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

BILL ANALYSIS

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

House Bill 4160 (Substitute S-2 as reported)
Sponsor: Representative Fulton Sheen
House Committee: Employment Relations, Training and Safety
Senate Committee: Commerce and Labor

CONTENT

The bill would amend the Minimum Wage Law to prohibit a local unit of government from enacting, maintaining, or enforcing, by charter, ordinance, purchase agreement, contract, regulation, rule, or resolution, a minimum wage greater than that prescribed by the Law. (Currently, with certain exceptions, the minimum wage is $5.15 per hour.)

The bill states that it would not prohibit a local minimum wage requirement governing compensation paid by the local unit to its employees. The bill also would not prohibit a local unit from enacting, maintaining, or enforcing a greater minimum wage rate than is prescribed in the Law, if that rate applied to a procurement contract for goods or services that the local unit awarded to a private vendor that had more than 25 employees.

The bill specifies that it would not limit, restrict, or expand any prevailing wage required under Public Act 166 of 1965.

MCL 408.383 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have a negligible and unknown impact on State revenues. Currently, no local units have community-wide minimum wage requirements that exceed the State's minimum wage. No information is available on how many relationships exist between communities with "living wage" ordinances and entities with 25 or fewer employees. To the extent that such relationships exist, the bill would eliminate wage requirements exceeding those allowed by the bill. Absent the bill, affected workers presumably receive higher wages, increasing State revenue from taxes, particularly the income tax and sales tax. State revenue thus would be reduced if local wage requirements, such as "living wage" ordinances in Ypsilanti Township and the Cities of Detroit, Ypsilanti, and Warren, no longer applied in certain circumstances. Local wage ordinances also may result in higher costs for both public and private entities. Higher business costs tend to be associated with reduced business activity, which lowers State tax revenue to the extent that the reduced activity does not merely reflect the relocation of business activity. As a result, the bill could be associated with increased business activity and higher tax revenues. The net impact on State revenue of these two effects is unknown, although any impact likely would be negligible. The bill would not affect State expenditures.

Local units would experience the same effects as the State, although certain local government expenditures could be lowered. Absent the bill, 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 greater government expenditures have required local units to increase taxes and/or compensate for reduced business activity. Thus, the bill could be associated with lower expenditures and potentially lower taxes. The net impact of the bill on local units is unknown, but would be expected to be negligible.

Date Completed: 3-25-04 Fiscal Analyst: David Zin