Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 250 (as introduced 4-14-15)
Sponsor: Senator Margaret O'Brien
Committee: Commerce

Date Completed: 6-16-15

CONTENT

The bill would amend the Workforce Opportunity Wage Act to increase the training hourly wage and specify that individuals under 20 years old could be paid 85% of the general minimum wage or the Federal minimum wage, whichever was greater.

Subject to various exceptions, the Act establishes a minimum hourly wage (referred to as the general minimum hourly wage). The minimum hourly wage currently is $8.15 and will increase to $8.50 on January 1, 2016, $8.90 on January 1, 2017, and $9.25 on January 1, 2018. Each subsequent January, beginning in 2019, the State Treasurer must adjust the minimum hourly wage according to the percentage change in the Consumer Price Index.

Under one of the exceptions, an employer may pay a new employee who is less than 20 years of age a training hourly wage of $4.25 for the first 90 days of employment. The bill would increase the wage to $6.25.

The Act also provides that the minimum hourly wage for an employee less than 18 years of age is 85% of the general minimum wage (except as allowed for the training hourly wage). The bill instead specifies that the minimum hourly wage for an employee who was less than 20 years of age would be 85% of the general minimum wage or the Federal minimum wage, whichever was greater.

The bill would take effect 90 days after its enactment.

MCL 408.414b

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government. The bill would require employers to pay employees under the age of 20 at least $6.25 per hour for the first 90 days of employment, and the greater of 85% of the regular minimum wage or the Federal minimum wage thereafter. These changes would represent a net increase in the minimum wage for employees under age 20 during their first 90 days of employment, and a decrease in the minimum wage for employees aged 18 or 19. From a fiscal standpoint, these two changes would produce opposed effects; increasing the so-called "training wage" from $4.25 per hour to $6.25 per hour would tend to increase payroll costs, and increasing the age range for which an employee may be paid 85% of the regular minimum wage would tend to decrease payroll costs. There are currently no available data that would be of use in estimating which of these two factors would be more significant in terms of the net fiscal impact of the bill.

Fiscal Analyst: Josh Sefton