

**Amendment \_  
Colorado Minimum Wage**

1 **Amendment \_ is a proposed amendment to the Colorado Constitution that:**

- 2           ♦ raises the minimum wage from \$5.15 per hour to \$6.85 per hour for most  
3 workers, and adjusts the wage annually for inflation; and
- 4           ♦ increases the minimum wage for workers who regularly receive tips from \$2.13  
5 per hour to \$3.83 per hour and adjusts it annually by the same dollar amount  
6 as the minimum wage for non-tipped workers.

7 **Summary and Analysis**

8           ***What is the minimum wage?*** The minimum wage is the lowest wage that can be  
9 paid to most workers. It was instituted in 1938 by the federal government. Since then, the  
10 federal minimum wage has been increased twenty times, from \$0.25 to its current level of  
11 \$5.15 per hour for most workers and \$2.13 per hour for workers that receive tips. It was  
12 last increased in September 1997.

13           States can set a higher minimum wage than the federal one. Colorado's minimum  
14 wage is currently set at the federal level. Although federal law also allows cities to enact  
15 a higher minimum wage, state law does not allow cities to enact minimum wage laws  
16 separate from that of the state.

17           ***Which workers typically get paid the minimum wage?*** Nationally, nearly three-  
18 quarters of those paid the minimum wage work in service jobs, mostly in food preparation  
19 and serving. There are several jobs that are not covered by the minimum wage. The most  
20 common of these include certain farm workers, part-time babysitters, some seasonal and  
21 recreational employees, newspaper delivery persons, and salespeople who regularly work  
22 away from their employer's place of business.

23           In 2005, 34,000, or 1.5 percent of Colorado workers, were paid the minimum wage  
24 or less. Meanwhile, about 106,000, or just under 5 percent of workers, were paid less than  
25 \$6.85 per hour, the wage rate set in Amendment \_. These figures include workers who  
26 would not be affected by Amendment \_ because they are not covered by minimum wage  
27 requirements and those who receive tips in addition to their reported hourly wage.

28           ***How does Amendment \_ change state law?*** Amendment \_ increases Colorado's  
29 minimum wage from \$5.15 per hour to \$6.85 per hour beginning January 1, 2007.  
30 Furthermore, the wage would increase by the rate of inflation each year. For workers who

1 regularly receive tips, the minimum wage would increase from \$2.13 per hour to \$3.83 per  
2 hour. This wage would adjust each year so that it will always be no more than \$3.02 *less*  
3 *than* that for workers who do not receive tips. For example, if inflation is 3 percent in  
4 2007, in 2008 the minimum wage would increase to \$7.06 for most workers and \$4.04 for  
5 workers who receive tips.

6 ***What are the minimum wages in other states?*** As of July 2006, 22 states and the  
7 District of Columbia had a minimum wage greater than the federal minimum wage. Of  
8 those, four are adjusted annually by the rate of inflation. Washington State has the highest  
9 minimum wage. It is currently set at \$7.63 per hour and adjusts for inflation each year.

## 10 **Arguments For**

11 1) Raising the minimum wage ensures that more Coloradans working full-time  
12 will earn an income above the poverty level. Currently, a full-time worker earning the  
13 minimum wage makes about \$10,700 a year. This proposal would raise this amount by a  
14 third, to about \$14,250. The annual income considered to be poverty level is \$9,800 for  
15 a one-person household and \$13,200 for a two-person household. Up to an estimated  
16 138,000 Colorado workers could benefit from Amendment\_, including low-income  
17 workers earning just above the proposed minimum. Some of these workers' wages are the  
18 only source of their family's earnings.

19 2) An increase in the minimum wage is overdue. The federal government has not  
20 raised the minimum wage for nine years. It becomes more difficult for minimum wage  
21 workers to buy necessary goods and services each year the wage is not increased because  
22 of the rising cost of living. The buying power of the minimum wage is the lowest it has  
23 been for over 50 years. The proposed minimum wage of \$6.85 restores the wage to its  
24 historical buying power. Adjusting the wage based on inflation guarantees that the wage  
25 will not lose its value in the future.

26 3) Raising the minimum wage could benefit both businesses and workers by  
27 increasing worker morale and productivity, as well as reducing turnover and absenteeism.  
28 Further, some evidence shows that states that have minimum wages above the federal level  
29 have had favorable employment growth, including in industries that typically pay lower  
30 wages. This evidence shows that an increase in the minimum wage in these states has  
31 benefitted low-income workers without harming the economy.

## 32 **Arguments Against**

33 1) Raising the minimum wage may hurt the economy. Requiring businesses to pay  
34 non-tipped minimum wage workers 33 percent more and tipped minimum wage workers  
35 80 percent more will push up wages of other workers and increase overall labor costs.  
36 Some evidence shows that businesses respond to an increase in the minimum wage by  
37 raising prices or by hiring fewer workers. An increase in the minimum wage could be

1 particularly difficult for smaller businesses and restaurants with fewer financial resources.  
2 The government does not need to require businesses to pay their workers more; businesses  
3 already pay more than 95 percent of Colorado workers more than the proposed minimum  
4 wage.

5 2) Employers may hire fewer less-skilled and inexperienced workers. These  
6 workers would then miss the opportunity to earn an income and gain the skills and  
7 experience that would allow them to earn higher wages in the future. Also, businesses  
8 forced to pay higher wages may offer fewer benefits, raises, and training opportunities.  
9 Further, many minimum wage workers do not live in low-income households or earn the  
10 minimum wage for long. Instead of increasing the minimum wage for all workers, existing  
11 programs and tax benefits can help low-income workers in need.

12 3) Adjusting the minimum wage each year based on inflation could contribute to  
13 continuing higher prices for Colorado consumers. Also, businesses will be required to pay  
14 workers higher wages each year regardless of their qualifications or performance and the  
15 financial condition of the business or the economy. Further, since constitutional  
16 amendments require voter approval, putting the minimum wage in the state constitution  
17 will make it difficult to lower the wage or change the inflation adjustment requirement to  
18 respond to future economic and labor conditions.

## 19 **Estimate of Fiscal Impact**

20 ***State spending and revenue.*** Amendment\_ will increase state spending by a  
21 minimum of \$1.5 million each year. State colleges and universities employ many students  
22 in work-study and campus jobs. These students work about 1.2 million hours annually for  
23 \$5.66 an hour, or \$1.19 below the minimum wage required by the amendment. All other  
24 state employees are currently paid above \$6.85 per hour. Presently, it is unknown whether  
25 the amendment will affect state revenue from income tax collections. Any change in  
26 income tax revenue is expected to be minimal because low-wage workers typically have  
27 little or no income tax liability.

28 ***Local government impact.*** The fiscal impact of the amendment on local  
29 government has not been estimated, though expenditures would increase for those local  
30 governments that currently pay workers at or near the minimum wage.