

FYI[®] Alert

For Your Information[®]

Volume 39 | Issue 135 | November 9, 2016

Voters Hike State Minimum Wage Rates

Proponents of higher minimum wage rates scored multiple victories yesterday as voters in four states approved ballot initiatives that will gradually increase their pay floors. Employers will have to factor the new rates into their budget and compensation strategies. As minimum wage laws continue to change, multistate employers in particular will need to review their pay practices to ensure compliance with all applicable wage and hour rules in each location they operate.

Background

With legislation stalled in Congress, states and cities are taking an increasingly active role in regulating minimum wage rates. In the past few years, lawmakers or voters in more than 20 states and dozens of cities and counties have approved increases in their pay floors. By 2015, a majority of states had adopted higher minimum wage rates than the federal minimum of \$7.25 per hour. (See our [January 20, 2015 For Your Information.](#)) By 2016, 29 states and the District of Columbia — with roughly 60% of the US workforce — had minimum wage rates higher than the federal level. (See our [December 9, 2015 For Your Information.](#))

Voter-Approved Wage Initiatives

Polls leading up to yesterday's election showed majorities of voters in four states supporting ballot initiatives boosting their minimum wage floors over the next few years. By wide margins, voters in Arizona, Colorado, Maine and Washington approved initiatives that will gradually increase pay floors, affecting an estimated 2 million workers. In addition, South Dakota rejected a lower minimum wage for non-tipped employees under 18 years old. On January 1, 2017, employers will face the first of these wage increases.

Arizona

Arizona [Proposition 206](#) — the Fair Wages and Healthy Families Initiative — gradually increases the state hourly minimum wage from the current \$8.05 to \$12 by 2020. The minimum hourly rate increases to: \$10 on January 1, 2017; \$10.50 on January 1, 2018; \$11 on January 1, 2019; and \$12 on January 1, 2020. In each successive year, the rate will be adjusted for cost-of-living increases based on the CPI-U.



Colorado

[Amendment 70](#) — the Colorado \$12 Minimum Wage Amendment — amends Article XVIII, section 15 of the state constitution, to gradually increase the state minimum wage from the current \$8.31 to \$12.00 per hour in 2020. The initiative increases the state hourly minimum to \$9.30 per hour on January 1, 2017, with annual increases of \$0.90 each successive January 1 until it reaches \$12 per hour. Specifically, the minimum wage increases to: \$9.30 in 2017; \$10.20 in 2018; \$11.10 in 2019; and \$12.00 in 2020. The minimum wage for tipped workers remains at \$3.02 less than the state minimum wage. Beginning in 2021, the minimum wage will be adjusted annually for cost-of-living increases as measured by the CPI for Colorado, but cannot be decreased if the cost of living decreases.

Comment. Colorado voters rejected another initiated constitutional amendment — [Amendment 69](#) — that would have created ColoradoCare to provide universal healthcare for Colorado residents. It would have been financed through an additional 10% payroll tax — with 6.67% paid by employers and 3.33% by employees — and a 10% tax on other non-payroll income (such as interest and dividends, capital gains, and certain retirement benefits and pension income).

Maine

[Question 4](#) raises the state hourly minimum from the current \$7.50 to \$12 by 2020. This initiative raises the minimum wage to \$9.00 per hour in 2017, with annual increases thereafter of \$1.00 per hour, until it reaches \$12.00 per hour in 2020. The minimum wage will then be adjusted annually for cost-of-living increases based on the CPI-W for the Northeast Region. The initiative would also increase the minimum wage for tipped workers to \$5 per hour in 2017, with annual increases of \$1 per hour until the tipped wage rate equals the wage rate for non-tipped workers, which occurs no sooner than 2024.

Washington

[Initiative 1433](#) raises the current statewide pay floor of \$9.47 per hour to \$13.50 over the next four years. The state minimum wage will increase to: \$11 per hour on January 1, 2017; \$11.50 on January 1, 2018; \$12.00 on January 1, 2019; and \$13.50 on January 1, 2020, with annual inflation adjustments thereafter based on the CPI-W.

Comment. As part of Proposition 206 in Arizona and Initiative 1433 in Washington state, voters also approved a new employee benefit — earned paid sick leave. Employers in those states will be required to provide paid leave to their employees starting on July 1, 2017, and January 1, 2018, respectively.

South Dakota

Unlike the minimum wage measures above, South Dakota's [Referred Law 20](#) — South Dakota Youth Minimum Wage Veto Referendum — would have lowered the state's minimum wage for non-tipped employees under age 18 from \$8.55 to \$7.50. Voters rejected the measure, overturning a law the state legislature passed earlier this year and retaining the higher youth minimum wage rate.

Other States Move Toward a \$15 Minimum Wage

Earlier this year, California and New York approved a \$15 minimum wage, but adopted different approaches to implementing it. The \$15 rate will apply to all large employers in California by 2022, while the minimum wage in New York will increase on differing regional schedules. (See our [April 27, 2016 FYI](#).) Cities such as Seattle and San Francisco have also adopted a \$15 local minimum wage.

In Closing

Changes in state and local minimum wage rates can affect overtime eligibility and costs, minimum commission payments and other obligations. Employers will want to factor the January 1, 2017, rate changes and future scheduled increases into their overall compensation strategies and take necessary steps to ensure compliance.

Authors

Nancy Vary, JD
Abe Dubin, JD

Produced by the Knowledge Resource Center of Xerox HR Consulting

The Knowledge Resource Center is responsible for national multi-practice compliance consulting, analysis and publications, government relations, research, surveys, training, and knowledge management. For more information, please contact your account executive or email fyi@xerox.com.

You are welcome to distribute *FYI*® publications in their entirety. To manage your subscriptions, or to sign up to receive our mailings, visit our [Subscription Center](#).

This publication is for information only and does not constitute legal advice; consult with legal, tax and other advisors before applying this information to your specific situation.