



**State of Minnesota
Department of Finance**

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April 8, 2008

To: Senator Bakk, Chair
Senator Ortman
Representative Lenczewski, Chair
Representative Simpson

From: James Schowalter
Assistant Commissioner

Re: Local Impact Note – **SF 1128 (Erickson Ropes)**
Personal Sick Leave Benefits (Amendment)

On March 7, 2008, the Department of Finance received a request to prepare a local impact note on an amendment to S.F. 1128, a bill relating to personal sick leave benefits. The bill extends the use of personal sick leave benefits provided by an employer for absences due to an illness of or an injury to an employee's spouse, sibling, parent, grandparent, or stepparent. The amendment would exempt employers that already have policies or a provision in a labor agreement in place to allow for the use of sick leave for a spouse, sibling, parent, grandparent, or stepparent. We have completed our analysis and a copy of the note is attached.

Local impact notes are similar to the fiscal notes that you are familiar with, but they focus on the fiscal impact of proposed legislation on local governments rather than the State. This process is described in Minnesota Statutes 3.987 and 3.988. This statute requires the Department of Finance to gather and analyze information on local costs of legislation when requested by the chair or ranking minority member of either tax committee.

This local impact analysis is based on S.F. 1128 as amended. To complete this local impact note, we contacted 13 cities and 17 counties. Four cities and eleven counties responded to our request for information. We also used information from a fiscal note completed for this bill by the Department of Employee Relations (DOER). Using data obtained from local governments and assumptions from the DOER fiscal note, an estimated statewide cost to local governments of \$26 million in FY 2009 was calculated.

If you or your staff has any questions regarding this local impact analysis, please contact Alexandra Broat, Executive Budget Officer at 651-201-8026.



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Attachments

cc: Senator Erickson Ropes
Senator Betzold
Legislative Staff (email)



State of Minnesota - Local Impact Note
 Department of Finance with the
 Local Mandates Advisory Committee

April 8, 2008

S.F. 1128
 (Erickson Ropes)
**Personal Sick Leave
 Benefits (amendment)**

Local Fiscal Impact				
Net Expenditure Increase/Revenue Loss or (Expenditure Decrease/Revenue Gain) Dollars in Thousands, State Fiscal Years				
	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Counties:	\$0	\$2,023	\$2,084	\$2,146
Cities:	\$0	\$23,883	\$24,600	\$25,338
Statewide:	\$0	\$25,907	\$26,684	\$27,484

Local Governments Contributing:

Counties: Kanabec, Olmsted, Cass, Dakota, Blue Earth, Washington, Benton, Anoka, Sherburne, St. Louis, Clay, Ramsey,
Cities: Lakeville, Burnsville, Minnetonka, unknown city submitted by League of Minnesota Cities

EXPLANATION OF BILL

This local impact note was requested on an amendment to SF 1128, relating to personal sick leave benefits. The bill extends the use of personal sick leave benefits provided by an employer for absences due to an illness of or an injury to an employee’s spouse, sibling, parent, grandparent, or stepparent. The amendment would exempt employers that already have policies or a provision in a labor agreement in place to allow for the use of sick leave for a spouse, sibling, parent, grandparent, or stepparent.

LOCAL IMPACT ANALYSIS SUMMARY

Only local units of government that do not currently have provisions in place that allow for the use of sick leave for an employee’s spouse, sibling, parent, grandparent, or stepparent would be impacted by this bill. It is likely that these local governments will experience an increase in sick leave usage. For employees whose absence does not require replacement, this change will not have a budgetary impact since their total amount of available sick time will remain the same. For positions that require replacements, there will be a fiscal impact. Examples of these positions include police officers, firefighters, and corrections workers.

This analysis estimates the costs that would result from replacing these types of employees when they use additional sick time. To get this information, a sample of 13 cities and 17 counties were asked to answer the questions below. The responses received are detailed in the appendix to this document.

Questions

1. 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 stepparent?

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

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

LOCAL IMPACT ANALYSIS DETAIL

To estimate local government costs associated with SF 1128, Finance took the average estimated costs from a sample of counties and cities to calculate a statewide average. For those counties and cities with policies in place that include all family members, no local cost is assumed. For those local governments with policies for some but not all family members, a cost was calculated based on the data received. In addition, Finance assumes that average sick leave use per year would increase by three days (24 hours) per employee based on a report to Congress completed by the U.S. Office of Personnel Management on the *Family Friendly Leave Act*. This assumption was also used in a fiscal note completed by the Minnesota Department of Employee Relations on the same bill.

Of the ten counties that responded to our request for data, three stated that they did not have any policies in place to allow for the use of sick leave for a family member, while seven counties reported having a sick leave policy in place that included or partially included the care of family members. In addition, two cities responded stating they did not have any policies in place to allow for the use of sick leave to care for a family member. The remaining three cities reported having a policy in place that included or partially included the care of family members.

On average, 30 percent of counties and 40 percent of cities reported having no policies in place to allow for the use of sick leave to care for a family member. Finance used this percentage to

estimate a statewide average cost for counties and cities that have no policy in place. According to the data received, county costs for implementing sick leave coverage for family members are estimated to be \$2 million statewide. If the county had a policy allowing for the use of sick leave for some but not all family members, the statewide cost is estimated to be \$809,000. For cities, the estimated cost was higher due to the larger number of cities across the state. Finance estimates that 60 percent of cities have no policy in place, which would cost local governments \$24 million statewide. Cities that have partial policies in place would need to spend an extra \$8 million to implement full coverage of all family members as outlined in the amendment (see the table below for details). To estimate costs into the future, a 3% compensation increase per year was assumed.

Statewide Local Cost Estimate of SF 1128

County Impact	
Average Cost per County	\$ 46,512
Counties with no policy in place (30% of counties)	\$ 1,213,974
Counties with a partial policy in place (20% of counties)	\$ 809,316
Total Statewide County Impact	\$ 2,023,289
City Impact	
Average Cost per City	\$ 46,611
Cities with no policy in place (40% of cities)	\$ 15,922,318
Cities that have a partial policy in place (20% of cities)	\$ 7,961,159
Total Statewide City Impact	\$ 23,883,476
Statewide impact	\$ 25,906,766

Note: It was assumed based on the sample data that 50% of counties and 40% of cities statewide would already have a sick leave policy in place covering family members. No costs were calculated for these local units of government.

Other Considerations

In their responses, local governments expressed other concerns with the amendment to SF 1128 that could not be quantified. Two common concerns were the following:

- Some of the respondents are currently in the process of switching to a paid-time-off (PTO) program that would give their employees more flexibility when taking leave. These local governments worry that this legislation could undermine the conversion to PTO.
- Some of the smaller local governments worry that increased usage of sick time as a result of this bill would create the need to hire new staff in the long-run to serve as replacements.

Another consideration that is not quantified here is the possibility that increased usage of sick leave as a result of this bill would result in less sick time being paid out for departing employees. This could lead to savings in the long-run.

Appendix: Detailed Local Government Responses

City/County	Existence of Similar Policy	Estimated Number of Employees that Would Need to be Replaced	Average Hourly Salary of Replacements	Average Hourly Overtime Salary of Replacements	Number of Replacements Paid Overtime	Estimated Yearly Cost
Olmsted	No	120	17.00-25.00	26.00-37.50	60	75,960
Lakeville	No	152.5	Police Super. 37.69 Police Officer 30.42 Public Works 24.17 Non-union 30.11	Police Super. 56.54 Police Officer 45.63 Public Works 36.26	All but non-union	139,821
Kanabec	No	65	19	28	65	43,664
Anoka	No	170	No data	No data	No data	n/a
St. Louis	No	401	18	27	281	234,968
Unknown City*	Yes, union only	80	Fire Fighters 25.37 Fire Captains 30.13 Police Officers 33.43 Police Sgt. 40.78	Fire Fighters 38.06 Fire Captains 45.20 Police Officers 50.15 Police Sgt. 61.17	38	93,234
Minnetonka	Yes	—	—	—	—	0
Cass	Yes	—	—	—	—	0
Burnsville	Yes	—	—	—	—	0
Clay	Yes	—	—	—	—	0
Ramsey	Yes	—	—	—	—	0
Dakota	Yes	—	—	—	—	0
Benton	Yes, if living in the home	55	17	25	55	32,670
Washington	Yes	—	—	—	—	0
Sherburne	Yes, if living in the home	107	20	30	107	77,862

* The replacement workers in this city would work in 24-hour shifts. For this estimate only, three workdays is considered 72 hours, not 24 hours.