session Law | House Leadership Salary <sup>1</sup> | Senate Leadership Salary <sup>2</sup> | House Per Diem ("\$/y" indicates "outstate/metro" per diem) <sup>3</sup> | Senate Per Diem ("\$/y" indicates "outstate/metro" per diem) <sup>3</sup> |
|-----------|-------------------|---|-------------------------------|--------------------------------------|---------------------------------------|--|---|
| 2017-2018 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$66</a>   |   |
| 2015-2016 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$66</a>   | \$86 <sup>5</sup>   |
| 2013-2014 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$66</a>   | \$86 <sup>4</sup>   |
| 2011-2012 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$77</a>   | <a href="#">\$86</a>  |
| 2009-2010 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$77</a>   | \$96 <sup>6</sup>   |
| 2007-2008 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$77</a>   | <a href="#">\$96</a> <sup>7</sup>   |
| 2005-2006 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$66</a>   | <a href="#">\$66</a> <sup>8</sup>   |
| 2003-2004 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$56</a>   | <a href="#">\$66</a> <sup>9</sup>   |
| 2001-2002 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$56</a>   | <a href="#">\$66</a> <sup>10</sup>  |
| 1999-2000 | \$31,140          | <a href="#">1997 Minn. Laws Second Spl. Sess. Chap. 3 Sec. 16</a>   | 1/4/1999                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$56</a>   | <a href="#">\$56</a> <sup>11</sup>  |
| 1997-1998 | \$29,657          | <a href="#">1993 Minn. Laws Chap. 192 Sec. 2 Subd. 6</a>  | 1/2/1995                      | <a href="#">140%</a>                 | 140%                                  | <a href="#">\$56</a>   | <a href="#">\$56</a>  |
| 1995-1996 | \$29,657          | <a href="#">1993 Minn. Laws Chap. 192 Sec. 2 Subd. 6</a>  | 1/2/1995                      | <a href="#">up to 140%</a>           | 140%                                  | <a href="#">\$48</a>   | <a href="#">\$50</a>  |
| 1993-1994 | \$27,979          | The Minnesota State Compensation Council recommended a salary of \$27,979 pursuant to <a href="#">1992 Minn. Stat. 15A.082 Subd. 3</a> There does not appear to be a corresponding law. | 1/4/1993                      | <a href="#">up to 140%</a>           | 140%                                  | <a href="#">\$48</a>   | <a href="#">\$50</a>  |
| 1991-1992 | \$27,979          | The Minnesota State Compensation Council  | 1/7/1991                      | <a href="#">up to 140%</a>           | 140%                                  | <a href="#">\$48</a>   | <a href="#">\$50</a>  |

|            |            |   |          |   |                                    |   |   |
|------------|------------|---|----------|---|------------------------------------|---|---|
|            |            | <a href="#">recommended a salary of \$27,979</a> pursuant to <a href="#">1990 Minn. Stat. 15A.082 Subd. 3</a> There does not appear to be a corresponding law.  |          |   |                                    |   |   |
| 1990       | \$26,395   | <a href="#">1987 Minn. Laws Chap. 404 Sec. 43 Subd. 2</a>   | 1/1/1990 | <a href="#">up to 140%</a>  | 140%                               | <a href="#">\$48</a>                    | <a href="#">\$48</a>                    |
| 1989       | \$25,138   | <a href="#">1987 Minn. Laws Chap. 404 Sec. 43 Subd. 2</a>   | 1/1/1989 | <a href="#">up to 140%</a>  | 140%                               | <a href="#">\$48</a>                    | <a href="#">\$48</a>                    |
| 1988       | \$23,941   | <a href="#">1985 Minn. Laws First Spl. Sess. Chap. 13 Sec. 52</a>   | 1/1/1988 | <a href="#">up to 140%</a>  | 140%                               | <a href="#">\$36</a>                    | <a href="#">\$36</a>                    |
| 1987       | \$23,244   | <a href="#">1985 Minn. Laws First Spl. Sess. Chap. 13 Sec. 52</a>   | 1/1/1987 | <a href="#">up to 140%</a>  | 140%                               | <a href="#">\$36</a>                    | <a href="#">\$36</a> <sup>12</sup>      |
| 1986       | \$22,350   | <a href="#">1984 Minn. Laws Chap. 654 Art. 2 Sec. 30</a>  | 1/1/1986 | <a href="#">up to 140%</a>  | 140%                               | <a href="#">\$36/\$23</a>               | <a href="#">\$36</a>                    |
| 1985       | \$21,140   | <a href="#">1984 Minn. Laws Chap. 654 Art. 2 Sec. 30</a>  | 1/1/1985 | <a href="#">up to 140%</a>  | 140%                               | <a href="#">\$36/\$23</a> <sup>13</sup> | <a href="#">\$36</a> <sup>14</sup>      |
| 1983-1984  | \$18,500   | <a href="#">1977 Minn. Laws Chap. 35 Sec. 10</a>  | 1/1/1980 | <a href="#">up to 140%</a>  | <a href="#">140%</a> <sup>20</sup> | <a href="#">\$36/\$23</a> <sup>15</sup> | <a href="#">\$36</a> <sup>16</sup>      |
| 1981-1982  | \$18,500   | <a href="#">1977 Minn. Laws Chap. 35 Sec. 10</a>  | 1/1/1980 | <a href="#">up to 140%</a> <sup>17</sup>  | <a href="#">140%</a> <sup>20</sup> | <a href="#">\$36/\$23</a> <sup>18</sup> | <a href="#">\$36/\$23</a> <sup>19</sup> |
| 1980       | \$18,500   | <a href="#">1977 Minn. Laws Chap. 35 Sec. 10</a>  | 1/1/1980 | <a href="#">The resolution on leadership compensation was suspended on January 28, 1980</a>   | <a href="#">140%</a> <sup>20</sup> | <a href="#">\$27/\$17</a> <sup>22</sup> | <a href="#">\$27/\$17</a> <sup>23</sup> |
| 1979       | \$16,500   | <a href="#">1977 Minn. Laws Chap. 35 Sec. 10</a>  | 1/1/1979 | <a href="#">140%</a> <sup>21</sup>  | <a href="#">140%</a> <sup>20</sup> | <a href="#">\$27/\$17</a> <sup>22</sup> | <a href="#">\$27/\$17</a> <sup>23</sup> |
| 1977-1978  | \$8,400    | <a href="#">1971 Minn. Laws First Spl. Sess. Chap. 32 Sec. 22</a>   | 1/2/1973 |   |                                    | <a href="#">\$48/\$40</a> <sup>24</sup> | <a href="#">\$48/\$40</a> <sup>25</sup> |
| 1975-1976  | \$8,400    | <a href="#">1971 Minn. Laws First Spl. Sess. Chap. 32 Sec. 22</a>   | 1/2/1973 |   |                                    | <a href="#">\$33/\$25</a> <sup>26</sup> | <a href="#">\$33/\$25</a> <sup>27</sup> |
| 1973-1974  | \$8,400    | <a href="#">1971 Minn. Laws First Spl. Sess. Chap. 32 Sec. 22</a>   | 1/2/1973 |   |                                    | <a href="#">\$33/\$25</a> <sup>28</sup> | <a href="#">\$33/\$25</a> <sup>29</sup> |
| 1971-1972  | \$4,800    | <a href="#">1965 Minn. Laws Chap. 881 Sec. 1</a>  | 1/1/1967 |   |                                    | <a href="#">\$24/\$16</a> <sup>30</sup> | <a href="#">\$24/\$16</a> <sup>31</sup> |
| 1969-1970  | \$4,800    | <a href="#">1965 Minn. Laws Chap. 881 Sec. 1</a>  | 1/1/1967 |   |                                    | <a href="#">\$24/\$16</a> <sup>32</sup> | <a href="#">\$24/\$16</a> <sup>33</sup> |
| 1967-1968  | \$4,800    | <a href="#">1965 Minn. Laws Chap. 881 Sec. 1</a>  | 1/1/1967 |   |                                    | <a href="#">\$21/\$14</a> <sup>34</sup> | <a href="#">\$21/\$14</a> <sup>35</sup> |
| 1957-1966  | \$2,400.00 | <a href="#">1955 Minn. Laws Chap. 793 Sec. 1</a>  | 1/1/1957 |   |                                    |   |   |
| 1953-1956  | \$1,500.00 | <a href="#">1951 Minn. Laws Chap. 701 Sec. 1</a>  | 1/1/1953 |   |                                    |   |   |
| 1945-1952  | \$1,000.00 | <a href="#">1943 Minn. Laws Chap. 629 Sec. 1</a>  | 1/2/1945 |   |                                    |   |   |
| 1909-1944  | \$500.00   | <a href="#">1907 Minn. Laws Chap. 229</a>   | 1/1/1909 |   |                                    |   |   |
| 1872-1908? | \$5.00/day | "the senators and representatives are paid five dollars a day, and they receive free travel back and forth and about twenty dollars for stationery." "A Swedish Visitor of the Early Seventies," Minnesota History Vol. 8, no. 4, December, 1927, p. 419. | 1/1/1872 | "The president of the Senate and the speaker of the House each receive ten dollars a day and traveling expenses to and from the legislature" "A Swedish Visitor of the Early Seventies," Minnesota History Vol. 8, no. 4, December, 1927, p. 419. |                                    |   |   |

1 - House Leadership: [Minnesota Statutes, section 3.099](#) provides that the House and Senate Rules Committees "may each designate for their respective body up to three leadership positions to receive up to 140 percent of the compensation of other members." This statutory language was added by [Laws of Minnesota 1977, chapter 35, section 10, subd. 3](#). Except in 1979, the House Rules Committee has designated the Speaker of the House, the Chair of the Committee on Rules and Legislative Administration, and the House Minority Leader as the three leaders to receive the leadership salary.

2 - Senate Leadership: [Minnesota Statutes, section 3.099](#) provides that the House and Senate Rules Committees "may each designate for their respective body up to three leadership positions to receive up to 140 percent of the compensation of other members." This statutory language was added by [Laws of Minnesota 1977, chapter 35, section 10, subd. 3](#). The Senate has not passed resolutions related to leadership salaries since 1983.

3 - Per Diem: In some years, the House and Senate passed per diem resolutions assigning different rates to outstate and local legislators. See individual resolutions for clarity on how these determinations were made. Additionally, an attempt has been made to include information about interim per diem rates in footnoted material.

4 -Senate 2013-2014: In recent years, it is the custom of the Senate that when a per diem rate is set, it continues at that rate until such a time as it is explicitly changed. This figure reflects the rate set in 2011.

5 - Senate 2015-2016: In recent years, it is the custom of the Senate that when a per diem rate is set, it continues at that rate until such a time as it is explicitly changed. This figure reflects the rate set in 2011. Per diem was [discussed in committee several other times](#) during the biennium.

- 6 - Senate 2009-2010: In recent years, it is the custom of the Senate that when a per diem rate is set, it continues at that rate until such a time as it is explicitly changed. This figure reflects the rate set in 2007. Per diem was [discussed in committee several other times](#) during the biennium.
- 7 - Senate 2007-2008: Per diem was [discussed on the floor several other times](#) during the biennium.
- 8 - Senate 2005-2006: Per diem was [discussed in committee several other times](#) during the biennium.
- 9 - Senate 2003-2004: Per diem was [discussed in committee several other times](#) during the biennium.
- 10 - Senate 2001-2002: Per diem was [discussed in committee several other times](#) during the biennium.
- 11 - Senate 1999-2000: Per diem was [discussed in committee several other times](#) during the biennium.
- 12 - Senate 1987-1988: Per diem was [discussed in committee several other times](#) during the biennium.
- 13 - House 1985-1986: In committee, the House passed a resolution to establish per diem rates. That resolution refers to these pages of the [1981 House Journal](#).
- 14 - Senate 1985-1986: Per diem was [discussed in committee several other times](#) during the biennium.
- 15 - House 1983-1984: After committee discussion, the House [passed a resolution](#) on the floor to establish per diem rates.
- 16 - Senate 1983-1984: After committee discussion, the Senate passed [Senate Resolution No. 23](#) on the floor to establish per diem rates. Per diem was [discussed in committee several other times](#) during the biennium.
- 17 - House 1981-1982: The leadership salary was reinstated for House leadership in 1981.
- 18 - House 1981-1982: After committee discussion, the House [passed a resolution](#) on the floor to establish per diem rates.
- 19 - Senate 1981-1982: After committee discussion, the Senate passed [Senate Resolution No. 20](#) on the floor to establish per diem rates. Per diem was [discussed in committee several other times](#) during the biennium.
- 20 - Senate 1979-1980, 1981-1982, 1983-1984: The Senate determined in committee that the Majority and Minority Leaders would both receive the leadership salary each month. They designated the Chair of the Finance Committee and the Chair of the Committee on Taxes and Tax Laws to receive the pay differential on alternating months, starting with the Chair of Finance in January of the first year of the biennium.
- 21 - House 1979: A salary of 140% that of other members was given to the Speaker and the Chair of Rules. The House Floor Leader and the I-R Caucus Leader received 140% of the compensation of other members on alternate months, starting with the House Floor Leader in January 1979.
- 22 - House 1979-1980: After committee discussion, the House passed [House Resolution No. 5](#) on the floor to establish per diem rates. It stated that House members were to submit their requested per diem rate in writing. [Minnesota Statutes 1978, 3.099](#) specified the maximum rate.
- 23 - Senate 1979-1980: After committee discussion, the Senate passed [Senate Resolution No. 16](#) on the floor to establish per diem rates. Per diem was [discussed in committee several other times](#) during the biennium.
- 24 - House 1977-1978: After committee discussion, the House passed [House Resolution No. 2](#) on the floor to establish per diem rates.
- 25 - Senate 1977-1978: After committee discussion, the Senate passed [Senate Resolution No. 17](#) on the floor to establish per diem rates. Per diem was [discussed in committee several other times](#) during the biennium.
- 26 - House 1975-1976: After committee discussion, the House passed [House Resolution No. 4](#) on the floor to establish per diem rates.
- 27 - Senate 1975-1976: After committee discussion, the Senate passed [Senate Resolution No. 15](#) on the floor to establish per diem rates. Per diem was [discussed in committee several other times](#) during the biennium.
- 28 - House 1973-1974: After committee discussion, the House passed [House Resolution No. 8](#) on the floor to establish per diem rates.
- 29 - Senate 1973-1974: After committee discussion, the Senate passed [Senate Resolution No. 17](#) on the floor to establish per diem rates. Per diem was [discussed in committee several other times](#) during the biennium.
- 30 - House 1971-1972: After committee discussion, the House passed [Senate Concurrent Resolution No. 2](#) on the floor to establish per diem rates.
- 31 - Senate 1971-1972: After committee discussion, the Senate passed [Senate Concurrent Resolution No. 2](#) on the floor to establish per diem rates. Per diem was [discussed in committee several other times](#) during the biennium.
- 32 - House 1969-1970: After committee discussion, the House passed [House Concurrent Resolution No. 1](#) on the floor to establish per diem rates.
- 33 - Senate 1969-1970: The Senate passed [House Concurrent Resolution No. 1](#) on the floor to establish per diem rates. No related committee documents were found.
- 34 - House 1967-1968: After committee discussion, the House passed [Senate Concurrent Resolution No. 2](#) on the floor to establish per diem rates.
- 35 - Senate 1967-1968: After committee discussion, the Senate passed [Senate Concurrent Resolution No. 2](#) on the floor to establish per diem rates.

## **Appendix L**

### **NCSL Tax Home Advisory**



NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

## Legislator Tax Home Advisory

(January 2016)

***The National Conference of State Legislatures does not provide tax advice or opinions to state legislatures or to state legislators. This overview is for purposes of general guidance only.***

### Summary

State legislators who live more than 50 miles from the state capitol may choose to claim their district residence as their "tax home." In doing so, legislators may claim the expenses they incur while conducting official legislative business as a tax deduction on their federal income tax return. This deduction is known as the "legislator tax home deduction." It was created as part of the 1981 Economic Recovery Tax Act (Public Law 97-34) and is Section 162(h) in the Internal Revenue Service Code.

### State Legislator Travel Fact Sheet (Source: United States Internal Revenue Service)

Section 162(a) (2) of the Internal Revenue Code allows a deduction for the ordinary and necessary expenses incurred in a trade or business, including travel expenses while away from the individual's tax home.

Generally, the taxpayer's tax home is the principal place of activity for the business. However, Section 162(h) provides a special election for state legislators who attend legislative sessions away from the area of their residence. This election allows a state legislator to designate his or her personal residence as his or her home with respect to the trade or business of being a legislator. This means that when the legislator is at the state capital, he or she will be traveling away from home and incur deductible expenses.

The election is only available to legislators whose place of residence is more than 50 miles from the state capitol.

By making the election, the legislator is deemed to have expended for living expenses an amount determined by multiplying the number of legislative days of the taxpayer during the taxable year by the greater of:

1. The amount generally allowable for those days to employees of the legislator's state for per diem while away from home, to the extent the amount does not exceed 110 percent of the Federal employee per diem; or
2. The Federal employee per diem during those days for the legislator's state capital.

A "legislative day" includes any day the legislature is in session. This includes any day when the members are expected to attend, regardless of whether the electing legislator actually does attend. A legislative day also includes any day the legislature is not in session but the physical presence of the electing legislator is formally recorded at a meeting of a committee of the legislature.

The legislature is considered "in session" when it is not in session for a period of 4 days or less.

"Living expenses" include expenses for lodging, meals, laundry, and other incidental expenses, but does not include expenses for travel fares, local transportation, or telephone calls.

No deduction is allowed for any expenses to the extent that the legislator receives reimbursement for them.

A legislator makes the election by attaching a statement to the legislator income tax return (or amended return) for the taxable year for which the election is effective.

The IRS issued [Treasury Decision 9481](#) on April 26, 2010, to incorporate these rules into final regulation 1.162-24.

**Appendix M**  
**Special Tax Rules Applicable to State Legislators**  
**Joel Michael**

# Special Tax Rules Applicable to State Legislators

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JOEL MICHAEL

RESEARCH DEPARTMENT

MN HOUSE OF REPRESENTATIVES

# General rules and principles

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Legislators are generally treated for federal and state income tax purposes like any other state government employee. This is particularly true for members who live in the metropolitan area.

One special “tax home” rule applies under section 162(h) of the I.R.C. This rule affects members:

- Whose in-district residence is more than 50 miles from the state capitol; and
- Who make an annual election under its provisions.

# Tax home

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The location of your tax home is critical because living expenses while on business “away from home” (overnight stay or meeting the substantial sleep and rest rule) are deductible. Otherwise, living expenses are not.

The IRS has generally considered the tax homes of legislators to be the state capitol – i.e., the place where they (under normal tax principles) conduct most of their business.

The IRS won a case in 1976 involving a Michigan legislator who contended his tax home was in his legislative district (Detroit), although he spent most of his time in Lansing. *Montgomery v. Comm’r of Internal Revenue*, 532 F.2d 1088 (6<sup>th</sup> cir. 1976).

# Section 162(h)

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Congress responded to the IRS's victory in *Montgomery* by enacting section 162(h) in 1981.

Section 162(h) does two separate and important things:

- It provides special tax home rules for certain state legislators.
- It allows a flat dollar amount per day deduction for legislators who qualify under its terms and who elect to use it.

Policy basis likely is to make sure that the tax system reflects the higher out-of-pocket costs incurred by legislators who must maintain two residences to serve and to do this in a relatively easy-to-administer way.

Longstanding rule (dating back to the 1954 Code) deemed the tax homes of members of Congress to be in their districts. Section 162(h) provides a sort of parity for state legislators.

# Which legislators qualify?

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To qualify for section 162(h) treatment, a member's in-district residence must be more than 50 miles from the state capitol (i.e., the building).

- Distance is measured by “shortest of the more commonly traveled routes between the two points.”

Status as a member starts when the member takes the oath of office and ends when the term ends.

Members must elect section 162(h) treatment. This is done when filing their returns for the taxable year by attaching a statement.

# What does section 162(h) allow?

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A qualified state legislator is allowed to treat their in-district residence as his or her “tax home.” This has the potential to make expenses incurred while attending to legislative business in St. Paul as expenses that are “away from home” – i.e., they may (likely will be) deductible travel expenses, rather than non-deductible personal consumption or living expenses.

It provides a fixed, flat dollar amount deduction for each defined legislative day. This amount is based on the per diem allowance that the General Services Administration (GSA) sets for the state capital city (St. Paul) for federal employees who are in travel status.

- Federal law allows a state to set a slightly higher per diem (10% > than the GSA amount); Minnesota has never done that.
- The per diem approach simplifies record keeping.

# What days qualify as legislative days?

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The legislature meets in session.

The legislature is in session and has not adjourned for longer than four days.

The legislator's presence is formally recorded at a meeting of a committee of the legislature (e.g., during interim).

- Committees are defined as committees that are charged with conducting the business of the legislature (e.g., to which bills are referred or which are authorized to conduct inquiries into matters of public concern).

Special rules apply for pro forma legislative sessions, which Minnesota does not do.

# What are the MN per diem amounts?

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The GSA has set the federal employees per diem for St. Paul and Minneapolis for FY 2017 at \$209. The amount is adjusted each federal fiscal year (starts October 1<sup>st</sup>). The amount for FY 2016 was \$204.

This amount is divided into two separate parts, one for lodging and one for meals and incidental expenses. The respective amounts for CY 2017 for St. Paul are \$145 and \$64.

The separate amounts are important for legislators who claim the deduction, since only one-half of the amount for meals and entertainment can be claimed as a business expense deduction.

# How are section 162(h) amounts claimed?

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State legislators would typically claim the per diem amount for their legislative days as employee business expenses.

To use this deduction, a member must:

- Itemize deductions (i.e., have total itemized deductions, such as mortgage interest, charitable contributions, state and local taxes and so forth that exceed the applicable standard deduction allowance).
- Have total miscellaneous itemized deductions (such as employee business expenses) that exceed 2% of their adjusted gross income.
- Deduct only one-half of the allowance for meals (federal law assumes that one-half of meal expenses are essentially personal consumption and should not be deducted).

# Accountable plan option

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- An employer with an accountable plan for providing employee fringe benefits can treat expenses reimbursing section 162(h) electing and qualifying members as nontaxable fringe benefits under its accountable plan.
- The House of Representatives has done this since the middle 1990s based on recommendations provided by a CPA firm that the legislature retained to evaluate this issue.
- Under this approach, the limitations on itemized deductions are avoided and members also do not pay FICA tax on the amounts – if their expense payments (i.e., per diem and housing) do not exceed their section 162(h) allowances.
- Creates additional administrative tasks for the employer – i.e., the need to monitor the number of legislative days for each electing member, determine that the amounts paid do not exceed the federal limits, and then report year-end amounts to members so they can claim deductions for the balance of section 162(h) amounts.