

Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 15-1097
Prime Sponsor(s): Sen. Merrifield

Date: April 21, 2015
Bill Status: Senate SVMA
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BILL TOPIC: COLORADO CONSTITUTION MINIMUM WAGE

Fiscal Impact Summary*	FY 2015-16	FY 2016-17	FY 2017-18
State Revenue		Indeterminate.	
State Expenditures		Substantial increase.	
FTE Position Change			
Appropriation Required: None (FY 2015-16).			

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

The concurrent resolution creates a referred measure that will appear before voters at the November 2016 general election. If passed, the measure would amend the Colorado Constitution to increase the statewide minimum wage from \$8.23 to \$12.50 by January 1, 2020, by the following annual increments:

- \$9.50 on January 1, 2017;
- \$10.50 on January 1, 2018;
- \$11.50 on January 1, 2019; and
- \$12.50 on January 1, 2020.

Effective January 1, 2021, the bill stipulates that the minimum wage must be increased, rather than adjusted, annually for inflation using the Consumer Price Index.

State Revenue

The fiscal note does not estimate the change in the minimum wage on the economy, nor its impact on tax collections, because any estimate would rely on a broad number of factors related to how the wages would flow through the economy and the overall impact to employers.

State Expenditures

To the extent that a state agency pays a minimum wage to an employee, the measure will increase costs in that agency. The measure will also increase election-related costs in FY 2016-17. Because costs are conditional upon a general election and do not take effect until January 1, 2017, if voted for, these costs are expected to be addressed in the annual budget process.

Overall impact to state agencies. Based on current job classifications and salaries paid, the vast majority of state workers earn more than \$12.50. To the extent that a state agency pays its employee a wage under \$9.50, \$10.50, \$11.50, and \$12.50, that agency will experience an incremental increase in personal services expenditures during the implementation of the bill. Agencies that are not specifically included below are expected to have no fiscal impact.

Department of Agriculture (CDA). The Colorado State Fair in the Department of Agriculture employs about 500 temporary employees each year for about 150 hours of work. This bill will increase compensation costs for the State Fair, which takes place once a year between late August and early September, by \$95,250 in FY 2017-18, \$170,250 in FY 2018-19, \$245,250 in FY 2019-20, and \$320,250 in FY 2020-21.

Department of Corrections (DOC). The Prison Industry Enhancement program within Colorado Correctional Industries in the DOC is a federal program that exempts the DOC from interstate commerce restrictions on the sale of offender-made goods. Offenders working in the program generally receive the higher of the federal or state minimum wage and the program typically pays for 45,540 hours of work each year. The bill would increase compensation costs for this program by \$28,918 in FY 2016-17, \$80,606 in FY 2017-18, \$126,146 in FY 2018-19, and \$171,686 in FY 2019-20.

Department of Health Care Policy and Financing (HCPF). Increasing the minimum wage may have an impact on individuals' Medicaid eligibility, as well as provider rates. These impacts rely on a broad number of factors and have not been calculated for this fiscal note. To the extent that HCPF requires additional appropriations, the fiscal note assumes this will be addressed during the annual budget process.

Department of Higher Education (DHE). The DHE employs in its main office and pays 25 percent of the wages for four part-time work-study positions. The bill would increase its compensation costs by \$520 in FY 2016-17, \$5,200 in FY 2017-18, \$12,480 in FY 2018-19, and \$20,800 in FY 2019-20. To the extent that these increased costs cannot be absorbed, the DHE may reduce the number of work-study positions it hires.

State colleges and universities that employ students part-time or in work-study positions will see large increases in expenditures for personal services. In a survey conducted for this fiscal note, state colleges and universities estimated FY 2016-17 increases between \$50,000 and \$1,130,000, up to estimated FY 2019-20 increases between \$200,000 and \$8,080,000. Wages for work-study jobs are paid through a combination of federal, state, institutional, and private funds. The need for additional funding under the measure may be addressed by increasing state funding, increasing student tuition or fees, reducing work-study hours, or any combination of these options. The actual state cost will depend on the options chosen by state agencies, schools, and the General Assembly.

Department of Human Services (DHS). Less than 1 percent of DHS employees are paid at a wage under \$12.50. These employees are long-term care and health care service trainees, client care aides, and custodians working for DHS' vocational rehabilitation service centers, mental health institutes, regional centers, nursing homes, and youth correctional centers. The bill would increase compensation costs for these DHS programs by \$1,071 in FY 2016-17, \$37,123 in FY 2017-18, \$269,376 in FY 2018-19, and \$993,389 in FY 2019-20.

Department of Labor and Employment (DLE). State law prescribes the procedure for the Division of Labor director within DLE to determine the minimum wage, which results in an annual Colorado Minimum Wage Order that every employer is required to post or make available. The DLE workload associated with these efforts will continue under the bill, and no additional appropriations are required.

Department of Natural Resources (DNR). Due to the seasonal nature of the Colorado Parks and Wildlife division, DNR employs a number of seasonal workers, particularly during the summer season. Most of these employees are hired at a rate above minimum wage, but under \$12.50. Because the division's operating budgets are established on a cost center basis, should the minimum wage increase result in significant increases to DNR's temporary personnel costs, staffing alternatives will likely be considered.

Election expenditure impact (existing appropriations). The bill creates a referred measure that will appear before voters at the November 2016 general election. Although no additional appropriation is required in this bill to cover election costs associated with this ballot measure, certain election costs to the state are appropriated as part of the regular budget process. First, state law requires that the state reimburse counties for costs incurred conducting a ballot measure election paid from the Department of State Cash Fund. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet (Blue Book) mailed to all registered voter households prior to the election paid from the Ballot Analysis Revolving Fund. Table 1 below identifies the anticipated costs for a single statewide ballot measure election in 2016.

Cost Component	Amount
County Reimbursement for Statewide Ballot Measures	\$2,400,000
Ballot Information Booklet (Blue Book) & Newspaper Publication	670,000
TOTAL	\$3,070,000

Local Government Impact

Expenditures will increase for those local governments that currently pay workers under \$12.50 per hour, though the precise impact that raising the minimum wage will have on local governments has not been estimated for this fiscal note.

Counties incur the costs of conducting elections, including printing and supply costs, less the amount each county is reimbursed by the state.

School District Impact

The fiscal impact to school districts is expected to be considerable. Several state personnel categories employed by the schools earn less than \$12.50 per hour, including certain entry-level administrative assistants, childcare aides, custodians, dining services, early childhood education aides, and substitutes. This impact has not been quantified.

Effective Date

The bill takes effect after the date of the official declaration of the vote by proclamation of the Governor, not later than 30 days after the votes have been canvassed.

State and Local Government Contacts

All Departments