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State of Minnesota  
HOUSE OF REPRESENTATIVES  
NINETIETH SESSION

H. F. No. **4036**

03/19/2018 Authored by McDonald  
The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act  
1.2 relating to state government; requiring a reduction in the state workforce; creating  
1.3 an early retirement program; proposing an amendment to the Minnesota  
1.4 Constitution; limiting the level of budgeted spending to the amount collected in  
1.5 the prior biennium; prohibiting bonus payments for public employees; reducing  
1.6 salaries of state employees and elected officials; amending Minnesota Statutes  
1.7 2016, section 15A.086; proposing coding for new law in Minnesota Statutes,  
1.8 chapter 43A.

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

1.10 Section 1. Minnesota Statutes 2016, section 15A.086, is amended to read:

1.11 **15A.086 LIMITS ON BONUS PAYMENTS.**

1.12 Subdivision 1. Limits on bonuses for nonprofit corporation employees.

1.13 Notwithstanding any law to the contrary, an employee of the state lottery or of a public  
1.14 corporation or nonprofit corporation created by law may not receive bonus payments in any  
1.15 year that exceed ten percent of the employee's base salary for that year. For purposes of this  
1.16 ~~section~~ subdivision, bonus payments include any combination of merit pay, achievement  
1.17 awards, or any other cash payments in addition to base salary, other than severance pay or  
1.18 overtime or holiday pay. Groups covered by this section include, but are not limited to, the  
1.19 Workers' Compensation Reinsurance Association, the Minnesota Insurance Guaranty  
1.20 Association, the Fair plan, the Joint Underwriters Association, the Minnesota Joint  
1.21 Underwriters Association, the Life and Health Guaranty Association, the Minnesota  
1.22 Comprehensive Health Association, the Minnesota State High School League, Enterprise  
1.23 Minnesota, Inc., Agricultural Utilization Research Institute, Minnesota Project Outreach  
1.24 Corporation, and the State Agricultural Society. This section does not give any entity  
1.25 authority to grant a bonus not otherwise authorized by law.

2.1 Subd. 2. **No bonuses for state employees.** Notwithstanding any law to the contrary, an  
 2.2 employee of the state, including the executive, legislative, and judicial branch, Minnesota  
 2.3 State Colleges and Universities, and an employee of a county, city, school district, or other  
 2.4 political subdivision may not receive bonus payments. For purposes of this subdivision,  
 2.5 bonus payments mean any onetime cash payments that do not become part of base salary  
 2.6 or wages. Bonus payments do not include severance or overtime or holiday pay. This  
 2.7 subdivision does not apply to payments to volunteer firefighters, volunteer rescue workers,  
 2.8 or members of the Minnesota National Guard for compensation for duties as volunteer  
 2.9 firefighters, volunteer rescue workers, or members of the Minnesota National Guard.

2.10 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 2.11 that this section shall not be construed to invalidate any collective bargaining agreement or  
 2.12 other contract entered into before the day following final enactment.

2.13 Sec. 2. **[43A.347] REDUCTION IN STATE WORK FORCE; EARLY RETIREMENT**  
 2.14 **PROGRAM.**

2.15 Subdivision 1. **Required reduction.** The state of Minnesota shall reduce the state  
 2.16 government workforce and associated costs by at least 15 percent by June 30, 2021, by  
 2.17 using any or all of the following: early retirement, furloughs, layoffs, a hard hiring freeze,  
 2.18 a wage freeze, and by restructuring pension programs to defined contribution plans. The  
 2.19 early retirement program in this section shall assist the state and its employees to comply  
 2.20 with the required 15 percent reduction.

2.21 Subd. 2. **Early retirement program; actuarial analysis.** Following enactment of this  
 2.22 section and prior to implementation of the early retirement program in this section, the  
 2.23 Department of Management and Budget shall perform an actuarial analysis to determine:

2.24 (1) a minimum and maximum number of retirees allowable under the early retirement  
 2.25 program specified in this section; and

2.26 (2) the percentage of the early retirement program savings to be returned to the pension  
 2.27 fund over a prescribed period of time in order to cover the cost to the pension fund of the  
 2.28 early retirement program specified in this section. The department shall use the findings in  
 2.29 implementing the early retirement program.

2.30 Subd. 3. **Early retirement program.** Notwithstanding any law to the contrary, a state  
 2.31 employee who terminates state service before a date to be determined by the commissioner  
 2.32 of management and budget, not to be more than the number of allowable employees  
 2.33 determined by the department, may apply for and receive a normal retirement annuity

3.1 without any reduction due to retirement before the normal retirement age from the public  
3.2 pension plan of which the employee is a member, if the following conditions are met:

3.3 (1) the employee must have at least eight years of service credit in the person's public  
3.4 pension plan on the date of termination, and the employee's combination of age and years  
3.5 of service in that pension plan on the date of termination must be equal to or greater than  
3.6 70;

3.7 (2) the employee must be at least 50 years old on the date of termination; and

3.8 (3) for purposes of this section, the employee must not have received a retirement annuity  
3.9 from a Minnesota public pension plan before the date of terminating state service.

3.10 Subd. 4. **Purchase of additional service credit.** If an employee's combination of age  
3.11 and years of service in the person's public pension plan is not equal to or greater than 70,  
3.12 the person may purchase up to five years of service credit, in increments of one month, by  
3.13 making an additional contribution to the pension plan. For each month of service credit  
3.14 purchased, the required contribution is the employee contribution rate for the person's  
3.15 pension plan multiplied by the employee's monthly salary at the time the purchase is made.  
3.16 A person may purchase service credit under this subdivision only if the person terminates  
3.17 state service upon making the purchase.

3.18 Subd. 5. **Deferred annuity.** A person who meets the conditions of subdivision 2 at the  
3.19 time of termination but who is not at least 50 years old may terminate state service and  
3.20 apply for and receive the unreduced annuity specified in subdivision 2 when the person  
3.21 attains the age of 50.

3.22 Subd. 6. **Extension of deadline.** To ensure that the efficient operation of state government  
3.23 is not jeopardized by the simultaneous retirement of large numbers of key personnel, an  
3.24 appointing authority may extend the June 30, 2021, deadline for terminating state employment  
3.25 by notifying the executive director of the Minnesota State Retirement System in writing.

3.26 Subd. 7. **Best practices.** In implementing this section, the commissioner of management  
3.27 and budget and affected agencies shall utilize best practices as identified by other states that  
3.28 have implemented early retirement programs.

3.29 Subd. 8. **Hiring freeze.** To promote streamlined government and reduced costs, no state  
3.30 appointing authority may fill a position vacated through state employee participation in the  
3.31 early retirement program unless the existence of the specific position is mandated by law.

3.32 Subd. 9. **Reemployment prohibition.** An employee who receives a higher annuity as  
3.33 a result of retiring under this section, instead of retiring under law in effect before enactment

4.1 of this section may not be reemployed with the state or receive payment from the state as  
 4.2 a consultant for five years after termination.

4.3 Subd. 10. **Pension fund return.** The commissioner of management and budget must  
 4.4 determine the annual savings realized by each state appointing authority as a result of not  
 4.5 paying compensation to employees who terminate service under this section. The  
 4.6 commissioner must transfer from the appropriation to the appointing authority the percentage  
 4.7 of the cost savings realized by the appointing authority through the early retirement program  
 4.8 under this section over the number of years determined by the actuarial analysis in subdivision  
 4.9 2 to the applicable pension fund to cover the increased cost to the pension fund of the early  
 4.10 retirement incentive.

4.11 Subd. 11. **Pension reform.** Following implementation of the early retirement program,  
 4.12 the commissioner of management and budget shall establish a panel to study and make  
 4.13 recommendations for reforming the state employee retirement pension program.

4.14 Subd. 12. **Not applicable to elected officials.** A state elected official is not a state  
 4.15 employee for purposes of this section.

4.16 Sec. 3. **CONSTITUTIONAL AMENDMENT PROPOSED.**

4.17 An amendment to the Minnesota Constitution is proposed to the people. If the amendment  
 4.18 is adopted, a section shall be added to article XI, to read:

4.19 Sec. 16. Planned expenditures for all funds for the biennium shall be limited to the  
 4.20 amount of actual revenues received in the previous two-year budget period. Onetime  
 4.21 repayment of payment shifts or other state financial obligations is exempt from this  
 4.22 expenditures limitation. Any additional expenditures may only be budgeted to provide for  
 4.23 the public peace, safety, or health as a result of a declared national security or peacetime  
 4.24 emergency.

4.25 Sec. 4. **SUBMISSION TO VOTERS.**

4.26 The proposed amendment must be submitted to the people at the 2018 general election.  
 4.27 The question submitted must be:

4.28 "Shall the Minnesota Constitution be amended to require that state government  
 4.29 expenditures for all funds be limited to the amount of actual revenues received by the state  
 4.30 in the previous two-year budget period and any additional expenditures may only be made  
 4.31 to provide for the public peace, safety, or health as a result of a declared national security  
 4.32 or peacetime emergency?"

5.1 Yes .....  
 5.2 No ....."

5.3 **Sec. 5. SALARY REDUCTION; STATE EMPLOYEES AND ELECTED**  
 5.4 **OFFICIALS.**

5.5 Subdivision 1. **Reduce salary six percent; state employees, elected officials.** The  
 5.6 salaries of all employees in the executive branch, the judicial branch, and the legislative  
 5.7 branch are decreased by six percent. The salaries of the governor and all constitutional  
 5.8 officers, legislators, and judges, except as prohibited by the Minnesota Constitution, article  
 5.9 VI, section 5, are decreased by six percent. This section applies to employees or elected  
 5.10 officials receiving salary from the state without regard to whether they are in the classified  
 5.11 or unclassified service or whether they are elected or appointed, and to Minnesota State  
 5.12 Colleges and Universities and all departments, agencies, boards, commissions, councils,  
 5.13 and such. The University of Minnesota is strongly encouraged to comply with this section  
 5.14 as if it were subject to it.

5.15 Subd. 2. **Contracts in effect.** This section does not apply to compensation required by  
 5.16 a contract or collective bargaining agreement in effect before the effective date of this  
 5.17 section, however:

5.18 (1) all contracts or collective bargaining agreements entered into after the effective date  
 5.19 of this section must comply with this section; and

5.20 (2) no provision of an expired contract or collective bargaining agreement may be  
 5.21 extended in any manner that conflicts with this section.

5.22 Subd. 3. **Relation to other law.** This section supersedes any other law to the contrary.  
 5.23 It is not an unfair labor practice under Minnesota Statutes, chapter 179A, to take any action  
 5.24 required to comply with this section. Employees may not legally strike due to an action that  
 5.25 is required to comply with this section. No party may request interest arbitration regarding  
 5.26 any element of salary reduction prescribed by this section, and an arbitrator may not issue  
 5.27 an award that would conflict with this section.

5.28 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 5.29 salaries must be reduced effective at the start of the first payroll period beginning after the  
 5.30 date of final enactment.