

SF10 - 0 - Petroleum Refinery; Skilled & Trained Workforces

Chief Author: **Judy Seeberger**  
 Committee: **Labor**  
 Date Completed: **1/11/2023 8:27:51 PM**  
 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	(10)	(10)	(10)	(10)	(10)
<b>Total</b>	-	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>
<b>Biennial Total</b>			<b>(20)</b>			<b>(20)</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	(10)	(10)	(10)	(10)	(10)
<b>Total</b>		<b>-</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>
<b>Biennial Total</b>				<b>(20)</b>		<b>(20)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>				<b>-</b>		<b>-</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	10	10	10	10	10
<b>Total</b>		<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Biennial Total</b>				<b>20</b>		<b>20</b>

**Bill Description**

Section 1. Provides enforcement authority to the Department of Labor and Industry (DLI) to issue an order requiring an employer to comply with the skilled and trained contractor workforce requirements in the bill.

Section 2. Subd 1. Requires an owner or operator of a petroleum refinery to require contractors and their subcontractors to use a skilled and trained workforce when performing work at a petroleum refinery. This does not include contractors or subcontractors hired to perform Original Equipment Manufacturer (OEM) work to comply with equipment warranty requirements.

“Skilled and trained workforce” means an employee of the contractor or subcontractor meets one of these criteria:

1. Current registered apprentice in the applicable trade,
2. Graduated from a registered apprentice in the applicable trade, or
3. Completed all classroom training and work hour requirements needed to graduate from a registered apprenticeship program their employer participates in.

Subd. 2 Requires a contractors’ workforce to meet requirements to use a skilled and trained workforce as follows:

- 65% by October 15, 2023
- 75% by October 15, 2024
- 85% by October 15, 2025

Exemptions from these provisions for owners, operators, contractors, or subcontractors exist when:

- They have entered into a project labor agreement or collectively bargained maintenance agreement with a labor organization with a registered apprenticeship program, and
- All contracted work at the refinery is also subject to a project labor agreement or collectively bargained maintenance agreement

Subd. 3. The Labor Standards Division of Department of Labor and Industry (DLI) will receive complaints of violations. DLI

shall fine an owner, operator, contractor, or subcontractor not less than \$5,000 or more than \$10,000 for each violation. Each shift on which a violation occurs is a separate violation.

Subd 4. Provides a private right of action.

This bill would be effective October 15, 2023.

**Assumptions**

There are two oil refineries in the state of Minnesota that this bill would apply to. The State of Washington, which has 5 applicable oil refineries, received 5 complaints (during the first ten months of enactment of a similar law) and a compliance requirement of 35% of skilled journey persons be graduates of an apprenticeship program for the applicable occupation approved by the Washington State Apprenticeship & Training Council (WSATC).

DLI anticipates 4 complaints annually, however responding to those complaint inquiries would be immaterial for existing staff. As each shift is considered a separate violation, the agency estimates \$10,000 in penalty revenue annually, estimating 1 compliance order affecting two different shift violations per year with an average penalty of \$5,000 per shift violation. Given the higher compliance thresholds in future years, DLI continues to anticipate 1 compliance order with two shift violations each year.

Estimates of complaints were derived from states operating similar programs (State of Washington), while estimates of violations resulting in penalties were estimated based on the ratio of complaints to penalties issued in areas where DLI has similar enforcement authority.

**Expenditure and/or Revenue Formula**

<b>Annual Revenues</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Total Shift Violations Issued		2	2	2	2
Average Penalty Collected per Issue		5,000	5,000	5,000	5,000
<b>Cumulative Revenues</b>		<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

**Long-Term Fiscal Considerations**

NA

**Local Fiscal Impact**

NA

**References/Sources**

NA

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