

Final Draft

Amendment 42 Colorado Minimum Wage

1 **Amendment 42 proposes a change to the Colorado Constitution that:**

- 2 ♦ raises the minimum wage from \$5.15 per hour to \$6.85 per hour, and adjusts
3 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
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7 **Summary and Analysis**

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25 4) IF THE MINIMUM WAGE IS INCREASED, THOSE THAT THE AMENDMENT IS TRYING
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30 SCHOOL DROP-OUT RATE. TEENAGERS ON THE VERGE OF DROPPING OUT OF SCHOOL WHEN
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TONY GAGLIARDI COMMENTS ON FINAL DRAFT OF AMENDMENT 42

Opposition Statement:

If the minimum wage is increased those that proponents are trying to help would be those most negatively affected by the increase. An 25% unemployment rate exists for minority teenagers. This is the population group who would be negatively affected by the increase.

Other arguments for not raising the minimum wage are the raise could actually increase the school drop-out rate. Teenagers on the verge of dropping out of school when tempted with a higher minimum wage would be more inclined to quit school and take a job for minimum wage.

Employers faced with having to pay a higher minimum wage would simply cut other benefits such as health-care coverage or employer shared savings plans in order to absorb the higher wage demand. Higher minimum wage requirements would hurt competition which in turn hurts the economy because of higher prices. Larger businesses would be more able to force smaller competitors out of business due to the higher minimum wage. Small, independent businesses cannot absorb the higher cost of doing business as easily as the larger business does.

Tony Gagliardi

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RICH JONES COMMENTS ON FINAL DRAFT OF AMENDMENT 42

TO: Jason Schrock, Colorado Legislative Council Staff

FROM: Rich Jones, Bell Policy Center

DATE: August 9, 2006

RE: Comments on the Second Draft of the Bluebook Analysis on the Minimum Wage

Thank you for giving us the opportunity to comment on the second draft of the Legislative Council staff's analysis of the amendment to increase Colorado's minimum wage. As we discussed, we appreciate your efforts to include our comments in this draft. On balance we think it accurately describes the issue and clearly represents our views.

Before you finalize the third draft we request that the staff analyze the additional state and local sales taxes that are likely to be paid by those workers who receive a raise as a result of increasing the minimum wage. We understand that the additional income taxes may be minimal because of low income workers' limited tax liability but we think that you should also consider the added sales taxes likely to be paid by these workers.

In another analysis the Bell Policy Center conducted on tax payments we found that Colorado families with \$27,400 in annual earnings paid 5.13 percent of their income in state and local sales taxes. This number was arrived at using a model of taxes paid in Colorado developed by the Institute on Taxation and Economic Policy (ITEP), a Washington, D.C. based, nonpartisan economic policy organization. Assuming the 34,000 Coloradans currently earning the minimum wage paid the same percentage of their income in state and local sales taxes, an increase in the minimum wage to \$6.85 could result in an additional \$6.2 million in state and local sales taxes. (A family with both parents working at the minimum wage would earn \$28,496 if the amendment passes.) This would cover the increased cost to the state of increasing the wages for work study students and add money to the treasury.

We think it is important to consider the additional revenue that might be generated by increasing the minimum wage as part of the estimated fiscal impact. If you would like, we would be happy see if we could have the staff at ITEP estimate the amount of additional taxes paid using their model.

Again, thank you for the opportunity to comment on this draft of the Bluebook analysis. These comments represent the views of the proponents of the amendment.

Call or email me if you have any questions or would like additional information.

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18 1) Raising the minimum wage ensures that more Coloradans working full-time will
19 earn an income above the poverty level. Currently, a full-time worker earning \$5.15 per
20 hour makes about \$10,700 a year. Amendment 42 raises this amount by a third, to about
21 \$14,250. The annual income considered to be poverty level is \$9,800 for a one-person
22 household and \$13,200 for a two-person household. Up to an estimated 138,000 Colorado
23 workers could benefit from Amendment 42, including low-income workers earning just
24 above the proposed minimum. Some of these workers' wages are the only source of their
25 family's earnings.

26 2) An increase in the minimum wage is overdue. The federal government has not
27 raised the minimum wage for nine years. Each year it becomes more difficult for minimum
28 wage workers to buy necessary goods and services because of the rising cost of living. The
29 buying power of the minimum wage is the lowest it has been for over 50 years. The
30 proposed minimum wage of \$6.85 restores the wage to near its average buying power over
31 the last 50 years. Adjusting the wage for inflation guarantees that the wage will not lose
32 its buying power in the future.

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

1 **Arguments Against**

2 Arguments are not changed they are simply reordered.

➔ 3 3) 1) Since changes to the state constitution require voter approval, putting the
4 minimum wage in the state constitution will make it difficult to respond quickly to future
5 economic and labor conditions. Also, adjusting the minimum wage each year for inflation
6 could contribute to continuing higher prices for Colorado consumers. Further, businesses
7 will be required to pay workers higher wages each year regardless of their qualifications
8 or performance and the financial condition of the business or the economy.

➔ 9 4) 2) Raising the minimum wage may hurt the economy. Requiring businesses
10 to increase the pay of non-tipped minimum wage workers by 33 percent and tipped
11 minimum wage workers by 80 percent will push up wages of other workers and increase
12 overall labor costs. Some evidence shows that businesses respond to an increase in the
13 minimum wage by raising prices or by hiring fewer workers, or both. An increase in the
14 minimum wage could be particularly difficult for smaller businesses and restaurants with
15 fewer financial resources. The government does not need to require businesses to pay their
16 workers more; businesses already pay nearly all Colorado workers more than the proposed
17 minimum wage.

➔ 18 5) 3) Some evidence shows that increases in the minimum wage cause employers
19 to hire fewer less-skilled and inexperienced workers. These workers would then miss the
20 opportunity to earn an income and gain the skills and experience that would allow them
21 to earn higher wages in the future. Also, businesses forced to pay higher wages may offer
22 fewer benefits, raises, and training opportunities. Further, many minimum wage workers
23 do not live in low-income households or earn the minimum wage for long. Instead of
24 increasing the minimum wage for all workers, existing programs and tax benefits can help
25 low-income workers in need.

26 **Estimate of Fiscal Impact**

27 *State spending and revenue.* Students employed in work-study positions at state
28 universities and colleges are often paid less than \$6.85 per hour. The difference between
29 current student wages and the wages required by Amendment 42 could cost the state up to
30 \$2.8 million annually. The actual state cost will depend on the options used by the
31 legislature or schools to address the higher wages, such as providing more state money to
32 the schools, increasing fees or tuition, or reducing the number of work study hours
33 available to students. All other state employees are currently paid above \$6.85 per hour.
34 Presently, it is unknown whether the amendment will affect state revenue from income or
35 sales tax collections. Any change in tax revenue cannot be quantified at this time.

Ms. Ilene Kamsler

1 ***Local government impact.*** The fiscal impact of the amendment on local
2 government has not been estimated, though expenditures would increase for those local
3 governments that currently pay workers at or near the minimum wage. Any change in local
4 tax revenue cannot be quantified at this time.

ILENE KAMSLER COMMENTS ON FINAL DRAFT OF AMENDMENT 42

Since our opposition to the initiative is based strictly on the fact that it is a constitutional amendment, I would like to see paragraph #3 moved to the top of the argument against the initiative. We have no argument with raising the minimum wage, but we don't believe that the constitution is the appropriate place for administrative matters.

We also believe that this is the strongest argument against the initiative.

Ilene Kamsler, *President*

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Mr. Pete Meersman

Amendment 42 Colorado Minimum Wage



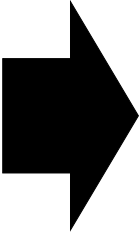
AMENDMENT 42 IS AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF COLORADO. IT MAY ONLY BE AMENDED OR REPEALED BY PASSAGE OF ANOTHER CITIZEN INITIATIVE OR LEGISLATIVE REFERENDUM AT ANOTHER GENERAL ELECTION.

1 Amendment 42 proposes a change to the Colorado Constitution that:


- 
- 
- 2 ♦ raises the minimum wage from \$5.15 per hour to \$6.85 per hour FOR WORKERS
3 MAKING LESS THAN \$6.85 PER HOUR WHO DO NOT REGULARLY RECEIVE TIPS,
4 and ~~adjusts~~ INCREASES the wage annually for inflation; and
 - 5 ♦ increases the minimum wage for workers who regularly receive tips from \$2.13
6 per hour to \$3.83 per hour and ~~adjusts~~ INCREASES it annually by the same dollar
7 amount as the minimum wage for non-tipped workers IS INCREASED.

8 Summary and Analysis

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

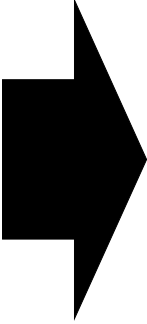


14 States can set a higher minimum wage than the federal one. BOTH THE COLORADO
15 LEGISLATURE AND THE COLORADO DEPARTMENT OF LABOR HAVE THE AUTHORITY TO SET
16 THE MINIMUM WAGE PAID TO WORKERS. Colorado's minimum wage is currently set at the
17 federal amount of \$5.15 per hour. THERE HAVE BEEN NO ATTEMPTS TO RAISE THE
18 MINIMUM WAGE IN THE COLORADO LEGISLATURE SINCE 2000. Although federal law also
19 allows cities to enact a higher minimum wage, state law does not allow cities to enact
20 minimum wage laws separate from that of the state.




21 *Which workers typically get paid the minimum wage?* Nationally, nearly three-
22 quarters of those paid \$5.15 per hour or less work in service jobs, mostly in food
23 preparation and serving. Some workers can be paid less than \$5.15 per hour because they
24 receive tips or other compensation in addition to their hourly wage. Also, there are several
25 jobs that are not CURRENTLY covered by the minimum wage. The most common of these
26 include certain farm workers, part-time babysitters, some seasonal and recreational
27 employees, newspaper delivery persons, and salespeople who regularly work away from
28 their employer's place of business.


Mr. Pete Meersman




1 ~~The federal government publishes wage data for workers paid by the hour. This~~
2 ~~data overstates the number of workers affected by Amendment 42 because it includes~~
3 ~~workers not covered by minimum wage laws. Also, it understates the earnings of some~~
4 ~~workers because it does not include tips and other compensation. According to 2005 wage~~
5 ~~data, about 106,000, or just under 5 percent, of Colorado workers were paid less than \$6.85~~
6 ~~per hour, the wage rate set in Amendment 42. About 72,000 of these workers were paid~~
7 ~~between \$5.15 and \$6.85 per hour, 9,000 were paid \$5.15 per hour, and 25,000 were paid~~
8 ~~less than \$5.15 per hour. Many of the workers earning below \$5.15 per hour likely~~
9 ~~received other compensation that pushed their total earnings above \$5.15 per hour.~~




10 In 2005, 8,500 NON-TIPPED EMPLOYEES, OR 0.37 PERCENT OF WORKERS, WERE PAID
11 THE MINIMUM WAGE OF \$5.15 PER HOUR. 25,500 EMPLOYEES, OR 1.13 PERCENT OF
12 WORKERS, WERE TIPPED EMPLOYEES. STATISTICS SHOW THAT TIPPED EMPLOYEES AVERAGE
13 \$13 - \$18 PER HOUR IN TIPS, DEPENDING ON THEIR EXPERIENCE LEVEL, IN ADDITION TO THE
14 HOURLY WAGES PAID BY THE EMPLOYER.



15 OF THE 8,500 NON-TIPPED EMPLOYEES WHO WILL RECEIVE AN INCREASE IN WAGES,
16 41 PERCENT, OR 11,800, LIVED WITH A PARENT OR RELATIVE (75 PERCENT WERE UNDER 25),
17 23 PERCENT, OR 6,440, DID NOT LIVE WITH PARENTS OR RELATIVES BUT HAD NO KIDS, 21
18 PERCENT, OR 5,880, WERE THE SECOND WAGE EARNER OF A MARRIED COUPLE (62 PERCENT
19 WERE PART-TIME), AND ONLY 15 PERCENT, OR 4,200, WERE SINGLE PARENTS OR SOLE
20 EARNERS WITH CHILDREN.




21 ***How does Amendment 42 change state law?*** Amendment 42 increases Colorado's
22 minimum wage from \$5.15 per hour to \$6.85 per hour beginning January 1, 2007.
23 Furthermore, the proposal ~~adjusts~~ INCREASES the wage by the rate of inflation each year.
24 THE AMENDMENT WILL NOT DECREASE WAGES IN THE CASE OF DEFLATION. For workers
25 who regularly receive tips, the minimum wage increases from \$2.13 per hour to \$3.83 per
26 hour. This wage will ~~adjust~~ INCREASE each year so that it will always be no more than
27 \$3.02 *less than* that for workers who do not receive tips. For example, if inflation is 3
28 percent in 2007, in 2008 the minimum wage would increase to \$7.06 for most workers and
29 \$4.04 for workers who receive tips.




30 ***How many states have higher minimum wages than the federal one?*** As of
31 August 2006, 23 states and the District of Columbia had adopted a minimum wage greater
32 than the federal minimum wage. Of those, ONLY four are adjusted annually by the rate of
33 inflation. Washington State has the highest minimum wage. It is currently set at \$7.63 per
34 hour and adjusts for inflation each year. KANSAS HAS THE LOWEST STATE MINIMUM WAGE
35 AT \$2.65 PER HOUR.

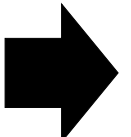
1 **Arguments For**



2 1) Raising the minimum wage ~~ensures that~~ MAY RESULT IN more Coloradans
3 working full-time ~~will~~ EARNING an income above the poverty level. Currently, a full-time
4 worker earning \$5.15 per hour makes about \$10,700 a year. Amendment 42 raises this
5 amount by a third, to about \$14,250. The annual income considered to be poverty level is
6 \$9,800 for a one-person household and \$13,200 for a two-person household. Up to an
7 estimated ~~138,000~~ 106,000 Colorado workers could benefit from Amendment 42,
8 including low-income workers earning just above the proposed minimum. Some of these
9 workers' wages are the only source of their family's earnings.




10 2) An increase in the minimum wage is overdue. The federal government has not
11 raised the minimum wage for nine years. Each year it becomes more difficult for minimum
12 wage workers to buy necessary goods and services because of the rising cost of living. The
13 buying power of the minimum wage is the lowest it has been for over 50 years. The
14 proposed minimum wage of \$6.85 restores the wage to near its average buying power over
15 the last 50 years. ~~Adjusting~~ INCREASING the wage for inflation guarantees that the wage
16 will not lose its buying power in the future.




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

23 **Arguments Against**



24 1) Raising the minimum wage may hurt the economy. Requiring businesses to
25 increase the pay of non-tipped minimum wage workers by 33 percent MORE THAN THE
26 CURRENT STATE OR FEDERAL MINIMUM WAGE and tipped minimum wage workers by 80
27 percent MORE THAN THE CURRENT STATE OR FEDERAL MINIMUM WAGE will push up wages
28 of other workers and increase overall labor costs. Some evidence shows that businesses
29 respond to an increase in the minimum wage by raising prices or by hiring fewer workers,
30 or both. An increase in the minimum wage could be particularly difficult for smaller
31 businesses and restaurants with fewer financial resources. The government does not need
32 to require businesses to pay their workers more; ~~businesses already pay nearly all Colorado~~
33 ~~workers more than the proposed minimum wage~~ ONLY 0.37 PERCENT OF COLORADO'S
34 POPULATION IS EARNING LESS THAN THE PROPOSED \$6.85 PER HOUR.



35 2) ~~Some evidence~~ STUDIES show that increases in the minimum wage cause
36 employers to hire fewer less-skilled and inexperienced workers, DENYING THESE WORKERS
37 THEIR VERY FIRST JOB IN THE WORKFORCE. These workers would then miss the opportunity

Mr. Pete Meersman

1 to earn an income and gain the skills and experience that would allow them to earn higher
2 wages in the future. Also, businesses forced to pay higher wages may offer fewer benefits,
3 raises, and training opportunities. Further, many minimum wage workers do not live in
4 low-income households or earn the minimum wage for long. Instead of increasing the
5 minimum wage for all workers, existing programs and tax benefits can help low-income
6 workers in need.

7
8 3) Since changes to the state constitution require voter approval, putting the
9 minimum wage in the state constitution will make it difficult to respond quickly to future
10 economic and labor conditions. Also, ~~adjusting~~ INCREASING the minimum wage each year
11 for inflation could contribute to continuing higher prices for Colorado consumers. Further,
12 businesses will be required to pay workers higher wages each year regardless of their
qualifications or performance and the financial condition of the business or the economy.

13 **Estimate of Fiscal Impact**

14 *State spending and revenue.* Students employed in work-study positions at state
15 universities and colleges are often paid less than \$6.85 per hour. The difference between
16 current student wages and the wages required by Amendment 42 could cost the state up to
17 \$2.8 million annually. THE ACTUAL AMOUNT OF THE INCREASE IS UNKNOWN. The actual
18 state cost will depend on the options used by the legislature or schools to address the higher
19 wages, such as providing more state money to the schools, increasing fees or tuition, or
20 reducing the number of work study hours available to students. All other state employees
21 are currently paid above \$6.85 per hour. Presently, it is unknown whether the amendment
22 will affect state revenue from income or sales tax collections. IF SALES FALL OFF BECAUSE
23 OF INCREASED PRICES AND/OR IF BUSINESSES FAIL BECAUSE OF THEIR INABILITY TO AFFORD
24 THE INCREASED COSTS OF THIS INITIATIVE, STATE SALES TAX REVENUES WILL MOST
25 CERTAINLY BE AFFECTED IN AN ADVERSE MANNER. Any change in tax revenue cannot be
26 quantified at this time.

27 *Local government impact.* The fiscal impact of the amendment on local
28 government has not been estimated, though expenditures would increase for those local
29 governments that currently pay workers at or near the minimum wage. IF SALES FALL OFF
30 BECAUSE OF INCREASED PRICES AND/OR IF BUSINESSES FAIL BECAUSE OF THEIR INABILITY
31 TO AFFORD THE INCREASED COSTS OF THIS INITIATIVE, LOCAL SALES TAX REVENUES WILL
32 MOST CERTAINLY BE AFFECTED IN AN ADVERSE MANNER. Any change in local tax revenue
33 cannot be quantified at this time.

PETE MEERSMAN COMMENTS ON FINAL DRAFT OF AMENDMENT 42

I suggest adding the following verbiage before all initiatives that are proposed constitutional amendments on the ballot: **“Amendment _ is an amendment to the Constitution of the State of Colorado. It may only be amended or repealed by passage of another citizen initiative or legislative referendum at another general election.”**

I know that you have included this information in the “Arguments Against” section, but I do not agree that this is an argument “For” or “Against.” It is simply a statement of fact that amendments to the state’s Constitution require another vote of the electorate to be modified or deleted. The general public is simply unaware of this fact. They should understand the significance up front.

Page 1, Line 2 – The phrase “for most workers” implies that most workers are making less than \$6.85 per hour. This is not the case as is shown on Page 1, Lines 23-25. We suggest replacing “most workers” with “workers making less than \$6.85 per hour who do not regularly receive tips”.

Page 1, Line 3 – The word “adjusts” is not accurate and should be replaced by the word “increases”. Inflation will only increase wages. It does not decrease or “adjust” them. See Page 1, Line 30. In fact, the amendment will not decrease wages in the case of deflation.

Page 1, Line 5 – The word “adjusts” is not accurate and should be replaced by the word “increases”. Inflation will only increase wages. It does not decrease or “adjust” them. See Page 1, Line 30. In fact, the amendment will not decrease wages in the case of deflation.

Page 1, Line 6 – We suggest adding the words “is increased” after the words “non-tipped workers” for clarity. The resulting phrase would read “... by the same dollar amount as the wage for non-tipped workers is increased.”

Page 1, Line 13 – We suggest adding a sentence after the period to read: “Both the Colorado Legislature and the Colorado Department of Labor have the authority to set the minimum wage paid to workers.” The electorate should know this.

Page 1, Line 14 – We suggest adding a sentence after the period to read: “There have been no attempts to raise the minimum wage in the Colorado Legislature since the year 2000.” The electorate should know this.

Page 1, Line 19 – We suggest inserting the word “currently” after the word “not”. The proposed language does not mention any exemptions. We believe the amendment will include all Colorado workers with no exemptions.

Page 1, Line 23 - 27 – This section is very misleading, given the question posed in the heading. Bureau of Labor Statistics show that approximately 75% of workers making less than the minimum wage are tipped employees or employees who receive other types of commissions that take them well over the minimum wage. If 1.5% or 34,000 Colorado workers are paid the current minimum wage

or less, that means that 25,500 of those employees are tipped employees, leaving 8,500 non-tipped employees. We suggest rewording this entire section to read:

“In 2005, 8,500 non-tipped employees, or .37% of workers, were paid the minimum wage of \$5.15 per hour. 25,500 employees, or 1.13% of workers, are tipped employees. Statistics show that tipped employees average \$13 - \$18 per hour in tips, depending on their experience level, in addition to the hourly wages paid by the employer.

“Of the 8,500 non-tipped employees who will receive an increase in wages, 41% or 11,800 live with a parent or relative (75% are under 25 {BLS}), 23% or 6,440 do not live with parents or relatives but have no kids, 21% or 5,880 are the second wage earner of a married couple (62% are part-time {BLS}), and only 15% or 4,200 are single parents or sole earners with children.

Page 1, Line 30 – We suggest adding a statement after the period on this line to read: “The amendment will not decrease wages in the case of deflation.”

Page 2, Line 2 – The word “adjust” is not accurate and should be replaced by the word “increase”. Inflation will only increase wages. It does not decrease or “adjust” them. See Page 1, Line 30. In fact, the amendment will not decrease wages in the case of deflation.

Page 2, Lines 8 - suggest adding the word "only" before the word "four."

Page 2, Lines 8 and 9 – Since you included the state with the highest minimum wage, you should include the state with the lowest minimum wage. Kansas has the lowest state minimum wage at \$2.65 per hour.

Page 2, Line 11 – “ensures that” are very strong words. We suggest replacing those words with “may result in”.

Page 2, Lines 15 - 18 – The 138,000 number in this section is pure speculation, and it contradicts the OLS number on Page 1, Line 24. In addition, the 138,000 number most certainly contains tipped and commissioned employees who are

earning well over the proposed minimum wage right now. This is very misleading and should be modified to the 106,000 number.

Page 2, Line 24 – The word “Adjusting” is not accurate and should be replaced by the word “Increasing”. Inflation will only increase wages. It does not decrease or “adjust” them. See Page 1, Line 30. In fact, the amendment will not decrease wages in the case of deflation.

Page 2, Line 28-31 – This is purely speculation. On Line 28 the words “some evidence” are used and then on Line 30 it turns into “this evidence”. Some evidence also shows that states that have raised minimum wage have had decreases in employment, especially harming low income and low skilled workers. This section should be eliminated.

Page 2, Lines 34 and 35 – You use “33 percent more” and “80 percent more” on these lines. We think you should be more precise and change the language to: “33 percent more than the current state or federal minimum wage” and “80 percent more than the current state or federal minimum wage” respectively.

Page 2, Line 37 – Our studies show that most businesses will raise prices and hire fewer workers. We suggest change “or” to “and/or”.

Page 3, Line 2 - 4 – The data in the second part of this sentence is wrong. The phrase after the semicolon should read, “;only .37% of Colorado’s population is earning less than the proposed \$6.85 per hour.”

Page 3, Line 5 – Study after study shows that employers WILL hire fewer less-skilled and/or inexperienced workers. We suggest changing the first sentence to read: “Studies show that increases in the minimum wage results in hiring fewer less-skilled and inexperienced workers, denying these workers their very first job in the workforce.”

Page 3, Line 12 -- The word “Adjusting” is not accurate and should be replaced by the word “Increasing”. Inflation will only increase wages. It does not decrease or “adjust” them. See Page 1, Line 30. In fact, the amendment will not decrease wages in the case of deflation.

Page 3, Line 21 – We suggest adding a sentence after the period that states: “The actual amount of the increase is unknown.”

Page 3, Lines 25 - 30 – If sales fall off because of increased prices and/or if businesses fail because of their inability to afford the increased costs of this initiative, state and local sales tax revenues will most certainly be affected in an adverse manner.

Second Draft as Mailed to Interested Parties

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

Second Draft as Mailed to Interested Parties

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

Second Draft as Mailed to Interested Parties

1 80 percent more will push up wages of other workers and increase overall labor costs.
2 Some evidence shows that businesses respond to an increase in the minimum wage by
3 raising prices or by hiring fewer workers. An increase in the minimum wage could be
4 particularly difficult for smaller businesses and restaurants with fewer financial resources.
5 The government does not need to require businesses to pay their workers more; businesses
6 already pay more than 95 percent of Colorado workers more than the proposed minimum
7 wage.

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

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

22 **Estimate of Fiscal Impact**

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

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

AMENDMENT 42
COLORADO MINIMUM WAGE
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AMENDMENT 42
COLORADO MINIMUM WAGE
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Amendment 42
Colorado Minimum Wage

1 **Ballot Title:** An amendment to the Colorado constitution concerning the state
2 minimum wage, and, in connection therewith, increasing Colorado's minimum wage to
3 \$6.85 per hour, adjusted annually for inflation, and providing that no more than \$3.02
4 per hour in tip income may be used to offset the minimum wage of employees who
5 regularly receive tips.

6 **Text of Proposal:**

7 *Be it enacted by the People of the State of Colorado:*

8 Article XVIII of the Colorado Constitution is amended BY THE ADDITION OF A
9 NEW SECTION to read:

10 **Section 15. State minimum wage rate.**

11 Effective January 1, 2007, Colorado's minimum wage shall be increased to \$6.85 per
12 hour and shall be adjusted annually for inflation, as measured by the Consumer Price
13 Index used for Colorado. This minimum wage shall be paid to employees who receive
14 the state or federal minimum wage. No more than \$3.02 per hour in tip income may be
15 used to offset the minimum wage of employees who regularly receive tips.