

May 7, 2014

HF 2461-2E (Lesch)

Earned sick and safe time provided

Local Fiscal Impact				
Net Expenditure Increase/Revenue Loss or (Expenditure Decrease/Revenue Gain)				
Dollars in Millions, Calendar Years				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statewide	\$0	\$4.0	\$8.2	\$16.8

Bill Description

HF 2641 makes the provision of “sick and safe time” mandatory for Minnesota employers and sets minimum standards for an employer’s sick and safe leave policy. Additionally, the bill requires employers to allow employees to accrue and use paid leave for certain reasons, including illness of themselves or family members, and absence from work due to domestic abuse or stalking of the employee or employee’s family member.

Local Impact Methodology

MMB worked with the Minnesota Department of Education, the Office of the State Auditor, the Teachers Retirement Association, and local school districts to obtain data on current local government employment and salary. MMB also consulted with the Association of Minnesota Counties, the Minnesota Inter-County Association, and League of Minnesota Cities to gauge the impact of HF 2461 on local units of government. Finally MMB consulted the fiscal note for SF 2105, the Senate companion to HF 2461, which was prepared by the Human Resource Management division at MMB to inform the development of a local fiscal impact for HF 2461.

Assumptions

Given the methodology described above, MMB made the following assumptions in developing and estimate for the local impact of HF 2461:

1. City and county government employers already comply with the minimum sick accrual rates of 1 hour for every 30 hours worked as provided in section 1, subd. 2 of HF 2461.
2. Sick leave policies in the majority of school districts currently allow all employees to accrue sick leave at a higher rate than what is mandated in the bill. It is assumed that this is typical for all districts. Therefore, this local impact note does not calculate the cost of expanding sick leave accrual to additional school district employees.
3. Paid leave for part-time employees will be absorbed by local government budgets and part time employees using sick leave will not be replaced.
4. Full-time time employees using sick time will need to be replaced at the following rates:

- a. As assumed in the fiscal note, 50% of the county and city employees working in the Health and Human services area will need to be replaced, and 50% of those employees need to be replaced at overtime rates.
- b. As assumed in the fiscal note, 20% of all other county and city employees will need to be replaced, and 50% of those employees need to be replaced at overtime rates.
- c. 100% of teachers in local school districts will need to be replaced.
- d. 80% of non-licensed school district staff will need to be replaced, and 20% of those employees need to be replaced at overtime rates.
- e. School administrators are not assumed to be replaced when they use sick and safe leave.
5. As assumed in the fiscal note, this expansion of benefits will increase average employee sick leave usage by 2 hours in 2015, 4 hours in 2016, and 8 hours in 2017 in addition to the current usage of sick time by the current employees. This expansion will be driven by increased awareness of the policy change by employees.
6. Because data available did not differentiate total compensation earned by full time vs. part time staff, it is assumed that for counties, 90 percent of the salary and 100 percent of the benefits were earned by full time employees; and for cities 60 percent of the salary and 100 percent of the benefits were earned by full time employees. The difference between the city and county assumptions is driven by the number of actual full time and part time employees shown in the Office of the State Auditor data used for this note (see table 1).
7. Average hourly wages:
 - a. County HHS: \$34.77 and \$52.15 (overtime); county all other: \$34.97 and \$52.45 (overtime) (2012 data from State Auditor Survey)
 - b. City HHS: \$36.85 and \$55.27 (HHS); city all other \$22.38 and \$33.57 (overtime) (2012 data from State Auditor Survey)
 - c. School district substitute teachers: \$125/day (2013 data from TRA).
 - d. School district non-licensed staff: \$15.10 and \$22.65 (overtime) (data from local school district survey)
8. "Employee" is defined in HF 2461 as the definition given in MS 177.23, subd. 7, which excludes police and fire employees among others from the provisions proposed in the bill.
9. It is assumed that the costs of notice and posting as required in Section 1, subd. 5 would be negligible and would be absorbed by employers.
10. It is assumed for city and county data that salaries will have increased 4 percent from 2012 (state Auditor data year) and 2015 (first year of bill implementation).
11. It is assumed that salaries will increase 2.5 percent per year after 2015.
12. It is assumed that the bill will be effective January 1, 2015.

Calculation of Local Costs

Table 1: Summary of 2012 Survey Data from the Office of the State Auditor¹:

County	% Full time	Total Staff	FT Staff	PT Staff	Salary	Benefit	90% Salary +100% Benefit	Full Time Average Salary + Benefit	Hourly Wage (Salary/2080)	Overtime Wage (1.5 * hourly wage)
Gen Gov	73%	17,372	12,702	4,670	\$ 740,938	\$ 256,961	\$ 923,805	\$ 72,732	\$ 34.97	\$ 52.45
HHS	86%	13,281	11,434	1,847	\$ 661,336	\$ 231,666	\$ 826,868	\$72,315	\$ 34.77	\$ 52.15

City	% Full time	Total Staff	FT Staff	PT Staff	Salary	Benefit	60% Salary +100% Benefit	Full Time Average Salary + Benefit	Hourly Wage (Salary/2080)	Overtime Wage (1.5 * hourly wage)
Gen Gov	8%	146,091	12,337	133,754	\$ 613,782	\$ 206,014	\$ 574,284	\$ 46,551	\$ 22.38	\$ 33.57
HHS	13%	291	39	252	\$ 3,315	\$ 973	\$ 2,962	\$ 76,638	\$ 36.85	\$ 55.27

Table 2: Summary Data from Minnesota TRA, Department of Education, and Local School Districts²

School District	# FT Staff	Avg Substitute Wage	Overtime Wage (1.5* hourly wage)
Teachers	58,642	\$125	NA
Non-Licensed Staff	35,961	\$15.10/hour	\$ 22.65

¹ Data obtained from the Office of the State Auditor annual survey of Local Governmental Units: “SECTION VI: EMPLOYEE SALARY AND BENEFITS”, 2012.

² Data obtained from Minnesota TRA 2013 payroll report; Minnesota Department of Education STAR (Staff Automated Reporting) 2013 system report; survey of local school districts, 2014

Table 3: Calculation of Costs for Counties related to HF 2461:

County Calculation	CY 2012	CY 2015	CY 2016	CY 2017
Total Gen Gov FT Staff	12,702	12,702	12,702	12,702
20% Gen Gov Staff Replaced	2,540	2,540	2,540	2,540
50% Gen Gov replaced at normal wage	1,270	1,270	1,270	1,270
Hourly Wage of Replacement (normal)	\$ 34.97	\$ 36.37	\$ 37.27	\$ 38.21
50% Gen Gov replaced at overtime wage	1,270	1,270	1,270	1,270
Hourly Wage of Replacement (Overtime)	\$ 52.45	\$ 54.55	\$ 55.91	\$ 57.31
Additional sick used under bill/employee	NA	2	4	8
Additional cost (normal wage)	NA	\$ 92,381	\$ 189,380	\$ 388,229
Additional cost (overtime wage)	NA	\$ 138,571	\$ 284,070	\$ 582,344
<i>Additional cost Gen Gov Staff</i>	NA	\$ 230,951	\$ 473,450	\$ 970,573
Total HHS FT Staff	11,434	11,434	11,434	11,434.31
50% HHS Staff Replaced	5,717	5,717	5,717	5,717
50% HHS replaced at normal wage	2,859	2,859	2,859	2,859
Hourly Wage of Replacement	\$ 34.77	\$ 36.16	\$ 37.06	\$ 37.99
50% HHS replaced at overtime wage	2,859	2,859	2,859	2,859
Hourly Wage of Replacement (overtime)	\$ 52.15	\$ 54.24	\$ 55.59	\$ 56.98
Additional sick used under bill/employee	NA	2	4	8
Additional cost (normal wage)	NA	\$ 206,717	\$ 423,770	\$ 868,728
Additional cost (overtime wage)	NA	\$ 310,076	\$ 635,655	\$ 1,303,092
<i>Additional cost HHS Staff</i>	NA	\$ 516,793	\$ 1,059,425	\$ 2,171,821
<u>Total County Impact of HF2461</u>	NA	<u>\$ 747,744</u>	<u>\$ 1,532,875</u>	<u>\$ 3,142,394</u>

Table 4: Calculation of Costs for Cities related to HF 2461:

City Calculation	CY 2012	CY 2015	CY 2016	CY 2017
Total Gen Gov FT Staff	12,337	12,337	12,337	12,337
20% Gen Gov Staff Replaced	2,467	2,467	2,467	2,467
50% Gen Gov replaced at normal wage	1,234	1,234	1,234	1,234
Hourly Wage of Replacement (Normal wage)	\$ 22.38	\$ 23.28	\$ 23.86	\$ 24.45
50% Gen Gov replaced at overtime wage	1,234	1,234	1,234	1,234
Hourly Wage of Replacement (Overtime)	\$ 33.57	\$ 34.91	\$ 35.79	\$ 36.68
Additional sick used under bill/employee	NA	2	4	8
Additional cost (normal wage)	NA	\$ 57,428	\$ 117,728	\$ 241,343
Additional cost (overtime wage)	NA	\$ 86,143	\$ 176,592	\$ 362,014
<i>Additional cost Gen Gov Staff</i>	NA	\$ 143,571	\$ 294,320	\$ 603,357
Total HHS FT Staff	291	291	291	291
50% HHS Staff Replaced	145	145	145	145
50% HHS replaced at overtime wage	73	73	73	73
Hourly Wage of Replacement (Normal)	\$ 36.85	38.32	\$ 39.28	\$ 40.26
50% HHS replaced at overtime wage	73	73	73	73
Hourly Wage of Replacement (overtime)	\$55.27	\$ 57.48	\$ 58.92	\$ 60.39
Additional sick used under bill/employee	NA	2	4	8
Additional cost (normal wage)	NA	\$ 5,569	\$ 11,416	\$ 23,402
Additional cost (overtime wage)	NA	\$ 8,353	\$ 17,124	\$ 35,104
<i>Additional cost HHS Staff</i>	NA	\$ 13,922	\$ 28,540	\$ 58,506
<u>Total City Impact of HF2461</u>	NA	<u>\$ 157,493</u>	<u>\$ 322,860</u>	<u>\$ 661,863</u>

Table 5: Calculation of Costs for School Districts related to HF 2461:

School District Calculation	CY2013	CY2014	CY2015	CY2016	CY2017
Full-Time Teachers	58,642	58,642	58,642	58,642	58,642
100% Replaced	58,642	58,642	58,642	58,642	58,642
Substitute Wage	\$ 125	\$ 128	\$ 131	\$ 135	\$ 138
Additional Leave Used Under Bill/Employee/Year	NA	NA	2	4	8
<i>Additional Cost: Teachers</i>	NA	NA	\$ 1,925,336	\$ 3,946,939	\$ 8,091,224
Full-Time Non-Licensed	35,961	35,961	35,961	35,961	35,961
80% Replaced	NA	NA	28,769	28,769	28,769
Average Hourly Wage	NA	\$ 15.10	\$ 15.48	\$ 15.86	\$ 16.26
20% Replaced at Overtime	NA	NA	5,754	5,754	5,754
Overtime Wage	NA	\$ 22.65	\$ 23.80	\$ 24.39	\$ 25.00
Additional Leave Used Under Bill/Employee	NA	NA	2	4	8
Additional Cost: Normal Wage	NA	NA	\$ 890,538	\$ 1,825,603	\$ 3,742,487
Additional Cost: Overtime Wage	NA	NA	\$ 273,840	\$ 561,373	\$ 1,150,815
<i>Additional Cost: Non-Licensed</i>	NA	NA	\$ 1,164,379	\$ 2,386,976	\$ 4,893,301
<u>Total School District Impact of HF2461</u>	NA	NA	<u>\$ 3,089,715</u>	<u>\$ 6,333,915</u>	<u>\$ 12,984,526</u>

Table 6: Total Local Fiscal Impact:

Total	CY2013	CY2014	CY2015	CY2016	CY2017
County			\$ 747,744	\$ 1,532,875	\$ 3,142,394
City			\$ 157,493	\$ 322,860	\$ 661,863
School District			\$ 3,089,715	\$ 6,333,915	\$ 12,984,526
<u>Total Local Fiscal Impact of HF2461</u>			<u>\$ 3,994,952</u>	<u>\$ 8,189,650</u>	<u>\$ 16,788,783</u>