

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 2533

(SENATE AUTHORS: MANN, McEwen and Marty)

DATE	D-PG	OFFICIAL STATUS
03/13/2025	768	Introduction and first reading Referred to Labor
03/05/2026	6494a 6522	Comm report: To pass as amended and re-refer to Judiciary and Public Safety Author added Marty

1.1 A bill for an act

1.2 relating to employment; providing that stay-or-pay provisions are prohibited,

1.3 unenforceable, and against public policy; providing exceptions; amending

1.4 Minnesota Statutes 2024, section 177.27, subdivision 4; proposing coding for new

1.5 law in Minnesota Statutes, chapter 181.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2024, section 177.27, subdivision 4, is amended to read:

1.8 Subd. 4. **Compliance orders.** The commissioner may issue an order requiring an

1.9 employer to comply with sections 177.21 to 177.435, 177.50, 179.86, 181.02, 181.03,

1.10 181.031, 181.032, 181.10, 181.101, 181.11, 181.13, 181.14, 181.145, 181.15, 181.165,

1.11 181.172, paragraph (a) or (d), 181.214 to 181.217, 181.275, subdivision 2a, 181.635, 181.64,

1.12 181.722, 181.723, 181.79, 181.85 to 181.89, 181.939 to 181.943, 181.9445 to 181.9448,

1.13 181.987, 181.989, 181.991, 268B.09, subdivisions 1 to 6, and 268B.14, subdivision 3, with

1.14 any rule promulgated under section 177.28, 181.213, or 181.215. The commissioner shall

1.15 issue an order requiring an employer to comply with sections 177.41 to 177.435, 181.165,

1.16 or 181.987 if the violation is repeated. For purposes of this subdivision only, a violation is

1.17 repeated if at any time during the two years that preceded the date of violation, the

1.18 commissioner issued an order to the employer for violation of sections 177.41 to 177.435,

1.19 181.165, or 181.987 and the order is final or the commissioner and the employer have

1.20 entered into a settlement agreement that required the employer to pay back wages that were

1.21 required by sections 177.41 to 177.435. The department shall serve the order upon the

1.22 employer or the employer's authorized representative in person or by certified mail at the

1.23 employer's place of business. An employer who wishes to contest the order must file written

1.24 notice of objection to the order with the commissioner within 15 calendar days after being

2.1 served with the order. A contested case proceeding must then be held in accordance with
2.2 sections 14.57 to 14.69 or 181.165. If, within 15 calendar days after being served with the
2.3 order, the employer fails to file a written notice of objection with the commissioner, the
2.4 order becomes a final order of the commissioner. For the purposes of this subdivision, an
2.5 employer includes a contractor that has assumed a subcontractor's liability within the meaning
2.6 of section 181.165.

2.7 **EFFECTIVE DATE.** This section is effective July 1, 2026.

2.8 **Sec. 2. [181.989] STAY-OR-PAY PROVISIONS VOID IN EMPLOYMENT**
2.9 **CONTRACTS.**

2.10 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
2.11 the meanings given.

2.12 (b) "Commissioner" means the commissioner of labor and industry.

2.13 (c) "Department" means the Department of Labor and Industry.

2.14 (d) "Employee" has the meaning given in section 181.988, subdivision 1, paragraph (c).

2.15 (e) "Employer" has the meaning given in section 181.988, subdivision 1, paragraph (b).

2.16 (f) "Independent contractor" has the meaning given in section 181.988, subdivision 1,
2.17 paragraph (d).

2.18 (g) "Stay-or-pay provision" means a written agreement or contract provision that requires
2.19 an employee to pay the employer or the employer's agent or assignee a sum of money if the
2.20 employee leaves the employment before passage of a stated period of time, including but
2.21 not limited to a written agreement or contract provision stating payment of money constitutes
2.22 reimbursement for training provided to the employee by the employer or by a third party,
2.23 recruitment and training costs for replacement employees, lost revenue, or liquidated
2.24 damages. A stay-or-pay provision does not include an employee's agreement to repay the
2.25 cost of training the employee received from an apprenticeship program constituted pursuant
2.26 to United States Code, title 29, section 186(c)(6), back to that apprenticeship program.

2.27 Subd. 2. **Prohibiting use of stay-or-pay provisions.** (a) A stay-or-pay provision is
2.28 unconscionable, against public policy, and prohibited.

2.29 (b) No employer may present an employee or prospective employee with a stay-or-pay
2.30 provision, or require an employee or prospective employee to execute a stay-or-pay provision,
2.31 as a condition of employment. The execution of a stay-or-pay provision as a condition of
2.32 employment is against public policy and is void. If a stay-or-pay provision is part of a larger

3.1 agreement, the invalidity of the provision does not affect other provisions of the larger
 3.2 agreement.

3.3 (c) No employer may enforce or threaten to enforce a stay-or-pay provision against an
 3.4 employee.

3.5 (d) A waiver of this section is invalid.

3.6 Subd. 3. **Enforcement.** (a) An employer found to have violated this section shall be
 3.7 fined by the commissioner not less than \$1,000 and not more than \$5,000 for each violation,
 3.8 payable to the employee aggrieved.

3.9 (b) Each time an employer presents an employee or prospective employee with a
 3.10 stay-or-pay provision, or requires the execution of, enforces, or threatens to enforce a
 3.11 stay-or-pay provision, constitutes a separate violation of this section.

3.12 Subd. 4. **Exception.** The prohibition in this section does not apply to an agreement
 3.13 related to the repayment of the cost of tuition for a transferable credential that meets all of
 3.14 the following requirements:

3.15 (1) the agreement is made separately from any contract for employment;

3.16 (2) the agreement does not require obtaining the transferable credential as a condition
 3.17 of employment;

3.18 (3) the agreement specifies the repayment amount before the worker agrees to the
 3.19 agreement, and the repayment amount does not exceed the cost to the employer of the
 3.20 transferable credential received by the worker;

3.21 (4) the agreement provides for a prorated repayment amount during any required
 3.22 employment period that is proportional to the total repayment amount and the length of the
 3.23 required employment period and does not require an accelerated payment schedule if the
 3.24 worker separates from the employment; and

3.25 (5) the agreement does not require repayment to the employer by the worker if the worker
 3.26 is terminated, except if the worker is terminated for misconduct.

3.27 Subd. 5. **Choice of law; venue.** (a) An employer must not require an employee who
 3.28 primarily resides and works in Minnesota, as a condition of employment, to agree to a
 3.29 provision in an agreement or contract that would do either of the following:

3.30 (1) require the employee to adjudicate outside of Minnesota a claim arising in Minnesota;
 3.31 or

4.1 (2) deprive the employee of the substantive protection of Minnesota law with respect to
4.2 a controversy arising in Minnesota.

4.3 (b) Any provision of a contract or agreement that violates paragraph (a) is voidable at
4.4 any time by the employee and if a provision is rendered void at the request of the employee,
4.5 the matter shall be adjudicated in Minnesota and Minnesota law shall govern the dispute.

4.6 (c) In addition to injunctive relief and any other remedies available, a court may award
4.7 an employee who is enforcing rights under this section reasonable attorney fees.

4.8 (d) For purposes of this section, adjudication includes litigation and arbitration.

4.9 (e) This subdivision applies only to claims arising under this section.

4.10 Subd. 6. **Civil action.** One or more employees or prospective employees seeking redress
4.11 for a violation of this section may, on their own behalf or on behalf of similarly situated
4.12 employees or prospective employees, bring a civil action in district court. In the event of a
4.13 successful action, a plaintiff shall be awarded injunctive relief as appropriate, actual damages,
4.14 an additional \$5,000 for each violation, and reasonable costs and attorney fees.

4.15 Subd. 7. **Scope.** (a) This section supersedes common law only to the extent that it applies
4.16 to a stay-or-pay provision but otherwise does not affect principles of law and equity consistent
4.17 with this section.

4.18 (b) The rights and remedies provided in this section are in addition to and do not
4.19 supersede any other rights and remedies provided by statute or common law.

4.20 **EFFECTIVE DATE.** This section is effective July 1, 2026, and applies to contracts
4.21 and agreements entered into on or after that date.