



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

The Director

Monday, July 23, 2007

CPM 2007-07

**MEMORANDUM FOR: Human Resources Directors**

FROM: Nancy H. Kichak, Associate Director, SHRP

Subject: Increase in Federal Minimum Wage

The Fair Minimum Wage Act of 2007 and the Small Business and Work Opportunity Tax Act of 2007, as contained in the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (Public Law 110-28, May 25, 2007), provide an increase in the minimum wage for American workers and tax relief for small businesses. Section 7102 of the Fair Minimum Wage Act of 2007 amends the Fair Labor Standards Act (FLSA) of 1938, as amended, and provides that—

- Effective July 24, 2007, employees will not be paid less than \$5.85 an hour;
- Effective July 24, 2008, employees will not be paid less than \$6.55 an hour; and
- Effective July 24, 2009, employees will not be paid less than \$7.25 an hour.

The minimum wage increase applies to all prevailing rate employees covered by 5 U.S.C. 5342(a)(2) and 5348. Within the Federal Wage System (FWS), the Fair Minimum Wage Act of 2007 and the Small Business and Work Opportunity Tax Act of 2007 will affect primarily nonappropriated fund FWS employees.

All wage schedules issued pursuant to a wage survey under the authority of 5 U.S.C. 5343 are subject to this minimum wage increase. This minimum wage increase also applies to wage schedules produced by reference to schedules adjusted pursuant to wage surveys and to wage schedules that have been temporarily set aside from certain provisions of the FWS pending study by the Federal Prevailing Rate Advisory Committee.

In accordance with 5 CFR 532.205, no wage schedule, including a special schedule, may include any rate of pay less than the higher of (1) the minimum rate prescribed by section 6(a)(1) of the FLSA, as amended, or (2) the highest State or local minimum wage rate in the local wage area which is applicable to the private industry counterparts of the single largest Federal industry/occupation in the wage area. In addition, further upward adjustments of scheduled rates may be required under section 532.205(c), which mandates a minimum intergrade differential above the minimum wage.

Wage schedule adjustments made because of statutory minimum wage increases are not affected by the annual pay cap limitations regularly imposed on the FWS by appropriations laws.

Increases granted on the basis of higher minimum wage rates are in addition to the usual annual wage schedule adjustments.

The Small Business and Work Opportunity Tax Act of 2007 does not amend the statutory design of tip credits. The new law retains the previous minimum cash amount (\$2.13 per hour) employers could pay to tipped employees. If tips actually received are not sufficient, when added to \$2.13, to total the new minimum wage of \$5.85 (as of July 24, 2007), \$6.55 (as of July 24, 2008), or \$7.25 (as of July 24, 2009), the employer must also pay the additional difference to the tipped employee.

All wage schedule adjustments made in compliance with the increased minimum wage are effective on the date of the applicable FLSA minimum wage rate. FWS wage schedules are accessible via the Internet through the Wage and Salary Division of the Department of Defense's Civilian Personnel Management Service (Internet address [cpms.osd.mil/wage](http://cpms.osd.mil/wage)).

For further information, you may contact your agency's assigned U.S. Office of Personnel Management Human Capital Officer. Employees should contact their agency's human resources offices for assistance.