



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1208: LOCAL GOVTS TIP OFFSETS FOR TIPPED EMPLOYEES

Prime Sponsors:

Rep. Woodrow; Valdez
Sen. Amabile

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Published for: House Business Affairs & Labor

Drafting number: LLS 25-0764

Version: Initial Fiscal Note

Date: February 18, 2025

Fiscal note status: This fiscal note reflects the introduced bill.

Summary Information

Overview. The bill modifies the state tip offset for employees that work in local areas that have established a minimum wage in excess of the state minimum wage.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures

Appropriations. For FY 2025-26, the bill requires an appropriation of \$69,873 to the Department of Labor and Employment

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	up to -\$6,800,000	up to -\$6,900,000
State Expenditures	\$92,322	\$45,256
Transferred Funds	\$0	\$0
Change in TABOR Refunds	up to -\$6,800,000	up to -\$6,900,000
Change in State FTE	0.8 FTE	0.4 FTE

¹ The 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
General Fund	up to -\$6,800,000	up to -\$6,900,000
Cash Funds	\$0	\$0
Total Revenue	up to -\$6,800,000	up to -\$6,900,000

**Table 1B
State Expenditures**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$69,873	\$33,809
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$22,449	\$11,447
Total Expenditures	\$92,322	\$45,256
Total FTE	0.8 FTE	0.4 FTE

Summary of Legislation

The bill modifies the state tip offset for employees that work in areas where local governments have established a minimum wage in excess of the state minimum wage. Specifically, the bill requires any local government that has enacted a minimum wage that exceeds the state minimum wage to enact a law to impose a tip offset for food and beverage employees equal to the portion of the local minimum wage that exceeds the state minimum wage, plus \$3.02.

Starting October 1, 2026, a local government may enact a minimum wage ordinance that increases the local tip offset as long as the ordinance does not decrease it to less than \$3.02, increase it by more than 50 cents in a 12-month period, or increase it by an amount that would allow the employee to be paid less than the state minimum wages minus \$3.02.

Background and Assumptions

As of writing, two counties and three municipalities have a minimum wage higher than the state minimum wage. According to the Colorado Department of Labor and Employment (CDLE), an estimated 85,000 statewide employees are in tipped jobs. Of these, an estimated 21,000 are in the two counties (Denver and Boulder) with a local minimum wage higher than the state

minimum wage, which is the basis for the revenue calculation in this fiscal note. On average, tipped employees in these counties and municipalities will see a reduction in wages paid by employers of \$3.19 per hour. For example, the statewide minimum wage for tipped workers is currently \$11.79 per hour. For example, Denver's current minimum wage is higher than the state minimum wage by \$4.00. Under the bill, Denver will be required to impose a tip offset of \$7.02, up from the current tip offset of \$3.02. The higher tip offset will reduce the minimum wage for tipped workers from \$15.79 to \$11.79.

State Revenue

The bill is expected to decrease General Fund revenue by up to \$6.8 million in FY 2025-26, \$6.9 million in FY 2026-27 and by similar amounts in future years. The bill reduces individual income tax revenue, which is subject to TABOR.

Similarly, the bill may reduce cash fund premium revenue to the Family and Medical Leave Insurance (FAMLI) Program. Income tax revenue is subject to TABOR, while FAMLI premiums are not.

The exact reduction in income tax and FAMLI premium revenue will depend on business decisions on whether to use the entire tip offset to the minimum wage, the number of employee hours worked, and other factors, and has not been estimated in this fiscal note. To provide an upper-bound estimate of the bill's impact, the estimate presented reflects that all tipped workers in Denver and Boulder receive the tipped minimum wage, and that all these workers are employed full-time.

To the extent that reduced wages for tipped employees result in higher wages for other employees, other investments in business, or higher profits for business owners, other downstream impacts may occur. These impacts are not estimated in this fiscal note.

State Expenditures

The bill increases state expenditures in the CDLE by about \$90,000 in FY 2025-26 and \$45,000 in FY 2026-27 and future years. These costs, paid from the General Fund, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Labor and Employment

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$59,400	\$33,297
Operating Expenses	\$1,024	\$512
Capital Outlay Costs	\$6,670	\$0
Software Costs	\$2,779	\$0
Centrally Appropriated Costs	\$22,449	\$11,447
Total Costs	\$92,322	\$45,256
Total FTE	0.8 FTE	0.4 FTE

Department of Labor and Employment

The bill increases expenditures in CDLE by \$92,322 in FY 2025-26 and \$45,256 per year to administer, monitor, and handle inquiries.

Staff

Beginning in FY 2026-27, CDLE will require requires 0.8 FTE program managers to handle inquires and complaints as a result of the change in the minimum wage for tipped workers. By FY 2025-26, it is expected the number of inquiries will decline resulting in 0.4 FTE each year. In addition, CDLE will need to amend various of published guidance items.

Computer Programming

One-time computer software licenses, such as Salesforce and Lexis Advance, at a total of \$2,779 are required to implement the change for minimum wage tipped workers in FY 2025-26

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2025-26, the bill requires a General Fund appropriation of \$69,873 to the Department of Labor and Employment, and 0.8 FTE.

State and Local Government Contacts

Counties

Municipalities

Labor and Employment

Regulatory Agencies

Local Affairs

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](#).