MINNESOTA CHAMBER OF COMMERCE
GROWING MINNESOTA

January 25, 2023

Dear Members of the Senate State and Local Government Committee:

On behalf of the Minnesota Chamber of Commerce, thank you for the opportunity to share our opposition to SF 2 (Sen. Mann) and SF 34 (Sen. Pappas), legislation seeking to impose new unfunded paid leave mandates 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.

Minnesota's employers, employees, and communities are counting on lawmakers to work toward an agenda for economic growth, making Minnesota's economy stronger, more vibrant, and more competitive. We know from the Chamber's 2023 Business Benchmarks that Minnesota lags other states in a number of key business metrics. Instead of accelerating economic growth in 2023, this bill takes the opposite approach.

Minnesota employers provide their employees with numerous benefits promoting wellness and flexibility, building high morale, and attracting and retaining the best talent in a competitive marketplace while maintaining the ability to operate safely and manage a variety of workplaces across the state. In fact, over 80% of Chamber members offer paid leave in some form to their employees.

Employers in every industry in Minnesota are also experiencing supplier challenges, changes in workforce protocols, and the highest rate of inflation in over 40 years. Coinciding with these operational cost-drivers, the state is experiencing a workforce shortage of crisis levels largely due to structural demographic changes and declining labor force participation. Increasingly, companies and employees can conduct business virtually, and can choose or move more rapidly to new jurisdictions, which may have real consequences for Minnesota's economic growth.

Minnesota businesses don't have the luxury of considering tax and labor policies, state spending, and regulatory decisions separately, in a vacuum. Employers – particularly our state's small and mid-sized businesses – are at risk of a multitude of paid leave mandates and workplace regulations. This is in a state that is already considered a high tax, high cost-of-doing-business state.

The paid sick and safe time provisions in SF 34 mandate that employers ultimately offer up to 80 hours of fully paid time off in a specific format, for an expanded and overly broad set of familial persons, for an increasing list of qualifying events. SF 34 requires employers to maintain specific records, in a specific format – or risk significant fines and liabilities - for a set of benefits that a majority of Minnesota Chamber members are already offering their employees in some form.

This proposal is different than paid sick and safe time ordinances adopted in Minneapolis, St. Paul, Duluth, and Bloomington further complicating compliance and increasing costs for businesses who operate in those locations as these local ordinances are not preempted nor does SF 34 explicitly prohibit local jurisdictions from adopting policies that go beyond the state policy, creating a scenario where employers could still be required to comply with a patchwork of sick and safe time mandates within Minnesota.

Separate, but in addition to SF 34, is SF 2 which places a new payroll tax on every employer to create a broad new state-run insurance program that will collectively cost the Minnesota business community nearly $1 billion annually while creating a mechanism for an employee to be away from their job for up to 24 weeks each year – not yet to say exactly how stackability with proposed paid sick and safe time mandates and existing FMLA obligations will be reconciled.

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SF 2 is a complex proposal and we have significant concerns with the way it is drafted and structured in terms of workability. 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. We are also concerned that an outside actuarial analysis has not been conducted. Based on preliminary fiscal review, without modifications to its initial scope and design, we expect the program to run into solvency issues. In fact, between SF 2 as introduced and as recently amended, the payroll tax rate has already increased from 0.6 percent to 0.7 percent – and there is no limit or cap on 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.

In its current form, SF 2 would impede Minnesota's competitiveness and economic growth. We hope that legislators will continue to work on the proposal in order to address issues relating to its cost, its size and scope, and the workability of its construction.

Cost, compliance and operational impacts of mandates such as the ones being considered today put pressure on employers, especially small employers. Increased costs further limit resources available for employee compensation, job growth, and expansion in Minnesota. The Chamber supports an approach that limits additional cost burdens and mandates on employers who are doing their best to keep their doors open and Minnesotans employed. We appreciate the opportunity to share our opposition to both SF 2 and SF 34 with the committee.

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