



May 11, 2022

To the Members of Conference Committee for HF 2:

I am contacting you on behalf of the Alexandria Lakes Area Chamber of Commerce and our 649 business members to voice opposition to both versions of HF 2 (Sen. Mann; Rep. Richardson) as drafted – legislation seeking to impose a new, unfunded paid leave mandate and payroll tax on Minnesota employers and employees.

We join with the Minnesota Chamber of Commerce and dozens of Chambers throughout the state representing thousands of businesses to encourage policymakers to embrace the bipartisan effort, the comprehensive Family and Medical Leave Insurance (MN FaMLI) plan, to increase access and options for paid family and medical leave insurance products that are voluntary or elective, cost-effective, and available to all employers and employees.

The majority of our members are small businesses and most offer some form of paid leave already. We are extremely concerned that the impacts of this legislation have not been fully researched. We appreciate the work during the committee process to modify some of the elements of the proposal, but this bill still includes elements that do not work for our employers/employees. It is simply too expansive, too expensive, and is subject to concerning vulnerabilities.

Concern: As drafted, the bills still allow for employees to be away from their jobs 18 to 24 weeks or more annually. The argument can be made that this is just for those who need it and that a minority of employees will actually utilize it. That is unrealistic. Experience shows employees are likely to access any benefit available to them. That, combined with the expansive definition of family member and extensive list of qualifying events, the enhanced wage replacement rate, and ability to stack leaves, places a significant burden on employers. When further combined with SF 34/HF 19 (legislation already passed by the House mandating up to 80 hours of paid sick/safe time), these proposals will place considerable strain on our workforce, employers, and overall economy.

Recommendation: Modify the definition of family member to align with the existing definition found in the federal Family Medical Leave Act (FMLA) and to generally cap the maximum number of weeks to align with the existing 12-week limit under FMLA, while allowing for limited additional leave related to pregnancy complications.

Concern: The biggest issue now facing our community is the workforce shortage, which is only expected to worsen in coming years. This causes great concern, especially regarding our caregiving and educational systems (hospitals, care facilities, childcare centers, schools), where staffing ratios are calibrated and monitored. Our big questions are: Who is going to care for our residents? Who is going to educate our children? This extended leave mandate will significantly increase problems related to our workforce challenge and disrupt existing benefits packages.

Recommendation: To mitigate the impacts of this mandate for the many who already have an existing paid leave benefit, enable a more workable private plan substitution option for any employer, provided their benefits are at least equal to a reasonable percentage of the monetary value of benefits required to be paid under this new mandate.

Concern: Minnesota already imposes a high cost of doing business, ranking an embarrassing 45th in business tax climate. We are against imposing a new payroll tax on every employer that will collectively cost nearly \$1.5 billion annually. That new tax is also subject to significant increases in order to create and finance a broad new state-run insurance program that takes over an existing market and thwarts an emerging one. In addition to the direct cost to employers, the proposal will take years and significant resources to develop. At that point the proposal assumes that roughly 7% of the taxes collected annually will be needed to run the program. We are extremely concerned that an outside actuarial analysis has not yet been conducted. Without modifications, we expect the program to run into solvency issues, resulting in higher payroll taxes and a property tax increase to cover public sector employers and employees.

Recommendation: Wait until the results of the actuarial study are received before the family and medical leave program is effective or implemented.

Concern: Businesses in our community are struggling with lost productivity due to workforce shortages. The cost and challenges involved in finding temporary workers to cover employees on leave is a double tax on employers.

Recommendation: Provide some relief to Minnesota's smallest businesses by making participation in the state program voluntary while at the same time enabling their employees to participate in the state plan on an individual basis if employee so chooses – even if their employer does not. Consider a voluntary and elective approach based on individual economic circumstances. A state-dictated benefit mandate takes away flexibility and comes with significant expense and additional paperwork and reporting compliance mechanisms that add more costs, legal exposure, and challenges to employers' operations. By allowing insurers to offer paid family leave insurance benefit policies for employers to purchase, the legislature could give employers, trade associations, or individuals access to another way to flexibly provide paid leave to their employees, members, or themselves in an affordable manner - with a policy that has been developed in the market, without imposing "one size fits all" mandates on all employers or requiring an entirely new state agency.

The comprehensive Family and Medical Leave Insurance plan (MN FaMLI) could be available to all private and public employers and employees in the same manner as currently afforded Minnesota state employees. By anchoring this product to the state plan and its workforce, this product would have the benefit of scale and an established risk pool. Small business tax credits or other supports can be included to address affordability issues.

Balancing employer and employee needs, program scope, and costs are important in achieving these shared goals. We encourage policymakers to keep working with stakeholders to find a more targeted and sustainable solution. In its current form, HF 2 would impede Minnesota's competitiveness and economic growth. We respectfully request the conference committee to support the recommendations presented by the Minnesota Chamber of Commerce, or pursue alternatives that increase access to affordable options for employers and citizens to choose what works best.

Sincerely,



Tara Bitzan, Executive Director
Alexandria Lakes Area Chamber of Commerce