

**Initiative #101
State Minimum Wage**

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

- 2 ♦ increase the state 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. The federal minimum wage is currently set at \$7.25 per hour for
12 most workers and \$2.13 per hour for workers who receive tips. It was last increased
13 in 2009.

14 States can set a higher minimum wage than the federal one. As of
15 January 1, 2016, 29 states (including Colorado) and the District of Columbia (D.C.)
16 have adopted a minimum wage higher than the federal one.

17 **What is Colorado's current minimum wage law?** In 2006, Colorado voters
18 adopted an amendment to the state constitution that raised the minimum wage to
19 \$6.85 per hour on January 1, 2007, and required that the minimum wage be adjusted
20 each year up or down for changes in inflation, as measured by the Colorado consumer
21 price index (CPI). The CPI is a common measure for changes in the prices of goods
22 and services, such as food, housing, gasoline, and medical care. The Colorado
23 Department of Labor and Employment sets the state's minimum wage each January.
24 It is currently set at \$8.31 per hour for most workers.

25 The 2006 amendment also set the minimum wage for tipped workers at \$3.02 less
26 than the state minimum wage. The minimum wage for tipped workers is currently
27 \$5.29 per hour plus tips. Some tipped workers may earn enough in tips to bring their
28 hourly earnings above the state minimum wage, while some may not earn enough in
29 tips to reach it. When tipped workers do not earn enough, employers must
30 supplement their wages to ensure that they receive at least the state minimum wage.

31 The occupations of workers most likely to be paid minimum wage include retail
32 salespersons, food service workers, child care workers, janitors, and home health
33 aides.

1 **How does Amendment ? change state law?** Amendment ? increases the state
2 minimum wage to \$9.30 per hour on January 1, 2017, after which it increases annually
3 by \$0.90 per hour until it reaches \$12.00 per hour in 2020. Because the minimum
4 wage for tipped workers is tied to the state minimum wage, Amendment ? increases
5 the tipped minimum wage to \$8.98 per hour plus tips by 2020. Beginning in 2021, the
6 minimum wage is adjusted annually for increases in the CPI. Although Amendment ?
7 and current law both use the CPI to adjust the minimum wage, Amendment ? prevents
8 a decrease in the minimum wage if the cost of living falls.

*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>

9 **Arguments For**

10 1) Colorado's current minimum wage is too low to provide a basic standard of
11 living. Full-time workers making the minimum wage in Colorado earn approximately
12 \$17,285 annually, or about \$300 per week after taxes, and some must rely on public
13 assistance to make ends meet. While the minimum wage has increased only
14 21 percent since 2007, when the last voter-approved increase in the minimum wage
15 was enacted, the cost of living in Colorado has increased more steeply. For example,
16 the overall average rent price in the Denver metro area has increased about
17 37 percent, from approximately \$946 in 2007 to about \$1,292 in 2015.

18 2) Raising the minimum wage may help businesses. Higher wages may improve
19 employee productivity and morale and reduce turnover. This is especially important
20 for businesses that pay the minimum wage, as they tend to have very high turnover.
21 Hiring and training new employees can be very costly for businesses. Lower turnover
22 translates into more experienced, more productive workers and significant cost
23 savings.

24 **Arguments Against**

25 1) Increasing the state minimum wage may actually hurt the very employees that
26 the higher wage is meant to help. If Amendment ? passes, some workers earning the
27 minimum wage may face lay-offs, reduced hours, or fewer benefits. Also, workers
28 seeking minimum wage employment may have a harder time finding work if
29 businesses make fewer minimum wage jobs available. Finally, businesses may
30 choose to raise prices. Because low-wage workers spend a higher percentage of their
31 income on basic necessities like food, they are particularly vulnerable to rising prices.

1 2) Increasing the state minimum wage may hurt small and family-owned
2 businesses, particularly in rural communities. These businesses have a harder time
3 absorbing increases in costs and may struggle to pay higher labor costs if the
4 minimum wage increases. Amendment ? may cause some businesses to raise their
5 prices, potentially making them less competitive, reducing demand for their products
6 or services, or forcing them to go out of business.

7 **Estimate of Fiscal Impact**

8 **State government revenue and spending.** Amendment ? may affect the amount
9 of revenue the state government collects and will affect costs to the state. The impact
10 to state revenue depends on several factors, such as income and sales tax
11 collections, and cannot be determined. The amendment will affect costs for several
12 state government agencies, as described below.

13 Based on current job classifications and salaries, most state workers earn more
14 than \$12.00 per hour. Any state agency that pays an employee an hourly wage less
15 than \$12.00 will experience an incremental increase in staffing costs through 2020 if
16 Amendment ? passes. Affected state agencies identified as of this writing include the
17 Departments of Agriculture, Corrections, Higher Education, Human Services, and
18 Natural Resources. The Department of Agriculture pays approximately 500 temporary
19 employees the minimum wage. Offenders working in the Department of Corrections'
20 Prison Industry Enhancement (PIE) program earn the minimum wage. State
21 universities and colleges often pay students employed in work-study positions less
22 than \$12.00 per hour. Both the Departments of Human Services and Natural
23 Resources have several hundred employees that earn less than \$12.00 per hour. The
24 actual increase in state costs for each of these agencies will depend on how the
25 agencies, universities, and the legislature manage the increase. Their options may
26 include increasing state funding, increasing fees, raising prices (for the PIE program
27 only), reducing workers' hours, or some combination of these choices.

28 **Local government impact.** The fiscal impact of the amendment on local
29 governments has not been estimated. Any change in local government tax revenue
30 cannot be quantified at this time. Costs will increase for any local governments that
31 currently pay workers at or near the minimum wage.