

**Initiative #101
State Minimum Wage**

1 **Amendment ? proposes amending the Colorado Constitution to:**

- 2 ♦ increase the Colorado minimum wage from \$8.31 to \$9.30 per hour
3 beginning January 1, 2017;
- 4 ♦ increase the minimum wage annually by \$0.90 per hour beginning
5 January 1, 2018, until it reaches \$12.00 per hour on January 1, 2020;
6 and
- 7 ♦ on January 1, 2021, and thereafter, adjust the minimum wage each year
8 based on cost-of-living increases.

9 **Summary and Analysis**

10 ***What is the minimum wage?*** The minimum wage is the lowest wage that can be
11 paid to most workers. It was instituted in 1938 by the federal government. Since
12 then, the federal minimum wage has increased 22 times, from \$0.25 per hour to its
13 current level of \$7.25 per hour for most workers and \$2.13 per hour for workers who
14 receive tips. It was last increased in 2009.

15 States can set a higher minimum wage than the federal one. As of
16 January 1, 2016, 29 states (including Colorado) and the District of Columbia (D.C.)
17 have adopted a minimum wage higher than the federal one. D.C. has the highest
18 minimum wage, currently set at \$10.50 per hour.

19 ***What is Colorado's current minimum wage law?*** In 2006, Colorado voters
20 adopted an amendment to the state constitution that raised the minimum wage to
21 \$6.85 per hour on January 1, 2007, and required that the minimum wage be adjusted
22 each year up or down for changes in the cost of living, as measured by the Colorado
23 consumer price index (CPI). The CPI is a common measure for changes in the prices
24 of goods and services. The 2006 amendment also set the minimum wage for tipped
25 workers at \$3.02 less than the state minimum wage.

26 The Colorado Department of Labor and Employment sets the state's minimum
27 wage each January. It is currently set at \$8.31 per hour for most workers. The
28 minimum wage for tipped workers is \$5.29 per hour, although employers sometimes
29 have to pay tipped workers more to ensure that they receive at least the state
30 minimum wage. Colorado law does not allow cities to enact minimum wage laws
31 separate from that of the state.

32 ***How does Amendment ? change state law?*** Amendment ? increases the state
33 minimum wage to \$9.30 per hour on January 1, 2017, after which it increases annually
34 by \$0.90 per hour until it reaches \$12.00 per hour in 2020. Because the minimum

1 wage for tipped workers is tied to the state minimum wage, Amendment ? increases
2 the tipped minimum wage to \$8.98 per hour by 2020. Beginning in 2021, the minimum
3 wage is adjusted annually for increases in the cost of living. Although Amendment ?
4 and current law both use the CPI to adjust the minimum wage, Amendment ? prevents
5 a decrease in the minimum wage if the cost of living falls.

6 ***Which workers typically get paid the minimum wage?*** Nationally, nearly
7 two-thirds of those paid \$7.25 per hour or less work in service occupations, mostly in
8 the food service industry. Some workers can be paid less than \$7.25 per hour
9 because they receive tips or other compensation in addition to their hourly wage.
10 Additionally, certain job categories are not covered by the minimum wage, such as
11 many seasonal and recreational positions.

12 According to recent data published by the U.S. Department of Labor,
13 approximately 100,000 workers in Colorado will earn the minimum wage in 2017.

*For information on those issue committees that support or oppose the
measures on the ballot at the **November 8, 2016**, election, go to the
Colorado Secretary of State's elections center web site hyperlink for
ballot and initiative information:*

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

14 **Arguments For**

15 1) Colorado's current minimum wage is too low to provide a basic standard of
16 living. Full-time workers making the minimum wage in Colorado earn approximately
17 \$17,285 annually, or about \$300 per week after taxes, which is only \$1,265 more than
18 the 2016 federal poverty guideline for a family of two. Working parents earning the
19 current minimum wage struggle to keep their families out of poverty because
20 Colorado's cost of living continues to increase. For example, the overall average rent
21 price in the Denver metro area has increased about 37 percent over the last eight
22 years, from approximately \$946 in 2007 to about \$1,292 in 2015. Since the
23 voter-approved increase in the state minimum wage was enacted in 2007, the
24 minimum wage increased only about 21 percent over the same period.

25 2) Raising the minimum wage may help businesses. Several recent studies
26 conclude that higher wages improve employee productivity and morale and reduce
27 turnover. This is especially important for businesses that pay the minimum wage, as
28 they tend to have very high turnover. One estimate finds that it costs a fast food
29 business about \$4,700 each time it has to replace a worker. Lower turnover translates
30 into more experienced, more productive workers.

1 **Arguments Against**

2 1) Increasing the state minimum wage may hurt businesses. Many people
3 earning the state minimum wage work for small businesses and restaurants. These
4 businesses may struggle to pay higher labor costs if the minimum wage increases.
5 Amendment ? may cause businesses to hire fewer workers, lay off current employees,
6 reduce employees' hours, or go out of business. Businesses may be forced to raise
7 their prices in order to accommodate higher labor costs, potentially making them less
8 competitive or reducing demand for their products or services.

9 2) Increasing the state minimum wage may hurt the very employees that the
10 higher wage is meant to help. If Amendment ? passes, some workers earning the
11 minimum wage may face lay-offs or reduced hours. Also, workers seeking minimum
12 wage employment may have a harder time finding work if businesses make fewer
13 minimum wage jobs available. Additionally, in order to compensate for higher labor
14 costs, employers may cut training programs, apprenticeships, or other opportunities
15 meant to help low-wage workers. Finally, businesses may choose to raise prices.
16 Because low-wage workers spend a higher percentage of their income on basic
17 necessities like food, they are particularly vulnerable to rising prices.

18 **Estimate of Fiscal Impact**

19 *(Please Note: A summary of the fiscal impact will be included in this space in the*
20 *second draft of the analysis, and an official fiscal note will be prepared and placed on*
21 *the web when the final blue book is sent to voters.)*