

EXECUTIVE SESSION

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FRIDAY, OCTOBER 12, 1979

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

The Committee met, pursuant to notice, at 10:30 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (Chairman of the Committee) presiding.

Present: Senators Long, Talmadge, Byrd, Nelson, Bentsen, Moynihan, Baucus, Bradley, Dole, Roth, Danforth, Chafee and Heinz.

The Chairman: Gentlemen, let us talk about the low-income thing, if we may.

We had a meeting of Democrats. We did not have all of our members. We had about half. We had several Democrats. We discussed a proposal, an approach that was suggested by the legislative assistants of the various Democrats of this Committee at a meeting yesterday.

Mr. Stern, we found a lot of appeal to it and we would like to suggest this approach. Our suggestion does not preclude the considerations in the proposal that the Republicans made yesterday, but we would like to have it discussed and see how that reacts to the Committee. Why

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1 do you not explain what this is?

2 Senator Dole: Mr. Chairman, before they start that, I
3 think it is a good idea to pursue all of the alternatives. We
4 have been doing a lot of soul-searching and refining on the
5 plan presented yesterday. We have made some minor changes.
6 Frankly, we find some rather major flaws in the staff
7 alternative which we would hope to discuss following their
8 explanation of whatever it is.

9 The Chairman: All right. Explain it, Mr. Stern.

10 This suggestion -- please understand, what you have --
11 this mimeographed sheet before you, it is not what those of us
12 who represent, who sit on the Democratic side of the aisle, is
13 proposing. This is what the various staff members who work for
14 Democratic Senators tended to coalesce on.

15 Even that leaves some spots blank, but we would have to
16 decide what you would like to do about it, and we have some
17 suggestions as to how we think that that could be better shaped
18 to make a better proposal of it. Then we would like to have
19 your reaction to it. Then we would like to consider your
20 suggestions.

21 Go ahead, Mr. Stern. Explain what this is.

22 Mr. Stern: Mr. Chairman, this proposal assumes that at
23 least beginning in fiscal year 1981, roughly one-third of the
24 amount you are going to allocate for low-income energy
25 assistance would go out in the form of increased payments to

1 cash welfare recipients, Aid to Families with Dependent Children
2 and Supplemental Security Income recipients. One-third would
3 go out as block grants to states to help people, other than
4 AFDC and SSI recipients, probably Food Stamp recipients.
5 One-third would go out in the form of a nonrefundable tax
6 credit. Since it is nonrefundable, it is really going to a
7 different group, the group that economically is above, the group
8 that is going to receive the grants.

9 What I am going to describe is a slightly modified version
10 of what you find on this page to reflect the comments of the
11 Senators who commented this morning.

12 The cash payments to welfare recipients, if you assume,
13 roughly speaking, about a \$2.4 billion program, which is about
14 \$25 billion over the period, would give you \$800 million for
15 AFDC and SSI recipients. That amounts to \$10 a month.

16 Our recommendation would be if you are going to do it that
17 way, you are going to give it out in the form of \$10 a month on
18 the grounds that most recipients do rent, therefore their
19 increased energy costs are spread out over the whole year even
20 though the landlord may pay more of it during the winter.

21 The second part of the block grant would be determined by
22 the state, how they wanted to use it. For example, they would
23 give it, as Senator Dole's proposal does, to Food Stamp
24 recipients, and the nonrefundable tax credit in the version
25 that was discussed this morning would apply to home heating

1 oil, and therefore it would leave out this very small credit in
2 the case of people who do not use home heating oil. In the
3 case of fiscal year 1980, that is the first year where you will
4 be limited by a specific budget figure. When the conferees
5 agree, you will get out the cash payment to welfare recipients
6 at actually \$10 a month as soon as you can. We are more or
7 less assuming that would wind up being March, 1980, based on
8 what HEW has been saying and the time it would take to get the
9 legislation through.

10 That will only be effective for a half year.
11 Correspondingly, you would increase the block grants to states
12 on the grounds that the states would be able to get at the
13 money earlier both to those people, as well as the other people
14 they want to assist.

15 Then finally this assumes that you would have some kind
16 of, in effect, retroactive tax credit for calendar year 1979
17 for all heating oil which people could take this spring rather
18 than having to wait until spring, 1981 to take the credit for
19 calendar year 1980.

20 Finally, the distribution of the funds under the block
21 grant that was discussed this morning would be on a formula
22 suggested by Senator Nelson under which half of the money goes
23 out on the basis of the total residential energy use by
24 household and half goes out on the basis of heating degree
25 days, how cold the state is, weighted for low-income

1 we have had a brief meeting this morning, too, and I still
2 think there is some consensus -- maybe with the majority on the
3 Committee, maybe none of the plans are perfect. Maybe they
4 cannot be at this stage. But the cash payments to welfare
5 recipients, SSI and AFDC, you leave out about 3 million
6 households, and I think about 10 million individuals who are
7 among the poor.

8 If we are going to limit it that way, we cannot call it a
9 low-income energy assistance program. So I think that we must
10 address that, and we believe that we do in our approach because
11 a household receiving Food Stamps or SSI will be automatically
12 eligible and we take care. We did drop AFDC after a visit with
13 HEW. We are talking about 700,000 people. Only half of those
14 would be eligible. But in this case, unless it is broadened,
15 you are leaving out between 3 and 5 million households.

16 Senator Nelson: May I ask a question? You are talking
17 about households that are eligible for SSI but not getting it?

18 Senator Dole: Right. Also households receiving food
19 stamps would automatically be eligible under our program.

20 Senator Nelson: No. You are saying you are only using
21 SSI. Is that what you are saying?

22 Senator Dole: Right.

23 Senator Nelson: I thought that there -- well, anyway,
24 there are three million. There are quite a few who are not
25 covered by SSI who are in the same income class as those who

1 who are. Is that correct? I used to have the figure.

2 Senator Dole: I think that is correct, right.

3 We still think when you limit it to AFDC unless it has
4 been changed -- the cash payments to welfare recipients --
5 there are a lot of people who would qualify under our plan who
6 may not be in that category. We just think that that is one
7 thing that we should address.

8 Secondly, the block grant -- we have a block grant
9 approach somewhat different. You say block grants for other
10 poor people may not take care of those at a stage in the
11 program in place -- Delaware can do it. Delaware is prepared,
12 as I understand, Senator Roth. And Rhode Island may also be
13 and maybe New York can proceed immediately with the block grant
14 -- maybe not.

15 The tax credit, as we look at it, gives very little money
16 to the people. We talked about administrative difficulty
17 yesterday. I am not certain how easy it would be to administer
18 this. It may cost more, in some cases, than the amount of the
19 check that you get in the tax credit.

20 The proposal outlined by Mr. Stern gives one-third less
21 money to the poor and I think we need to finally make a
22 decision as to how we are going to target the benefits. So I
23 would like to suggest that we take maybe five minutes and have
24 Linda, or Nancy, explain our revised version.

25 Would that be all right?

1 The Chairman: Yes.

2 Senator Roth: Could we have order in the room?

3 The Chairman: Could we have order? There are too many
4 conversations going on at the same time.

5 Senator Chafee: Mr. Chairman, while they are getting
6 ready, in position here, could I ask Mike a question? When you
7 drop out on the Democratic proposal, the \$5 that you had for
8 natural gas and electricity, and you put that back, I presume,
9 into the home heating oil, what does that do to that sum?

10 Mr. Stern: It might make it a little bit higher.

11 Let's say \$60.

12 Senator Chafee: \$60? Thank you.

13 Mr. Stern: One of the proposals discussed -- if you do
14 allocate more than \$4.2 million, you could, among other things,
15 have a more substantial tax credit.

16 Senator Chafee: Thank you.

17 Mr. Stern: Mr. Chairman, I might say that the second item
18 here, the block grant, is intended to reach the group that
19 Senator Dole was talking about, that is not on either SSI or
20 AFDC. It is not that they are completely unaccounted for. You
21 are correct.

22 Senator Dole: Those states who are prepared would be
23 reached?

24 Mr. Stern: By putting a portion in for lower
25 middle-income taxpaying households, you are necessarily putting

1 much money it is, which year, the options that would be
2 available to the states, the distribution with respect to
3 direct payments to the poor, the difference between those who
4 are covered in our proposal and those who are covered in the
5 majority staff's proposal.

6 Mr. Lighthizer: All right.

7 Essentially, under this proposal, all food stamp
8 recipients and SSI recipients would receive the supplemental
9 income energy assistance. We decided yesterday, largely
10 because of administrative problems, to drop out the AFDC people
11 who were not also on food stamps. That leaves -- there will
12 them be a small number of people who will not be covered as a
13 result of that. But that was necessary, because of
14 administrative problems. About 700,000 households, we are
15 told, half of whom would not be eligible for food stamps
16 because of the income limitation, I am told.

17 Basically the plan would work as follows: the states
18 would, through their welfare office, send out these
19 supplemental checks to the food stamp recipient. The Federal
20 government would send it out to the SSI recipients.

21 Every state would have the option to be exercised within
22 two or three weeks, from some period fairly soon, to opt
23 whether they want to take this money and spend it in a variety
24 of different ways through a block grant included in the
25 proposals, Senator Heinz's proposal, that the state could

1 decide to put this money into a program that essentially saves
2 the poor about 25 percent in their fuel bills.

3 Senator Heinz: May I be specific on that?

4 Actually, the Governor of the state would have three
5 options. One, to go with the basic program which is
6 essentially a check mailed from Washington, D.C. as described
7 here on the hand-out.

8 Senator Nelson: What was that? I did not hear that.

9 Senator Heinz: The Governor, within two or three weeks,
10 would have to make an election between three options. Option
11 number one is essentially what is on the fact sheet. It is
12 checks mailed from Washington, D.C.; checks coming from
13 Washington, DC., whatever it is we agree upon.

14 Option number two is a block grant to the states where
15 funds are allocated among the states on the base of heating
16 degree days, essentially the money that is on the back.

17 Senator Nelson: Is this the proposal you are making?

18 Senator Heinz: I am just trying to explain what Bob is
19 proposing. Let me just get through it, and I will explain.

20 The third option for the Governor is to take the
21 pass-through tax credit approach which results in approximately
22 the same average household benefit, but also would allow
23 governors to claim 20 percent of what otherwise would be the
24 block grant you take into account, the renters who do not pay
25 their utility bills directly.

1 Those are the three options that the Governor makes the
2 choice between.

3 Senator Nelson: I have something entitled "Fact Sheet"
4 but no identification. Is this Senator Dole's, or yours?

5 Senator Heinz: Yes, that is Senator Dole's proposal. For
6 discussion purposes, what we just went through was Option
7 Number One.

8 Senator Nelson: Let me say that I wholeheartedly endorse
9 the concept of at least having a provision that gives the
10 states the option to run their own show. I would prefer that
11 we took all of the money and turned it over to the states and
12 let them do it.

13 Senator Heinz: The problem with that, we understand, is
14 not all states can do it.

15 Senator Nelson: That may be, but most of them have been
16 doing some, although I will concede that last year's emergency
17 intervention fuel assistance was \$187 million which is a
18 different amount from \$1.6 billion.

19 Maybe they cannot, but I think the option has to be in
20 there.

21 My problem is we may be in a situation -- it is so late
22 the states will not be able to exercise their option before we
23 can get the money.

24 Senator Heinz: If they do not exercise -- as I understand
25 it. Maybe I am speaking out of turn. If they do not exercise

1 their option within a limited period of time, checks go in.

2 That decision was made for them.

3 That is to say, we handle the program.

4 Senator Nelson: What troubles me --

5 Senator Heinz: Checks start going. We use -- we revert
6 to option A. Is that not right, Bob?

7 If a Governor does not make a decision, Option A goes into
8 effect automatically.

9 Mr. Lighthizer: The approach we have talked about because
10 of the time constraints here, if the Governor does not make a
11 decision within two weeks or three weeks, or whatever we set,
12 that we will start the wheels turning to send the checks out to
13 the poor through the direct Food Stamp-SSI approach.

14 Senator Nelson: I read a letter written by Secretary
15 Harris yesterday -- probably all of you got it -- where she is
16 talking about, you know, 80 days after we have gotten the
17 authority to get the money out. That spells disaster. If you
18 passed it and signed it, and the President signed it today.

19 It seems to me, we have to discuss the question of getting
20 this authorization ready so the administration can move in the
21 next ten days.

22 This bill is not going to be passed and signed in 30 days.

23 Mr. Lighthizer: It is because of that delay that we
24 changed our program significantly from yesterday.

25 Senator Nelson: You will be changing it next week and the

1 week after, each day that goes by.

2 Senator Dole: The reason we suggested yesterday, Senator
3 Nelson, we separate this and move it. If we could reach some
4 agreement and not wait for the conference committee to act the
5 windfall profits tax.

6 Senator Roth: I would just like to make one additional
7 comment on the state option. I think that is most important
8 from the standpoint of getting quick reaction.

9 The reason I raised that yesterday, as one option, not
10 only does my state prefer it, but we have been contacted by
11 both the National Association of County Administrators as well
12 as the Governor's Association. There is very strong support
13 that they have that option, because they feel they can move
14 faster that way than any other.

15 Senator Nelson: I agree with you.

16 Senator Danforth: Mr. Chairman?

17 The Chairman: Senator Danforth?

18 Senator Dole: Have you gone through the entire plan?

19 Mr. Lighthizer: We have been sidetracked for a second.

20 Senator Danforth: I think, to start a basic description
21 of the differences, the Majority Staff approach is basically
22 three separate program operating at the same time. One program
23 would be grants to SSI and AFDC recipients. At the same time,
24 a block grant to states. At the same time, a nonrefundable tax
25 credit.

1 Senator Heinz: Refundable. I am sorry. I apologize.

2 Senator Danforth: That, as I understand it, is the
3 majority staff proposal. Our proposal is simpler than that in
4 the following respect. We have a basic plan, a basic plan
5 which is a cash payment. The cash payment, instead of SSI and
6 AFDC recipients, is to SSI and food stamp-eligible people.

7 That is the basic plan. It is a single plan, and it would
8 remain in effect unless the states, under applicable state law,
9 whatever it takes by the state, for the state, to do it, would
10 opt out of that basic plan and would opt, instead, for either a
11 block grant approach or a tax credit approach -- I am sorry, an
12 energy bill credit approach that the Governor of the state,
13 whatever the applicable state law for making such an option,
14 could opt for one of those two approaches as an alternative.

15 But if he is going to make that option, he has to do so in
16 a very quick period of time, two or three weeks after the
17 passage of the bill. Otherwise, the basic program goes into
18 effect, which is the single cash grant program, rather than the
19 sort of triple approach that the Majority staff has.

20 Senator Nelson: On that exact point, I said to the staff
21 yesterday, it seems to me that since there is a good chance
22 that the state option will be in there that there ought to be
23 some notice given to the conference of Governors to tell all
24 states who are interested, and who have been handling
25 intervention programs in the past, to start, be prepared to

1 respond very quickly.

2 They could get a month's notice.

3 Senator Danforth: Right.

4 It was also our thought this morning that this particular
5 program, especially as it affects the present winter, should be
6 on a separate track, that we should proceed with this
7 assistance program separately and not wait for the entire
8 windfall bill to clear the floor.

9 Mr. Lighthizer: We would notify the states. We would
10 suggest notifying the states as soon as this Committee makes a
11 decision, Senator. This option is going to be coming down the
12 road at some point very quickly.

13 Senator Dole: I think there is one other thing. I
14 believe ours is more targeted. We are looking at cold weather
15 and also the so-called Food Stamp population.

16 In any event, I think the important thing is there ought
17 to be some meeting of the minds on something. Hopefully
18 everybody has contributed something.

19 Mr. Lighthizer: Under this proposal, the program would
20 spend \$1.5 billion in both FY '80 and '81. An additional \$27
21 billion would be spent in an unspecified way throughout the
22 course of this decade. There would be a study incorporated in
23 the project which would suggest the most useful ways, the most
24 efficient ways, to spend that money to help the energy needs of
25 the poor during the rest of the decade.

1 The Chairman: Mr. Moynihan?

2 Senator Moynihan: Mr. Chairman, I would only wish to say
3 that there are many grounds of compatibility here. I would
4 point out if the Majority side here has a three-part program,
5 each of these is to an established practice that is in place.
6 The welfare recipients, AFDC, SSI, are in place. We are
7 increasing the benefit.

8 The state welfare departments are in place and have been
9 for half a century, in most cases, and are used to providing
10 emergency assistance, and the notion of a tax credit for
11 increased cost is well-known and established in the Internal
12 Revenue system.

13 The Minority proposal, at the very least, frees programs
14 -- and two of them brand new, not to be held against them --
15 but the notion of sending out checks directly to food stamp
16 recipients creates a new program, which may be a good thing,
17 but it is a new program, and the proposal of Senator Heinz is a
18 new program and the other state option is simply Majority
19 Number Two, but we are talking about the same group of people,
20 with one exception, and we ought to make that clear.

21 That is, that our side here is proposing that there be a
22 tax credit available to income tax payers, persons with income
23 who pay taxes in the lower half of the income range, persons
24 who are not now receiving welfare assistance either in the form
25 of SSI, AFDC, or food stamps.

1 These are persons who receive no Federal assistance and
2 who would receive, under our proposal, a credit, which I think
3 ought to be seen as their share. This is the third part of our
4 proposal that we are taking the lower half of the population in
5 income and giving them some of this windfall profits tax that
6 we are levying in return, this is being levied in the context
7 of decisions by this government which will double their fuel
8 bill.

9 It will not be unusual, in our northern states, for
10 persons who have sort of low-medium income to be spending 20
11 percent of their income on fuel. Astonishing.

12 Senator Byrd: If the Senator would yield for a question
13 --

14 Senator Moynihan: I would be happy to do so.

15 Senator Byrd: What is the income level you envision.

16 Senator Moynihan: We have used \$20,000 as a working
17 number. That is about the median income.

18 Senator Dole: Is that a correct figure? \$5 per
19 household.

20 Senator Moynihan: That would be if you used natural gas
21 or electricity.

22 Senator Dole: One time?

23 Senator Moynihan: We decide to drop that.

24 Senator Dole: You would not mail it?

25 Senator Moynihan: This just would be for oil. We never

1 make fun of your proposals, Senator Dole.

2 Senator Dole: I am a cosponsor of the Ribicoff proposal.
3 I think that it has a lot of merit. Is the \$ 20 average for
4 low-income assistance --

5 Senator Moynihan: We were just thinking of making that
6 payment, increase AFDC or DDI payments, by \$10.

7 Senator Dole: That is a judgment we have to make.

8 I am checking, very quickly. New York, in our plan, the
9 benefit to low-income would be \$296. We would raise the
10 minimum benefit under the program we have to make the minimum
11 benefit \$35 or \$40 and still not do violence to the cost of the
12 program, and even lower the maximum benefit from \$90 to \$85 and
13 probably cover that over increase and still end up with almost
14 a double benefit. Maybe that, in itself, does not indicate the
15 strength of the plan, but it is a factor that we have to
16 consider.

17 What do we do with the money that we have if we all agree
18 that we are going to spend \$30 billion or \$25 billion. How is
19 it allocated? You are correct. Going into three known areas,
20 all we do in the Heinz plan is to give the state an option and
21 I think everything else we suggest -- I use the term "we"
22 meaning a lot of people on both sides who have discussed what
23 should be done would be the block grants to states, but that is
24 in both plans, as I understand it.

25 Mr. Stern: The reason why your proposal can do relatively

1 better from the low-income people is because you do not have a
2 tax credit. A third of this money is going to a group that you
3 are not dealing with in your proposal so you can do relatively
4 more for the others.

5 Senator Dole: The point is, if you are going to do \$55
6 averaged over a five-month period in a tax credit, you know
7 what the real benefit of that may be? \$55 is \$55. If you take
8 out the administrative costs, there might be a net of much less
9 than that.

10 Mr. Stern: Since it is related to the extent that these
11 heating costs rise faster than inflation, it probably would go
12 up in future years too, Senator. In other words, that is what
13 you would expect for the first full year.

14 The Chairman: Mr. Bentsen wanted to be heard.

15 Senator Bentsen: Thank you very much, Mr. Chairman.

16 Again, when we are talking about energy assistance to the
17 poor, we are not just talking about heating. We are talking
18 about the total energy costs. Heating is an important part of
19 it, I know that. Heating is almost one-half, almost one-half.
20 You have all the rest of it.

21 You have trying to keep the refrigerator on so the food
22 does not spoil. You are trying to turn on the lights. You are
23 trying to turn on the lights. You are trying to do other
24 things taht you need energy for, and the poor in my state have
25 the same problems as the poor in other states, trying to make

1 the choice of whether they pay the utility bill or whether they
2 buy food with it.

3 I know there are different costs of energy in different
4 states and different levels of consumption, but when you go to
5 just degree days and try to use that as a proxy, you wind up
6 with some serious distortion.

7 Let me cite you the examples again as I look at this and
8 the benefits paid out in North Dakota, \$450. That is as high
9 as any state in the union, and yet the figures show that their
10 costs of energy per family are below the national average.

11 Those are the numbers I have been given, that they are
12 below the national average.

13 I am also told, for the state of Washington, and the
14 District of Columbia, that those are two of the lowest on
15 energy costs per family in the entire United States. I do not
16 know of any fair measurement in what they are actually paying
17 for energy per household.

18 I am also in a position where I understand that there has
19 to be some compromise in this thing and I can see us coming up
20 with a formula like Senator Nelson has brought out that gives
21 part of the criteria being that of degree days. But the other
22 part of it being that of total energy consumed per family.

23 You gentlemen might have the votes here today in this
24 Committee, but this thing will be fought again on the Floor and
25 we ought to have something that we can justify and that we can

1 get I think the support on the Floor and in the House for
2 it.

3 Senator Heinz: I think that what Senator Dole, and all of
4 us, want to do, is get an approach that is flexible. I do not
5 think we are very far from agreement. To answer your question,
6 I think the fact that the Governor may make an election to go
7 with the fuel cost assistance pass-through tax cut may be of
8 help to you and of people who are concerned about the actual
9 cost of energy, because that is what it takes into account. It
10 amounts to a percentage reduction of the fuel bill. It does
11 not make any difference whether somebody lives in Texas or
12 Maine.

13 So the reason that we have that option in there is to
14 accommodate people who feel that there is something wrong with
15 the degree day formula, either that it operates in the basic
16 cash grant plans or the block grants.

17 Senator Bentsen: I do not differ with that point. I
18 think you make a very valid point. But, as I would understand
19 it, the allocation for the state would be based on the degree
20 day approach. That would mean a substantial, a very high
21 allocation for its population base for North Dakota, for
22 example.

23 Go ahead.

24 Senator Heinz: I just want to make sure that there is not
25 a misunderstanding here. That is true of the basic cash

1 grant plan. It is also true of the block grant. It is not
2 true of the fuel cost assistance pass-through tax credit plan
3 except to the extent that the 20 percent that is set aside in
4 the block grant to the states to deal with renters is
5 calculated on a degree day formula.

6 Senator Bentsen: Maybe I do have a misunderstanding. Are
7 you trying to tell me that the degree days only applies to that
8 one portion in the allocation to the state?

9 Senator Heinz: Which option?

10 Senator Bentsen: I was dealing with your third one.

11 Senator Heinz: The fuel cost assistance pass through
12 credit.

13 Senator Bentsen: Yes. Are you saying that is the only
14 one where it is allocated on a degree day basis?

15 Senator Heinz: No, it is not allocated on a degree day
16 basis, except to the extent there are two parts to the fuel
17 assistance plan: the pass through tax credit not based on
18 degree days. Then you have to take into account some 20
19 percent of households eligible that do not have metered ---that
20 rent and who do not have metered utilities. And the Governor
21 of the state would get a block grant equivalent of 20 percent
22 of option two, to take the renters into account.

23 Senator Bentsen: I understand that. I still think that
24 my argument as far as the energy usage per household remains a
25 very valid argument overall to this.

1 Senator Nelson: Just to get a clarification on this, what
2 percentage of this would go out on a block grant based upon
3 this formula?

4 Mr. Lighthizer: All of it would. You would sit down to
5 decide how much a state would get based on the number of people
6 who were eligible in the formula and the state could either
7 take that as a block grant or they could take it in the kind of
8 direct payments we are talking about. They could take it in
9 the way that Senator Heinz is speaking.

10 Senator Heinz: I want to clear that up. That is not --
11 in so far as the Heinz option is concerned, that is not true
12 because it is a Federal tax credit over which the states do not
13 really have control.

14 We are setting the percentage of the fuel costs so that it
15 comes out approximately the same, but there is no way that you
16 could hold the states accountable for a Federal tax credit.

17 Senator Nelson: This is what I am trying to get straight.

18 Mr. Lighthizer: You are just talking about the Heinz
19 proposal. I am sorry. I thought the question was directed to
20 how much money we would give out in the block grant generally.
21 Is it just the Heinz proposal that you are talking about.

22 Senator Nelson: I assume that that is the one that
23 Senator Bentsen has been querying about.

24 Senator Bentsen: I asked the other day if they would just
25 put people's names on these things so that we could identify

1 them. I do not know whether some lobbyist has sent this up and
2 distributed it or whether it is something put here by a
3 member of the Senate or of the Treasury.

4 Senator Nelson: We agreed on that the other day.

5 I was just trying to pursue the question raised by Senator
6 Bentsen. Are we talking about this sheet here? It says fact
7 sheet.

8 Mr. Lighthizer: Yes, Senator. We are talking about that
9 with one modification, and that modification is that in
10 addition to option for state block grants, the states can also
11 opt for a tax credit similar to the one that Senator Heinz
12 described.

13 Senator Nelson: That is what I would like to get
14 clarified. You are not including the amount of money that is
15 attributable to the cost of the tax credit to the block grant,
16 are you?

17 Mr. Lighthizer: It would be equivalent in the block grant
18 and a state that opted for Senator Heinz's proposal would not
19 get twice as much as a state that did not opt for it.

20 Senator Nelson: You are saying that if you take the grant
21 there will be no tax credit?

22 Mr. Lighthizer: That is correct.

23 Senator Nelson: Who is eligible for the tax credit?

24 Senator Heinz: Exactly the same people who were eligible
25 for the tax payments. People who are on SSI, or eligible for

1 SSI, or people on food stamps are eligible.

2 Senator Nelson: Where did they get the tax credit?

3 Senator Heinz: You have to understand, they do not get a
4 tax credit. They get their fuel bill reduced by 25 percent.
5 The person who reduces the fuel bill for 25 percent gets a tax
6 credit equal to the amount of the reduction of their fuel bill.

7 Senator Bentsen: May I ask a question?

8 Senator Heinz: We have checked this, by the way. I would
9 just like to point out, we have checked this with Treasury and
10 Treasury says that what we are proposing is administratively
11 very simple. If Don Lubick is here, I would appreciate his
12 comments just so we have them for the record.

13 Mr. Lubick: Senator Heinz, the basic question was whether
14 we could administer a program whereby if the utility reduced
15 the bill of the customer and then claimed a credit for that
16 amount, as an offset to its tax liability, whether that would
17 cause us any particular problems. And it seems to be that it
18 does not cause any substantial administrative problems. You
19 have a relatively few number of taxpayers involved. The
20 utilities are an easily auditable amount from an administrative
21 point of view, and without giving any commetns on the merits of
22 the plan, it can be handled.

23 Senator Heinz: Thank you.

24 The Chairman: Hold on just a minute. While you are
25 there, Don, let me ask you about this. You say that you could

1 administer it as far as the people claiming as a taxpayer.
2 Would that impose on the utility the burden of trying to
3 determine what income level these people had?

4 Mr. Lubick: Yes.

5 I assume that the utility has made the determination
6 through some form of certification as to who would get it.

7 The Chairman: How would you do that?

8 Senator Heinz: How it works, the person goes essentially
9 down to the state welfare or food stamp office, gets a card and
10 sends it to the utility. The person self-certifies, with a
11 document of certification. The utility does not have to
12 certify; the person certifies.

13 Or you can have an indirect ---you can have a state agency
14 mail the card into the utility. The utility does not have to
15 go into any certification. It receives a notice of
16 eligibility.

17 The Chairman: Is that according to this proposal here?

18 Senator Heinz: No. The details of it are not there.
19 There was not time to put it all on the same sheet.

20 The Chairman: Is it discussed at all on the sheet?

21 Senator Heinz: No, it is not, Mr. Chairman. It is not.

22 Let us pass this out.

23 Senator Bentsen: May I ask Senator Heinz something on
24 this. Could some of the parts be greater than the whole on
25 this kind of approach or do you have a cap that controls on it?

1 Mr. Lighthizer: In Senator Heinz's option.

2 Senator Bentsen: When you add it to it. I want to know
3 if the sum of the parts can be greater than the whole.

4 Mr. Lighthizer: We would hope to design it such that it
5 could not be. If the question is once you make your estimates
6 on utilization --

7 Senator Bentsen: You have not shown me that imitation
8 yet, have you?

9 Mr. Lighthizer: If I could just review -- maybe this is
10 getting more complicated than it is because it is not
11 complicated.

12 What the proposal is is this. You determine how many
13 people are eligible in each state. You determine what the
14 benefit is going to be, basically on the degree days. You
15 multiply the two and you have an amount of money that each
16 state is entitled to.

17 The state can either opt to have those checks sent
18 directly -- which is Option A -- or they can just take the
19 money in a block grant ---which is Option B -- or they can
20 elect to spend that money through Senator Heinz's tax bill. A
21 different way to get the money to the people through their
22 utility bills.

23 Senator Bentsen: Within the state that is allocating
24 them, they choose one of those options?

25 Mr. Lighthizer: Yes, sir. You pick one of the three.

1 If the state has the ability to implement the block grant
2 proposal right away, then presumably it opts for that, and the
3 same with the other options.

4 Senator Nelson: May I ask this?

5 The state, in either event, whether it opts for the block
6 grant or it does not and uses the credit and so forth, the same
7 amount of money ends up going into the state under a form?

8 Mr. Lighthizer: That is correct. It is not the same
9 money for all states, of course.

10 Senator Nelson: The same amount for the same state,
11 obviously. It does not make any difference to an individual
12 state in terms of the amount of money they will receive whether
13 they take the block grant or not?

14 Mr. Lighthizer: That is correct.

15 Senator Nelson: Then we are down to the question as to
16 whether the formula should be based upon food stamps. Who
17 receives food stamps.

18 Mr. Lighthizer: Food stamps and SSI in this proposal.

19 Senator Nelson: Who receives food stamps and SSI within
20 that state?

21 Mr. Lighthizer: That is correct.

22 The number of people eligible, the number of people
23 receiving both.

24 Senator Nelson: Within any particular state, you count
25 the number of people receiving food stamps covered by SSI or

1 the number of people eligible for SSI and eligible for food
2 stamps.

3 Mr. Lighthizer: The number receiving, the way it is
4 designed now, Senator.

5 Ms. McMahon: The people who are eligible -- you would
6 have to have some increment in there to take care of the
7 possibility that some of those people would participate.
8 Obviously, we would have to make a judgment on how many people
9 who are not participating in, but are eligible for, SSI and
10 food stamps would participate in this energy cash assistance
11 program.

12 Senator Nelson: You are saying that people who are
13 eligible for food stamps and eligible for SSI but not covered
14 by it are eligible for this assistance?

15 Ms. McMahon: Exactly.

16 Senator Nelson: But if you make a determination as to how
17 much a state gets paid on how many people are receiving SSI and
18 how many are receiving food stamps --

19 Ms. McMahon: Then you would put in an increment for those
20 who are eligible and not receiving.

21 Senator Nelson: Why do you not say the formula is all of
22 the people eligible for food stamps, all the people eligible
23 for SSI?

24 Ms. McMahon: It is not necessarily all the people who are
25 eligible. I think we would have to make a determination of how

1 many people who are eligible but not receiving food stamps or
2 SSI will participate in this program.

3 Senator Nelson: if you are going to decide how much the
4 state should receive and have a uniformity, you are going to
5 have to, it seems to me, and you are going to include people
6 who are not receiving SSI or food stamps. The only uniform
7 formula is to provide that the formula include everybody who is
8 eligible in order to decide how much money goes to the state.

9 Mr. Lighthizer: If you did that, Senator, a state where
10 people just did not sign up who are eligible and who opted for
11 Plan A would not spend all their money.

12 Senator Nelson: This formula is mine. In Wisconsin, it
13 is about sixth or seventh in the nation based upon degree days
14 and I was happy with that result. But I do not really think it
15 is as good a formula as using ---none of them are perfect, I
16 understand. There are all kinds of formulas. There are
17 problems with all of them.

18 It seems to me it would be better if you were using
19 one-third degree days, one-third energy consumption by
20 household, one-third of people in low income groups and then
21 that is what the state gets.

22 I think, although I know better, I think it is fairer to
23 do something like that than this.

24 Senator Byrd: If I may ask a question, does this program
25 phase itself out at any point?

1 Mr. Lighthizer: The program lasts for two years, Senator.
2 There is a study to be conducted that will indicate what the
3 best way to spend the money and to solve this problem is for
4 the remainder of the decade. It stops after two years, that is
5 correct.

6 Senator Byrd: It is envisioned to go on for a decade,
7 right?

8 Mr. Lighthizer: This program, as we have designed it, is
9 envisioned to go on for two years. That is why it is
10 admittedly not a perfect formula, not a perfect program. The
11 hope is that during the course of that two years we will devise
12 a plan that takes care of the energy needs of the poor for the
13 remainder --

14 Senator Byrd: For the remainder of the decade?

15 Mr. Lighthizer: Yes, sir.

16 Senator Byrd: Mike, does your proposal phase itself out
17 at any point?

18 Mr. Stern: No, sir. It does not.

19 Senator Byrd: Should there not be a phase-out?

20 Mr. Stern: You can use different approaches. You could
21 phase it out or simply have it expire at some particular time.
22 Our suggestion would be, however, in terms of the allocation of
23 funds that you receive from the crude oil tax, that you assume
24 that there would be a certain amount of money for low-income
25 energy assistance even after you phase it out.

1 For example, after you terminate it, if you want to decide
2 to make it a five-year program, I think you should still say
3 that the money would be available after that, and you are
4 making it a five-year program so that you could review it
5 again.

6 Senator Byrd: In other words, have a sunset on it.

7 The only thing I was suggesting was that it might be
8 artificial to assume that the program will expire and will not
9 cost anything after five years. I think that you should at
10 least say, if you agree that this is going to be a \$30 billion
11 program, even if you want to review it after two years, three
12 years, you will assume that the money will be there.

13 Now, then, if the program goes on for five years,
14 under your suggestion, or ten years under the other suggestion,
15 it seems to me, as a practical matter, that will be a permanent
16 program. You are not going to stop a program after five years
17 or ten years. We have never stopped one.

18 Mr. Lighthizer: Our program stops after two years,
19 Senator. Several other Senators hope that we would go to a
20 straight block grant at that point, can devise an adequate
21 formula in the meantime.

22 The Chairman: Mr. Sunley?

23 Mr. Sunley: A brief question or clarification on the
24 Heinz tax credit. It would be our understanding ---I am not
25 sure it is the committee's understanding -- that if the Federal

1 government, in effect, pays part of the utility bill for a
2 low-income person by means of a tax credit, the gross income is
3 not reduced by that amount. In other words, the gross income
4 would have to include the tax credit.

5 The Chairman: Let me just make this suggestion. You see,
6 here is something that is in common about the proposal that we
7 brought in here, that represents what the Democrats were
8 talking about this morning. Let's fill it out on line one.

9 Both Democrats and Republicans agree that we ought to do
10 something for the SSI, the AFDC, and the food stamp people and
11 I do not think that you would have any real quarrel that people
12 who are not receiving that but who would be eligible,
13 admittedly, because they have not applied, should also be
14 eligible.

15 It would seem to me that, for starters, that it might be
16 good to agree that we would mail everybody his check in that
17 eligible group. If you say -- this is a point that Mr. Stern
18 made awhile back. I think it is meritorious.

19 Most of the people who really need the help the most are
20 renting the homes in which they live. Those who own their own
21 homes are a little bit better off than those who do not.

22 Now, if you are looking at the people who really need the
23 help the most, those are the people who are renting, and the
24 utilities are usually included in the rent. So that if you
25 simply mailed those people a check for \$10 a month for

1 starters, you have in the hands of the needy and low-income
2 people, those under a program, or those who are eligible but
3 not under it, they would come in and apply. You would then get
4 all of the real -- those who are classified as being in need.
5 They would all come under it.

6 So at least they would get something out of it.

7 It seems to me that it would be well if we could start out
8 by zeroing in on this group and perhaps say well, why do we not
9 start out by saying to these SSI, the AFDC people, we would
10 start out by mailing them a check for \$10 a month. If we do
11 that, then the people who are on food stamps -- if we do that,
12 then everyone can build on top of that for whatever money we
13 have left, which would be most of it. My thought would be a
14 third of it that way.

15 If we got that part of it taken care of, then the states
16 block grants could build on top of that. You know, when you
17 are looking at these people that they have the \$10. If they do
18 not get it, you would want to know why it was not delivered,
19 because it should have been delivered through the mail.

20 I would hope that we might at least start out with that.
21 If we have that much nailed down, we can agree on the other
22 part.

23 Senator Dole: Mr. Chairman, we had a little discussion --
24 I hope we did not interrupt the Committee. We were discussing
25 Senator Moynihan and Senator Danforth and Senator Chafee and

1 myself and Senator Heinz. It seems to me everybody agrees
2 in principle on what we should do. It is how we should package
3 it that would gain enough support in the Committee and the
4 Senate and actually do some good.

5 Maybe at this point it would be good for Senator Moynihan,
6 who has a proposal -- or at least a suggested compromise -- and
7 maybe Senator Danforth, who may have a different opinion. It
8 seems, to some of us, if we could take the low-income
9 assistance proposal that we have suggested ---and it is not a
10 Republican plan. Everybody has been talking about it. It
11 comes from this side.

12 Add to that the tax credit proposal that was submitted
13 this morning and maybe make some adjustments in the minimum
14 benefit in the plan that we presented, and maybe some minor
15 adjustment in the maximum benefit. We could still come within
16 the total dollar figure and provide relief not only to those on
17 food stamps or AFDC and SSI but also the next year those who
18 may be working but who have income limits of \$20,000 or \$18,000
19 a year would be eligible for the tax credit.

20 At that point, I yield to Senator Moynihan.

21 Senator Moynihan: Mr. Chairman, I thank Senator Dole. I
22 would like to associate myself with the idea that we are
23 working basically. We quite agree about -- if you will call it
24 low income population to be served here and our question is
25 whether to allow persons in the income levels immediately above

1 to participate in some of the composition for the greatly
2 increased energy costs that they are going to have.

3 I repeat we are going to find at the rate things are
4 going, people are going to be spending 20 percent of their
5 incomes in these ranges of earnings for fuel.

6 We think that a respectable tax credit can be made
7 available to these persons who are not necessitous at this
8 point, not dependent upon any government program, but
9 government policies have doubled their fuel costs.

10 And I think that this would be sound. We would be able to
11 say to the Floor, we have provided some relief for half of the
12 population.

13 I think there is a question of whether we want to do
14 something.

15 As I understand it, Snator Dole, your proposal is a
16 two-year proposal at this point, and you would hope, in the
17 course of two years, to craft something more permanent. Is
18 that it?

19 Senator Dole: Something better.

20 Senator Moynihan: More extended.

21 You do not suppose this situation will have resolved
22 itself in two years?

23 Senator Dole: No, no. But it seems to us, because of
24 what Senator Nelson mentioned the need to do something. If we
25 could agree on a two-year proposal, maybe that is not

1 realistic. If we could move that --

2 Senator Nelson: I think we should deal with this winter.

3 Senator Dole: Even better, this winter and get it through
4 the Congress. The second year, at least, there would be
5 something in place. In the event we did not do something, next
6 year it can always change.

7 Senator Bentsen: If the Senator would yield, I have not
8 heard him deal with the question of how the formula is arrived
9 at. The objectives that you are striving for with the poor and
10 with the working poor are very much in accord with trying to
11 get as broad a base as we can.

12 I am very pleased to support that. But if you are going
13 to make the formula into degree days, I think it is a very
14 unfair formula and obviously I will oppose it here. Obviously
15 I will try to garner support on the Floor to change that kind
16 of formula.

17 But getting back to the same old point that energy
18 assistance to the poor is not just heating, that half of that
19 bill, not even quite half of it, is heating and the rest of it
20 is other uses of energy -- refrigeration to try to keep food
21 from spoiling, trying to cook, trying to heat water.

22 Senator Nelson has brought forth a proposal that is a
23 compromise of those things and I think it ought to be addressed
24 and it ought to be a part of this.

25 Senator Dole: There may be another thing. Linda, would

1 you address the formula?

2 Ms. McMahon: We understand there could be problems with
3 the formula. We have tried to find out what kinds of
4 information is available. That is something.

5 If there is agreement that you want to go in the direction
6 of any one of these things, we could work on a formula taking
7 into account all the problems that you have brought up and then
8 come back with that. I do not think we can say the best
9 formula is we are going to use this or that information. We
10 are not sure if energy costs are all available.

11 Senator Bentsen: We can do it just as easily as we can do
12 this other. You know, we have been debating this for weeks
13 now.

14 Senator Nelson and his staff have worked at length on this
15 to try to develop a formula that is a compromise.

16 Senator Dole: Degree days plus?

17 Senator Bentsen: Plus the total cost of energy per
18 family.

19 Senator Nelson: Degree days and, as I say ---I would like
20 to repeat Senator Long's objective, as he stated one day here,
21 which would be the ideal one. That is to say, if we were
22 sophisticated enough to be able to compute what is the energy
23 cost for people in the low income groups when we use the per
24 capita household energy costs. It includes the cost for rich
25 people, poor people, middle income and everything else.

1 We are not that sophisticated.

2 So in this formula, I put in degree days. We have all the
3 facts on that. We have the degree days since 1931.

4 We know what the low-income population total is ---that is
5 one-third ---and we know what the per capital household cost is
6 by state. So one-third, one-third, one-third. That is skewed
7 -- I keep using the classic case ---that is skewed in favor of
8 places where it is hot and uses lots of air conditioning.
9 Florida comes out in a way that they really should not.

10 But in any event, I do not know. It is a formula that is
11 really good.

12 Senator Dole: Is that consistent with giving a tax credit
13 for heating oil?

14 Senator Nelson: If I understood what Senator Moynihan was
15 saying, and you were saying, I understand you are limiting the
16 block grant entirely to the states.

17 Senator Dole: It is still an option. I do not look at it
18 as a separate program. It is still an option. I do not think
19 we have any problem. Some states are ready to move, as we
20 understand it; some are not.

21 The Chairman: Let me make one more point. It seems to me
22 when you are getting down to a formula, you ought to be looking
23 at total energy use by low-income people if you are going to
24 make a block grant to the states and very little has been said
25 about transportation, but that is an essential expense of poor

1 people, just like it is an expense of everybody, to move around
2 a little bit. They have to get back and forth to a store to
3 shop, to buy essentials and things like that.

4 So it ought to be included.

5 We do not have the figures, but I would think that if you
6 tried to get a completely fair formula, you would say, all
7 right, starting in the second year, HEW or somebody DOE or
8 somebody, should come in here with a formula to tell us -- a
9 sophisticated study to show us what is the expense of
10 low-income people on a state by state basis for purposes of
11 measuring that block grant, point number one.

12 Point number two, I do not care how you arrive at this
13 formula, but there is no way that you are going to get this
14 thing sufficiently sophisticated and work it out looking at all
15 the human equations where you can do complete economic justice
16 for all the people you are looking at because one family has a
17 bigger house to heat, one family has more children ---all that
18 type thing -- one person lives right next door to where he
19 hopes to work, and so forth.

20 I believe you are going to find yourself coming down --
21 and if we do not do it, the states will do it ---to where each
22 low-income person receives a certain amount of money just
23 because whether they are on food stamps or SSI or whatever.

24 That is why it seems to me that we should really zero in
25 on this thing of saying that all of these low-income people

1 receive at least a certain amount of money on a minimal basis.

2 That is point number one on this thing that the Democrats
3 seem to agree to, that where you say there will be a cash
4 payment, welfare recipients, SSI, AFDC, and I would hope that
5 we could agree that these people are going to get, per
6 household, at least a certain amount.

7 If they got that, that is something we could identify.

8 Did you get your \$10? You got that. Okay.

9 If you did not get it, it must not have been delivered
10 through the mail. At least if we have that much, that much we
11 know people are getting.

12 Senator Dole: Maybe could we agree that we ought to be
13 covering households receiving food stamps or SSI benefits, that
14 they are automatically covered, or if they are eligible to
15 receive benefits or food stamps they are eligible for energy
16 assistance payments. You would include AFDC. We eliminated
17 that because of administrative problems.

18 The Chairman: The way I put AFDC in --

19 Senator Dole: Half of them would be eligible.

20 The Chairman: It seems to me, if you put all of these
21 households in there, then if you want to put something in the
22 block grants to the states, they can build on top of that. We
23 know they are getting \$10. If not, they should have gotten it.
24 So you know that there is that much taken care of.

25 Then each state ---if they have some money, okay, we know

1 that they have got this. Then we can go ahead and build on top
2 of that. All right?

3 You are getting the \$10 a month. I think the cost of that
4 would be one-third of what we are estimating what the overall
5 program would be.

6 Senator Moynihan: We would estimate that at \$800 million
7 a year through the AFDC and SSI and food stamp population, of
8 course.

9 Senator Dole: Three million households. We think it
10 should be included.

11 The Chairman: If you have those people taken care of,
12 then all of the low-income people are not going to be left out.
13 You do not have to worry whether the state has a meeting of the
14 legislature or not.

15 Senator Heinz: Mr. Chairman, we all recognize, I hope,
16 that the Federal government is not capable of mailing checks to
17 the AFDC people, only the states?

18 The Chairman: I do not know why not. It seems to me, as
19 of now, you do not have a list up here, but it would seem to me
20 that when all you are talking about is mailing a check of \$10
21 per household, all they would have to do is just take those
22 tapes and just send a list of the people they have on the rolls
23 and you could sure put a check in the mail to them.

24 Ms. Amidei: Senator, there are a couple of things that
25 maybe need to be clarified.

1 First, the food stamp list the people are talking about
2 would include about 80 percent of AFDC recipients. About 80
3 percent of those AFDC families already use food stamps now, so
4 we would be missing 20 percent, but we would be covering 80
5 percent by using the food stamp list.

6 By using the food stamp list plus the SSI list we would
7 end up sending duplicate payments to 1.2 million people,
8 because there would be about half of the SSI population also
9 uses food stamps. So if you picked up those two lists, you
10 have 1.2 million people who overlap.

11 Senator Heinz: Could you address the specific question of
12 whether or not the Federal government can use AFDC lists to
13 mail? My understanding is you could not possibly do it. Is
14 that true or false?

15 Ms. Amidei: The Federal government would not make the
16 payments to the AFDC recipients.

17 Senator Heinz: You could not do it?

18 Ms. Amidei: That would go out through the states. We
19 would negotiate with the states, give them the money, and they
20 would make the payments.

21 Senator Heinz: The answer is the Federal government
22 cannot mail checks to AFDC recipients, yes or no?

23 Ms. Amidei: Correct. That is also true for food stamps.
24 They would also go out through the states. The SSI people
25 would get the checks through the Federal government. We do

1 maintain those tapes and computer rolls.

2 The Chairman: Hold on just a minute. I know that the
3 government can mess anything up. That has been proved without
4 any doubt.

5 When we started SSI we had a good demonstration on how
6 something could be fouled up in the early stages, no doubt
7 about that. We know it can be done.

8 But if all you are going to do is send every household a
9 check for the same amount of money, \$10, all right? If you
10 have got somebody out there who can foul that figure up, the
11 \$10, you ought to get rid of him. If every check is supposed
12 to be in the amount of \$10 and somebody gets a check for
13 \$1,000, whoever mailed that check out, you ought to get rid of
14 him.

15 You would not have the problem that you had with the SSI's
16 when it first started, where somebody was supposed to get a
17 check for \$300 and he gets one for \$1,500. That could not
18 happen. It has to be all in the amount of \$10. That is number
19 one.

20 Number two, to me it is hard for me to see how anybody
21 could be so incompetent that if a state provides him with a
22 list of names that you cannot put those names on checks and
23 mail those checks out.

24 Senator Dole: It is a computer problem.

25 The Chairman: You might do it by hand and say look, there

1 is a name -- you might have somebody who can type up there --
2 type the thing out.

3 But should you not be able if they provide you the names
4 on the computer tapes, just address the envelopes on those
5 people?

6 Mr. Van Lare: I think I am the individual you would be
7 looking to fire under this arrangement.

8 The Chairman: You have not made the mistake yet.

9 Mr. Van Lare: I am anticipating that I would. Let me try
10 to describe the problem, if I can.

11 There are two aspects of tis. Yes, there would not be
12 payment error in the sense of paying the wrong amount. If you
13 are going to have a flat \$10 payment that is relatively
14 simple to do accurately. The difficulty is getting that list
15 to whom the payments will be made.

16 There are 3.5 million payments that would have to be made
17 each month. The data that we have suggests probably as much as
18 10 percent of that population will change each month -- new
19 people coming on, new people going off. So we would need a
20 system that would get from the states each month acurrent,
21 accurate list of the people who are on the rolls.

22 It is possible to do that. You can build an
23 administrative mechanism to do it. From our perspective, in
24 looking at it, since the state already has that information
25 dispersed primarily to as many as 4,000 offices it would be

1 easier and more accurate for them to act on it and make the \$10
2 payment than for us to collect it centrally, change it each
3 month and make the payment each month.

4 Then perhaps the way to do this would be for you to take
5 the list of people on this end that you deem to be eligible,
6 according to your list, and then pass that on to these 4,000
7 offices and let them eliminate the duplications and let them
8 mail it out.

9 Mr. Van Lare: The problem with eliminating duplication is
10 that both the Department of Agriculture and HEW did a very
11 quick survey of the states to see how many of them right now
12 have the capacity to do that. In order to do it by computer
13 you basically have to have the same information on both sets of
14 tape. You have to spell the name the same way; that does not
15 always happen. You have to have the same address, the Social
16 Security number, without transposition of the data.

17 Many states do not have their food stamp records on
18 computer at the present time. Many of those who do do not have
19 enough identifying information to sort out the duplicates.

20 There are a lot of John Smiths who are receiving
21 assistance, a number of them in large, urban areas, maybe
22 living in the same building. It is very hard to do that.

23 We are moving in the direction of having the capacity to
24 do the changes that were made here in requiring Social Security
25 numbers for each recipient. When that is available, when it is

1 in both the Food Stamp and AFDC file, that duplication is easy
2 to eliminate, but at the moment, this year, or the next eight
3 to twelve months, the files are so different between the two
4 programs that a match would not really work well.

5 The Chairman: Let me take it one step further and see if
6 we can get somewhere.

7 Just looking at it from the point of view of not the
8 biggest community, but a substantial sized community, if you
9 looked at a community the size of my home town, the city
10 government is all under one government, a community of 300,000
11 people, almost half the population of the District of Columbia.

12 In that area, I would assume you would have somewhere
13 between 30,000 and 45,000 people that you would be looking at.
14 To avoid duplications, you just put them in line alphabetically
15 and where you come to the name, they would have an address
16 alongside it.

17 If you had the same name, then you would appear to have a
18 duplication. In some cases, you would have to do a little
19 checking to see because there may be two addresses for
20 precisely the same name. But I would think that we could
21 do that right there, inside my own office, and we do not have
22 anything like the people you have for something like that.

23 Would you not think that you could handle that, at least
24 working with these people, that that could be handled?

25 Mr. Van Lare: I think over time, yes. I think what I am

1 trying to respond to at the moment is whether that capacity
2 exists now or exists over the next two or three months.

3 Senator Dole: Could you not, if there is a duplicate
4 payment -- this program is not going to end in one year. There
5 is no way to recoup. It is gone forever, and you never have a
6 way of checking?

7 Mr. Van Lare: The basic problem is to identify it once,
8 you identify it ---yes, we do have a procedure.

9 Senator Dole: We would offer some incentives to the
10 states if they could reduce the duplication that would go in to
11 the special fund the states would have so at least there would
12 be some incentive for the states to do that.

13 The second question is, what is it going to cost you to
14 mail out that \$10 check? \$9.90?

15 Mr. Van Lare: It depends basically on how you choose to
16 handle that check.

17 Senator Dole: Suppose we handle it in where you send the
18 names back here and put it in your computer. It costs \$50?

19 Mr. Van Lare: There are two options. One, mailing a
20 separate check and even in the most efficient systems, it will
21 cost someplace between \$2 and \$5 to develop and mail a check to
22 add it to an existing grant payment, to increase an AFDC
23 payment or an SSI payment automatically would have a much
24 smaller impact.

25 If you are going to do it, though, for the food stamp

1 population as well, you have to generate a whole new check.
2 Whatever the state cost of generating that check would be
3 involved.

4 Senator Dole: Let me consider this one thought.

5 We ought to consider this tiny \$10 payment we are going to
6 have for the other side for a month and what it would cost
7 administratively to do it. It would cost half as much as the
8 benefit.

9 We could maybe fine a better way. We compromised on a two
10 check in a five-month period in our program.

11 Ms. Amidei: Incidentally, Senator, in the provision you
12 have been talking about, as well to permit people not eligible
13 for food stamps but not yet on the rolls to come in and apply,
14 there will be considerable administrative cost there.

15 They would have to be certified fo the frist time. You
16 would have to have verification of income, the same process
17 that we go through to certify someone for a couple of thousand
18 dollars worth of benefits would have to go into certifying for
19 this.

20 Senator Dole: They might, in the process, find they have
21 some other benefits coming.

22 Ms. Amidei: That might be.

23 Senator Danforth: I wonder if I could make a proposition,
24 Mr. Chairman, and see if I could get some takers. Senator
25 Moynihan, and see if we can conceptually simplify this

1 situation.

2 It seems to me we have two basic problems we have to solve
3 pretty fast. One is what to do about this winter. The second
4 is, over a period of ten years, which is what we have been
5 talking about for the last month or two, about how much money
6 we want to spend for helping people with their fuel bills.

7 It seems to me that those are two questions that we can
8 resolve now if we are prepared to do rough justice in 1980 --
9 rough justice -- realizing that nobody has the perfect
10 solution, taking something easy, something very simple to
11 administer.

12 I happen to think Senator Dole's approach is about the
13 simplest to administer for one year that we have. Maybe I am
14 wrong. Maybe somebody has a better idea. Maybe there is a
15 better table. Just to get a simple cash payment for one year,
16 to put that in a separate bill, to put it out on a fast track,
17 and then to make a decision on about how much money we think
18 should be spent over a period of a decade for relief for people
19 for their fuel bills, to leave for a more leisurely time the
20 decision on precisely how to divide that up.

21 Whether or not they have a tax credit to consume part of
22 it, whether or not they have a block grant to consume part of
23 it, these decisions, I would think, are decisions that could be
24 made in a less hurried fashion.

25 But I think now if we were to say we are going to spend

1 \$1.5 as Senator Dole suggests, or \$1.2 as you might suggest,
2 Mr. Chairman, we could make that decision now. We could
3 distribute it on a cash basis on the simplest formula that
4 everyone can agree on, particularly HEW, doing rough justice
5 for one year, realizing that some people are going to be less
6 well off than they should, better off than they should be.

7 Some people may get duplicate payments. Some people may
8 be locked out.

9 Let's do rough justice for one year and maybe you can ask
10 a question other than the larger questions, namely, about how
11 much money should we be spending over the decade.

12 Senator Moynihan: Mr. Chairman, that very much appeals to
13 me. You asked one person. I would like to make two points,
14 though.

15 I think that we should not try to decide here what is, in
16 fact, the most efficient, quick, way to do what we want to do.
17 I think, as a matter of fact, you will find -- I do not ask you
18 to agree -- that it is our proposal that would be the quickest
19 and most certain. The AFDC/SSI checks are mailed every month
20 and they simply have to be adjusted in amount. Adjustments are
21 routine and regular, to set up a system to send checks to food
22 stamp recipients is a new system. It may be a very good one.

23 If you want to know what you could do, what the state
24 administrators could say yes, I could have this in place in
25 February or January, I think they would say that, and then use

1 their emergency assistance through their normal welfare state
2 program. It has been around for a long time.

3 This is something that our staffs could sit down and say
4 realistically what to do.

5 I also want to add, this is where Senator Danforth and I
6 have not yet agreed, and our side and your side has not yet
7 agreed. It is also popular to provide a tax credit in the
8 spring, retroactive for 1979 tax returns, but we could put up
9 the funds so that at the end of the winter, at least you could
10 get that much. That is something we could work out.

11 We propose to put \$2.4 billion into this program in fiscal
12 '80. We could do both these things as against the \$1.5. I
13 think this is the range of possible agreement.

14 Senator Danforth: Mr. Chairman, I would think to make a
15 decision on a tax credit, as far as an individual is concerned,
16 it might mean \$55 or \$60 for one year. It really will not make
17 or break people in this income category for one year.

18 The whole tax credit issue is really a permanent fixture
19 of the tax law. You are not going to install it for a year and
20 take it away.

21 Therefore, that is really a question that should be put
22 off. Maybe it is a good idea. I have to say I am not
23 impressed with it. Maybe it is a great idea, but I do not
24 think we have to decide that right now.

25 It seems to me the basic question now is can we agree on a

1 fast track bill which targets the money in rough justice to
2 those who are most nearly in need for emergency situations for
3 1980.

4 The Chairman: I find myself thinking a bit different, but
5 basically the same effect. I find myself thinking why do we
6 not try to pass just a resolution between the Senate and the
7 House, get both bodies to agree to it that this is what we are
8 going to do for the low-income people and then we have done
9 that type thing before.

10 For example, we passed a resolution about these tax exempt
11 bonds to tell these localities, in any event, whatever we do
12 for these things that have been approved, you are all right,
13 you are in the clear.

14 If we pass such a resolution saying yes, we are going to
15 act in this area and whatever we do this is what we are going
16 to do, this is going to be a part of it, then we would have
17 this in the bill, be a part of the bill, just pass a
18 resolution, a joint resolution, to agree between the Senate and
19 the House, this will be a part of it.

20 That is the objective, I think. Then both Houses could
21 agree, this is what we are going to do.

22 Senator Dole: Setting up the machinery.

23 The Chairman: That being the case, a joint resolution
24 between the two Houses -- see if you can make a suggestion, Mr.
25 Shapiro. You have had some experience with the joint

1 committee staff on that sort of thing. Could we use that
2 approach, a joint resolution, where we agree that this will be
3 a part of our energy bill?

4 Mr. Shapiro: You can do something along that line. I
5 might point out that it would be a concurrent resolution. The
6 only problem -- you are much further along than the House is on
7 this point of making determinations. Their subcommittee has
8 just started reviewing what they would do for the poor.
9 Ultimately it would mean that you would have to have some type
10 of a conference session with the Ways and Means Committee to
11 determine what your package would be.

12 What you want to do is get things started as early as
13 possible. One of the suggestions is to be working out a
14 conference with the House before the full conference with the
15 windfall profits tax.

16 The Chairman: That is what we are talking about, yes.

17 If we can agree on something here and then make it a
18 concurrent resolution and say, all right, we want to come to
19 terms with you fellows on this part right now. The rest of it,
20 if we can agree on this, we will bring it to you in our bill.
21 Then they could go ahead and set up their computers. They know
22 what to do. We know we are going to pass that. Both houses
23 have agreed to it.

24 We could finish the rest of the bill and enact it.

25 Mr. Dole?

1 Senator Dole: Mr. Chairman I wonder if I could suggest --
2 we are getting nearer and nearer some consensus, if on Monday
3 the staff could work with HEW. I think we have all indicated
4 where we come down on this issue, and not meet on Monday, and
5 then present to the Committee on Monday hopefully something
6 that we could agree on Tuesday.

7 Something -- a sort of consensus position that has the
8 input of everyone in it, whether it is one year or two years.

9 The Chairman: I would have to leave here at 11:30
10 on Monday. I could be around to that point.

11 Senator Dole would have great difficulty being here on
12 Monday. I would hope that maybe that you would get, Mr.
13 Stern, a meeting, invite the legislative assistants of the
14 Democrats and Republicans to meet with you.

15 Mr. Stern: All right.

16 The Chairman: This morning I saw you more irritable since
17 I have seen you since you went to work for us. I know it is
18 difficult to work with all those legislative assistants.

19 If you will undertake -- mind you, do not try to gain
20 complete consensus. Just try to say, look, here is what these
21 people have suggested. Some have suggested this, some have
22 suggested that, the majority seem to favor this, and the
23 minority seems to favor that.

24 Then we can talk about it. We can talk about it on
25 Monday and they can meet again on Monday and then we can give

1 them our views to crank into it by Tuesday morning. Maybe this
2 Committee can get together Tuesday morning on how to do this.

3 Senator Danforth: Mr. Chairman, I am just told by Nancy
4 on my staff that there are a couple of policy-type questions
5 that really should be settled to give the staff some guidance,
6 one being who is to be covered? Will it be AFDC and SSI, food
7 stamps and SSI?

8 The second question is the one that Senator Bentsen is
9 interested in, namely the extent to which colder states are
10 going to end up better.

11 Those basically are the broad policy guidelines that they
12 feel they would need.

13 The Chairman: It seems to me, for the purpose of getting
14 something started in the beginning, let's talk about getting
15 your first start. You have two suggestions here, one from
16 the Democratic side, the other from the Republican side. The
17 Democratic side started out, chapter one, page one,
18 recommending cash payments to all welfare recipients, SSI and
19 AFDC. The Republican suggestion started out suggesting
20 households receiving food stamps or SSI.

21 It seems to me that we ought to agree that everybody who
22 is SSI, AFDC, food stamps or who would be eligible for that,
23 all those people would be eligible to participate in the
24 program. For the low-income, can we agree on that much of it.

25 Senator Dole: We can. HEW?

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1 Ms. Amidei: I would have to raise one small problem. If
2 we were to open up, right now 18 million of the 28 million
3 people eligible for food stamps actually participate. If we
4 were to open up eligibility to those 10 million people in terms
5 of urging them to come in to sign up for an energy payment of
6 some sort, I do not think the food stamp offices could handle
7 10 million applications this winter.

8 For purposes of this winter, which I think is what you
9 want to settle on, we may have to forego that and see if we can
10 work something out for later.

11 I think for this winter, the prospect of 10 million more
12 people going through those offices --

13 The Chairman: It just seems to me that on a particular
14 date, you start addressing the envelopes. Anybody who can get
15 his name on the food stamp list by that time is eligible.

16 Ms. Amidei: That is no problem.

17 The Chairman: It seems to me that that would be the way
18 to do it.

19 Senator Dole: What about the overlap if you bring in
20 AFDC, SSI and food stamps? What is the overlap? Ten million?

21 Mr. Barth: Senator, there are some more severe
22 administrative problems that we could work out at the state
23 level, as long as you have gotten into it. If it were all of a
24 sudden announced that people who were on food stamps as of the
25 date certain, say November, December, we would anticipate a

1 huge queue at the food stamp offices. We might not be able
2 to come up with the completed payment list.

3 Senator Moynihan: Might I point out why this would be
4 likely so?

5 The food stamps is a graduated program and at the margin
6 there are people who are eligible for \$2 a month and they donot
7 apply. The benefits we are talking about are flat, regardless
8 of your income, so even though you would not go down, you would
9 not sign up for a \$2 benefit, you would sign up for something
10 substantial, such as this. This would increase the number of
11 people on food stamps pretty much up to the eligible point.

12 Senator Dole: What our formula is based on, our benefits
13 are based on a monthly food stamp benefit of \$100. If you
14 added \$2, you would not get much benefit.

15 Senator Moynihan: It would slide off. You are right.

16 The Chairman: Here is the range which our staff ought to
17 be talking, it seems to me. They ought to be talking the range
18 between this cash payment that we have on line one of our
19 Roman numeral I we are talking about in our suggestion and they
20 ought to be talking in terms of the Republican suggestion.

21 I think Senator Dole indicated to me that that could be
22 modified to have a minimal figure for the states who would not
23 get much.

24 So if they think in those terms between a minimal payment
25 of some figure --

1 Senator Dole: We have a minimum payment now of \$10, which
2 is the maximum payment you were talking about. We would
3 increase that to \$30 which would be \$150.

4 The Chairman: Well, then, tell your people about what
5 minimal amount because Senator Dole, on behalf of his
6 cosponsors, have increased the minimal amount they have in the
7 proposal.

8 Compare that to what this flat payment would be here in
9 our proposal, so you start out trying to assure that all the
10 low-income people get at least a certain amount, and if you
11 want to vary it by state, well, it can be. If that is the
12 case, it should be a minimal amount that the states are going
13 to come down at the bottom of the list would get.

14 See what you can come up with. I hope our staffs can help
15 us.

16 Senator Heinz: Those states such as Senator Roth's state
17 of Delaware which believe they have a more equitable way will
18 still have the option of taking the block grant?

19 The Chairman: That is what I think they will talk about
20 in this meeting. At the moment, we have not agreed to it, but
21 that is one of the things they should talk about when they
22 meet.

23 Senator Chafee?

24 Senator Chafee: Mr. Chairman, I subscribe to Senator
25 Danforth's view, and yours too. We have got to get going this

1 winter and do the best we can with rough justice, as it is
2 called.

3 But, Mr. Chairman, it seems to me very important to
4 remember that we are here because oil has been decontrolled and
5 it seems to me, in the consideration of the eligibility and the
6 benefits, we have to bear in mind that the cold days, the
7 temperature days, are extremely important and that it relates
8 to fuel oil.

9 You can say this is parochial, because I come from a
10 section of the country that is affected by that. But there is
11 no question but that fuel oil constitutes a far larger percent
12 of a person's budget ---fuel oil for heating -- than does the
13 electricity bill or whatever it might be that is due to the
14 increase in the price of running your refrigerator, and so I
15 think it is very important.

16 One fundamental question we have to decide here is how the
17 benefits are going to be determined and it seems to me there is
18 no point in ahving an across-the-board increase in benefits for
19 everybody who is on SSI or AFDC or whatever it might be,
20 because the people who are going to lose that are going to be
21 the people in the low temperature areas who are heating by fuel
22 oil.

23 They are the people who are going to bear the rap this
24 winter.

25 I would hope that they would come forward with

1 alternatives on taking care of this. The suggestion that we
2 incorporate into the formula the total energy cost per house,
3 those are only by states and they do not break it down into the
4 low-income people.

5 So, as has been pointed out, Florida is going to do
6 very well in energy consumption because they use a lot of it
7 for air conditioning in rather substantial houses.

8 That is one of the gut votes we are going to have here at
9 some point: how are we going to determine the eligibility
10 question?

11 Senator Baucus: Mr. Chairman?

12 Senator Heinz: If the Senator would yield, that is why I
13 think there should be an election available to a Governor if he
14 has a better way to take into account a block grant.

15 Senator Chafee: The amount the Governor will get will be
16 determined by this formula.

17 Senator Baucus: Mr. Chairman?

18 The Chairman: We will talk about various things until we
19 see a formula where Florida comes in here about \$50, the same
20 as Louisiana.

21 Senator Dole: We made a mistake. It is \$83 for
22 Louisiana.

23 The Chairman: At least we have \$83. Hawaii with \$50.
24 The point is that there ought to be -- I do not think that it
25 costs that much to modify this thing so that some states do not

1 look like they take that kind of beating. When you hear from
2 the Florida Senators they will have a lot to state for their
3 low income people.

4 Senator Dole: Hawaii is in there too.

5 The Chairman: I see Senator Matsunaga sitting there.
6 They have low income people. Offhand, people say --

7 Senator Dole: We can adjust that and still keep the
8 formula fairly well intact without doing any violence to the
9 cause.

10 The Chairman: Senator Baucus?

11 Senator Baucus: I would like to echo what Senator Chafee
12 said. Every household has experienced increased energy costs.
13 It is a problem for everybody. When you are living in the
14 northern states, you have got to pay your heating bill. That
15 is a given.

16 Some of the other increases in the other parts of the
17 country, even though they are very important, are a little more
18 negotiable, but when you live in the northern states in a cold
19 climate, that is not negotiable. You have to pay that heating
20 bill. I hope when the staff meets that they come up with a
21 proposal that significantly takes that into consideration.

22 The Chairman: Please understand. You are not going to be
23 able to do complete justice, case by case. To some extent, at
24 least, you are going to have to abide by the judgment of the
25 Master that the first shall be last and the last shall be

1 first, that at some point you are going to have to say if you
2 are in the program at all, you at least get something.

3 I think that our staff can be useful to us. We would
4 appreciate it they would do what they can, and try to work it
5 out.

6 Mr. Moynihan?

7 Senator Moynihan: We propose that the staff consider
8 three levels of possible cost. Senator Dole's proposal, our
9 proposal and the \$3 billion proposal and see what those figures
10 would bring out.

11 Secondly, we understand that they also will consider tax
12 credits as one of the possible things they will talk about.

13 The Chairman: Right.

14 Will you seek to get them together, Mr. Stern?

15 Mr. Stern: Yes, sir.

16 The Chairman: Get yourself a little tranquilizer.

17 Mr. Stern: Mr. Chairman, maybe I should say for the
18 record my irritation was just with one staff member who did not
19 come to the meeting and then complained about things this
20 morning. I had no problem with any of the people who came to
21 the meeting.

22 The Chairman: Thank you.

23 Thank you very much, gentlemen.

24 We will meet here Tuesday morning.

25 (Whereupon, at 12:15 p.m. the Committee recessed to

