



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 25-1001: ENFORCEMENT WAGE HOUR LAWS

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**Prime Sponsors:**

Rep. Duran; Froelich  
Sen. Danielson; Kolker

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### Summary Information

**Overview.** The bill modifies state wage laws in a number of ways.**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds

**Appropriations.** For FY 2025-26, the bill requires an appropriation of \$241,518 to the Department of Labor and Employment.

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**Table 1**  
**State Fiscal Impacts**

<b>Type of Impact</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
State Revenue	\$0	\$50,000
State Expenditures	\$284,129	\$649,323
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$50,000
Change in State FTE	2.0 FTE	5.0 FTE

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**Table 1A  
State Revenue**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
General Fund	\$0	\$0
Cash Funds	\$0	\$50,000
<b>Total Revenue</b>	<b>\$0</b>	<b>\$50,000</b>

**Table 1B  
State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
General Fund	\$241,518	\$497,923
Cash Funds	\$0	\$50,000
Federal Funds	\$0	\$0
Centrally Appropriated	\$42,611	\$101,400
<b>Total Expenditures</b>	<b>\$284,129</b>	<b>\$649,323</b>
<b>Total FTE</b>	<b>2.0 FTE</b>	<b>5.0 FTE</b>

## Summary of Legislation

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The bill modifies wage and hour laws in a number of ways as described below.

### Definition of Employer

The bill amends the definition of employer to include any individual who owns or controls at least 25 percent of the ownership interest of a company.

### Payroll Deductions

The bill prohibits an employer from making a payroll deduction that drops a worker's pay below the applicable minimum wage.

### Penalty Waiver and Court Awards

The bill allows the Colorado Department of Labor and Employment (CDLE) to waive, under certain conditions, the penalty for an employer's failure to pay claimed wages or compensation if the employer pays all claimed wages within 14 days. In a civil action for unpaid wages, the bill allows the court to pursue all available equitable relief for an employee.

## Wage Claim Threshold

Under current law, the CDLE can receive and adjudicate claims up to \$7,500 for nonpayment of wages and compensation. On July 1, 2026, the bill increases this threshold to \$13,000, to be adjusted annually for inflation beginning January 2028. The bill establishes additional procedures the CDLE must follow when adjudicating wage complaints, including listing the employers in violation on the CDLE website, and, where violations are not remedied within 60 days, notifying other agencies of the violation in order to revoke the violating employers' applicable licenses or permits.

## Penalties for Misclassifying Employees as Independent Contractors

For employers found to have misclassified an employee in a way that affects their compensation, the bill requires these employers to pay the following fines:

- \$5,000 for a willful violation;
- \$10,000 for a violation not remedied within 60 days;
- \$25,000 for a second or subsequent violation within 5 years; and
- \$50,000 for a second or subsequent violation not remedied within 60 days.

The bill also decreases the amount of time the CDLE must wait before paying an employee out of the Wage Theft Enforcement Fund from 6 months to 4 months (120 days).

## Discrimination Protection

Current law prohibits an employer from discriminating or retaliating against an employee taking protection under wage and hour laws or the law related to the employment of minors. The bill modifies these laws to:

- amend the definition of employer to include other persons, such as contractors;
- require a fact finder to consider the time between an individual's exercise of a protected activity and an employer's adverse action when determining whether an employer has retaliated against the employee or worker;
- specify that any effort to use an individual's immigration status to negatively impact the wage and hour law rights, responsibilities, or proceedings of any employee or worker is an unlawful act; and,
- allow the division to order reasonable attorney fees and costs after investigating a discrimination or retaliation claim.

## **Background and Assumptions**

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### **Department of Labor and Employment**

#### **New Staffing Requirements**

The [Division of Labor Standards and Statistics](#) (DLSS) in the CDLE investigates complaints and enforces the state's wage and hour laws.

The division requires program management staff to create and manage a new unit for additional high-dollar claims; create internal processes and policies; train, manage, and assign work to the compliance investigators; and fulfill the reporting and notification requirements in the bill, as well as manage internal policy creation and develop internal and external guidance material. This portion of the bill requires 1.0 FTE.

On average, typical wage claims require 46 hours to investigate and complex wage claims require 60 hours to investigate. The CLDE investigated about 4,100 wage claims last year, the vast majority being low-dollar claims. Because the bill increases the maximum threshold under which employees can make unpaid wage claims from \$7,500 to \$13,000, the fiscal note assumes there will be roughly 200 additional wage claims annually. This portion of the bill requires 1.0 FTE.

Expanding the range of individual owners co-liable for unpaid wages; imposing fines for misclassifying employees as "independent contractors;" and broadening the range of discrimination and retaliation protection laws will increase the complexity of wage claims. The DLSS is required to inquire about each complaint received, but has discretion to investigate them. This portion of the bill requires 3.0 FTE.

#### **Timeline for New Staff**

The fiscal note assumes 2.0 FTE will begin work in FY 2025-2026 to address the program expansion and related claims. In FY 2026-27, an additional 3.0 FTE will begin investigatory work.

## **Comparable Crime Analysis**

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Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or creates a new factual basis for an existing crime. The following section outlines crimes that are comparable to the offense in this bill and discusses assumptions on future rates of criminal convictions resulting from the bill.

## Prior Conviction Data and Assumptions

This bill creates a new factual basis for the existing offense of discrimination or retaliation by employers, a class 2 misdemeanor. From FY 2021-22 to FY 2023-24, zero offenders have been sentenced and convicted for this offense; therefore, the fiscal note assumes that there will continue to be minimal or no additional criminal case filings or convictions for this offense under the bill. Because the bill is not expected to have a tangible impact on criminal justice related revenue or expenditures at the state or local levels, these potential impacts are not discussed further in this fiscal note. Visit [leg.colorado.gov/fiscalnotes](http://leg.colorado.gov/fiscalnotes) for more information about criminal justice costs in fiscal notes.

## State Revenue

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### Department of Labor and Employment

The bill increases state revenue to the Wage Theft Enforcement Fund in the CDLE by an estimated \$50,000 in FY 2026-27 (half-year impact) and \$100,000 in FY 2027-28 and subsequent years as a result of new fines on employers for misclassifying employees. Fine revenue is subject to TABOR.

The fund is continuously appropriated to the CDLE for the purpose of paying workers who employers have failed to pay. Based on investigation timelines, it is assumed revenue will not accrue to the fund until the latter half of FY 2026-27. While the bill allows any single fine for misclassifying employees of up to \$50,000, large fines are anticipated to be rare. The CDLE may waive fines to encourage the employer to pay the employee all wages and penalties.

**Table 2**  
**State Revenue**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Wage Theft Enforcement Fund	\$0	up to \$50,000	up to \$100,000
<b>Total Revenue</b>	<b>\$0</b>	<b>up to \$50,000</b>	<b>up to \$100,000</b>

### Judicial Department

The bill may result in a small increase in civil case filings in the Judicial Department. Any fee revenue impact is expected to be minimal.

## State Expenditures

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The bill increases state expenditures in the Department of Labor and Employment by about \$284,000 in FY 2025-26 and \$649,000 in FY 2026-27. These costs, paid from the General Fund and the Wage Theft Enforcement Fund, are summarized in Table 3 and discussed below. The bill also minimally increases workload in the Department of Law and the Judicial Department.

**Table 3**  
**State Expenditures**  
**Department of Labor and Employment**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Personal Services	\$191,017	\$422,435
Operating Expenses	\$2,560	\$6,400
Capital Outlay Costs	\$20,010	\$20,010
Non-Standard Costs	\$27,931	\$49,078
Wage Theft Enforcement Fund Payments	\$0	up to \$50,000
Centrally Appropriated Costs	\$42,611	\$101,400
<b>Total Costs</b>	<b>\$284,129</b>	<b>\$649,323</b>
<b>Total FTE</b>	<b>2.0 FTE</b>	<b>5.0 FTE</b>

## Department of Labor and Employment

### Staff

The Division of Labor Standards and Statistics in the CDLE requires 2.0 FTE in FY 2025-26 and 5.0 FTE in FY 2026-27 and ongoing years. See the Background and Assumptions section for details on the expected increase in claims and violations, and related staff impact.

All standard operating and capital outlay costs are included, and the fiscal note assumes a September 2025 start date for all positions that begin in FY 2025-26.

### Non-Standard Expenditures

The CDLE requires funding for additional non-standard costs, including worksite travel for compliance investigators, transcriptions and translations of outreach materials into Spanish, payment administration, and software licenses for new staff.

### Wage Theft Enforcement Fund

The fiscal note assumes any additional revenue collected in the Wage Theft Enforcement Fund will go toward the disbursement of wages, compensation, or other monetary relief owed to employees. See State Revenue section for details on new revenue collection.

## Other Agency Impacts

### Department of Law

Beginning in FY 2026-27, the bill may increase workload in the Department of Law. Any legal services to the CDLE related to wage claim investigations will come from appeals to court, which are rare for these types of cases. These appeals to court would not take place until 2027, and any impact is expected to be absorbable within existing resources.

### Judicial Department

The bills may increase the number of wage claims and increase workload for the trial courts in the Judicial Department. Any workload increase is absorbable within existing resources.

## Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table above.

## TABOR Refunds

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The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

## Effective Date

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The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. It applies to conduct occurring on or after this date.

## State Appropriations

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For FY 2025-26, the bill requires a General Fund appropriation of \$241,518 to the Department of Labor and Employment, and 2.0 FTE.

## Departmental Difference

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The CDLE assumes the bill requires \$388,000 and 2.8 FTE in FY 2025-26, \$1.2 million and 10.7 FTE in FY 2026-27, and similar amounts ongoing. This assumes the DLSS requires additional policy advisors to implement the program, and compliance investigators to manage the expansion of wage theft law. The fiscal note reduces the staff by 0.8 FTE in FY 2025-26 and by 5.7 FTE in FY 2026-27 as the division has approximately 85 FTE, much of which was added through recent legislation, and much of the workload associated in the bill are slight modifications in the scope of the existing program.

## State and Local Government Contacts

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Counties	Law
District Attorneys	Personnel
Judicial	Regulatory Agencies
Labor	

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).