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**Senate File 34 (Pappas)/House File 19 (Olson)**

Dear Members of the Senate Labor 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 employees and earns \$500,000 in annual revenue.

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. We believe that Senate File 34/House File 19 is an unfunded mandate that will disadvantage small businesses that are already struggling with general inflation, higher labor costs and worker shortages.

Hiring and maintaining staff is a major challenge for small employers right now. Recent NFIB small business data shows that over 40% of small employers have long-term openings they cannot fill – nearly double the historic average. Over 90% of our members report few or no qualified applicants for positions. And 78% report lost sales due to staffing shortages.

The proposal requires small employers to provide up to 48 hours of paid leave in the first year and up to 80 hours (including rollover of accrued time) in future years. This will impose a particular hardship on very small businesses and small employers that rely on part-time or seasonal employees, as many will be starting furthest from the bill's requirements.

As an example, a small business with four employees that make the local average hourly wage (per the U.S. Bureau of Labor Statistics) could see significant labor cost increases:

- Twin Cities Suburbs (~\$30/hour): additional annual cost of up to \$5,760 in the first year and up to \$9,600 in future years.
- Greater Mankato (~\$24.60/hour): additional annual costs of up to \$4,723 in the first year and up to \$7,872 in future years.
- Greater Moorhead (~\$25.50/hour), additional annual costs of up to \$4,896 in the first year and up to \$8,160 in future years.

These are substantial increase in labor costs for a very small business, especially at a time when economic headwinds are making it hard to keep doors open on Main Street.

We urge lawmakers to consider that, just as it's not the fault of an employee for getting sick or needing to take leave under this proposal, it's not the fault of a small business that this proposal creates a financial hardship and staffing challenge.

Further, we encourage lawmakers to look to other states with existing laws similar to this proposal for leave structures that shield small businesses from undue hardship.

New York, for example, requires very small employers (0-4 employees) with \$1 million or less in net income to provide 40 hours of unpaid leave. Oregon requires very small employers (<10 employees) to provide one hour of unpaid leave for every 30 hours worked. And most states limit annual paid leave accrual to 40 hours per year, or one work week.

With an \$18 billion budget surplus and trying economic times, there's no need for an unfunded mandate on Main Street.

Thank you for considering the perspective of small business.

Sincerely,



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