



STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

(651)296-2551 | State.Auditor@osa.state.mn.us | www.osa.state.mn.us

Statement of Position Employee Recognition Program and Events

Date Reviewed: June 2025
Date Revised: February 2014

This Statement of Position is not legal advice and is subject to revision.

Local units of government often ask whether they can spend money to hold holiday parties, employee banquets or other employee social events. These questions appear to be motivated by a desire to celebrate a holiday or significant event in an employee's career or to generally boost morale in the workplace. Important limitations exist on the use of public funds for employee social and recognition events.

The key question is whether a local government has legal authority for this type of expenditure. Generally, in order to spend money, a local government must have authority to do so. Authority for an expenditure may be specifically stated in a statute or charter, or it may be implied as necessary to do what an express power authorizes.

The Minnesota Attorney General's Office has considered the issue several times and has consistently said that local governments do not have implied authority to sponsor employee social events simply because they have the express power to compensate employees.

Instead, the Attorney General's position is that non-monetary benefits must be specifically authorized by law or charter. Based on this rationale, the Attorney General's Office wrote to the Champlin city attorney in 1998, indicating that no statutory authority existed for a city to hold an annual employee appreciation dinner or to award employee recognition gifts to employees. The Attorney General's Office stated: "[W]hile an agreed upon monetary bonus might be provided as part of a salary plan to employees who meet performance or longevity standards, we are at a loss to locate authority for expenditures of funds for in-kind awards or social occasions of the type described."

Limited Statutory Authority Granted to Counties and Cities

Counties and cities have specific authority for a wellness and employee recognition program under Minn. Stat. § 15.46. This statute states that a county or a statutory or home rule charter city "may establish and operate a program of preventive health and employee recognition services for its employees and may provide necessary staff, equipment, and facilities and may expend funds as necessary to achieve the objectives of the program." Cities were added to the statute in 2007. This statute does not currently extend to other local units of government.

Properly established programs should be in writing and approved by the county board or city council. They should include clear wellness and recognition objectives. The county board or city council must determine what amounts can be expended as “necessary to achieve the objectives of the program.”

The Office of the State Auditor, in reviewing county or city expenditures for wellness and employee recognition programs, will be guided by what is permitted and what is prohibited for state employees. Counties and cities cannot simply provide employee banquets or parties for all employees. County and city funds can be spent only as necessary to achieve the objectives of an established wellness and employee recognition program. The public entity may not pay for spouses or third parties to attend a recognition event. In addition, expenditure of public funds to purchase alcohol is not permitted.

Towns Have Specific Statutory Authority Regarding Volunteers and Retiring Officers

Although towns are not mentioned in section 15.46, the 2008 Legislature granted town electors the authority to set an amount of money for the town board to spend recognizing “volunteers, service efforts, and retiring town officers.”¹ The statute specifically requires the electors at their annual town meeting to set the amount of money to be spent on these recognitions. Absent such a vote by the electors, towns do not have authority to hold volunteer or retiring officer recognition events. School Districts have separate specific statutory authority to recognize district employees. A school board may establish and operate an employee recognition program for district employees, including teachers, and may expend funds as necessary to achieve the objectives of the program. The statute specifically states, however, that employee recognition programs “shall not include monetary awards.”²

¹ Minn. Stat. § 365.10, subd.12.

² See Minn. Stat. §123B.02, subd. 14a.