April 13, 2023

Dear Members of the House Workforce Development Finance and Policy Committee:

On behalf of the Minnesota Chamber of Commerce, thank you for the opportunity to share our continued opposition to HF 2 (Rep. Richardson), legislation seeking to impose a new unfunded paid leave mandate on Minnesota's employers. The Minnesota Chamber is a statewide organization representing more than 6,300 businesses and more than half a million employees throughout Minnesota, and a majority of our members are small to mid-sized businesses. Over 80% of our members offer paid leave in some form already.

This is an important topic that warrants significant and sincere discussion by all stakeholders. It is also important that we get it right. The business community in Minnesota is keenly aware of, and also acutely impacted by, not only the underlying set of issues being discussed, but public policy proposals related to them.

While we appreciate the ongoing work to improve the bill throughout the committee process, respectfully, this bill still includes a number of concerning, foundational elements that do not work for our members. As the fiscal note reveals, it is still too expansive and expensive and subject to significant vulnerabilities in its design that bring into question its solvency. Here's why:

Expansive

The bill creates a mechanism for an employee to be away from their job for up to 24 weeks or more each year. That's a considerable new standard. While it's possible not every employee will take off the entire time allowed, experience shows that when provided, employees will access this benefit and the bill as drafted almost guarantees more time will be taken – when combined with the still broad definition of family member, the expanded list of qualifying events, the enhanced wage replacement rate, and the stackability of the leaves. When further combined with HF 19 (legislation passed by the House mandating up-to-80 hours of paid sick and safe time), these proposals will place considerable strain on our workforce and employers.

We have also have a well-documented workforce shortage already in Minnesota, and it is expected to get critically worse within the upcoming decade. Alarmingly, the states that have enacted paid leave programs are among those with the largest net domestic migration losses last year. In certain workplaces, such as hospitals or manufacturing facilities that run 24/7, or in daycares or schools or care facilities, where staffing ratios are carefully calibrated and monitored, we already do not have enough workers ready to fill in.

Having such a specific and extended leave mandate will unintentionally exacerbate problems related to our workforce challenge and disrupt existing benefits packages.

Expensive

Minnesota already imposes a higher cost of doing business than many other states. As it stands now, Minnesota ranks 45th – nearly the last - in business tax climate. So, we have less ability to raise taxes than many other states- even compared to the few states that have enacted paid leave programs already.

We are highly critical of imposing a new payroll tax on every employer that will collectively cost Minnesota businesses nearly $1.5 billion annually, based on a payroll tax rate that is subject to increase significantly, in order to create and finance a broad new state-run insurance program that takes over an existing insurance market and thwarts an emerging one.

In addition to the direct cost on employers, the proposal will take years of development and over 400 state FTEs to start, implement, and administrate. Once the program is up and running, the proposal assumes that roughly seven percent of the taxes collected annually will be needed to pay to run and staff the state bureaucracy program.

To that point, we are extremely concerned that an outside actuarial analysis has not been conducted yet. Based on preliminary review of the fiscal note, without modifications to its initial scope and design, we expect the program to exceed projections and run into solvency issues. This will result in higher payroll tax on small employers and employees.

Businesses, particularly small businesses, already struggle to endure the costs associated with missed productivity of their workers. The cost to find temporary workers to fulfill their responsibilities in their absence is a double tax on these employers.

This is a big, complex proposal and we have significant concerns with the way it is drafted and structured in terms of workability. This is why only 11 states and Washington DC have gone down this path so far. There are different approaches, and we encourage policymakers to keep working with all stakeholders to find a more targeted and sustainable solution.

Increased costs further limit resources available for employee compensation, job growth, and expansion in Minnesota. In its current form, HF 2 would impede Minnesota's competitiveness and economic growth, we respectfully encourage a "no" vote on HF 2 and hope that legislators will continue to work on the proposal in order to address issues relating to its cost, its size and scope, its solvency and sustainability, and the workability of its construction.

We appreciate the opportunity to share our opposition with the committee.

Sincerely,
Lauryn Schothorst
Director, Workplace Management and Workforce Development Policy