

Legislative Analysis



MINIMUM WAGE

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 934 as enacted

Public Act 138 of 2014

Sponsor: Sen. Randy Richardville

Senate Committee: Referred directly to Committee of the Whole

House Committee: Government Operations

Complete to 5-30-14

A SUMMARY OF SENATE BILL 934 AS ENACTED

Senate Bill 934 increases the state's minimum hourly wage to \$8.15 on September 1, 2014, and then to \$9.25 per hour as of January 1, 2018, through a series of four steps, as shown below. After that it would be adjusted annually for inflation. The minimum wage for tipped employees will be 38% of the minimum wage for non-tipped workers. The minimum wage for non-tipped employees under 18 years of age remains at 85% of the standard minimum wage.

	Effective 9-1-14	Effective 1-1-16	Effective 1-1-17	Effective 1-1-18
Non-tipped, 18 & over	\$8.15	\$8.50	\$8.90	\$9.25
Tipped workers	\$3.10	\$3.23	\$3.38	\$3.52
Non-tipped under 18	\$6.93	\$7.23	\$7.57	\$7.86

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

Inflation adjustment

Beginning in January 2019, the State Treasurer must adjust the minimum wage annually based on the average annual percentage change in the consumer price index for the most recent five-year period for which data is available, but the increase is capped at 3.5%. The Department of Licensing and Regulatory Affairs (LARA) must post the adjusted rate on its website by February 1 of the year it is calculated, and the rate goes into effect on April 1. (The bill requires use of the most comprehensive index of consumer prices available for the Midwest region from the Bureau of Labor Statistics of the U.S. Department of Labor.)

Unemployment rate-based cap

However, an inflation-based increase will not go into effect if the unemployment rate for the state exceeds 8.5% at any time during the preceding year.

Repealer

The bill repealed and replaced the Minimum Wage Law of 1964 (MCL 408.381-408.398), which previously provided for the state's minimum wage. It created a new act to be called the Workforce Opportunity Wage Act. Much of the bill's language mirrors the current minimum wage law.

FISCAL IMPACT:

The bill would increase governmental costs in two principal areas: payroll and Medicaid.

Payroll costs for the state and local units of government would increase to the extent that they employed workers whose pay rose under the bill. Commencing in September 2014, costs would increase annually, 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 wages paid to affected employees and increased costs of any applicable employer-paid expenses, such as social security or Medicare taxes.

Medicaid costs would increase due to increases in wages paid to home health care workers. State costs have been estimated as follows:

Fiscal Year	Executive Branch Base Pay²		Medicaid – Adult Home Help³	
	Gross	GF/GP	Gross	GF/GP
2013-14¹	\$21,400	\$10,700	\$467,070	\$157,310
2014-15	\$256,600	\$128,300	\$5,044,660	\$1,738,390
2015-16	\$425,000	\$212,500	\$6,350,940	\$2,198,700
2016-17	\$729,700	\$354,850	\$19,697,930	\$6,854,880
2017-18	\$1,089,800	\$544,900	not available	not available

Notes:

- 1. New rate in effect for one month of fiscal year (September 2014)
- 2. Based on FY 2012-13 data on Executive branch employees; base wages only. Source: Civil Service
- 3. Source: State Budget Office

Senate Bill 934 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 result in an increase in the number of complaints, investigations, and enforcement actions pertaining to compliance with increases to the minimum wage.

Legislative Analyst: Josh Roesner
Fiscal Analysts: Marilyn Peterson
Matt Ellsworth
Paul Holland

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.