MINNESOTA CHAMBER OF COMMERCE
GROWING MINNESOTA

February 8, 2023

Dear Members of the House State and Local Government Finance and Policy Committee:

On behalf of the Minnesota Chamber of Commerce, thank you for the opportunity to share our 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 we're discussing today, but public policy proposals related to them. And that is why our members are telling us that HF 2 doesn't work for them. It is too expansive and expensive and its government-divined design is, actually, disruptive and punitive. Here's why:

Expansive

The bill creates a mechanism for an employee to be away from their job for up to 24 weeks each year. At 44% of a working year, that's a considerable new standard. Not every employee will take off the entire time, but experience shows that more time will be taken and the bill as drafted almost guarantees more time off will be taken - when combined with the new definition of "family member" assigned through this proposal, the expanded list of qualifying events, the enhanced wage replacement rate, and the stackability of the leaves when also combined with HF 19, legislation mandating up-to-80 hours of paid sick and safe time. This nation-leading approach would make Minnesota an outlier and our employers are rightfully concerned.

We have also have a well-documented workforce shortage already in Minnesota, and it is expected to get critically worse within the upcoming decade. In certain workplaces, such as hospitals or manufacturing facilities that run 24/7, or in daycares or schools, 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 disrupt existing benefits packages and unintentionally exacerbate problems related to our workforce challenge.

Expensive

Minnesota already imposes a higher cost of doing business than many other states. You may not know that 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, and directly compared to the few states that have enacted paid leave programs already.

We often hear from proponents of this legislation that other states have done this and it is not expensive at all. We disagree, and we are highly critical of the state seeking to impose a new payroll tax on every employer that will collectively cost the Minnesota business community nearly $1 billion annually, to create 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 300 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.

MINNESOTA CHAMBER OF COMMERCE
GROWING MINNESOTA

To that point, we are extremely concerned that an outside actuarial analysis has not been conducted. We do not even have a fiscal note yet. However, based on preliminary fiscal review of the proposal, without modifications to its initial scope and design, we expect the program to run into similar solvency issues.

For example, between HF 2 as introduced and the bill before you today, the payroll tax rate has already increased from 0.6 percent to 0.7 percent – and there is no limit under the legislation to cap this payroll tax. Businesses can't adequately prepare for this type of uncertainty and tax liability, as we recently saw with the Unemployment Insurance Trust Fund solvency crisis. 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 our job-creators.

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 better, 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 HF2 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