



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

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H.B. 576

132nd General Assembly
(As Referred by H. Rules and Reference)

Reps. Kelly, Leland, Ashford, Sheehy, Kent, Howse, Lepore-Hagan, Antonio, West, Ramos, Clyde, Sykes

BILL SUMMARY

- Increases the basic state minimum wage to \$12.00 per hour beginning January 1, 2019.
- Increases the state hourly minimum wage rate by \$.50 each year beginning January 1, 2020, and ending January 1, 2025.
- Increases the state hourly minimum wage rate for tipped employees by \$.25 each year from January 1, 2020, to January 1, 2025.
- Requires, beginning January 1, 2026, the minimum wage rates to be adjusted annually based on the Consumer Price Index, in accordance with Ohio's constitutional minimum wage requirements.

CONTENT AND OPERATION

State minimum wage for nontipped employees

The bill raises the state minimum wage rate to \$12.00 per hour beginning January 1, 2019. It also increases the hourly minimum wage by \$.50 each year beginning January 1, 2020, and ending January 1, 2025. The following table identifies the minimum wage under the bill an employee who does not receive tips must be paid during the listed year:¹

Year	Hourly wage rate (nontipped employee)
2019	\$12.00
2020	\$12.50

¹ R.C. 4111.02(A)(1).

Year	Hourly wage rate (nontipped employee)
2021	\$13.00
2022	\$13.50
2023	\$14.00
2024	\$14.50
2025	\$15.00

Under current law, the basic state minimum wage is \$8.30 per hour and will increase to \$8.55 per hour beginning January 1, 2019. The basic state minimum wage is currently set pursuant to the Minimum Wage Amendment of the Ohio Constitution (MWA). The MWA requires the basic state minimum wage to be increased annually according to the Consumer Price Index or its successor index for all urban wage earners and clerical workers for all items as calculated by the federal government, rounded to the nearest five cents. However, the MWA allows laws to be passed that set the state minimum wage at a rate higher than the rate calculated pursuant to the MWA.² The bill establishes scheduled increases in the minimum wage rate and, beginning January 1, 2026, requires the Director of Commerce, who administers and enforces the law, to adjust the minimum wage rate annually in accordance with the MWA.³

The bill applies the minimum wage rates listed above to employees who are under 16 years of age or who are employed by a business with gross annual receipts of \$305,000 or less in 2017. Currently, pursuant to MWA, these employees must be paid at least the federal minimum wage rate, which is \$7.25 per hour. Under the MWA, the amount of gross annual receipts is adjusted annually based on the Consumer Price Index. Thus, beginning January 1, 2019, the MWA requires a business with gross annual receipts of \$314,000 or less in 2018 to pay its employees no less than the federal minimum wage.⁴

² Ohio Const., Art. II, Sec. 34a; Ohio Department of Commerce Division of Industrial Compliance, State of Ohio 2018 Minimum Wage, https://www.com.ohio.gov/documents/dico_2018MinimumWageposter.pdf; and Ohio Department of Commerce Division of Industrial Compliance, State of Ohio 2019 Minimum Wage, https://www.com.ohio.gov/documents/dico_2019MinimumWageposter.pdf.

³ R.C. 4111.02, with conforming changes in R.C. 4111.09 and 4111.14.

⁴ R.C. 4111.02; Ohio Const., Art. II, Sec. 34a; 29 United States Code (U.S.C.) 206; Ohio Department of Commerce Division of Industrial Compliance, State of Ohio 2018 Minimum Wage, https://www.com.ohio.gov/documents/dico_2018MinimumWageposter.pdf; and Ohio Department of Commerce Division of Industrial Compliance, State of Ohio 2019 Minimum Wage, https://www.com.ohio.gov/documents/dico_2019MinimumWageposter.pdf.



State minimum wage for tipped employees

Under continuing law, tipped employees may be paid less than, but not less than half, the basic state minimum wage rate if the employer is able to demonstrate that the employee receives tips that combined with the wages paid by the employer are equal to or greater than the state minimum wage rate for all hours worked. Because the bill raises the state minimum wage, the minimum wage for tipped employees (\$4.15 per hour in 2018 and \$4.30 per hour in 2019) would also increase. The following table identifies the minimum wage under the bill a tipped employee must be paid during the listed year:⁵

Year	Hourly wage rate (tipped employee)
2019	\$6.00
2020	\$6.25
2021	\$6.50
2022	\$6.75
2023	\$7.00
2024	\$7.25
2025	\$7.50

Apprentices

The bill also eliminates the authority of the Director to adopt rules permitting the employment of apprentices at a wage rate not less than 85% of the state minimum wage. The Director has not adopted these rules.⁶

Relationship between state and federal law

The federal Fair Labor Standards Act⁷ (FLSA) and Ohio's minimum wage laws both specify minimum wages that an employer must pay the employer's employees. An employer may be subject to one or both laws. The FLSA specifies that if an employer is subject to both laws, the employer is governed by the law that establishes the higher minimum wage, or, for purposes of determining overtime, the lower maximum

⁵ R.C. 4111.02(A)(2); Ohio Const., Art. II, Sec. 34a; Ohio Department of Commerce Division of Industrial Compliance, State of Ohio 2018 Minimum Wage, https://www.com.ohio.gov/documents/dico_2018MinimumWageposter.pdf; and Ohio Department of Commerce Division of Industrial Compliance, State of Ohio 2019 Minimum Wage, https://www.com.ohio.gov/documents/dico_2019MinimumWageposter.pdf.

⁶ R.C. 4111.07 (repealed).

⁷ 29 U.S.C. 201 *et seq.*



workweek.⁸ Currently, Ohio has the same maximum workweek as specified in the FLSA (40 hours per week) but has a higher basic minimum wage (\$8.30 per hour in 2018 and \$8.55 in 2019) as compared to the basic minimum wage under the FLSA (\$7.25 per hour). Thus, employers subject to both laws pay the state rate under current law and under the bill.

HISTORY

ACTION	DATE
Introduced	03-28-18

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⁸ 29 U.S.C. 218.

