

**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. Federal law allows states and cities to set a higher minimum wage than the
14 federal government.

15 ***What is Colorado's current minimum wage law?*** In 2006, Colorado voters
16 adopted an amendment to the state constitution that raised the minimum wage to
17 \$6.85 per hour on January 1, 2007, and required that the minimum wage be adjusted
18 each year up or down for changes in inflation, as measured by the Colorado consumer
19 price index (CPI). The CPI is a common measure for changes in the prices of goods
20 and services, such as food, housing, gasoline, and medical care. The Colorado
21 Department of Labor and Employment sets the state's minimum wage each January.
22 It is currently set at \$8.31 per hour for most workers. Colorado law does not allow
23 cities to set a higher minimum wage than the state.

24 The 2006 amendment also set the minimum wage for tipped workers at \$3.02 less
25 than the state minimum wage. The minimum wage for tipped workers is currently
26 \$5.29 per hour plus tips. Some tipped workers, such as servers and bartenders, may
27 earn enough in tips to bring their hourly earnings above the state minimum wage,
28 while some may not earn enough in tips to reach it. When tipped workers do not earn
29 enough, employers must supplement their wages to ensure that they receive at least
30 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 remains at \$3.02 less than the state minimum wage,
5 Amendment ? increases the tipped minimum wage to \$8.98 per hour plus tips by
6 2020. Beginning in 2021, the minimum wage is adjusted annually for increases in the
7 CPI. Although Amendment ? and current law both use the CPI to adjust the minimum
8 wage, Amendment ? prevents a decrease in the minimum wage if the cost of living
9 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>

10 **Arguments For**

11 1) Colorado's current minimum wage is too low to provide a basic standard of
12 living. Full-time workers making the minimum wage in Colorado earn approximately
13 \$17,285 annually, or about \$300 per week after taxes, and some rely on public
14 assistance to make ends meet. While the minimum wage has increased only
15 21 percent since 2007 (when the last voter-approved increase in the minimum wage
16 went into effect), prices for basic necessities such as health care and housing have
17 increased more steeply. For example, the overall average rent price in the Denver
18 metro area has increased about 37 percent, from approximately \$946 in 2007 to about
19 \$1,292 in 2015.

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

26 **Arguments Against**

27 1) Increasing the state minimum wage may actually hurt the very employees that
28 the higher wage is meant to help. If Amendment ? passes, some workers earning the
29 minimum wage may face lay-offs, reduced hours, or fewer benefits. Also, workers
30 seeking minimum wage employment may have a harder time finding work if
31 businesses make fewer minimum wage jobs available. Finally, businesses may
32 choose to raise prices. Because low-wage workers spend a higher percentage of their
33 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 where the cost of living is lower and
3 economic recovery has been slow compared with urban areas. Businesses in rural
4 communities have a harder time absorbing increases in costs and may struggle to pay
5 higher costs if the minimum wage increases, which may further distress the economy
6 in rural Colorado.

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 may also affect costs for
12 several state government agencies.

13 Any state agency that pays an employee an hourly wage less than those required
14 by Amendment ? will experience an incremental increase in staffing costs if
15 Amendment ? passes. The actual increase in state costs for each of these agencies
16 will depend on how the agencies, universities, and the legislature manage the
17 increase. Their options may include increasing state funding, increasing fees, raising
18 prices, reducing workers' hours, or some combination of these choices.

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