MINNESOTA CHAMBER OF COMMERCE

GROWING MINNESOTA

May 15, 2024

Dear Members of the Minnesota House of Representatives:

On behalf of the Minnesota Chamber of Commerce, a statewide business organization representing over 6,300 businesses and over half a million employees throughout Minnesota, we respectfully request a "no" vote on HF 5363 (Rep. Frazier), legislation seeking to modify the paid family and medical leave (PFML) mandate imposed on Minnesota's employers last year.

During the 2023 legislative session, the Minnesota Chamber testified on numerous occasions with our staunch opposition to the imposition of this mandate for a number of reasons. We sought to limit the scope of the mandate; provide our smallest businesses with some relief from its financial and operational impacts; and ensure employers have the flexibility to manage these new requirements in ways that are feasible and not cost-prohibitive. We specifically asked that legislators work to mitigate the burdens of the onerous compliance requirements.

Furthermore, based on our preliminary fiscal analysis at the time, we predicted that without modifications to its initial scope and design, the program would exceed projections and run into solvency issues necessitating higher payroll taxes on small employers and employees, not to mention property tax increases needed to cover public sector employers and employees. In fact, as the ongoing actuarial analyses and most recent fiscal notes reveal, it is still too expansive, expensive, and subject to significant vulnerabilities in its design that bring into question its solvency. Despite the state initially allocating around $800 million for start-up costs, significant discrepancies in the cost projections for the PFML program show actual expenses exceeding estimates by over $600 million over the program's first three years. ***Before the program even goes into effect, the 0.7% payroll tax from last year's law will need to jump to 0.88% in Year 1.***

A number of amendments have been filed that would address some of these issues and implement preventative quality control measures, as outlined below:

- We encourage a "yes" vote on the A9 Amendment (weekly benefit amount adjustment); A10 Amendment (annual premium rate adjustments); A11 Amendment (actuarial studies); A12 Amendment (effective date); A13 Amendment (program reserve level); A14 Amendment (technology system operational certification); A15 Amendment (third party administrator); A16 Amendment (total number of weeks); and the A17 Amendment (small employer exemption with individual election of coverage option).

- In light of the fiscal and operational realities facing the program, the DE4 Amendment (alternative Family and Medical Leave Insurance (MN FaMLI plan) represents a more sensible and responsible approach to achieving the goal of increasing affordable access to PFML. We firmly believe that it is not too late to pursue this path.

While HF 5363 includes some helpful modifications to the underlying law (Secs. 16, 17, 18, 23, 27), it does not alleviate many of the concerns we have highlighted and creates additional costs and confusion, requiring further rulemaking. For example, the bill expands an already overly broad definition of family member; it removes language requiring the Minnesota Department of Employment Economic Development (DEED) to notify an applicant and employer(s) when an application is submitted and financial eligibility is determined; it modifies reinstatement requirements but with an unworkable standard; and replaces the existing complex small business PFML payroll tax rate provisions with another cumbersome and confusing process, and changes the eligibility for which small businesses will qualify for the Small Employer Assistance Grants.

With regard to the language relating to private plans (Secs. 29-35), we appreciate the stated intent by DEED that the department work will continue through the next year to refine these provisions and ensure the ability of Minnesota employers to meet their obligations under this new law through the substitution of a private plan that provides paid family, paid medical, or paid family and medical benefits <u>for current employees</u>. We look forward to contributing positively to that process.

While we appreciate that some clarifications are included in the underlying bill, we believe that balanced employment-related policy that benefits both employers and workers as well as taxpayers while enabling our economy to grow is a better approach for the state. It is for these reasons the Chamber encourages members to pursue the helpful clarifications contained in HF 5363 along with structural policy changes that the business community has advocated for. Without adoption of these amendments, the Chamber encourages a “no” vote on the underlying HF 5363.

Sincerely,

Doug Loon
President & CEO