

# Legislative Analysis



## MINIMUM WAGE

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

**Senate Bill 934 (Substitute H-2)**

**Sponsor: Sen. Randy Richardville**

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

**House Committee: Government Operations**

**Complete to 5-27-14**

## A SUMMARY OF SENATE BILL 934 AS REPORTED FROM HOUSE COMMITTEE

Senate Bill 934 would increase the state's minimum hourly wage for non-tipped workers 21 years of age and older to \$7.65 as of September 1, 2014, and then to \$8.50 per hour as of September 1, 2017, through a series of four steps. The steps are shown in the chart below.

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.]

For workers 18 years and older, the state's minimum wage currently is \$7.40 per hour for non-tipped workers, and \$2.65 for tipped employees. For those under 18 years old, the minimum wage is 85% of the minimum wage. The bill would change the age threshold so that in the future those under 21 years of age would make 85% of the minimum wage.

The four steps in Senate Bill 934 would ultimately raise the minimum hourly wage for non-tipped employees 21 and older to \$8.50 as of September 1, 2017, (dependent on the unemployment rate). The minimum wage for tipped workers would be 38% of the non-tipped minimum wage. The chart below shows the minimum wage for non-tipped workers 21 years of age and older, then tipped workers, followed by the minimum wage for non-tipped workers under 21 years old.

	Effective 9-1-14	Effective 9-1-15	Effective 9-1-16	Effective 9-1-17
Non-tipped, 21 & over	\$7.65	\$7.95	\$8.20	\$8.50
Tipped workers	\$2.91	\$3.02	\$3.12	\$3.23
Non-tipped under 21	\$6.50	\$6.76	\$6.97	\$7.23

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.

**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 FY 2012-13 personnel information provided by Civil Service, a minimum wage of \$8.50 per hour would have affected 1,831 Executive branch employees and increased base pay costs by about \$481,000. Thus, for the Executive branch, the bill may be estimated to increase base pay costs by up to about \$480,000 annually in Fiscal Year 2017-18, compared to the baseline year of FY 2012-13.

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 Analyst: Marilyn Peterson  
Paul Holland

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