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)
Sponsor: Representative Fulton Sheen
House Committee: Employment Relations, Training and Safety
Senate Committee: Commerce and Labor

Date Completed: 3-23-04

CONTENT

The bill would amend the Minimum Wage Law to prohibit a local unit of government from enacting, maintaining, or enforcing a minimum wage greater than that prescribed by the Law, except for compensation paid by the local unit to its employees or to a vendor that employed more than 25 employees. "Local unit of government" would include a city, county, township, village, school district, intermediate school district, or any political subdivision of the State.

The Law prohibits an employer from paying an employee at a rate less than it prescribes. (Currently, with certain exceptions, the minimum wage is $5.15 per hour.)

Specifically, under the bill, a local unit could not enact, maintain, or enforce by charter, ordinance, purchase agreement, contract, regulation, rule, or resolution, either directly or indirectly, a minimum wage rate payable by a private employer that was greater than the applicable rate prescribed in the Law. ("Contract" would not include a collective bargaining agreement negotiated between a local unit and its employees' bargaining representative.)

The bill states that it would not prohibit a local unit from enacting, maintaining, or enforcing a minimum wage requirement governing compensation paid by that local unit to its employees, through a collective bargaining agreement or other means. The bill also states that it 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 the prohibition against a local unit's establishing a higher minimum wage would not limit, restrict, or expand any prevailing wage required under Public Act 166 of 1965. (Under that Act, every contract for a State project that requires or involves the employment of construction mechanics, other than those subject to the jurisdiction of the Civil Service Commission, and that is sponsored or financed in whole or in part by the State, must contain an express term that the wages and fringe benefits to be paid to each class of mechanics must be at least the wage and fringe benefit rates prevailing in the locality.)

MCL 408.383 Legislative Analyst: Patrick Affholter

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 wage higher than the minimum, thus increasing State revenue from a number of taxes, particularly the income tax and sales tax. Consequently, State revenue 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 this reasoning, the 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 revenue of these two different effects is unknown, although any impact likely would by 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 potentially 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.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

S0304\s4160sa