

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 122 (as introduced 2-6-01)
Sponsor: Senator Dave Jaye
Committee: Human Resources and Labor

Date Completed: 2-20-01

CONTENT

The bill would amend the Minimum Wage Law to prohibit a local unit of government from imposing a minimum wage requirement that was greater than the applicable minimum wage rate prescribed in the Act. A local unit of government would include a city, county, township, village, school district, intermediate school district, or any political subdivision of the State.

Under the Act, the State minimum hourly wage is \$5.15; the minimum wage of an employee earning tips is \$2.65 per hour if the tips equal or exceed the difference between \$2.65 and the minimum hourly wage. The Act also allows an employer to pay a training hourly wage that is lower than the State minimum wage to a new employee, who is less than 20 years old, for the first 90 days of employment.

MCL 408.383

Legislative Analyst: G. Towne

FISCAL IMPACT

State Impact: The bill would have a minimal, although unknown, impact on State revenues. Presumably, absent the bill, affected workers will receive a higher wage, thus increasing revenues from a number of taxes, particularly the income tax and sales tax. Consequently, State revenues would be reduced because of the elimination of any locally set minimum wage requirements, such as local living wage ordinances in Ypsilanti Township and the Cities of Detroit, Ypsilanti, and Warren. However, by the same reasoning, such local minimum wage ordinances may result in higher labor costs for both public and private entities. Higher business costs tend to be associated with reduced private business activity, thus lowering the State's tax revenue, to the extent that such reduced private business activity reflects cessation of activities rather than the relocation of business activity. Under such reasoning, the bill's proposed elimination of local minimum wage ordinances in excess of the State's minimum wage would be associated with increased business activity and higher tax revenues. The net impact on State revenues of these two different effects is unknown, although any effect likely would be small. State expenditures likely would not be affected to any significant degree by the bill.

Local Impact: Under the bill, local units would experience the same effects as the State, with the additional effect that certain local government expenditures could be lowered. Under local minimum wage ordinances, local government expenditures may be higher either because of efforts to enforce wage ordinances or from higher costs for public projects. Additional tax effects may exist if increased government expenditures have required local units to increase taxes and/or compensate for reduced business activity. Elimination of local minimum wage ordinances, as proposed by the bill, thus would be associated with lower expenditures and lower taxes. As with the State impact, the net effect of the bill on local units is unknown, but would be expected to be minimal.

Fiscal Analyst: D. Zin

S0102\122sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.