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<u>Senate File 2 (Mann)</u>

Dear Members of the Senate State and Local Government and Veterans Committee,

The National Federation of Independent Business (NFIB) represents over 10,000 small businesses in every industry and every corner of our state. Nearly 90% of our members have fewer than 20 employees and our average member employs 10 Minnesotans.

NFIB is committed to advocating for the best interests of Main Streets across Minnesota. Small businesses work hard to take care of their employees and contribute to their communities, often on increasingly thin margins and vanishing bottom lines.

NFIB opposes Senate File 2 in its current form. This proposal is an outlier in many ways among the states that have a Paid Family and Medical Leave (PFML) program, particularly in its treatment of small business.

First, the program's payroll tax is an added burden at a time when Main Street is still struggling. It amounts to about a billion dollars to start and we believe the cost will rise quickly - perhaps even double in the first few years like Washington's.

Many other states that created PFML programs in recent years set a hard cap on the payroll tax at ~1% of total wages. This provides cost certainty for employers and employees alike.

Second, most states allow small employers to opt out of the employer share of the premium while still allowing the employee to access the program. This includes Washington, which allows small employers with fewer than 50 employees to opt out of the premium. Those who opt out are not eligible for the small business assistance grants.

The small employer opt-out also corrects an unintended cross-subsidy from small employers to big businesses. In Washington, employees of big businesses have consistently used PFML at higher rates compared to their share of the workforce, while employees of small businesses have used PFML at lower rates.

Third, the combined benefit duration of 24 weeks exacerbates one of the biggest challenges facing small employers right now. A very high percentage of our members can't find workers. In many cases, small employers will experience additional uncompensated losses because they won't be able to fill vacancies.

Colorado, Connecticut, Delaware, and Oregon all offer 12 weeks of medical and 12 weeks of family leave. However, they limit total leave in a year to 12 weeks plus two to four additional weeks for limited circumstances like pregnancy complications. Washington allows 16 combined weeks of leave with two additional weeks for pregnancy complications.

Lastly, we encourage members to consider that just as it's not the fault of an employee who gets sick and needs time to get better, it's not the fault of a small business that this program will pose new significant financial and workforce challenges.

We look forward to working with you all on ways to protect small businesses.

Sincerely,

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