



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

Fiscal Analyst:

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Bill Outcome: Signed into Law

Drafting number: LLS 25-0015

Version: Final Fiscal Note

Date: June 4, 2025

Fiscal note status: The final fiscal note reflects the enacted bill.

Summary Information

Overview. The bill modifies state wage and hour enforcement 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 and includes an appropriation of \$328,210 to the Colorado Department of Labor and Employment.

Table 1
State Fiscal Impacts

| Type of Impact ¹ | Budget Year FY 2025-26 | Out Year FY 2026-27 | Out Year FY 2027-28 |
|-----------------------------|---------------------------|------------------------|------------------------|
| State Revenue | \$0 | \$50,000 | \$100,000 |
| State Expenditures | \$386,774 | \$1,232,899 | \$1,186,209 |
| Transferred Funds | \$0 | \$0 | \$0 |
| Change in TABOR Refunds | \$0 | \$50,000 | not estimated |
| Change in State FTE | 2.8 FTE | 10.7 FTE | 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 (Wage Theft Enforcement Fund) | \$0 | \$50,000 | \$100,000 |
| Total Revenue | \$0 | \$50,000 | \$100,000 |

Table 1B
State Expenditures

| Fund Source | Budget Year FY 2025-26 | Out Year FY 2026-27 | Out Year FY 2027-28 |
|---------------------------|-----------------------------------|--------------------------------|--------------------------------|
| General Fund | \$328,210 | \$1,019,485 | \$972,795 |
| Cash Funds | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 |
| Centrally Appropriated | \$58,564 | \$213,414 | \$213,414 |
| Total Expenditures | \$386,774 | \$1,232,899 | \$1,186,209 |
| Total FTE | 2.8 FTE | 10.7 FTE | 10.7 FTE |

Summary of Legislation

The bill modifies wage and hour laws and how these are enforced 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.

Reporting

Between August 1, 2027, and October 1, 2027, the CDLE is required to report to the Joint Budget Committee on bill implementation, including information about staffing fulfillment, complaints received, and investigations conducted relative to the projections in this fiscal note.

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 is estimated to increase state revenue to the Wage Theft Enforcement Fund in the CDLE by \$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 CDLE by about \$387,000 in FY 2025-26, and by about \$1.2 million in FY 2026-27 and ongoing. These costs, paid from the General Fund, are summarized in Table 3 and discussed below. The bill also minimally increases workload in 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 | \$255,698 | \$865,513 | \$865,513 |
| Operating Expenses | \$3,584 | \$13,696 | \$13,696 |
| Capital Outlay Costs | \$33,350 | \$46,690 | \$0 |
| Other Staff-Related Costs | \$35,578 | \$93,586 | \$93,586 |
| Centrally Appropriated Costs | \$58,564 | \$213,414 | \$213,414 |
| Total Costs | \$386,774 | \$1,232,899 | \$1,186,209 |
| Total FTE | 2.8 FTE | 10.7 FTE | 10.7 FTE |

Department of Labor and Employment

The Division of Labor Standards and Statistics (DLSS) requires 2.8 FTE in FY 2025-26 and 10.7 FTE in FY 2026-27 and ongoing to implement the bill. Staffing levels reflect DLSS' mandatory duty to investigate individual claims, and its discretion regarding the number of systemic violations and retaliation cases it investigates. Standard operating and capital outlay costs are included. First-year staff costs are prorated based on staggered start dates.

Wage Claims and Employer Liability

Increasing the wage claims cap from \$7,500 to \$13,000 is projected to result in an additional 206 claims annually, representing a 4 percent increase in overall claims. These higher-dollar claims are anticipated to be complex—involving multiple pay periods, as well as overtime and employee misclassification issues—requiring an average of 61 hours per claim, which equates to 6.0 FTE. Additionally, expanding the range of individual owners co-labile for unpaid wages is estimated to yield 24 more claims annually, at 46 hours per claim, which equates to 0.5 FTE. The bill also creates efficiencies by allowing penalty waivers and removing certain notices, which creates a reduction of 0.3 FTE. Finally, new staff requires 1.0 FTE policy and management support.

Employee Misclassification

The requirement to impose fines for misclassifying employees as independent contractors will increase the caseload for DLSS's direct investigations and complex claims units. DLSS requires 2.0 FTE to investigate employee misclassification leads, which are typically systemic and

complex. Staff will investigate violations, prioritizing cases within the scope the division's resources.

Retaliation Law

The expansion of retaliation laws will increase the division's workload. DLSS typically receives about 360 retaliation claims annually. Since DLSS has discretion over which retaliation claims to pursue, 1.0 FTE will be required to investigate violations, prioritizing cases within the scope of the division's resources.

Posting Violations and Reporting

To comply with the requirement to post violations on the CDLE website and report certain information to licensing authorities, DLSS requires 0.5 FTE.

Other Staff-Related Costs

The DLSS will have a variety of other costs associated with its expanded duties under the bill, including worksite travel for compliance investigators, translation and transcription of outreach materials into Spanish, payment administration, and software licenses for new staff.

Wage Theft Enforcement Fund

Any revenue collected in the Wage Theft Enforcement Fund under the bill will go toward the disbursement of wages, compensation, or other monetary relief owed to employees. Spending from the fund has not been estimated. See State Revenue section for details.

Legal Services

Beginning in FY 2027-28, the bill may increase workload in the Department of Law. Any legal services to the DLSS related to wage claim investigations will come from the appeals process, which are rare for wage theft cases.

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.

Judicial Department

The bill 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 March 2025 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 was signed into law on May 22, 2025, and takes effect August 6, 2025, 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 and includes a General Fund appropriation of \$328,210 to the Department of Labor and Employment, and 2.8 FTE. As amended by the Senate Appropriations Committee, the bill currently includes a General Fund appropriation of \$208,979 to the CDLE.

State and Local Government Contacts

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|--------------------|---------------------|
| Counties | Law |
| District Attorneys | Personnel |
| Judicial | Regulatory Agencies |
| Labor | |