



April 15, 2024

Dear Members of the House Labor and Industry Finance and Policy Committee:

As the Labor Committee works to finalize its 2024 Labor Supplemental Budget Bill, the Minnesota Chamber of Commerce, a statewide business organization representing over 6,300 business and over half a million employees throughout Minnesota, appreciates the opportunity to share our perspective on a number of provisions within the DE Amendment to HF 5217 (Rep. Nelson).

The cost of doing business in the state increased significantly as a result of the 2023 legislative session. After a record-setting number of new labor mandates, workplace restrictions, and business taxes, employers are very concerned about any additional policy proposals that further impede their ability to succeed and grow in Minnesota. Now is not the time to add additional costs and liabilities on Minnesota's employers, and yet the DE Amendment to HF 5217 contains more requirements, penalties, remedies, and employer obligations (Article 7; Article 8; Article 9).

Small and mid-sized businesses cannot simply absorb state-imposed cost-of-doing-business increases year after year. In order for our members to manage the cost of these state mandates, we see higher costs for goods and services, lower rates of reinvestment into businesses, and negative impacts on other employee benefits. Minnesota's Tax Incidence report regularly notes that business costs get passed onto consumers.

In particular, we have significant concerns with the provisions contained in Article 8. Minnesota businesses and workers require a robust, modern, secure and accessible broadband network throughout the state. The proposed mandates, including those on companies participating in the Border-to-Border Broadband Grant Program and the Broadband, Equity, Access, and Deployment Program, will increase the cost and complexity of deploying state and federal funds to reach our connectivity goals. We oppose the state leveraging grant programs that depend on successful public-private partnerships to dictate terms of employment for businesses.

We already have a daunting challenge to deploy the federal funds coming to Minnesota through the Infrastructure Investment and Jobs Act by the end of the next decade. Our state has an opportunity to make a major step towards reaching our connectivity goals to the benefit of Minnesota employers and employees, but mandates like those contained in Article 8 will only jeopardize our ability to succeed. Because of this, we recommend that you strike Article 8.

With regard to the provisions in Article 9 seeking to address the issue of illegally misclassifying workers as independent contractors instead of employees, the Chamber has submitted separate testimony with a coalition of other Minnesota-based business groups outlining a number of concerns and recommendations.

Briefly, while we share the goal of preventing misclassification, and believe repeat, willful or deliberate misclassification should be thoroughly investigated and punished, our members do not want more complex regulation in an area where clear and consistent guidance from regulators is often



lacking. Well-rounded laws should make it easier for good actors to legally participate in our economy and harder for bad actors to engage in violative behavior.

We believe that progress can be made this session on creating a fairer and more level playing field. With that in mind, we would like to highlight the main areas in Article 9 where we believe progress still needs to be made:

- giving employers due notice, due process, and timely updates;
- the lack of safeguards as it relates to the new Misclassification Enforcement and Education Partnership;
- the expanded violations, the expanded civil penalties, and the overly broad nature of consequential damages;
- that penalties are not limited to intentional acts of misclassification;
- the provisions relating to the issuance of stop work orders;
- the revisions to the independent contractor test and contractor registration in the construction industry; and
- the lack of robust lead times and an education campaign to allow affected individuals and entities to understand the new expectations.

The Chamber is committed to holding bad actors accountable while protecting the employers and independent contractors that play by the rules and follow the laws. We appreciate the opportunity to share these concerns and recommendations with the committee and respectfully request that you strike Article 9 while you continue to work on modifications that align with them.

In speaking with many of our members over the past several months, Minnesota businesses of all sizes are experiencing significant administrative, implementation, and compliance challenges with the state's suite of new labor laws – laws that in and of themselves seek to address some of issues being discussed within the context of this bill. Significant new rules, obligations, and penalty structures at this time only add to the confusion by employers and workers alike and increase the likelihood of honest mistakes and violations.

The Minnesota Chamber believes that balanced employment-related policy benefits both employers and workers as well as taxpayers while enabling our economy to grow. It is for these reasons that the Chamber encourages members to oppose HF5217, as amended by the DE Amendment.

Sincerely

Lauryn Schothorst

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