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SFA BILL ANALYSIS

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House Bill 4766 (Substitute H-3 as passed by the House)
Sponsor: Representative Andrew Richner
House Committee: Employment Relations, Training and Safety
Senate Committee: Human Resources, Labor, Senior Citizens and Veterans Affairs

Date Completed: 12-12-00

CONTENT

The bill would amend the Minimum Wage Law to prohibit local units of government from imposing certain minimum wage requirements.

The Minimum Wage Law provides that no employer may pay any employee at a rate of less than is prescribed in the Law. Subject to exceptions outlined in the Law, the current minimum hourly wage rate is $5.15.

The bill specifies that, except as otherwise provided, a local unit of government could not enact, maintain, or enforce by charter, ordinance, regulation, rule, or resolution a minimum wage that was greater than the applicable rate in the Law. The bill states that this provision would not prohibit a local unit from enacting, maintaining, or enforcing, through a collective bargaining agreement, a minimum wage requirement governing compensation paid by the local unit to its employees. (Under the bill, "local unit of government" would mean a city, county, township, village school district, intermediate school district, or any political subdivision of the State.)

The bill also states that its prohibition against local units' imposing a minimum wage greater than the applicable rate could not limit a "local prevailing wage requirement" or the prevailing wage requirements set forth in Public Act 166 of 1965. (Under that Act, that every contract for a State project that requires or involves the employment of construction mechanics, other than those subject to the jurisdiction of the State Civil Service Commission, and that is sponsored or financed in whole or in part by the State, must contain an express term that the wages and fringe benefits to be paid to each class of mechanics must be at least the wage and fringe benefit rates prevailing in the locality.)

Under the bill, "local prevailing wage requirement" would mean an ordinance, rule, resolution, or regulation adopted by a local unit or an express provision in a contract executed between a local unit and a contractor for a project that required or involved the employment of one or more construction mechanics, other than those subject to the jurisdiction of the State Civil Service Commission. An ordinance, rule, resolution, regulation, or contract provision that provided for a local prevailing wage requirement would be one that stated that the rates of wages and fringe benefits to be paid to each class of construction mechanic by a contractor and all subcontractors would have to be at least the wage and fringe benefit rates prevailing in the locality in which the work was to be performed. "Construction mechanic" would mean a skilled or unskilled mechanic, laborer, worker, helper, assistant, or apprentice working on a project funded in whole or in part by a local unit of government, but would not include executive, administrative, professional, office, or custodial employees.

MCL 408.383 Legislative Analyst: P. Affholter

FISCAL IMPACT

State Impact: The bill would have an minimal, although unknown, impact on State revenues. Presumably, absent the bill, affected workers will receive a higher wage, thus increasing revenues from a number of taxes, particularly the income tax and sales tax. Consequently, State revenues would be reduced because of the elimination of local living wage ordinances. However, by the same reasoning, living wage ordinances may result in higher labor costs for both public and private entities. Higher business costs tend to be associated with reduced private business activity, thus lowering the State's tax revenue. Elimination of living wage ordinances, as proposed by the bill, therefore would be associated with increased business activity and higher tax revenues. The net impact on State revenues of these two different effects is unknown. State expenditures likely would not be affected to any significant degree by the bill.

Local Impact: Local units would experience the same effects as the State, with the additional effect that certain local government expenditures also could be higher. Under a living wage ordinance, government expenditures may be higher either because of efforts to enforce living wage ordinances or from higher costs for public projects. An additional tax effect may occur if increased government expenditures require a local unit to increase taxes. Elimination of living wage ordinances, as proposed by the bill, thus would be associated with lower expenditures and lower taxes. As with the State impact, the net impact of the bill on local units is unknown, but would be expected to be minimal.

Fiscal Analyst: D. Zin

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