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BILL ANALYSIS

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House Bill 6213 (as passed by the House)
Sponsor: Representative Bill Huizenga
House Committee: Commerce
Senate Committee: Commerce and Labor

Date Completed: 6-26-06

CONTENT

The bill would amend the Minimum Wage Law to exempt from its overtime requirement an employer that would be subject to Law only because the State's minimum wage exceeds the Federal minimum wage; and, in such a case, provide that the Law would not apply to an employee who was exempt from the Federal minimum wage.

The Minimum Wage Law sets the current minimum hourly wage rate at $5.15 (which is the same as the Federal minimum hourly wage). Under amendments to the Law enacted by Public Act 81 of 2006, the minimum wage will increase to $6.95 on October 1, 2006; $7.15 on July 1, 2007; and $7.40 on July 1, 2008.

Also, except as otherwise provided, an employee must receive compensation at not less than 1.5 times his or her regular rate for more than 40 hours of employment in a workweek.

Section 14 of the Law states that it does not apply to an employer who is subject to the minimum wage requirements of the Fair Labor Standards Act *unless* those Federal minimum wage provisions would result in a lower minimum wage than provided in the Law. (That is, if the State minimum wage is higher than the Federal minimum wage—as it will be beginning October 1, 2006—then the State minimum wage applies to an employer that is subject to the Federal law and otherwise would be exempt from the State requirements.)

Under the bill, if an employer were subject to the Minimum Wage Law only because of the application of Section 14, then Section 4a (which contains the overtime requirement) would not apply, and the Law would not apply to an employee who was exempt from the minimum wage requirements of the Fair Labor Standards Act.

MCL 408.394 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would maintain current policy on overtime pay after the implementation of the minimum wage increase. The effects of this change on State and local government are difficult to estimate given the many secondary effects of changes in compensation. Factors would include how the bill would affect the willingness of employers to have staff work overtime and the secondary effects on the willingness to hire new employees.

According to the Department of Labor and Economic Growth, due to the passage of Public Act 81 of 2006, which increases the minimum wage, there is expected to be an increased number of wage complaints and inquiries from both employers and employees. Until now, the Department has been responsible for regulating only those employers not regulated by the U.S. Department of Labor, which totaled approximately 4% to 9% of employers. Now that Michigan's minimum wage will exceed the Federal standard, the Department will be responsible for regulating all employers. The Governor has submitted a revision to her original budget recommendation and is asking for an additional 4.0 FTEs and $361,000 of restricted Contingent Fund, Penalty and Interest funds to cover the cost of these positions.

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