

STATE PREEMPTION OF LOCAL MINIMUM WAGES



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FISCAL ANALYSIS

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HOUSE BILL 4328 AS INTRODUCED

Sponsor: Rep. Andrew C. Richner

House Committee: Employment Relations, Training and Safety

FLOOR ANALYSIS - 2/25/02

Analyst(s): Bob Schneider

SUMMARY

The bill would prohibit local units of government from enacting, maintaining, or enforcing a minimum wage rate greater than the \$5.15 per hour state minimum wage currently specified in statute, except in cases where wages are established through a collective bargaining agreement or govern compensation paid to local public employees. In doing so, the bill would preempt existing local "living wage" ordinances.

The bill could reduce local costs in municipalities that have enacted living wage ordinances in two ways. First, local administrative costs related to enforcing the living wage ordinance would be reduced. Second, to the extent that the preemption reduces wages paid by local contractors covered by the ordinance, local costs of contractual services could also fall. On the revenue side, local income tax revenues, where applicable, could decrease in municipalities that currently have living wage ordinances. Again, this would depend upon the extent to which the preemption leads to lower wages paid by covered employers. For the same reasons, state income tax revenue could also decline, although the impact is likely to be negligible on overall statewide income tax revenues.