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# BOND INFORMATION MEMO

## Labor and Employment Law

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February 2014

### President Signs Executive Order Establishing Minimum Wage For Federal Contractors

On February 12, 2014, President Obama signed an Executive Order requiring that all new federal contracts and subcontracts contain a clause specifying that the minimum wage to be paid to workers under those federal contracts and subcontracts must be at least \$10.10 per hour beginning January 1, 2015. The federal contracts and subcontracts covered by this Executive Order include procurement contracts for services or construction and contracts for concessions. This new \$10.10 minimum wage will also apply to disabled employees who are currently working under a special certificate issued by the Secretary of Labor permitting payment of less than the minimum wage.

Beginning January 1, 2016, and annually thereafter, the minimum wage for federal contractors will be increased by the Secretary of Labor based on the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, and rounded to the nearest multiple of five cents. The Secretary of Labor is required to publish the new minimum wage at least 90 days before the new minimum wage is scheduled to take effect.

For tipped employees, the hourly cash wage that must be paid by a federal contractor must be at least \$4.90 beginning on January 1, 2015. In each subsequent year, the federal contractor minimum wage for tipped employees will be increased by 95 cents until it equals 70 percent of the federal contractor minimum wage in effect for non-tipped employees. If an employee's tips, when added to the hourly wage, do not add up to the federal contractor minimum wage for non-tipped employees, the federal contractor will be required to supplement the employee's hourly wage to make up the difference.

The Secretary of Labor is expected to issue regulations by October 1, 2014, to implement the provisions of the Executive Order.

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