

EXECUTIVE SESSION:

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TUESDAY, FEBRUARY 28, 1978

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

The Committee met, pursuant to notice, at 10:15 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, Matsunaga, Moynihan, Curtis, Hansen, Dole, Pacwood,  
Roth and Danforth.

The Chairman. The Committee will come to order.

Senator Talmadge. Mr. Chairman, we have H.R. 8423  
before the Committee now, since last September. It passed  
the House on the consent calendar, as I recall, last year.

As you know, we have this kidney dialysis program put  
in several years ago, and people lose their lives without  
the kidney dialysis. Under present law, they are required  
to go to a health clinic or a hospital which doubles the  
cost.

Our Committee has held hearings on it, I think at least  
once, and we have found every witness favorable except those  
who profit by hospitals or the health clinics. The staff has

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1 several suggestions and some modest amendments to be added  
2 to the bill, which the Health, Education and Welfare Depart-  
3 ment supports. I hope we can order that bill reported this  
4 morning.

5 Senator Dole supports it. He is engaged in Agriculture  
6 at the moment with witnesses from Kansas. I think he will  
7 be over momentarily, and I would suggest, when he gets here,  
8 that Mr. Constantine explain the provisions of the bill plus  
9 the staff recommendations and changes that HEW supports.  
10 I would hope that we will report it out this morning.

11 The Chairman. Mr. Constantine?

12 Mr. Constantine. Mr. Chairman, this is a bill that is  
13 supported by the Administration. Due to extensive hearings  
14 in the House, and was passed by the House on the consent  
15 calendar, supported by the National Kidney Foundation, Renal  
16 Physicians Association. It is designed to remove disincen-  
17 tives to home dialysis.

18 It does not force any patients on home dialysis where  
19 the physician does not believe it appropriate. It is designed  
20 to cut the shift to center in hospital dialysis which,  
21 according to GAO, runs approximately twice the cost, roughly  
22 \$30,000 versus \$15,000 after the first year.

23 It makes changes in the program designed to provide  
24 coverage after someone is transplanted. Medicaid now covers  
25 them for a year after the transplant. When the transplant

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1 fails, which is not infrequent, the bill provides coverage  
2 for up to three years.

3 The program is very costly now. It is estimated to  
4 cost ~~4~~ this fiscal year it will cost \$900 million for 36,000  
5 patients. By 1987, it is estimated to cost \$3.6 billion for  
6 60,000 patients. The bill, in the Ways and Means Committee,  
7 they devised a percent of reimbursement approach, advising  
8 the reimbursement, the dialysis savings, to be more efficient  
9 share in the savings.

10 Senator Curtis. May I ask a question at this point?  
11 Would you tell us how the program operates now before this  
12 legislation, as far as the individual patient is concerned?

13 Does he have to make a property statement? How much of  
14 the bill is paid, and is there any local participation?

15 Mr. Constantine. Senator, this is covered under  
16 Medicare after the first three months. There is no income or  
17 assets statement for any patient under Medicare.

18 The physician chooses the site, after consultation with  
19 the patient.

20 Senator Curtis. How about these people who, because of  
21 age, do not qualify under Medicare?

22 Mr. Constantine. Senator, in the 1972 amendments, under  
23 the Hartke-Long amendment to cover the kidney failures, those  
24 people, regardless of age, if someone suffers from kidney  
25 failure, after three months they are deemed disabled under the

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1 law and, in as much as the disabled are covered under Medicare,  
2 that brings those people in.

3 Senator Curtis. Is it paid for by the Social Security  
4 tax?

5 Mr. Constantine. Yes, sir. It comes out of the Medi-  
6 care Trust Fund.

7 Senator Curtis. There is no property or income require-  
8 ment?

9 Mr. Constantine. No, sir.

10 Senator Curtis. How much of the bill is paid?

11 Mr. Constantine. In the hospital, Medicare pays 100  
12 percent, ordinarily during the first few months, patients  
13 in a bed. Subsequent to that, it pays 80 percent.

14 Senator Curtis. After you leave the hospital?

15 Mr. Constantine. Yes, sir. If he goes to the hospital  
16 and if he goes to the out-patient department to be dialysed.

17 Senator Curtis. Let me ask something else for the  
18 record. I think this is a very much needed service. Appar-  
19 ently we have been looking at it, and should do something  
20 about the cost, but it is the type of illness that there is  
21 no medical dispute whether or not a patient has it, is there?

22 Mr. Constantine. That is right, yes, sir.

23 Senator Curtis. It is also totally impossible for some-  
24 one to be a malingerer and insist that he has it?

25 Mr. Constantine. Yes, sir.

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1 Senator Curtis. In the general area of disability, we  
2 have a lot of problems, doctors who disagree as to what the  
3 condition is, the patient may insist certain things. There  
4 is a dispute of facts. But, in this case, it is a clear-cut  
5 determination, is it not?

6 Mr. Constantine. Yes, sir. It is not ambiguous.

7 Senator Curtis. Or subject to medical disagreement or  
8 dispute?

9 Mr. Constantine. Not as to the failure, no, sir. There  
10 is virtually no dispute as to whether the patient has kidney  
11 failure.

12 Senator Curtis. If the machine does not help him, he  
13 dies?

14 Mr. Constantine. Yes, sir, unless he is transplanted.

15 Senator Curtis. In what you propose to do, does it still  
16 go on and pay without a property statement or income state-  
17 ment?

18 Mr. Constantine. Yes, sir.

19 Senator Curtis. What changes do you make?

20 Mr. Constantine. The changes that are made, Senator, are  
21 designed to encourage or eliminate disincentives for home  
22 dialysis prior to the Medicare coverage, the majority of  
23 patients, virtually the majority, were going on home dialysis.  
24 Now a relatively small proportion, I believe about 10 percent,  
25 only are going on home dialysis with the balance in a center

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1 or hospital dialysis.

2 What the bill does is to provide incentives, for  
3 example, for centers to assume control of the dialysis for  
4 the patient at home by purchasing the equipment and maintain-  
5 ing it for him, buying the supplies, providing professional  
6 supervision of the dialysis and thereby also avoiding the  
7 co-payment on the equipment which can be as much as \$1,000  
8 by doing it through the center.

9 It also provides, instead of waiting three months for  
10 coverage, if the patient embarks on a course of training for  
11 home dialysis right after the kidney failure, Medicare will  
12 start coverage as soon as he starts the program, an approved  
13 program of training for home dialysis, regardless of the  
14 three months.

15 It does also improve, as I pointed out, the coverage  
16 for people who have a transplant which fails to continue  
17 their coverage.

18 It also does authorize incentive payment systems on a  
19 reasonable charge basis regarded to cost.

20 Senator Curtis. One other question.

21 How much money are we talking about per patient per  
22 year under the existing law?

23 Mr. Constantine. At present, the budget for fiscal '78,  
24 the estimated cost for 36,000 patients, kidney failures, is  
25 \$900 million.

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1 Senator Curtis. How much per patient?

2 Mr. Constantine. That is about \$25,000 per patient.

3 Senator Curtis. How much do you think you can lower it  
4 by this bill?

5 Mr. Constantine. Senator, the estimated savings the  
6 next year are \$10 million, rising to \$49 million and \$50  
7 million the following year, and so on. It depends on the  
8 proportion of patients, the productivity in the centers and  
9 the hospital as to what extent that improves and the  
10 proportion of patients who go on home dialysis, which is  
11 generally less costly than the hospital dialysis and where  
12 their physicians find them suitable for home dialysis.

13 The savings are substantial- but the exact amount,  
14 obviously, will not be known until you know how many people  
15 will use it.

16 Senator Talmadge. My recollection is that the General  
17 Accounting survey indicated that the savings on the home  
18 dialysis would be half of what it would be in the clinic or  
19 hospital. Is that correct?

20 Mr. Constantine. Yes, sir, after the first year.  
21 After the patients are established it is roughly two to one,  
22 50 percent of the cost of center hospital dialysis for home  
23 dialysis.

24 Senator Curtis. Just before this program was inaugu-  
25 rated, I visited a hospital and I found a man there whose

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1 income was very meagre and there just was no government  
2 program anywhere that would help him out at all. It was one  
3 of the few diseases where he receives the treatment or dies.

4 I still do not know why we pay it out of the Social  
5 Security tax. I think that is wrong. I also do not believe  
6 that someone should have to show himself as a pauper to get  
7 it. On the other hand, and certainly if it is paid out of  
8 the payroll tax, it should not go to someone who has no  
9 problem paying their bills at all because of the provision  
10 in the tax laws.

11 Mr. Constantine. Senator, I think the reasoning, in  
12 1972 when you passed this, this was just about the most  
13 identifiable catastrophic illness and the money made the  
14 difference, as you pointed out, as to whether you lived or  
15 died.

16 I think you regarded this as a pilot program for  
17 catastrophic insurance to learn what could happen and the  
18 magnitude of the costs involved are so great that it was  
19 ordinarily not coverable by insurance.

20 The interesting thing about the program, in a sad way,  
21 was far more people were identifying as having kidney failure  
22 after the program started than were believed to have been  
23 around before. As you pointed out, this is not something  
24 you can fake. It is an objective determination.

25 It really meant that a lot of people were just dying

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1 because they did not have coverage previously.

2 Senator Curtis. I have no fault with the idea that  
3 the government should take care of it, but I am not sure  
4 that it should be paid out of the payroll tax. And I also  
5 think, with not too many, but some in the higher brackets,  
6 there should be property or income limitations, because  
7 they recover considerable portions of it with an item this  
8 large.

9 Small medical bills, there is not much gain by bothering  
10 with them in the tax return.

11 Mr. Constantine. The other point, Senator, is that  
12 about half of the people in the renal disease program half  
13 of the 36,000, are otherwise eligible under Medicare because  
14 they are over 65 or previously determined to be disabled.

15 As a result of this program, we have only added about  
16 half of the total, because the other half would have been  
17 otherwise covered by Medicare as aged or disabled.

18 Senator Curtis. I apologize, Mr. Chairman, for taking  
19 so much time. I do think this is a very important program.

20 The Chairman. Senator Bentsen?

21 Senator Bentsen. I concur with Senator Curtis in the  
22 importance of the program and am very supportive of the idea  
23 of trying to encourage home care in this situation.

24 It is my understanding that HEW had a very difficult time  
25 getting cost figures on some of these for-profit clinics.

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1 Also, there was a problem of a Federal suit involved right  
2 now, as I understand it, where the clinics have been opposing  
3 the obtaining the information on costs. Is that correct?

4 Mr. Constantine. Yes, sir. However, in the last  
5 several weeks, the courts, some of the centers have resisted  
6 providing the cost information so we can determine the  
7 reasonableness of what the government is paying. However,  
8 the courts have ruled in favor of the government on that, so  
9 they are tending to be more cooperative about right now.

10 Senator Talmadge. Would you explain briefly the  
11 technical amendments?

12 Mr. Constantine. Yes, sir. These are identical to the  
13 amendments which were provided the committee on February 1.

14 The first amendment, the end-stage renal disease programs  
15 are coordinated through organized networks of providers in an  
16 area and they are the coordinating council, which includes  
17 representatives from each facility and review board.

18 There was a lot of testimony about the hospital contain-  
19 ment provision, saying that it would be national policy that  
20 at least 50 percent of patients go on home dialysis.

21 In view of the testimony that it would not be appropriate  
22 to interfere with medical judgment in that area, that it  
23 may be 40 percent is appropriate, or 30 percent or 60 percent,  
24 we would simply recommend that a statement saying 50 percent  
25 is the objective, the national policy objective, really does

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1 not add anything. To some extent, it does interfere with  
2 professional judgment.

3 The Administration supports the change as well.

4 The Chairman. Without objection, agreed to.

5 Mr. Constantine. The second one, we had patient repre-  
6 sentatives testify before the Committee who asked that they  
7 be formerly represented on the coordinating council and its  
8 executive committee which are established -- the consumer  
9 area is one that is very fuzzy as to who a consumer is and  
10 who the consumed are.

11 In this case, in a dialysis program, it's very clear  
12 who the consumer is, and that is the patient. They are  
13 very active in their concerns and I think Senator Talmadge  
14 and Senator Dole said that they would see to it that there  
15 was at least one patient represented on the coordinating  
16 council, and that is what this amendment is designed to deal  
17 with.

18 The Administration also supports this.

19 The Chairman. Without objection, agreed?

20 Mr. Constantine. On the third change, it would be  
21 individuals having a financial interest in the specific  
22 facility could not serve on coordinating councils, executive  
23 committees and medical review boards. These are people who  
24 have substantial financial interest and the staff would  
25 recommend, to avoid conflict of interest, explicit or implicit,

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an individual should not serve as an individual on the Executive Committee if he or a member of his immediate family has a substantial financial interest in the facility.

The Chairman. Without objection, agreed.

Mr. Constantine. The next one involves reuse of dialysis filters that some of the centers and others are using. This simply -- there is some question concerning reuse. This simply suggests that no experiment be inaugurated until the Secretary consults with FDA and the Center for Disease Control at NIH under what circumstances re-use of filters is safe and medically appropriate.

This spells out what was in the House bill and the technical and clarifying changes are exactly that, and they have been reviewed by the minority.

Senator Hansen. Is this an expensive part of the overall program, these filters?

Mr. Constantine. They are a substantial part, yes, sir. Some of the centers reuse them, with substantial savings, they indicate, and without any problem. There has been some talk in the literature of possible contamination of this. Until that is resolved, do not charge ahead.

The Chairman. Without objection, agreed.

Mr. Constantine. The only other amendment to our knowledge, Senator Dole had asked that it be raised if he were not here, was unrelated to this. Section 227 of Public

1 Law 292603 relates to the reimbursement under Medicare of  
2 teaching physicians. The Department wants until October 1,  
3 would like to have that suspended, the application of that  
4 provision in the law, so they can finish developing regulations  
5 and legislative changes.

6 We see no problem with it. The medical schools have  
7 come in and asked for it and Senator Bentsen expressed  
8 interest in it as well.

9 Senator Talmadge. I move the adoption of the Dole amend-  
10 ment.

11 The Chairman. That is what the schools are asking for?

12 Mr. Constantine. Yes, sir, and the Administration as  
13 well.

14 The Chairman. Without objection, agreed.

15 Senator Talmadge. I move the bill be reported.

16 Senator Curtis. I have another question here. What  
17 progress has been made in developing new machines that are  
18 decidedly more economically and yet can do the job?

19 Someone came to my office several years ago and had a  
20 model and said they were working on it. Do you know anything  
21 about this?

22 Mr. Constantine. Senator, they are making progress  
23 in the equipment and in the types of dialysis. A variety of  
24 approaches, designed to bring down the cost of the equipment.

25 We can get you an up-to-date description of the latest

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1 development in the equipment and, of course, the key thing  
2 is the progress being made in dealing with hypertension and  
3 diabetes, which are the underlying causes.

4 Senator Talmadge. HEW is represented here. Do you  
5 have any information on this?

6 Mr. Spaith. I cannot comment on the specifics of the  
7 progress with the development of specific machines. Under  
8 the immediate attention of the Secretary right now is analysis  
9 of the research, the comprehensives. Mr. Constantine said  
10 both the diseases which trigger end-stage renal disease,  
11 as well as other research efforts across the board focus on the  
12 renal disease. Congressman Rogers is particularly interested,  
13 and has proposed to the Secretary, that we develop a center  
14 drawing on many disciplines, both in electronics and engineer-  
15 ing and the like, addressing in various ways the thrust of  
16 your question.

17 Senator Curtis. I was relating to the machine only.  
18 I understood -- I do not recall who it was who came to see  
19 me three or four years ago and they had in mind a whole  
20 new revolutionary idea of where the machine would be so  
21 inexpensive that an individual could buy it.

22 Mr. Spaith. I cannot comment any further than I have  
23 on the specifics of the progress of the technology. I would  
24 be happy to provide it, to the extent that we have it.

25 Senator Curtis. What does this bill provide, as far as

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1 determining the reimbursement?

2 Mr. Constantine. On the reimbursement side, it provides  
3 for a range of types of reimbursement designed to encourage  
4 productivity and incentives. The bulk of these, by the way,  
5 Senator, the incentive reimbursement provisions, was essen-  
6 tially worked out by the minority members of Ways and Means  
7 to avoid the straight cost reimbursement.

8 It has incentive reimbursement provisions on page 7 of  
9 the bill: "Such regulation shall provide for the implementa-  
10 tion of appropriate incentives for encouraging efficient and  
11 effective delivery, respective reimbursement, chartered rates  
12 for arrangements for sharing arrangements and costs for more  
13 efficient and effective delivery of service."

14 Senator Curtis. Will this leave all options open as  
15 to how they can reimburse?

16 Mr. Constantine. Yes, sir. It is clear that it should  
17 be on an incentive basis.

18 Senator Curtis. Senator Dole had a matter -- he is not  
19 here this morning -- dealing with this very question of  
20 reimbursement.

21 I am not familiar with it entirely. I do not know that  
22 I support it, but Senator Dole is not here. I wanted to  
23 raise the question that perhaps, while we ought to go ahead  
24 with this bill, that we ought to have some further hearings  
25 on the costs related to reimbursement. That would not be



1 inconsistent?

2 Mr. Constantine. No, sir.

3 It is quite possible, in connection with the administra-  
4 tive and reimbursement reform proposals that obviously the  
5 reimbursement for all types of care and services to doctors  
6 and institutions and centers would be appropriate for  
7 consideration.

8 Senator Curtis. What is the status of that bill?

9 Mr. Constantine. Senator Talmadge indicated on the  
10 administrative and reimbursement reform proposal he was  
11 hopeful that the Committee could mark up on that sometime  
12 in the latter part of April.

13 Senator Curtis. That would provide an opportunity --

14 Senator Talmadge. May I speak to that, Senator Curtis?

15 Senator Curtis. Yes.

16 Senator Talmadge. Senator Dole, as you know, is the  
17 Ranking Minority Member of the Subcommittee on Health of the  
18 Senate Finance Committee. We have held two hearings on the  
19 question of cost containment generally of the hospital and  
20 Medicare and Medicaid.

21 We have divided jurisdiction with the Human Resources  
22 Committee on the Senate side, the Finance Committee on the  
23 Senate side, Commerce Committee on the House side, Ways and  
24 Means Committee on the House side.

25 The Committee on Human Resources has ordered reported

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1 substantially the President's recommendations with some  
2 modifications.

3 The Subcommittee of the Commerce Committee on the House  
4 side, Congressman Rogers' Subcommittee, has done something  
5 quite similar there, too.

6 Chairman Roskenkowski of the Subcommittee on Health of  
7 the Ways and Means Committee has called for a voluntary  
8 approach and, in the event that the voluntary approach does  
9 not work, some sort of ceiling. I do not know what sort of  
10 ceiling he provides.

11 Our Subcommittee has been working in this area for some  
12 three years. We have a bill that we had hearings on twice,  
13 cosponsored by 19 Senators, to try to compare hospitals with  
14 similar hospitals, to reward efficiency and penalize ineffi-  
15 ciency. We will have ample opportunity to consider all  
16 matters of reimbursement when we mark up that bill.

17 Senator Dole supports this kidney bill and one of his  
18 amendments that he suggested, the only one, to my knowledge,  
19 that he suggested on this bill, has been approved by this  
20 Committee. I would suggest the only reason he is not here  
21 is several witnesses from Kansas are before the Agriculture  
22 Committee and he said he would come over as soon as he  
23 could. I told him I was coming over to raise this issue, and  
24 he told me he had no objections.

25 Senator Curtis. There will be another vehicle?

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1 Senator Talmadge. There will be another vehicle.

2 Senator Curtis. I would like to ask HEW one question,  
3 then.

4 If this bill passes as we now have it before us, what  
5 method of reimbursement do you expect to follow?

6 Mr. Spaith. May I call upon the Department's expert?

7 Dr. Jos. I think our main concern here is, once we  
8 have cost information, the precise method of what we would  
9 work out, first of all, would be accomplished after consul-  
10 tation with those involved in the industry.

11 For the most part, it is obtaining costs so that the  
12 rate that we do pay for these facilities incorporates, if  
13 they are proprietary facilities, a reasonable profit, but  
14 something we can assure is a reasonable profit. That is our  
15 main concern at this point in time with the cost information.  
16 We have no real facts as to whether the rates we are paying  
17 are appropriate or not.

18 Over the long range, of course, included in the  
19 agreement would be an incentive formula.

20 Senator Curtis. What system are you using now?

21 Dr. Jos. At the present time, the facilities are  
22 found that are hospital facilities, of course, on a basic  
23 cost reimbursement. Those that are not hospital facilities,  
24 that include a large number, are reimbursed at the present  
25 time on a fixed rate that was originally established when the

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1 program was established, a screen which we pay. It averages  
2 about \$133. In some cases, if the physician's services are  
3 included in the overall range, it is over \$150.

4 Senator Curtis. Will the passage of the bill change  
5 either one of those?

6 Dr. Jos. Yes. Once the final rate of reimbursement is  
7 passed, it will change those.

8 Senator Curtis. I do not mean change the dollar amount.  
9 I am trying to find out what method you are going to follow.

10 Dr. Jos. The method that we would follow would be to  
11 base essentially, to come up with the cost of operation,  
12 would probably be related to the similar costs of similar  
13 facilities in the geographic area, so that we take in regional  
14 variations and considerations.

15 In addition, we would include some value for a return on  
16 their investment -- again, talking proprietary units. Then  
17 as the bill provides, it would have to establish a reasonable  
18 formula for providing an incentive. The facilities, as they  
19 reduce their costs, they share in some manner in that  
20 reduction of costs, always keeping in mind, of course, that  
21 we want those costs to come down with the maintaining of  
22 the quality level of care so that it gets to be relatively  
23 complex on how you work that final incentive formula out.

24 That basically is cost plus a factor to assure at least  
25 a return and then in addition, an incentive formula on top

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1 of that, to provide for a share of profits, to provide that  
2 incentive to reduce costs and share in a greater degree.

3 Senator Curtis. That is all, Mr. Chairman.

4 The Chairman. Those in favor of the bill, say aye?

5 (A chorus of ayes.)

6 The Chairman. Those opposed, no?

7 (No response)

8 The Chairman. The ayes have it.

9 We will now go to a budget matter.

10 Mr. Stern?

11 Mr. Stern. When we finished going through the expendi-  
12 ture and revenue items, we had a table that contained the  
13 items for decision-making. It is on a sheet.

14 We will start on page 1, which is headed, "New Expendi-  
15 ture Legislation."

16 The Chairman. Should we recommend that as a footnote,  
17 or put the +.3 and the -.3?

18 Mr. Stern. The table itself for decision-making purposes,  
19 combines several things. As the footnote shows, in the case  
20 of the Sugar Act, if you decide to do this, you will be  
21 showing one amount under revenue and another amount under  
22 expenditures.

23 We combine the two together because, in fact, there  
24 is no net impact on the deficit by combining the two. There  
25 are several cases on both sides of this table where expenditures

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1 and outlays have been more or less combined for decision-  
2 making purposes because they are linked together, even  
3 though, from a technician's standpoint, they should be  
4 separated and, in your actual letter to the Budget Committee,  
5 the Sugar Act is a case in point where, even though it has  
6 no impact on the budget, because it raises the money through  
7 additional taxes to pay for the support payments, still  
8 those two amounts show up in two different categories, one  
9 under revenues and one under expenditures and this table  
10 simply shows those items of new legislation for which you  
11 will have to recommend some kind of budget figure for most  
12 Finance Committee programs.

13 The estimates on existing legislation are based on what  
14 economic assumptions you would make for Social Security,  
15 unemployment and so on.

16 There is only one case here that deals with present law.

17 The Chairman. Then, if we take the alternative of saying  
18 we might want to pass the Sugar Act this year, if we did,  
19 we ought to put a +3 and a -3, is that right?

20 Mr. Stern. Yes, sir. And what you would indicate in  
21 your letter to the Budget Committee is failure to enact the  
22 program or the enactment of the program either way does not  
23 have any effect on the impact of the Federal budget because  
24 the program will raise the additional revenues to pay for it.

25 The Chairman. Can we do that in a footnote as indicated

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1 here?

2 Mr. Stern. In your letter, you will have a category  
3 "Agriculture" where you will show \$3 billion. In the lump  
4 sum total that you will have for revenues, you will have  
5 assumed that increase in revenues.

6 You basically have to indicate in the narrative that  
7 you favor the additional expenditures.

8 The Chairman. I move that we do that. Whether we do  
9 it or not, we should have the option open to us. If it does  
10 not change the total, it gives us the option for us to do  
11 something within the total that we may be foreclosed from  
12 doing.

13 Is that all right with you, Senator Matsunaga?

14 Senator Matsunaga. I second it.

15 The Chairman. Without objection, agreed.

16 What is the next item?

17 Mr. Stern. The next item, in the category called "Social  
18 Services," three of these are items that the Committee has  
19 already acted on legislatively. It would be our recommenda-  
20 tion to include amounts in the budget that are consistent  
21 with the first conditional \$200 million for child care for  
22 fiscal year 1979. This has been included in the bill that  
23 is pending on the calendar now, H.R. 7200.

24 Similarly, the additional money for child welfare, funds  
25 for foster care and adoptions. This has already been

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1 legislatively approved by the Committee. And finally, the  
2 settlement of old claims under Social Services, which is  
3 \$500 million. This, too, has been approved by the Committee.

4 So those three particular items are already on the  
5 Senate calendar. If approved by this Committee, all three  
6 have been endorsed legislatively by the President. The  
7 only difference is, in the case of claims settlements, he  
8 added in his budget for 1978, because the Budget Act places  
9 certain restrictions on certain types of legislation that  
10 can be acted on, this Committee had to move the effective  
11 date to fiscal year 1979. It is only a year, fiscal year,  
12 not amount.

13 Those three items have already been acted on.

14 The fourth item here, the Work Incentive Program, that  
15 particular item represents two separate categories. The  
16 first is \$200 million for the Work Incentive Program. That  
17 is offset by later Department estimates that there would be  
18 savings of \$200 million in the welfare payments.

19 I should say, we are looking at a particular twelve-  
20 month period there. The training expenses occur first; the  
21 savings occur later. That is the reason for the difference.

22 Over a period of time, as people are placed on employ-  
23 ment and come off welfare, the savings would be greater than  
24 \$200 million and also the training expenses are one-time  
25 expenses. The savings go on over a period of time.

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1 Senator Talmadge. I would like to speak to that.

2 I believe that all employable persons not only have the  
3 right but also the moral obligation to work and be productive,  
4 including welfare recipients. In this regard, the Work  
5 Incentive Program, as modified in 1971, has proved very  
6 successful.

7 It helps welfare recipients find jobs, and keep them.  
8 It encourages, through the use of tax credits, private  
9 businesses to hire welfare recipients, which saves taxpayers  
10 money.

11 In 1971, modifications, which this Committee recommended  
12 to the WIN program, were enacted into law emphasizing place-  
13 ment in private employment.

14 Unfortunately, this was the era of the Family Assistance  
15 Plan. The regulations were designed as though the Family  
16 Assistance Plan, as submitted by the Administration, would  
17 be approved and become law rather than in accord with the  
18 1971 amendments and with legislative intent.

19 The regulations on the revised legislation were not  
20 published until June, 1972, the month before the effective  
21 date of WIN legislation. States did not receive copies of  
22 the regulations and the necessary guidelines until late in  
23 1972.

24 In spite of all of this, the number of WIN participants  
25 who were employed in nonsubsidized employment in fiscal year

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1 1973, were 65,000, an increase of 96 percent over the  
2 number who were employed in private industry in fiscal year  
3 1972. In 1974, the number of WIN participants employed was  
4 118,000, an increase of 154 percent over fiscal year 1973.

5 Despite limited Federal funding which has remained  
6 basically at the same level since fiscal year 1974, this  
7 program has been progressively successful in placing WIN  
8 participants in nonsubsidized employment and reducing the  
9 welfare rolls. In FY 1976, the number of WIN participants  
10 employed in private industry increased to 211,000 and in  
11 fiscal year 1977, to 271,000.

12 In fiscal year 1973, 34,000 families in which a family  
13 member was a WIN participant went off welfare and an addi-  
14 tional 31,000 families received a reduced AFDC grant because  
15 of the salaries earned by WIN participants who were employed.

16 In fiscal year 1976, 87,000 such families went off  
17 welfare and 95,000 received the reduced AFDC grant because  
18 of the salaries earned by WIN participants, a substantial  
19 increase over fiscal year 1973.

20 In fiscal year '77, there were 136,000 such families  
21 who went off welfare and an additional 135,000 such families  
22 who, even though employed, stayed on welfare but whose AFDC  
23 payments were reduced through their additional incomes.

24 All of this, I wish to emphasize, has occurred with  
25 basically the same amount of funding in the last four fiscal

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1 years.

2 Actually, as all of us are aware, the amount of the  
3 funding in 1973 dollars, due to inflation, it has actually  
4 decreased each year.

5 The figures I have quoted prove not only that many of  
6 the welfare recipients are willing and eager to go to work,  
7 but also that the staff of the WIN program has managed  
8 the program very well indeed. I compliment those in the WIN  
9 program at the national level and in those states who have  
10 worked diligently to make the WIN program a success.

11 Last year, this committee recommended for the WIN  
12 program that an additional \$435 million be authorized in both  
13 fiscal year '78 and fiscal year '79 for a total of \$870  
14 million for the two years. over the amount in the Adminis-  
15 tration budget with no requirement for state matching.

16 Our recommendation subsequently was enacted into Public  
17 Law 95-30.

18 In spite of the efforts of the Finance Committee, the  
19 Administration did not recommend the \$435 million be  
20 appropriated in fiscal year 1978 and has not recommended the  
21 appropriation of any of this money for fiscal year 1979.

22 We are again faced with the same situation. this Committee  
23 encountered in 1972. Today, we have another welfare reform  
24 proposal submitted by the Administration. This one is  
25 entitled the "Better Jobs and Income Act."

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1 The Committee has already signified its support of the  
2 WIN program not only in P.L. 95-30, but also in H.R. 7200.  
3 It is preposterous to think that a program which, by its  
4 very nature and statistics, has proved succesful in reducing  
5 the welfare rolls, in being cost effective, and inplacing  
6 recipients in private employment should not be utilized to a  
7 greater extent than the Administration contemplates.

8 It would appear that the Administration should be  
9 embracing the WIN program rather than rejecting it.

10 The Administration has written to the Committee staff  
11 that "the posture of the Administration has been that the  
12 WIN program should remain at current funding levels pending  
13 resolution of the welfare reform proposal -- at which point we  
14 emphasize that the 'Better Jobs' component of welfare reform  
15 would replace the need for a separate WIN activity.

16 "In this respeet, WIN is being treated like any other  
17 activity that would be subsumed by passage of H.R. 9030."

18 The Administration's welfare reform proposal, even if it  
19 were approved this year, would not be effective until 1981.  
20 Approval of that proposal by Congress this year appears  
21 doubtful, not only in the judgment of members of this  
22 Committee and many other members of Congress, but also,  
23 according to the media and that of some high-level Adminis-  
24 tration officials.

25 It is my intention, therefore, to request that the

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Committee consider and, I hope, approve, the following motions. These amendments are necessitated because of the inaction or misdirected action by the Administration.

Section 401 of Public Law 95-30 authorized an additional \$435 million for both fiscal '78 and fiscal '79, a total of \$870 million for the Work Incentive Program. There was no state matching required for this additional Federal funding.

With the approval of the Finance Committee, a letter signed by both the Chairman and myself, was sent to the Chairman of the Senate Appropriations Committee requesting consideration for adding this amount for the fiscal 1978 Labor/HEW appropriation bill. Unfortunately, the Appropriation bill was too far advanced in the mark-up by the Senate Appropriations Committee for the matter to be considered for the fiscal year 1978 Labor/HEW appropriation.

That is not the situation this year, however. The Administration's request for the fiscal year 1979 regular Labor/HEW appropriation is still in the Appropriations Committee of the House of Representatives.

I, therefore, make a motion that this Committee approve the \$435 million funding recommended by the staff of the Committee to be included in the Finance Committee Report to the Senate Budget Committee now being considered.

I also make a motion that this Committee request that the Appropriations Committee consider deleting the language of



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1 the Labor/HEW Appropriation Act which limits the money for  
2 the WIN program in direct contradiction to the statutory  
3 language in the Social Security Act.

4 I make a motion to authorize an additional \$265 million  
5 over and above that contained in P.L. 95-30 for the WIN  
6 program for fiscal year 1979 without a requirement for  
7 state matching, and request the Committee's approval.

8 I also request that this amendment be added to an  
9 appropriate bill.

10 Also, I make a motion that an additional \$265 million  
11 for the WIN program be added to the Finance Committee Budget  
12 Report for fiscal year 1979 for a total of \$700 million,  
13 since no action whatever was taken by the Administration on  
14 the \$435 million authorized for fiscal year 1978.

15 Since there is no statutory limit at present, I also  
16 make a motion that the sums to be appropriated for the WIN  
17 program for any fiscal year be limited to \$1.5 billion and  
18 request the Committee's approval. I also request that this  
19 amendment be added to an appropriate bill.

20 I further request that the Committee approve a letter  
21 signed by the Chairman and myself to be sent to the Appropri-  
22 ations Committee advising that Committee of our actions taken  
23 today relating to the WIN program.

24 The Chairman. Senator Bentsen?

25 Senator Bentsen. Mr. Chairman, I would like to ask the



1 Senator from Georgia a couple of questions. I have been  
2 very supportive of what he is trying to do and continue to  
3 be. I am also concerned about the very substantial deficit  
4 in the budget.

5 I think when he talks about \$1.5 billion --  
6 Senator Talmadge. That is the ceiling.

7 Senator Bentsen. That is right, or the \$870 million,  
8 that we are not talking about that much money, net, in the  
9 long run.

10 Senator Talmadge. Correct. We are talking, in the  
11 long-run, saving money.

12 Senator Hansen. Do we have any numbers when we cite  
13 the numbers 136,000 families that went off welfare in fiscal  
14 '77 and then we talk about the reduction in AFDC payments  
15 to the other 135,000 families, we are talking about a lot of  
16 the taxpayers money. I would like to see what kind of savings  
17 that is in a monetary way.

18 Senator Talmadge. Can you respond to that, Mr. Galvin?

19 Mr. Galvin. Yes.

20 For FY 1977, the total welfare reduction in savings  
21 amounted to \$655 million. Broken down, that was \$247 million  
22 state and \$439 million Federal.

23 The welfare reduction and savings as computed here are  
24 consistent. Three items: annualized welfare grant reductions,  
25 in the amount of \$439.5 million; Medicaid, \$114.6 million;

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1 and Food Stamps, \$102 million.

2 Senator Bentsen. As compared to an expenditure of how  
3 much?

4 Mr. Galvin. As compared to an expenditure of \$465  
5 million.

6 Senator Bentsen. The net savings to the taxpayer?

7 Mr. Galvin. The net saving to the taxpayer is \$290  
8 million.

9 Senator Bentsen. Thank you very much.

10 Senator Curtis. The expenditure for WIN is a one-time  
11 affair, is it not?

12 Mr. Galvin. Yes. The WIN, as it is in the budget now,  
13 it must be spent in that year.

14 Senator Curtis. I mean in dealing with one person, he  
15 just gets the training once, does he not?

16 Mr. Galvin. That is right.

17 Senator Curtis. The savings may extend to several  
18 years?

19 Mr. Galvin. This is a one-year annualized savings at  
20 the state retention rate. That means that it does not go  
21 into effect until after the first month and if they drop --

22 Senator Curtis. My question is this. If we give an  
23 individual this WIN training, that individual just receives  
24 the training once?

25 Mr. Galvin. He would just receive the training once.

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1 because the training, since the 1971 amendments, are the  
2 conditions that exist.

3 Senator Curtis. If you take him off of welfare, you  
4 may take him off for several years?

5 Mr. Galvin. That is right, sir.

6 Senator Talmadge. What Senator Curtis is trying to  
7 emphasize is that these savings reoccur year after year.

8 Mr. Galvin. That is right. As I started to say, these  
9 are for just the one-year period and after retention rate,  
10 that means that the state has already computed how much each  
11 state, the people come back on. There is a retention rate  
12 for each state.

13 Nationally, it is about 77 percent that stay on the job  
14 over the year. It does not count the second and third year  
15 savings, or the fourth year, and thereon. It does not count  
16 the other benefits that are created by such a program, which  
17 is that it reduces dependency rather than creates dependency.

18 The Chairman. Senator Moynihan?

19 Senator Moynihan. I would like to endorse what Senator  
20 Talmadge has said and to second the five motions, I believe,  
21 that he has made.

22 Before doing that, I would like to ask one question of  
23 the Senator, and you will understand the context.

24 You say here that approval with respect to the President's  
25 program for better jobs and income, you say approval of that

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1 proposal by Congress this year appears doubtful, not only in  
2 the judgment of the members of this Committee and many other  
3 members of Congress, but also according to the media and  
4 some high-level Administration officials. Of course, that  
5 is an accurate statement, as we would expect from you,  
6 Senator Talmadge.

7 May I ask you, would you agree with me that our approving  
8 these proposals by you does not constitute our endorsing that  
9 judgment?

10 Senator Talmadge. I certainly concur in that. This  
11 program, of course, is going forward now. The President's  
12 program, as I understand it, is contemplated to begin only  
13 in 1981. We do not know what the Congress will do between  
14 now and then, but a program that clearly saves the taxpayers  
15 money as this program has should have the support, not only  
16 from the Congress, but of the Administration.

17 Our objective is not to put people on the dole and keep  
18 them there in perpetuity, generation after generation, as  
19 the Senator from New York is probably the greatest authority  
20 on this committee in that regard, but to try to train them,  
21 make them productive citizens that are not only contributing  
22 to society but are paying taxes to society.

23 That is what this program is designed to do. I appreciate  
24 the Senator's support.

25 Senator Moynihan. I would like to say that what you say

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1 is so, and it is so largely because of the tenacity with  
 2 which you have held to this, and why the Administration does  
 3 not respond is a mystery, but that is a general mystery.  
 4 Mr. Chairman, I would like to second the Senator's  
 5 proposals.

6 The Chairman. Senator Hansen?

7 Senator Hansen. I will be brief. I just want to make

8 two or three points.

9 Number one, what we were discussing, the minimum wage,  
 10 Senator Hayakawa spoke both knowledgeably and eloquently about  
 11 the importance of getting young people started in a job in  
 12 private enterprise. As some will recall, he was for exempting  
 13 the students for application of the minimum wage if they had  
 14 a change to take a part-time job.

15 The point that Senator Talmadge makes underscores the  
 16 basic wisdom in getting people into jobs and learning how to  
 17 do things.

18 I was just as adamantly opposed to President Nixon's  
 19 welfare reform proposals as I am to some of the present  
 20 ones. It seems to me that there is great wisdom in what  
 21 Senator Talmadge is proposing and I have in mind a statement  
 22 made by William Raspberry. He said, there are no dead-end  
 23 jobs; there are only dead-end workers.

24 It does not matter how you start out. If you have some  
 25 ambition, you can improve that job opportunity.

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1 I think one of the messages that Reverend Jesse Jackson  
2 has been repeating time after time after time is that you have  
3 to be able to compete in the real world, and that seems to  
4 me to underscore the basic wisdom of this proposal.

5 I also join with Senator Moynihan in seconding the  
6 motion.

7 The Chairman. Let me make one further suggestion. I  
8 would like the staff to show the feedback and perhaps, if  
9 need be, go beyond what has been done before in this respect.

10 The trend on increasing welfare expenditures in recent  
11 years has been reversed. It is showing in this year's budget.  
12 It has been reversed primarily because of two things.

13 One is the child support program where some states are  
14 doing a very good job. I regret to say that my state is  
15 one of those who, just on the cold face of records, has not  
16 done a very good job. I hope every Senator will do what he  
17 can to contact his welfare administrator and governor to  
18 urge them, if his state is one of those that appears to be  
19 doing a poor job, and get it on the ball to do a better job  
20 of making progress in doing something for their children.

21 The other one is the Work Incentive Program. The Work  
22 Incentive Program could do a lot more good if it had more  
23 funding and our indications are that it is a net savings,  
24 especially if you take into account the savings against the  
25 state budget, because it is, for the taxpayers concerned, it

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1 is money out of his pocket, whether he has to pay it at the  
2 state level or at the Federal level.

3 I would like to request that the staff undertake to show  
4 the feedback to the greatest extent possible. Also, maybe  
5 there is a way that you could reflect this accumulative  
6 savings. If you put a person to work, you take him off the  
7 welfare rolls not for this year, but for next year as well.  
8 Maybe next year he might have gotten a job anyway. Some  
9 would, some would not.

10 So, to the extent that you can show what the savings  
11 are here, I think that would be a very useful thing, and I  
12 like to urge that the staff do that.

13 Mr. Stern. Mr. Chairman, may I ask Senator Talmadge  
14 if I understand correctly, that part of the motion about  
15 leaving the language in the HEW/Labor Appropriations Act.  
16 The effect would be that you would be converting the WIN  
17 program into a \$1.5 billion entitlement program, whatever  
18 the states need, can use their share of the \$1.5 billion.

19 Senator Talmadge. The \$1.5 billion is a ceiling there.  
20 The recommendation was totally combined of \$870 million, I  
21 believe.

22 Mr. Stern. I make that point - you have a statement  
23 here about leaving the language in the HEW/Labor Appropria-  
24 tions Act that limits the money for the WIN program. What  
25 the Appropriations Act language says, it appropriates a

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1 certain amount and then it says this is the maximum amount  
 2 that the state may become entitled to, pursuant to such and  
 3 such a section. If you delete that --

4 Senator Talmadge. I do not want to make it an entitle-  
 5 ments program. I want to make it subject to appropriations.  
 6 But I would want adequate appropriations. That is what I  
 7 am urging this Committee to do.

8 Mr. Galvin. May I suggest that you put a limit for  
 9 this year, for FY 1979 than at the amount of money that you  
 10 recommended to go in in addition, the \$435 and the 265, add  
 11 that to the present 365 and put that as the limit for this  
 12 year.

13 Senator Talmadge. That is all right.

14 Mr. Stern. If you take this language out of the  
 15 Appropriations Act, you would be converting it to an entitle-  
 16 ment program for whatever amount of money you do put in  
 17 there.

18 Senator Talmadge. I do not want to drop any entitlement.

19 Senator Matsunaga. How many additional employees will  
 20 the Department of Labor need to hire in order to increase  
 21 the program as anticipated?

22 Senator Talmadge. I do not know. Do you have any  
 23 idea, Mr. Galvin?

24 Mr. Galvin. For hiring at the national level, it is  
 25 about \$8.6 million now. It will cost \$9.4 million at the

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1 high level that is being recommended at the national level.

2 Senator Talmadge. An increase of \$1 million.

3 Mr. Galvin. At the other level, I do not have the  
4 figures here. I could get them in a few minutes.

5 Senator Matsunaga. It will mean additional hiring of  
6 Federal employees also.

7 Mr. Galvin. No. Not Federal employees. At the state  
8 and local level. \$1 million is for the Federal level.

9 Senator Matsunaga. Are we assured of skilled personnel  
10 so that we will not merely be adding personnel, to require  
11 taxpayers to pay more money without fair return?

12 Mr. Galvin. I think that the way the WIN program has  
13 been directed over the last few years under the Talmadge  
14 amendment indicates that they have the greatest desire in  
15 the world to only have skilled workers and put them in  
16 employment.

17 Senator Matsunaga. Thank you.

18 Senator Danforth. May I inquire of the staff on this  
19 chart that we were given this morning, where it says WIN,  
20 net increase and net decrease, +.2, what would that be  
21 under Senator Talmadge's proposal? How would that column  
22 read?

23 Mr. Galvin. I am sorry?

24 Senator Danforth. On the chart we were given this  
25 morning on page 1, WIN net increase, it says +2.

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1 Mr. Stern. That would read +.3. The additional funds  
2 would be partially offset, the additional \$265 million would  
3 be offset by some additional amount. I think the net  
4 increase would be .1.above what is on the chart here.

5 Senator Danforth. You are speculating as to what the  
6 offset would be, are you not?

7 Mr. Stern. The offset figure is the offset figure  
8 that was supplied to us by the Labor Department. There is  
9 some dispute about that, but that is the Labor Department  
10 figure.

11 Senator Danforth. What is the dispute?

12 Mr. Stern. The Congressional Budget Office has taken  
13 the extreme position, and they do not attribute any savings  
14 to the Work Incentive program. They assume those people  
15 would have gotten jobs on their own.

16 They base that on the fact that the Labor Department  
17 takes a pretty raw view of when they will attribute credit  
18 to the WIN program.

19 For example, if a person drops out of the WIN program  
20 and gets a job on their own, that still gives the Department  
21 credit. We do not know what portion of the placements are  
22 of that sort.

23 The Labor Department tends to take a pretty generous  
24 view and the Congressional Budget Office tends to take a  
25 very dim view.



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Senator Danforth. The figures that we are working with, are they generous ones?

Mr. Stern. They are the Labor Department's figures. Senator Danforth. That includes everybody who is

registered under the program who eventually gets a job as counter to somebody that has been employed under the program?

Mr. Stern. The way they say it, when they become aware through -- when a caseworker becomes aware that a person has gotten has gone into employment and that person was registered and there was an incentive program, they attributed -- they give the WIN program credit.

Senator Danforth. Having been registered in the WIN program and then being employed counts as a success under this theory.

Mr. Stern. Yes.

Mr. Galvin. That is not quite true. It is only the ones that the income maintenance worker certifies has been employed. A number of people will go off and be registered with employment, or whatsoever. They do not get credit under WIN.

WIN credits those who have gone through that method and those who have gone through as participants and then find a job.

Senator Danforth. My point is, oftentimes we really see things through rose-colored glasses in attributing great



1 success to programs by counting up everything that we can  
2 possibly count in the success column.

3 I take it, for the purpose of addressing ourselves to  
4 Senator Talmadge's amendment, we are looking at the most  
5 optimistic view of the success of the WIN program.

6 Mr. Galvin. We are dividing it on the table you have  
7 in front of you as to what the Congressional Budget Office  
8 says and we take the mean of that.

9 Mr. Stern. We have not taken credit for savings under  
10 Medicaid and Food Stamps.

11 Senator Danforth. There is some savings. It is not a  
12 precise figure as we are talking about. Is that right?

13 Mr. Stern. There are two precise figures. We have  
14 been using the more generous, precise figure.

15 The Chairman. Between two figures, we are taking the  
16 one that we consider more favorable, but I think it is worth  
17 pointing out that we are not claiming all kinds of things  
18 that we have a right to claim. We are not claiming a savings  
19 under Food Stamps. We are not claiming a savings under  
20 Medicare, nor are we claiming a savings in the second, third  
21 and fourth year.

22 What they really ought to do with a program like this,  
23 to give you any proper basis of judgment, is to put all of  
24 that, try to make some estimate on all of that. And also,  
25 the sheet ought to try to show over a four or five year

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1 period your budget, rather than show what happens in one  
2 year.

3 Let us assume that you train the person this year and  
4 he gets a job at the end of the fiscal year. Well, you have  
5 only had one months' feedback while in the next year you  
6 are going to get eleven, twelve months feedback.

7 So if you really want to show what the program is doing,  
8 you would try to estimate how many people you managed to  
9 put in jobs, what the savings were against all of the programs.  
10 You would also put the state savings in there. That is not  
11 in there either.

12 Mr. Stern. That is correct.

13 The Chairman. As far as the taxpayers are concerned,  
14 you save them money when you make a Federal expenditure to  
15 save your money at the state level.

16 When you move it forward to show what happens in the  
17 second, third and fourth year, you will come up with a huge  
18 savings on the overall operations. In the last analysis,  
19 over a ten-year period, you have a tremendous savings. It  
20 ought to all be shown.

21 Mr. Stern. That is the trouble with the Congressional  
22 Budget Office figure. What has happened, the AFDC rolls  
23 have gone down slightly in the last couple of years.

24 Specifically, if you just look at the two-year period  
25 from 1976 until the present year, they have gone down about

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1 3 percent. In the previous two-year period, they had gone  
2 up about 5 percent. If that is a reasonable trend in  
3 projecting into the present, that means the welfare costs  
4 are about \$900 million lower than they otherwise would be  
5 and about \$500 million of that, that shows up under one  
6 account under AFDC and the WIN program shows up in another  
7 place.

8 You never get credit for those longrange savings that  
9 really have been occurring.

10 The Chairman. Why cannot you communicate with the  
11 staff and then have us communicate with the Senators on the  
12 Budget Committee and ask staff of the Congressional Budget  
13 Office and get through to them on this.

14 It seems to me as though they would be sympathetic.  
15 I do not see how they could fail to be.

16 Senator Bentsen. I think it depends on, as you say,  
17 as to what the attitude of the staff of the Budget Committee  
18 is, and on this particular issue, they find no savings at  
19 all.

20 But I can recall, when it came to a bill on housing not  
21 very long ago that they calculated -- and they were opposed  
22 to it -- that they calculated the expenditures for some  
23 30 years and added that into this year and said that is what  
24 you are voting for, and cited that total figure.  
25 They move these estimates around to try to prove their



1 point.

2 Senator Danforth. Mr. Chairman, let me, if I may,  
3 pursue this just a little bit.

4 As I understand it, the net figure that we would have  
5 under Senator Talmadge's proposal is to move it from an  
6 increase of .2 to .3. Is that right?

7 Mr. Stern. That is right, yes, sir.

8 Senator Danforth. That is based on the most optimistic  
9 projections.

10 Mr. Stern. It only attributes savings to AFDC. It does  
11 not attribute savings for Food Stamps or Medicaid.

12 Senator Danforth. If we utilized the CBO figures, what  
13 would that figure be? An increase in what?

14 Mr. Stern. It would be an increase of about .7.

15 Senator Danforth. Under the optimistic view it is a net  
16 increase of .3 and under the most pessimistic view it is  
17 an increase of .7?

18 Mr. Stern. Yes. That is unreasonably pessimistic.  
19 It assumes that you are never going to have any success in  
20 the program.

21 Senator Danforth. All right. It is, at least, one  
22 point of view.

23 Mr. Stern. Yes, sir.

24 Senator Danforth. Let me ask you this -- maybe Senator  
25 Talmadge has an answer to this. Let us suppose that, instead

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1 of .3, we move it from .2 to .3 under your net. Let us  
2 suppose we make it 1.3 or 2.3.

3 Is this program the kind of thing where there is no  
4 point of diminishing returns or is it just the more we spend,  
5 the more people are going to be employed?

6 Senator Talmadge. I think that the statistics -- and  
7 Mr. Galvin has done a lot of work on this at my direction.  
8 He has been thorough and he has researched and, as he pointed  
9 out, we did not take any credit for the savings on Food  
10 Stamps. We did not take any credit for the savings on  
11 Medicare. We are not taking any credit for subsequent  
12 savings year after year after year.

13 If you put a man to work, as long as he is not on  
14 welfare, that is going to continue not only for his lifetime  
15 but his children's lifetime and his grandchildren's lifetime.  
16 That has been the record that I have seen.

17 Once you get off welfare, working producing member of  
18 society, he remains a productive member of society, so the  
19 savings are going to be cumulative year after year. And,  
20 if he has good work habits in his family, chances are the  
21 children will acquire the same good work habits. It is a  
22 never-ending, continuing thing.

23 What I would like to see is a program that definitely  
24 saves money should be supported. That is what we are talking  
25 to here. Increasing this appropriations, the statistics are

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1 very clear on it. They are undoubtedly correct, and I think  
2 we should go for a substantial amount.

3 Senafor Danforth. What I am asking, if it were such a  
4 savings, maybe we should increase it even more. Is there  
5 some point at which you could plot it on a graph?

6 Senator Talmadge. I have read the figures here on the  
7 cumulative effects. In '72, it increased with the same  
8 funding year after year.

9 Mr. Galvin recited those statistics there. It showed  
10 families going off welfare year after year in every increasing  
11 numbers and ever increasing savings.

12 Mr. Galvin. In 1973, there were 65,000 that were  
13 employed, 34,000 of whom were off welfare, the others stayed  
14 on. 66,000 went on; 51,000 went off.

15 In 1975, 113,000 were employed, 52,000 went off and  
16 60,600 stayed on.

17 In 1976, 182,000 were employed. 86,700 went off;  
18 95,300 stayed on.

19 In the transition quarter, 55,000 were employed. 28,000  
20 went off, 27,000 stayed on.

21 In FY, '77, 271,000 were employed. 136,000 went off;  
22 135,000 stayed on.

23 What has happened to the rolls in November '77, the  
24 total number of AFDC recipients were 10.8 million. This is  
25 the lowest figure that the rolls have been since September of

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1 1974.

2 Senator Danforth. Do you have figures on how many who  
3 went off then came back on?

4 Mr. Galvin. I could give you the retention rate, which  
5 is the way that the savings are computed by state or total.  
6 The last year is approximately 77 percent total. I can  
7 give you the exact figures, if you would like to have them.

8 Senator Danforth. 77 percent who went off stayed off?

9 Mr. Galvin. Yes, sir.

10 Senator Danforth. Let me ask you this. What, in  
11 your opinion, is the optimum figure we should be spending on  
12 this? What is the point at which we reach maximum returns  
13 and what is the point at which we begin reaching diminishing  
14 returns on our investment?

15 Mr. Galvin. For fiscal year '79, I would not recommend  
16 an amount higher than what we recommended. You have to have  
17 staff trained. You have to get into the program. You have  
18 to orient it to where you are going. You cannot do that if  
19 you throw in a massive amount of money. It would be wasteful.

20 The year after that, we could put in more money.

21 Senator Moynihan. If the Senator would yield, could  
22 I just suggest, you do not have a normal curve that gets  
23 isotopic here. You deal basically with unit costs. You  
24 probably are at a state of diminishing unit costs as you go  
25 up in numbers.

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1 I do not think that there is any real suggestion that  
2 much expenditure on intake into the program. As long as  
3 people appear for the program, you have a diminishing unit  
4 cost for having them and those who do appear. You are not  
5 in what is a familiar government pattern of trying to jam  
6 more and more money into an intake.

7 As long as this money is picked up, it is likely to be  
8 well-used.

9 Senator Talmadge. I would like to point out, too,  
10 Senator Danforth, this decline in the number of people on  
11 public welfare as a result of this program occurred at a  
12 time of rising unemployment in the population.

13 The Chairman. Why do we not vote?

14 All in favor, say aye.

15 (A chorus of ayes.)

16 The Chairman. Opposed, no?

17 (No response)

18 The Chairman. The ayes have it.

19 Senator Nelson. If I may ask a question, there are  
20 pending amendments to H.R. 7200 on the Floor. I assume there  
21 will be other amendments. Will there be any question of  
22 points of order raised on them because they are not included  
23 in the budget resolution?

24 Mr. Stern. You cannot raise a point of order on the  
25 basis of the first budget resolution. I do not know which

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1 amendments you are referring to. If they are, in effect,  
2 entitlement programs that attempt to be effective before  
3 October 1st of this year, they might be.

4 With regard to Senator Talmadge's motion, the legisla-  
5 tion is on the House side, not Ways and Means, legislation  
6 in Health, Education and Labor. So there is no reason to  
7 put them on the tax bill. You could report it, if you like,  
8 as a separate Senate number bill.

9 If you can like, you can order it as reported in a  
10 separate bill.

11 Mr. Galvin. We did that once. The bill sat on the  
12 Floor.

13 Mr. Stern. If you put it on a revenue bill, I should  
14 point it out, you send around a bill over to the House and  
15 it is not within the jurisdiction of the Ways and Means  
16 Committee.

17 Mr. Galvin. The committee in whose jurisdiction it is  
18 approved the authorization of \$435 million for each of the  
19 two years. This was in Public Law 95-30. Before the  
20 Committee approved that, we had a letter that we read at that  
21 time to the Committee that they had no objection to that  
22 additional amount of money being put in.

23 Mr. Stern. You did it once. You did it as an amendment  
24 to a very major tax bill that it did not stand in the way of.  
25 They would be in the position to stand in the way of a minor



1 tax bill. Unless you want to do that. There seems to be  
2 no good reason to interfere with House jurisdiction.

3 The Chairman. I am not sure I understand the point  
4 about jurisdiction. You might explain that again.

5 Mr. Stern. When the House reorganized its jurisdiction  
6 a few years ago, they took the Work Incentive Program and  
7 put it under the Jurisdiction of the House Education and  
8 Labor Committee. All of these amendments deal very specifi-  
9 cally with the Work Incentive Program and therefore they are  
10 in the jurisdiction of the Labor Committee and the House.

11 When you deal with the health area where there is split  
12 jurisdiction you try to wind things up so you do not put  
13 House Commerce Committee amendments on Ways and Means  
14 Committee bills, that sort of thing.

15 I am suggesting, in this case, since the House does not  
16 consider Work Incentive Program amendments as revenue measures  
17 anymore, you can report it out on a Senate number bill. You  
18 do not have to put it on as an amendment to a House bill as  
19 you do with almost everything else that you handle.

20 The Chairman. I see. The trouble is, if you put it on  
21 an S. numbered bill, you are not in a position to ask for a  
22 conference. They could sit around -- where otherwise, your  
23 position is to ask for a conference.

24 If you take one of the bills that just had a number,  
25 for example, where we passed the substance --

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1 Senator Matsunaga. Mr. Chairman, I think what Mike is  
2 suggesting is that we do not have to put an amendment on a  
3 bill that comes out of Ways and Means. We could put it on a  
4 bill, a House bill, that comes out of the Education and Labor  
5 Committee.

6 The Chairman. No.

7 Mr. Stern. We do not have any in this Committee.

8 The Chairman. They do not come before this Committee.

9 Senator Matsunaga. That is true. Perhaps on the Floor,  
10 we could offer it as an amendment.

11 The Chairman. I think your third alternative would be  
12 to just take a bill that comes from Ways and Means where we  
13 have already enacted the substance of it and then proceed --  
14 all you are taking is a House number, and you add our amend-  
15 ment on to it and then you can ask for a conference.

16 They might not go to conference, but if you go to  
17 conference, they could appoint conferees off the other  
18 Committee, either Ways and Means, who initiated the bill,  
19 because you no longer are conferring on the Ways and Means  
20 bill, you are conferring on the Senate amendment.

21 Mr. Stern. It would not have any more incentive, Mr.  
22 Chairman, than an S. number bill. If you take one of these  
23 bills of substance, the only thing in the bill would be  
24 the Senate amendment. There is such a bill in Committee, if  
25 you want to put it on.

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1 The Chairman, what would you like to do about it?

2 Senator Talmadge. What do you think we ought to do  
3 about it, Mr. Galvin?

4 Mr. Galvin. I think, sir, that you would be sure that  
5 you go to conference, I would put it on a bill that would  
6 have something left in it so that the Ways and Means would  
7 have a conference on it. At that point, if the Committee on  
8 the House side has changed its mind from what we have in  
9 writing from them in the last year, then the most that could  
10 happen would be a disagreement on our bill.

11 We have done that several times on various bills.

12 The Chairman. I would suggest, Senator, that you just  
13 consider sending it over to them on any basis, whether it is  
14 a House number or sending it over in a separate bill and  
15 ask if they would please consider it and tell them if they  
16 will not, because if you do not have a chance to go to  
17 conference with them on that, you would have to put it on a  
18 big tax bill and try to have the House give you a judgment  
19 on their basis with it. The House could come back with it  
20 in disagreement and say you have been through some of that  
21 before where we have asked the Chairman of the Ways and Means  
22 Means Committee to consult and come back to agree to some-  
23 thing.

24 I would think that the first thing you would do is try  
25 to get the appropriate legislative committee to consider it.

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1 If they do not do anything, try to do business with  
2 somebody else.

3 Mr. Galvin. I think that alternative would be fine, sir.  
4 We do know that the Chairman of the Ways and Means is quite  
5 supportive of the new program.

6 Senator Talmadge. We have had conference frequently in  
7 Agriculture with different committees in the House and I  
8 would think that probably if we put it back to Ways and Means  
9 that Ullman would probably ask the members of the Labor  
10 Committee on the House side to act as conferees on this  
11 particular amendment.

12 We have done that a number of times in the Finance  
13 Committee as well as the Agriculture Committee.

14 The Chairman. I suggest you put it out as an S. num-  
15 bered bill and send it on over to them. That being the  
16 case, let it go to the appropriate committee. Then you can  
17 come back and put it on something else subsequently..

18 After it is passed, if that is the judgment of the  
19 Senate, you can put it on something else and put it on a  
20 revenue bill.

21 Without objection, that is what we will do.

22 How many other items are there here? This health thing,  
23 as I understand it, this is basically what we decided at the  
24 previous meeting, is it not?

25 Mr. Stern. In the health area, there are three proposals

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1 of the Administration where we are not suggesting any  
 2 alternative, but the fourth one, which relates to hospital  
 3 cost containment, the Administration shows a savings of  
 4 \$700 million and Mr. Constantine can speak to this basically,  
 5 the staff suggestion is that it is unrealistic that you  
 6 assume that you can reach that degree of savings that quickly  
 7 in any legislation we foresee being enacted.

8 While you will have cost containment legislation, that  
 9 will have substantial savings, it will not have anything like  
 10 that type of magnitude in fiscal 1979.

11 Senator Talmadge. I think that is true. Whatever was  
 12 passed will be cumulative.

13 Can you speak to that?

14 The Chairman. As I understand it, what you are talking  
 15 about, you assume you cannot make that savings in this  
 16 fiscal year. You assume the following year that there will  
 17 be savings.

18 Mr. Constantine. Yes, sir. It is possible that there  
 19 might be something, depending on what was enacted and how  
 20 fast it was implemented.

21 We think it would be unrealistic to assume any savings  
 22 in fiscal '79.

23 The Chairman. You cannot count on it for this year.

24 All in favor, say aye?

25 (A chorus of ayes.)



1 The Chairman. Opposed, no?

2 (No response.)

3 The Chairman. The ayes have it.

4 Mr. Constantine. There was a point we wanted to make.  
5 Senator Gravel had raised an item under Medicaid for four  
6 states that had not opted in the past to pay Medicare prem-  
7 iums for their aging with Federal matching. They use the  
8 Medicaid money to buy in for the Medicaid eligibles in the  
9 Federal government.

10 There were four states who had not bought in: Louisiana,  
11 Wyoming, Oregon and Alaska and Senator Gravel will be  
12 proposing an amendment to give those states twelve months,  
13 effective October 1, 1978, to buy in at their option and  
14 the costs would be a full-year cost in Medicare matching  
15 funds and Medicaid matching funds. The Federal cost would  
16 be \$40 million to \$45 million, if all the states bought in,  
17 which may or may not be the case.

18 If all those four states which previously had not  
19 elected to come in, and he just wanted to make sure that  
20 yes, we would raise it.

21 If the Committee makes its decision that somewhere,  
22 somehow, in here it would cover him if he does want to watch  
23 the subsequent amendment later for the \$40 million to \$45  
24 million.

25 It seems to us that that conceivably could be in the

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1 changes in Medicaid, it could include where you have allowed  
2 \$300 million for various proposals, could include the child  
3 health and broad Medicaid; the \$400 million in the various  
4 Administration proposals could include conceivably the  
5 Gravel proposal.

6 He just wanted to have that made clear.

7 The Chairman. We will make reference to it. Fine.

8 He is reserving the right to offer it.

9 Incidentally, I know of no one in Louisiana who is  
10 asking for it, so we can cross that out.

11 What is the next point?

12 Mr. Stern. That concludes the health area unless some-  
13 one has something else to bring up.

14 The next general area is income security and there, if  
15 you look at the first line, the Administration recommends no  
16 net increase for legislation, and the matters that the  
17 Committee has already approved which are on the calendar as  
18 a result of no net increase, either one of those amount to  
19 the same thing: namely, a zero recommendation.

20 However, the President's budget also includes \$600 mil-  
21 lion in assumed Social Security benefit reductions which, as  
22 we mentioned the other day, we think it would be unrealistic  
23 to imagine that you would pass the Social Security bill which  
24 only saved \$600 million. More likely, you might end up doing  
25 some of the savings you achieved last year.

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1 Our recommendation in cost containment is that the  
2 budget not assume that magnitude in savings.

3 The Chairman. We could put the Social Security bill  
4 on there and those generous Senators in an election year  
5 would increase it \$3 billion or \$4 billion more. You had  
6 better anticipate a general expenditure of \$2.5 billion.  
7 That is a safe guess, I would say.

8 Anybody who thinks they can save money putting the  
9 Social Security bill out there has not been around this  
10 Senate long.

11 All in favor of approving the staff suggestion along  
12 this line as recommended, say aye.

13 (A chorus of ayes.)

14 The Chairman. Opposed, no.

15 (No response.)

16 The Chairman. The ayes have it.

17 Mr. Stern. The last item in the expenditure area is  
18 Revenue Sharing. The Committee asked us the other day to  
19 put in the option of continuing countercyclical revenue  
20 sharing at the fiscal year 1-978 level. Both that estimate  
21 and the Administration proposal do assume the straight  
22 extension, except that the Administration, by assuming a  
23 lower unemployment rate, assumes that that would cost \$1 bil-  
24 lion.

25 The Chairman. We assume a straight extension on what it

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1 is costing. They assume a straight extension based on its  
2 falling off?

3 Mr. Stern. That is right.

4 Senator Roth. Mr. Chairman?

5 The Chairman. Yes.

6 Senator Roth. This is one area where I think that this  
7 Committee and the Congress ought to take a careful look.  
8 Like a lot of people, I am concerned as to what is happening  
9 on the spending side and feel that we have to do more in the  
10 area of tax cuts.

11 My understanding, as a general rule, the states are a  
12 lot better off budget wise than the Federal government, that  
13 there are something like 40 states -- I am not sure of that  
14 figure, but a number of states now are showing budget  
15 surpluses whereas under the best of conditions that is  
16 certainly not going to be the case with the Federal budget.

17 So that it concerns me at this time that we are saying  
18 there may be an extension of a program. That may be an area  
19 where there can be some savings.

20 It is my understanding, for example, in 1977 there was  
21 a \$5.6 billion surplus on the state level. So for that  
22 reason, I personally would oppose the increase. I have  
23 serious questions as to whether this is a program that we  
24 should continue.

25 For that reason, I just want to be recorded in opposition.

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1 Senator Curtis. What item are you referring to?

2 Senator Roth. The countercyclical Revenue Sharing.

3 The Chairman. Let us vote on it.

4 All in favor of continuing the \$1.5 billion level, say  
5 aye.

6 (A chorus of ayes.)

7 The Chairman. Opposed, no?

8 (A chorus of nays.)

9 Senator Roth. Mr. Chairman?

10 The Chairman. The nays appear to have it. We will  
11 reduce it back to \$1 billion.

12 Without objection, we will have it \$1 billion.

13 Mr. Stern. Unless somebody else has something on the  
14 expenditure area, we will turn to the revenue.

15 Senator Matsunaga. Mr. Chairman, I understand that  
16 Senator Dole was supposed to offer, along with Senator Gravel,  
17 to increase the ceiling on Title XX Social Services from  
18 \$2.5 million to \$2.9 million in fiscal '79.

19 I do not know whether Senator Curtis has been notified  
20 about this. He was supposed to be here to offer the amend-  
21 ment himself.

22 This is in Social Services. Was there any message left?

23 Senator Curtis. No. I was told by the staff that  
24 there was a Dole-Gravel amendment, but I received no instruc-  
25 tions. I am not for it, yet I think that it ought to be

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1 considered. Two members of the Finance Committee are  
2 proposing it.

3 Senator Matsunaga. As much as Hawaii was involved, I  
4 would offer the amendment at this time.

5 The Chairman. How big an increase would that be?

6 Mr. Stern. That was a program of \$2.7 million now, if  
7 you include the extra for child care.

8 The Chairman. You are talking about increasing it  
9 \$200 million?

10 Mr. Stern. A program level of \$2.9 billion instead of  
11 \$2.7 billion.

12 Senator Matsunaga. Right.

13 As I understand it, Title XX provides funding the states  
14 for provision of comprehensive social services as opposed  
15 to cash benefits. At the present time, states are operating  
16 under the same ceiling that was imposed in 1972 when open-  
17 ended Federal funding of state programs was discontinued.

18 Mr. Stern. That has been increased \$200 million for  
19 child care in fiscal year '77. There has been an increase  
20 one time for child care. The basic program has been \$2.5  
21 billion.

22 Senator Matsunaga. Title XX was enacted in 1975?

23 Mr. Stern. 1972. I am sorry, Title XX, as such, the  
24 limitation has been \$2.5 billion since 1972.

25 Senator Matsunaga. At the present time, most states

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have reached, or are close to, their spending ceilings.

Mr. Stern. That is true.

Senator Matsunaga. Hawaii is one of the states that has already reached its ceiling, which means we either wish to increase services and with the funding levels frozen, innovated and comprehensive services are the first ones to be cut, really, because of this ceiling.

Even though the purpose for enactment of Title XX was to allow states the flexibility by not putting them --

The Chairman. You are estimating that to cost \$200 million. Someone handed me this material here. It must be a sample of states, because, based on what you have here, it does not add up to \$200 million. I do not believe it does.

Senator Matsunaga. 2.9.

Mr. Stern. \$2.9 billion total. \$2.5 billion agreed to.

The Chairman. I can tell you right now that that does not add up.

Senator Bentsen. You do not have 50 states there.

Senator Byrd. Finance Committee states.

The Chairman. It is all the members on the Finance Committee.

Senator Byrd. That impinges upon our honor.

The Chairman. A new chart will be provided for the Senate when we take it to the Senate, I take it. This is just to show each Senator how it affects his state. I get

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1 the point now. I am ready to vote.

2 All in favor say aye.

3 (A chorus of ayes.)

4 The Chairman. Opposed, no.

5 (A chorus of nays.)

6 The Chairman. The nays appear to have it.

7 Senator Matsunaga. I did my best for Senator Dole.

8 The Chairman. Senator Nelson?

9 Senator Nelson. May I make two brief points? I have  
10 to preside at 12:00.

11 This matter of the National Research Service Award  
12 scholarships has been discussed with you, Mike, as I under-  
13 stand it?

14 Mr. Stern. Yes.

15 Senator Nelson. The tax treatment, I would like to take  
16 up another item. The Tax Treatment Extension Act has been  
17 reported out. The Internal Revenue Service ruled that  
18 amounts received as National Research Service Awards for  
19 biomedical and behavioral research under the Public Health  
20 Service Act are not excludable scholarship or fellowship  
21 grants under 117 of the Code, therefore they are taxable.

22 This proposal would simply provide that awards under the  
23 National Research Service program would be treated as tax-free  
24 scholarships, as we had thought they were, under Section 117  
25 with respect to amounts received during the years 1974 through

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1 1979.

2 I am advised that the Internal Revenue Service has no  
3 objection to it. The cost is \$9 million.

4 Am I correct on that, Mike?

5 Mr. Shapiro. As we understand it, your statements are  
6 essentially correct. The Treasury Department has no objec-  
7 tion. The amount is \$9 million to \$10 million a year and  
8 it resulted in a problem, it is correct, as a result of  
9 revenue ruling. The Internal Revenue Service treats these  
10 amounts as income and your amendment would indicate that it  
11 would be treated as scholarship or fellowship income as  
12 provided in the tax law for similar types of income.

13 Senator Nelson. For the years 1974 through 1979.

14 Mr. Shapiro. The calendar year 1974 through 1979.

15 Senator Nelson. I propose that this be treated as a  
16 committee amendment to H.R. 9251, already reported, I under-  
17 stand.

18 Mr. Stern. It has been ordered reported. We were  
19 planning to have the report filed by the end of the week.  
20 If the Committee approves it, we can simply add it to the  
21 bill.

22 Senator Nelson. I would move adoption of the amendment.

23 Senator Byrd. I second the motion.

24 The Chairman. Without objection, agreed.

25 Senator Nelson. If I may make one more point. I did

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1 ask Mike and the Chairman last week about a proposal that  
 2 I will make. It may be joined in by a number of members  
 3 at the time that the tax reduction bill is before us -- that  
 4 is, to take some of that money and reduce Social Security  
 5 taxes.

6 I was advised that if it were simply a reduction of  
 7 Social Security taxes using amounts recommended in the  
 8 Administration bill that it was not in violation of the  
 9 Budget Act, and that is correct.

10 The Budget Committee would like to have some idea of  
 11 what the dimension may be. I do not know what it may be.  
 12 I am inclined to recommend \$10 billion, as far as I am  
 13 concerned.

14 There are eight members of this Committee that have  
 15 cosponsored legislation to start the process of moving DI  
 16 and HI out of the Social Security system out of the general  
 17 fund. I do not know whether the Budget Committee would like  
 18 to have some notion of what we may be proposing. I am not  
 19 sure what we will get to when we are discussing it, or what  
 20 other members support the concept.

21 I would like to indicate, as far as I am concerned, I  
 22 would at least like to move about \$10 billion of that tax  
 23 reduction to the reduction of Social Security taxes, and that  
 24 would only be my personal view. I do not know whether anyone  
 25 else -- both Senators Matsunaga and Moynihan are sponsors of

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1 the bill that would start the process. & . . .

2 Mr. Stern. Even the Administration proposals assume  
3 something more than \$22 billion in individual tax cuts. You  
4 do not have to necessarily decide how you want to do that.

5 In your own minds, if you want to think that \$10 billion  
6 of that would be in the form of reducing Social Security  
7 taxes, that is a large enough number that you could conven-  
8 iently accommodate different ways of doing that.

9 The Chairman. At this moment, I cannot support any  
10 such amendment, but I would think that that is within the  
11 Senator's rights of protecting, are they not? He can offer  
12 that when they get the revenue bill over here.

13 Mr. Stern. That is right. You are in a situation where  
14 you are talking about a very significant tax cut. You are  
15 not discussing, at this point, how you are going to do it,  
16 but only the budgetary dimension.

17 The Chairman. As I understand it, Senator Nelson is  
18 going to suggest that instead of taking the tax cut, whatever  
19 figure -- the Administration is recommending what amounts to  
20 a \$34.5 billion cut. He is suggesting, take \$6 billion of  
21 that and use that much as a tax cut, to postpone, or at  
22 least transfer or pay for some of the items that are presently  
23 covered by the Social Security trust fund. Is that the idea?

24 Senator Nelson. That is correct. It amounts to a  
25 reduction in Social Security taxes. If we did that for

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1 \$6 billion to \$10 billion that would mean that there would  
2 be that much less reduction in corporate or personal taxes,  
3 but I just wanted to be sure that I raised it here, so that  
4 people would be on notice.

5 The Budget Committee would like some idea. There is no  
6 way I can give them an idea other than what I would propose  
7 myself.

8 The Chairman. I would think that the staff report  
9 can make clear that an amendment will be offered of this  
10 nature and put them on notice.

11 Mr. Stern. Basically, what you have done in the past  
12 is to be vague about how you are going to reach the revenue  
13 total and indicate that there are a lot of different possi-  
14 bilities, since at this point on, you could say to the  
15 Committee --

16 Senator Nelson. I understand. The Chairman's sugges-  
17 tion would be a good one, to simply indicate that there are  
18 members of the Finance Committee who would propose that part  
19 of that tax cut would be addressed to Social Security tax  
20 cut so that they will, at least, be on notice. They are  
21 on notice that they are right. They have had some hearings  
22 themselves in which testimony was taken on this subject.

23 Senator Curtis. Mr. Chairman, I have to leave. It is  
24 not my purpose to call up something at this time. I merely  
25 want to reserve the right to do it.

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The other day we reported out 2241. We approved it. It had to do with historic structures.

The Treasury came in and suggested an amendment. Many of us did not realize that the Treasury was suggesting to change it substantially in law.

My request is that the actually reporting of this be held up until we can be heard on the Treasury's amendment.

Mr. Shapiro. That was reported out as a part of the Technical Corrections bill. It may be --

Senator Curtis. When would that bill go out?

Mr. Shapiro. There is an effort to get that bill filed by the end of this week. You can do one of two things: either take that provision completely out of the bill, or leave it in, with the intent of considering a modification on the Senate Floor.

Senator Curtis. I would rather have it taken out.

The Chairman. Was that in the House part of the bill?

Mr. Shapiro. That was added.

Senator Curtis. It was added here, and Treasury came in to suggest an amendment change.

The Chairman. We did not go into it. I do not want to take time to argue.

Mr. Shapiro, I am willing to talk about it tomorrow. Do not put it in the report; we will talk about it tomorrow. Hold it until tomorrow.

1 The Chairman. I will try to recognize the Senators.  
2 Senator Moynihan had his hand up, and Senator Roth. Do you  
3 want to go ahead?

4 Senator Moynihan. I was called out of the room for a  
5 telephone call from the Governor of my state who was not  
6 here when the proposal was made to reduce the countercyclical  
7 revenue sharing back to the Administration proposal. We had  
8 agreed last week to increase it, and I would like to say,  
9 if this is the Administration's urban proposal to increase  
10 in this area, I would like to -- just let me ask. Is it  
11 impossible to ask for this to be reconsidered? I did not  
12 vote one way or the other.

13 The Chairman. You can. I suggest that we do it  
14 tomorrow when we have a fuller attendance and let everyone  
15 record himself.

16 Senator Moynihan. I would like to do that, if I may.

17 The Chairman. Those Governors are in town. If they want  
18 the money, they may decide to get busy.

19 Senator Moynihan. If they want the money they should  
20 not call me out of the room at the time that the proposal is  
21 before us.

22 The Chairman. If the Governors want the money, they  
23 should not leave town before talking to a Senator.

24 Senator Matsunaga. May I make the same request on  
25 Title XX? I see now that I have enough proxies to cover a

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1 vote.

2 The Chairman. We will do it tomorrow.

3 Mr. Stern. Mr. Chairman, there is a Tax Subcommittee  
4 hearing tomorrow at 10:00. I would think Senator Byrd would  
5 want to be here for these discussions. Do you want to try  
6 to meet at 9:00?

7 Senator Byrd. This is on Senator Gravel's legislation?

8 Mr. Stern. Yes.

9 Senator Byrd. Why do we not try to set that up for 9:00?  
10 You may set the Subcommittee up for 9:00.

11 The Chairman. If the Subcommittee could meet at 9:00  
12 and then the Committee could meet at 10:00 or 10:30.

13 Senator Byrd. How long do you think the Gravel bill  
14 will take?

15 Mr. Stern. I do not know how long. I was going to  
16 suggest the other way around, that the Committee may want  
17 to meet before the hearing.

18 Senator Byrd. Either way that Senator Long would  
19 prefer.

20 The Chairman. Why do we not ask that the Committee meet  
21 at 9:00? It might take us to 9:10 or 9:15 to get everybody  
22 in here. The Committee will meet at 9:00 o'clock tomorrow.

23 Senator Byrd. And the Subcommittee can meet thereafter.  
24 You might have to postpone the Subcommittee meeting until  
25 about 10:30 to get some of these folks in.

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The Chairman. Senator Roth?

Senator Roth. Mr. Chairman, as you know, I wanted to make a proposal with respect to the tax cut. Since so few are here, I would like to do that tomorrow.

One of my problems is tomorrow is before the Subcommittee on Intergovernmental Relations we have a number of Governors appearing before us. If I could be protected, I will come over here at your convenience, to any extent I can.

The Chairman. I suggest we should be here at about 9:30 and try to accommodate you.

Thank you, gentlemen. I suggest we quit now until 9:00 o'clock tomorrow.

(Thereupon, at 12:00 noon the Committee recessed to reconvene at 9:00 a.m. Wednesday, March 1, 1978.)

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