

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development
Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Lead Agency: **Employment and Economic Dvlpmt**
 Other Agencies:
 Administrative Hearings Commerce Dept
 Human Services Dept Labor and Industry Dept
 Legislature Metropolitan Council
 Minn Management and Budget Minnesota State
 Revenue Dept Secretary of State
 Supreme Court University Of Minnesota

| 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 |
| Employment and Economic Dvlpmt | | | | | | |
| Family and Medical Benefit Ins | - | (1,698) | 44,916 | 10,596 | - | - |
| Human Services Dept | | | | | | |
| General Fund | - | - | - | (707) | (1,054) | - |
| Labor and Industry Dept | | | | | | |
| General Fund | - | 2 | - | - | - | - |
| Family and Medical Benefit Ins | - | 12 | 367 | - | - | - |
| Legislature | | | | | | |
| General Fund | - | (164) | (165) | - | - | - |
| Minn Management and Budget | | | | | | |
| General Fund | (118) | (3,487) | (3,526) | - | - | - |
| All Other Funds | (143) | (6,677) | (6,754) | - | - | - |
| Minnesota State | | | | | | |
| General Fund | - | (534) | (534) | - | - | - |
| Supreme Court | | | | | | |
| General Fund | - | - | (163) | - | - | - |
| University Of Minnesota | | | | | | |
| General Fund | - | (694) | (694) | - | - | - |
| State Total | | | | | | |
| Family and Medical Benefit Ins | - | (1,686) | 45,283 | 10,596 | - | - |
| General Fund | (118) | (4,877) | (5,082) | (707) | (1,054) | - |
| All Other Funds | (143) | (6,677) | (6,754) | - | - | - |
| Total | (261) | (13,240) | 33,447 | 9,889 | (1,054) | 8,835 |
| Biennial Total | | | 20,207 | | | |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|--------------|-----------------|------------|----------|----------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Employment and Economic Dvlpmt | | | | | |
| Family and Medical Benefit Ins | - | (246) | - | - | - |
| Human Services Dept | | | | | |
| General Fund | - | - | - | - | - |
| Labor and Industry Dept | | | | | |
| General Fund | - | - | - | - | - |
| Family and Medical Benefit Ins | - | (.16) | 2.16 | - | - |
| Legislature | | | | | |
| General Fund | - | - | - | - | - |
| Minn Management and Budget | | | | | |
| General Fund | (.22) | .14 | - | - | - |
| All Other Funds | - | - | - | - | - |
| Minnesota State | | | | | |
| General Fund | - | - | - | - | - |
| Supreme Court | | | | | |
| General Fund | - | - | (1.5) | - | - |
| University Of Minnesota | | | | | |
| General Fund | - | - | - | - | - |
| Total | (.22) | (246.02) | .66 | - | - |

Lead LBO Analyst's Comment

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

The fiscal note tables on this note reflect that under current law, premium collections are set to outpace benefits paid. Because of this interaction, when both premium collection and benefit payments are paused, the reduction in revenue collected outpaces the reduction in benefits paid. The fiscal note reflects this net change between projected revenue and projected spending.

LBO Signature: Alyssa Holterman Rosas
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Date: 2/28/2025 3:32:11 PM
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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 | | Biennium | | | Biennium | |
|--|--------------|------------------|--------------------|---------------|-----------------|---------------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Employment and Economic Dvlpmnt | | | | | | |
| Family and Medical Benefit Ins | - | (1,698) | 44,916 | 10,596 | - | - |
| Human Services Dept | | | | | | |
| General Fund | - | - | - | (707) | (1,054) | - |
| Labor and Industry Dept | | | | | | |
| General Fund | - | 2 | - | - | - | - |
| Family and Medical Benefit Ins | - | 12 | 367 | - | - | - |
| Legislature | | | | | | |
| General Fund | - | (164) | (165) | - | - | - |
| Minn Management and Budget | | | | | | |
| General Fund | (118) | (3,487) | (3,526) | - | - | - |
| All Other Funds | (143) | (6,677) | (6,754) | - | - | - |
| Minnesota State | | | | | | |
| General Fund | - | (534) | (534) | - | - | - |
| Supreme Court | | | | | | |
| General Fund | - | - | (163) | - | - | - |
| University Of Minnesota | | | | | | |
| General Fund | - | (694) | (694) | - | - | - |
| Total | (261) | (13,240) | 33,447 | 9,889 | (1,054) | |
| Biennial Total | | | 20,207 | | 8,835 | |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Employment and Economic Dvlpmnt | | | | | | |
| Family and Medical Benefit Ins | - | (768,148) | (721,534) | 10,596 | - | - |
| Human Services Dept | | | | | | |
| General Fund | - | - | - | (707) | (1,054) | - |
| Labor and Industry Dept | | | | | | |
| General Fund | - | - | - | - | - | - |
| Family and Medical Benefit Ins | - | 12 | 367 | - | - | - |
| Legislature | | | | | | |
| General Fund | - | (164) | (165) | - | - | - |
| Minn Management and Budget | | | | | | |
| General Fund | (118) | (3,487) | (3,526) | - | - | - |
| All Other Funds | (143) | (6,677) | (6,754) | - | - | - |
| Minnesota State | | | | | | |
| General Fund | - | (534) | (534) | - | - | - |
| Supreme Court | | | | | | |
| General Fund | - | - | (247) | - | - | - |
| University Of Minnesota | | | | | | |
| General Fund | - | (694) | (694) | - | - | - |
| Total | (261) | (779,692) | (733,087) | 9,889 | (1,054) | |
| Biennial Total | | | (1,512,779) | | 8,835 | |
| 2 - Revenues, Transfers In* | | | | | | |

| State Cost (Savings) = 1-2 | | Biennium | | | Biennium | |
|-----------------------------------|---|------------------|--------------------|---------------|-----------------|---------------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Employment and Economic Dvlpmt | | | | | | |
| Family and Medical Benefit Ins | - | (766,450) | (766,450) | - | - | - |
| Human Services Dept | | | | | | |
| General Fund | - | - | - | - | - | - |
| Labor and Industry Dept | | | | | | |
| General Fund | - | (2) | - | - | - | - |
| Family and Medical Benefit Ins | - | - | - | - | - | - |
| Legislature | | | | | | |
| General Fund | - | - | - | - | - | - |
| Minn Management and Budget | | | | | | |
| General Fund | - | - | - | - | - | - |
| All Other Funds | - | - | - | - | - | - |
| Minnesota State | | | | | | |
| General Fund | - | - | - | - | - | - |
| Supreme Court | | | | | | |
| General Fund | - | - | (84) | - | - | - |
| University Of Minnesota | | | | | | |
| General Fund | - | - | - | - | - | - |
| Total | - | (766,452) | (766,534) | - | - | - |
| Biennial Total | | | (1,532,986) | | | - |

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Employment and Economic Dvlpmnt**

| 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 |
| Family and Medical Benefit Ins | | - | (1,698) | 44,916 | 10,596 | - |
| Total | | - | (1,698) | 44,916 | 10,596 | - |
| Biennial Total | | | | 43,218 | | 10,596 |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|--|----------|--------|--------|----------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Family and Medical Benefit Ins | | - | (246) | - | - | - |
| Total | | - | (246) | - | - | - |

LBO Analyst's Comment

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

The fiscal note tables on this note reflect that under current law, premium collections are set to outpace benefits paid. Because of this interaction, when both premium collection and benefit payments are paused, the reduction in revenue collected outpaces the reduction in benefits paid. The fiscal note reflects this net change between projected revenue and projected spending.

LBO Signature: Alyssa Holterman Rosas **Date:** 2/28/2025 3:31:57 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

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 | | Biennium | | | Biennium | |
|--|---|------------------|--------------------|---------------|-----------------|---------------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Family and Medical Benefit Ins | - | (1,698) | 44,916 | 10,596 | - | - |
| Total | - | (1,698) | 44,916 | 10,596 | - | - |
| Biennial Total | | | 43,218 | | 10,596 | |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Family and Medical Benefit Ins | - | (768,148) | (721,534) | 10,596 | - | - |
| Total | - | (768,148) | (721,534) | 10,596 | - | - |
| Biennial Total | | | (1,489,682) | | 10,596 | |
| 2 - Revenues, Transfers In* | | | | | | |
| Family and Medical Benefit Ins | - | (766,450) | (766,450) | - | - | - |
| Total | - | (766,450) | (766,450) | - | - | - |
| Biennial Total | | | (1,532,900) | | | |

Bill Description

HF11 would delay the implementation of the Minnesota Paid Leave Law by one year to January 1, 2027.

Assumptions

Delaying implementation of the Paid Leave Program would have budgetary effects on (1) the overall administration and implementation of the program and (2) the premiums collected, and benefits distributed by the program for the delayed time period. Budgetary changes in this section are based on the February 2024 actuarial analysis as well as the internal budget projections for implementation of the Paid Leave Program.

1. Paid Leave Program Implementation

Delaying implementation would result in hiring postponement of approximately 246 FTE's for approximately one year, including FTEs for operational roles, contact center representatives, claims adjusters, and appeals staff. The estimated cost reduction in total to the program is \$35,311,755 over FY26 and FY27 for these positions, which includes both labor and non-labor costs in addition to learning and development and overflow volume services costs, which are temporary staffing capacity for the program's launch. DEED estimates these additional costs to total \$750,000 in FY27.

Marketing vendor and earned media costs would be reduced in FY26 by \$216,000, but the costs would increase for FY27 by an estimated \$504,000 due to changes in contracts and increased communication and educational needs due to changed implementation date. DEED has already begun a public education program for the current program start date of Jan. 1, 2026. The additional funding necessary to conduct a re-education campaign, notifying the public of the change to the date and to re-emphasize the new date as the launch of the program. Additionally, it is anticipated that marketing costs would increase between the two dates.

The program currently has a contract with Nava PBC as a technology vendor. The program currently estimates that an additional \$9,200,000 in FY27 and \$10,596,000 in FY28 will be required for development costs, as the above-mentioned staffing delay introduces execution risk as application development would continue and delay the scale back of vendor post delivery services. To mitigate these risks, the program is anticipating needign additional funding to maintain or increase IT staff during the delayed launch period and subsequent final implementation for program needs. The paid leave program currently has plans to reduce the vendor footprint year-over-year following the launch of the program, with significant spending decreases in FY27-28. This bill would shift those reductions by one year.

As funds in this fiscal note are contained within the Family and Medical Benefit Insurance (FMBI) fund, and the program's implementation funding is set to revert to the FMBI fund without authority to spend those funds on the delayed implementation, the agency would need an additional appropriation to reflect funding needs from 7/1/26 to 12/31/26 under the bill.

2. Paid Leave Premiums and Benefits

DEED currently estimates that projected program revenue would be reduced due to the delay and would result in \$1,532,900,000 less funds in the FY26-27 biennium. During that same period, benefit payments to recipients would also be reduced by a total of \$1,460,090,000.

Because Public Outreach grants are calculated based on benefit payments made, this provision also has reduced expenditures out of the fund. Public Outreach Payments would be reduced by \$3,768,246 for the biennium.

Expenditure and/or Revenue Formula

Note: amounts in this section are \$s in 000s.

| Section 3-Expenditures | 2026 | 2027 | 2028 | 2029 |
|--|------------------|------------------|---------------|-------------|
| 246 FTE's Labor & Non-Labor Costs | (36,062) | 750 | - | - |
| Marketing Vendor and Earned Media | (216) | 504 | - | - |
| Nava PBC | - | 9,200 | 10,596 | - |
| Benefit Payments | (730,045) | (730,045) | - | - |
| Public Outreach Program Payments | (1,825) | (1,943) | - | - |
| Family and Medical Benefit Ins Fund | (768,148) | (721,534) | 10,596 | - |
| | | | | |
| Section 4-Revenues, Transfers In | | | | |
| 4.1 Revenues | | | | |
| Family and Medical Benefit Ins Fund | (766,450) | (766,450) | - | - |
| | | | | |
| NET TOTAL: (Revenues less Expenses) | (1,698) | 44,916 | 10,596 | - |

Long-Term Fiscal Considerations

These amounts are based on forecasted program fund revenues and expenditures from the Milliman actuarial analysis. Actual benefit payments and premiums will more accurately reflect future projections. Program demand based on economic, health, other external conditions will also have a likely impact on these budget estimates.

Local Fiscal Impact

References/Sources

This fiscal note uses the February 2024 Milliman actuarial analysis as the baseline from which changes to Chapter 268B are measured.

Agency Contact: Evan Rowe

Agency Fiscal Note Coordinator Signature: Matthew Dobratz

Phone: 651-259-7153

Date: 2/28/2025 12:10:26 PM

Email: matthew.dobratz@state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Administrative Hearings**

| 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 |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|-------|----------|--------|--------|----------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| | Total | - | - | - | - | - |

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: Shannon Zila **Date:** 2/28/2025 8:15:26 AM
Phone: 651-296-6053 **Email:** shannon.zila@lbo.mn.gov

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 | | Biennium | | | Biennium | |
|--|-----------------------|-----------------|---------------|---------------|-----------------|---------------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |

Bill Description

HF11 delays the implementation of the Minnesota Paid Leave Law by one year. This includes amending various sections and subdivisions of MN Statutes 2024, Chapter 268B to delay by one year the annual employer premium rates, premium rate adjustments, public outreach efforts, annual reports and notice requirements. Section 8 outlines updated effective dates.

Assumptions

The Office of Administrative Hearings (OAH) in consultation with Minnesota Management and Budget (MMB) assesses agencies the cost of services rendered to them. All agencies shall include in their budgets provisions for such assessments.

OAH has used the Department of Employment and Economic Development's assumption that no additional rulemaking costs will be incurred for this bill, therefore it is assumed that HF11 would have no fiscal impact for OAH.

OAH currently bills ALJ time for rulemaking at the MMB-approved billable rate of \$270 per hour (see Minn. Stat. § 16A.126, subd. 1 (2023)).

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: William Moore

Agency Fiscal Note Coordinator Signature: William Moore

Phone: 651-361-7893

Date: 2/14/2025 8:27:55 AM

Email: william.t.moore@state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Commerce 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 | |
|-----------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Dollars in Thousands | | | | | |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | - | - | - | - | - |

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:** 2/27/2025 10:10:26 AM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

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 | | Biennium | | | Biennium | |
|--|--|-----------------|--------|--------|-----------------|--------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

Bill Description

House File 11 delays the implementation of the Minnesota Paid Leave Law by one year. The Minnesota Paid Leave Law allows individuals to receive up to twelve weeks of paid leave if they are unable to work due to a medical issue, to care for a family member, or for the care and bonding with a child.

The program allows employers to provide paid family medical leave through one of three mechanisms: 1) by contributing to a state pool; 2) self-insuring and providing coverage at least as much as what is covered in the state pool; and 3) purchasing a private insurance policy that provides coverage that is at least as generous as what is covered in the state pool.

Assumptions

Commerce assumes that work to approve private programs will not pause, however delaying the program does not result in an additional fiscal impact to the agency.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations**Local Fiscal Impact****References/Sources****Agency Contact:**

Agency Fiscal Note Coordinator Signature: Amy Trumper

Phone: 651-539-1517

Date: 2/27/2025 10:03:38 AM

Email: amy.trumper@state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Human Services 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 | |
|----------------------|----------|--------|--------|----------|---------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Dollars in Thousands | | | | | |
| General Fund | - | - | - | (707) | (1,054) |
| Total | - | - | - | (707) | (1,054) |
| Biennial Total | | | - | | (1,761) |

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

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: Kate Schiller **Date:** 2/12/2025 10:16:37 AM
Phone: 651-296-6052 **Email:** kate.schiller@lbo.mn.gov

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 | | Biennium | | | Biennium |
|---|--------|----------|--------|--------|----------|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | - | - | (707) | (1,054) |
| Total | - | - | - | (707) | (1,054) |
| Biennial Total | | | - | | (1,761) |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | - | - | - | (707) | (1,054) |
| Total | - | - | - | (707) | (1,054) |
| Biennial Total | | | - | | (1,761) |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

Bill Description

This bill would delay the implementation of premiums from the Paid Leave Law (PLL) from January 1, 2026, to January 1, 2027.

Assumptions

This bill delays the effective date of PLL premiums by one year. This will have an impact on when nursing facilities start to incur premium costs. The premium rate as of August 2024 is 0.88 percent, which is an increase from the original 2023 legislation where the rate was 0.70 percent.

Effective Date: January 1, 2027.

Implementation Timing: Nursing facilities will incur costs starting on January 1, 2027. This means Medical Assistance and Private pay daily nursing facility payment rates will first be affected from dates of service on and after January 1, 2028, to January 1, 2029. The payments for nursing facility services lags the provision of services by one month, thus a 30-day payment delay factor was used in this fiscal note.

Programs Impacted: This bill will impact the rates for both private pay and Medical Assistance (Long-Term Care Facilities). Rates will decrease compared to current law, given that this bill delays the implementation date of the premium by one year.

Rate Impact: The previous expected forecast rate increase was different per facility but was on average projected to be an increase per resident day of \$0.86 for Calendar Year (CY) 2028 and \$1.17 for CY2029. The revised rate increase if this bill passes would on average be an increase per resident day of \$1.11 for CY2029. This would translate to a decrease in expected rate increases per resident day of \$0.86 for CY2028 and \$0.06 for CY2029. As mentioned earlier, this will impact both private pay and Medical Assistance rates.

Managed Care Rate Impact: There will be a fiscal impact to managed care rates in FY2028 and FY2029. These impacts are noted in the final tracking below.

External Considerations: Federal approval is needed to implement this bill. There are federal and county fiscal impacts associated with this bill and these amounts are shown in the table below. The state share of is determined by amounts paid by these other governmental units. Over this budget horizon, state share is forecasted to be approximately 46.20% of the cost, with federal share at 52.65% and county/local share at 1.15%.

Administrative Costs: This bill can be implemented with the existing Department staff resources.

Systems Costs: There are no systems costs associated with this bill.

Other Considerations: This bill will need to be repriced after the February 2025 Forecast release and the Department has updated data. Additionally, in accordance with current law, the Department used the current nursing facility payment system, Resource Utilization Groups Version IV (RUGS IV) in estimating this fiscal note and did not use the Patient-Driven Payment Model (PDPM).

Expenditure and/or Revenue Formula

| Based on November 2024 Forecast | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|---|----------------|----------------|----------------|----------------|----------------|
| Federal Share | 53.18% | 52.76% | 52.65% | 52.65% | 52.65% |
| State share | 45.69% | 46.09% | 46.20% | 46.20% | 46.20% |
| County Share | 1.14% | 1.15% | 1.15% | 1.15% | 1.15% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| | | | | | |
| Total Annual Costs/(Savings) | CY 2025 | CY 2026 | CY 2027 | CY 2028 | CY 2029 |
| PLL | \$ - | \$ - | \$ - | \$ (0.86) | \$ (0.06) |
| November 2024 Forecast Days | 3,773,702 | 3,799,639 | 3,794,519 | 3,811,208 | 3,817,069 |
| Total Annual Costs/(Savings) due to Daily Rate change | - | - | - | (3,277,639) | (229,024) |
| Increase/(Decrease) to Rate Add-on | | | | | |
| 30 Day enhanced rate at .40% of total payments | \$ - | \$ - | \$ - | \$ (13,111) | \$ (916) |
| Private Room add-on at 4.63% total payments | \$ - | \$ - | \$ - | \$ (151,755) | \$ (10,604) |
| Leave Day at .03 % of total payments | \$ - | \$ - | \$ - | \$ (983) | \$ (69) |
| Costs/(Savings) due to Daily Rate Add-ons | \$ - | \$ - | \$ - | \$ (165,849) | \$ (11,589) |
| Total Annual Costs/(Savings) | \$ - | \$ - | \$ - | \$ (3,443,487) | \$ (240,613) |
| Total Annual Calendar Year Costs/(Savings) (in thousands) | \$ - | \$ - | \$ - | \$ (3,443) | \$ (241) |
| Conversion to State Fiscal Year (SFY) in thousands | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| | | | | | \$ - |
| SFY payment delay | 0.00% | 41.37% | 41.37% | 41.37% | 41.37% |
| Cost of Daily Rate Increases Fee-for-service | | \$ - | \$ - | \$ (1,424) | \$ (2,118) |
| Projected MA costs/(savings) | | \$ - | \$ - | \$ (1,424) | \$ (2,118) |
| Federal share | | \$ - | \$ - | \$ (750) | \$ (1,115) |
| State budget | | \$ - | \$ - | \$ (658) | \$ (979) |
| County share | | \$ - | \$ - | \$ (16) | \$ (24) |
| MA Grants (state budget) BACT 33 LF | | \$ - | \$ - | \$ (658) | \$ (979) |
| Total Costs/(Savings) | \$ - | \$ - | \$ - | \$ (658) | \$ (979) |
| FMAP Percentage for FFS | 53.18% | 52.76% | 52.65% | 52.65% | 52.65% |
| County percentages of the total for FFS | 1.14% | 1.15% | 1.15% | 1.15% | 1.15% |
| | | | | | |
| | | | | | |
| Dollars (in thousands) | FY2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| Expenditures | | | | | |
| Fund 100 | \$ - | \$ - | \$ - | \$ (707) | \$ (1,054) |

| Fiscal Tracking Summary (\$000's) | | | | | | | |
|-----------------------------------|------|-------------|--------|--------|--------|--------|--------|
| Fund | BACT | Description | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |

| | | | | | | | |
|----|-------|--|----------|----------|----------|--------------|----------------|
| GF | 33 LF | MA NF Pymnt Sys Changes | 0 | 0 | 0 | (658) | (979) |
| GF | 33 | Elderly Managed Care Rates NF Add-on | 0 | 0 | 0 | (49) | (75) |
| | | Total Net Fiscal Impact | 0 | 0 | 0 | (707) | (1,054) |
| | | Full Time Equivalents | 0 | 0 | 0 | 0 | 0 |

Long-Term Fiscal Considerations

This bill will continue to impact Medicaid and Private Pay nursing facility rates beyond fiscal year 2029.

Local Fiscal Impact

There will be an estimated cost savings to counties in the amount of \$16,000 in fiscal year 2028 and \$24,000 in fiscal year 2029.

References/Sources

- 2023 DHS Nursing Facility Cost Report Files
- November 2024 Forecast
- Nursing Home Claim Data for Calendar Year 2023
- 2024 Rate Adjustment data used for rate setting purposes

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chris Zempel

Phone: 651-247-3698

Date: 2/12/2025 9:16:44 AM

Email: christopher.zempel@state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 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 | - | 2 | - | - | - |
| Family and Medical Benefit Ins | - | 12 | 367 | - | - |
| Total | - | 14 | 367 | - | - |
| Biennial Total | | | 381 | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | Biennium | |
|--------------------------------------|--------|--------------|-------------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | - | - | - | - |
| Family and Medical Benefit Ins | - | (.16) | 2.16 | - | - |
| Total | - | (.16) | 2.16 | - | - |

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:** 2/28/2025 1:37:03 PM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

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 | | Biennium | | Biennium | |
|--|---------------|-----------------|---------------|-----------------|---------------|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | 2 | - | - | - |
| Family and Medical Benefit Ins | - | 12 | 367 | - | - |
| Total | - | 14 | 367 | - | - |
| Biennial Total | | | 381 | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | - | - | - | - | - |
| Family and Medical Benefit Ins | - | 12 | 367 | - | - |
| Total | - | 12 | 367 | - | - |
| Biennial Total | | | 379 | | - |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | - | (2) | - | - | - |
| Family and Medical Benefit Ins | - | - | - | - | - |
| Total | - | (2) | - | - | - |
| Biennial Total | | | (2) | | - |

Bill Description

This bill would delay the effective dates of all provisions of the Minnesota Paid Leave law by one year, including sections for which the MN Dept. of Labor & Industry (DLI) has authority:

MS 268B.09, subds 1 through 4, which prohibit an employer from retaliating against or interfering with an employee who seeks to obtain benefits, and limits waiver and assignment of paid leave benefits, would have an effective date of November 1, 2026.

MS 268B.09, subds. 5 and 6, which require an employer to maintain health insurance for its employees on leave and to reinstate an employee to the same or equivalent position after taking leave, would have an effective date of January 1, 2027.

MS 268B.14, subd. 3, which specifies the percentage of premiums required to be paid by employers and employees, would have an effective date of January 1, 2027.

MS 268B.17, which provides authority for DEED to enter into interagency agreements with DLI to transfer funds from the paid family and medical leave account for DLI to fulfill its enforcement authority, would have an effective date of January 1, 2027.

MS 268B.18, which provides authority for DEED to enter into interagency agreements with DLI to transfer funds from the paid family and medical leave account for public outreach, would have an effective date of January 1, 2027.

Assumptions

This bill amends the effective date of MS 268B.17 and MS 268B.18 for DLI from January 1, 2026, to January 1, 2027. MS 268B.17 and 268B.18 are the statutory mechanisms that provide funding to DLI to fulfill its enforcement authority of the MN paid leave law, and outreach, education, and technical assistance for employees, employers, and self-employed individuals.

During the 2023 legislative session, DLI received a direct appropriation which provided implementation funding for the paid leave law for state fiscal years 2024, 2025, and half of 2026. The effective date delays proposed in this bill would delay the agency's need to hire additional enforcement staff (Labor Investigator Sr.) by one year.

Because this bill pushes back DLI's ability to enter into interagency agreements for funding, DLI assumes a direct appropriation would be provided to fund current paid leave work for calendar year 2026.

On average, the department assessed and collected a penalty in 1.9% of all investigations. For new penalties specific to PFML, DLI estimates the average collected penalty amount will be \$500. This would result in annual revenues in the amount of \$1,500 (160 investigations X 1.9% = 3 penalties collected X \$500 = \$1,500). Because this bill delays enforcement authority, DLI estimates a loss of forecasted revenue in state fiscal year 2026 of \$1,500.

Expenditure and/or Revenue Formula

The current base appropriation was appropriated to DLI to cover forecasted costs from July 1, 2025, through December 31, 2025. That sixth month period served as the time in which DLI would begin to hire additional investigators for the current effective date of January 1, 2026.

| Current Base Appropriation | 2026 | 2027 | 2028 | 2029 |
|---|------------------|-------------|-------------|-------------|
| Labor Investigator Sr | (213,000) | - | - | - |
| State Program Admin Director | (96,000) | - | - | - |
| Outreach and Engagement | (50,000) | - | - | - |
| IT Case Mgmt User License/Maintenance | (7,000) | - | - | - |
| Total Current Base Appropriation | (366,000) | - | - | - |

Proposed legislation costs are anticipated costs from July 1, 2025 through December 31, 2026, which would cover the one-year delay in implementation as a result of this proposed legislation.

| Proposed Legislation Expenditures | 2026 | 2027 | 2026 | 2027 |
|--|----------------|----------------|-------------|-------------|
| Labor Investigator Sr | 129,098 | 214,302 | - | - |
| State Program Admin Director | 191,847 | 95,923 | - | - |
| Outreach and Engagement | 50,000 | 50,000 | - | - |
| IT Case Mgmt User License/Maintenance | 7,000 | 7,000 | - | - |
| Total Proposed Legislation Expenditures | 377,945 | 367,226 | - | - |

| Current Base FTE | 2026 | 2027 | 2026 | 2027 |
|-------------------------|-------------|-------------|-------------|-------------|
|-------------------------|-------------|-------------|-------------|-------------|

| | | | | |
|-------------------------------|---------------|----------|----------|----------|
| Labor Investigator Sr | (1.66) | - | - | - |
| State Program Admin Director | (0.50) | - | - | - |
| Total Current Base FTE | (2.16) | - | - | - |

| Proposed Legislation FTE | 2026 | 2027 | 2026 | 2027 |
|---------------------------------------|-------------|-------------|-------------|-------------|
| Labor Investigator Sr | 1.00 | 1.66 | - | - |
| State Program Admin Director | 1.00 | 0.50 | - | - |
| Total Proposed Legislation FTE | 2.00 | 2.16 | - | - |

| Revenue | 2026 | 2027 | 2028 | 2029 |
|-------------------|-------------|-------------|-------------|-------------|
| Records Penalties | (1,500) | - | - | - |

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Prairie Bly (763-760-5244)

Agency Fiscal Note Coordinator Signature: Jacob Gaub

Phone: 651-284-5812

Date: 2/12/2025 5:59:45 PM

Email: jacob.gaub@state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Legislature**

| 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 | |
|-----------------------|----------|--------------|--------------|----------|----------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | (164) | (165) | - | - |
| Total | - | (164) | (165) | - | - |
| Biennial Total | | | (329) | | - |

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

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: Chloe Burns **Date:** 2/7/2025 3:07:46 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

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 | | Biennium | | Biennium | |
|--|---------------|-----------------|---------------|-----------------|---------------|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | (164) | (165) | - | - |
| Total | - | (164) | (165) | - | - |
| Biennial Total | | | (329) | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | - | (164) | (165) | - | - |
| Total | - | (164) | (165) | - | - |
| Biennial Total | | | (329) | | - |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

Bill Description

The bill amends MS 268B.02, subdivision 6, Minnesota Paid Leave Law, in part by delaying the annual employer premium rate payments to begin January 1, 2027, instead of January 1, 2026.

Assumptions

1. The prospective cost of the implementation of the Paid Family and Medical Leave act for the legislature was projected in the fiscal note for HF2-4A from the 2023 legislative session. HF5363-1E from 2024 legislative session then amended the premium setting approach from a formula to actuarial analysis the rates set by Department of Employment and Economic Development (DEED).
2. With the change of employer premium rate payments as stated in this bill, this fiscal note will show a savings of payments that would have been due January 1, 2026 (second half of FY26) to now being due January 1, 2027 (second half of FY27) for the House, Senate, Office of the Legislative Auditor (OLA), and the Legislative Coordinating Commission (LCC).
3. The entities within the Legislature will begin paying the required employer premiums on January 1, 2027 (second half of FY27) at a projected premium rate of .88 percent which is the assumed amended premium basis actuary analysis.
4. The law allows for employers to pay 50 percent of the premium rate and deduct the remainder of the premium rate from employee wages. For this fiscal note, it is assumed that the House, Senate, OLA and LCC will follow this practice although the actual employee wage deduction, if any, will be dependent on the decision of legislative leadership. For this fiscal note the cost savings shown will be at a rate of .44 for the legislature.
5. For the fiscal note for HF2-4A, we assumed that legislative members were not eligible for the program benefits and were not included in the cost calculations for that fiscal note since the bill defined an employee as an individual that is under the employment of the employer. Since that time, MN Department of Employment and Economic Development (DEED), has determined that legislative members would not be exempt and that the House and Senate would need to apply legislative payroll in their determination of employer premium payments. We are including cost savings for the House and Senate for not paying employer premium payments against legislative member payroll in addition for staff payroll in this fiscal note.
6. For cost savings calculations, we assume the payroll for temporary / session-only staff for the House, Senate, and LCC will vary between a short session which begins in early February and ends in late May (FY26) and a long session which will begin in early January and end in late May (FY27).
7. The Senate, OLA and LCC use the state's timecard and payroll system. For this note we assume that any projected savings or costs regarding the delay in the implementation of the law with regards to the State HR and timecard systems that are used by the Senate, OLA and LCC will be addressed by the fiscal note authored by Minnesota Management and Budget (MMB).
8. None of the entities of the legislature (the House, Senate, OLA and LCC) received an increase to their appropriations

associated with the implementation of the MN Paid Leave Law. The cost savings shown in this fiscal note is from projected decrease expenditures from the base operational appropriations for each entity.

9. Any savings for a delay in posting notices will be nominal.

Expenditure and/or Revenue Formula

The following table shows the cost savings from delayed employer premium payments beginning 1/1/27 (FY27) instead of 1/1/26 (FY26). Cost savings are for expenditures not done for 1/1/26 to 6/30/26 (second half of FY26) and 7/1/26 to 12/31/26 (first half of FY27).

| Cost Category | FY26 | FY27 |
|--------------------------------------|---------------|--------------|
| Session Length | Short Session | Long Session |
| House Employer Premium Cost Savings | (\$71,712) | (\$72,413) |
| Senate Employer Premium Cost Savings | (\$50,975) | (\$51,546) |
| OLA Employer Premium Cost Savings | (\$16,415) | (\$16,415) |
| LCC Employer Premium Cost Savings | (\$24,637) | (\$24,691) |
| Total Legislative Cost Savings | (\$163,739) | (\$165,065) |
| Net Total Cost (rounded) | (\$164,000) | (\$165,000) |

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Kelly Knight, MN House of Representatives
Peter Skwira, MN House of Representatives
Darren Hoff, MN Senate
Betty Myers, MN Senate
Scott Dunning, Office of Legislative Auditor
Nicole Miner, Office of Legislative Auditor
Judy Randall, Office of Legislative Auditor
Michelle Yurich, Legislative Coordinating Commission

Agency Contact: Diane Henry-Wangenstein

Agency Fiscal Note Coordinator Signature: Diane Henry

Phone: 651-296-1121

Date: 2/7/2025 12:59:46 PM

Email: diane.henry@lcc.mn.gov

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Metropolitan Council**

| 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 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|--|----------|--------|--------|----------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |

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: Laura Cecko **Date:** 2/13/2025 8:12:27 AM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

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 | | Biennium | | | Biennium | |
|--|--|-----------------|---------------|---------------|-----------------|---------------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

Bill Description

The bill delays the implementation of the assessment of premiums for the Minnesota Paid Leave Law by one year, from January 1, 2026 to January 1, 2027.

Assumptions

This would create savings to the Met Council and we do not receive State funds to pay for this assessment.

The presumptive premium rate is .88%.

The Met Council would be participating in both family and medical benefit programs and be paying the presumptive .88% premium beginning 1/1/27 instead of 1/1/26, and would save one year's premiums.

The current wage and salary of each Council employee will increase 2.5% between now and January 1, 2026.

Assessment is split equally between SFY26 and SFY27.

The current Social Security cap of \$176,100 will also increase 2.5% to \$180,502.

Expenditure and/or Revenue Formula

Estimated salary/wage expense of current Council employees at or below the Social Security cap on 1/1/2026 = \$412,068,480.

Estimated annual assessment for Council = (.88% x \$412,068,480) = \$3,626,202

SFY26 = \$1,813,101

SFY27 = \$1,813,101

Long-Term Fiscal Considerations

The assessment will begin January 1, 2027 and the Council will be paying for those costs with non-State funds.

Local Fiscal Impact

NA

References/Sources

Stewart McMullan, Budget Director (651)602-1374

Cassandra Tabor, Chief Human Resources Officer (651)602-1417

Agency Contact: Stewart McMullan

Agency Fiscal Note Coordinator Signature: Stewart McMullan

Phone: 651-602-1374

Date: 2/13/2025 8:06:26 AM

Email: stewart.mcmullan@metc.state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Minn Management and Budget**

| 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 | (118) | (3,487) | (3,526) | - | - | - |
| All Other Funds | (143) | (6,677) | (6,754) | - | - | - |
| Total | (261) | (10,164) | (10,280) | - | - | - |
| Biennial Total | | | (20,444) | | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|--------------|------------|--------|--------|----------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | (.22) | .14 | - | - | - | - |
| All Other Funds | - | - | - | - | - | - |
| Total | (.22) | .14 | - | - | - | - |

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: Chloe Burns **Date:** 2/14/2025 4:28:08 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

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 | | Biennium | | Biennium | |
|--|---------------|-----------------|-----------------|-----------------|---------------|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | (118) | (3,487) | (3,526) | - | - |
| All Other Funds | (143) | (6,677) | (6,754) | - | - |
| Total | (261) | (10,164) | (10,280) | - | - |
| Biennial Total | | | (20,444) | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | (118) | (3,487) | (3,526) | - | - |
| All Other Funds | (143) | (6,677) | (6,754) | - | - |
| Total | (261) | (10,164) | (10,280) | - | - |
| Biennial Total | | | (20,444) | | - |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | - | - | - | - | - |
| All Other Funds | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

Bill Description

This bill delays enactment of certain provisions of the Minnesota Paid Leave Law by one year. It does not modify the program in any substantive way.

Assumptions

This bill will impact Minnesota Management and Budget (MMB) as it delays the provisions of the paid leave law that relate to MMB. MMB expects savings in fiscal years 2026 and 2027 related to one year delay in the following cost areas:

- 1) FY 2026 savings are anticipated due to delayed implementation. This is related to not having to pay any premiums for half of the year.
- 2) FY 2027 anticipated savings of 50 percent due to only needing to pay premiums for half of the year.
- 3) FY 2026 anticipated savings due no longer backfilling employees for half of the year.
- 4) FY 2027 anticipated savings of 50 percent due to only paying for half a year of backfilling employees.

MMB is using premium rate of 0.88 percent of which employer is paying 50 percent (0.44 percent).

MMB expects estimated agency cost savings related to reduced salary costs for employees in 24-hours/7 -day operations will be pushed out due this change, increasing state costs in fiscal years 2026 and 2027.

MMB expects that implementation costs originally planned for FY 2025 will be moved forward into FY 2026.

Expenditure and/or Revenue Formula

1) Executive branch and judicial branch state agency costs due to employer-paid premiums: It is assumed executive branch and judicial branch state agencies will participate in both the family and medical benefit programs. The total premium for these programs is 0.88 percent and allows 50 percent of premiums to be charged back to employees-leaving employer share at 0.44 percent. Effective premium date is moving from January 1, 2026 to January 1, 2027.

In FY 2022, total executive branch and judicial branch state agency wages up to the \$147,000 wage limit established totaled \$4,021,613,296. The wages portion of total state payroll costs are assumed to increase by approximately 2.40 percent annually through FY 2025, bringing the total wage amount to an adjusted based of 4,318,174,396.

Only one-half of the total cost of the employer-paid premiums was reflected in past fiscal note because of the January 1, 2026, effective date.

It is assumed that 34.3 percent of the costs calculated below will be paid from the general fund and 65.7 percent from all other state funds based on the overall allocation for all state agency employee compensation costs in FY 2022. The costs by fund may vary significantly by impacted state agency.

FY 2026: \$4,318,174,396 x 0.44 percent premium rate x (6/12 months) = \$9,499,984

General fund: \$3,258,494

All other state funds: \$6,241,489

Due to delay in effective date, there will be no costs to the state in FY 2026 with current law proposed change.

FY 2027: \$4,318,174,396 x 0.44 percent premium rate = \$18,999,967

General fund: \$6,516,989

All other state funds: \$12,482,979

Due to delay in effective date, there will be 50 percent savings to the state from the above calculation.

FY 2028 & Beyond: \$4,318,174,396 x 0.44 percent premium rate = \$18,999,967

General fund: \$6,516,989

All other state funds: \$12,482,979

No change in costs to state is expected in FY 2028 and beyond.

2) Executive branch state agency costs due to staffing replacement in 24-hour/7-day operations:

| Figures are rounded to whole dollars | A | | C | D | E | F | G |
|--------------------------------------|---|--|-----------------------------------|------------------------------|--|-------------------------------------|--|
| Fiscal year | Total leave-eligible employees taking benefit | Total leave taken per employee, in hours | Total leave taken, in hours (A*B) | Hourly wage replacement rate | Hours per hourly wage replacement rate (C*50%) | Cost by replacement wage type (D*E) | Total cost by fiscal year (sum of F in each fiscal year) |
| FY 2026 | 310 | 120 | 37,200 | \$39.70 REG | 18,600 | \$738,420 | \$1,846,050 |
| | | | | \$59.55 OT | 18,600 | \$1,107,630 | |
| FY 2027 | 310 | 240 | 74,400 | \$39.70 REG | 37,200 | \$1,476,840 | \$3,692,100 |
| | | | | \$59.55 OT | 37,200 | \$2,215,260 | |

It is assumed that 34.3 percent of the costs calculated above will be paid from the general fund and 65.7 percent from all other state funds based on the overall allocation for all state agency employee compensation costs in FY 2021. The cost by fund may vary significantly by impacted state agency.

| Figures are rounded to | FY26 | FY27 |
|------------------------|------|------|
|------------------------|------|------|

| | | |
|-----------------|-------------|--------------|
| whole dollars | | |
| General fund | \$633,195 | \$1,266,390 |
| All other funds | \$1,212,855 | \$2,425,710 |
| Total | \$1,846,050 | \$ 3,692,100 |

With delay of effective date, the state will have savings of 100 percent of the amount listed in above table for fiscal year 2026 and 50 percent savings in 2027.

3) Executive branch state agency cost savings due to reduction in salary costs for state agency employees in 24-hour/7-day operations taking DEED program leave:

Executive branch employees in 24-hour/7-day operations who utilize the bill's leave entitlement and apply for benefits from DEED will have a portion of their salary costs paid from the DEED program and associated appropriations. Because these salary costs would have otherwise been paid from state agencies' operating budgets, this represents a cost savings to state agencies. This fiscal note estimates these cost savings for 24-hour/7-day operations in state agencies. This cost savings is assumed to be only the bill's maximum benefit calculation Minnesota State Law 2024, Chapter 59, Sec. 12, Subd. 3, and not the employee's full salary. The bill's maximum benefit calculation does not cover 100 percent of wages, and employees are entitled to offset this gap in wage replacement with sick and/or vacation leave balances provided under CBAs and compensation plans. The use of these leave balances is paid from state agency operating budgets.

The following assumptions are used to calculate the cost savings due to reduction in salary costs in 24-hour/7-day operations in executive branch state agencies:

-310 executive branch employees in 24-hour/7-day operations are assumed to receive the DEED-provided benefit each year.

-The average weekly wage in Minnesota, which is the basis for the maximum weekly benefit calculations is assumed to be \$1,240 in FY 2022. \$1,240 is the average weekly wage in Minnesota as of quarter 2 2021, according to the U.S. Bureau of Labor Statistics.

-Average weekly wages are assumed to grow 3.31 percent annually based on the average growth rate of Minnesota weekly wages from quarter 2 2011 through quarter 2 2021, per the U.S. Bureau of Labor Statistics. This assumed growth rate provides a new base of \$1,281 in FY 2023.

-Average weekly wages for executive branch employees in 24-hour/7-day operations is assumed to be \$1,549.60 (\$38.74 x 40 hours).

-Using the FY 2023 Minnesota average weekly wage and executive branch 24-hour/7-day operations employee weekly wage figures noted above, the table below provides the estimated per employee maximum weekly benefit provided in this bill. The weekly benefit is assumed to be \$1,147 per employee.

| Figures are rounded | Average employee weekly wage amount within each threshold | Benefit ratio | Weekly benefit calculation |
|---|---|---------------|----------------------------|
| <u>Threshold (of Minnesota average weekly wage)</u> | | | |
| 50 percent (\$0-\$641) | \$641 | 90% | \$577 |
| 50-100 percent (\$642-\$1,281) | \$641 | 66% | \$423 |
| Above 100 percent (\$1,282-\$1,550) | \$268 | 55% | \$147 |
| Total | \$1,550 | | \$1,147 |

-While employees could be entitled to up to 36 weeks of paid leave annually (12 weeks for the medical benefits, 12 weeks for the family benefits, and 12 weeks for the qualifying exigency benefits), this fiscal note assumes executive branch

employees in 24-hour/7-day operations will take an average of six weeks (240 hours) of the proposed benefit each year.

| | A | | C | D |
|---------|--|---|----------------------------|----------------------|
| | Total number of employees taking leave entitlement | Total leave taken per employee (in weeks) | Weekly benefit calculation | Cost savings (A*B*C) |
| FY 2026 | 310 | 6 | \$1,147 | (\$2,133,420) |
| FY 2027 | 310 | 6 | \$1,147 | (\$2,133,420) |

It is assumed that 34.3.0 percent of the cost savings calculated above will be experienced in the general fund and 65.70 percent in all other state funds based on the overall allocation for all state agency employee compensation costs in FY 2022. The cost by fund may vary significantly by impacted state agency.

| Figures are rounded to whole dollars | FY26 | FY27 |
|--------------------------------------|---------------|---------------|
| General fund | (\$731,763) | (731,763) |
| All other funds | (\$1,401,657) | (\$1,401,657) |
| Total | (\$2,133,420) | (\$2,133,420) |

The above savings will not be realized in fiscal year 2026 and only half of expected savings will be realized in 2027.

4) MMB costs due to SEMA4 payroll system changes:

General fund costs:

FY 2025 implementation costs: \$39,987 (0.22 FTE)

Programmer costs (Information Technology Specialist 5 at MNIT@MMB): Approximately 300 hours x \$60.70 per hour x 1.3210 (fringe) x 1.1717 (overhead) = \$28,186

Functional costs (Finance Specialist 3 in MMB Statewide Payroll Services Unit): Approximately 160 hours x \$47.65 per hour x 1.3210 (fringe) x 1.1717 (overhead) = \$11,801

FY 2026 and thereafter maintenance costs: \$13,831 (0.08 FTE)

Reapplication of system modifications (Information Technology Specialist 5 at MNIT@MMB): Approximately 75 hours x \$60.70 per hour x 1.3210 (fringe) x 1.1717 (overhead) = \$7,046

Withholding and reporting (Finance Specialist 3 in MMB Statewide Payroll Services Unit): Approximately 92 hours x \$47.65 per hour x 1.3210 (fringe) x 1.1717 (overhead) = \$6,785

These costs will be pushed out a year due to change in effective date.

5) MMB costs due to "Right to setoff" requirements:

Minnesota State Laws 2024, Chapter 59, Article 1, section 34, subdivision 3, which is effective July 1, 2025 requires MMB to setoff and pay to Department of Employment and Economic Development (DEED) any amount that would have otherwise been paid to a person, applicant, or employer whom the state has purchased personal services, supplies, contract services, or property from, if DEED certifies to MMB that the person has unpaid liability under chapter 268B. MMB assumes this will require approximately 10 hours of work per week (0.25 FTE dedication) of a Financial Specialist 1 in MMB's Vendor Payments Unit beginning July 1, 2025. This work includes manually adding a payment line to the payment voucher so it is remitted to DEED as well as preparing emails and responding to questions from state agencies about vouchers that are diverted. Currently, state agencies refer debts to the Department of Revenue for collection, and the

Department of Revenue transmits those debts on behalf of state agencies to MMB for setoff. It is assumed that debts owed to DEED would follow this existing process and flow through the Department of Revenue. If this is not the case, additional costs would be incurred by both DEED and MMB to develop the required interfaces between their systems.

General fund costs:

FY 2026: \$79,161 annual salary x 1.3210 (fringe) x 1.1717 (overhead) x 0.25 FTE dedication = \$30,632 (0.25 FTE)

FY 2027 and thereafter: \$79,161 annual salary x 1.3210 (fringe) x 1.1717 (overhead) x 0.25 FTE dedication = \$30,632(0.25 FTE)

These costs will be shifted a year with effective date change.

6) MMB costs due to Notice Posting Requirements: Minnesota State Laws 2024, Chapter 59 contains notice requirements to employees. Article 1, section 37, clause (a) requires that each employer must post in a conspicuous place on each of its premises a workplace notice prepared or approved by DEED providing notice of benefits provided under this bill. The notice must be in English and other languages that are the primary language of five or more employees or independent contractors of that workplace if such notice is available from DEED. MMB assumes the need to produce paper postings to provide in State of Minnesota executive branch agency workplaces, particularly for employees who do not have regular access to a computer. Based on MMB's recent experience providing Fraud Awareness Week notices to executive branch state agencies, MMB estimates the need to distribute 300 posters per language translated by DEED (assumed to total five) across executive branch state agencies in FY 2026, at a one-time cost of \$600 per language. The fiscal note assumes costs will be incurred by MMB on behalf of executive branch state agencies. MMB does not assume translation costs, as it is assumed notice translations required under article 1, section 34, clause (a), are the responsibility of DEED.

General fund costs:

FY 2025: MMB printing costs: \$600 x 5 languages = \$3,000

Cost will be moved into FY 2026.

7) Executive branch and judicial branch state agency costs due to Notice Acknowledgment Requirements: Each employer is required to issue to each employee not more than 30 days from the beginning date of the employee's employment, or 30 days before premium collection begins, whichever is later, written information provided or approved by DEED in the primary language of the employee various information, including information about the leave benefits and premium deductions required in the bill. Delivery is made when an employee provides written acknowledgment of receipt of the information, or signs a statement indicating the employee's refusal to sign such acknowledgment.

MMB assumes these notice acknowledgments will be provided electronically; thus, there will not be significant printing costs. However, MMB assumes costs to state agencies to receive and document "delivery" involving their employees. The fiscal note does not assume these costs will be incurred solely by MMB; rather the costs below represent the collective estimated cost to all executive and judicial branch state agencies to provide notice acknowledgment to their employees. For the purposes of estimating a cost, MMB assumes executive and judicial branch state agencies will use DocuSign to receive acknowledgment from employees in the form of a secured electronic signature. This was the method used in the executive branch to obtain acknowledgments required in the wage theft legislation passed in 2019 and is an efficient method to distribute and track documents needing signature. The cost is approximately \$4 per form. The calculations below include 54,387 employees at executive and judicial branch state agencies, the average headcount for the most recently-completed five-year period (FY 2018 through 2022). It is assumed notice acknowledgment costs will be initially incurred in FY 2025, as premium deductions must begin on July 1, 2025, as required in article 1, section 19.

It is assumed that 34.3 percent of the costs calculated below will be paid from the general fund and 65.7 percent from all other state funds based on the overall allocation for all state agency employee compensation costs in FY 2022. The costs by fund may vary significantly by impacted state agency.

FY 2025: 54,387 executive and judicial branch employees x \$4 per acknowledgment = \$217,548

General fund: \$74,619

All other state funds: \$142,929

FY 2026: 25,322 executive and judicial branch employees x \$4 per acknowledgment = \$101,288

General fund: \$34,742

All other state funds: \$66,546

FY 2027 and ongoing: 25,322 executive and judicial branch employees x \$4 per acknowledgment = \$101,288

General fund: \$34,742

All other state funds: \$66,546

These costs will be pushed out a year with this bill.

Long-Term Fiscal Considerations

Local Fiscal Impact

Units of local government may be subject to the same costs identified in this fiscal note for executive and judicial branch state agencies, including the employer-paid premiums required in this bill.

References/Sources

Agency Contact: Ronika Rampadarat 651-201-8115

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat

Phone: 651-201-8115

Date: 2/14/2025 4:25:30 PM

Email: ronika.rampadarat@state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Minnesota State**

| 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 | |
|-----------------------|----------|--------------|----------------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | (534) | (534) | - | - |
| Total | - | (534) | (534) | - | - |
| Biennial Total | | | (1,068) | | - |

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

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: Steve McDaniel **Date:** 2/21/2025 8:37:57 PM
Phone: 651-284-6437 **Email:** steve.mcdaniel@lbo.mn.gov

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 | | Biennium | | Biennium | |
|---|--------|----------|---------|----------|--------|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | (534) | (534) | - | - |
| Total | - | (534) | (534) | - | - |
| Biennial Total | | | (1,068) | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | - | (534) | (534) | - | - |
| Total | - | (534) | (534) | - | - |
| Biennial Total | | | (1,068) | | - |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | |

Bill Description

This bill delays implementation of the Minnesota Paid Leave Law by one year. Premium payments and access to benefits under this program would begin on January 1, 2027, rather than January 1, 2026.

Assumptions

For this fiscal note, Minnesota State's estimated premium payments are included in the Minnesota Management and Budget (MMB) portion of this fiscal note.

This portion of the fiscal provides an estimate related to the need to back-fill faculty positions to cover work that would have been done by employees on leave. This estimate focuses on work that needs to continue to ensure continuity of instruction and student support services. Some work may be redistributed, but the instructional roles would more likely require an adjunct faculty member or temporary part-time faculty member emergency hire. Based upon experience calculated for fiscal year 2024, the estimated cost of backfilling these positions is shown below.

For this fiscal note, the program delay to January 1, 2027, is being shown as a savings of 50% of the estimated initial year's backfill costs in FY 2026 and 50% in FY2027. Because bonding leave can be taken by both parents within 12 months of a birth, adoption, or foster placement, it is likely that costs in the initial year of this program are greater than in subsequent years, meaning the FY 2026 savings will likely be less than the amount shown.

Expenditure and/or Revenue Formula

Cost of backfilling position starting in fiscal year 2026.

| Plan | Avg cost temp/adjunct | FTE utilizing benefit | Total cost | Pro-rated 12-weeks | 50% Portion |
|--------------|--------------------------|-----------------------|----------------|-----------------------|---------------------|
| MSUAASF | \$48,402.67 | 8 | \$387,221.36 | \$89,358.78 | \$44,679.39 |
| MSCF | \$72,072.48 | 40 | \$2,882,899.31 | \$665,284.46 | \$332,642.23 |
| IFO | \$45,131.91 | 30 | \$1,353,957.31 | \$312,451.69 | \$156,225.84 |
| Total | | | | \$1,067,094.92 | \$533,547.46 |

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Steve Ernest (651-201-6580)

Agency Fiscal Note Coordinator Signature: Steve Ernest

Phone: 651-201-1710

Date: 2/21/2025 4:31:48 PM

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HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Revenue 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 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|--|----------|--------|--------|----------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |

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: Joel Enders **Date:** 2/8/2025 8:40:08 AM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

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 | | Biennium | | | Biennium | |
|--|--|-----------------|--------|--------|-----------------|--------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

Bill Description

This bill amends the Minnesota Paid Leave Law to delay implementation by one year.

Assumptions

The Department of Revenue assumes no impact from this bill.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Date: 2/7/2025 4:41:06 PM

Phone: 651-556-6308

Email: chelsea.magadance@state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Secretary of State**

| 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 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|--|----------|--------|--------|----------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |

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: Chloe Burns **Date:** 2/9/2025 11:45:45 AM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

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 | | Biennium | | | Biennium | |
|--|--|-----------------|---------------|---------------|-----------------|---------------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

Bill Description

This bill delays enactment of certain provisions of the Minnesota Paid Leave Law by one year. It does not modify the program in any substantive way.

The Secretary of State's obligations under the current version of this law are limited to Minnesota Statutes section 268B.23. This section requires Secretary of State to develop and maintain a filing system for liens filed under this law. The bill here does not delay of that section.

Under this section, the Secretary collects a fee of \$15 whenever a civil action is brought against any person not a resident of this state for purposes of service of process.

Assumptions

This bill will not impact the Secretary of State because it does not delay the provisions of the paid leave law that relate to this Office. The Secretary of State has already completed work on its lien system and does not anticipate any new costs will result from delayed implementation.

The fiscal note for the enacting legislation for the Paid Leave Law assumed a certain number of lien filings. This assumption has been updated; the Secretary of State does not anticipate there would be any enforcement actions brought against out-of-state parties during the first few years this program is in place. The Secretary therefore does not anticipate a loss of fee revenue as a result of the delay. The Secretary also does not anticipate fee revenues of any note once the program becomes active. This is based on the Secretary's experience administering the tax lien program for the Department of Revenue, which has historically not required the Secretary to provide service of process on out-of-state residents.

Expenditure and/or Revenue Formula

No expenditures are anticipated.

Long-Term Fiscal Considerations

None.

Local Fiscal Impact

Not applicable.

References/Sources

Justin Erickson 651-201-6895, justin.erickson@state.mn.us

Agency Contact: Adam Hansen (651) 201-6870

Agency Fiscal Note Coordinator Signature: Adam Hansen

Phone: 651-201-6870

Date: 2/7/2025 4:26:37 PM

Email: adam.hansen@state.mn.us

HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **Supreme Court**

| 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 | |
|----------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Dollars in Thousands | | | | | |
| General Fund | - | - | (163) | - | - |
| Total | - | - | (163) | - | - |
| Biennial Total | | | (163) | | - |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | - | (1.5) | - | - |
| Total | - | - | (1.5) | - | - |

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: Susan Nelson **Date:** 2/7/2025 9:22:43 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

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 | | Biennium | | | Biennium | |
|--|---|-----------------|---------------|---------------|-----------------|---------------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | - | (163) | - | - | - |
| Total | - | - | (163) | - | - | - |
| Biennial Total | | | (163) | | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| General Fund | - | - | (247) | - | - | - |
| Total | - | - | (247) | - | - | - |
| Biennial Total | | | (247) | | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| General Fund | - | - | (84) | - | - | - |
| Total | - | - | (84) | - | - | - |
| Biennial Total | | | (84) | | | - |

Bill Description

HF9015-0 delays the implementation of the Minnesota Paid Leave Law by one year, amending several provisions of Minnesota Statutes Chapter 268B. Chapter 268B establishes a family and medical benefit insurance program administered by the Department of Employment and Economic Development (DEED). Employers are required to grant leave to employees during the period of benefit receipt. The program is funded through contributions from an employer tax and employee payroll deductions.

Assumptions

The Minnesota Judicial Branch previously completed a fiscal note on HF2-4A in 2023, which provides the basis for the following assumptions. The fiscal note completed for HF2-4A contemplated an effective date of July 1, 2025. The Minnesota Paid Leave Law, as enacted in 2023, will be effective January 1, 2026. The calculations below are based upon the prior analysis and includes updated case data and costs to provide analysis based on a January 1, 2027 effective date.

Employer's Tax

The Minnesota Judicial Branch is an employer required to pay taxes on the wages paid to employees in covered employment for each calendar year up to the maximum.

The Minnesota Judicial Branch tax obligation will be calculated by Minnesota Management and Budget (MMB) and included in its fiscal note worksheet.

Appeals

Appeals will be filed with the Minnesota Court of Appeals for denial of claims, assessment of penalties, and denial of credit adjustments and refunds. The number of appeals that may be filed for denied benefit claims and other reasons is unknown. It is assumed the number of appeals will be at least the number of unemployment claims appealed to the Court of Appeals in the calendar years 2022, 2023, and 2024. The average number of unemployment appeals in CY22, CY23, and CY24 was 60 per calendar year (84 + 46 + 50). Initially, the number of appeals may be higher than this average but it would be expected to level off over time to be comparable to the unemployment claim appeals.

Approximately 80% of all appeals filed with the Minnesota Court of Appeals are briefed and assigned to a three-judge panel. It is assumed that there will be approximately 48 benefit denial cases briefed per year (60 appeals x 80%). Two hundred and twenty-five (225) briefed cases per year require the time of one three judge court of appeals panel (three

court of appeals judges). One additional staff attorney is also needed to process each increase of 225 briefed cases. Because the anticipated increase appellate filings will not reach 225 cases, it is assumed no additional appellate court judge or staff will be needed and that the additional appellate filings will be absorbed.

No appeals will be filed with the Court of Appeals before 1/1/2027, but most likely not until after 7/1/2027. The appellate filing fee in FY28 will be \$550 under Minn. Stat. §357.08.

Civil Action

An employee who is injured as a result of a violation of the employment protections section of the bill may bring a cause of action in district court to recover damages and for injunctive and other equitable relief. The number of civil actions that may be filed is unknown.

For purpose of this fiscal note, the number of employment cases will be used to calculate impact. The average number of employment cases filed in district court in 2022, 2023 and 2024 was 295 cases (289 + 308 + 289). It is assumed that the increase in the number of district court cases filed as a result of this bill would not be more than one half of all the other employment cases filed or approximately 148 cases. It is assumed the weighted caseload value for employment cases of 503 minutes per case will apply. Assessed Judge Need = Filings x Case Weight / Judge Year Value. For purpose of this fiscal note, the Judge Year Value used is a statewide average of 78,000 minutes. An increase in case filings of 148 cases would require an increase of 1 judge FTE. (503 minutes x 148 cases divided by 78,000 minutes per year = .95 judge FTE). One additional judge FTE requires one judge unit that includes a judge, court reporter and law clerk. It is assumed 1 FTE will be required for FY28. It is assumed that this increase in cases will not require any additional court administration staff.

It is assumed that no private causes of action can be filed with the District Courts before 1/1/2027 when the bill takes effect, and most likely will not be filed until after 7/1/2027. It is assumed the current civil filing fee of \$285 under Minn. Stat. §357.021 will apply in FY27 and FY28. The amount of the law library fee will depend on the county in which the case is filed.

Tax Collection

DEED may bring an action in district court to collect overdue taxes from an employer as provided under Minn. Stat. § 16D.14. The number of civil actions that may be filed is unknown. For purposes of this fiscal note, the number of cases filed to collect unemployment insurance taxes will be used to calculate impact. There were no cases found where DEED was the plaintiff in an action to recover overdue unemployment insurance taxes from an employer under Chapter 268 in 2022, 2023 or 2024. There were no cases found where DEED was the plaintiff in an action to recover overpaid unemployment insurance benefits in 2022, 2023, or 2024. It is assumed that there is a negligible impact on the need for district court judges and court administration staff to process claims to collect overdue taxes from an employer under this legislation.

It is assumed that this will not cause a change in revenue as court filing fees, docketing fees or release of judgment fees cannot be assessed against the state under section 16D.14.

Judgments entered in these actions would have an interest rate of 1% per month, instead of the rate set in Minn. Stat. § 549.09, subd. 1(c)(i). Because of the previously received one-time funding to configure this interest rate in the court's case management system, it is assumed that the Judicial Branch will have no additional technology expenses.

Subpoena Enforcement

The commissioner or benefit judge has the authority to issue subpoenas to compel the attendance of individuals and the production of documents and personal property necessary in connection with the administration of the Program.

The commissioner or benefit judge may petition or apply to the Ramsey County District Court to enforce the subpoena when a person refuses to comply with the subpoena issued. For purposes of this fiscal note, the number of subpoenas will be compared to the number of subpoenas issued in unemployment insurance cases under Minn. Stat. § 268.188. There have been no applications filed in Ramsey County District Court for enforcement of a subpoena issued in an unemployment insurance matter in 2021 or 2022. It is assumed that an application for subpoena enforcement under this bill would be rare and have nominal fiscal impact.

Additional Human Resources Staff

When this note was originally drafted in 2023, the note failed to consider the administrative burden on the Judicial Branch as an employer. The Judicial Branch has since learned that to ensure the successful implementation and ongoing administration of the Minnesota Paid Leave Law under this bill, it would require a significant amount of time and work to ensure compliance with program requirements. Though this is not a new cost as a result of the language of HF9015, it is assumed that the administrative work of the program cannot be absorbed by the Judicial Branch and that this increase of work would require 1 FTE Human Resources employee commencing in FY27 to prepare for the effective date of 1/1/27 and that this expense would be ongoing.

As a separate branch of government, it is assumed that the responsibility for implementing and administering this program lies entirely with the Minnesota Judicial Branch's Human Resources team. To date, implementing this program has required significant time and resources, with ongoing impacts expected that necessitate additional staffing support. Human Resources staff have invested significant time attending training sessions, reviewing proposed rules, and analyzing the program's impact on employees and judges. The Judicial Branch has also begun revising internal paid leave policies and planning necessary changes to payment processes to ensure compliance. It is assumed that this increase in work will continue. It is further assumed that this bill places additional responsibilities on the Judicial Branch as an employer, including, verifying employee eligibility and attestation forms, responding to employee application-related requests within seven days, and confirming or disputing employee claims as required. These ongoing and future obligations will require sustained effort and resources to ensure the program is implemented effectively across statewide Judicial Branch.

Expenditure and/or Revenue Formula

Some of the expenditures and state general fund revenue realized by this bill will occur outside the scope of this fiscal note. The reduction in costs and revenues indicated on this fiscal note in FY2027 acknowledges that by delaying the program for one year, there will likely be a minimal number of cases filed in FY2027.

Technology costs

It is anticipated there will be no additional technology costs.

Judge costs

This bill will not require an additional court of appeals panel.

An application for subpoena enforcement under this bill would be rare and have nominal fiscal impact.

The underlying program impacted by this bill will increase cases heard by the Minnesota Judicial Branch. The fiscal note that was completed in 2023 identified the need for a new judge unit starting in fiscal year 2027. In the enacting legislation, the legislature did not appropriate dedicated funds for a new judge unit to account for this increase in cases.

Delaying the implementation date of the program does not eliminate the need for a new judge unit. The private cause of action and tax collection cases will result in an increase in the number of cases filled in district court and require 1 judge unit FTE beginning in FY28. Judge unit costs have increased since the fiscal note in 2023. The estimated FY28 cost for a district court judge unit comprised of a judge, court reporter and law clerk is \$540,000 in the first year, including \$33,000 for chambers startup costs, and at least \$507,000 in FY2029 and beyond.

Revenue

It is also anticipated that fee revenue will increase with the increase of appellate court and district court case filings.

The filing fee of \$550 in Minn. Stat. § 357.08 will apply to the parties who file an appeal with the Court of Appeals. It is not known how many appellants will apply for and be granted in forma pauperis status. It is assumed that approximately 25% of claimants who appeal to the court of appeals will have been granted in forma pauperis status. It is assumed that filing fees will be paid beginning FY28. The amount of appellate court additional revenue per fiscal year is estimated as follows:

60 cases x 2 parties per appeal x \$550 x 0.75 (assuming 25% IFP) = \$49,500 per fiscal year.

The fees in Minn. Stat. § 357.021 will apply to cases filed in the District Court, unless a party is granted an order to proceed in forma pauperis or another exemption applies. Filing fees include the civil filing fee plus the county law library

fee. Assuming district court civil filing fees will be paid in approximately 148 cases (estimated number of private causes of action filed), the increase to the state general fund is estimated to be \$63,270 (\$285 x 148 cases x 2 parties x 0.75 (assuming 25% IFP) per fiscal year. The fees in Minn. Stat. § 357.021 will not apply to DEED in cases brought to collect the benefits taxes under section 268B.23, subd. 4.

The total increase in district court filing fee revenue for FY28 and beyond is estimated at \$112,770. (\$49,500 + \$63,270 = \$112,770.)

Additional Human Resources Staff

Though this is not a new cost as a result of the language of HF9015, in FY27, it is anticipated that the cost of one additional FTE Human Resources employee is \$138,000 (2,088 hours per year x \$66.09/hour (including benefits). This cost would begin in FY27 and be ongoing thereafter.

Long-Term Fiscal Considerations

It is not known if MJB can absorb the employer's tax beginning January 1, 2027. The Judicial Branch may need to seek an appropriation to cover the cost of the tax. Furthermore, the Judicial Branch has not been appropriated dedicated funds for administering the program or for an additional judge unit, and the Judicial Branch may need to seek an additional budget request in the future.

Local Fiscal Impact

This bill will increase revenues for county law libraries in FY28 and beyond.

References/Sources

Agency Contact:

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HF11 - 0 - Minnesota Paid Leave Law Delayed

Chief Author: **Dave Baker**
 Committee: **Workforce, Labor, and Economic Development Finance and Policy**
 Date Completed: **2/28/2025 3:32:11 PM**
 Agency: **University Of Minnesota**

| 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 | |
|-----------------------|----------|--------------|----------------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | (694) | (694) | - | - |
| Total | - | (694) | (694) | - | - |
| Biennial Total | | | (1,388) | | - |

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

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: Steve McDaniel **Date:** 2/21/2025 8:32:25 AM
Phone: 651-284-6437 **Email:** steve.mcdaniel@lbo.mn.gov

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 | | Biennium | | Biennium | |
|--|---------------|-----------------|----------------|-----------------|---------------|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | (694) | (694) | - | - |
| Total | - | (694) | (694) | - | - |
| Biennial Total | | | (1,388) | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | - | (694) | (694) | - | - |
| Total | - | (694) | (694) | - | - |
| Biennial Total | | | (1,388) | | - |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

Bill Description

This bill proposes a modification to the Minnesota Paid Leave Law, amending Minnesota Statutes 2024, sections 268B.02, subdivision 6; 268B.14, subdivisions 6, 7; 268B.17; 268B.18; 268B.25; 268B.26.

This modification would delay the effective date of implementation of the Minnesota Paid Law by one year from January 1, 2026, to January 1, 2027.

Assumptions

The premium rate of 0.88% is from an actuarial analysis provided by DEED in February 2024. The fiscal note assumes the employer is paying 50 percent (0.44 percent).

The costs featured in the chart below apply whether the University of Minnesota provides MN PFML through the state of Minnesota or through a third-party administrator.

The premium assumption is based on a payroll of \$1,776,213,800.

Expenditure and/or Revenue Formula

FY26 savings for no longer paying 1/2 year of premiums at .44%: -\$3,907,670

FY26 savings for no longer backfilling employees for 1/2 year: -\$1,452,661

FY26 new cost for paying the leave benefits of employees taking leave for 1/2 year: \$4,666,541

FY2027 total: -\$693,790

FY27 savings for no longer paying 1/2 year of premiums at .44%: -\$3,907,670

FY27 savings for no longer backfilling employees for 1/2 year: -\$1,452,661

FY27 new cost for paying the leave benefits of employees taking leave for 1/2 year: \$4,666,541

FY2027 total: -\$693,790

Long-Term Fiscal Considerations

None.

Local Fiscal Impact

This bill will affect all Minnesota employers.

References/Sources

Mary Rohman Kuhl, Director of Total Rewards, Office of Human Resources, University of Minnesota
Kate Stuckert, Chief of Staff, Office of Human Resources, University of Minnesota

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Agency Fiscal Note Coordinator Signature: Keeya Steel

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