

## Minnesota Paid Leave Law

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The Minnesota Paid Leave Program was enacted in the 2023 legislative session in Chapter 59 and established in Minnesota Statutes under Chapter 268B. The 2024 legislative session enacted clarifying changes to the program in Laws 2024, Chapter 127. The Paid Leave program will provide employees in Minnesota with benefits for a qualifying event related to family leave or a serious health condition. Funding for the program will come from an annual premium on employee taxable wages, of which employers will be required to pay at least 50 percent. The program will begin in fiscal year (FY) 2026 on January 1, 2026, and will be administered and operated by the Department of Employment and Economic Development (DEED).

### Program Eligibility

Employees eligible for Paid Leave benefits include those who are not able to work due to a serious health condition, qualifying exigency, safety leave, bonding leave, family care, or medical care related to pregnancy. Except for bonding leave, an employee's claim for benefits must be based on a single qualifying event of at least seven calendar days.<sup>1</sup> Definitions for each qualifying leave type are provided below.<sup>2</sup>

- **Serious health condition:** a physical or mental illness, injury, impairment, condition, or substance use disorder that involves inpatient care, residential medical care, or continuing treatment by a health care provider.
- **Qualifying exigency:** a need arising out of a military member's active duty service or notice of impending call or order to active duty. This may include providing care for a dependent, making financial or legal arrangements for a family member, attending counseling, attending military events or ceremonies, spending time with family during a rest and recuperation leave or following a return from deployment, or making arrangements following the death of a military member.
- **Safety Leave:** time taken off from work due to domestic abuse, sexual assault, or stalking of the employee or employee's family member.

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<sup>1</sup> Minnesota Statutes, Chapter 268B.04, subdivision 6.

<sup>2</sup> More information on definitions can be found in Minnesota Statutes, Chapter 268B.01.

- **Bonding leave:** time taken off from work to bond with a child in cases of birth, adoption, or placement of a foster child.
- **Family care:** caring for a family member with a serious health condition or caring for a family member who is a military member.
- **Medical care related to pregnancy:** prenatal care or incapacity due to pregnancy or recovery from childbirth, stillbirth, miscarriage, or related health conditions.

### **Program Benefits**

Eligible employees may receive up to 12 weeks of paid leave for a qualifying event. However, if an eligible employee experiences more than one qualifying event in a 52-week benefit year, that individual may receive only up to 20 weeks of paid leave.

The benefit amount employees receive will be determined by an equation provided in statute<sup>3</sup> based on the applicant's average weekly wage. Benefits must be paid weekly and must not exceed the state's average weekly wage, which will be calculated yearly by the commissioner of DEED from wage detail reports.

### **Program Funding**

Laws 2023, Chapter 59, established the family and medical benefit insurance (FMBI) account in the Special Revenue Fund to receive revenues, make benefit payments, and to pay administrative expenses. Premium revenue will be deposited into the FMBI. Interest earnings from the FMBI account are credited to the account balance. An initial funding amount of \$668.3 million in FY 2024 was transferred from the General Fund to the FMBI account to establish the program. This initial funding will allow for payment of benefits on day one of the program on January 1, 2026.

Once the Paid Leave program begins providing benefits and the initial funding is exhausted, the main source of funding will be a premium paid by employers in the state. Beginning on January 1, 2026, the program will require all employers in the state to begin paying an annual premium on employee taxable wages. The annual premium is estimated to begin at a rate of 0.88 percent and will increase to 0.93 percent beginning in calendar year 2029.<sup>4</sup> Employers must pay a minimum of 50 percent of the annual premiums with employer resources and the remainder may be deducted from employee wages. Premiums will be paid quarterly and deposited into the FMBI account.

The premium rate may be adjusted by DEED prior to January 1, 2026, and then annually by July 31 of each year based on program experience and sound actuarial principles. The fund balance must not fall below 25 percent of total program expenditures. The premium rate must not exceed 1.2 percent of taxable wages paid to each employee. A small business that employs fewer than 30 employees may be eligible to pay a small employer premium rate, which is determined on a formula provided in statute.<sup>5</sup>

In FY 2026–27, the program is estimated to collect \$2.3 billion in premium revenue and provide \$2.2 billion in benefits. Table 1 shows an overview of the FMBI account resources and expenditures.<sup>6</sup>

<sup>3</sup> Minnesota Statutes, Chapter 268B.04, subdivision 3.

<sup>4</sup> Legislative Budget Office, Fiscal Note, May 15, 2024. "SF5430-16A—Paid Family and Medical Leave Modifications". & Milliman, Inc., Actuarial Analysis, February 21, 2024. "Actuarial Analysis for Minnesota PFML Program Options".

<sup>5</sup> Minnesota Statutes, Chapter 268B.14, subdivision 5a.

<sup>6</sup> MMB, February Forecast, March 6, 2025. "Family and Medical Benefit Insurance Fund Statement".

<b>Table 1. Family and Medical Benefit Insurance Fund, FY 2024–29</b> (dollars in thousands)						
	<b>FY 24</b> Actual	<b>FY 25</b> Projected	<b>FY 26</b> Projected	<b>FY 27</b> Projected	<b>FY 28</b> Projected	<b>FY 29</b> Projected
<b><u>Resources</u></b>						
Starting Balance	-	664,447	607,681	552,036	537,447	502,073
General Fund TR	668,321	-	-	-	-	-
Premium Revenue	-	-	766,450	1,568,750	1,641,350	1,767,650
Interest Earnings	-	67,536	22,180	15,013	12,328	11,100
<b>Total Resources</b>	<b>668,321</b>	<b>731,983</b>	<b>1,396,311</b>	<b>2,135,799</b>	<b>2,191,125</b>	<b>2,280,823</b>
<b><u>Expenditures</u></b>						
Direct Approp.	3,874	124,302	61,626	5,652	5,652	5,652
DEED Admin	-	-	52,650	107,100	113,100	120,500
Benefit Payments	-	-	730,000	1,485,600	1,570,300	1,675,250
<b>Total Expenditures</b>	<b>3,874</b>	<b>124,302</b>	<b>844,276</b>	<b>1,598,352</b>	<b>1,689,052</b>	<b>1,801,402</b>
<b>Fund Balance</b>	<b>664,447</b>	<b>607,681</b>	<b>552,035</b>	<b>537,447</b>	<b>502,073</b>	<b>479,421</b>

### **Appropriations & Administration Costs**

Laws 2023, Chapter 59, made direct appropriations from the General Fund and the FMBI account to various state agencies including DEED, Department of Labor and Industry (DLI), Minnesota Management and Budget (MMB), and more for startup and operation costs of the program. A more detailed display of these appropriations by agency is shown in Table 2.

In addition to administration and startup costs, other direct appropriations from the FMBI account include:

- ongoing IT costs and notice requirements;
- small business grants of \$5 million per year beginning in FY 2026 to help defray the costs of hiring temporary workers or increasing wages while an eligible employee is on leave; and
- a one-time appropriation of \$20 million in the FY 2026 base for the Department of Human Services to provide reimbursements for premium payments made by direct care providers.

The General Fund direct appropriations made in Laws 2023, Chapter 59, included \$35,000 per fiscal year for enterprise requirements of notifying employees and \$3 million per fiscal year for the costs incurred by state agencies due to paying premiums for the program. These appropriations are in addition to the one-time transfer of \$668 million in FY 2024 from the General Fund.

<b>Table 2. Paid Leave Direct Appropriations</b> (dollars in thousands)			
	<b>FY24–25</b> Actual (FY24) Projected (FY25)	<b>FY26–27</b> Projected	<b>FY28–29</b> Projected
<b>FMBI Fund Appropriations</b>			
<b>Employment &amp; Econ Development</b>			
Administration, Staff, & System Buildout	122,295	35,544	-
Business Subsidy Program	-	10,000	10,000
<b>Labor and Industry</b>			
Administration, Staff, & IT Costs	975	366	-
<b>Commerce</b>			
Private Plans Rules & Approvals	692	64	-
<b>Management &amp; Budget</b>			
IT Costs & Notice Requirements	118	90	90
<b>Human Services</b>			
IT System Updates	2,649	1,060	1,060
Direct Care Provider Premiums	-	20,000	-
<b>Secretary of State</b>			
IT Costs and Training	27	154	154
<b>Supreme Court</b>			
System Updates and Collections	30	-	-
<b>Legislature</b>			
Payroll System Updates	18	-	-
<b>University of Minnesota</b>			
Staffing Costs for Implementation	1,372	-	-
<b>Total FMBI Fund Direct Appropriations</b>	<b>128,176</b>	<b>67,278</b>	<b>11,304</b>
<b>General Fund Appropriations</b>			
<b>MMB Non-Operating</b>			
Notice Requirements	-	70	70
Costs Incurred by State Agencies Premiums	-	6,028	6,028
<b>Total General Fund Direct Appropriations</b>	<b>-</b>	<b>6,098</b>	<b>6,098</b>

The appropriations in Table 2 are direct appropriations, meaning they are specified amounts of short-term spending authority in law. Once the benefits begin in FY 2026, the commissioner of DEED may spend up to seven percent of projected benefit payments for that calendar year to administer the program. The department may enter interagency agreements with the Department of Commerce and the Department of Labor to transfer funds for each agency to fulfill their requirements in Minnesota Statutes, chapter 268B. Consequently, direct appropriations will not be

required to administer the program beginning on January 1, 2026, and later for DEED, DLI, and the Department of Commerce.

### **Actuarial Studies**

Since the enactment of the Paid Leave law in the 2023 Legislative Session, there have been three actuarial analyses conducted. Laws 2023, Chapter 59, initially required the commissioner of DEED to contract with an independent actuarial consultant to determine the financial soundness of the Paid Leave program. The actuarial study was completed on October 27, 2023, by Milliman, Inc. and analyzed how the annual premium rate and FMBI fund balance would change over time.

Two additional actuarial analyses were conducted by Milliman, Inc. in February and April of 2024 and were used to inform fiscal note projections during the 2024 Legislative Session. Laws 2024, Chapter 127, enacted clarifying changes to the Paid Leave law. The current law and projections of the Paid Leave program reflect the “Projection 2: Option 1 based on Alternative premium method” analysis included on page 10 of the February 21, 2024, Milliman, Inc. report. More information on the actuarial analyses may be found below in Additional Information.

The Paid Leave law currently requires the commissioner of DEED to contract with a qualified independent actuarial consultant to conduct an actuarial study at least once a year. As stated previously, this may help inform DEED when adjusting the annual premium rate.

### **Additional Information**

For questions about this issue brief, please contact Hannah Grunewald Noeldner ([Hannah.Grunewald.Noeldner@mnsenate.gov](mailto:Hannah.Grunewald.Noeldner@mnsenate.gov) or 651-296-2727) with fiscal questions or Carlon Doyle Fontaine ([Carlon.Doyle.Fontaine@mnsenate.gov](mailto:Carlon.Doyle.Fontaine@mnsenate.gov) or 651-296-4395) with policy or legal questions.

To find additional information on the PFML legislation, appropriations, and estimates, please refer to the sources below.

- [Minnesota Statutes, Chapter 268B](https://www.revisor.mn.gov/statutes/cite/268B) (<https://www.revisor.mn.gov/statutes/cite/268B>)
- Enacted Legislation:
  - [Laws 2023, Chapter 59](https://www.revisor.mn.gov/laws/2023/0/Session+Law/Chapter/59/)  
(<https://www.revisor.mn.gov/laws/2023/0/Session+Law/Chapter/59/>)
    - [Chapter 59, Act Summary](https://assets.senate.mn/summ/chapter/2023/0/Chapter%2059.pdf)  
(<https://assets.senate.mn/summ/chapter/2023/0/Chapter%2059.pdf>)
  - [Laws 2024, Chapter 127](https://www.revisor.mn.gov/laws/2024/0/Session+Law/Chapter/127/)  
(<https://www.revisor.mn.gov/laws/2024/0/Session+Law/Chapter/127/>)
    - [Chapter 127, Act Summary](https://assets.senate.mn/summ/chapter/2024/0/Omnibus-bill-summary.pdf)  
(<https://assets.senate.mn/summ/chapter/2024/0/Omnibus-bill-summary.pdf>)
- Legislative Fiscal Tracking:
  - [Chapter 59 Legislative Fiscal Tracking](https://assets.senate.mn/fiscalpol/tracking/2023/PFML-Laws-2023-Ch-59.pdf)  
(<https://assets.senate.mn/fiscalpol/tracking/2023/PFML-Laws-2023-Ch-59.pdf>)
  - [Chapter 127 Legislative Fiscal Tracking](https://assets.senate.mn/fiscalpol/tracking/2024/HF5247-Combined-with-cover.pdf)  
(<https://assets.senate.mn/fiscalpol/tracking/2024/HF5247-Combined-with-cover.pdf>)
  - [Family Medical and Benefit Fund, February 2025 forecast](https://assets.senate.mn/fiscalpol/tracking/2025/MN-Paid-Leave-FMBI-fund-Feb-2025-Forecast.pdf)  
(<https://assets.senate.mn/fiscalpol/tracking/2025/MN-Paid-Leave-FMBI-fund-Feb-2025-Forecast.pdf>)

- Fiscal Notes:
  - [2023 Fiscal Note, SF2 – 7E](https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF0002&ssn=0&y=2023): Can be found by clicking “Fiscal Notes” on SF2 bill page (https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF0002&ssn=0&y=2023)
  - [2024 Fiscal Note, SF5430 – 16A](https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF5430&ssn=0&y=2024): Can be found by clicking “Fiscal Notes” on SF5430 bill page (https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF5430&ssn=0&y=2024)
- Actuarial Studies:
  - [October 27, 2023](https://www.lrl.mn.gov/mndocs/mandates_detail?orderid=17664) (https://www.lrl.mn.gov/mndocs/mandates\_detail?orderid=17664)
  - [February 21, 2024](https://www.leg.mn.gov/docs/2024/other/240787.pdf) (https://www.leg.mn.gov/docs/2024/other/240787.pdf)
  - [April 17, 2024](https://www.leg.mn.gov/docs/2024/other/240788.pdf) (https://www.leg.mn.gov/docs/2024/other/240788.pdf)
- More program information can be found at the Department of Employment and Economic Development’s Minnesota Paid Leave website: <https://info.paidleave.mn.gov/>