

EXECUTIVE SESSION

- - -

THURSDAY, FEBRUARY 23, 1978

- - -

United States Senate,  
Committee on Finance,  
Washington, D.C.

The Committee met, pursuant to recess, at 10:10 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell T. Long (Chairman of the Committee) presiding.

Present: Senators Long, Ribicoff, Byrd, Gravel, Bentsen, Hathaway, Matsunaga, Moynihan, Curtis and Hansen.

The Chairman. Gentlemen, I suggest that we call this meeting to order and we can proceed to go forward with some of these materials. If we have a controversial vote, we can save that until more of our troops are in the room.

Meanwhile, we can, I think, make some tentative decisions which can be confirmed when we have full attendance.

Why do you not proceed now, Mr. Stern and Mr. Shapiro?

Mr. Stern. When we left off, we had completed going through the expenditure provisions, so we are now on the revenues which begin on page 50 of the blue book, chart number 14.

Mr. Shapiro. On page 50 is chart number 14 which lists the revenues under present law. As you can see in the righthand

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

00000060203



1 column, for fiscal year 1979 are the totals for the various  
2 income classes. The first is individual income tax for  
3 fiscal '79. It is estimated to be \$221.2 billion. The next  
4 is corporate income tax which is estimated to bring in \$70  
5 billion.

6 The third item, social insurance taxes, \$132.5 billion.  
7 Then we have excise taxes of \$18.7 billion. Next, estate and  
8 gift taxes, \$6.1 billion followed by Customs duties of  
9 \$6.4 billion and then a miscellaneous category, "other  
10 revenues" of \$7.4 billion, which totals to an estimate of  
11 \$472.2 billion of revenues which is estimated for fiscal  
12 1979.

13 Chart 14 is the estimate for budget proposals of what  
14 the revenues would be from the Committee standpoint to achieve  
15 some of the estimates. Page 52 talks about the tax reduction  
16 proposals.

17 Before going to that part, it would be appropriate to  
18 refer to the individual sheet that you have that deals with  
19 the extension of temporary tax provisions, This one sheet  
20 that was folded into the material there. The Administration  
21 has in its budget the extension of the temporary tax provis-  
22 ions except for the last item, the job tax credit. When you  
23 hear the Administration's proposal of approximately \$25 bil-  
24 lion of tax cuts, that does not include the extension of  
25 the existing temporary tax provisions.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

0000060204



1           The reason is that that is not an additional reduction,  
2 that is an extension of the existing tax treatment. So you  
3 would have to have a provision-- it is in the Administra-  
4 tion's budget -- of \$8.3 billion, that includes the general  
5 tax credit and the corporate surtax exemption.

6           The earned income credit is being proposed to be  
7 extended. However, that does not have a fiscal 1979 effect  
8 because that is refundable. It is not reflected in with-  
9 holding, which means that those payments would come out of  
10 1980.

11           The 1979 payments are based on the 1978 earned income  
12 credit provision already in the budget. As I indicated, the  
13 general tax credit and the corporate surtax exemption totals  
14 \$8.3 billion. That is what is in the budget. The jobs tax  
15 credit is in present law. It expires at the end of this year.  
16 It is \$700 million, but the Administration does not propose  
17 extending that, and it is not in the budget.

18           The Chairman. Let me say this. In my judgment, and I am  
19 going to suggest that, before we finally vote this matter  
20 through, that the staff including the minority staff, show  
21 to each Senator what we would propose as a recommendation so  
22 that when we come back in here on Tuesday, that they can show  
23 us what we are suggesting doing about these different items.

24           If anyone wants to make any change in it, just let us  
25 know and we will try to crank it in or offer it as an

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 alternative.

2 I think that we ought to put that .7 in there, and  
3 I will suggest it to the staff, and they can show you alter-  
4 natives. If we do not do that, I have no doubt that the  
5 House is going to send it to us. The Chairman of the House  
6 Committee sponsored that proposal. He thinks it is a very  
7 good idea and fought very hard for it over on the House  
8 side and the Senate bought that without any real opposition  
9 at all.

10 One reason they did was that we, in the Senate, had  
11 proposed the same kind of thing on an earlier occasion, is  
12 that not right?

13 Mr. Shapiro. Yes. It was the Small Business Committee  
14 and the Finance Committee members on Small Business had a  
15 proposal of this kind.

16 The Chairman. It was something that the Finance Committee  
17 had offered as an alternative to the guaranteed income scheme.

18 Mr. Shapiro. Along the lines of a WIN credit.

19 The Chairman. We suggested, where somebody would put  
20 people to work who are otherwise on your back that you have to  
21 support, if somebody puts some of those people to work that we  
22 would give them a tax advantage for hiring them. That is  
23 basically it. The point is, it is not identically the same  
24 thing, but it is very similar to the kind of thing that we  
25 proposed to them, which they had previously declined to take in

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

1 Conference, but we tried very hard to get them to take that  
2 kind of approach. They later sent it to us. It is not  
3 entirely their idea. We have been suggesting that type of  
4 thing even before they did.

5 I do not want to decide it now. I think when you bring  
6 in a suggested, that is one of the alternatives that you  
7 should suggest, that the jobs credit would be in there.

8 The other items are in the budget already?

9 Mr. Shapiro. Yes, that is correct.

10 The Chairman. All right.

11 Mr. Shapiro. That deals with the temporary tax reduc-  
12 tions. On page 52 are the Administration's tax reduction  
13 proposals they have made to the Congress as a part of their  
14 overall tax reform and reduction package. Page 52 deals with  
15 the tax reduction proposals.

16 The next chart, on page 56, deals with the tax reform  
17 proposals. Looking at the tax reduction proposals, you will  
18 see there are four major categories that the Administration  
19 proposed. The first one is the individual income tax which,  
20 in fiscal year 1979 has a reduction of \$22.5 billion. That  
21 is essentially the rate reductions for individuals.

22 The next category, the corporate income tax rates, that  
23 is estimated to be \$4 billion in reductions. That is also  
24 reductions in the rates of corporations.

25 The next category, investment tax credit, that is \$2.4

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 billion. That is making the investment tax credit permanent  
2 at a 10 percent level and extending it to certain other  
3 areas, such as structures.

4 The next category of reductions includes excise and  
5 unemployment taxes. That is the telephone excise tax which,  
6 back in 1971, it was proposed to phase out over a ten-year  
7 period. It was a 10 percent excise tax on telephones, and  
8 in 1971, it was phased down to 1 percentage point per year,  
9 so in 1981 it will completely expire. 3 to 4 percent right  
10 now. The Administration is proposing repealing it immediately  
11 rather than carrying out the phasedown.

12 The next category, the unemployment taxes, is a part  
13 of that line there. The prior law had a .5 unemployment tax.  
14 The last bill that dealt with that increased it to .7. The  
15 Administration proposes reducing that .7 back to the prior  
16 .5 level.

17 Those two changes have tax reductions of 1.6, so adding  
18 those four categories, the total of the Administration's  
19 tax reduction proposals are \$30.5 billion for fiscal year  
20 1979.

21 What is also on the chart below the Administration's  
22 proposals are four categories, three of which the Committee  
23 has already considered previously and acted upon, and the  
24 fourth one is somewhat of a catch-all for a series of  
25 miscellaneous provisions and technical problems that usually

0000060408  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 come to the Committee's attention during the course of a  
2 Congressional year.

3 The first item is the higher education tax credit.  
4 This essentially is the Roth amendment, \$1.2 billion which  
5 the Committee has passed. Although there are other tuition  
6 tax proposals in the Committee, it appears that all of them  
7 are within that level for at least fiscal year 1979.

8 The second category is the Extension Act. That essen-  
9 tially is the extension of the Section 911 for this fiscal  
10 year and there are several other provisions of that area of  
11 extensions. The total of that is approximately \$300 million.  
12 The Committee has already acted on that particular bill.

13 The third category, the Technical Corrections Act, H.R.  
14 6715, although it is a technical corrections bill, some  
15 provisions have a revenue effect and also the deferral of  
16 carryover basis for estate tax purposes. The total for  
17 fiscal '79 is \$100 million.

18 Those are the three provisions that the Committee has  
19 previously acted on.

20 The fourth item, allowance for future action. As indica-  
21 ted, there are usually a number of minor revenue matters that  
22 are brought to the Committee's attention. This is more or  
23 less a figure to allow the Committee to deal with these  
24 matters that usually come to the attention of the Committee  
25 during the course of the Congressional session.

00000060209  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1           These, then, are the listing in this chart for purposes  
2 of tax reduction proposals.

3           We go next to page 56 and you find chart number 16 which  
4 deals with the tax increase proposals. This is the tax  
5 reform package that the Administration proposed in the overall  
6 tax package. Under the individual taxes, there are four  
7 categories.

8           The first one is itemized deductions, and this is where  
9 the Administration proposes repealing the gasoline tax,  
10 state and local sales taxes, personal property and miscellan-  
11 eous taxes, also revising the metal expense casualty loss  
12 provision. That totals \$4.1 billion for fiscal year 1979.

13           The next category is business-related reductions and  
14 that deals with certain revisions of some of the tax shelter  
15 provisions and in other areas of business-related deductions  
16 that deals with individuals. That does not have a revenue  
17 effect, a significant revenue effect, for fiscal year 1979.

18           The third category under individual taxes is the enter-  
19 tainment and travel amount. That is what has usually been  
20 referred to as the so-called "Three Martini Lunch Provisions,"  
21 dealing with meals, club dues and so forth. That is intended  
22 to pick up \$700 million in fiscal year 1979.

23           The next category is employee benefits and that deals  
24 with taxing unemployment insurance with individuals above  
25 certain income levels and dealing with certain nondiscrimination

300 7.H STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345





1 clauses and some of the fringe benefits available to some  
2 business employees. That total is \$200 million.

3 The next category deals with corporate deductions.  
4 These are a series of items that the Administration has  
5 proposed, such as repealing DISC referral. These items would  
6 pick up \$500 million in fiscal year 1979.

7 The Chairman. Let me submit to the Committee this  
8 problem, and also I want the staff to advise us of this  
9 problem. Obviously, the Budget Committee would probably  
10 go along with a suggestion by the Finance Committee that we  
11 simply include in the budget the tax reductions recommended  
12 by the President as well as the tax increases recommended by  
13 the President and par for the course is, if we put in these  
14 reductions approved by the Senate Finance Committee that are  
15 listed here, particularly the big one, which is the higher  
16 education tax credit, that they would then probably be  
17 reluctant to go along with that and economize by taking that  
18 out and saying that is an item that goes with the budget and,  
19 of course, we would have a fight on the Floor. That option  
20 is available, anyway, to anyone who wants to offer that.

21 If Mr. Roth, for example, would like to put the Senate  
22 on record for his education tax credit, he can offer that  
23 on the Budget Resolution in any event, and we can offer it  
24 if we want to initiate it right here.

25 Now, on the other hand, we could submit a figure that would

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 take all of this into consideration and give us the  
2 potential of keeping our options open, because all we  
3 really have to submit is an overall figure, as I understand  
4 it, is that right?

5 Mr. Shapiro. That is correct.

6 The Chairman. How can we submit one overall figure  
7 which, on the theory that we would live within this figure  
8 or try to, and so that we would not be committing ourselves  
9 to buy these individual items of the President's recommended  
10 tax increases and also keep our options open with regard to  
11 what we want to recommend as tax cuts as well as what the  
12 Administration is already recommending.

13 Mr. Shapiro. In relationship to the Administration's  
14 proposals, what the Committee could do is take the Adminis-  
15 tration's figure in the tax package -- the net is \$25  
16 billion. That would not necessarily saying that the Committee  
17 is endorsing that provision, all these provisions, the tax  
18 cuts or the tax reductions. What the Committee could be  
19 saying in that regard is that you are prepared to have a net  
20 tax reduction of \$25 billion which would mean if the  
21 Committee does not agree to some of the reforms, the Committee  
22 might want to adjust the tax reductions to fit within that  
23 level. That could be the Committee's position, if the  
24 Committee wants to live and accept the Administration's \$25  
25 billion.net tax reduction.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345

0000060212



1 If the Committee feels that the overall tax reduction  
2 should be higher and some members would like to propose  
3 that, then that is a different issue. But given the fact  
4 that you do not want to make a substantive decision as to  
5 whether or not any of the reductions or reforms should be  
6 modified in any particular way, you could just agree to that  
7 net figure and reduce the reductions if some of the tax  
8 reform matters are not agreed to.

9 Senator Bentsen. Mr. Chairman, I totally concur with  
10 that approach. It really ties our hands to try to get us  
11 committed on this specifically when we really have not had  
12 a chance to study them and then watch the Budget Committee  
13 second guess us on specific provisions. It seems to me that  
14 their responsibility is the overall net increase or decrease  
15 in the budget.

16 The Chairman. When we do that, we may find ourselves  
17 compelled to move some date over, postpone some expected  
18 date in order to do that. That could lead to an argument,  
19 but we have been through that before, and so far I think the  
20 Senate has voted with us on that.

21 If an argument, in order to accommodate our views, as  
22 well as the President's view and everybody's views, we just  
23 have to move a date over to postpone the tax cut so it does  
24 not take effect as soon as somebody would like to have it.  
25 We could be within it.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 Let me ask this question. Have we managed to live  
2 within the Budget as far as our part of this business is  
3 concerned in the last year or two since the budget resolution  
4 went into effect?

5 Mr. Shapiro. Yes, sir, on the revenue side and expendi-  
6 ture side.

7 The Chairman. So as a practical matter, any publicity  
8 that you might have read somewhere to the effect that we are  
9 busting the budget is just not correct. We have lived  
10 within it. Is that correct?

11 Mr. Stern. Yes, sir.

12 The Chairman. In fact, if I recall correctly, I think  
13 that we have failed to have as big a deficit as the Budget  
14 Committee wanted us to give to them, is that not correct?

15 Mr. Shapiro. Yes. The reason is the Budget Resolution  
16 included the \$50 rebate, which is approximately \$10 billion,  
17 which was an item included in the budget which did not pass  
18 the Congress. So that \$10 billion in the budget was not  
19 actually spent.

20 The Chairman. So if we have failed to live up to the  
21 budget process, it is that we have not been able to give them  
22 as big a deficit as they would have recommended, on the  
23 overall? I am not seeking to be critical. By the time we  
24 come out here with a bill, that says we have to move a date or  
25 two over and make things squeeze, to drop one thing and accept

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

0000060214



1 accept something else and show figures of red and try to  
2 come within the overall figure, if you look at the net  
3 final result, the final result is between the Finance  
4 Committee and the Budget Committee. If anything, we are the  
5 ones who are not willing to spend as much money as they are  
6 willing to spend. We are the ones who, in the alternative,  
7 have raised more money to reduce these deficits than they  
8 would do.

9 Mr. Shapiro. That is correct. You have not exceeded  
10 the levels of the Budget Committee.

11 The Chairman. I am not mad about it. I do not like  
12 being accused of us being the people who are being fiscally  
13 irresponsible and the fact is, when you look at the targets  
14 they had and what we did, it was not us overspending, it was  
15 us underspending or overtaxing, any way you want to look at  
16 it. We have been raising more money and producing a smaller  
17 deficit on our end of it than the Budget Committee was  
18 recommending.

19 I am not here to be critical, but that is the overall  
20 result of it. To the effect that the President recommended  
21 the rebate, the \$50 rebate, the President recommended the  
22 \$50 rebate. It passed the House, but it failed to pass the  
23 Senate and the President withdrew it.

24 On balance, we were not the one. We want to work with  
25 them, but we want to do our job and we want them to do their

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 job. They should look at the overall totals and we should  
2 look at the line items.

3 Mr. Shapiro. Senator, the one remaining chart for  
4 your consideration will be on page 60, that deals with the  
5 energy tax legislation.

6 The Chairman. As of now -- mind you, we are trying to  
7 suggest what you should put together and bring back to the  
8 Committee. Why do we not, as of now, suggest that you  
9 think in terms of the \$25 billion figure and show us how we  
10 might be able to fit all of these items within it, and then  
11 if some of the tax increase proposals will fail, how we  
12 still might manage to come within it. I do not think we will  
13 have much difficulty cutting taxes. The difficulty is in  
14 raising taxes.

15 And if we fail to raise as much revenue as the President  
16 would like for us to do, we would have to find a way to  
17 squeeze these tax cuts within the figure that we have available  
18 to us.

19 Senator Roth?

20 Senator Roth. Mr. Chairman, I would like to make two  
21 observations which I believe are in order here. Number one,  
22 with respect to the tax credit for higher education, I am  
23 very sympathetic, generally speaking, to what you propose, that  
24 normally we not spell out in detail, so that there is some  
25 flexibility. However, in the area of the college tax credit or

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 an educational tax credit, I am concerned that it could invite  
2 problems later on.

3 Last year, in trying to get action taken, one of the  
4 problems was that somebody would always try to steal the  
5 budgetary fund. If you wanted to put it there, we would  
6 use it for some other purpose and blank my college tax  
7 credit out, and that is one concern I have.

8 I think we are all pretty much in agreement that the  
9 tuition tax credit is an issue that we are going to have to  
10 face this year and, for that reason, I would personally very  
11 much like to see us pass that tax credit provision, speci-  
12 fically.

13 The Chairman. I personally feel that, with regard to  
14 the Roth amendment, that I have a moral commitment to support  
15 the Roth amendment and I think those of us on the Committee  
16 who favor it have that obligation, to see that the Senator  
17 from Delaware and those who joined as his cosponsors have  
18 the opportunity to offer their amendments to the Senate, and  
19 I would anticipate that the Committee will support it.

20 It ought to be passed on the appropriate bill, and  
21 hopefully one where we have a little leverage, to hope that  
22 it would put a little pressure on the President to go along  
23 with us on it.

24 If the Senator wants to offer the proposal on the  
25 budget resolution, I have no objection to it. If you would

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 like to offer it when the budget resolution comes up, offer  
2 that amendment which would put the Senate on record for it  
3 would be all right with this Senator. That may be one way  
4 of gaining acceptance from the House on that particular  
5 item.

6 Senator Roth. Let me raise one other issue.

7 The Chairman. In other words, the figure that we would  
8 suggest would be an overall figure. It would leave us the  
9 potential of squeezing the Roth amendment in, but it would  
10 not necessarily commit us to it, and if you wanted the  
11 Senate to commit itself to it, I think the way to do it would  
12 be to offer the amendment to the resolution and put something  
13 in that.

14 Mr. Stern. A couple of years ago, that issue was made  
15 whether the budget resolution should be able to specify  
16 particular tax provisions and it might be a route you would  
17 not want to go down, although, in this particular case, you  
18 might want to say the Senate approved money for this provis-  
19 ion in general. You might want to get in the position where  
20 the resolution could tell you what to do and not to do.

21 At that time, the issue related to how much worth of  
22 tax increases you were supposed to have. It could come back  
23 to haunt you later that you specified.

24 Senator Roth. Generally speaking, I would be satisfied  
25 to follow the Chairman's recommendation that we have the funds

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345





1 in there and there is an understanding that they are avail-  
2 able for the tuition tax credit. That is satisfactory with  
3 me.

4 The Chairman. Why do we not leave it on this basis,  
5 that we have every intention of recommending this \$112  
6 billion, we fully intend to include that in the figure. They  
7 are not supposed to second-guess us on how we arrive at that  
8 \$25 billion, and that is the way I read it, that they are not  
9 supposed to second-guess us, that we conceived it and we have  
10 to take something out to put something else in, or vote for  
11 less tax cuts somewhere else, or move a date over, or some-  
12 thing of that sort.

13 That is supposed to be our decision, as to how we fit  
14 this in, as to how we put the package together. If we say  
15 all right, there are some of these items here in the President's  
16 tax increase proposal that we will buy and some we will not  
17 buy, there is no way we know how to arrive at 5.5. Certainly  
18 we are going to hear the Administration's proposal and we  
19 will live with it and work it out somehow. We will give them  
20 an answer and, generally speaking, if we do not raise as  
21 much money as the President wants us to raise, then we may  
22 not be able to cut as many taxes as the President would like  
23 for us to cut.

24 I think it might be well for us to give them a figure  
25 that would say, with regard to these reductions that have been

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 proposed by this Committee bevore which work out to a total  
 2 of \$1.7 billion, that we fully intend -- for example, one  
 3 is the tax reduction package sent over by the House already.  
 4 Can we make a recommendation that includes that \$1.2 billion?  
 5 That is what I have in mind.

6 Mr. Shapiro. What you have is you give them a gross  
 7 figure which would include that item.

8 The Chairman. All right. Let us give them a figure  
 9 that includes it, all right? If they want to cut it out, then  
 10 if they want a Floor fight on that \$1.2 billion, we will give  
 11 them a figure that includes it. If they want to fight it  
 12 out on the Floor, all right. Just take it out. That way  
 13 the Finance Committee, I would anticipate, would support  
 14 Mr. Roth to put it back in. Here is something that went on  
 15 last year. If you want to fight about it, we will go to  
 16 First City and we will just have it out. We will see how  
 17 the other things work out. All right.

18 That way, if the Budget Committee wants to argue about  
 19 it, they can reduce it by \$1.2 billion. The time before, it  
 20 was very clear that if Mr. Roth was going to get his educa-  
 21 tion proposal considered, he would have to offer that amend-  
 22 ment out on the Floor. Otherwise, he was going to be frozen  
 23 out.

24 If they want to raise an issue, they can.

25 Mr. Shapiro. The next is on 60, the energy tax legislation,

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 chart number 17. As of now, as you know, the energy tax  
2 legislation is in conference. We have two bills, the House  
3 bill and the Senate bill.

4 The total of the House bill raises \$3.9 billion. Most  
5 of that is the crude oil tax. The Senate bill has a revenue  
6 loss of \$5.1 billion. At this point, there is not a compro-  
7 mise that has been agreed to by the Conference Committee.  
8 It may be that, for purposes of the budget, that the Committee  
9 may want to consider what the Senate has already acted on,  
10 which is the Senate level.

11 The Chairman. I do not see how the Senate could do any-  
12 thing other than that. It seems to me that we have a Senate  
13 bill composed of a number of items, including Floor amendments,  
14 offered by people not even on the Committee, and every Senator  
15 has a right to ask that his item in conference be supported  
16 by the Senate conferees.

17 We have a duty to get his suggestion agreed to, if we  
18 can.

19 Under those circumstances, unless we want to go in and  
20 surrender the suggestions made by Senators and approved by the  
21 Senate in conference, I do not see how we can do anything but  
22 recommend that -\$5.1 billion on the basis that that is what  
23 the Senate voted. If we can get it agreed to, fine.

24 Senator Packwood. I agree.

25 Senator Hansen. I do, too.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 The Chairman. If we have no bill, that is \$5 billion,  
2 we could spend it somewhere else.

3 Mr. Shapiro. That concludes the provisions. Mike Stern  
4 made a quick calculation and the total of each of the items  
5 we discussed, which includes \$9 billion for the temporary  
6 tax extensions, \$25 billion which is the net four-year  
7 Administration tax program, netting out the tax reforms against  
8 the tax reductions; \$1.7 billion which includes your other  
9 tax reductions, that figure would include the tuition tax  
10 credit; and then your \$5.1 billion which is your energy tax  
11 legislation, and that total of those four categories is  
12 \$40.8 billion.

13 The Chairman. How does that compare with what is  
14 recommended to us.

15 Mr. Stern. One problem, Mr. Chairman. We have a hard  
16 time figuring out what the Administration has allowed for  
17 energy taxes in the budget. At a guess, it is probably on  
18 the order of \$4 to \$5 billion higher than the President.

19 Mr. Shapiro. The budget levels -- printed on the page  
20 here, it says \$1.1 plus \$1.1. Mike says that there is some-  
21 what of a mix here. That might not be totally accurate. So  
22 we would have to check that out.

23 Mr. Stern. I think some of the things that we have  
24 included in our chart are not included in the \$1.1 billion.  
25 That is the problem.

300 7TH STREET, S. W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 The Chairman. The point is that we cannot very well  
 2 go below the \$5.1 without proceeding on the assumption that  
 3 we are going to be receding on items that the Senate recom-  
 4 mended, or else assuming that we are going to pass the crude  
 5 oil equalization tax. I sure would not count on that.

6 Senator Hansen. I doubt that the President is, either.

7 The Chairman. Unless somebody can show us a better  
 8 proposal, draft it up and show it to all of the Senators.

9 Senator Roth. Mr. Chairman, may I come back to another  
 10 point? I intend to offer, at the appropriate time, a further  
 11 tax cut than is being proposed by the President. It is my  
 12 feeling that the principal problem with what the President  
 13 has proposed is that it is concentrated on the lower end of  
 14 the economic scale but does nothing, is entirely inadequate,  
 15 for middle America, and I feel very strongly that the tax  
 16 cut should give some recognition to the problems that they  
 17 are facing as a result of inflation, the problems that they  
 18 are facing because of increased costs brought about by  
 19 government, and that this should be recognized.

20 I would like to have the staff -- as I understand it,  
 21 we will be voting on these next Tuesday. If they would  
 22 prepare a proposal for consideration by this Committee that  
 23 would give the most important difference that the individual  
 24 tax cut would amount to \$33 billion as compared to \$22 billion  
 25 under the President's proposal.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 550-2345



1 Senator Curtis. If you would yield there for a related  
2 matter, I would like to have this Committee pursue the idea  
3 of having our own independent estimates of the effective tax  
4 changes. It is true that computers are mathematically correct,  
5 but it depends a lot on what you put in there. The experience  
6 has been that if a tax reduction has been good for the  
7 economy that oftentimes it increases revenue rather than  
8 lowers revenue.

9 In dealing with the large figures that we must deal  
10 with, I think that we must have our own input on that, without  
11 the purchase of expensive equipment. It can be done because  
12 there are plenty of outside facilities, that we should have  
13 something to say about the type of model that is used to  
14 determine revenue loss on proposals that come here.

15 I somewhat apologize to my colleague, Mr. Roth. I do  
16 not mean to detract from the deduction. I think that is  
17 true. The way it is, if there is a proposal that is not in  
18 line with the honest reasoning of the Administration, and I  
19 say honest because I know it is not intentional, but the way  
20 they look at it, it has a very adverse impact on revenues,  
21 where actually, when it is enacted, it is not things that are  
22 good for the economy produces revenue.

23 Senator Bentsen. Mr. Chairman, I would like to concur  
24 with the Senator from Nebraska. I would like to see that we  
25 get more independent analysis of the impact, revenue impact,

0000060224  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 of these cuts or tax increases rather than going to a source  
2 that has already made up their mind what they think it should  
3 be.

4 With all due respect, whether a Republican or a Demo-  
5 cratic administration, I think you have a tendency to get  
6 some input into the computer that sometimes carries out  
7 their original intent rather than what we are trying to do.

8 The Chairman. I really think, for that purpose, that  
9 we might even want to do it as the Finance Committee rather  
10 than asking the Joint Committee to do it for us. Just  
11 because the Joint Committee works for both committees -- they  
12 work both for us and for the Ways and Means Committee. I  
13 will talk to Mr. Shapiro about it more when we have more  
14 time to think about it.

15 I do not think that it is quite fair for us to commit  
16 ourselves to buy the Ways and Means Committee's assumptions  
17 or vice versa, but I think that we ought to do something  
18 about these estimates. When we start out with the investment  
19 tax credit, I forget the exact figures. Let me run them off  
20 and assume it is \$5 billion. When they came with the invest-  
21 ment tax credit, we assumed it was going to cost us about  
22 \$4.5 billion. It turned out that it stimulated the economy.  
23 It really did such a good job of stimulating the economy that  
24 it did not cost us any \$5 billion. If you look at what it  
25 did in secondary and tertiary and so on, along the line that

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 the ultimate effect was that it stimulated the economy so  
2 much that that product made more money for the government.

3 The reason I say that, when we subsequently thought that  
4 the economy was overheating and we repealed it, we estimated  
5 that we were going to pick up about \$5 billion. Instead, we  
6 lost about that much because the economy slowed down, and  
7 then we were asked to put it back in, and once again we put  
8 it back in and we estimated that we would lose money, and we  
9 made money because the economy picked up not just that, but  
10 that plus what we did about more liberal depreciation allow-  
11 ances. The depreciation range, whatever they call it, to  
12 aid the oil. Those were the two principle incentives to  
13 move the economy ahead.

14 They were part -- there was more than one factor  
15 involved. These economic things get very complex, but there  
16 is not a doubt in my mind that we did not lose any money.  
17 We made money on that, all right?

18 So I finally got Larry Woodworth to look into it and  
19 he got some different people to make these estimates on the  
20 feedback. He finally came up that they would give us 30  
21 percent of that figure in feedback. I think that is conserva-  
22 tive, it ought to be more like 50 percent in feedback, but  
23 they put that item down.

24 I assume by now you are carrying the investment tax  
25 credit as about a \$9 billion revenue loser in the budget, is

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345





1 that right or wrong?

2 Mr. Shapiro. Yes.

3 The Chairman. My guess is that if you repeal it you  
4 would not make a nickel. What would happen is the economy  
5 would just freeze up. Business people would postpone making  
6 investments and say someday they are going to have to give  
7 us back the incentive they had before. Until they do, we  
8 are not going to make these investments. As a result, the  
9 economy would slow down and proper estimate of the review  
10 would show that you would lose money. If you are saying that  
11 is costing us that much money, I do not think it is.

12 I think that if you repealed it you would have to give  
13 business something to try to offset it, unless you wanted  
14 the economy to slow down to a halt.

15 Senator Bentsen. Mr. Chairman, let me say, some of  
16 these people have had a lot more experience with estimates  
17 than I have, but I had an education. When we had an idea,  
18 it was our idea. We asked how much it was going to cost, and  
19 we got a horrendous number back of what it was going to cost  
20 the Treasury. And then about a year later it turned out to  
21 be their idea and it did not cost nearly as much.

22 Senator Curtis. Mr. Chairman, if you would yield, I  
23 was a little behind the times in calling this matter up. I  
24 have had, rather the staff initiative did some work on this,  
25 and looked around at a proposal which I will not call up in

0000060227  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 detail until the Chairman has had time to examine it, but  
 2 I would hope that he and the distinguished Senator from Texas  
 3 and others who want to would look at it. It attaches a  
 4 proposal that worked out a model such as we are talking  
 5 about here and it points out, in my letter to the Chairman,  
 6 for the purpose we have that we should not be dependent  
 7 on outside sources and we cannot raise money for research on  
 8 this in the private sector.

9 It would cost, this proposal that I am turning over to  
 10 the Chairman, it would cost \$250,000 to acquire the tools to get  
 11 these accurate measurements, compared to the \$900,000 that  
 12 the Joint Economic Committee got for a special study on the  
 13 economy. After all, we are more than a debating society.  
 14 I do not want to cast any reflection on the Joint Economic  
 15 Committee.

16 Senator Bentsen. Please do not. I am Vice Chairman.

17 Senator Curtis. What I am asking here is I might assume  
 18 it would be unfair to discuss the details right now.

19 The Chairman. I will be glad to read it.

20 Senator Curtis. I do not know whether this proposal --  
 21 do we need to say anything about this when we appear before  
 22 the Rules Committee?

23 Mr. Stern. You have made not made provision for that kind o  
 24 consulting fee with the resolution now. You will have to  
 25 make a supplementary request.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Senator Curtis. We appear this afternoon.

Mr. Stern. The amount of money is so insignificant-  
in other words, you have to have in your resolution not  
only enough money to be able to purchase this kind of service  
but you have to specify that it is for consultant services.  
There is a limitation in the resolution for how much you can  
spend for a consultant's services.

Senator Curtis. We could not amend our request by this  
afternoon before the Rules Committee?

Mr. Stern. If the Committee wants to.

Senator Curtis. We might bring it up there and ask to  
submit a supplemental.

The Chairman. I think it is a good idea. I am going  
to look into it. I favor whatever can be done to do something  
about this matter, because we ought to try to give the  
Senate the best estimates that we can give the Senate on what  
will happen with these revenue measures.

In years gone by, what tends to happen is that somebody  
assumes that if you did this and nothing else happened that  
the revenue impact would be so and so. That is not what it  
would be.

On the other side of the coin, for example, we had the  
Medicaid amendment offered in this committee. It was assumed  
that the states were spending a certain amount of money on  
medical care for poor people, and it was assumed that if we



300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345

1 matched that by three to one that the states would continue  
2 to spend the same figure and that all you would have to pay  
3 is what it would take to match that figure. Anybody in their  
4 right mind would know if you are not matching something and  
5 then you proceed to decide you will match it, and they are  
6 going to look around for every nickel that they can find to  
7 put you in that area. Every place they put \$1, you will put  
8 up \$3. Any idiot should have been able to figure that out.  
9 But the Department recommended that as a cost figure. We  
10 went along with it on that basis, and you go down the road  
11 about three years and the cost is exceeding the estimate by  
12 50 to 1.

13 It is easy enough to see why. Nobody thought to take a  
14 look at how they arrived at that estimate.

15 Senator Bentsen. Are you suggesting we do not have  
16 enough idiots in government?

17 The Chairman. I will not respond to that. I am not  
18 qualified to answer that.

19 If we could get better estimates, we could have better  
20 legislation. I will do what I can to cooperate.

21 Senator Roth. Mr. Chairman, just to go back to the  
22 point I was making, I would request an alternate proposal  
23 on the tax cut to be made. We are going to bring this up  
24 again next Tuesday for final passage.

25 Mr. Stern. As I gather, what we will do is we will

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345

00000060231

1 prepare and send out by tomorrow morning perhaps a mimeo-  
2 graphed table, showing perhaps -- one column would be the  
3 President's budget, the second column would be staff recom-  
4 mendation based on what we have heard, both on the expendi-  
5 ture side and on the revenue side, based on the committee  
6 discussion today and yesterday, and then on Tuesday morning  
7 we would include an alternative as you suggested. On Tuesday,  
8 you vote on the specific numbers you want to include.

9 Senator Danforth. Mr. Chairman, let me just ask a  
10 question. Do we have to, at this point, make a decision as  
11 to what part of a tax cut goes into individual tax cuts and  
12 what part goes into corporate tax cuts?

13 Mr. Stern. You do not have to make a decision -- you  
14 should not make a decision about how much you are going to  
15 get on net tax increases. It is just one number.

16 Senator Danforth. All we have to do at this point in  
17 the budget process is to reach an outside decision on net  
18 revenue losses, not considering the reflow question, but not  
19 revenue losses, is that not correct?

20 Mr. Stern. Yes, sir.

21 Senator Danforth. All right. I do not know what the  
22 staff is supposed to be preparing in the next few days,  
23 because my idea is that the net reduction should be in the  
24 neighborhood of \$35 billion rather than \$33 billion or \$25  
25 billion.



1 The Chairman. We can vote on that.

2 Mr. Stern. To show how we arrived at the total number  
3 and to what ever extent you want to say for a higher number  
4 for individual tax cuts. The idea would be to arrive at  
5 a total number.

6 The Chairman. I do not want to be in the position that  
7 someone said I did not speak up. Speak now, or forever hold  
8 your peace.

9 I will make it clear. I do not want to be locked out,  
10 that that proposal that we passed on the employee stock  
11 ownership which was agreed to in part at the conference, I  
12 want to offer that again when we get that tax credit over  
13 here, where we went from one point to two points on the  
14 investment tax credits for quality stock ownership. I am  
15 going to offer it. I would like to have a figure where that  
16 is available to be considered.

17 I know we can work it in. I just do not want to be  
18 subject to the charge that I did not bring it up.

19 Senator Bentsen. Mr. Chairman, I do not want to be  
20 guilty of that charge, either. I want to bring up the  
21 graduated capital gains tax again.

22 Senator Hansen. I will join you.

23 Senator Bentsen. I want some estimates on the cost of  
24 it and I want to talk to who does the estimating.

25 The Chairman. Senator Nelson is here. He has a plan for

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345

00000060232



1 \$6 billion for a Social Security tax cut to reduce the other  
2 tax cut by reducing the Social Security tax and is putting  
3 people on notice that he has that in mind.

4 Mr. Stern. He said he could fit that into whatever you  
5 do with the individual tax cuts, to do it that way rather  
6 than income tax cuts.

7 The Chairman. By the time we get through with all of  
8 this, you may want to go along with Mr. Roth's figure or  
9 Mr. Danforth's figure on the tax cut rather than the one we  
10 are talking about. That is something we can decide on, too.  
11 All right?

12 Senator Roth. Mr. Chairman, with your kind indulgence,  
13 I would like to raise an independent matter. As you well  
14 know, the Subcommittee has held hearings on this idea of  
15 tuition tax credits and there is a great deal of concern  
16 among us who are supporting this approach by the fact that  
17 the President has made a different proposal one, that he hopes  
18 to get the so-called Roth College Tax Credit offtrack. As  
19 a follow through, the Labor and Education Committee is in the  
20 process of reporting out legislation today.

21 Last night, the Subcommittee acted on it. My understand-  
22 ing is the full committee is reporting going to act today.  
23 For that reason, it is felt by a number of us that it is very  
24 important that this committee show the importance that they  
25 attach to a tuition tax credit.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 For that reason, with your permission, with your  
2 indulgence, I would like to make a proposal that we attach  
3 a tuition tax credit to one of the vehicles before the  
4 Finance Committee and report it out today.

5 If I might, Mr. Chairman, I might spell out what I am  
6 proposing. This has been discussed with Senator Ribicoff  
7 who has been the other principal sponsor of the Roth-Ribicoff  
8 Tax Tuition, and Packwood and Moynihan who have a tax  
9 provision for elementary and Secondary Education.

10 What we would like to do is this, and this would be my  
11 motion if you would find it in order, that attach it to a  
12 vehicle like H.R. 1550, or 2692 -- there are a number of  
13 these and we have no strong feelings about which one it  
14 should be attached to, that we amend it to provide that  
15 effective August 1, 1978, a tax credit of up to \$250 would  
16 be available for college and vocational schools and that  
17 effective August 1, 1980, the tax credit would also apply  
18 to elementary and secondary schools.

19 The Chairman. Senator, let me make you this proposition.  
20 If you will let us finish what we came here to talk about --  
21 we should be able to finish in the next fifteen minutes --  
22 the time is now four minutes after 11:00, there is no reason  
23 why we cannot finish what we came here to do and then we  
24 could vote on your proposal.

25 I just do not want to fail to cover the ground that we had

00000060234  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345





1 in mind so that we can set the stage for this budget matter  
2 on Tuesday. It should not take but a few minutes.

3 Senator Packwood. Let me ask then that we do vote on  
4 it today. I talked to several members of the Ways and  
5 Means Committee yesterday. The Ways and Means Committee is  
6 close on this and they need a strong signal from this  
7 committee. I would hate for us to delay or be forestalled.

8 As long as you guarantee we will vote on this today, that  
9 is fine. I do not want to miss the opportunity.

10 The Chairman. We will vote on it unless somebody fili-  
11 busters and makes points of order. It will just take us a  
12 few minutes to finish what we are doing right now.

13 Senator Roth. That is satisfactory.

14 The Chairman. Go ahead and talk about what remains here.

15 Mr. Shapiro. The only items remaining -- let me say  
16 on page 62 is your tax expenditure chart. This includes  
17 broad categories, what has been referred to as tax expendi-  
18 tures. Your appendix on page 85 is a more detailed listing.  
19 They are discussions of tax expenditures so this pamphlet  
20 includes what has been referred to as broad categories.  
21 Surely it should be pointed out that the definition of a tax  
22 expenditure is really not precise.

23 Traditionally, in the last couple of years, every item  
24 that could be considered a tax expenditure has been included  
25 because staff has not tried to make determinations of what is

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-7345

1 and is not.

2 On page 62 are the broad categories and on page 85 is  
3 your detailed listing.

4 The next item is page 64, chart number 19, which is your  
5 debt limit, your temporary debt limit, which goes through  
6 March 31, 1978, \$752 billion; the Administration's estimate  
7 of the debt subject to the limit would be \$777.9 billion.

8 Then, other items, Federal funds deficit for fiscal year  
9 '79, \$74.5 billion. And then the off-budget agency spending,  
10 financed by Treasury and other financing, is \$15.1 billion.  
11 This would be a debt ceiling of \$867.5 billion by September  
12 30, 1979.

13 Your present debt ceiling, as I indicated, is extended  
14 through March 31, 1978 which means that this committee must  
15 deal with that issue again by the end of March, otherwise  
16 it goes back to the permanent level of \$400 billion. You  
17 have a permanent level of \$400 billion with a temporary level  
18 of \$252 billion, and that temporary level does expire March  
19 31, 1978, so the Committee does have to deal with that at  
20 this point whether it needs other projections or in the  
21 longrange.

22 This, then, concludes the material on the revenue  
23 portions of the pamphlet. The pamphlet does include some  
24 other material in its appendix.

25 Senator Byrd. Mr. Shapiro, this debt limit figure in the

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 book, that does not limit the Committee's decision to  
2 what it would do in regard to the debt limit?

3 Mr. Shapiro. No, it does not. It just gives the  
4 information here.

5 Mr. Stern. All we have shown is the President's budget  
6 assumptions here. These numbers would have to be modified  
7 by what the Committee's decision is on revenues and outlays.

8 Senator Byrd. Thank you.

9 Mr. Stern. That includes the presentation, Mr. Chairman.  
10 We will prepare the material and try to get it out to the  
11 Committee tomorrow for Tuesday's meeting.

12 The Chairman. If you can, try to divide up the work-  
13 load among your staff people. Mr. Pritts and his group,  
14 those fellows can help to see that all of the Republicans  
15 have the information and you and your people can break down  
16 the workload and try to see each Senator's consultant and  
17 you explain to him, and if some question occurs to him,  
18 something that ought to be added where he might be frozen  
19 out that he can have a chance to get the best advice avail-  
20 able between now and Tuesday.

21 With that understanding, let us talk about the tax  
22 credit matter. What bill do you have that we could put that  
23 amendment on? You mentioned one or two?

24 Senator Roth. There are several I could list, Mr.  
25 Chairman. H.R. 1550, a duty on ceramic insulators; H.R. 2692,

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 duty on excelsior from Canada; H.R. 3790, duty on poppy  
2 straw; H.R. 3946; duty on wood.

3 Senator Moynihan. Would the Senator yield?

4 Senator Roth. Yes.

5 Senator Moynihan. Excelsior seems an especially appro-  
6 priate term. It happens to be the motto of the State of  
7 New York. If it is optional, I would propose excelsior.

8 Mr. Stern. The question is if you want to take a bill  
9 whose substance has already been enacted or not. The wood  
10 excelsior bill has not been considered by the Committee  
11 substantively, but you do have several -- the one you  
12 mentioned, wool, H.R. 3946, that the substance of that bill  
13 has already become law summarily.

14 The Chairman. Why do you not take the wool bill? It  
15 seems to me that there are not any of those bills that the  
16 President is going to sign just because he wants that bill  
17 and so the only bill I see in sight that you would have any  
18 substantial leverage for the President to sign would be that  
19 tax reform bill, so if you want to put it on one, you might  
20 as well put it on one where you have the title and the  
21 number and where you are in a position to talk about it and  
22 get it on the Floor.

23 Senator Roth. I think that is right, Mr. Chairman. I  
24 would just like to point out that I think there is a great  
25 deal of merit that we might want to ultimately add it to

00000060238  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 another bill, the tax reform, which would not be so easy  
 2 to veto. We do feel that, because of the actions of the  
 3 Administration in trying to derail the concept of tax  
 4 credit because of the action that the Labor and Education  
 5 Committees, both on the Senate and House side have taken,  
 6 to try and rush out a Bill and again trying to derail the  
 7 tuition tax credit, it is important that we do have a bill  
 8 reported out by this Committee to show the importance and  
 9 the reasons why we think that this is a better approach.

10 Mr. Chairman, I would just like to make one general  
 11 comment about this whole idea of expanding the loans and  
 12 grants. I do not know how many of you have seen the applica-  
 13 tion form that a college student is required to fill out  
 14 in an effort to get assistance in the form of a loan or  
 15 grant, but it is page after page requiring the most detailed  
 16 information by a family to disclose their finances.

17 The Chairman. May I see it?

18 Senator Roth. We will be happy to provide copies of  
 19 that to members of this committee, but I think the thing that  
 20 is most shocking about it, that after -- first of all, you  
 21 have to have a college education to fill out the form. It  
 22 practically rules out anybody who wants to go to school.  
 23 Secondly, it requires a detailed information that a sense of  
 24 privacy is no longer existing for many Americans who want to  
 25 send their children to school.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 Third, there is example after example that after you  
 2 fill this out and bare your financial soul to the bureaucrats  
 3 that six months after you are in school, the children do not  
 4 know whether they are not going to get any financial  
 5 assistance or not. It makes it very impractical for many  
 6 people to know whether or not they have the funds necessary.

7 Fifth, that despite this detailed information that has  
 8 to be submitted, the record by the admission of the Secretary  
 9 of HEW of policing and enforcing the program is just abominable.  
 10 They are going to make all kinds of reforms.

11 What we are proposing here, what I am making a motion  
 12 on today, is a very simple form that does not require any  
 13 additional work on the part of the family. It does not require  
 14 any disclosure of confidential financial information. All it  
 15 requires is the addition of a simple line on the income tax  
 16 return. What we would like to see added to the bill -- I am  
 17 making this in the form of a motion. I am being joined, as  
 18 I say, by Senator Ribicoff, Senator Packwood, and Senator  
 19 Moynihan, that we phase in a tuition tax credit along these  
 20 lines, and this is a combination of my bill, S. 311 and  
 21 S. 23142, the Packwood-Moynihan proposal.

22 One, effective August 1, 1978, a tax credit of up to  
 23 \$250 would be available for college tuition.  
 24 That is my basic college tax tuition credit that would be  
 25 effective this fall. Two years later, in other words,

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

0000060240



300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 551-2345

1 effective August 1, 1980, a tax credit would also apply to  
2 elementary and secondary schools. In addition, a credit  
3 would be increased to a maximum of \$500 per student.  
4 Three, effective August 1, 1981, a credit would apply  
5 to graduate and part-time students.

6 Mr. Chairman, we feel this approach is the best way to  
7 relieve the tremendous burden now imposed on families  
8 struggling to educate their children, and I move that the  
9 Committee adopt this motion because I think that it will  
10 enable us to see for the first time a new approach taken to  
11 help middle America send their children to school at every  
12 level.

13 Senator Bentsen. Mr. Chairman, I assume that there  
14 will be some discussion here. I heard the motion. I suppose  
15 HEW is here and that we will be hearing from them as to what  
16 the cost would be and what their feelings are on it, and I  
17 would like to hear from them.

18 Senator Packwood. Mr. Chairman, HEW has testified. We  
19 have their cost estimates. HEW is opposed to this. We had  
20 three days of hearings. They appeared in opposition. I do  
21 not think there is any point in hearing their opposition  
22 again. It has not changed.

23 Senator Bentsen. I would like to hear from them, if I  
24 could.

25 The Chairman. Do we have anybody from HEW here?

1 Mr. Warden. Mr. Chairman, I am Dick Warden, Assistant  
2 Secretary for Legislation.

3 We are opposed to this proposal. When we testified  
4 before, the Packwood-Moynihan bill was before the Committee  
5 as well as the Roth proposal. Now they have been combined.  
6 We opposed both of those proposals individually and would  
7 oppose them as they are now proposed to have them combined  
8 into one package.

9 I would be glad to go into further detail on either one  
10 or both, if you wish me to.

11 Senator Bentsen. I certainly want to know the cost, what  
12 it is the first year, the second year, then when you add the  
13 elementary and secondary schools into that and when you add  
14 the graduate students, I think maybe even part-time students.

15 Mr. Warden. He did say graduate students and part-time  
16 students and I think that was a new element in this particular  
17 proposal and I think that would change the cost figures.

18 The original Roth bill, as I recall, was \$2.1 billion.  
19 I am sorry, \$1.2 billion. My recollection is that applied  
20 to colleges, universities and vocational schools.

21 The estimates on the Packwood-Moynihan proposal which  
22 would extend not only to higher education, but also to  
23 elementary and secondary education vary depending on who was  
24 making the estimates. I believe it was \$4.5 billion and  
25 \$4.6 billion.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345





1 Senator Packwood. When fully operative.

2 Mr. Warden. When fully operative, yes, sir.

3 Senator Byrd. Mr. Chairman, may I ask what is the cost  
4 of the proposal that HEW has before the House in this  
5 regard?

6 Mr. Warden. The cost of the new proposall is \$1.2  
7 billion.

8 Senator Byrd. The same cost as Senator Roth's proposal?

9 Mr. Warden. Yes, sir. That is the new proposal.

10 Senator Byrd. You are not opposing Senator Roth's plan  
11 on the basis of dollars?

12 Mr. Warden. No, but we would prefer to use the existing  
13 student assistance programs.

14 Senator Packwood. That \$1.2 billion is new costs, in  
15 addition.

16 Mr. Warden. That is correct.

17 Senator Packwood. Your basic opposition is philosophical  
18 rather than cost.

19 Mr. Warden. We believe, Senator Packwood, that the  
20 programs now on the books are more targeted and therefore  
21 can provide the aid where it is needed, which we think is  
22 a better way to go than tuition tax credits.

23 Senator Roth. Mr. Chairman, I would just like to point  
24 out that confirms what I have been saying for many months.  
25 Number one, it is interesting on the question of cost that

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 they have reversed themselves. Last fall, when a number of  
 2 us were with you, Mr. Chairman, at the conference, one of  
 3 the principal arguments of the Administration was that there  
 4 was no need. It was a program that was too expensive.

5 I want to congratulate the people of HEW and the  
 6 Administration for now recognizing that there is a need to  
 7 help middle America in this area.

8 Senator Moynihan: If the Senator would yield, the  
 9 congratulations ought to go to Senator Roth, who enabled  
 10 the Secretary of HEW to have the Administration find \$1.2  
 11 billion that they said they did not have.

12 Senator Roth. I accept that.

13 It is a difference in approach. It is interesting to  
 14 me that when they came out a week or two ago with the  
 15 so-called new proposal that the Administration claimed that  
 16 this was the answer to the tax credit, that this was a whole  
 17 new program being proposed by the Administration to help  
 18 middle America. I think that the spokesman for HEW today is  
 19 accurate when he says it is just a continuation of what they  
 20 have done in the past. We have already seen the memorandum  
 21 of the Secretary of HEW who said we have to do something to  
 22 get the Roth proposal derailed.

23 The Labor and Education committees must act and act fast  
 24 because they do not want jurisdiction to be taken away from  
 25 them in the area of education. They admit -- I am sorry that

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

1 the Secretary of HEW was unable to appear before our  
2 Subcommittee, I might say to the Senator from Texas to give  
3 us some thinking on this matter, but despite the invitation  
4 he did not appear. He did appear last week before the House  
5 Ways and Means Committee which is holding similar hearings.


6 Senator Moynihan. If Senator Roth would allow me to  
7 say, and Senator Packwood would agree, one of the astonish-  
8 ing things is no official of the Department of HEW in any  
9 way connected with education came before our committee in  
10 three days.

11 Mr. Warden, who is a bright soul and a good man had to  
12 do it all on his own because they would not even appear before  
13 us.

14 Senator Bentsen. Let me be sure I understand, this was  
15 the Subcommittee, was it now?

16 Senator Roth. That is correct.

17 Senator Bentsen. That is why I think it is appropriate  
18 that we hear from HEW now before the full committee, because  
19 I did not hear this testimony in Subcommittee and I have some  
20 concern about the cost involved here. I would like to have  
21 the full committee have the benefit of that.



22 Senator Packwood. That is fine. I voted against having  
23 any Subcommittees to begin with. We set them up for the  
24 purposes of hearings. I hope we do not duplicate it by having  
25 hearings at the full committee level.

1 Senator Bentsen. I am asking for full committee  
2 situations on this although it might not be a bad idea.

3 Senator Roth. I think that it could be fairly said  
4 that the real objection is in the difference of approach,  
5 that the Administration is merely proposing an extension of  
6 existing programs and they are desirous of maintaining the  
7 power of HEW to decide who will and who will not get assis-  
8 tance.

9 As I have said in this Committee before, and as I have  
10 said on the Floor and in conference, I think that is wrong.  
11 What we are trying to provide for middle America, working  
12 America, is to have a right to retain their earnings to send  
13 their children to the school of their choice. It seems to me  
14 that has always been the American way and that it is impor-  
15 tant that we recognize that middle America is having very  
16 seriously problems in sending their children to college  
17 and those who want to send them to private schools, in the  
18 case of elementary and secondary education.

19 Costs have gone up. Inflation has eaten away at the  
20 real income of the average family. We think that it is  
21 wrong to try to require working American to lay bare their  
22 souls. We talk so much about privacy and the right of  
23 privacy. Too often, when the chips are down, we are not here  
24 to protect those rights.

25 The tuition tax credit does not require that extensive

00000060246  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



1 disclosure but, more important, by using the tuition tax  
2 credit you are getting a lot more benefit from the same funds  
3 than you do with the costly bureaucratic and administrative  
4 program now on the books.

5 We all agree that the college loans and grants have a  
6 purpose and that is to help those on the low end of the  
7 economic scale to have the opportunity to go to college, but  
8 what we are talking about here is not those who are without  
9 means, but we are proposing merely to let working America  
10 keep their own money and select where they send their children  
11 to school.

12 I think that it is extremely important that we have a  
13 bill reported out because the Administration and the other  
14 committees have made it clear that they want alternatives  
15 out where it can be discussed and we think that the Senate,  
16 and the House, I might say, should finally have the chance  
17 to vote up or down the tuition tax credit.

18 Senator Bentsen. Let me say, Mr. Chairman, I favor the  
19 tuition tax credit, but I am also concerned gravely about the  
20 \$600 billion deficit facing this country and what is happen-  
21 ing to the deterioration of the dollar. That adds up to  
22 more inflation and the cruelest tax of all brought upon the  
23 American people.

24 I do not question at all that you have all the facts you  
25 need for this, but because of that concern, I am going to vote

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

00000060247



1 against it.

2 Senator Roth. I would say to the distinguished Senator  
3 from Texas that the first year that the costs are the same,  
4 there would be no additional cost by this new approach. And  
5 so it would have no impact on the deficit during the current  
6 period.

7 Senator Packwood. Mr. Chairman?

8 The Chairman. Senator Packwood.

9 Senator Packwood. I might make one suggested amendment.  
10 to the motion of Senator Roth. He proposed a \$250 tax credit.  
11 I assume you mean 100 percent on the tax credit?

12 To clarify, it is 50 percent up to \$500, or a \$250 tax  
13 credit if you pay a maximum.

14 Senator Roth. That is correct.

15 Senator Packwood. In that case, Mr. Chairman, I would  
16 only have one other amendment. I do not think, other than  
17 the Administration, there is any opposition. One last hearing  
18 in the series of hearings we have had, there was a situation  
19 that has arisen where employers paid the tuition of their  
20 employees going to school. If the course taken directly  
21 related to the job you hold, the tuition is not taxable as  
22 income. If it is related to increasing your capacity for  
23 a job, it is taxable as income.

24 The upshot, what happens, the higher up you get there  
25 is nothing they cannot put tuition to. For a 19-year-old

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

0000060249

1 lug-nut tightener, the only course he can take is how to  
2 tighten lug-nuts better.

3 At the moment, no money is collected by the Federal  
4 government on this. They have not really attempted to find  
5 out whether the job is related to the course, whether or not  
6 it should be chargeable to tuition.

7 At the request of the United Automobile Workers, they  
8 asked if we could not make tuition-- they are negotiating  
9 to upgrade their employees -- if we could make tuition  
10 be the same way as prepaid health insurance, that the cost  
11 of tuition is like the premium of health insurance, not  
12 taxable as income to the employee.

13 We had hearings on that. I might review the list of  
14 those who endorsed it and have sent statements in support  
15 of it: the United Autoworkers, International Union of  
16 Electrical and Radio Machine Workers, the Graphic Arts  
17 Workers, Mobil Oil, Motorola, American Association of Junior  
18 Colleges and the National Association of Women, National  
19 Governor's Conference, National Association of Counties,  
20 League of Cities, International City Management Association,  
21 U.S. Civil Service Commission. I had not realized it, but  
22 they are probably the biggest single trainer of people for  
23 moving people up in this country.

24 The National Association of Townships and International  
25 Institute of Municipal Clerks. The only opposition at all



1 did come from the Administration. That is a consistent  
2 opposition.

3 I would like to add that amendment to this bill.

4 The Chairman. Let me tell you the problem about that.  
5 You start out here with the Roth amendment which the Senate  
6 has approved. Then you add the Moynihan amendment which has  
7 a lot of merit, but that has not yet been approved by the  
8 Senate. Then you come in with this amendment which adds  
9 an additional dimension.

10 It seems to me that that is a mistake. I think the  
11 amendment you are talking about adding here now is something  
12 that could go on some other bill, such as the tax reform  
13 bill. When you take something you want to rush through and  
14 you start adding these additional things onto it, it preju-  
15 dices your bill.

16 Senator Packwood. You have persuaded me. I regard  
17 an addition to this bill of elementary and secondary schools  
18 is so critically important and the tax credit versus the  
19 grant approach is so philosophically critical that I will not  
20 jeopardize this bill with this amendment. I think it is  
21 easier to add it to another bill and, frankly, easier to  
22 pass. I will withhold it.

23 The Chairman. Are we voting on the Roth amendment to  
24 include the Moynihan amendment now, the Moynihan-Packwood  
25 amendment.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345





1 Senator Packwood. Senator Moynihan and I, moved  
2 by Senator Roth, and seconded, we are willing to postpone the  
3 inclusion of elementary and secondary schools until August  
4 1st, 1980 and accept the phase-in that Senator Roth is  
5 proposing.

6 The Chairman. Are we ready to vote?

7 Senator Byrd. Mr. Chairman, I favor the Roth proposal.  
8 I have some hesitancy in going as far as the Packwood-Moyni-  
9 han proposal goes, particularly when it includes part-time  
10 students. The cost is apparently very substantial.

11 Will the vote be on the Roth amendment alone, or on the  
12 package?

13 Senator Roth. The vote will be on the package.

14 Senator Byrd. Thank you.

15 The Chairman. Let us call the roll on the amendment,  
16 on the Roth amendment as amended.

17 Mr. Stern. Mr. Talmadge?

18 (No response)

19 Mr. Stern. Mr. Ribicoff?

20 Senator Ribicoff. Aye.

21 Mr. Stern. Mr. Byrd?

22 Senator Byrd. Present.

23 Mr. Stern. Mr. Nelson?

24 (No response)

25 Mr. Stern. Mr. Gravel?

00000060251  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Senator Gravel. Aye.  
Mr. Stern. Mr. Bentsen?  
Senator Bentsen.- No.  
Mr. Stern. Mr. Hathaway?  
Senator Hathaway. Aye.  
Mr. Stern. Mr. Haskell?  
Senator Hathaway. Aye by proxy.  
Mr. Stern. Mr. Matsunaga?  
Senator Matsunaga. Aye.  
Mr. Stern. Mr. Moynihan?  
Senator Moynihan. Aye.  
Mr. Stern. Mr. Curtis?  
Senator Curtis. Aye.  
Mr. Stern. Mr. Hansen?  
Senator Hansen. Aye.  
Mr. Stern. Mr. Dole?  
Senator Packwood. Aye by proxy.  
Mr. Stern. Mr. Packwood?  
Senator Packwood. Aye.  
Mr. Stern. Mr. Roth?  
Senator Roth. Aye.  
Mr. Stern. Mr. Laxalt?  
Senator Packwood. Aye, by proxy.  
Mr. Stern. Mr. Danforth?  
Senator Danforth. Aye.



1 Mr. Stern. Mr. Chairman.

2 The Chairman. Aye.

3 The yeas are fourteen and the nays are one, with one  
4 present, so the amendment is agreed to.

5 All in favor of reporting the bill say aye?

6 (A chorus of ayes.)

7 The Chairman. Opposed, no?

8 (A chorus of nays)

9 The Chairman. The bill is passed.

10 Mr. Moynihan?

11 Senator Moynihan. On behalf of the Senators who are  
12 the cosponsors of this measure -- I am not authorized to speak  
13 for them but I would like to say that while you planned a  
14 full consideration of this measure, you had not thought you  
15 would do it today. We asked you to take it up because of  
16 the action last evening of another committee and, with  
17 characteristic graciousness, you did so.

18 I would like to stress -- I am sure I speak for the  
19 cosponsors; we are fourteen, or thirteen on this Committee --  
20 our gratitude and our appreciation.

21 The Chairman. It seems to me that one of the sponsors  
22 of the amendment, one of the cosponsors, should report it.  
23 Mr. Ribicoff worked in that area a long time. He has sugges-  
24 ted that Mr. Moynihan report this measure on behalf of the  
25 Committee, so we will ask Mr. Moynihan to report.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345



300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

1 Senator Moynihan. Thank you.

2 Mr. Shapiro. We have four quick technical things we  
3 would like to ask for drafting purposes, just to make sure  
4 that we understand it. Some of the bills denied double  
5 dipping which meant you take a business deduction, you would  
6 not get a credit. We want the same provision in this bill.

7 If the tuition was allowed as a business deduction --  
8 an employee took it as a business deduction -- they would not  
9 get the credit, or you want them to get the business deduc-  
10 tion and the credit?

11 Senator Packwood. You lost me. The employer sends  
12 somebody to school and takes the deduction?

13 Mr. Shapiro. No, the employee. Let us say a person  
14 goes to school and takes a deduction for it.

15 Senator Packwood. A credit?

16 Mr. Shapiro. A tax deduction. Would you want them to  
17 be entitled to a credit in addition to that?

18 Senator Packwood. No. They would have an option.

19 Mr. Shapiro. All right. Your language here on your  
20 handouts here, you are talking about the credit is not  
21 available for costs paid by student aid programs. I assume  
22 that means VA educational programs, armed forces, health,  
23 scholarships.

24 Senator Packwood. It is our intention that if you have  
25 another grant it is an offset against the credit.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

Mr. Shapiro. The third point that there is a concern that has been expressed about some public school system's charging tuition of at least \$250 or some amount. Do you want a provision in some states by their constitution, who do not allow their public schools to charge tuition, do you want any provision that bars any public schools charging tuition?

Senator Packwood. I do not want to bar it for this reason. If it is barred it is going to affect the argument on constitutionality of to whom this is available. I would not be a member of a local school board who charged tuition for high school or grade school, but constitutionally I would like to leave that option open.

Mr. Shapiro. The fourth point deals with the constitutional argument, there have been occasions in the past where the Committee and the Congress have provided for an expedited review of constitutional issues. Do you want such a provision in this bill to extend the constitutional issue raised, and expedited provision in that regard?

Senator Packwood. I would like an expedited provision so we will know before 1980 whether it is constitutional.

Mr. Shapiro. For all of these other questions.

Senator Matsunaga. If it is in order, Mr. Chairman, I would like to obtain the budget authority for later committee consideration for a proposal to increase the elderly credit.

1 Very briefly, the service and the Administration is in  
2 favor of this measure and the elderly credit, of course, is  
3 intended to provide non-Social Security retirees with the  
4 same tax benefit that Social Security retirees now  
5 obtain.

6 Since Social Security benefits are not taxed, the  
7 credit, when enacted in 1976, matched the average Social  
8 Security benefit payments, but since 1976, the annual Social  
9 Security benefits increased to \$2,208 --

10 The Chairman. Let me just ask you to consult with Mr.  
11 Shapiro and with the Joint Committee staff so that that  
12 can be in the package that we look at when we come back here  
13 Tuesday.

14 Senator Matsunaga. All right.

15 The Chairman. If it need special attention in the  
16 budget resolution, we will see that it gets it.

17 Mr. Gravel?

18 Senator Gravel. Mr. Chairman, I have two items, one  
19 dealing with an alcoholism research tax, the other with a  
20 Medicaid/Medicare Part B buy in problem that affects our  
21 state.

22 Senator Bentsen. What is that?

23 Mr. Stern. Legislation --

24 Senator Gravel. Budget action so we can have a talk  
25 at this, not the legislation, if that is in order.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 Senator Hansen. What is the second point?

2 Senator Gravel. The second point is on the Medicare  
3 Part B buy-in premium.

4 Let me touch first on the alcoholism. I have right  
5 before me the results of a study that was done by NIAAA  
6 which shows that in 1971 the economic cost of alcoholism and  
7 related problems totalled about \$25.3 billion. Another  
8 study in 1975 showed this to be about \$42,750,000,000.

9 What they mean by alcohol-related, loss of production,  
10 health and medical, motor vehicle, accidents, crime, social  
11 responses and fire losses.

12 What I would recommend -- well, the situation & it  
13 exists today is that we have not touched the tax on spirits  
14 since 1951. The tax at the present time is \$10.50 a gallon  
15 for 100 proof. My recommendation would be to raise that  
16 tax by 35 cents, put that in a trust fund, and that the  
17 results of the trust funds for the monies in question be  
18 used by the NIAAA with the guarantee that there be no  
19 diminution in the appropriation process or the effort that  
20 we are presently providing, that that money specifically fo  
21 for research and education, in which we are doing every little  
22 right now.

23 I do not know about your other states, but it is  
24 characteristic about our state that we drink a lot. We  
25 probably have the highest per capita alcohol consumption in

00000060257  
300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345



1 the world outside of the Soviet Union. Sometimes we beat  
2 the Soviet Union in Alaska. It is our most serious, most  
3 social endeavor.

4 We have thrown money into the problem before and I must  
5 say I am chagrined that we have no great advance in this  
6 area. So I think probably what we ought to do is move with  
7 a substantial effort towards a prevention, research,  
8 education, get them before they are alcoholics. And I, like  
9 probably most of you gentlemen, imbibe occasionally. I like  
10 wine. I like beer. I am prepared to pay my share of the  
11 tax for something I enjoy that causes social problems for  
12 those who are not particularly able to handle it, so I would  
13 make a special plea -- we are talking about \$150 million  
14 maximum that could be raised. We could go into the merits  
15 of the legislation later, but if you will give me a toe-  
16 hold --

17 Senator Curtis. May I ask a question? How does that  
18 affect the budget? if you have an expenditure and have a  
19 special tax to pay for it?

20 Senator Gravel. It would not affect the budget in this  
21 regard. We would raise the money and then the money would  
22 be spent.

23 The Chairman. Does that have to be in the budget?  
24 He would like to have us put a tax on alcoholic beverages  
25 to help pay for alcoholism programs.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345





1 Mr. Stern. It seems to me that the situation is a  
2 little bit like the sugar program where, even though the  
3 program is self-supporting, since you have separate cate-  
4 gories for expenditures and revenues, you do have to show  
5 both.

6 For example, if the amounts are significant enough, and  
7 it is going to raise \$100 million, anything that gets into  
8 the tens of millions, if you are going to raise \$100 million  
9 and spend \$100 million, even though it is paying for itself,  
10 one is in one category and the other is in another category,  
11 so you do have to show that.

12 The Chairman. Why do you not bring that in in the  
13 proposal on Tuesday?

14 Mr. Stern. We will put it on our list.

15 Senator Hansen. What did you estimate the cost would  
16 be?

17 Senator Gravel. We would raise about \$150 million at  
18 most. The NIAAA says that an effective program in research,  
19 prevention and education, sort of pushing it out without  
20 increasing staff and going into a lot of bureaucracy, that  
21 they can intelligently spend about \$125 million. We might  
22 raise more than they can spend.

23 I hope what they cannot spend intelligently, they do not  
24 spend.

25 Senator Curtis. Who is going to do this?

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2345

0000060259



300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D. C. 20024 (202) 554-2445

1 Senator Gravel. NIAAA.

2 The key thing is, if we do this for NIAAA we do not  
3 want anybody on the other side saying you are getting some  
4 money here. We are going to cut back on what we have  
5 normally been doing.

6 The problem is so gargantuan in our society, obviously  
7 we are not doing enough, and as I said, we have not judged  
8 this since 1951 and the cost from '71 has gone from \$25  
9 billion to \$42 billion today, so it is a very serious problem.

10 So I would hope that we would not diminish the present  
11 effort, but this would be out of a trust fund for these  
12 specific purposes.

13 I would also have a sunset provision to it, that it  
14 terminate at a time certain, and if it is worthwhile, it will  
15 develop its constituency to come back at it again, but I do  
16 not want to put it on something permanent.

17 Senator Curtis. You could observe the old program into  
18 yours.

19 Senator Gravel. That is a possibility, if the effort  
20 is not diminished. I would certainly be open to that.

21 The Chairman. We can look at that along with the others  
22 when we come back here on Tuesday.

23 Mr. Shapiro. We will put it on the list.

24 Senator Gravel. The other item I have, Mr. Chairman,  
25 affects the states of Alaska, Louisiana, Oregon and Wyoming.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

1 It is probably carrying a few coals to Newcastle here, and  
2 that is our states, for whatever reasons, at the time when  
3 the law came into being chose not to buy in on Part B of  
4 the Medicare premium. This is really working an unusual  
5 hardship. Whether it was lack of confidence in the times,  
6 independence or what have you, right now everybody has  
7 changed their minds, realized that this is a good program and  
8 wants to be a part of this program like every other state in  
9 a very legitimate fashion.

10 Senator Curtis. I thought that the decision was up to  
11 each individual retiree?

12 Mr. Stern. When it comes to people who are under  
13 Medicaid, their Medicare is being covered by a state program  
14 because they are needy. The question is whether the state  
15 can buy in.

16 Senator Curtis. It is not referring to Medicare retirees.

17 Mr. Stern. It is referring to people, basically, who are  
18 over 65 who are disabled, who instead of providing the  
19 medical care of paying for the Medicare directly, they could  
20 buy into Medicare, pay the premium on behalf of these people  
21 who cannot afford it themselves.

22 Almost all states do that now. They were closed off  
23 from doing so by the law.

24 Senator Gravel. All states except the four that I  
25 mentioned, Alaska, Louisiana, Oregon and Wyoming.

300 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

00000060262

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

The Chairman. Does that have to be in the budget resolution?

Mr. Stern. I do not know the estimate.

Senator Gravel. \$10 million.

Mr. Stern. \$10 million. That only shows up as an asterisk for purposes of this process. You do not deal in levels of a tenth of a billion. The budget process is supposed to be only a budget process, not a legislative process, so you purposefully try to avoid going into that in detail.

Senator Gravel. I would not go into that. I was trying to get a toe-hold, if one was necessary. Just trying to do my work for my colleagues.

Senator Packwood. I support the Senator's proposal.

Senator Gravel. Thank you.

The Chairman. Is there any other proposal that is to be brought up at this time?

Then we stand in recess until Tuesday.

(Thereupon, at 11:45 a.m., the Committee recessed, to reconvene Tuesday, February 28, 1978.)

- - -

