

**PHOTOCOPY
PRESERVATION**

MINIMUM WAGE -

MARCH 2005 SAP

Sylvia -

The rule for the minimum wage/small business tax bill raised a new issue that needs to be considered for the floor SAP. Rather than create a self-executing rule to add a provision to the bill that would allow States to opt out of the increase, they are sending to the floor a new bill that already includes the opt-out language. Then they are allowing a moderate Republican (Mike Castle, DE) to offer an amendment striking that new language.

We will need to consider how to address this in the SAP. Barbara, recommends (and Kieffer and I concur) that we should add a sentence saying "the Administration strongly supports the Castle amendment." Without it, many workers would be denied a raise. States would also have an incentive to try to attract low-wage industries at the expense of their minimum wage workforce.

At the 8:30 meeting, you may want to raise this issue. In addition to whether or not to add language supporting the Castle amendment, you may want to discuss whether we also want to add a statement on the underlying opt-out language itself. On that front, we could:

1. Be silent.
2. Add general language that would cover the opt-out provision without directly referring to it. "The Administration would veto any legislation that includes provisions that would effectively undermine the minimum wage." or "...that would potentially deny many low-income workers the benefits of an increase."
3. Add a direct new veto threat. After expressing support for the Castle Amendment, add "The Administration would veto any minimum wage legislation that includes opt-out language such as that in H.R. 3846. Such a provision could deny the benefits of a higher minimum wage to millions of low-income Americans."

The House begins legislative business at 10 am. Option 2 might be easier to clear on such short notice.

As expected, the rule did not allow a Democratic substitute to the tax bill, although instructions to report particular changes could be incorporated in a motion to recommit.

The rule does allow an amendment to increase the minimum wage in two steps rather than three. However, Republicans either did not find a sponsor in their caucus or did not want the symbolism of having a GOP member offer that amendment. In a creative twist, they allowed it to be offered by Rep. Martinez of California, who lost his primary Tuesday, rather than give it to any Democrat who might benefit politically from sponsoring it.

We should also add language explicitly supporting the Martinez amendment, which would implement the two-step increase we called for in our Rules Committee SAP.

Brooke has added proposed language to the draft floor SAP (attached) on the Castle and Martinez amendments but is looking for guidance on whether to address the underlying State opt-out language. We have also made technical changes reflecting the effective dates of the increases in the bill and the Martinez amendment.

TJA

March 9, 2000
(House)

H.R. 3081, the Wage and Employment Growth Act of 1999
(Lazio (R) New York and 9 cosponsors)

HR 3846, a Bill to Increase the Minimum Wage
(Shimkus (R) Illinois)

If Congress presents the President with legislation that either unacceptably delays a minimum wage increase or contains fiscally irresponsible tax cuts, the President will veto the legislation.

HR 3846 - a Bill to Increase the Minimum Wage

Congress should pass a straightforward bill to raise the minimum wage by \$1 in two equal steps, as proposed by the President. HR 3846, which would extend a minimum wage increase over a ~~three-year period~~ **an additional year**, would unacceptably delay the American worker's much-needed pay raise, costing a full-time, year-round worker more than \$900 over two years.

~~The Administration strongly supports the Martinez amendment which would provide for the two step increase proposed by the President. The Administration also strongly supports the Castle Amendment which would strike the language allowing states to opt out of the minimum wage increase.~~ The Administration strongly urges Congress to enact a minimum wage bill as proposed by the President, unencumbered by measures to repeal important overtime protections for workers or regressive, fiscally irresponsible tax cuts that threaten Social Security, Medicare, and debt reduction.

A modest increase in the minimum wage of \$1 would merely restore the real value of the minimum wage to the 1982 level. Recent history has shown that those who argue that even a reasonable increase in the minimum wage would harm the economy are wrong. Since the last minimum wage increase of 90 cents over two years, enacted in 1996, the unemployment rate has fallen from 5.2 percent to 4.1 percent -- around the lowest in 30 years -- and more than 10 million new jobs have been created. That last minimum wage increase provided a significant incentive to work, contributing to the 44 percent decline in the welfare caseload, and bringing the welfare rolls down to their lowest level in three decades. It also has been a crucial factor in contributing to rising incomes for even the poorest groups, reversing their income declines of the previous decade.

Minimum wage legislation should not be used as a vehicle to repeal important overtime protections for American workers, and the Administration would oppose adding such provisions.

For example, the Administration is concerned about provisions in the bill that would repeal overtime protections for 1.5 million American sales employees, funeral workers, and computer professionals.

H.R. 3081, the Wage and Employment Growth Act of 1999

By spending a substantial fraction of the non-Social Security surplus without a balanced framework, the House tax package would threaten the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt by 2013. Absent an agreement on a balanced framework, a bill composed of these provisions 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 in its present form contains tax cuts of such magnitude that they would require an unacceptably large automatic sequester of mandatory programs, including Medicare.

The bulk of the tax provisions in H.R. 3081 are directed away from working families, and, whatever their stated intent, would do little to help most small businesses or family farms. For example, the estate tax relief is expensive, provides no benefit to average working Americans, and is poorly targeted to its purported purpose of providing relief for small business owners and family farms, because its three major provisions – conversion of the unified credit to an exemption, repeal of the surtax, and reduction in top marginal rates – would provide a disproportionate benefit to the very wealthiest estates.

H.R. 3081 also contains pension provisions that would raise the maximum retirement plan contribution and considered compensation limits for business owners and executives. This provision would weaken the pension anti-discrimination and top-heavy protections for moderate- and lower-income workers. These provisions are regressive, would not significantly increase plan coverage or national savings, and could lead to cuts in retirement benefits for moderate- and lower-income workers while benefits for highly paid executives are maintained or even increased.

Conclusion

The Administration urges the Congress to refrain from passing either a minimum wage increase that would be delayed unacceptably or fiscally irresponsible tax cuts that would threaten Social Security, Medicare, and debt reduction, and are not targeted at the needs of working families. The Congress should pass clean legislation that would raise the minimum wage ~~by \$1 over two years in two equal steps~~ and that would increase the rewards for work in a manner that would be good for the country and good for working families who are struggling to make ends meet. The legislation should not be encumbered by provisions ~~that are unrelated to this increase or that would undermine the minimum wage increase or~~ existing labor protections. And any tax bill passed by the Congress should be fiscally responsible and adhere to a framework that protects the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt by 2013, such as the Democratic alternative does.

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Brooke B. Livingston

03/09/2000 09:37:20 AM

Record Type: Record

To: See the distribution list at the bottom of this message

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Subject: FOR CLEARANCE: FLOOR SAP ON MIN WAGE TAX BILL -- 10:45AM DEADLINE

The following FLOOR SAP was discussed at the 8:30am Podesta meeting (changes have been made to reflect the rule reported last night). Please clear NO LATER THAN 10:45AM so this SAP may be ready for floor consideration.

THANK YOU, Brooke 5-4790



HR3832& HR3833.w

March 9, 2000
(House)

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(Shinkus (R) Illinois)

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to opt out of the minimum wage increase. The Administration strongly urges Congress to enact a minimum wage bill as proposed by the President, unencumbered by measures that repeal important overtime protections for workers or regressive, fiscally irresponsible tax cuts that threaten Social Security, Medicare, and debt reduction.

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