



**Legislative
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Nonpartisan Services for Colorado's Legislature

HB 19-1210

**FINAL
FISCAL NOTE**

Drafting Number:	LLS 19-0166	Date:	August 28, 2019
Prime Sponsors:	Rep. Melton; Galindo Sen. Danielson; Moreno	Bill Status:	Signed into Law
		Fiscal Analyst:	Clare Pramuk 303-866-2677 clare.pramuk@state.co.us

Bill Topic: LOCAL GOVERNMENT MINIMUM WAGE

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill allows a local government to establish a minimum wage law for individuals performing work in its jurisdiction. The Department of Labor and Employment is required to monitor local government adoption of minimum wages that exceed the state minimum wage, notify the Department of Health Care Policy and Financing about changes to local minimum wages, and provide a report to the General Assembly. If a local government increases its minimum wage, the General Assembly is required to provide funding for minimum wage enhancement payments to nursing facility providers. The bill will increase state and local revenue and expenditures.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the enacted bill.

**Table 1
State Fiscal Impacts Under HB 19-1210**

		FY 2019-20	FY 2020-21	FY 2021-22
Revenue		-	-	-
Expenditures	General Fund	-	\$148,938	\$203,688
	Cash Funds	-	\$75,689	\$70,986
	Federal Funds	-	\$148,937	\$203,687
	Centrally Appropriated	-	\$27,782	\$30,625
	Total	-	\$401,346	\$508,986
	Total FTE	-	1.9 FTE	2.0 FTE
Transfers		-	-	-
TABOR Refund		-	-	-

Summary of Legislation

Current state law prevents local governments from enacting minimum wage laws separate from those of the state. This bill repeals that provision and allows up to 10 percent of local governments in Colorado (up to 33 as of this writing as discussed in the Background Section) to establish minimum wage laws for individuals working 4 or more hours in a given week while physically present within their jurisdiction. Minimum wage laws must be approved by a local government body, an initiative, or a referendum. Local minimum wages may exceed the state and federal minimum wages but must provide a tip offset of no more than \$3.02 per hour for employees of any business that prepares and offers for sale food or beverages for consumption on or off premises. A local government that establishes a local minimum wage may adopt provisions for local enforcement of the minimum wage law. The bill provides for local minimum wage enhancement payments to be made to nursing facility providers by the Department of Health Care Policy and Financing (HCPF) with state appropriations.

The authority to enact a local government minimum wage applies to a city, home rule city, town, territorial charter city, city and county, county, and home rule county. Before enacting a minimum wage law, a local government is required to consult with surrounding local governments and engage stakeholders. A local minimum wage may only take effect on the same date as a scheduled increase in the statewide minimum wage (January 1) with the earliest effective date being January 1, 2021. The increase in local minimum wage is limited to the greater of \$1.75 per hour or 15 percent of the state minimum wage.

The director of the Department of Labor and Employment (CDLE) is required to report to the General Assembly on local minimum wage laws in the state by July 1, 2021, and annually thereafter if additional local governments enact a minimum wage law after July 1 of the prior year. The director is also required to report to the director of HCPF if a local government enacts a minimum wage that exceeds the state minimum wage. The director of HCPF will then submit a report to the Joint Budget Committee as to whether provider rates, with the exception of nursing facility providers, need to be increased. The director of HCPF will also establish by rule a process for eligible nursing facility providers to apply for local minimum wage enhancement payments and administer such payments.

Background

Local governments. The bill applies to 332 local governments which includes:

- 14 cities;
- 85 home rule cities;
- 168 towns;
- 1 territorial charter city;
- 2 city and county;
- 60 counties; and
- 2 home rule counties.

Colorado's minimum wage. Prior to 2007, Colorado's minimum wage law was set by federal law. In 2006, Colorado voters approved an amendment to the state constitution that raised the minimum wage from \$5.15 per hour to \$6.85 per hour beginning in 2007, and from \$2.13 per hour to \$3.83 per hour for tipped workers. In 2016, Colorado voters again amended the state constitution to increase the state minimum wage from \$8.31 to \$9.30 per hour beginning on January 1, 2017, after which it increases annually by \$0.90 per hour until it reaches \$12.00 per

hour on January 1, 2020. Beginning January 1, 2021, it will be adjusted each year thereafter by the increase in the Consumer Price Index. Currently, the federal minimum wage is \$7.25 per hour and \$2.13 for tipped workers.

Table 2 shows the Colorado minimum wage and tipped employee minimum wage from 2006 to 2020.

Table 2
Colorado State Minimum Wage, 2006-2020

Effective Year	Minimum Wage	Tipped Employee Minimum Wage
2006	\$5.15	\$2.13
2007	\$6.85	\$3.83
2008	\$7.02	\$4.26
2009	\$7.28	\$4.26
2010	\$7.24	\$4.22
2011	\$7.36	\$4.34
2012	\$7.64	\$4.62
2013	\$7.78	\$4.76
2014	\$8.00	\$4.98
2015	\$8.23	\$5.21
2016	\$8.31	\$5.29
2017	\$9.30	\$6.28
2018	\$10.20	\$7.18
2019	\$11.10	\$8.08
2020	\$12.00	\$8.98

Source: Colorado Department of Labor and Employment; Colo. Const. art. XVIII, § 15.

Assumptions

The fiscal note assumes that local governments will enact local minimum wage laws as permitted by the bill. While the timing and number of local governments that adopt minimum wage laws each year is unknown, the fiscal note assumes that no local government will enact a local minimum wage law before January 1, 2021, due to the stakeholder requirements under the bill.

State Revenue

The bill potentially changes wages in local jurisdictions that choose to enact local minimum wage laws, which may affect state individual income taxes and sales taxes. Any impact on state tax revenue and the TABOR refund amount is conditional, dependent on future decisions made by local governments. This fiscal note does not estimate how the measure will conditionally affect individuals' wages and the subsequent impact on tax collections, nor does it estimate the overall impact to businesses and the economy. Such an estimate would rely on many secondary factors outside the scope of this analysis.

State Expenditures

This bill will increase expenditures by at least \$401,347 and 1.9 FTE in FY 2020-21 and at least \$508,986 and 2.0 FTE for the CDLE and HCPF from General Fund, cash funds, and federal funds. These costs are shown in Table 3 and explained below.

Department of Labor and Employment. The CDLE will have an increase in expenditures of \$89,521 and 1.0 FTE in FY 2020-21 and \$86,237 and 1.0 FTE in FY 2021-22 and thereafter from the Employment Support Cash Fund. The CDLE will add an economist to monitor changes in local minimum wages, analyze the impact of those changes, and develop a report on local minimum wages to be provided to the General Assembly. The CDLE will also have an increase in workload to advise local governments on the implementation of the bill.

Department of Healthcare Policy and Financing. HCPF will have an increase in expenditures of at least \$311,825 in FY 2020-21 and at least \$422,749 in FY 2021-22 funded equally with General Fund and federal funds for administration of wage enhancement payments. It will also have an expenditure increase for the wage enhancement payments, which have not been estimated for this fiscal note.

- **Administration.** The HCPF will have an increase in expenditures for 1.0 FTE Rate and Financial Analyst to process applications for wage enhancement, audit payments, and recover improper payments. The FTE and salary are prorated in FY 2020-21 to account for the General Fund paydate shift. The HCPF is expected to amend its current contract with its nursing facility rate audit vendor to develop the application and audit process. After a local government adopts a minimum wage, the vendor will audit the wage enhancement payments which are assumed to require 20 hours per facility annually. The hourly rate for the vendor is \$200. The fiscal note assumes that the vendor will require 240 hours to develop the application and audit process for a total of \$48,000 in FY 2020-21 only. Beginning January 2021, the cost per facility for auditing is expected to be \$4,000. The total amount of auditing costs will depend on the number of facilities eligible for wage enhancement payments but the fiscal note estimates auditing costs of \$176,000 in FY 2020-21 and \$332,000 in FY 2021-22.
- **Wage enhancement payments.** The HCPF will also require additional General Fund appropriations to make local minimum wage enhancement payments to nursing facility providers. Wage enhancement payments have not been estimated for the fiscal note. The amount of payments will depend on which local governments increase their minimum wages and by how much as well as the number of nursing facility employees eligible for the payments. This funding will be addressed through the annual budget process.

All state agencies. The state currently employs approximately 1,000 people who earn between \$11.10 and \$13.80 per hour in all departments excluding institutions of higher education. To the extent that state employees work in areas where the local minimum wage is increased, state agencies will have an increase in expenditures. These increases will be addressed through the annual budget process.

**Table 3
Expenditures Under HB 19-1210**

Cost Components	FY 2019-20	FY 2020-21	FY 2021-22
Department of Labor and Employment			
Personal Services	-	\$70,036	\$70,036
Operating Expenses and Capital Outlay Costs	-	\$5,653	\$950
Centrally Appropriated Costs*	-	\$13,832	\$15,251
FTE – Personal Services	-	1.0 FTE	1.0 FTE
CDLE (Subtotal)	-	\$89,521	\$86,237
Department of Health Care Policy and Financing			
Personal Services	-	\$68,222	\$74,425
Operating Expenses and Capital Outlay Costs	-	\$5,653	\$950
Contract Auditor Services	-	\$224,000	\$332,000
Wage Enhancement Payments	-	not estimated	not estimated
Centrally Appropriated Costs*	-	\$13,950	\$15,374
FTE – Personal Services	-	0.9 FTE	1.0 FTE
HCPF (Subtotal)	-	\$311,825	\$422,749
Total	-	\$401,346	\$508,986
Total FTE	-	1.9 FTE	2.0 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Local Government Impact

Any impact on local government revenue or expenditures is conditional upon future decisions made by those local governments.

Revenue. A local government's revenue from sales taxes may be impacted by changing the income of individuals or the expenses of business. This fiscal impact estimate would rely on many secondary factors outside the scope of this analysis.

Expenditures. A municipality or county that changes local law to require a unique minimum wage will change the expenses of that government in order to pay their employees a different wage amount. Additionally, each municipality or county that enacts a unique minimum wage may also create an enforcement mechanism where none currently exists, increasing local government costs. In the event that a minimum wage change is brought through an initiative or referendum, increased election costs will also be incurred.

Effective Date

The bill was signed into law by the Governor on May 28, 2019, and takes effect January 1, 2020, assuming no referendum petition is filed.

State and Local Government Contacts

Counties
Labor and Employment
Personnel and Administration

Health Care Policy and Financing
Municipalities