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# Legislative Update

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## New Legislature Begins

The 103rd Michigan Legislature officially kicked off this week, with the House and Senate holding their first session days of the 2025-2026 term on January 8.

During the House session, all 110 members—including 12 newly elected representatives—took the oath of office. The chamber unanimously elected Representative Matt Hall (R-Richland) as Speaker and Representative Rachelle Smit (R-Shelbyville) as Speaker Pro Tempore.

It will likely be several weeks before House committees are finalized and announced. What we do know is the number of standing committees and total number of standing committee assignments will be reduced, and some committees will see name changes.

## Competing Minimum Wage and Paid Sick Leave Proposals Introduced

Bill packages were introduced in the Senate and House this week that call for changing the state's minimum wage and paid sick leave laws set to take effect on February 21. The vastly different proposals will be the basis for leadership negotiations moving forward.

**SENATE PROPOSAL** SB 6, SB 7, SB 8, SB 15

- Accelerates the minimum wage increase, by raising the regular minimum wage to $15 an hour by 2027, instead of the currently scheduled $14.97 by 2028
- Maintains the tipped minimum wage at 38% of the regular minimum wage in 2025, with gradual increases to a capped 60% over the next decade (rather than reaching 100% by 2030)
- Redefines small businesses from those with fewer than 10 employees to those with fewer than 25 employees
- Requires small businesses to provide 40 hours of paid sick leave and an additional 32 hours of unpaid sick leave; large employers would be required to provide 72 hours of paid sick leave
- Allows businesses to frontload sick leave at the start of the year, rather than requiring employees to accrue it over time

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SBs 6 and 7 were sent to the Senate Labor Committee. SBs 8 and 15 were referred to the Senate Regulatory Affairs Committee.

**HOUSE PROPOSAL HB 4001, HB 4002**

- Raises the minimum wage to $12 an hour on February 21, 2025, with incremental increases to $12.50 on January 1, 2026; $13 on January 1, 2027; $14 on January 1, 2028; and $15 on January 1, 2029
- Beginning in 2030, ties the wage to inflation, with a reduction in the inflation threshold for triggering a halt to the wage increase from the current 8.5% to 7.5%
- Maintains the tipped wage at 38% of the regular minimum wage
- Sets the training wage for employees aged 19 and under at 75% of the minimum wage
- Requires employers of all sizes to provide 72 hours of paid sick leave to full-time employees, earned through an accrual rate of one hour for every 30 hours worked
- Excludes part-time employees (those working less than 25 hours per week or 25 or fewer weeks per year) from eligibility for paid sick leave

Both House bills were referred to the new Select Committee on Protecting Michigan Employees and Small Businesses—one of the only committees established and seated in the House thus far. HBs 4001-4002 are slated for committee hearings next week.




## Multiple-Occupancy Student Restroom Bill Would Modify Usage

On the first day of session, a bill was introduced in the Senate that would require public schools to designate multiple-occupancy restrooms and changing areas for students based solely on biological sex. **Senate Bill 9** was assigned to the Government Operations Committee for consideration.

# State Revenue Forecasts on an Upward Trend

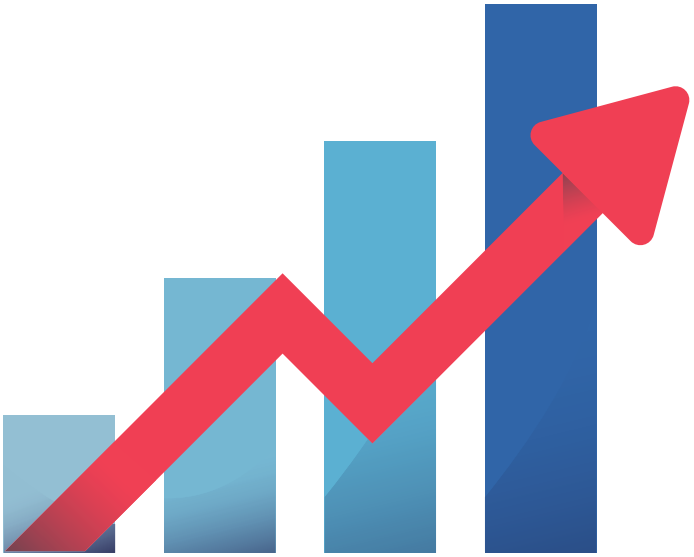
Today, January 10, marked the state's first-of-the year Consensus Revenue Estimating Conference. The House Fiscal Agency, Senate Fiscal Agency, and Treasury revised upwards their projections for Fiscal Year 2024-2025 revenue by $457.7 million General Fund (GF) and $312.7 million School Aid Fund (SAF), for a combined $770.4 million.

For FY 2025-2026, combined revenues were revised upward by $910.2 million, or about 3.5% year-over-year, $591.2 million GF and $319 million SAF, again compared to the May 2024 CREC numbers.

It appears the Senate Fiscal Agency numbers released earlier this week were significantly higher than the new consensus estimate, but overall, good news coming out of today. We're looking at nearly $600 million more available in the current budget year in combined GF/SAF revenue, and over $1 billion next year, again compared to previous estimates.

Much of the upward projection comes from increased income tax withholding revenue, thus the larger impact on GF which relies more on income tax, compared to SAF which is more reliant on sale tax.

Trend lines looking out into the future appear reasonable as well, as far as keeping up with inflation, but we'll have to see what direction federal fiscal and monetary policy takes after years of stimulus, the Trump Administration taking over on January 20, and Republicans now in control of both chambers of the U.S. Congress.



Overall, today's news is good going forward. However, bear in mind that while any increase in available SAF revenue is welcome and crucial to supporting school operations, competition over these dollars in the budget process to fund various items is fierce throughout the School Aid budget. A return to split partisan control of the Michigan legislative process, with Republicans retaking control of the House, will certainly add a new dynamic to the budget process as well. We hope to learn more about how that will unfold in the coming weeks.

**Helpful Resources:**

- **CREC Summary**
- **CREC Presentation**
- **House Fiscal Agency Poster/Reference Chart on the State Budget**
- **House Fiscal Agency Commentary**
- **Senate Fiscal Agency Commentary**