



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 104th CONGRESS, SECOND SESSION

Vol. 142

WASHINGTON, TUESDAY, JULY 9, 1996

No. 100

Senate

The Senate met at 9:30 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

In quietness and trust shall be your strength.—Isaiah 30:15.

Almighty God, for a brief moment we retreat into our inner world, that wonderful trysting place where we find Your strength. Here we escape from the noise of demanding voices and pressured conversations. With You there are no speeches to give, positions to defend, or party loyalties to push. In Your presence we can simply be. You love us in spite of our mistakes and give us a new beginning each day. We thank You that we can depend on Your guidance in all that is ahead of us. Suddenly we realize that this quiet moment in which we have placed our trust in You has refreshed us. We are replenished with new hope. Now we can return to our outer world with greater determination to keep our priorities straight. Today is a magnificent opportunity to serve You by giving our very best to our leadership of our Nation. In the name of our Lord and Savior. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able assistant majority leader is recognized.

THE CHAPLAIN'S PRAYER

Mr. NICKLES. Mr. President, I congratulate the Chaplain for once again delivering a beautiful prayer for not only the Senate but for our Nation as well.

SCHEDULE

Mr. NICKLES. Mr. President, today the Senate will immediately resume consideration of H.R. 3448, the small business tax package legislation, with time until 12:30 equally divided between the two managers or their designees. The Senate will recess from the hours of 12:30 to 2:15 for the weekly policy conferences to meet. At 2:15, immediately following the conferences, the Senate will begin voting on pending amendments to the small business tax legislation. Under a previous agreement, following those votes, the Senate will begin consideration of S. 295, the TEAM Act.

Senators should also be reminded the vote on passage of the Department of Defense authorization bill will now occur at 12 noon on Wednesday. Following the vote on the Defense bill, there will be a cloture vote on the motion to proceed to S. 1788, the National Right To Work Act, to be followed by any votes ordered on amendments to the TEAM Act legislation. Also, on Wednesday morning at 10 a.m., there will be a joint meeting of Congress to hear an address by the Prime Minister of Israel.

So to repeat, for the information of all my colleagues, we will have 3 hours of debate and discussion on the tax component of the bill pending before us today. At 2:15 we will have a vote immediately on the Bond-Lott amendment, followed by a vote on the Kennedy amendment, followed by a rollcall vote, if necessary, on the tax portion of this bill, followed by final passage. For the information of all our colleagues, we will have a series of votes beginning at 2:15. We urge all Members to be attentive and ask that those rollcalls move expeditiously.

I now call on my colleague, Senator ROTH, from Delaware, to manage the tax portion of this bill.

SMALL BUSINESS JOB PROTECTION ACT OF 1996

The PRESIDING OFFICER (Mr. BROWN). Under the previous order, the Senate will now resume consideration of H.R. 3448, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 3448) to provide tax relief for small businesses, to protect jobs, to create opportunities, to increase the take-home pay of workers, to amend the Portal-to-Portal Act of 1947 relating to the payment of wages to employees who use employer-owned vehicles, and to amend the Fair Labor Standards Act of 1938 to increase the minimum wage rate and to prevent job loss by providing flexibility to employers in complying with minimum wage and overtime requirements under that act.

The Senate resumed consideration of the bill.

Pending:

Kennedy amendment No. 4435, to amend the Fair Labor Standards Act of 1938 to provide for an increase in the minimum wage rate and to exempt computer professionals from the minimum wage and maximum hour requirements, and to amend the Portal-to-Portal Act of 1947 relating to the payment of wages to employees who use employer-owned vehicles.

Bond amendment No. 4272, to modify the payment of wages provisions.

The PRESIDING OFFICER. The time until 12:30 p.m. shall be equally divided between the Senator from Delaware and the Senator from New York or their designees.

Mr. KENNEDY. Mr. President, may I ask the Senator a question? Did the Senator include a vote on the TEAM Act after the Defense authorization? Is that referenced in the Senator's list of votes?

Mr. NICKLES. The Senator is correct.

Mr. KENNEDY. I thank the Senator. The PRESIDING OFFICER. Who seeks recognition?

Mr. ROTH addressed the Chair.

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. ROTH. Mr. President, America's most valuable economic resource is the spirit of enterprise that moves in our people. This spirit is reflected in men and women and families that build businesses on dreams, personal risk, and good ideas. It is reflected in the strength of our communities, communities held together by commerce. It is reflected in the strong economic status our Nation enjoys, indeed, in our superpower status. And it is reflected in the security and opportunity we enjoy as individuals.

The responsibility of Congress, of Government in general, is to help promote an environment where this spirit can flourish, especially among America's small business men and women.

How important is it that we succeed in this endeavor? Consider that there are 22 million small business owners in America today, and that each year another 800,000 new small startups are created. Consider that nearly 6 out of 10 Americans get their paychecks from small businesses and that small business represents 99.8 percent of all American businesses. They contribute more than half of our sales in our country. They provide more than half of our economy's output and 55 percent of all new innovations each year.

Consider, Mr. President, that of the 25 million future jobs that will be needed to provide employment for Americans, 75 percent will come from small business. Recently, I heard that the majority of small businesses today are being created by women. With these trends in mind, we can see how important it is that we succeed in passing a small business bill that meets the real needs of America's entrepreneurs, a bill that unleashes enterprise and rewards risk taking.

Toward this end, Senator MOYNIHAN and I have spent a great deal of time taking comments from our colleagues pertaining to this small business bill. We have consulted with the leadership on both sides of the aisle. We believe we have developed an amendment that addresses the requests and comments we received.

Before turning my attention to the managers' and leaders' amendment, however, I would like to address the tax provisions to the small business bill that are proposed by the Finance Committee.

For small business, the only thing worse than excessive taxation is a visit from the people at "60 Minutes." Frankly, Mr. President, I know several small business men and women who would rather face Mike Wallace. Excessive taxes are the sludge that binds the gears of small business, and we must do something about them.

The tax provisions proposed by the Finance Committee represents a good start. They lift some of the burden that is borne by small businesses. They make it easier for small business men and women to hire, to expand, to mod-

ernize. Our tax provisions facilitate the ability of small businesses to offer retirement plans for their employees. They allow businesses to bring more employees into pension plans.

Beyond all of this, we make both undergraduate and graduate education more affordable for employees by extending the tax-free treatment of employer-provided education assistance. These are incentives that will go a long way toward creating an environment for growth, job creation, economic security, and real opportunity for Americans. Legislation with similar tax incentives passed the House by a vote of 414-10.

Specifically, what this bill does is provide an increase in the expensing of small business equipment from the current \$17,500 annual amount to \$25,000 by the year 2003. It offers a package of subchapter S corporation reforms that will improve the ability of small business men and women to use this corporate status. Among a number of reforms, the principal changes include increasing the number of subchapter S corporation shareholders, easing the use of subchapter S corporations in the area of estate planning, broadening the access of subchapter S corporations for small banks, employee stock ownership plans and charities, and granting greater flexibility in the use of multiple subchapter S corporations. Additionally, the reforms will permit taxpayers to keep subchapter S corporation status, and allow corrections for inadvertent mistakes.

Our bill also contains pension simplification proposals, including spousal IRA's and a new kind of pension plan for small business. Our purpose here is to increase access to the pension system for the millions of small business employees who currently do not have this important security. One of my major objectives is that spouses be treated equally when it comes to pension benefits and individual retirement accounts. Currently, a homemaker can only contribute up to \$250 to an IRA. Under our plan, they would be able to invest up to \$2,000, the same amount contributed by their spouses.

In addition, our package permits tax-exempt organizations to set up section 401(k) opportunities for their employees, and it simplifies pension rules for employers who currently offer pension plans. Beyond this, we offer a package of proposals that extend tax benefits that have expired. These important benefits include the tax credit for research and development which keeps us competitive in the global economic community. They include credits for the very expensive costs associated with the development and testing of drugs for rare diseases. These are often referred to as "orphan drugs"—orphans because their limited demand makes it otherwise cost prohibitive to research, develop, and market them.

Included in the package of extenders is an extension of the section 29 alternative fuels credit. This credit provides

an incentive for the production of clean and environmentally friendly energy sources.

Mr. President, in the last 5 years, small businesses have created 9 out of 10 new jobs. In fact, small business provided all the net new jobs from 1987 to 1992. Mr. President, 9 out of 10 of these firms have fewer than 20 employees. They are, indeed, the heroes on the front line. With these changes to the tax law, these small business men and women will have greater incentives and resources to move our economy forward.

Should anyone doubt how stalwart these men and women are compared to those in other countries, should anyone doubt that Government policies have consequences on their ability to succeed, I refer to a recent article from the London Sunday Telegraph. According to that paper,

The United States has created 30 times more new private-sector jobs in the European Union over the last 20 years. . . . The British Treasury reported that the EU created fewer than 1 million net jobs, compared with more than 31 million produced by the more deregulated American economy.

The stark Treasury figures paint a much grimmer picture than the Foreign Office' recent White Paper on Europe, which claimed that the EU had created 8 million jobs over the same period.

Compiled from independent figures, the Treasury tracks detailed employment patterns between the two trading blocks for 1974-1994. With roughly similar populations during that period of around 250 million, they show the United States created 31,306,000 net new jobs in the private sector to Europe's 823,000. . . .

Speaking in London on Friday. . . the French commissioner for a single currency, admitted that overzealous EU regulation had taken its toll on job creation.

Mr. President, taxation and regulation do have profound influences on the ability of nations to create jobs. What we propose is to take some of the burden off the backs of American small business men and women. My hope is that this is only a beginning, but it is a good beginning.

Now, our tax provision to the Small Business Job Protection Act of 1996 passed the committee unanimously. There is no reason why we cannot see similar success here on the floor.

Mr. President, I now turn our attention to the managers' and leaders' amendment. In developing this amendment, I believe we have maintained the goals that were set out in crafting the campaign finance reform bill. Our objectives were, first, to retain the bipartisan spirit of the bill. Second, to stay with two basic themes: To create incentives for small business and economic growth; and to extend many of the important tax provisions that have either expired or are set to expire. Our third objective sought to refrain from opening up controversial issues, issues that would divide Republicans and Democrats here on the floor.

AMENDMENT NO. 4436

(Purpose: To provide additional amendments.)

Mr. ROTH. Mr. President, I send to the desk a copy of the managers' and leaders' amendment.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH], for himself, Mr. MOYNIHAN, Mr. LOTT, and Mr. DASCHLE, proposes an amendment numbered 4436.

Mr. ROTH. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. ROTH. Mr. President, I note that a copy of the amendment and its explanation will be available on the desk of each Senator on the Senate floor.

Many Members of the Senate have raised tax proposals for consideration in this managers' and leaders' amendment. Some of these proposals are outside the scope of the objectives I mentioned. Other proposals are relevant to our objectives but they are controversial or costly.

This managers' and leaders' amendment strives to stick with the small business and extenders themes, so these controversial, nongermane proposals are not included.

Mr. President, the major components of the managers' amendment are:

First, to extend most of the expired provisions to December 31, 1997. This is a half-year extension. I note that the section 29 alternative fuels credit is extended to December 31, 1998, and the grandfather for certain publicly traded partnerships is extended to December 31, 1999.

Second, this amendment provides additional pension simplification provisions. Most of these are directed at protecting spouses of pension plan participants.

Third, at the request of a bipartisan group of Labor Committee Senators, led by Senator KASSEBAUM, our amendment offers a clarification of the effect of the Harris Trust Supreme Court case. The Harris Trust case overturned 20 years of Labor Department policy regarding insurance companies. It created additional uncertainty about the liability of insurance companies that fund employee benefit plans. Our proposal adopts the Labor Committee's directive to the Labor Department, mandating a clarification of the treatment of insurance companies under the Employee Retirement Income Security Act [ERISA].

In a recent letter from Secretary Robert Reich, he stated the Labor Department's strong support for the Labor Committee's bill. In that letter, the Secretary writes: "The legislation will provide the guidance necessary to avert disruption in the insurance in-

dustry, thereby improving the security of American workers' pension plan assets."

Fourth, our amendment provides additional clarifications of the worker classification safe harbor known as section 530. This concerns the distinction between employees and independent contractors for employment tax purposes. I believe these additional clarifications are necessary steps to help clear up the confusion and controversy in worker classification.

Mr. President, the managers' and leaders' amendment is fully offset, and I would like to comment on a couple of these.

First, the managers' and leaders' amendment adopts a proposal from the President's budget that denies the personal exemption deduction and dependent care credit if taxpayers do not supply the dependent's Social Security number. I believe this proposal is necessary to insure against fraud.

Another important offset is the extension of the 10-percent air ticket and cargo excise taxes.

The House bill did not include an extension of this ticket tax. The aviation program's authorization terminates on September 30, 1996. In response to concerns raised by Commerce Committee members, the Finance Committee bill extends the ticket tax through the end of this year as an interim measure to ensure adequate funding for the aviation program until it is reauthorized.

Under the managers' and leaders' amendment, the air ticket and cargo excise taxes are further extended until April 15, 1997—an additional 3½ months. This is an extension I agreed to reluctantly and one I believe should be revisited in conference with the House.

Mr. President, I believe the managers' and leaders' amendment lives up to the spirit of the bipartisan Finance Committee bill. I urge my colleagues' support.

Mr. President, I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. MOYNIHAN. Mr. President, I will not take a great deal of time this morning as I spoke yesterday, and there are Senators who wish to speak to other provisions of this bill. But I would take as much time as is required to state my gratitude to and admiration for the work of the chairman, our chairman, Senator ROTH.

Mr. President, would you care to pause for a moment and ask, how many unanimous, bipartisan, 100-page bills have you seen come to the Senate floor in the 104th Congress? I think not many. I dare to think there has not been even one.

The chairman has crafted a major tax cut—a major tax cut. It comes from a unanimous Finance Committee, and it has other matters attached to it. But I hope that as we debate those other matters, we would not overlook the substantive, important revenue provisions in this bill.

I just want to say it is very difficult to make it look easy, and the chairman has managed that. I want to express my appreciation.

I would particularly call attention to the employer-provided educational assistance provisions in this bill. This, Mr. President, is almost surely the most successful education program the Federal Government sponsors. A million persons a year are provided higher education by their employers, and the tuition is tax free.

I had occasion to speak about this yesterday. Outside the organizations involved, not many people would know of this program. There is no bureau in the Department of Labor for employer-provided educational assistance, and no bureaucracy; it has no titles, no confirmations, no assistant secretaries. A million persons a year are sent by their employers to higher education, about a quarter for graduate-level education, with the understanding that they are capable of doing work at higher levels and skills and compensation, and that it is mutually rewarding to the individual and the firm.

To say again, a quarter of these individuals are going to graduate schools, and very complex ones. Ask any major employer about their training systems, and they will say nothing is more helpful than being able to send a promising young person, or middle management person, to a graduate school to learn a new field, learn a field that has developed since that person had his education. That can be very rapid in many technologies. Consider the area of software: 16 years is another era.

We have had employer-provided educational assistance in place since 1978, but we have been on and off about keeping it in place. It has expired. Now we are going to bring it back—retroactive to the last day's expiration, up to December 31 of this year. In the managers' amendment, we extend it another year.

I would like to simply say to the chairman that I hope early in the next Congress we can make this provision permanent so it can be depended on. This will permit workers to make it part of their plans. They can go off to the University of Delaware and take another degree in advanced chemistry, and then come back in another, better, position. It is part of your career program, and it should be. This is a wonderful piece of unobtrusive social policy.

I would also like to thank the chairman for including in the managers' amendment a version of the expatriation proposal I first introduced in 1995. I will not go into the details at great length, but we have resolved the expatriation issue in this bill. Expatriation is the matter of individuals, wealthy individuals, who renounce their American citizenship in order to avoid American taxes. This is no small sum. In the course of the next 10 years, this provision will pick up \$1.7 billion.

This issue arose in 1995 when the Finance Committee reported a bill to restore the health insurance deduction for the self-employed. We were going to include expatriation at that time, and yet we had a series of communications from scholars of the first order, including Prof. Paul B. Stephan III, a specialist in both international law and tax law at the University of Virginia Law School; Mr. Stephen E. Shay, who served as international tax counsel at the Department of the Treasury; Detlev Vagts of Harvard Law; Andreas F. Lowenfeld of New York University Law; and particularly Prof. Hurst Hannum of the Fletcher School of Law and Diplomacy at Tufts University, who raised the question of whether our statute was legal under the International Covenant on Civil and Political Rights, which the United States ratified in 1992. It is our law, treaty law, and it is therefore the supreme Law of the Land under article VI of our Constitution.

Section 2 of article 12 of the international covenant states: "Everyone shall be free to leave any country, including his own."

The expatriation legislation had seemed to legal scholars to raise a question of infringement of the treaty and, in effect, the law would fall before the treaty, the treaty being the higher law. Professor Robert F. Turner, a professor of international law at the U.S. Naval War College, so testified before the Finance Committee. Although other experts gave us contrary opinions, it was clear to us that the Senate should not act imprudently on the matter. Genuine questions of human rights under international law, and the solemn obligations of the United States under treaties, were in question. So when the conference committee met on the self-employed health deduction bill, we had no alternative but to defer a decision on the matter until we got it straight. To do otherwise, obviously, would have been not only imprudent but irresponsible.

Even so, there are persons in the Chamber who wondered whether or not we were looking after millionaires who renounce their citizenship and move to the Bahamas, and there were some rather heated exchanges. I said at that time that you never have to be more careful of human rights than when you are dealing with persons who are despised. Nobody thinks very much of a millionaire who chooses to become a Bahamian and keeps his membership in the Woonsocket Yacht Club.

In the ensuing months, a general consensus developed that it was possible to craft legislation to curb the abuse of expatriation without violating our international legal obligations. Which is precisely what this bill does. We were determined, and we now bring to the floor, Mr. President, a measure which addresses the problem—and which will raise \$1.7 billion over 10 years. Although not many people expatriate, their tax liabilities are signifi-

cant. So this provision will raise \$1.7 billion. The Finance Committee has a record, we hope, of being vigilant about abuses but also concerned and careful about rights. So, Mr. President, I would like to thank again the chairman for this work. We have done it well.

We are going to have to be careful in conference about the provisions on Puerto Rico. We have major provisions we have decided to end after 60 years, the provisions under section 936 of the Internal Revenue Code, but I think we are doing so in a way that is acceptable to the elected officials in Puerto Rico and all in all is a good job. It took us 2 years to get it right, and we bring it before you with pride and confidence that it will be enacted—whatever else happens in the course of the day.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. ROTH. I thank my good friend and colleague, Senator MOYNIHAN, for his contribution to the development of both the Finance Committee legislation as well as the managers' amendment. It could not have been done without his contribution. I just want it to be known that he has, as always, brought great intelligence, skill, and knowledge to this most important task.

I share with him his interest and concern in education. I think it is only fair to say that in today's world, where technology and knowledge are changing so rapidly, there has never been a time for it to be more important that we keep the most well educated people anywhere in the world, and certainly Senator MOYNIHAN has been a leader in that effort.

I have to say to my distinguished colleague that many of these extenders I think are critically important. One of my first questions on it is, Why don't we make them permanent? Unfortunately, we have a problem of cost and budget rules, but this is something that we will have to look at jointly in the future.

Mr. MOYNIHAN. Mr. President, I take that remark with great encouragement. I think the chairman is right. When the chairman is right, he will figure how to do what is right. I thank him very much.

Mr. ROTH. At this time, I am happy to yield to the senior Senator from Kansas.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

Mrs. KASSEBAUM. Mr. President, I very much appreciate the chairman of the Finance Committee yielding to me for just a moment to comment on one aspect of the bill. I think the package that has been put together by the Finance Committee under the distinguished leadership of both the chairman and ranking member is an important package. I am particularly pleased that, for example, there has been provision for educational assistance and the orphan drug tax credit. These were ex-

piring credits that have been extended that I think are very important. I am also pleased that the extension of the airway and airport trust fund has been acknowledged, and I would like to speak to the clarification of the application of ERISA to insurance company general accounts. This has also been included in the managers' package, and I am not sure that it is clearly understood. I am very appreciative of it being included, and I think it was important to do so. If I may, Mr. President, just for a moment speak to what this is about.

The Department of Labor has been working closely with all parties for nearly 3 years to address the complex issue raised by the Harris Trust decision of the Supreme Court in December 1993. They ruled then in *John Hancock versus Harris Trust* that this longstanding practice of including pension assets as part of a general account could violate ERISA. The Court recognized it was overturning the Department's ruling and that its decision created the possibility of serious disruptions in the pension marketplace. It indicated, however, that any problems could be addressed legislatively or administratively. So that is what this is about, and that is why this bill has the full support of this administration. The administration believed that it had to be addressed legislatively and that was the only way that we could fully acknowledge the difficulties that were apparent by the Supreme Court's decision.

In its January 17, 1996 letter of support, Secretary Reich writes that the legislation:

Will provide the guidance necessary to avert disruption in the insurance industry, thereby improving the security of American workers' pension plan assets.

Let me make clear the ERISA Clarification Act, as this is called, does not overturn *Harris Trust*. Rather, it requires the Labor Department to issue guidance by March of next year as to how insurance companies are to deal with pension plans in the future. To protect the rights of plan participants and beneficiaries, consistent with the *Harris Trust* decision, any guidance issued by the Department must contain strict standards that companies must meet in order to qualify for the relief. Failure to comply with these rules will subject any company to all the sanctions imposed by ERISA on those who violate the fiduciary responsibility and prohibited transaction rules.

The legislation also prevents the *Harris Trust* decision from being applied retroactively. This is appropriate because the life insurance industry has relied for almost 20 years on Government's interpretation as to how it was to act under the statute and because exposing the industry to retroactive liability could severely threaten the security of pension assets.

In response to some initial concerns raised by the administration and others, the legislation before us contains

several modifications. Most important: No. 1, the legislation contains new, stricter standards to ensure that any guidance issued by the Labor Department must fully protect the rights and interests of plan participants and beneficiaries; and, No. 2, the legislation would not grant relief from proceedings based on fraudulent or criminal activities by insurers. I would also like to point out the bill does not affect any ongoing civil actions.

I think this is very important that this be included in the management package at this time. This is in addition to the State insurance regulations that already provide important protections to contract holders, so I am confident that there is the protection there that is necessary, and it is important that this be enacted at this time in order to ensure the security of pension assets for millions of American workers and retirees who hold assets in insurance company general accounts.

So I am very pleased and express my appreciation, again, to both the distinguished chairman and ranking member of the Finance Committee for including this important legislation in their managers' amendment.

I yield the floor.

The PRESIDING OFFICER. Who yields time? The Senator from Massachusetts.

Mr. KENNEDY. Will my friend, the ranking minority member of the Finance Committee, be willing to yield 10 minutes?

Mr. MOYNIHAN. Of course. The Senator spoke eloquently yesterday, and I look forward to hearing him do the same today.

Mr. KENNEDY. Mr. President, will the Chair let me know when there is a minute and a half left, please.

Mr. President, the other part of this debate is about the basic, underlying issue, which is whether this country is going to respond to the very powerful needs of working families who are working 40 hours a week, 52 weeks a year, playing by the rules, trying to provide for their families. That is really the underlying issue which the Senate is going to be voting on in the early afternoon. I wish to address that particular part of the debate and the alternatives which will be before the Senate.

Minimum wage workers are the people who do some of the most thankless jobs in America. They are Head Start schoolteachers, they are teachers' aides who work with the 50 million of our young people in kindergarten through 12th grade. They are health care workers who look after our parents in nursing homes and in hospitals all across this country. They clean the offices and restrooms, collect the garbage at the curb, make the beds in fancy hotels, mop up the floors in public schools and hospitals. Minimum wage workers are the people who make the engine of our economy work while laboring behind the scenes and toiling at the drudgery jobs that must be done for America to thrive.

Minimum wage workers have dreams for their families, their children, and their future, just like all other Americans. They have served their country in war and peace, and they still believe in the American dream. They cry into their pillows at night when their children are sick and they have no money for the doctor. They are giving to America, not taking from America. They are fighting to stay off welfare because of the shame they would feel if they took a handout from a Government established for the people and by the people. Their faces pressed against the windows of our affluence, they see the riches and abundance that so many take for granted but so often seems beyond their reach. But if they work hard and well, they know their children will have a greater chance for a better life.

The minimum wage increase the Senate will vote on today will bring millions of those workers closer to that dream, and I urge the Senate to vote in a spirit of generosity that extends a helping hand, not the back of your hand, to all those who need and deserve this help. Today, we have the opportunity to put action behind the rhetoric of family values. If we really care about work, about families, about children and the future, we will vote for an increase in the minimum wage for all workers.

If we care about helping the working poor, then we must support an increase in the minimum wage, regardless of the size of the company they work for. If we want to help minorities and women and single parents, then we must raise the minimum wage for all workers without the so-called opportunity wage. If we want to help adults stay off the welfare rolls, we must raise the minimum wage.

Support for the minimum wage is an effective way to achieve the basic goal of improving the lives of American workers. Raising the minimum wage is long overdue. The increase we are voting on today should take effect as soon as possible, obviously prospectively, I hope some 30 days after the President signs it into law. And it should be available to all minimum wage workers.

I urge the Senate to reject artificial limitations on the size of the company or the time the worker has been on the job. Reject the gimmickry and chicanery we see in the Bond proposal.

A fair minimum wage is the goal. No one who works for a living should have to live in poverty, and I urge the Senate to vote for the Democratic amendment and against the Republican amendment.

Mr. President, this issue is about the number of individuals earning the minimum wage and whose hopes and dreams are in the future. They are about Tonya Outlaw of Windsor, NC, the parent of two girls, ages 6 and 8. She works as a teacher at the Kiddie World Child Development Center. She worked there for 3½ years. She used to work at the Purdue chicken factory,

where she used to earn more than minimum wage, but it was not enough to pay for child care. In order to work, Tonya needed child care for her children. Working at Kiddie World provided a solution.

Now Tonya earns \$4.25 an hour, and it is very hard to get her family the things they need. She said sometimes it is hard to provide her children with things they need like coats, medicines, and other types of essential needs. Tonya is unable to afford the insurance that they make available at her children's school, and she is unable to provide her children the medicine they need when they are sick. If they increase the minimum wage, she hopes to afford a place of her own, for her family. It is time for her to get a raise in the minimum wage.

It is time for Alvin Vance, who is 45 years old and works picking up residential garbage. He earns the minimum wage of \$4.25 an hour. He works 50 hours a week, counting 10 hours of overtime. This provide him with about \$200 take-home pay. Alvin receives no health benefits or paid vacation, no paid sick days. If Alvin is sick, he will go to the charity hospital where he can obtain services with little or no charge.

Alvin receives no AFDC, WIC, or food stamps. His rent is \$125 a month for a one-room shack in a high-crime neighborhood. He has no car and must get a ride or walk to work, which is 7 miles away. It is time for him to get a living minimum wage.

We heard comments today about the bipartisanship which has accompanied the provisions in this proposal that has been recommended by the Finance Committee. Just to point out once again the bipartisanship which has existed on the minimum wage in the past, Harry Truman in 1949, with President Eisenhower in 1955, President Kennedy in 1961 and 1963—increases; President Johnson in 1967 and 1968, President Nixon and President Ford, 1974 through 1976; President Carter, 1978 through 1981, President Bush, 1990 to 1991. This has been a bipartisan effort.

This is what Senator Bob Dole said in 1974:

A living wage for a fair day's work is a hallmark of the American economic philosophy.

President Nixon, April 1974, on signing the minimum wage:

The federally legislated minimum wage for most American workers has remained static for 6 years despite a number of increases in the cost of living. Raising the minimum wage is now a matter of justice that can no longer be fairly delayed.

We go into the more recent years in 1989 and 1990, President George Bush:

It gives me great pleasure to sign into law the first increase in the minimum wage since 1981.

I have called for an increase in the minimum wage that would protect jobs and put more money in the pockets of our workers. . . I am pleased to sign it. It offers promise of better wages for working men and women.

Senator DAN COATS during the debate on the minimum wage increase:

Let me state that I am one Senator who is convinced that an increase in the minimum wage is justified. I do think that by doing so, we can assist an element of the public, the working poor, often those a step below or just a step above welfare and above poverty. And that since the minimum wage has not been increased since January of 1981, and since it has lost in that time period nearly 20 percent of its value to inflation, then an increase in the minimum wage is justified.

It had lost nearly 20 percent of its value in 1989, and DAN COATS at that time was supporting an increase. Now it is at the lowest level of purchasing power in 40 years, and the economy's strength certainly clearly justifies this increase.

Mr. President, this is an issue about work. It is an issue about children.

The PRESIDING OFFICER. The Senator is advised he has 1½ minutes remaining.

Mr. KENNEDY. I thank the Chair. This is an issue about children, the children of working families that are working hard and trying to make it. This is an issue about women. More than 60 percent of the full-time minimum wage recipients are women. It is an issue about families and family values. It is an issue about the taxpayers, because this is going to lift over some 100,000 families out of poverty, 300,000 children out of poverty, reducing the burden on the taxpayers, on AFDC and the Food Stamp Program and other support programs.

Most of all, it is about work. Are we going to honor work in our society? Are we going to say men and women who play by the rules, work hard 40 hours a week 52 weeks of the year are going to have a living wage for themselves, their children, and their future? That is the option that will be here to vote on at 2:15 and 2:30 this afternoon. I hope we will support Senator DASCHLE's amendment.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, recognizing that we are unlikely here on the floor of the Senate to repeal the law of supply and demand, as many of our Members would like us to try to do, we have included in this debate a tax bill, H.R. 3448, the Small Business Job Protection Act of 1996, which was put together on a bipartisan basis to try to offset some of the negative impacts of an increase in the minimum wage, especially as it relates to increasing unemployment among young people with low skill levels. What I would like to do this morning is talk about some very positive provisions in that bill and explain why I am for the Small Business Job Protection Act of 1996.

I want to talk specifically about four provisions of this bill that I have been directly involved in, and explain to my colleagues why they are important and why it is critical that this bill pass and why we must send a bill to the President which can be signed.

The first issue I want to talk about has to do with agricultural club dues. We have had, since 1987, a running dispute between the Internal Revenue Service and the Farm Bureau about Farm Bureau dues. In this bill, we have a provision that I and others have pushed which says to the Internal Revenue Service that: First, dues to the Farm Bureau are not taxable Farm Bureau income; second, that the Farm Bureau is a nonprofit agricultural research and business promotion institution which is owned by its members; and third, that being part of the Farm Bureau is being part of agriculture.

Interestingly enough, the Internal Revenue Service did not oppose our effort to say to them that in the future, Farm Bureau dues will not be viewed as income to the Farm Bureau. Yet for some unexplainable reason, the Internal Revenue Service has continued to press ongoing lawsuits against Farm Bureaus in Florida, Georgia, Illinois, Kentucky, Michigan, Missouri, North Carolina, Tennessee, Texas, Washington State and Alabama. In these States, there is ongoing litigation—instituted by the Internal Revenue Service—where the IRS is trying to force the Farm Bureau to pay taxes they do not owe.

I do not understand how the Internal Revenue Service can say that they are willing to be supportive of an act of Congress that defines that for all future times, dues to the Farm Bureau are not taxable income, but yet refuses to go back and drop all these lawsuits. We had hoped in the Finance Committee to work out an agreement on this issue. I worked with the chairman and the ranking member who were hopeful that the Internal Revenue Service would issue a position paper saying that it would drop these existing lawsuits, but the Internal Revenue Service has refused to do that.

In fact, Mr. President, I ask unanimous consent that a letter to this effect, from the Assistant Secretary of the Treasury for Tax Policy, be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE TREASURY,
Washington, DC, June 24, 1996.

Hon. PHIL GRAMM,
U.S. Senate,
Washington, DC.

DEAR SENATOR GRAMM: This letter is in response to the question you raised at the Senate Finance Committee mark-up held on Wednesday, June 12, 1996 concerning farm bureaus.

Last year, in Revenue Procedure 95-15, we clarified that no tax is to be imposed on associate member dues payments received by tax-exempt agricultural organizations unless the organization's principal purpose in forming or availing itself of an associate member class was to produce income from an unrelated trade or business.¹ The approach in the

ruling reflects current law. See National League of Postmasters v. Commissioner, sl. op. (4th Cir. June 14, 1996), affirming T.C. Memo 1995-205 (May 11, 1995).

While Rev. Proc. 95-15 was being developed, the IRS suspended its examinations of agricultural organizations to ensure that any associate member dues issues that had been raised would be resolved consistently with the analysis in the Revenue Procedure. We are confident that as the IRS finishes the remaining examinations on this issue, it will follow the Revenue Procedure in analyzing the activities of farm bureaus and the income they receive with respect to their associate members.

Of course for periods to which the proposed legislation would apply (Section 1113 of the Small Business Job Protection Act of 1996), the treatment of associate member dues paid to agricultural organizations would follow the statute as amended.

Nevertheless, if there are cases under audit for taxable years beginning prior to December 31, 1994 which cannot meet even the test of the Revenue Procedure, it is not possible to provide administrative relief, other than relief that may be available under section 7805(b) of the Internal Revenue Code. Thus, you should be aware that, because each case will be determined according to its own facts and circumstances, we cannot assure you that the IRS will provide administrative relief in these pre-effective date cases beyond the guidance provided in Revenue Procedure 95-15.

Please call us if you have any further questions.

Sincerely,

DONALD C. LUBICK,

Acting Assistant Secretary (Tax Policy).

Mr. GRAMM. Mr. President, to get to the bottom line, basically, the Internal Revenue Service has said that no matter what Congress does in terms of defining dues to the Farm Bureau as non-taxable income, they are going to pursue these lawsuits anyway. So we will be offering later as part of the managers' amendment an amendment that I have authored which basically says to the Internal Revenue Service, "We have made a decision in Congress, we want these frivolous lawsuits to be dropped, and we want them to be dropped now."

This is an issue that should be settled. The position of the IRS is indefensible in the opinion of the vast majority of Members of Congress and is indefensible in the opinion of the vast majority of the American people. We not only want the IRS to stop doing this in the future, we want them to go back to these old lawsuits and end this harassment once and for all.

We are taking a major step in that direction in this bill. In an amendment that the chairman will offer on my behalf later and on behalf of others, we are also going to go back and, in essence, say to the IRS, "Drop these lawsuits and end this issue once and for all."

The second issue that I think is important in this bill is also another IRS issue. For some unexplainable reason, roughly 3 years ago, the Internal Revenue Service decided that newspapers

¹As noted in the Senate Finance Committee report accompanying H.R. 3448, the focus of the inquiry under the Revenue Procedure "is upon the organization's purposes in forming the associate mem-

ber category (and whether the purposes of that category of membership are substantially related to the organization's exempt purposes other than through the production of income). . . ."

and paperboys were cheating the Internal Revenue Service. The Internal Revenue Service, in a series of lawsuits filed all over the country against major daily newspapers, said that paperboys—and I use the term “paperboy” because there is no comparable gender neutral term in the English language that I have found, and though I was once a paperboy, if someone has a gender neutral term, I will be happy to use it—but until they do, I will use the one that people recognize.

In any case, the Internal Revenue Service has argued that paperboys are not legitimate independent contractors and that they have, in essence, conspired with newspapers to avoid being employees and, in the process, have not paid Social Security taxes, withholding taxes, unemployment insurance, and Medicare taxes. The ultimate objective of the IRS, it appears, is to force paperboys to become employees of daily newspapers.

Mr. President, in the grand scheme of things this is not a very important issue. But I was once a paperboy—I threw 106 newspapers—and for the life of me, I cannot understand why the IRS wants to destroy a system which allows literally hundreds of thousands of young people, both boys and girls, to be independent businesspeople.

If the IRS had its way, it would raise the cost of having a daily newspaper delivered to your door and it would destroy an opportunity that has been part of the American system of small business since almost the colonial period. In my opinion, the negative impact of this approach goes far beyond newspapers and the cost to those who read them.

Let me make the point as succinctly as I can: I am trained as an economist, and at some point in my career I became interested in various historic economic periods in America, the greenback and free silver movement period, and other periods in the 18th and 19th centuries. One of the things which I discovered was that people in the 18th and 19th centuries, for some unexplainable reason, understood economics and understood how our economy works much better than educated people do today.

After having looked at this, I concluded that the reason this was so is that in the world of the 18th and 19th centuries—when most people were farmers or independent businesspeople—most people actually bought things, produced things, and sold things. They were both buyers and sellers in the market at the same time, and because of this, just carrying on their daily business provided a tremendous educational experience for them about how this great economic system works.

Today, when people graduate from college, they go to work for some big company or for the Government, and for most of their lives they specialize in one particular field. They may buy things, they may sell things, they may

produce things, or they may even deal with the huge paperwork and litigation trail that often goes with it—but very few people in America today are actually engaged in all facets of any business.

One of the reasons that I have taken on this paperboy issue with a very strong commitment and zeal is that being a paperboy is one of the last jobs left where young people are actually in business for themselves. They buy their newspapers from the newspaper and then sell it to their customers. I bought 106 copies of the *Ledger-Enquirer* from the local newspaper and delivered it to 106 residences and businesses. I collected the money, as literally millions of paperboys have done since the colonial period, and in the process not only did I earn money, but I learned about how our market system works. I think it is vitally important that we not let the Internal Revenue Service destroy this great educational and business system that is available to young people all over America. So I have championed this provision in the bill that says to the Internal Revenue Service, get out of the paperboy business. Let paperboys be independent businesspeople. Stop challenging their independent status. Do not destroy a great American institution which not only brings the newspaper to our home at 6 o'clock in the morning, at a very low price, but also is a great business and learning opportunity for the young people of this country.

So I am very proud of this provision. Is it going to change the world? No. But for hundreds of thousands of young people all over America, it is going to preserve their opportunity to be an independent businessperson. It is going to preserve a great American institution and it is going to tell the Internal Revenue Service to go make war on somebody else and leave America's paperboys alone.

The third provision in the bill that I want to talk about is the research and development tax credit. This credit came into place in 1981 in an effort to try to encourage American businesses to invest in research and development. If I had the chart with me that I have used around the country, I could show that in every single year since 1970 Japan and Germany have invested a higher percentage of their gross domestic product in nondefense R&D than has the United States of America.

We need more research and development if we want to produce the products of the 21st century, if we want to be competitive in the world market. If we really want higher wages in this country, we should not simply just mandate them in Congress, we should promote investment in research and development. We should promote investments which develop new products, which develop new tools, and which develop new ways of doing things. We need to be the leader of the world in science and technology, and extending the R&D tax credit is a critical part of that effort.

Quite frankly, Mr. President, I am disappointed that we are only extending the R&D tax credit for 18 months. This tax credit should be made permanent because people need to know with certainty that if they undertake a long-term R&D project—that if they try to bring a new product on to the market, or to develop new tools and new techniques, or to bring the power of science to the farm and to the factory—that there will be a consistent and favorable tax policy.

The R&D tax credit is broadly supported on both sides of the aisle. I think it is absolutely imperative that we adopt this bill and put the credit back into place, and eventually I want to make it permanent. This business of taking important features in the tax structure and every 6 months or every year going through the process of re-debating it creates uncertainty and it greatly reduces the positive benefit to the country of long-term research, development, and experimentation expenditures by private businesses. So I think it is imperative that we make this tax credit permanent. I am pleased that we are reinstituting it. I see it as a positive step forward, but I do not think we are going far enough.

One final issue: Senator HUTCHISON has sponsored, and I have cosponsored, a bill to eliminate a terrible inequity in the Tax Code. And that terrible inequity is that if you work outside your home and the company you work for does not have a private retirement program, you can put up to \$2,000 a year tax free into an individual retirement account. If, however, you decide to stay at home and raise your children and be what is traditionally called a homemaker, you lose the ability to put \$2,000 a year into your individual retirement account.

I believe, and Senator HUTCHISON believes, that the Tax Code discriminates against people who decide to stay at home to raise their children and to provide for their family.

I want to make it very clear that neither Senator HUTCHISON nor I are trying to make a value judgment here as to what people should do. My mama worked all during my childhood because she had to. My wife has worked because she wanted to. But the point is this, the Tax Code should not discriminate against people based on whether they make a decision to work outside their home or inside their home.

The provision that is in our bill makes it so that regardless of whether a person decides to take a job in the economy or whether they decide to stay, and work, in their home and to raise their children, they have the equal right to provide for their retirement and to provide for their individual security.

Under this provision we will let a homemaker, as well as someone who works outside the home, set up an individual retirement account, and we will allow them to put up to \$2,000 a year tax free into that account. The net result will be to strengthen families and

to allow people who stay at home and raise their children to build up a retirement program like other people can. We will be eliminating an antifamily element in the Tax Code, and, therefore, I think this is an important provision.

I am equally committed to the goal of trying to expand what people can use individual retirement accounts for. Last year, we were successful in both Houses of Congress in opening up individual retirement accounts to allow them to be used to build up a nest egg for a downpayment on a first home, to be used for college tuition, and to be used for major medical expenses. I think this is an important step in creating a lifelong saving program which will not only expand national savings and enrich the country in the process, but will make it easier for people to prepare financially for the expenditures that they are going to have to face during their lifetimes. In making it easier to save, we will make families stronger, we will make people more secure, and we will spread happiness, which is the only legitimate aim of a free government.

I am afraid that with all of our efforts here to defy logic and economics and to repeal the laws of supply and demand that we are going to forget that there are other provisions being voted on today. Individually, they do not represent Earth-changing policy, but getting the IRS out of the business of trying to force the Farm Bureau to pay taxes on dues, getting the IRS out of the business of trying to destroy the independent contractor status of paper boys, extending the R&D tax credit, and letting homemakers have the same right to build up retirement that those who choose to work outside the home have are all important changes in tax policy.

I think these changes will be beneficial to the country as a whole as well as to the individuals who are directly affected. I want to thank our chairman for his leadership on this bill and for allowing individual Members who care strongly about these small issues, which often end up falling through the cracks, to get them into this bill. I yield the floor.

Mr. MOYNIHAN. Mr. President, I congratulate the Senator from Texas for a very careful exposition. I think this is perhaps the first time he has been on the floor as a member of the Committee on Finance.

As many academic theories go, there are problems sometimes with reality. This Senator from New York at age 12 was a paperboy. He had learned if at 9 o'clock at night you bought 10 copies of the Daily News and 5 copies of the Daily Mirror at 96th Street and Broadway and then sold them in places of entertainment along Amsterdam Avenue, if you bought them for 2 cents and you sold them for 5, you had a profit of 150 percent capital that very day. I knew all of this by the age of 13. Somehow by age 16 I had forgotten it entirely. And

here I am, looking for Social Security. That is why I insist Social Security will be there.

Thanking the Senator, I have the honor to yield 8 minutes to the distinguished Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. WELLSTONE. The Democratic minimum wage amendment that is pending which I cosponsored is simple and straightforward. It would increase the Federal minimum wage from \$4.25 an hour to \$5.15 an hour. That is 90 cents over 2 years, not even indexed for inflation.

Mr. President, the increase in the minimum wage for our Nation for working families in our Nation is a matter of simple justice. Mr. President, the Republican alternative to this bill is in many ways, I think, worse than the House-passed bill. It is certainly not a step forward; rather, it is a great leap backward. First of all, Mr. President, the Republican amendment argues that a family would not receive a raise until January 1, 1997. That would deny people an extra \$500. That is important. We want this minimum wage to take effect right now. For people who have significant wages, for people who have significant incomes, \$500 may not seem like much, but for many families, for many wage earners who just make a little bit over \$8,000 a year, that additional \$500 is a difference that makes a difference.

Second of all, the Republican alternative would create a subminimum wage that would apply to all workers regardless of age for a 6-month period. Mr. President, this particular part of their alternative I find to be egregious. I know of no other word. In other words, we are saying there will be a 8-month period for wage earners, regardless of age, regardless of experience, regardless of background. They call this an opportunity wage. I, instead, call it an exploitation wage. It to me makes no sense at all. You are 55 years of age, you have been downsized, you had a good job, and you are saying through this amendment, that as a matter of fact, people who have been downsized now have to start out at \$4.25 an hour, and for 6 months work at that. They cannot even receive \$5.15 an hour. Mr. President, for a 55-year-old out-of-work steelworker in Hibbing, MN, that is not justice. For a 38-year-old waitress in Sauk Centre, that is not justice. For a 27-year-old young man working in a grocery store in Rochester, that is not justice.

To make the argument that is not just teenagers, it is everybody, regardless of their age, regardless of their experience, that for 6 months they make \$4.25 an hour, not even \$5.15 an hour, I think, is no less than a scandal.

Finally, Mr. President, the exemption, the small business exemption, is unprecedented, it is unnecessary, it creates a two-tier wage structure, and about half of the 10 million or so wage earners and families that would be benefited by this would no longer benefit.

Mr. President, when I look at this alternative and I look at all of the exemptions, I look at all the delays, and all of the rest of it, it is hard to determine under the Republican alternative, who, if anyone, would actually receive an increase even if their bill was to become law. There are so many loopholes and so many exemptions to the Bond alternative that after all is said and done, if it was passed, it is hard to even figure out who would actually receive an increase.

Mr. President, we should have no illusions about this on the floor of the Senate. Justice delayed is justice denied, and the BOND amendment does not represent a step forward.

Mr. President, I would like to talk about this minimum wage debate and this vote, which I think is a historic vote on the floor of the Senate, in a national context and in a family context. I do not think this is a vote really about the minimum wage. I think it is about more than a minimum wage. For the vast majority of Minnesota families and families in this country, they view this as providing a foothold into the middle class. Over 50 percent of the minimum wage workers are adults, they are not teenagers. Over 60 percent of the minimum wage workers are women, and for these women and these men and their families, an additional \$1,800 is a difference that makes a difference. It means you can buy the groceries and put food on the table. In a cold weather State like Minnesota you can pay the heating bill. You might be able to afford your tuition at a community college.

Mr. President, this is not about just the minimum wage. It is more important than the minimum wage. This is about the squeeze that families feel. This is about the concerns that people have that their children in their twenties cannot find employment that they can count on. That is to say, a job that pays a decent wage. This is about the concern that people have that they cannot afford to send their kids to college. This is about the concern that people have that they cannot make ends meet. This minimum wage amendment that we have introduced represents a step forward for our country. Justice delayed is justice denied. The Bond alternative does not represent a step forward, Mr. President. It represents a step backward.

Now, I will not go through the whole political economy debate but I will make two final points. Point one, you look at Salomon Bros. report on this and they say if you raise the minimum wage you have people who can consume more and the economy does better and it creates more jobs, and then you have 100 economists that signed the letter, including a Nobel laureate economist, and they say this is a modest increase, it will not lead to a decrease in jobs. We use to have bipartisan support for raising the minimum wage. We used to believe it was the right thing to do. We

used to believe it was a matter of fairness and justice. We should pass this minimum wage in its strongest form.

Mr. President, the National Retail Federation, in talking about the Bond amendment said, "Passing the Bond amendment is probably our best chance to kill the minimum wage increase." "Passing the Bond amendment is probably our best chance to kill the minimum wage increase."

Senators, colleagues, if you vote for this amendment, that is what you are doing. You are killing the minimum wage increase. There are so many exemptions built into it and so many loopholes that all of the wage earners and all of the families that could benefit will not be able to benefit. We are not going to be able to fool anybody. You cannot duck and run. You cannot hide. You cannot duck for cover. You cannot look for a political cover vote—and that is what this amendment is.

We should vote for this minimum wage. It is long overdue. It is the right thing to do. I hope that there will be very strong support for it.

Mr. President, let me just finish on a somewhat different note and just reference some of the remarks that my colleague from Illinois is going to make.

I am concerned with the managers' amendment. We now just had a chance to see the specifics. It is very long, very involved, and there are a number of provisions in this amendment that I am extremely concerned about.

My colleague from Illinois I might ask very briefly to speak about an important Supreme Court decision and what is in this managers' amendment.

Mr. SIMON. Yes. There are a number of things. I thank my colleague for yielding.

The PRESIDING OFFICER. The Senator is advised that the time has expired.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. I yield 10 minutes to the distinguished Senator from Missouri.

Mr. WELLSTONE. I wonder whether I might ask unanimous consent for 1 more minute so my colleague can finish this.

Mr. GRAMM. Mr. President, if we could amend the unanimous-consent request so that the distinguished Senator from Minnesota has 1 more minute but at the expiration of that minute the distinguished Senator from Missouri be recognized for 10 minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. WELLSTONE. I thank my colleague.

Mr. SIMON. I thank my colleague. There are several provisions in here.

First of all, ESOP's—we take away the advantage. We have always said ESOP's are a good thing. Now we retreat on that. Harris Trust is a provision that protects the pension funds. I do not know how much is at stake

here; \$300 billion is one figure. I heard \$500 billion, another figure.

This complicated thing we are acting on without a hearing. I do not think it makes sense.

Then, finally, we are changing the small business provisions on 401(k) plans so that highly compensated executives will have advantages over those of lesser incomes.

I think the managers' amendment is a very bad amendment.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. ASHCROFT. Thank you, Mr. President.

I am pleased to have this opportunity to participate in the debate that relates to the compensation levels received by American workers. It is an important debate, in my judgment, because it allows us to address the problem which is understood by people across the political spectrum and around the country.

The fact is that take-home pay has declined by 6.3 percent since its 1989 level. Americans' tax burden has been going up while their take-home pay has been going down. Currently, we charge people more for government than we have at any other time in history. That troubles me. Americans spend more on taxes than they do on food, clothing and shelter combined.

This concept of wage stagnation, of the flatness of wages, has really caused the American people to be troubled. The Senator from Minnesota, Senator WELLSTONE, recently—in fact, just a few moments ago—talked about the fact that families are struggling to make ends meet, are worrying about how they get their kids to college, are worrying about being able to move into the work force and are worrying about getting the kind of experience which is necessary in order to become productive, long-term workers in our economy.

So I think there is an important condition to be addressed. It is a condition of wage stagnation, of a flatness in terms of take-home pay.

As I spent the last couple of weeks, or almost a couple of weeks, home in Missouri, I worked with workers side by side. I worked with a group of workers in the Eagle Pitcher Corp. which manufactures batteries for use in satellites. I did assembly line jobs and those workers are concerned about their take-home pay. I worked in the food service industry. And, yes, those workers are concerned there about their take-home pay. One day I worked in the apparel industry—in manufacturing of clothing and uniforms. And those workers also are concerned about their take-home pay.

While individuals are concerned about their take-home pay—none mentioned an increase in the minimum wage. They understand that the minimum wage is something that would address only between 4 and 5 million people in this country, and many of those individuals are not full-time workers.

I think we need to address this problem of wage stagnation far more substantially than we would if we were to increase the minimum wage.

There are problems attendant with increasing the minimum wage which would intensify the economic difficulty for individuals, not relieve it. For instance, the Congressional Budget Office indicates that a 90-cent increase would create employment losses in the country from 100,000 to up to 500,000 jobs lost. I do not think we want to craft relief that will cause a significant number of American workers to lose their jobs.

Seventy-seven percent of the American Economists Association responded that a minimum wage increase would have job losses that are substantial.

Even the Democratic Leadership Council opposes a minimum wage increase. Even the Clinton administration understands this concept. Secretary Reich, in a letter to President Clinton, dated July 20, 1993, wrote: "A full assessment of where to set the minimum wage should consider a wide range of factors beyond its income effects on the working poor. After all, most minimum wage workers are not poor."

So if we really want to try to increase the take-home pay for individuals, I do not think the minimum wage is a very good way to do it.

First, many of those who are on the minimum wage are not poor people. About 57 percent of these workers are in households with income of over \$45,000.

Second, we do not want to shrink the job base for this country in the process of helping people.

So what kinds of alternatives are there for helping people with flat wages which also do not shrink the job base but grow the job base, which do not just address 4 to 5 million people but address 70 or 80 million people? What are the kinds of things that we can do to provide relief that really would help families—generally—across the board, rather than focus on less than 5 percent of the American work force?

I believe that there is such an opportunity, and I have offered it in the U.S. Senate. Almost all of the individuals who speak so eloquently in favor of the minimum wage voted against this proposal. But the truth of the matter is this proposal would help almost 80 million workers instead of 4 million workers. It is something that would grow the job base of the United States by a half million jobs instead of shrink it by a half a million jobs.

It would be something that would allow a broad base of Americans to have more take-home pay rather than just helping a few. It is this—right now, as Americans pay more in taxes than we have ever paid in history, we pay double taxes on the Social Security taxes which we have deducted from our paychecks. It is money we never see.

The money actually is taken by our employer and sent to the Government. It is the Social Security tax of 6.2 percent of our income. Then we are later charged income tax on that same tax which we have already paid.

If we were to allow this tax to be deductible to ordinary workers like it is deductible to corporations which pay the other half of the Social Security tax, we would have a \$1,770 impact on the average two-earner working family, and that would benefit 77 million-plus workers instead of 4 million-plus workers. It seems to me, if we want to address this challenge in our culture, which has recognized the flatness in take-home pay, we ought to do it on a broad base for Americans rather than a narrow base, and we ought to do it in a way that grows this economy rather than stunts the economy.

As the economists have indicated, a mandated increase in the minimum wage could result in up to 500,000 jobs lost. However, the economists have indicated there would be 500,000 jobs gained if we were to provide this kind of tax relief to American families.

I think we ought to find ways to grow ourselves into helping people out of wage stagnation rather than stunt the economy and hope there would be those who would benefit as a result, in spite of the fact we had substantial job losses. The reasons are substantial to provide deductibility of our Social Security taxes which we pay from our income taxes.

First, it is necessary to eliminate this double taxation on American families.

Second, corporations which pay the other 6.2 percent of a person's earnings in order to make the total combined 12.4 percent of earnings, deduct their share—yet, the average worker cannot deduct their share. This fundamental lack of fairness, this disparity in tax treatment between the corporate side and the individual side should be resolved.

Finally, if we really want to help American workers. We ought to be looking out for workers generally rather than a very small segment of workers, many of whom are only part-time employees. Many of whom are the youngsters like my children. They began work in the fast food industry. Well, some 40 years ago I began work in the fast food industry myself, or at least in the ice cream industry. I do not think there was really fast food in those days. But I think we ought to find a way to help American families generally, and we can help American families generally by providing tax relief for American families generally. It is tax equity because it would give the American family the same tax break that the American corporation enjoys. It would be tax fairness because it would stop a double taxation on American families. And it would help grow the economy rather than slow the economy, which is the way we ought to try to move people ahead in terms of their own wages.

That ought to really be the focus of our endeavor. We ought to try to benefit families generally. We ought to try to provide help and assistance to the 70 or 80 million wage earners that could be assisted from this proposal rather than limit our assistance to the 4 million or so individuals who are involved in the minimum wage category.

I believe there has been an appropriate recognition, a diagnosis, if you will, of a discomfort in the American body politic. The diagnosis is for wage stagnation. I believe we can remedy that by providing tax relief for American families generally, rather than seeking to focus our efforts on a very small segment of the American population.

The PRESIDING OFFICER (Mr. CAMPBELL). The Senator's time has expired.

Mr. ASHCROFT. Mr. President, if my time has not been consumed, I would reserve the remainder.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MOYNIHAN. Mr. President, I yield 8 minutes to the distinguished Senator from California.

The PRESIDING OFFICER. The Senator from California is recognized for 8 minutes.

Mrs. BOXER. I thank the Chair. I thank very much Senator MOYNIHAN who has been working so hard to put together a measure this body can pass and feel good about. I thank him specifically for helping us with some very important provisions dealing with pension protection for widows. Without going into those details, I see that it has been included in the managers' amendment, and I am very grateful because what happens many times, I say to my friend, is that when a person loses a spouse—in this particular case I am talking about, it is usually a woman left in a circumstance where the pension that they were receiving together drops from 100 to 50 percent, and there are ways to fix that so the couple gets two-thirds in pension, so that there is no dropoff after a death. What we have been saying is that this option ought to be available, and the committee, on a bipartisan basis, has recognized this, and I am grateful to all sides on that.

On the other issue about which I rise to speak, I am not as pleased because I am worried. I am worried that while we take up the minimum wage, there will be enough votes to carry what I consider to be an egregious loophole, and I think if it does pass—and I am very hopeful it will not—what we will be doing here today really is more of a sham, because we have information which says that if the Bond amendment passes—and I know my friend from Missouri really believes it is the right thing to do, and I respect his view; I just do not happen to agree with it—if the Bond amendment would pass, 50 percent of those who would get a minimum wage increase would not get that increase.

I think that would be a little bit akin to going to a birthday party for twins, and you can imagine two little children 6 years old, 7 years old, and you give a gift to one and nothing to the other. I do not think anyone in America would do that. I do not think we should treat our working people that way. Simply because one works for a large corporation and another for a small should not mean that we punish the one who works for a small corporation. By the way, the definition of such a corporation is \$500,000 in business, which is not exactly a mom and pop operation. And so I am worried about this vote today. I am excited, frankly, that we finally come to the point where we have a chance to vote for a clean minimum wage. I am not so sure the body will do so.

Really, the question today is whether there will be a straightforward increase in the minimum wage, which is at a 40-year low. That increase will go soon to the people at the bottom of the economic ladder that my friend from Massachusetts, Senator KENNEDY, I think, has described so well—who these people are and what they do. They are at the very bottom of the American economic ladder. They work very hard. They earn well below the poverty level. We are calling for a slim dime-an-hour increase for those people over 2 years—over 2 years. I think we ought to just do that the way we have done it in the past.

Again, the Senator from Massachusetts has pointed out that under President Nixon we have done it, under President Bush we have done it, under President Kennedy we have done it, under President Carter we have done it, and we really did not set up a two-tiered permanent system. We never did that before. We should not do it now. We have never set up a subminimum wage. We have never done that before. We should not do that now.

I just want to point out to my colleagues that the issue of the minimum wage in many ways is about people who are struggling to earn money for their families, and many of them are women. As a matter of fact, most of the people on the minimum wage are adults, and most of those are women.

There is a particularly egregious part of the Bond amendment that I hope Members will look at and vote against. That has to do with those workers at the bottom of the ladder who count on tips—in other words, waitresses and waiters and others. Now, again, these are the people who work with the sweat of their brow, and they go home at night and they can barely stand on their feet. I want you to know that 80 percent of those people are women. They are women. What we are going to do here is freeze in their minimum wage because, under the current law, people who count on tips get half the minimum wage. Actually, it used to be 60 percent, but we changed that in the 1980's. They get half the minimum wage and then they get their tips to

compensate. In the Bond amendment we freeze that at the current half of the current minimum wage, and therefore those folks are frozen in place and they are going to go down the economic ladder.

Why would we do that when we have a chance today to send a message, Republicans and Democrats alike, that we think everybody ought to be brought along in this economic recovery? We hear there is good news out there. There is good news out there. There is more to be done, but we are seeing that unemployment rate go down.

So my message here this morning is this: Why do we not just do the right thing? Just do it. Just vote for an increase in the minimum wage the way we have done for so many years. And this argument that, oh, jobs will be lost and it will be inflationary—if we had that attitude we would still have people working for 50 cents an hour. If we truly believed that every single minimum wage increase was going to bring loss of jobs we never would have increased the minimum wage. Why do we not do the right thing today?

Mr. President, I hope we will defeat the Bond amendment and pass a clean increase in the minimum wage.

Mr. MOYNIHAN. I thank the Senator from California.

The PRESIDING OFFICER. Who yields time?

Mrs. KASSEBAUM. Mr. President, I yield 10 minutes to the Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah, [Mr. BENNETT], is recognized.

Mr. BENNETT. Mr. President, one of the things that continues to amaze me in my service in the Senate is how we, in this body, spend all of our time projecting and conjecturing about the future and not much time looking at the past in an attempt to find out if there is a model that can give us a more sure understanding of the future than the projections of professional pundits and economists. In this debate on minimum wage, we do have a clear model from the past which illustrates what happens when the minimum wage is raised. I want to spend some time this morning talking about this model.

By coincidence, the best summary of this model appeared in this morning's New York Times. Under the headline, "Thesis, Rise in Wages Will Hurt Teenage Group," we have the following:

At one time, Sidewinder Pumps Inc., in Lafayette, La., would hire a dozen or more young people to work each summer at minimum-wage jobs like weeding or expanding the parking lot—tasks that were not really essential to the company but that let it give teenagers a taste of what paid work is like.

When the Federal minimum wage went up in the early 1990s, the company cut back to three or four summer workers. And this year the prospect of another increase led the company to end this quarter-century tradition.

The last time Congress raised the minimum wage this company cut back the number of minimum wage earners. Now, some are proposing to raise fur-

ther the minimum wage and this company is now eliminating more jobs. This situation is not theory, but actual experience, actual practice.

The article goes on to give us some statistics:

In March 1990, just before the Federal Government raised the minimum to \$3.80 from \$3.35, 47.1 percent of teen-agers had jobs, but that promptly began a slide that carried it down to less than 43 percent a year later, when the \$4.25 wage kicked in. The figure then tumbled to 39.8 percent by June 1992 before slowly recovering to 43.2 percent now.

"The timing of the drop in teen-age employment is absolutely coincident with the increase in the minimum, whereas for other groups the recession's bite was delayed," declared Finis Welch, an economics professor at Texas A&M University and a prominent student of the subject.

In other words, the last time the minimum wage was raised, the group that was hurt the most, in terms of unemployment, statistically and historically, was teenagers. The article states:

Black teenagers, often most in need of basic job skills, fared even worse. At the beginning of 1990, 28.8 percent of this group held jobs. But lack of hiring and dismissals drove this down to 22.5 percent by January 1991 and to a low of 20.4 percent in August 1991. Not until April 1996 did it recover to 28 percent.

In other words, they started out at 28 percent. The minimum wage was raised, and black teenagers saw employment go all the way down to 20 percent. It has taken 6 years to get back to 28 percent. And now some want to again raise the minimum wage so that black teenagers can see their employment go back down, the way it did the last time the minimum wage was raised.

The article continues:

"Teenagers shouldered a disproportionate share of the burden" even after allowing for their ranks contracting from demographic trends, said Erich Heinemann, an economist at Brimberg & Co., a Wall Street firm. "To a very significant degree," he added, "the 1990-1991 recession was a teenage recession."

The article summarizes:

[Some have] found the 1990-91 experience persuasive.

"The last increase turned out to be a cruel joke for low-skilled teenage workers," he declared. "To the extent that the minimum is raised high enough to positively affect wage levels," he contended, "it will negatively affect the demand for labor."

Like many in this body, I worked as a teenager. I started out when the minimum wage was 40 cents. You do not earn a lot of money at 40 cents an hour. Frankly, the money was not the most important reason for me to work. It seemed important at the time, in fact, it seemed like a tremendous boon to me because I was earning more money than I received in allowance from my parents. But looking back on it, the most important thing I gained from working at age 14, was the experience of going to work: Showing up on time, staying the full work period whether I was bored or not, punching out at the proper time, dressing in proper attire—

the kinds of experiences which I find far more valuable than the money. We are denying these experiences to more and more teenagers when we raise the minimum wage. Fortunately, the amendment by the Senator from Missouri will allow many teenagers to continue to have the work experience that this Senator had when he was a teenager.

For me, the lessons learned from the last increase in the minimum wage are persuasive. We should learn from the past. We should learn from what happened last time and be very, very careful about raising it this time.

At the risk of sounding more demagogic than I would like, I say to teenagers who lose their jobs, to black teenagers who see a repetition of what happened in 1990-91 when they appealed, "Where did the jobs go," the answer might be, "Talk to the senior Senator from Massachusetts. In the name of trying to help you, he has fashioned a program that has destroyed your jobs."

I know the Senator from Massachusetts does not have that motive. I know he is acting out of the best of intentions. But I say that past experience in raising the minimum wage indicates that history will repeat itself and we will again see jobs lost. I plead with the senior Senator from Massachusetts in the name of the teenagers whose jobs will be destroyed, to examine past history and do his best to see to it that we do not repeat the mistakes made 6 years ago.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, I am happy to yield 8 minutes to the junior Senator from Massachusetts.

The PRESIDING OFFICER. The Senator from Massachusetts, [Mr. KERRY], is recognized for 8 minutes.

Mr. KERRY. Mr. President, thank you very much. I thank the Senator from New York.

Mr. President, let me address some of the concerns that were just raised by the Senator in Utah. The facts show that through the years, there may be individual instances where there is a tailoff in the numbers of teenagers who might be hired by a particular company but, broadly speaking, the number of teenagers who are helped by the increase in the wage is much greater. The fact is that any company that requires a certain amount of work to be done is going to pay somebody a wage to do that work that they want to get done. They are not just hiring teenagers as a matter of altruism.

Generally speaking, we in the U.S. Congress have recognized our responsibility to make up for that gap so that teenagers have the very opportunity that the Senator from Utah talks about. That is why historically we have had a Summer Jobs Program, until our Republican friends in recent years have seen fit to zero it out—zero it out.

The basic issue here remains the same: What are we willing to give in America as the value of an hour's work? We decided that in the late 1930's, and under every President since then, Republican or Democrat alike, with Republican votes and Democratic votes—we have raised the minimum wage. And with what impact, Mr. President? With the impact that unemployment has gone down and the wages of more Americans have at least come up closer to the poverty level.

My friend from Texas earlier said we should not monkey with supply and demand. But this is the same Senator who is down here voting to preserve the wool and mohair subsidy. If that is not monkeying with supply and demand, not to mention all of the pages in here of different tax provisions, subchapter S provisions, depreciation allowances—we monkey with it every single day. The question is, For what social purpose do we do that?

The fundamental issue before the U.S. Senate is, for people who work hard and play by the rules, do they deserve a raise? Not a handout—a helping hand up, yes, but not a handout. The way you send that message is to value the work with a living wage.

We have done that before, Democrats and Republicans alike. We have raised the minimum wage closer to the poverty line, not a great level, but that is what we feel we can do in the best balance against job loss and other market forces.

I acknowledge there are market forces. We do not want to monkey with the level that is so high that you would, in fact, generate enormous unemployment. But the proposed increase would not put our country in danger of reaching that level.

In Vermont and Massachusetts, we raised the minimum wage at the beginning of this year. New Hampshire and New York refused to raise the minimum wage. Unemployment in Massachusetts and Vermont went down. Unemployment in New York went up and New Hampshire went up.

Mr. President, it is clear historically that raising the minimum wage may create minor dislocations. My friend talks about one company laying off five people in this article in the New York Times. Five people who are kids, teenagers at the minimum wage, let's say 8 weeks of employment, if they take some time off in the summer, is \$288. So we are now being told that a company is going to deny a teenager \$288 for 8 weeks of work. It is hard for me to believe that if that job was necessary, that company is not going to produce enough product or sell enough goods to make up \$288 for a teenager to work. What we need is a little more ethic in America where our corporations understand an obligation to try to hire teenagers, to try to pay people a decent wage.

We know the statistics. We are living in a country that now has the third highest number of poor children since

1964. Two-thirds of the people on the minimum wage are adults, not teenagers, and most of them are women. In my State of Massachusetts, almost 5 percent of the children in Massachusetts live in families where at least one parent works full-time but the family still lives below the poverty line. Nationally, more than 2 million children live in families which would get a raise if the minimum wage is increased to \$5.15 an hour.

The question is, should these children and their families get an increase in the minimum wage, and should the Congress fill the gap to help those teenagers have a summer job? Then everybody benefits correctly and we do not create a Hobson's choice of denying both of them everything: No summer jobs and no minimum wage, and the country can get poorer together. That is really what we are talking about here.

We have heard this argument year in and year out. We keep hearing it: "Oh, if you raise the minimum wage, America isn't going to get stronger."

From 1938 to now, look at the number of jobs we have created, look at the increased strength in America, look at the stock market go up. Last year, the stock market went up 34 percent in 1 year, and corporations took record profits. But the consumer debt in America went up. The consumer debt in America is at the highest level in history.

So we are going to vote today on whether or not someone at the bottom of the economic ladder who has seen their income decline and their wages decline in the last years is going to get an opportunity to work for less than three-quarters of the rate of poverty.

If you work at the minimum wage in America a 40-hour week, 52 weeks a year, you earn \$8,500 a year. Try and live on that. The poverty level for a family of four is \$16,000 a year. The poverty level for a family of three is \$12,500. Can we not even find it in our capacity, where we have the most expensive, rich pensions in American history, where we have a salary—all of us—at \$130,000 a year, to raise the minimum wage for people working at the bottom of the economic ladder? That is the test of the conscience of the Senate today.

The efforts of the Republicans to come in with an exemption for two-thirds of the companies in this country is wrong. In combination with the rest of their amendment, one-half of the people working for the minimum wage would be denied an increase. This is a vote over right and wrong, and I think history has proven that it is right to raise the minimum wage.

The PRESIDING OFFICER. The Senator's time has expired.

Mrs. KASSEBAUM. Mr. President, I yield 10 minutes to the senior Senator from Colorado, Senator BROWN.

The PRESIDING OFFICER. The Senator from Colorado, Senator BROWN, is recognized for 10 minutes.

Mr. BROWN. Mr. President, I thank the Senator from Kansas for her kindness in yielding time.

We are debating today as if one side is in favor of raising wages and the other is not. With all due respect to my dear colleagues, I suggest that is not the question. Both sides are in favor of wages going up. As a matter of fact, anyone who serves in the U.S. Congress, ought to have at the center of what they are here for an effort to promote and improve the lives and the compensation of the working men and women of America.

However, there is a real and a legitimate difference of opinion about how you increase wages, and compensation. Many of my colleagues sincerely believe Government is the way to set prices for products and services in an economy. But let me point out that countries that have taken that philosophy to an extreme, that have put that philosophy into effect in a broad range of both services and goods in a market have had disasters. There is no question as to why countries have abandoned socialism across the world. They have abandoned it because it is a disaster.

The real price-setting mechanism that is efficient and productive and perhaps most carried, in terms of job opportunities, is a market system. To suggest the Government is the right one to determine the right wage for every individual is absurd.

Perhaps some will vote for this because it does a little damage, and I think in some areas that is probably true. But the problem with it is this says more than simply set a wage; it says it is illegal for someone to work a job that pays under a certain amount, even if that person wants to. It becomes illegal for you to take that job even if there is no other job available.

I hope Members will take a look at who this legislation impacts. We have heard the passionate rhetoric from people, many of whom have never held a minimum wage job in their lives. I think sometimes you can be more impassioned when you have not had that opportunity. But, Mr. President, the ones who are primarily affected are not necessarily four-member families. The ones who are primarily affected are people who are getting their first job, oftentimes teenagers. Do we want them to do better? Absolutely. But no one should vote on this measure without realizing what its impact is going to be.

I look back on the jobs that I had as I grew up. I think of them because they were very, very important in helping me understand how to work, how to be productive, how to accept responsibilities. One of the first jobs I had was as a dishwasher in the local restaurant down the street. It was a job on Friday or a Saturday night. I was not a Catholic, but I was very thankful for Catholics because they had an affinity for fish on Friday nights. This restaurant served fish and thus had a job for a dishwasher.

That job has been eliminated now. The higher costs have encouraged them to automate much of the function. Yes, they still have some dishes, but now it is different. Two things have happened. One, they have automated, and, two, the higher cost of labor has caused many restaurants to skip recyclable dishes and simply use paper plates. Those who go to McDonald's or Burger King or many of the other fast food restaurants know what that means, but they may not understand the jobs that are lost because we have the fast food operations.

I was a lawn boy. It was a great job. I worked 40 hours a week in high school, long days on Saturday and Sunday. It is the way I paid my way through school. Most of those jobs are gone now, at least in the area we were in. Not all of them, but in the area we were in, many of them no longer put in the kind of vegetation that needs the intense care that it did. Some of them, thankfully, are still available. But this change in wage will affect the job opportunities that are available to kids.

I was a busboy and a waiter. Those jobs with fast food restaurants have largely been dropped. I worked in a service station for 4 years. Those jobs primarily have been dropped, not all of them but most of them. You have now self-service in your filling stations. I assume we have a whole generation who does not really know what a full-service gas station is. It used to be a great source of jobs for teenagers.

Mr. President, the point is this, this measure will have an impact, not necessarily on the families, but will have an impact on jobs available to kids. Mr. President, you ask yourself, what happens to kids who get out of school at noon—and there are a lot of school districts in this country that end at noon or 12:30; in Colorado I know there are some that end at 12:30 and 1 o'clock—and there is no one home because mom is out working, as my mom was, until 6 o'clock at night or 7 o'clock at night?

Ask yourself what happens to a teen-aged boy—I say teen-aged boy because I think the propensity to get into trouble is greater for them than for girls; but I suspect both are subject to that problem. You ask what happens to them with little homework from their schools and 4 or 5 hours off in the afternoon and no job.

Mr. President, I can tell you what happens. All you have to do is look around this country and see what happens. You deny those kids jobs, and you do not keep them busy, you create a crime problem and a juvenile problem of epic proportions. No one should look at what happens in this country today and not understand that the absence of job opportunities for teenagers and for high school kids, both male and female, is a major factor in the rise of juvenile delinquency.

So, Mr. President, people will vote on their philosophy. Some will say they are doing something to help out low-in-

come people. But, Mr. President, we also should keep in mind what we do to young people when we deny them job opportunities. We reduce the chance to learn, the way to earn your way out of poverty. I yield the floor, Mr. President.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, I have the great pleasure of yielding 8 minutes to the distinguished Senator from Illinois, a scholar and a friend.

The PRESIDING OFFICER. The Senator from Illinois, Senator SIMON, is recognized for 8 minutes.

Mr. SIMON. I thank my colleague from New York, and I thank him for his leadership.

I strongly support the minimum wage and I oppose the Bond amendment. The speech that my friends from Colorado and Utah just made about teenagers, if the Bond amendment said, let us not apply it to those under 18, then, frankly, I might even consider voting for such an amendment. I think that would make a little bit of sense. I do not think the Bond amendment, as it is constructed, does make sense.

Raising the minimum wage clearly is needed. I hear the phrase "welfare reform" around here a great deal. But 95 percent of it is not welfare reform. This bill raising the minimum wage probably will do more for welfare reform than all the bills that are called "welfare reform" around here because you give people a chance to earn a little. You give them an option.

Twenty-four percent of our children in this Nation live in poverty. No other Western industrialized nation has anything close to that. If you need a good argument for campaign finance reform, look at what is happening in the minimum wage. What if the people at the minimum wage were big contributors? Would we have this kind of a problem? The minimum wage would pass overwhelmingly. And this is a women's issue; 58 percent of the people who draw the minimum wage are women. We ought to be doing better than this.

Having said that, Mr. President, I am concerned about some provisions in the basic bill, the small business provisions, and the managers' amendment which I am going to ask for a vote for and will oppose. On the basic bill, we knock out the incentive to banks to finance ESOP's, the employee stock option plans. This is a legacy of Senator Russell Long, and it is a good legacy for our country. ESOP's should be encouraged, not discouraged. Let no one fool themselves; knocking out this financial incentive for ESOP's virtually kills the chance for additional ESOP's in this country.

Second, the modification of the 401(k) plans. Here it is geared to helping people in the higher income brackets. Here is a letter from the American Academy of Actuaries. Let me just quote from this letter.

There is likely to be increased discrimination in favor of highly compensated employ-

ees. Such redistribution of contributions in favor of higher income workers could tarnish 401(k) plans to the extent that they would no longer receive the support needed in Congress to justify their cost to taxpayers.

Under current law, if lower income employees put in 1 percent, or defer 1 percent, higher income employees can defer 2 percent. There is a whole series of limitations. Under this proposal, if a lower income employee puts in 1 percent, the higher income employee can defer 9.5 percent. It is clearly for the benefit of those in the high-income brackets who work for corporations.

Then, finally, Mr. President, in the managers' amendment, which is a procedure under which we put this in—and we did not have a chance to modify it, no amendments; and the same on these other provisions that I just talked about—this reverses the Hancock versus Harris Trust decision in the U.S. Supreme Court. It is an ERISA thing. I have to tell you candidly—I see the chair of our committee here, and she knows this—I do not know that much about ERISA, and, real candidly, I do not think anyone in the U.S. Senate really understands ERISA. It is a very complicated thing.

I do know this, that we are moving back on safeguarding the pension funds of workers with this amendment. What the Harris Trust decision did was, it said that the John Hancock Co., when it set aside pension funds in stocks, had to meet the ERISA standards. But what John Hancock was doing was taking these other funds and putting them—let me read the Supreme Court decision, the group annuity contract No. 50, which is what they call it there.

Group annuity contract No. 50 assets were not segregated, however. They were part of Hancock's pool of corporate funds or general account out of which Hancock pays its cost of operation and satisfies its obligations to policyholders and other creditors.

They do not think they had to meet ERISA standards. The Supreme Court said you have to meet ERISA standards here, and the managers' amendment, with all due respect to my friends who are sponsoring this, the managers' amendment reverses that decision and says that insurance companies, when they do not have these fixed stocks and put the rest in the general pool, they continue to do that, out of which they take all these expenses.

Let me just point out one unusual feature of this bill. Mr. President, you have been here a while in this body and in the other body. Listen to this: "The amendment made by this section shall take effect on January 1, 1975." Have you heard about a bill like that before? Why does this take effect January 1, 1975? To protect insurance companies who have abused these pension funds so they do not have to meet ERISA standards. That is not good legislation, my friends. We ought to be protecting pension funds, not loosening the protection.

I have great respect for Senator MOYNIHAN, Senator ROTH, Senator LOTT,

and Senator DASCHLE, but I think this is a move in the wrong direction. The managers' amendment ought to be defeated. We should not reverse that Supreme Court decision. Justice Thomas wrote the dissent and took the side of the insurance companies. The U.S. Senate, with this vote, will take the side of the insurance companies. There is huge money involved. I was told about \$300 billion in assets are affected here. I received a call from our former colleague, Senator Howard Metzenbaum, who said, "You are wrong. It is \$500 billion." I do not know what it is. Maybe it is \$100 billion. Whatever it is, it is a lot of money. We ought to be doing everything we can to protect pension funds, not to move in the other direction.

Mr. President, when the time comes on the managers' amendment, I will request a vote. I will vote against it. I know what the situation is and I recognize that I will be outvoted but I want to make clear I am not part of moving in this direction.

Mrs. KASSEBAUM. Mr. President, I yield myself 2 minutes from the leaders' time.

The PRESIDING OFFICER. The Senator is recognized.

Mrs. KASSEBAUM. If I may respond briefly to my good friend and colleague and member of the Labor Committee as well, some clarification on the Harris Trust. I have spoken earlier to it and I will not reiterate. I certainly agree, ERISA is complicated. It is something all of us struggle to understand.

In this particular situation, as I pointed out, the administration is strongly for this. This particular language in the managers' amendment does not overturn the Harris Trust. What it does is require the Labor Department to issue guidance by March of next year as to how insurance companies are to deal with pension plans in the future. Because the Supreme Court decision created some concerns about how these would be handled as plan assets, there needs to be a clarification. Until that clarification is given, much is in doubt, and many workers will be seriously hampered by uncertainty regarding their pension plans and how it would be counted as a plan asset.

I just suggest to the Senator from Illinois, we made two changes which we hoped would address some of the concerns that had been raised by the Senator from Illinois. One was the legislation would not grant relief from proceedings based on fraudulent or criminal activities by insurers. I know that had been a concern. That language is now clearly stated. Second, that the legislation gives the Secretary of Labor authority to ensure that insurers do not engage in prohibited transactions prior to the issuance of final guidelines.

I had hoped that might take care of some of the concern of the Senator from Illinois.

Mr. SIMON. If my colleague would yield.

Mr. MOYNIHAN. I yield to the Senator from Illinois.

Mr. SIMON. Mr. President, I am happy to respond. Some of what the Senator says is correct, and I appreciate the changes that were made. I do think this area is complicated enough we should have at least had a hearing. Here we are passing this massive change without a hearing. I think it is not a good way for a legislative body to proceed.

Mrs. KASSEBAUM. Mr. President, just to respond, we have considered this in the last Congress as well. We have not had a full-blown hearing but it is something Senator Metzenbaum, as part of the Labor Committee in the last Congress, raised. It has been under consideration for some time as all parties were trying to find common ground. It was hoped this was the common ground that would succeed.

Mr. MOYNIHAN. Mr. President, I yield 8 minutes to the Senator from Connecticut.

Mr. DODD. I thank my colleague. I commend my colleague from New York and others who have been responsible for putting this matter together. Before getting to my comments on the minimum wage, let me also address the issue raised by our colleague from Illinois that our colleague from Kansas responded to, and that is dealing with the Harris Trust matter.

Mr. President, let me say categorically and unequivocally to you, Mr. President, as well as to our colleagues, there is nothing in the managers' amendment that reverses the Harris decision by the Supreme Court—nothing at all. To put it briefly here, for 20 years the industry had operated on a set of guidelines established by the Department of Labor. No action was brought by the Department of Labor. It relied on the guidance as a means of how they did business dealing with pensions. In fact, no one can demonstrate any wrong that was done at all.

The Supreme Court reached its decision in 1993 and said using the guidance of the Department of Labor is invalid. The Court also in the decision then recommended that the Department of Labor or Congress establish new guidelines and regulations by which these pensions would be regulated. The Department of Labor thought it would be better if Congress acted and they acted on their own, and it ought to be done statutorily rather than by regulation. So for the past year and a half the Department of Labor, the industry, and those of us who have been involved in this matter, have spent about a year and a half putting together this amendment that is prospective, deals forward, and sets up a series of regulations that will not go into effect until next June, after serious consideration.

We do not establish the regulations, the Department of Labor does. What those who are opposed to us doing this have in mind is that they want to have

the retroactivity and to go back into those 20 years that the industry was allowed, through no action at all, to operate under Department of Labor guidelines. Obviously, it could be a windfall to the trial lawyers to go back and bring actions based on 20 years of practice. We are trying to respond to that decision at the direction of the Court and to do so in a comprehensive, thoughtful way. That is what we have done.

I point out that the language of this amendment dealing with the Harris Trust passed the committee 14 to 2 in a bipartisan vote. A lot of effort went into this. I commend my colleague from Kansas, Senator KASSEBAUM, who did a remarkably fine job, along with her staff. Bob Reich, the Secretary of Labor sent a letter to the chairman of the committee, Senator KASSEBAUM and Senator KENNEDY urging adoption of this legislation. They spent a long time at it. As our colleague from Illinois pointed out, ERISA is complicated, but to suggest somehow we are reversing the Harris decision is just totally, completely, fundamentally incorrect.

What we are trying to do is deal with a situation that, if we do not address, puts pensioners at risk by leaving the situation with only the Harris decision and no corrections being made.

So I say, with all due respect to those who oppose this, this is a windfall, or could potentially be something that the trial lawyers would love to dive into for 20 years based on the Harris decision. We are saying, for 20 years that is how it operated. No one complained about it. No wrong was done. We are correcting a situation.

I commend those who have been involved in this for bringing us to the point where we are going to finally straighten this matter out, as it should be.

For those reasons I hope, at least on that basis, that our colleagues will vote against the managers' amendment that deals with a number of issues.

Let me now reach, if I can, to the substance of what is the major debate and argument, and that is dealing with the minimum wage increase.

Mr. President, I ask unanimous consent that the sum and substance of my prepared remarks be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

MINIMUM WAGE

Mr. President, nearly 6 months ago, President Clinton came before a joint session of Congress with a commonsense proposal—increasing America's minimum wage from \$4.25 to \$5.15 an hour.

Considering that we've joined together in the past—in a bipartisan manner—to raise the minimum wage and lend a hand to working Americans, this would seem to be a straightforward initiative.

However, since January 1996, the snow melted, the temperatures swelled, and the flowers began to bloom, but for America's working families the minimum wage remains very close to a 40-year low.

Because, over the past 5½ months, the Republican leadership in Congress has utilized every possible tool to block this legislation.

They've tried to convince the American people that raising the minimum wage will cost jobs—even though study after study shows this to be untrue.

They raised erroneous economic arguments—even though 101 economists, including 3 Nobel Prize winners, endorse an increase in the minimum wage.

They've asserted that minimum wage recipients are wealthy high school kids flipping hamburgers—even though more than 73 percent of minimum-wage workers are adults.

Even though more than 47 percent are full-time workers and 4 in 10 are the sole wage earner for their families.

Now today, after nearly 6 months the Republican leadership in Congress is finally giving the Senate an opportunity to cast a vote on the minimum wage.

But, it seems just as we climb one mountain, my colleagues across the aisle put another one in the way.

Because what we have before us today is not an amendment to increase the minimum wage.

Instead we have an amendment that would eviscerate the minimum wage.

Under the provisions of the Bond amendment one would be hard pressed to find any American who actually would benefit from this phony increase.

First of all, it would exempt an entire category of Americans from the minimum wage's benefits—namely the 10.5 million who work for companies that make less than \$500,000. That represents two-thirds of all workplaces.

Second, the Bond amendment would delay any increase until January 1, 1997.

So after making working families wait nearly 6 months for Congress even to vote on a minimum wage, Republicans would make Americans—struggling to get by—wait an additional 6 months to see any benefit. But, that's only the beginning.

Exemptions in the Bond amendment would force working Americans to wait 180 days after starting a new job before receiving a minimum wage increase.

This provision along with the delay in implementation until January 1, 1997, would mean America's working families would, at the earliest, not receive the benefits of an increased minimum wage until July 1997.

Now, I know my colleagues across the aisle say this provision is necessary to protect small businesses.

Well, I say, what about working families? Who will protect them?

Certainly not this legislation. Because under the Bond amendment working Americans would be at the mercy of their employers.

There is absolutely nothing in this amendment to stop a business from paying a new employee at the subminimum wage for 179 days, firing them, and then turning around and hiring a new worker, whom they could then pay at the same subminimum wage.

Under the Bond amendment, there is little incentive for a business to keep a new employee for more than 180 days and provide a minimum wage increase.

Instead, for millions of American workers struggling to work their way out of poverty and make ends meet, their newfound paychecks would be replaced by pink slips or another subminimum wage-paying job.

Well, Mr. President, in my State of Connecticut and throughout America, working families cannot afford to wait any longer for a real increase in the minimum wage.

And if we're going to be truly serious about helping those Americans that work

hard and play by the rules, then an immediate and unequivocal increase in the minimum wage should pass by a unanimous vote.

Now, I realize that the Democratic proposal of an extra 90 cents an hour may not seem like a lot.

But, raising the minimum wage would benefit nearly 12 million Americans.

For those Americans who are struggling to get by at \$4.25 an hour this increase represents \$1,800 in potential income.

Raising the minimum wage could pay for 7 months of groceries, 1 year of health care costs, or more than a year's tuition at a 2-year college.

Today, the annual income of a minimum wage worker is \$8,500 a year—well below the poverty level for a family of three, which is \$12,500.

In fact today, nearly one in five minimum wage workers lives in poverty.

How can any American expect to bring themselves out of poverty or pull themselves up by their bootstraps when they're expected to raise a family on \$8,500 a year?

The fact is, at the present rate minimum-wage workers have little hope of ever earning their way out of poverty.

But if the rate is increased the dream of reaching the middle class becomes attainable.

Over the past year I've heard a lot of talk from the other side of the aisle about encouraging responsibility and a strong work ethic among our Nation's welfare recipients. I think it's something we can all agree upon.

But, it's utter hypocrisy to talk about encouraging responsibility while we ask our Nation's poorest citizens to live on a meager wage of \$36 a day.

I know my colleagues on the other side of the aisle like to claim that raising the minimum wage would cause unemployment.

But, according to The New York Times a 90-cent minimum wage increase would probably eliminate fewer than 100,000 of the approximately 14 million low-paid jobs in the economy. That's less than a 1 percent loss.

In addition, studies done after the minimum wage was raised in 1990 demonstrate that not only did it have a negligible effect on job loss, but in some locales it actually brought higher employment.

The fact is, a higher minimum wage is not only a stronger incentive to work, but it reduces turnover, increases productivity and lowers cost for retraining and recruiting.

The minimum wage is not, and should not be, a political issue.

In fact, I am pleased to see that members from both sides of the aisle are coming to the realization that low-wage workers in this country deserve a pay raise.

The Republican amendment before us today would leave millions of Americans mired in poverty, barely able to make ends meet and struggling to put food on the table.

Today, we have an historic opportunity to reverse that trend and lend a helping hand to millions of America's working families.

I strongly urge all my colleagues to reject the Bond amendment and continue the bipartisan tradition of supporting the minimum wage as a living wage for working Americans.

Mr. DODD. Mr. President, I am saddened by this day that we are involved in a lengthy debate about the increase in the minimum wage. This should not be happening. It really should not be happening. We are talking about a 90-cent increase over 2 years. It has been 5 or 6 years since we have had any increase at all.

The notion somehow that a family—remember, more than 73 percent of the

people who get the minimum wage are over the age of 20. If you are on the minimum wage and you are age 20, it is not inconceivable that you are raising a family. We are not talking about teenagers. Few are over the age of 25. Some are. Obviously, then the number comes down. You have a sizable number of people between the ages of 20 and 25. But to suggest somehow that you can live on \$36 a day—that is what the minimum wage is—\$36 a day, with more than 73 percent of the people earning the minimum wage over the age of 20, and that we can't find it here possible to come up with a 90-cent increase for those people.

If you will just consider the great debate we had here over last year's welfare reform, one of the major matters of debate and concern is, how do you avoid people falling back into dependency and on to public assistance? How do we get people who are living on welfare to move from welfare to work? That has been the subject of major debate and discussion here.

How ironic, indeed, in this day in July that we are now going to potentially reverse or deny the opportunity for people who are making a minimum wage today, to get a modest increase over the next 2 years. With the minimum wage close to a 40-year low in terms of earning power, how do we prevent people from tumbling back into welfare?

It seems to me that this ought to be passing unanimously on a voice vote. This ought not be the subject of an acrimonious debate on minimum wage at the very hour we are trying to move people from welfare to work. How can we say to people that if you get a minimum wage job, the most you can hope to make is \$8,500 a year or \$36 a day? I do not know of anywhere in America that you can live on \$36 a day any longer. In fact, that is almost \$4,000 less a year than is the poverty level for a family of four—which is \$12,500.

Frankly, as our colleagues know, there is no illusion. The Bond amendment is designed to just blow significant holes through the minimum wage and would take away from the roughly 10 million people who would otherwise qualify for the minimum wage and deny them the opportunity—those 10 million Americans—from seeing any benefit from a minimum wage increase.

Our colleague from Minnesota earlier pointed out the benefits of \$1,800. That is what a minimum wage increase of 90 cents amounts to—\$1,800 a year. With \$1,800, you could afford a year of health insurance for yourself, or at least participate in health insurance. It is more than a year's tuition for the average 2-year community college, \$1,800 a year. Think what a benefit that might be for someone at that minimum wage level trying to better themselves, trying to improve themselves, to be able to get an education, to move themselves further along, to avoid tumbling back, as I said earlier, into a life of dependency on State, local, or Federal welfare;

\$1,800 a year could buy groceries for a family for 7 months.

So while I know people say we have to protect small business, I understand that. But of one study that I have seen done, says of the approximately 14 million low-paid jobs in the economy that could potentially be affected—there may be fewer than 100,000 jobs that would be adversely affected by a minimum wage increase. One of the most conservative studies done says 100,000 people out of 14 million people.

I appreciate and understand the concern of wanting to protect small businesses. But how about protecting these people out there that we talk about all the time, who are getting off welfare, staying off welfare, and going to work? They need protection as well.

Lastly, I would point out, as someone earlier did—I believe my colleague from Massachusetts—we have now done away pretty much with the summer JOBS Program. Again, what an irony indeed that we would be sitting here today talking about youth employment at the very time we ought to be trying to put kids to work during the summer. Then we turn around and deny, of course, a minimum wage increase that could potentially affect and benefit those younger people, as well, who would be looking for some employment, to be able to participate and contribute to their own educational needs and costs of participating and contributing to their family's financial needs.

I will conclude as I began on this point. Again, I am saddened by this debate. This should not be happening—this debate.

This is something that we passed and which has enjoyed strong bipartisan support. When President Bush took the leadership on it, it had bipartisan support. We have spent so many weeks. We have gone from the winter now into the depths of summer arguing for an increase in the minimum wage. I think it is a sad day, indeed, for this body.

So I urge my colleagues for the remaining hour or so which we have before the vote to search their souls on this issue and support this minimum wage increase, and oppose the Bond amendment, which would gut this effort.

I thank my colleague.

Mr. MOYNIHAN. I thank my friend from Connecticut for clarifying most particularly the provision in the managers' amendment concerning the pension fund. I hope they listened to it carefully, and also the remarks of the chairman of the Committee on Labor and Human Resources, the senior Senator from Kansas.

Mr. President, I yield 8 minutes to my distinguished friend and neighbor from Vermont.

The PRESIDING OFFICER. The Senator from Vermont is recognized.

Mr. LEAHY. Thank you. I thank my good friend from New York State. We have the privilege of living parts of the

year in the northern parts of our two States. I commend him for the strong work that he has done on this. He has been a stalwart supporter, as well as the Senator from Connecticut and the Senator from Massachusetts, of the question of the minimum wage.

Mr. President, it really comes down to this: Working Americans deserve the opportunity to earn a decent wage.

It has been more than 5 years since the last increase in the minimum wage. You would think when it has been more than 5 years, that would be enough reason to increase the minimum wage, just that issue alone. But during the last 5 years, living costs have not stood still. In fact, the cost of living has gone up.

Since 1991, the average monthly gas bill has gone up. Since 1991, the average monthly electric bill has gone up. In fact, in my home State of Vermont, where many Vermonters use wood stoves to heat their homes, and when it is 20 below zero—that is not a luxury in heating your homes—but since 1991, the average cost of a cord of wood has gone up. But throughout all this time, the minimum wage has stayed the same.

The basic living costs of working Americans in every area—food, heat, shelter, transportation—have gone up. But the minimum wage has remained the same.

In fact, the minimum wage is at a 40-year low, as far as its buying power. The minimum wage earner today grosses only \$8,840 a year.

I defy anybody in this body to try to raise a family on that amount of money. But there are people who do.

In Newport, VT, the most rural area of my home State, Brian Deyo and his family have been trying to do just that. In fact, the Wall Street Journal reporter met Mr. Deyo and his family and wrote the article about the sheer harshness of life on the minimum wage.

Mr. Deyo works full time in a hockey stick factory. He brings home \$188.40 a week. A lot of the time he and his wife have had to choose between paying rent, or buying food, or paying the medical expenses for a chronically ill daughter.

They talk about sometimes during especially tough times, Mr. Deyo will take his last \$5 and go down to the hardware store and buy a box of bullets to go hunting in the Vermont woods because that is the only way his family is going to eat. And he will go out there and hope that he gets lucky and finds a deer.

But I think Mr. Deyo said it better than any of us ever could. He said, and I quote him, "I'm proud to be a working man. I only wish I could make a living."

So I ask unanimous consent that a copy of the Wall Street Journal article about Brian Deyo and his family, entitled "Minimum Wage Jobs Give Many

Americans Only a Miserable Life," be printed in the RECORD after my remarks.

The PRESIDING OFFICER (Mr. ASHCROFT). Without objection, it is so ordered.

(See exhibit 1.)

Mr. LEAHY. But as the Wall Street Journal points out, Brian Deyo is not alone. Many working families depend on the minimum wage. In fact, 73 percent of those affected by the proposed minimum wage increase are adults. Many are trying to support their families on a minimum wage, and that minimum wage has been mauled by inflation. This should be a bipartisan issue.

The distinguished Senator from Connecticut just said, as others have, the last time it was raised it was—I believe my good friend from New York will agree with this—under a Republican President, and the time before that, the Senator from New York reminds me. We had Republicans and Democrats joined together on this. The last minimum wage increase, which was a 2-year 90-cent increase just like the one that is under consideration today, received overwhelming bipartisan support when it was voted on in 1989. In fact, it passed the House by a vote of 382 to 37—better than 10 to 1. It passed the Senate by a vote of 89 to 8—again, better than 10 to 1.

Back then, Senator Dole and Speaker GINGRICH voted for raising the minimum wage, but today some of my colleagues on the other side of the aisle fiercely oppose any raise in the minimum wage. I find it ironic that some of the same Senators who would vote to give tax breaks to the wealthy are against giving working families a raise. Some have said they will fight with "every fiber of their being" the idea that a person who works 40 hours a week could make as much in a year as Members of Congress make in a month.

So let us not play politics with the lives of working families struggling to live on the minimum wage. We need to pass a minimum wage increase now. I hope my colleagues will support Senator KENNEDY's amendment and support this bill to make the minimum wage a living wage.

Let us be serious about what we are talking about. Let us think, would any of us accept for ourselves or our families the basic minimum wage today? Would any of us accept the idea that our family, members of our family, would try to support a family, whether it is our children, our siblings, cousins, or anybody else, at the minimum wage?

They cannot live on it in Vermont. They cannot live on that in California or Texas or, frankly, Mr. President, in any State in this country. So let us let the Senate at least stand up and do the right thing.

Mr. President, I yield back to the Senator from New York.

EXHIBIT 1

[From the Wall Street Journal, Nov. 12, 1993]

THE WORKING POOR: MINIMUM-WAGE JOBS
GIVE MANY AMERICANS ONLY A MISERABLE
LIFEIN RURAL VERMONT, SOME GO WEEK TO WEEK,
HOPING NO MAJOR BILLS HIT THEM
HUNTING BEAR FOR THE TABLE

(By Tony Horwitz)

NEWPORT, VT.—On payday, Brian Deyo's sole purchase is a \$.96 box of cheap bullets known as "full metal jackets."

Mr. Deyo works full time at a hockey-stick factory. He takes home \$188.40 a week. After rent and utilities, that leaves about \$20 for food—and no margin at all for misfortune, such as the one Mr. Deyo now faces. Vermont's brutal cold hit freakishly early this fall, and he must buy heating oil three paychecks ahead of plan.

"Every day I'm making choices," says Mr. Deyo, who has a wife and a chronically ill two-year-old daughter. "Do I pay the rent and risk having the power cut? Or do we take a chance on both and buy food?"

This payday, the choice is clear: He's two weeks late on the rent, and the fuel tank must be filled. Unable to afford food, he will hunt for it. Stalking through the icy woods beneath the Green Mountains, Mr. Deyo mulls his life. At age 28, he senses he has done something wrong, but he isn't sure what. "I'm proud to be a workingman," the son of two factory workers says. "I only wish I made a living."

"Making work pay" has become a Clinton administration catch phrase, but one that appears increasingly hard to fulfill. Put simply, the aim is to lift working Americans above the poverty line—a threshold that Mr. Deyo and 9.4 million others currently don't reach. Almost 60% of poor families have at least one member working. "Someone who plays by the rules and tries to work full time should be able to support a family," says Lawrence Katz, chief economist at the Labor Department.

However, with universal health insurance—one means toward achieving this goal—under siege, the administration has retreated from another. In late October, after arguing for months that a modest rise in the minimum wage is needed to help pull workers out of poverty, Labor Secretary Robert Reich shelved his campaign until after Congress votes on health-care reform. This delay was welcomed by business groups, which argue that an increase would cost jobs because employers would automate, relocate overseas or cut staff to recoup higher labor costs.

But what's often obscured by such policy debate is the sheer harshness of life in low-wage America. The minimum wage—currently \$4.25 an hour—was mauled by inflation in the 1980s and now provides an income so meager that welfare recipients often do better if they turn down jobs paying it. A full-time minimum-wage worker grosses \$8,840 a year—\$2,300 under the poverty line for a family of three. In 1979, the same worker earned \$459 above the line.

The depressed minimum wage also anchors the bottom end of a pay ladder so low that even people who, like Mr. Deyo, climb up a few rungs are still in poverty. In fact, such workers often are worse off than those earning \$4.25 an hour because they are more likely to be adults and heads of households qualifying for little or no government assistance. Many minimum-wage workers are young part-timers with other income from spouses or parents.

"Families where the main breadwinner is making \$5 or \$6 an hour—these are the people who are really hurting," says Gary

Burtless, a labor economist at the Brookings Institution. This largely forgotten group also helps account for the 44.3% jump in the number of working poor between 1979 and 1992.

America's working poor are mostly white, mostly high-school educated and disproportionately rural—a profile that is typified by the three-county corner of Vermont known as the Northeast Kingdom. This bucolic landscape of moose crossings, maple-syrup stands and scarlet foliage also harbors 10% unemployment, closed mills and ramshackle homes.

Barbara Stevens runs a crisis center in Newport, a town of 4,700 that is a two-hour drive from Burlington. The morning after the first big chill, her office was crammed with disheveled people unprepared for the winter and seeking help. Many were on their way to work. "They'd say things like, 'I've got two kids and no oil in the furnace, so we slept in the car last night with the heat on,'" Ms. Stevens says.

One such visitor is Mr. Deyo, the hockey-stick worker. Late paying his bills, he has had his electricity disconnected several times. This is a special calamity for Mr. Deyo; his daughter has asthma and relies on a ventilator. Letters from Ms. Stevens and local doctors have helped him to get his power switched back on.

Ironically, Mr. Deyo is earning more than he ever has. After years of minimum-wage jobs, he gets \$5.50 an hour stenciling trademarks onto hockey-stick blades. His annual gross income is so near the poverty line that now he qualifies for very little public assistance. In principle, this suits him fine; he's a former National Guardsman and a conservative Republican wary of government and liberal "do-gooders." But in practice, just a minor setback—even a blown-out tire on his 1980 Buick—sets off a cycle of late bills, ruined credit ratings and shakey employment.

Though the cost of living here is low, his take-home pay of \$188.40 a week barely covers his fixed costs: \$60 rent for a cramped apartment, about \$40 for heat, \$40 for power (high because of his daughter's ventilator and humidifier), \$10 for gasoline and \$15 for installment payments on the family's few possessions. The Deyos can't afford a phone. That leaves about \$20, mostly spent at a discount market that sells dented cans and crushed boxes.

"We don't buy taped boxes because the food could have spilled on the floor and been scooped back in," says Roxanna Deyo, who stays home because she is loath to put her frail child in day care.

The Deyos also live in terror of small shocks that can knock them off their tight-rope budget. Three years ago, for instance, their car developed transmission trouble. Unable to afford a \$500 repair bill, Mr. Deyo had to abandon the car—and his job cleaning kitchens at a ski resort more than an hour's drive away.

Soon afterward, the Deyos, seeking work in higher-wage Massachusetts, sold all they owned to go there. But they ran out of money before finding jobs. Two years later, they are still making payments on the used, now-tattered furniture they bought on their return north. Many needs are put off indefinitely. Plagued by painful, rotted teeth, Mr. Deyo waited two years until he was laid off and eligible for Medicaid before having a few pulled.

Week to week, the Deyos still cling to one luxury. To "break the constant tension," Mr. Deyo says, he buys a take-away dinner every Saturday, usually a plain pizza costing \$5.99.

"I feel like I'm doing what I'm supposed to do," says Mr. Deyo, who dreamed of studying forestry when he graduated from high school but couldn't afford the fees and went to work

at McDonald's instead. "I work hard, my family's together. But I'm running just to stay where I am, which isn't a real great place."

His most recent frustration: an attempt to free his family of rent—and of their grim quarters—by purchasing a \$24,000 trailer to park on his parents' land. A local bank refused his loan request, citing "excess obligations" and "insufficient income."

One upbeat note: the Deyos, who anxiously await their annual rebate from the earned-income tax credit to catch up on bills and buy appliances, should see the amount double in early 1995 to about \$3,200 because of a recent change in the law.

A growing number of Americans share the Deyos' plight. Lawrence Mishel of the Washington-based Economic Policy Institute says 28% of adult workers are at wage levels too low to keep a family of four out of poverty, compared with 21% in 1979. He also notes that their privation has deepened: 14.3% of adult workers now earn wages below 75% of the poverty line, triple the 1979 percentage.

Mr. Mishel and other economists cite various reasons, such as the decline of manufacturing jobs and of unions in an ever-more technological economy. In addition, minimum-wage increases, which tend to bump up the whole bottom of the pay scale, didn't occur between 1981 and 1990. That especially hurt young workers, such as Mr. Deyo, who began working during the 1980s at the minimum wage and have edged up very slowly ever since.

However, the depressed minimum wage may have kept alive some jobs that otherwise would have vanished. Along Newport's railroad tracks, in an old flour depot, American Maple Products Corp. employs 40 people bottling syrup and making candy Santas and other treats. The family-owned company is typical of the light, often-marginal businesses that employ many low-wage workers nationwide.

"Maple candy," the company's president, Roger Ames, dryly observes, "is not your basic growth industry."

Starting most workers at the minimum wage, Mr. Ames ekes out profits of 3% on sales from what he admits is a creaking plant. At one conveyor belt, nine people fill jugs with syrup, then cap, date and box the jugs by hand—a task, Mr. Ames says, that costly new machines can perform with two workers. Nearby, two people run a 50-year-old device that drops candy into molds, while other workers use their fingers to smooth the fuzzy edges left by the plant's old tools.

"If you're paying the minimum wage and it takes 20% more time to do a job than it should, it doesn't seem that critical," Mr. Ames says.

He adds that a 50-cent increase in the minimum wage would cost him about \$100,000 a year and force him to "take a hard look" at labor-saving machinery. He would stop replacing workers who leave or retire and go to a piecework system that might penalize older employees.

"I don't have a sweatshop mentality," Mr. Ames says. But he says neither he nor other employers are likely to raise their pay simply out of charity, particularly in a competitive industry. "If you had someone who mowed your lawn every week for \$5, would you reach in and pay \$10 the next week?" he asks.

Moreover, he is under no pressure to raise pay because few employers deviate from the prevailing wage. The result: an uncompetitive labor market that traps low-skilled workers even as they climb the pay scale. Connie Lucas went to work at American Maple 12 years ago at the minimum wage and now earns \$6.10 an hour. With a weekly take-home pay of only \$151.50, and worried

about the plant's future (her husband also works there), she decided to seek another job.

"But every opening offers the same—\$4.25, \$4.25, \$4.25," the 35-year-old Ms. Lucas says. "I can't afford to work another 12 years just to get back to where I am."

Bonnie Buskey wonders whether she can afford to work at all. Last spring, both she and her husband were unemployed and received about \$1,000 a month in public assistance. Now, he works in construction, and she works full time at American Maple at the minimum wage. Together, they bring home about \$1,200 a month.

But Ms. Buskey pays a baby sitter \$2 an hour to look after her two girls for part of the day, slicing her real wage during those hours to \$2.25. And now that the Buskeys are off welfare, they no longer qualify for Medicaid. Unable to afford health insurance, Ms. Buskey spent a week's pay on a recent visit to the dentist and lives in dread of serious illness.

"The message from the government seems to be, 'Stay home, vegetate in front of the TV, and you'll be better off,'" the 29-year-old says. Asked why she doesn't, she shrugs. "Good old American pride. I like to think that I earn whatever I get."

In fact, some people do quit jobs because they can do better on benefits. Ms. Stevens, the Newport social worker, says she feels forced to advise jobless people to turn down work at or near the minimum wage. "I have to tell them, 'The job's good for your soul and good for your mind but not for your pocketbook,'" she says.

Trapped at the bottom by the low minimum wage, such workers also must compete with people sliding down the pay ladder. At the hockey-stick factory, Mr. Deyo's brother-in-law and co-worker, Garth Shannon, has never worked for the minimum wage. His first job after finishing high school was at a shoe factory that paid \$9 an hour. But after a wage dispute, the plant moved to the Dominican Republic, and Mr. Shannon has bounced down the pay scale ever since, enduring plant closings, layoffs and menial jobs.

"Most people plan for when things get better," says the 35-year-old Mr. Shannon, who wears thick glasses on which he pays monthly installments. "I try to plan for when things get worse."

As a foreman, he is among the factory's best-paid workers, earning \$5.95 an hour. But with a family of five, his poverty is even worse than Mr. Deyo's. He heats his jerry-built home with a wood stove in which he burns old doors and other scrap timber salvaged from abandoned houses. He burns kerosene lamps to save on electricity. Like the Deyos, the Shannons can't afford a telephone. They also couldn't afford a foundation when they built the house seven years ago; stones and wood props keep it from sliding downhill.

A conservative man with a fierce work ethic, Mr. Shannon has urged his wife to work part time rather than stay home with their youngest daughters, age five and eight. As a nursing-home housekeeper, who earns \$4.61 an hour and brings home \$20 a week after baby-sitting bills, "Work is what made this country great," says Mr. Shannon, who has draped an American flag across the front of his house.

But as he cooks home-made pizza for his girls, he confesses to occasional despair at how little his labor provides for his family. The worst moment came when his five-year-old's kindergarten class took a day trip to a zoo in nearby Canada. The Shannons couldn't afford the \$12 bus fare and were too proud to borrow. "We kept her home that day so she wouldn't feel bad about missing the trip," he says.

David Price, Mr. Shannon's and Mr. Deyo's boss, is sympathetic. He helped pay for Mr. Shannon's glasses and recently gave him his own children's outgrown clothing. But like Mr. Ames at American Maple, Mr. Price doesn't need to raise pay to keep his 13 workers; he has 500 job applications on file.

So Mr. Price does small things, such as treating workers to a birthday lunch. In October, it was Mr. Deyo's turn. Devouring a prime-rib sandwich, he confides that it is his first meal out in six months. Mr. Price also gives workers a turkey at Christmas and a ham at Easter; Mr. Deyo still has a bit of ham left, in his freezer, "for emergencies," he says.

But there is little else in the larder. So, on payday, after banking his check to cover the rent, Mr. Deyo buys bullets and drives to his brother-in-law's home. The two men hike off in search of an animal Mr. Shannon recently spotted in a cornfield. "I've never eaten bear," Mr. Deyo says excitedly, toting a used military rifle he bought for \$80. "But they look like they have a lot of meat on them."

The two men soon find tracks but no bear. At dusk, after two hours of tramping through dense woods, Mr. Deyo spots a crow—"edible if you cook it just right," he says. But he can't get close enough for a shot. Frustrated, he aims at a chipmunk. Mr. Shannon talks him out of it. "There wouldn't be enough meat there for a sandwich," he says.

Exhausted and cold, the two head back. Mr. Deyo tosses his gun in the trunk. Mr. Shannon touches his brother-in-law on the arm. "It could have been worse," he says. "At least we didn't waste any bullets."

Mr. MOYNIHAN. Mr. President, may I just thank the Senator from Vermont. The remark by Mr. Deyo, "I'm proud to be a working man. I only wish I could make a living," needs to be underscored.

Mr. HELMS. Mr. President, in the first place, raising the minimum wage is a political issue, not an economic issue. In order to adjust the perspective, it should be remembered that the Senator from Massachusetts may be revealing a bit of a forked tongue on this phony political issue.

That is why I am supporting the Lott-Bond amendment which honestly and clearly addresses the real issues of this debate.

For years, Senator KENNEDY served as chairman of the Senate Labor and Human Resources Committee—prior to his losing his chairmanship in the 1994 elections. To my knowledge the issue of minimum wage increase was never brought up, even once, by Senator KENNEDY during the 2 previous years before he lost his chairmanship.

But, Mr. President, I recall that in 1995, when the State Department reorganization bill became the pending business in the Senate, there he was, the same Senator from Massachusetts, who was the first to pop his head up and begin as the lead-off filibusterer among the Democrats who had their orders to stymie a bill that would have saved the American taxpayers billions of dollars while clearing a lot of dead wood from the U.S. foreign policy apparatus.

And what was the subject of Senator KENNEDY's filibuster? He was shouting at the top of his voice about the dire

need to raise the minimum wage—a subject, bear in mind that had prompted not a peep out of Chairman KENNEDY during those years when he headed the Senate Labor and Human Resources Committee.

But now, the political issue of raising the minimum wage is before the Senate and, at the outset, it would be unfair to the American people to fail to warn them that if the minimum wage is raised, the American economy is likely to suffer in a number of ways. Americans—particularly teenagers, minorities, and low-skilled workers—can expect a significant loss in job opportunities. Moreover a mandatory wage increase will result in countless small businesses throwing in the towel. It has always happened, and it always will.

Increasing the minimum wage will therefore harm the working poor and high school and college students. It will not help them. According to a respected University of Chicago economist, Kevin Murphy, every 10-percent hike in the minimum wage reduces job availabilities by 1 percent, with the greatest loss of jobs occurring among the working poor, and among students.

This is why I support the Bond amendment which will curtail some of the harsh effects of a minimum wage increase. The Bond amendment will exempt small businesses from the increase in the minimum wage, and it will allow for a training wage for newly hired employees for the first 6 months. As we all know, most new jobs are created by small businesses.

The Wall Street Journal confirms Professor Murphy's warning, saying,

... to the degree that economists ever reach a consensus on anything, they concur that the minimum wage increases unemployment among low-skilled workers. What's clear is that anyone in the White House with an economics degree has been told to hold his or her nose while the political types try to relaunch the Clinton presidency on a minimum-wage hike.

Mr. President, while proponents of a minimum wage increase tearfully pretend to be concerned about the welfare of America's least well-to-do citizens, I dare say the proponents are really interested in the next election. As I stated at the outset, this minimum wage issue was locked onto the back burner when the Democrats controlled both ends of Pennsylvania Avenue. In fact, President Clinton never even mentioned the minimum wage, not once, when Mr. Clinton's party controlled Congress in 1993 and 1994.

Then when the Democrats lost control of Congress, there came the minimum wage issue drowning in phony tears. And with it, the crack of the whips of the powerful labor union bosses. When all that happened, President Clinton made haste to mention the minimum wage issue more than 47 times.

Mr. President, let's play just suppose: Just suppose Congress and the President do increase the minimum wage, what can the American people expect?

The warning has come time after time from bipartisan economists—loss of jobs, higher labor costs, and consequential higher prices for American consumers.

Economists at the Heritage Foundation, for example, estimate that a 90-cent increase in the minimum wage will result in more than 200,000 fewer entry level jobs in 1999. Furthermore, according to an article in *The Wall Street Journal* "Lawrence Lindsey, a governor at the Federal Reserve Board, says internal staff studies suggest a 90-cent increase would reduce employment by about 400,000 jobs over the long term."

Retail prices will, in turn, increase through 1998 because employers will pass their increased costs on to the consumers, with the consumers being hit hardest. Unemployment among teenagers will increase by an expected 20 percent and will put an end to many entry-level jobs. This, of course, will deny young unskilled people the priceless opportunity to gain work experience.

Labor costs for small businesses, and larger ones as well, will increase, forcing many business owners to make substantial adjustments in the way they do business in order to stay afloat.

How will employers deal with these new demands imposed on them by the Federal Government? They will, of course, pass the costs on to the consumers, raising prices for food, goods and services. Many will have to eliminate employees, or reduce benefits to employees—or both. Even new Democrat economist Rob Shapiro concedes as much.

Proponents of the increase in the minimum wage want to keep secret the fact that 80 percent of minimum wage earners are not below the poverty line. To the contrary, a high percentage of minimum wage earners are members of middle-income families. The Bureau of Labor Statistics confirm that 37 percent of minimum wage earners are teenagers. The vast majority of high school and college students are working at summer jobs, not struggling to feed their families because they are secondary wage-earners in their families.

Moreover, many of these minimum wage earners in fact take home more than \$4.25 an hour. The Bureau of Labor Statistics confirms that "Just over half were employed in retail trade, and another one-fourth worked in services. It should be recognized that for many working in these industries, tips and commissions may supplement the hourly wages received."

So let the record be clear—despite the statements of Senator KENNEDY and other proponents of raising the minimum wage—the babble of voices is trying to sell political nonsense. If Congress really wants to help America's working families, it would reduce taxes instead of increasing the minimum wage.

Twenty-eight million households would benefit from a \$500 per child tax

credit—but Mr. Clinton vetoed that idea.

In North Carolina, 758,648 households would have more take-home money with the \$500 per child tax credit. But only 42,876 of those households would benefit from the minimum wage increase.

Mr. President, I receive thousands of letters each week, and one of them came from Bruce Stakeman of Durham, a small business owner. In explaining the minimum wage to his son, Jeremy, Mr. Stakeman said:

I told (Jeremy) that I had a very large yard of 4 acres and would pay him \$1 for him to cut. He said no way! I don't blame him. \$2? No. \$3? No. This went on until we reached the dollar amount for which he would be willing to cut my grass. I told him this was the minimum wage. He agreed. If a 13-year-old can understand this, why is it so hard for well educated people in Washington to?

Mr. President, I ask unanimous consent that Bruce Stakeman's letter be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. Mr. President, one doesn't have to be a rocket scientist to understand this issue. It's simply a matter of common sense, and reviewing Thomas Jefferson's ideas about the free enterprise system.

The American people deserve better than to be misled by political schemes. After all, in the mid-thirties, when President Franklin D. Roosevelt signed the Social Security legislation into law, he warned that this program must never be allowed to become into a political football.

Mr. President, look at who's booting around this political football.

EXHIBIT 1

ENVIRONMENTAL TECHNOLOGIES, INC.,

April 18, 1996.

Hon. JESSE A. HELMS,
Raleigh, NC.

DEAR MR. HELMS: This is my response to the desire of the liberals to raise the minimum wage. My thirteen year old son and I were in the car when the news came on the radio, about President Clinton's desire to raise the minimum wage. Having owned a small business and managed others I understand the problems associated with its raising. I then began to explain this to my son, Jeremy.

Suppose you owned a small business. Let's say for this example we use a restaurant and minimum wage is \$4.00 per hour. You have five teenagers employed making \$4.00 per hour. You as the employer have taken the chance to start a business and give people a chance to earn a fair wage. You are making a living, but not getting rich. I then asked him, the government tells you that you have to pay the new minimum wage of \$5.00 per hour. You want to maintain your standard of living, what do you do? He responded, you could raise your prices. What might happen, I asked? You might lose some of your customers. What else could you do? You could let one of the employees go. Now you have an unemployed person drawing unemployment compensation.

Then we discussed what the minimum wage should be? I told him I had a large yard of four acres and would pay him \$1.00 for him to cut it. He said, no way! I don't blame him.

\$2.00? No. \$3.00? No. This went on until we reached the dollar amount that he would be willing to cut my grass. I told him this was the minimum wage. He agreed. If a thirteen year old can understand this, why is it so hard for well educated people in Washington to?

In Durham, just about everywhere I go has a help wanted sign on their window. Never have I seen a sign for minimum wage, most start at \$5.00 per hour. As you see I am opposed to raising the minimum wage. It may mean the difference in my son getting a starter job where he can learn how to work outside the home. Thank you for this opportunity to express my opinion.

Sincerely,

BRUCE A. STAKEMAN.

Ms. MOSELEY-BRAUN. Mr. President, I rise in support of the Small Business Job Protection Act of 1996. This legislation will help small businesses invest, grow, and create new jobs. I am pleased to be able to say that this is a bill that enjoys bipartisan support; it is a testament to the progress that can be made when Senators from both sides of the aisle work together.

This bill increases the level of investment by small businesses that can be expensed, rather than capitalized and depreciated from the current \$17,500 level to \$25,000. It reforms subchapter S corporation laws, most significantly by increasing the maximum number of shareholders in an S corporation from the current 35 to 75. And it gives business employers a number of other tools designed to promote job creation, expansion, and prosperity.

To further stimulate job creation, the bill creates a new tax credit, the work opportunity tax credit. This new credit replaces the current targeted jobs tax credit program. The work opportunity tax credit encourages employers to hire people from populations suffering from high unemployment, who are on government assistance, or who have limited education. The work opportunity tax credit would also create incentives to hire 18 to 24 year olds who are on food stamps for 90 days, which will promote self-sufficiency and help prevent these individuals from returning to the welfare system. By creating this new category for 18 to 24 year olds, employers will have an inducement to hire young people who are all too often overlooked. Additionally, the minimum employee work requirement would be reduced from 500 to 375 hours. This will enable employers to benefit from the credit to compensate for job training costs associated with hiring individuals that generally need extra training and attention.

This bill not only helps small businesses, it also expands opportunity for education, which is a priority of mine. I was delighted to work with Chairman ROTH to ensure that employer-provided educational assistance was retroactively reinstated and extended for graduate education. However, I am troubled by the failure of the House to extend the program for graduate-level study. I firmly believe that employer-provided educational assistance should

be a priority within this bill, and I hope that this can be resolved in conference.

I am very pleased to have had the opportunity to work with Members on both sides of the aisle for the inclusion of the Spousal IRA Equity Act. For the first time, women who stay at home to care for the family's children will have the ability to place the same amount of money in a tax-free IRA as men who work outside the home. Each spouse, including whichever spouse is the family homemaker, will now have the opportunity to make a deductible IRA contribution of up to \$2,000 a year.

This bill partially corrects another problem area that affects millions of women. Earlier this year, I introduced the Womens' Pension Equity Act of 1996. I am pleased to see that this small business tax legislation includes two of the most important provisions from my women's pension bill. One provision requires the IRS to create a model form for spousal consent with respect to survivor annuities. Another provision would require the Department of Labor to create a model qualified domestic relations order form.

Pensions are often the most valuable financial asset a couple owns—earned together during their years of marriage. Unfortunately, it is now all too easy for a woman to unknowingly compromise her right to a share of her spouse's pension benefits in case of divorce if both spouses do not sign a complete QDRO form. These provisions would make it more likely that women will be able to protect their rights to pensions.

This legislation also extends for 6 months the currently expired excise tax on commercial airline tickets. This 10-percent ticket tax has historically been the principal source of funding for the aviation trust fund. Since the tax expired last year, however, the fund has been without a revenue source, and has been spending down its balances.

The ticket excise tax was designed to ensure that users of our aviation system played a major role in financing of the Federal Aviation Administration, and these revenues have been used to help the FAA enhance airline safety, and ensure that the airline industry safely meets the needs of the traveling public. Without this revenue, the long-term ability of the FAA to perform its safety mission could be put at risk.

I therefore support the short-term extension of the ticket tax. However, commercial aviation has changed radically since the ticket tax was first imposed in the 1970's. The old system may no longer be appropriate to today's aviation industry—or tomorrow's. I therefore urge the administration to use the 6-month period provided by this bill to evaluate whether the 10-percent excise tax on tickets should be extended for the long term in its current form, or whether it should be replaced with another concept more attuned to the realities of the modern aviation industry.

The financing system imposed by the Federal Government to pay for the FAA must build on the strengths of the dynamic American aviation industry. I therefore strongly urge the administration to take the next 6 months to review the current funding needs of the FAA, and work to craft a permanent system for financing aviation that meets the interests of the American traveling public and of all the other participants in that system.

There are a number of other features in this bill that make a lot of sense, and that will be of significant benefit to our country, but rather than speak further on provisions of the bill that already command broad, bipartisan support, I would instead like to address a few issues that I believe need further review. Given the current floor situation, it is not possible to fully address all of these issues here on the Senate floor. That review will therefore necessarily have to take place in the upcoming Senate-House conference.

The House bill, for example, contains a provision that would tax nonphysical compensatory damage awards. Under the House language, victims of sex discrimination, race discrimination, and emotional distress would be required to pay taxes on any damages they receive resulting from a successful lawsuit in any of these areas of the law. Singling out this category of damages for differential tax treatment is wrong and discriminatory, and it would make it more difficult for people who suffer these harms both to access the court system and to achieve justice. I am therefore pleased and commend my colleagues in the Senate for excluding this provision, and I hope that the Senate language is adopted in conference.

The Research and Experimentation tax credit is another area that will need careful attention in conference. I have worked hard with my colleagues Senator BAUCUS and Senator HATCH to ensure that the R&E tax credit is extended in the bill now before this body, and I am pleased that the R&E tax credit will be extended effective July 1, 1996. However, I am deeply concerned by the fact that it was neither extended in the House version nor retroactively reinstated in the Finance Committee to cover the gap created by our failure to act. The last extension of the credit expired on June 30, 1995, and based on six prior extensions of the credit, businesses had every reason to expect that the credit would be extended without creating a gap where the credit is not available. If Congress is now to reverse that series of precedents, we might well create a chilling effect on business research and development investment. We need to make the R&E tax credit permanent, so that there will be no future gaps in the availability of the credit.

The section 29 tax credit for non-conventional fuels is yet another area that needs further consideration. This tax credit is good for our environment. For example, recovering and managing

landfill gas such as methane has improved the quality of life around landfills, reduced smog, and alleviates global warming. With this tax credit, landfill gas has become a practical fuel for use in conventional electrical generating equipment. However, the extension of the credit will be less effective as it relates to coal unless the placed in service date is changed from January 1, 1998 to January 1, 1999, given the scope and complexity involved in converting coal into synthetic fuels.

While I believe these issues need to be addressed, I want to reiterate that the bill as it was reported from the Finance Committee is a good bill. Women, children, and working people will all benefit if this bill can be enacted, and it will help promote job creation and economic growth. I want to commend my colleagues on the Finance Committee, particularly Chairman ROTH and the ranking Democratic member, Senator MOYNIHAN, who have worked hard to produce a bipartisan bill that promotes growth and stability among small businesses.

I will speak separately on the minimum wage amendments that have been offered to this bill. At this time I only want to remind all of my Colleagues that this bill will not and cannot become law if this body passes a minimum wage provision that works against the interests of working Americans. I therefore urge all of my colleagues to vote for the minimum wage amendment being offered by the distinguished Senator from Massachusetts, Senator KENNEDY, and against any attempts to undermine this long overdue, and very modest increase in the minimum wage.

The Finance Committee worked in a bipartisan way to create a bill that commands broad support. It is a bill of which we can be proud, and of which the American people can be proud. If we continue the bipartisanship that brought the bill this year, if we continue to work together to put the interests of the American people first, we can ensure that this bill remains bipartisan, and that it becomes law. The alternative, to continue a politics of confrontation and gridlock, is not in the public interest, and will result in creating another legislative failure out of what would otherwise be a significant legislative success. I strongly urge my colleagues not to let that happen. I urge my colleagues to cast votes based on the bipartisanship that has brought the bill this far. I urge the Senate to vote against gridlock and for the American people, so that this bill can become law.

Mrs. MURRAY. Mr. President, I rise today in strong support of the Kennedy amendment and as a cosponsor of the minimum wage increase.

I cannot sit idle as I hear of those struggling to live on today's minimum wage. I thought, like many of you, that the minimum wage earner was my

daughter or one of her friends: a teenager flipping burgers or taking food orders to earn some extra cash for new clothes or a movie.

That is the misperception though. The sad fact is that 73 percent of those earning between \$4.25 and \$5.14 an hour are over the age of 20. That represents 9 million adults who will attempt to live on \$8,840 this year. One-third of these adults are the sole income-earners in their families. If these adults were supporting a family of three, they would fall \$2,682 below the Federal poverty line.

I am immensely troubled with the fact that 58 percent of those struggling with a minimum wage are women; 5.2 million women, many of these single mothers, would benefit directly from this increase.

These single moms are trying. Trying to raise two kids on a below-poverty income. And how does Congress reward these single parents? By attacking Medicaid that would have paid for her son's asthma medicine. By cutting her child care support that allows her to work. By taking away funding for nutrition programs that pay for her kids to eat at school or day care. By eliminating her Head Start Program that gives her kids a chance at starting school ready to learn. By refusing to add 90 cents to her hourly wage—a wage that pays for heat, clothing, and food.

Aren't these the individuals and families we are trying to keep employed and off of Federal support? Instead, this Congress has targeted the low-income family through cut after cut and a resistance to move them above the poverty line.

This amendment does not eliminate jobs, it barely keeps people working, who otherwise would be completely reliant on public support. If we had only passed this amendment a year ago, it would have meant that the single mother would have earned an additional \$2,000 today. To that low-income family, that would have meant more than 7 months of groceries, 4 months of rent, a full year of health care costs, or 9 months of utility bills.

I did not reach my decision to support the minimum wage easily. I have listened carefully to the concerns of small business owners from across my State, who have highlighted the implications of this increase. I don't want to see prices for the American consumer rise or jobs eliminated. But I don't think an increase to the minimum wage will end employment in small business, either.

It has now been over 5 years since the last minimum wage increase. We must remember that the value of the current minimum wage has fallen by nearly 50 cents since 1991 and is now 27 percent lower than it was in 1979. Now is the time to adjust that inequality and demonstrate a true commitment to our working families.

A slight increase in this wage provides those who work hard and play by

the rules an increased opportunity and a chance to succeed. If any of my colleagues oppose the minimum wage, I urge them to live on \$8,840 this year and then reconsider their vote.

Mrs. FEINSTEIN. Mr. President, I rise to support increasing the minimum wage from the current floor of \$4.25 to \$5.15 per hour, the 90-cent increase being phased-in in two stages over the next year.

This issue is about making ends meet. It's about people being able to pay the rent and put food on the table, and the bottom line is, the current minimum wage is simply not enough to live on.

A person working full time at minimum wage today does not even make enough money to meet the Federal poverty level. An American working a 40-hour week makes an annual salary of \$8,640—nearly \$300 below the Federal poverty level of \$8,910. For a family of two, the poverty level is \$11,920.

The minimum wage is supposed to be a safeguard against poverty-level wages, but for millions of Americans, the cost of living has outpaced any protection afforded by the minimum wage.

Many families in this country are just one paycheck away from disaster—whether it is an illness, the need to move, or simply the car breaking down—many people living paycheck to paycheck live in fear that they may not make it this month or the next. They live in dread of the next heat wave that could force them to choose between paying the extra-high electric bill or buying the kids a new pair of shoes.

We don't have a magic wand to fix their situation, but in my view we do have an obligation to maintain a minimum wage level that, at the very least, keeps pace with the cost of living.

Let me give you an example of what raising the minimum wage just 90 cents would mean to a family:

It means \$1,800 more money every year; enough to pay 4 months of rent; enough to cover health care costs for a whole year; enough to pay 9 months of utility bills; and enough to buy 7 months worth of groceries.

Maintaining a minimum wage that makes sense is especially important for States like mine with a higher than average cost of living:

A loaf of bread in Los Angeles, at \$1.34, is double that of the United States average of 75 cents.

A gallon of milk in the United States costs \$1.41 on average, but in San Diego it costs \$1.71.

A can of tuna that costs 69 cents on average costs 90 cents in San Diego.

In San Francisco, housing costs are 160 percent higher than the national average.

The cost of health care in Los Angeles is 37 percent higher than the national average.

The cost of transportation is 22 percent higher and there are fewer lower cost alternatives.

The minimum wage does not just affect teens who are working their first job. Seventy percent of Americans who receive the minimum wage are adults over 20 years old. Forty percent are the sole breadwinner in their family and more than three of every five are women, many of whom are single women supporting a family.

A decent wage has long been a hallmark of this country's promise. It means a livable wage for a fair day's work. It means providing for your family and staying off welfare. A decent minimum wage honors work. I hope my colleagues will join me in passing this amendment. It will mean a great deal to a lot of hard-working Americans.

Mr. HATFIELD. Mr. President, I agree that Congress should increase the minimum wage standard. I have voted for reasonable minimum wage increases in the past and will certainly vote for the reasonable increase of the minimum wage today.

As this Congress discusses welfare reform, it has been emphasized time and time again that those who can work should work. However, with the minimum wage today at \$4.25 an hour, a person laboring 8 hours a day, 5 days a week, 52 weeks a year would gross only \$8,840. The minimum wage is already very close to its lowest real value in over 40 years. In addition, paired with inflation, the minimum wage increase of 1989 has been virtually nullified. If the minimum wage in January 1978 had kept pace with the Consumer Price Index, for example, the current level would be \$6.40 in 1996. If we expect those on welfare to work, we can at least ensure that a minimum wage is a living wage and by voting for an increase in the minimum wage today we will have taken steps to assure those who are working are justly compensated for their work.

The minimum wage, established in 1938 by the Fair Labor Standards Act has been raised 17 times, more recently in 1989 and 1991. I voted both for final passage and the conference report of the wage increases in 1989, which raised the minimum wage to \$3.80, and 1991, which raised it to its current level. A minimum wage provides vital protection for those workers who are not union members or who have few if any skills and little bargaining power. With bipartisan support, Congress should raise the minimum wage to \$5.15 per hour and I support that increase.

CLARIFICATION OF SECTION 4271 AVIATION EXCISE TAX

Mr. PRYOR. Mr. President, H.R. 3448 reinstates all airport and airway trust fund excise taxes, including the section 4271 tax on the transportation of property by air. In Revenue Ruling 80-53, the Internal Revenue Service clarified that this excise tax does not apply to charges paid by the U.S. Postal Service for accessorial ground services. Although the Internal Revenue Service has followed the same interpretation in an unpublished ruling involving a commercial carrier, there seems to be confusion about the application of section

4271 to commercial integrated carriers that provide accessorial ground services, in addition to air transportation.

In reinstating section 4271 excise tax, is it your view, Senator THOMPSON, that the statutory language of section 4271 is to be interpreted and applied to commercial carriers in accordance with the holding of Revenue Ruling 80-53—i.e., that amounts reasonably attributable to accessorial ground services of commercial carriers are not taxable under section 4271? If you agree with this statement, would you also agree that any uncertainty about the present or future application of section 4271 to commercial carriers should now be eliminated.

Mr. THOMPSON. I agree.

SBIC PARTICIPATING SECURITY PROGRAM

Mr. BOND. Mr. President, I ask unanimous consent that I be allowed to engage in a colloquy with the managers of the bill and the Senator from Arkansas [Mr. BUMPERS], regarding a correction that is needed for the Small Business Investment Company Participating Security Program.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BOND. This is an issue that arose so recently that it has proven impossible to address it in this small business tax bill, even though this would be the perfect forum for it because it is a tax issue having a serious impact on SBIC's. So we are hopeful that this issue can be taken care of in the conference committee on the small business tax bill.

Specifically, we are talking about a correction that is critical to the continuation of the newest form of SBIC: the participating securities SBIC. The need for and the language of the correction are supported by Treasury, SBA, and the SBIC industry.

As you know, Mr. President, SBIC's are small, privately managed and privately capitalized venture capital firms that are licensed by SBA to invest solely in U.S. small businesses. In return for their agreement to invest and to put 100 percent of their private capital at risk before Government funds are at risk, SBIC's are eligible to draw additional capital, or leverage, which is raised by the sale of SBA-guaranteed certificates. Leverage is repaid with interest, and a share of the profits in the case of participating securities SBIC's, as investments mature. At a time when strictly private venture capital funds are less and less inclined to invest in the \$250,000 to \$3 million range critical to small businesses and more and more interested in investing in foreign companies which compete with our U.S. small businesses, the need for the SBIC program is perhaps greater than ever.

The participating securities SBIC is a new form of SBIC financing that was created by Congress in 1992 to stimulate equity, vis-a-vis debt, investment in small U.S. businesses. With that legislation, Congress created not only a vehicle that has attracted substantial

private capital for equity investment in small U.S. companies, but also created the mechanism by which the U.S. Treasury—and thereby the taxpayers—share directly in profits made by these SBIC's from their investments. To date, 35 participating securities SBIC's with \$565 million in private capitalization operating in 17 States have been licensed by the SBA. By the close of fiscal year 1996, it is estimated that the Government will have received over \$500,000 in profits over and above principal and interest factors from these new SBIC's. When one considers that nonprofit sharing SBIC's provided early financing to companies such as Apple Computer, Intel, Federal Express, and Cray Research, it is understandable why so many are excited about this new form of industry-led partnership with Government. It is a true partnership that will see U.S. taxpayers share both directly and indirectly in the profits associated with the creation of new jobs, technologies, and overall economic development by the small firms in which SBICs invest.

As referenced above, leverage funds for participating securities SBIC's are raised quarterly by sale of SBA-guaranteed certificates by a funding trust set up for this purpose. The certificates are 10-year obligations with interest payable quarterly. Because the participating securities issued by SBIC's to the trust in return for the leverage raised by the trust's certificate sales are equities which do not require the SBIC's to pay any amounts unless they have earnings, which they likely will not have while holding the stock of the small companies they invest in, the SBA's guarantee of the payment of both regular interest and principal is the critical element which supports the sale of the certificates through public capital markets. In recognition of SBA's guarantee as the primary reliance factor for investors, in all fundings to date, the Internal Revenue Service, through private letter rulings, has characterized the SBA-guaranteed certificates sold by the trust as obligations of the U.S. Government and not as those of the participating securities SBIC's being funded by the trust. These rulings have supported the six sales that have occurred thus far in the short history of the new program.

At this point, Mr. President, I wanted to ask my good friend from Arkansas, Senator BUMPERS, a question regarding the intent behind the enabling legislation for this program when it was passed in 1992. Because the Senator from Arkansas was chairman of the Small Business Committee at that time, he is probably better qualified than anyone in this body to opine on this matter. And my question is this: Was the intent of the enabling legislation for the participating securities program that the SBA-guaranteed certificates sold by the trust were to be obligations of the U.S. Government and not obligations of the participating securities SBIC's being funded by the trust?

Mr. BUMPERS. That was certainly my intent, and I believe the intent of the members of the Small Business Committees of both the House and Senate, when we acted on this legislation in 1992. I feel confident that this was the understanding of the other Members of this Chamber, as well. Frankly, to treat these certificates as debt instruments backed by the full faith and credit of the United States is the only way to make this program work. If they were not, the investors would demand a far higher return on their investment because the risk would be significantly higher. And the important aspect of that fact at present is that without this change, the cost of this program to the Federal Government will be substantially more. The consequences of failing to cure the definitional defect are severe. Either future leverage fundings would be impossible, thereby directly ending the program, or the uncertainty surrounding the nature of the certificates would dramatically increase their cost, thereby effectively ending the program in our view. Not only would a valuable program have been killed unnecessarily, but the Government might be liable for unfunded leverage commitments outstanding at this time, perhaps as much as \$90 million, and, perhaps, losses of the \$565 million in private capital that has been committed to the program to date in reliance on the availability of leverage capital at reasonable rates. For this to happen because of a lack of definitional clarity would be unfortunate indeed.

Mr. BOND. So this characterization of the SBA-guaranteed certificates sold to the public as U.S. Government debt is what permits the certificates to be sold to the broadest possible base at the lowest possible interest rates.

Mr. BUMPERS. That is correct. And currently the rate is the rate for 10-year Treasury bonds plus approximately 75 basis points.

Mr. ROTH. If I might ask a question at this point, it is my understanding that heretofore, the IRS has been willing to confirm that these certificates are debt obligations of the United States Government. Is that correct?

Mr. BOND. That is correct. The IRS has provided private letter rulings to that effect on six occasions in the past. Unfortunately, just last week, the IRS made a final decision that it is unwilling to give a permanent revenue ruling that would so characterize the certificates for all time. The IRS believes that the language of the statute is ambiguous with respect to congressional intent and fears that a ruling based on the ambiguous language might have negative consequences in non-SBIC areas. However, notwithstanding this unwillingness of IRS to issue a revenue ruling, the Department of Treasury is not opposed to a legislative correction to clear up the issue of congressional intent.

Mr. MOYNIHAN. If I could make one inquiry of the Senator from Missouri.

There is significant time sensitivity to this issue, is there not? What happens to the SBIC Participating Security Program if we do not resolve this issue soon?

Mr. BOND. It could be in trouble by the end of the year. Without clarifying language, it could well be impossible to sell any more certificates following the August 1996 quarterly offering. And let me add that the reason this issue was not raised earlier was that, up until last week, the SBA and IRS believed it could be worked out administratively. But at that time, the IRS determined it needed a legislative fix, and that is why we are here today. We have asked the Joint Committee on Taxation for a revenue request, which we hope will be ready post-haste.

Mr. MOYNIHAN. Well, this is certainly an issue that needs to be addressed.

Mr. ROTH. I thank the Senator from Missouri and the Senator from Arkansas for bringing this matter to our attention. Although the Participating Security Program is relatively new, it appears to have great potential for small business. Let us see what we can do to resolve this issue.

Mr. BOND. I thank the managers and my friend from Arkansas for taking the time to discuss this important issue.

DISALLOWANCE FOR BUSINESS MEALS

Mr. BAUCUS. Mr. President, I would like to engage the chairman of the Finance Committee in a colloquy regarding a provision in the Small Business Job Protection Act.

Section 1120 of the act provides an exception from the 50 percent disallowance for business meals for certain remote seafood processing facilities.

It is my understanding that this provision is intended to address a specific issue related to these seafood processing facilities, and is not intended to imply congressional intent on other exceptions to the 50 percent disallowance on business meals claimed by taxpayers.

Mr. ROTH. The Senator is correct.

Ms. MOSELEY-BRAUN. Mr. President, I rise today to talk about just a few of the compelling reasons that this Congress should support a real increase in the minimum wage.

By raising the minimum wage, this Congress can close the ever increasing gap between the working people of this country and the wealthy, help ensure that there is a market for all the goods and services the workers of this country produce, stop paying assistance and start collecting taxes, and honor the American tradition of rewarding hard work and perseverance.

The current minimum wage is not a living wage for the millions of American's who support themselves and their families on \$4.25 an hour. Today, 10 million Americans earn the minimum wage—well below the poverty line for a family. In my State alone, over 10 percent of the work force earns the minimum wage—545,647 Illinoisans earn

\$4.25 an hour. This means that an Illinoisan, working 40 hours a week, 52 weeks a year, earns only \$8,840.

The legislation we are considering today would increase the minimum wage by 90 cents over the next year. It has been almost 5 years since the minimum wage was last increased. During this time, the real value of the minimum wage has, of course, declined. While wages have stayed the same, prices have increased, as I'm sure anybody who has gone to the grocery store or the doctor's office lately can tell you. It is no wonder then, that the working people of this country are faced with a declining standard of living.

As I have pointed out to the Senate before, in the 1980's, 80 percent of Americans did not improve their standard of living. While the average wage increased 67 percent, the average price of a home increased by 100 percent, the average price of a car increased 125 percent, and the cost of a year in college increased by 130 percent. The minimum wage increased by only 23 percent. In fact, a recent study stated that the decline in the value of the minimum wage since 1979 accounted for between a 20- and 30-percent increase in wage inequality in this country.

It is important to understand that workers earning the minimum wage are not just young people working at their first job—although many young people contribute to their family's income.

The majority of the people earning the minimum wage—two-thirds—are adults. Many of these are parents raising families on under \$9,000 a year. The poverty rate for a family of four is \$15,600.

Close to 60 percent of those earning minimum wage are women. These are women who are taking responsibility for themselves and their children. They go to work every single day, and still the minimum wage does not provide them with a living wage on which to raise their families. It is a travesty that a mother or father working full time—40 hours a week, 52 weeks a year—cannot support a family or get out of poverty, no matter how hard they work.

A 90-cent increase in the minimum wage would provide a full-time worker earning the minimum wage with \$1,800 a year in additional income. That money could pay more than 7 months of groceries, rent or mortgage for 4 months, a full year of health care, or 9 months of utility bills for a family living on the minimum wage. The money would make a world of difference to that family. That money would also be part of the economy.

A family that can pay for rent, groceries, or health care is putting money back into the economy. That family is buying goods and services produced by other workers. That family is also earning taxable income and reducing the need for public assistance. An increase in the minimum wage helps peo-

ple to contribute to, rather than drain, the Nation's economy.

It is not only the lowest paid workers who will benefit from this increase. All those who earn a dollar or two above the minimum wage should see their income rise. This will increase the pool of consumers, increase taxable earnings, and improve the lives of countless American families.

Paying a living wage does not mean that jobs will be lost. Last year, a group of respected economists, including three Nobel Prize winners, concluded that an increase in the minimum wage to \$5.15 an hour will have positive effects on the labor market, workers, and the economy. Any job loss is negligible compared to the benefits an increase in the minimum wage would produce.

Some argue that small businesses should be exempt from the minimum wage increase. We should remember that the minimum wage bill is attached to the Small Business Jobs Protection Act of 1996, a bill that provides \$6.5 billion in tax benefits for small businesses over 10 years.

Even more to the point, however, is the fact that small businesses which right now pay a living wage to their employees are at a competitive disadvantage to those which do not. By setting a floor, a minimum wage, we will level the field for business. If there is a consistent basic wage among businesses, no worker's livelihood will become the basis for competitive advantage. We should help small businesses to pay a living wage, not allow them to be penalized if they do so.

Workers are our greatest resource. The American worker is more lasting and more valuable than all our coal and oil. The American worker made this country great. We should recognize the contributions of our workers and reward those who work long and hard to earn a living. We must be especially careful to ensure that those workers caring for children are able to do so. Parents working full time to support their families must be able to support their families.

I urge my colleagues to vote against the Bond amendment. That amendment strips the wage increase of any real meaning by providing exceptions and loopholes that will leave millions of workers without the minimum wage increase they deserve.

I urge my colleagues to vote for the Kennedy amendment. This amendment covers more of America's minimum wage workers with less delay. This amendment responds to the wishes of the American people and provides a real increase in the minimum wage.

Our country is founded on the belief that hard work is the foundation of success—this is the American dream. Congress should encourage, not discourage, effort and perseverance. A minimum wage should provide a living wage for those who are working day in and day out to provide for themselves and their families. Family values and

the American dream are ideas we like to talk about, but today we can actually make them more real for millions of Americans.

Mr. MACK. Mr. President, I rise today in support of S. 295, the Teamwork for Employees and Management Act.

This bill, which I am proud to cosponsor, amends the National Labor Relations Board Act to permit teams of employees in nonunion settings to work with management to address workplace issues of mutual interest. Under current law, only union representatives can represent workers in communication with management.

In an article in this week's edition of the AFL-CIO News, union members were urged to call their Senators and tell them that "the TEAM Act is an underhanded effort to prevent workers from forming unions." This is simply false. The TEAM Act merely gives non-union workers an effective voice for change in the workplace. In essence, the bill extends the same rights to non-union workers which union members already possess. How can that be such a bad idea?

Employee participation on labor/management teams gives them the opportunity to make significant and valuable contributions to their companies. Employee involvement teams are about respect and fairness for all workers. Today's worker's have much to offer about the work they perform, and employers have learned to listen to them.

Even President Clinton agreed with this concept. In his 1996 State of the Union Message he said: "When companies and workers work as a team, they do better—and so does America." I could not agree more.

Mr. President, there are many difficult issues facing America's work force. One area which should be neither challenging nor stressful is the relationship between labor and management. I believe that Congress must offer policies which improve the quality of work life and reduce the tension between managers and workers. The TEAM Act is such a proposal. This bill intends to break down the communication barriers between employers and employees, and as a result, establish more cooperative labor/management relationships in American companies.

Mr. President, I urge my colleagues' support of this legislation. American laws should be designed to stimulate and encourage cooperation and teamwork in the work force, rather than suppress such activities. The time has come to pass the TEAM Act.

Mr. DOMENICI. Mr. President, millions of Americans worry about their ability to retire, pay the bills and not be a burden to their children. Some worry because their employer is unable to provide them with a pension. Others worry about whether their existing pensions will be there for them when they retire.

This bill is a blessing for all of these workers. It will make it easier for peo-

ple to get pensions and will protect pensions of those who already have them.

Thirty-six million Americans work for small businesses that can't afford to provide pensions to their employees. These 36 million people will benefit from the simple pension plan created in this legislation. This plan allows small businesses tax-favored treatment when they establish pension plans for their workers, and it eliminates most of the redtape associated with creating a pension plan.

Two million Americans who work for tax-exempt organizations will, for the first time, be eligible to sign up for 401(k) savings plans.

In addition to pension reforms, the bill includes provisions that help small businesses and their workers. They include creation of the work opportunity credit designed to encourage the hiring of hard-to-place workers, and an increase in expensing for small business to help the Nation's job creators grow and create more jobs. The work opportunity tax credit replaces the targeted jobs tax credit which I helped author. The reforms update that legislation.

The bill changes the S corporation laws to make it easier for families to maintain their enterprises and the bill extends a popular tax provision that allows employers to provide their workers with educational assistance on a tax-favored basis.

This bill also includes an expansion of IRA provisions for homemakers so that they can contribute \$2,000 to an IRA.

The bill and managers' amendment also extends the R&D tax credit through December 31, 1997.

Out of the six areas of tax law, the most complex for small business owners are the independent contractor rules, depreciation, alternative minimum tax, inventory accounting, pension rules, and the home office deduction.

This bill addresses the independent contractor rules and pension rules. This is a very good start.

The tax title contains revenue offsets to pay for the relief granted to small businesses and pensions. The bill reduces the deficit by \$100 million in 1996 and by \$1.1 billion in 1997.

A few of the revenue offsets are from the vetoed Balanced Budget Act: reform of section 936 possessions tax credit, repeal of the 50-percent exclusion for financial institution loans, elimination of the interest allocation exception for certain nonfinancial corporations, revision of the expatriation tax rules.

The bill also reinstates the airport and airway trust fund taxes through April 15, 1997.

This bill contains many tax provisions passed by Congress last year in the Balanced Budget Act which was vetoed by President Clinton.

Congress believes that it is worth sending the small business tax relief to the President again in this minimum wage bill.

Despite the current tax burden, small business is the fastest growing, most vibrant sector of our economy. The bill provides much needed relief so that businesses can create even more new jobs.

I hope that next Congress we will enact comprehensive tax reform. Instead of limited expensing, there could be expensing and no depreciation calculation. We would eliminate the alternative minimum tax and get rid of inventory accounting.

If we enacted the USA tax plan introduced by Senator NUNN and me the Tax Code would get much simpler.

There are 5 million employers in the United States today. Some 60 percent employ 4 employees or fewer and 94 percent employ fewer than 50 employees.

Tax regulations and compliance burden ranks highest among small business people's problems and concerns.

A recent NFIB tax survey found that 79 percent of those responding said we should substantially change the Federal Tax Code as it affects both business and individuals.

Current code smothers small business.

Arthur Hall of the Tax Foundation found that small business owners—small corporations with assets less than \$1 million—pay a minimum of \$724 in compliance costs for every \$100 paid in income taxes. This is a total of \$28.6 billion in compliance costs for these small business owners, compared to \$3.9 billion paid in income tax.

Additionally, small firms bear a compliance burden at least 24 times greater than big business.

There is growing recognition by politicians, economists, and all citizens alike of a disturbing fact—the burden created by Federal income tax and other Federal regulations falls predominantly and disproportionately on the very people who we rely upon to create jobs—small business owners.

Endless paperwork associated with tax regulations takes more and more time, allowing less and less time to run their businesses.

The alternative minimum tax and depreciation calculations mean endless hours of work and high accountants fees, often for little bottom line tax benefit.

Additionally, 53 percent said payroll taxes are less fair or much less fair than business income taxes.

One-half of small business owners start their business with less than \$20,000, most of which is from personal savings or family savings. The unlimited savings allowance in the USA tax will make it much easier for entrepreneurs to get started. This means more new businesses and more new jobs.

I am pleased to support the tax title of this bill; however, we need comprehensive reform.

PROVIDING EQUAL TAX TREATMENT TO
SOFTWARE EXPORTS

Mr. LEAHY. Mr. President, I am disappointed that the tax package in the

Small Business Job Protection Act, H.R. 3448, does not include any provisions to correct the foreign sales corporation tax to provide equal treatment to computer software exports.

I believe the managers of the bill, Senator MOYNIHAN and Senator ROTH, have done a fine job on the tax provisions in this legislation, except for this one issue. I want to thank Senator MOYNIHAN for his support and I will continue to work with him and other Senators to correct this tax discrimination because it has hampered the competitiveness of our software industry for far too long.

In 1971, before the birth of the software industry, Congress created tax incentives for U.S. companies to bolster exports. In an increasingly competitive global economy, Congress realized that U.S. businesses must export to succeed. Since 1987, however, the Treasury Department has interpreted the law to exclude most U.S. software exporters from receiving these benefits.

Correcting this inequity will protect U.S. software development jobs and encourage economic growth through increased software exports. The United States is currently the world leader in software development, creating more than 500,000 high-wage, high-skill jobs in this country. Our tax policy should be encouraging the creation of more of these jobs, not hindering the ability of our software companies to compete in the global economy.

Correcting this problem does not grant special treatment to the software industry. It would merely restore equal treatment under existing law. Fixing this anomaly in our tax law makes economic and common sense. I urge my colleagues to provide equal tax treatment to software exports as soon as possible.

Ms. MIKULSKI. Mr. President, I am voting to raise the minimum wage. This increase in the minimum wage is long overdue. While opponents have tried to kill this increase, inflation has killed the value of the current wage.

The bill before us today has two major components. First of all, it raises the minimum wage from \$4.25 an hour to \$5.15 an hour. This is a major step in improving paycheck security for America's workers.

Second, the bill contains a number of tax provisions. Many of these provisions are designed to benefit small business, and to address concerns that small business might be hurt by the wage increase the bill provides.

One tax provision of special importance to me is the language that expands the availability of spousal IRAs. Along with Senator KAY BAILEY HUTCHISON, I am the author of the Homemaker IRA Bill. Sixty of our colleagues have joined in cosponsoring our bill to allow homemakers to get a full IRA deduction. So we are delighted that our bill, which is so important in providing retirement security for American families, has been included in this legislation.

If this Congress fails to raise the minimum wage, we will be letting down millions of hard working men and women. We will be letting down the 130,000 Maryland workers who will benefit from an increase.

The last time we acted to raise the minimum wage was 1989. When we add in what inflation has done to that increase in the last 7 years, the minimum wage is at its lowest level since 1955—40 years. How many in this Chamber would be satisfied with 1955 wages?

When I say I am for a minimum wage increase I want to make clear that I will not vote for the Republican amendment. The Republican amendment is an attempt to have it both ways. Tell the voters you voted for an increase, but don't tell them that the millions of working men and women who need the increase will never get it. Under the Republican amendment, two thirds of all workplaces—and 10.5 million employees—would be denied the minimum wage increase.

The Republican amendment delays the increase for another half year. It effectively cuts out all waiters and waitresses, and others who depend on tips. This is a particular concern to women. Women represent some 80 percent of tipped employees.

The Republican amendment denies an increase to every worker, regardless of age, for the first 6 months on any new job. The Republican amendment will not result in an increase in the minimum wage but it will result in an increase in the public cynicisms about Washington.

The Democratic amendment is straightforward, and it will raise the minimum wage. Under our proposal the minimum wage will increase from \$4.25 an hour to \$5.15 an hour by the second year. This is a modest proposal that will not kill jobs, but will help America's families.

Mr. President, some will argue that the minimum wage doesn't really help families or adult workers, but that is not what the facts tell us. The facts are that over 60 percent of workers receiving the minimum wage are adults. And over one-third of minimum wage earners are the only wage earners in their families.

Too many workers are losing ground. Too many people are working longer and working harder, but their checks are getting smaller. These people don't work on Wall Street and they don't work in this Chamber, but they do work in every corner of the United States and every place in between. They live their lives trying to meet their day to day needs. In a country where voters wonder if Washington is interested in improving their lives, raising the minimum wage is one small signal we can send that says we do care.

Mr. President, I also want to mention my support for the small business tax package that will become a part of this legislation if it is passed. I am pleased that we have a bipartisan agreement

on a tax package that will provide some needed tax changes.

Some have denounced a minimum wage increase as being antibusiness. These same people fail to mention the nearly \$11 billion in tax cuts that are a part of this legislation. Extension of the research, education, and targeted tax credits are all important tax deductions that I have long supported. I believe the continuation of these credits will help businesses as well as help the country.

I am also very pleased that this tax package includes an expansion of the IRA for spouses. I want to take this opportunity to commend Senator HUTCHISON, with whom I introduced the bill early last year to provide homemaker IRA's. Senator HUTCHISON has been such an able and staunch advocate for our legislation, and I am pleased that it is included in the bill before us. By passing this we are finally recognizing the value of the labor of all the spouses who work at home.

Mr. President lets pass a minimum wage increase. One that is real and one that is needed.

Mrs. FRAHM. Mr. President, few would disagree that small businesses are the backbone of the American economy. From the mom-and-pop general store, to the diner on Main Street, small businesses play an integral role in keeping our economy moving. In fact, these enterprises create half of all of the new jobs created in this country.

The greatest obstacle facing small business today is the Federal Government itself. Ronald Reagan had it clear in his mind when he said what the test of an economic program should be: "Government has an important role in helping develop a country's economic foundation. But the critical test is whether the Government is genuinely working to liberate individuals by creating incentives to work, save, invest and succeed."

Sweeping tax reform is the only way to truly unleash America's potential and free small business from the burden of Government while encouraging savings, investment and real prosperity. However, until we have someone in the White House who puts the interests of small businesses and the American people before politics, this type of complete tax reform seems impossible.

In the meantime, passing the Small Business Job Protection Act provides immediate and meaningful relief for small businesses in Kansas and the rest of the Nation. The specific provisions of this bill will enable small businesses to increase capital investments, enhance job and overall economic growth, and provide retirement savings options for their employees. This is the proper role of Government.

People are worried about the economy and more specifically their financial futures. When I talk to Kansans, one thing is abundantly clear—people are fearful of their post-employment futures. They wonder if they will be able to afford to retire despite all of

their years of hard work. For many the only option is to work until they no longer can. The American dream of a secure retirement becomes more and more of a dream and less of a reality every day.

Currently, complex regulations and the resulting high costs keep small businesses from offering retirement plans to their employees. Only 19 percent of workers in businesses with fewer than 25 employees had employer provided pensions made available to them, and only 14 percent participated. A major contributing factor to this dismal statistic is the sky-high cost per participant of establishing and maintaining these pensions.

This bill will fix this situation, making pensions accessible to more Americans, and helping to secure their financial futures. A lifetime of hard work should be accompanied by the earned reward of a secure retirement.

To me, Kansas common sense dictates that our policy toward small business should support creation and growth. In fact, during the 1980's, they accounted for an increase of more than 20 million jobs alone—20 million. It is vital that we look to protect America's small enterprises. We cannot afford to send hard-working Americans to the unemployment lines.

However, I am very concerned that a mandatory increase in the minimum wage, will excessively raise labor costs, forcing employers to either close down or dramatically decrease the number of people that they employ.

We must remember that protecting small business protects small business employees. A minimum wage increase without substantial protection for small business will destroy hundreds of thousands of entry-level and low-wage jobs. Many Americans rely on these jobs for their very survival.

The solution here is not the quick fix of simply paying individuals a bit more per hour—the prudent, long-range solution is providing these individuals with the training they need to land higher paying jobs. A minimum wage increase will substantially decrease the funds that small employers will be able to spend on the training of entry-level employees to prepare them for higher paying jobs.

Although I oppose any effort to increase the Federal minimum wage, I certainly support Senator BOND's small business exemption provisions. Since small enterprises are the hardest hit by a minimum wage increase, they are in the greatest need of relief to continue to be competitive.

If we are going to pass legislation that makes such important strides in protecting small business, and more importantly, the people who depend on them—we cannot take a giant step backward by simply creating new obstacles for these hard-working entrepreneurs to overcome.

Again, raising the minimum wage is not the feel-good cure-all. However, tax relief and a minimum exemption for

small business are steps in the right direction. Any minimum wage increase must be coupled with such provisions if we are to keep hard-working Americans from a trip to the unemployment office.

It is my top priority to help bring some commonsense conservatism to the U.S. Senate. I urge my colleagues to do the same. By supporting a small business protection bill with a minimum wage increase, we take one step forward and two giant steps back. We owe it to the American people to keep their dreams of a brighter future alive.

SECTION 936

Mr. MOYNIHAN. Mr. President, last year, the Senate voted to terminate section 936 and provide for a 10-year grandfather period, with various restrictions, for existing companies doing business in Puerto Rico. Many of us were uncomfortable leaving Puerto Rico without any economic incentives to replace section 936 following its termination. I want to commend and thank the distinguished chairman of the Committee on Finance for his leadership in reporting out, as part of the Small Business Job Protection Act of 1996, language that begins to address this serious problem.

The provision we are considering today is a step toward encouraging job creation for the 4 million American citizens in Puerto Rico by putting in place a long-term wage credit for companies currently doing business in Puerto Rico. This provision also moves toward the program that we established in 1993. The chairman is to be commended for recognizing the importance of this modification, and I urge the Senate to insist on this modification when we go to conference.

While this bill provides security for the almost 150,000 employees of companies currently doing business in Puerto Rico, it does not address the issue of new investment and new jobs under a wage credit program, and leaves in question the adequacy of the incentive at the end of 10 years.

Mr. ROTH. My distinguished colleague from New York makes some good points, and his views reflect his long standing interest in the economic stability of Puerto Rico. Let me note that I view section 936 as an overgenerous tax benefit. However, I recognize that our provision for a continuing wage credit provides significant economic stability for Puerto Rico and enhances job security for these many thousands of employees of U.S. firms. I included the continuing wage credit in the Finance Committee bill as a response to the concerns raised by Senator MOYNIHAN about Puerto Rico.

Mr. GRASSLEY. Mr. President, I rise today in strong support of the business tax provisions in this legislation. In particular, I want to speak about a tax item that I had an opportunity to help include in the legislation. People from my State of Iowa, and other farm States, have been actively seeking tax relief. This tax bill is a giant step in the right direction.

In particular, young farmers and all consumers will benefit from the inclusion of legislation that we call the Aggie Bond Improvement Act, S. 1674. Young farmers will benefit from the improved access to the farming profession. Consumers will benefit from the addition of a new generation of farmers into the profession that guarantees the flow of cheap food into our Nation's supermarkets.

Aggie bonds are tax exempt bonds used for first time farmers. I introduced the Aggie Bond Improvement Act with Senators PRESSLER, BAUCUS, and MOSELEY-BRAUN in order to improve the popular first time farmer programs administered by various state authorities. These authorities issue tax exempt bonds to finance loans for first time farmers. With the help of the authorities, these usually younger farmers must secure a participating private lender. This legislation protects the Government's interests because this is a Government and private sector partnership where the private sector lender assumes all of the risk.

However, problems exist in the current program, and this legislation corrects some of those problems. The biggest problem is that the current first time farmer program does not allow a young farmer to purchase the family farm. Because the success of our Nation's farming industry has followed from passing our farmland to succeeding generations, the current program discriminates against families and thereby discourages success.

Under current law, a son who is farming with his father, and meets certain eligibility tests, may qualify to use aggie bond financing to buy farmland from a stranger, but not from his father, or even his grandfather. Ironically, the father or grandfather could also use the aggie bond program to sell farmland to any qualified beginning farmers, as long as that farmer is not related to him. Thus, fathers or grandfathers and sons can use aggie bond financing, but not if the transaction involves the sale of the family farm from one generation to the next.

This imposes an unfair burden to family farms when compared to nonfarm family businesses. In nonfarm family businesses, such as manufacturing or retail businesses, intergenerational sales can use all of the tax and purchase benefits that are available in sales between unrelated parties. Thus, when purchasing the family business, children of nonfarm business persons compete fairly with the open market place.

However, children of farm families do not have a level playing field when compared to unrelated buyers. Instead, they have a huge financial burden on them. This is easily explained by the fact that they have to pay a higher rate of interest to get loans to buy the same farmland that unrelated persons can buy.

I will add that there is an aging generation of farmers on the land that

would like to retire, but cannot because the next generation cannot afford the capital to buy the land. In my State of Iowa, and I think in most agricultural States, the average age of our farmers is in their upper fifties. In 5 to 6 years we will have 25 percent of our farmers wanting to retire. This legislation to improve the State aggie bond programs simply makes the necessary transactions possible. Though it is only a small provision in the greater bill, the aggie bond legislation in this Small Business Job Protection Act is extremely important to farm States and consumers alike. Therefore, the tax legislation in the Small Business Job Protection Act earns my resounding support.

Mr. President, at this point I ask unanimous consent to have printed in the RECORD after my remarks a letter that I received from a resident of Knoxville, IA. Her name is Leslie Miller, and I think that she does an outstanding job of quantifying and personalizing the importance of this aggie bond legislation.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

IOWA STATE SAVINGS BANK,
Knoxville, IA, July 8, 1996.

Hon. CHARLES GRASSLEY,
U.S. Senate, Hart Senate Office Building,
Washington, DC.

DEAR SENATOR GRASSLEY: I am writing to express support for H3448 because it contains provisions originally included in your bill, S1674. The most important of these provisions would expand the use of tax-exempt aggie bonds to include financing the sale of farmland between related parties. These important changes are needed to ease the financial burdens involved with shifting family farming operations from one generation to the next.

Iowa State Savings Bank has frequently used aggie bond financing (through Iowa's Beginning Farmer Program) to lower interest costs to beginning farmers. We have found this program successful in helping young farmers acquire the base they need to survive in farming. We have been frustrated that this program has not been available to finance transactions between related parties, particularly sales between parents and children.

Under current law, a son who is farming with his father, and meets certain eligibility tests, may qualify to use aggie bond financing to buy farmland from a stranger, but not from his father (or even his grandfather). Ironically, the father (or grandfather) could also use the aggie bond program to sell farmland to any qualified beginner farmer, as long as that farmer is not related to him. Thus, fathers (or grandfathers) and sons can use aggie bond financing, but not if the transaction involves the sale of the family farm from one generation to the next.

This inequity imposes an unfair burden to family farm businesses when compared to family businesses that are non-farm in nature. In non-farm family businesses, such as manufacturing or retail businesses, intergenerational sales can use all of the tax and purchase benefits that are available in sales between non-related parties. Thus, children of non-farm businesspersons compete fairly with the open marketplace, when purchasing the family business.

However, children of farm families to do not have a "level playing field" when com-

pared to non-related buyers. Instead, they have a huge financial burden placed on them that can be best explained by the following examples. These examples use average land values from the 1995 Iowa Land Value Survey, released in December, 1995 by Iowa State University. The values are based on estimates as of November 1, 1995, as compiled by Mike Duffy, an extension economist in Farm Management at ISU.

Example 1: Assume that a farmer wants to sell his 270 acre, average-sized, Marion County farm. He prices the farm at \$1200 per acre (the county average price) which totals \$324,000. He is willing to take 20% down payment and will finance the sale with a 25-year contract. If he sells this farm using the aggie bond program, his interest is tax-exempt, so he could charge about 6.5% interest. If he sells the farm to his son, the interest cannot be tax-exempt, so he will have to charge 9.03% interest (the higher interest is needed for the father to receive the same amount of after-tax money that he would get under the aggie bond program).

Under these conditions, the non-related buyer would pay the father a total of \$531,426 over the life of the contract. On the other hand, the son would wind up paying \$661,583 over the life of the contract. This means the son would pay \$130,157 more to buy the farm, than a non-related person would pay. The difference is an extra \$5206 per year (or an extra \$19.28/acre per year), which places the son at a huge financial disadvantage.

(Note: If the father charges his son the same 6.5% interest rate, then he must sell the farm to his son for \$1386/acre to get the same after-tax dollars from his 25-year contract.)

Example 2: Assume the same size farm, but use the Iowa state average of \$1,455/acre. This brings the purchase price to \$392,850. Also assume a 20% down payment and a 25-year contract. Under these conditions, a non-related buyer, paying 6.5% interest will pay \$644,353 over the life of the contract. A son, paying a taxable 9.03% interest, will pay \$802,169 over the life of the contract. Thus, the son would pay \$157,816 more than a non-related person would pay for the same farm. This is a difference of \$6,313, per year (or \$23.38/acre per year). Again, the extra dollars make it difficult for the son to survive in farming.

We believe that the changes proposed in H3448 will affect 15 to 18% of our borrowers. This number can only increase as other children recognize that it may be possible for them to buy their family farm. H3448 can also be of immediate benefit to farmers in poor health, who are reluctant to sell their farm to strangers, but might sell it to a child willing to start farming.

We ask that you share the information in this letter with those who would not support the changes proposed in H3448. Thank you, once again, for your diligent work on behalf of beginning farmers and farm families everywhere.

Sincerely,

LESLIE S. MILLER,
Vice President.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Mr. GRASSLEY. Mr. President, this small business tax bill includes legislation that helps home buyers.

The provision is called contributions in aid of construction. It repeals the gross-up tax imposed on families building homes since the 1986 Tax Act.

It will save families and small businesses up to \$2,000 off the price of a new home or building. The gross-up tax is one where under current law, regulated public utilities must include in their

taxable income contributions from customers, or potential customers. These utility services include water and sewer systems.

Customers routinely must finance the cost to the utility of extending the necessary capital improvements to the family home. Therefore, State utility commissions require that homes hoping to get utility services contribute to the company both the cost for the capital improvements necessary to extend the service, and the amount of tax that the utility will have to recognize on the receipt of the funds or assets needed for those improvements.

This gross-up tax can increase the cost of the contribution in aid of construction by 70 percent.

The cost to families of the present law encourages the proliferation of small, uneconomical, and environmentally unsafe water and sewer systems.

This legislation is paid for by the water utility industry. Contributions in aid of construction are so important that the water utility industry has volunteered to change the depreciable lives of its property to finance the law change.

Over a 10-year period, this legislation in the chairman's mark raises an extra \$200 million more than is necessary to pay for the legislation.

The contributions in aid of construction legislation is important tax relief for families, and I believe that it is an outstanding addition to this legislation.

CHURCH PENSIONS AND PENSION SIMPLIFICATION

Mr. President, I am pleased that this manager's amendment contains, in the pension simplification portion, provisions which will help clarify the treatment of church pension plans. The amendment would allow combined pension plan coverage for self-employed clergy. It would allow pension plans established prior to the enactment of ERISA, which is the case for many of the church plans, to use the new definition of highly compensated employees. It authorizes, but does not require, the Treasury to design safe harbors from the nondiscrimination rules for church plans. And it allows for the payroll deduction of pension contributions for clergy on foreign missions. The final bill will also retain a change in the tax treatment of parsonage allowances which will benefit many ministers.

Mr. President, we included last year in the Finance Committee's portions of the Balanced Budget Act legislation which Senator PRYOR and I introduced early in this Congress designed to deal with many of the problems the church plans were having with the rules pertaining to highly compensated employees and to nondiscrimination. Ultimately, those provisions were dropped from the legislation on the grounds that they did not meet the requirements of the Byrd rule. If the legislation we are considering today is enacted, Mr. President, we will have gone a long way toward taking care of the

most serious of the problems faced by the church plans. Of course, much will depend on the Treasury Department's willingness to develop rules for non-discrimination with which the church plans can live. I am optimistic that can be done, Mr. President. I believe that, as the Treasury Department reviews the situation faced by the church plans because of the way many of the interested denominations are organized, Treasury staff will conclude that it is practically impossible for many of the church plans to do the kind of data collection and analysis necessary to demonstrate compliance with the non-discrimination rules. This is certainly not to say that these plans discriminate; but it is to say that Treasury should help work out a method to insure that such plans can more easily demonstrate that they do not.

I will conclude with just a word about the main pension simplification provisions in the bill, Mr. President. And that is to say that these simplification represent a major step forward. Their enactment should ultimately result in more pension plans being created, particularly by smaller businesses. Since it is that segment of the business community that has the greatest difficulty in offering pensions to their employees, enactment of these provisions should result in a major increase in pension coverage. Ultimately, that means more savings and more income for retirees. These simplification provisions have been on our congressional agenda for several years. It is high time they were enacted.

Mr. BYRD. Mr. President, the Senate is today considering a legislative proposal to increase the federal minimum wage, which currently stands at \$4.25 per hour. Few actions taken by this body can effectuate more immediate and discernable effects on our nation's low-wage earners than increasing the minimum wage. Many of these minimum wage earners are struggling to make ends meet in today's paradoxical economy, where continued economic growth has been accompanied by rising economic inequality among our nation's citizens. Indeed, we are entering a time where President Kennedy's famous saying, "A rising tide lifts all the boats," might be made more appropriate if it included an exception for those diminutive vessels that may be washed away and sunk by the indiscriminate waves of economic growth. Consider a report issued by the U.S. Census Bureau on June 20, 1996, that revealed that income inequality, based on the most commonly used index measure, increased 22.4 percent from 1968 to 1994, despite considerable economic growth in that same period. For example, in 1994, a household with an income in the 95th percentile earned \$109,821, while a household with an income in the 20th percentile earned \$13,426. The former household earned 8.2 times as much as the latter. In 1968, however, a household with an income at the 95th percentile earned just six

times that of a household at the 20th percentile. Clearly, we have seen growing economic disparity in our nation, and there is no indication of this perilous trend reversing itself. If we are to combat this nefarious problem, we must first identify its causes. The aforementioned Census Report presents several reasons for the growing income disparity. Specifically, the report states:

The wage distribution has become considerably more unequal with more highly skilled, trained, and educated workers at the top experiencing real wage gains and those at the bottom real wage losses. One factor is the shift in employment from those goods-producing industries that have disproportionately provided high-wage opportunities for low-skilled workers, towards services that disproportionately employ college graduates, and towards low-wage sectors such as retail trade. . . . Also cited as factors putting downward pressure on the wages of less-educated workers are intensifying global competition and immigration, the decline of the proportion of workers belonging to unions, the decline in the real value of the minimum wage, the increasing need for computer skills, and the increasing use of temporary workers.

While, as the report states, there are numerous contributors to rising economic inequality, the declining value of the minimum wage must be addressed if we are to seriously combat this insidious trend.

Mr. President, as passed by the House of Representatives, H.R. 3448 would increase the statutory minimum wage from its current level of \$4.25 per hour to \$4.75 per hour this year and \$5.15 per hour next year. In inflation adjusted terms, the proposal would restore the minimum wage to roughly the same level it had after the most recent 1991 increase went into effect. If no action were taken this year with respect to the minimum wage, it would continue approaching a 40-year low in real buying power by 1997. Included in the House-passed minimum wage increase is an exemption for employees under 20 years of age who are in their first 90 days of service to an employer—the so-called "Opportunity" Wage. A similar, albeit temporary, provision was included in the last minimum wage increase in 1989, and, despite the fact that the Department of Labor found that few employers actually used this "training" wage, it is being reestablished on a permanent level in the bill before us today. While I question the logic of rehashing this failed experiment, I nevertheless intend to support the bill as it currently stands. It will restore the minimum wage to a reasonable level by making work pay for a substantial number of our lowest-wage earners.

Mr. President, it should be noted that the value of the minimum wage in real, or inflation adjusted, dollars peaked in 1968 and has since fallen gradually to less than 60-percent of that value. According to a report by the Congressional Research Service, the value of the minimum wage today would have to be \$7.13 per hour to be

worth as much as it was in 1968. Mr. President, the proposal before us today would only increase the minimum wage by 90 cents per hour over two years—hardly enough to bring it close to its 1968 inflation-adjusted level. Yet, we are told by many that this minimum wage increase is unnecessary and excessive. The Republican leadership has cleverly crafted an amendment to the House-passed minimum wage increase that would effectively deny even this modest minimum wage increase to a substantial number of deserving workers. The Republican amendment to H.R. 3448 would not only delay the increase until next year, but it would also extend the "Opportunity" wage to 180 days of service for all employees, not just to those under the age of 20. In addition, the Republican amendment would exempt all businesses with less than \$500,000 in annual sales from the minimum wage increase. The Department of Labor estimates that this provision alone would deny the minimum wage increase to 10.5 million workers. In my own state, West Virginia, this small business exemption would exclude nearly 67,000 workers from coverage under the new minimum wage increase. Clearly, this amendment represents an attempt to eviscerate the minimum wage increase entirely. If we are to approve a real increase in the minimum wage, we must defeat this tendentious amendment.

Mr. President, allow me to reiterate that we are engaged in a fundamental debate about fairness. We are considering a proposal to increase the federal minimum wage from \$4.25 per hour by just 90 cents to \$5.15 per hour. In my own state of West Virginia, this increase in the minimum wage would affect nearly 100,000 workers—about 23 percent of West Virginia's estimated 425,000 employed wage and salary workers. According to the U.S. Department of Labor, in 1995, the percentage of West Virginians paid wages at or below the \$4.25 minimum wage was 10.2 percent, which was the highest in the nation and nearly twice the national average of 5.3 percent. The pending minimum wage increase would give a raise of up to \$1,800 a year to these workers that could be used to pay for seven months of groceries, nine months of utility bills, or four months of housing costs. In addition, many of these low-wage earners are women who represent their families sole source of income. According to the 1990 Census, more than 80 percent of single parent families in West Virginia were headed by women. In short, the pending minimum wage increase would help lift many low-income families above the poverty line—not with work-detering welfare checks, but with higher wages for hours worked.

Mr. President, in conclusion, I would like to reemphasize my support for the modest minimum wage increase that is before us today. It is a proposal that will affect the lives of many of our most needy citizens. It is not akin to

handing out welfare checks; the minimum wage only applies to those who work. Moreover, in the context of welfare reform, it is essential that we create incentives for current recipients to work and earn a decent living. The current minimum wage earner who works 40 hours a week earns just \$170 a week, or about \$680 a month. Every Member of this body earns nearly that much in one day. So, I hope that all Senators will view the minimum wage increase in the context of fairness, and not partisanship. In addition, I ask that all Senators consider the growing income inequality that I have already discussed. We are slowly becoming a nation of haves and have-nots—we are losing those in the middle. This trend does not augur well for the future of our Nation. Aristotle admonished mankind more than 2000 years ago about how important it is to maintain a healthy, sizable middle class, or what he described as the “middle people.” He writes in “Politics”:

It is the middle citizens in a state who are the most secure: they neither covet, like the poor, the possessions of others, nor do others covet theirs as the poor covet those of the rich. . . . It is clear . . . that the best partnership in a state is the one which operates through the middle people, and also that those states in which the middle element is large, and stronger if possible than the other two altogether, or at any rate stronger than either of them alone, have every chance of having a well-run constitution.

We must remember Aristotle's insightful words. While the minimum wage will not instantly lift any poor, low-wage earner to the middle class, it will provide a more accessible ladder for those who, although they may lack certain skills, have the energy and determination to fulfill their own American dream. Let us give them that chance.

Mr. President, I yield the floor.

Mr. HARKIN. Today we get the opportunity to assure that 12 million American workers are provided with a much needed and much deserved raise. The value of the minimum wage is 50 cents less than it was when it was last increased and it's headed for a 40-year low. At last we have the chance to increase the minimum wage so that American families aren't working harder for less.

Some say that working Americans don't deserve a raise. I say look at the facts. In my home State of Iowa our minimum wage is 40 cents above the national law. The increase has meant more money in the pockets of Iowa workers and more money spent in our local economy. Jobs are up, unemployment is down, and our economy is stronger.

Look around the Nation. Two-thirds of minimum wage workers are adults. Nearly 60 percent are women. More than one-third are the sole breadwinners.

Now think about this. Last year, the CEO's in America's top companies made an average of over \$4.3 million—about \$12,000 a day. Meanwhile some-

one working for minimum wage made \$8,500 a year. That means that a top CEO made more in 1 day than a minimum wage worker earns in well over a year. That's not right and it's not good for America.

The one thing spoiling this vote today is an amendment offered by the majority. They delayed this vote for as long as they could and they're still trying to stack the deck against working Americans. The Bond amendment is even more extreme than the Goodling amendment that was rejected as too extreme by House Republicans. Through a host of exemptions, denials, and delays, the Republican minimum wage proposal is designed to provide the minimum possible minimum wage increase to the minimum number of people.

First, the Bond amendment delays the increase until January 1, 1997—that means that for another 6 months, minimum wage workers will go without a raise, as they already have for more than 5 years. This works out to about \$500 in pay that employees would receive over the next 6 months, money that could be spent on crucial family needs like health care, food, and housing.

Next, they want to create a subminimum wage for all workers. Their proposal would allow employers to pay all new employees a subminimum wage of \$4.25 an hour, for 6 months. That means that no matter how old you are and how much experience you have, if you start a new job, your value to your employer is equal to the most inexperienced employee. That's far worse than the opportunity wage passed by the House that affected young workers age 20 and under for 90 days.

And last, the Bond amendment would exempt 10.5 million workers—two-thirds of all companies—from a minimum wage coverage by providing for an across-the-board exemption for small businesses with less than \$500,000 annual sales. This is unnecessary. The economy has added more than 10 million jobs since the last minimum wage increase and small business has led the way.

The Bond amendment is a blatant attempt to derail the opportunity to give America a raise. The National Retail Association admitted as much in one of their action alerts to members. Referring to the Bond amendment the alert advised members that, “It is our last chance and best hope for stopping the minimum wage increase this year.”

The majority is trying to two-step with the working Americans. They say for every step forward, working Americans have to take two steps back. Well, we don't do that dance and I urge my colleagues to reject the Bond amendment.

The bottom line: America deserves a raise. Profits and productivity are up. There is room to give workers a wage they deserve without harming economic growth. The rest of the economy shouldn't be doing better than the people who make it run.

So I urge my colleagues to support a raise in the minimum wage. It is the right thing to do and it is overdue.

Mr. President, I also want to make brief remarks on the tax provisions in the bill.

I am a strong supporter of the pension improvements: increasing the ability of small businesses to establish pension plans with far less paperwork. Too many smaller businesses do not have pension plans. And, this legislation will help in that area. We need to do more to increase the availability of pensions and to secure further protections against inappropriate actions that reduce pension benefits.

The higher expensing limits allowing more capital purchases to be deducted will be helpful to many small businesses.

The extension and modifications in the targeted jobs tax credit, now called the work opportunity tax credit and the extension of the exclusion of employer paid higher education costs are an excellent step toward increasing the ability of Americans to improve their education and job skills. We need to help people get their first leg up the ladder of success and we need to improve the skills of workers. The measure also extends the R&D tax credit which I have long supported.

I am also pleased that the Senate once again passed provisions to block billionaires from gaining tax advantages from renouncing their citizenship. This is long overdue reform.

So, while I believe certain provisions can and should be improved in this bill, overall it is a victory for American workers and will provide needed help to small businesses. I hope conferees are named promptly and a strong bill is quickly sent to the President in a form he will sign.

MINIMUM WAGE AND NURSING HOMES

Mr. HATCH. Mr. President, I would like to ask the bill's proponents about one serious ramification of a minimum wage increase, that is, the effect this increase will have on the Medicaid Program. Almost one-half of Medicaid dollars are spent in long-term care, primarily for the elderly. It stands to reason that an increase in the minimum wage will affect all health care providers, including those who are providing care under Medicaid.

Nursing homes are large employers of minimum wage workers. They employ significant numbers of nurse aids, orderlies, food service, and housekeeping staff who all contribute to the care of nursing home patients. Labor costs account for about 60 percent of all nursing home costs.

However, unlike other businesses, the nursing home industry is unable to reduce its staff. The level of care that is required both by internal quality standards and by Federal regulations means that nursing home staff, particularly those individuals who are directly providing patient care, cannot be reduced.

In short, nursing homes are caught in a catch-22. They cannot adjust the size

or configuration of their staffs; so they suffer a significant increase in labor costs. Yet, unless the minimum wage increase is taken into account in determining Medicaid reimbursement rates, nursing homes cannot recover any of the increase.

So, unlike any other business, which can either reduce its number of workers or pass the increased costs on to consumers, nursing homes are simply left to absorb it. I am very concerned that this will have a serious adverse impact on our nursing homes both in the short- and long-run. In our country, we need to be able to depend on these facilities to provide quality care for our frail elderly and infirm population.

Does the Senator from Massachusetts agree with me that the Fair Labor Standards Act should be a factor in determining nursing home reimbursements under Medicaid?

Mr. KENNEDY. Yes, I do. Major nursing home reform passed Congress in 1987 as part of the Omnibus Budget Reconciliation Act [OBRA], Public Law 100-203. This act required significant changes in staffing and training requirements, quality of care, patient services, and enforcement of new nursing home standards. Because Congress was concerned about the ability of the nursing home industry to absorb costs of this magnitude, special language was included to ensure that the Medicaid reimbursement systems of the States were altered to cover these costs. Just as care was taken to ensure that the Medicaid reimbursement system adequately accommodated the OBRA 1987 cost increases, I believe it is fair to do so in conjunction with a new minimum wage law. The increase in the minimum wage should be taken into account in plans submitted by States to HCFA. The Federal nursing home quality standards have been enormously successful in improving the quality of care and quality of life of our nursing home residents and we do not want to do anything to diminish the successes we are achieving as a result of those reforms.

We are all well aware that States now are setting Medicaid rates, not on the basis of costs incurred by facilities in providing long-term care services, but rather on State budgetary constraints. A recent survey of nursing homes nationwide indicates that in half the States, a majority of facilities do not receive Medicaid rates that cover the actual cost of providing care to their Medicaid patients. This situation will only worsen if States are not held accountable for recognizing increased labor costs that facilities will incur under this new minimum wage law.

Mr. HATCH. I think we agree that any increases in the minimum wage should be a factor in Medicaid reimbursements. I thank my colleague for this clarification.

Mr. HARKIN. Mr. President, I wanted to lend my support to the colloquy be-

tween my colleagues Senators HATCH and KENNEDY relative to nursing homes and the minimum wage. In their colloquy my colleagues note that nursing homes, many of which, particularly in rural areas like my State of Iowa, are funded primarily through the Medicare and Medicaid programs. Nursing homes provide vital services to our elderly and disabled citizens and they employ many minimum wage workers who provide direct care to these residents. Therefore, this minimum wage increase, which will help these valued workers and help increase their retention, will have an impact on nursing homes costs. And that should be reflected in Medicare and Medicaid payments. It is essential that state Medicaid payments be reasonable and adequate to enable well-run facilities to meet and exceed the quality standards set by law.

I thank my colleagues for raising this important issue and I appreciate the opportunity to express my agreement with their statements.

Mr. BINGAMAN. Mr. President, finally, the issue of raising the minimum wage has come to the floor for a vote. It has been disturbing during these many months that the Republican leadership has employed extraordinary legislative tactics, some quite complicated and perplexing even for our parliamentarians, to keep the Members of this Chamber from voting on this issue.

In the State of New Mexico, which I represent, more than 10 percent of the work force, approximately 80,000 workers, would receive a wage increase if this legislation is passed. Let me put in stark perspective what we are talking about.

Minimum wage levels today are approaching their lowest levels in history. Despite having raised the minimum wage 17 times since 1938, each time with bipartisan support, the minimum wage will hit its lowest level in real dollars in January 1997. Two-thirds of those earning the minimum wage today—and working full time—are adults, and 40 percent of those earning minimum wage are the sole breadwinners for their families. For working hard, trying to stay in the mainstream of those wanting to get ahead in this economy, these workers make just \$8,840 a year. And usually, they don't have health coverage. They don't have gain-sharing. They aren't covered by pension benefits. And their training resources are usually very limited, if not non-existent.

This is a subject that we should have been allowed to vote on long ago. Americans need to know that we support those who want to work to get ahead. A family of four earning less than \$16,039 is classified as one in poverty. And yet, we have a substantial portion of America's work force earning \$8,840 a year—well under the poverty level. Furthermore, I think that we must recognize that women represent 60 percent of the work force

earning minimum wage, and that occupations with the highest percentage of minimum wage workers are women. This is not acceptable.

Earlier this year, I issued a report entitled "Scrambling To Pay the Bills: Building Allies for America's Working Families." In that report, I endorsed an increase in the minimum wage—which I strongly support today. However, we tried to do some other things in that report as well. One of these was to address the huge disparity between what the CEO of a firm made in salary compared to the lowest-paid employee of that respective firm. Numerous objections came from the business community that we were attempting to set up a ratio that did not reflect a reasonable ratio between the highest and lowest paid workers for a company. When we wrote this, I mistakenly assumed that the lowest paid employee was probably earning somewhere about \$15,000 a year—and 50 times that figure would allow the CEO to earn \$750,000 a year, in order to receive some tax advantages we were proposing. That same week, the Washington Post reported that CEO's of America's top 100 firms earned an average salary over \$4 million.

I was wrong on two fronts. The lowest paid are earning less than \$9,000 a year and the highest paid salaries are somewhere between 400 and 500 times this figure. I don't think that this ratio reflects a fair balance between those who are working hard to help companies and communities prosper and those who are profiting higher up in the salary chain.

We must defeat an effort here today sponsored by Senator Bond to exempt certain small businesses from paying a higher minimum wage to their employees. Of the more than 10 million workers who deserve a raise, the Bond amendment exempts nearly 5 million—and would have undermined the entire rationale for the minimum wage, which establishes a floor above which all employees can expect a fair and decent return for the work they expend on an employer's behalf. The Bond amendment would encourage employers to favor particular groups of workers over others, particularly younger workers over older ones. This is not acceptable and not just.

The Bond amendment also creates a 6 month waiting period before the increased minimum wage kicks in. This is nothing more than a way for many employers with high turnover to keep from ever paying the minimum wage to those who work in high turnover industries. It is not uncommon for restaurants to experience more than 200-percent staff turnover in 1 year.

Workers can't support families—and can hardly support themselves—on \$4.25 an hour. In the 17 previous times that the minimum wage has been raised, there have been naysayers who have predicted dire consequences. The economic trauma that had been predicted by these negative commentators

has never occurred, and it is wrong not to include minimum wage workers in the gains of an economy that is producing sky-high corporate salaries, historic corporate profits, and all time high stock market averages.

Mr. President, we can't ignore hard working Americans working on the lower end of the economic ladder any longer. I strongly support this raise in the minimum wage, and I urge others to do the same.

Mr. SHELBY. Mr. President, I want to express my support for provisions in the Small Business Job Protection Act of 1996, that will help make higher education a reality for thousands of young people in America.

It is no secret that many families in our Nation are struggling to finance their childrens' education. College tuition costs have skyrocketed in the past decade increasing 95 percent at private institutions and 82 percent at public institutions. Some families will spend more than \$100,000 just to send one child to college.

Mr. President, the financial burdens facing parents with college-age children is overwhelming. The tendency of some in this Chamber would be to create a new Federal program to try to deal with this issue. Yet, many States, including Alabama, have shown that is not necessary by developing their own prepaid tuition funds. These funds allow parents to make a tax-free investment, years in advance of their child's enrollment in college, with the guarantee that the child's full tuition will be paid for by the State when he or she enrolls in college. These tuition plans provide parents some help in dealing with the exorbitant inflation in tuition costs.

The Clinton administration, until very recently, was planning on taxing these State funds and the parents who invest in these plans. After months of encouragement, we have been successful in getting the administration to temporarily back off from taxing these funds and the working class families who invest in them. At the same time the President was cheering the benefits of lowering the cost of education through his new education tax credit, his administration was preparing to slap a new tax on families.

Mr. President, this bill ensures that these funds will not be taxed, and it provides that parents will not have to pay taxes on the money they invest in these funds. These are two very positive steps, but I believe we should go further. Congress should ensure that students are not forced to pay taxes on their education when they enroll in college. Currently, the student is taxed on the difference between the value of the education services they receive from the State and the amount his or her parent paid for the prepaid tuition contract.

Mr. President, the correct way to view these prepaid tuition arrangements should be as a prepayment of services, not an investment scheme to

make money. When parents enter into these contracts with the States, they are trying to buy their child's future education at an affordable price. Neither they nor their children are trying to get rich. Therefore, I don't believe the Federal Government should saddle students with taxes on their college expenses. Students today are already facing a lifetime of enormous taxes to pay off the debts of previous generations. Now, the IRS would have these same people pay taxes on a service their parents purchased for them long before they enrolled in college.

Unfortunately, because of the minimum wage issue, we were unable to offer amendments to this legislation. Had we been permitted, I would have offered an amendment to ensure that students would not be taxed on their college expenses. I am a cosponsor of Senator MCCONNELL's bill which would accomplish that, and I applaud him for his efforts in this area. I will continue to do everything I possibly can to find ways to make education in America more affordable. The bill before us today is a significant step in that direction, and I look forward to working with Chairman ROTH and others in the future to provide even more favorable tax treatment for families.

Mr. BRYAN. Mr. President, the difficulty in bringing the issues we are voting on today before the Senate has resulted in an unfortunate parliamentary situation, where the bill is not open to amendments. While I generally support the bill, and plan to vote in favor of the bill today, I would have preferred the bill to be open to amendment, both to add other desirable provisions, particularly to the small business tax relief title, and to offer amendments to strike provisions which I believe are inappropriate.

In particular, there is one provision which I am strongly opposed to: the provision which imposes income tax withholding on winnings from keno and bingo. Under current law, income taxes are withheld only for winnings where the odds are over 300 to 1, but bingo and keno are exempt. The bill being considered by the Senate today extends this withholding to bingo and keno winnings over \$5,000, regardless of the odds of the wager.

The change in withholding included in the bill is not included for any serious policy or enforcement reason. In fact, there is good reason not to require withholding on gambling winnings. For example, gambling winnings can be offset by gambling losses—drastically reducing the actual tax due from the winnings. Since withholding is intended to approximate actual tax liability, requiring withholding for a tax liability that does not exist runs counter to sound tax policy.

Of course, requiring withholding on bingo and keno winnings was not included in this bill for tax policy or enforcement reasons—it was solely in order to raise revenue for other tax provisions of the bill. While I am sup-

portive of these tax cuts, I object to offsetting them with a provision that will negatively impact only one segment of the economy, the gaming-entertainment industry.

Tax withholding on bingo and keno winnings is unsound for policy reasons and unfair to an important industry in my State. This provision, and similar provisions proposed or adopted in recent years, continue to show a disregard and lack of knowledge concerning the gaming/entertainment industry in Congress and at the IRS. The revenue raised by this provision is relatively small—\$69 million over 10 years—but could cause significant harm in a legitimate industry.

I will vote for this bill in spite of my opposition to increasing withholding on gambling winnings, but I urge the conference committee to drop this misguided attempt to raise revenue.

Mr. HATCH. Mr. President, I support the tax provisions included in H.R. 3448, the bill now before us. These provisions are important, not only to small businesses, but to almost every American business. And, I am one who believes, Mr. President, that simplifying and lessening the tax burden faced by American entrepreneurs—both small and large—will have substantial benefits for workers as well. Unfortunately, the detriments of the minimum wage increase, which is also included in this bill, outweigh the benefits of the tax provisions in this bill.

Mr. President, H.R. 3448 has much to recommend it. For example, I am pleased to see that the bill increases the amount of newly purchased equipment that a small business can expense from the current \$17,500 to \$25,000. This change will make it easier for these enterprises to afford to invest in new equipment. This will help not only small businesses but also those larger companies that supply equipment to them and will thus have a multiplier effect on the economy. Moreover, increasing the expensing allowance will decrease the recordkeeping burden these companies face.

This bill also goes a long way toward reforming the tax treatment of S corporations. My colleague and friend from Arkansas, Senator PRYOR, and I have long been advocating the need for S corporation reform. While this bill does not contain all of the reform measures that we introduced in our S. 758, the S Corporation Reform Act, it certainly is a very good step in the right direction.

Many of my colleagues may not realize it, Mr. President, but there are nearly 2 million S corporations in the United States, most of them small businesses. These reform provisions are designed to ease their tax compliance burden and to increase these companies' access to capital.

Another very good set of provisions included in this bill is that dealing with pension simplification. All of us

are aware, I think, of the special problems that small businesses face in providing pension benefits to their employees. It is no accident that fewer than 20 percent of the employees of small businesses are covered by a pension plan. The problem is twofold, Mr. President.

First, many small businesses are afraid to commit to providing a certain percentage of their payroll every year to funding a pension or profit sharing plan. It's not that these businesses are stingy with their employees. Rather, many of them are operating on such thin cash flow margins that they are hesitant to add to their overhead and possibly overcommit their already strained resources.

The second problem is probably even more widespread among small enterprises. This problem is that setting up and administering a pension plan is a very costly undertaking. Let's face it, Mr. President. Most small businesses in America are already struggling to keep up with the myriad rules and regulations that are piled on them by Federal, State, and local governments. The last thing they need is to have to learn and comply with the mind-numbing regulations governing pension plans contained in the Internal Revenue Code. Even hardened tax veterans admit that these rules are almost beyond comprehension for them. How is a small business man or woman supposed to master them? The alternative is paying big dollars for a specialist to administer the plan, again stretching the small firm's tight resources.

This bill deals with both of these problems by providing for a new type of pension plan that allows small employers to sponsor pension plans with low employer contributions. It gives the business the flexibility to contribute a higher percentage of employee compensation in good years or to contribute as low as 1 percent in difficult years. At the same time, however, employees are given the benefits of tax favored treatment on both their own contributions and those of the employer.

Moreover, Mr. President, H.R. 3448 simplifies the onerous compliance burden that now accompanies pension plan sponsorship. These rules are designed to take away the worst of the compliance headaches that are now keeping many businesses from offering pension plans to their employees. All in all, the pension reform provisions in this bill should go a long way toward increasing the retirement security of the millions of Americans who work for small businesses.

Let me mention one other very important section of the tax bill now before the Senate. This bill temporarily extends a number of tax provisions that Congress has allowed to expire. These include the research and experimentation credit, the work opportunity tax credit, the orphan drug tax credit, and the tax credit for producing fuel from a nonconventional source. It is important to note, Mr. President,

that these so-called extenders are important for small, medium, and large businesses alike. There are thousands of businesses in my home State of Utah, and millions across the Nation, that will find the extension of these provisions important in helping them to grow and create jobs in the future.

But, as much as I like the tax title of this bill, Mr. President, I have to say that it is far from perfect. Let me just briefly outline what I see as its greatest deficiencies.

As my colleagues know, the only reason we are voting on a tax bill today is because of the increase in the minimum wage that is also included in H.R. 3448. I believe strongly that mandatory increases in labor costs create any number of problems for both small businesses and workers. I will discuss those in a moment.

The House of Representatives recognized the added burden placed on small businesses in particular and attached the small business tax provisions to the minimum wage bill in order to help alleviate some of the harsh results that the minimum wage increase will have on small enterprises.

One harsh result that will come from a 21-percent increase in the minimum wage is the loss of jobs. According to CBO, it is estimated that increasing the minimum wage will mean that as many as 500,000 jobs will either be lost or not created.

Yet, as beneficial as these tax provisions are, and they will have an indirect benefit to job creation, they are not designed to be big job generators. I would have liked to see provisions that would have at least offset the job losses that will result from the minimum wage hike.

The best thing we could include in a bill designed to overcome the disemployment effect of the minimum wage increase is a cut in the capital gains tax rate. Such a change would unleash a significant portion of the estimated \$8 trillion in unrealized capital gains that is out there in our economy. If we could free up only 10 percent of this mountain of capital—or \$800 billion—the job creation that would result would overshadow the loss of jobs that will result from increasing the minimum wage.

Don't get me wrong, Mr. President. The tax measures in this bill are positive provisions that will assist small businesses. They don't, however, have the job creation power that a capital gains tax cut has. So, if the Senate were really serious about helping workers or those who cannot find a job, we would concentrate our efforts on improving opportunities for those who may be unemployed or underemployed. The best way to do this is by expanding the availability of capital needed to create these opportunities.

I am also concerned about the way that this bill extends the expired tax provisions. Ideally, Congress should find a way to make these provisions permanent. The continual expiration

and reinstatement of these provisions leads to taxpayer skepticism about our tax laws and greatly reduces the effectiveness of the provisions. This is particularly true of the research and experimentation credit. The bill before us today does include an extension of the research credit, but only on a prospective basis from July 1, 1996. Therefore, the bill leaves a year-long gap, from July 1, 1995 to June 30, 1996, in which the research credit is not in effect.

The research credit has been a part of the Internal Revenue Code since 1981, but only as a temporary measure. It has been allowed to expire seven times, counting the most recent expiration on June 30, 1995. Each of the times that the bill expired before this last expiration, Congress has extended the bill on a retroactive basis. Thus, even though Congress often did not act until after the research credit had expired, it has always, until this bill, gone back and made the credit effective from the date of expiration.

The seamless extension of the research credit is important because the businesses that have counted on the credit as an incentive to increase their research activities will now find that the credit is not available for an entire year. Many of these companies based their research plans on the availability of the credit. Why shouldn't they count on it being there? After all, Congress had never left a gap in its extensions of the credit before. The bill before us, however, breaks this faith and sets a very poor precedent. This gap, along with the temporary nature of the credit, will greatly reduce the effectiveness of this credit, Mr. President. I hope that this problem can be corrected in conference.

Finally, Mr. President, let me briefly mention another flaw of this bill. In the name of closing a perceived corporate tax loophole, H.R. 3448 dramatically reduces the benefits available to companies doing business in Puerto Rico under section 936 of the Internal Revenue Code. We could debate the merits and perceived abuses of section 936 all day. I simply want to point out to my colleagues that the focus of attention on this issue has been far too concentrated on a few companies that have reportedly reaped rich benefits from the section 936 credit, and far too little on the people of Puerto Rico, who have been able to pull themselves out of dire economic circumstances over the past few decades, largely as a result of the credit.

I believe that Congress is being shortsighted in gutting section 936, Mr. President. Without the jobs that section 936 companies bring to the island of Puerto Rico, many U.S. citizens will find themselves in economic difficulties. Congress will likely spend more money in increased transfer payments through higher welfare benefits and unemployment benefits than will be saved through the tax changes included in this bill. At a minimum, we should

ensure that Puerto Rico has a permanent incentive to attract new jobs to the commonwealth.

So, Mr. President, I am disappointed in the overall small business tax package. I favor its provisions, but I believe they should be stronger. The potential positive impact could be so much greater.

My views on increasing the minimum wage are well known. I have long believed that raising the statutory minimum wage merely raises the rungs on the ladder of opportunity.

I am also well aware of the opinion polls that show that a substantial majority of the American people believe that a raise in the minimum wage is a good idea.

Many believe that this is a quick, painless way to help the disadvantaged in our society; many believe that a minimum wage hike is costless; and many believe that it has no adverse impact. I can only suggest that the people have not been given all the facts about this proposal.

I wonder, for example, if the people realize that even the most optimistic estimate puts job loss at 100,000 entry level jobs. The Congressional Budget Office estimates the loss of 100,000 to 500,000 jobs given a 21 percent increase in the minimum wage. Other estimates are higher.

While there are always dissenters, there are few public policy issues on which there is such an overwhelming consensus among economists. Three-quarters of the members of the American Economic Association agree that minimum wage hikes have a disemployment effect that stifles employment opportunities for low-skilled workers.

This position is summed up by William Baumol and Alan Blinder, who was a Clinton appointee to the Federal Reserve Board: "The primary consequence of the minimum wage law is not an increase in the incomes of the least skilled workers, but a restriction on their employment opportunities."

The long and the short of it is simply that you cannot mandate an increase in the price of entry level or unskilled labor—which is exactly what the statutory minimum wage is—without reducing the demand for that labor.

It is true that some workers will reap the benefit of the increase. But, by mandating wage increases we are going to destroy job opportunities for many others.

Let me put it another way: Some workers will get a \$36 a week raise. Potentially half a million workers won't have a job at all. I hope my colleagues do not break their arms patting themselves on the back for such benevolence.

Now, let us look at the demographics of who would be helped and who would be hurt by the loss of job opportunities.

There are more adult minimum wage earners in families earning \$30,000 per year than in families earning less than \$10,000 per year. Forty percent of all

minimum wage earners are teenagers and young adults living at home. They are not heads of household.

A majority of minimum wage earners live in families in which they are not the principal breadwinner. Only about a quarter of all minimum wage earners are heads of household.

The fact is that there is no way to target the benefit—to the extent there is one—only to those who are heads of households or working poor.

The reality is that those who are not poor are more likely to get raises and those whose skills do not justify the higher wage will be out of jobs. Study after study has concluded that raising the minimum wage is an ineffective means of helping those who are disadvantaged.

Kevin Lang, professor of economics at Boston University, has stated that "Low-skilled adults in states that raised their minimum wage were often crowded out of the job market by teens and students."

Peter Brandon, of the Institute for Research on Poverty at the University of Wisconsin has found that "welfare mothers in states that raised their minimum wage remained on public assistance 44 percent longer than their peers in states where the minimum wage remained unchanged."

If there was ever an issue for which the benefits were swamped by the downsides, this is it. And, those who we intend to help are exactly those who are most likely to be hurt.

Yes, Mr. President, raising the minimum wage sounds like an easy way to help those who are working but still struggling to find their way out of poverty. It is no wonder that, lacking the facts, the American people would support this.

Frankly, if I thought it would do what my friend Senator KENNEDY says it will do, I would support it myself. If I believed we could improve the standard of living for all Americans by governmental fiat, I would be joining the Senator from Massachusetts on the other side of the aisle. Who would not want to stamp out poverty with the stroke of a pen?

But, things just do not work that way. It is not that easy.

The idea that there is no adverse impact from a mandatory increase in the cost of hiring workers is delusional.

And, what's worse, this adverse impact is for nothing.

This legislation will not be the economic salvation of minimum wage earners. Even for a minimum wage worker lucky enough to benefit from it, it will provide a \$36 a week raise.

It will take about \$7.10 an hour to produce an income equal to the poverty level for a family of four. But, proponents will not suggest raising the wage to that level. Why? Because they know the consequences.

This proposal to increase the minimum wage, like the emperor who has no clothes, is spurious. And, someone has to tell the truth. The American

people deserve to know all the facts about this minimum wage hike.

We have a lot of work to do yet during this Congress. It is disappointing that my colleagues on the other side of the aisle have become Johnny one-notes with respect to the minimum wage and have offered it to virtually every bill we have debated since mid-March.

Is this the only idea they have to offer? It would certainly seem so.

Let us get down to business on some proposals that will help working men and women—like tax cuts, a balanced budget, regulatory reform. Let us get the economy moving. Let us create new jobs and new opportunities, not jeopardize the ones we have.

Mr. FEINGOLD. Mr. President, I rise today in support of the Democratic proposal to increase the minimum wage.

First, let me address the issue of process.

It has been clear for months that there is a majority in the Senate who have been prepared to vote for the modest \$.90 increase over 2 years which has been proposed. This increase would raise the current level set in 1989 at \$4.25 to \$5.15, in two 45 cent steps.

Indeed, the majority of our colleagues have already voted to support an increase of this size.

Yet, rather than allow this issue to be fully debated and voted upon, enormous time and energy has been spent on devising ploys to either block such a vote or to load it down with anti-labor poison pills.

Mr. President, I'm relieved that this game playing is finally going to stop. I'm pleased that we will finally have the opportunity to have a clean, up or down vote on raising the minimum wage.

We ought to raise the minimum wage because it is the fair, just, and necessary thing to do.

It has been 5 years since the minimum wage was last adjusted.

The minimum wage has been adjusted seven times since the minimum wage law was first enacted in 1938.

Each time, opponents predicted economic disaster would follow any increase. None of those dire predictions came true. The American economy has continued to grow.

Since the minimum wage was enacted, every President except Ronald Reagan signed an increase in the minimum wage into law.

Adjusting the minimum wage at regular intervals is a routine task that should never have been turned into a pitched partisan battle.

Indeed, Mr. President, it is remarkable that this fierce debate should be taking place in the 104th Congress. This Congress has been awash with statements about how we should have work, not welfare. Those are views that I, too, share. We should be promoting work, not welfare.

But how can we encourage people to leave the welfare rolls and join the

work force when we fail to set a minimum hourly wage that provides a decent income?

An American worker, working full-time, 40 hours a week, 52 weeks a year, at the current minimum wage would earn less than \$9,000 per year.

The current poverty level for a family of four is \$15,600. Forty percent of those earning the minimum wage today are the sole breadwinners for their families.

The 90 cent increase being proposed would make a real difference in the lives of these families, and encourage them to stay in the work force.

It is estimated, Mr. President, that 12 million American workers—200,000 in my own State of Wisconsin—would directly benefit from the increase being proposed in the Democratic amendment.

The vast majority—more than two-thirds—are adult workers, not teenagers, and they are working to help support their families.

Over 101 leading economists, including three recipients of the Nobel Prize in Economics, have refuted the argument that increasing the minimum wage would hurt the economy. Instead, they have concluded that the modest increase being proposed would have a positive, not a negative, impact upon the labor force and the economy in general.

Apparently, Mr. President, many of my colleagues on the other side of the aisle remain unconvinced by the opinions of Nobel laureates. Although the amendment they are advocating purports to raise the minimum wage, it is difficult to imagine a worker who would actually have the opportunity to benefit from it, because it is so loaded down with exceptions.

Actually, their amendment seems designed to assure that the status quo is maintained. It exempts all employees of small businesses with gross annual revenues under \$500,000—the very businesses most likely to pay their workers the least. These businesses employ 10½ million people and comprise two-thirds of all American workplaces. Not all employees who work in such settings earn the minimum wage, but those who do deserve the same modest raise that others who work for more prosperous businesses receive, once this bill is passed and signed by the President.

Another outrageous provision in the Republican amendment would create a permanent second class, subminimum wage. Employers would be allowed to pay new workers, regardless of age or experience, \$4.25 an hour for their first 6 months on the job. Although my colleagues on the other side of the aisle refer to this lower rate of pay as a “opportunity wage,” there is no suggestion anywhere in their amendment that workers will receive training in exchange for this discriminatory treatment.

This provision would be particularly harmful for migrant and seasonal agricultural workers, who rarely work for

the same employer for 6 month periods of time. Up to 8,000 migrant workers are employed in my State of Wisconsin alone.

Finally, adding insult to injury, the Republican amendment wouldn't even fully take effect for another year and a half.

Mr. President, the workers who benefit from an increase in the minimum wage are likely to do something important with the extra dollars they receive: Spend them on goods and services for their families. That's good for everyone, as these dollars are plowed back into the economy, creating jobs and expanding economic growth.

Mr. President, there seems to be a lack of understanding in the minds of some about the connection between the economic well-being of the average American worker and economic prosperity for the Nation.

Some see the down-sizing of large companies and layoffs of thousands of workers across America as an unfortunate, but necessary part of increasing profits for Wall Street investors and attracting the investments of the multinational conglomerates.

They fail to appreciate the fact, however, that if American workers don't have the money to purchase the goods and services, eventually both Wall Street and corporate America will feel the pain as well.

The modest increase in the minimum wage being proposed is not a panacea for the troubling trends in the relationship between American workers and their employers. There is a growing feeling that the link between corporate responsibility and the workforce has been frayed almost beyond recognition and that American workers are coming to be regarded as disposable goods.

In his campaign for the Republican Presidential nomination, Pat Buchanan tapped into this sense of abandonment of the average American worker by corporate America and by international trade agreements like GATT and NAFTA that appear to put the profits of large corporations ahead of the jobs of American laborers.

Mr. President, let me stress that this growing separation between employees and their employers is not limited to corporate America or to minimum wage job holders.

It is not limited to the worker flipping hamburgers at the local fast-food shop.

It reaches into all levels of the work force, from the mid-level corporate executive to the filing room clerk, who are surviving the mergers and downsizing but wonder each night if they will be next.

Not a week goes by without a story in some major paper documenting the anxieties of members of the work force, when companies like IBM and AT&T begin casting off thousands of long time employees. Many companies, still burdened by the debt acquisition of the leveraged buy-out frenzy of the 1980's see themselves as having limited op-

tions and are forced, by economic pressures, to close factories, spinoff divisions, and lay off employees at all levels.

Yet, some of the new employment trends cannot be attributed solely to economic pressures.

I recently heard of a nonprofit agency, funded almost entirely by State and Federal grants which employed some 35 individuals. Yet only five of those people were regular, full-time employees. The rest were so-called contract workers—employees in every sense of the word, but forced to work without health care, without pension coverage, without sick leave, without vacation or other benefits.

The Federal Government itself also engages in this practice, hiring people as temporary employees—again without the protections that regular workers receive.

The vocabulary of the workplace is now filled with new terminology like outsourcing which describes the practice of laying off workers and replacing them with individuals—called either temporary workers, contract workers, or contingent workers—who lack the benefits of regular employees and can be treated accordingly, like disposable employees, to be purchased and discarded at will.

Mr. President, I have raised issues which I know go beyond the simple question of whether it is time to increase the minimum wage because I think we need to start thinking about these broader questions.

Secretary Reich has spoken out forcefully already about the need to reestablish the concept of corporate responsibility to the labor force. I would take that a step further and broaden it to the need to repair the deteriorating bonds between employers and employees in all sectors of our society.

As we approach the turn of the century, there are troubling signs that we may be moving backward, toward relationships between workers and employers that are reminiscent of the 19th century. I seriously doubt anyone wants to see the workplace of the 21st century resemble that of the last century. America left that era behind long ago.

A great Nation draws upon the strengths and contributions of all its people. John F. Kennedy said, in 1961, when he asked Congress 35 years ago to increase the minimum wage, “Our Nation can ill afford to tolerate the growth of an underprivileged and underpaid class. Substandard wages lead necessarily to substandard living conditions, hardships and distress.”

Let's do our job.

Let's vote for an honest increase in the minimum wage.

Let's acknowledge that America's prosperity rests upon the well-being of its people, its work force, and their families.

Mr. KYL. Mr. President, it is regrettable that the bill that comes before us

today combines two unrelated and very different issues—tax relief with an increase in the minimum wage.

I presume that the two issues were coupled in an effort to mitigate the adverse effect that the minimum wage increase would have on small businesses. It would not, however, mitigate the adverse effect on those individuals who will be unable to find jobs, or who will lose their jobs, on account of the increased wage that the Federal Government will have mandated.

The Congressional Budget Office (CBO) estimates that the proposed 21-percent increase in the minimum wage to \$5.15 would create job losses of between 100,000 to 500,000. In addition, CBO has said that the creation of thousands of jobs could be inhibited if the minimum wage is increased.

I have heard from numerous constituents who are opposed to an increase in the minimum wage. One motel management owner in Arizona wrote me to say that the tax repeal provisions of the bill are not enough to offset the negative ramifications of an increase in the minimum wage. Another constituent, the owner of a fast-food restaurant in Arizona, wrote to say that employees could be let go if the minimum wage is increased.

Congress can best facilitate increased job creation and wages by decreasing governmental interference in business and reducing taxes. I ask unanimous consent that a recent Arizona Republic editorial that provides a good summary of why raising the minimum wage is a bad idea be reprinted in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Arizona Republic, May 15, 1996]

MAXIMUM POLITICS

The tea-leaf readers in Washington predict congressional approval of a hike in the nation's minimum wage, probably coupled with some other tax-related legislation, in the next few weeks. Alternative plans are to raise the wage, now at \$4.25 an hour, by 90 cents or \$1.

What makes the vote to raise the minimum wage a near sure thing is that it has nothing to do with economics. Indeed, most economists say raising the minimum wage is likely to hurt those its supporters say they intend to help: the poor.

It doesn't take a degree in economics to understand why. Raise the price of labor to businesses and businesses are likely to respond by trimming some jobs. How many is open to debate. One familiar benchmark is that every 10 percent rise in the minimum wage trims 1 percent to 2 percent of affected jobs. Therefore, the legislation might endanger up to 200,000 U.S. jobs.

But forget economics. As the Washington Post's Robert Samuelson reports, it's election-year politics that's driving the minimum-wage push. Plain and simple. Consider: President Clinton says he's a backer of raising the wage. But in 1993 and 1994, asks Samuelson, guess how many times he advocated raising it when his party controlled Congress? Zero. Nada. Zip. Nil.

In 1995 and the first part of 1996, by way of contrast, Clinton has publicly thumped the tub for a minimum-wage hike 47 times by Samuelson's count. The economics of the ar-

gument hasn't changed, but the politics has. The American public overwhelmingly believes that raising the minimum wage is a good idea. So, for politicians, the issue is a no-brainer.

What likely accounts for the strong public appeal for raising the wage is that it seems like a decent thing to do. Maybe some of us remember working for the minimum and think back that it would have been nice to have a dollar more an hour. Families can't live on \$4.25 an hour these days, we think. (But they'd get by even less easily without that job.)

Samuelson cites two myths he says are responsible for the public's support for boosting the wage. The fact that some of us remember earning it is a clue to one: that there's a permanent group of workers stuck at the minimum. Not so. The vast majority of minimum-wage workers quickly move up.

The other myth is that many minimum-wage workers are heads of households. In fact, says Samuelson, the data show that single parents make up only 3 percent of minimum-wage workers. More often than not, the typical minimum-wage worker is a teenager or young adult from a middle-class family or the second part-time jobholder in a two-income family.

Will raising the minimum cause great economic harm? Hardly. The loss of 200,000 jobs would cause hardly a ripple. Over time, they'd likely be replaced. But is it good policy? Not if the intent is to help poor people, who stand to lose some economic opportunities as a result.

A better way to help the working poor would be to make tax deductible the 6.2 percent of their wages they now are required to pay in payroll taxes to fund Social Security. It wouldn't add to the cost of labor, but would, according to the tax reform commission chaired by former Congressman Jack Kemp, give a boost to the incomes of 100 million U.S. workers and boost the GDP by half a percentage point. It also would end the unsavory practice of taxing a tax.

But good sense, economic or otherwise, is not what's driving the minimum-wage push. Political capital is what's at stake, and so long as it involves spending or jeopardizing other people's money it comes cheap.

Mr. KYL. Mr. President, there are far too many people in Washington who like to play fast and loose with other people's money. They are not content just to tax away a large share of people's hard-earned incomes to spend on government-knows-best programs. They even want to tell people how they have to spend the money they have left over after taxes.

They trust the American people so little that they feel they have to dictate what benefits they can receive and even what wages they can work for. Combined with high taxes, it is a prescription for the kind of anemic economic growth and stagnating wages that have been plaguing the Nation. It is like rearranging the deck chairs on the *Titanic*. The economy is still in peril.

Mr. President, I contend that the way to get people off of minimum wage is to ensure that the economy is healthy and growing and providing people with the opportunity to earn a better living for themselves and their families.

It is no coincidence that slow economic growth and stagnating wages have predominated since the low-tax

policies of the 1980's were abandoned in favor of the high-tax policies of the 1990's. As noted in a recent report by the Institute for Policy Innovation, the economy has grown by about 2.2 percent on average so far this decade. By comparison, it grew at an average annual rate of 3.3 percent during the Reagan years.

Had the economy done as well during the Bush and Clinton administrations as it did under President Reagan, the economy would be \$2.6 trillion larger than it is today. That would have added \$21,000 to the average family's income between 1990 and 1996. Annual revenues to the Treasury would have been \$90 billion greater, an amount that would cut this year's budget deficit by more than half.

So how do we promote the kind of growth that helped make everyone better off during the Reagan years? Cut taxes. As President John F. Kennedy once said, "An economy hampered with high tax rates will never produce enough revenue to balance the budget, just as it will never produce enough output and enough jobs."

The tax relief provisions in this bill, H.R. 3448, are a modest first step in the right direction. For example, we extend the tax exclusion for employer-provided educational assistance, something that will help people improve themselves and get ahead.

We extend the work opportunity credit and increase expensing for small businesses to encourage them to invest in new property and create new jobs. We extend the research and experimentation tax credit, and permit non-working spouses the same opportunity to save in individual retirement accounts.

These and other changes in the law relating to S corporations and pension law are good steps toward making tax policy more conducive to economic growth and opportunity. I would add, however, that they are only modest first steps. They are no substitute for the across-the-board income tax rate reduction that many of us think would do far more good for the economy.

The tax changes we are considering here are good and sound. If we had the opportunity to vote on the merits, I would support them. However, these modest changes are not sufficient to justify the high cost of the minimum wage increase being proposed—a cost that will be borne by employees as much as employers.

Mr. KOHL. Mr. President, I rise in support of the Kennedy amendment to raise the minimum wage and against the Bond amendment, which would retain the status quo and deny an increase for millions of low wage workers.

Mr. President, we have just returned from the Independence Day recess. I always value the time spent in Wisconsin during breaks in the Senate schedule. Not only does it mean going home, it means spending time with people who work hard and work together by compromising in their daily lives.

Hard-working families struggling to make it to the next pay-check do not have the luxury to shirk responsibility or skip their work. They must go to work every day and get the job done. That's why it shouldn't be a surprise when the people of this country grow more and more pessimistic, even angry, because Congress has yet to get the job done and pass meaningful legislation.

In the attempt to score political points and out-manuever the other party, legislation that is critical to working families has languished or been killed.

Instead of increasing investments in education and job training to provide the foundation for a stronger economy, these programs have been cut. The earned income tax credit, which helps working poor families stay afloat, has been targeted for huge reductions. A bipartisan health care reform bill that passed the Senate by a 100-0 vote has become stalled and may die because some want to poison the modest reforms with controversial provisions. Bipartisan campaign finance reform legislation has been killed. And balanced budget legislation, which everyone agrees is needed to end deficit spending and shore up the economy for our children's future, is now also on a partisan track to failure.

Despite the odds that partisan politics may win the day, I remain hopeful that moderate proposals can still be enacted during this Congress. One of the most important bipartisan and moderate initiatives is the minimum wage amendment offered by Senator KENNEDY. This amendment closely resembles the wage increase passed by the House of Representatives and excludes controversial provisions rejected by a majority of House Members.

The Kennedy amendment would allow some of the hardest working American's to make a better life for themselves and their families. It would increase the minimum wage from the current level of \$4.25 to \$5.15 over 2 years. Granting a 90-cent wage increase over 2 years will help these families keep up with inflation and stay at or above the poverty level. Over 200,000 workers and their families in my State of Wisconsin would benefit from the increase.

This amendment would be coupled with a series of tax breaks for small businesses to help offset the potential effects of the wage increase. I remain concerned about the challenges facing small businesses even though many prominent economists argue that the modest increase proposed would not significantly jeopardize employment or business opportunities. So I am pleased that these tax breaks will help ensure that any impact is minimal.

The Bond amendment is a stark contrast to this reasonable minimum wage proposal. Instead of starting the 2-year increase this year, the Bond amendment would delay for 6 months the much needed raise. Further, the Bond

amendment holds down millions of American workers who are employed at small businesses or who work in the restaurant industry by carving out huge exclusions to the increase.

Anyone who has been on the job for less than 6 months would get no increase. At least 4 million workers would be affected by this permanent subminimum wage. Under Senator BOND's proposal, another 2 million workers would be denied any increase because they work for tips. The complete exemption provided for companies that earn less than \$500,000 annually would result in workers at two-thirds of all small businesses being left behind.

Supporters of these exclusions claim that the minimum wage increase would devastate small businesses. Even though it is arguable that significant negative effects would result from a modest minimum wage increase, the proposal before us would provide 34 specific tax breaks for small businesses.

History also argues against this claim. Since the last minimum wage increase, far from being devastated, small businesses have helped spur economic growth and bring our Nation out of recession. Under the Bond amendment, scores of small businesses would be rewarded with generous tax breaks even though they would be exempted from raising the wages of their lowest paid workers.

Opponents of the minimum wage have also been quick to assert that minimum wage earners are mainly teenagers from middle class families. Again, the facts tell a different story. Two-thirds of those paid the minimum wage are adults and a third of those are the sole household wage earners for their families. If granted the minimum wage increase without exclusions, over 2.3 million children from poor and near poor families would benefit.

Mr. President, recent reports on the economy continue to show healthy growth and provide optimistic prospects for business. But although unemployment is down and millions of jobs have been created over the past 3 years, the average American worker remains uneasy.

With the strong economic growth, corporate CEO's have been rewarded with sky-high salaries and impressive benefits. In contrast, real wages have become stagnant for many Americans and their standard of living has decreased over the years. Perhaps more disturbing, working families have seen their health benefits eroded and opportunities for child care diminished.

The Congress cannot create complete equity in the work force and resolve all of the challenges of working families. That is not realistic and ignores the fundamentals of our economy. But there are actions Congress can take that will make a real difference.

We can help ensure health security by reforming the health insurance market; we can provide child care and education opportunities by balancing Fed-

eral investments in these programs; and I still believe we can balance the Federal budget in a fair manner. Today we can and must help the lowest wage workers by passing a long-over due minimum wage increase. The House of Representatives has already done so, it is now time for the Senate to act.

Mr. President, 5 years have elapsed since the minimum wage was increased and the real value of the wage has fallen by nearly 50 cents over that period. Furthermore, the real value of the minimum wage is 29 percent lower than it was in 1979. Without action, the value of the minimum wage will plummet to a 40-year low by 1997. Do people really believe that working at \$4.25 an hour, which amounts to \$8,500 a year, is a fair and livable wage?

To deny America's lowest paid workers a sustaining wage during a time of substantial budget cuts simply represents misguided priorities. This is precisely the time when we need to reward the people who work. If we are going to cut funding for education and training and reform welfare, we must provide individuals with the economic tools necessary to get ahead.

The last minimum wage increase under President Bush enjoyed broad bipartisan support. I urge my colleagues in the Senate to undertake a similar bipartisan effort today and demonstrate their commitment to working families by restoring the fair value of the minimum wage.

The Senate is faced with a critical choice that will determine whether or not the minimum wage increase becomes a reality this year. One amendment would provide a modest minimum wage increase to the working poor; the other would grant an increase to some workers, but leave millions of Americans with stagnant wages and result in a certain presidential veto. Let us do the right thing by passing the Kennedy amendment and rejecting the Bond amendment.

Mr. PRESSLER. Mr. President, I rise in support of the amendment offered by the chairman and ranking member of the Finance Committee—the so-called managers' amendment. I just want to take a moment to comment on a few of the provisions of the amendment that are very important to churches and ministers in my home State of South Dakota.

Specifically, there are three provisions in the managers' amendment that are taken from S. 881, the Church Retirement Benefits Simplification Act, introduced by friends and colleagues from Iowa and Arkansas, Senators GRASSLEY and PRYOR. This bill already has 34 cosponsors. One of the provisions in S. 881 was included in the House-passed version of the underlying legislation we are considering today. This provision would respond to the Internal Revenue Service retreat from its four-decade-old policy of not taxing parsonage allowances paid to retired clergy. The provision would clarify

that all retirement benefits of clergy are not subject to self-employment taxes.

The three additional provisions of S. 881 that are included in the managers' amendment address the churches' concerns regarding the treatment of chaplains and foreign missionaries and the application of nondiscrimination rules designed for secular employers to church pension plans.

First, the manager's amendment would clarify that chaplains may continue to participate in denominational pension plans. Under current law, chaplains who work outside the church, serving in hospitals, jails, and other secular organizations, are not expressly allowed to participate in their denomination's pension plan. Often, chaplains may leave their church to work in a secular organization for only a brief period of time, and it makes little sense for Congress to force those chaplains to participate in the secular pension plan instead of the denominational one. The managers' amendment simply would clarify that chaplains may participate in their denomination's plan without inadvertently violating pension coverage and related rules.

Second, the managers' amendment would facilitate the ability of foreign missionaries to participate in their denominational pension plan. This amendment would promote sound retirement policy while also benefiting the foreign missionaries who are America's humanitarian emissaries abroad.

Finally, the managers' amendment would authorize the Secretary to develop a safe harbor from the nondiscrimination rules for those church plans that were left out when Congress exempted most church plans from the same nondiscrimination rules. Although the IRS has issued a self-imposed moratorium on enforcement of these nondiscrimination rules for church plans, that moratorium ends soon. This amendment would give the Secretary of the Treasury the authority to develop a safe harbor plan for the pension plans of the Catholic dioceses, the Episcopalian Church, and the Presbyterian Church. These churches simply do not have the infrastructure to prove compliance with the nondiscrimination rules which apply to secular employers.

Again, I want to commend the two managers—Chairman ROTH and Senator MOYNIHAN—for their assistance in addressing the concerns of the churches in this legislation. Thanks to their leadership, we can correct and clarify the laws to ensure that they not unduly burden church retirement plans and the clergy and lay workers who participate in them.

Mr. CRAIG. Mr. President, I rise in support of the amendment to H.R. 3448 offered by the chairman of the Small Business Committee, Senator BOND. I also support the Finance Committee's amendment to the tax title of that bill, which already has been adopted.

For once, with the inclusion of these amendments in H.R. 3448, Congress would be looking at an issue in context and taking in the big picture. Both amendments are necessary to make this an acceptable bill, on balance.

This bill is supposed to be named the "Small Business Job Protection Act of 1996."

Title I, the tax title, is consistent with that spirit. It would make the Tax Code a little fairer, improve economic and employment opportunities, and provide some necessary tax relief.

However, unless the Senate adopts the Bond amendment as well, this bill will not be worthy of its name. It will not protect small business. And it will hurt the low-wage breadwinners it is supposed to help.

I commend Senator BOND and Senator ROTH for the work they have done on their amendments.

All too often, past Congresses have taken a perceived problem; put it under a microscope; and tried to address it with a one-size-fits-all Federal mandate. The result often has been Government by anecdote. Unintended consequences and innocent bystanders have not always been taken into account in the rush to adopt a feel-good solution.

That risk of unintended consequences is definitely present in the case of proposals to increase the Federal minimum wage.

We feel for those Americans who are working hard at making ends meet. It is easy and it is tempting to look at a \$4.25 an hour minimum wage and say, let's just mandate an increase in that wage. But that would be the wrong answer.

Standing alone, an arbitrary increase in the minimum wage destroys jobs for the very persons it is meant to help—the working poor and entry-level employees.

Common sense, the laws of economics, and experience all tell us this. There is no dispute over this fact, except from some inside the Washington, DC, beltway and from some academicians with a political agenda.

We've all heard the numbers. The commonly accepted figure is that, an arbitrary, stand-alone increase in the minimum wage from \$4.25 an hour to \$5.15—a 21-percent increase—would result in the loss of 621,000 jobs. In Idaho, it would destroy 3,200 jobs.

Some have suggested that the economic impact of such an increase is negligible. But it's not negligible for each one of those 621,000 Americans—or possibly more—who would lose their jobs as a result. In many cases, the job lost would be the most important one that person will ever have—his or her first job.

The Bond Amendment takes a fair and balanced approach that would minimize the harm that would come from a one-size-fits-all, federally mandated increase in the minimum wage. It would treat small employers fairly and would be good for those entry-level

workers most in need of making it to the first rung on the ladder of economic opportunity.

Unlike the amendment defeated in the House, the small business exemption in the Bond Amendment would apply only to the minimum wage increase in this bill.

Mr. President, most Senators were serving in Congress in 1989. We remember what happened when we finally voted for a compromise minimum wage bill then. Everyone—if you read the RECORD, you will see everyone—thought and said there was a small business exemption in that bill for every small business with gross receipts of less than \$500,000. That bill would not have passed in 1989 without that \$500,000 exemption. Everyone understood that the 1989 compromise would increase the small business threshold from \$362,500 to \$500,000 and broaden the exemption from some service and retail employers to all enterprises.

But then, a bureaucrat at the Department of Labor noticed an apparent drafting error. The bill's language was convoluted and was interpreted as applying the Fair Labor Standards Act to virtually every individual employee in the country, regardless of the employer's receipts. I say it was an apparent drafting error because everyone thought there was a universal, \$500,000 threshold, and I do not want to accuse anyone of lying to the Congress or the President back in 1989.

Correcting this apparent drafting error had been a bipartisan effort up until recent weeks. Democrat Members in both the Senate and the House previously introduced bills to restore this intended exemption, in bills that would have gone farther than the Bond Amendment.

In recent years, small businesses have created every net new job in this country. They take the risks of hiring and training new workers. They do not have the economies of scale of large businesses and suffer a disproportionate impact from Government regulation. They tend to be labor intensive. If you drive up the costs of their labor, they will be forced to create fewer jobs.

In fact, 77 percent of the economists who responded to a survey of the American Economics Association agreed that, by itself, a higher mandated minimum wage would have a negative impact on employment.

Obviously, that negative impact is going to fall on workers at or near the minimum wage, and especially those who are the least-skilled and need an entry-level job the most. The Bond amendment would safeguard the most vulnerable employees, those of the smallest businesses, against that impact.

The Bond amendment also includes a realistic opportunity wage, or training wage.

Realistically, the Federal minimum wage today already is a training wage. The average minimum wage worker is earning \$6.06 an hour after 1 year.

In most work places, at every level of compensation, it is common for a new employee to be paid more after a few months. That is because there is almost always a learning curve, during which the employer is investing time, energy, and money in training and acclimating the new employee. The opportunity wage in this amendment simply reflects that reality of labor economics.

Some critics have said the training wage would allow churning of employees—the firing of employees when they become eligible for the new, higher, minimum wage, and replacing them with new hires at the training wage. The Bond amendment makes that practice specifically illegal.

Finally, the Bond amendment would provide employers—especially small businesses with limited resources and profit margins that are slim or nonexistent—with a more realistic effective date for this bill.

Unlike the Federal Government, employers make reasonable projections of their revenues and then budget their resources to live within those means. To impose an immediate increase in costs of thousands of dollars would be a cruel jolt to many small, vulnerable employers. To do so retroactively, as would happen under the Kennedy amendment or the House-passed bill, would be unconscionable.

The Bond amendment would provide the necessary flexibility to protect the workers and small businesses that would be most vulnerable to a one-size-fits all mandate. It is an important part of a two-step process to improve this bill. The second step is the inclusion of the tax provisions that would provide essential relief for small businesses, help them create jobs, and make the Tax Code a little fairer.

I particularly want to express my support and appreciation for several of the tax provisions in title I of this bill, including:

Increasing the availability of spousal individual retirement accounts; revising and extending the work opportunity tax credit, which will help employers hire and retain disadvantaged employees; restoring and extending the tax exclusion for employer-provided educational assistance; making S-corporation rules more flexible; providing fairer treatment for dues paid to agricultural or horticultural organizations; extending the research and experimentation tax credit; and improving depreciation and expensing rules for small businesses.

I have supported these provisions consistently in the past and commend the Finance Committee for including them in this bill.

There is at least one provision in the House-passed version of this bill that I hope the Senate would accept in conference: Restoring and making permanent the exclusion from FUTA—the Federal unemployment tax—for labor performed by a temporary, legal, immigrant agricultural worker. Such em-

ployees are ineligible for FUTA benefits that are financed by this tax. Therefore, this tax is imposed on employers for no reason, except that the previous exclusion simply expired.

The Finance Committee provisions are valuable and beneficial. And I commend the chairman of the Small Business Committee for the thoughtful approach he has taken on his amendment. For me to vote for this bill, it would also be necessary for us to adopt the Bond amendment, which includes essential safeguards for employees and small businesses alike, and make this package complete.

HIGHER EDUCATION SAVINGS ACT

Mr. MCCONNELL. Mr. President, I am pleased that the Finance Committee has included my proposal to clarify both the tax treatment of the State-sponsored education savings plans and taxation of the beneficiary's investment. This measure will put an end to the tax uncertainty that has hampered the effectiveness of these State-sponsored programs and help families who are trying to save for their children's higher education needs.

I have been working on this proposal since I first introduced S. 1787 in 1994. This Congress I have introduced S. 386 to provide families with an incentive to save for college and put an end to the tax uncertainty regarding the State-sponsored programs. This legislation will offer families an opportunity to save in order to keep pace with the spiraling cost of education. S. 386 has been endorsed by the National Association of State Treasurers, the National Association of State Scholarships and Grant Programs and the Kentucky Advocates for Higher Education.

Mr. President, the facts are clear. Education costs are outpacing average wages, creating a barrier to attending college. Throughout the 1980's education costs have risen by roughly double the rate of inflation. In 1983, tuition at the University of Kentucky and University of Louisville rocketed 16.7 percent followed by an 11.2-percent increase in 1994. Since 1986, the cumulative percentage increase in tuition at Kentucky's two largest public universities rose an astounding 82.3 percent.

Unfortunately, Kentucky's numbers are not extraordinary when compared to average tuition increases nationwide. Over the past 10 years, tuition rose by 81.7 percent for public universities and 95 percent for private schools compared to 46.6 percent increase in the median income for the same period. Which brings us to the real problem: education costs are quickly out-pacing income growth.

As tuition costs continue to increase, so does the need for assistance. In 1990, over 56 percent of all students accepted some form of financial assistance and the statistic was even higher for minority students. It is increasingly common for students to study now and pay later. In fact, more students than ever are forced to bear additional loan costs in order to receive an education. In

1994, Federal education loan volume rose by 57 percent from the previous year. On top of that, students have increased the size of their loan burden by an average of 28 percent. So not only are more students taking out loans, but they are taking out bigger loans as well.

Over the past decade, many States have tried to respond to the concerns parents have raised regarding the affordability of a college education. Today, 11 States, including Kentucky, have responded by developing programs that will provide families with incentives to save over the long term to make college more affordable. Sixteen other States are quickly moving to put into place their own education savings plans.

Currently, there are 500,000 participants investing over \$2 billion in State-sponsored savings programs. In Kentucky, there are 2,700 participants with \$4 million invested in their children's future. Under this plan, participants don't have to be rich to benefit. In fact, the average monthly contribution in Kentucky is just \$47.22. This proposal rewards those who are serious about their future and are committed to the education of their children.

The language included in this bill is a variation of my original legislation. It provides tax-exempt status to qualified State tuition programs. In November 1994, the U.S. Appeals Court ruled that the Michigan Education Trust is not subject to Federal income tax. Although the circuit court was quite clear on this issue, it is my understanding that the IRS continued to look for a different avenue to tap this growing investment pool. This proposal clarifies legislatively the tax status of these programs and puts an end to the uncertainty and constant threat posed by the IRS. I am told by Kentucky's program administrators that this tax clarification is their No. 1 priority and vital to the continued existence of the program.

This legislation will also clarify the tax treatment of the investment itself. As proposed in the recent Treasury regulations, the child would be taxed on the earnings buildup at the time of distribution. While my original legislation proposed the inside buildup be fully tax exempt, I believe that this clarification is a significant reform and consistent with the limits of this bill. I want to assure every one of my colleagues that I will reintroduce legislation and continue my efforts to make the inside buildup in this investment tax free. Nonetheless, this proposal will be a tax cut for Kentucky participants since they have been forced to pay taxes annually to avoid possible penalties, while the IRS has been considering the tax treatment of this investment.

This legislation is not a funding cure but is a serious effort to encourage long-term savings, by eliminating the tax disincentive to do so. Aside from

limited assistance through bond programs, nothing has been done to encourage savings or decrease borrowing. I believe it is widely agreed that it is in our best interest as a nation to maintain a quality education system for everyone. We need to make a decision, however, on how we will spend our limited resources to ensure that both access and quality are maintained.

Before I close, I would like to take a moment and commend Senators ROTH, GRAHAM, SHELBY, and BREAUX for their hard work and support of this legislation. I appreciate their interest and look forward to working with them in the future to make these investments tax exempt.

SMALL FISHING VESSELS

Mr. KERRY. Mr. President, for almost 8 years hard-working owners of fishing vessels in New Bedford, MA have been subject to an Internal Revenue Service ruling that would result in approximately \$11 million in penalties. This situation arises from an IRS misinterpretation of Tax Code provisions as they applied to crew members on small fishing vessels. The IRS's interpretation and assessment is potentially devastating to the fishing families in southeastern Massachusetts—a region already struggling with the departure of the textile industry and the demise of the fishing industry. I am pleased that the managers amendment to H.R. 3448 includes a section clarifying the application of this disputed provision and making the original intention of the Congress clear with respect to it.

I have worked on this issue for many years along with the senior Senator from Massachusetts as well as colleagues in the other body, especially Congressman BARNEY FRANK, Congressman GERRY STUDDS and Congressman RICHARD NEAL.

Mr. President, today the Senate is providing relief for four fishing vessels in New Bedford—F/V *Edgartown*, F/V *Nordic Pride*, F/V *Lady J*, F/V *Seel*—by rendering moot a court action against them. Central to the case is the question of whether crewmembers on small fishing vessels are considered self-employed or employees for tax purposes. The pay of employees is subject to withholding of Federal income tax while payment to persons who are self-employed is not subject to withholding.

Life on the seas requires fishermen to be ruggedly independent individuals. Fishing boat operations reflect this independence in that they are fundamentally small business operations with crews that typically vary from trip to trip, with each crewmember acting as a free agent. Recognizing this unique arrangement on fishing vessels, Congress amended the Tax Code in 1976 to clarify the employment status of crewmembers as self-employed and required the self-employed crewmembers to be compensated solely with a share of the catch.

It is common practice in fishing communities around the country to provide a small cash payment called a "pers" to the cook, first mate and engineer in

recognition of additional duties they perform at sea. These pers represent only 1 to 5 percent of the total compensation and amount to approximately \$500 annually based on a \$30,000 income.

In 1977, the IRS issued Ruling 77-102 which stated that a pers payment would subject the entire salary of the pers recipient to withholding. In response, the industry initiated a sliding scale per that ranged from \$24.50 to \$25.50 depending on the catch. The IRS did not question this practice until 1988 when the Service suddenly issued an unexpected interpretation of the pers payment and ruled retroactively that the entire salaries of crewmembers receiving pers were subject to withholding. The IRS ruling means that much of the New Bedford fleet does not qualify for the small fishing vessel treatment on withholding and therefore each boat owner owed the IRS large amounts in back withholding for the fishermen who worked on them. As a result, IRS placed liens on property and is poised to begin enforced collections from the boat owners which will be devastating to the New Bedford fishing industry as it struggles to survive until the groundfish stocks recover.

This bill will permit the pers payments—which are essentially calculated as a share of the catch—without jeopardizing the self-employment status of crewmembers. Let me emphasize, Mr. President, that the boat owners believed they complied with the new tax laws and regulations, and in fact they did comply with the law as Congress intended it to be applied to small fishing vessels. The vessel owners paid the crew the amounts the IRS now claims should have been withheld, and the crewmembers, as contractors, were individually responsible for paying taxes due on those payments. To assess these boat owners now would be grossly unfair and will have the effect of sinking the New Bedford fleet.

Those of us trying to remedy this situation have been working for a solution for 7 years. We have appealed to the Treasury Department and the Internal Revenue Service, and introduced legislation that was vetoed twice by President Bush. Today, we are working against the clock as the Court of Appeals will soon hear the vessel owners appeal if this provision of H.R. 3448 is not enacted into law.

Mr. President, this has been a long and difficult struggle to provide relief for the fishing families of New Bedford. I am pleased we are on the cusp of victory. Until the bill is signed by President Clinton, I will continue to fight for these hard-working families in southeastern Massachusetts.

Mr. SPECTER. Mr. President, I am voting in favor of increasing the minimum wage because there has been no increase since 1989 while cost of living adjustments have been provided to others.

I am pleased to note that this bill, the Small Business Job Protection Act of 1996 provides benefits to small business which will offset their higher wage

payments. Among important provisions to help small business, the bill as amended includes over \$11 billion in tax incentives, such as tax incentives for employer-provided tuition aid, increased expensing limits for small business equipment purchases, pension simplification rules, and extension of expired tax credits for research and development, employment of certain targeted individuals, and the orphan-drug tax credit.

With respect to the minimum wage provisions of this bill, while I have given serious consideration to the provision to exclude businesses with less than \$500,000 in annual revenues, I have decided to vote against the Bond amendment because of the provision that delays the increased minimum wage for 6 months regardless of the age of the employee. That would allow too much opportunity for circumventing the law by discharging employees just short of the 6-month period and employing new people.

I am voting against the Kennedy amendment because I believe the provisions of the underlying House bill provide a better balance with the longer waiting period of 90 days before the new minimum wage must be paid compared to only 30 days in the Kennedy amendment and because the House bill provides more equitable treatment for restaurant owners on the tip issue.

In this statement, I am including, at the manager's request, an explanation for my amendment which will help small businesses in their efforts to operate defined benefit pension plans. This amendment will help small businesses in their efforts to comply with new stricter funding rules enacted as a part of the Uruguay Round Agreements Act [GATT]. It gives the Internal Revenue Service [IRS] the authority, under very limited circumstances, to waive the excise tax that is imposed on a company that fails to meet a liquidity requirement mandated under the new law.

By way of background, at least two small Pennsylvania companies, Freedom Forge Corp. of Burnham and Erie Forge Corp. of Erie were not aware of the new liquidity requirements when they became effective less than 1 month after the GATT enabling bill was enacted. The bill had no transition rules that applied to the new liquidity requirements. I am advised that the Pension Benefit Guaranty Corporation, the Federal agency with jurisdiction, called companies proactively to inform them of the new liquidity requirements, but that these two Pennsylvania companies are among the only companies not to receive such counseling. Consequently, these companies were unable to prepare for their new obligations in a timely manner and, I am informed, had to increase their pension plan funding by approximately 1,500 percent.

Once the companies became aware of the new law and the resulting dramatic

increase in pension obligations, I understand that they acted as quickly as possible to come into full compliance with the law and remain in compliance today. However, because they did not receive the same warning from the Pension Benefit Guaranty Corporation as other companies did, they are subject to a penalty excise tax for the first quarter in which they were not in compliance with the new law.

Currently, the Internal Revenue Service has no statutory authority to waive the penalty excise taxes that apply in these instances, even where the contribution due the plan was due to reasonable cause and reasonable steps have been taken to remedy the liquidity shortfall. In the absence of a legislative remedy, these companies will be forced to pay penalties to the IRS because they did not immediately comply with a law they had no knowledge of, in spite of their proven best efforts to fund their pension plans once made aware of their new responsibilities under the law. While ignorance of the law generally is not an excuse, I believe, Mr. President, that where the Government actually notified and counseled companies, but not these, it is appropriate that the tax penalty be waived.

Accordingly, my amendment that the distinguished managers of the bill included in their package of amendments would provide authority to the IRS to waive the excise tax in those cases where the shortfall was due to reasonable cause and reasonable steps were taken to remedy the liquidity shortfall. In consulting with the Pension Benefit Guaranty Corporation about this problem and a possible legislative solution, I am advised that the agency said that their primary interest is ensuring that pension plans have adequate funds to pay their benefits. The agency recognizes that some companies had difficulties complying with the new liquidity requirements due to a lack of transition rule. Therefore, I am advised that the agency has no objections to my amendment so long as it requires that reasonable steps have been taken to remedy the shortfall as a condition of the waiver, which my amendment provides.

This change in law will enable Freedom Forge Corp., Erie Forge Corp. and any other company that may find itself in a similar circumstance to be treated with fairness. Without fair pension laws, small companies will be unlikely to undertake this substantial responsibility. As legislators, we should be encouraging small employers to provide a pension plan for their employees, not discouraging them. Therefore, I commend Chairman ROTH for his understanding of pension policy and for including this important amendment in the managers' amendments package.

I thank the Chair and yield the floor.

Mr. HELMS. Mr. President, the Small Business Job Protection Act of 1996 includes two essential and much-needed provisions that I've supported

for years. Together, these provisions will extend for 3 years the tax credit for employer provided educational assistance to workers, and it will allow spouses to invest fully in tax-deferred individual retirement accounts even though they are not employed outside of their homes.

Reauthorization of the employer provided education tax credit, codified at section 127 of the IRS Code, will enable American workers to provide for their families in a more substantial way. First authorized in 1978, this provision has helped more than 7 million working Americans to further their education and to acquire additional skills.

Mr. President, earlier this year I introduced Senate Concurrent Resolution 57 to extend this critically needed tax provision. I was gratified and encouraged when this resolution was adopted. Now, it's time for the Senate to act on the commitment expressed in Senate Concurrent Resolution 57 and extend the credit through December 31, 1997.

Mr. President, this Congress approved a reauthorization of this tax credit in the Balanced Budget Act of 1995. Notwithstanding his rhetoric in support of education, the President vetoed the bill, and prevented the extension of this urgently needed education tax credit, while sowing uncertainty among the workers and employers who were understandably relying upon these tax-free benefits.

This uncertainty is particularly acute among workers and employers in areas undergoing sweeping economic changes. In my State of North Carolina, thousands of textile workers have lost their jobs in recent years, while other industries have experienced phenomenal growth. Extension of this credit will help all workers by encouraging employers to provide tax-free education benefits to their employees, thereby benefiting employers by improving worker skills while benefiting their workers by reducing concerns about job security.

Mr. President, perhaps the case for extending this credit was made most eloquently by two distinguished North Carolinians. Representative of employer concerns, Nan Keohane, president of Duke University in Durham, NC, wrote to me saying that:

We at Duke believe it is important for our employees to achieve their educational goals and to acquire the skills they need to succeed in an increasingly complex society. The ability to exclude education benefits from personal income tax is obviously important to our own employees, and particularly to those who otherwise could not afford the educational costs that the tax on these benefits would require.

Typical of letters from workers who have written to me is one by Jeff Stanley, a fine young man who works for Motorola in Research Triangle Park. Jeff has been working toward a Bachelors Degree in Business Administration at North Carolina Wesleyan College; he is close to completing it. However, his employer-provided education benefits are, he says, "taxed at ap-

proximately 40 percent" and that "[t]his extra expense is causing a financial hardship. I would very much like to complete my degree within the next year, but due to the extra expense of the taxation, I may have to delay the completion."

Passage of the Small Business Job Protection Act will ensure that Jeff Stanley can complete his education without those benefits being made subject to a 40-percent tax rate, the effect of which is to discourage pursuit of a life-long education goal. This time, I hope the President will permit this important provision to become law.

Another provision of the bill proposes that spouses may invest fully in an individual retirement account. Current law prohibits these working spouses from investing more than \$250 in an IRA. Yet, if the same spouse works outside the home, he or she is able to participate fully in IRA tax-deferred investments—to the tune of \$2,000 per year.

The Small Business Job Protection Act eliminates this double-standard and recognizes the value of those who labor in the home. In the process, it will benefit the estimated 18.6 million households with married couples. Many of those households include a parent who chooses to work at home, frequently sacrificing more lucrative careers for the more rewarding job of raising children. It's common sense that the tax code shouldn't discourage these parents from working in the home.

Mr. President, the IRS Code is a testament to the big-spending leviathan known as the Federal Government. In addition to over-taxing American citizens, the Code contains countless irrational provisions which ought to be scrapped. It's too bad that politics caused this bill to be burdened with an unwise increase in the minimum wage; rammed down the throats of countless thousands of small businesses who will have to eliminate untold numbers of entry-level jobs that are so meaningful to young workers today.

UNANIMOUS-CONSENT AGREEMENTS

Mrs. KASSEBAUM. Mr. President, if I may just do some housecleaning for the majority leader.

I ask unanimous consent that immediately following the stacked votes beginning at 12 noon on Wednesday, there be a period for the transaction of morning business not to exceed 1 hour, with 40 minutes of the time under the control of the Democratic leader or his designee, and 20 minutes under the control of Senator THOMAS.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. KASSEBAUM. I further ask that at 9 a.m. on Thursday there be a period for the transaction of morning business not to exceed 1 hour, 40 minutes under the control of Senator