

Congress of the United States
Washington, DC 20515

April 10, 2014

The Honorable Thomas E. Perez
Secretary
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

Dear Secretary Perez:

We write to express our concerns about proposals to change the wage rate for services provided through federal contracts and their impact on services received by our servicemen and women and their families through military exchanges and morale, welfare and recreation (MWR) programs. Should these policy changes be fully implemented, we are concerned they will eliminate jobs, negatively impact recreational services on military bases, and limit the dining options for servicemen and women on military installations.

On June 18, 2013, the Wage and Hour Division (WHD) issued a memorandum increasing health and welfare pay under the *Service Contract Act* (SCA). On February 12, 2014, the president signed an executive order (Executive Order 13658) raising the minimum wage for federal contracts from \$7.25 to \$10.10 per hour (and, indexed for inflation) for employees working on new federal contracts and subcontracts beginning on or after January 1, 2015. We are concerned that the net result will actually be lost jobs for many workers who are currently employed. In addition, we understand that restaurants facing these additional labor costs have already determined that it would be cost prohibitive to offer military personnel these dining options and some may consider not renewing contracts and operations shutting down. Finally, if a concessionaire sought to increase prices as a way to mitigate their increased labor costs, they are prohibited to do so. Price increases are not allowable under most contracts because they cannot charge more for similar services within a specified radius of a military installation.

Military exchanges and MWR programs exist to provide services on our military bases. In the process of providing these services, they generate funding for military community programs, a source that is ever more important in light of funding reductions to base operations associated with the defense spending reductions. Contracted operations for fast food and other services are a key aspect of these operations and provide much needed and desired services for our military personnel while generating tens of millions of dollars to underwrite vital community support programs.

As WHD progresses through the rulemaking process to implement Executive Order 13658, we respectfully request that you to work with the Department of Defense to

ensure the appropriate non-appropriated fund instrumentalities and resale agencies are exempt for the wage rules and the SCA. Given the vital role these programs play in the lives of our service members and families, we seek to ensure they continue to have access to the services provided by federal contractors at military exchanges and MWR programs.

We appreciate your attention to this matter and look forward to hearing from you at your earliest convenience. Should your staff have any questions or concerns, please contact Melissa Murphy of Congressman Joe Wilson's staff at (202) 225-2452 or Loren Sweatt with the Committee on Education and the Workforce at (202) 225-7101.

Sincerely,



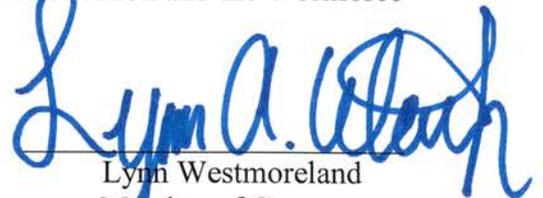
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Chairman
Subcommittee on Military Personnel



John Kline
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Committee on Education and the Workforce



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Lynn Westmoreland
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Walter Jones
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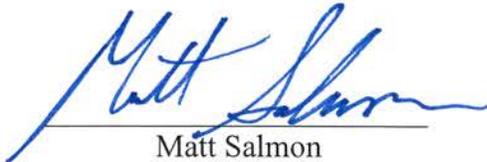
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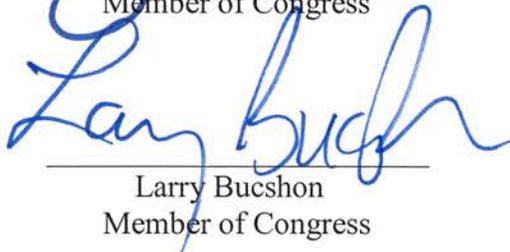
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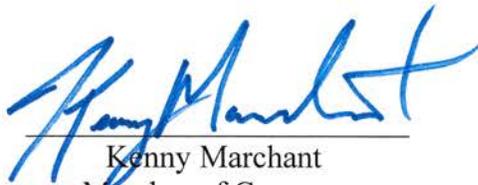
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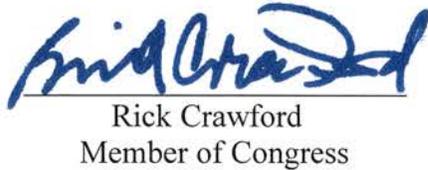
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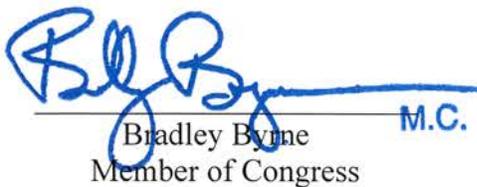
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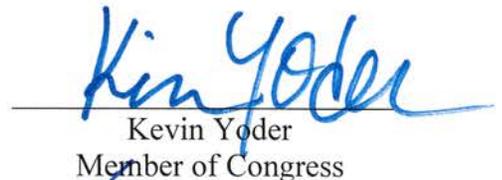


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Cc: The Honorable Charles Hagel
Secretary of Defense