



**EMPLOYMENT AND
ECONOMIC DEVELOPMENT**

Paid Leave Update

House Workforce, Labor, & Economic Development Committee
February 24, 2026



Agenda

- Background on Paid Leave law
- Public engagement
- Program implementation



Background on Paid Leave law

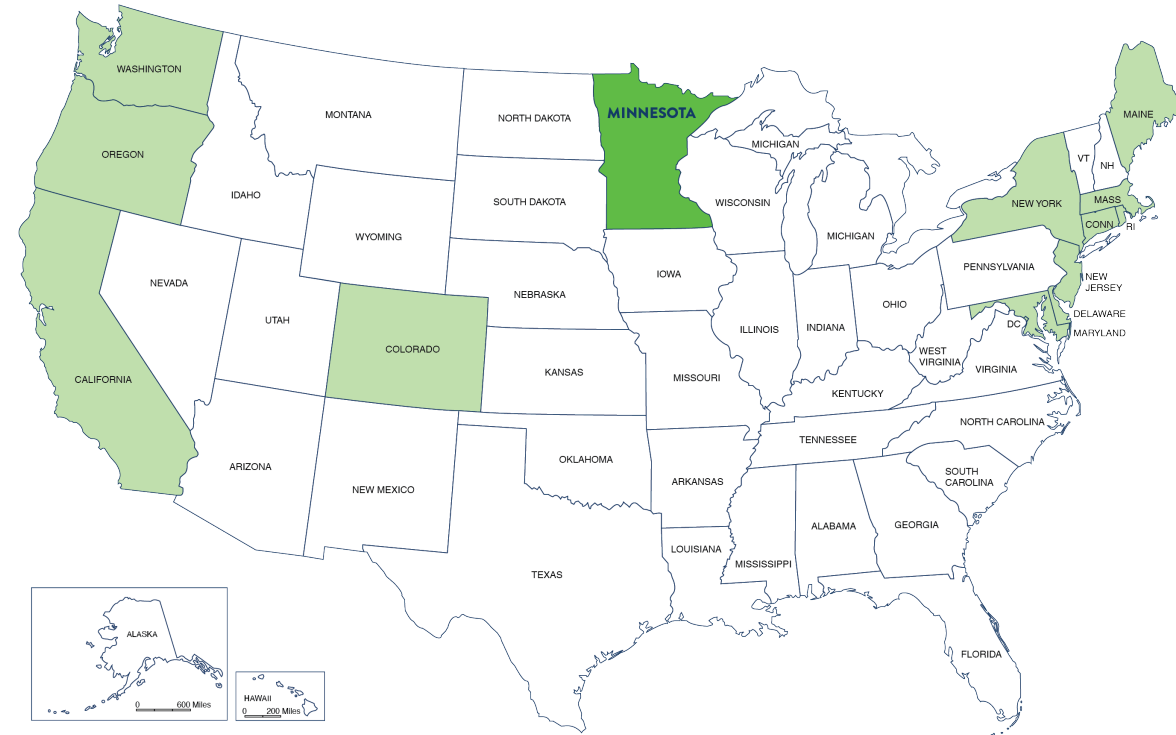
Minnesota's Paid Leave law

- Minnesota Paid Leave was enacted in 2023 and **began Jan. 1, 2026.**
- The law provides **job protections and payments** from the state to individuals who need time off to care for themselves or their loved ones.
- Minnesota Paid Leave is **funded by premiums** made up of contributions from employees and employers.
- Paid Leave **sends benefit payments directly** to Minnesotans on leave.



What Paid Leave means for Minnesota

- Minnesota is one of 13 states plus DC to enact a Paid Leave program
 - Only seven countries worldwide do not have some sort of paid leave program
 - 73% of American workers lack access to paid family leave
- States that have implemented paid leave programs have seen:
 - Stronger employee retention
 - Better health and development outcomes for children
 - Higher labor market attachment for women and labor force participation generally
 - Greater economic security for families



Covered workers

Covered workers include:

Full-time and part-time workers

Most seasonal employees

Union workers

Salaried owner-officers

Agricultural workers

Employees of religious organizations

Temporary workers

Student workers

Employed family members

First responders

Elected and appointed officials

Not covered, can opt in:

Independent contractors

Self-employed individuals

Tribal Nations

Not covered, can't opt in:

Federal government employees

Railroad employees

Designated seasonal employees

Covered leave: Family and Medical

Medical Leave

1 to 12 weeks



Medical

Leave to care for an individual's own serious health condition.

Family Leave

1 to 12 weeks



Bonding

Leave to bond with an individual's child during the first 12 months after the child's birth or after the placement of the child through adoption or foster care.



Military Family

Leave because a family member is on active duty or has been notified of an impending call or order to active duty in the Armed Forces



Caring

Leave to care for a family member with a serious health condition.



Safety

Leave because of domestic abuse, sexual assault, or stalking of the individual or individual's family member.

Maximum of 20 weeks combined in one year if someone qualifies for both medical and family leave

Qualifying conditions must last at least seven days and be certified by a healthcare or other service provider.

Paid Leave payments

- **Minnesotans get partial wage replacement** under Paid Leave.
- **Lower-wage workers get more support.** If you earn less, you'll get a higher percentage of your paycheck covered while on leave.
- **The maximum weekly benefit is \$1,423 per week.**
- You must have earned at least **5.3%** of the statewide average annual wage in the past year to be eligible for any benefits (currently \$3,900).
- Payments from Unemployment Insurance, Workers' Compensation, or Social Security Disability Insurance will **offset or lead to a denial** of Paid Leave benefits.



Paid Leave premiums

In 2026, the **premium rate is 0.88%** of wages for large employers and 0.66% for small employers. This covers both Family and Medical Leave.

- The premium rate is applied on wages up to the Social Security cap (\$185,000).
- The first premiums are due April 30, 2026.
- Generally, premiums are shared between employers and employees.
- Employers may deduct up to 0.44% from employee paychecks.



Small employer premiums



Small employers pay a reduced premium.

- For small employers, their effective **premium rate is 0.66%** of wages.
- This reduced employer premium does not change the amount owed by employees.
- To qualify, an employer must have 30 or fewer employees, and an average employee wage of 150% or less of the statewide average (\$107,016 in 2025).

Small Employer Assistance Grants

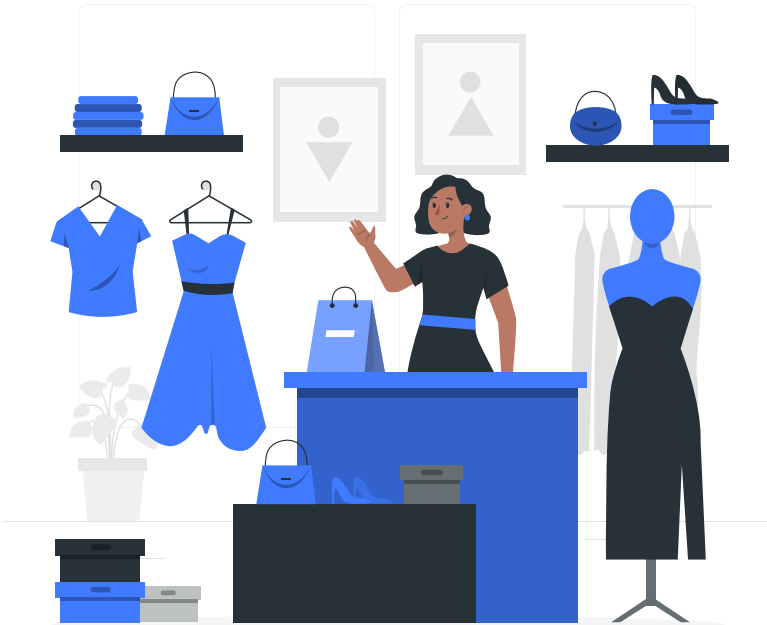
Funding is available to support small businesses after an employee's absence. Employers can apply for this funding once an employee is approved for leave. These grants are funded at \$5,000,000 each calendar year.

Qualifications:

- Qualify as a small employer under Paid Leave
- Costs already incurred
- Funding not guaranteed

Benefits:

- Up to \$3,000 per leave or \$6,000 per employer to:
- Hire temporary workers
 - Increase existing workers' pay
 - Train workers to cover for an employee on leave



Employment protections

Paid Leave offers protections for workers that make it possible to be there for the moments that matter. These protections include:

- **Job protection.** Generally, you must be restored to your job or an equivalent position when you return from leave. This starts 90 days after your date of hire.
- **Health insurance.** Generally, your health insurance and other group insurance must continue. You and your employer are responsible for your usual premiums.
- **No retaliation or interference.** Employers must not interfere with or retaliate against you if you apply for or use Paid Leave.

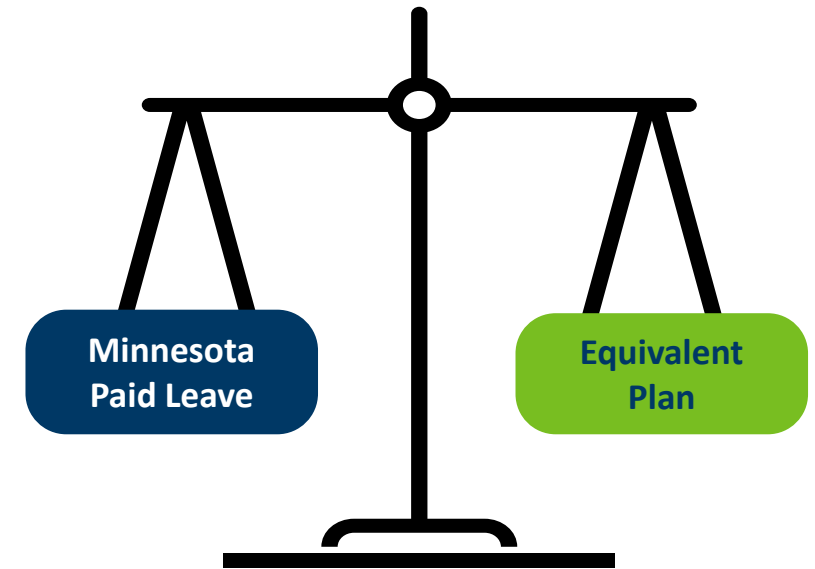
These protections apply no matter how long you have been at your job.



Equivalent Plans

Employers can choose to meet their responsibilities under Minnesota Paid Leave by providing employees an equivalent plan that meets or exceeds the coverage offered by the state.

- Equivalent plans can be purchased from a private insurance carrier, or an employer can self-insure and provide coverage to employees themselves.
- Employers approved for an equivalent plan must still submit wage detail reports and comply with requirements to notify employees about coverage.
- Equivalent plans are certified by the Department of Commerce.

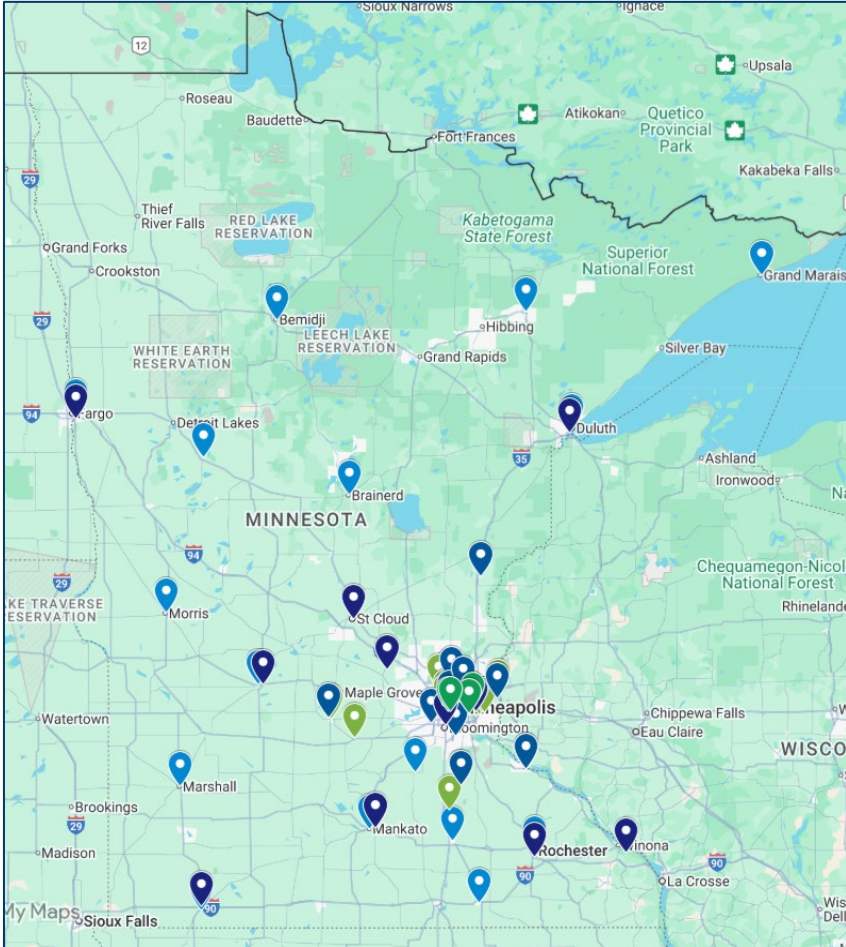


An equivalent plan can cover family leave or medical leave in combination with Minnesota Paid Leave – or can cover both.

Minnesota Paid Leave Public Engagement



Public Engagement since November 2023



Highlight: Employer Engagement Series event and business canvassing locations (Fall 2024, Spring 2025, Fall 2025)

40,000+
individual
connections

330+
engagement
activities

23,000+
employer
connections

210+
employer
events

30% greater MN
70% metro area

52% virtual
48% in-person

93%
employers
increased
understanding

91%
employers feel
prepared

Chamber-
sponsored events

Diverse business
canvassing

60%
businesses <100
employees

19%
women/minority
businesses

Presentations and
Q & A

Community
events (State Fair,
Pride, Farmfest)

90+
chamber partners

250+
participant zip
codes

Rulemaking and
tribal
consultations

Multilingual
events



Program implementation

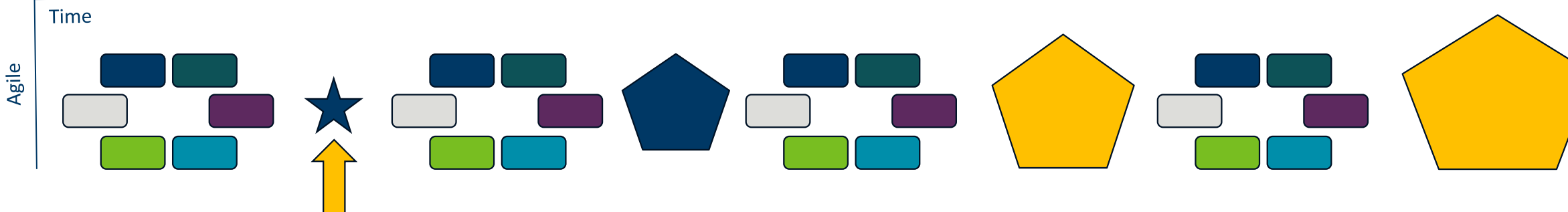
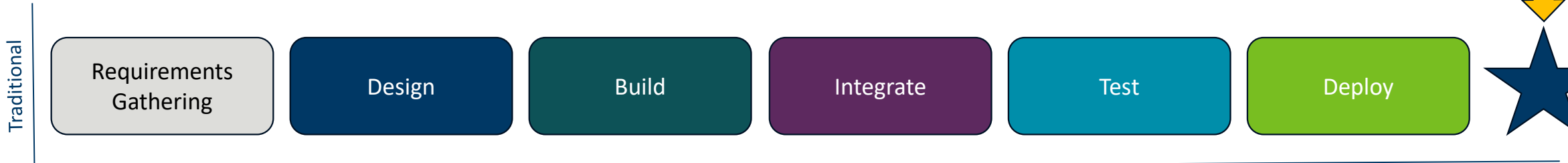
Delivered early

- Law required launch by **January 1, 2026**
- We started taking applications on:
 - **November 3** with select employers
 - **December 1** for 2025 Bonding Leave applicants
 - **December 29** for all applicants
- This follows the Paid Leave approach to **build, test, and deliver** early



Paid Leave reduced risk through agile delivery

First time we check if we're building the right thing.



First time we check if we're building the right thing.

User needs are rarely fully understood at the start of an implementation – and they can also change over time. Starting small allows you to calibrate with your users and deliver the thing they want or need.

Delivered under the implementation budget

- Paid Leave implementation costs came in about **\$70 million below** the appropriated implementation funds.
- All remaining funds were **automatically returned** to the Family and Medical Benefit Insurance Account.



Navigating changing federal tax guidance

On December 19, 2025, the Internal Revenue Service changed its guidance on federal taxes for state Paid Leave programs for 2026.

Minnesota's program implemented needed changes in less than 2 weeks prior to fully launching the program.

The previous guidance is scheduled to take effect in 2027. This guidance will create a tax obligation for both employees and employers.

2026 Federal Guidance

Paid Leave benefits are not considered wages for federal tax purposes – and are therefore not subject to Social Security or Medicaid deductions.

2027 Federal Guidance

Medical Leave benefits that are funded through the employer's portion of the premium will be subject to federal taxes (Social Security and Medicaid). *Employers will be required to pay their portion of these taxes.*

Customer feedback

- We've heard from several large employers, who have experience with paid family and medical leave programs in other states, that even though this is a big change for everyone, **Minnesota Paid Leave has been the best rollout they've experienced**
- We've also been hearing from employers who were approved for an equivalent plan about **how they can rejoin the state plan** – because they're hearing good things about the service and experience with Minnesota Paid Leave
- Applicants have shared with us that Minnesota Paid Leave is the **best experience they've had applying for a government program**
- Providers are excited to partner with us on EHR to **improve on FMLA and reduce administrative burden**

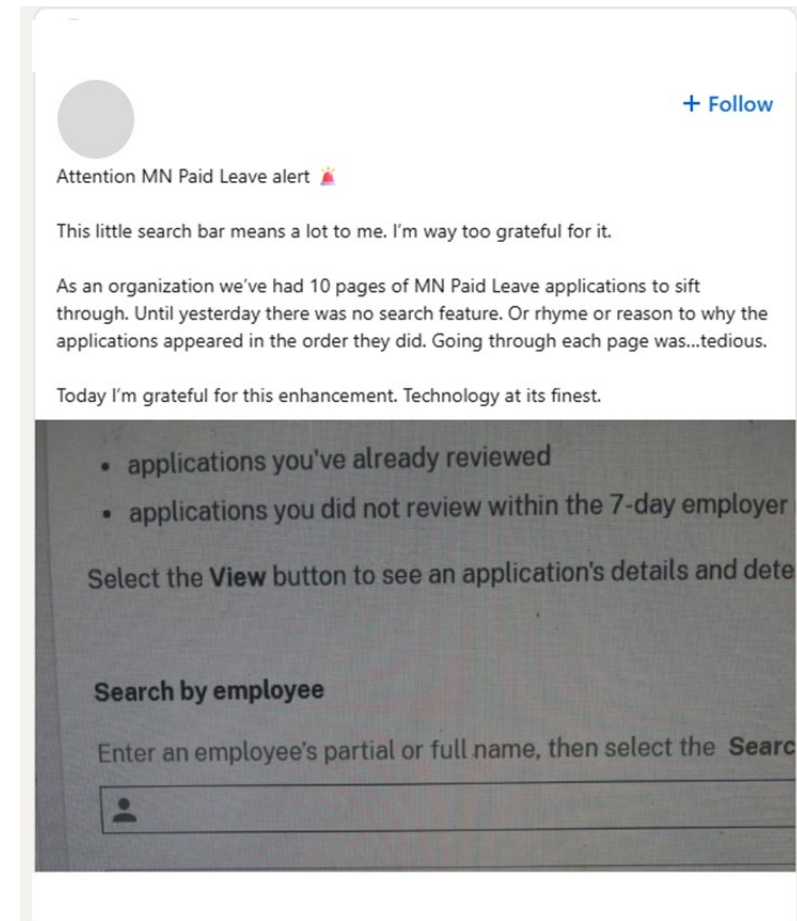
What we heard → What we built

We're continuously improving our service, even after launch.

We regularly meet with employers, applicants and health care providers to hear their feedback and find ways to make the service even better.

Based on early feedback from employers, we were able to improve the leave administrator experience by introducing an **employee search function**.

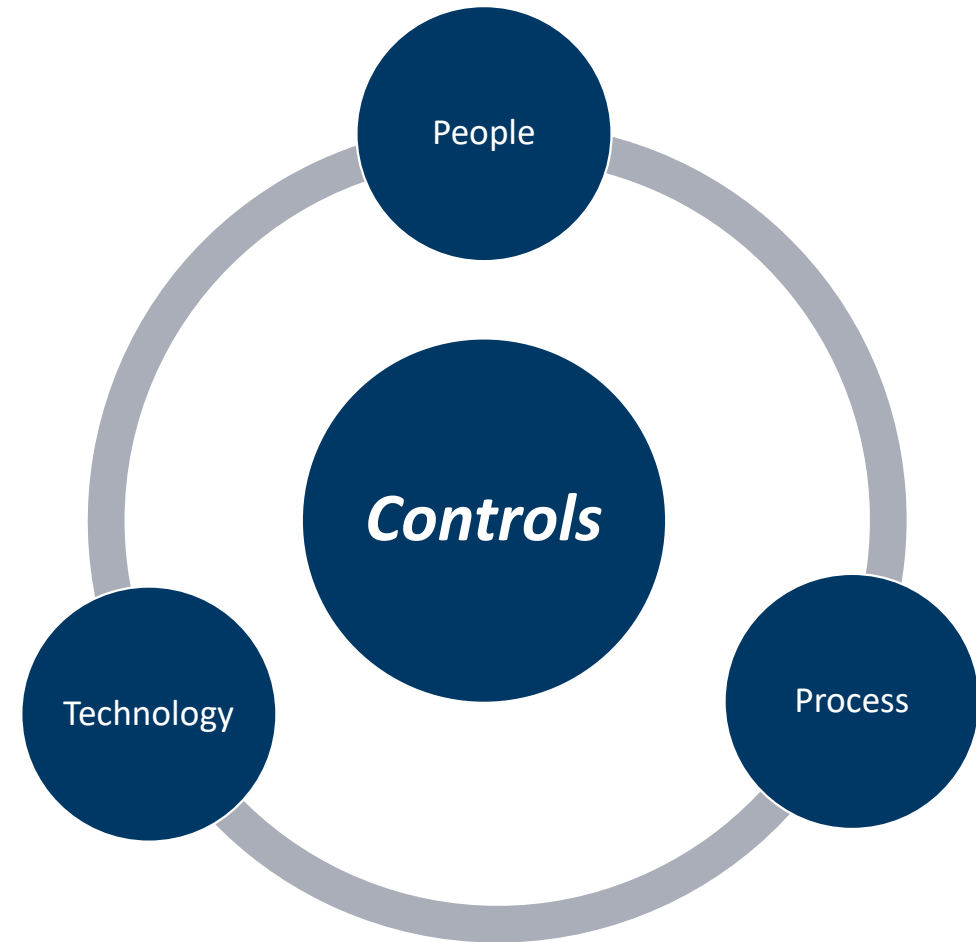
We release improvements every week.

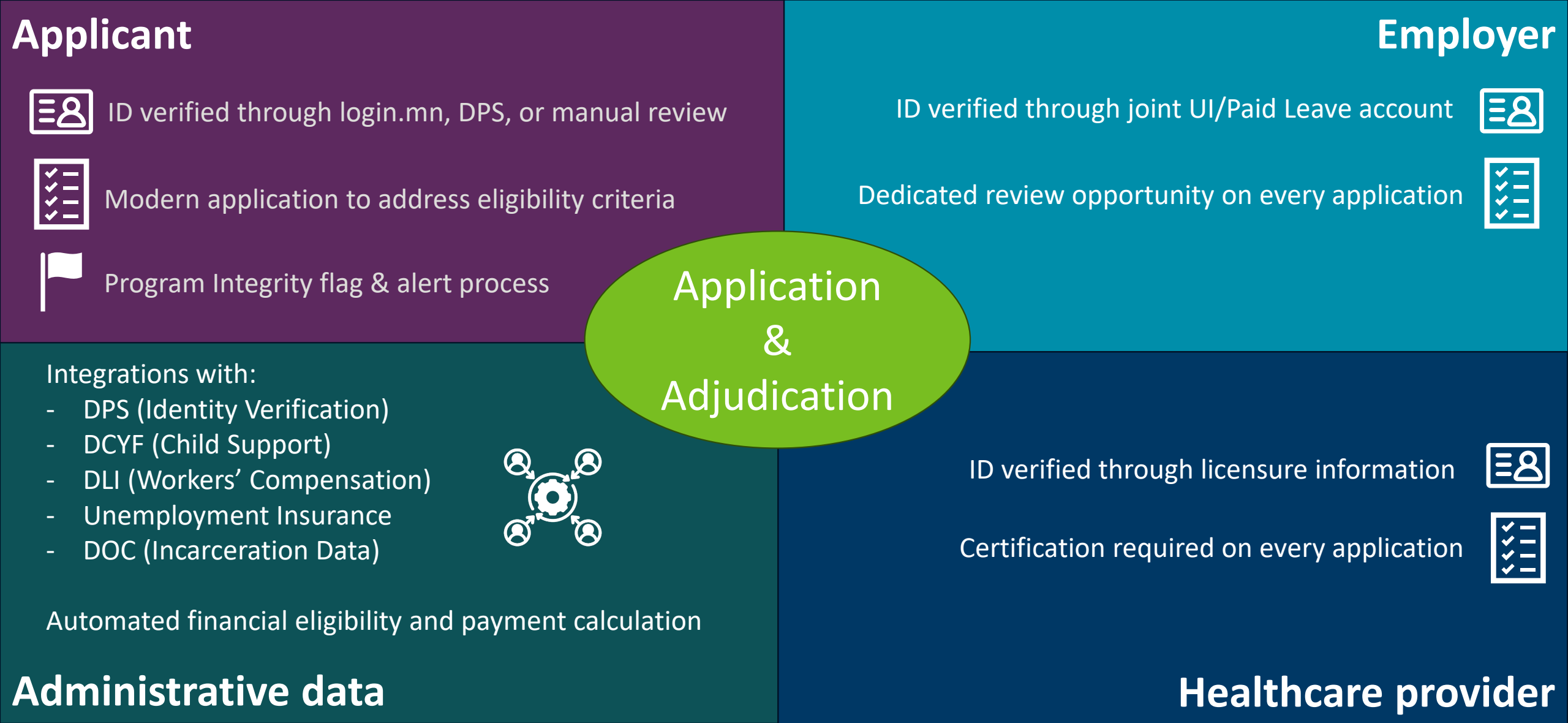


 Real Feedback!

Program integrity controls

- There is no one silver bullet for program integrity.
- A combination of people, process, and technology are essential.
- We've set up Paid Leave to integrate all three by design.





Program integrity summary

Applications Summary through 2/15

Application summary

Unique Applications

47,764

Determined since 11/3

30,876

Approved since 11/3

20,312

Application types

Applications received 11/3 to 2/15

Bonding

45%

Medical

44%

Caring

11%

Safety

<1%

Military Family

<1%

Spotlight on approved leaves

- **Average leave times:**
 - Bonding: ~ 8.7 weeks
 - Medical: ~ 6.6 weeks
 - Caring: ~ 5.9 weeks
- **Minnesotans on leave:**
 - 62% are under 40; 38% are older
 - 69% are women; 31% are men
 - 67% work for an employer of 200 or more people; 20% work for an employer between 30 and 200; 13% work for small employers
- **Leave schedules:**

88% of approved leaves continuous; 12% intermittent or reduced schedule
- **Average weekly payment:**

\$1,121. The current weekly maximum is \$1,432 (the average wage in Minnesota).

Application Trends

An initial wave of demand:

- Demand peaked on January 2, when over 2,000 applications were submitted corresponding with the launch of the program.
- Week over week, demand has decreased between 6-10% each week since launch.

Actuarial considerations:

- The lower-than-expected implementation costs will lead to an approximately \$70 million benefit to the Trust Fund.
- The division will be leveraging the services of a qualified actuary to refine projections based on actual experience data.

Early Drivers of Demand

- 2025 parents applying through beta and soft launch
- Transitioning of employers' ongoing FMLA caseloads into Paid Leave
- Robust public debate around program
- Point-of-service referrals from health care providers
- Health issues associated with Operation Metro Surge

Questions?