



April 9, 2009

SF 461 (Anderson) / HF 612 (Lesch);
Healthy Families, Healthy Workplaces Act; workers minimum sick leave standards

Local Fiscal Impact				
Net Expenditure Increase				
Dollars in Thousands, State Fiscal Years				
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Statewide	\$12,191	\$12,474	\$12,760	\$13,053
* Estimates adjusted to include forecasted inflation rates				

Local Governments Contributing:

Cities:

Battle Lake, Bird Island, Blue Earth, Burnsville, Callaway, Crosslake, Crystal, Delano, Excelsior, Fillmore, Hector, Hopkins, Hoyt Lakes, Lafayette, Lake Lillian, Lauderdale, LeRoy, Lillydale/Mendota, Louisburg, Montevideo, Moorhead, Morton, New Ulm, Perham, Randolph, Richmond, Shafer, St. Charles, Stockton, Waconia, Wayzata

Counties:

Big Stone, Blue Earth, Clay, Cook, Dakota, Dodge, Hennepin, Houston, Jackson, Kittson, Lac qui Parle, Le Sueur, Meeker, Mower, Nicollet, Nobles, Redwood, St. Louis, Todd, Wabasha, Washington, Wilkin

Explanation of the Bill

This local impact note was requested on S.F. 461 (Anderson) / H.F. 612 (Lesch) relating to sick leave accrual and eligibility in Minnesota. Among other things, this bill specifies that all employees that work 56 hours in the state have a right to sick leave and that employers must provide a minimum of one hour of sick leave for every 30 hours worked by an employee. The bill also specifies situations in which an employee may use sick leave and expands the situations to include preventative and emergency care of extended family members. Finally, the bill requires employers to reinstate sick leave balances when an employee is rehired within 12 months of separation.

Local Impact Analysis Methodology

To estimate the local government impact of S.F. 461 / H.F. 612, MMB surveyed cities and counties to assess current sick leave practices and collect estimated financial impact of expanding sick leave coverage. MMB worked with the League of Minnesota Cities and the Minnesota Inter-County Association to develop a contact list of city and county administrators. All totaled, MMB administered a survey to 133 Minnesota cities and 25 counties.

Survey on SF 461 / HF 612 “Healthy Families, Healthy Workplace Act”¹

This analysis estimates the costs to local governments that would result from Minnesota counties and cities implementing the sick leave policies outlined in S.F. 461 / H.F. 612. To get this information MMB surveyed 133 Minnesota cities and 25 counties. A total of 31 cities and 22 counties responded to a survey, which contained the following questions:

1. Do you currently provide a minimum of one hour of paid sick leave for every 30 hours worked by an employee (up to 72 hours per calendar year if you have more than 10 employees and up to 40 hours per year if you have under 10 employees)?
If you answered no, what would you estimate the additional expense would be to adhere to these policies?
2. Do you currently have policies in place or provisions in your labor agreement that allow for the use of sick leave for a spouse, sibling, parent, grandparent, or extended family member? Does your leave allow for the diagnosis, care, treatment or preventative care for mental and physical illness?
3. Do you currently have policies in place or provisions in your labor agreement that allow for the use of sick leave due to sexual assault or domestic abuse? Permissible uses would include: medical attention, counseling, services from a victim services organization, relocation, and legal proceedings.

If you answered no to number two or three or you have some employees that are not covered by these contracts or policies, please answer the following questions:

3. How many employees do you estimate require replacement when sick leave is used?
What types of workers are these (e.g. police, fire, etc.)?
4. On average, what is the hourly rate of the employees that will need to be replaced?
5. Of those replacements, how many do you estimate will need to be paid overtime wages?
6. On average, what is the hourly overtime rate for these replacements?
7. Do you have other fiscal concerns with this bill? If so, what are they?

Of the 53 survey respondents, all but 5 indicated that they currently provide a minimum of one hour of paid sick leave for every 30 hours worked by an employee. Of those that meet the sick leave accrual requirement, 30% indicated that they currently provide sick leave to full-time employees only and/or use a PTO system. Seventy percent of those that provide sick leave currently include taking care of extended family members as allowable use of sick leave time. The vast majority would include mental and medical appointments caused by domestic abuse as eligible sick leave use, however court time is not currently considered appropriate by most of the respondents.

Local Impact Analysis of S.F. 461 / H.F. 612:

To estimate the local government costs associated with S.F. 461 / H.F. 612, MMB used data from the 31 cities and 22 counties that responded to the survey and calculated the average number of employees that needed to be covered when out sick, determined how many of these would be paid overtime, and calculated the average cost to cover an employee for one additional day of sick leave. In order to estimate state-wide impact, MMB assumed that average use of sick leave would increase by five sick days per year due to the expansion of sick leave accrual and sick leave eligible uses. This average yearly expense is then added to the estimated expense cities and counties would face for expanding their sick leave accrual to temporary/seasonal and part-time employees.

¹ Detailed survey responses are included in the appendix to this document.

The table below shows the average expenses per the local government survey responses:

	Estimated expense to expand sick leave accrual to meet minimum standards	Estimated number of employees that need to be covered when out sick	Estimated expense to cover one employee for one day	Estimated number of employees that would receive overtime	Estimated expense to cover one employee with overtime	Expense to cover one employee for one sick leave day*	Total Estimated Expenditures if employees average 5 additional sick leave days
City Avg	\$2,900	8	\$163.00	4	\$256	\$1,676	\$11,280
County Avg	\$500	26	\$156.00	22	\$233	\$5,753	\$29,263

*multiplied number of employees to cover at regular time + number of employees at overtime to determine average expense for one employee to be out sick one day
 Example: (8-4)*\$163 + 4*\$256 = \$1,676

From these estimates, a statewide impact can be calculated by multiplying the city average by the number of cities in the state (855) and the county average by the number of counties in the state (87):

Statewide local cost estimate of S.F. 461 / H.F. 612 for FY 2010 – FY 2013:

Local Fiscal Impact				
Net Expenditure Increase				
Dollars in Thousands, State Fiscal Years				
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Statewide	\$12,191	\$12,474	\$12,760	\$13,053
* Estimates adjusted to include forecasted inflation rates.				

Other Considerations

It is unclear if Paid Time Off (PTO) programs would be allowable under S.F. 461 / H.F.612 or if sick leave accrual must remain separate from vacation time. The majority of local government units that currently utilize PTO programs did not provide estimated expenses needed to bring their system within the minimum standards. This assumes that PTO programs that provide the minimum number of leave hours specified in the bill meet the sick leave requirements. To the extent that cities and counties underestimated the true cost of expanding their sick leave coverage, the statewide average listed above will be underestimated.

Administrative and programming expenses to adjust current systems and practices to meet the new minimum standards are not included in the total state-wide expense.

For many of the cities and counties, temporary/seasonal and part-time employees accrue sick leave at different rates than full-time employees. It is unclear how this bill will impact employees that fall in these categories. Some cities and counties pay out unused sick leave when an employee terminates employment. This would not be possible if unused sick leave must be reinstated if an employee returns within twelve months of termination.