Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Loren Bennett
Committee: Human Resources, Labor and Veterans Affairs

CONTENT

The bill would amend the Minimum Wage Law to do all of the following:

-- Increase the State minimum hourly wage rate to $4.75 beginning July 1, 1997, and to $5.15 beginning January 1, 1998, and delete a requirement that statutory changes to the State minimum wage reflect changes in the cost of living.
-- Remove the requirement that the wage deviation board establish a deduction from the State minimum wage for employees who earn tips and provide, instead, that the minimum hourly wage rate of an employee would be $2.52 per hour under certain circumstances.
-- Allow an employer to pay a training hourly wage of $4.25 for the first 90 days of employment to a new employee under 20 years old, and prohibit an employer from displacing an employee to hire someone at the training hourly wage.
-- Allow employees to receive compensatory time off instead of a monetary overtime payment; require employers to keep records of compensatory time earned; provide for payment of compensatory time upon job termination.
-- Prohibit an employer from directly or indirectly intimidating, threatening, or coercing an employee for the purpose of interfering with the employee's right to request or not request compensatory time off in lieu of payment of overtime compensation, or for the purpose of requiring an employee to use compensatory time.
-- Prohibit an employer from discriminating against employees on the basis of their choice of compensatory time or overtime payment.
-- Allow the Director of the Department of Consumer and Industry Services to file a civil action on behalf of all employees who were paid less than the minimum wage and who had not filed a civil action.
-- Prescribe civil penalties for violations of certain prohibitions.

MCL 408.382 et al. Legislative Analyst: L. Burghardt

FISCAL IMPACT

Given that a new Federal minimum wage has been recently implemented for many Michigan employees, this bill would affect Michigan small business employees. The fiscal impact for the State for FY 1996-97 would be an increase in income tax collections of $0.3 million, an increase in sales tax collections of $0.3 million, and an increase in other consumption taxes of $0.2 million for a total of $0.8 million in additional State revenue. The fiscal impact for the State for FY 1997-98 would be an increase in income tax collections of $1.3 million, an increase in sales tax collections of $1.6 million, and an increase in other consumption taxes of $0.8 million for a total of approximately $3.6 million in additional State revenue. These revenue increases would be lower if the number of minimum wage jobs decreased or employees selected compensatory time off for overtime.
According to the Department of Consumer and Industry Services, there may be some additional administrative costs associated with this bill. Due to the changes addressing overtime compensation, the Department would have to promulgate rules and there could be additional

complaints filed, which could increase the workload for the complaint and investigation staff.

In addition, the language allowing the Director to bring a civil action could require additional staff to perform the administrative duties associated with these suits. The Department estimates that each additional position would increase costs by approximately $40,000 annually.

Date Completed: 2-10-97

Fiscal Analyst: R. Ross
M. Tyszkiewicz

floor\sb1