

HF2567 - 0 - Stay-or-Pay Provisions Prohibited

Chief Author: **Emma Greenman**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **3/3/2026 11:16:00 AM**
 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	163	163	163	163
Total	-	-	163	163	163	163
Biennial Total			163			326

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1.44	1.44	1.44
Total	-	-	1.44	1.44	1.44

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/3/2026 11:16:00 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	163	163	163
Total	-	-	163	163	163
Biennial Total			163		326
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	188	188	188
Total	-	-	188	188	188
Biennial Total			188		376
2 - Revenues, Transfers In*					
General Fund	-	-	25	25	25
Total	-	-	25	25	25
Biennial Total			25		50

Bill Description

SF2533 prohibits employers from: (1) presenting an employee or prospective employee with a stay-or-pay provision; (2) requiring an employee or prospective employee to execute a stay-or-pay provision as a condition of employment; (3) enforcing a stay-or-pay provision; and (4) threatening to enforce a stay-or pay provision. A stay-or-pay provision is “a written agreement or contract provision that requires an employee to pay the employer or the employer’s agent or assignee a sum of money if the employee leaves the employment before passage of a stated period of time, including but not limited to a written agreement or contract provision stating payment of money constitutes reimbursement for training provided to the employee by the employer or by a third party, recruitment and training costs for replacement employees, lost revenue, or liquidated damages.” This prohibition provides protections to both employees and independent contractors as defined in Minnesota Statutes, section 181.988, subdivision 1.

This bill may be enforced through a private right of action or by the Department of Labor and Industry (DLI). If DLI finds the employer violated the law, it shall fine the employer not less than \$1,000 and not more than \$5,000 for each violation of (1) - (4) above.

Assumptions

SF2533’s protections apply to both employees and independent contractors as defined in Minnesota Statutes, section 181.988, subdivision 1. According to the Quarterly Census of Employment and Wages, there are over 2.93 million employees in Minnesota. The US Census estimates there are at least approximately 400,000 independent contractors in Minnesota. In total, there are approximately 3,334,000 individuals who would be covered under the protections of this bill. <https://protectborrowers.org/wp-content/uploads/2024/04/FACT-SHEET-FTC-Ban-on-TRAPs.pdf> provide some insight into the prevalence of training repayment agreement provisions (TRAPs), a form of stay-or-pay provisions approximately 4.1 percent had worked under a TRAP in 2014 while 8.7 percent had worked under a TRAP in 2020. Assuming the average of these two percentages 6.4 percent of Minnesota employees and independent contractors have worked under a stay-or-pay provision, this would amount to approximately 213,376 individuals. Assuming 1% of these individuals would contact DLI with questions or for assistance related to stay-or-pay-provisions, that would amount to approximately 2,134 people.

Below is an estimate of how DLI anticipates it would handle contacts from these 2,134 individuals:

Inquiry (answer related questions by phone or email; potentially send a warning letter to employers as relevant) - 1,899 x 1 hour each = 1,899 work hours

Inform and educate (a process in which employers are put on written notice of potential compliance issues and given the opportunity to demonstrate compliance or come into compliance with technical assistance from DLI) - 225 x 4 hours each = 900 work hours

Investigations (a process in which DLI demands employer records, interviews workers, and drafts and issues a demand or order seeking available remedies, including damages and penalties) - 10 x 20 hours each = 200 work hours

Total hours = 2,999 or 1.44 FTE

It is anticipated that the investigations will result in findings of violations under SF2533. Assuming half of the investigations will result in \$5,000 in fines given that DLI shall fine not less than \$1,000 and not more than \$5,000 for *each violation*, DLI anticipates at least \$25,000 in additional revenue through fines.

Expenditure and/or Revenue Formula

Expenditures	2026	2027	2028	2029
Labor Investigator Sr (MAPE-12L)	0	188,422	188,422	188,422
Cumulative Expenditures	0	188,422	188,422	188,422

FTE Count	2026	2027	2028	2029
Labor Investigator Sr (MAPE-12L)	0	1.44	1.44	1.44
Total FTE	0	1.44	1.44	1.44

Revenues	2026	2027	2028	2029
Investigatons per Year	0	10	10	10
Investigations resulting in Penalty	0	5	5	5
Average Penalty Amount	0	5,000	5,000	5,000
Total Revenues	0	25,000	25,000	25,000

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

MN DEED, QCEW Data Tool, <https://apps.deed.state.mn.us/lmi/qcew/ResultsDisp.aspx>.

US Census, NS2300NONEMP All Sectors: Nonemployer Statistics by Legal Form of Organization and Receipts Size Class for the U.S., States, and Selected Geographies: 2023, <https://data.census.gov/table?q=NONEMP2023.NS2300NONEMP&g=040XX00US27>

<https://protectborrowers.org/wp-content/uploads/2024/04/FACT-SHEET-FTC-Ban-on-TRAPs.pdf>

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