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BILL ANALYSIS



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Senate Bill 934 (as enacted)
Sponsor: Senator Randy Richardville
House Committee: Government Operations

PUBLIC ACT 138 of 2014

Date Completed: 6-3-14

CONTENT

The bill repealed the Minimum Wage Law and created the "Workforce Opportunity Wage Act" to do the following:

- **Increase the standard minimum hourly wage from \$7.40 to \$9.25 by January 1, 2018.**
- **Require annual adjustments in the standard minimum wage, beginning January 1, 2019, to reflect changes in the Consumer Price Index, subject to a 3.5% cap on an annual increase.**
- **Provide that an annual increase (after 2018) will not take effect if the State's unemployment rate is 8.5% or higher for the preceding year.**
- **Increase the minimum hourly wage for tipped employees from \$2.65 to 38% of the standard minimum wage, beginning September 1, 2014.**

The Act includes provisions pertaining to overtime and compensatory time off, as well as language that prescribes the minimum wage for training individuals under 20 years of age, apprentices, and individuals with disabilities, and minors; the membership, meetings, and powers of the Wage Deviation Board; and penalties for discrimination, payment of inadequate wages, and other violations of the Act. These provisions reenact language from the now-repealed Minimum Wage Law.

The Act took effect on May 28, 2014.

Standard Minimum Wage Increase

The Law prescribed a standard minimum hourly wage of \$7.40. The Act retains that rate through August 31, 2014, and increases the minimum wage as follows:

- Beginning September 1, 2014: \$8.15.
- Beginning January 1, 2016: \$8.50.
- Beginning January 1, 2017: \$8.90.
- Beginning January 1, 2018: \$9.25.

Annual Adjustment of the Standard Minimum Wage

The Act requires the State Treasurer every January, beginning in 2019, to adjust the standard minimum wage by an amount that reflects the average annual percentage change in the Consumer Price Index for the most recent five-year period for which data are available. An annual increase may not exceed 3.5%. ("Consumer price index" means the most comprehensive index of consumer prices available for the Midwest region from the Bureau of Labor Statistics of the United States Department of Labor.)

The Wage and Hours Division of the Department of Licensing and Regulatory Affairs will have to post the adjusted minimum wage on its website by February 1 of the year it is calculated, and the wage will be effective beginning April 1 of that year.

A scheduled increase in the minimum wage will not take effect if the unemployment rate for this State is 8.5% or greater for the year before the year of the prescribed increase.

Minimum Wage Increase for Tipped Employees

Under the Act, for an employee who receives gratuities in the course of his or her employment, the minimum wage is \$2.65 per hour before September 1, 2014, and after that date is 38% of the standard minimum wage, if all of the following conditions are met:

- The employee receives gratuities in the course of his or her employment.
- The employer pays any shortfall if the gratuities plus the minimum wage do not equal or exceed the standard minimum wage.
- The gratuities are proven gratuities as indicated by the employee's declarations for purposes of the Federal Insurance Contributions Act.
- The employee was informed by the employer of these provisions.

(These conditions are the same as those required under the Minimum Wage Law for a minimum wage of \$2.65.)

MCL 408.411-408.424

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have a minor, negative, fiscal impact on the State and local units of government. Using fiscal year (FY) 2012-13 data from Executive branch employees, the increases in the State minimum wage contained in the bill will cost the State approximately \$10,700 in FY 2013-14 and the cost will increase to approximately \$544,900 in FY 2017-18 when the minimum wage has reached \$9.25 per hour. These costs will continue to increase, albeit at a lower rate, as the inflation adjustment in the bill will continue to raise minimum wage over time. Table 1 provides more detail on these costs, which will be spread over most or all State departments.

Similar data were not available for local units of government, so a cost analysis could not be performed.

Table 1
Annual State Cost of Minimum Wage
Increases in Senate Bill 934 (as enacted)

Fiscal Year	Cost
2014	\$10,700
2015	\$128,300
2016	\$212,500
2017	\$364,850
2018	\$544,900

Source: State Budget Office

The bill also will have a minor, but negative fiscal impact on the Wage and Hour Division within the Department of Licensing and Regulatory Affairs. The Division hears complaints from employees on a number of issues, including allegations of minimum wage law violations. Increasing minimum wages might create more complaints from employees whose

employers are alleged to have not increased wages in accordance with the law. An increase in complaints resulting from the bill may happen for any number of reasons, including employers not being aware of the effective dates of minimum wage increases, employees not understanding the increases, and employers choosing not to issue raises in accordance with the increases. Any increase in Division costs resulting from the bill will be borne by existing Division resources.

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.