



Oppose the Norcross Amendment to FY23 NDAA

ISSUE

- The Norcross Amendment would codify the Department of Labor's (DOL) recently enacted rule that requires most federal contractors to pay \$15 an hour. This rule was passed without the input or explicit authorization of Congress.

Background

- DOL's rule increased the federal minimum wage to \$15 per hour starting on January 1, 2022, for procurement contracts and will increase the federal minimum wage to \$15 per hour on January 1, 2023, for non-procurement contracts, with annual increases thereafter as designated by the Secretary of Labor.
- The rule was in response to Executive Order 14026 issued by President Biden on April 27, 2021

The Norcross Amendment Will Hurt Small Business

- NFIB estimates that a federal \$15 minimum wage would result in 1.6 million job losses with 900,000 of those coming from small employers. 57% of all private-sector job losses. (Source: https://www.nfib.com/assets/NFIB_BSIM_RAISETHEWAGEACT-1.pdf)
 - Considering a \$15 minimum wage's disproportionate impact on small employers relative to large employers this rule can effectively reduce the total number of small contractors working with the federal government.

The Small Business Administration Office of Advocacy Agrees

- "Advocacy is concerned that this proposed rule will result in extreme financial hardship for affected small businesses that are not normally considered government contractors, such as concessionaries, lease holders, and seasonal recreational businesses who have contracts and permits on Federal property or lands. Many of these small businesses will be unable to pass on these increased wage costs to the federal government like traditional federal contractors."
- "For example, Advocacy spoke to restaurant franchise operators on military bases who stated that they would not be able to recover these increased wages from the federal government or from customers. The increased wages from this rule would apply to any concessionaire or lease holder who rents property at a federal property or on federal lands, such as retail, hotels, and daycare facilities. One franchise operator with two Subway stores on military bases would incur \$60,000 in increased wages per year. This concessionaire does not receive money from the federal government but pays higher rent for the privilege of doing business on a military installation. This franchisee's contract states that they must have the same or lower prices as other Subway locations within a three-mile radius; this business cannot increase their menu prices but must still compete with those nearby outside restaurants who pay a minimum wage of \$7.25 per hour. The owner, who is already facing pandemic losses, will be forced to close one of their stores. This rule will result in prohibitive costs for the business owners, unemployment for many employees, and fewer choices for customers at these federal facilities." (Source: <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/08/30122849/Advocacy-Comment-Letter-Minimum-Wage-For-Federal-Contractors.pdf>)