

Consolidated Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Lead Agency: **Employment and Economic Dvlpmt**
 Other Agencies:
 Administrative Hearings Commerce Dept
 Human Services Dept Labor and Industry Dept
 Legislature Metropolitan Council
 Minn Management and Minnesota State
 Budget Secretary of State
 Revenue Dept University Of Minnesota
 Supreme Court

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	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Commerce Dept					
General Fund	-	376	316	128	128
Employment and Economic Dvlpmt					
General Fund	-	1,700,000	-	-	-
Paid Family Medical Leave	-	(1,649,061)	71,358	(211,368)	(227,491)
Human Services Dept					
General Fund	-	2,649	-	530	729
Labor and Industry Dept					
General Fund	-	601	-	(2)	(2)
Paid Family Medical Leave	-	-	374	731	731
Legislature					
General Fund	-	-	18	177	179
Metropolitan Council					
General Fund	-	-	-	8,966	9,364
Minn Management and Budget					
General Fund	-	-	118	5,798	5,798
All Other Funds	-	-	143	11,020	11,020
Minnesota State					
General Fund	-	-	-	958	958
Secretary of State					
General Fund	-	384	4	76	76
Supreme Court					
General Fund	-	15	15	(42)	327
University Of Minnesota					

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	1,372	195	195	
State Total						
Administrative Hearings	-	-	-	-	-	-
General Fund	-	1,704,025	1,843	16,784	17,752	
Paid Family Medical Leave	-	(1,649,061)	71,732	(210,637)	(226,760)	
All Other Funds	-	-	143	11,020	11,020	
Total	-	54,964	73,718	(182,833)	(197,988)	
Biennial Total			128,682	(380,821)		

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Commerce Dept					
General Fund	-	2	2	1	1
Employment and Economic Dvlpmt					
General Fund	-	-	-	-	-
Paid Family Medical Leave	-	30.5	221	407	407
Human Services Dept					
General Fund	-	-	-	-	-
Labor and Industry Dept					
General Fund	-	2	-	-	-
Paid Family Medical Leave	-	-	2	4.7	4.7
Legislature					
General Fund	-	-	-	-	-
Metropolitan Council					
General Fund	-	-	-	-	-
Minn Management and Budget					
General Fund	-	-	.22	.33	.33
All Other Funds	-	-	-	-	-
Minnesota State					
General Fund	-	-	-	-	-
Secretary of State					
General Fund	-	-	2	.3	.3
Supreme Court					
General Fund	-	-	-	-	3
University Of Minnesota					
General Fund	-	-	10	4.1	4.1
Total	-	34.5	237.22	417.43	420.43

Lead 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: Alyssa Holterman Rosas **Date:** 4/19/2023 8:47:04 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@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	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Commerce Dept					
General Fund	-	376	316	128	128
Employment and Economic Dvlpmt					
General Fund	-	1,700,000	-	-	-
Paid Family Medical Leave	-	(1,649,061)	71,358	(211,368)	(227,491)
Human Services Dept					
General Fund	-	2,649	-	530	729
Labor and Industry Dept					
General Fund	-	601	-	(2)	(2)
Paid Family Medical Leave	-	-	374	731	731
Legislature					
General Fund	-	-	18	177	179
Metropolitan Council					
General Fund	-	-	-	8,966	9,364
Minn Management and Budget					
General Fund	-	-	118	5,798	5,798
All Other Funds	-	-	143	11,020	11,020
Minnesota State					
General Fund	-	-	-	958	958
Secretary of State					
General Fund	-	384	4	76	76
Supreme Court					
General Fund	-	15	15	(42)	327
University Of Minnesota					
General Fund	-	-	1,372	195	195
Total	-	54,964	73,718	(182,833)	(197,988)
Biennial Total			128,682	(380,821)	
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	4	37	4	4
Commerce Dept					
General Fund	-	376	316	128	128
Employment and Economic Dvlpmt					
General Fund	-	1,700,000	-	-	-
Paid Family Medical Leave	-	50,939	71,358	1,213,045	1,264,694
Human Services Dept					
General Fund	-	2,649	-	530	729
Labor and Industry Dept					
General Fund	-	601	-	-	-
Paid Family Medical Leave	-	-	374	731	731

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Legislature					
General Fund	-	-	18	177	179
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General Fund	-	-	118	5,798	5,798
All Other Funds	-	-	143	11,020	11,020
Minnesota State					
General Fund	-	-	-	958	958
Secretary of State					
General Fund	-	384	4	77	77
Supreme Court					
General Fund	-	15	15	-	494
University Of Minnesota					
General Fund	-	-	1,372	195	195
	Total	- 1,754,968	73,755	1,241,629	1,294,371
	Biennial Total		1,828,723		2,536,000
2 - Revenues, Transfers In*					
Administrative Hearings					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	4	37	4	4
Commerce Dept					
General Fund	-	-	-	-	-
Employment and Economic Dvlpmt					
General Fund	-	-	-	-	-
Paid Family Medical Leave	-	1,700,000	-	1,424,413	1,492,185
Human Services Dept					
General Fund	-	-	-	-	-
Labor and Industry Dept					
General Fund	-	-	-	2	2
Paid Family Medical Leave	-	-	-	-	-
Legislature					
General Fund	-	-	-	-	-
Metropolitan Council					
General Fund	-	-	-	-	-
Minn Management and Budget					
General Fund	-	-	-	-	-
All Other Funds	-	-	-	-	-
Minnesota State					
General Fund	-	-	-	-	-
Secretary of State					
General Fund	-	-	-	1	1
Supreme Court					
General Fund	-	-	-	42	167
University Of Minnesota					
General Fund	-	-	-	-	-
	Total	- 1,700,004	37	1,424,462	1,492,359
	Biennial Total		1,700,041		2,916,821

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

Fiscal Note

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

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	1,700,000	-	-	-	-
Paid Family Medical Leave	-	(1,649,061)	71,358	(211,368)	(227,491)	
Total	-	50,939	71,358	(211,368)	(227,491)	
Biennial Total			122,297		(438,859)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Paid Family Medical Leave	-	30.5	221	407	407
Total	-	30.5	221	407	407

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: Alyssa Holterman Rosas **Date:** 4/19/2023 9:23:04 AM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

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Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	1,700,000	-	-	-
Paid Family Medical Leave	-	(1,649,061)	71,358	(211,368)	(227,491)
Total	-	50,939	71,358	(211,368)	(227,491)
Biennial Total			122,297	(438,859)	
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	1,700,000	-	-	-
Paid Family Medical Leave	-	50,939	71,358	1,213,045	1,264,694
Total	-	1,750,939	71,358	1,213,045	1,264,694
Biennial Total			1,822,297	2,477,739	
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Paid Family Medical Leave	-	1,700,000	-	1,424,413	1,492,185
Total	-	1,700,000	-	1,424,413	1,492,185
Biennial Total			1,700,000	2,916,598	

Bill Description

This bill establishes a Family and Medical Benefits Division within the Minnesota Department of Employment and Economic Development (DEED). That division would be charged with administering a family and medical benefit insurance program to provide the following:

- Family care benefits
- Bonding benefits
- Pregnancy benefits
- Medical leave benefits
- Safety leave benefits
- Qualifying exigencies leave benefits

Each program would have distinct eligibility requirements. The maximum length of benefits is dependent on the type of leave, with a maximum length of benefits of 12 weeks per 52-week period for medical or pregnancy leave. An additional maximum of 12 weeks of benefits is available for bonding, safety leave, or family care. Up to 12 weeks of benefits is also available for leave related to one or more qualifying exigencies.

Funding Structure and Timeline

The bill provides an initial appropriation of \$1.7B in FY24 to fund the following:

Administration and implementation costs, technical assistance and outreach to employees, employers and self-employed individuals as well as the costs related to IT and business process infrastructure,

Funding for benefit payments and small business assistance grants beginning FY25

The bill also provides the following key timelines:

Benefit payments begin July 1, 2025

Premium collections begin July 1, 2025 as well as small business grant awards. Of the tax collections beginning July 1, 2025, 7% is allocated to administrative costs including outreach (see bill section 24 & 25).

The bill would pre-fund the Paid Family and Medical Leave Insurance Account to allow for simultaneous launch of benefits and premiums. Previous iterations of the bill required premium collection to precede benefit payments.

Premiums

Under the bill, employees and employers would fund the benefit programs described above by paying premiums. All employers would be required to pay premiums, including governmental and nonprofit. The bill would also permit self-employed individuals to opt-in to the program.

Employer premium obligations would be calculated using a taxable wage base consistent with the Federal Insurance Contribution Act (FICA) tax, which is \$160,200 for calendar year 2023.

Employers would be able to deduct up to 50% of annual premiums paid from employee wages, subject to the minimum wage.

The bill requires the Department to set employer premium rates annually starting July 1, 2026 based on a ratio of benefits paid to total covered wages. The premium rate for the year beginning July 1, 2025 would be set in statute: 0.70 percent in the bill.

Employers may choose to participate in both the family medical and medical benefit programs; either; or neither (through substitution of a private plan). The premium rate for the medical benefits portion would be 0.57 percent; the premium rate for the family leave portion would be 0.13 percent.

The bill requires that premiums from employers be deposited in a special revenue fund in the state treasury. That fund would be used to pay benefits and grants for the business subsidy program as well as fund the administrative costs associated with this program.

The bill requires the Department to conduct an actuarial study of the family and medical leave premium rate, premium structure, weekly benefit formula, duration of benefit weeks, fund reserve, and other program components. A copy of this study must be provided to the Legislature by October 31, 2023.

Substitution of a Private Plan

The bill creates a process beginning January 1, 2024 by which employers may substitute a private plan for the state's plan when they can demonstrate they already offer equal or better benefits to their employees.

The DEED Commissioner, in consultation with the Commerce Commissioner, will be required to approve applications for employers to substitute a private medical or family benefit program.

The DEED Commissioner, in consultation with the Commerce Commissioner, will also be required to approve any amendments to a private plan that has previously been approved for substitution.

Benefits

To be eligible for benefits, an applicant must have earned sufficient wage credits to establish a benefit account which the bill defines as having wage credits of at least 5.3 percent of the state's average annual wage rounded down to the next lower \$100.

The maximum weekly benefit amount payable to an applicant for any given week is based on the annual statewide average weekly wage. An individual applicant's weekly benefit amount would be determined partially based on that individual's average weekly wage; applicants with a lower average weekly wage would have a proportionately higher share of their wage replaced.

Maximum benefit duration would be limited to a certain number of weeks, which vary by benefit type. Applicants could receive more than one benefit type consecutively for the same qualifying event. The program provides a maximum length

of benefits of 12 weeks per 52-week period for medical or pregnancy leave. The program allows for additional benefits of up to 12 weeks for bonding, safety leave or family care. The program also allows for up to an additional 12 weeks of benefits related to one or more qualifying exigencies. An applicant eligible under more than one benefit type could stack their leaves.

Implementation Timeline

The bill would require the Department to begin collecting premiums and paying benefits on July 1, 2025. The bill would appropriate one-time General Fund dollars for the purpose of establishing the program in FY24. The bill appropriates funding in FY24 from the general fund for DEED to provide benefit payments in calendar years 2024 and 2025. Funds may be used to:

Administer and implement the program, including costs related to IT and business process infrastructure

Conduct outreach, education and technical assistance for employees, employers and self-employed individuals regarding this chapter.

The bill then appropriates funding from the Paid Family and Medical Leave Insurance Account of at least 0.50 percent of projected benefit payments for outreach beginning FY25 and ongoing. At least half of the outreach funding must be granted to community-based groups for outreach activities.

Assumptions

Overview

This bill creates a Family and Medical Benefit Insurance Division within the Minnesota Department of Employment and Economic Development (DEED) under the authority of the DEED Commissioner and directs the Division to administer and operate the benefit program. Beginning July 1, 2025, the bill allows the DEED Commissioner to spend up to 7 percent of projected benefit payments for that calendar year for the administration of the PFML program.

Modeling Approach

The United States Department of Labor (USDOL) maintains a Worker Paid Leave Usage Simulator (Worker PLUS) model to provide an open-source simulation tool that can be used by researchers and federal, state, and local policy makers to estimate the effects of various worker leave scenarios and policy options on worker leave-taking behavior, and to estimate the benefits paid as well as costs of administering any given paid leave program.

The Worker PLUS model employs public microdata from the Department of Labor's Family and Medical Leave Act (FMLA) Employee Survey to train models for individual-level leave needs and behaviors. When a user supplies paid leave program parameters, the model simulates specific leave-taking behavior and outcomes using demographic data from the five-year American Community Survey (ACS) Public Use Microdata Sample (PUMS). Using this ACS PUMS earnings data, the Worker PLUS model can simulate, by category of leave, the annual benefit amount each beneficiary is likely to receive. These benefit amounts are then aggregated into totals for each category of leave

Department staff used the Worker PLUS model to develop the estimates that follow, using the policy parameters included in the bill. The following is the list of assumptions used in the model calculations.

Discussion of Key Variables

Usage rates

DEED was also required to estimate the number of covered workers who would 1) qualify for one or more benefit types and 2) choose to apply for benefits. The anticipated uptake rates used in this fiscal note are sourced from values provided by the Washington State Paid Family and Medical Leave program. As the state with the most directly comparable program to the program proposed in this bill, DEED used these variables as a proxy for likely experience in Minnesota.

Usage Rates per 1,000 covered employees (Source: Milliman 2022, data from Q2 CY2022)

Own Health	Maternity	Bonding	Family Care
23.70	6.26	20.19	7.16

DEED has no estimates of uptake rates or way of producing our own estimates for the qualifying exigency leave or safety leave. Upon advice from DEED’s Labor Market Information office, DEED department staff are estimating that 1,000 Minnesotans annually qualify for exigency benefits and 1,000 Minnesotans annually qualify for safety leave with a calculated take-up rate consistent with that of family care.

Benefit Amount

The minimum weekly benefit amount under the bill would be approximately \$200, while the maximum benefit amount would be the state’s average weekly wage of \$1,345 (in CY2023). The Worker PLUS model simulates, by category of leave, the annual benefit amount each beneficiary is likely to receive. These benefit amounts are then aggregated into totals for each category of leave.

Average Benefit Duration

Under the bill, applicants can collect a minimum of one week of benefits under any benefit type. The Worker PLUS model simulates, by category of leave, the average benefit duration each beneficiary is anticipated to take.

Total Benefit Costs

DEED used the Worker PLUS model to estimate the number of covered workers, the uptake rate, the average benefit amount, and the average benefit duration, for all eligibilities except qualifying exigency and safety leave. For qualifying exigency and safety leave DEED assumed that the pattern of usage and therefore cost - is approximated by family care.

Leave Type	Estimated Beneficiaries (upper CI)	Estimated Benefits (upper CI) 2023 Dollars
Own Health (Medical)	65,779	\$450,662,813
Maternity (Medical)	18,256	\$118,664,832
Bonding (Family)	56,149	\$234,335,249
Ill Child (Family)	20,640	\$60,562,169
Ill Spouse (Family)	20,713	\$76,749,570
Ill Parent (Family)	20,520	\$66,906,537
Qualifying Exigency	1,000	\$3,267,437
Safety	1,000	\$3,267,437
Total	204,057	\$1,014,416,044

The values in this model output are doubly conservative. First, DEED used the values for the upper confidence interval for estimated beneficiaries and benefits rather than the midpoint estimate from the Worker PLUS model. Second, summing the values for each leave type likely double counts actual leave-taking behavior. Nevertheless, this provides a conservative estimate to base program outputs upon.

Expenditure and/or Revenue Formula

Revenue Formula: Family and Medical Leave Division

The bill states that premium obligations would be calculated using a taxable wage base consistent with the Federal Insurance Contribution Act (FICA) tax, which is \$160,200 for calendar year 2023. The Department of Revenue provided projections of FICA Taxable Earnings to estimate program revenues. The values below reflect inflation at the same growth factors for revenue and benefits, based on the FICA taxable earnings projection growth:

Calendar Year	FICA taxable earnings projection (thousands of dollars)	Annual growth factor from previous year	PFML Premium Collection at 0.7% (thousands of dollars)	Forecasted PFML Benefits (thousands of dollars)
2023	\$ 181,555,812			
2024	\$ 187,866,849	3.48%		
2025	\$ 198,515,630	5.67%	\$ 694,805 (half year)	\$ 554,588 (half year)
2026	\$ 208,459,429	5.01%	\$ 1,459,216	\$ 1,164,736
2027	\$ 217,879,262	4.52%	\$ 1,525,155	\$ 1,217,367

For these revenue collection estimates:

- Premium collection multiplies the 0.7 percent premium by the taxable earnings projection.
- Projections are based on the House Income Tax Simulation Model 7.2, November 2022 Forecast
- We did not assume any employers would substitute a private plan. While any employers choosing a private plan option would reduce collections, we expect it would also reduce expenditures by a proportionate amount.
- We assumed that the 0.7 percent premium rate would not change. As noted above, the bill requires the Department to recalculate employer premium rates annually starting July 1, 2026 based on a ratio of benefits paid to total covered wages.

These calendar year projections are converted to State Fiscal Year (SFY) projections on page 2 of the fiscal note. DEED converted these calendar year projections to SFY projections by summing the two calendar years for the relevant fiscal year and dividing by 2. For example, the SFY26 value of \$1,424,213 comes from adding the CY25 and CY26 values (\$1,389,609 and \$1,459,216) and dividing by two.

Cost to State and Local Government

This bill would charge premiums to state and local governments. In many cases, these employers already provide family and medical leave benefits. It is unclear what the impact this program would have on such employers and their decisions to substitute a private plan or participate in this program. Absent data that could model this behavior, we assumed that all state and local governments will participate in this program.

Expenditure Formula: Administrative Costs

Several states have launched PFML programs in the past few years. As noted above, Washington State has deployed the program most comparable to what is contemplated in this bill; currently, Washington’s PFML division employs nearly 500 FTE. Additionally, DEED used Minnesota’s Unemployment Insurance (UI) Program as a point of comparison. In an average year, the Minnesota UI program pays out approximately \$800 million in benefits to approximately 150,000 Minnesotans. Program staffing has ranged from 300 FTEs to 400 FTEs depending on program demands. However, experience in other states confirms that the application process, data to be managed and stored, adjudication process, appeal process, premium structure, and financial structure contemplated involved in a PFML program are relatively complicated compared to UI program structures.

Based on Washington’s experience and comparing with Minnesota’s UI Program, DEED estimates that steady-state

staffing would require 407 FTEs when premium collection, benefit payment, and business subsidy payments are fully operational. We have scheduled staffing the premium collection unit and benefit payment and business subsidy payment units with staff one quarter prior to the system going “live” to allow time to fully train staff. DEED’s staffing costs include program administration, benefits administration, employer services, program integrity, product management, finance and administration, and administrative appeals. Staffing includes DEED’s administrative appeals staffing costs but not appeals beyond DEED into the state court state system.

Area	FY24 FTE	FY25 FTE	FY26 FTE	FY27 FTE
Appeals	3	22	47	47
Benefits	1	146	292	292
Employer Services	1	7	13	13
Finance and Admin	1	4	4	4
Integrity	0	10	18	18
Management	7	12	12	12
Product	15.5	15.5	15.5	15.5
Public Engagement	2	4	6	6
Total FTE	30.5	221	407	407

Appeals: Manages appeals of PFML application determinations.

Benefits: Provides support to applicants throughout PFML application and claims process.

Employer Services: Provides support to employers regarding tax submission and other employer-side questions.

Finance and Administration: Supports financial management, accounting, and procurement efforts required in the program.

Integrity: Conducts audits and reviews of PFML program activities.

Management: Provides leadership for the PFML program.

Product: Responsible for managing the technology buildout to configure and support the program’s technology stack.

Public Engagement: Conducts outreach and public engagement with relevant stakeholders.

(All figures at midpoint of FY.)

Outreach Programs

The bill appropriates funding for DEED to conduct outreach, education and technical assistance for employees and employers. This is initially funded with the General Fund appropriation in FY24; beginning in FY25, it requires the DEED to use at least 0.5 percent of projected benefit payments for this purpose. At least one-half of the amount must be used for grants to community-based groups.

Small Business Grants

The bill caps Small Business Assistance Grants at \$5,000,000 annually and begins awarding grants of up to \$3,000 to employers when an employer hires a temporary worker to replace an employee on leave or up to \$1,000 to reimburse employers for costs associated with an employee’s leave for small businesses with 50 or fewer employees on July 1,

2025.

Expenditure Formula: MN.IT/Technology Costs

This fiscal note estimates costs for the revenue portion of the IT system with the functionality for premium assessment and collection. This fiscal note also estimates costs for the benefits portion of the IT system with the functionality to process applications, verify leave-triggering events, determine program eligibility, make benefit determinations, disperse benefits, prevent and detect fraud, and track the appeals process.

This bill would require DEED to begin collecting premiums and paying benefits effective July 1, 2025. This would require significant systems implementation, business process design, and vendor management. The ability to deploy such systems and processes within the timeframe identified will require contract resources to successfully deliver. Our cost estimates are subject to change due to the evolving vendor marketplace.

For comparison, automating the UI system cost about \$40 million to build in vendor costs between 2002 and 2007. That cost did not include either UI staff time or MNIT staff time. That system build included approximately 30 staff FTEs per year, using MNIT and UI staff time. Accounting for in-house staffing costs, the cost of delivering the UI system up to its final phase in 2007 was closer to \$60 million. In 2023 dollars, that would be close to \$90 million.

In implementing its PFML program beginning in 2017, Washington State's IT implementation costs totaled \$63,192,021 over four years.

DEED anticipates using an outside IT vendor to deliver the solution. With this in mind, DEED estimated the hourly rate for resources at \$300/hour for FY24 FY26 leading to an estimated cost of \$83.4 million for the initial IT buildout. DEED based this estimate on market soundings with potential vendors and comparable project data. Maintenance expenses would be required from FY26 FY28.

Expenditure Formula: Cost Sharing with Unemployment Insurance Program, Other State Synergies

DEED will look for administrative efficiencies with the Unemployment Insurance program and synergies with other states to the extent practicable. It should be noted, however, that the federal Unemployment Insurance law and regulations require a Cost Sharing Agreement whenever non-Unemployment Insurance activity is connected to an Unemployment Insurance tax collection process. Costs must be negotiated with the United States Department of Labor. Additionally, each state with a PFML program has varying administrative, policy, and operational parameters.

Expenditure Formula: Nonpersonnel Costs

Nonpersonnel costs are accounted for in the analysis. These costs include office space rent, professional services, call center and desktop IT infrastructure, indirect charges, marketing, rulemaking, and employee development. We also incorporate a one-time expenditure to set up office space of approximately \$2.2 million.

Cumulative Projected Administrative Expenditures (thousands of dollars)

	FY24	FY25	FY26	FY27	FY28
Appeals	\$171	\$2,176	\$5,755	\$6,257	\$6,445
Benefits	\$162	\$11,160	\$26,096	\$26,879	\$27,685
Employer Services	\$128	\$699	\$1,368	\$1,409	\$1,452
Finance and Admin	\$120	\$490	\$505	\$520	\$535
Integrity		\$743	\$1,858	\$1,914	\$1,971
Management	\$629	\$1,294	\$1,554	\$1,601	\$1,649
Product	\$2,400	\$2,555	\$2,632	\$2,711	\$2,792
Public Engagement	\$229	\$381	\$642	\$661	\$681

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

Nonpersonnel	\$5,383	\$10,143	\$24,001	\$20,012	\$17,403
System Buildout	\$41,716	\$41,716	\$6,677	\$6,677	\$6,677
Business Subsidy			\$5,000	\$5,000	\$5,000
Total	\$50,939	\$71,358	\$76,089	\$73,642	\$72,291

Summary of Total Expenses (thousands of dollars)

	FY24	FY25	FY26	FY27	FY28
Benefit Payments			\$1,136,956	\$1,191,052	\$1,244,873
Administration	\$50,939	\$71,358	\$76,089	\$73,642	\$72,291
Total Expenses	\$50,939	\$71,358	\$1,213,045	\$1,264,694	\$1,317,164

Long-Term Fiscal Considerations

Each year beginning July 1, 2026 the commissioner must adjust the annual premium rates using a formula in the bill.

Local Fiscal Impact

Local governments are included in the program and will be subject to the premiums stipulated.

References/Sources

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NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

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Agency Fiscal Note Coordinator Signature: Rebecca Wernett

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Administrative Hearings**

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	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
Administrative Hearings	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
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: Chloe Burns **Date:** 4/13/2023 2:19:26 PM
Phone: 651-297-1423 **Email:** chloe.burns@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 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Administrative Hearings	-	4	37	4	4
Total	-	4	37	4	4
Biennial Total			41		8
2 - Revenues, Transfers In*					
Administrative Hearings	-	4	37	4	4
Total	-	4	37	4	4
Biennial Total			41		8

Bill Description

HF2-4A creates a family and medical benefit insurance program within the Department of Employment and Economic Development (DEED) with enforcement of the program’s protections handled by the Department of Labor and Industry (DLI).

The legislation authorizes DEED to conduct rulemaking to implement the provisions of Art. 1, Sec. 6, Family and Medical Benefit Insurance Program Creation, and Sec. 10, Eligibility Requirements, Payments that Affect Benefits; and Sec. 12, Appeals Process.

Assumptions

The Office of Administrative Hearings (OAH) has used DLI’s estimate to project that three matters will be appealed to OAH annually beginning in FY2024 under Art. 1, Sec. 2, Subd. 4, Compliance Orders. In addition to the three annual appeals, OAH estimates that once every four years an appeal will result in a hearing. OAH assumes that one hearing every four years will require an estimated 55 hours of administrative law judge (ALJ) time at the currently approved billable rate of \$245 per hour. The remaining three matters appealed to OAH, but that are resolved before hearing average three hours of ALJ time. DEED assumes a program of this size will require one large rulemaking at \$314,298 in FY2025. Based on past practices, OAH assumes that a large rulemaking under chapter 14 will require an estimated 135 hours of ALJ time for activity related to rulemaking procedures. Of the estimated rulemaking amount of \$314,298, \$33,075 is for the estimated 135 hours of ALJ time for a large rulemaking. OAH currently bills ALJ time at the MMB-approved billable rate of \$245 per hour (see Minn. Stat. § 16A.126, subd. 1 (2022)).

Expenditure and/or Revenue Formula

Charged to DLI:

Estimated 55 hours of ALJ time once every four years for an appeal referred to OAH which goes to hearing - \$245/hr x 55 = \$13,475

Estimated three hours of ALJ time for appeals referred to OAH and resolved without hearing per year Estimated 3 hours of ALJ time at \$245/hr = \$735

- Estimated one appeal referred to OAH for hearing - \$13,475 averaged over four years = \$3,369
- Estimated three appeals referred to OAH and resolved without hearing per year - \$735 x 3 = \$2,205
- Estimated three appeals referred to OAH for hearing and resolved without hearing averaged over four years - \$2,205 averaged over four years = \$551
- Averaged yearly estimate - \$3,369 + 551 = \$3,920

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

Charged to DEED:

One-time rulemaking - Estimated 135 hours of ALJ time for rulemaking activities related to implementing the requirements of Sec. 6, Family and Medical Benefit Insurance Program Creation, and Sec. 10, Eligibility Requirements, Payments that Affect Benefits; and Sec. 12, Appeals Process = \$33,075 charged to DEED in FY2025 pursuant to the requirements of Minn. Stat. § 14.53.

FY25 one-time rulemaking - \$33,075

Long-Term Fiscal Considerations

DLI estimated costs would continue in future years.

DEED costs associated with the rulemaking activities are a one-time occurrence.

Local Fiscal Impact

References/Sources

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Agency Fiscal Note Coordinator Signature: Denise Collins

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Commerce 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	-	376	316	128	128	
Total	-	376	316	128	128	
Biennial Total			692			256

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	2	2	1	1
Total	-	2	2	1	1

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:** 4/19/2023 12:33:51 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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	376	316	128	128	
Total	-	376	316	128	128	128
	Biennial Total		692			256
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	376	316	128	128	
Total	-	376	316	128	128	128
	Biennial Total		692			256
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-			-

Bill Description

House File 2-4A establishes a family and medical leave insurance program and also establishes a new Family and Medical Benefits Insurance Divisions within the Minnesota Department of Employment and Economic Development (DEED). Under this program, DEED, beginning in July 2025, must pay benefits to eligible applicants using funds from the family and medical benefit insurance account. Individuals are eligible for up to twelve weeks of paid leave if they are unable to work due to a medical issue, to care for a family member, or for the care and bonding with a child.

This program requires employers to contribute up to .7 percent of each employee’s annual wages. This rate is lower if the employer chooses to self-insure or purchase a private insurance policy to provide family and medical leave.

House File 2-4A provides three options to an employer to ensure employees receive paid family medical leave (PFML):

1. Contribute to a state pool
2. Self-insure, providing coverage at least as much as covered in the state pool
3. Purchase a private insurance policy that provides coverage at least as much as covered in the state pool

House File 2-4A directs DEED, in consultation with the Department of Commerce, to establish and monitor the private insurance products employers may purchase in lieu of participating in the state’s paid family and medical leave program as well as ensuring the employers opting to self-insure provide adequate coverage.

Assumptions

Commerce assumes that the Department will review, approve, and disapprove insurance products based on current standards and any new standards that need to be developed. Commerce assumes that this work includes some initial work to establish the new program and related processes including establishing starting dates for marketing policies, selling policies, and making the policies effective. Commerce also assumes that there will be ongoing review of private family and medical leave insurance policies. Commerce assumes that this work will be done in coordination with DEED.

Based on experience from other states who have stood up similar, private paid family medical leave programs in conjunction with a new state benefit, Commerce anticipates that there will be an estimated 20 insurance companies offering paid family medical leave policies.

DEED’s fiscal note assumes that all employers will use the state plan, but they state that this is based on a lack of data to suggest otherwise. Commerce is, for the purposes of the fiscal note, assuming that at least one private plan will be developed and will require work on behalf of the department.

Expenditure and/or Revenue Formula

For implementation (18 months starting in FY24):

.5 FTE Actuary

.5 FTE form filing Audit Director

1 FTE form filing CA3

For ongoing review (starting in FY25)

1 FTE form filing CA3

			FY24	FY25	FY26
Salary			232,918	190,980	74,521
Fringe			69,875	57,294	22,356
Other Personnel Related Costs			73,437	67,658	30,940
			376,231	315,932	127,817

Long-Term Fiscal Considerations

While there would be a significant resource investment to stand up the private paid family medical leave insurance process and reviews, the ongoing costs of maintaining the program would be lower.

Local Fiscal Impact

References/Sources

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Agency Fiscal Note Coordinator Signature: Amy Trumper

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Human Services 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	-	2,649	-	530	729	
Total	-	2,649	-	530	729	
Biennial Total			2,649			1,259

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
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.

This fiscal note has been reviewed and meets the LBO requirements for compliance with the fiscal note Uniform Standards and Procedures. DHS provided an estimate that includes possible fiscal impacts in years not shown on the State Cost (Savings) Table. Please review the Long-Term Fiscal Considerations section of the fiscal note for an explanation of the possible fiscal impacts.

LBO Signature: Steve McDaniel **Date:** 4/18/2023 5:11:30 PM
Phone: 651-284-6437 **Email:** steve.mcdaniel@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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	2,649	-	530	729	
Total		-	2,649	-	530	729
Biennial Total			2,649			1,259
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	2,649	-	530	729	
Total		-	2,649	-	530	729
Biennial Total			2,649			1,259
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill establishes a new statewide state-administered paid family and medical leave insurance program providing Minnesota workers with up to 12 weeks of partial wage replacement for medical and up to 12 weeks for family leave. This state insurance fund will be financed by contributions from both employers and employees.

This bill proposes a .7% premium on all salaries of all employers including Nursing Homes, up to the Social Security Maximum income limit starting to be paid in July 1, 2025. Employers including Nursing Homes may, but are not required to, deduct 50% of the premium from an employee’s wages. Since Nursing Homes are reimbursed using a cost based method, this will cause an increase in the rates that are set beginning on July 1, 2027, going forward. In Fiscal Year 2027 the cost is estimated to be \$199K due to 2027 rates only including 3 months of costs reported for the period ending 9/30/2025. Also, since the rate year begins January 1, 2027, due to the payment delay of one month, FY 2027 will only include 5 months of payments. Beginning in Fiscal Year 2028 the estimated cost per year is approximately \$1.1 Million.

This bill includes provisions related to the eligibility of applicants receiving public assistance from programs governed by Minnesota Statutes, chapter 256P, including General Assistance and Minnesota Supplemental Aid under 256D, childcare assistance programs under 119B, Housing Support under 256I, and the Minnesota Family Investment Program and Diversionary Work Program governed by chapter 256J. The proposal would also have implications for the Medical Assistance and MinnesotaCare programs governed by chapters 256B and 256L.

Assumptions

Impacts to Nursing Facilities

- There are numerous different effective dates within this bill.
- Nursing facilities will begin to incur the costs associated with this bill starting with the rate year effective July 1, 2025.
- Minnesota's first state fiscal year related to this bill ends on June 30, 2027. Medical Assistance and Private Pay daily nursing facility payment rates will be affected by this bill for dates of service on and after January 1, 2027.
- A 30 day payment delay factor was used; payment for nursing facility services lags the provision of services by one month.
- Specific program impacted: Medical Assistance Long-Term Care Facilities
- Projected number of people impacted daily by the private pay rate increase associated with this bill: 3,842.
- This bill will impact all employees of nursing facilities in Minnesota; this is estimated to be 31,000 people.
- It is expected that nursing facilities will experience 75% of the cost of the premiums for this bill and employees will

experience 25%. This bill allows for the employer to deduct up to 50% of the cost of the premium from the employee's wages. However, it is not required that employers deduct the full 50%, this may be seen as a potential new benefit to help attract and retain employees and some employers may choose to deduct only a portion of the 50% of the premium cost or no premium cost from the employee's wages.

- The fiscal note is based on 2021 salaries, it is expected that salaries will increase in five years by a wage inflation factor each year.
- The bill requires that facilities to have both types of insurance whether self-funded or through the state, but regardless of funding type, these costs will be allowable as part of the rate. These costs will be subject to Medicare principles to be allowable, specifically those involving self-funded insurance and prudent buyer. The cost cannot exceed the .7% premium that is laid out in this bill.
- There will be an impact to the Medicaid and Private Pay nursing facility rates annually if this bill is enacted. The rate impact is estimated to be an increase of \$0.28 per resident day in SFY 2027 and an increase of \$1.14 cents in SFY 2028. This bill will continue to impact nursing facility rates beyond SFY 2028 for as long as it is in effect.
- Resident days are expected to change annually. These annual changes in resident days are reflected in this analysis; they are based on the forecasted days from the November 2022 Forecast.
- Federal approval is not needed to implement this bill.
- There are federal and county costs associated with this bill and these amounts are shown in the table below. The state share of costs is determined by amounts paid by these other governmental units
- There are no administrative costs associated with this bill. This bill can be implemented with the existing Department resources.
- There are no Systems (IT) costs associated with the impacts to nursing facilities in this bill. Systems changes are not needed to implement the impacts associated with nursing facilities in this bill.

Impacts to Public Assistance Programs

There is no fiscal impact to DHS public assistance program reflected in this estimate. The bill language establishes paid family and medical leave as a new benefit program and clarifies how this income would be used to determine eligibility and benefits for MFIP. It also adds the new family and medical leave program to the list of "earned income" eligibility criteria in Chapter 256P which governs General assistance and Minnesota supplemental aid under chapter 256D, child care assistance programs under chapter 119B, and Housing Assistance governed by chapter 256I, in addition to MFIP and DWP. The fiscal impact to MFIP and other economic assistance programs is indeterminate in that it may result in increased or decreased expenditures, depending primarily on the pattern of take-up of the leave benefit among actual and potential economic assistance recipients. In addition, this benefit might have longer-run impacts that could lead to changed employment, wages, and consumer prices that would affect the conditions under which families take-up economic assistance benefits. This program would also affect Medical Assistance and MinnesotaCare eligibility, but the impact is indeterminate since the program could either increase or decrease eligibility. This estimate therefore also does not include any fiscal impacts resulting from changes in health care program eligibility enrollment or disenrollment.

The fiscal costs included in this estimate are for impacts on DHS systems, including MAXIS, MEC², and METS. This new income type must be considered in eligibility determination for the following programs: MFIP, DWP, SNAP, Housing Support, MSA, GA, RCA, MA, MinnesotaCare, and CCAP. Because MAXIS is an integrated system, there are also implications for title IV-E. Since each of these programs have unique eligibility criteria, policies, and program rules regarding how various categories of income are treated and the level of benefits received by individual applicants, programming changes to each of these systems are necessary.

Expenditure and/or Revenue Formula

Nursing facility employee wage costs from 2021 were increased by a wage inflation factor to estimate these costs for the 2025 calendar year. The 2025 wage costs were multiplied by the 0.7% premium percentage to determine the total cost of the premiums for the calendar year 2025. The 2025 premium costs were multiplied by 25% to determine the amount of the premium costs for 2025 that the nursing facilities will incur. This employer portion of costs was prorated to reflect the three months of wage costs that will be reported on the 2025 Cost Reports that will subsequently be used to set the Medicaid payment rates for calendar year 2027. The pro-rated 2025 wage costs were divided by total resident days to compute the per resident day rate increase for the 2026 calendar year of \$0.28. The \$1.14 rate increase was multiplied by the forecasted nursing facility days to estimate the costs to the Medicaid program for the calendar year 2027. Finally, a cost impact delay of 41.37% was applied to the 2027 costs to account for the difference between the state fiscal year and the calendar year time periods, and to account for the 30 day payment delay. Only five months of calendar year 2027 costs will be incurred by the Medicaid program in state fiscal year 2027; the remainder will be incurred in state fiscal year 2028.

This table shows the direct impact to state and local government. Reductions shown in the parentheses.

FISCAL NOTE COMPUTATIONS:				
Calendar Year				
Total Annual costs	CY 2024	CY 2025	CY 2026	CY 2027
Paid Family Leave Insurance				\$ 0.28
Forecast calendar days - November 2022	-	-	-	3,786,141
Total Annual Costs/(Savings)	\$ -	\$ -	\$ -	\$ 1,060,120
Total Annual Costs/(Savings) (in thousands)	\$ -	\$ -	\$ -	\$ 1,060
Conversion to Fiscal Year				
	FY 2024	FY 2025	FY 2026	FY 2027
SFY payment delay	-	41.37%	41.37%	41.37%
Projected MA costs/(savings)	-	-	-	439
Federal share	-	-	-	235
State budget	-	-	-	199
County share	-	-	-	5
MA Grants (state budget) BACT 33 LF	0	0	0	199
Administrative Costs - FTE				
Administrative Costs - Other				
FFP on Administrative Costs				
Total Costs/(Savings) (in thousands)	0	0	0	199
-	-	-	-	-
FMAP percentages				53.61%
County percentage of the Non-federal share				1.15%

IT systems changes would be required to implement this change in MAXIS, the computer system used by state and county workers to determine eligibility for cash assistance programs, MEC2, the online system to administer the child care assistance program, the Minnesota Eligibility Technology System, METS, which is the online IT system used by DHS to determine eligibility for most applicants and enrollees in the Medical Assistance program and PRISM, the state's system to administer child support programs. These systems changes are estimated to require 38,383 hours of work, take approximately 24-36 months to complete, and cost a total of \$6,697,000 for initial development. State share is assumed at the rates included in the table below. The table below This estimate includes the following assumptions:

1. The estimated duration and earliest completion date of the proposed project(s) assumes the work is prioritized relative to other legislative and ongoing IT work. If enacted, the completion date of the proposed project(s) will be dependent on the totality of enacted legislative IT work and ongoing IT work.
2. The total hours assumed in this fiscal note include the projected time required to complete systems work and a 20% contingency assumption to account for unforeseen business requirements in the development and implementation process.
3. In addition to the initial development costs cited above, the systems changes required in this bill will result in increased ongoing maintenance and operations costs, estimated annually at 20% of the total initial development cost.

Total System Costs ('000s)	2024	2025	2026	2027
MAXIS	966	0	193	193
METS	2,444	0	488	488

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

MEC	206	0	41	41
FileNet	43	0	9	9
PRISM	3,038	0	608	608

The table below shows the state share applied to each cost:

System ('000s)	State Share	2024	2025	2026	2027
MAXIS	0.55	531	-	106	106
METS	0.38	929	-	185	185
MEC	0.55	113	-	23	23
FileNet	1	43	-	9	9
PRISM	0.34	1,033	-	207	207
Total state share		2,649	-	530	530

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2024	FY2025	FY2026	FY2027
GF	33 LF	MA Grants LF NF Payments	0	0	0	199
GF	11	Systems: MAXIS @ 55% state share	531	0	106	106
GF	11	Systems: METS @ 38% state share	929	0	185	185
GF	11	Systems: MEC @ 55% state share	113	0	23	23
GF	11	Systems: FileNet @ 100% state share	43	0	9	9
GF	11	Systems: PRISM @ 34% state share	1,033	0	207	207
		Total Net Fiscal Impact	2,649	0	530	729
		Full Time Equivalents	0	0	0	0

Long-Term Fiscal Considerations

Costs associated with this bill will continue annually beyond State Fiscal Year 2027. Beginning with SFY 2028 the estimated cost per year of this bill is \$1.089 Million (state share).

Local Fiscal Impact

In state fiscal year 2027 there will be an estimated total cost to counties in the amount of \$5,000. Beginning with SFY 2028 the estimated annual cost of this bill to counties is \$28,000.

References/Sources

SS22-14

2021 DHS Nursing Facility Cost Report Files

DHS November, 2022 LTC Forecast

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

Agency Contact:

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Date: 4/18/2023 4:41:59 PM

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 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	-	601	-	(2)	(2)	
Paid Family Medical Leave	-	-	374	731	731	
Total	-	601	374	729	729	
Biennial Total			975		1,458	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	2	-	-	-
Paid Family Medical Leave	-	-	2	4.7	4.7
Total	-	2	2	4.7	4.7

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:** 4/17/2023 2:06:16 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	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	601	-	(2)	(2)	
Paid Family Medical Leave	-	-	374	731	731	
Total	-	601	374	729	729	
Biennial Total			975		1,458	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	601	-	-	-	
Paid Family Medical Leave	-	-	374	731	731	
Total	-	601	374	731	731	
Biennial Total			975		1,462	
2 - Revenues, Transfers In*						
General Fund	-	-	-	2	2	
Paid Family Medical Leave	-	-	-	-	-	
Total	-	-	-	2	2	
Biennial Total			-		4	

Bill Description

This bill establishes a state administered paid employment leave benefit for Minnesota workers to access for family, pregnancy, bonding, and serious medical conditions. The benefit is to be administered by the Department of Employment and Economic Development (DEED) with enforcement of the employment protections identified in the bill conducted by the Department of Labor and Industry (DLI). Contributions to fund such a benefit will be assessed through payroll deductions collected by DEED and then dispersed to eligible applicants by DEED. DLI will investigate allegations of employer retaliation or interference with the exercise of rights established in the bill, including the right to continued insurance and reinstatement after leave. DLI will also ensure employer compliance with the limitations on how much of the annual premiums may be deducted from employee wages. The bill also provides that DLI may offer conciliation services to employers and employees to resolve disputes concerning alleged violations of employment protections articulated in the bill.

Article 1, Section 2 of this bill amends MN Statute 177.27, Subd. 4, which provides authority for DLI to enforce employment protections (Article 1, Section 14, MS 268B.09) starting on July 1, 2025, and premium deductions (Article 1, Section 19, MS 268B.14) starting July 1, 2025.

Assumptions

DLI assumes the following:

- Its enforcement role and outreach responsibilities are expanded by this bill.
- It will enforce employment protections as articulated in Article 1, Sec. 14 of this bill (268B.09, subd. 1 6)
- It will enforce limitations on deductions from worker's wages as articulated in Article 1, Sec. 19 (268B.14, subd. 3).
- It may offer conciliation services to resolve disputes informally, as stated in Article 1, Sec. 32 of this bill (268B.24).
- It is not responsible for enforcing the worker protections in these sections for employers' private plans approved by DEED.

- Complaints related to premium deductions will begin after July 1, 2025.
- Complaints related to employment protections will begin after July 1, 2025.
- DEED is responsible for the employer misconduct penalties.

Complaints Employment Protections

DLI estimates that approximately 60 workers will make employment protection complaints to DLI each year beginning July 1, 2025. This estimate is based on the number of FMLA complaints received by the United States Department of Labor (USDOL) each year. This is a relevant comparison because the employment protections in the FMLA are similar to those in this bill (prohibition of retaliation and interference, continued insurance, and right to reinstatement). The USDOL received 1,040 FMLA complaints in fiscal year 2019. We are using 2019 numbers to avoid any irregularities in complaints caused by the COVID-19 pandemic. The number of these complaints proportionate to the employee population of Minnesota is approximately 20.

A notable difference between the FMLA's employment protections and this bill's employment protections is the coverage. This bill applies to more employees than the FMLA and the employment protections attach earlier in the employment relationship. The FMLA only applies to employers with 50 or more employees and to employees who have been employed for twelve months. This bill applies to employers with 1 or more employees and provides a right to the employment protections after 90 days. Another notable difference is that the FMLA does not allow for safety leave as this bill does. DLI also assumes that it will receive a higher number of complaints under this bill the first few years while the protections are new, and employers are learning of their obligations. Based on the numbers from the USDOL, taking into consideration the differences in the scope and coverage between the FMLA and this bill and the fact that these protections are new, DLI estimates that it will receive employment protection complaints from approximately 60 workers each year.

DLI believes that denial of employment protections may take several forms as outlined in 268B.09 including an employer:

- Retaliating against an employee for requesting or obtaining benefits.
- interfering with an employee's right to take leave.
- making an employee agree to waive their rights under this law or assign their benefits elsewhere.
- failing to continue employee insurance while an employee is out on leave.
- failing to reinstate an employee to their prior position upon return from leave; or
- reinstating an employee and paying fewer wages, providing fewer benefits or loss of seniority.

DLI assumes that investigative time will vary based upon complexity of the case, completeness of records, availability and cooperation of witnesses and employers to bring about the resolution of complaints. In addition, not all complaints will lead to full investigations. Some claims will be resolved quickly, some may be determined to show no legal merit, while other claimants may seek their own legal representation and pursue a private right of action. DLI may engage in a strategy of informal conciliation to resolve these issues. DLI anticipates that due to the nature of employment protection complaints, there will be complex, fact-intensive cases that will involve in-depth investigations.

FTE Estimate Formula for 60 employment protection complaints:

45% Cases at 24 hours of investigative time. (27 x 24 = 648 hours)

40% Cases at 40 hours of investigative time (24 x 40 = 960 hours)

10% Cases at 80 hours of investigative time (6 x 80 = 480 hours)

5% Cases at 120 hours of investigative time (3 x 120 = 360 hours)

Total investigative hours = 2,448 divided by 2,080 hours = approximately 1.2 FTE investigators

Complaints Employee Premium Charge Backs

DLI assumes that it will not begin enforcement of the limitations on employee premium charge backs until employers start making deductions in July 2025. DLI anticipates that it will receive more complaints of premium deduction violations in the first few years after deductions begin but that there will be a reduction in these complaints over time as employers become familiar with the limitations. DLI assumes that it will receive approximately 100 complaints that will result in an investigation related to employee premium charge backs. DLI assumes that investigative time will vary based upon complexity of the case, completeness of records, availability and cooperation of witnesses and employers to bring about the resolution of complaints. It is anticipated that most employee premium charge back investigations will not be complex and can be

resolved quickly.

FTE Estimate Formula for 100 premium charge back complaints:

80% Cases at 24 hours of investigative time. (80 x 24 = 1,920 hours)

15% Cases at 40 hours of investigative time (15 x 40 = 600 hours)

3% Cases at 80 hours of investigative time (3 x 80 = 240 hours)

2% Cases at 120 hours of investigative time (2 x 120 = 240 hours)

Total investigative hours = 3,000 divided by 2,080 hours = approximately 1.5 FTE investigators

Program Director

It is anticipated that the division will require 1 FTE to fill the role of State Program Administrative Director to supervise the work related to DLI's enforcement and outreach responsibilities related to this bill.

Start up, IT, and Outreach

Outreach will be needed to raise public awareness statewide about the Paid Family and Medical Leave Benefits. In collaboration with DEED, DLI is responsible for outreach, education, and technical assistance for employees, employers, and certain self-employed individuals. Sec. 25 of this bill enables DEED starting in fiscal year 2025 to enter into interagency agreements with DLI to accomplish these requirements.

Beginning in FY2024, DLI anticipates 1 FTE for investigative implementation, outreach, and to develop, launch and execute various engagement strategies about retaliation protections and allowable deductions from employee paychecks. An effective outreach strategy will require collaboration with DEED to align messaging and engagement of employer and worker advocate organizations. In addition to the 1 FTE, DLI estimates \$50,000 in outreach and education costs each year for FY2024 and FY2025, and \$25,000 each in FY2026 and FY2027.

Public outreach will require staff to:

- Develop training and presentations for employees
- Develop training and presentations for employers
- Create and maintain web content
- Manage advertising contracts
- Handle media relations
- Translation of materials into multiple languages
- Update above materials as legal determinations are made and/or statutes change

DLI will work with HR software companies to communicate new requirements as they adjust their programs to better serve Minnesota employers.

Case Management System

DLI will need to expand its labor standards case management system to track PFML complaints, investigations, penalties, and court actions. It is assumed the current technology system can be used for this purpose, however DLI would need to build out a separate process within its technology system for PFML. The initial investment is anticipated to be \$250,000 due to integrating with DEED's system. The on-going additional maintenance costs are \$10,000 per year.

Office of Administrative Hearings

On average, DLI estimates it would refer 1 claim annually to the Office of Administrative Hearings (OAH). OAH estimates

that 1 claim every 4 years may require a hearing. Averaging the number of administrative law judge (ALJ) hours in similar matters referred from DLI that ultimately go to hearing, it is assumed that each of the hearings will require an estimated 55 hours of ALJ time at the currently approved billable rate of \$245 per hour. The remaining cases appealed to OAH are resolved before hearing and average 3 hours of ALJ time. Total estimated costs for OAH are \$3,920 per year.

Penalties

On average, the department assessed and collected a penalty in 1.9% of all investigations. For new penalties specific to PFML, DLI estimates the average collected penalty amount will be \$500. This would result in new revenues in the amount of \$1,500 (160 investigations X 1.9% = 3 penalties collected X \$500 = \$1,500)

In addition to the civil penalty payable to DLI/state general fund, this amendment inserts language which gives the commissioner of DLI authority to also issue a monetary penalty to the employer, but payable to the employee aggrieved. Because the additional penalty is payable to the employee aggrieved, no additional revenues are reflected in this fiscal note.

The bill states that beginning fiscal year 2025, DEED may enter into interagency agreements with DLI. Therefore, DLI assumes that funds appropriated in FY24 to DLI will be from the general fund.

Expenditure and/or Revenue Formula

Labor Investigator Sr - MAPE 12L - Outreach	2024	2025	2026	2027
FTE	1	1	1	1
Salary per FTE (midpoint)	72,858	77,293	77,293	77,293
Fringe Benefits (35% of Salary)	25,500	27,053	27,053	27,053
Indirect (22.89% of Salary/Fringe)	22,514	23,885	23,885	23,885
Salary/Fringe/Indirect	120,873	128,231	128,231	128,231
Non-Personnel Services	13,261	13,361	13,361	13,361
Cumulative Cost	134,134	141,592	141,592	141,592

Labor Investigator Sr - MAPE 12L - Investigations	2024	2025	2026	2027
FTE			2.7	2.7
Salary per FTE (midpoint)	72,858	77,293	77,293	77,293
Fringe Benefits (35% of Salary)	25,500	27,053	27,053	27,053
Indirect (22.89% of Salary/Fringe)	22,514	23,885	23,885	23,885
Salary/Fringe/Indirect			346,223	364,223
Non-Personnel Services			36,075	36,075
Cumulative Costs			382,298	382,298

State Prog Admin Dir - MMA 21K	2024	2025	2026	2027
FTE	1	1	1	1
Salary per FTE (midpoint)	90,409	93,573	93,573	93,573
Fringe Benefits (35% of Salary)	31,643	32,751	32,751	32,751
Indirect (22.89% of Salary/Fringe)	27,938	28,916	28,916	28,916
Salary/Fringe/Indirect	149,990	155,240	155,240	155,240
Non-Personnel Services	13,261	13,361	13,361	13,361
Cumulative Cost	163,251	168,601	168,601	168,601

Cumulative Expenditures	2024	2025	2026	2027

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

Labor Investigator Sr	134,134	141,592	523,889	523,889
State Prog Admin Dir	163,251	168,601	168,601	168,601
OAH Legal Fees	3,920	3,920	3,920	3,920
Outreach Advertising Contracts	50,000	50,000	25,000	25,000
IT Case Mgmt. Build	240,000			
IT Case Mgmt. Build License/Maint	10,000	10,000	10,000	10,000
Cumulative Expenditures	601,305	374,112	731,410	731,410

Penalty Revenue	2024	2025	2026	2027
Records Penalties			1,500	1,500

Long-Term Fiscal Considerations

NA

Local Fiscal Impact

NA

References/Sources

NA

Agency Contact: Nicole Blissenbach (651) 284-5005

Agency Fiscal Note Coordinator Signature: Jacob Gaub

Phone: 652-284-5812

Date: 4/17/2023 1:26:21 PM

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Legislature**

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	-	-	18	177	179	
Total	-	-	18	177	179	
Biennial Total			18		356	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
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: Chloe Burns **Date:** 4/19/2023 10:06:29 AM
Phone: 651-297-1423 **Email:** chloe.burns@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	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	18	177	179	
Total	-	-	18	177	179	
Biennial Total			18		356	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	18	177	179	
Total	-	-	18	177	179	
Biennial Total			18		356	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
Biennial Total			-		-	

Bill Description

The bill establishes a Family and Medical Benefits and Insurance program to be administered by Minnesota Department of Employment and Economic Development (DEED) and requires employers to grant unpaid leave of absences for certain medical and family reasons.

Employers, including government and nonprofit entities, must pay at least 50 percent of the program premium account. Employees must pay the remainder of the premium cost with deductions from their wages. Contributions will be calculated using a taxable wage base consistent with FICA tax to a maximum salary cap (currently \$160,200). The 2025 employer premium rate is set at 0.7 percent for the calendar year. For premiums beyond 2025, DEED will set the employer premium rates annually based on a formula as stated in the bill.

DEED will start collecting premiums from employers on July 1, 2025. Benefits will be available for qualifying employees starting July 1, 2025. DEED is appropriated \$1.7 billion of FY24 general funds for, in part, implementation of the program and initial benefit payments. An unspecified amount of FY27 general funds is appropriation to DEED for, in part, program administration cost.

Assumptions

1. This note projects the fiscal impact of the bill for the House, Senate, the Office of the Legislative Auditor (OLA) and the joint offices and commissions under the fiscal oversight of the Legislative Coordinating Commission (LCC). There are approximately 622 regular legislative employees and 112 limited term/session only legislative employees.
2. The entities within the Legislature will participate in the Family and Medical Benefits and Insurance program.
3. The entities within the Legislature will begin paying the required employer premiums on July 1, 2025 (FY26) at a premium rate of .7 percent. For this note we assume that the annual premium rate will continue to be .7 percent.
4. Employee payroll deductions of 50 percent of the premium (.35 percent) may begin on July 1, 2025 (FY26). For this fiscal note, we assume that the House, Senate and LCC will pay for 50 percent of the total annual premium and then deduct the remainder of the premium (50 percent) from employee wages. Additionally, our objective is for this fiscal note response to be consistent with regards to this specific assumption with the responses of other state agencies. The net fiscal cost to the employer is .35 percent after considering the 50 percent deduction of .35 percent to employee payroll.
5. The House will incur a one-time cost of \$18,000 to update their payroll system and HR system in FY25 in order to comply with the law requirements. The Senate, OLA and LCC use the state's timecard and payroll system. Employees are able to access earning statements through an electronic portal for an indefinite amount of time. For

this note we assume that projected cost to update the state HR and timecard systems that are used by the Senate, OLA and LCC will be addressed by the fiscal note authored by Minnesota Management and Budget (MMB).

6. We assume that legislative members will not be eligible for the program benefits and are not included in the cost calculations of this fiscal note. The bill defines an employee as an individual that is under the employment of the employer. Legislative members are elected officials and do not meet the bill's definition of employee. A legislator's salary is not restricted. A member's salary will continue to be paid until their term ends or they resign even if the legislator is unable to serve for some reason.
7. Nominal cost for required posting requirements will be absorbed by the Legislature.
8. We assume the payroll for temporary / session-only staff for the House, Senate, and LCC will vary between a long session which will begin in early January and end in late May (FY25, 27) and a short session which begins in early February and end in late May (FY24, FY26).
9. An assumed number of legislative session employees will claim benefits from the new program up to 12 weeks per fiscal year beginning February 1, 2026, which is the start of the 2026 legislative session (FY26). Employees claiming the new paid benefits will be on leave without pay from the employer but the employer contributions to the employee's insurance must be continued as required under Sec 14, Subd. 5 of the bill. Since the employer insurance contribution is a budgeted item, this continued cost is not considered for this fiscal note. Employees claiming a new benefit will be paid from benefit fund. We assume that one percent of the position duties will need to be covered and temporary staff will be hired to backfill the position for 12 weeks during legislative sessions. We assume that no offer of employer contributed insurance will be made to the temporary employees since legislative sessions are considered a seasonal event and are exempt under the Employer Shared Responsibility provisions of the Affordable Care Act. A weighted salary for the entity is used for determining backfill cost for the .23 FTE temporary hire (full time for 12 weeks per fiscal year). FICA cost will be paid for the temporary employees. Temporary employees will not qualify for any other employer contribution benefits. The cost of the backfilling is a cost neutral event with the cost of hourly wage plus FICA the temporary employees being canceled by the cost savings from not paying the salary of employees claiming the new benefit.

Expenditure and/or Revenue Formula

The following summary table shows the total projected cost per fiscal year per entity for the employer premium cost during legislative sessions and the total cost for the Legislature. Note that the net employer premium cost shown is after the employee payroll deductions of 50 percent of the cost of the premiums and that the employer the premium cost will start July 1, 2025 (FY26). Since July 1, 2025, is the start of the collection, the employer cost for FY26 is 100 percent of the projected fiscal year annual payroll cost for regular staff and 100 percent of the projected payroll cost for session only staff (hired February May 2026).

Cost Category	FY24 (rounded)	FY25 (rounded)	FY26 (rounded)	FY27 (rounded)
Session Length	Short	Long	Short	Long
House Payroll System & Timecard System Updates	\$0	\$18,000	\$0	\$0
House Employer Premium Cost (0.3%)	\$0	\$0	\$69,000	\$70,000
Total House Cost	\$0	\$18,000	\$69,000	\$70,000
Senate Employer Premium Cost (0.3%)	\$0	\$0	\$56,000	\$57,000
Total Senate Cost	\$0	\$0	\$56,000	\$57,000
OLA Employer Premium Cost (0.3%)	\$0	\$0	\$21,000	\$21,000
Total OLA Cost	\$0	\$0	\$21,000	\$21,000

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

LCC Employer Premium Cost (0.3%)	\$0	\$0	\$31,000	\$31,000
Total LCC Cost	\$0	\$0	\$31,000	\$31,000
Net Total House Payroll System & Timecard System Updates	\$0	\$18,000	\$0	\$0
Net Total Employer Premium Cost	\$0	\$0	\$177,000	\$179,000
Net Total Cost	\$0	\$18,000	\$177,000	\$179,000

Long-Term Fiscal Considerations

The following table shows the long-term annual salaries cost for fiscal years which include a short session (even years) and for fiscal years that include a long session (odd years) and the associated employer premium contribution.

Entity	Total Annual Salaries Short Session Yr (rounded)	Total Annual Salaries Long Session Yr (rounded)	Annual Employer Premium Contribution (0.35%) - Short Session Yr (rounded)	Annual Employer Premium Contribution (0.35%) - Long Session Yr (rounded)	Annual Employee Payroll Deduction Contribution (0.35%) - Short Session Yr (rounded)	Annual Employee Payroll Deduction Contribution (0.35%) - Long Session Yr (rounded)
House	19,765,000	20,074,000	69,000	70,000	69,000	70,000
Senate	16,074,000	16,174,000	56,000	57,000	56,000	57,000
OLA	5,934,000	5,934,000	21,000	21,000	21,000	21,000
LCC	8,751,000	8,804,000	31,000	31,000	31,000	31,000
Total	50,524,000	50,986,000	177,000	179,000	177,000	179,000

The following table shows the long-term projected annual employer contribution cost for the legislature beginning FY28 and consistent with the applications of assumption 3 and 4.

Cost Category	FY28 (rounded)	FY29 (rounded)	FY30 (rounded)	FY31 (rounded)
Session Length	Short	Long	Short	Long
House	69,000	70,000	69,000	70,000
Senate	56,000	57,000	56,000	57,000
OLA	21,000	21,000	21,000	21,000
LCC	31,000	31,000	31,000	31,000
Total	177,000	179,000	177,000	179,000

The agencies of the Legislature may consider creating a private plan as a substitute to the state's plan in future years. Whether they do this or not, employer premiums will continue in the future at the prescribed annual premium rate. We also assume that employee payroll deductions of 50 percent of the cost of the premium may also continue.

Local Fiscal Impact

Although it is assumed that local governments will incur of fiscal impact, those cost are not calculated in the Legislature's fiscal note.

References/Sources

Emily Adriaens, House of Representatives

Barb Juelich, House of Representatives

Patrick McCormack, House of Representatives

Tom Bottern, Minnesota Senate

Betty Myers, Minnesota Senate

Eric Nauman, Minnesota Senate

Alexis Stangl, Minnesota Senate

Eric Jacobson, Office of the Legislative Auditor

Judy Randall, Office of the Legislative Auditor

Michelle Weber, Legislative Coordinating Commission

Agency Contact: Diane Henry-Wangenstein

Agency Fiscal Note Coordinator Signature: Diane Henry

Phone: 651-296-1121

Date: 4/18/2023 6:26:12 PM

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Metropolitan Council**

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	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
General Fund	-	-	-	8,966	9,364
Total	-	-	-	8,966	9,364
Biennial Total			-		18,330

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
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: Laura Cecko **Date:** 4/17/2023 9:08:25 AM
Phone: 651-284-6543 **Email:** laura.cecko@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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	8,966	9,364
Total		-	-	-	8,966	9,364
Biennial Total				-		18,330
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	-	8,966	9,364
Total		-	-	-	8,966	9,364
Biennial Total				-		18,330
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill establishes a new family and medical insurance program under chapter 268B. A payroll assessment of .7% is assessed on employers, including the Metropolitan Council, beginning July 1, 2025.

Assumptions

The Met Council will absorb any programming or expenses needed to upgrade our payroll and financial system. These are estimated at \$25,711 one time, which is 400 hours of App Developer 3 @ \$45.91 hour + 40% fringe.

The Met Council will not deduct any of the premiums from employee wages. There is a current and forecasted shortfall in staffing at the Council, particularly for front-line or essential workers, and an assumed wage reduction would exacerbate that challenge and result in additional overtime and further service reductions.

Each Council program has dedicated revenues from state, federal, and local contributions as well as fares and service charges. The Council does not have enough undedicated funding to absorb these costs.

There may be additional expenses to the Council to backfill for its employees who are on leave, particularly for the essential transportation operators in Metro Transit and Metropolitan Transportation Services and the staff at the Environmental Services' plants.

The Council's current (Feb 2023) headcount is 4,488, of which 116 are at or above the Social Security maximum.

Assume a 3% per year wage/salary increase for the employees below the cap.

Assume employment growth of 3% per year beginning SFY25.

Assumes the assessment rate of .7% remains the same in SFY27. The current taxable wages in SFY22 are \$329,343,508. Assumed payroll tax in FY26 = \$2,660,853 and in FY27 = \$2,818,986

Due to overtime language in the labor agreements, that provides OT benefits beyond the minimum requirement under the Fair Labor Standards Act, or FLSA, it is assumed that 100 percent of leave hours taken by these employees will be replaced at overtime wage rates.

SFY 22 Council expenses for salary continuance/FMLA = \$1,711,201. Assume these would be the same in FY26 and FY27 but for this bill, and are now reimbursed by the state program.

The Met Council currently has obligations to post for employer/employee notices, and would add the notice required in Section 33 to the updated postings at no incremental cost.

Metropolitan Council costs due to staffing replacement of essential operations:

It is assumed 15 percent of employees in essential on-site operations will take additional paid leave as a result of this bill. Using the average provided MMB’s fiscal note, assumes the average leave length will be approximately six weeks each year. The following additional assumptions are used to calculate the estimated cost of backfilling these staff.

There are 3,228 multi-shift employees in essential on-site operations (Metro Transit, Environmental Services, Inspections), which is the figure as of February 2023. As of February 2023, average hourly wage for these employees is \$37.51. Fringe benefits are assumed to be approximately 40 percent of wages, which increases this figure to \$52.51. The average overtime hourly wage, including OT premium and FICA, Medicare & pension, is \$64.09. This fiscal note assumes 3.0 percent annual wage growth for a new base of \$38.64 per hour regular and \$66.01 per hour overtime in February 2024.

It is assumed that approximately 15 percent of the projected 3,228 multi-shift employees will annually use the expanded sick leave benefits provided in the bill (approximately 484 employees).

While employees could be entitled to up to 36 weeks of paid leave annually (12 weeks for the medical benefits, 12 weeks for the family benefits, 12 weeks for the qualifying exigency benefits), this fiscal note assumes Council employees in essential on-site services will take an average of six weeks (240 hours) of the proposed benefit each year.

Expenditure and/or Revenue Formula

Total Council Cost FY26 = \$8,965,854

Payroll Tax = \$2,660,853

Backfill Cost = \$8,016,202

Existing Cost Reimbursed = \$1,711,201

Total Council Cost FY27 = \$9,364,438

Payroll Tax = \$2,818,986

Backfill Cost = \$8,256,653

Existing Cost Reimbursed = \$1,711,201

The cost to the Council for the backfill of essential replacement staff is:

Figures are rounded to whole dollars	A	B	C	D	E	F	G
Fiscal Year	Total Leave-eligible employees taking benefit	Total leave taken per employee, in hours	Total leave taken, in hours (A*B)	Hourly wage replacement rate = Overtime Rate	Hours per hourly wage replacement rate (C*100%)	Cost by replacement wage type (D*E)	Total cost by fiscal year (sum of F in each fiscal year)
FY2026	484	240	116,160	\$56.55 Regular	0	\$0	\$8,016,202
				\$69.01 Overtime	116,160	\$8,016,202	
Figures are rounded to whole dollars	A	B	C	D	E	F	G
Fiscal Year	Total Leave-eligible employees taking benefit	Total leave taken per employee, in hours	Total leave taken, in hours (A*B)	Hourly wage replacement rate = Overtime Rate	Hours per hourly wage replacement rate (C*100%)	Cost by replacement wage type (D*E)	Total cost by fiscal year (sum of F in each fiscal year)

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

FY2027	484	240	116,160	\$58.24 Regular	0	\$0	\$8,256,653
				\$71.08 Overtime	116,160	\$8,256,653	

Long-Term Fiscal Considerations

There may be additional expenses to the Council to backfill for its employees who are on leave, particularly for the essential transportation operators in Metro Transit and Metropolitan Transportation Services and the staff at the Environmental Services' plants. There may be additional expenses to the Council to backfill for its employees who are on leave, particularly for the essential transportation operators in Metro Transit and Metropolitan Transportation Services and the staff at the Environmental Services' plants.

Local Fiscal Impact

References/Sources

Marcy Cordes, Met Council Chief Labor Relations Officer

League of Minnesota Cities

MMB and University of Minnesota Fiscal Notes for HF2-2A

Agency Contact: Marcy Cordes Chief Labor Relations Officer

Agency Fiscal Note Coordinator Signature: Stewart McMullan

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Minn Management and Budget**

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	-	-	118	5,798	5,798	
All Other Funds	-	-	143	11,020	11,020	
Total	-	-	261	16,818	16,818	
Biennial Total			261		33,636	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	.22	.33	.33
All Other Funds	-	-	-	-	-
Total	-	-	.22	.33	.33

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: Alyssa Holterman Rosas **Date:** 4/19/2023 8:44:13 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	118	5,798	5,798	-
All Other Funds	-	-	143	11,020	11,020	-
Total		-	-	261	16,818	16,818
Biennial Total				261	33,636	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	118	5,798	5,798	-
All Other Funds	-	-	143	11,020	11,020	-
Total		-	-	261	16,818	16,818
Biennial Total				261	33,636	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
All Other Funds	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-	-	-

Bill Description

This bill relates to the provision of paid leave and benefits, as well as insurance-covered leave entitlements, for an employee’s medical condition, pregnancy, parental bonding, family care, safety matters, and qualifying exigency.

Assumptions

Estimates and projected growth estimates of headcount, new hires, wages, and salary payroll, as well as the split of payroll costs between the general fund and all other state funds, are based on an analysis of data from the SEMA4 system, the state’s human resources and payroll system.

In addition to specific estimated costs incurred by Minnesota Management and Budget (MMB), this fiscal note represents the forecasted costs to executive branch and judicial branch state agencies for employer-paid premiums and notice acknowledgments required in this bill. Executive branch agencies include agencies, boards, commissions, constitutional offices, Minnesota State Colleges and Universities, and the retirement systems (Minnesota State Retirement System, Public Employees Retirement Association, and Teachers Retirement Association). This fiscal note does not include costs for legislative branch state agencies. Moreover, this fiscal note only quantifies the projected fiscal impact of the use of the bill’s leave entitlements and benefits for executive branch state agencies with 24-hour/7-day operations.

For most state agencies, this fiscal note does not quantify potential staffing costs for the employees who take leave as provided in this bill. Some agencies may hire additional staff in certain circumstances, while others may redistribute duties across existing employees. Thus, the expanded leave provided in this bill may or may not result in additional costs to executive branch and judicial branch state agencies. These potential costs are not reflected in this fiscal note, as hiring, staffing levels, and work demands are assumed to vary significantly agency-by-agency, and MMB is unable to make enterprise-level assumptions. Moreover, this fiscal note does not quantify any potential cost savings in these agencies for employees taking leave who would have some amount of their salary costs that would otherwise be paid from agency operating budgets now be paid from the Department of Employment and Economic Development (DEED) program and associated appropriations. However, it is assumed that to the extent there are any cost savings, such savings would be only for the bill’s maximum benefit calculation and not for the employee’s full salary, as the bill’s maximum benefit calculation under article 1, section 12, subdivision 3, does not cover 100 percent of wages, and employees are entitled under the bill to offset this gap in wage replacement with employer-provided paid leave balances (such as sick, vacation, or paid parental leave provided under collective bargaining agreements (CBAs) and compensation plans). Moreover, to the

extent an employee accessing the DEED program's benefits is eligible to accrue and use paid leave under the state's CBAs, compensation plans, and mandated paid leave entitlements under current law, and the paid leave type under the DEED program overlaps with these existing paid leave types, accessing the DEED benefit potentially defers use of sick and vacation leave balances, which an employee can use at a later time or cash out upon separation from state service under the conditions prescribed in CBAs and compensation plans. In addition, employees can use paid parental leave under the CBAs and compensation plans for up to six months after birth or adoption, so it is assumed that eligible employees will still use paid parental leave under the CBAs and compensation plans even if they also access the DEED program's benefits.

It is assumed that staffing changes will be necessary at 24-hour/7-day operations in certain executive branch agencies, as noted below, as these operations require minimum staffing levels, and it is assumed they must replace all workers who take the leave provided in this bill. The Departments of Human Services, Corrections, and Veterans Affairs collectively account for approximately 91 percent of these employees. This fiscal note estimates the costs of replacement staff for state agency 24-hour/7-day operations as well as the partially-offsetting cost savings in these agencies for employees who receive the DEED-provided benefit and who will now have some amount of their salaries paid from the DEED program and associated benefits instead of from state agency operating budgets.

Total executive and judicial branch employment (headcount) is not assumed to grow (average annual growth from FY 2011 through FY 2022 was negative 0.09 percent).

Executive branch per employee wages, inclusive of benefits, will grow by 2.47 percent annually, reflecting the average annual growth from FY 2011 through FY 2022. No growth is assumed after FY 2023.

In FY 2022, 34.3 percent of executive branch employee compensation costs were paid from the general fund, and 65.7 percent were paid from all other state funds.

Fringe costs for all MMB employee salary costs identified below are assumed to be 32.10 percent of salary, which is the average percentage for all MMB employees as projected in the SEMA4 system in FY 2022. Employee overhead costs are assumed to be 17.17 percent of total salary and fringe costs. Overhead includes costs such as space, laptops and employee technology, phone, supplies, printing, training, and travel. This percentage represents the average percent of MMB's total general fund operating budget spent on non-payroll employee overhead costs in the previous biennium.

Expenditure and/or Revenue Formula

1) MMB costs due to SEMA4 payroll system changes: MMB will need to update the payroll components of the SEMA4 system to accommodate the changes required in the bill, including the collection of premiums as required in article 1, section 25, which is effective July 1, 2025. Implementation costs will begin in FY 2025 to ensure completion by July 1, 2025, the premium collection implementation date, with annual maintenance costs each year thereafter.

General fund costs:

FY 2025 implementation costs: \$39,987 (0.22 FTE)

Programmer costs (Information Technology Specialist 5 at MNIT@MMB): Approximately 300 hours x \$60.70 per hour x 1.3210 (fringe) x 1.1717 (overhead) = \$28,186

Functional costs (Finance Specialist 3 in MMB Statewide Payroll Services Unit): Approximately 160 hours x \$47.65 per hour x 1.3210 (fringe) x 1.1717 (overhead) = \$11,801

FY 2026 and thereafter maintenance costs: \$13,831 (0.08 FTE)

Reapplication of system modifications (Information Technology Specialist 5 at MNIT@MMB): Approximately 75 hours x \$60.70 per hour x 1.3210 (fringe) x 1.1717 (overhead) = \$7,046

Withholding and reporting (Finance Specialist 3 in MMB Statewide Payroll Services Unit): Approximately 92 hours x \$47.65 per hour x 1.3210 (fringe) x 1.1717 (overhead) = \$6,785

2. MMB costs due to "Right to setoff" requirements: Article 1, section 34, subdivision 3, which is effective July 1, 2025,

requires MMB to setoff and pay to the Department of Employment and Economic Development (DEED) any amount that would have otherwise been paid to a person, applicant, or employer whom the state has purchased personal services, supplies, contract services, or property from, if DEED certifies to MMB that the person has unpaid liability under chapter 268B. MMB assumes this will require approximately 10 hours of work per week (0.25 FTE dedication) of a Financial Specialist 1 in MMB's Vendor Payments Unit beginning July 1, 2025. This work includes manually adding a payment line to the payment voucher so it is remitted to DEED as well as preparing emails and responding to questions from state agencies about vouchers that are diverted. Currently, state agencies refer debts to the Department of Revenue for collection, and the Department of Revenue transmits those debts on behalf of state agencies to MMB for setoff. It is assumed that debts owed to DEED would follow this existing process and flow through the Department of Revenue. If this is not the case, additional costs would be incurred by both DEED and MMB to develop the required interfaces between their systems.

General fund costs:

FY 2026: \$79,161 annual salary x 1.3210 (fringe) x 1.1717 (overhead) x 0.25 FTE dedication = \$30,632 (0.25 FTE)

FY 2027 and thereafter: \$79,161 annual salary x 1.3210 (fringe) x 1.1717 (overhead) x 0.25 FTE dedication = \$30,632 (0.25 FTE)

3. MMB costs due to Notice Posting Requirements: The bill contains notice requirements to employees. Article 1, section 37, clause (a) requires that each employer must post in a conspicuous place on each of its premises a workplace notice prepared or approved by DEED providing notice of benefits provided under this bill. The notice must be in English and other languages that are the primary language of five or more employees or independent contractors of that workplace if such notice is available from DEED. MMB assumes the need to produce paper postings to provide in State of Minnesota executive branch agency workplaces, particularly for employees who do not have regular access to a computer. Based on MMB's recent experience providing Fraud Awareness Week notices to executive branch state agencies, MMB estimates the need to distribute 300 posters per language translated by DEED (assumed to total five) across executive branch state agencies in FY 2026, at a one-time cost of \$600 per language. The fiscal note assumes costs will be incurred by MMB on behalf of executive branch state agencies. MMB does not assume translation costs, as it is assumed notice translations required under article 1, section 34, clause (a), are the responsibility of DEED.

General fund costs:

FY 2025: MMB printing costs: \$600 x 5 languages = \$3,000

4. Executive branch and judicial branch state agency costs due to Notice Acknowledgment Requirements: Article 1, section 37, clause (b), which is effective May 31, 2025, requires each employer to issue to each employee not more than 30 days from the beginning date of the employee's employment, or 30 days before premium collection begins, whichever is later, written information provided or approved by DEED in the primary language of the employee various information, including information about the leave benefits and premium deductions required in the bill. Delivery is made when an employee provides written acknowledgment of receipt of the information, or signs a statement indicating the employee's refusal to sign such acknowledgment.

MMB assumes these notice acknowledgments will be provided electronically; thus, there will not be significant printing costs. However, MMB assumes costs to state agencies to receive and document "delivery" involving their employees. The fiscal note does not assume these costs will be incurred solely by MMB; rather the costs below represent the collective estimated cost to all executive and judicial branch state agencies to provide notice acknowledgement to their employees. For the purposes of estimating a cost, MMB assumes executive and judicial branch state agencies will use DocuSign to receive acknowledgement from employees in the form of a secured electronic signature. This was the method used in the executive branch to obtain acknowledgements required in the wage theft legislation passed in 2019 and is an efficient method to distribute and track documents needing signature. The cost is approximately \$4 per form. The calculations below include 54,387 employees at executive and judicial branch state agencies, the average headcount for the most recently-completed five-year period (FY 2018 through 2022). It is assumed notice acknowledgment costs will be initially incurred in FY 2025, as premium deductions must begin on July 1, 2025, as required in article 1, section 19.

It is assumed that 34.3 percent of the costs calculated below will be paid from the general fund and 65.7 percent from all other state funds based on the overall allocation for all state agency employee compensation costs in FY 2022. The costs by fund may vary significantly by impacted state agency.

FY 2025: 54,387 executive and judicial branch employees x \$4 per acknowledgment = \$217,548

General fund: \$74,619

All other state funds: \$142,929

FY 2026: 25,322 executive and judicial branch employees x \$4 per acknowledgment = \$101,288

General fund: \$34,742

All other state funds: \$66,546

FY 2027: 25,322 executive and judicial branch employees x \$4 per acknowledgment = \$101,288

General fund: \$34,742

All other state funds: \$66,546

Note that the notice acknowledgment costs above do not include the potential costs of producing electronic notices that would be accessible to blind or visually impaired employees whose primary language is not English. While MMB believes this accessibility work would result in a cost, MMB has not been successful in finding vendors who provide this service. State agencies may need to obtain notice acknowledgments from employees needing accessibility accommodations through other means, the potential costs of which are not accounted for this fiscal note.

5) Executive branch and judicial branch state agency costs due to employer-paid premiums: It is assumed executive branch and judicial branch state agencies will participate in both the family and medical benefit programs. The total premium for these programs is 0.7 percent (article 1, section 19, subdivision 5). This same subdivision dictates that premium rates begin July 1, 2025. Article 1, section 19, subdivision 3, allows up to 50 percent of premiums to be charged back to employees; thus, this fiscal note assumes that the employer-paid premium rate is 0.35 percent.

In FY 2022, total executive branch and judicial branch state agency wages up to the \$147,000 wage limit established in article 1, section 19, subdivision 4, totaled \$4,021,613,296. The wages portion of total state payroll costs are assumed to increase by approximately 2.40 percent annually through FY 2025, bringing the total wage amount to an adjusted based of \$4,318,174,396.

It is assumed that 34.3 percent of the costs calculated below will be paid from the general fund and 65.7 percent from all other state funds based on the overall allocation for all state agency employee compensation costs in FY 2022. The costs by fund may vary significantly by impacted state agency.

FY 2026: \$4,318,174,396 x 0.35 percent premium rate = \$15,113,610

General fund: \$5,183,968

All other state funds: \$9,929,642

FY 2027: \$4,318,174,396 x 0.35 percent premium rate = \$15,113,610

General fund: \$5,183,968

All other state funds: \$9,929,642

6) Executive branch state agency costs due to staffing replacement in 24-hour/7-day operations: The bill expands paid leave benefits, effective July 1, 2025, for eligible uses and for employees not covered under the federal Family and Medical Leave Act ("FMLA") or leave entitlements in current law and/or in current CBAs and compensation plans. The bill establishes six leave types: own serious health condition, own pregnancy, parental bonding, family care, safety leave, and qualifying exigency. To determine overall uptake rates, MMB uses DEED's fiscal note for HF1200-2E from last session due to lack of availability of current information as of 01/18/2023, which assumes that 6.55 percent of employees in Minnesota will utilize the DEED program, as a starting point. MMB has increased this rate by 1.81 percentage points to account for the state's actual uptake rates for the state's paid parental leave policy. Moreover, MMB doubled the uptake rates for the three paid leave types using the expanded definition of "family member" in the bill. This increases the uptake rate by another 0.60 percentage points, bringing the adjusted overall uptake rate to 8.96 percent.

Uptake rates over current law/contract baseline are assumed to be only a portion of the 8.96 percent figure. MMB calculated this new percentage as follows:

1. It is assumed that the entire uptake rate for parental bonding (2.75 percent) is an increase over baseline, as state agency employees would either be newly eligible for the leave, or, if currently eligible for the state's paid parental leave policy, would access both the DEED parental bonding leave and the parental bonding leave provided under the state's paid parental leave policy.
2. It is assumed the entirety of the qualifying exigency uptake rate (1.50 percent) would be an increase over baseline, as this is not currently a paid leave type available to state agency employees.
3. The portions of family care leave (0.54 percent) and safety leave (0.03 percent) estimated to be attributable to the expanded definition of "family member" are assumed to be an increase over baseline, as the state's current paid leave entitlements for family care and safety leaves use a narrower definition of "family member."
4. The totality of the own serious health condition and own pregnancy leave uptake rates, as well as the remaining portion of family care and safety leave uptake rates, were multiplied by the approximately 3.2 percent of Department of Human Services, Department of Corrections, and Department of Veterans Affairs employees not currently eligible to accrue and use paid sick leave, to arrive at a new uptake-over-baseline percentage (0.18 percent).
5. The percentages in parentheses listed above total 5 percent. This is the assumed uptake-over-baseline rate of 5 percent, which is used in the calculations below.

It is assumed 5 percent of employees in 24-hour/7-day operations will take additional paid leave as a result of this bill. Using the average provided in DEED's fiscal note, MMB assumes the average leave length will be approximately six weeks each year. The following additional assumptions are used to calculate the estimated cost of backfilling these staff.

-There are 6,193 multi-shift employees in 24-hour/7-day operations, which is the figure as of January 2021. This figure has dropped somewhat as of December 2022 due to historically high vacancy rates. MMB assumes 6,193 is a more reasonable assumption for the remainder of the budget horizon. The Departments of Human Services, Corrections, and Veterans Affairs account for approximately 91 percent of these employees.

-As of December 2022, the average hourly wage for these employees is \$29.33. Fringe benefits are assumed to be approximately 32.10 percent of wages, which increases this figure to \$38.74. The average overtime hourly wage, including the 32.10 percent-of-salary fringe estimate, is \$58.12. This fiscal note assumes 2.47 percent annual wage growth for a new base of \$39.70 per hour regular and \$59.55 per hour overtime in FY 2024.

-Approximately 5 percent of the projected 6,193 multi-shift employees will annually use the expanded sick leave benefits provided in the bill (approximately 310 employees).

-While employees could be entitled to up to 36 weeks of paid leave annually (12 weeks for the medical benefits, 12 weeks for the family benefits, 12 week for the qualifying exigency benefits), this fiscal note assumes executive branch employees in 24-hour/7-day operations will take an average of six weeks (240 hours) of the proposed benefit each year.

-It is assumed that 50 percent of leave hours taken by these employees will be replaced at overtime wage rates and 50 percent will be replaced at regular wage rates.

-Employees can begin accessing the bill's leave entitlement effective July 1, 2025 (article 1, section 38).

Figures are rounded to whole dollars	A	B	C	D	E	F	G
Fiscal year	Total leave-eligible employees taking benefit	Total leave taken per employee, in hours	Total leave taken, in hours (A*B)	Hourly wage replacement rate	Hours per hourly wage replacement rate (C*50%)	Cost by replacement wage type (D*E)	Total cost by fiscal year (sum of F in each fiscal year)
FY 2026	310	240	74,400	\$39.70 REG	37,200	\$1,476,840	\$3,692,100

				\$59.55 OT	37,200	\$2,215,260	
FY 2027	310	240	74,400	\$39.70 REG	37,200	\$1,476,840	\$3,692,100
				\$59.55 OT	37,200	\$2,215,260	

It is assumed that 34.3 percent of the costs calculated above will be paid from the general fund and 65.7 percent from all other state funds based on the overall allocation for all state agency employee compensation costs in FY 2022. The cost by fund may vary significantly by impacted state agency.

Figures are rounded to whole dollars	FY26	FY27
General fund	\$ 1,266,390	\$ 1,266,390
All other funds	\$ 2,425,710	\$ 2,425,710
Total	\$ 3,692,100	\$ 3,692,100

7) Executive branch state agency cost savings due to reduction in salary costs for state agency employees in 24-hour/7-day operations taking DEED program leave:

Executive branch employees in 24-hour/7-day operations who utilize the bill's leave entitlement and apply for benefits from DEED will have a portion of their salary costs paid from the DEED program and associated appropriations. Because these salary costs would have otherwise been paid from state agencies' operating budgets, this represents a cost savings to state agencies. This fiscal note estimates these cost savings for 24-hour/7-day operations in state agencies. This cost savings is assumed to be only the bill's maximum benefit calculation under article 1, section 8, subdivision 3, and not the employee's full salary. The bill's maximum benefit calculation does not cover 100 percent of wages, and employees are entitled to offset this gap in wage replacement with sick and/or vacation leave balances provided under CBAs and compensation plans. The use of these leave balances is paid from state agency operating budgets.

The following assumptions are used to calculate the cost savings due to reduction in salary costs in 24-hour/7-day operations in executive branch state agencies:

-310 executive branch employees in 24-hour/7-day operations are assumed to receive the DEED-provided benefit each year.

-The average weekly wage in Minnesota, which is the basis for the maximum weekly benefit calculations under article 1, section 8, subdivision 3, is assumed to be \$1,240 in FY 2022. \$1,240 is the average weekly wage in Minnesota as of quarter 2 2021, according to the U.S. Bureau of Labor Statistics.

-Average weekly wages are assumed to grow 3.31 percent annually based on the average growth rate of Minnesota weekly wages from quarter 2 2011 through quarter 2 2021, per the U.S. Bureau of Labor Statistics. This assumed growth rate provides a new base of \$1,281 in FY 2023.

-Average weekly wages for executive branch employees in 24-hour/7-day operations is assumed to be \$1,550 (\$38.74 x 40 hours).

-Using the FY 2023 Minnesota average weekly wage and executive branch 24-hour/7-day operations employee weekly wage figures noted above, the table below provides the estimated per employee maximum weekly benefit provided in this bill. The weekly benefit is assumed to be \$1,147 per employee.

Figures are rounded	Average employee weekly wage amount within each threshold	Benefit ratio	Weekly benefit calculation
Threshold (of Minnesota average weekly wage)			

50 percent (\$0-\$641)	\$641	90%	\$577
50-100 percent (\$642-\$1,281)	\$641	66%	\$423
Above 100 percent (\$1,282-\$1,550)	\$268	55%	\$147
Total	\$1,550		\$1,147

-While employees could be entitled to up to 36 weeks of paid leave annually (12 weeks for the medical benefits, 12 weeks for the family benefits, and 12 weeks for the qualifying exigency benefits), this fiscal note assumes executive branch employees in 24-hour/7-day operations will take an average of six weeks (240 hours) of the proposed benefit each year.

-Employees can begin accessing the DEED-provided benefit effective July 1, 2025 (article 1, section 38).

	A	B	C	D
	Total number of employees taking leave entitlement	Total leave taken per employee (in weeks)	Weekly benefit calculation	Cost savings (A*B*C)
FY 2026	310	6	\$1,147	(\$2,133,420)
FY 2027	310	6	\$1,147	(\$2,133,420)

It is assumed that 34.3.0 percent of the cost savings calculated above will be experienced in the general fund and 65.70 percent in all other state funds based on the overall allocation for all state agency employee compensation costs in FY 2022. The cost by fund may vary significantly by impacted state agency.

Figures are rounded to whole dollars	FY26	FY27
General fund	(731,763)	(731,763)
All other funds	(\$1,401,657)	(\$1,401,657)
Total	(\$2,133,420)	(\$2,133,420)

Executive branch and judicial branch state agency employer-paid health insurance costs: Under the federal Family and Medical Leave Act (“FMLA”), employees who have worked for the State for 12 months and at least 1,250 hours are eligible to receive up to 12 weeks of leave with continued employer contribution toward health insurance. The bill also entitles employees to leave with continued employer contribution toward insurance; however, the eligibility threshold for insurance-covered leave under the bill is employment for 90 calendar days if the employee is otherwise eligible for benefits under the bill. Additionally, under the bill, an employee could be entitled to leave for up to 36 weeks (12 weeks for family leave; 12 weeks for medical leave; 12 weeks for qualifying exigency leave), which would theoretically mean 24 additional weeks of employer insurance contribution beyond the FMLA entitlement. Finally, the bill entitles employees to take insurance-covered leave for reasons that are not covered under the FMLA and do not require insurance coverage under CBAs, compensation plans, or other law. MMB is unable to estimate the potential increase in employer-paid health insurance costs, as MMB does not have the data to centrally estimate and calculate the number of state agency employees currently not receiving employer contributions toward health insurance who would now be eligible for these contributions under this bill.

Cost summary

MMB costs

General fund

FY 2025: \$42,987

FTE: 0.22

FY 2026: \$44,463

FTE: 0.33

FY 2027: \$44,463

FTE: 0.33

Executive branch and judicial branch state agency costs

General fund

FY 2025: \$74,619

FY 2026: \$5,753,337

FY 2027: \$5,753,337

All other state funds

FY 2025: \$142,929

FY 2026: \$11,020,241

FY 2027: \$11,020,241

Total Costs

FY 2025: \$260,535

General fund: \$117,606

All other state funds: \$142,929

FY 2026: \$16,818,041

General fund: \$5,797,800

All other state funds: \$11,020,241

FY 2027: \$16,818,041

General fund: \$5,797,800

All other state funds: \$11,020,241

Long-Term Fiscal Considerations

Article 1, section 23, subdivision 6, requires DEED to annually adjust premium rates beginning July 1, 2026, using a formula provided in the bill. Changes to the premium rate will impact employer-paid premium costs for executive branch

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

and judicial branch state agencies beginning FY 2026.

Local Fiscal Impact

Units of local government may be subject to the same costs identified in this fiscal note for executive and judicial branch state agencies, including the employer-paid premiums required in this bill.

References/Sources

Agency Contact: Ronika Rampadarat 651-201-8115

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat

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Date: 4/19/2023 8:19:49 PM

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Minnesota State**

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	-	-	-	958	958	
Total	-	-	-	958	958	
Biennial Total						1,916

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
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: Xunxuan Weerts **Date:** 4/16/2023 6:46:31 PM
Phone: 651-284-6438 **Email:** xunxuan.weerts@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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	958	958
Total		-	-	-	958	958
Biennial Total				-		1,916
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	-	958	958
Total		-	-	-	958	958
Biennial Total				-		1,916
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill creates a new state Family and Medical Benefit Insurance (FMBI) program, administered by the Department of Employment and Economic Development (DEED), in coordination with the Department of Labor and Industry (DOLI).

Employees are given the right to leave and to claim benefit payments for qualified family events (care of a family member, bonding with children, family safety leave, and qualifying family need related to military service) and medical events (serious health conditions and pregnancy).

Benefit payments under the plan are weekly amounts based on the employee’s highest weekly wage (with a formula to determine how to identify that wage level) multiplied by 55 to 90 percent. For employees whose wage level is over the state’s average weekly wage, the multiplier is 55 percent. These payments may last up to 12 weeks each benefit year for family benefits and 12 weeks each benefit year for medical benefits. Benefit years are normally 52 weeks from the date a person’s benefit account becomes effective. Benefit payment weeks do not need to be consecutive.

Employers who already have or purchase a private plan that provides at least the required benefits of this program and assess for that no more cost to each employee than allowed by this program, may apply to meet the requirement of this law without participating in the state program. This request may be made for the family care benefit portion of the program, the medical benefit portion of the program, or both.

The program is funded through the collection of premium payments from employers. Employers may deduct up to 50 percent of these premiums from employees’ wages. Beginning in fiscal year 2026, premium rates for the full program are set at 0.7% of FICA-eligible wages paid. For an employer participating in only the medical benefits portion of the program, the rate is 0.57 percent. For an employer participating in only the family care benefits portion of the program, the rate is 0.13 percent.

Separate accounts will be created for each employer to record premium payments into the account and benefit disbursements out of the account. Beginning in state fiscal year 2027, each employer’s premium rate will be adjusted to a rate that maintains at least 1.45 times the amount disbursed from that employer’s account in the previous year ending September 30. Adjusted annual premium rates will be set for each calendar year going forward.

Assumptions

It is assumed that

- Minnesota State does not have and would not purchase a substitute program.
- Minnesota State would exercise the authority to deduct 50 percent of premium costs from employees’ wages.

- Minnesota State would have increased costs for data and managerial obligations required by this program, which will be absorbed.
- Minnesota State would need to replace faculty positions behind the employee on leave to ensure continuity of instruction and student support services. Some work may be redistributed, but the instructional roles would more likely require an adjunct faculty member or temporary part-time faculty member emergency hire. Based upon current experience in fiscal year 2022, the estimates cost of backfilling these positions is shown below. This cost is in addition to premium payments.
- Minnesota State's estimated premium payments are included in the Minnesota Management and Budget (MMB) portion of this fiscal note but are also calculated below for reference.
- Minnesota State's paid parental leave found within all faculty collective bargaining agreements (CBAs) and Personnel Plans provide up to 6 weeks but at full salary, and this legislation is for up to 12 weeks at partial or reduced salary. It is unclear what effect the current 6-week arrangement might have for participation and cost changes under this legislation. Minnesota State notes that the full pay received in the 6-weeks, when spread over 12-weeks, is still a greater benefit than received under the proposed 12-week policy in this bill.
- To the extent there are any cost savings, such savings would be only for the bill's maximum benefit calculation and not for the employee's full salary, as the bill's maximum benefit calculation under article 1, section 8, subdivision 3, does not cover 100 percent of wages, and employees are entitled under the bill to offset this gap in wage replacement with employer-provided paid leave balances (such as sick, vacation, or paid parental leave provided under CBAs and personnel plans).

Expenditure and/or Revenue Formula

Employer-paid premiums starting in fiscal year 2026

(included in MMB's portion of the fiscal note but shown here for reference)

\$927.3 million FICA-eligible wages (FY 2022)
 x 0.7 percent
 = \$ 6.5 million
 - \$ 3.25 million (50%) deducted from employee wages
 = \$ 3.25 million

Cost of backfilling position starting in fiscal year 2026

(in addition to the premium costs above)

Plan	Avg cost temp/adjunct	FTE utilizing benefit	Total cost	Pro-rated 12-weeks
MSUAASF	\$43,422.15	8	\$347,377.20	\$80,163.97
MSCF	\$64,673.80	40	\$2,586,952.00	\$596,988.92
IFO	\$40,615.47	30	\$1,218,464.10	\$281,184.02
Total				\$958,336.92

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Derek Hughes, Minnesota State System Director, Total Rewards

Agency Contact: Steve Ernest (651-201-1710)

Agency Fiscal Note Coordinator Signature: Steve Ernest

Date: 4/16/2023 6:40:41 PM

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Revenue 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
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
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: Joel Enders **Date:** 4/17/2023 3:54:18 PM
Phone: 651-284-6542 **Email:** joel.enders@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	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill establishes a Family and Medical Benefit Insurance Program to be administered by the Department of Employment and Economic Development (DEED). The bill outlines administration, eligibility, benefits, definitions, and other provisions. In Article 1, section 20 the bill requires that DEED withhold on benefits by if they are determined to be subject to federal income tax by the IRS and elected by the applicant. No sections of the bill indicate any direct interaction with the Department of Revenue.

Assumptions

If benefits provided as a result of this bill are determined to be subject to federal income tax by the IRS and elected by the applicant, withholding will be required. Article 1, section 20 of the bill requires the Department of Employment and Economic Development (DEED) to withhold on benefits if they are determined to be subject to federal income tax by the IRS and elected by the applicant. The Department of Revenue anticipates no impact as a result of this bill.

Expenditure and/or Revenue Formula

This bill may have an impact on state tax revenues. An estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before the Tax Committee and will provide one for this bill when it is before the Tax Committee.

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact: Chelsea Magadance

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Date: 4/17/2023 9:29:30 AM

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Secretary of State**

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	-	384	4	76	76	
Total	-	384	4	76	76	
Biennial Total			388			152

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	2	.3	.3
Total	-	-	2	.3	.3

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: Susan Nelson **Date:** 4/19/2023 8:59:48 AM
Phone: 651-296-6054 **Email:** susan.nelson@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	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	384	4	76	76	
Total	-	384	4	76	76	
Biennial Total			388		152	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	384	4	77	77	
Total	-	384	4	77	77	
Biennial Total			388		154	
2 - Revenues, Transfers In*						
General Fund	-	-	-	1	1	
Total	-	-	-	1	1	
Biennial Total			-		2	

Bill Description

This bill provides a comprehensive system of family and medical benefits. This portion of the fiscal note covers only section 30 of the current bill, which provides for the recovery of sums paid for benefits, and which imposes a new system of electronic filing of lien against recipients or employers as well as a service of process method.

The lien filing system appears to be modeled after a system in Minnesota Statutes, chapter 268, section 268.058, that was enacted nearly thirty years ago, but never funded or built.

Assumptions

The Office of the Secretary of State (OSS) operates the central filing system which is used for Uniform Commercial Code filings and other liens, and this note assumes that the liens provided for in section 30 will be filed in the same manner

This bill would require a new lien type within the existing system. The section requires that electronic filing be available for these liens. If electronic submissions are enacted into law, this would require OSS to work with DEED to build a system similar to the State Electronic Lien Web Service (SELWS) that took approximately two years to develop and test with IRS, Revenue and Counties. A paper only implementation would require less resources than a solution that also allows for electronic submission.

This new lien type would also have fees associated for filing, copying and searching requests as provided in sections 272.483 and 272.484, which refer to section 336.9-525, which imposes a \$20 fee. In a prior fiscal note for a similar proposal, the Department of Labor and Industry estimated that there would be 160 investigations annually. This note assumes that 20% of these investigations would result in the filing of liens under section 30. This would result in just \$640 of fee income to OSS. This fee income would be paid by other state agencies, so no net income to the state would occur under this section. This lien system must be available January 1, 2025, but it is likely that there will be few if any filings prior to fiscal year 2026, and therefore no filing fee income until that time.

The following estimates of required effort are based on the foregoing:

Programming to allow the inputting of these Liens 400 hours

Programming the system to allow for Lien Outputs 200 hours

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

Minnesota Business and Lien Portal Searches 200 hours

Electronic Filing and Transmission to Counties 3000 hours

Programming to establish Service of Process Product 40 hours

Total = 3840 hours.

Computer programming staff hours are assumed to be \$100.00 per hour

Due to the length and complexity of this project, any appropriation would need to be available until the completion of the project, not simply in the fiscal year appropriated.

It is also customary in the computing industry that recognizing annual maintenance of 20% of development costs is the best practice for continuing systems.

With respect to the service of process under subdivision 4, OSS already handles service of process functions and would modify that system for this purpose, so there would be a small additional cost. It is unlikely that there would be more than 20 services per year, at \$15 per service resulting in fee income of \$300 per year. '

There are also training expenses for OSS staff who handle filings and service of process. There will be both development of training materials and the training itself for multiple staff.

The filing fees and service of process fees would not commence in the projected amounts until FY26.

Expenditure and/or Revenue Formula

Computing expenditures:

3840 computing staff hours x \$100/hour = \$384,000

\$384,000 (FY24)

Training expenditures

40 hours creating training materials @ \$30/hour = \$1200

16 hours training per staff person @ 6 staff @ \$30/hour = \$2,880

\$4,080 (FY25)

Long-Term Fiscal Considerations

In each year, a 20% maintenance effort would be required. This would be approximately 768 computer staff hours/year, @ \$100.00/hour, or an annual cost of \$76,800.

\$76,800 (FY26)

\$76,800 (FY27)

Revenues from filings and services will recur each year starting in FY2026:

32 lien filings per year @ \$20 per filing = \$640

20 services of process/year @ \$15 per service = \$300

Total Annual Revenues: \$940

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

\$940 (FY26)

\$940 (FY27)

Local Fiscal Impact

Counties must modify their systems to be ready to receive these lien filings, and would file them in county real estate records.

References/Sources

Bibi Black

651-201-1326

Agency Contact:

Agency Fiscal Note Coordinator Signature: Adam Hansen

Date: 4/19/2023 8:15:08 AM

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **Supreme Court**

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	-	15	15	(42)	327	
Total	-	15	15	(42)	327	
Biennial Total			30		285	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	3
Total	-	-	-	-	3

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: Karen McKey **Date:** 4/19/2023 12:18:48 PM
Phone: 651-284-6429 **Email:** karen.mckey@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 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	15	15	(42)	327
Total	-	15	15	(42)	327
Biennial Total			30		285
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	15	15	-	494
Total	-	15	15	-	494
Biennial Total			30		494
2 - Revenues, Transfers In*					
General Fund	-	-	-	42	167
Total	-	-	-	42	167
Biennial Total			-		209

Bill Description

HF2-4A creates a family and medical benefit insurance program administered by the Department of Employment and Economic Development (DEED) in chapter 268B. Employers are required to grant leave to employees during the period of benefit receipt. The program is funded through contributions from an employer tax and employee payroll deductions.

Section 12 [268B.08] establishes an appeal process. Any party or the commissioner may seek reconsideration of an appeal. A final decision on a request for reconsideration may be appealed by a party directly to the Minnesota Court of Appeals. Effective 7/1/2025.

Section 14 [268B.09] provides for employment protections and establishes a private civil action for individuals injured by a violation of this section. The cause of action may be maintained in any federal or state court of competent jurisdiction. Effective 7/1/2025.

Section 15 [268B.10] allows an employer to apply the DEED to substitute a private plan for either or both the family and medical benefit programs under chapter 268B. An employer may appeal any adverse decision regarding the use of a private plan and the assessment of penalties in a manner specified by the commissioner. An employee covered under a private plan also has the right to appeal under section 368B.04, subd. 7, and request reconsideration of a decision under a private plan before appealing. Effective 1/1/2024.

Section 21 [268B.15] provides for collection of premiums. If judgment is entered against an employer for past due amounts, the interest rate is one percent (1%) per month. Employers may submit an application for credit adjustment. The denial of a credit adjustment or refund is a final determination unless an appeal is timely filed. Effective 7/1/2025.

Section 26 [268B.185] requires an applicant to repayment of any overpayments; provides for penalties and interest for overpayments if an applicant is overpaid benefits by making an intentional false statements or representation in an effort to fraudulently collect benefits. The commissioner’s determination of the overpayment penalty is final unless an appeal is timely filed under section 268B.08. Effective 7/1/2025.

Section 27 [268B.19] sets penalties for employers who collude with an applicant for the purpose of assisting an applicant in receiving benefits fraudulently. The determination of penalty is final unless an appeal is timely filed. Effective 7/1/2025.

Section 29 [268B.22] gives authority to the commissioner or benefit judge to issue subpoenas to compel the attendance of individuals and the production of documents and other personal property necessary in conjunction with the administration of the chapter. The subpoena is enforceable through the Ramsey County District Court. Effective 7/1/2025.

Section 30 [268B.23] Provides that amounts due from an employer or applicant under chapter 268B may become a lien or level on property and requires setoff to the commissioner of employment and economic development for unpaid liability. The commissioner is given all powers provided in chapter 550 and any other law that provides for execution against property in Minnesota. The court seal is not required. Any amounts due under chapter 268B from an applicant or employer may be collected by a civil action in the name of the state of Minnesota, as provided under section 16D.14. Judgment must be entered in default for relief demanded in the complaint without proof, together with costs and disbursements, upon the filing of an affidavit of default. No court filing fees, docketing fees or release of judgment fees may be assessed against the state for actions under this subdivision. Injunctions and other legal action to prevent the determination, assessment, or collection of any amounts due under this chapter from an applicant or employer are prohibited. Effective 7/1/2025.

Assumptions

Employer's Tax

The Minnesota Judicial Branch is an employer required to pay taxes on the wages paid to employees in covered employment for each calendar year up to the maximum.

The Minnesota Judicial Branch tax obligation will be calculated by Minnesota Management and Budget (MMB) and included in its fiscal note worksheet.

Appeals

Appeals will be filed with the Minnesota Court of Appeals for denial of claims, assessment of penalties, and denial of credit adjustments and refunds. The number of appeals that may be filed for denied benefit claims and other reasons is unknown. It is assumed the number of appeals will be at least the number of unemployment claims appealed to the Court of Appeals in the last three calendar years. The average number of unemployment appeals in CY20, CY21, and CY22 was 97 (70+129+ 92). Initially, the number of appeals may be higher than this average but would be expected to level off over time to be comparable to the unemployment claim appeals.

Approximately 80% of all appeals filed with the Court of Appeals are briefed and assigned to a three judge panel. It is assumed that there will be approximately 78 benefit denial cases briefed per year (97 appeals x 80%). Two hundred and twenty five (225) briefed cases per year require the time of one three judge court of appeals panel (three court of appeals judges). One additional staff attorney will be needed to process each increase of 225 briefed cases.

Based on these numbers it is assumed no additional appellate court judge or staff will be needed.

No appeals will be filed with the Court of Appeals before 7/1/2025, but most likely not until after 1/1/2026. The appellate filing fee in FY26 will be \$550.

The commissioner or benefit judge may petition or apply to the Ramsey County District Court to enforce the subpoena when a person refuses to comply with the subpoena issued. For purposes of this fiscal note, the number of subpoenas will be compared to the number of subpoenas issued in unemployment insurance cases under Minn. Stat. § 268.188. There have been no applications filed in Ramsey County District Court for enforcement of a subpoena issued in an unemployment insurance matter in 2021 or 2022. It is assumed that an application for subpoena enforcement under this bill would be rare and have nominal fiscal impact.

Civil Action

An employee who is injured as a result of a violation of the employment protections section of the bill [268B.09] may bring a cause of action in district court to recover damages and for injunctive and other equitable relief. The number of civil actions that may be filed is unknown.

For purpose of this fiscal note, the number of employment cases will be used to calculate impact. The average number of employment cases filed in district court in 2020, 2021 and 2022 was 294 cases. It is assumed that the increase in the number of district court cases filed as a result of this bill would not be more than one half of all the other employment cases filed or approximately 147 cases. It is assumed the weighted caseload value for employment cases of 503 minutes per case will apply. Assessed Judge Need = Filings x Case Weight / Judge Year Value. For purpose of this fiscal note, the Judge Year Value used is a statewide average of 78,000 minutes. An increase in case filings of 147 cases would

require an increase of 1 judge FTE. (503 minutes x 147 cases divided by 78,000 minutes per year = .95 judge FTE). One additional judge FTE requires one judge unit that includes a judge, court reporter and law clerk. The first fiscal year requiring 1 FTE will be FY2027. It is assumed that this increase in cases will not require any additional court administration staff.

It is assumed that no private causes of action filed with the District Courts before 7/1/2025, but most likely not until after 1/1/2026. It is assumed the civil filing fee in FY26 will be \$285. The amount of the law library fee will depend on the county in which the case is filed.

Tax Collection

Under section 268B.23, subd. 4, DEED may bring an action in district court to collect overdue taxes from an employer as provided under Minn. Stat. § 16D.14. The number of civil actions that may be filed is unknown. For purposes of this fiscal note, the number of cases filed to collect unemployment insurance taxes will be used to calculate impact. There were no cases found where DEED was the plaintiff in an action to recover overdue unemployment insurance taxes from an employer under Chapter 268 in 2020, 2021 or 2022. There were no cases found where DEED was the plaintiff in an action to recover overpaid unemployment insurance benefits in 2020, 2021, or 2022. It is assumed that there is a negligible impact on the need for district court judges and court administration staff to process claims to collect overdue taxes from an employer under this legislation.

No court filing fees, docketing fees or release of judgment fees will be assessed against the state for actions under this subdivision. It is assumed that this will not cause a change in revenue as these fees also cannot be assessed against the state under section 16D.14.

Judgments entered in these actions would have an interest rate of 1% per month, instead of the rate set in Minn. Stat. § 549.09, subd. 1(c)(i). This interest rate cannot currently be automatically calculated in the Judicial Branch case management system (MNCIS). It is assumed that automation of the 1% per month interest rate could take at least 3 years for the development to be completed and implemented. The necessary technology development would be accomplished by the Judicial Branch case management system vendor. It is assumed that development will begin in FY24. It is uncertain whether necessary changes will be available to meet the legislation effective date of 7/1/2025.

Subpoena Enforcement

The commissioner or benefit judge has the authority to issue subpoenas to compel the attendance of individuals and the production of documents and personal property necessary in connection with the administration of the Program.

Expenditure and/or Revenue Formula

Some of the expenditures and state general fund revenue realized by this bill will occur outside the scope of this fiscal note.

Technology costs

Based on similar development, the vendor estimates the changes needed to add a new interest type with an interest rate of 1% per month would be a one-time cost of approximately \$30,000. It is anticipated these costs will be paid out over two years.

Judge costs

This bill will not result in an increase in court of appeals cases or FTE, or a change in revenue in FY24, FY25, or the first half of FY26 because benefits will not be applied for or paid before July 1, 2025, and denials and appeals heard by benefit judges would need to occur before any cases could be appealed to the Court of Appeals. It also should not result in an increase in appellate court FTE in the second half of FY26 or after.

This bill will not result in an increase in district court cases or a change in revenue in FY24 or FY25 because the private cause of action is not effective until July 1, 2025. It is anticipated that there will be costs beginning the second half of FY26.

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

The private cause of action and tax collection cases will result in an increase in the number of cases filled in district court and increase of 1 judge unit FTE. An application for subpoena enforcement under this bill would be rare and have nominal fiscal impact. The estimated FY23 cost for a district court judge unit comprised of a judge, court reporter and law clerk is \$494,000 in the first year, including \$33,000 for chambers startup costs, and at least \$461,000 in subsequent year.

In FY27 the cost of one additional district court judge unit is \$494,000.

In FY28 and after the cost of one additional district court judge unit is \$461,000.

Revenue

It is also anticipated that fee revenue will increase with the increase of appellate court and district court case filings.

The filing fee of \$550 in Minn. Stat. § 357.08 will apply to the parties who file an appeal with the Court of Appeals. It is not known how many appellants will apply for and be granted in forma pauperis status. It is assumed that approximately 25% of claimants who appeal to the court of appeals will have been granted in forma pauperis status. It is assumed that filing fees will be paid beginning FY26. The amount of additional revenue in per fiscal year is estimated as follows:

97 cases x 1.75 parties per appeal x \$550 = \$93,363 per fiscal year.

The fees in Minn. Stat. § 357.021 will apply to cases filed in the District Court, unless a party is granted an order to proceed in forma pauperis or another exemption applies. Filing fees include the civil filing fee plus the county law library fee. Assuming district court civil filing fees will be paid in approximately 147 cases (estimated number of private causes of action filed), the increase to the state general fund is estimated to be \$73,316 (\$285 x 147 cases x 1.75 parties) per fiscal year. The fees in Minn. Stat. § 357.021 will not apply to DEED in cases brought to collect the benefits taxes under section 268B.23, subd. 4.

The total increase in filing fee revenue for FY26 is estimated at \$41,670 after discounting by 9 months because revenue will not begin coming in until January 1, 2026 and to account for cash flow. ($\$93,363 + \$73,316 = \$166,679 / 12 \text{ mos.} = \$13,890 \text{ per month} \times 3 \text{ mos.}$) For FY27 and after filing fee revenue is estimated at \$167,079.

Long-Term Fiscal Considerations

It is not known if MJB can absorb the employer's tax beginning January 1, 2024. The Judicial Branch may need to seek an appropriation to cover the cost of the tax.

Some impact of the legislation will occur outside of the scope of this fiscal note.

Local Fiscal Impact

This bill will increase revenues for county law libraries in FY26 and beyond.

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Janet Marshall

Date: 4/19/2023 10:11:56 AM

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Fiscal Note

2023-2024 Legislative Session

HF2 - 4A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
 Committee: **Workforce Development Finance**
 Date Completed: **4/19/2023 8:47:04 PM**
 Agency: **University Of Minnesota**

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	-	-	1,372	195	195	
Total	-	-	1,372	195	195	
Biennial Total			1,372			390

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	10	4.1	4.1
Total	-	-	10	4.1	4.1

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: Xunxuan Weerts **Date:** 4/19/2023 2:57:31 PM
Phone: 651-284-6438 **Email:** xunxuan.weerts@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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	1,372	195	195	195
Total		-	-	1,372	195	195
Biennial Total				1,372		390
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	1,372	195	195	195
Total		-	-	1,372	195	195
Biennial Total				1,372		390
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

A bill for an act relating to employment; providing for paid family, pregnancy, bonding, and applicant's serious medical condition benefits; regulating and requiring certain employment leaves; classifying certain data; authorizing rulemaking; appropriating money; amending Minnesota Statutes 2022, sections 13.719, by adding a subdivision; 177.27, subdivision 4; 181.032; 256J.561, by adding a subdivision; 256J.95, subdivisions 3, 11; 256P.01, subdivision 3; 268.19, subdivision 1; proposing coding for new law as Minnesota Statutes, chapter 268B.

Assumptions

1. The University of Minnesota anticipates that it will be able to negotiate to agreement with employee unions regarding a change in current benefits so that they supplement the public plan. If this fails, it may be necessary to establish a private plan for these employees as an alternative. We anticipate that bargaining will begin upon final passage of the bill. The University would not incur additional costs during the bargaining process.
2. We assume that wages upon which our cost estimates are based will increase by approximately 4% in FY24 and 4% in FY25, based on the anticipated University pay plans. We do not assume a further increase in FY26.
3. The University assumes that all direct costs for additional leave under the bill will be covered by the premium of .7%, of which the University would be required to pay at least half.
4. We assume that replacement costs will rise due to the increased availability of paid leave. Since staffing levels are set to account for expected employee leaves, replacement costs are assumed to be equal to the cost of paid leave. We assume that any employee who used their full current allotment of paid time off for parenting would take the additional time off provided by this bill, up to 12 weeks or 60 working days. We assume no added replacement cost for leave due to health conditions, since employees are likely already taking all necessary leave for such conditions.
5. By converting current paid leave benefits so that they supplement the new paid leave program, there would be savings to the University that would offset the premium expense and increase in replacement costs.
6. We assume that there would be substantial implementation costs, including configuration of PeopleSoft and related payroll systems, setting up data reporting, employee training and communication efforts.
7. We assume that this program will require ongoing expense to maintain due to the need to coordinate leave benefits with the Minnesota program.

Expenditure and/or Revenue Formula

Table 1: Consolidated Cost Estimate

NOTE: This is an earlier version of the fiscal note for HF2-3A.

The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

Fiscal Year	Implementation Cost	Maintenance Cost	Employer Premium at .35% of SS Wage Base	Added Replacement Cost	FMLA Cost Avoided	Total Cost
FY24	\$0	\$0	\$0	\$0	\$0	\$0
FY25	\$1,371,699	\$0	\$0	\$0	\$0	\$1,371,699
FY26	\$0	\$405,512	\$6,216,748	\$2,905,322	(\$9,333,082)	\$194,500
FY27	\$0	\$405,512	\$6,216,748	\$2,905,322	(\$9,333,082)	\$194,500

Table 2: Replacement Cost Estimate

Total Paid Leave Days	Total Paid Leave Cost	Added Paid Parenting Leave Days to Reach 60 Days	Replacement Cost for Added PPL Days
44,644	\$12,912,413	10,045	\$2,905,322

Table 3: FMLA Cost Avoided

Total Paid Leave Days	Average Daily Benefit (based on UMN Wages)	Total MN Benefits Replacing Paid Leave
44,644	\$209.06	\$9,333,082

Table 4: Implementation Costs

Title	FTE	FY25 Estimate per FTE	Total Cost	Description
Project Manager	1.5	\$129,146	\$193,719	HRMS and payroll changes, due to the size of this program and HRMS changes we will need full time support to keep the team on track to support this program
Business Analyst	2.5	\$111,535	\$278,838	HRMS Payroll changes that are coded and logged into the system to meet the data reporting requirements that are expected with this program
Labor/Employee Relations	2	\$164,697	\$329,394	Collective bargaining, this program will have a significant impact on our collective bargaining contracts and require immediate review and negotiation to coordinate current leave benefits with the state benefit
Employee Relations	1	\$164,697	\$164,697	Informing local HR teams, training supervisors, employees
HR Leaders	1	\$176,109	\$176,109	Ongoing consultation with University Senate bodies regarding change
Communications & Staff	1	\$93,925	\$93,925	Employee communications, posting requirements, printing and communications to provide support to all employee types across the system
Vendor Management	1	\$135,017	\$135,017	Review of vendor contracts for medical and disability leaves, redesign, bidding

Total	10		\$1,371,699	
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Table 5: Ongoing Maintenance Costs

Title	FTE	FY25 Estimate per FTE	Total Cost	Description
Business Analyst	1	\$119,480	\$119,480.00	System updates, monthly and annual reporting data along with compliance monitoring
Employee Relations	0.1	\$176,427	\$17,643.00	Addressing employee questions, unforeseen issues, this will continue to affect collective bargaining
HR Contact Center	1	\$72,909	\$72,909.00	Call center support training and tools to support employee use of the program
Payroll	2	\$97,740	\$195,480.00	Payroll maintenance the ongoing updates that will be needed to ensure data needs are supported for employee leave
Total	4.1		\$405,512.00	

Long-Term Fiscal Considerations

Since the premium rate will be recalculated each year based on claims made against the program, it is unclear whether a premium estimate of 0.7% of covered payroll is reasonable beyond the first year.

Local Fiscal Impact

This bill will affect all Minnesota employers.

References/Sources

Karen Schaffhausen, Director Strategic Planning, Policy and Administration, Office of Human Resources, University of Minnesota; Peter Helgeson, Senior Employee & Labor Relations Consultant, Office of Human Resources, University of Minnesota

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