

SF9028 - 0 - UI Misrepresentation Penalty Modified

Chief Author: **Bobby Joe Champion**
 Committee: **Jobs And Economic Development**
 Date Completed: **4/23/2025 3:39:33 PM**
 Agency: **Employment and Economic Dvlpmnt**

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		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

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

LBO Signature: Karl Palm **Date:** 4/23/2025 3:39:33 PM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

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.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill would increase the penalty for an employer that made a statement for which they had no good faith belief or knowingly failed to disclose a material fact in order to avoid or reduce a payment required from an employer under Chapter 268 (the UI law) or Chapter 116L.20 (the Workforce Development Fund law) from the greater of \$500 or 50% of the amount of an applicant overpayment, applicant payment or amount of any payment due from the employer to the greater of \$500 or 100% of the amount.

Assumptions

Existing technology permits the application of this penalty, and the amount is manually calculated by staff. There is no administrative burden involved with changing this manual calculation.

DEED understands the proposal to be intended to address instances of worker misclassification. Most worker misclassifications that the UI program encounters do not involve a false statement without a good faith belief, nor do we find that the employer knowingly failed to disclose a material fact. Rather, most misclassification arises out of what appears to be a good faith misunderstanding or simply a lack of understanding.

This provision of UI law is aimed at those scenarios where an employer or their agent is asked a specific question or set of questions and prevaricates in their response. For instance, there was an historical practice of some employers' agents to respond to every notice that an applicant had filed for benefits by saying the applicant quit even if the agent did not know at the time they responded why the applicant had left employment. Clearly, no good faith belief was present since the agent did not know why the employment ended. This was not a particular problem in Minnesota because the strategy did not work, but other states have experienced it.

Because the factfinding bar for applying this penalty is quite high and is not met by the un-reported wages typically seen by the UI program, we assume that the provision would only very rarely be applied and we note that it has not in fact been applied to any employer in the last five year because the fact pattern required was not met.

For the penalty in this provision to be effective, the employer needs to remain in existence so that the amount can be collected.

Technical Comment: DEED would propose that an enactment date provision be added to this section as follows: "This section is effective for penalties imposed on or after October 1, 2025."

As presented, the proposal has no effective date. This is problematic as it is unclear whether the change would affect actions that took place on or after the date of final enactment or penalties applied on or after the date of final enactment.

Expenditure and/or Revenue Formula

There would be de minimus impact on administrative costs in the implementation of this change.

There may be a small, additional amount of penalties applied in any given year in those instances where the fact situation obtains. Collections would be very small.

Long-Term Fiscal Considerations

No long term fiscal considerations.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Matthew Dobratz

Phone: 651-259-7153

Date: 4/23/2025 3:37:26 PM

Email: matthew.dobratz@state.mn.us