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H.R. 2710 - REWARDING PERFORMANCE IN COMPENSATION ACT

H.R. 2710, a proposal to exclude bonuses and commissions from the regular rate of pay used to determine overtime pay due under the Fair Labor Standards Act (FLSA), would decrease overtime pay due to every American worker who works long hours and receives bonuses and commissions as part of their compensation.

The FLSA's overtime requirements were designed to dissuade employers from working their employees excessively long hours by requiring time-and-one-half premium pay on hours worked over 40 in a workweek so that those same employers would have an incentive to spread available work to more employees. To ensure that the law effectively discouraged long work hours, Congress required that essentially all remuneration (except for a few named exclusions) paid to or on behalf of an employee be included in the "regular rate" for computing the time-and-one-half overtime rate.

H.R. 2710 will encourage employers to drastically cut the wage component of an employee's compensation and provide instead, the promise or expectation of increased payments in bonuses or commissions paid at the **employer's** discretion. As the practice grows, the overall effect will be a downward pressure on the wages of all working men and women. This practice may lead to the following undesirable consequences:

- An employee's newly-lowered regular wage (which could be as low as the minimum wage) may no longer be sufficient to meet his/her current obligations, and the employee would have no guarantee that his/her total compensation (now dependent on "promised" bonuses or commissions) will ever reach its previous level.
- An employee's total compensation, based partially on bonus and commissions, may fluctuate wildly from pay period to pay period, to the detriment of the employee's ability to plan expenditures and for the future.
- An employee will be entirely dependent on the employer's willingness to pay promised bonuses or commissions. Employers that suffer difficult economic times, fail to realize a profit, or simply wish to increase their profit margin, may choose unilaterally to eliminate bonuses or commissions.
- An employee will be forced to forego an FLSA overtime pay guarantee for a non-guarantee of bonuses or commissions, which an employer can decide not to pay at any time.
- An employer may transfer its business risk to employees. Employees, for example, who are asked to work longer hours at a lower regular wage with the expectation that they will increase the company's profits (and thus their own compensation) will be disadvantaged if their efforts fail to generate the desired profits. Employers, on other hand, would assume very little of the burden associated with working their employees longer hours because they no longer have to compensate employees the additional time-and-one-half overtime premium at the higher "regular rate." Under these circumstances, the employees rather than their employers assume all of the risk associated with the success or failure of the business.
- An employee who works longer hours in anticipation of bonuses that are never paid will not

receive just compensation for the excess hours envisioned by the FLSA overtime provisions.

- To eliminate administrative burdens associated with determining the rate at which time-and-one-half should be computed, employers may provide a bonus based upon a percentage of an employee's total earnings (both straight-time and overtime). For example, a yearly bonus based on an employee's total combined straight-time and overtime earnings does not create any additional FLSA overtime liability, yet still provides incentives to the employees.

SECRETARY OF LABOR
WASHINGTON

JUN 22 1999

The Honorable William F. Goodling
Chairman
Committee on Education and the Workforce
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Goodling:

I am writing to provide you with the views of the Department of Labor on H.R. 1381, the "Rewarding Performance in Compensation Act." This bill would amend the Fair Labor Standards Act (FLSA) to exclude from the definition of "regular rate" payments made to reward employees for meeting or exceeding productivity, quality, efficiency, or sales goals as specified in a gainsharing, incentive bonus, commission, or performance contingent bonus plan. The regular rate is the basis for calculating overtime premium (time-and-a-half pay). As I previously advised Subcommittee Chairman Ballenger in my letter of May 19, 1999, the effect of this amendment would be to diminish employees' entitlements to overtime premium pay under the FLSA. Accordingly, if H.R. 1381 were presented to the President, I would recommend that he veto it.

This bill would substantially reverse the FLSA's long-standing overtime policy and drastically weaken existing protections for workers to receive true time-and-a-half overtime premium pay. Moreover, H.R. 1381 does nothing to guarantee that workers would ever share in their employers' gains from their having to work excessive overtime hours.

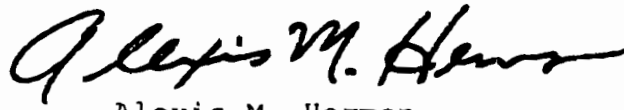
The bill would allow an employer to pay artificially low hourly wages and structure a compensation scheme with "excludable" bonus pay that is based upon production or efficiency, enabling an employer to effectively transfer much of its risk to the workers. The bill would not guarantee workers the right to receive any incentive compensation, but it would guarantee employers the right to exclude any such pay from overtime. Workers' only rights would be overtime at time-and-a-half of an artificially reduced hourly wage, not their true regular rate. This bill would encourage employers to have their employees work for longer hours at lower earnings, the opposite of the original intent of the FLSA's overtime standards--to limit the detrimental impact that long work hours can have on the health, efficiency and general well-being of workers.

WORKING FOR AMERICA'S WORKFORCE

This bill would undermine workers' rights and the 40-hour workweek. These requirements, which have been in place for over 60 years, provide vital worker protections that discourage employers from having employees work excessively long hours and ensure fair compensation to employees for the burdens of working extended hours for their employer. The Department of Labor strongly opposes H.R. 1381 because it is contrary to the best interests of the Nation's workers who would be affected by it.

The Office of Management and Budget has advised that there is no objection to the presentation of this report and that enactment of H.R. 1381 would not be in accord with the President's program.

Sincerely,

A handwritten signature in cursive script, reading "Alexis M. Herman".

Alexis M. Herman

BONIOR-RANGEL-PHELPS-SANDLIN SUBSTITUTE

Minimum Wage Provisions

- Increases the minimum wage to \$6.15 an hour in two steps, beginning with a \$.50 increase in January 2000 and another \$.50 increase in January 2001. In addition, the substitute requires the U.S. territory of Northern Mariana Islands to pay the federal minimum wage to its workers.

Small Business Tax Relief Provisions

- full 100% deductibility of health insurance for the self-employed in 2000
- an increase to \$30,000 in small business deductions for investments in plants and equipment after the year 2000
- permanent extension of the Work Opportunity Tax Credit (WOTC) and the Welfare to Work Credit to help businesses hire disadvantaged workers
- an increase to 65% in the deduction for meals and entertainment expenses for small businesses with annual income of less than \$5 million
- Section 415 pension changes to help workers save for retirement
- exclusion from income of educational benefits provided for employees' children
- funding to leverage \$12 billion in school construction bonds to help local communities modernize and prepare public schools for the future. The provision includes Davis-Bacon protections.
- deduction of travel expenses for a spouse or dependent to help promote tourism

Cost and Offsets

- The Democratic Substitute costs \$10 billion over 5 years, and \$20 billion over 10 years -- and is paid for. (By contrast, the Republican bill costs \$30 billion over 5 years, and \$95 billion over 10 years and is not paid for.)

Republican Minimum Wage Tax Package

Small Business Tax Relief Provisions

	10-Year Cost (\$billions)
1. Increase section 179 expensing to \$30,000	2.4
2. Repeal FUTA surcharge	0
3. 100% deduction self-employed health insurance	3.0
4. Permanent WOTC	4.5
5. 80% deduction for meals and entertainment	<u>13.9</u>
Subtotal	23.7

Health Provisions

1. Above-the-line deduction for health insurance	31.3
2. Above-the-line deduction for long-term care insurance	<u>7.3</u>
Subtotal	38.6

Pension Provisions (Almost entire package from vetoed bill)

1. Expanding Coverage (increasing limits, etc)	9.5
2. Enhancing Fairness for Women (faster vesting, etc)	4.4
3. Increasing Portability	0.1
4. Strengthening Pension Security	0.4
5. Reducing Regulatory Burdens	<u>0.7</u>
Subtotal	15.0

Revenue Offsets

1. Repeal Installment Method of Accounting	2.0
2. Modify estimated tax rules for REITS	<u>0.1</u>
Subtotal	2.1

Net Cost:	Year 1	+38 million
	1-5	-18.4 billion
	1-10	-75.3 billion

Senate Democratic Proposal

Small Business Tax Reductions to Accompany Minimum Wage Increase**Enabling Small Businesses to Provide Child Care, and Health and Retirement Benefits**

1. 100% self-employed health deduction
2. Worksite child care facilities credit
3. Exclusion for employer provided post-secondary education benefits for children of employees
4. Small business pension package (Graham-Grassley)
 - a. Plan loans
 - b. Payroll deduction IRAs
 - c. Top-heavy modifications
 - d. Tax credit for start-up costs and employer contributions
 - e. Elective deferrals not taken into account for purposes of deduction limits
 - f. Faster vesting for matching contributions
 - g. Reduce PBGC premiums
 - h. Eliminate IRS user fee for new plans
 - i. Definition of compensation for purposes of deduction limits
 - j. Permitting larger pensions and early retirement
 - k. Treatment of multi-employer plans under section 415
 - l. Cash balance pension plan disclosure
 - m. Cash balance pension plan "wear-away" prohibition

Promoting Technological and Economic Development

1. Accelerate section 179 deduction to \$25,000
2. Tax credit for investments in new markets
3. Wage credits for empowerment zones
4. Tax credit for information technology training
5. Low-income housing credit per capita increase

Expanding Economic Opportunity

1. Extension of work opportunity tax credit
2. Extension of welfare-to-work tax credit
3. QZABs

Promoting Family-Owned Farms and Small Businesses

1. Prevent farm income averaging from increasing AMT liability
2. 10-year carryback of farm net operating losses generated in 2001 and 2002
3. Small business meals deduction increase
4. Increase exemption for family-owned farms and businesses by \$450,000
5. Tax exclusion for cost-sharing payments under Partners for Wildlife Program
6. Dividend payments on stock of cooperatives without reducing patronage dividends
7. Repeal section 1706 of the 1986 tax reform act

Providing Administrative Relief

1. Combined Federal-State employment tax reporting
2. Allow enrolled agents to use the "EA" designation

TOTAL COST OVER 10 YEARS**\$28.55 billion**

TO: Joann Slary

For Lat 6.61

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Revenue Offsets for Kennedy Minimum Wage Amendment

Revenue Offsets

(\$28.9 billion over 10 years)

Restore Phase-out of Unified Credit for Large Estates. Correct a drafting error from Taxpayer Relief Act of 1997 applicable to estates over \$17 million.

Lower-of-Cost-or-Market. Repeal the lower-of-cost-or-market inventory accounting method for determination of inventory levels calculated using the “first-in-first-out” method.

Start-up and Organizational Expenditures. Modify treatment of start-up and organizational expenditures, effective for expenditures incurred after date of enactment.

Superfund. Reinstate and deposit environmental tax imposed on corporate income in Hazardous Substance Superfund Trust Fund (“Superfund”). Also, reinstate and deposit excise taxes in the Superfund.

Disallowance of Noneconomic Tax Attributes. Disallow corporate shelters by codifying the “economic substance” doctrine and substantially increasing the underpayment penalty from 20 percent to 40 percent on disallowed transactions.

<i>TOTAL REVENUE OFFSETS OVER 10 YEARS</i>	<i>\$28.9 billion</i>
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Robb/Baucus Small Business Tax Reductions To Accompany Democratic Minimum Wage Amendment

Enabling Small Businesses to Provide Child Care, Health, and Retirement Benefits (\$9.6 billion over 10 years)

Accelerate 100% Deduction for Self-Employed. Allow self-employed taxpayers a 100% deduction for health insurance beginning in 2000.

Worksite Child Care Credit. Provide a 25% credit for qualified expenses of employers assisting employees with child care. Qualified expenses would include (1) child care facility start-up expenses, (2) child care facility operational expenses, and (3) payments or reimbursements for "off site" child care. The maximum credit an employer could claim in any year would be \$90,000. Effective date: taxable years beginning after 12-31-00.

Employer provided post-secondary school scholarships. Allow a tax exclusion for employers who provide post-secondary school education for the children of employees.

Plan Loans for Self-Employed Individuals. Permit S corporation and unincorporated owners who own no more than 25% of the business to take plan loans under the same rules applicable to employees and owners of C corporations.

IRA Contributions through Payroll Deduction. Clarify that employers may establish automatic payroll deduction plans so their employees may contribute directly to an IRA account.

Modify Top Heavy Rules. This form of nondiscrimination protection effectively applies only to small businesses. The proposal would lighten the burden of the top heavy rules through the following changes. Establish a one-year lookback period, exempt frozen plan from minimum accruals, exempt any plan which is not top heavy, and is not expected to become top heavy, from top heavy plan document requirements, and modify the definition of "key employee" to increase officer compensation to \$80,000.

Small Business Pension Start Up Tax Credit. Tax credit for small employer pension plan contributions and start-up costs; 50% credit on employer contributions for the first five taxable years for employers with 25 or fewer employees; 50% tax credit for the first three years on start-up costs for employers with 100 or fewer employees. Effective for plans established after 12-31-00.

Elective Deferrals Not Taken into Account for Purposes of Limits. Elective deferrals would not be taken into account in applying the deduction limits to other contributions.

Three Year Vesting for Matching Contributions. Under current law, employers may require up to five years of service before an employee is entitled to employer contributions to a defined contribution plan. The proposal would reduce that maximum to three years with respect to matching contributions.

Reduce PBGC Premium for Small Businesses. The PBGC premium is normally set at \$19 per participant. This proposal would set the premium for a small employer plan at \$5 per participant for the first five years of a plan.

Phase-in of Additional PBGC Premium for New Plans. Any applicable variable rate premium would be phased in over a six year period as follows: 0% for year one; 20% for year two; 40% for year three; 60% for year four; 80% for year five; and 100% for year six.

Eliminate the “New Plan Fee.” Employers who establish a pension plan must pay a fee, sometimes up to \$1000, to receive a determination letter from the Internal Revenue Service stating that the plan is qualified. In order to decrease the costs of establishing retirement plans, the legislation eliminates this fee.

Definition of Compensation for Purposes of Deduction Limits. Modify the definition of compensation for employer deductions such that compensation includes elective salary reduction amounts.

Treatment of Multiemployer Plans under Section 415. Removes restrictions affecting multiemployer pension plans; (1) Repeals the 100% of worker’s three highest consecutive years of compensation annual benefit limit because building trade workers often have great variation in income from year to year. (2) Removes the prohibition that multiemployer and single employer plan benefits be aggregated to avoid penalizing moderate-income employees. (3) Exempts multiemployer plans from normal actuarial reductions rules for early retirement because many building trades workers must retire earlier than most employees.

Cash Balance Pension Plan Conversion Disclosure (S. 1708). Require increased disclosure of any change that would significantly reduce pension plan benefit accruals.

Cash Balance Pension Plan “Wear-away” Prohibition (S. 1300). Prohibit employers from “wearing-away” pension plan benefits.

Promoting Technological and Economic Development
(\$6.3 billion over 10 years)

Small Business Expensing. Increase the limit on expenditures allowable under section 179 for immediate expensing by small businesses to \$25,000 in 2000. Effective date: taxable years beginning after 12-31-99.

New Markets Initiative. A new tax credit for qualified investments made to acquire stock (or other equity interests) in selected community development entities. Taxpayers would receive a credit equal to six percent of the investment each year during each of the first five years after making the investment. The maximum investments that would qualify for the credit would be capped at an aggregate annual amount of \$750 million (a maximum of \$3.75 billion for the entire period of the tax credit) Effective date: investments made on or after 1-1-01. Except for

the aggregate caps, the initiative tracks the Proposal included in the Administration's FY2000 budget.

Wage Credits for Empowerment Zones. Provide the present-law wage credit for round one Empowerment Zones (EZs) to the round two designated EZs. OBRA 1993 authorized nine round one EZs. The Taxpayer Relief Act of 1997 (1997 Act) authorized an additional 22 EZs, two round one EZs and 20 round two EZs. Round one EZs are eligible for a wage credit on the first \$15,000 of wages per employee. Round two EZs are not eligible for the wage credit. The 9 original EZs can claim the credit at a rate of 20% through 2001, 15% in 2002, 10% in 2003, and 5% in 2004. After 2004, the credit is not available. However, the 2 additional round one EZs, authorized by the 1997 Act, can claim the credit according to a different rate schedule. The credit is available at a rate of 20% for the years 2000 through 2004, 15% in 2005, 10% in 2006, and 5% in 2007, after which the credit is not available. This proposal would expand the wage credit to the 20 round two EZs according to the rate schedule of the 2 additional round one EZs authorized in 1997.

Tax Credit for Information Technology Training Expenses. Provide for a tax credit against income tax for information technology training expenses. The tax credit would be equal to 20 percent of information technology training expenses, not to exceed \$6,000 per employee in a taxable year. The percentage would increase by 5 percent to 25 percent for a business that operates or initiates a training program in an empowerment zone, an enterprise community, a school district where at least 50 percent of the students are eligible to participate in the school lunch program, a tribal college, a small business employer, or in an area designated by the President or Secretary of Agriculture as a disaster zone. The tax credit would apply to businesses providing the IT training directly, or through certified commercial information technology training providers. Effective date: taxable years beginning after 12-31-00.

Low Income Housing Tax Credit. Phase-in an increase in the per capita amount of low-income housing tax credit from \$1.25 to \$1.75. The amount of the credit would be increased by \$0.05 per year, beginning with an increase from \$1.25 to \$1.30 in 2000, until the credit equals \$1.75 in years 2009 and beyond.

Expanding Economic Opportunities
(\$2.8 billion over 10 years)

Work Opportunity Tax Credit. Extend the work opportunity tax credit from 1/1/01 through 12/31/04.

Welfare-To-Work Tax Credit. Extend the welfare-to-work tax credit from 1/1/01 through 12/31/04.

Qualified Zone Academy Bonds. Extend \$400 million in bonding authority through 2000.

Promoting Family-Owned Farms and Businesses
(\$9.4 billion over 10 years)

Estate Tax Relief. Increase the qualified family-owned business interest deduction from \$1.3 million to \$1.75 million in 2003 and thereafter.

Income Averaging for Farmers. Provide that a farmer's use of income averaging for a particular taxable year may not increase a farmers' liability under the alternative minimum tax. Effective date: taxable years beginning after 12-31-00.

Allow Net Operating Losses. Permit farmers to claim certain unused net operating losses. Effective date: taxable years beginning after 12-31-00 and before 1-01-03.

Small Business Meals Deduction. Increase the business meals deduction, only for small businesses, from the present-law 50% to 55% in 2001, 60% in 2002 and thereafter.

Tax Exclusion under Partners for Wildlife Program. Enable taxpayers to exclude a portion of cost-share payments made under the Partners for Wildlife Program, which restores fish and wildlife habitat on private lands.

Repeal section 1706 of the 1986 Tax Reform Act. Repeal provision to allow certain computer and technology consultants to claim employment status on par with other industry consultants.

Payment of Dividends on Stock of Cooperatives without Reducing Patronage Dividends. Provide that net earnings not be reduced by amounts paid during the year as dividends on capital stock

Providing Administrative Relief
(Negligible revenue effect over 10 years)

Combined Employment Tax Reporting. Permit employers to file both State and federal payroll taxes with a single form through a single point. This is accomplished by permitting the IRS to disclose the common data (name, identification number, address and the signature of the taxpayer) received on the form to the appropriate State. The program would be elective--each State would determine whether to participate. Effective date: date of enactment.

Enrolled Agents Designation. Allow that any properly licensed enrolled agent to could use the credentials, "Enrolled Agent", "EA", or "E.A.".

<i>TOTAL COST OVER 10 YEARS</i>	<i>\$28.6 billion</i>
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The Democratic Minimum Wage Amendment: More Fair and Fiscally Responsible Than the Republican Proposal

Senator **Kennedy** will offer an amendment to **S. 625**, the *Bankruptcy Reform Act of 1999*, to increase the minimum wage from \$5.15 per hour to \$6.15 per hour over two years, with a 50 cent increase on January 1, 2000 and a 50 cent increase on January 1, 2001. The amendment also includes \$28.5 billion in targeted tax cuts for small businesses and family-owned farms. The costs of these targeted tax cuts are fully offset.

In contrast, the Republican amendment would stretch the increase in the minimum wage over three years, delaying a pay raise for millions of hard-working Americans. In addition, the Republican proposal includes \$75.3 billion in tax breaks that are neither paid for nor targeted to small businesses who employ minimum wage workers. In fact, Republicans provide tax breaks that are almost three times greater than the cost to private employers of increasing the minimum wage.

Democrats propose needed raise for millions of workers. The **Kennedy** amendment to increase the minimum wage by one dollar over two years would restore the real value of the minimum wage to what it was in 1982. More than 11 million workers would benefit under this proposal, giving a full-time, year-round worker at the minimum wage a \$2,000 raise. The **Kennedy** amendment also would apply the Federal minimum wage to the Commonwealth of the Northern Mariana Islands.

Republicans delay pay raise. The Republican proposal would increase the minimum wage by one dollar over three years, with a 35 cent increase on March 1, 2000 and 2001, and a 30 cent increase on March 1, 2002—delaying a pay raise for millions of working families. The Republican amendment would cost a year-round, full-time minimum wage worker approximately \$1,200 compared to the **Kennedy** amendment. In addition, the Republican amendment would effectively repeal the requirement that workers be paid time and a half for overtime work, by allowing bonus and other income to be excluded from the calculation used to determine overtime pay. This would put at risk overtime compensation for the 73 million Americans who are entitled to it.

Democrats provide tax cuts for small businesses and family-owned farms. The **Kennedy** amendment incorporates a **Robb-Baucus** package of approximately \$28.5 billion in targeted tax relief for small businesses and family-owned farms over ten years.

Highlights of the Democratic tax cuts include:

- acceleration of the 100 percent deduction for the health insurance costs of self-employed individuals beginning in 2000 rather than 2003 under current law;
- establishment of a tax credit for start-up costs and employer contributions to small business pension plans;
- acceleration of the increase of the small business expensing cap to \$25,000 beginning in 2000;
- additional wage credits for empowerment zones;
- extension of the work opportunity tax credit through 2004;
- extension of the welfare-to-work tax credit through 2004; and
- increase of the exemption for family-owned farms and businesses by \$450,000 to \$1.75 million starting in 2003.

Democrats pay for tax cuts. The **Kennedy** amendment is fully offset and would not risk tapping into the Social Security surplus to cover the cost of this important tax relief. According to the Congressional Budget Office (CBO), **Republicans** have already proposed to raid the Social Security surplus by \$17 billion in FY 2000. Their tax breaks are offset in the first year, but over ten years, the Republican proposal would provide \$75 billion in tax breaks whose costs are not offset.

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S.L.C.

AMENDMENT NO. _____ Calendar No. _____

Purpose: To amend the Fair Labor Standards Act of 1938
to increase the Federal minimum wage.

IN THE SENATE OF THE UNITED STATES—106th Cong., 1st Sess.

S. 625

To amend title 11, United States Code, and for other
purposes.

Referred to the Committee on _____
and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by

Viz:

1 At the appropriate place, insert the following:

2 **TITLE ____—INCREASE IN THE**
3 **FEDERAL MINIMUM WAGE**

4 **SEC. ____01. FAIR MINIMUM WAGE.**

5 (a) SHORT TITLE.—This section may be cited as the
6 “Fair Minimum Wage Act of 1999”.

7 (b) MINIMUM WAGE INCREASE.—

8 (1) WAGE.—Paragraph (1) of section 6(a) of
9 the Fair Labor Standards Act of 1938 (29 U.S.C.
10 206(a)(1)) is amended to read as follows:

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S.L.C.

2

1 “(1) except as otherwise provided in this sec-
2 tion, not less than—

3 “(A) \$5.65 an hour during the year begin-
4 ning on January 1, 2000; and

5 “(B) \$6.15 an hour beginning on January
6 1, 2001;”.

7 (2) EFFECTIVE DATE.—The amendment made
8 by paragraph (1) takes effect on January 1, 2000.

9 (c) APPLICABILITY OF MINIMUM WAGE TO THE COM-
10 MONWEALTH OF THE NORTHERN MARIANA ISLANDS.—
11 The provisions of section 6 of the Fair Labor Standards
12 Act of 1938 (29 U.S.C. 206) shall apply to the Common-
13 wealth of the Northern Mariana Islands.

14 **SEC. ____02. LIMITATION ON LOCATION OF PROVISION OF**
15 **SERVICES.**

16 (a) IN GENERAL.—Section 1861(ff)(2) of the Social
17 Security Act (42 U.S.C. 1395x(ff)(2)) is amended in the
18 matter following subparagraph (I)—

19 (1) by striking “and furnished” and inserting
20 “furnished”; and

21 (2) by inserting before the period the following:
22 “, and furnished other than in a skilled nursing fa-
23 cility, residential treatment facility or other residen-
24 tial setting (as determined by the Secretary)”.

Republican Minimum Wage Tax Package

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1.	Increase section 179 expensing to \$30,000	2.4
2.	Repeal FUTA surcharge	0
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4.	Permanent WOTC	4.5
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3.	Increasing Portability	0.1
4.	Strengthening Pension Security	0.4
5.	Reducing Regulatory Burdens	<u>0.7</u>
Subtotal		15.0

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2.	Modify estimated tax rules for REITS	<u>0.1</u>
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Revenue Offsets

1. Restore phase-out of unified credit for large estates
2. Repeal lower-of-cost-or-market inventory accounting method
3. Modify treatment of start-up and organizational expenditures
4. Reinstate and deposit environmental tax imposed on corporate income in Hazardous Substance Superfund
5. Reinstate and deposit excise taxes in the Hazardous Substance Superfund
6. Disallowance of noneconomic tax attributes

TOTAL REVENUE OFFSETS OVER 10 YEARS	<i>\$28.92 billion</i>
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Q: Are you amenable to a minimum wage proposal spread over 3 years and combined with a package of tax breaks?

- A minimum wage increase is about making sure that all Americans share in our economic prosperity. People who work should get paid a decent wage. Increasing the minimum wage from \$5.15 an hour to \$6.15 will help more than 11 million workers. For typical full-time minimum wage workers, it means an additional \$2,000 – enough to buy 7 months of groceries or pay rent for five months.
- The President has proposed a measure to increase the minimum wage in two steps over the next two years. This will simply restore the inflation-adjusted value of the minimum wage to what it was in 1982. The Republican proposal to raise the minimum wage over three years would cost a full-time worker \$1,500 over three years compared to the President's plan.
- We should pass a clean minimum wage increase that gives working Americans the raise they not only deserve but overwhelmingly support. The President would veto a minimum wage bill that threatens our fiscal discipline by making unpaid for tax cuts. Also, the President has said that if paid-for tax cuts are attached to the minimum wage bill, they should reflect our priorities and address urgent national needs.

Background

The Last Minimum Wage Increase Has Brought Tremendous Benefits For Working Families.

- Nearly 9 million new jobs since the last minimum wage increase – with more than 1 million in retailing.
- Unemployment rate down from 5.2 percent to 4.2 percent – the lowest in 29 years.
- In the year before the last minimum wage increase the underlying (core) inflation rate was 2.6 percent; so far this year it is 1.9 percent – the lowest rate in more than 30 years.
- Since the last minimum wage increase, the welfare rolls have fallen 39 percent. A CEA study found that at least one-tenth of that decline was due to the higher minimum wage.
- More than two dozen studies by top economists at Harvard, MIT, Princeton, and other universities have found that moderate increases in the minimum wage have very little impact on employment.
- Real wage increases have been larger and more sustained than at any time in over two decades. Unlike the 1980s, incomes have risen as quickly for those at the bottom as for those at the top.

The Republican Tax Bills Would Be Costly and Unfair To Working Families

- **Lazio-Shimkus.** According to Citizens for Tax Justice, the best-off one percent of Americans, those making more than \$301,000 a year, would get almost three-quarters (73.4 percent) of the tax cuts in the House's Lazio-Shimkus bill, while the bottom three-fifths of all taxpayers would get less than 3 percent (2.7 percent) of the tax cuts. The best-off one percent of all taxpayers would get an average tax cut of nearly \$6,000 a year (\$5,999), while the bottom three-fifths would get an average tax reduction of only \$4 a year.
- **Senate Republican.** The Senate Republican tax cut amendment would cost \$75 billion over 10 years, and is not paid for. It includes:
 - Small business expensing,
 - Repeal of FUTA,
 - Speed-up of 100 percent deduction of health expenses for the self-employed,
 - Permanent extension of the Work Opportunity Tax Credit,
 - Increased business meals deduction for small businesses, phasing up to 80 percent,
 - Deduction for health and long-term care expenses for those not in plans, and
 - 99 pages of pension provisions.

Welfare to work

TAAUF \$

→ Some \$ spent
on min. wage

Nickles



Democratic Policy Committee
United States Senate
Washington, D.C. 20510-7050

Tom Daschle, Chairman
Byron Dorgan, Co-Chairman

DEMOCRATIC POLICY COMMITTEE

September 15, 1999

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Keeping Pace With Prosperity: Americans Deserve a Fair Minimum Wage

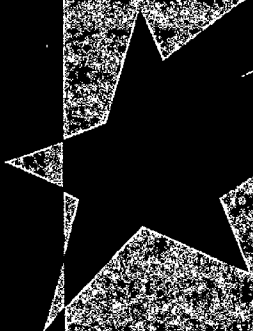
SPECIAL
REPORT

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Keeping Pace With Prosperity: Americans Deserve a Fair Minimum Wage

By nearly every measure, we have the strongest economy in more than a generation. A disappearing deficit, rising worker productivity and increased business investment have given us robust economic growth, the lowest peacetime unemployment rate in 42 years and the lowest core inflation rate in three decades.

But the benefits of prosperity have not flowed to lower wage workers. A full-time minimum wage worker earns \$10,712 per year—\$3,200 below the poverty level for a family of three. As a result of the large increases in income disparities over the past 20 years, the 2.7 million Americans with the highest incomes (top one percent) will have as much after-tax income in 1999 as the 100 million Americans with the lowest incomes (lowest 38 percent). (Center on Budget and Policy Priorities, September 1999)

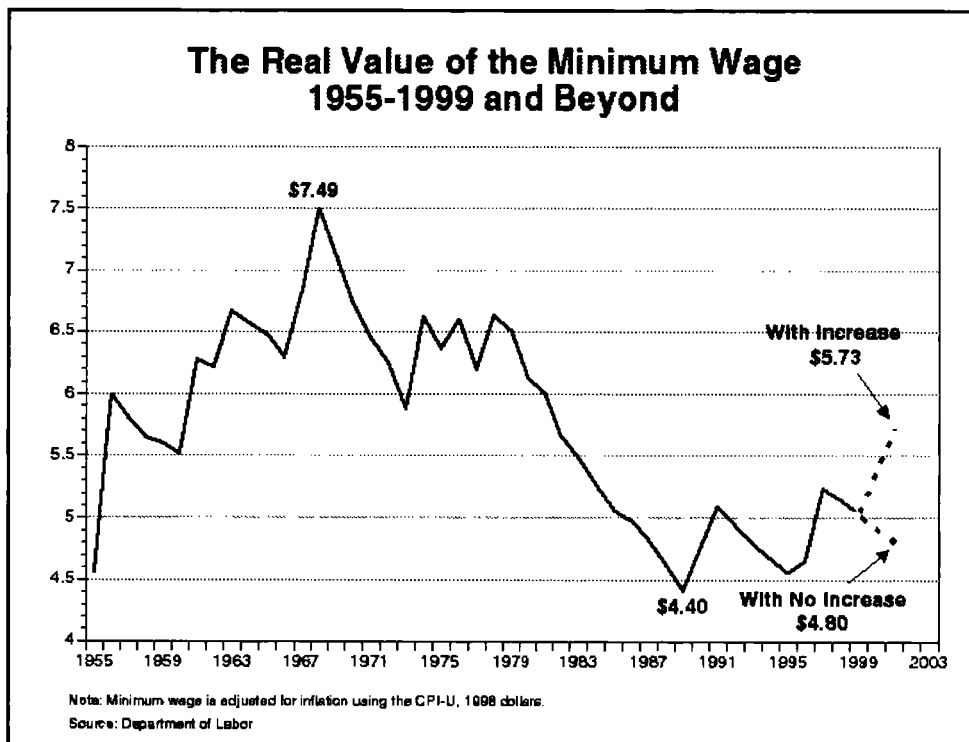
Senator **Kennedy's** Democratic proposal, the *Fair Minimum Wage Act of 1999*, would provide a 50 cent increase to the minimum wage on January 1, 2000, and a second increase on January 1, 2001. This modest increase, which would raise the minimum wage to \$6.15 per hour, will help millions of lower-income Americans and their families. The initiative would also apply the Federal minimum wage to the Commonwealth of the Northern Mariana Islands.

Do American Workers Need a Minimum Wage Increase?

While the recent increase in the minimum wage helped millions of low-wage Americans, more needs to be done. The minimum wage increase passed in 1996 prevented the minimum wage from falling to its lowest inflation-adjusted level in 40 years.

The proposed increase to \$6.15 would get the minimum wage back to where it was in 1982. If we do nothing, the real value of the minimum wage will continue to decline.

Across the country, soup kitchens, food pantries and homeless shelters are increasingly serving the working poor—not just the unemployed. According to a recent survey by the U.S. Conference of Mayors, 38 percent of those seeking emergency food aid were employed, compared to 23 percent in 1994. Local government officials now cite low-paying jobs as the most common cause of hunger in their communities (U.S. Conference of Mayors).



Will an Increase in the Minimum Wage Lead to Job Losses?

Republicans claim an increase in the minimum wage will result in a significant loss of jobs. Critics of the minimum wage contend that employment losses would be particularly hard on women, minorities and teenagers, which are the very groups that Democrats believe would be helped by a minimum wage hike.

Despite Republican claims, unemployment rates have declined for all these groups between September 1996 (the month before the first phase of the last increase) and August 1999:

	September 1996	August 1999
Men	4.5%	3.6%
Women	4.6	3.7
Adults	4.5	3.6
Teens	15.7	13.5
African Americans	10.6	7.8
Hispanic Americans	8.3	6.5

Over the last two decades, nearly two dozen studies have concluded that modest minimum-wage increases have no detectable effect on employment. One of the most comprehensive studies, conducted by Princeton economists David Card and Alan Krueger, found that employment in fast-food restaurants grew at least as quickly, and possibly slightly faster, in New Jersey as in neighboring counties in Pennsylvania after New Jersey increased its State minimum wage (David Card and Alan B. Krueger, "Unemployment Chimera," *The Washington Post*, March 6, 1998).

Data from the Bureau of Labor Statistics has shown that since the last increase took effect:

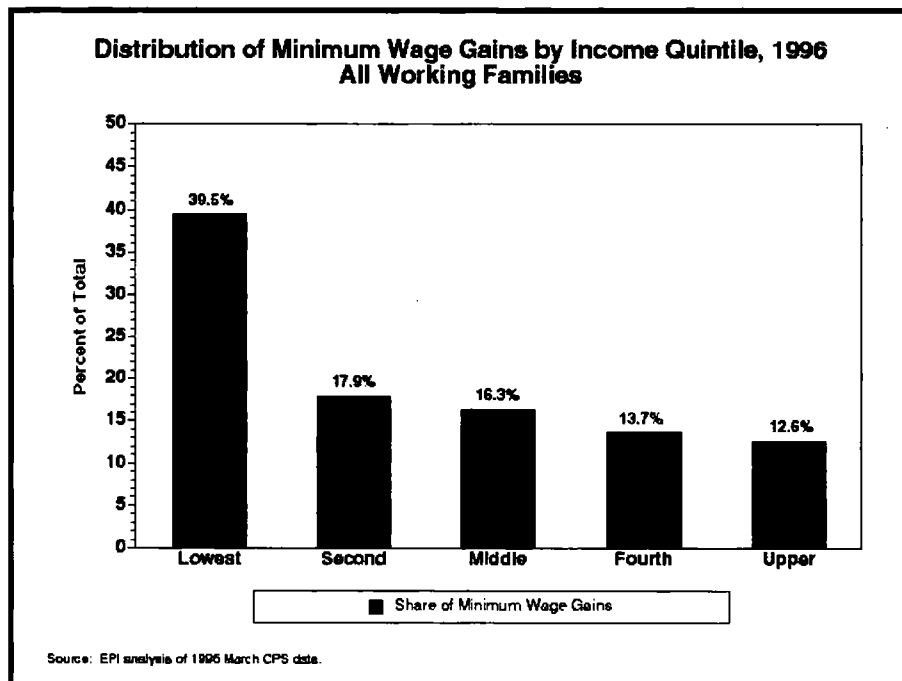
- 8.7 million total new jobs have been added;
- 1.2 million new retail jobs have been added; and
- 415,000 new restaurant jobs have been added.

Who Will Benefit From an Increase in the Minimum Wage?

Republicans claim that increases in the minimum wage are poorly targeted because they mostly go to teenagers in high-income families. An analysis of Department of Labor data reveals:

- 70 percent of the workers who will benefit from the increase are adults age 20 and over;
- 59 percent of the workers are female;
- 46 percent of the affected workers work full time;
- 40 percent of the workers are the sole breadwinners in their families;
- 18 percent of the workers are Hispanic; and
- 15 percent of the workers are African-American.

The distributional data reveal that the last modest increase in the minimum wage in 1996-1997 went overwhelmingly to the families that needed it most: workers in lower-income families.



Will Raising the Minimum Wage Really Make a Difference?

An increase in the minimum wage will improve the quality of life for millions of American workers and their families. Under the proposed increase, a full-time minimum wage worker would earn an additional \$2,000 per year beginning in 2001. Lower-wage families could use this extra money to pay for:

- groceries for seven months;
- rent for five months;
- utility bills for ten months; or
- nearly 1-1/2 years of tuition and fees at a two-year college.
(August 1999 Bureau of Labor Statistics data; based on the expenditure patterns of an average family of four)

Do Americans Support an Increase in the Minimum Wage?

Recent polls show that Americans strongly support increasing the minimum wage.

- A March 1999 NBC News/*Wall Street Journal* poll found 75 percent of Americans support an increase in the minimum wage.
- A February 1999 *Los Angeles Times* poll found 81 percent of Americans support raising the minimum wage.
- A February 1998 Pew poll found 80 percent support the Democratic proposal to increase the minimum wage.
- A January 1998 Peter Hart Research poll found that 77 percent of Americans support an increase in the minimum wage.

Democrats Believe Low-Wage Americans Deserve a Raise

The Fair Minimum Wage Act of 1999 would raise the minimum hourly wage by 50 cents on January 1, 2000 and by another 50 cents on January 1, 2001. In an era of economic growth in which the gap between rich and poor has widened, raising the minimum wage is a matter of fundamental fairness. Numerous studies have shown that modest increases in the minimum wage, especially during times of low unemployment, have not had a negative impact on employment. Analyses of Department of Labor data also reveal that benefits from an increase in the minimum wage will go to the adult, low-income workers who need it the most. Senate Democrats will continue to fight to ensure that American workers earn a livable wage.

Appendix A

Increases in the Minimum Wage (1955-1996)

<u>Date of Legislation</u>	<u>Date Increase Took Effect</u>	<u>Minimum Wage</u>	<u>Amount of Increase</u>	<u>Percent Increase</u>	<u>Unemployment</u>
Aug. 12, 1955	Mar. 1, 1956	\$1.00 (was .75)	.25	33.0%	4.2%
May 5, 1961	Sep. 3, 1961	1.15	.15	15.0%	6.7%
	Sep. 3, 1963	1.25	.10	9.0%	5.5%
Sep. 23, 1966	Feb. 1, 1967	1.40	.15	12.0%	3.8%
	Feb. 1, 1968	1.60	.20	14.0%	3.8%
Apr. 8, 1974	May 1, 1974	2.00	.40	25.0%	5.1%
	Jan. 1, 1975	2.10	.10	5.0%	8.1%
	Jan. 1, 1976	2.30	.20	10.0%	7.9%
Nov. 1, 1977	Jan. 1, 1978	2.65	.35	15.0%	6.4%
	Jan. 1, 1979	2.90	.25	9.0%	5.9%
	Jan. 1, 1980	3.10	.20	7.0%	6.3%
	Jan. 1, 1981	3.35	.25	8.0%	7.5%
Nov. 17, 1989	Apr. 1, 1990	3.80	.45	13.0%	5.4%
	Apr. 1, 1991	4.25	.45	12.0%	6.7%
Aug. 20, 1996	Oct. 1, 1996	4.75	.50	12.0%	5.2%
	Sep. 1 1997	5.15	.40	8.0%	4.9%
Proposal	Jan. 1, 2000	5.65	.50	10.0%	4.2%
	Jan. 1, 2001	6.15	.50	9.0%	(8/99)

Appendix B

What Democratic Presidents Have Said About the Minimum Wage

"Our Nation, so richly endowed with natural resources and with a capable and industrious population, should be able to devise ways and means of ensuring to all able-bodied working men and women a fair day's pay for a fair day's work."

—President Franklin D. Roosevelt

"They [Republicans] say they are in favor of good wages—but they argue that the minimum wage should be held down to starvation level. They are making exactly the same speeches now against the 75 cent minimum wage that they made back in the thirties against a 40-cent minimum wage."

—President Harry S. Truman

"[An increase would] improve the level of living, morale, and efficiency of many of our lowest paid workers, and provide incentives for their more productive utilization. This can actually increase productivity and hold down unit costs with no adverse affects."

—President John F. Kennedy

"We must provide all possible assistance to those who seek work and decent living conditions for those who do work."

—President Lyndon B. Johnson

"This bill (FLSA) said that Americans who had to work with their hands, the laborers of our Nation, those from low-income families, should be treated fairly. They should be given the right to an income which would at least buy the necessities of life."

—President Jimmy Carter

"In an economy that honors opportunity, all Americans must be able to reap the rewards of prosperity. Because these times are good, we can afford to take one simple, sensible step to help millions of workers struggling to provide for their families: We should raise the minimum wage."

—President Bill Clinton



October 19, 1999

Tax Cuts in Lazio Minimum Wage Bill Overwhelmingly Benefit High-Income Taxpayers

by Iris J. Lav

Legislation to raise the minimum wage introduced by Representatives Rick Lazio and Gary Condit and expected to be considered on the House floor this week includes a set of tax breaks for high-income individuals, most of them from the tax bill Congress passed in August. These tax breaks include significant reductions in the estate tax. In fact, the estate tax provisions constitute the largest single set of tax changes in the bill. The bill also features a series of changes in tax laws related to pensions that would make pension tax breaks considerably more lucrative for highly paid executives and other highly compensated individuals.

The argument usually advanced for including tax measures as an accompaniment to a minimum wage increase is that small businesses need to be compensated for the increased wages they would have to pay under a higher minimum wage. This argument is not well-founded; the evidence does not indicate that modest minimum wage increases have significantly negative effects on small businesses. For example, recent research that examined whether minimum wage increases contribute to the failure rate of businesses found "...there seems to be no discernible correlation between minimum wage increases and a rise in business failures, either in the year the increase occurred or in the following year." ⁽¹⁾ But whatever the merits of compensating small businesses, the tax cuts in the Lazio-Condit proposal go far beyond any reasonable bounds for what might be justified as measures to cushion the effects of a higher minimum wage on small businesses.

The Lazio-Condit bill would confer the vast majority of its tax reduction benefits on high-income taxpayers who do not operate small businesses. An analysis by Citizens for Tax Justice finds that 92 percent of the tax cut benefits in the Lazio-Condit bill would go to the 10 percent of taxpayers with the highest incomes.

Moreover, neither the estate tax reductions nor the pension provisions of the bill bear much relationship to any possible effects of a minimum wage increase on small businesses. These tax cut proposals would provide only an extremely small proportion of their benefits to small businesses.

Estate Tax Cuts Not Tied to Small Business Issues

Reducing the estate tax has little connection to any claimed effects of a minimum wage increase on small businesses. Only a tiny fraction of the estate tax is paid on small businesses that are included as part of estates. The overwhelming bulk of the large tax reductions that would result from the estate tax provisions of the Lazio-Condit bill, all of which were contained in this summer's vetoed tax bill, would accrue to wealthy individuals who are not owners of small family businesses.

IRS data show that individually-owned or family-owned small businesses account for a small fraction of assets subject to the estate tax. An analysis of 1995 estate

Min. Wage
by Ding

decreasing
\$300 million
savings

OMB scored total
outlay

Dauster → CBO
\$10 million

tax returns found that business assets, such as closely-held stocks, limited partnerships, and non-corporate businesses, accounted for only 2.3 percent of the value of all taxable estates. These assets accounted for only 2.7 percent of the value of smaller estates, those with a value of less than \$2.5 million.⁽²⁾

Furthermore, several provisions of tax legislation enacted in 1997 already are reducing estate taxes on small family businesses and farms. The amount of an estate that is exempt from taxation is now higher for family-owned businesses and farms than for other types of estates. Instead of the \$650,000 general estate tax exemption (which is scheduled to rise to \$1 million in 2006), the 1997 tax law increased the total exemption for most estates that include family-owned businesses to \$1.3 million; in other words, *most estates including a family-owned business that are worth less than \$1.3 million already entirely escape the estate tax*. The 1997 law also liberalized various other estate tax provisions that help small businesses, including rules that reduce the taxable value of small businesses.

The Lazio-Condit bill would make a number of changes that would further reduce the taxation of *all* estates, not just estates with family businesses. The changes include reducing the highest marginal tax rate that is applied to the largest estates from 55 percent to 48 percent, reducing by two percentage points each of the other graduated marginal estate tax rates, and eliminating a surtax that currently applies solely to estates valued at over \$10 million. Another proposed change would substitute a deduction for the credit that implements the general estate tax exemption (the exemption scheduled to rise to \$1 million in 2006), a change that tends to favor larger estates.

Table 1 shows the effect of the proposed changes in the estate tax on illustrative examples of estates of different sizes. As shown in that table, an estate worth \$1.5 million would receive an estate tax reduction of approximately \$64,000, while an estate worth \$20 million would get an estate tax cut in excess of \$1.7 million. Even in percentage terms, the estate tax reduction would favor large estates over smaller ones. As Table 1 indicates, the estate tax on the \$1.5 million estate would be reduced by an amount equal to 4.3 percent of the value of the estate, while the tax on the \$20 million estate would be sliced by an amount equal to 8.8 percent of the estate's value, more than twice as much.

Table 1
Illustrative Estate Tax Reductions Included in
Lazio-Condit Minimum Wage Bill

Estate Size	Proposed Tax Cut	Tax Cut as a Percent of Estate Value
\$1,000,000	\$ 0	
1,500,000	64,200	-4.3%
2,000,000	109,200	-5.5%
5,000,000	349,200	-7.0%
10,000,000	699,200	-7.0%
20,000,000	1,758,400	-8.8%

Calculations by Center on Budget and Policy Priorities. Assumes fully phased-in provisions.

Under current law, estate taxes are paid only by the estates of the wealthiest two percent of all decedents; those of lesser wealth have no estate tax liability. A recent Treasury Department analysis finds that 91 percent of all estate taxes are

paid by the five percent of taxpayers with the highest incomes, a group with incomes in excess of \$190,000 a year.⁽³⁾ The evidence suggests that most of the benefits of the proposed estate tax reduction would be enjoyed by the estates of individuals who were wealthy investors with extensive holdings in stocks or other financial instruments and real estate and who were *not* owners of small businesses.

In short, a general estate tax reduction of this type cannot be justified as offsetting the effects of a higher minimum wage. To the extent that an argument can be made that problems remain regarding the taxation of small family-owned businesses under the estate tax, such problems could be specifically identified and addressed at a much smaller cost than the Lazio-Condit provisions entail.

Pension Provisions Also Are Poorly Targeted

The Lazio-Condit minimum wage legislation also includes the pension tax provisions of the vetoed tax bill. These, too, have at most a tenuous connection to any problems that small businesses are said to experience as a result of a minimum wage hike.

The proposed pension changes would relax various provisions of current law that limit the contributions that highly paid individuals may make to pension plans, as well as the amount of the pension payments that such high-income individuals may receive when they retire. For example, the bill would increase the maximum tax-favored contribution that an employed individual is permitted to make to a 401(k) plan from \$10,000 to \$15,000. This change would primarily benefit the fewer-than-five-percent of individuals covered by a 401(k) plan who make the maximum \$10,000 contribution today; this is a group that receives average pay of \$130,000. The bill also would increase the maximum benefit that a retiree can receive under a defined benefit pension plan from \$130,000 a year to \$160,000. This change would benefit only those at the very top of the income distribution whose salaries are so large that they would be able to qualify for annual pension payments of more than \$130,000 when they retire.

These and the other pension-related tax breaks in this bill have little to do with assisting small businesses. Most small businesses, in fact, do not even offer pension plans. In 1993, only 13 percent of full-time workers in firms with fewer than 10 employees — and 25 percent of workers in firms with between 10 and 24 employees — enjoyed pension coverage. It is unlikely that many small businesses with large minimum-wage workforces would be affected by these expansions in pension tax breaks.

By contrast, 73 percent of workers in firms with 1,000 or more employees have pension coverage.⁽⁴⁾ Most of the benefit of the pension provisions in the Lazio-Condit package would accrue to highly-salaried executives of large corporations that already offer generous pension coverage.

An analysis by the Institute on Taxation and Economic Policy finds that 91 percent of the tax benefits from the pension provisions in the Lazio-Condit bill would go to the 10 percent of Americans with the highest incomes. By contrast, the bottom 60 percent of Americans would receive less than one percent of these tax benefits. The effect of these provisions would be a significant increase in the tax-preferred benefits of high-income individuals, with little expansion for the moderate- and low-income workers — many of whom work for small businesses — who most

need to build savings for retirement.

In fact, some of the pension provisions could lead to *reduced* coverage for some low- and middle-income workers. For example, the bill would raise the amount of salary on which pension contributions may be made from \$160,000 to \$200,000. This would enable small business owners and highly-paid executives to maintain contributions for their own pension plans while reducing the firm's contributions for other employees. Consider, for instance, the case of a small business owner with compensation of \$250,000 who wants to have the business contribute \$10,000 a year to his pension. Under current law, the owner would have to set the firm's pension contribution rate at 6.25 percent of pay (6.25 percent of the \$160,000 limit is \$10,000). Both the owner and the employees would receive contributions equal to 6.25 percent of their compensation. Under the higher \$200,000 limit the Lazio-Condit bill would set, however, the business owner could reduce the firm's contribution rate for its employees to five percent and still have the firm contribute \$10,000 to his own pension. The employer contribution for an employee earning \$40,000 would drop from \$2,500 (6.25 percent of \$40,000) to \$2,000 (5 percent of \$40,000).⁽⁵⁾

Other Proposals

The Lazio-Condit bill also includes various other tax provisions from the vetoed bill. Most of these provisions, as well, tend to have tenuous connections to the alleged effects of a minimum wage hike on small businesses. For example, under provisions enacted in 1997, the proportion of health insurance premiums that self-employed persons may deduct is scheduled to rise from 60 percent in 1999 to 100 percent in 2003; the Lazio-Condit bill accelerates this phase-in schedule. Self-employed persons are excluded from minimum wage requirements, however, so a provision that solely affects the self-employed cannot be an offset to the claimed effects of the minimum wage.

Another such provision is an increase in the proportion of business meals that may be deducted. Currently, businesses may deduct 50 percent of business meals and drinks. This limitation on the "three-martini lunch" is intended to prevent excessively luxurious dining and drinking at taxpayer expense. The Lazio-Condit bill includes a provision of the vetoed tax bill that would raise to 60 percent the proportion of business meals and drinks that can be deducted, at a cost to the Treasury of about \$1.3 billion a year.

In considering any tax proposal that may be attached to the minimum wage bill, it is important to consider whether the proposed tax change is reasonably targeted to offset some demonstrable adverse effect from a minimum wage hike. These tax provisions of the Lazio-Condit bill do not meet that test.

Endnotes:

1. Jerold Waltman, Allan McBride, and Nicole Camhout, "Minimum Wage Increases and the Business Failure Rate," *Journal of Economic Issues*, March 1998.
2. Internal Revenue Service, *SOI Bulletin*, Winter 1996-97.
3. Julie-Ann Cronin, U.S. Treasury Distributional Analysis Methodology, OTA Paper 85, September 1999.
4. U.S. Department of Labor, Social Security Administration, Small Business Administration, and

Pension Benefit Guarantee Corporation, *Pension and Health Benefits for American Workers*, 1994.

5. The pension provisions in the vetoed tax bill, all of which are included in the Lazio-Condit minimum wage legislation, are explained more fully in the Center report, *Exacerbating Inequities in Pension Benefits: An Analysis of the Pension Provisions in the Tax Bill*, by Peter Orszag, Iris Lav, and Robert Greenstein, October 8, 1999. The vetoed tax bill also included provisions that would make Individual Retirement Account tax breaks more generous; these IRA changes are not included in the Lazio-Condit minimum wage bill. The distribution data cited above on the tax benefits that the Lazio-Condit pension provisions would provide thus do not cover the IRA expansions of the vetoed bill. Data on the distributional effects of the full package of retirement tax benefits contained in the vetoed bill, including the IRA expansions, are provided in *Exacerbating Inequities in Pension Benefits*.

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DRAFT

November xx, 1999

Dear xx,

I am writing this letter to encourage you to pass a straightforward minimum wage bill that gives working Americans the pay raise they deserve. If we value work and family, we should raise the value of the minimum wage.

In 1996 the Congress and I worked together to raise the minimum wage by 90 cents over 2 years. Since then, the American economy has created nearly 9 million new jobs – with more than 1 million of them in retailing. The unemployment rate has fallen from the already low rate of 5.2 percent to 4.2 percent – the lowest in 29 years. We have enjoyed the fastest and longest real wage growth in more than two decades, while inflation is the lowest it has been in more than three decades. The minimum wage increase has contributed to the [tk] percent decline in the welfare caseload since the last minimum wage increase – bringing the welfare rate down to its lowest level in more than three decades. And the minimum wage increase has meant that all income groups have been lifted by the rising economy. This experience clearly demonstrates that what is good for America's working families is good for the America's economy.

But as our economy continues to break records, we must do more to ensure that all Americans continue to benefit from it. It is time to build on the steps we have taken to honor the dignity of work. The expansion of the Earned Income Tax Credit in 1993 and the increase in the minimum wage have ensured that no full-time working parent with two children should have to raise their family in poverty. It is important that we continue to keep this promise. That is why I have proposed to raise the minimum wage by \$1 an hour over the next two years – raising it from \$5.15 to \$6.15. This modest increase would simply restore the real value of the minimum wage to what it was in 1982. More than 11 million workers would benefit under this proposal. A full-time, year-round worker at the minimum wage would get a \$2,000 raise – enough for a family of four to buy groceries for 7 months or pay rent for 5 months.

All Americans should share in our historic prosperity. This is why Congress should not let politics get in the way of raising the minimum wage. If you send me a clean bill that increases the minimum wage by \$1 over the next two years, I will sign it.

Unfortunately, some in Congress have been playing politics with the minimum wage bill, using it as a vehicle for costly and unnecessary tax cuts that would threaten our fiscal discipline. As I have stated repeatedly, before we consider using projected surpluses to provide for a tax cut, we must put first things first and address the solvency of Social Security and Medicare. If Congress sends me a bill that threatens our fiscal discipline, I will veto it.

If paid for tax cuts are attached to the minimum wage bill, they should reflect our priorities and address urgent national needs like deteriorating schools and the communities that have been left behind during this time of prosperity. The bulk of the provisions attached to the minimum wage bill in the House are geared away from working families. Some of these provisions could even *reduce* the retirement benefits enjoyed by millions of working Americans.

America's workers show up to work every day and get the job done. Congress should do the same and pass an increase in the minimum wage this year that does not include poison pills that bypass the priorities of working families. I urge Congress to pass a minimum wage bill that does not at the same time bypass the priorities of working families.

Sincerely,

WJC

CAMPAIGN FOR A FAIR MINIMUM WAGE

1625 K Street, N.W., Suite 210, Washington, D.C. 20006
Phone (202) 785-5980 * Fax (202) 785-5969 * E-mail adaction@ix.netcom.com

October 15, 1999

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Executive Director

Dear Supporter:

Congressmen John Shimkus (R-IL) and Rick Lazio (R-NY) are about to introduce a minimum wage bill in the House of Representatives. It is a far cry from the Kennedy-Bonior bill we have been advocating for this year. It is reported to be a \$1.00 per hour increase in the minimum wage stretch out over three years (approximately \$.30/ hour per year). This minimum wage increase would be combined with a massive tax cut for business (which could cost \$100 billion over 10 years). **THIS BILL WILL BE BROUGHT DIRECTLY TO THE HOUSE FLOOR BY THE END OF OCTOBER** If this is what is meant by "compassionate conservatism"-- a token increase for 12 million minimum wage workers and a tax bonanza for special interests-- it is a political philosophy without a moral compass.

Please express your organization's disapproval of this proposal as soon as you can and in whatever form you can. A letter to all Members of the House of Representatives would be optimal. Tell them not to support Shimkus-Lazio, and that anything less than a modest \$.50/ hour per year over two years doesn't pass the laugh test, particularly combined with an outrageous tax cut. Unless enough organizations like yours respond quickly and negatively right now, Members of Congress may think such a bill as this is the perfect political trade-off. Let's tell them this one won't fly.

Also, there are now 163 signers on the discharge petition on the Bonior bill. We've attached the names of those signers. If there are any Members of Congress not on that list that you can contact, please do that as well urging them to sign the discharge petition for the Bonior bill as soon as possible.

Sincerely,

/s/ Jane O'Grady

Jane O'Grady
Executive Director

CAMPAIGN FOR A FAIR MINIMUM WAGE

1625 K Street, N.W., Suite 210, Washington, D.C. 20006 * (202) 785-5980

October 15, 1999

TO: Campaign Participants

FROM: Campaign for a Fair Minimum Wage

RE: House Cosponsors and Discharge No. 0006

In the House of Representatives, the number of co-sponsors of the Kennedy-Bonior Fair Minimum Wage Act of 1999 (HR 325) is now at 148 (see attached).

Representatives who, have signed discharge petition No. 0006 to bring (H.R. 325) to the floor of the House of Representatives for consideration are indicated by a star (*) after their name. As of October 14, 163 had signed the petition. 218 are needed to force the issue to a vote. Those who have signed should be thanked. Others should be encouraged to do so quickly.

106th Congress Cosponsors of HR 325(148)

106th Congress Cosponsors of HR 325 (148)

Abercrombie *	Clayton *	Gordon *	Lee *
Ackerman *	Clyburn *	Green (TX) *	Levin *
Allen *	Conyers *	Gutierrez *	Lewis (GA) *
Andrews *	Costello *	Hall (OH) *	Lofgren *
Baird *	Coyne *	Hastings *	Lowey *
Baldwin *	Crowley *	Hilliard *	Maloney (CT) *
Barrett (WI) *	Cummings *	Hinchey *	Maloney (NY) *
Becerra *	Davis (IL) *	Hinojosa	Markey *
Berkley *	DeFazio *	Hoeffel *	Martinez *
Berman *	Delahunt *	Hooley *	Mascara *
Bishop *	DeLauro *	Hoyer *	Matsui *
Blagojevich *	Deutsch	Inslee *	McDermott *
Blumenauer m*	Dicks *	Jackson (IL) *	McGovern *
Bonior *	Dingell *	Jackson-Lee *	McKinney *
Borski *	Dixon *	Jefferson	McNulty *
Brady (PA) *	Engel *	Johnson (TX) *	Meehan *
Brown (FL) *	Eshoo *	Jones (OH) *	Meek (FL) *
Brown (OH) *	Evans *	Kaptur *	Meeks (NY) *
Capuano *	Faleomavaega	Kennedy (RI) *	Menendez *
Cardin *	Fattah *	Kildee *	Millender-McDonald *
Carson *	Filner *	Kilpatrick *	G. Miller (CA) *
Christian-Green	Ford *	Kleczka *	Mink *
Clay *	Frank *	Klink *	Moakley
	Frost *	Kucinich *	Murtha
	Gejdenson *	LaFalce *	Nadler *
	Gephardt *	Lampson *	Neal
	Gonzalez *	Lantos *	Norton

Obey	Rodriguez *	Serrano *	Vento *
Olver *	Romero-Barcelo	Sherman *	Waters *
Owens *	Rothman *	Shows *	Waxman *
Pallone *	Roybal-Allard *	Slaughter *	Weiner *
Pastor *	Rush *	Strickland *	Wexler *
Payne *	Sabo *	Stark *	Weygand *
Pelosi *	Sanchez *	Thompson (MS) *	Wise *
Phelps *	Sanders *	Tierney *	Woolsey *
Price m*	Sawyer *	Towns *	Wu *
Rahall *	Schakowsky *	Trafficant	Wynn *
Rangel *	Scott	Velazquez *	
Rivers *			

Additional Possibilities (69)

Additional Possibilities (69)

Baldacci *
 Barcia *
 Bentsen
 Berry
 Boswell
 Boucher
 Boyd
 Capps
 Clement *
 Condit
 Cramer
 Danner
 Davis (FL)

DeGette
 Doggett
 Dooley
 Doyle
 Edwards *
 Etheridge
 Farr
 Goode
 Hall (TX)
 Hill +
 Holden
 Holt * +
 John
 Kanjorski *
 Kind *
 Larson * +
 Lipinski *

Lucas +
 Luther *
 McCarthy (MO) *
 McCarthy (NY)
 McIntyre
 Minge
 Mollohan
 Moore + *
 Moran *
 Napolitano *
 Oberstar *
 Ortiz
 Pascrell *
 Peterson *
 Pickett
 Pomeroy *

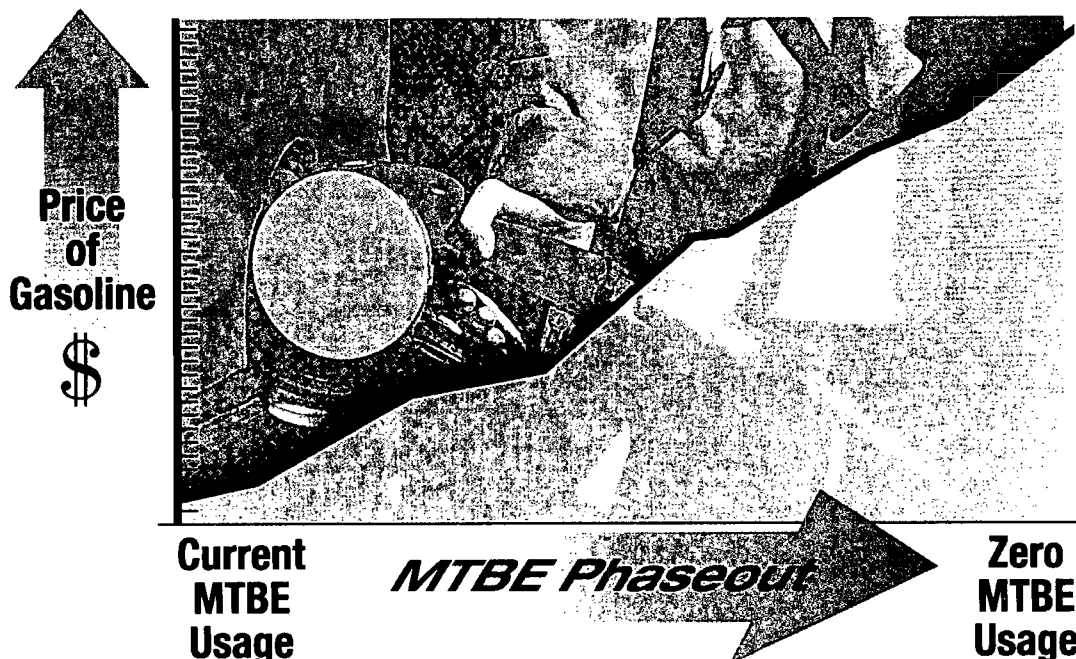
Reyes
 Roemer
 Sandlin *
 Sisisky
 Skelton *
 Smith
 Snyder *
 Spratt
 Stabenow *
 Stenholm
 Stupak *
 Tanner
 Tauscher
 Taylor
 Thompson (CA) +
 Thurman *

Turner
 Udall (CO) +
 Udall (NM) + *
Underwood
 Visclosky
 Watt *

+ = New Members
 * = Signed Discharge
 No. 0006
 ** = Cosponsored last
 year

Forbes *

SKYROCKETING GAS PRICES COMING TO A PUMP NEAR YOU?



MTBE is a quality fuel additive that has been combined with gasoline for nearly 20 years. It is the fuel oxygenate of choice because it's plentiful and effectively reduces air pollutants like toxic lead and cancer-causing benzene from car emissions.

Another important quality is that it helps keep costs to consumers at the pump down. Numerous studies have concluded that banning or restricting MTBE will cost consumers more and lead to gasoline shortages.

Now more than ever, America needs a proven product that reduces smog, makes the air cleaner, and helps keep gas prices down.

MTBE: A Proven Formula for Cleaner Air

*... and lower prices for consumers
at the pump.*

Oxygenated Fuels Association
www.ofa.net

**AMERICA CAN'T AFFORD TO BE WRONG ABOUT MTBE.
STOP THE PUSH TO BAN!**

Wage Hike

Continued from page 1

possible. "We run the risk of becoming too cute at the tax side and losing some Democrats and not having enough Republicans to start with," he said.

As for which tax cuts he supports, Quinn said, "The question is which ones, and how are they paid for," echoing a concern of some conservative Democrats that the tax cuts should be offset.

Quinn said that if Democrats were to offer a motion to recommit the measure and essentially replace it with a free-standing \$1 increase over two years, "I think that there are a number of Republicans ... maybe a dozen, that would have to vote for it."

Meanwhile, GOP leaders heeded the wishes of **Ways and Means Chairman Archer** that he be given the opportunity to mark up the tax portion of the bill Thursday, with floor consideration planned for Thursday or Friday.

GOP aides said the committee would likely jettison most of the tax cuts in the bill that have not yet received its consideration. The bulk of

the bill's tax cuts were drawn from the committee's vetoed \$792 billion tax cut package. They include inheritance tax reduction, pension reforms, deductions for business meals, and other small business tax breaks.

Some endangered provisions are those dealing with tax breaks for "special occupancy" businesses like liquor stores; tax deductible scholarships offered by employers for their employees' children; and write-offs for "underwater mortgages" in areas affected by disasters.

The Lazio package also contained a new tax credit for certain film producers who hire low-income workers — and Archer has drawn a line on the creation of new tax credits.

A spokesman said Archer made it clear he would request sequential referral to his committee if it contained new items or those unrelated to small business. He hinted at a rebellion if the panel's jurisdiction was not respected, saying, "At a time when every vote counts, it is important to keep in mind that there are 23 votes here."

Aides said they expected about 90

percent of the tax provisions to remain. "I think the committee will be judicious," said Lazio. But by striking any provisions, the committee risks scuttling the deal. For example, a GOP aide said the scholarship deduction was included at the request of Condit.

"That's sort of the fear in Ways and Means marking this up," said a GOP leadership aide, "sort of disregarding the six-month effort that Lazio and Shimkus have made."

In working through the concerns of their members on the tax and the wage front, GOP leaders are becoming more engaged in an issue they have tried to keep at arm's length.

Top House GOP leaders have said they oppose a wage hike, but acknowledge that it has support among some members. But there is a political calculus that says Republicans are better off dealing with the issue now than in 2000.

"If we don't get this off the table this year," said a GOP leadership aide, "we'll probably face \$1 an hour over two years," with less tax reduction.

— BY GEOFF EARLE, WITH STEPHEN NORTON
CONTRIBUTING

Business Moves To Ensure Passage Of R&D Tax Credit

TECHNOLOGY IN THE ROLLER coaster moves of this year's tax debate, the business community may come up with much less than it sought in its efforts to gain a long-term extension of the research and development tax credit — and is now simply pushing to ensure the credit is reauthorized, *National Journal's Technology Daily* reported.

Sensing the possibility it could come up empty-handed, the R&D Credit Coalition Monday sent a letter signed by more than 80 trade associations and 650 companies to President Clinton and top House and Senate leaders — as well as **Senate Finance Chairman Roth**, **Finance ranking member Daniel Patrick Moynihan**, D-N.Y., **House Ways and Means Chairman Archer** and **Ways and Means ranking member Charles Rangel**, D-N.Y.

The signers urged Congress and the White House to agree to "approve leg-

islation seamlessly extending the R&D credit — before the end of the first session of the 106th Congress."

Failing to take this action "will continue to disrupt R&D planning, and the resulting uncertainty in the business community can only reduce the economic benefits all U.S. businesses and workers receive as a result of the credit," the letter said.

For industry supporters, the memory of Congress allowing the credit, which expired at the end of June, to lapse in 1996 is still fresh.

Although the R&D tax credit enjoys wide bipartisan support, industry representatives said they are concerned it could become a casualty of Congress' budget battles with the White House.

"I think the credit is in jeopardy," said Monica McGuire, the National Association of Manufacturers' senior policy director for taxation. "I give it a 50-50 chance."

High tech companies and others were hopeful earlier this year Congress might pass a permanent extension of the credit — and they came closer than they ever had before when Republicans included a five-year extension in their \$792 billion tax cut bill this summer.

But those hopes were dashed when Clinton vetoed the bill. And while the industry made another push for a permanent extension in the letters to Clinton and congressional leaders, it is very unlikely Congress will pass one this year.

The focus in Congress now has shifted to passage of an "extenders package" that would renew the research and development credit and others for another year.

Roth announced Monday his committee will mark up its version of the extenders proposal Wednesday.

— BY JULIANA GRUENWALD

THE WHITE HOUSE

WASHINGTON

November 4, 1999

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

I am writing this letter to encourage you to pass a straightforward minimum wage bill that gives working Americans the pay raise they deserve. If we value work and family, we should raise the value of the minimum wage.

In 1996, the Congress and I worked together to raise the minimum wage by 90 cents over 2 years. Since then, the American economy has created nearly 9 million new jobs -- with more than 1 million of them in the retail sector where many minimum-wage workers are employed. The unemployment rate has fallen from the already low rate of 5.2 percent to 4.2 percent -- the lowest in 29 years. We have enjoyed larger real wage increases for more consecutive years than at any time in more than two decades, while inflation is the lowest it has been in more than three decades. The minimum wage increase has contributed to the 39 percent decline in the welfare caseload since the last minimum wage increase -- bringing the welfare rolls down to their lowest level in three decades. And the minimum wage increase has been a crucial factor in reversing the wage stagnation and declines of the previous decade, contributing to rising wages for even the lowest income groups. Our recent experience clearly demonstrates that what is good for America's working families is good for America's economy.

But as our economy continues to break records, we must do more to ensure that all Americans continue to benefit from it. It is time to build on the steps we have taken to honor the dignity of work. The expansion of the Earned Income Tax Credit in 1993 and the increase in the minimum wage have ensured that no full-time working parent with two children has to raise his or her family in poverty. It is important that we take steps to achieve this goal in the future. That is why I have proposed to raise the minimum wage by \$1 an hour over the next two years -- from \$5.15 to \$6.15. This modest increase would simply restore the real

2

value of the minimum wage to what it was in 1982. More than 11 million workers would benefit under this proposal. A full-time, year-round worker at the minimum wage would get a \$2,000 raise -- enough for a typical family of four to buy groceries for 7 months or pay rent for 5 months.

All Americans should share in our historic prosperity. This is why Congress should not let politics get in the way of raising the minimum wage. If you send me a clean bill that increases the minimum wage by \$1 over the next two years, I will sign it.

Unfortunately, some in Congress have proposed a more gradual increase in the minimum wage that would cost a full-time, year-round worker roughly \$1,500 over three years compared with my proposal. They have added provisions that would repeal important overtime protections for American workers. And they have been playing politics with the minimum wage bill, using it as a vehicle for costly and unnecessary tax cuts that would threaten our fiscal discipline. As I have stated repeatedly, before we consider using projected surpluses to provide for a tax cut, we must put first things first and address the solvency of Social Security and Medicare. If Congress sends me a bill that threatens our fiscal discipline, I will veto it.

If paid-for tax cuts are attached to the minimum wage bill, they should reflect our priorities and address urgent national needs like deteriorating schools and the communities that have been left behind during this time of prosperity. In contrast, the bulk of the provisions attached to the minimum wage bill in the House are directed away from working families. Some of these provisions could even reduce the retirement benefits enjoyed by millions of working Americans.

America's workers show up to work every day and get the job done. Congress should do the same this year. I urge Congress to pass a minimum wage bill that does not at the same time add poison pills that bypass the priorities of working families.

Sincerely,



CongressDailyAM

MONDAY

TUESDAY

WEDNESDAY

THURSDAY

FRIDAY

OCT. 19, 1999

Mods May Challenge GOP Leaders Over Min. Wage Deal

TAXES

HOUSE GOP LEADERS, who until now have tried to keep their distance from a bipartisan proposal to increase the minimum wage, will try to intervene today to rescue the endangered bipartisan package and bring it to the floor this week. But a large group of mainly moderate GOP members from districts with strong labor contingents is scheduled to meet with **House Speaker Hastert** and **Majority Leader Arney** today to voice their concerns about the compromise package, which includes a wage hike of \$1 an hour spread out over three years and a \$35 billion tax cut component.

Rep. Ray LaHood, R-Ill., said 37 members planned to attend, including many who voted for a wage hike during

the last Congress. LaHood said his main concern was that this year's proposed wage hike was "rinky-dink." **Rep. Jack Quinn**, R-N.Y., a leading moderate on the issue, said, "To get three years, I'm not sure that a dollar is enough right now."

GOP leaders are hoping to avoid disrupting a fragile bipartisan compromise worked out between **Reps. Rick Lazio**, R-N.Y., **John Shimkus**, R-Ill., **Robert (Bud) Cramer**, D-Ala., and **Gary Condit**, D-Calif. But they also cannot afford to ignore a significant faction of their own ranks, many of whom appear closer to the Democratic position on the issue.

Quinn also expressed concerns about the tax package, saying he favored keeping it as simple as *continued on page 14*

GOP To Move Stopgap Spending Bill

APPROPRIATIONS

HOUSE LEADERS plan to take a one-week continuing resolution and a motion to instruct conferees on the revised District of Columbia spending bill to the floor today, so they can attach the pending Labor-HHS pre-conference agreement to the D.C. conference report — rather than put the politically explosive Labor-HHS bill marked up by the House Appropriations panel to a separate vote.

The next CR will again provide for continued funding at FY99 levels, without any riders, and will last through Oct. 29. Whether that will be enough time to finish the FY2000 process "depends on how many vetoes we get," **House Appropriations Chairman Young** said Monday.

White House Press Secretary Joe Lockhart Monday insisted that any new CR encompass "days, not weeks."

But, despite the insistence on a tight schedule, Lockhart downplayed the possibility of a government shutdown.

"There is no scenario where we

believe it's in anyone's interest to shut the government down," Lockhart said, calling the prospect "highly unlikely."

Lockhart also indicated Monday that despite President Clinton's long-standing desire to include Medicare and Social Security reform in a comprehensive budget deal, appropriations matters would be the first order of business at today's budget powwow at the White House.

"The president has always insisted that that's his preference," Lockhart said concerning Clinton's wish to wrap Medicare and Social Security into the budget framework.

"He will continue to make the case for the overall reforms and plans he's made," Lockhart added. "But we are going to have to deal with these appropriations issues and we are going to have to come to some solution because we can't continually put the deadline off."

Also up in the air, as congressional leaders prepare for their sitdown with the president later today, is whether Republicans will be forced to negotiate an omnibus *continued on page 12*

▼ TODAY'S HIGHLIGHTS

Floor Schedule

Senate

Convenes at 1:15 p.m. to consider campaign finance reform legislation, with cloture votes expected at 2:15 p.m. The Senate also may consider so-called partial birth abortion legislation and any available conference reports.

House

Convenes at 9 a.m. to consider a continuing resolution on appropriations, seven bills under suspension of the rules and a rule to allow a motion to go to conference on FY2000 District of Columbia appropriations.

(Committee schedules begin on page 15.)

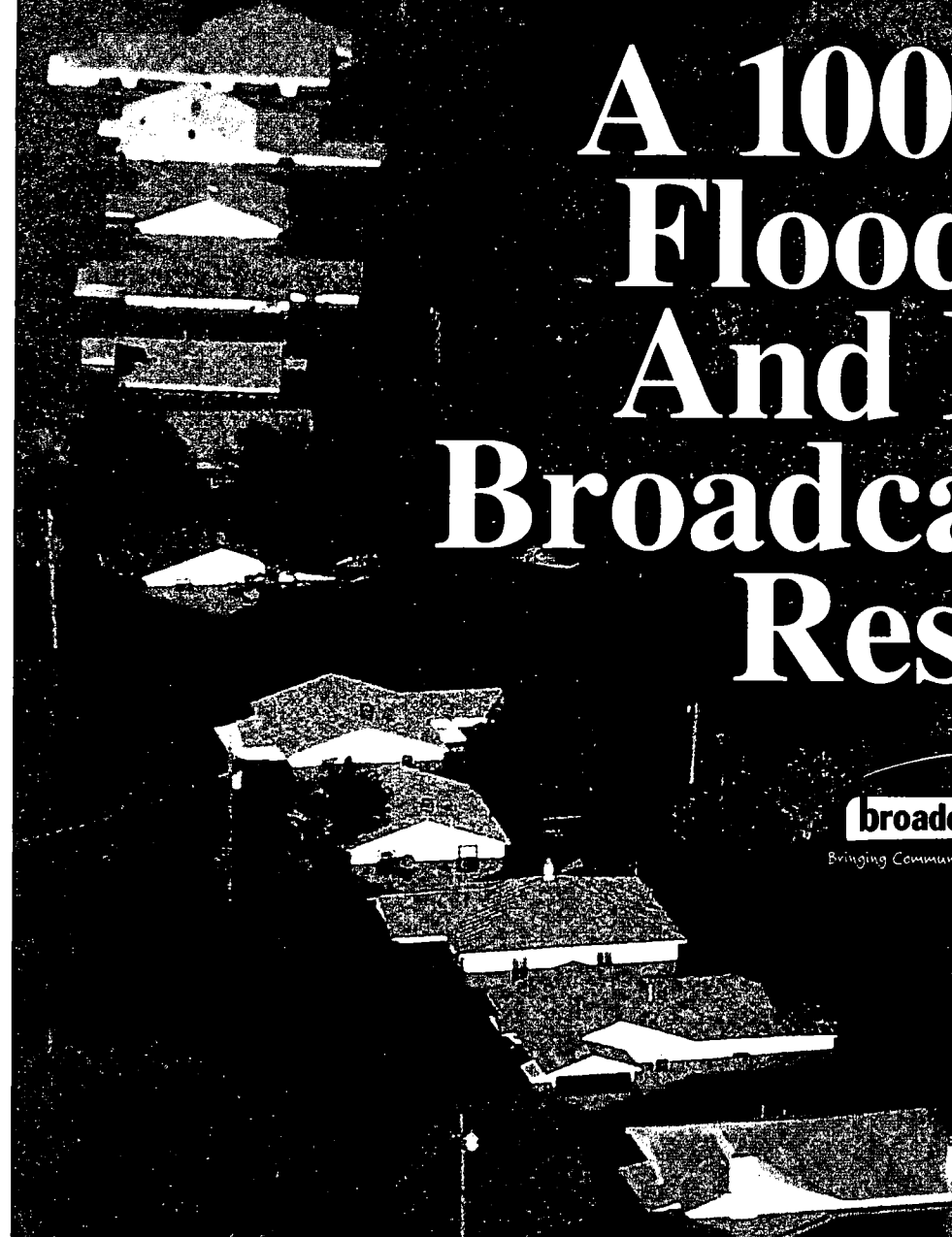
Inside Stories

Charlie Cook's Off To The Races

■ House Republicans worry, but it's still a neck-and-neck race, page 5.

Environment

■ House GOP meets to craft Superfund strategy, page 8.

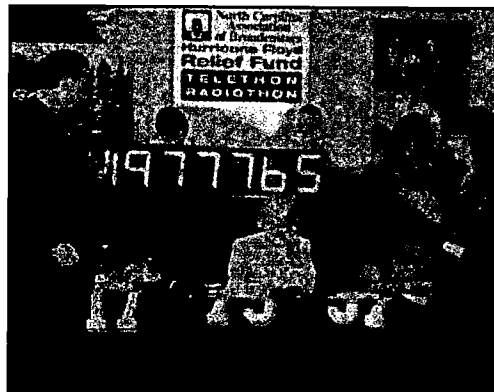


A 100-Year Flood Hits And Local Broadcasters Respond



When Hurricane Floyd hit North Carolina, local radio and television stations preempted regular programming with round-the-clock coverage and weather alerts. Broadcasters served as the lifeline to flood victims, and immediately jump-started the massive clean-up effort. The relief effort culminated Oct. 3 with a Radiothon/Telethon sponsored by the North Carolina Association of Broadcasters that was carried by 133 stations in the Southeast. The six-hour live event raised more than \$2.3 million for Floyd victims.

NAB salutes broadcasters throughout North Carolina and the Southeast for bringing community service home.



THE WHITE HOUSE

Office of Legislative Affairs, Senate Liaison

Telephone: (202) 456-6493

Fax: (202) 456-6468

Fax Cover Sheet

To: Holly Beehner

From: ☐ Tracey Thornton
☒ Joanna Slaney
☐ Joel Wiginton
☐ Mike Williams

☐ Marty Hoffmann
☐ Hildy Kuryk
☐ Bobby Conner

Fax: 224-3533

Phone: _____

Date: _____

Pages including cover sheet: 5

Message: Minimum Wage letter. If you
need a hard copy pls call my office
@ 456-6493 and we'll get it to you.
Thanks, Joanna.

November 1, 1999

The Honorable Dennis Hastert
Speaker
U.S. House of Representatives
Washington, DC 20510

Dear Mr. Speaker:

If H.R. 3081, the "Wage and Employment Growth Act of 1999," were presented to the President in its current form, we and other senior advisers to the President would recommend that he veto it.

The President proposed a \$1 increase in the minimum wage over two years, effective January 1, 2000. H.R. 3081 would provide a \$1 increase over three years, effective April 1, 2000. Compared with the President's proposal, this would cost a full-time, year-round minimum wage worker approximately \$1,500 over three years.

H.R. 3081 does not contain any revenue offsets for its tax initiatives. The President has stated repeatedly that, before we consider using projected surpluses to provide a tax cut or for new spending, we must put first things first and address the long-term solvency of Social Security and Medicare.

The bill also would not meet the pay-as-you-go requirements of the Budget Act, which have helped provide the discipline necessary to bring us from an era of large and growing budget deficits to the potential for substantial surpluses. The bill would therefore require an automatic sequester of mandatory programs, including Medicare.

We also have specific concerns with several tax initiatives in H.R. 3081, many of which have been expressed to you previously. For example, the estate tax relief is expensive and provides no benefit to average working Americans. Moreover, the relief is poorly targeted to its purpose of providing relief for small business owners and family farms. Rather, the three major provisions – conversion of the unified credit to an exemption, repeal of the surtax, and reduction in top marginal rates – would benefit only the wealthiest estates.

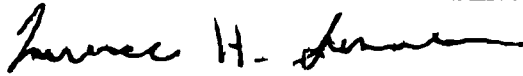
Also, we strongly oppose the pension provisions in the bill that raise the maximum retirement plan contribution and considered compensation limits for business owners and executives and weaken the pension anti-discrimination and top-heavy protections for moderate- and lower-income workers. The current provisions are regressive, would not significantly increase plan coverage or national savings, and could lead to reductions in retirement benefits for moderate- and lower-income workers. The Administration would like to work with Congress to develop initiatives, like those proposed in the President's FY 2000 budget, that would increase retirement

savings for moderate and lower-income workers. In addition, we strongly oppose the provision in H.R. 3081 for a party in active litigation that would, in this and other cases, weaken the Secretary's ability to protect workers' pension and health benefits.

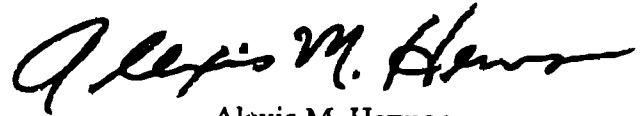
Finally, we are concerned with provisions that repeal overtime protections for three categories of workers. H.R. 3081 would repeal overtime pay protections for 1.5 million American sales employees. The multi-test exemption in the bill is complex and would be difficult and burdensome for employers, affected employees, and DOL to implement. Second, funeral homes would no longer be required to pay overtime to funeral directors or embalmers who work more than 40 hours per week. Third, we are concerned that the bill would deny overtime pay to additional workers in computer related occupations. In addition, the proposed change in rules for calculating overtime pay in H.R. 3081 is similarly misguided.

We appreciate your consideration of the Administration's concerns. We look forward to working with you and other members of Congress in the coming months to address the solvency of Social Security and Medicare, to meet critical national priorities, to provide a living wage to those at the bottom of the economic spectrum and to enact fiscally responsible tax relief targeted at the needs of working families.

Sincerely,



Lawrence H. Summers



Alexis M. Herman

November 1, 1999

The Honorable Richard Gephardt
U.S. House of Representatives
Washington, DC 20510

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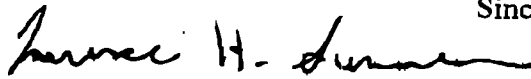
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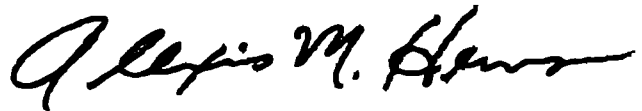
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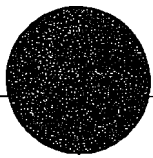
Sincerely,



Lawrence H. Summers



Alexis M. Herman

Document No. 

WHITE HOUSE STAFFING MEMORANDUM

Date: 11/3/99

ACTION / CONCURRENCE / COMMENT DUE BY:

11/3/99 ASAPSubject: MINIMUM WAGE LETTER

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	LOCKHART	☐	☒
PODESTA	☒	☐	MARSHALL	☐	☐
ECHAVESTE	☒	☐	MOORE	☐	☐
RICCHETTI	☒	☐	NASH	☐	☐
LEW	☒	☐	NOLAN	☐	☐
BAILY	☐	☐	REED	☐	☐
BERGER	☐	☐	SOSNIK	☒	☐
BLUMENTHAL	☐	☐	SPERLING	☐	☐
BURSON	☐	☐	STEIN	☒	☐
CAHILL	☐	☐	STRETT	☐	☐
EDMONDS	☐	☐	TRAMONTANO	☒	☐
FRAMPTON	☐	☐	UCELLI	☒	☐
IBARRA	☐	☐	VERVEER	☐	☐
JOHNSON, B.	☐	☐	<u>TOIV, B.</u>	☒	☐
JOHNSON, J.	☒	☐	<u>PALMIERI, J</u>	☒	☐
LANE	☐	☐			
LEWIS	☐	☐			

Prood
Joanna
TT

REMARKS:

COMMENTS TO STAFF SEC.

RESPONSE:

DRAFT

November xx, 1999

Dear xx,

I am writing this letter to encourage you to pass a straightforward minimum wage bill that gives working Americans the pay raise they deserve. If we value work and family, we should raise the value of the minimum wage.

In 1996 the Congress and I worked together to raise the minimum wage by 90 cents over 2 years. Since then, the American economy has created nearly 9 million new jobs – with more than 1 million of them in retailing. The unemployment rate has fallen from the already low rate of 5.2 percent to 4.2 percent – the lowest in 29 years. We have enjoyed the fastest and longest real wage growth in more than two decades, while inflation is the lowest it has been in more than three decades. The minimum wage increase has contributed to the [tk] percent decline in the welfare caseload since the last minimum wage increase – bringing the welfare rate down to its lowest level in more than three decades. And the minimum wage increase has meant that all income groups have been lifted by the rising economy. This experience clearly demonstrates that what is good for America's working families is good for the America's economy.

But as our economy continues to break records, we must do more to ensure that all Americans continue to benefit from it. It is time to build on the steps we have taken to honor the dignity of work. The expansion of the Earned Income Tax Credit in 1993 and the increase in the minimum wage have ensured that no full-time working parent with two children should have to raise their family in poverty. It is important that we continue to keep this promise. That is why I have proposed to raise the minimum wage by \$1 an hour over the next two years – raising it from \$5.15 to \$6.15. This modest increase would simply restore the real value of the minimum wage to what it was in 1982. More than 11 million workers would benefit under this proposal. A full-time, year-round worker at the minimum wage would get a \$2,000 raise – enough for a family of four to buy groceries for 7 months or pay rent for 5 months.

All Americans should share in our historic prosperity. This is why Congress should not let politics get in the way of raising the minimum wage. If you send me a clean bill that increases the minimum wage by \$1 over the next two years, I will sign it.

Unfortunately, some in Congress have been playing politics with the minimum wage bill, using it as a vehicle for costly and unnecessary tax cuts that would threaten our fiscal discipline. As I have stated repeatedly, before we consider using projected surpluses to provide for a tax cut, we must put first things first and address the solvency of Social Security and Medicare. If Congress sends me a bill that threatens our fiscal discipline, I will veto it.

If paid for tax cuts are attached to the minimum wage bill, they should reflect our priorities and address urgent national needs like deteriorating schools and the communities that have been left behind during this time of prosperity. The bulk of the provisions attached to the

minimum wage bill in the House are geared away from working families. Some of these provisions could even *reduce* the retirement benefits enjoyed by millions of working Americans.

America's workers show up to work every day and get the job done. Congress should do the same and pass an increase in the minimum wage this year that does not include poison pills that bypass the priorities of working families. I urge Congress to pass a minimum wage bill that does not at the same time bypass the priorities of working families.

Sincerely,

WJC

THE WHITE HOUSE

BULLETIN

BULLETIN NEWS NETWORK, 8260 GREENSBORO DRIVE, SUITE 320, MCLEAN, VA 22102 FAX 703-749-0060 TEL 703-749-0040

MEMORANDUM FOR LARRY STEIN
LEGISLATIVE AFFAIRS

SUBJECT: TODAY'S BRIEFING

DATE: FRIDAY, NOVEMBER 5, 1999

*cc: staff***OFF THE WIRES:**

- o **Unemployment Rate Down To 4.1 Percent.** The Labor Department reported today that the nation's unemployment rate dipped to 4.1 percent in October, a 29-year low, as 310,000 workers found jobs. Average hourly earnings, a key gauge of inflation pressures, grew by a tiny 0.1 percent to \$13.37 in October.
- o **Barak Pledges To Remove Settlements.** Israeli Prime Minister Ehud Barak warned today that if settlers do not keep their agreement to remove illegal outposts in the West Bank, the Israeli government will dismantle them. In a compromise reached last month with the Settlers' Council, Barak cut the number of outposts to be removed from 15 to 12, on condition that the settlers evacuate on their own. Israel and the Palestinians are to start final-status negotiations toward a peace treaty on Sunday, and the future of the settlements is one of the main items on the agenda.
- o **German Chancellor Says EU, China Close To WTO Deal.** German Chancellor Gerhard Schroeder said today he expects the European Union to reach agreement with China on its entry into the World Trade Organization, perhaps before month's end. In EU-China trade talks later this month, Germany wants to see that certain conditions are met, and then, said Schroeder, Beijing "will have to make the decision whether to say yes or no." Schroeder also said he detected that anti-China attitudes in the United States have begun to soften.

IN THE WHITE HOUSE AND AROUND TOWN:

- o **Compromise Foreign Aid Bill Passes House.** The House this morning passed a compromise \$15.3 billion foreign aid package by a margin of 316-100, with 84 Republicans voting against the bill. Senate approval is possible later today.

The deal was greased with nearly \$800 million in extra spending. A Senate GOP source explained the money comes from slowing down "spend-out rates" for some of the foreign aid in the bill. Other sources suggested that what the Administration and congressional Republicans are essentially agreeing to is to give money in September of next year, which will only be spent in October or later - a "gimmick" that allows both sides to claim they are holding the line on spending in FY 2000 while also meeting the Administration's demands for spending in key areas the GOP bills do not currently provide for.

Meanwhile, congressional sources report conflicting views on whether or not all the appropriations bills can be finished by next Wednesday, when the current CR expires. While the deal on foreign ops is building optimism, there is a strong sense that the sheer volume of work needed to find compromise on policy priorities will make a Wednesday departure difficult. A Senate GOP leadership source said, nonetheless, that Wednesday remains the target for departure.

The concerted effort to finish by Wednesday somewhat masks a sense of relief as well among congressional Republicans, who entered the final stretch of the budget cycle convinced that President

Clinton would force a government shutdown. Regardless of individual wins or losses on policy priorities, GOP leaders believe to some extent they have already won by having avoided a shutdown – a top GOP priority from the beginning of the year.

- o **Clinton Highlights Rural Cooperative's Success, Announces Federal Help.** During his visit to Hermitage, Ark, President Clinton today highlighted the success of the Hermitage Tomato Cooperative, originally a group of 15 farmers with limited resources and land who joined forces in 1996 when some of them faced impending bankruptcy. According to a White House release, today they have nearly \$4 million in annual sales and a waiting list for new members. Said Clinton, "One of the things that bothers me is, that in spite of all the prosperity we've had, there are still people and places that are untouched by it." Clinton further stated, "There are people and places whose lives have not been positively changed. They're in the Mississippi Delta, they're in Appalachia, they're in the inner cities, they're on the Indian reservations." Clinton continued, "There are people and places that are left behind. And there are small towns and rural areas and places you wouldn't imagine." Clinton added, "I am very proud of the fact that I've had a chance to serve as president and to bring some commonsense ideas. And we've worked hard at it. And I'm grateful that I've had the chance to serve."

The White House also announced today that Arkansas' Farmer's Bank is finalizing a \$4.8 million loan to the Hermitage Tomato Cooperative, which will be guaranteed by the Department of Agriculture, and that Restaurant Services Inc., (the purchasing agent for Burger King), announced a commitment to purchase up to 200 acres of cucumbers (3.2 million pounds of cucumbers) from the Mississippi Association of Cooperatives, a group of minority-owned cooperatives in the Mississippi Delta. In addition, the White House said that International Paper and Georgia Pacific announced contracts with Growing Quality Forestry, to provide forestry services to privately-owned forests in Southern Arkansas. In addition, the National Bankers Association, a national trade association for minority and women-owned banks, reached an agreement with USDA which, according to the Administration, "seeks to help limited resource farmers and ranchers and minority-owned rural businesses obtain access to needed credit."

- o **Lott Minimum Wage Package Likely To Feature One Dollar Increase Over Three Years.** Senate Majority Leader Trent Lott is working on a minimum wage package he hopes to attach to bankruptcy reform legislation, and the package is said to feature a one-dollar increase in the minimum wage spread out over three years. Lott is also said to be looking to make the package as appealing as possible to Democrats while holding onto enough GOP votes to pass the measure. Sources indicate that a likely departure from the House Republican package is the tax cuts portion of the bill will not include estate tax relief. House Republicans, particularly House Ways and Means Committee Chairman Bill Archer, have been keen to include a cut in or repeal of the "death tax" since taking control of the House, but the estate tax relief included in the House tax package drew the objection of congressional and Administration Democrats, who view it as tax relief for the wealthy.

Lott's play on minimum wage/tax cuts is said to be aimed in part to help out House Republicans, who have been caught in an impasse with their own bill. Having negotiated a package with moderate Democrats, it became clear this week that there were not enough Democratic votes in the House to get within striking distance of passage on the bill. The situation was complicated in the House by minimum wage negotiators fashioning their own tax relief proposals, outside of the jurisdiction and blessing of the Ways and Means Committee. The House GOP leadership's strategic goal on minimum wage has been to cause as little economic and political damage as possible, while dispensing with the issue this year rather than next. If the Lott package can secure strong bipartisan backing in the Senate, it will likely be attached to bankruptcy reform legislation, which may then also be attached to something else. The House then could vote on one large conference report of which minimum wage would be but one part, without having to try and pass a standalone minimum wage bill themselves.

- o **Ganske Criticizes Hastert For HMO Reform Conference Appointments.** At an event this morning on Capitol Hill, Congressman Greg Ganske (R-IA) strongly criticized Speaker Dennis Hastert's GOP appointments for a conference with the Senate on HMO reform. Said Ganske, "On October 7th, the

House of Representatives sent a message to the Senate: Get real about protecting patients and all citizens from HMO abuses. We passed the bipartisan consensus Managed Care Reform Act, the Norwood-Dingell-Ganske bill, by the astounding vote of 275 to 151." Ganske added that "the American public is demanding real action on this issue, not a sham bill like the bill that passed the Senate," and noted that by "a vote of 257 to 167," the House has instructed "conferees to support the House-passed bill, the Norwood-Dingell-Ganske bill."

Ganske continued, "Now why would the House even have to take the extraordinary step of telling our own conferees to support the House bill that passed 275 to 151? Well, because the speaker appoints 13 GOP conferees, and only one voted for the bill that passed the House. And the two Republican authors weren't even named as conferees. When is my Republican leadership going to get it?" Ganske further stated, "In my opinion, the speaker has given himself a black eye by not naming Charlie Norwood and myself to the conference committee. He should reconsider." Ganske added that "I am hearing from rank-and-file Republican colleagues that the speaker isn't being fair. They think this is a travesty."

- o **House Overwhelmingly Approves Medicare Give-Back Legislation.** The House today passed legislation adding \$11.5 billion to the Medicare program over the next five years. Congress is under pressure from Medicare providers who argue that savings resulting from the 1997 Balanced Budget Act threaten their ability to continue participating in the program. The vote was 388-25.
- o **Watts Looks To Go On The Offensive Next Year With A New Communications Effort.** The House Republican Conference met this morning in a session Conference Chairman J.C. Watts devoted to GOP message. According to a House GOP source, Watts stressed the need to stay on message – protecting the Social Security trust fund – during the rest of this year, particularly as members return home to their districts for the holidays. Watts also laid out a plan for members next year centered on taking the offensive around a message of GOP accomplishments in what will be the fifth anniversary of their capture of the US House of Representatives. Watts listed a number of achievements since the GOP won the majority – welfare reform, a balanced budget, tax cuts, and paying down the debt – that he said provide contrast with the recent Democratic tenure in the House. Beginning in January, Watts wants to pivot off the GOP message on protecting Social Security by emphasizing these other achievements as well in an orchestrated campaign to explain why voters should keep a GOP majority in the House.
- o **US Regains Seat On UN Budget Committee.** The United States regained its seat on a key UN budget committee today after a three-year hiatus, a move many hope will lead to the US clearing up its \$1.8 billion in back dues to the world body. The US lost its seat on the budget committee in 1996 and failed to regain it last year. Some of those voting against the US on both occasions cited its growing UN arrears. Getting back on the Advisory Committee on Administrative and Budgetary Questions was a high priority for the White House, and a main focus for Ambassador Richard Holbrooke since he took up his post at the UN in September.
- o **US Overseas Posts Insecure.** A report released today by the Overseas Presence Advisory Panel, established by Secretary of State Madeleine Albright following the bombings at US embassies in Kenya and Tanzania in August 1998, states that US overseas posts are often insecure and decrepit and suffer from obsolete communications and outmoded administrative and personnel practices.
- o **Survey Of Business Executives, Policy Makers Finds Large Majority Prefer Leaving E-Commerce Untaxed.** The US Chamber of Commerce and KPMG released a survey of 150 policy makers, company executives and association heads finding wide support for the idea that Internet transactions should not be taxed, for the time being. Seventy-six percent said remote electronic transactions should be treated the same as catalogue sales, and 58% said a "sensible legal, fiscal and regulatory framework that minimized government regulation" could be adopted for the Internet, according to a release. Nineteen percent predicted Internet sales would top \$100 billion by 2001, while 53% predicted that growth would reach between \$50 and \$100 billion.

- o **Presidential Campaign 2000 Update. McCain Keeps Rising In Latest New Hampshire Poll.** A new poll of New Hampshire voters finds Sen. John McCain has risen to within 8 points of frontrunner Gov. George W. Bush, a development that has caught the media's attention today. The WNDS-TV/Franklin Pierce College survey of 250 likely Republican voters conducted October 31-November 3 shows Bush with 38% and McCain with 30%. The two were far ahead of the other candidates: Steve Forbes had 11%, Gary Bauer 3%, Sen. Orrin Hatch 2% and 12% were undecided. On the Democratic side, former Sen. Bill Bradley led Vice President Al Gore 43% to 36%, and 20% were undecided.

Bush Foreign Policy Vision Questioned. A surprise pop quiz in which Bush scored a failing grade is reverberating today, with various media outlets trumpeting the story. In the WHDH-TV interview, Bush was only able to name one of four leaders of foreign countries and regions currently in the news – Pakistan, Chechnya, Taiwan and India – and appeared caught off guard as he attempted to answer the questions. The McCain and Forbes campaigns declined to say much about Bush's performance, but this morning Gary Bauer issued a statement saying Bush's foreign policy vision is even worse than his ability to name foreign leaders. "The issue is not one of memorization of heads of state," Bauer said. "The real issue is what the governor's father once called 'the vision thing.' Gov. Bush lacks a foreign policy vision rooted in America's vital national interests and powered by America's most deeply held values. This is where I have very strong differences with Gov. Bush. The governor's staff begs us to ignore the issue of whether he knows the names of foreign heads of state and focus instead on his foreign policy vision. But it is that vision which is so badly out of focus. Instead of a foreign policy consistent with American values, Gov. Bush's foreign policy echoes the Clinton-Gore administration's foreign policy, a policy rooted in trade not values or even basic human rights. Parroting the Clinton-Gore administration, Gov. Bush would reward China with both Most Favored Nation (MFN) trading status and membership in the World Trade Organization (WTO). Gov. Bush's foreign policy with China would allow that country to continue to play America for suckers, giving them powerful trading privileges before sitting down to negotiate for what is in America's national interest."

President Clinton also chimed in this morning, saying Bush will "soon enough learn their names. I think that, as a presidential candidate, in the main trouble spots in the world he should, and probably will, pick up those." Clinton added in the taped interview for ABC's "Good Morning America": "The most important thing is, do you have a clear idea of what the world oughta look like and what America's policy oughta be in these areas, so that's what I would say."

Bradley To Deliver Health Care Speech Monday. Former Sen. Bill Bradley will deliver a major health care speech in Chicago on Monday. The speech is expected to further illuminate the component of Bradley's health care plan that calls on the collaboration of the public health system and states and communities on prevention and health education.

POLL WATCH:

Democrats Have Seven Point Generic Ballot Lead. An ABC News poll of 1,205 adults, conducted over October 28-31 (+/- 3%), shows:

- 50% would vote for the generic Democratic candidate in their district; 43% would vote for the Republican; 3% would vote for neither; 1% wouldn't vote; 3% had no opinion.
- 41% are "inclined to vote to reelect their representative in Congress"; 47% are "inclined to look around for someone else"; 8% said it "depends"; 3% had no opinion.
- 42% approve "of the way the US Congress is doing its job"; 53% disapprove; 6% had no opinion.
- 65% approve "of the way their own representative...is handling his or her job"; 28% disapprove; 9% had no opinion.

LAST LAUGHS:

Late Night Political Humor.

Jay Leno: "Presidential frontrunner George W. Bush feeling a lot better. As you probably know, earlier this week, he had to dive out of the way of a truck that suddenly overturned while he was jogging. In fact last time Bush dove that quickly was when a reporter asked him what his position was on Social Security."

Jay Leno: "Let's see what's happening with candidate Al 'Spank the Monkey' Gore. Let's see what's going on there."

Jay Leno: "And I guess Al Gore's new campaign strategy is if he distances himself from Clinton, his popularity will go up, which hasn't worked bad for Hillary."

Jay Leno: "Actually, a new book came out this week about Hillary Clinton called 'Hillary's choice.' Interesting book. In the book, Hillary said that ten years ago she insisted that her husband conquer his weakness for sexual hunting. And I guess he promised to do it. Actually, after Monica, I think he went big game hunting instead."

Jay Leno: "Remember that Business Week guy who got trapped in the New York elevator for two days. The guy got trapped in the elevator for two days. Now, he's suing for \$25 million because he can't go back to work. Am I missing something? John McCain was tortured in a Vietnam prison camp for five years -- he's running for President -- and this guy got stuck listening to John Tesh for two days, and he can't work anymore. Is there something wrong here?"

Jay Leno: "On 'Good Morning America,' Senator John McCain admitted he does have a temper. But he says that temper does not disqualify him from being President. He does have a temper. In fact, do you know what he calls 'Good Morning America?' 'Wake-up, you bastards!'"

Jay Leno: "That's why I think McCain would be good. I think it's time we had a President who could give a good tongue-lashing instead of getting one."

Conan O'Brien: "John McCain gave a speech. This is what he said. He said that he does not -- does not -- have a problem with his temper. That's what his speech was about. That's right. That's right. McCain then added, 'And the next dirt bag who asks me is going to get bitch-slapped.'"

Conan O'Brien: "It's been reported that President Clinton cannot move into his New York house. He bought a New York House. He can't move in yet because there's still a lot of security work to be done on the house. That's right. Clinton says he'll move as soon as the Secret Service installs surveillance cameras in the neighbors' bedrooms."

David Letterman: "There's a new book now, about Hillary Clinton. Oh great, we don't hear enough about Hillary. And apparently now, she dumped her first boyfriend. You know why she dumped her first boyfriend? Because he was not ambitious. Not ambitious. You know, I'm going to tell you something, I still have the emotional scars."

David Letterman: "Hillary Clinton, as you know will be our next Senator from New York. They bought a place up in Chappaqua. And earlier today, Hillary toured the house. The deal is closed and I want to tell you, there's nothing more exciting, nothing more gratifying, nothing more satisfying than closing your first legal land deal."

David Letterman: "You know, they said, 'will this be where Bill lives, is this going to be his primary residence?' And she said, 'Well, you'll have to ask him.' ... President Clinton is thinking it over and there are many things. For example, there are tax considerations, you know. Also number two, moving in with somebody is a big commitment."

Craig Kilborn: "San Francisco voters went to the polls this week and incumbent Mayor Willie Brown is now facing a runoff against his openly gay opponent. He says he thinks he can beat the mayor because 100% of the city's gay community is behind him."

Craig Kilborn: "Actor Richard Gere is People magazine's sexiest man alive. ... For the second year in the row, the least sexy man alive: Madeleine Albright."

Craig Kilborn: "George W. Bush and Steve Forbes have agreed to square off in a debate December 13 in Iowa. The only stipulation from Bush is that the debate be broadcast live in the regions where he has the most support, Colombia and Peru."

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white house bulletin

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violence. New Indonesian President Abdurrahman Wahid released a statement saying that it was not yet time to discuss an independence referendum for Aceh.

- North Korea Says US Is Increasing Aerial Spying.** North Korea today accused the US of increasing aerial spying on them as part of a joint military exercise with South Korea. KCNA, the official North Korean news outlet, said that the US has stepped up electronic surveillance with U-2 and other spy planes since the exercises began a week ago. KCNA also accused the US and South Korea of mobilizing more than 600 warplanes for assault drills over South Korea. KCNA reported that the exercises "lay bare the true colors of the US imperialists and the South Korean authorities as war maniacs."

IN THE WHITE HOUSE AND AROUND TOWN:

- Clinton Calls For Fulfillment of Rabin's Vision.** Speaking at a commemoration ceremony for the late Yitzhak Rabin President Clinton praised the memory of the slain Israeli leader, calling on all parties to "pursue" Rabin's "vision" and "bring real and lasting peace" to the Middle East. Said Clinton, "We honor a righteous man whose memory is everlasting because he devoted his life to the security of his country, but gave his life to the promise of peace." Clinton also said, "The enemies of peace remain alive and active. Even in this day we see their dark work. But the scripture reminds us that evil can be overcome by good and only by good. So, we pursue Yitzhak Rabin's vision, not only because we loved and admired him, although we surely did, but because it is right and the only way. We have now a chance, but only a chance to bring real and lasting peace between Israel and her neighbors." Clinton went on to warn about the consequences of failing to reach a Middle East peace agreement, saying, "If we let it slip away, all will bear the consequences: Israel still trapped within a circle of hostility; the Palestinians still saddled with poverty and frustration and pain; both and their Arab neighbors wrapped in an endless and pointless cycle of conflict."
- Johnson, Bayh Signatures Put Banking Conference Report Over The Top.** A Senate Banking Committee source reported this morning that Democrats Tim Johnson and Evan Bayh added their signatures to the conference report on financial services modernization late this morning, providing the margin necessary to bring the bill to the Senate floor. Senate Banking Committee Chairman Phil Gramm faced a 10-10 deadlock among Senate conferees before Johnson and Bayh signed, and had implored lobbyists yesterday to work to get Democratic signatures on the bill.
 The House is already prepared to move on the bill, and the Senate Banking Committee source said there is a possibility that the conference report could be on the Senate floor this afternoon.
- Congress Sends Clinton Last Spending Bill.** By a vote of 49-48, the Senate passed the \$314 billion Labor, Education, HHS bill, which will now be sent to President Clinton. Initial congressional work on all 13 annual spending bills for the new fiscal year has now been completed. Clinton has said repeatedly that he will veto the measure on the grounds that it does not provide the \$1.4 billion he wants to hire 100,000 new teachers.
- Archer Releases Small Business Tax Relief Package As GOP Leaders Struggle With Minimum Wage Vote.** House Ways and Means Committee Chairman Bill Archer today unveiled the tax title that would accompany minimum wage legislation the House of Representatives is expected to soon consider. However, House GOP leaders find themselves in the difficult position of trying to put together a coalition of conservatives – who would prefer no increase – GOP moderates and Democrats to pass the bill sponsored by Rep. Rick Lazio. The uncertainty surrounding the vote counts suggests that action on the minimum wage in the House may not take place this week as previously expected.
 One source noted that Republicans are confident they have the votes to defeat the Bonior Democratic substitute. What Republicans don't know is how many Democratic votes will be there on final passage for Lazio's bill, and they are trying to determine today just how many Republican votes will be there. Many House Democrats would prefer a bigger and/or faster increase than Lazio provides

for and harbor other objections on the tax title, and may be willing to eschew compromise in favor of bringing the issue up next year during the height of an election season. Administration Democrats have already indicated they would veto the Lazio bill. One source noted that might actually help get conservative votes, but given that nearly 70 conservatives voted against the measure the last time it passed, GOP leaders clearly have a high hurdle to overcome.

Archer Tax Title. Archer's package of tax measures would largely take effect in 2001 and would:

- Accelerate the 100% health insurance deduction for the self-employed.
- Delay taxation of Federal farm production payments until farmers receive them and permit farmers subject to the Alternative Minimum Tax to use income averaging when filing their taxes.
- Increase and expand low-income housing tax credit.
- Increase amount of equipment eligible for expensing to \$30,000 from \$19,000 and phase up from 50% to 60% the business meal deduction.
- Phase in increased contribution limits on pre-tax salary [401(k)] contributions from \$10,000 to \$14,000; additional "catch-up" provisions for workers 50 and older; permitting rollovers among plans and faster vesting schedules for employer matching contributions.
- Create 15 new renewal communities – with at least four being rural areas – through packages of "pro-growth tax initiatives," personal savings incentives, home ownership incentives, and cleanups of former industrial sites to create room for new businesses.
- Reduce the top estate tax rate from 55% to 50% by 2002 and reduce all rates by 1 percentage point per year in 2003 and 2004. Repeal the 5% bubble. Convert the unified credit into a true exemption. Modify the generation skipping tax.

- o **Objections Complicate Satellite TV Reform.** As conferees continue to work on completing legislation freeing satellite broadcasters to carry local television signals, the Satellite Broadcasting and Communications Association (SBCA) has expressed its unhappiness with the way several provisions are turning out. In a statement released last night, the SBCA said it is "concerned that in the name of creating competition to cable, Congress will be bowing to pressure from the broadcasters. Instead of providing more programming choices, the bill will actually restrict programming choices currently available to millions of consumers by depriving them of superstations, sporting events and distant network signals." In particular, the SBCA said the ability of satellite companies to "immediately" provide local-to-local service will be hampered by the "the lack of a retransmission consent phase-in period," as well as by the fact that language "that might prevent price and carriage discrimination by networks" has been "weakened." The SBCA also complained that restrictions on the eligibility of customers to receive distant TV signals will remain too onerous.

Meanwhile, objections raised by the FCC to language in the bill that would direct the agency to come up with a new predictive model for distant signal eligibility have caused the negotiations to last longer than anticipated. The FCC reportedly raised 55 specific objections, and work is expected to continue beyond today.

- o **Slater Looking To Forge International Aviation Version Of Interstate Highway System.** Transportation Secretary Rodney Slater in a speech yesterday drew attention to an upcoming international conference in Chicago on "Beyond Open Skies," an effort to chart international collaboration on the expanding global aviation business. The conference is expected to draw CEOs, transportation ministers from several countries, labor representatives and other interested parties.

Slater told the Bulletin that in the same way the Interstate Highway system connected every major city in the US decades ago, he envisions an analogous system for the world aviation industry. According to Slater, "That interstate system connected the nation...in the same way that I believe aviation is going to connect the cities and communities of the world in the 21st century."

Asked specifically what he hoped to achieve at this conference, Slater said, "I hope that we can develop some kind of commitment first and then move beyond that to at least the beginning of the

process for crafting a vision for a sort of multilateral aviation agenda that takes us beyond the bilateral open skies agreements as we have known them."

One of the thornier bilateral aviation relationships for the US has been Japan. Slater noted that the EU is currently negotiating to represent its member countries, and "through APEC we may be able to deal with the Pacific Rim and the connection there with the US." Asked if he favored this regional approach, Slater told the Bulletin, "We are clearly at that stage where we should have these discussions. I think we can bring about greater efficiencies and improvements by looking at regions, and really work towards, ultimately, a multilateral aviation agreement."

- o **Kolbe Bill Would Tie Foreign Aid To Fair Procurement Practices.** At a news conference this morning, Rep. Jim Kolbe announced the introduction of the Fair Competition in Foreign Commerce Act. According to a Kolbe statement, the legislation builds on the standards set by the Organization on Economic Development and Cooperation's Agreement on Bribery and Corruption which makes it a crime to offer, promise or give a bribe to a foreign public official in order to obtain or retain international business deals. Kolbe noted that there only 34 current signatory countries to that agreement and said his legislation approaches corruption in international government procurement through US foreign aid and multilateral financial institutions. Kolbe said his legislation "says in no uncertain terms that the United States will not continue to underwrite corrupt practices in other countries."

Under the bill, the Treasury secretary would be required to develop a plan to promote international government procurement reform using US participation in international financial institutions as the tool. The bill would prohibit US non-humanitarian foreign assistance to those nations that have not demonstrated significant progress toward institutionalizing open and transparent government procurement practices.

- o **Greenspan Addresses Home Mortgage Market; Interrelation To Economy.** In his prepared remarks before a Conference on Mortgage Markets and Economic activity, Federal Reserve Board Alan Greenspan spoke about the home mortgage markets and how they are both affected by and affect the economy as a whole. Greenspan predicted, "short of a significant acceleration in immigration or a remarkable surge in the birthrate, few demographers would project a continuing rise in the rate of population growth to match the inexorable rise in the level of population. To put it briefly, the rate of increase of both our population and the number of households appears destined to slow in the coming years. So assuming a continuation of the relatively stable turnover rate for our existing housing stock, existing home sales will continue to grow, though perhaps at a declining rate of increase."

Greenspan further stated, "Estimates by the staff of the Federal Reserve indicate that about 40 percent of the growth in outstanding home mortgage debt during the past five years originated as financing the extraction of home equity. Such borrowing has largely reflected the extraction of realized capital gains, which almost automatically takes place on the sale of our stock of existing homes, as the new owners take on a much larger mortgage than the seller had at the time of sale." The Fed Chairman added, "Obviously, were home prices to fall for a protracted period, no capital gains would be available to extract. Mortgage financing in such an environment, I am rash enough to say, would have been less than pleasant. We estimate that, over the past five years, the average capital gain on the sale of an existing home net of transaction costs was more than \$25,000, almost a fifth of the average purchase price, and roughly equal to the equity extraction financed by debt. But not all equity extraction reflects the capital gains realized from the sale of an existing home. A substantial part, approximately half, in recent years was the result of unrealized capital gains being drawn out through home equity loans and cash-out refinancing. Presumably even normal amortized equity that did not come from higher home prices was extracted in this manner."

- o **Bush Unveils School Safety Proposals.** Gov. George W. Bush was expected to deliver his third major speech on education today in New Hampshire, this time unveiling proposals dealing with school safety. "No parent in America, no matter their income, should be forced to send their child to a school where violence reigns," Bush says in prepared remarks released by the campaign. "No child in America, regardless of background, should be forced to risk their lives in order to learn. When children