

EXECUTIVE SESSION

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THURSDAY, OCTOBER 11, 1979

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

The Committee met, pursuant to notice, at 10:35 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long, Chairman of the Committee, presiding.

Present: Senators Long, Talmadge, Ribicoff, Byrd, Nelson, Gravel, Bentsen, Moynihan, Baucus, Boren, Bradley, Dole, Roth, Danforth, Chafee, Heinz, Wallop and Durenberger.

The Chairman: The Committee will come to order, please.

I have the late returns on the Alaskan pipeline vote. As of now, those voting for the Gravel amendment are Messers. Talmadge, Byrd, Gravel, Bentsen, Matsunaga, Moynihan, Boren, Dole, Roth, Wallop, the Chairman. Those opposed, Messers. Ribicoff, Nelson, Baucus, Bradley, Packwood, Danforth, Chafee, Heinz, Durenberger. Eleven to nine. The motion is agreed to.

Now, Mr. Shapiro, what can you tell us about our effort to decide how we can reconcile figures and how we can address the trust fund on this issue of gross or net receipts?

Mr. Shapiro: We had a briefing with all of your staffs, and, I think --

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1 The Chairman: All the staffs were there?

2 Mr. Shapiro: Majority and Minority, Democrats and
3 Republicans. I think almost every single member was
4 represented. It went several hours yesterday afternoon. What
5 we did was distribute to them a revenue chart, an explanation
6 of the revenues, and then a proposed staff recommendation on
7 the reconciliation with regard to residential and business
8 credits. And, as I said, there were many ways of doing it.
9 Staff made one recommendation which the committee can work
10 from. What the staff is going to recommend, with regard to
11 revenues, is that you have several sources of revenue. You
12 have general revenues, you have the net revenue increase. That
13 is as a result of decontrol.

14 With regard to windfall profits, you have gross and net
15 windfall profits. As you know, the last several months during
16 the consideration of this, we have gone both ways in the
17 discussion of both the gross and the nets. It was not clear as
18 to which is the best course.

19 I think what was left was to have the Committee discuss
20 everything in the concept of net and look at the overall and
21 then review it at the end. Having seen where the Committee is
22 heading, it seemed that we could make a recommendation that
23 would seem to be something that the Committee could consider,
24 and that is I think we can work from our chart that we passed
25 out that has the numbers on it. Senator Boren, and other

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1 Senators, ask us to put the growth rate of oil prices and
2 percentages. 1 percent, 2 percent, 3 percent, 4 percent.

3 I think that that can describe the proposal by looking at
4 the revenues.

5 First of all, let me describe the sources of revenue and
6 then show you a recommendation that may be a good way for you
7 to consider it

8 First of all, as a result of decontrol, you have an
9 increase in general revenues. That is the income tax revenues
10 of approximately \$173 billion. I think, for these purposes, I
11 will continue to talk about a 1 percent growth rate. We are
12 talking about inflation plus 1 percent, with regard to oil
13 prices.

14 So, as a result of decontrol, we will have increases in
15 revenue in the general revenues of approximately \$173 billion.
16 You have some offsets with regard to \$173 billion. It depends
17 on the assumptions. This goes into the tables prepared
18 for Senator Danforth where there are several assumptions with
19 regard to increase in prices and government spending, and so
20 forth, that you will have an offset with regard to general
21 revenues.

22 The two basic causes is that, as you have more income in
23 the case of the oil producers, you may have some other areas
24 that have reduced revenues, because there would be a shifting
25 of spending. In addition to that, you will have some

1 additional government spending because the price level is
2 increasing. Therefore, we have a range -- it is a large range,
3 because it could go anywhere from a minimum of \$66 billion, as
4 an offset to a maximum of \$106 billion, which, taking that
5 range, would give you a net increase in general revenues of
6 between \$66 billion and \$106 billion.

7 That means, as a result of decontrol, the gross revenues
8 from decontrol, subtracting the offsets, you would have a net
9 increase in general revenues of between \$66 billion and \$106
10 billion. In addition to that, because the government had
11 certain Federal royalties, then the decontrol would increase
12 those royalties and the government would increase their
13 revenues by approximately \$10 billion there.

14 Next, we have the windfall profits tax.

15 The Chairman: That is an awful lot of discrepancy there,
16 between \$66 billion and \$106 billion. That is \$40 billion.

17 Mr. Shapiro: These are broad assumptions over an
18 eleven-year period as to the effect of government spending, the
19 effect in the price rises, the effect of decontrol on price
20 rises. When you take an eleven-year period, you have a broad
21 discrepancy. We are saying we feel it could be at least \$66
22 billion. It could go as much as \$106 billion and, of course,
23 anywhere in between.

24 The Chairman: All right.

25 Mr. Shapiro: It probably will be somewhere in between.

1 The net windfall profits that the Committee has agreed to to
2 date is approximately \$64.8 billion, almost \$65 billion. That
3 means the total additional revenues over the eleven-year period
4 that the government will have is between \$141 billion and \$181
5 billion. Of course, below that, we show the gross windfall
6 profits tax which, to date, amounts to \$110 billion.

7 Senator Chafee: Could you give us the net windfall?

8 Mr. Shapiro: \$64.8 billion. That is right on the chart
9 that you have in front of you, right on the chart. The chart
10 that we have that is headed revenues from decontrol, under
11 different price assumptions. The 1 percent column shows the
12 net windfall profits tax of \$64.8 billion. That chart should
13 be on each of your desks.

14 Now, what the Committee has asked the staff to do is to
15 bring back recommendations specifically with regard to a
16 reconciliation on energy credits.

17 The Chairman: This confuses me. You have these offsets
18 in here. We have \$40 billion difference. Then you come down
19 to the bottom line. You just have one figure, \$110 billion.

20 Mr. Shapiro: The final line, Senator?

21 The Chairman: Why is that \$1 billion?

22 Mr. Shapiro: Right above that, where it says "Total,
23 \$141.4 billion to \$181.4 billion." That is the range you are
24 referring to.

25 The bottom line is only the gross windfall profits tax.

1 We put that in because some members are referring to the gross
2 windfall profits tax. I think that for purposes of what we
3 will be discussing, we would like to ignore the gross windfall
4 profits tax, ignore the \$110 billion for the time being.

5 The Chairman: Ignore that?

6 Mr. Shapiro: Right.

7 What we are talking about is \$141.4 to \$181.4. That is
8 the gross amount of revenues which includes the additional
9 general revenues as a result of decontrol, the Federal
10 royalties and the net windfall profits tax. Those three
11 together make up \$141.4 billion to \$181.4 billion. That means
12 that is the money that the Congress has available to look at
13 programs relating to energy as a result of the increases of
14 revenues as a result of the decontrol and windfall profits tax
15 over an eleven-year period.

16 One of the things that the staff focused on is that this
17 Committee has been working on a windfall profits tax and there
18 are certain spending programs that this committee is interested
19 in. Specifically the energy profits and an interest for
20 setting aside money for mass transit.

21 However, there are other programs dealing with the Energy
22 Security Corporation and other spending programs that the
23 Congress may want to get involved in that do not directly
24 involve this committee, do not directly involve any increases
25 in revenue as a result of this committee's action, but

1 approximately \$100 billion of energy credits and what we will
2 bring back in the reconciliation of that \$25 billion there so
3 far, we are suggesting \$25 billion for the poor, \$25 billion
4 for energy credits, \$50 billion of the \$64.8 billion.

5 That means you would have approximately \$15 billion left
6 that the Committee could set aside in the trust fund for mass
7 transit.

8 The \$65 billion you have raised as a result of net
9 revenues could be allocated to the three areas that this
10 committee has expressed an interest in dedicating money, \$25
11 billion for the poor, \$25 billion for energy credits,
12 approximately \$15 billion for mass transit, and so forth.

13 What this means, the other energy programs that the
14 administration is interested in, that the Congress and other
15 committees are interested in dealing with the Energy Security
16 Corporation, syn fuels, would be left to be covered under
17 general revenues.

18 That is where you have approximately \$66 billion to \$106
19 billion that is raised. That is more than sufficient even at
20 these rate levels, at a 1 percent price level, to cover these
21 spending programs.

22 This committee may not want to get involved in allocating
23 that money or making any judgment on it.

24 The Chairman: In other words, this would then leave a
25 large amount of money available for the syn fuels and for the

1 various other areas that fall into the general revenue
2 category.

3 Mr. Shapiro: That is correct.

4 That is even at a 1 percent growth level.

5 The Chairman: How much would that leave on that basis?

6 Mr. Shapiro: What you would have is approximately \$65
7 billion that this committee would have in its trust fund,
8 between \$66 billion and \$106 billion that is available to the
9 Senate for other programs.

10 The Chairman: By the time you subtract the part that is
11 available that this committee would propose to put into the
12 trust fund and say grace over, how much, then, would that leave
13 for the Appropriations Committee and the various authorizing
14 committees to work on?

15 Mr. Shapiro: It is in the range of \$66 billion to \$106
16 billion, plus the Federal royalties of \$110 billion.

17 The Chairman: You mean the difference?

18 Mr. Shapiro: That is a separate component.

19 The Chairman: What?

20 Mr. Shapiro: A separate component.

21 The Chairman: What?

22 Mr. Shapiro: That is a separate source of revenue. The
23 \$66 billion to \$106 billion is general revenue, not windfall
24 profit. That general revenue that would incur to the Federal
25 government without any action on the windfall profits tax.

1 The Chairman: The amount that the other committees would
2 be able to vote on and make recommendations with regard to and,
3 if I understand it, that would be about as much as the amount
4 with regard to which this committee is making recommendations.
5 Is that right?

6 Mr. Shapiro: At a minimum, it is more than this committee
7 has. It could be closed more than twice the amount this
8 committee has.

9 Senator Dole: Plus it is all based on a nonrealistic
10 growth of 1 percent.

11 Mr. Shapiro: That is right. We are saying a low growth
12 rate of 1 percent. That covers all the money you need. Many
13 Senators on this Committee believe --

14 Senator Dole: Does anybody believe it is going to be as
15 low as 1 percent?

16 Senator Gravel: Maybe this afternoon it will be 1
17 percent.

18 The Chairman: If it works out to be 4 percent, it was
19 said that it would become closer to 4 percent than 1 percent.
20 I think the way it is going that that is how it would be.

21 Senator Dole: \$103.8 billion.

22 The Chairman: Somewhere between -- how much? A range?
23 If I am looking at the right place, somewhere between \$104
24 billion and \$167 billion. Right?

25 Mr. Shapiro: That is correct. In addition to that,

1 instead of \$64 billion for net windfall profit, you would have
2 \$103 billion.

3 Senator Dole: \$40 billion more.

4 Enough for a rollback in Social Security and a few other
5 things, right?

6 Senator Roth: A good point.

7 Senator Dole: Mr. Chairman?

8 The Chairman: Yes.

9 Senator Dole: I think that this does indicate that we
10 have a lot of money, or someone will have a lot of money. I
11 was not in the room yesterday when Senator Moynihan indicated
12 that those of us who come from oil states were not concerned
13 about the poor, and I take exception to that statement because
14 we have been here almost on a daily basis.

15 We have been working, on our side, for about six weeks on
16 a program to help low-income people meet their energy needs. I
17 assume it is all in the heat of the debate, but the Republicans
18 are already to impose a low-income assistance program that we
19 have been working on even while the Senator from New York was
20 speaking yesterday.

21 We were meeting in the back room on that very program, so
22 that I would hope that the record would clearly indicate that
23 we are concerned, that we are prepared. We have an excellent
24 program that I would be willing to submit at this very moment.

25 I am being urged to do that by my colleagues on the side.

1 Senator Moynihan: If the Senator would yield?

2 Senator Dole: Yes.

3 Senator Moynihan: For me to say, most emphatically, that
4 there could never have ought to have been interpreted anything
5 I said as suggesting the Senator from Kansas is not concerned
6 with these matters. He is not only concerned, he has been at
7 the forefront of these efforts.

8 He knows I feel that my remark was only to the question of
9 when the time came when we finally did get around to
10 low-income, we did happen to look up and the only persons, that
11 there was a regional imbalance, you might say, in the room.

12 Senator Dole: I am certain that is the case.

13 Senator Bentsen: If the gentleman would yield, from
14 another so-called oil-producing state, I do not recall any
15 program for the poor that I have voted against since I have
16 been here.

17 Senator Moynihan: There has not been one -- I meant there
18 is none that you have voted against.

19 The Chairman: Could we agree, by unanimous consent, that
20 everybody here -- in fact, all members of the Committee -- are
21 very concerned about the needs of the poor and if we could
22 agree to that --

23 Senator Moynihan: I so move.

24 The Chairman: Without objection, agreed.

25 Senator Roth: Mr. Chairman, I just would like to say,

1 while we are concerned about the poor, we must also be
2 concerned about the working people. That is another group.

3 Senator Moynihan: I so amend.

4 The Chairman: We love the working people just as much as
5 we love the poor. We will include that.

6 Senator Dole: I am wondering if now the time to move
7 forward with the proposal that we have been working on, I think
8 we have been working also with Senator Ribicoff's staff,
9 Senator Bentsen, Senator Moynihan and others, who are
10 concerned, as we are, about getting something done this year,
11 so that there will be some money flowing into the states, and I
12 would like just to take a minute to highlight what we believe
13 is a sound approach, and maybe it has flaws in it. We have
14 copies which we will now distribute.

15 Do we have copies of our act sheet?

16 They are on the way.

17 If I could take just about two minutes to summarize, what
18 we would do under our plan would be to provide cash assistance
19 to individuals who are eligible for food stamps and certain
20 other AFDC/SSI households. Those who are eligible for food
21 stamps would not participate and could receive energy
22 assistance without becoming food stamp recipients.

23 The benefit amount is equal to the percentage of the food
24 stamp benefit for which the household is eligible, except that
25 the maximum benefit would be \$90 a month. The minimum benefit

1 would be \$10 a month.

2 We determine the percentage based on temperature. It is a
3 temperature-based formula related to the so-called heating
4 degree days in the state in the same month of the previous year
5 and it can be varied, of course, depending on how much the
6 Committee is willing to spend.

7 But the state welfare agencies would administer the
8 program. The benefit checks would be picked up, or mailed, to
9 the recipients in the same manner that food stamps are now made
10 available.

11 We would start the payments in December of this year,
12 through April of fiscal '80 and through November through March
13 in fiscal '81 and in fiscal '80, the program would cost --
14 because it is going to be somewhat abbreviated -- \$151 million,
15 based on the formula that we have worked out. Next year, it
16 would be about \$1.5 billion.

17 It seems to me that I think along the lines that the
18 Senator from New York, and others, have been addressing, I
19 would say that we have attached to the material, and it would
20 apply to every state. Louisiana, for example, would benefit
21 because it does get cold down there occasionally. They would
22 get the monthly benefit of \$19.89.

23 But in states like -- let's take New Hampshire, since it
24 comes to mind. It would be a monthly benefit of \$76.25. Iowa,
25 another important state, a benefit of \$51.79; New York, of

1 course, is always important. A monthly benefit of \$60 with a
2 yearly benefit of \$297 and even Kansas would qualify, from time
3 to time.

4 We believe it is a fair program. It applies
5 across-the-board. It is addressed to low-income individuals
6 and, we would hope, that either to fully consider it now or to
7 consider it in concert with what may be emerging on the other
8 side. It cannot be a partisan matter.

9 We are all concerned. The quicker we can do it, the
10 better we look as a committee. If we wait until the very last
11 gun is fired and see if there is anything left, we will
12 dedicate that to the poor, then I think that we are entitled to
13 the criticism, maybe not directly, but indirectly, levied
14 yesterday.

15 Senator Moynihan: If the Senator would allow me to make
16 it clear, what I proposed yesterday was that we do what the
17 Senator from Kansas has done today and if I was -- if my
18 imagery was more vivid than it might be on some occasions, it
19 was only because my concern was aroused.

20 I would hope that we could do what you have done, and I
21 would just like to make the other point to the Senator from
22 Kansas. I agree with what he just said and note that Mr.
23 Shapiro has suggested that we could conservatively suggest
24 annual expenditures of \$2.5 billion which is about the range
25 that I think his proposal is.

1 Senator Dole: \$1.5 billion in this area. If you add in
2 --

3 Senator Moynihan: We would go to other groups above this.
4 I think we have a range of reference here. I think we are on
5 target; I think we are on schedule.

6 I thank the Senator.

7 Senator Danforth: I think, as I understand it, in this
8 program for the present fiscal year, 1980, \$1.5 billion. I
9 think that there was --

10 Senator Dole: It is \$1.5 billion. Excuse me.

11 Senator Danforth: \$1.5 billion for this year, as compared
12 to \$1.2 billion for the President's program for this year, and
13 the President's program he asks for \$24 billion between now and
14 1990. This program would earmark \$30 billion between now and
15 1990 so that it would be somewhat more generous than the
16 administration's program. It would give greater weight to
17 temperature than the President's program would.

18 That is, every state would benefit somewhat, but the
19 formula would be more carefully targeted to those geographical
20 areas which are colder than others.

21 With respect to individual recipients of the program, the
22 program is somewhat more ---this program is somewhat more
23 targeted on the very poor, relative to the total amount to be
24 distributed.

25 For all those reasons, I think that this is a very

1 because Delaware, further south, is much more and the District
2 of Columbia is much more. Maryland is much more.

3 Senator Bradley: I had a suspicion.

4 Senator Dole: Right. I would suggest that must be an
5 error. I do not see anything near New Jersey that is that low.

6 Senator Bradley: As I understand it, this is based upon
7 food stamps, is that correct?

8 Senator Dole: Yes.

9 Senator Danforth: And degree days. Connecticut has more
10 degree days than New Jersey.

11 Senator Bradley: Let us be reasonable. Does Delaware have
12 more degree days? We get it from the north and the south. I

13 know we have a gulf stream off the coast.
14 If, for example, the state had higher welfare payments as
15 such and lower food stamp payments they might be affected
16 adversely by this. Is that correct?

17 Senator Dole: I think that would reflect it. I still do
18 not believe even with that it would be that low in New Jersey.

19 Senator Bradley: If you could --

20 Senator Dole: I am trying to find the person who typed
21 this. We will clarify that.

22 What we would hope to do is to, you know, meet the
23 immediate need this year and next, while we try to come to
24 grips. Right, you have annual heating degree days. According
25 to our formula, you have more than Delaware and Maryland, so

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1 there must be some mistake.

2 Mr. Stern: Senator Dole, I may think of a possible
3 reason. I do not know if this is the reason.

4 Since your benefit is based on the household's food stamp
5 benefit, in the case of New Jersey where the welfare payments
6 are somewhat higher, the food stamp payments are of course,
7 correspondingly lower.

8 So it is possible if New Jersey's welfare benefits are
9 higher than, say, New York's, even though the number of heating
10 days might be pretty much the same, under your formula New York
11 would get more than New Jersey.

12 If it is based strictly on percentage of food stamp
13 benefits.

14 Senator Dole: I will check that as soon as Linda comes
15 back.

16 Senator Ribicoff: I wonder why food stamps is taken as
17 one of the important bases?

18 Senator Bradley: That is certainly one of my questions,
19 because in New Jersey we do have a situation of lower food
20 stamps and higher welfare payments.

21 The Chairman: Mr. Chafee?

22 Senator Chafee: The problem, Mr. Chairman, that the food
23 stamps list are the only lists that we have to work from that
24 we can get this money out quicker enough, and I think that
25 there are problems with this method in which we are proceeding,

1 but the overriding issue is trying to make it effective
2 quickly.

3 The variance, as you can recognize, are as a result of the
4 food stamps. If a state has a high welfare payment, then the
5 amount of food stamps that the family receives is lower than if
6 the family estate has a low welfare payment, which would make
7 the family eligible for much more than food stamps.

8 Senator Ribicoff: I am wondering if we could not even
9 simplify it by having some sort of a system based on the number
10 of poor, or the number on welfare; allocate them to the state
11 by way of a block grant and let each state then make
12 distribution out of the block grant in such a way as to reflect
13 the basic need.

14 I wonder if we could not do something like that.

15 Senator Dole: That is what we had hoped to do after we
16 get through this first year or two, the critical period that we
17 could then move forward with a block grant approach.

18 Senator Ribicoff: I wonder if it is so complex that we
19 could not even do that the first time around.

20 Senator Chafee: The states would, of course, have the
21 state problem that we would face in trying to get some kind of
22 a system of who is eligble, who is fairly eligible.

23 I think there is one point to bear in mind, that this
24 program assumes that a committee on labor and welfare will
25 provide the \$500 million for crisis intervention, which we do

1 get into. That is another half a billion which can be used
2 that would come from general revenues, and that would be
3 available to take care of difficulties that would not be
4 anticipated under this system, which is probably the only way
5 of getting it out quickly, to some recognized list of people.

6 Senator Ribicoff: I am just wondering, Mr. Chairman, in
7 addition to trying -- and I agree we should try to get this
8 money out as fast as possible, to take care of the lowest
9 economic segment of the population.

10 But while we are passing some law, whether we should not
11 try to do something for the lower middle class, who certainly
12 has great burdens and keeps on getting neglected and are soft
13 as inflation keeps mounting.

14 Before we come to a final conclusion on the Dole proposal
15 or any substitute for it, we should see if we can work out an
16 overall.

17 Senataor Roth: If the Senator would yield on that, one
18 concern that I have with food stamps, at least it is my
19 understanding from the senior Senator at home, that you have
20 many elderly people that do not participate in the food stamps.
21 In some cases, it is a matter of pride, but a very significant
22 number do not, and certainly if there is any group of people
23 who need assistance to keep warm this winter, it is your senior
24 citizens, and that has been one of my concerns about relying on
25 food stamps.

1 What about these other groups, particularly the elderly?
2 How would we reach them?

3 Senator Durenberger: If the Senator would yield further?

4 Senator Ribicoff: I yield.

5 Senator Durenberger: I started working on this block
6 approach a month ago. The problem is a practical one. The
7 first one will come on November 1st. My state, which loves
8 block grants, loves to make its own decisions. It cannot
9 operate a block grant approach this winter. There is just
10 no time left.

11 I think that is why that we grabbed at the food stamps
12 list as a way to get the money out.

13 Senator Bentsen: Mr. Chairman, I appreciate the offer
14 being made here by Senator Dole and some of his colleagues. We
15 are making some headway.

16 I want to make the point, when we talk about energy costs
17 we are not just simply talking about heating, and certainly
18 heating, the cost of it, constitutes a very large percentage of
19 the poor's total energy bill.

20 You have to take into consideration the question of
21 refrigeration, lighting and cooking, and all of those add up to
22 it and leaves the poor with the agonizing choice of whether
23 they are going to pay their energy bill, turn on their lights,
24 or they are going to buy food.

25 We have to give a national approach to this thing to using

1 heating degree days as a proxy for the poor and their costs for
2 energy.

3 I believe it leaves to some very serious inequities.

4 Let me give you the example of the state of Washington,
5 the District of Columbia and North Dakota. All three of those
6 states' costs are below the national average.

7 Let me re-emphasize that by saying that the state of
8 Washington and the District of Columbia are the two lowest in
9 the United States on their energy costs.

10 So these are the kinds of distortions that can be brought
11 about if you use as the criterion the question of heating
12 degree days.

13 I think that we ought to be looking at the total energy
14 cost for a family to try to bring more equity across the
15 nation. We keep talking about things like heating oil, and I
16 can understand that. I have places in Texas where in the last
17 two years the cost of natural gas has increased over 1000
18 percent, by over 1000 percent, and those people are facing some
19 very difficult choices as to whether they can turn on their
20 electricity or not.

21 I would certainly encourage us to look beyond just heating
22 degree days and trying to arrive at something that is equitable
23 across the nation.

24 I understand, also, that when we are talking about overall
25 averages -- although I cited some in Texas that have gone up

1 over 1000 percent in the last two years. I know heating oil
2 has gone up more than has natural gas in the last two
3 years. But if you figure that in, if you factor that in, if
4 you index that in to current costs, that is going to be
5 reflected in the average across the nation.

6 I frankly think that it would be a more equitable
7 approach.

8 The Chairman: Mr. Dole?

9 Senator Dole: I want to respond. I think Senator
10 Ribicoff makes a good point. If we can move quickly enough in
11 some block grant program that could probably be the best, at
12 least as I see it -- maybe the best way to go. It might also
13 address the problem raised by Senator Bentsen, but this
14 applies. It is an energy payment. It is not restricted to
15 heating oil, although I must say, in the coldest areas, about
16 90 percent of the fuel used is heating oil.

17 What we would hope to do in this first year -- and it may
18 not be perfect -- but we take care of the question raised by
19 Senator Roth because you do not have to be eligible for food
20 stamps to be eligible to participate in the program.

21 We provide that the benefit for AFDC and SSI also is
22 eligible for not receiving food stamps, would be determined by
23 the Secretary of HEW and AFDC and SSI households not eligible
24 for food stamps would receive at least the minimum benefit.

25 So there may be a better way.

1 I know Senator Nelson has also been working on an
2 approach. We have been working on an approach. This may not
3 be the best way to move, but it seems to me that in many areas
4 of this country the problem is real.

5 I was told last week that the price of wood has gone up
6 four times in the past year and that some of the wood is being
7 withheld from the market until it gets a little colder, which I
8 assume it would increase the price even more.

9 So that there is a dramatic price increase in every source
10 of energy used for heating purposes.

11 Having presented this to the Committee, if there are
12 serious reservations about it, the point is, we ought to be
13 trying to put something together and hopefully something that
14 the majority can agree on.

15 This is presented as a temporary program a two-year
16 program, to do the very thing Senator Ribicoff has indicated,
17 to come up with some permanent program credits as proposed by
18 the Senator from Connecticut, or whether it is a block grant
19 approach, or whether it is something else. But right now,
20 there is the need to focus on the poor, low income, and we are
21 checking to see what may be the problem in New Jersey.

22 But I would hope that we could move rather quickly, even
23 separate this portion from the rest of the windfall profits tax
24 proposal because it is going to be a couple of months before we
25 finally get that signed into law so that the benefits could

1 start not later than December, as far as low-income assistance
2 is concerned.

3 The Chairman: Senator Nelson, he is on the Labor
4 Committee as well as this Committee and Human Resources. He
5 knows what they are doing over there and I think it would be
6 useful to us, because the Chairman of that committee stopped me
7 on the Floor yesterday and wanted to direct my attention that
8 the Committee is working on a program. Also Senator Nelson has
9 some thoughts about the subject that we ought to know about.

10 I would like for the Senator to share with us what his
11 thoughts about this situation is.

12 Senator Nelson: First, let me say to Senator Dole that
13 there is not any doubt that energy degree days should be an
14 important factor in any formula. On the other hand, let me say
15 the Senator's formula is absolutely spectacular for my state.
16 There is no formula you could have that is better.

17 We have the same for Minnesota. What we are really
18 talking about here is helping poor people who cannot pay their
19 fuel bills.

20 On the other hand, Senator Bentsen is correct that poor
21 people use energy and energy costs have gone up all over and
22 they use it for electricity, they use it for cooking, they use
23 it for other things. And total energy consumption per capita
24 is a factor.

25 Now, if you could refine it the way the Chairman would

1 like to, that is to say, if we were sophisticated enough to
2 identify how much do poor people pay in each state for energy
3 to run the household, if you could refine it down to that you
4 would have the perfect formula, because if you are poor and
5 your energy costs have gone up, even though you do not need as
6 much to heat your house, if it has gone up or the gas price has
7 gone way beyond where it was before, you ought to be helping
8 them with their energy problem in the household.

9 One of the problems with that is, take the administration
10 formula for Florida -- Florida gets a whole lot of money. It
11 does not make any sense at all.

12 In Florida, almost 80 percent of the homes have air
13 conditioning. But the poor people who are going to get the
14 benefit of this program -- something over 20 percent -- have no
15 air conditioning at all. So you are using a measurement of the
16 consumption by people who are well off to put in a factor to
17 help people who are not using the energy that you are talking
18 about.

19 They do not need it to pay for air conditioning. They
20 need it to pay it for heating degree days.

21 There is no way that we have enough information now, as
22 sophisticated as it should be, so that that bias on consumption
23 though air conditioning does favor states where it is hot.
24 There is no way to get around it, and the poor people getting
25 the money are not getting it to pay the cost of the air

1 conditioning because they do not have it.

2 It seems to me that every factor has to take in, how many
3 poor are there? Senator Dole's figure goes on, number of
4 people, population.

5 I think that you need to have factors: what are the
6 degree days? How much does it cost for energy per household?
7 How many poor do you have?

8 That is not perfect. In fact, as I have mentioned, some
9 formula should consider it, it seems to me, all three. There
10 are all kinds of formulas. We have worked on them, because we
11 have been on it on the Human Resources Committee. My staff has
12 been working on these for six years from the time when we first
13 introduced this legislation for this program that gets energy
14 fuel assistance to the poor now.

15 I think that we have to look at this very carefully and
16 consider those factors and I think that we should not really
17 act today.

18 One more point on Senator Dole's -- as I say, I am working
19 against my interests because I do almost twice as well under
20 this ---maybe not quite, maybe a third as better -- than any
21 other formula that I have ever looked at because of our high
22 energy consumption for fuel.

23 There is another practical factor off the top of my head
24 without checking it, Bob. You have to face what happens on the
25 Floor.

1 I do not think more than 15 or 16 states, or 17, would
2 benefit under that formula as against a dozen others that will
3 be produced on the Floor and you will just get licked.

4 Senator Bentsen: May I say just a minute, Senator? I
5 will do better under the administration's proposal, frankly,
6 than what Senator Nelson has proposed, but I also understand we
7 have to arrive at some compromises in getting something that
8 best brings equity to all states, if we can.

9 I would be very pleased to go along with that kind of a
10 compromise.

11 Senator Dole: Well, I think that as far as I am
12 concerned, we want to work with everybody on the Committee.
13 Certainly, Senator Nelson has been the pioneer in the effort --
14 the present crisis intervention program, whatever -- but I
15 wanted to present this approach. It is probably not perfect.
16 It may be fatally flawed. There may be some areas -- I am not
17 certain ---that we could pick up and bring together.

18 There may be other things that we should add.

19 What we are concerned about, as I understand it, is
20 keeping people warm this winter, and that is an important
21 factor, and, of course, Wisconsin does very well because it
22 gets quite cold in that part of the country.

23 But also I share the concern of Senator Bradley, although
24 they do have -- if the figure is correct, they must have higher
25 welfare payments and would have more cash available for

1 heating.

2 Senator Roth: If the Senator would yield for a question,
3 as I mentioned, there has been some concern expressed in my
4 state, going the route of food stamps. As I understand, what
5 we are talking about is a two-year program. Then, perhaps
6 developing a new program or going into some kind of a grant.

7 Would there be any reason not to give states an option,
8 for example, if they wanted to continue under the present
9 program, only have additional funds.

10 Do you see any problem? As I understand it, one of the
11 problems of making these funds available, unless a state has a
12 program already in effect, the state legislatures are not in
13 session, and there are problems developing new programs. But
14 to give a maximum of flexibility, there may be some states who
15 feel that it should be better handled otherwise.

16 So I would suggest we might consider giving a state that
17 option.

18 Senator Dole: I would think that could be done under this
19 approach, or under whatever Moynihan and Nelson are working on.
20 I think that is certainly a possibility, but again for this
21 year, it just could not be done.

22 If we are going to do anything this year, we are going to
23 have to work through some existing system without creating a
24 new program because we are looking into next year at the
25 earliest whether energy stamps, even food stamps. Some say

1 that is creating another program. We are just using their
2 eligibility payment, but it would be a cash payment, a maximum
3 of \$90, a minimum of \$10, and it would be available, hopefully,
4 by the month of December.

5 The Chairman: Mr. Chafee?

6 Senator Chafee: Mr. Chairman, we have to bear in mind
7 that an imperfect program is really better than nothing. There
8 is nothing else that we know of, except possibly for the block
9 grant. I am not even sure that that would work.

10 With the states last year, as you know, they had the
11 crisis intervention -- at least the states I am familiar with,
12 they had a lot of problems with it in the dispensing of it.

13 This is the basis of getting out the money and getting it
14 rather quickly.

15 The second point that I would like to make, Mr. Chairman,
16 in connection with the remarks of Senator Bentsen about fuel
17 costs, energy costs totally, I think that is important. But
18 the energy costs to run a refrigerator, or to run other
19 electrical applicances whatever it might be, are a far smaller
20 proportion of the total household expenses than the heating
21 expense, be it for fuel oil, be it for natural gas, whatever it
22 is.

23 So it seems to me a formula that ties it in to the degree
24 days as this one is a good one, and the fairest way I think for
25 us to get at something quickly and in some degree of fairness

1 and equity to it.

2 The Chairman: Senator Heinz?

3 Senator Heinz: Thank you, Mr. Chairman. I would like to
4 ask Senator Dole a couple of questions about his proposal.

5 What is going to be the effect of any benefit received on
6 your program on people's eligibility for other programs? Will
7 this be counted in determining their income for AFDC or for
8 food stamps?

9 Senator Dole: We would have to assure that that would be
10 disregarded.

11 Senator Heinz: It will be disregarded?

12 Senator Dole: It has to be an additional amount of money
13 to meet this one problem.

14 Senator Heinz: All right.

15 Do you expect that many people -- I particularly in mind
16 elderly people, a lot of whom try not to be on food stamps or
17 on SSI because they would rather feel they were making it on
18 their own, albeit on pretty modest fixed incomes -- do you have
19 any feeling that people will be reluctant to apply to fill out
20 this form?

21 I guess they will have to fill out a statement with the
22 welfare agency. Will we not find that they are applying for
23 welfare? Where is the check going to come from? The state
24 welfare department?

25 Senator Dole: Right.

1 Senator Heinz: They are going to feel, I think, like they
2 are on welfare and my caution to you would be that one of the
3 reasons that we created the SSI program was to get away from
4 stigmatizing our poorest elderly.

5 Senator Dole: In that case, it would be Social Security,
6 if they are eligible for SSI benefits.

7 Senator Heinz: Automatically eligible?

8 Senator Dole: We would have to do it, the question that
9 Senator Roth raised earlier. Those that are outside any
10 program, and there will be some low-income elderly citizens who
11 probably, through some outreach effort -- you never are going
12 to have them all. They are reluctant to participate.

13 We are finding right now in rural areas when we formed the
14 food stamp program, eliminated the purchase requirement, that
15 most of those who are now participating are coming from the
16 so-called rural poor, the older people in rural American. The
17 great percentage because they are not around for the out-reach
18 programs, they cannot be contacted, they are isolated, and they
19 are very proud and so far have declined.

20 Senator Roth: If the Senator could yield for a question.
21 Earlier, if I understood it, this in no way would impact on
22 what the Human Resources Committee is discussing. This does
23 raise a number of questions in my own mind.

24 If we adopt a program along this line, what would be the
25 inter-relationship with any additional funds proposed by the

1 community services program? Would the same people be eligible?

2 Senator Dole: I think we would have to make certain that
3 it did not happen that we have a good-fair program, that we
4 coordinate it, that it will be a problem. The question of
5 jurisdiction, that there are a number of fertile minds working
6 on this particular problem in other committees. I would hope
7 we could coordinate it and I know the administration is
8 present. They may have something to say on the general
9 proposition.

10 The Chairman: Senator Moynihan?

11 Senator Heinz: I am not through. I am perfectly willing
12 to let people continue.

13 The Chairman: Go ahead.

14 Senator Heinz: I want to nail down this point, that
15 checks will be issued by the Social Security Administration in
16 different amounts, for different states.

17 The Senator said that people on SSI were eligible. I
18 assume he meant therefore are automatically eligible, or is
19 that not the case?

20 Senator Dole: That is the case.

21 Senator Heinz: Therefore, is it correct the Social
22 Security Administration will in fact, mail out different sized
23 checks throughout the United States?

24 Senator Dole: Right.

25 Senator Heinz: They have the information on how many

1 people are in those households.

2 Senator Dole: I think so.

3 Senator Heinz: In fact, can this be done? Can this be
4 done by January 1st?

5 It seems to me fairly complicated.

6 Ms. Amidei: Senator, the question was could we mail out
7 through Social Security checks of different sizes in different
8 amounts to people around the country?

9 Senator Heinz: The question is, can you mail out these
10 checks? If we enact something in two weeks to be charitable
11 and we have a formula that says that you have to take into
12 account the number of people in a household on SSI, that is
13 what Senator Dole's proposal said.

14 Mr. Bynum: The answer is no, we could not.

15 Senator Heinz: Never?

16 Mr. Bynum: We could mail out checks to individuals who
17 are recipients of SSI. We do not have information on size of
18 the household or people living in the household on our SSI
19 rolls.

20 That element would be impossible.

21 Senator Heinz: If there is an elderly person with a
22 dependent in the household, they are going to get a single
23 person benefit.

24 Mr. Bynum: That is right, we can only get the SSI
25 participant what the amount is for the state. We do not have

1 other information about people living in that household,
2 multiple households, et cetera.

3 Senator Heinz: I am not trying to be critical of Senator
4 Dole's approach. He is trying to be positive and
5 constructive. It seems to me that as long as we try to have a
6 formula that really does not relate to people's actual heating
7 costs, we are going to be up this tree.

8 I will try to work with Senator Dole to figure out ways to
9 overcome this problem, although I am not terribly optimistic.

10 I would like, Mr. Chairman, to raise a question. The
11 members of the committee know that I have been advocating a
12 kind of a new approach to this which is what you might call a
13 passthrough tax credit.

14 There were some fact sheets handed out a week ago when we
15 were out here. The idea is, very simply, that you get the
16 heating bill reduced by 8 percent -- I proposed 25 percent up
17 front. The dollar or dollar cost of that is borne by the
18 supplier who gets a tax credit refundable to implement, to make
19 him whole.

20 We have a number of provisions designed to make sure that
21 the supplier does not bear any burdens or financial costs. My
22 question is this, Mr. Chairman. Since no one has said to me
23 that my plan will not work, and I also sense that it does not
24 have the votes, I wonder if we could not test it to prove to
25 people that there is, in fact, a way that gets money to them

1 quickly, that does not -- if it does, we find administrative
2 problems, that it does, in fact, target the money to those most
3 in need and on a basis that is fair ---that is to say, related
4 to the cost of their fuel. I wonder if we could not test this
5 in a half a dozen areas? I do not mean cities of two million.
6 million. I mean reasonable sized areas like Pittsburgh,
7 Scranton, New York City.

8 Senator Dole: I do not suggest the Social Security
9 system to start mailing out checks. Someone has to make an
10 application. Then you determine how many are in the household.
11 Then you can make the computation. The HEW Secretary will
12 determine that.

13 Mr. Bynum: Senator Dole, there is no way we can do that
14 with over 4 million SSI applicants and do what we have to do
15 this winter. That is our problem, the same kind of problem
16 that some of you have expressed in terms of doing something for
17 this winter.

18 That is our problem.

19 The Chairman: Senator Moynihan, then Senator Danforth.

20 Senator Moynihan: I will yield to Senator Danforth.

21 The Chairman: Senator Danforth?

22 Senator Danforth: Mr. Chairman, it seems to me that we
23 are not going to resolve this today, but there are some basic
24 principles that Senator Dole's proposal exemplifies and that we
25 should be working toward.

1 The first principle is the total amount. That is, how
2 much should we be distributing? What should the target figure
3 be for relief, for individuals, for high energy costs?

4 The administration's proposal is about 1.2 for the first
5 year. Senator Dole's is about 1.5.

6 The administration's is \$24 billion between now and 1990;
7 Senator Dole's is about \$30 billion, so I think that is issue
8 number one.

9 It would be my view that because of the fact that over a
10 three-year period of time energy costs have gone up nationally,
11 about \$10 billion from this group of people, that the
12 administration's total amount is a bit low, that Senator Dole
13 is more on target.

14 The second principle that everybody agrees to is a
15 question of speed. Winter is upon us. Yesterday we had snow
16 in Washington, of all places.

17 Therefore, whatever is done should be done quickly, even
18 if we have to have a one-year program and then follow it up or
19 a two-year program and then follow it up with a study, as
20 Senator Dole has proposed, as to exactly how we carry it out in
21 future years.

22 The third notion -- and this is the bone of contention
23 between Senator Dole's approach, for example, and Senator
24 Heinz's approach -- is whether or not it should be basically a
25 cash grant, whether the recipient, if he wants to blow it on

1 something else, whether he should be allowed to, or whether it
2 should be more closely targetted either by payment to utility
3 companies or by stamps, or whatever, to the actual use of
4 energy.

5 Senator Dole's approach is it should come in the form of
6 cash. My own view is that he is right on that score.

7 Among other things, if you did not do it on a cash basis
8 it would tend to be a subsidy for the use of energy itself, and
9 therefore we would have a counterproductive effect with respect
10 to energy conservation.

11 The fourth principle raised by Senator Dole and also
12 raised by Senator Roth, how do you minimize the number of
13 people who fall between the cracks? I think that was what
14 Senator Dole was trying to get at, by using food stamp eligible
15 individuals as a criterion.

16 If you all you use is AFDC and SSI, as the administrastion
17 has proposed, there are some people -- for example in those
18 states which do not have AFDC for unemployed fathers at home,
19 that you have two-parent families, or you have families without
20 children who just fall in between th cracks.

21 And the idea is to cover people in need rather than to
22 have a situation where you have a relatively high number of
23 people, maybe some people who are not covered.

24 The fifth point, the degree to which any program should be
25 sensitive to weather conditions. The administration's does

1 include the question of temperature. The question there is,
2 then, the relative weighting of region or temperature to the
3 receipt of funds.

4 I think those are basically the five questions which
5 deserve our attention and which obviously will not be resolved
6 today. My own view is, with respect to the latter question,
7 sure, everybody has energy needs. But if you want to devise a
8 formula, the formula should be somewhat more sensitive to
9 atmospheric conditions, weather conditions than the
10 administration says.

11 There I think Senator Dole again is more on target.

12 The Chairman: Senator Moynihan?

13 Senator Moynihan: I would like to follow along the line
14 that Senator Danforth is developing by first asking Senator
15 Dole, I take it, sir, that you propose to amend the Social
16 Security Act to put this program into effect, perhaps not
17 as a temporary amendment. This is to be in addition to
18 the Social Security Act.

19 I say to Senator Danforth, that that is the business
20 of this Committee, the jurisdiction of this Committee,
21 which carefully over two generations has brought that
22 program to the point that just about one American in four
23 receive the benefits of one kind or another. It is the
24 proper locus of income security and income security.

1 The Senator is absolutely right in his emphasis on putting
2 this in Social Security where it belongs, where it will be free
3 of politics, free of erratic administration we are accustomed
4 to in other areas.

5 I think otherwise his principles, it is a sound program
6 and if it turns out to be right in the middle of the range of
7 expenditure that we think we should alloate to this program. I
8 think this has been a very important event. I cannot imagine
9 this thing emerging finally without Senator Dole's being seen
10 As the person who broke through the morass we are in.

11 I want to thank him for that.

12 Senator Dole: Mr. Chairman?

13 The Chairman: Yes.

14 Senator Dole: I think we could at least raise the point
15 and appreciate the fact that there are differences. I would
16 not want the record to left with the impression that there are
17 4 million SSI households not eligible for food stamps. Is that
18 what you are telling me.

19 Ms. Amidei: Not that they are not eligible for food
20 stamps, but I think he is referring to just to the magnitude of
21 getting out checks to 4 million individuals.

22 Senator Dole: Some of those you can determine the size of
23 the household, how many are there who are not eligible for food
24 stamps, SSI benefits, households?

25 Ms. Amidei: SSI beneficiaries would be eligible for food

1 stamps. The difficulty that was being raised was whether or
2 not we could separate from our computer tapes those who live in
3 a household by themselves -- quickly this is ---those who live
4 in a household by themselves as against those who might live in
5 a household with more people, and that is not something we
6 could do quickly. We simply do not have it in our computer
7 capacity to do it that fast.

8 The Chairman: Could I ask this -- go ahead.

9 Senator Dole: If they are eligible for food stamps, it is
10 done on the basis of households. If they are eligible for SSI,
11 it is on the basis of SSI. How many do you have left?

12 Ms. Amidei: Excuse me. Only 40 percent of SSI
13 beneficiaries participate in the food stamp program. The
14 degree to which the food stamp list would be computerized in
15 any one state and be able to single out individual categories
16 of people varies all over the lot, so some states would have
17 rather more precise information about those food stamp
18 recipients in other states. Some states would take a year or
19 so just to develop their list.

20 Mr. Bynum: From our perspective, from our own tapes and
21 computer base, we simply do not indicate whether or not the
22 individuals ~~receive~~ food stamps in respect to this.

23 Senator Dole: Anybody who is not eligible for food stamps
24 has to come in and apply in any event.

25 Mr. Bynum: If you are going to use food stamps as a base,

1 that is true.

2 Senator Dole: I know it is not going to be easy to do,
3 but it seems to me that it is not impossible to say. It is
4 impossible to admit.

5 Ms. Amidei: In a short period of time.

6 Mr. Bynum: A short period.

7 Senator Dole: What is a short period?

8 Mr. Bynum: Between now and the hearing time that we have
9 to be concerned about.

10 Let me make one other point clear of what we can do is
11 clear in connection with SSI.

12 I am Bob Bynum, Deputy Commissioner of Social Security.
13 We have 4.2 million SSI recipients on the rolls. We treat them
14 as individuals even though, where couples, individuals, live
15 together, their benefit is one and a half times the individual
16 benefit.

17 Nevertheless, we still pay an individual check to each
18 member of that couple. We do not have information in our files
19 about recipients of food stamps in connection with this
20 program nor do we have any information other than that I just
21 mentioned, the couple situation, that tells us what the
22 composition of a household is.

23 We simply do not have the capacity over the short run to
24 do the more sophisticated kind of thing that you are talking
25 about and which I would think would be quite appropriate for us

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

1 to do in a longer range program.

2 The Chairman: I just want to know from the administration
3 witness -- undoubtedly you have been thinking about this longer
4 than we have, because that is your specialty over there, and
5 you have been working on it trying to get ready for it, and you
6 have people to consult and advise and you have a lot more
7 personnel to work with than we do.

8 Now, as of right now, what is your suggestion as to how we
9 handle this problem?

10 Ms. Amidei: Mr. Chairman, we had recommended that we
11 build entirely on existing mechanisms. Clearly there are some
12 broad agreements in principle with what has been talked about
13 this morning. We would agree we want cash payments to
14 individuals, we want to be able to move quickly building on
15 existing mechanisms.

16 As has been suggested, payments that vary according to
17 severity of climate -- that certainly has been suggested. We
18 found when we started looking into who we might be able to
19 cover quickly this year, in order to get money out into
20 people's hands, say by January or February in a way that would
21 minimize the amount of duplication and keep a relatively clean
22 program, that we were forced back to AFDC and SSI.

23 In principle, we do not disagree with the notion of trying
24 to help additional kinds of low-income people, but given those
25 other kinds of considerations, we felt that with what we have

1 available in terms of computer capability and administrative
2 capability, we had to rely on those two mechanisms for this
3 winter.

4 For future years, we would like to broaden the eligibility
5 ourselves, but we just did not see any way we could do it this
6 year, and in fact, the need to know quickly what size payment
7 -- not that so much, but what kind of household would receive a
8 check and when -- is something that caused us to send up a
9 supplemental request. I think it should be here today or
10 tomorrow, so that Congress will have pending before it the
11 entire amount that the President has suggested spending this
12 year because if we do not move quickly, any week that we lose
13 in making these basic decisions about who gets the checks is
14 going to push farther into the winter the possibility of
15 getting anything out there.

16 If we were to know by October 15th the parameters and the
17 eligible households and so forth, we could get checks out in
18 January or February. If we do not know until mid-November, we
19 are going to be pushed up, even for SSI and AFDC households,
20 well into February, March, April, something like that, because
21 the computer load at the Treasury, among other things, stacks
22 up towards the end of the year and you just cannot get into the
23 system if we delay this process too much longer.

24 The Chairman: Let me just make a point that occurs to me,
25 and this is a part of the problem. At least in the AFDC area,

1 you do have those cases in each case, workers supposed to be
2 familiar with the individuals in that particular area. Is that
3 correct, in the AFDC situations? The states have the case
4 workers and these case workers are supposed to be familiar with
5 all the people who have been assigned to them to look at those
6 cases. Is that correct?

7 Mr. Van Lare: Senator, I am Associate Commissioner for
8 Family Assistance. That is essentially correct.

9 The difficulty is, they are required to be familiar only
10 with those members of the household who are eligible for AFDC.
11 If they are living with individuals not legally responsible for
12 those children, the caseworkers may not know about those
13 individuals, or the income of that unit.

14 The Chairman: Just speaking in this area, I just know, as
15 a matter of fact, that if a person is living out there in the
16 mountains in Virginia, it gets a great deal colder out there
17 than it does here in the District of Columbia. Harry Byrd can
18 tell you that.

19 I know it, because I had a little mountain cabin out
20 there. I know how cold it gets out there in those Virginia
21 mountains -- about ten to fifteen degrees colder on a cold day
22 than it does here.

23 Also, I know the same type thing applies in Louisiana, and
24 if you are in a rural area in north Louisiana you are going to
25 get a great deal colder than you are going to get than if you

1 the American free enterprise system. It just stuns me.

2 It is not President Chattering. We have on the books
3 right now a targetted jobs credit, a refundable tax credit. It
4 is used to put deserving people to work. It is aimed at trying
5 to overcome some of the problems of structural unemployment.

6 The philosophy behind it is to try to match good real jobs
7 with the kinds of skills that these people have, yet when it
8 comes to this area, somehow we just want to ignore the
9 possibility of using some of the strengths that are out there
10 in the American enterprise system.

11 I do not understand that, when I am convinced -- and I
12 have made a proposal to the Committee ---that, in fact, there
13 is a way, but that is not what really bothers me the most.

14 I guess what bothers me the most is that we keep avoiding
15 the central issue. The central issue, after you get through
16 the question of how much and we have decided that, and it is
17 not that big of an issue because we can only have so much mney
18 to spend, and the difference between \$24 million and \$30
19 million was not that much.

20 There was never really an issue as to whether or not we
21 were going to help lower and middle income people. The real
22 issue is on what basis are we going to help people and are we
23 going to help them on some criteria related to their energy
24 bills, how much they are spending.

25 We do not want to face up to that problem because HEW

1 cannot do it, Social Security cannot do it.

2 Finally, we have just learned that in terms of any kind of
3 a program that delivers cash to a household that, in fact,
4 number one, it is going to be delivered laste and it is not
5 going to be delivered -- if you are listening carefully ---it
6 is not going to be delivered monthly. It is going to come in
7 in one lump sum.

8 That is what is going to happen, no matter how
9 well-intentioned the Bob Dole proposal is to have monthly
10 payments. Do not kid yourselves. By the time we are through,
11 HEW will have talked us into making one single cash payment and
12 it will be very unequal, because people who have
13 energy-efficient houses will be getting \$300 and people who
14 have huge fuel bills, both in the low income, will be getting
15 the same amount.

16 So finally, as Part B of that, there are going to be 2.5
17 million elderly and disabled people who will not apply. They
18 are on SSI now. They are poor, according to anybody's
19 definition, they are the 60 percent of the recipients of SSI
20 who will not go for food stamps because they think it is
21 welfare. We kiss them goodbye.

22 So, what do we do about it? I am willing to do anything
23 about it, including abandoning my particular approach, but I do
24 not want us to proceed down this road, kidding ourselves and
25 kidding our constituents and kidding poor people.

1 I hope that the Committee will give my statement some
2 thought.

3 Senator Bentsen: If the Senator would yield?

4 Senator Heinz: I am through. I thank the Chairman.

5 The Chairman: Senator Moynihan had his hand up.

6 Senator Moynihan: I yield.

7 Senator Bentsen: I have been intrigued by Senator Heinz's
8 proposal. I do not want to see it dismissed out of hand. I
9 want us to probe it further, because he has talked about a
10 proposal that gets immediate delivery and does get it on a
11 monthly basis, and on the surface, it looks good to me.

12 I am trying to see what problems would result.

13 What do we have in the way of identification for the
14 person who would be eligible? How would that be handled?

15 Senator Heinz: The person would go to the state agency
16 and fill out a two-part form.

17 Senator Dole: Those senior citizens who would not apply?

18 Senator Heinz: Yes, but they would not be applying for
19 food stamps. They would be applying for a break on their
20 utility bills and there is a difference that when they do not
21 have to take the food stamps down to the check-out counter --
22 or energy stamps. They do not get stigmatized that way.

23 They fill out a two-part form. They keep one-half. They
24 write on it who their major supplier of energy is, the New
25 England Fuel Oil Company. They send it in. The state agency

1 sends the other half of the coupon, keeping a record, into the
2 New England Fuel Oil Company saying knock 25 percent off the
3 bill for the next six months, or for the billing period,
4 December through April.

5 Does that answer the Senator's question?

6 Senator Bentsen: I am not sure.

7 What about the regular recipient of a utility bill? Do
8 they fall into the same category, or are we speaking to just
9 one classification there?

10 Senator Heinz: The eligible person makes a determination
11 of who --

12 Senator Bentsen: All eligible persons would have to go
13 through that process?

14 Senator Heinz: Yes.

15 They would go down and make a one-shop stop certification.

16 Senator Bentsen: That answers my question.

17 Senator Heinz: Just like they do on all of these.

18 The Chairman: Senator Moynihan?

19 Senator Moynihan: Mr. Chairman?

20 Mr. Chairman, I wonder if we might sum up this morning by
21 suggesting that there is a certain agreement around this table
22 that flows from the specific proposals that we have had here
23 and from the comments made? Do we have agreement that what we
24 do should be done in the context of the Social Security Act? I
25 think we do; I hope we do.

1 Do we have agreement that we are talking about \$25 billion
2 to \$30 billion over ten years? I think we do. And is there
3 agreement -- which I am not sure that there is -- that we will
4 try to extend these benefits to a population other than those
5 defined by the income limits of the food stamp program which
6 cuts off at about \$12,000?

7 Who can help me on that?

8 Ms. Amidei: Yes, Senator.

9 Senator Moynihan: Food stamps cuts off at about \$10,000?

10 Ms. Amidei: \$11,400.

11 Senator Moynihan: \$11,400.

12 That really is only about 20 percent of the population
13 now. Anyway, I would hope that we could go a little higher.

14 I wonder if Senator Dole felt that we had some agreement.
15 Would he like to see some agreement on those general
16 principles?

17 Senator Dole: No doubt about it.

18 I have some problems with the Heinz proposal. I think the
19 oil dealers might have some problems. Also, the renters in
20 this country whose utility bills are included in the rent might
21 have some problems. That makes about 20 to 30 percent of the
22 caseloads on food stamps.

23 Again, I think we are all searching for some mechanism. I
24 think we could probably, you know, just on the food stamp
25 recipients, the first mailing of checks, then the SSI people

1 could be told to claim their check if they do not get one on
2 the first mailing. I do not believe there is not some way to
3 admnister it so we could do something.

4 I think Senator Heinz is correct. I imagine that first
5 check will be a lump sum, if you are going to start in
6 November. There is no way they can be processsed that quickly.
7 Then I assume they will be on a monthly basis.

8 I think what we should do is maybe at the staff level this
9 afternoon, on both sides, try to put it together, Mr. Chairman.

10 Senator Moynihan: I wonder if Senator Dole would agree
11 with me that there is a principle that should precede all other
12 principles, and that is that we do not want the best to become
13 the enemy of the good here, that when we found that we do not
14 have a program that resolves all of the questions that we can
15 raise, then we define that as inadequate.

16 We want to do as good a job as we can and it will not be
17 perfect.

18 Senator Dole: I do not know any way you can make it
19 perfect. We must make the effort very quickly.

20 Senator Danforth: Mr. Chairman?

21 The Chairman: Yes, sir.

22 Senator Danforth: One thing that Senator Dole has
23 proposed is a two-year program, as an initial part to it, with
24 a study for just that reason, to try to fill in the gaps. On
25 the principles that were enunciated by Senator Moynihan, I

1 think you slipped one in there that is not -- that I would not
2 agree with.

3 Senator Moynihan: The third one?

4 Senator Danforth: Yes.

5 Senator Moynihan: I said that I was not sure that there
6 was agreement on that.

7 Senator Danforth: All right.

8 Senator Moynihan: I found I was not wrong in being not
9 sure.

10 Do you think my overriding principle that the best must
11 not become the enemy --

12 Senator Danforth: Of course. That is the reason for a
13 two-year program. Nothing is going to be perfect. I think the
14 thing to do is to try to look for general principles on which
15 we can agree.

16 Senator Moynihan: Do you think we have agreement on those
17 first two principles, generally?

18 Senator Danforth: I do not think whether the Social
19 Security Administration is the dispenser is necessarily the
20 important point. I think the fact that it is a cash grant is
21 important. I think that it is targetted more toward the poor
22 than I think your proposal would be is important.

23 I think that we try to fill in the cracks no matter how it
24 is done.

25 Senator Moynihan: If we are going to have the cash grant

1 program, it is going to be in the social security legislation.
2 That is what I mean, the legislation for which this committee
3 is responsible.

4 The Chairman: Mr. Chafee?

5 Senator Chafee: Mr. Chairman, do I understand from the
6 administration witnesses that, as of now that they do not feel
7 that they can handle the Dole program as presented?

8 Ms. Amidei: I think that is a fair statement. We have
9 not seen it before this morning but, for example, we would have
10 to admnister all benefits to 9 million households on a monthly
11 basis. We simply could not do that.

12 We can, if we start planning now, get checks out to SSI
13 recipients in January. We can do that.

14 If we start planning now, we can start getting checks out
15 to AFDC recipients in February.

16 In order to do something that would involve monthly
17 benefits to 9 million households, some of whom are not already
18 on our rolls and some of whom are on rolls that are not even
19 computerized at a state level -- we just honestly do not think
20 we could do it this year. Maybe with some lead time we could
21 work together with other people and find a way to do it for
22 subsequent years, but this year we could not do that.

23 Senator Chafee: Taking the food stamps, did I understand
24 you to say that that is not within your jurisdiction, that you
25 could not get into the food stamp recipient situation?

1 Mr. Van Lare: The state agency that administers the Food
2 Stamp program and AFDC program is the same agency, so that is
3 not the major nature of the problem.

4 The issue that makes it difficult this winter is to pay to
5 both food stamps and AFDC and SSI recipients. There is nothing
6 on the computer records of half of the states that would allow
7 them to determine which food stamp recipients are also
8 receiving AFCD or SSI or which AFDC units live with SSI
9 recipients.

10 Without that ability you run a real risk that you will pay
11 a household more than once, unless you take a separate
12 application.

13 The difficulty that we face is that that would mean
14 something in the range of about four million applications that
15 would have to be taken and processed this winter.

16 The 60 percent of the SSI recipients who do not
17 participate in food stamps, 20 percent of the AFDC recipients
18 who do not participate. The magnitude of doing that with a
19 number of staff in place at state and local agencies and the
20 Social Security Administration would produce lines and waits
21 and backlogs that I think that just essentially be
22 unacceptable.

23 To put that many people through an eligibility system on a
24 two-month notice is an extremely difficult thing to do.

25 Ms. Amidei: Excuse me, Senator.

1 You may remember from newspaper accounts over the years
2 what has happened when we have suddenly flooded local welfare
3 or food stamp offices during a crisis. When Buffalo was caught
4 by the snowstorm, or some place in Pennsylvania when they had a
5 flood, the ability of existing personnel to crank up and take
6 on a whole new activity, whole new sets of applications,
7 especially if they are dealing with something that people are
8 unfamiliar with and they have a lot of questions from old
9 people who are unsure about what they should be asking or not,
10 bringing in chits of paper, and so forth, it becomes an
11 enormous administration problem.

12 That can be worked at over a period of time when you have
13 lead time, but when we put the SSI program into place, building
14 on existing state programs for the elderly and disabled because
15 it was put into place so quickly with so little lead time, we
16 had enormous difficulties that everybody regretted afterwards.

17 We do not want to see those long lines this winter if we
18 can avoid them.

19 Senator Chafee: Thank you.

20 Thank you, Mr. Chairman.

21 The Chairman: Well.

22 Yes, sir?

23 Senator Dole: If there could be a staff meeting this
24 afternoon with HEW? We are all on the same target.

25 Ms. Amidei: We would be pleased to, certainly. Like

1 yourselves, Senator, we want to be able to do something this
2 year that gets assistance to people that we recognize are poor
3 and can do it as quickly as possible. We would be pleased to
4 do that if we could.

5 The Chairman: Now, I think that would be very helpful.
6 We will appreciate all the thoughtful suggestions that can be
7 directed to us, to help work this thing out to the best
8 advantage of all.

9 Now, turning to a somewhat different subject, but very
10 relevant to it -- who is here from Treasury? Is Mr. Lubick
11 here?

12 Mr. Sunley: No, he has left.

13 The Chairman: This is not the same thing, but it can
14 help.

15 We voted to say that for the earned income tax credit,
16 that this money that you have negative withholding so that
17 people would start getting their money in July and you had
18 people, mainly in the small business community, who said that
19 this is going to give them difficulty to comply, so Treasury
20 has suspended that.

21 It seems to me that if we can get those people that money,
22 that they have earned it. They are supposed to be paid monthly
23 right now.

24 If we could get them that money by January, that would
25 help a lot, for the working poor who would benefit from that

1 program.

2 I want to know, can Treasury find a way to get that money
3 paid on out in January? That is, the part that has accrued,
4 and if so, how?

5 Do you need legislation or how can it be done?

6 I would like to see the money paid through to the
7 beneficiaries for the earned income tax credit, let's say
8 before April.

9 Can Treasury find a way to get those payments made, let's
10 say by January 1, or on January 1.

11 Mr. Sunley: I am not exactly certain of what you are
12 thinking of. Are you thinking of making payments to those
13 people who are eligible for the earned income credit in 1979?

14 The Chairman: Exactly.

15 Mr. Sunley: If they are eligible in 1979, they will be
16 filing tax returns beginning in January of 1979 through April.
17 You would be thinking of some scheme to pay an additional
18 amount to them if they are eligible for the earned income
19 credit.

20 That is one possibility.

21 The Chairman: Let's take a family drawing a minimum wage.
22 The head of the family is drawing the minimum wage and that is
23 the only income the family has. Let us say a mother with one
24 child who is working and earns the minimum wage. All right?

25 She is eligible for \$500. All right?

1 We voted to put it in the law that the employer was
2 supposed to subtract that \$500 from what he would have paid
3 through to you and he was supposed to pay that to that lady
4 already, all right?

5 You said because it was going to be difficult for these
6 small businesspeople to comply, that you were going to hold up
7 on it. You were not going to have the negative withholding.
8 It would seem to me that we ought to be able to find a way that
9 no later than January 1 that that employer would go ahead and
10 pay the money through to that person.

11 Mr. Sunley: It is my understanding, Senator Long, that
12 beginning in January it will be folded into the withholding.
13 We did agree to suspend it in some certain circumstances which
14 came to our attention before the Ways and Means Committee where
15 it was very difficult for small employers to comply.

16 There have been a number of complaints from these small
17 employers to the Congressman, so we made some delay in the
18 effective date.

19 I am not positive at this point that by January all the
20 employers will be in, but the larger ones will be.

21 The Chairman: Here is what I am thinking of. It seems to
22 me that you ought to come show us what you think you can do and
23 let's talk about because under the law that we have passed,
24 these people were supposed to have gotten -- they are supposed
25 to be getting that money right now and they are going to be

1 needing that money between now and next spring.

2 We ought to see to it, if it is within our power to do so,
3 it is all in the same fiscal year. It is all going to be paid
4 out anyway.

5 If it is within our power to do so, we ought to see to it
6 that they get that money, at least in January if we cannot get
7 it to them before January, because they need the money for this
8 cold winter.

9 And we ought to find a way to put these employers,
10 whatever instructions that they need to get it paid through to
11 them, that will help.

12 Down my way, if we buy this proposal that we have here
13 right now, the monthly benefit would only be \$19.89 but if that
14 family has a check coming to them for \$500 and they get the
15 \$500, they will be able to take care of the heating situation
16 fairly well, one would think -- that particular family.

17 Mr. Sunley: Mr. Chairman, for those employees who have
18 not had this reflected in withholding we would expect that
19 their refunds would be larger and that these refunds would be
20 coming out in the normal course as soon as they filed their
21 return.

22 I do not see any practical way, right off the top of my
23 head, of making payments to people for the earned income credit
24 that they earned in 1978 until they file a return.

25 Presumably most families who are due a refund -- and you

1 are likely to be in a refund situation -- if you are entitled
2 to the earned income credit and have not had it reflected in
3 your withholding, it would have been filed in the early part of
4 the filing season.

5 The Chairman: It was from over here in the Senate that
6 this idea that this earned income credit was started to begin
7 with. Later on, the House comes along and they put it in their
8 bill and after they had refused it, one of ours. I was
9 sponsoring that proposal over here before the House ever heard
10 of it. We took it to them in a bill. Then they rejected it
11 and then later on they decided that they would go along with
12 it.

13 They sent it to us. It is their bill instead of ours.
14 There is nothing new about that.

15 To me, it is very inappropriate to have small businessmen
16 say to pay this money to these poor souls would be complicated.
17 I do not want to be bothered. If that were money for him, he
18 would want to be bothered. He just does not care about his
19 employees that much. That is the reason those kind of people
20 find themselves confronted with good, solid tough labor
21 union people in good course, because they have that kind of
22 contempt for their employees.

23 That money should have been paid through already. We said
24 in the law that it was supposed to be paid through. Nobody
25 consulted with this Committee Chairman about whether to hold up

1 You have \$65 billion in net revenues to allocate. The
2 Committee has to make its judgment as to what is the best way
3 to allocate it. We suggested \$25 billion for the poor, \$25
4 billion for energy credits, \$15 billion in a separate account
5 for mass transit, but the Committee has not made any decision
6 on that.

7 The Chairman: I am willing to vote for that.

8 Senator Moynihan: I think there was agreement on that
9 general allocation, was there not?

10 Senator Danforth: There was not any comment.

11 Senator Moynihan: All right, comment.

12 The Chairman: Well, I would hope that we could agree to
13 that. It may be that some of the Senators -- Senator Packwood
14 is not here. He certainly would have a right.

15 Senator Danforth: As I understand it, Mr. Chairman -- I
16 am not sure that I understand it ---but the total amount in the
17 so-called Trust Fund is to be \$64 billion?

18 Senator Moynihan: That is a low level. There is a range
19 --

20 Senator Dole: About \$80 billion. That would be my guess.

21 Senator Danforth: That is to include mass transit, which
22 is not within the jurisdiction of this committee, but to
23 exclude other things that are not in the jurisdiction of this
24 committee because they are not within the jurisdiction of this
25 committee.

1 Mr. Shapiro: The Committee has \$65 billion. The
2 Committee has several choices. It can set up a trust fund and
3 put only \$50 billion in that trust fund and cover the poor and
4 the credits, and then just say any of the money that they are
5 not using goes back into general revenues for other purposes.
6 The staff detected when the Committee discussed it that there
7 is a significant amount of interest in the committee on mass
8 transit and that was one of the major items in the committee's
9 list of priorities which they wanted to use the windfall
10 profits tax. So we put that into the trust fund because it
11 seemed to be responsive to what a number of the committee
12 members had discussed when they were interested in the trust
13 fund.

14 The Committee can choose to only cover in the trust fund
15 the items over which it has specific jurisdiction and turn the
16 rest of the money back to general revenues, or it can cover
17 mass transit and, you know, it is not unique for the Committee
18 to have a relationship of one specific item. For example the
19 gas tax goes into a trust fund, a 4 cents tax, and the
20 authorizing committee spends it and the tax writing committees
21 authorize the money to be spent in the trust fund for highway
22 programs.

23 The same thing for the airway. The passenger taxes, the
24 ticket taxes and the freight taxes go into a trust fund
25 and those moneys are spent by the committees, but this

1 committee authorizes it.

2 We felt that other than a big item, such as mass transit,
3 which is a specific administration proposals and on which a
4 number of committee members indicate an interest to deal with,
5 a series of other proposals, including the syn fuels, the
6 Energy Security Corporation or any others that the
7 administration is interested in or other Senators are
8 interested in and on this committee, we felt that it would be
9 best to just let that stay in general revenues.

10 But clearly, this committee has a choice of dividing up or
11 making any choices that it would like to.

12 The Chairman: I suppose we cannot decide that now. We
13 had hoped -- yes, Senator Dole.

14 Senator Dole: Well, how are we coming on that little
15 injectants issue. Has that been resolved?

16 Mr. Shaprio: Yes, the committee can make a decision on
17 that. That has been discussed with the people involved because
18 we needed to understand more about the technical application of
19 that provision and we have had several sessions with staffs
20 involved in this.

21 What we would like to suggest to you to clarify the
22 issue is to say that expenditures for tertiary injectants would
23 be currently deductible and expensed in the year in which they
24 are injected. The amendment would not apply to hydrocarbon
25 injectants, however, and also the cost of such injectants would

1 be deductible only to the extent that the producer establishes
2 that the injectant is not recoverable. In some cases the
3 injectants are recoverable, so it can only be in a case where
4 they are not recoverable.

5 For this purpose, hydrocarbon injectants would include
6 natural gas, crude oil and other injectants which are comprised
7 of more than an insignificant amount of natural gas or crude
8 oil. Hydrocarbon injectants would not include petroleum-based
9 injectants which otherwise are not primarily comprised of crude
10 oil or natural gas.

11 And then more of a technical nature, simply say that the
12 amendment would not include any expenditures which are
13 classifiable as intangible drilling expenses, because they
14 would be deductible in that category, or which would be
15 deductible in any other provision.

16 This has been discussed with these people and it has been
17 discussed with Senator Dole's staff and others who are
18 interested in this particular problem.

19 Mr. Sunley: Mr. Chairman, this amendment gives us some
20 trouble. As you know, a general principle of the income tax is
21 that we want to match up expenses and income and in general if
22 you have a capital expenditure ---that is to say, an
23 expenditure that is going to provide a benefit for longer than
24 one year -- you capitalize and write it off over the period of
25 time for which you are receiving a benefit.

1 Now, what this amendment does ---and they have narrowed
2 the scope of it, as I understand it -- but, nonetheless, it
3 extends the intangible drilling expense treatment to another
4 class of capital expenses.

5 Now, we understand that there is one taxpayer ---there may
6 be others ---who has gone to the Service seeking a ruling to
7 expense some of these tertiary expenditures and that they were
8 turned down.

9 But it is my understanding -- at least the one case that I
10 am aware of -- that the issue was whether these expenses were
11 properly intangible drilling expenses.

12 Now, that usually involves, as I understand it, Senator,
13 drilling the hole or things associated with drilling, and
14 clearly these expenses are not of that sort. So the Service
15 has held that these are not intangible drilling expenses.

16 There is still a question of what is the appropriate
17 period and I think Don outlined before your committee when this
18 came up before that there is a general rule, you know, that if
19 an expense would have a benefit of 18 months or so, no agent is
20 going to set them up and require them to capitalize those
21 expenses.

22 But you make a general rule here today and technology
23 changes down the road and some kind of tertiary recovery method
24 is developed that, let's say, has a useful life of four or five
25 years, then you are conferring a major new tax benefit in the

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1 form of what appears to be presented to the committee as just a
2 mere little technical amendment. I think it is rather a
3 fundamental issue of whether you want to broaden the expensing
4 of intangibles, which is what is really being proposed here.

5 Senator Dole: Mr. Chairman?

6 The Chairman: Yes, sir.

7 Senator Dole: I can understand Treasury's concern but I
8 cannot think that this will have any useful life. It is
9 injected. It probably has a useful life of five or ten minutes
10 and then it does its work and it may prolong the production of
11 that particular property.

12 But as I understand it -- and if I am incorrect, Treasury
13 can indicate -- that they are now presently expensing
14 injectants. Many of the taxpayers have been subjected to
15 audits. We have had two government studies conducted in '78 by
16 the Office of Technology Assessment and the DOE Task Force.
17 They explicitly state that current tax practice permits
18 expensing of injectants.

19 There may be some revenue loss; I am not certain. I think
20 there has been an estimate that there could be an estimate of
21 as much as \$10 billion to \$13 billion. But it is a
22 longstanding interpretation of current law and what I am trying
23 to do is clarify it.

24 I would also say the same -- I did have the OTA study last
25 week -- but this same OTA study in 1978 estimated that if a

1 taxpayer is required to capitalize injectants, there will be a
2 30 percent loss in the expected tertiary production. Now, that
3 is not some oil man's statement or someone interested in
4 tertiary production. It does come from the Office of
5 Technology Assessment that was created by the Congress of the
6 United States.

7 It would seem to me that for the small amount of dollars
8 involved that we are not doing violence to anything suggested
9 by the Treasury, that I would hope that the amendment would be
10 approved.

11 Senator Danforth: What are we doing, Mr. Chairman?

12 Senator Dole: We are expensing injectants used in
13 tertiary recovery.

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 appear to have it. The ayes have
19 it.

20 Well, we hope our staff can hold some meetings this
21 afternoon and talk about the low-income matter, and I would
22 hope very much that those who are interested in these tax
23 credits, that we agree that we go in and reconcile, that we
24 would start holding some meetings and see if they can work
25 together towards arriving at a figure that they think they can

1 live with, to help us get down to a final figure.

2 If we can do that, we ought to be getting fairly close to
3 what our bill is going to be -- or do you think so, Mr.
4 Shapiro? How much more do we have?

5 Mr. Shapiro: It is very close. We have distributed a
6 proposed reconciliation. The staff has recommended to all the
7 staffs of each of the Senators in the committee, so it would be
8 very helpful to us if there are any questions if they could be
9 brought to our attention because as much as we can discuss at
10 the staff level it would expedite Committee action as to what
11 is presented.

12 So it was distributed and we had a full two-hour briefing
13 with the Senator's staff yesterday, so all that information is
14 available and hopefully that would help expedite your
15 consideration.

16 Senator Dole: Maybe we will not do this now, but we had
17 some discussion a couple of days ago on the Cook Inlet
18 production. We talked about 125,000 barrels of production a
19 day and whether that should receive the same treatment as other
20 Alaskan oil.

21 If that is moved to upper tier, what are we talking about
22 from the standpoint of costs.

23 Mr. Shapiro: We will have to look and see how much of
24 that is Tier I right now, and we will get you a revenue
25 estimate on that, too.

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1 Senator Dole: All right. I will not raise it now but I
2 would like to raise it sometime tomorrow or Monday, so if you
3 can get that information, it would be helpful.

4 Mr. Sunley: Senator Dole, we think there is about 115,000
5 barrels a day of lower tier oil over the eleven year period.
6 Moving this from the lower tier to the upper tier is probably
7 about \$300 million.

8 But we will refine that somewhat more over the week-end,
9 but it is in that range.

10 Senator Dole: I will bring that up when there are more
11 vendors present.

12 The Chairman: Then I would suggest that we stand in
13 recess until 10:00 tomorrow. In view of the fact that we are
14 going to have some meetings and conferences this afternoon, we
15 will not meet this afternoon. We will meet at 10:00 tomorrow
16 and I would like to ask the Democrats to meet at 9:00.

17 (Thereupon, at 12:35, the Committee recessed, to reconvene
18 at 10:00 a.m. on Friday, October 12, 1979.)

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