



**Senate Fiscal Agency**  
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BILL



ANALYSIS

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House Bill 5078 (Substitute H-1 as reported without amendment)  
 Sponsor: Representative Deborah Cherry  
 House Committee: Human Resources  
 Senate Committee: Human Resources, Labor and Veterans Affairs

Date Completed: 5-1-96

### RATIONALE

Public Act 390 of 1978 regulates the payment of wages and fringe benefits and provides for the settlement of disputes regarding wages and fringe benefits. Under this Act, when an employee in Michigan is not paid wages or fringe benefits owed him or her, the employee may file a complaint with the Department of Labor (Bureau of Safety and Regulation, Wage Hour Division), which enforces the Act. The Department will try to resolve the dispute informally, but if no resolution can be reached, the Department typically issues a written determination. If either the employee or employer is not satisfied with the Department's determination, he or she may request a review before an administrative law judge, who can affirm, modify, or rescind the determination.

If an employer does not pay an amount ordered, the Department can refer the order to the Attorney General, who then can file a civil suit on behalf of the Department in the district or circuit court to obtain a judgment. If the judgment is not paid, the employer's bank account or local assets may be seized. Reportedly, each year the Department of Labor collects more than \$2 million in unpaid wages and fringe benefits owed to Michigan workers. If, however, the employer moves out of State during the complaint process, or if the employer never was based in Michigan, there may be no Michigan assets available to seize. Since it may be very difficult to execute a Michigan judgment in another state, in these cases the amounts owed may never be collected. Some people believe that, in order to facilitate the collection of wages and fringe benefits owed to Michigan workers by out-of-State employers, the Department of Labor should specifically be authorized to enter into interstate agreements for the collection of those claims.

### CONTENT

The bill would amend Public Act 390 of 1978 to allow the Director of the Department of Labor to enter into reciprocal agreements with other states for the collection of claims for wages, fringe benefits, and penalties assessed under the Act.

Proposed MCL 408.481a

### ARGUMENTS

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### Supporting Argument

As of 1995, the Attorney General reportedly had 21 judgments, worth about \$75,000, against out-of-State employers in 13 different states. The average judgment in these cases is over \$3,500. Since judgments rendered in Michigan are difficult to enforce out-of-State, the bill would allow the Department of Labor to enter into reciprocal agreements with other states to enforce these judgments. The bill not only would streamline the process of executing judgments out-of-State and raise the collection rate, but also could serve as an inducement to voluntary cooperation by employers. Employers could be more likely to resolve claims if they knew that payment of a judgment could not be evaded. According to testimony before the Senate Committee on Human Resources, Labor and Veterans Affairs, there currently are 29 states that have reciprocal agreement authority. By enabling Michigan to join that group, the bill would benefit both Michigan employees owed wages by employers in reciprocating states, and employees from those states owed wages by Michigan employers.

Legislative Analyst: P. Affholter

## **FISCAL IMPACT**

This bill would have no fiscal impact on the Department of Labor as collecting wages, benefits, and penalties is a function currently performed for delinquent employers within the State. The Department estimates that there are approximately 10 claims filed a year against out-of-State employers. The bill could increase revenue for the State and local governments as the collection of these wages would provide for additional income tax payments that the State has foregone in past years.

Fiscal Analyst: M. Barsch

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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.