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Minimum Wage

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Brian —
where do you + others (Broderick?) think this
will head? Should we be on top of the comp time thing?
Should we be thinking more pensions for small bus (discuss w/ Sarah)? Kagan

If GOP Can't Block Wage Hike, Tax Breaks May Sweeten It

Business Aid Could Ease Payroll Pain

By Juliet Eilperin
Washington Post Staff Writer

Resigned to the prospect that they lack the votes to block a minimum wage increase this year, congressional GOP leaders are preparing to load up the measure with tax breaks and other provisions that would cushion the blow for business.

The shift in the political landscape was evident last week when House Majority Leader Richard K. Armey (R-Tex.), who once vowed to fight a minimum wage increase with "every fiber" in his being, told reporters the House leadership is focused on doing "the wrong thing in the least hurtful way possible."

Some business lobbyists have already submitted a wish list of provisions to House leaders, who are working with moderate Republican Jack Quinn (N.Y.) on a measure that could boost the minimum wage from $5.15 an hour to $6.15 over three years. On the other side of Capitol Hill, Senate Majority Leader Trent Lott (R-Miss.) is exploring a "workers protection package" that would include a mix of tax credits and labor law changes that would benefit business.

Lott spokesman John Czwartacki said the top contenders include allowing restaurants to include a greater percentage of tip earnings when calculating whether their employees are meeting the minimum wage threshold, as well as reducing overtime pay requirements by allowing workers to request comp time or set more flexible schedules. The tip credit could mean millions of dollars in savings for food delivery services like Pizza Hut Inc., Dominos Pizza and Godfather's Pizza.

FILE PHOTO/BY RAY LUSTIG—THE WASHINGTON POST

If the votes aren't there to block raising the minimum wage, House Majority Leader Richard K. Armey says that the Republican leadership is focused on doing "the wrong thing in the least hurtful way possible."

Czwartacki said Lott was merely following the Boy Scout motto of "be prepared," adding, "I would be surprised if it doesn't come up this year."

Publicly, a broad coalition of businesses including retailers, restaurateurs, and theater owners are still trying to convince lawmakers that a minimum wage increase would raise their expenses and cost jobs. But with political pressure building behind the issue, they are quietly making the case for a number of provisions they say could reduce the burden for small businesses. GOP leaders also want to head off what they consider a more onerous proposal by House Minority Whip David E. Bonior (D-Mich.) and Sen. Edward M. Kennedy (D-Mass.), raising the minimum wage by a dollar over two years.

The strategy is a proven winner: when Congress raised the minimum wage from $4.25 to $5.15 in 1996, lawmakers included $21 billion in tax breaks for business in the bill. A typical tactic employed by business advocates when confronted with an unstoppable legislative train, the gambit has prompted criticism from minimum wage proponents, like Economic Policy Institute economist Jared Bernstein.

"It's '96 all over again," Bernstein said. "There's no economics here, it's pure politics."

But business lobbyists say such breaks are necessary to make a raise in the minimum wage palatable. "We will never support minimum wage legislation, but we will be happy to say these are things that would help us," said Lyle Beckwith, director of government relations for the National Association of Convenience Stores. "If all those things were put on it, it would be like kissing a real, real ugly sister."

Beckwith and his colleagues in Washington's K Street crowd have a variety of suggestions for improving the bill.

The National Association of Wholesalers and Distributors, for instance, argues that salespeople who work inside should be considered exempt from overtime rules and other provisions of the Fair Labor Standards Act, just like door-to-door sellers.

Many lobbyists argue in favor of extending the Work Opportunity Tax Credit, which is set to expire in June. The provision gives employers like Taco Bell and 7-Eleven up to $2,400 for every low-skilled worker they hire, and extending it by 18 months would cost the Treasury $229 million.

While that measure would be a boon to fast-food outfits, table-service restaurants want to increase the business meal tax deduction from 50 percent to 80 percent. That change, which enjoys bipartisan support in Congress and would affect eateries ranging from elegant Washington bistros to hotel and chain restaurants across the country, could cost $3 billion.

Republicans also want to deliver broad-based tax relief, so they're also considering reducing the federal unemployment tax on employers' payrolls from .08 percent to .06 percent, which would cost $1.5 billion annually, or phasing in more quickly plans to make health insurance costs 100 percent-deductible for small business.

During a 20-minute meeting last week with officials from the National Restaurant Association, the National Association of Convenience Stores and the National Federation of Independent Business, Quinn said he assured them he could "fashion something along the lines" they did in 1996 because those concessions to business helped attract overwhelming support for the bill.

Despite the political horse trading, advocates on both sides are continuing to debate the merits of the minimum wage boost and mobilize grass-roots efforts on their behalf. The lobbying groups are mobilizing tens of thousands of members to call and write the between 30 and 40 centrist Republicans and Democrats who will deliver the deciding votes on the bill.

"We're not tied into cutting any deals yet," emphasized NFIB lobbyist Nelson Litterst. Lee Culpepper, a restaurant lobbyist who heads the Coalition for Job Opportunities, said it's premature to predict what form any minimum wage package would take.

"There's a lot of talk and very little action," Culpepper said. "Everybody says something is going to happen, but nobody knows what. Get out your tarot cards."

The Washington Post
Monday, May 3, 1999

POLITICS

Ceci Connolly

Party Poll Gives Democrats Hope for Florida Senate Seat

A new party poll is giving Democrats hope that they may have a shot at next year's open Florida Senate seat. A survey by the Mellman Group found voters evenly divided (at 34 percent) between the two political parties, leaving one-third uncommitted. The poll shows Democratic Insurance Commissioner **Bill Nelson** leading GOP Rep. **Bill McCollum** by 11 percentage points in a theoretical matchup.

Republican Sen. **Connie Mack** has said he will retire in 2000 and although Republican **Jeb Bush** took over the governor's mansion last year, Florida has also supported Democrats **Bill Clinton** and Sen. **Bob Graham** in recent years.

The field is far from set. DC Democrats say EPA Administrator **Carol M. Browner**, a close ally of **Vice President Gore** and former aide to the late Gov. **Lawton Chiles**, is seriously considering a run.

House Seat Rematch in Fickle Connecticut District

On the House side, look for a rematch in the volatile 5th District of Connecticut next year. Republican **Mark Nielsen** will soon announce plans to challenge Rep. **James H. Maloney** (D), who won the seat by about 2,300 votes in 1998. It took Maloney two tries, but in 1996 he ousted Rep. **Gary A. Franks** (R) in the moderate Danbury-area district.

Maloney looked to be in trouble last year what with Nielsen's impressive bank account and a campaign finance scandal involving his brother. Although Maloney has taken steps to solidify his hold on the 5th, district voters are a finicky bunch. In 1992, they backed **George Bush** and gave **Ross Perot** 23 percent of the vote. Four years later, they went overwhelmingly for President Clinton.

Squier's Gore Video Goes on Location in Tennessee

Democratic media consultant **Robert Squier** was spotted in Tennessee recently filming a Gore video the vice president's campaign team hopes to show at house parties. Squier, a long-time Gore adviser who has collected reams of video of the vice president since his days in Congress, is crafting a five- to 10-minute biographical film that will be used to rally the faithful when Gore can't make it in person.

While in Gore's home state, Squier interviewed the local folks and captured some authentic Tennessee scenery. Gore is expected to sit in front of the camera back here in Washington. Tapes could be in the mail within a week if Gore likes what he sees.

Dole State Teams Signal She Means Business

Elizabeth Dole, attempting to pick up the pace of her almost presidential campaign, has rolled out the names of key organizers in Iowa and New Hampshire, the states hosting the first two contests of 2000.

The lineup ranges from a school teacher in Iowa to a state representative in the Granite State. Both lists are sprinkled liberally with businesspeople such as **John J. Borden**, president of Granite Systems Research, and **Dennis Kozlowski**, CEO of Tyco International.

The Washington Post

Monday, May 3, 1999

DRAFT GUIDANCE FOR WASHINGTON POST ARTICLE ON MINIMUM WAGE

Q: What do you think about the stories that Republicans are going to attach tax breaks to any increase to the minimum wage.

A: We are pleased that Republicans now see increasing the minimum wage as the right thing to do and are joining the Administration and Democrats. The President called for an increase in the minimum wage in his State of the Union Address and he hopes that we can move forward in a serious bipartisan way without getting lost in a wish list of unrelated tax breaks.

Background Note:
While considering the final response it is worth knowing:

- The Washington Post reported that $21 billion in tax breaks were connected to the 1996 minimum wage increase.
- Some of the tax breaks being considered are in the President's budget such as extending the Worker Opportunity Tax Credit.
- Other tax breaks pose serious policy problems such as comp time and counting tips towards minimum wage calculations.
- Another tax break being considered, reducing the unemployment tax on employers payrolls from .08 percent to .06 percent, would cost about $1.5 billion annually.