



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1001: ENFORCEMENT WAGE HOUR LAWS

Prime Sponsors:

Rep. Duran; Froelich
Sen. Danielson; Kolker

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Fiscal note status: The revised fiscal note reflects the introduced bill, as amended by the House Finance Committee.

Summary Information

Overview. The bill modifies state wage and hour laws.

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 \$272,300 to the Department of Labor and Employment.

Table 1
State Fiscal Impacts

Type of Impact¹	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$50,000	\$100,000
State Expenditures	\$318,158	up to \$1,296,240	up to \$1,286,210
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$50,000	\$0
Change in State FTE	2.2 FTE	up to 10.7 FTE	up to 10.7 FTE

¹ Fund sources for these impacts are shown in the tables below.

**Table 1A
State Revenue**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0	\$0
Cash Funds	\$0	\$50,000	\$100,000
Total Revenue	\$0	\$50,000	\$100,000

**Table 1B
State Expenditures¹**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	\$272,300	up to \$1,032,826	up to \$972,796
Cash Funds	\$0	\$50,000	\$100,000
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$45,858	\$213,414	\$213,414
Total Expenditures	\$318,158	up to \$1,296,240	up to \$1,286,210
Total FTE	2.2 FTE	up to 10.7 FTE	up to 10.7 FTE

¹ Expenditures reflect the upper end of the estimated range. See Departmental Difference.

Summary of Legislation

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. It also adds an exemption for a minority owner that delegates day-to-day operational authority to an employer.

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.

The bill clarifies that local governments are not restricted from enforcing laws or ordinances related to wage payments, and that local governments may enact laws related to wage payments provided they do not reduce employee protections or benefits established in state law.

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.

Comparable Crime Analysis

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 for more information about criminal justice costs in fiscal notes.

State Revenue

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

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

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

The bill increases state expenditures in the Department of Labor and Employment by \$318,000 in FY 2025-26 and up to \$1.3 million in FY 2026-27 and ongoing. 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

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$199,226	\$865,514	\$865,514
Operating Expenses	\$2,816	\$13,696	\$13,696
Capital Outlay Costs	\$26,680	\$60,030	\$0
Non-Standard Costs	\$43,578	\$93,586	\$93,586
Wage Theft Enforcement Fund Payments	\$0	up to \$50,000	up to \$100,000
Centrally Appropriated Costs	\$45,858	\$213,414	\$213,414
Total Costs	\$318,158	up to \$1,296,240	up to \$1,286,210
Total FTE	2.2 FTE	up to 10.7 FTE	up to 10.7 FTE

Department of Labor and Employment

Staff Background and Assumptions

The [Division of Labor Standards and Statistics](#) (DLSS) in the CDLE investigates complaints and enforces the state's wage and hour laws. The fiscal note assumes that this bill will generate enough workload for 2.8 FTE in FY 2025-26 (prorated to 2.2 FTE to reflect a September 2025 start date) and at least 5.0 FTE in the first full implementation year, FY 2026-27. However, because the goal of the legislation is to also bolster wage theft enforcement, an additional 5.7 FTE may be appropriated to the DLSS in FY 2026-27 and future fiscal years. The minimum cost of this FTE is \$599,323 in FY 2026-27 and ranges up to the totals shown in Table 3 above, depending on how much the General Assembly wants to allocate for enforcement.

Program Management

Staff will include up to 1.5 FTE in ongoing years for 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.

Compliance Investigators

Staff will also include up to 7.2 FTE in ongoing years for compliance investigators to investigate claims related to worker misclassification, the increased claim threshold, and the expansion of the range of individual owners co-liable for unpaid wages.

Policy Advisors

Finally, staff will include up to 2.0 FTE in ongoing years for two policy advisors. One policy advisor will collaborate with compliance investigators, develop internal and external guidance material, and provide policy consulting to staff; and the other advisor will be a lead investigator on new types of retaliation investigations. The CDLE has discretion as to how many retaliation claims it will accept and receive, so this fiscal note assumes it will limit the number of investigations to what this policy advisor can address.

Standard Operating and Capital Outlay Costs

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.

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.

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.

TABOR Refunds

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

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

For FY 2025-26, the bill requires a General Fund appropriation of \$272,300 to the Department of Labor and Employment, and 2.2 FTE.

Departmental Difference

The CDLE estimates that \$1.3 million and 10.7 FTE for FY 2026-27 and future years is the minimum amount required to implement the bill and effectively enforce the expansion of wage theft law. The fiscal note estimates a lower ongoing requirement of approximately \$0.6 million and 5.0 FTE as a result of the bill specifically, and presents a range to account for the difference between the impacts identified by Legislative Council Staff and the department's estimate.

CDLE's estimate includes compliance investigators and administrative support staff to expedite claims. The fiscal note assumes that funding to expedite a general increase in claims will be properly addressed through the annual budget process and is not a direct impact of this bill.

State and Local Government Contacts

Counties

Law

District Attorneys

Personnel

Judicial

Regulatory Agencies

Labor