

# Legislative Analysis



## MINIMUM WAGE

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### Senate Bill 934 (Substitute S-7)

**Sponsor: Sen. Randy Richardville**

**Senate Committee: Referred directly to Committee of the Whole**

**House Committee: Government Operations**

**Complete to 5-21-14**

## A SUMMARY OF SENATE BILL 934 AS PASSED BY THE SENATE 5-15-14

Senate Bill 934 would increase the state's minimum hourly wage to \$8.15 as of September 1, 2014, and then to \$9.20 per hour as of January 1, 2017, through a series of four steps. The steps are shown in the chart below.

Beginning in October 2017, the minimum wage would be adjusted annually based on changes in the consumer price index, as described later, with the first such adjustment to take effect January 1, 2018.

However, the minimum wage would not be increased if the unemployment rate for the state exceeded 10% at any time during the year preceding the year of a prescribed increase.

The bill would repeal and replace the Minimum Wage Law of 1964 (MCL 408.381-408.398), which currently provides for the state's minimum wage. [Note: Because much of the bill's language mirrors the current minimum wage law, only changes to the current law are contained in the summary that follows.]

The state's minimum wage currently is \$7.40 per hour. For tipped employees, it is \$2.65.

The four steps in Senate Bill 934 would ultimately raise the minimum hourly wage to \$9.20 for employees not receiving gratuities and to \$3.50 for tipped employees as of January 1, 2017, (dependent on the unemployment rate). The pay increases would occur in the following steps for non-tipped and tipped employees, respectively:

September 1, 2014	\$8.15	\$3.10
January 1, 2015	\$8.50	\$3.23
January 1, 2016	\$8.85	\$3.36
January 1, 2017	\$9.20	\$3.50

For employees receiving gratuities in the course of their work, if those gratuities do not meet or exceed the minimum wage for non-tipped employees, then the employer would be required to pay any shortfall to the employee.

Beginning in October 2017, the Wage and Hours Division of the Department of Licensing and Regulatory Affairs (LARA) would be required to calculate an adjusted minimum wage by multiplying the current minimum wage by the percentage increase, if any, up to a maximum of 4%, in the most recent 12-month comprehensive consumer price index available for the Detroit area from the U.S. Department of Labor's Bureau of Labor Statistics. The adjusted minimum wage rate would then be posted on LARA's website no later than November 1 of the year it is calculated and would go into effect on January 1 of the following year. Any increase is still subject to the 10% unemployment qualifier as detailed above.

#### **FISCAL IMPACT:**

The bill would increase payroll costs for the state and local units of government to the extent that they employ workers whose pay would be increased under the bill. Commencing in September 2014, costs would increase each year until 2017, commensurate with the differences in hourly wages, the numbers of employees affected, and the numbers of hours worked by affected employees. Increased payroll costs would include both base compensation paid to affected employees and increased costs of any applicable employer-paid expenses, such as social security or Medicare taxes.

Based on 2013 personnel information provided by Civil Service, costs of base pay to Executive branch employees may be estimated to increase over the FY 2012-13 baseline as follows:

- FY 2013-14 (one month): \$21,400
- FY 2014-15: \$424,900
- FY 2015-16: \$690,300
- FY 2016-17: \$1.0 million

Senate Bill 934, as passed by the Senate, would likely have a negative, yet nominal, fiscal impact on the Department of Licensing and Regulatory Affairs (LARA) to the extent that SB 934 would require LARA to annually calculate and publicize the inflation-adjusted minimum wage rate, and may result in an increase in the number of complaints, investigations, and enforcement actions pertaining to compliance with increases to the minimum wage.

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