

Transformation to Competitive Integrated Employment Act

Section 14(c) of the *Fair Labor Standards Act* (FLSA) allows employers to apply for special certificates from the U.S. Department of Labor (DOL) to pay individuals with disabilities less than the federal minimum wage. There is no minimum floor for the hourly wage that an employer can pay an individual with a disability under 14(c) certificates. The average wage paid is generally unknown, but according to a 2020 U.S. Commission on Civil Rights [report](#) the average wage of a person with a disability working under a 14(c) certificate between 2017 and 2018 was \$3.34 per hour. An estimated 141,081 people were paid under 14(c) certificates in 2018 according to the National Council on Disability.

Fully integrating workers with disabilities into the general workforce will support the core goals of the landmark *Americans with Disabilities Act* (ADA). Paying workers with disabilities the full federal minimum wage supports the core goals of the ADA: Equal opportunity, full participation, independent living, and economic self-sufficiency. When individuals with disabilities transition to competitive employment, they are better able to achieve financial independence and are [more likely to spend time engaging in their community](#).

States and cities have already demonstrated the value of phasing out the subminimum wage for workers with disabilities. Alaska, Maine, Maryland, New Hampshire, Oregon, Washington, Hawaii, Colorado, California, Delaware, Tennessee, South Carolina, and Rhode Island have eliminated the use of 14(c) by statute. Additionally, Minnesota passed a budget bill calling for a plan to phase out 14(c). Texas and Illinois have eliminated the use of 14(c) employment in state contracts. Moreover, Alabama, the District of Columbia, Vermont, and Wyoming have no active or pending 14(c) certificates. Several major cities, including Seattle, Reno, Chicago, and Denver have stopped allowing the use of 14(c) certificates.

All people deserve the right to earn the minimum wage. Individuals with disabilities can currently be paid a subminimum wage based solely on their disability status. Every working person should be paid the full federal minimum wage. In 2020, the [U.S. Commission on Civil Rights called for phasing out 14\(c\)](#), finding that it has "limited people with disabilities participating in the program from realizing their full potential while allowing providers and associated businesses to profit from their labor."

The *Transformation to Competitive Integrated Employment Act* phases out the payment of subminimum wages under Section 14(c) of the FLSA over a five-year period. This legislation provides States, service providers, subminimum wage certificate holders, and other agencies with the resources they need to create competitive integrated employment service delivery models and the inclusive wraparound services that some individuals with disabilities will need when subminimum wages phase out. This legislation will align the treatment of workers with disabilities with existing federal policies.

To reach the goal of improving and expanding the service delivery system to support individuals with disabilities in work settings, this legislation will:

- Create a competitive state grant program to assist states with transitioning all 14(c) certificate holders to models that support competitive, integrated employment for individuals with disabilities and ensuring the availability of wraparound services needed to support individuals as they move into competitive integrated employment. States will be able to apply for these transformation grants and must establish an advisory committee that includes key stakeholders (including employers, organizations specializing in employment for individuals with disabilities, Medicaid agencies, AbilityOne contractors, individuals with disabilities and their families, and vocational rehabilitation agencies). States that successfully complete a grant will be eligible to receive a 25 percent increase in the allotment for supported employment for individuals with the most significant disabilities.
- Create a competitive grant program for current 14(c) certificate holders, which are located in states that do not apply for the state grant, to transition their business models to support individuals with disabilities in competitive, integrated employment.
- Immediately freeze the issuance of any new 14(c) certificates by the DOL and phase out the use of existing 14(c) certificates over five years until employees are paid at least the federal minimum wage.
- Establish a technical assistance (TA) center to support all entities—even those not receiving the transformation grants—to transition to competitive, integrated employment. The TA center, which will be funded by DOL, is tasked with disseminating information about best practices, lessons learned, and models for transition to all entities transitioning to competitive, integrated employment.
- Require reporting and evaluation on the progress of creating and expanding the service delivery structure to support workers with disabilities in competitive, integrated settings and the inclusive wraparound services they receive when not working. States and 14(c) certificate holders will also be required to report on their grant activities, evaluate changes in employment for individuals with disabilities, report average wage information, and evaluate employer actions taken to comply with the phase out of 14(c) and transformation grants.
- Authorize \$300 million to provide grants to states and individual 14(c) certificate holders and provide for a Technical Assistance Center to assist in the transition.
- Provide for a 25 percent increase in the supported employment budget for states that successfully complete a grant, which will improve the available infrastructure for employment of people with disabilities in competitive integrated employment in these states.