

1 if they are not going to recommend a tax increase, I do not
2 see any point for us to put it in this Budget. It seems to me
3 that we could propose a tax increase any time that we want to,
4 is this correct, Mike?

5 If we do not put a recommended tax increase in, it does
6 not really give us any problem. We could always recommend a
7 tax increase anyhow. As I understand it, it does not break
8 the budget for us to increase taxes. It just breaks it for
9 us to increase expenditures or to reduce taxes if they had not
10 planned on it.

11 Is that not right?

12 Mr. Stern. That is true, in general. There is a special
13 wrinkle in the case of the Social Security program.

14 When you raise the payroll tax, you automatically increase
15 the amount that is appropriated to the Social Security Trust
16 Fund. That is called budget authority.

17 After a Second Budget Resolution, you would then be
18 raising budget authority.

19 Senator Bentsen. Subject to a point of order.

20 Mr. Stern. Subject to a point of order.

21 Senator Byrd. What would be the status of the Social
22 Security Trust Fund if nothing is done?

23 Mr. Stern. If nothing is done -- if you look in the
24 blue book on page 18, Chart 5, the Trust Fund -- well, at the
25 beginning of the period, the amount of money in these two

1 trust funds is about \$40 billion, so it decreases \$4.5 billion
2 in fiscal year 1978, a further \$4.8 billion in '79 and so
3 forth.

4 Senator Byrd. There still is a surplus.

5 Mr. Stern. There is a Trust Fund. In none of these years
6 is there a surplus of income over outgo. Each year, more money
7 is paid out than is paid in.

8 By the end of fiscal year 1982 there would only be
9 \$4 billion left in the Trust Fund, when the outgo would be
10 \$133.5 billion. You would run completely out of money in
11 calendar year 1983.

12 Senator Byrd. At the present time, you have \$40 billion
13 in the Trust Fund?

14 Mr. Stern. That is right, at the end of the current
15 fiscal year.

16 Senator Byrd. At the end of the current fiscal year.

17 At the end of the following fiscal year, you will have
18 \$40 billion minus \$4.5 billion?

19 Mr. Stern. That is correct.

20 Senator Byrd. It will be reduced by \$4.5 billion?

21 Mr. Stern. That is correct.

22 Senator Byrd. In subsequent years, it would be reduced
23 again by \$4.8 billion?

24 Mr. Stern. To the point where in calendar year 1983
25 it would be completely exhausted.

1 Senator Curtis. Let me ask you again, how would we
2 be in violation of the Budget Resolution by increasing Social
3 Security taxes?

4 Mr. Stern. There are three limitations in the Budget
5 Resolution. One is on outlays or expenditures. One is on
6 revenues. The third one is on what is called budget
7 authority.

8 Senator Curtis. Is there a limitation on revenues?

9 Mr. Stern. Yes, sir.

10 Senator Curtis. You mean that we cannot raise taxes
11 unless it is in the Budget Resolution?

12 Mr. Stern. No. In the case of revenues, you can raise
13 the revenues, but cannot decrease them.

14 Senator Curtis. We are not proposing to decrease them.

15 Mr. Stern. The violation that is of concern, if you
16 raise Social Security taxes, your violation is not on the
17 revenue side. It is in that third category which is called
18 budget authority.

19 That means appropriations; in most programs, budget
20 authority is what ordinarily what would correspond to an
21 appropriation.

22 Senator Curtis. When we raise Social Security taxes,
23 what budget authorities are we using?

24 Mr. Stern. There is an automatic appropriation in the
25 Social Security Act in the amount equal to the payroll cost

1 into the Trust Fund, actually an appropriation.

2 Senator Curtis. That would be no bar. We could raise the
3 Social Security tax and at the same time amend that law and
4 have the budget authority extend into the other year. Absolutely
5 the Budget Committee was brought into being to get a control
6 on government funds. It is ridiculous that here we have the
7 Social Security fund in jeopardy and that some technical rule
8 prevents us, if we could get the votes, from restoring that
9 fund.

10 All we would have to do is change that automatically --
11 nothing but statute. When we impose the tax, we could have
12 that tax credited any way we wanted. The government would
13 still have the money. It would be that much protection to the
14 Social Security beneficiaries.

15 I think that we could handle that without a point of
16 order, do you not?

17 Mr. Stern. In answer to your question, I really do not
18 think that there would be a problem. I think that you, in
19 fact, would be able to do this. The idea is to try to plan
20 in advance.

21 Senator Curtis. We would not have to change the Budget
22 Act; the Social Security Act provides how this money is
23 handled, the automatic obligation.

24 This Committee would have authority to change that law.
25 We could even change it for a period --

1 revenues, in this case, \$90 billion.

2 So if you go along later this year and say, we will
3 increase revenues by \$2 billion, increase outlays by \$2
4 billion, it also has the effect of increasing the budget
5 authority \$2 billion.

6 To give a simpler example, suppose you only wanted to
7 increase the taxes and not increase the benefits at all. While
8 it is true that you are not violating the Budget Act by
9 increasing revenues by \$2 billion, you would be subject to a
10 point of order because you are increasing budget authority
11 by \$2 billion.

12 Senator Byrd. Why does it automatically increase the
13 budget authority?

14 Mr. Stern. It does because the permanent Social Security
15 statute says that such amounts as are collected through the
16 the Social Security tax, an amount equal to that amount is
17 hereby appropriated into the Trust Fund.

18 Therefore, when you increase the amount through revenues,
19 you are automatically increasing.

20 Senator Byrd. It does not go out. It stays with the
21 government in the Trust Fund.

22 Mr. Stern. That is correct. You might say that it is
23 an accounting procedure. It takes money out of the general
24 fund and puts it into the Trust Fund.

25 I believe the reason that this was done in 1935 was to

1 avoid any Constitutional issue about an earmarked tax, which
2 is subject to certain limitations under the Constitution.

3 Senator Curtis. Do you not believe that the intent of
4 the Budget Act, referring to outlays and budget authority,
5 did not refer to transfers within the Treasury, but of actual
6 budget commitments to pay money, or to actually pay it?

7 Mr. Stern. I agree that the spirit of the Budget Act
8 really would not contemplate preventing you from raising
9 Social Security.

10 Senator Curtis. Do you not also agree with what I raised
11 a minute ago, even conceding that these fine tuners on the
12 Budget Committee staff would want to raise a point against
13 that, that we could write it so that they could not?

14 Mr. Stern. I think that you could probably do it in
15 some way.

16 Senator Curtis. Yes. We could impose an additional tax
17 and have budget authority for the transfer of funds. It is in
18 the Treasury.

19 The Chairman. You could raise the tax if you wanted to,
20 I take it. You could raise the tax. The same bill that
21 increases the tax, you could say, this will be legislation
22 to go along with it.

23 In the same bill, you could say that notwithstanding the
24 provision of the law that says that this money will auto-
25 matically be appropriated to the Social Security fund, that

1 this will not be automatically appropriated to the Social
2 Security fund but will go to the general fund instead,
3 until such time that Congress acts further.

4 If you do it that way, you could raise the dole, credit
5 it to the general fund and at a future date appropriate it
6 over, could you not?

7 Mr. Stern. Yes, sir.

8 I think you could do what Senator Curtis said, namely
9 you would say that it would be transferred on October 1st
10 of the following year. That way you would not have any
11 effect on the current fiscal year.

12 Somehow, you have to get the money in the Trust Fund.
13 That is the purpose of raising the tax. You can just delay
14 when that money is transferred.

15 Senator Byrd. If you do not get it into the Trust Fund,
16 it will be spent for something else.

17 Senator Bentsen. May I ask, if we try to take care of
18 the distortion in the payment of benefits under the current
19 formula by changing the formula, even though it means a
20 minimal outlay in the coming fiscal year, should that be
21 considered at this time for Budget Resolution purposes?

22 Mr. Stern. I think that it should. You already agree
23 that you are going to have an allowance of \$500 million for
24 new legislation.

25 Senator Bentsen. I know that. I was wondering if we

1 were reconsidering that point. You were not talking about
2 that part of it.

3 Mr. Stern. As of now, you have made an allowance -- you
4 have increased the estimate under current law by \$500 million
5 and you made an allowance of plus \$500 million for new
6 legislation.

7 Senator Bentsen. The Secretary is not questioning that
8 and the Chairman is not, as I understand it.

9 Mr. Stern. No.

10 Senator Bentsen. Thank you.

11 The Chairman. The more I think of it, even with all of
12 this, it gets us down to the simple point that we are supposed
13 to tell the Budget Committee our best estimate of how much
14 money we are going to take in and how we arrive at it.

15 Just by way of being forthright about the matter, I do
16 not think that we have any business assuming that we are going
17 to raise Social Security taxes with the Administration advoca-
18 ting against it. If the President vetoes it, we are not
19 going to be able to override a veto to raise the Social
20 Security tax.

21 The Administration is planning, this fiscal year, to
22 live on the Trust Fund and draw down against it. I guess one
23 of these days when they come up with a health care program
24 they will be suggesting that we put a tax on to pay for it.

25 In my judgment, it would be unrealistic for us to say that

1 we are going to put a tax on when the Administration is
2 opposed to it.

3 The tax is not all that popular. If any kind of President
4 is willing to come up with a suggestion or a recommendation
5 that we begin to cover some of these deficits, I would be
6 willing to do my part. I do not see how we can do it. I
7 think it is unrealistic to assume that we are going to do
8 it if the President is going to advocate against it.

9 Senator Bentsen: Mrs. Chairman, I agree. I move that
10 we rescind the action of yesterday on the question of an
11 increase in the tax. It is obvious that the Administration
12 opposes it.

13 The Chairman. If they are willing to carry the ball, I
14 would be willing to get in there and do what I can to push
15 or block or do whatever is necessary to do something. If they
16 are not going to provide the leadership, I do not see how we
17 can do it.

18 Senator Danforth?

19 Senator Danforth. Is it your understanding, Mr.
20 Chairman, that it is the Administration's position that it
21 does not favor an increase in the tax rates, nor does it
22 favor any other method of increasing Social Security revenues?

23 Mr. Stern. There was one proposal on that, to charge
24 employers the Social Security tax on tips. That was about
25 \$100 million. That was about the only Social Security tax

1 increase in the Carter budget.

2 The Chairman. If they cannot do anything more than that,
3 I do not see why we should fool around with that. In other
4 words, here we are, we are going in the red \$4.5 billion a
5 year.

6 Mr. Stern. Yes, sir, they are talking about \$100 million
7 on a \$4.5 billion deficit.

8 The Chairman. \$100 million we are going to tax on a
9 guy who does not get tips.

10 Senator Danforth. As I understand it, they are opposed
11 to any other method of increasing revenues, such as increasing
12 the base.

13 The Chairman. That is my understanding. I think that
14 their argument is that the economy needs some stimulus, insofar
15 as we raise the Social Security tax, that that takes money
16 out.

17 Frankly, if you want to raise some revenue, you ought
18 to put it on energy. That is where you ought to put it, to
19 discourage people from wasting it. You ought to put it
20 frankly on oil and gas.

21 I come from an oil and gas state. You ought to put it
22 on oil and gas.

23 I guess the President is going to recommend something
24 along that line. There is no point in us recommending a tax
25 that is not going to happen.

1 Senator Byrd. I certainly agree with the Chairman on
2 that. This Committee would be foolish to recommend something
3 that the Administration is opposed to.

4 Senator Bentsen. Do you take my motion, or not?

5 The Chairman. You so move?

6 Without objection, we will rescind our decision to
7 recommend this tax increase.

8 There is one other item. We should see if we can come
9 into accord at the moment.

10 We assumed that this \$700 million would be saved as a
11 result of administrative reform in handling the programs over
12 in HEW. The Secretary of Health, Education and Welfare says
13 that they do not have a program drafted, but something has to
14 be done to try to control these hospital costs, and he strongly
15 urges that we leave that \$700 million potential saving in there
16 on the theory that they will be able to generate some kind
17 of recommendation and if that is done, that we will pass
18 something along that line.

19 I would suggest that we go along with them on that just
20 on the basis, if by the time these negotiations are over, by
21 the time the Second Resolution comes along, we find that you
22 can save the \$700 million administratively rather than saving
23 it by new legislation, that is a simple change to make, a
24 simple adjustment in the Second Budget Resolution. I suggest
25 we leave it the way we have it there. We hope to save \$700

1 million by controlling these hospital costs.

2 If there is no objection, we will make that change from
3 what we did yesterday.

4 You were talking about something, Mr. Constantine, that
5 should be done about certain other items.

6 Mr. Constantine. Yes, sir.

7 The Chairman. What page were you looking at?

8 Mr. Constantine. Page 42, Chart 13.

9 The Committee was concerned -- the staff, as you know,
10 we were recommending against allowing the \$200 million for
11 the Part B freeze for a variety of reasons. There are a
12 lot of other things that you might want to do.

13 Obviously the sense of the Committee was to do something
14 to improve benefits, so you have \$200 million there. That is
15 a plus-\$200 million.

16 The Administration has also proposed an increase in the
17 child health screening of close to \$200 million. We have
18 some problems with that, too. They now concede that they
19 do not know how many new children will be covered, to what
20 extent we are substituting Federal for state dollars as
21 opposed to covering more kids.

22 We would suggest that there are a variety of things you
23 can do with the \$400 million, the plus-\$200 million for the
24 Part B freeze, \$200 million for the screening of children.

25 You may want to consider an increase in the maternal and

1 child health ceiling that is now \$350 million. The states
2 would like that. No increase for three or four years.

3 You could put \$1,000 ceiling on what Medicare beneficiaries
4 pay under Part A for hospital insurance and deductibles. That
5 would cost \$100 million.

6 You could put \$1,000 ceiling on what beneficiaries pay
7 for doctors bills, for deductibles, and co-insurance. That
8 would be \$200 million.

9 You could cover the mentally ill, the only people not
10 covered under Medicaid. We match for the mentally ill under
11 age 21, we match for the mentally ill over 65. Everyone
12 in between is not presently matched.

13 What we would suggest is that the Committee keep its
14 options open and allow \$400 million, the two \$200 million
15 items, for health program improvements rather than labelling
16 it for anything specific.

17 The Chairman. And indicate that these are different
18 things that we have in mind?

19 Mr. Constantine. Yes, sir. Possible improvements.

20 The Chairman. Make sure that the Administration suggests
21 these items and that these other things are possible.

22 Mr. Constantine. Yes, sir.

23 Senator Byrd. Would that increase the cost to the
24 government?

25 Mr. Constantine. It would not increase the cost beyond

1 what is provided for in the budget. In other words, the
2 budget shows a plus-\$200 million for the Part B freeze and a
3 plus-\$200 million for child health assessment.

4 We suggest that we take those two items and allow plus-
5 \$400 million for health care program changes, improvements.
6 It would not be beyond the budget. It gives you your options
7 as to how you want to do it.

8 The Chairman. That would give us the option to do these
9 other things rather than do what they have here.

10 Mr. Constantine. Yes, sir.

11 Senator Byrd. It would be beyond the Ford budget?

12 Mr. Constantine. Yes, sir.

13 Senator Byrd. It is an increase in the Ford budget?

14 Mr. Constantine. Not in the aggregate. These are new
15 items, not in the Ford budget. Those two items were not in
16 the Ford budget, that is correct. It is not an increase over
17 the Ford budget in the aggregate on the health programs,
18 because the Ford budget did include a limitation on reimburse-
19 ment rates, an increase in beneficiary cost-sharing, as you
20 can see there, both of which the Committee rejected last
21 year.

22 Those were kind of unrealistic assumptions that those
23 would have been done in any case. We are simply saying to
24 hold the budget as President Carter submitted it, but just
25 keep your options open as to what you are going to do with that

1 \$400 million, if you want to do anything.

2 The Chairman. Keep in mind, what we are talking about
3 here is not whether Congress is going to do that. If the
4 Congress decides to do it, the funds ought to be there to
5 cover it.

6 Mr. Constantine. Yes, sir.

7 The Chairman. That being the case, I think that that is
8 about as good a way to do it as any. If there is no objection,
9 we will lump these two together and say, here are the kinds
10 of things that we would like to consider doing.

11 Without objection, agreed.

12 Could we talk about social services, Mr. Stern?

13 Senator Hathaway. On the same page, before we leave it,
14 on the Medicaid cost-control, that is going to stay in?

15 Mr. Constantine. Yes, sir. It is \$700 million and
16 \$100 million.

17 The Chairman. I am personally convinced that there
18 ought to be more in here for social services. There was an
19 article that appeared in the newspapers in my part of the
20 country that explained that for lack of funds for social
21 services, a lot of people are having to go on welfare who
22 would prefer not to be on welfare.

23 For example, here is a mother who wants to take a child,
24 perhaps she is already on a job, but unless someone can provide
25 some money to provide child care to look after the child when

1 the mother is working, then the mother is not able to stay
2 with the child. She has to quit the job, or cannot take the
3 job, as the case may be, unless somebody can look after the
4 child while she is working.

5 The argument is made that a lot of these people would
6 prefer to get off welfare and take a job if we provide the
7 social services to look after the children.

8 Further than that, since we have put this \$2.4 billion
9 limitation into effect, there has been no increase in the
10 fund for social services, even though there has been a tremen-
11 dous increase in demand.

12 For example, we are finding more and more that there
13 are a lot of old people in the nation who have made their
14 contribution when they were in better health and younger who
15 today have really very little left to show for it. Many of
16 these old people do not want to go to a nursing home. Some
17 of those nursing homes where they would be put are pretty
18 sad. They would prefer to stay in their own little home, but
19 you need to have somebody go around and maybe help them
20 clean the place up or talk to them, just to visit. Somebody
21 to go by and say hello and tell them what day of the week
22 it is.

23 Some of them cannot see. They get old, they cannot see
24 the dust in the house because their eyesight is not very good.
25 Just to have someone come and help them with a little housework,

1 maybe fix them a meal, visit, makes it possible for those
2 old people to stay in the home where they are rather than be
3 just so horribly lonely.

4 There has been no increase, even though the cost has
5 gone up -- how much has the cost gone up since we put the
6 \$2.4 billion lid on this thing?

7 Mr. Stern. The limit was put on in 1972 and the cost of
8 living has gone up 41 percent to 42 percent since then.

9 Senator Byrd. The Chairman has not pointed out how
10 much that social services fund went up from the original
11 proposal of \$49 million to \$2.4 billion, way up above that
12 before we put a ceiling on it.

13 The Chairman. I know. When we put that ceiling on, was
14 that not a cutback?

15 You had all these people who wanted to provide all kinds
16 of things that we did not think were social services.

17 Frankly, the point I have in mind, if nobody else does
18 it, I will certainly offer the amendment myself, to bring the
19 social services up for these Meals-on-Wheels or somebody to
20 help look after these old people and to provide some day care
21 for these mothers who want to go to work rather than live on
22 welfare.

23 Senator Matsunaga. What figure is the Chairman thinking
24 of?

25 The Chairman. What has been the increase in the cost of

1 living since the \$2.4 was levied on this?

2 Mr Stern. The cost of living has gone up a little more
3 than 40 percent. If you apply that to the \$2.5 billion,
4 it would be \$1 billion.

5 The Chairman. It would take \$1 billion to put it in line
6 with what it was. The Administration is recommending \$200
7 million just for child care. It does not take care of any-
8 thing else.

9 I assume that it does not contemplate an improvement in
10 the child care program. It would seem to me that we ought
11 to at least increase it as much to bring it in line with the
12 increase in the cost of living, \$1 billion rather than \$200
13 million.

14 Senator Matsunaga. I so move, Mr. Chairman.

15 The Chairman. I do not have the slightest doubt that
16 when the amendment is offered out there, that when we call
17 the roll, there are not going to be many brave souls who will
18 stand up and vote against it.

19 I can assure you of that. There is a lot of sympathy
20 for this program.

21 Senator Byrd. This whole program got greatly out of
22 hand. We tried to get it back into shape. Now we are going
23 to get it out of shape again.

24 The Chairman. No, all we are doing is keeping it in
25 line with the increase in the cost of living.

1 Under the Social Security program, it automatically
2 increases.

3 Senator Danforth. Is your proposal simply to increase
4 line item 1 on chart 9? What are we increasing by a
5 billion?

6 The Chairman. Where is the Social Services chart?

7 Mr. Stern. Chart 9 on page 30; the basic grant program
8 right now authorizes \$2.5 billion. Most states are up at the
9 limit of their entitlement so that they use almost all of
10 the money, \$2.4 out of the \$2.5 billion.

11 If you look under proposed legislation in the Carter
12 Budget, there is an additional \$200 million, which was proposed
13 for additional child care funds.

14 Senator Byrd. A total of \$700 million involved.

15 Senator Danforth. An inquiry into what your proposal is,
16 you are proposing an increase at least to keep up with what
17 the cost of living has done to this. Are you also proposing
18 a consolidation of these various parts into Title XX?

19 The Chairman. The money would best be used in letting
20 the states decide where they think the states would serve
21 their best purpose.

22 Senator Packwood. What you have is a block grant, the
23 way it works now.

24 Senator Danforth. What you would like to do is to
25 consolidate what they have here into Title XX together with

1 an increase -- you would be both consolidating and increasing
2 the amount for Title XX.

3 The Chairman. Right.

4 Senator Byrd. You have \$700 million here. What do you
5 do with that?

6 Mr. Stern. What you would be doing is you would not be
7 extending the additional child care funds that are only
8 available through September 30th of this year. The additional
9 amount of money would be in lieu of extending that. It would
10 be broader than only child care.

11 Child welfare services, you could determine later what
12 you want to do. That is a little bit more than \$50 million.
13 You could consolidate that into it too.

14 The rehabilitative services for recipients of Supplementary
15 Security Income, that was only contemplated as a three-year
16 program at a \$30 million level. Our suggestion is to keep
17 that until it runs out and not replace it right at the
18 moment.

19 It would be lines 1, 2 and 3 that you would be consolida-
20 ting for now, then item number 4 after the authority
21 expires at the end of fiscal year 1979.

22 The Chairman. We would strike out the \$250 million they
23 are asking for additional child care?

24 Mr. Stern. That is right. This is in lieu of that.

25 This other proposal on consolidation, it would be in

1 lieu of that also.

2 The Chairman. You would add those together, then that
3 would be the \$2.4, it would become \$2.6. You would add
4 another \$800 million to it. That would be \$2.8, so you get
5 to \$3.4.

6 Mr. Stern. If you authorize Title XX funds at \$3.5
7 billion, you would not actually spend \$3.5 billion because
8 some states would not be able to increase that quickly.
9 I would assume it would be something more like \$3.1 or \$3.2
10 of actual outlays, if you entitle states to their proportion
11 of \$3.5 billion.

12 Senator Hathaway. What are we consolidating? I am a
13 little leery about consolidating anything until we find out
14 whether that is the thing to do.

15 Mr. Stern. For budgetary purposes, you are not consoli-
16 dating anything. You are not acting legislatively at this
17 point.

18 Later on if you decide that you have three separate pro-
19 grams rather than one --

20 Senator Hathaway. The total now is \$3.1, right? \$2.4
21 plus 1, 2 and 2?

22 Mr. Stern. The 2 and 2 down at the bottom are legisla-
23 tive proposals. Basically you are proposing doing something
24 instead of that. It would be \$3.1.

25 Senator Hathaway. Where would the increase be?

1 Mr. Stern. The \$400 million under the proposed legisla-
2 tion.

3 Senator Hathaway. What is the proposal? I thought we
4 were going to add \$1 billion.

5 Mr. Stern. I was making a guess that if you did add
6 \$1 billion worth of authorization, in fact states would not
7 use that full \$1 billion next year since it is a rather
8 large increase in the program amount.

9 My assumption was that they would only probably use
10 some portion of that. My guess is that they would use \$3.1
11 billion, something like that.

12 That would still represent an increase of \$600 or \$700
13 million over present levels, because they are using \$2.4
14 billion out of the \$2.5 billion now; the additional child
15 care funds, that is an additional \$200 million. Child welfare
16 services is only an appropriation of a little over \$50 million
17 now.

18 By authorizing an extra \$1 billion, you would not be
19 spending an extra \$1 billion, maybe about \$600 or \$700 million
20 of that.

21 Senator Byrd. What is the point of doing it?

22 Senator Hathaway. You are talking about authorizing
23 another \$1 billion over what was spent last year, is that
24 what you mean?

25 Mr. Stern. I am skirting the issue a little bit, because

1 I am not sure what items you want to include in your consolida-
2 tion and which ones you do not.

3 Senator Laxalt. I am lost in the detail here. Could
4 we ask setting out on the board currently where we are, and
5 what is proposed to be changed, so we can follow it a little
6 bit better?

7 Mr. Stern. Perhaps I can explain what the separate
8 programs are in the chart.

9 The first program is rather in the nature of a block
10 grant that can be used for most anything in the social service
11 area. That authorizes \$2.5 billion.

12 Senator Hathaway. Where do you get \$2.5?

13 Mr. Stern. That is the authorization.

14 Senator Byrd. It says \$2.4 here.

15 Mr. Stern. The difference here is that these tables are
16 on the basis of actual expenditures. Forty-one states in
17 fiscal year '77 are expected to use their full entitlements;
18 the other states are not.

19 Almost all states use their full amount, not all do, so
20 the actual expenditure is \$2.4 billion, even though \$2.5
21 is the amount allowed.

22 Senator Hathaway. If we changed that and had a redistri-
23 bution of the surplus, they would use the \$2.5 probably.

24 Mr. Stern. If you allowed reallocation, you would
25 probably spend almost every penny.

1 Senator Laxalt. This is block grant on population with
2 a cap on it that was placed in 1972, is that correct?

3 Mr. Stern. That is correct. That is the basic Federal
4 support for social services.

5 Senator Laxalt. What does that include? What type of
6 service?

7 Mr. Stern. The main ones, child care, service for the
8 elderly, family planning. There are other services.

9 Senator Hathaway. Alcoholism?

10 Mr. Stern. Alcoholism and drug abuse. Most of the
11 things that you associate with social services.

12 Senator Packwood. There is always a limit to what the
13 state can do.

14 Senator Curtis. A 75 percent grant was put in; the
15 governors proceeded to write their own definition of social
16 services. Some states transferred every program that they
17 could.

18 Senator Roth. Their entire budget.

19 Senator Curtis. We were running kindergartens in one
20 state. Up in New York we were taking care of most everything.

21 The Chairman. We got it down from our projected \$4.5
22 billion down to \$2.4, when we put a lid on.

23 Meanwhile, this program had adjusted to where it is
24 a social service program within the limitations provided.
25 There are some very good things in it.

1 We have had a cost of living increase for a great number
2 of things, but we have not done it here. Failure to do it
3 here means, in a lot of cases, that people have to go on
4 the welfare rolls because you cannot provide the child care.
5 In other cases, with the cost going up, if you are providing
6 some old person with a hot meal once a day, the cost of the
7 wages and the cost of the food has all gone up. The cost
8 of gasoline has all gone up.

9 What do you do? You have to cut back because you cannot
10 pay for it.

11 So just to adjust for the cost of living, you ought to
12 take care of it. That is all the suggestion is.

13 Senator Laxalt?

14 Senator Laxalt. May I ask another question?

15 I gather from what Senator Curtis said that the governors
16 made a subjective judgment in their own state what social
17 services consist of, taking away some of the funds for the
18 purposes that you are describing, Mr. Chairman. Are there
19 any criteria that have been laid down?

20 Senator Curtis. There are now. That is how the Chairman
21 of this Committee got it down. It was heading for \$5
22 billion.

23 Senator Laxalt. Is there any criteria directed to the
24 governors on the purposes for which the money should be
25 spent?

1 Mr. Stern. The statute does not need to be too limited,
2 but it does give quite a bit of guidance by listing the kinds
3 of services that are contemplated and by stating that they
4 have to meet certain general purposes.

5 Senator Packwood. Is it not fair that within reason
6 anything that would be a social welfare program could fit
7 into the social service definition?

8 Mr Stern. Yes, you cannot pay medical bills, but other
9 than that --

10 The Chairman. Senator Roth?

11 Senator Roth. As one who has worked with the Chairman
12 in putting the ceiling on it, I think that pretty much the
13 abuses that were found in the early, wide-open program have
14 been eliminated. Is that not correct?

15 Mr. Stern. At this point, forty-one states are at their
16 limit within the \$2.5 billion. They are in a position of
17 having to determine priorities.

18 I would say that it was the open-endedness that was the
19 temptation. The case that the Chairman referred to, Mississippi
20 proposed that its kindergarten program should be carried as
21 a social service.

22 Senator Roth. What I am trying to say is that I
23 personally feel that with this kind of program, this has
24 a great deal of pluses over others because it gives broad
25 discretion to the states. Many of us have been trying to get

1 away from the categorical programs where states are forced
2 to spend money in areas that they are not interested in, and
3 this is one program that gives that discretion; as far as I
4 know that has been working.

5 The Chairman. Senator Danforth?

6 Senator Danforth. I am sorry to be so dense, but the
7 proposal would be to consolidate what? Regardless of the
8 figures, the first item is \$2.4, is Title XX and obviously
9 remains Title XX. The second item in '78 is \$100 million for
10 child welfare. Would that go into it?

11 Mr. Stern. Let me suggest that one way to proceed is
12 that you consolidate the first four items: the basic grant;
13 additional child care funds; the third is child welfare
14 services; and the fourth is rehabilitative services for
15 recipients of Supplemental Security Income.

16 Senator Danforth. Training and research is different?

17 Mr. Stern. Anything above that is what you would call
18 social services.

19 Senator Danforth. Below that, the Carter budget
20 extended additional child care funding, that is part of
21 it.

22 Mr. Stern. That would be part of it.

23 Senator Danforth. The other proposal consolidates
24 social services funded. That would be part of it?

25 Mr. Stern. Yes, sir.

1 Senator Danforth. On this page, the current levels,
2 you would be left, if you consolidated all of these under
3 Title XX with \$3 billion even?

4 Mr. Stern. That does not include the \$200 million that
5 we put in as a suggestion for consolidation. The last line
6 on the page is a proposal for consolidation and is lower than
7 what the Chairman is talking about.

8 If you look at present levels, you are really talking
9 about \$2.8 billion.

10 Senator Danforth. The Chairman has suggested an increase
11 because of the increase in the cost of living to what, \$3.5?

12 The Chairman. \$3.5 billion.

13 Senator Laxalt. That is on the basic grant, on top?

14 Mr. Chairman, was your proposal to add that to the basic grant
15 under Title XX?

16 The Chairman. My suggestion is that you consolidate those
17 items so that you provide the \$3.5 billion for the overall.
18 That leaves you some discretion as to whether you are going
19 to put it in.

20 The states can have discretion as to whether they need it
21 more for child welfare services or the basic program, or
22 need it more for aid to the social services for the aged.
23 That is a place where the state could look at that program
24 and see how they could best use it.

25 Senator Danforth. I agree. I have to step outside for a

1 few minutes, but before I did, I wanted to express my
2 agreement.

3 The Chairman. Thank you.

4 Senator Hathaway. So this is a total of \$3.5?

5 The Chairman. Yes.

6 Senator Hathaway. Even though we are talking about
7 consolidation, but legislatively it is not consolidation.
8 Some of us may want to leave it as it is.

9 The Chairman. For budgetary purposes.

10 Senator Hathaway. I agree.

11 Senator Matsunaga. I move that we consolidate the first
12 four items, raise it to \$3.5 billion.

13 Senator Byrd. Before you put the motion, Mr. Chairman,
14 I want to get some facts straight.

15 On this chart, as I understand it, you have \$3.1 billion
16 involved now, not \$2.4 but \$3.1 for social services, is that
17 not right?

18 Mr. Stern. That is the total amount shown. I should
19 add that the last line on this was a suggested incremental
20 amount for consolidation, just a staff suggestion, so it is
21 not anything that has any status, like being in the President's
22 budget or anything.

23 If you are talking about present levels, you should drop
24 that out. That would give you --

25 Senator Byrd. I am talking about what you proposed to

1 put into this budget that we are dealing with now.

2 Mr. Stern. Yes, sir.

3 Senator Byrd.- \$311 billion.

4 Mr. Stern. That is the total amount shown on the chart.

5 Senator Byrd. I have to go by the chart, do I not?

6 Mr. Stern. Yes, sir.

7 Senator Byrd. \$3.1 billion, that is substantially over
8 the \$2.4 billion, which has been the ceiling.

9 Mr. Stern. \$400 million of that is new legislation and
10 \$2.7 is existing legislation.

11 Senator Byrd. The existing legislation has a ceiling
12 of \$2.4, does it not?

13 Mr. Stern. \$2.5 billion, plus there is an additional
14 amount for child welfare services and an additional amount for
15 rehabilitation services.

16 Senator Byrd. If that is the case, then the social services
17 program has been increased since the ceiling of \$2.4 was put
18 on it.

19 Senator Hathaway. Title XX only.

20 Senator Packwood. Other things were added to specific
21 programs above and beyond the social services program, not
22 a part of it now.

23 Senator Byrd. Any way you look at it, we are expanding
24 the social services program.

25 Senator Hathaway. Right.

1 Senator Byrd. Part of it is in the \$2.4, the other part
2 of it is in these other items, so we are expanding it and
3 increasing the cost beyond the \$2.4.

4 Senator Matsunaga. To make up for the cost of living
5 increase.

6 Senator Byrd. But you took the 40 percent on the \$2.4
7 and did not give consideration to what we have already
8 increased.

9 The Chairman. What we are doing here -- let us give
10 credit where credit is due. You have to give the President's
11 group credit, seeing down there that they are going to need
12 additional funds for children so they add those \$200 million
13 in the Carter Budget. That is not going to be enough. You
14 are going to need this additional money.

15 Senator Byrd. Nothing is going to be enough if Congress
16 takes that view.

17 The Chairman. I do not think it is going to be enough.
18 It is clearly up to the Congress to vote on it, but what
19 we should be doing here is anticipate. Do you think the
20 Congress is going to want to do something about this, and if
21 so, there should be some funds to take care of it.

22 Frankly, I do not have the slightest doubt. I have been
23 in that debate before. I have been trying to hold it down
24 and I am perfectly prepared to be in a debate to bring it back
25 up again.

1 There is not the slightest doubt in my mind that when
2 all of this is explained to the Senate, that is how the
3 Senate is going to vote. I think the House will do the same
4 thing.

5 Politically, I think it is a very good vote. It will
6 probably have more appeal on the House side than it does
7 in the Senate, for that matter, because the people run every
8 two years, but it has merit. It ought to be done. This is
9 a matter where the cost of living has depreciated the service,
10 and it ought to be brought up.

11 Senator Byrd. Mike says that they cannot spend more
12 than 3.1; we still want to authorize 3.5.

13 Mr. Stern. If you authorize 3.5, I would guess that
14 perhaps a third of the states, or half of the states, would
15 be able to use the total, their total entitlement.'

16 Senator Byrd. They will find a way to use it, all right.

17 The Chairman. If you do it the way I want to do it,
18 they would not have the least difficulty spending the money.
19 The way I want to do it, I think you just add this on to
20 what they have coming to them already.

21 The thing that is going to hold them back on using
22 it if you do not amend the program would be because you would
23 have to say that they would have to find something to match
24 it.

25 Is this a 75-25 program?

1 Mr. Stern. Yes.

2 The Chairman. They have to find something to match the
3 \$1 billion. Frankly, if you do it the way I will probably
4 advocate when the time comes, is give them the additional
5 money and add on to what they have and that being the case,
6 they will have no problem whatsoever with the matching.

7 Leaving out the matching problem, they will all use it.
8 They may have to find some way to save some money in their
9 welfare program in order to put it over here on the social
10 services. That is the kind of thing that might limit that.
11 We do not need to decide all of that.

12 All that we have to decide is whether we are going to
13 make good in terms of dollars what the program was to begin
14 with. It was \$2.4. It has been eroded by a 40 percent cost
15 of living increase.

16 The point is, are we going to put enough funds in
17 here so that Congress -- that if Congress wants to make it
18 good in constant dollars that Congress has that option?

19 Senator Curtis. I am fully aware at this time we are
20 not passing on the merits in these proposals, merely the
21 figures for consideration of the Budget Committee.

22 This program was presented as applying social services
23 so that people could take care of themselves and thus lessen
24 the welfare rolls. We had never had an investigation or
25 study on the benefits connected to the costs.

1 I am serving notice that I am going to raise that when
2 we actually legislate on this. We ought to find out; I
3 will not press it at this time.

4 The Chairman. That is fine. The question is simply a
5 matter of do you think the Congress might want to do something
6 about this? To me, I do not have the slightest doubt.

7 All in favor, say aye.

8 (A chorus of ayes.)

9 The Chairman. All opposed?

10 Senator Byrd. No.

11 The Chairman. The ayes have it.

12 Senator Byrd. I want to say to the Chairman that all
13 spending is popular. That is why we are in such a fix, because
14 all spending is popular with the Congress.

15 The Chairman. I would like to applaud Harry Byrd's
16 consistency. If the budget is out of balance, we should all
17 recognize that it is over Harry Byrd's vehement protests.

18 Senator Byrd. I would like the record to show that, by
19 God.

20 The Chairman. It definitely should be there. I know it
21 is true. If anybody had any doubt about it, all they have to
22 do is look at the record. Harry has been consistent and
23 unfailing.

24 What is the next item?

25 Mr. Stern. There are two other things that you had passed

1 over. On page 34, Chart 10, Unemployment Compensation, you
2 had passed over the decision on what you wanted to do, how
3 much money you wanted to include in extending emergency
4 benefit programs. The bottom of Chart 10, page 34.

5 Senator Hathaway. Mr. Chairman, I was the one who
6 raised the objection to knocking that out, even though I
7 probably myself would vote for a lot of the provisions that
8 would cut it down, I think that we probably ought to leave
9 it the way it is. Chances are I will be outvoted. There
10 will be many members who will want to keep the program just
11 the way it is.

12 To cut it down would preclude us from doing that.

13 The Chairman. You are talking about 65 weeks?

14 Mr. Stern. The President's proposal is 52 weeks. The
15 estimate of \$400 million assumes that.

16 Senator Matsunaga. Really, a cut down.

17 Mr. Stern. Not a cut down in the sense that new people
18 get less than they otherwise would have if you had extended
19 the program under a straight extension.

20 The Chairman. I am inclined to think that this will
21 assume that we will tighten up the program.

22 Mr. Stern. The Carter budget includes no tightening
23 whatsoever.

24 Senator Hathaway. Even though I agree with some of the
25 proposals you mentioned as ways we could tighten it up, I think

1 Mr. Stern. That is right.

2 Senator Hathaway. 65 would go up to \$500 million.

3 Senator Byrd. You do not favor extending it to 65?

4 Senator Hathaway. No, I say leave the figure the way
5 it is there.

6 Senator Moynihan. We are proposing to tighten, reduce
7 the present amount.

8 Senator Hathaway. 65 to 52. We could tighten it further
9 by having a needs test and some other things.

10 Senator Moynihan. It is not possible to do that and keep
11 the President's proposal?

12 Senator Hathaway. Right.

13 I propose that we leave it the way it is.

14 The Chairman. All in favor, say aye?

15 (A chorus of ayes.)

16 The Chairman. Opposed, no?

17 (No response.)

18 The Chairman. The ayes have it.

19 Mr. Stern. The last item that you passed over is on
20 page 26, welfare programs for families. I do not think you
21 specifically decided on this limit on the work expense
22 deduction. This is a matter that the Committee has approved
23 in the past and the Senate, so I believe that it is realis-
24 tic.

25 The Chairman. Say that again?

1 Mr. Stern. In Aid to Families with Dependent Children,
2 the President is proposing that the treatment of work
3 expenses be somewhat less generous for purposes of determining
4 benefit levels and this is a matter that the Finance Committee
5 and the Senate has approved in the past. I think it is
6 unrealistic to assume that you can legislate it.

7 The Chairman. You think it is realistic to assume
8 that we could do something about that?

9 Mr. Stern. Yes.

10 The Chairman. Senator Curtis has been interested in
11 that.

12 Mr. Stern. Senator Curtis had a list of ten people who
13 had substantial earnings and were still receiving AFDC in
14 Nebraska because of work deductions.

15 Senator Curtis. We can always go down on these things
16 as far as the Budget Act is concerned. That is the reason
17 I am not wasting the Committee's time now. But I think there
18 is a lot of room for some changes that should save several
19 million dollars.

20 The Chairman. Why do we not assume that we can make
21 these savings here?

22 Mr. Stern. I should mention that Senator Talmadge would
23 like the Committee to consider, in connection with the
24 economic stimulus, that the funding of the Work Incentive
25 Program be doubled from \$400 million to \$800 million on the

1 grounds that he would anticipate a much bigger program if
2 you have economic stimulus and tax credit and so on.

3 The Chairman. I think that you do. I think that it is
4 worth pointing out that while this Work Incentive Program
5 appears to have an expense, is it not our experience that
6 the Work Incentive Program, every dollar that you spend in
7 that saves you at least \$2 by getting people off welfare
8 rolls?

9 Mr. Galvin. It is a saving, not quite that high.

10 The Chairman. It works out to an overall saving. It
11 looks like an expenditure.

12 Mr. Galvin. I would like to call your attention to
13 what is happening to the AFDC statistics in the last few
14 months.

15 The Chairman. What is that?

16 Mr. Galvin. The number of recipients on AFDC has been
17 going up since 1975 and the trend changed in much of this
18 year and started to go down. It went up as high as 11
19 million.

20 Senator Curtis. MARCH of '76.

21 Mr. Galvin. March of '76.

22 It had gone up as high as 11.5 million. The last figure
23 that we have for '76, 11.1 million.

24 The Chairman. Down 400 million from the peak?

25 Mr. Galvin. That is right.

1 The Chairman. All right. Part of that has been
2 because of what we did with runaway fathers, what we have
3 been able to do that they take a better look at their roles.

4 Governor Mandel told me at a luncheon yesterday in the
5 state of Maryland they decided, as a matter of cost control,
6 to keep people from being on the rolls under more than one
7 name or some improper basis that they decided they would
8 insist that everybody who was on the rolls ought to have an
9 identification like a driver's license, a card with a picture
10 on it, to identify himself.

11 So they called everybody to come in and have their
12 picture taken and 11 percent of the people did not show up
13 to have their picture taken, so they made an 11 percent
14 savings in the program by saying that everybody who wants a
15 check has to have their picture taken.

16 Senator Curtis. It is not the jurisdiction of this
17 Committee, but you can do the same thing in Food Stamps. A
18 very responsible doctor in my state told me a week ago Monday
19 that 50 percent of the appointments made with him to see
20 Medicaid patients did not show up. They must not be very
21 sick.

22 The Chairman: What is the savings?

23 Mr. Stern. You would have a savings of .1 under new
24 legislation, an additional expenditure of .4. It would be
25 a net of \$300 million.

1 Senator Curtis. Mr. Chairman, last year your staff
2 man worked up some good things on various savings of these
3 kinds and these particular programs and we were going to have
4 hearings and we never had the time to have them.

5 Will we have those hearings some time?

6 The Chairman. I think we definitely ought to..

7 As you know, I think a lot of us on the Committee wanted
8 to act on those suggestions and we were told that there was
9 a lot of support in the Department for many of those sugges-
10 tions, but obviously there are some people who had some
11 concern. At the very closing dates of the Congress, we could
12 not get around to doing anything about it.

13 But you would still recommend those, Mr. Galvin, those
14 ideas of what we are considering?

15 Mr. Galvin. Yes, I would.

16 Senator Curtis. Do you think we ought to have some
17 hearings so that the Committee could be familiar?

18 Mr. Galvin. We definitely need hearings on it.

19 The Chairman. All of those are good ideas. We found
20 one lady in Louisiana who was on the rolls under eighteen
21 different names. As a matter of fact, not this time, but
22 when they had the Miami Democratic Convention, one of the
23 ladies who was representing Louisiana at the Democratic
24 National Convention was on welfare under two different names
25 at the time.

1 We ought to be doing a job here of improving the program
2 and helping out the people. To me, I am not ambitious to
3 save the money just to say that it is being spent wisely for
4 those who need the benefits out of it.

5 If there is someone on the rolls improperly, then take
6 that money and take care of someone who needs it desperately.
7 This is an area where I think we could do some good in
8 helping people.

9 What else do we have to look at?

10 Senator Matsunaga. Mr. Chairman, what did we decide to
11 do on AFDC?

12 Mr. Stern. An increase of \$300 million, which includes
13 an increase of \$400 million and a saving of \$100 million.

14 The Chairman. We think that with the additional incentive
15 to hire people that the House has in their bill, that a lot of
16 those people who will be hired will come from the welfare
17 rolls to employment, which of course will be good for the
18 country. That is an overall savings, even though at this
19 point it looks like a cost.

20 Without objection, we will agree to that.

21 What else is there?

22 Mr. Stern. Page 46, Chart 13, the first item on that
23 chart is Revenue Sharing. General Revenue Sharing was extended
24 in legislation last year, a small increase from fiscal year
25 '77 to fiscal year '78.

1 Also, you enacted last year a counter-cyclical Revenue
2 Sharing proposal and the President is proposing an extension
3 and expansion of that, which in fiscal year '78 will involve
4 \$1.6 billion.

5 The Chairman. Without objection, I think that we ought
6 to budget that.

7 Senator Danforth?

8 Senator Danforth. I do not know if this is an appropriate
9 time to raise this question. My understanding of the counter-
10 cyclical Revenue Sharing proposal of the President is
11 that this is a part of his economic stimulus package. Then
12 we are going to get, I suppose, to the next item which will
13 be the total stimulus package of the President, and as you
14 know, this is highly controversial.

15 The question is whether or not this is the best approach
16 of stimulating the economy, assuming the stimulus is necessary.
17 I wonder if it would not be appropriate instead of singling
18 out \$1.6 billion for counter-cyclical Revenue Sharing and
19 then itemizing in Chart 16 various items up to \$16.9 billion
20 for tax stimulus, economic stimulus, if those items could
21 not be consolidated and we could come up with an aggregate
22 figure for a stimulus package and leave open exactly how it
23 is going to be divided up between various proposals.

24 Mr Stern. The problem is that all of the revenue things
25 will be consolidated in new legislation for revenues. The

1 reason why Revenue Sharing is shown separately is because
2 it is an outlay and appears in the Revenue Sharing category
3 as outlay, so when you make a report to the Budget Committee,
4 you have to report some number, whatever it is, for Revenue
5 Sharing and some number for revenues. That is the reason for
6 showing them separately here, even though they are a part of
7 the same package.

8 The Chairman. It comes from two different places in the
9 budget?

10 Mr. Stern. Yes, sir.

11 Senator Roth. I would like to follow with a similar type
12 question, because later this morning I intend to make a
13 proposal in this area.

14 If you have two different charts, does that mean when
15 we come to the legislation itself that we are not free --
16 for example, I happen to think that the tax rebate is the
17 wrong approach. I just do not think it is going to create a
18 major stimulus to our economy and I feel very strongly that
19 the proper approach is an across-the-board tax cut for
20 individuals and I intend to make a major fight for that
21 approach, Mr. Chairman, which is expensive, but I intend to
22 propose that in lieu of many of the other things that the
23 President has proposed, and frankly, some of my colleagues
24 are proposing.

25 But I do not want to find myself in a box like you and I

1 did on some things last year where the Budget Committee says
2 that we cannot do it.

3 So I am raising this question. As I say, I intend to
4 propose roughly a 10 percent cut in personal income taxes which
5 will have a significant impact next year in lieu of the many
6 proposals that the President has made, because all I am
7 suggesting and recommending is what President Kennedy urged
8 that we do in the 60's. I mentioned this to the Secretary of
9 the Treasury at our breakfast the other day.

10 This brings me to the question that Senator Danforth is
11 raising: how do we take care of that flexibility because it
12 is a very critical, crucial, question to the economy of this
13 country.

14 It is important that we have full debate, not only
15 before this Committee, but when we get to the Floor.

2a

16 Senator Curtis. What you are raising, would your
17 rights be protected under the Budget Act so that you could
18 offer a proposal in the nature of a substitute for the Carter
19 package to do something else that would affect revenues
20 not to exceed --

21 The Chairman. Let me tell you how I react to that.

22 It seems to me that the Republican leadership in the
23 House and the Senate -- John Rhodes spoke of it at the
24 Governor's meeting yesterday -- is going to suggest something
25 along the lines that you are recommending and, of course,

1 that will be voted on. It may be that that does not fit
2 the notches in the Carter Budget or the Budget Resolution,
3 but if not, this is something that would be voted on before
4 the Second Budget Resolution and if the amendment is agreed
5 to, the Second Budget Resolution will simply have to conform
6 to it.

7 Senator Roth. I recognize that, Mr. Chairman. I also
8 recall our experience last year, which I joined with you in
9 fighting, that the Budget Committee has taken the very tough
10 position that if it does not fit their particular Budget
11 proposal that our freedom is restricted and that has been --
12 I am not being entirely critical. I understand in part why
13 they are doing that.

14 At the same time, I think that somehow we have to protect
15 our rights now, so that argument cannot be made on the
16 Senate Floor.

17 The Chairman. You do not have to worry about Russell
18 Long. I am not going to confront you. As far as I am
19 concerned, it is just a matter of which way you want to do
20 it.

21 I would hope that the Republican members on the Budget
22 Committee would be equally as alert to what is going on here
23 as the Republican members on the Finance Committee and make
24 it clear that they are going to offer a substitute and they
25 want it clearly understood that this does not lock them in.

1 Senator Roth. Mr. Chairman, with all due respect to
2 my Republican colleagues on the Budget Committee, what I
3 propose may not necessarily be the same as to what some of
4 my colleagues are proposing.

5 Frankly, I want an across-the-board cut, at least up to
6 a certain relatively high figure, because I think that that
7 is the only way you are going to get a real stimulus, that
8 is the only way you are going to build some confidence in the
9 economy, the way the consumers are going to start purchasing,
10 the only way you are going to get business start construction
11 and additional buying and creating additional jobs in the
12 private sector.

13 What I am saying, I want to make sure my rights as one
14 Senator -- not as a Republican or a Democrat -- has that
15 right and this troubles me because I am not sure -- I know
16 full well we are going to get on the Senate Floor. If your
17 proposal does not meet this particular notches as far as the
18 stimulus is concerned, we are going to meet that fight. I
19 do not like it.

20 Senator Moynihan. If the Senator would yield?

21 Senator Roth. I would be glad to yield.

22 Senator Moynihan. I am not sure that I will be in favor
23 of your proposal, sir. I would like to make a general point
24 in support of what you are saying, which is that the Budget
25 Impoundment Act was largely designed in this respect to see

1 that the cumulative effect of small increases does not get
2 out of hand, and there is a tendency in Committee structure
3 for the Committee to do that, and that is sensible, and I think
4 we can all support it.

5 But what you are talking about is a fundamental change
6 in the tax structure of the United States which is the preserve
7 of this Committee, The responsibility and right of this
8 Committee to make proposals must never be impaired because
9 we are trying to get out of that nickel and dime problem which
10 will wreck the budget no doubt. But we are talking about the
11 larger sense of tax policy and that is this Committee's
12 preserve.

13 Senator Roth. Absolutely.

14 Senator Curtis. You are so right.

15 Senator Roth. From that standpoint, the standpoint of
16 our Committee, somehow maybe you have some idea of how we can
17 do that. There ought to be language that shows that we intend
18 to maintain that flexibility.

19 Probably the most important issue we are going to have
20 this year is this one.

21 Senator Curtis. On Friday, there is going to be colloquy
22 on the Floor, I was told by some of the Budget Committee,
23 discussing that very point because there will be people who
24 will contend because the oncoming Budget Resolution makes
25 allowance for the Carter package, that that is approval of the

1 Carter package, and that that settles it.

2 I understand that two or three Minority members of the
3 Budget Committee are going to bring it to the Floor and you
4 are going to be notified about it, because certainly that
5 should not be the legislative intent.

6 The Chairman. I think it ought to be well understood
7 and, Senator, even though I may not go for your amendment
8 as a substitute for what the President is suggesting, I will
9 certainly be glad to support your position in the debate
10 that we have the right to do it however the Senate wants to
11 do it.

12 Incidentally, that is how the thing worked out last
13 year on the fight between the Budget Committee and the Finance
14 Committee.

15 Senator Curtis. They have not given up.

16 Senator Roth. Now what I suggest is that we give some
17 careful thought to our recommendations to the Budget. I do
18 not know exactly how. Certainly this was not the intent of
19 the budget procedure, which I played a key part in.

20 The Chairman. Why do you not put something in the report
21 that we make and just say in a footnote that certain members
22 of the Minority Party made clear that they were intending to
23 offer a substitute for the President's economic package in
24 terms of a general tax reduction for all taxpayers, and that
25 they made it clear that if their proposal were successful they

1 intended to strike this proposal out.

2 Senator Roth. Do we want to limit it?

3 If I understand Senator Moynihan --

4 Mr. Stern. The way the report works, you simply have
5 one net figure for new legislation. Suppose it were \$18 billion;
6 what you are telling the Budget Committee is the Resolution
7 ought to allow for a reduction of \$18 billion in revenues
8 for new legislation. That is no endorsement of any particular
9 proposal or any combination of proposals, but simply a
10 number.

11 Senator Curtis. Why could you not do this: every place
12 that there is an item -- this is not for argumentative pur-
13 poses -- but every place that there is an item here of the
14 Carter package, how much it costs, put it down as they have
15 got it or an alternative which the Congress may adopt.

16 Mr. Stern. In fact, you have made substantial modifica-
17 tions in a number of Carter proposals.

18 Senator Curtis. Our problem is not with the President;
19 our problem is with the Budget Committee and they have a
20 right to tell us how much revenue they want and what kind of
21 ceiling they want on expenditures, but how we get there is
22 none of their business.

23 The Chairman. Why do you not put something in there
24 where the counter-cyclical appears that the Committee is
25 aware that there is substantial support for a substitute for

1 the President's stimulus package, that if this effort is
2 successful it may well result in striking the counter-cyclical
3 Revenue Sharing and a substitution of a larger tax cut.

4 Senator Danforth. Mr. Chairman?

5 The Chairman. You fellows decide what you want.

6 Senator Danforth. Rather than a tax cut, I would say
7 what I would like to see is an asterisk appearing before the
8 \$1.6 and appearing before the table, Chart 16, and the same
9 asterisks in both places simply stating that the aggregate
10 amount of the President's package is about \$18.5 billion, or
11 whatever, for 1978 and it remains to be seen how that is
12 going to be divided with respect to tax reductions of one
13 kind or the other, or other forms of economic stimulus that
14 may or may not be tax reductions.

15 Youth employment, for example, would not be a tax
16 reduction part of this program, but it would be still a part
17 of the total economic package that some of us think is
18 preferable to the President's.

19 But I would just like to flag that so that we do not
20 get sandbagged by the Budget Committee or by appointment of
21 order at some subsequent time.

22 Senator Roth. I agree with what Senator Danforth is
23 saying.

24 The President's package next year costs roughly around, the
25 total package stimulus -- what is it? \$15 billion in its

1 entirety?

2 Senator Byrd. \$20 billion.

3 Senator Roth. One of the problems I have, for example,
4 an across-the-board tax that I am talking about would be a
5 substantial impact on revenues next year. I intend that in
6 lieu of many of the other spending programs -- I am not only
7 concerned about what is in the Budget here, but by a 10
8 percent across-the-board cut, for example, we are all right
9 during the remainder of the current year. It will have
10 roughly a \$12 billion net loss of revenue next year, roughly
11 speaking, which is no more than the President is proposing
12 altogether, but includes the spending program.

13 I intend, and want the Senate, to have the opportunity
14 to take that approach and vote on it and not have it decided
15 on technical grounds.

16 The Chairman. Right.

17 You prepare the language and I think we can accomodate
18 you.

19 Senator Roth. Thank you.

20 Senator Curtis. Thank you, Mr. Chairman.

21 The Chairman. Without objection, we will recommend this
22 to the Budget Committee with that caveat.

23 Now let us talk about, then, the revenue -- is there
24 any problem there?

25 Mr. Stern. There is one other item, the Sugar Act,

1 on page 46.

2 The Chairman. It may be that the Administration can
3 work out the problem administratively, but not knowing that,
4 I think that we ought to have these figures in here, that
5 we might need another Sugar Act, and if so, we would estimate
6 that it would cost \$100 million and it would raise \$100
7 million.

8 Without objection, that will be agreed to.

9 Senator Byrd. I would like to ask the staff about an
10 item on page 46.

11 On the interest figures, I assume that is net interest,
12 because the interest on the debt would be substantially more
13 than that, would it not?

14 Mr. Stern. That is correct.

15 Senator Byrd. I want to get the figure. What is the
16 interest on that debt of fiscal '77 and what is the interest
17 on the debt for fiscal '78?

18 Mr. Stern. The interest on the debt in the revised
19 Carter Budget for fiscal '77 is \$42.3 billion.

20 Senator Byrd. No, I take it that that is net debt.

21 Mr. Stern. That is the figure that is called interest
22 on public debt.

23 Senator Byrd. But I think it is important that we know
24 whether that is net debt or whether that is the interest on
25 the public debt.

1 Mr. Stern. Interest on public debt.

2 Senator Byrd. Are you certain of that? I think that
3 you will find that it is the net debt. I think you will
4 find it is net interest, not the interest on the debt, but
5 net interest.

6 Mr. Stern. The figures shown in the blue book are the
7 net figures which is about \$4 billion in fiscal '77 and
8 almost \$5 billion in fiscal '78.

9 Senator Matsunaga. You have a figure of \$38.2 in the
10 blue book that he says is net debt and he is giving \$42.3
11 as the interest on the public debt.

12 Senator Byrd. Where do you get the \$42.3?

13 Senator Hathaway. The budget book.

14 Senator Byrd. It is not in this book.

15 Senator Hathaway. What is the net debt? What do they
16 subtract?

17 Senator Byrd. They subtract interest they received.
18 That is going to be my question, is where they get the
19 interest payments.

20 Mr. Stern. I am sorry, Senator. What is the question?

21 Senator Byrd. My first question is this: what is
22 the total interest paid on the national debt by the government?
23 What will it be for fiscal '77 and what will it be for
24 fiscal '78?

25 Mr. Buckberg. In fiscal '77 the interest payment on the

1 public debt will be \$42.3 billion. In fiscal '78, the Carter
2 estimate is \$46.8 billion.

3 There are some offsets through this total interest
4 expense to the Federal government because after auditing on
5 income taxes, people who have not paid an adequate amount are
6 charged interest on that amount, and that offsets the total
7 interest payment, so that what will be shown in the Budget
8 is that the interest payment will be a smaller amount of
9 approximately \$4 billion, but the figures I gave you are the
10 interest on the public debt.

11 Senator Byrd. That is what I want; that is not in this
12 book.

13 Mr. Buckberg. The figure they are showing in the book
14 is net interest payment.

15 Senator Byrd. Why should we not show in the book the
16 total payment and with a separate item on the offset, if
17 you want to?

18 Mr. Stern. We will do that from now on. We can do
19 that also in the letter, if you want to.

20 Senator Byrd. What letter?

21 Mr. Stern. In the letter from the Finance Committee to
22 the Budget Committee, giving a figure for interest on the
23 debt. We can show both the gross figure and the net
24 figure.

25 Senator Byrd. I wish you would do that. I wish you

1 would show the gross figure in any of these figures that
2 you have come up for Committee consideration and the public.
3 I think the public should know the interest on the debt.

4 These figures do not give it.

5 Mr. Stern. All right.

6 Senator Byrd. I think also that it would be well -- you
7 do not need to put it in the book, but if you could give me
8 a brief memorandum as to where the real offsets are, where
9 they come from the offsets for the most part.

10 Mr. Stern. All right.

11 Senator Byrd. As I understand it, the gross interest
12 on the national debt is \$42.3 billion in '77 and \$46.8 billion
13 estimated in '78.

14 Mr. Stern. That is correct.

15 Actually, when the Committee is done, to the extent that
16 your recommendations modifies the size of the deficit, we
17 would modify even these numbers in what you send to the
18 Budget Committee.

19 Senator Byrd. You would modify them?

20 Mr. Stern. For example, if the net effect of what
21 the Finance Committee is recommending represents a deficit
22 of \$2 billion more than the Carter Budget, then this \$46.8
23 billion would be an increase.

24 Senator Byrd. What interest figure would you take,
25 6 percent, 7 percent?

1 Mr. Buckberg. We usually try to estimate what we think
2 the interest rate would be. We really have not worked out
3 what it will be fully in the future.

4 The Administration used 4.6 percent as the basis for
5 their estimates. It is a question of whether it will remain
6 at that rate.

7 Senator Byrd. I think it is low. That is why I think
8 that this figure is probably low. 4.6, you are not going
9 to get money at 4.6 percent.

10 Senator Curtis. That is the average of all the payments
11 including evidences of indebtedness that have been out for
12 several years, is that right?

13 Mr. Buckberg. That is the payment for all. The 4.6
14 percent rate is the shortest rate the Federal government pays
15 on three month bills. Those are the things that turn over
16 most frequently, and they use this as the rate for stating
17 what the estimate is.

18 There is a structure that goes in almost a mechanical
19 way above that for 180-day bills and one-year notes. Much
20 beyond that, the debt is outstanding and continuing so you
21 do not have to re-estimate what it would be. You know that,
22 because it is a prior commitment.

23 The Chairman. Can you give me some estimate, by the
24 way, of how much of this interest we are getting back in
25 taxes on that same interest?

1 Mr. Buckberg. A rule of thumb guess would be slightly
2 less than -- well, for fiscal '77 where it is \$4 billion, I
3 would guess on the total interest, a rule of thumb -- I
4 would say it would be somewhat in the neighborhood of \$6
5 billion.

6 The Chairman. That is taxable, and you are estimating
7 that you would only get \$6 billion back in taxes on that
8 income?

9 Mr. Buckberg. Part of it is savings bonds where the
10 interest is not included in income until the bond is
11 redeemed, and the average -- this would be an amount fully
12 going into personal income, the average tax rate on personal
13 income, not taxable income. This is a total income figure
14 and it runs somewhere in the neighborhood of between 10 and
15 11 percent.

16 To the extent corporations are receiving this, their
17 rate is going to be somewhat higher. At the moment, there
18 is \$6 billion on a \$42 billion outlay. I would guess it is
19 somewhere in the neighborhood of 15 percent.

20 The Chairman. You figure over \$6 billion?

21 Mr. Buckberg. Yes.

22 The Chairman. What is next?

23 Mr. Stern. Let me emphasize, the figure you give to
24 the Budget Committee will be one figure. These charts show
25 detail and the way it goes to the Carter Budget, but the

1 figure going to the Budget Committee is one number.

2 Senator Roth. Mr. Chairman, I have two comments I want
3 to make and one proposal.

4 Again, Mike, I want to make it clear, in what we were
5 just discussing a few minutes ago, of course, what I am
6 proposing has a substantial effect of \$12 billion on the
7 revenues so we would have to make sure that the language that
8 we write applies both to spending and revenues which is what
9 my proposal and some of the other proposals will have.

10 Mr. Stern. The \$12 billion includes some spending funds,
11 too?

12 Senator Roth. No, it will not.

13 My \$12 billion would be less revenue, but what I am
14 proposing that in lieu of certain spending proposals of the
15 President.

16 Mr. Stern. I think, though, that you should think also
17 in terms of having your own amendment to the Budget
18 Resolution.

19 Senator Roth. I am.

20 Mr. Stern. If you do not do anything to the Budget
21 Resolution, you will be in a difficult position.

22 Senator Curtis. Would you state that again?

23 Mr. Stern. Supposing, for example, that there was a
24 proposal to cut taxes by \$20 billion rather than cutting
25 taxes by, say, \$15 billion and spending an additional \$5

1 billion. In terms of deficit effect, it is the same.

2 In terms of procedure of the Budget Act, however, it will
3 be one category for revenues and one category for outlays
4 and it will look as though you are going below the revenue
5 figure, and you will be going below the revenue figure in
6 that category, so I think you would want some kind of
7 conforming amendment.

8 Senator Roth. I agree with what you are saying. At
9 the same time, I want to make certain that we, as the Chairman
10 has mentioned, put language in that admonishes that this
11 will happen.

12 My college tax credit will have an effect on revenue.
13 It would have an effect of \$1 billion.

14 This legislation has been cosponsored by Abe Ribicoff
15 as well as Senators Moynihan, Dole and Packwood. We have
16 something like twenty-one cosponsors of this legislation,
17 and I think I can say the same thing to my distinguished
18 Chairman that he said a moment ago, that there is no question
19 that when this comes to a vote on the Senate Floor it is
20 going to have broad support, if last year is any indication
21 of this.

22 So what I am asking is that the revenues reflect this
23 legislation.

24 The Chairman. I think that it ought to. I think that
25 the Senate will vote it. If you do not want the Senate to

1 pass it, you had better not let them vote on it. I do not
2 have any doubt that the Senate will vote for it; I think it
3 should be in there.

4 Without objection, we will add it.

5 Mr. Stern. How much money are you talking about?

6 Senator Roth. The college tax credit, \$1 billion.

7 Senator Danforth. I am apologetic again for being so
8 dense. We are talking about, as I understand it, an
9 aggregate figure for tax reductions for 1978 and the question
10 is exactly what that figure should be.

11 You start out here with \$16.9. If you would add to that
12 what Senator Roth is proposing, that would be another
13 billion. Is that correct?

14 Senator Roth. That is correct.

15 Senator Danforth. What your proposal is, as I under-
16 stand it, not to separate the two, but simply to increase
17 this from \$16.9 to \$17.9, right?

18 Senator Roth. That would be correct.

19 Mr. Stern. It is only one number when you are all done,
20 one net figure.

21 Senator Danforth. If you viewed Revenue Sharing,
22 counter-cyclical Revenue Sharing, if that took the form of
23 a tax cut, that would be an additional 1.6. However, we are
24 handling that by an asterisk, right?

25 Mr. Stern. As of the moment, you put in the 1.6 billion

1 and you did not put it in revenues, you put it in as an
2 outlay. You are putting in language in your letter to the
3 Budget Committee that there may be a proposal in lieu of
4 that additional funding to convert that into revenues instead.

5 But as I understand it, you have left it in as an
6 amount shown as an increase in new legislation in Revenue
7 Sharing at this minute, and saying in the letter that you
8 may do something else.

9 Senator Danforth. The thing is, I think this is going
10 to be the question as to how much you cut taxes and whether
11 you cut taxes and alternatively the effect -- not alternatively,
12 but on the other side of that coin, the degree to which the
13 tax cut in turn stimulates the economy, by cutting taxes
14 you increase the revenue, that kind of argument.

15 What I am concerned about is locking ourselves into a
16 figure, even if it is \$17.9 instead of \$16.9, or if it is
17 \$18.5 versus \$16.9. I would just like to see maximum
18 flexibility for tax cuts.

19 What I would like to do is see this figure increased to
20 about, say, \$22 billion for next year for tax cuts, which
21 is kind of an off-the-top-of-the-head figure, but we had
22 to come up with something.

23 I would like to see a little room for flexibility.

24 The Chairman. There is an item that I want to offer.
25 Somewhere along here we were talking about it. I think I

1 mentioned it to you. It had to do with child care, did it
2 not?

3 Mr. Stern. Yes, sir. What you mentioned to me, since
4 the tax credit under the Ways and Means Committee Bill is a
5 40 percent credit and the child care credit part is a 20
6 percent credit, you may want to double that credit to make
7 it 40 percent.

8 The Chairman. Here is my thought. The House for years
9 would not go along with our deduction for mothers to pay
10 someone to look after their children, or even take care of
11 them while the mothers were trying to earn some income for
12 the family, so finally they came up with the bright idea
13 that they did not want the upper income people to get any
14 advantage because they are paying a high tax already.
15 Rather than have a deduction, they would give a 20 percent
16 tax credit for hiring someone to look after the house while
17 the mother was out working.

18 They would give the tax credit even though the person
19 would wash some dishes and do the housework in addition to
20 minding the child.

21 If the House wants to pay a 40 percent tax credit to
22 hire more people, then I think that that 20 percent ought
23 to become 40 percent, because I think it has equal merit
24 where a mother wants to go to work, she leaves the home
25 and goes out and finds employment. Look at how it works out

1 otherwise. Let us assume that she can get a job making, let
2 us say, \$700 a month and let us assume that she has to pay
3 someone \$500 a month to stay and look after the child and
4 do the household duties that she would be doing if she were
5 staying home.

6 Assuming that she is married and the husband is also
7 earning, she would be paying in about the 30 percent tax
8 bracket on the \$700 she is earning, so you take off \$210
9 from the \$700, and if she cannot deduct the \$500, she is
10 losing money by going to work.

11 If you let her deduct -- give her that 20 percent tax
12 credit, \$100, then she finishes ahead by just a little bit,
13 but not enough to really make it worth a woman going to
14 work. The only value she gets out of going to work is just
15 the stimulation of getting outside the home for a few hours.

16 But if we made it a 40 percent tax credit, then she
17 would wind up, because she took the job after taxes, and
18 considered a family would be about \$200 better off because
19 Mama went to work.

20 If they are going to provide a 40 percent tax credit
21 just for hiring somebody else, it seems to me we ought to
22 do as well by a mother who pays somebody to look after her
23 children while she is out trying to improve the family's
24 condition.

25 So I am going to suggest that we are going to consider

1 that in connection with this type of bill, not that they
2 would get both, but you would get one or the other.

3 In other words, you would not get the benefit of the
4 tax credit for adding the other person, the 40 percent there
5 and get the 20 percent over 40. You would get one or the
6 other of these tax credits.

7 My guess is that that would cost over \$1 billion because
8 more people would use it.

9 Can you give me an estimate on that?

10 Mr. Shapiro. The figure now is \$870 million. It can go
11 from 20 percent to 40 percent. You could double that and
12 more people would be doing it. It would be close to \$1
13 billion because of doubling the percentage as well as
14 additional people going on it.

15 The Chairman. If it puts more people to work -- and I
16 hope it would -- for one thing, she could afford to pay more.
17 she has a 40 percent tax credit, and it seems to me as though
18 you should estimate as though \$1.2 billion for that.

19 I do not think you could get by with less than that.
20 I would like to suggest that we include that in here.

21 You add \$1 billion for your credit, you add \$1.2 billion
22 a year for this, and that gets us up to \$19.1. You are
23 suggesting, Mr. Danforth, that we put that figure in the
24 tax stimulus package up here to about \$22 billion?

25 Senator Danforth. Yes, I do. I would like to see us

1 maintain maximum flexibility, because I suspect that one
2 way or another, that is going to be the best way to go.

3 The Chairman. Why do we not put on another \$1.9
4 billion to round it out to \$22 billion to say for tax revenue
5 reductions, other revenue reductions, for example, I would
6 assume that you would be saying let us knock out this \$1.6
7 billion over here for counter-cyclical and have a further
8 tax cut for that, and that gets you pretty close to what
9 you are talking about right there.

10 Senator Danforth. Right.

11 The Chairman. My experience on the Senate Floor
12 notwithstanding the Budget Committee is when we get a big
13 tax cut bill out there, the Senate does not reduce the tax
14 cut. We will have some great oratory about fiscal responsi-
15 bility, but the tax cut does not get smaller on the Senate
16 Floor, it gets bigger.

17 I could not help but be amused last year -- and I think
18 I irritated the Chairman of the Budget Committee -- how on
19 earth can the Finance Committee protect the fiscal sovereignty
20 of the country when the Chairman of the Budget Committee
21 himself leads the charge to bust the budget?

22 He said it was unrealistic to assume that we could
23 discontinue that \$35 tax credit. One of the reasons that
24 it was unrealistic was the Chairman of the Budget Committee
25 led the charge to keep the \$35 credit. If he had supported

1 us instead of opposed us, we could have terminated the \$35
2 tax credit.

3 If you look at what the Senate wants to do, I do not
4 have the slightest doubt that when Senator Roth gets his
5 amendment agreed to out there, assuming my amendment or
6 somebody else's amendment on this line will be the only thing
7 on the Floor on tax cuts. There will be other ideas.

8 Notwithstanding the Budget Committee, the way that we
9 tend to hold those tax cuts, within some limitations, is
10 that the Conference Committee between the Senate and the
11 House rather than with the Budget Resolution, especially when
12 it is not binding.

13 So I think that it is probably wise to recommend that
14 if there is no objection, why do we not say we will recommend
15 this figure of \$22 billion in tax stimulus and other
16 revenue proposals.

17 It would be all right with me, gentlemen, to put a
18 tax on energy to pay for some of this. We should be recommen-
19 ding an energy package to encourage people to insulate
20 homes, to encourage them to conserve energy, to encourage
21 them to use smaller automobiles, and frankly, we ought to
22 put a tax on energy to pay for it.

23 Senator Curtis. We ought to take the bill we had last
24 year on the Senate Floor -- it had a half a cent increase
25 in gasoline tax. That ought to look awfully good in the light

1 of 25 percent.

2 The Chairman. I think we can find a better way of doing
3 it when we have a chance to look at it. The President may
4 recommend something on it. The more I think about it, if
5 you want to raise money by a tax on energy, you ought to do
6 it the way we do it on energy, tax it right at the well rather
7 than at the gasoline pump.

8 I know, as far as a person voting for it, it is a lot
9 easier to vote for the tax on the well than on the tax on the
10 gasoline pump. The last time we raised the tax on the well,
11 my Uncle Earl was Governor and the filling station operators
12 called it Black Tuesday and lined the pumps with black crepe
13 when the tax went into effect.

14 People do not like the tax directed to their attention.

15 On the other hand, you can tax energy when it comes out
16 of the well and people will say that is a great tax. Tax
17 those so-and-so's. The fact that it gets to them in the
18 price of the product does not seem to concern them if they
19 think they tax some guy in the oil business.

20 I think that is the easiest way to do it, if you are
21 going to do it, a lot easier to do that than to put the
22 tax at the pump.

23 Senator Roth. Can we limit the impact to Louisiana as
24 as far as higher prices?

25 Senator Matsunaga. On Chart 16 on business tax credits,

1 \$2.4 billion for '78, .7 for '77. Is this the one that
2 was finally adopted by Ways and Means?

3 Mr. Shapiro. That is the new tax credit.

4 Senator Matsunaga. For small business establishments?

5 Mr. Shapiro. Yes.

6 Senator Matsunaga. The \$2.4 is also based on it?

7 Mr. Shapiro. Yes.

8 Senator Matsunaga. I just introduced a similar bill
9 on this side.

10 Senator Roth. Mr. Chairman, I think that Mike has come
11 up with some language and I think it takes care of my
12 concern. I would just like to read it so that everybody
13 understands it, if there are any questions. It says:
14 "In recommending these amounts for revenue reductions and
15 outlays, the Committee recognizes that the Senate will be
16 considering alternate proposals to stimulate the economy and
17 that these proposals, while keeping within the same, overall
18 budgetary impact, may well involve larger revenue reductions
19 and smaller outlays than are included in the various budget
20 categories."

21 I think that puts the Budget Committee on notice.

22 Senator Curtis. Yes, and I think we should ask the
23 Budget Committee to incorporate that in the report.

24 Senator Roth. That is a good suggestion. I respectfully
25 request that that be incorporated. Certainly it was not the

1 intent of the Budget procedures to prevent the Senate from
2 considering alternate proposals, and that is what could
3 happen.

4 The Chairman. Right.

5 I would suggest that, without objection, we would agree
6 with that. I would suggest that the staff total all of this
7 up and make it available to all of us, and that we schedule
8 a meeting at 10:00 o'clock tomorrow, just in case the members
9 want to discuss this matter further. There may be something
10 that the Senators may want to discuss.

11 Mr. Stern. I just found that there is a 9:00 o'clock
12 Democratic Caucus meeting, do you want to make that 11:00?

13 The Chairman. 11:00. If someone, on looking this over,
14 wants to check with the staff, they certainly may, and the
15 staff can show us what this looks like, and we might want to
16 change it. Just in case someone has second thoughts about it,
17 let us meet tomorrow.

18 Unless someone suggests tomorrow that we change it, then
19 I suggest that we agree here that we are going to send this
20 over, unless someone by 11:00 tomorrow indicates that they
21 would like to reconsider some of it.

22 Mr. Stern. I am assuming that the Committee did agree
23 to \$22 billion tentatively?

24 The Chairman. Right,

25 Mr. Stern. May we say that we should include it in the

1 letter to the Budget Committee that they ought to make an
2 allowance for minor tariff and tax bills, to make sure that
3 you do not get in the situation --

4 The Chairman. \$100 million, that is right. Without
5 objection, we will agree to that.

6 Then I would think that if we meet here at 11:00 o'clock
7 tomorrow, we can make any suggested changes that we want to.
8 We may want to reconsider the whole thing, you cannot tell.
9 The Senators might think about it overnight, and see what
10 we have.

11 Thank you, gentlemen.

12 (Thereupon, at 12:05 p.m. the Committee recessed to
13 reconvene at 11:00 a.m. on Thursday, March 3, 1977.)

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