

## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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      Minnesota State  
     Budget      University Of Minnesota  
     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        |        |
|---------------------------------------|---|----------|--------|----------------|-----------------|--------|
| Dollars in Thousands                  |   | FY2023   | FY2024 | FY2025         | FY2026          | FY2027 |
| <b>Employment and Economic Dvlpmt</b> |   |          |        |                |                 |        |
| Family and Medical Benefit Ins        | - | -        | -      | (7,820)        | (13,589)        |        |
| <b>Legislature</b>                    |   |          |        |                |                 |        |
| General Fund                          | - | -        | -      | 13             | 25              |        |
| <b>Metropolitan Council</b>           |   |          |        |                |                 |        |
| General Fund                          | - | -        | -      | 173            | 352             |        |
| <b>Minn Management and Budget</b>     |   |          |        |                |                 |        |
| General Fund                          | - | -        | -      | 379            | 758             |        |
| All Other Funds                       | - | -        | -      | 726            | 1,453           |        |
| <b>University Of Minnesota</b>        |   |          |        |                |                 |        |
| General Fund                          | - | -        | -      | 444            | 888             |        |
| <b>State Total</b>                    |   |          |        |                |                 |        |
| Family and Medical Benefit Ins        | - | -        | -      | (7,820)        | (13,589)        |        |
| General Fund                          | - | -        | -      | 1,009          | 2,023           |        |
| All Other Funds                       | - | -        | -      | 726            | 1,453           |        |
| <b>Total</b>                          | - | -        | -      | <b>(6,085)</b> | <b>(10,113)</b> |        |
| <b>Biennial Total</b>                 |   |          |        |                | <b>(16,198)</b> |        |

| Full Time Equivalent Positions (FTE)  |   | Biennium |        |        | Biennium |        |
|---------------------------------------|---|----------|--------|--------|----------|--------|
|                                       |   | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| <b>Employment and Economic Dvlpmt</b> |   |          |        |        |          |        |
| Family and Medical Benefit Ins        | - | -        | -      | -      | -        | -      |
| <b>Legislature</b>                    |   |          |        |        |          |        |
| General Fund                          | - | -        | -      | -      | -        | -      |
| <b>Metropolitan Council</b>           |   |          |        |        |          |        |
| General Fund                          | - | -        | -      | -      | -        | -      |

| Full Time Equivalent Positions (FTE) | Biennium |        |        | Biennium |        |
|--------------------------------------|----------|--------|--------|----------|--------|
|                                      | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| Minn Management and Budget           |          |        |        |          |        |
| General Fund                         | -        | -      | -      | -        | -      |
| All Other Funds                      | -        | -      | -      | -        | -      |
| University Of Minnesota              |          |        |        |          |        |
| General Fund                         | -        | -      | -      | -        | -      |
| <b>Total</b>                         | -        | -      | -      | -        | -      |

#### 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.

This fiscal note uses the October 2023 Milliman actuarial analysis as the baseline from which changes to Chapter 268B are measured. This actuarial analysis can be found at <https://www.lrl.mn.gov/docs/2023/mandated/231691.pdf>. The baseline projections used in the Department of Employment and Economic Development (DEED) fiscal note can be found on page 13 of the October 2023 actuarial analysis. As part of the October 2023 actuarial analysis, an assumption was made that the first week of leaves, other than parental/bonding leaves, is not an eligible paid week. This bill language clarifies that the first week of all leaves taken under Chapter 268B are paid. Therefore, the cost of the first week of benefits being eligible paid weeks is included in the impacts displayed in this fiscal note. the baseline assumption that the first week of leave is unpaid except for bonding claims is based on the departments interpretation of the Paid Leave law and is a deviation from previous fiscal notes developed for HF2/SF2 in the 2023 Legislative Session. In the fiscal note, DEED also assumes that it will exercise the authority given to it under Minnesota Laws 2023, chapter 59, article 1, section 41, to adjust the premium rate assessed to employers in the first year of the PFML program from the current law initial rate of 07% as defined in Minnesota Statutes 268B.14, subdivision 6, to a first-year rate of 0.78%. The 0.78% rate is the baseline rate used from which the adjustments in this bill are measured. The new premium rate assumed after implementation of HF 5363-1E is 0.88%. The premium rate of 0.88% in the fiscal note is from an actuarial analysis provided to DEED in February 2024. The February 2024 actuarial analysis can be found at <https://www.leg.mn.gov/docs/2024/other/240787.pdf>. The assumptions used to determine the impacts of HF 5363-1E can be found on page 10 of that February analysis.

**LBO Signature:** Alyssa Holterman Rosas    **Date:** 5/15/2024 8:18:34 AM  
**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.

| <b>State Cost (Savings) = 1-2</b>                        |   | <b>Biennium</b> |               |                | <b>Biennium</b> |               |
|--|---|-----------------|---------------|----------------|-----------------|---------------|
| <b>Dollars in Thousands</b>                              |   | <b>FY2023</b>   | <b>FY2024</b> | <b>FY2025</b>  | <b>FY2026</b>   | <b>FY2027</b> |
| <b>Employment and Economic Dvlpmt</b>                    |   |                 |               |                |                 |               |
| Family and Medical Benefit Ins                           | - | -               | -             | (7,820)        | (13,589)        |               |
| <b>Legislature</b>                                       |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | 13             | 25              |               |
| <b>Metropolitan Council</b>                              |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | 173            | 352             |               |
| <b>Minn Management and Budget</b>                        |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | 379            | 758             |               |
| All Other Funds  | - | -               | -             | 726            | 1,453           |               |
| <b>University Of Minnesota</b>                           |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | 444            | 888             |               |
| <b>Total</b>   | - | -               | -             | <b>(6,085)</b> | <b>(10,113)</b> |               |
| <b>Biennial Total</b>                                    |   |                 | -             |                | <b>(16,198)</b> |               |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |   |                 |               |                |                 |               |
| <b>Employment and Economic Dvlpmt</b>                    |   |                 |               |                |                 |               |
| Family and Medical Benefit Ins                           |   |                 |               |                |                 |               |
| Expenditures   | - | -               | -             | 78,550         | 163,150         |               |
| Absorbed Costs   | - | -               | -             | (50)           | (100)           |               |
| <b>Legislature</b>                                       |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | 13             | 25              |               |
| <b>Metropolitan Council</b>                              |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | 173            | 352             |               |
| <b>Minn Management and Budget</b>                        |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | 379            | 758             |               |
| All Other Funds  | - | -               | -             | 726            | 1,453           |               |
| <b>University Of Minnesota</b>                           |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | 444            | 888             |               |
| <b>Total</b>   | - | -               | -             | <b>80,235</b>  | <b>166,526</b>  |               |
| <b>Biennial Total</b>                                    |   |                 | -             |                | <b>246,761</b>  |               |
| <b>2 - Revenues, Transfers In*</b>                       |   |                 |               |                |                 |               |
| <b>Employment and Economic Dvlpmt</b>                    |   |                 |               |                |                 |               |
| Family and Medical Benefit Ins                           | - | -               | -             | 86,320         | 176,639         |               |
| <b>Legislature</b>                                       |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | -              | -               |               |
| <b>Metropolitan Council</b>                              |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | -              | -               |               |
| <b>Minn Management and Budget</b>                        |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | -              | -               |               |
| All Other Funds  | - | -               | -             | -              | -               |               |
| <b>University Of Minnesota</b>                           |   |                 |               |                |                 |               |
| General Fund   | - | -               | -             | -              | -               |               |
| <b>Total</b>   | - | -               | -             | <b>86,320</b>  | <b>176,639</b>  |               |

| <b>State Cost (Savings) = 1-2</b> |  | <b>Biennium</b> |               |               | <b>Biennium</b> |                |
|-----------------------------------|--|-----------------|---------------|---------------|-----------------|----------------|
| <b>Dollars in Thousands</b>       |  | <b>FY2023</b>   | <b>FY2024</b> | <b>FY2025</b> | <b>FY2026</b>   | <b>FY2027</b>  |
| <b>Biennial Total</b>             |  |                 |               | -             |                 | <b>262,959</b> |

**HF5363 - 4A - Paid Family and Medical Leave Modifications**

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 Agency: **Employment and Economic Dvlpmt**

| 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)<br>Dollars in Thousands | Biennium |        |        | Biennium       |                 |
|--|----------|--------|--------|----------------|-----------------|
|  | FY2023   | FY2024 | FY2025 | FY2026         | FY2027          |
| Family and Medical Benefit Ins               | -        | -      | -      | (7,820)        | (13,589)        |
| <b>Total</b>                                 | -        | -      | -      | <b>(7,820)</b> | <b>(13,589)</b> |
| <b>Biennial Total</b>                        |          |        | -      |                | <b>(21,409)</b> |

| Full Time Equivalent Positions (FTE) | Biennium |        |        | Biennium |        |
|--------------------------------------|----------|--------|--------|----------|--------|
|                                      | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| Family and Medical Benefit Ins       | -        | -      | -      | -        | -      |
| <b>Total</b>                         | -        | -      | -      | -        | -      |

**LBO Analyst's Comment**

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

This fiscal note uses the October 2023 Milliman actuarial analysis as the baseline from which changes to Chapter 268B are measured. This actuarial analysis can be found at <https://www.lrl.mn.gov/docs/2023/mandated/231691.pdf>. The baseline projections used in the Department of Employment and Economic Development (DEED) fiscal note can be found on page 13 of the October 2023 actuarial analysis. As part of the October 2023 actuarial analysis, an assumption was made that the first week of leaves, other than parental/bonding leaves, is not an eligible paid week. This bill language clarifies that the first week of all leaves taken under Chapter 268B are paid. Therefore, the cost of the first week of benefits being eligible paid weeks is included in the impacts displayed in this fiscal note. the baseline assumption that the first week of leave is unpaid except for bonding claims is based on the departments interpretation of the Paid Leave law and is a deviation from previous fiscal notes developed for HF2/SF2 in the 2023 Legislative Session. In the fiscal note, DEED also assumes that it will exercise the authority given to it under Minnesota Laws 2023, chapter 59, article 1, section 41, to adjust the premium rate assessed to employers in the first year of the PFML program from the current law initial rate of 07% as defined in Minnesota Statutes 268B.14, subdivision 6, to a first-year rate of 0.78%. The 0.78% rate is the baseline rate used from which the adjustments in this bill are measured. The new premium rate assumed after implementation of HF 5363-1E is 0.88%.

**LBO Signature:** Alyssa Holterman Rosas **Date:** 5/14/2024 1:21:16 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.

| <b>State Cost (Savings) = 1-2</b>                        |        | <b>Biennium</b> |        |                | <b>Biennium</b> |
|--|--------|-----------------|--------|----------------|-----------------|
| Dollars in Thousands                                     | FY2023 | FY2024          | FY2025 | FY2026         | FY2027          |
| Family and Medical Benefit Ins                           | -      | -               | -      | (7,820)        | (13,589)        |
| <b>Total</b>   | -      | -               | -      | <b>(7,820)</b> | <b>(13,589)</b> |
| <b>Biennial Total</b>                                    |        |                 | -      |                | <b>(21,409)</b> |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |        |                 |        |                |                 |
| Family and Medical Benefit Ins                           |        |                 |        |                |                 |
| Expenditures   | -      | -               | -      | 78,550         | 163,150         |
| Absorbed Costs   | -      | -               | -      | (50)           | (100)           |
| <b>Total</b>   | -      | -               | -      | <b>78,500</b>  | <b>163,050</b>  |
| <b>Biennial Total</b>                                    |        |                 | -      |                | <b>241,550</b>  |
| <b>2 - Revenues, Transfers In*</b>                       |        |                 |        |                |                 |
| Family and Medical Benefit Ins                           | -      | -               | -      | 86,320         | 176,639         |
| <b>Total</b>   | -      | -               | -      | <b>86,320</b>  | <b>176,639</b>  |
| <b>Biennial Total</b>                                    |        |                 | -      |                | <b>262,959</b>  |

### Bill Description

HF 5363 makes technical and clarification changes to the Minnesota Paid Leave law (Chapter 268B). Three changes are proposed with a fiscal component. One change would alter expected program benefit payments, although they would not affect program eligibility. The second relates to the mechanics of the small employer premium relief provision. The third requires an annual actuarial analysis.

### Assumptions

The bill changes the premium-setting approach from a formula based on program parameters to a regular actuarial analysis. Actuarial advice will vary based on future conditions, and the fund reserve can be reduced over time from 40% of annual program expenditures to 25% of anticipated annual program expenditures.

We expect that any additional scope in rulemaking required by HF 5363 will be counteracted by reduced rulemaking due to statutory changes contained in the same legislation. For example, HF 5363 will substantially reduce the need to conduct rulemaking on appeals.

Throughout this fiscal note, we use the October 2023 independent actuarial analysis submitted to the Legislature as the baseline for expenditure and revenue comparisons under this bill. This is different than the fiscal note for SF2 / HF2 in the 2023 legislative session, which used the United States Department of Labor Worker PLUS model for expenditure projections. The actuarial analysis used to form the baseline scenario, and the agency's interpretation of the law under the actuarial analysis, is that for all leaves other than bonding, the first week of a leave is not a payable week. Additionally, we assume an adjustment of the employer premium from 0.70% to 0.78% based on the proposed alternative scenario in the October 2023 actuarial analysis, and based on authority granted to the agency under Laws of Minnesota 2023, Chapter 59, Art. 1, Sec. 41. We use the October 2023 actuarial analysis as the baseline because it provides a more directly comparable set of data for evaluating the fiscal impact of this bill, as well as being more recently updated.

The actuarial analyses were conducted in calendar years; in this narrative section, we refer to the calendar year values to make the comparison easier with the underlying source material. The fiscal note summary is translated from calendar years into fiscal years by dividing the relevant calendar years by 2.

### Expenditure and/or Revenue Formula

HF 5363 (as updated by the A24 amendment) proposes an alteration to payments in an applicant's initial week of benefits. As proposed by the legislation, the initial week is fully paid, retroactively, if the seven-day qualifying event requirement is met. Actuarial analysis by independent actuaries Milliman place the incremental cost of this change in benefit payments at

\$146.8 million in calendar year 2026 compared with the actuarial baseline analysis submitted to the Legislature in October 2023. When factoring in administrative costs, this yields a change in 2026 total program expenditure of \$157.1 million (11%) from the actuarial baseline analysis.

|   | 2026 Benefits Paid (\$millions) | 2027 Benefits Paid (\$millions) | 2026 Total Expenditure (\$millions) | 2027 Total Expenditure (\$millions) |
|---|---------------------------------|---------------------------------|-------------------------------------|-------------------------------------|
| Actuarial Analysis Baseline (initial week not paid) | \$1,313.2                       | \$1,353.2                       | \$1,408.2                           | \$1,450.9                           |
| HF 5363 (initial week paid retroactively)           | \$1,460.0                       | \$1,511.2                       | \$1,565.3                           | \$1,620.1                           |

HF 5363 also changes the implementation of the small employer premium relief provision. Under the Paid Leave Law, employers with fewer than 30 employees have premiums reduced on a sliding scale. The wage base is reduced by the lesser of \$12,500 multiplied by the number of employees or \$120,000. For each employee over 20 employees, the exclusion is reduced by \$12,000.

HF 5363 alters this from a per-employee wage exclusion to a per-employee percentage tax credit. Employers with fewer than 30 employees will pay 50% of the normal employer portion of the premium, so long as the employer's average wage is no greater than 150% of the state average wage.

We estimate that this provision will reduce premium collections by a comparable amount to the current law's value of \$52,965,000, leading to cost savings (i.e. additional revenue collections) of \$239,000 annually. This is reflected in the Revenues and Transfers In table.

| Number of Employees                      | Estimated Annual OASDI Wages (\$000s) | Annual Employer Portion of Premium (\$000s) | Premium Reduction % | Premium Reduction (\$000s) |
|--|---------------------------------------|---|---------------------|----------------------------|
| Fewer than 5                             | 9,692,388                             | 33,923                                      | 50%                 | 16,962                     |
| 5 to 9                                   | 8,236,241                             | 28,827                                      | 50%                 | 14,413                     |
| 10 to 19                                 | 12,333,914                            | 43,169                                      | 50%                 | 21,584                     |
| 20 to 29                                 | 7,399,060                             | 25,897                                      | 50%                 | 12,948                     |
| Subtotal                                 |                                       |   |                     | 65,908                     |
| Assumed percentage of employers eligible |                                       |   |                     | 80%                        |
| <b>Total</b>                             |                                       |   |                     | <b>52,726</b>              |

The bill requires an annual actuarial analysis to set premiums. We estimate this would cost around \$100,000 per year, which can be absorbed as part of overall program expenditures. The bill allows, but does not require, the department to reset the initial (2026) premium rate, which is set by existing statute at 0.70%, as does the existing Paid Leave law. The October 2023 actuarial analysis recommends setting the initial premium rate (as well as the 2027 and 2028 rates) at 0.78%, which assumes that the initial week of benefits is only paid for bonding leave claims. We use this premium rate and the resultant revenue as the baseline for this analysis. We also provide a comparison with the premium formula under Chapter 59 if the agency were not to exercise its authority under Laws of Minnesota 2023, Chapter 59, Art. 1, Sec. 41, as to how the revenue collections would be projected under the baseline program expenses projected by the actuarial analysis. We do not use these values as the baseline, however, as the department would expect to use its authority under the existing law as noted above.

Actuarial analysis of the benefits provisions contained within HF 5363 recommends setting the 2026 premium rate (as well as the 2027 and 2028 rates) at 0.88%. If the 2026 premium is set at a lower rate than 0.88%, we would expect that the 2027 rate would need to be set higher than 0.88% based on the actuary's projection however, this will depend on actual outlays once the program begins paying benefits in 2026.

|  | 2026 Revenues Collected (\$millions) | 2027 Revenues Collected (\$millions) |
|--|--------------------------------------|--------------------------------------|
| Chapter 59 (Actuaries Projected Formula) | \$1,223.2 (0.70% projected rate)     | \$1,687.3 (0.92% projected rate)     |
| Actuarial Analysis Baseline (0.78% rate) | \$1,360.5                            | \$1,424.2                            |
| HF 5363 (0.88% rate)                     | \$1,532.9                            | \$1,604.6                            |

The difference in premium collections is not exactly equal to the difference in expenditures due to rounding in the premium rates recommended by the actuaries. Over the long term, we would expect premium collection and program expenditure to equalize.

### Long-Term Fiscal Considerations

The bill changes the premium-setting approach from a formula based on program parameters to a regular actuarial analysis. Use of an actuarial analysis is expected to allow for smoother premium rate-setting overall.

**Local Fiscal Impact**

**References/Sources**

Milliman, Inc. Actuarial Analysis for Minnesota PFML Program Options (see Option 1, Projection 2) (2024).  
Milliman, Inc. Actuarial Analysis for the Minnesota Paid Family and Medical Leave Program (2023).

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Ross Whittemore

**Date:** 5/14/2024 1:17:24 PM

**Phone:** 651-259-7626

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## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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 |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| Total                |  | -        | -      | -      | -        | -      |
| Biennial Total       |  |          |        | -      |          | -      |

| Full Time Equivalent Positions (FTE) |  | Biennium |        |        | Biennium |        |
|--------------------------------------|--|----------|--------|--------|----------|--------|
|                                      |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| 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:** 5/14/2024 2:54:59 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                              |                | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
|   | Total          | -        | -      | -      | -        | -      |
|   | Biennial Total |          |        | -      |          | -      |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* |                |          |        |        |          |        |
|   | Total          | -        | -      | -      | -        | -      |
|   | Biennial Total |          |        | -      |          | -      |
| 2 - Revenues, Transfers In*                       |                |          |        |        |          |        |
|   | Total          | -        | -      | -      | -        | -      |
|   | Biennial Total |          |        | -      |          | -      |

### Bill Description

HF5363-4A provides for the commissioner of the Department of Employment and Economic Development (DEED) to conduct rulemaking to: further define and establish criteria for covered employment; adopt rules regarding an individual's capacity to declare a need for safety leave; establish what, if any, additional information may be requested from an applicant and notifications provided to an employer as part of the application and eligibility determination process for benefits; and implement a new appeals hearing process relating to paid family and medical leave benefits under Minnesota Statutes, Chapter 268B. The legislation authorizes DEED to conduct rulemaking to implement the provisions of Section 6, Section 16, Section 20, and Section 23 of this bill.

### 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 DEED's assumption that because DEED included rulemaking costs in the 2023 legislation for paid family and medical leave, that no new additional rulemaking costs will be incurred beyond what was identified and funded during the 2023 session.

### Expenditure and/or Revenue Formula

### Long-Term Fiscal Considerations

### Local Fiscal Impact

### References/Sources

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**Agency Fiscal Note Coordinator Signature:** Denise Collins

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**HF5363 - 4A - Paid Family and Medical Leave Modifications**

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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 |        |
|-----------------------|----------|--------|--------|----------|--------|
|                       | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| Dollars in Thousands  |          |        |        |          |        |
| <b>Total</b>          | -        | -      | -      | -        | -      |
| <b>Biennial Total</b> |          |        | -      |          | -      |

| Full Time Equivalent Positions (FTE) | Biennium |        |        | Biennium |        |
|--------------------------------------|----------|--------|--------|----------|--------|
|                                      | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| <b>Total</b>                         | -        | -      | -      | -        | -      |

**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:** 5/14/2024 5:49:14 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.

| <b>State Cost (Savings) = 1-2</b>                        |  | <b>Biennium</b> |               |               | <b>Biennium</b> |               |
|--|--|-----------------|---------------|---------------|-----------------|---------------|
| Dollars in Thousands                                     |  | <b>FY2023</b>   | <b>FY2024</b> | <b>FY2025</b> | <b>FY2026</b>   | <b>FY2027</b> |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |  |                 |               |               |                 |               |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |
| <b>2 - Revenues, Transfers In*</b>                       |  |                 |               |               |                 |               |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |

**Bill Description**

House File 5363-4A adds provisions to last year's Paid Family Medical Leave (PFML) legislation, including:

- clarification of benefits for those with multiple employers
- coordination of paid leave with wage replacement
- description of an appeals process
- provision for insurers to file products at least 60 days prior to the product's effective date, with Commerce having the right to extend the review period by up to 60 days
- allowance of any company licensed to sell accident and health insurance products to sell PFML products
- description of an appeals process related to a private plan with a further appeals process to DEED
- explanation that the employer at the time of claim is responsible for paying the full claim even if the claimant changes employers
- small employer premium rates and other considerations
- details regarding a bi-annual actuarial study of funding level and premium rates
- data privacy provisions
- definition of "initial paid week"
- provision that allows the commissioner's to adopt rules related to defining "covered employment"

**Assumptions**

The bill reflecting revisions to the PFML program do not appear to materially impact the amount of work performed by Commerce Insurance Division.

**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:** 5/14/2024 5:24:14 PM

**Email:** amy.trumper@state.mn.us

## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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 |        |
|----------------------|--|----------|--------|--------|----------|--------|
| Dollars in Thousands |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| Total                |  | -        | -      | -      | -        | -      |
| Biennial Total       |  |          |        | -      |          | -      |

| Full Time Equivalent Positions (FTE) |  | Biennium |        |        | Biennium |        |
|--------------------------------------|--|----------|--------|--------|----------|--------|
|                                      |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| 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.

This fiscal note has been reviewed and meets the LBO requirements for compliance with the fiscal note Uniform Standards and Procedures. DHS provided an estimate that includes significant fiscal impacts in years not shown on the State Cost (Savings) Table. Please review the Long Term Fiscal Considerations section of the fiscal note for an explanation of the range of possible fiscal impacts

**LBO Signature:** Kate Schiller **Date:** 5/13/2024 8:42:38 PM  
**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.

| <b>State Cost (Savings) = 1-2</b>                        |  | <b>Biennium</b> |        |        | <b>Biennium</b> |        |
|--|--|-----------------|--------|--------|-----------------|--------|
| Dollars in Thousands                                     |  | FY2023          | FY2024 | FY2025 | FY2026          | FY2027 |
| <b>Total</b>   |  | -               | -      | -      | -               | -      |
| <b>Biennial Total</b>                                    |  |                 |        | -      |                 | -      |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |  |                 |        |        |                 |        |
| <b>Total</b>   |  | -               | -      | -      | -               | -      |
| <b>Biennial Total</b>                                    |  |                 |        | -      |                 | -      |
| <b>2 - Revenues, Transfers In*</b>                       |  |                 |        |        |                 |        |
| <b>Total</b>   |  | -               | -      | -      | -               | -      |
| <b>Biennial Total</b>                                    |  |                 |        | -      |                 | -      |

**Bill Description**

This bill makes modifications to Minnesota Statute 268B related to Paid Family and Medical Leave (PFML). One change is the premium rates effective on January 1, 2026. The original rates were 0.78 percent and this bill proposes a change to 0.88 percent.

**Assumptions**

Since this change is effective January 1, 2026, it will not appear in nursing facility cost reports until Cost Reporting year 2026. This means no additional Medical Assistance costs will be reflected in nursing facility payment rates until January 1, 2028, which is outside the current budget horizon of Fiscal Years 2024-27. There will be costs in Fiscal Year 2028 and beyond.

**Expenditure and/or Revenue Formula****Long-Term Fiscal Considerations**

Costs associated with this bill will be incurred annually beyond State Fiscal Year 2027. Beginning with State Fiscal Year 2029, the estimate cost per year of PFML is approximately \$1.1 million (state share), with a pro-rated value in State Fiscal Year 2028.

**Local Fiscal Impact****References/Sources****Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Chris Zempel

**Phone:** 651-247-3698

**Date:** 5/13/2024 5:56:43 PM

**Email:** christopher.zempel@state.mn.us

## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 Agency: **Labor and Industry Dept**

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

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

| State Cost (Savings)  | Biennium |        |        | Biennium |        |
|-----------------------|----------|--------|--------|----------|--------|
|                       | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| Dollars in Thousands  |          |        |        |          |        |
| <b>Total</b>          | -        | -      | -      | -        | -      |
| <b>Biennial Total</b> |          |        | -      |          | -      |

| Full Time Equivalent Positions (FTE) | Biennium |        |        | Biennium |        |
|--------------------------------------|----------|--------|--------|----------|--------|
|                                      | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| <b>Total</b>                         | -        | -      | -      | -        | -      |

## 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:** 5/14/2024 10:22:36 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.

| <b>State Cost (Savings) = 1-2</b>                        |  | <b>Biennium</b> |               |               | <b>Biennium</b> |               |
|--|--|-----------------|---------------|---------------|-----------------|---------------|
| Dollars in Thousands                                     |  | <b>FY2023</b>   | <b>FY2024</b> | <b>FY2025</b> | <b>FY2026</b>   | <b>FY2027</b> |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |  |                 |               |               |                 |               |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |
| <b>2 - Revenues, Transfers In*</b>                       |  |                 |               |               |                 |               |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |

**Bill Description**

This bill modifies certain provisions of Minn. Stat. Ch. 268B.

Section 1 names the chapter the “Minnesota Paid Leave Law” (MPLL).

Section 24 amends Minn. Stat. 268B.09, subd. 1 by clarifying the definition of the term “leave” to include leave taken for any day for which the commissioner has determined that an employee is eligible for benefits or leave as well as when an employee has applied for benefits in good faith.

Section 25 amends Minn. Stat. 268B.09, subd. 6(c)(1) to establish that when an employee returns to a position for which they received overtime pay, they are ordinarily entitled to overtime pay and hours upon their return to work. It also establishes that if a pay premium or overtime has been decreased or eliminated for other similarly classified employees, an employee is not entitled to restoration of the pay premium or overtime.

Section 37 amends Minn. Stat. 268B.14, subd. 3 to limit the rate required to be paid to employees after premium deductions are taken from their wages to no longer include a rate required by “other legal authority.”

**Assumptions**

DLI has enforcement authority over Minn. Stat. 268B.09, subdivisions 1 to 6 (certain employment protections) and 268B.14, subdivision 3 (employee charge back) of the MPLL.

The amendments to the provisions over which DLI has enforcement authority as listed above do not substantially alter the rights or responsibilities under those provisions; the amendments mainly provide clarification to the law. As such, DLI does not anticipate a fiscal impact related to these amendments to the MPLL.

**Expenditure and/or Revenue Formula**

NA

**Long-Term Fiscal Considerations**

NA

**Local Fiscal Impact**

NA

**References/Sources**

NA

**Agency Contact:** Jessica Grosz 651-284-5307

**Agency Fiscal Note Coordinator Signature:** Jacob Gaub

**Phone:** 651-284-5812

**Date:** 5/14/2024 10:04:54 AM

**Email:** jacob.gaub@state.mn.us

## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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  |           |
|-----------------------|----------|----------|----------|-----------|-----------|
|                       | FY2023   | FY2024   | FY2025   | FY2026    | FY2027    |
| Dollars in Thousands  |          |          |          |           |           |
| General Fund          | -        | -        | -        | 13        | 25        |
| <b>Total</b>          | <b>-</b> | <b>-</b> | <b>-</b> | <b>13</b> | <b>25</b> |
| <b>Biennial Total</b> |          |          | <b>-</b> |           | <b>38</b> |

| Full Time Equivalent Positions (FTE) | Biennium |          |          | Biennium |          |
|--------------------------------------|----------|----------|----------|----------|----------|
|                                      | FY2023   | FY2024   | FY2025   | FY2026   | FY2027   |
| General Fund                         | -        | -        | -        | -        | -        |
| <b>Total</b>                         | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

**LBO Analyst's Comment**

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

This fiscal note uses the assumption made by the Department of Employment and Economic Development (DEED) in this fiscal note that the agency would exercise its authority under Minnesota Laws 2023, chapter 59, article 1, section 41, to adjust the premium rate assessed to employers in the first year of the Paid Family Medical Leave program from the current law initial rate of 0.7%. The Legislatures fiscal note uses the assumption by DEED that under current law, the initial years base premium rate would be 0.78%. The fiscal impact shown on the fiscal note tables measure the change between the 0.78% base premium amount and the premium rate of 0.88% identified in the February 2024 Milliman letter that projects the impacts of the changes to premium rates and benefits in this bill.

**LBO Signature:** Chloe Burns      **Date:** 5/14/2024 7:40:21 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.

| <b>State Cost (Savings) = 1-2</b>                        |   | <b>Biennium</b> |        |        | <b>Biennium</b> |           |
|--|---|-----------------|--------|--------|-----------------|-----------|
| Dollars in Thousands                                     |   | FY2023          | FY2024 | FY2025 | FY2026          | FY2027    |
| General Fund   | - | -               | -      | -      | 13              | 25        |
| <b>Total</b>   | - | -               | -      | -      | <b>13</b>       | <b>25</b> |
| <b>Biennial Total</b>                                    |   |                 |        | -      |                 | <b>38</b> |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |   |                 |        |        |                 |           |
| General Fund   | - | -               | -      | -      | 13              | 25        |
| <b>Total</b>   | - | -               | -      | -      | <b>13</b>       | <b>25</b> |
| <b>Biennial Total</b>                                    |   |                 |        | -      |                 | <b>38</b> |
| <b>2 - Revenues, Transfers In*</b>                       |   |                 |        |        |                 |           |
| General Fund   | - | -               | -      | -      | -               | -         |
| <b>Total</b>   | - | -               | -      | -      | -               | -         |
| <b>Biennial Total</b>                                    |   |                 |        | -      |                 | -         |

### Bill Description

The bill, in part, adds provisions and makes conforming changes to the Paid Family Medical Leave Law that was passed during the 2023 legislative session including clarifications of criteria for covered employment and definitions and requirements regarding initial paid work qualifications and a requirement of an annual actuarial analysis.

### 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.
2. 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, Office of the Legislative Auditor (OLA), and the Legislative Coordinating Commission (LCC), will follow this practice. Additionally, our objective is for this fiscal note response to be consistent with regards to this specific assumption with the responses of other state agencies.
3. The bill changes the premium setting approach from a formula to actuarial analysis the rates set by Department of Employment and Economic Development (DEED).
4. This fiscal note calculates the difference between DEED's current law base assumption for the premium rate which is 0.78 percent (0.39 percent for the employer share) and DEED's new actuarial analysis from February 2024, which sets the premium rate beginning January 1, 2026, for CY26 and CY27 at 0.88 percent (0.44 percent for the employer share). The cost shown in this fiscal note is the employer cost for the legislature of this difference of .05 percent for FY26 and FY27.
5. Cost for FY25 administrative start-up cost was addressed in the fiscal note for HF2-4A from the 2023 legislative session. The bill does not have any change for the projected cost for FY25.

### Expenditure and/or Revenue Formula

The following table shows the difference in the current law calculated premium to the February 2024 actuarial analysis calculated premium beginning January 1, 2026, as described in assumption 4 for the employer cost for the Legislature.

|               |      |      |
|---------------|------|------|
| Cost Category | FY26 | FY26 |
|---------------|------|------|

|   |                 |                 |
|---|-----------------|-----------------|
|   |                 |                 |
| Session Length                                    | Short           | Long            |
| House Employer Premium Cost Difference            | \$4,941         | \$10,037        |
| Senate Employer Premium Cost Difference           | \$4,018         | \$8,087         |
| OLA Employer Premium Cost Difference              | \$1,483         | \$2,967         |
| LCC Employer Premium Cost Difference              | \$2,188         | \$4,402         |
| <b>Net Total Employer Premium Cost Difference</b> | <b>\$12,631</b> | <b>\$25,492</b> |
| <b>Net Total Cost (rounded)</b>                   | <b>\$13,000</b> | <b>\$25,000</b> |

### **Long-Term Fiscal Considerations**

The use of actuary analysis for determining the premium rate may adjust in the future and may have an impact on future cost. The cost increases are ongoing. The assumption is that the Legislature, as an employer, will pay for 50% of the premium rate and deduct the remaining of the premium rate from employee wages. If this was to change in the future, cost would be different.

### **Local Fiscal Impact**

N/A

### **References/Sources**

Emily Adriaens, House of Representatives

Patrick McCormack, House of Representatives

Tom Bottern, Minnesota Senate

Eric Nauman, Minnesota Senate

Alexis Stangl, Minnesota Senate

Michelle Yurich, Legislative Coordinating Commission

**Agency Contact:** Diane Henry-Wangenstein

**Agency Fiscal Note Coordinator Signature:** Diane Henry

**Phone:** 651-296-1121

**Date:** 5/14/2024 6:35:48 PM

**Email:** diane.henry@lcc.mn.gov

## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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   |            |
|-----------------------|----------|----------|----------|------------|------------|
|                       | FY2023   | FY2024   | FY2025   | FY2026     | FY2027     |
| Dollars in Thousands  |          |          |          |            |            |
| General Fund          | -        | -        | -        | 173        | 352        |
| <b>Total</b>          | <b>-</b> | <b>-</b> | <b>-</b> | <b>173</b> | <b>352</b> |
| <b>Biennial Total</b> |          |          | <b>-</b> |            | <b>525</b> |

| Full Time Equivalent Positions (FTE) | Biennium |          |          | Biennium |          |
|--------------------------------------|----------|----------|----------|----------|----------|
|                                      | FY2023   | FY2024   | FY2025   | FY2026   | FY2027   |
| General Fund                         | -        | -        | -        | -        | -        |
| <b>Total</b>                         | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

**LBO Analyst's Comment**

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

This fiscal note uses the assumption made by the Department of Employment and Economic Development (DEED) in this fiscal note that the agency would exercise its authority under Minnesota Laws 2023, chapter 59, article 1, section 41, to adjust the premium rate assessed to employers in the first year of the Paid Family Medical Leave program from the current law initial rate of 0.7%. Met Councils fiscal note uses the assumption by DEED that under current law, the initial years base premium rate would be 0.78%. The fiscal impact shown on the fiscal note tables measure the change between the 0.78% base premium amount and the premium rate of 0.88% identified in the February 2024 Milliman letter that projects the impacts of the changes to premium rates and benefits in this bill.

**LBO Signature:** Laura Cecko      **Date:** 5/15/2024 8:14:22 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.

| <b>State Cost (Savings) = 1-2</b>                        |  | <b>Biennium</b> |               |               | <b>Biennium</b> |
|--|--|-----------------|---------------|---------------|-----------------|
| <b>Dollars in Thousands</b>                              |  | <b>FY2023</b>   | <b>FY2024</b> | <b>FY2025</b> | <b>FY2026</b>   |
| General Fund   |  | -               | -             | -             | 173             |
| <b>Total</b>   |  | -               | -             | -             | <b>173</b>      |
| <b>Biennial Total</b>                                    |  |                 |               | -             | <b>525</b>      |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |  |                 |               |               |                 |
| General Fund   |  | -               | -             | -             | 173             |
| <b>Total</b>   |  | -               | -             | -             | <b>173</b>      |
| <b>Biennial Total</b>                                    |  |                 |               | -             | <b>525</b>      |
| <b>2 - Revenues, Transfers In*</b>                       |  |                 |               |               |                 |
| General Fund   |  | -               | -             | -             | -               |
| <b>Total</b>   |  | -               | -             | -             | -               |
| <b>Biennial Total</b>                                    |  |                 |               | -             | -               |

**Bill Description**

HF 5363 makes technical and clarification changes to the Minnesota Paid Leave law (Chapter 268B). Three changes are proposed with a fiscal component. One change would alter expected program benefit payments, although they would not affect program eligibility. The second relates to the mechanics of the small employer premium relief provision. The third requires an annual actuarial analysis.

**Assumptions**

The actual Met Council Social Security wages for CY23 = \$317,308,401

Assume inflation on Social Security wages/salary of 3.0% per year

Assume increase in assessment rate from .78% to .88% beginning 1/1/26 .

The Council will continue to absorb the employer and employee share of the assessment, as was assumed in earlier approved fiscal notes.

**Expenditure and/or Revenue Formula**

Current law for SFY26 beginning 1/1/26 at .78% = \$1,352,253

Revised law for SFY26 beginning 1/1/26 at .88% = \$1,525,618

Increase in SFY26 = \$173,366

Current law for SFY27 at .78% = \$2,745,073

Revised law for SFY27 at .88% = \$ 3,097,005

Increase in SFY27 = \$351,932

**Long-Term Fiscal Considerations**

Recurring increase in payroll assessment of ~ \$360k per year

**Local Fiscal Impact**

**References/Sources**

Marcy Cordes, Met Council Chief Labor Relations Officer

Cassandra Tabor, Met Council Chief Human Resources Officer

2023 Fiscal Note for HF2-4A

**Agency Contact:** Marcy Cordes

**Agency Fiscal Note Coordinator Signature:** Stewart McMullan

**Phone:** 651-602-1374

**Date:** 5/15/2024 8:07:35 AM

**Email:** [stewart.mcmullan@metc.state.mn.us](mailto:stewart.mcmullan@metc.state.mn.us)



## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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     |              |
|-----------------------|----------|----------|----------|--------------|--------------|
|                       | FY2023   | FY2024   | FY2025   | FY2026       | FY2027       |
| Dollars in Thousands  |          |          |          |              |              |
| General Fund          | -        | -        | -        | 379          | 758          |
| All Other Funds       | -        | -        | -        | 726          | 1,453        |
| <b>Total</b>          | <b>-</b> | <b>-</b> | <b>-</b> | <b>1,105</b> | <b>2,211</b> |
| <b>Biennial Total</b> |          |          | <b>-</b> |              | <b>3,316</b> |

| Full Time Equivalent Positions (FTE) | Biennium |          |          | Biennium |          |
|--------------------------------------|----------|----------|----------|----------|----------|
|                                      | FY2023   | FY2024   | FY2025   | FY2026   | FY2027   |
| General Fund                         | -        | -        | -        | -        | -        |
| All Other Funds                      | -        | -        | -        | -        | -        |
| <b>Total</b>                         | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

**LBO Analyst's Comment**

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

This fiscal note uses the assumption made by the Department of Employment and Economic Development (DEED) in this fiscal note that the agency would exercise its authority under Minnesota Laws 2023, chapter 59, article 1, section 41, to adjust the premium rate assessed to employers in the first year of the Paid Family Medical Leave program from the current law initial rate of 0.7%. [Agency]s fiscal note uses the assumption by DEED that under current law, the initial years base premium rate would be 0.78%. The fiscal impact shown on the fiscal note tables measure the change between the 0.78% base premium amount and the premium rate of 0.88% identified in the February 2024 Milliman letter that projects the impacts of the changes to premium rates and benefits in this bill.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 5/14/2024 5:58:23 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.

| <b>State Cost (Savings) = 1-2</b>                        |   | <b>Biennium</b> |               |               | <b>Biennium</b> |
|--|---|-----------------|---------------|---------------|-----------------|
| <b>Dollars in Thousands</b>                              |   | <b>FY2023</b>   | <b>FY2024</b> | <b>FY2025</b> | <b>FY2026</b>   |
|  |   |                 |               |               | <b>FY2027</b>   |
| General Fund   | - | -               | -             | -             | 379             |
| All Other Funds  | - | -               | -             | -             | 726             |
| <b>Total</b>   | - | -               | -             | -             | <b>1,105</b>    |
| <b>Biennial Total</b>                                    |   |                 |               |               | <b>2,211</b>    |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |   |                 |               |               |                 |
| General Fund   | - | -               | -             | -             | 379             |
| All Other Funds  | - | -               | -             | -             | 726             |
| <b>Total</b>   | - | -               | -             | -             | <b>1,105</b>    |
| <b>Biennial Total</b>                                    |   |                 |               |               | <b>2,211</b>    |
| <b>2 - Revenues, Transfers In*</b>                       |   |                 |               |               |                 |
| General Fund   | - | -               | -             | -             | -               |
| All Other Funds  | - | -               | -             | -             | -               |
| <b>Total</b>   | - | -               | -             | -             | -               |
| <b>Biennial Total</b>                                    |   |                 |               |               | -               |

**Bill Description**

House File 5363-4A adds provisions to last year's Paid Family Medical Leave (PFML) legislation, including:

- clarification of criteria for covered employment;
- definition and requirements related to initial paid work, in coordination with employer-provided paid leave;
- establishment of a small employer premium rate; and,
- requires an annual actuarial analysis and recommends premium changes.

**Assumptions**

The bill reflecting revisions to the PFML program do not appear to materially impact the amount of work performed by Minnesota Management and Budget.

The bill proposes changes to premium rates effective on January 1, 2026. The original rates were 0.78 percent and this bill proposes a change to 0.88 percent based on recent actuarial analysis.

**Expenditure and/or Revenue Formula**

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 effective for calendar year 2026 per bill proposal. Current law allows up to 50 percent of premiums to be charged back to employees; thus, this fiscal note assumes that the employer-paid premium rate is changing from 0.39 percent to 0.44 percent as of January 1, 2026.

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 2026, bringing the total wage amount to an adjusted based of \$4,421,810,581.

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:

Current Law:  $\$4,421,810,581 \times 0.39$  percent premium rate = \$17,245,061

Proposed Law:  $\$4,421,810,581 \times 0.39$  percent premium rate  $\times 0.50$  (half of year) = \$8,622,531 +  $\$4,421,810,581 \times 0.44$  percent premium rate  $\times 0.50$  (half of year) = \$9,727,983 Grand Total: \$18,350,514

Increased Cost: \$1,105,453

Split of Increased Cost:

General Fund -  $\$1,105,453 \times 0.343$  = \$379,170

Other Funds -  $\$1,105,453 \times 0.657$  = \$726,282

FY 2027:

Current Law:  $\$4,421,810,581 \times 0.39$  percent premium rate = \$17,245,061

Proposed Law:  $\$4,421,810,581 \times 0.44$  percent premium rate = \$19,455,967

Increased Cost: \$2,210,905

Split of Increased Cost:

General Fund -  $\$2,210,905 \times 0.343$  = \$758,341

Other Funds -  $\$2,210,905 \times 0.657$  = \$1,452,565

### **Long-Term Fiscal Considerations**

### **Local Fiscal Impact**

### **References/Sources**

**Agency Contact:** Ronika Rampadarat 651-201-8115

**Agency Fiscal Note Coordinator Signature:** Ronika Rampadarat

**Phone:** 651-201-8115

**Date:** 5/14/2024 4:13:06 PM

**Email:** ronika.rampadarat@state.mn.us

## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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 |        |
|----------------------|--|----------|--------|--------|----------|--------|
| Dollars in Thousands |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| Total                |  | -        | -      | -      | -        | -      |
| Biennial Total       |  |          |        | -      |          | -      |

| Full Time Equivalent Positions (FTE) |  | Biennium |        |        | Biennium |        |
|--------------------------------------|--|----------|--------|--------|----------|--------|
|                                      |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| 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:** 5/14/2024 10:44:47 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                              |                | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
|   | Total          | -        | -      | -      | -        | -      |
|   | Biennial Total |          |        | -      |          | -      |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* |                |          |        |        |          |        |
|   | Total          | -        | -      | -      | -        | -      |
|   | Biennial Total |          |        | -      |          | -      |
| 2 - Revenues, Transfers In*                       |                |          |        |        |          |        |
|   | Total          | -        | -      | -      | -        | -      |
|   | Biennial Total |          |        | -      |          | -      |

### Bill Description

House File 5363, the first engrossment, makes changes to the family and medical benefit insurance program in Minnesota Statutes, Chapter 268B. Changes that could affect the cost of Minnesota State's participation in the program are in changes to benefits that the program would offer.

### Assumptions

The primary cost of any benefits would be covered by the premium costs Minnesota State will pay into the program. The premium cost estimates will be covered in the Minnesota Management and Budget (MMB) portion of the fiscal note.

### Expenditure and/or Revenue Formula

### Long-Term Fiscal Considerations

When this program was enacted last year, it was estimated that Minnesota State's annual premium payments would be \$3.25 million per year. These costs were included in the MMB portion of last year's fiscal note.

Last year's fiscal note also included \$958,000 in costs to Minnesota State in addition to premium payments. This amount was the estimated cost to backfill for faculty on leave under the new benefits, to maintain instructional continuity. The benefit changes in this bill are not considered to be substantial enough to re-visit this estimate.

### Local Fiscal Impact

### References/Sources

**Agency Contact:** Steve Ernest (651-201-1710)

**Agency Fiscal Note Coordinator Signature:** Steve Ernest

**Phone:** 651-201-1710

**Date:** 5/14/2024 10:40:11 AM

**Email:** Steve.Ernest@minnstate.edu

## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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 |        |
|----------------------|--|----------|--------|--------|----------|--------|
| Dollars in Thousands |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| Total                |  | -        | -      | -      | -        | -      |
| Biennial Total       |  |          |        | -      |          | -      |

| Full Time Equivalent Positions (FTE) |  | Biennium |        |        | Biennium |        |
|--------------------------------------|--|----------|--------|--------|----------|--------|
|                                      |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| 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:** Karen McKey **Date:** 5/14/2024 5:21:00 PM  
**Phone:** 651-284-6429 **Email:** karen.mckey@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.

| <b>State Cost (Savings) = 1-2</b>                        |  | <b>Biennium</b> |               |               | <b>Biennium</b> |               |
|--|--|-----------------|---------------|---------------|-----------------|---------------|
| Dollars in Thousands                                     |  | <b>FY2023</b>   | <b>FY2024</b> | <b>FY2025</b> | <b>FY2026</b>   | <b>FY2027</b> |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |  |                 |               |               |                 |               |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |
| <b>2 - Revenues, Transfers In*</b>                       |  |                 |               |               |                 |               |
| <b>Total</b>   |  | -               | -             | -             | -               | -             |
| <b>Biennial Total</b>                                    |  |                 |               | -             |                 | -             |

### Bill Description

HF5363-4A (the "bill") modifies certain provisions of the family and medical benefit insurance program administered by the Department of Employment and Economic Development ("DEED" or the "department") in chapter 268B. The bill clarifies the criteria for covered employment, outlines how to calculate an applicant's "benefit year," eliminates separate definitions of a "typical workweek" for hourly and salaried employees, and defines the requirements related to initial paid work in coordination with employer-provided paid leave.

The bill amends Minn. Stat. § 268B.04 to include a new subdivision indicating intermittent leave must be taken in increments consistent with the established policy of the employer to account for use of other forms of leave, so long as the employer's policy permits a minimum increment of at most one calendar day of intermittent leave. Employees are required to refund any funds in excess of their usual salary to either the employer or the paid leave division. If an employer provides wage replacement to an employee for weeks that should be paid by the division, the department may reimburse the employer directly for those weeks.

The bill establishes a new statute, Minn. Stat. § 268B.081, to outline the appeal process for both applicants and employers, including the filing process, notice requirements, and the identification of appealable issues and deadlines. An applicant or a base period employer may appeal certain determinations to DEED within 30 calendar days after notice of a determination is sent by the department. Parties may also make a request for reconsideration of the hearing officer's decision. No findings of fact, decision, or order issued by a hearing officer may be held conclusive or binding or used as evidence in any separate or subsequent action in any other forum, be it contractual, administrative, or judicial, except proceedings provided for under chapter 268B, regardless of whether the action involves the same or related parties or involves the same facts.

Specific to the Minnesota Judicial Branch, Minn. Stat. § 268B.081, subd. 12 provides that any final determination on a request for reconsideration may be appealed by any party directly to the Minnesota Court of Appeals and that the Minnesota Court of Appeals must, by writ of certiorari to the department, review the hearing officer's decision on reconsideration. Any employer petitioning for a writ of certiorari must pay to the court the required filing fee in accordance with the Rules of Civil Appellate Procedure. If the employer requests a written transcript of the testimony received at the hearing conducted under this section, the employer must pay to the department the cost of preparing the transcript. The department must furnish to the applicant at no cost a written transcript of any testimony received at the hearing. No filing fee or cost bond is required of an applicant petitioning the Minnesota Court of Appeals for a writ of certiorari.

The bill amends Minn. Stat. § 268B.09, subd. 6 to require an employer to reinstate an employee in a position with overtime pay and overtime hours on return from leave under chapter 268B if they departed from a position for which they received overtime pay. The employer has no obligation to maintain group health plan benefits and restore the employee if an employee was hired for a specific term or only to perform work on a discrete project if the term/project is over.

The bill amends Minn. Stat. § 268B.26 to require an employer to issue to each employee certain written information provided by DEED not more than 30 days from the beginning of the employee's employment. If the employee refuses to acknowledge receipt, the employer must be able to demonstrate the way the employee was notified.

The bill indicates nothing in chapter 268B should be construed to limit the parties from bargaining and entering into a collective bargaining agreement with respect to leave benefits and related policies. The bill also identifies that any data gathered from any person under chapter 268B are private data on individuals or nonpublic data not on individuals as defined in Minn. Stat. § 13.02, subdivisions 9 and 12, and must not be disclosed except according to a district court order or Minn. Stat. § 13.05. Data gathered by the department in the administration chapter 268B must not be made the subject or the basis for any suit in any civil proceedings, administrative or judicial, unless the action is initiated by the department.

### **Assumptions**

#### *Appeals*

Appeals will be filed with the Minnesota Court of Appeals to review any final determination on a request for reconsideration. The Court of Appeals is limited to affirming the decision of the hearing officer or remanding the case for further proceedings, or it may reverse or modify the decision if the substantial rights of the petitioner may have been prejudiced because the findings are: 1) in violation of constitutional provisions; 2) in excess of the statutory authority of the department; 3) made upon unlawful procedure; 4) affected by other error of law; 5) arbitrary or capricious; or 6) unsupported by substantial evidence. Even with this limited scope of review, the number of appeals that may be filed is unknown. It is assumed the number of appeals will be no greater than the average number of employment cases appealed to the Court of Appeals in the last three calendar years. The average number of employment cases filed with the Court of Appeals in CY21, CY22, and CY23 was 19 (21, 15, and 22, respectively).

Approximately 80% of all appeals filed with the Court of Appeals are briefed and assigned to a three-judge panel. It is assumed that there will be no more than 15 benefit denial cases briefed per year (19 appeals x 80%). Two hundred and twenty-five (225) briefed cases per year would require the time of one three judge court of appeals panel (three court of appeals judges). One additional staff attorney would be needed to process each increase of 225 briefed cases. It is not anticipated the number of appeals will increase by 210 cases in addition to the estimated 15 cases per year as outlined above. Based on these numbers, it is assumed no additional appellate court judge or staff will be needed.

An applicant is not required to pay the appellate filing fee if they are petitioning the Minnesota Court of Appeals for a writ of certiorari. It is assumed any employer petitioning for a writ of certiorari will be required to pay a \$550 filing fee. As an employer, the Minnesota Judicial Branch does not anticipate any additional staff will be needed to process or respond to department determinations and/or appeals based on the State Court Administrator's Office formally responding to only 5 cases in 2023.

#### *Human Resources*

The Minnesota Judicial Branch currently has leave and notification policies and procedures that are consistent with this bill. Any policy that is not consistent will be updated accordingly. It is assumed the proposed elimination of separate definitions for a "typical workweek" for hourly and salaried employees and the required information disbursement of DEED policies to employees may require updates to internal forms and formal recordkeeping processes, but that such changes, if any, will not have a fiscal impact.

#### *Data Privacy*

It is assumed that the inherent and statutory authority to regulate access to records of the judiciary is governed by rules adopted by the Minnesota Supreme Court. This bill would not affect public access to case records that are independently collected, created, received, maintained, or disseminated by the courts.

### **Expenditure and/or Revenue Formula**

This bill is not expected to have a significant fiscal impact on the judicial branch; any potential increase in filing fees received cannot be calculated.

### **Long-Term Fiscal Considerations**



**Local Fiscal Impact**

**References/Sources**

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Callie Lehman

**Phone:** 651-297-7579

**Date:** 5/14/2024 4:25:20 PM

**Email:** callie.lehman@courts.state.mn.us

## HF5363 - 4A - Paid Family and Medical Leave Modifications

Chief Author: **Cedrick Frazier**  
 Committee: **Ways And Means**  
 Date Completed: **5/15/2024 8:18:34 AM**  
 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 |        |
|----------------------|--|----------|--------|--------|----------|--------|
| Dollars in Thousands |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| General Fund         |  | -        | -      | -      | 444      | 888    |
| Total                |  | -        | -      | -      | 444      | 888    |
| Biennial Total       |  |          |        | -      |          | 1,332  |

| Full Time Equivalent Positions (FTE) |  | Biennium |        |        | Biennium |        |
|--------------------------------------|--|----------|--------|--------|----------|--------|
|                                      |  | FY2023   | FY2024 | FY2025 | FY2026   | FY2027 |
| 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.

This fiscal note uses the assumption made by the Department of Employment and Economic Development (DEED) in this fiscal note that the agency would exercise its authority under Minnesota Laws 2023, chapter 59, article 1, section 41, to adjust the premium rate assessed to employers in the first year of the Paid Family Medical Leave program from the current law initial rate of 0.7%. The University of Minnesotas fiscal note uses the assumption by DEED that under current law, the initial years base premium rate would be 0.78%. The fiscal impact shown on the fiscal note tables measure the change between the 0.78% base premium amount and the premium rate of 0.88% identified in the February 2024 Milliman letter that projects the impacts of the changes to premium rates and benefits in this bill.

**LBO Signature:** Steve McDaniel **Date:** 5/14/2024 12:23:36 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                              | FY2023 | FY2024   | FY2025 | FY2026 | FY2027   |
| General Fund                                      | -      | -        | -      | 444    | 888      |
| Total   | -      | -        | -      | 444    | 888      |
| Biennial Total                                    |        |          | -      |        | 1,332    |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* |        |          |        |        |          |
| General Fund                                      | -      | -        | -      | 444    | 888      |
| Total   | -      | -        | -      | 444    | 888      |
| Biennial Total                                    |        |          | -      |        | 1,332    |
| 2 - Revenues, Transfers In*                       |        |          |        |        |          |
| General Fund                                      | -      | -        | -      | -      | -        |
| Total   | -      | -        | -      | -      | -        |
| Biennial Total                                    |        |          | -      |        | -        |

### Bill Description

This bill adds provisions and makes conforming changes to the Paid Family and Medical Leave law that was passed during the 2023 legislative session including clarifications of criteria for covered employment and definitions and requirements regarding initial paid work qualifications and a requirement of an annual actuarial analysis.

### 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.
2. The law allows for employers to pay 50 percent of the premium rate and deduct the remainder of the premium rate from employee wages.
3. The bill changes the premium setting approach from a formula to actuarial analysis of the rates set by the Department of Employment and Economic Development (DEED).
4. This fiscal note calculates the difference between DEED's current law base assumption for the premium rate which is 0.78 percent (0.39 percent for the employer share) and DEED's new actuarial analysis from February 2024, which sets the premium rate starting on January 1, 2026 at 0.88 percent (0.44 percent for the employer share).
5. The table in Section 3 shows the cost difference for the employer share only. However, the University may be required to pay the employee share of the premium, as well.
6. Cost for administrative start up cost for FY25 was addressed in the fiscal note for HF2-4A from the 2023 legislative session. The bill does not have any change for the projected cost for FY25.

### Expenditure and/or Revenue Formula

For the University of Minnesota, the premium cost difference from raising the employer contribution from .39% to .44% comes to:

\$444,053 for FY26

\$888,107 for FY27

In the event the University is required to pay the full premium expense, the difference between an employer contribution of .39% and .88% comes to:

\$4,351,724 for FY26

\$8,703,447 for FY27

### **Long-Term Fiscal Considerations**

The cost increases are ongoing.

### **Local Fiscal Impact**

### **References/Sources**

Mary Rohman Kuhl, Senior Director, Office of Human Resources, University of Minnesota

#### **Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Keeya Steel

**Phone:** 612-625-5512

**Date:** 5/14/2024 12:16:51 PM

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