



# **Citywide Minimum Wage Proposal for Denver**

**November 12, 2019**

**Finance and Governance Committee**



# Bill Sponsors

## Lead Sponsors:

- Mayor Michael B. Hancock
- Councilwoman Robin Kniech

## Co-Sponsors:

- Councilman Kevin Flynn
- Councilwoman Stacie Gilmore
- Councilwoman Jamie Torres
- Councilman Chris Hinds
- Councilwoman Deborah Ortega



# Proposed Citywide Minimum Wage Rates

Year	Revised Proposal
Jan. 1, 2020	\$12.85
Jan. 1, 2021	\$14.77
Jan. 1, 2022	\$15.87
2023 and beyond...	CPI adjusted



# Changes: Differential Wage for Minors in Certified Employment Training

- Allowed to pay 15% below citywide wage to unemancipated minors
- DEDO to develop new certification program, criteria:
  1. Curriculum identifying the skills and competencies minor will develop
  2. Training/development above and beyond job itself

Year	Revised Proposal	Maximum 15% Reduction
2020	\$12.85	\$10.93*
2021	\$14.77	\$12.56**
2022	\$15.87	\$13.49
2023 and beyond...	CPI adjusted	CPI adjusted

\* This wage is below the statewide minimum wage but, would be allowed pursuant to the state law permitting unemancipated minors to be paid 15% less than the state minimum wage.

\*\* This wage may end up being below the statewide minimum wage, depending on the CPI increase to the state minimum wage of \$12 in 2020 to the updated wage in 2021.



# Changes: Penalties - Flexibility, New

## First Offense

- Option of waiving penalty if in good faith (unchanged)
- Up to \$50/day (new discretion)

## Second and Third Offenses

- \$1,000-\$2,500
- \$10 - \$75 per day per worker

## Fourth and Subsequent Offenses

- \$2,500-\$5,000
- \$50-\$100 per day per worker

## Payroll Records – Failure to Provide

- Up to \$1,000

## Retaliation

- \$5,000 (deterrent)



# No Changes: Other Penalties

In addition to penalties, employees must be made whole for all underpayment of wages

Fixed enforcement penalties:

- False reporting = \$1,000 per violation
- Failure to make workers whole for underpayment of wages = \$5,000 per violation



# Other Changes

## Data Reporting

- Auditor shall track complaints & investigations
- Report to City Council by March 31 of each year (starting '21):
  - enforcement metrics
  - assessing the efficacy
  - make recommendations

## Employer Responsibility

- Those who are contracting for their own household services will not be held liable for contractor failure to pay minimum wage

## Unclaimed Minimum Wage Special Trust Fund

- Extending period that wages owed to workers can be held until they can be located from 2 to 3 years
- Efforts to enhance systems for notice



# No Change: Enforcement

- Complaint-based enforcement by the Auditor's Office
  - Third parties/anonymous can also file a complaint
  - Complaints must be filed within one year of alleged violation
  - Retaliation against a person for filing complaints is prohibited
  - Change from "shall investigate" all to prioritization and discretion
- Auditor enforcement includes:
  - 3-year look-back period for investigation following complaint
  - Power to investigate company-wide after complaint
  - Power to give/receive referrals
- Allows for private right of action
  - A person may file a private lawsuit
  - Concurrent or standalone from city enforcement process
  - Does not preclude city-initiated enforcement action
  - Statute of limitations same as auditor look-back (NEW)
- After 2 years
  - Where pattern of non-compliance emerges in industry or with employer, indicating likelihood of violations, ability to investigate absent a complaint





# Companion Bill: Special Revenue Fund

- Establishes the Unclaimed Minimum Wage Special Trust Fund to temporarily maintain unclaimed wage payments made by Denver employers pursuant to the minimum wage ordinance.
- This bill request is a companion ordinance to the minimum wage ordinance submitted by the Mayor's Office. It establishes a Special Trust Fund that will hold certain payments of unclaimed wages made by Denver employers to meet minimum wage requirements for their workers. These payments may be made in lieu of penalties/fines. Employer payments will be held in the Special Trust on workers' behalf for three years. If not claimed by a worker during that time, such funds will be transferred to the General Fund on a rolling basis.
- Expenses in the fund will include reimbursements to workers for certain unclaimed wages as well as transfers to the General Fund of amounts that remain unclaimed. The expending authority will be the Auditor's Office.



# Additional Reports: Under State Statute

## Colorado Department of Labor Required Annual Report

“By July 1, 2021, the Executive Director Of The Department Of Labor And Employment shall issue a written report regarding local minimum wage laws in the state. The report must include the location, nature, and scope of enacted local minimum wage laws. **To the extent feasible**, the executive director shall also include in the report **economic data, including jobs, earnings, and sales tax revenue, in the jurisdiction of any local government that has enacted** a local minimum wage law pursuant to this section, **as well as data for neighboring jurisdictions, relevant regions, and the state**. The report may include recommendations for possible improvements to this section.”

[HB19-1210 \(link\)](#)



# Legislative Schedule

- **November 12:** FinGov action item (w/ public comment) (have half of meeting)
- **November 19:** First reading at City Council.
- **November 25:** Second reading. A courtesy public hearing.
- **January 1, 2020:** Effective date.





Questions?





# Appendix



# Why: Cost of Living in Denver Self-Sufficiency Standard 2018



Adult  
\$12.51



Adult +  
school-age  
teenager,  
\$22.54



2 Adults + Infant  
Preschooler,  
\$19.87 per adult



Adult +  
preschooler  
\$25.22



2 Adults +  
Infant  
\$15.32 per  
adult

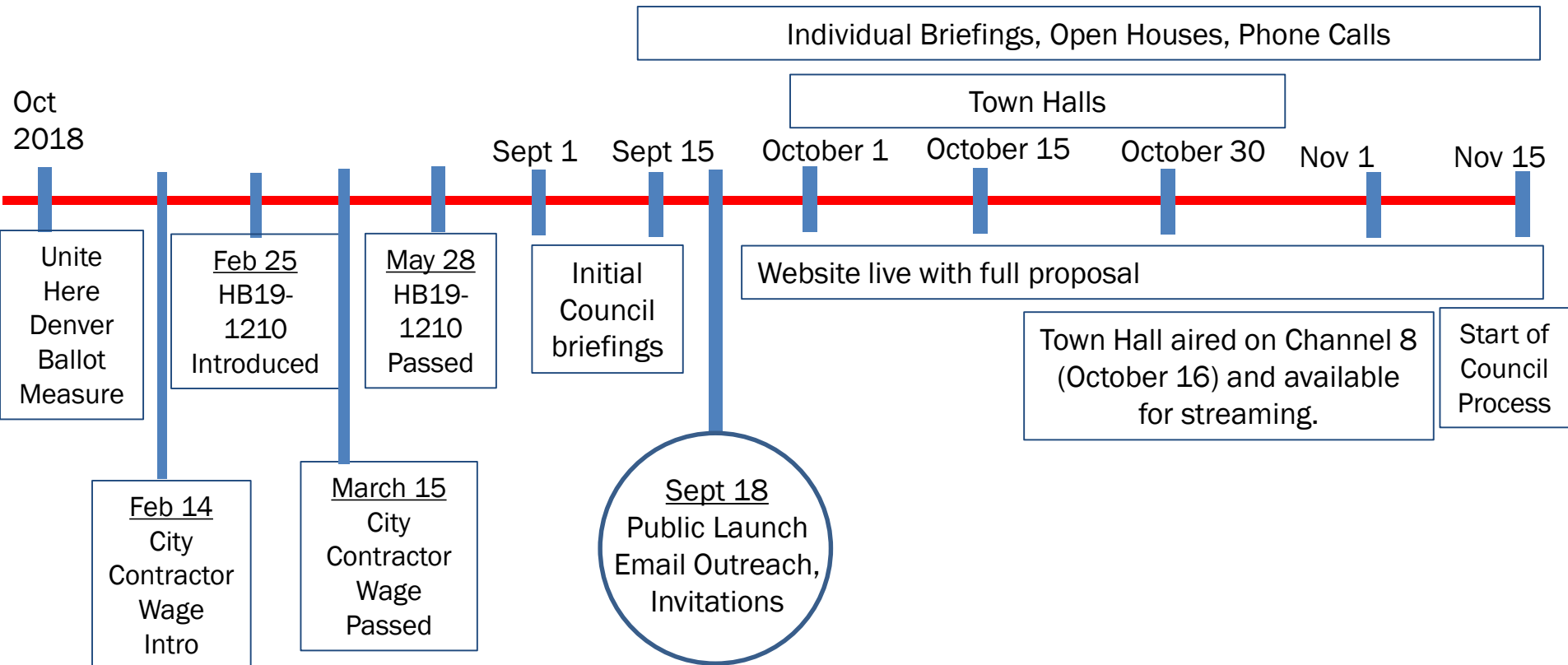


2 Adults +  
Preschooler School-  
age  
\$17.10 per adult

[The Self-Sufficiency Standard for Denver County, CO 2018, Colorado Center on Law and Policy.](#)



# Community Outreach: Timeline



# Legally Required Sector Outreach

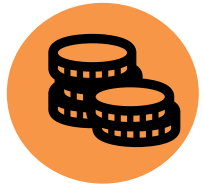
“Before enacting a minimum wage law, a local government shall consult with surrounding local governments and engage stakeholders, including chambers of commerce, small and large businesses, businesses that employ tipped workers, workers, labor unions, and community groups.” *CRS 8-6-101 (3) (a) (I)*



LOCAL GOVERNMENTS



BUSINESSES THAT  
EMPLOY TIPPED  
WORKERS



CHAMBERS OF  
COMMERCE



WORKERS



SMALL BUSINESS



LABOR UNIONS



LARGE BUSINESS



COMMUNITY GROUPS





# Sample of Outreach to Organizations\*

Denver BID Roundtable – All Denver BID directors  
Hotel & Lodgers Association  
BOMA  
Denver Health  
Denver Public Schools  
Home Care Association  
Colorado Brewers Guild  
CO Assoc of Mechanical and Plumbing Contractors  
United Airlines  
Tavern Hospitality Group  
Cherry Creek Business Alliance  
Good Business Colorado  
ARC Thrift Stores  
Colorado Nonprofit Association  
Denver Preschool Program  
Western Stock Show Association

Metro Chamber/Metro EDC  
Downtown Denver Inc Board  
VISIT Denver – Government Affairs Committee  
Colorado Retail Council  
Colorado Restaurant Association  
Building Jobs 4 Colorado  
Eat Denver  
Coffee at the Point  
Downtown Denver BID Board  
Downtown Denver Partnership Membership Meeting  
Denver Dems Policy Committee  
SCFD  
Work Here, Thrive Here Coalition  
Denver Museum of Nature and Science  
Denver Center for the Performing Arts  
Denver Art Museum

*\* Additional associations were notified and invited to participate but did not respond.*



# Outreach Metrics

**5** Public Town Halls (est. **300** attendees)

**5** Sector Specific Open Houses

**15+** Presentations

**62+** Individual meetings

**200+** Interactions w/ groups or constituents by email/phone

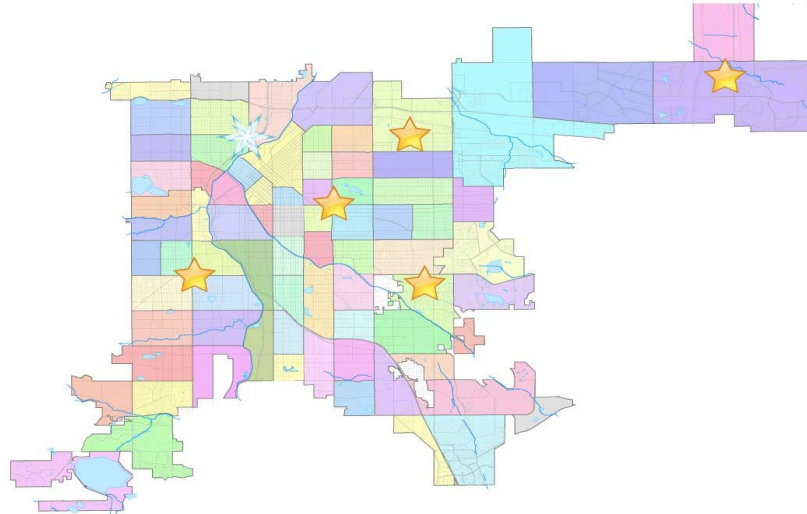
**37+** Media stories since September

**900+** Website Visitors

**7,600** RK blast emails announcing bill/process & inviting input



# Five Town Halls Around Denver



# Major Themes of Feedback Received

## Supportive:

### Who

- Some businesses
- Faith, community, labor coalition Work Here, Thrive Here — including a list of endorsers
- Unrepresented individual residents, workers
- Metro Caring
- Denver Foundation
- Healthier Colorado

### Why Supportive

- Working multiple jobs impacting **quality of life**
- **High housing costs** and concern even proposed wages don't meet need
- Low wages a factor in **homelessness**
- A **moral issue**
- Some wanted more “15%” steps, before going to CPI
- Some concerned CPI not right benchmark, because it excludes housing costs

## Concerned:

### Who

- Small business
- Large corporations
- Restaurants/Hospitality
- Retailers
- Manufacturers (also being hit by tariffs)
- Home health care or other Medicaid dependent industries
- Large non-profits, few child care/schools
- DPS

### Why Concerned

- Some opposed to any increase/**wages already too high**
- Others supportive of raising wage but wanted it done **more gradually**
- Some acknowledged the **competing interests**/needs of workers trying to live in city
- Many paying minimum/less than proposed, directly impacted
- **Compression**
- **Cumulative impacts of cost of doing biz in Denver**
- **So soon and being so large**
- **Tip credit not rising with the wage**



# Response to Feedback: Wage Changes

- 1) Reduce the first step (dropped from \$13.80 → \$12.85)
- 2) Spread the increases over more time (three years instead of two)

Year	Original Proposal	Revised Dollar/ Percentages	Revised Proposal
2020	\$13.80 (15% on \$12)	\$1.75 on \$11.10 (rather than \$12) = 15.7%	<b>\$12.85</b>
2021	\$15.87 (15% on \$13.80)	15% (\$1.92)	<b>\$14.77</b>
2022	CPI	6.9%, (\$1.10)	<b>\$15.87</b>
2023 and beyond...	“”		<b>CPI</b>



# Feedback: Minors Under Age 18

- Only a small % had feedback, was not an overwhelming theme
- Fairly evenly divided among those with feedback

## Opposed to different wage:

- Community who was opposed expressed very strong opposition:
  - “They are doing the same job”
  - “Many are helping their families survive”
- Concern that law may be exploited to pay youth of color less, exacerbating racial bias
- Some businesses: “We’ll have to pay the full wage regardless to be competitive”
- Minor exemptions would be hard for enforcement

## Seeking different wage:

- A few requested the flexibility of lower wage for minors (but were not using the state’s differential currently):
- “I will hire fewer inexperienced young people at proposed wages”
  - Concern it will hurt employment prospects for youth of color
  - “There is value to training that justifies a lower wage”



# No Change: Tip Credit due to HB19-1210

“Local government...shall provide a tip offset for employees [of food and beverage establishments] **equal to the tip offset provided in [the State Constitution].**” 8-6-101(3)(a)(I)

Tip Credit in Article XVIII of the State  
Constitution = \$3.02



# Impacted Residents: Overwhelmingly Adults

GROUP	PROJECTED TOTAL WORKFORCE (in 2020)	Share of all workers paid less than \$12.85 in 2020	Share of all workers paid less than \$14.78 in 2021	Share of all workers paid less than \$15.87 in 2022
Minors	5,000	6.5% (3,000)	4.5% (4,000)	4.6% (4,000)
Adults	375,000	93.5% (47,000)	95.5% (85,000)	95.4% (86,000)

Source: Economic Policy Institute Minimum Wage simulation model 2019





# Impacted Residents: Promotes Racial Equity

GROUP	PROJECTED TOTAL WORKFORCE (in 2020)	Share of all workers paid less than \$12.85 in 2020	Share of all workers paid less than \$14.78 in 2021	Share of all workers paid less than \$15.87 in 2022
African American	32,000	12.5% (6,000)	11.6% (10,000)	11.9% (11,000)
Latino	98,000	51.7% (26,000)	49.6% (44,000)	50.2% (45,000)

Source: Economic Policy Institute Minimum Wage simulation model 2019



# Impacted Residents: Promotes Gender Equity

GROUP	PROJECTED TOTAL WORKFORCE (in 2020)	Share of all workers paid less than \$12.85 in 2020	Share of all workers paid less than \$14.78 in 2021	Share of all workers paid less than \$15.87 in 2022
Men	200,000	43.9% (22,000)	46.1% (41,000)	46.8% (42,000)
Women	181,000	56.1% (28,000)	53.9% (48,000)	53.2% (48,000)

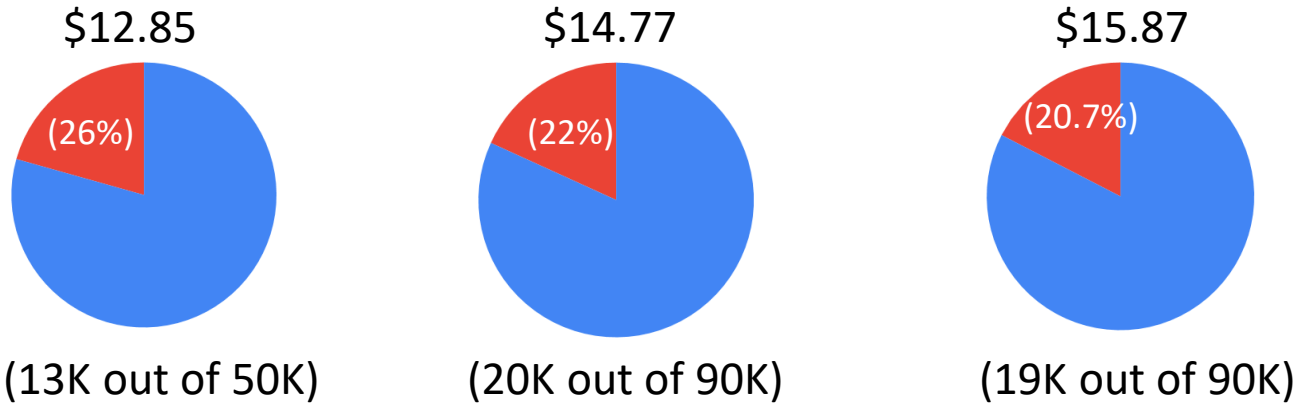
Source: Economic Policy Institute Minimum Wage simulation model 2019



# Data on Restaurants & Tipped Workers

## Estimates of Restaurant and Food Service Workers as Proportion of Benefitted Workers

Among Those Who Live and Work in Denver



### Estimates of Tipped Workers Impacted

2020: 3,000 (7% of all workers who would receive a raise in 2020)

2021: 9,000 (9.9% of all workers who would receive a raise by 2021)

2022: 6,000 (6.5% of all workers who would receive a raise by 2022)

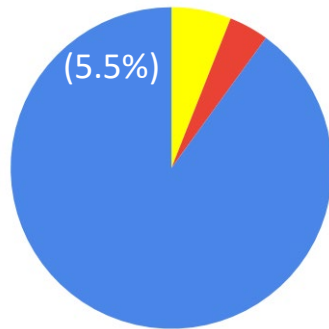
Year	Minimum Wage Proposal	Minimum Wage – Tip Credit (\$3.02)
2020	\$12.85	\$9.83
2021	\$14.77	\$11.75
2022	\$15.87	\$12.85



# Data on Non-Profit Workers

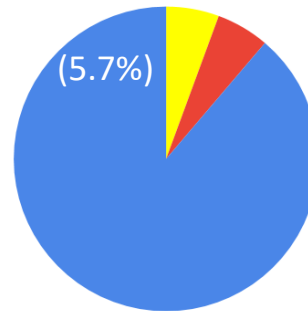
Estimates of Non-profit Workers as Proportion of Benefitted Workers  
Among those who live and work in Denver

\$12.85



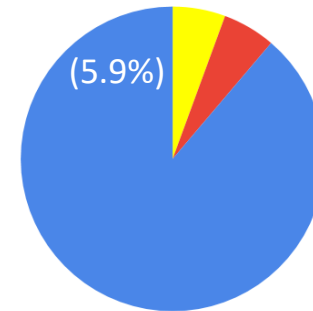
(3K non-profit out of  
50K total)

\$14.77



(5K non-profit out of  
90K total)

\$15.87



(5K non-profit out of  
90K total)

Legend:

- Non-Profit
- Government
- For Profit



# Minors Under Age 18: Research

A recent paper in the **Quarterly Journal of Economics** looked explicitly at effects of minimum wage increases on teen employment and found little to no effect.

*“In the post-1992 period, there is little evidence of disemployment for teens...”*

~ Ben Zipperer and Doruk Cengiz, Arindrajit Dube, Attila Lindner, The Effect of Minimum Wages on Low-Wage Jobs, *The Quarterly Journal of Economics*, Volume 134, Issue 3, August 2019, Pages 1405–1454.

A **review of studies beginning in the 1990s** concluded that increases in the minimum wage result in small reductions in youth employment. Employment declines following a 10 percent increase in the minimum wage are very small, between -.003 and -0.6 percent, and statistically insignificant.

*“It appears that if negative effects on employment are present, they are too small to be statistically detectable.”*

~ Dale Belman, Paul J. Wolfson, *The New Minimum Wage Research*. 2014.



# What will these raises put in workers' pockets?\*

State wage = \$12 on Jan. 1, 2020

After Denver's Increase:

2020 \$12.85 on Jan. 1, 2020 (+85¢)

85¢ X 2,080 hrs (full-time work year) = \$1,768

2021 \$14.77 on Jan. 1, 2021 (+\$1.92¢)

\$1.92 X 2,080 hrs (full-time work year) = \$3,993

2022 \$15.87 on Jan. 1, 2022 (+\$1.09¢)

\$1.09 X 2,080 hrs (full-time work year) = \$2,267

\* Gross Wages, actual net wages reduced by state and federal taxes, which vary by filing status and other factors



# What does an extra \$1,600 buy?



- An extra month of rent <sup>1</sup>



- Covers the average yearly back-to-school costs (\$684) with money left over for lunches and activities throughout the year <sup>2</sup>



- 40% of MSU Denver 2019-20 Resident tuition and fees per 12 credit hour semester <sup>3</sup>



- 23% of 2014 per capita health spending in Colorado <sup>4</sup>



- 12 monthly local RTD passes (w/ change); 8 monthly regional RTD passes <sup>5</sup>



- 10 average energy bills; 9.5 average monthly phone bills <sup>6</sup>

<sup>1</sup> \$1,519.80: the overall average rent in Denver Metro ([Q2 2019](#))

<sup>2</sup> The average U.S. family could spend \$684 back-to-school shopping this year and Colorado retailers are eager to get a piece of the pie Denver Post, 2018

<sup>3</sup> [Tuition and Fees](#), Metropolitan State University

<sup>4</sup> [11 charts that help explain health care costs in Colorado, Colorado Sun 2019.](#)

<sup>5</sup> [RTD FARE PAYMENT OPTIONS](#)

<sup>6</sup> Payscale.com, [Cost of Living in Denver, Colorado](#)



# Reminder: HB19-1210 Requirements

- Wage must apply to all adult employees and emancipated minors:
  - State law does not allow cities to exempt or “carve out” certain types of employers.
- Wage increases only on Jan. 1 of each year
- Wage increases up to 15% or \$1.75 per year, whichever is greater





# Individuals Representing Surrounding Jurisdictions/Associations Consulted

- Adams County
- Aurora
- Broomfield
- City of Boulder
- Boulder County
- Lafayette
- Lakewood
- Louisville
- Summit County
- Westminster
- CML
- Metro Mayors Caucus



# Will the Minimum Wage Affect Benefit Eligibility?

Denver DHS and Colorado Center on Law and Policy/Bell Policy conducted separate, very high-level analysis on the original wage proposals, came to the same conclusion:\*

Assuming full-time work at minimum wage, increase to \$15.87/hour would NOT impact eligibility (based on income) for most in major assistance programs.

## Eligibility

- Full-time single workers already exceed income eligibility limits in many assistance programs *at the current minimum wage*.
- Most families with kids would still be eligible *even after the proposed wage increases*.

“Appears to be no impact in benefit eligibility for households with one parent and one or more child(ren).”

## Gradually Declining Benefits (SNAP and LEAP)

- Where benefits decrease gradually with earnings, families don't drop off a “cliff.” Would likely either be a *net-neutral* impact to overall resources (income + benefits), or a *net increase* in overall resources.
- Some benefit eligibility could be lost for example for either: a 1-person full-time income household, or a 4-person household (two parent, two child) with two full-time incomes, but the gain in income likely exceeds the loss in benefits.

## Earnings from Work Among those with Disability Benefits

- The number of work hours folks with disabilities who are allowed to earn a limited amount but are not eligible to exceed those earnings will continue to be variable based on wage levels.



\*Assume no changes to federal/state law. These findings have been confirmed by EPI in other states or cities that have increased minimum wage.

# Can Denver Raise the Wage in 2020?

## Excerpts from HB1210

“This act takes effect January 1, 2020”



“Before enacting....a local government shall consult with surrounding local governments and engage stakeholders....”



“A local government...must specify that an increase in the local minimum wage must take effect on the same date as a scheduled increase to the statewide minimum wage...”



Under the voter-approved measure of 2016 is January 1 of each year.



# Comparison of CO and Denver Wages

Month/Year	State MW	Denver City Contractor MW	Denver Citywide Minimum Wage (proposed)
Jan 1, 2020	\$12	No change (\$13 since July 1, 2019)	<b>\$12.85</b>
July 1, 2020	No change (\$12)	\$14	No change
Jan 1, 2021	\$12 + CPI (range of possible historical CPI: 12.14-12.44, average 12.29)	No change (\$14)	<b>\$14.77</b>
July 1, 2021	No change (\$12 + 2020 CPI)	\$15	No change
Jan 1, 2022	2021 wage + CPI (est range \$12.30-12.90)	No change (\$15)	<b>\$15.87</b>
July 2, 2022	No change	\$15+ CPI (est range \$15.18-15.55, average \$15.36)	No change
Jan 1, 2023	2022 wage + CPI	No change	\$15.87 + CPI
July 1, 2023	No change	2022 wage + CPI	No Change

# Research

Many studies show that increasing the minimum wage has minimal or beneficial impacts *citywide*:

- Little to no impact on total employment
- Stimulates the local economy
- Reduces turnover and recruitment costs
- Improves worker productivity
- Improves public health outcomes

