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March 23, 2023

Senate File 2 (Mann)

Dear Chair Champion and Senate Jobs and Economic Development Committee Members,

The National Federation of Independent Business (NFIB) represents over 10,000 small businesses in 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 continues to oppose Senate File 2 in its current form. We appreciate efforts to improve certain aspects of the proposal in the A83 amendment, but the length of leave and total cost still present serious workforce and financial challenges for our state's small employers.

A maximum of 20 weeks of paid leave, combined with a high wage replacement formula and complex reinstatement rights, makes this proposal an outlier among the states that have passed programs in recent years. Most small businesses will be unable to replace an employee on leave for up to 20 weeks, and the bill provides no compensation for lost productivity and lost sales at a time when many small employers are still struggling.

Further, we remain concerned that the cost of the program will exceed projections almost immediately and necessitate higher payroll tax on small employers and employees.

The Minnesota Department of Employment and Economic Development (DEED) estimates \$76 million in administrative costs and benefit payments of \$1.16 billion in the first full year of the program, with payroll tax revenue of \$1.46 billion. Key assumptions used to create the total annual benefit payment estimate are not provided in the bill's fiscal note.

In previous years, the projected average leave length (6.6 weeks) and average weekly benefit payment (\$598) used to determine the total annual benefit payment amount were well below real experience in states that served as partial role models for this proposal, including Washington and Massachusetts.

In Washington, which allows 16 to 18 weeks of leave, the average leave length was 9.5 weeks per customer in 2022. Even with a much lower wage replacement formula than what is proposed in Senate File 2, Washington's average weekly benefit payment was \$779.

In Massachusetts, which allows up to 26 weeks of leave, the average leave length was 12 weeks per customer in 2022. Even with one of the lowest wage replacement formulas in the country (capped at 64% of statewide average weekly wage versus 100% in Senate File 2), the average weekly benefit payment was ~\$775.

If actual leave length and weekly benefit payment are more comparable to these states than the fiscal note assumptions, the cost of the program will grow rapidly. The accuracy of these assumptions matters if the program is to maintain solvency without a much higher payroll tax.

We urge the committee to carefully scrutinize the assumptions used to estimate the program's cost and continue working to rein in the small business workforce and financial challenges presented by this proposal.

Thank you for your consideration of the small business perspective.

Sincerely,

A handwritten signature in black ink, appearing to read "John L. Reynolds".

John L. Reynolds
Minnesota State Director
National Federation of Independent Business
john.reynolds@nfib.org