

August 31, 2006

MINIMUM WAGE OVERTIME ISSUE RESOLVED

On Wednesday, August 30th the Legislature unanimously passed a three-bill package that resolved a problem created by the legislation increasing the minimum wage, which passed earlier this year. Following passage of the minimum wage bill it was discovered that as written it would require thousands of people to be paid overtime who are not currently getting overtime.

Businesses and workers had argued that the Legislature should continue the current exceptions. The leadership had set a deadline of September 1 to correct the problem in order for the businesses to make the necessary administrative adjustments prior to October 1, 2006, the date the new minimum wage legislation becomes law. The action puts the state, not the federal government, in charge of the state's overtime and minimum wage rules.

Also included in the package is an earned income tax credit that has been proposed and debated in the Legislature for years. The proposal will add a state credit to the federal earned income tax credit. The increase will be phased in over two years starting in 2008 and will eventually allow an eligible person to claim 20 percent of the credit they now receive under the federal credit. It could affect more than 628,000 taxpayers in the state.

A separate minimum wage for kids that are younger than 18 is also part of the package. The provision allows a company to pay someone a training wage of \$4.25 an hour for 90 days. When that 90 days is over, a worker who is older than 18 will get their wage bumped to the new minimum wage. For those who are younger than 18, the wage will increase to 85 percent of the new minimum wage. The minimum wage (for those who are over 18) will increase to \$6.95 by October 1, 2006; \$7.15 by July 1, 2007; and \$7.40 by July 1, 2008.

The Senate also passed House Bill 1335, which bumps the Merit Scholarship up to \$4,000, but did not tie it into the minimum wage agreement. The current scholarship gives \$2,500 to kids who go to an in-state school and pass an assessment test. The Governor wanted the scholarship bumped up, but Republicans were hesitant to do that because they didn't know where the funds would come from and they wanted students to get the money before they finished two years of school. So, as a compromise, Senate Republicans agreed to bump it up to \$4,000, but students who pass the assessment test can get the first \$2,000 after they graduate high school. Those who don't pass the test can get the scholarship if they successfully complete two years of college. The bill now goes to the House where the Speaker has indicated they will add its input to the legislation before the end of the year.