

1 knowledge, the issues that remain to be looked at in the
2 low-income energy assistance area.

3 The first issue was that the Committee asked us to look
4 into the question of whether it would be appropriate to have a
5 minimum payment and the staff suggestion, which is incorporated
6 into the table at the back of this paper, is you have a minimum
7 benefit amount of \$10 per recipient. This affects about eight
8 states and 4 percent of the total \$2 billion.

9 The Chairman: Everybody can look at the chart, if he
10 wants to. Most Senators will want to look at how their state
11 comes out.

12 Mr. Stern: An additional issue while you are looking at
13 this chart --

14 The Chairman: It is on the back, on page 4?

15 Mr. Stern: That is right, Mr. Chairman. That reflects
16 the formula you agreed on, distributed on the basis of having a
17 minimum payment of \$10 a month.

18 The other issue we wanted to raise with you ---this
19 assumes you make the same payment to an individual or to a
20 household -- the administration has suggested paying twice as
21 much to a household as to an individual.

22 We would suggest, for your consideration, perhaps paying
23 one and a half times as much to a couple or family as to an
24 individual with the same \$10 minimum per month.

25 In other words, you take whatever the amounts are. If it

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1 happens to be less than \$120 for either an individual or for a
2 couple, you would increase it to that amount. That would not
3 change the percentage distribution any.

4 Senator Chafee: Where are we? Table 4?

5 Mr. Stern: On page 4 of the document called "Additional
6 Issues."

7 Senator Chafee: That would not change the distribution by
8 states, but it would say, for a household they would get 50
9 percent more than it would if it were just one individual?

10 Mr. Stern: That is correct. That is a reflection of the
11 fact, for example in the SSI program where the benefit is half
12 again as much for a couple as for an individual.

13 The Chairman: How does that strike the Committee?

14 All in favor say aye.

15 Senator Chafee: Mr. Chairman, I am sorry. What are we
16 voting on now.

17 Mr. Stern: The question of whether you want to have a
18 differential between the amount you pay an individual and the
19 amount that you pay a household.

20 The Chairman: The administration suggested that you pay
21 to a household twice as much as you pay to an individual. The
22 staff suggests that you split the difference and pay 50 percent
23 more to the household than you do to the individual.

24 In other words, if there is more than one person living in
25 the house, I take it.

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1 Mr. Stern: That is correct, another couple or family. So
2 the amount shown here would be different.

3 For example, Iowa stood at \$367. It would be \$282 for an
4 individual, \$423 for a family. It would be less than the
5 amount shown here in the case of an individual and more in the
6 case of a family.

7 The Chairman: That is low income. That is sort of
8 splitting the difference between the administration
9 recommendation and what the Committee had voted initially.

10 Senator Chafee: All right.

11 The Chairman: All in favor say aye.

12 (A chorus of ayes)

13 The Chairman: Opposed, no.

14 (No response)

15 Senator Roth: Are you approving the distribution here?

16 The Chairman: We are approving the 50 percent.

17 Senator Roth: All right.

18 Mr. Stern: I was not going to raise any other question on
19 the formula.

20 Senator Chafee: Could Mr. Stern tell us what chart we are
21 looking at now. What is the final chart?

22 Mr. Stern: There is a document called "Additional Issues
23 Related to Low-Income Energy Assistance." The chart is on the
24 very back of that.

25 Senator Chafee: What are these other charts?

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1 Mr. Stern: You had asked, Senator --

2 Senator Chafee: Alternate proposals?

3 Mr. Stern: You had asked, Senator Chafee, that we run the
4 formula using, instead of the total low-income population only
5 the low-income population that is actually receiving benefits.
6 So if you look at that other set of charts, the charts you ask
7 for show up as Table 2 and Table 3.

8 Table 3 would correspond to the decision that you have
9 made with respect to paying households one and a half times as
10 much, so tht the distribution of the funds will be somewhat
11 different under that formula. You can compare the percentages
12 in the last column with the percentges on Table 1.

13 Senator Nelson: I am a little bit confused. We adopted a
14 formula by a vote here. Are we now reconsidering the formula
15 we adopted?

16 The Chairman: Here is where we are. We adopted a formula
17 and we agreed that when we came back here for this meeting we
18 will take a look at the formula so everybody would see what it
19 was. Senator Bentsen indicated at that point that he would
20 like for us to have some other information available so that
21 you could see what it does with regard to all aspects of it.

22 I take it that what you have here has to do with how the
23 money is distributed under each.

24 This here is a pamphlet showing how the money is
25 distributed in other respects.

1 Mr. Stern: Table One of the package --

2 The Chairman: If you start off with Table One here, on
3 the back of that is the formula that we agreed to with regard
4 to the low-income people. Is that not right?

5 Mr. Stern: Yes, sir.

6 Senator Nelson: That is the formula, the per capita
7 energy consumption per household combined with the heating
8 degree days weighted by low income. That is the formula that
9 we adopted?

10 Mr. Stern: That is correct.

11 Senator Nelson: Is someone proposing that we reconsider
12 that or change that or what are we doing?

13 Mr. Stern: Senator Chafee just asked me what these other
14 tables were. The answer is that they were tables prepared at
15 his request, and Senator Bentsen's request.

16 Senator Chafee: Mr. Chairman, to review the bidding, as I
17 remember it, when Senator Nelson proposed this formula we did
18 not have a chart which showed exactly what happened under it.
19 He had a formula and then, subsequently, they prepared what is
20 Table One on page 4.

21 Mr. Stern: Yes, sir.

22 Senator Chafee: When that came out, the first time that
23 we looked like it I pointed out what seemed to me to be some
24 distortions. For instance, Massachusetts, which borders New
25 Hampshire, gets \$224 and New Hampshire gets \$501.

1 Connecticut, which is south of Massachusetts, gets \$359.
2 It just struck me that the formula was very, very peculiar.

3 Mike, could you explain these distortions?

4 Mr. Stern: The reason for the difference relates to the
5 number of people who were recipients in the states.

6 Senator Nelson: The number of poor people.

7 Mr. Stern: The number of people actually receiving
8 benefits. That is the difference. Under Senator Nelson's
9 formula, you look at the number of poor people in the state.
10 You do not look at the question of whether they are actually
11 receiving benefits.

12 Rhode Island tends to have a rather larger welfare case
13 load than Connecticut. Therefore, the same relative amount of
14 money is spread around a larger number of people. Therefore, a
15 lower individual benefit.

16 Senator Chafee: Take New Hampshire. Is the reason New
17 Hampshire is so high is New Hampshire has a large number of
18 low-income people but a small number of recipients.

19 Mr. Stern: New Hampshire has, I believe, a fairly tough
20 AFDC program. It is relatively hard to get on AFDC.
21 Therefore, they have less recipients. Therefore, the money
22 goes further.

23 Senator Chafee: Therefore, each family that qualifies
24 gets a lot more.

25 Mr. Stern: Yes, sir.

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1 In terms of the distribution among the states, it is based
2 upon pretty similar criteria.

3 Senator Ribicoff: Without knowing, Mr. Stern, the heating
4 degree days, New Hampshire probably has many more cold days
5 than other states. Is that not in there, too?

6 Mr. Stern: That is part of the formula. Half of the
7 formula is based on heating degree days.

8 Senator Chafee was, I think, addressing the question of
9 why states which are more or less similarly cold have
10 discrepancies in the amount individuals get.

11 If you look at the amount that the state gets compared to
12 its population, I think Rhode Island and New Hampshire and
13 Connecticut and Massachusetts are comparable.

14 Senator Nelson: That formula is not addressed to how many
15 people get a benefit. It is addressed to how many people are
16 low income.

17 Mr. Stern: That is correct.

18 Senator Nelson: So I thought your answer was that it was
19 tougher to get on welfare in New Hampshire, therefore, each
20 household benefit is higher, but the states gets the money
21 based upon the number -- the part of the formula that is
22 low-income people.

23 If a state has twice as many low-income people as the
24 state next door and they were the same populations, same number
25 of degree days, they are going to get more money into the

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1 state.

2 Once it gets there, then the state, I assume, is going to
3 be deciding who gets how much money.

4 Mr. Stern: That is correct.

5 This table is based upon the Federal distribution. If the
6 state exercises its option, this may not be the actual payment
7 that people get.

8 Senator Chafee: Maine has more heating degree days than
9 New Hampshire does and Maine is considerably lower. That is
10 due to more people collecting. Is that right?

11 Mr. Stern: I think that is the reason, yes, sir.

12 Senator Bentsen: Mr. Chairman?

13 The Chairman: Senator Bentsen.

14 Senator Bentsen: Where do we stand in so far as other
15 committees that have jurisdiction in this situation, at least
16 shared jurisdiction? What is the Energy Committee doing? What
17 other committees are involved in this? What kind of formulas
18 are they looking at?

19 Senator Nelson: The Human Resources Committee voted out a
20 bill last week with the formula in Table One.

21 Senator Bentsen: That was to apply overall to the \$3
22 billion or to the \$2 billion as we are talking about it here.

23 Senator Nelson: They did not have any income tax credit.
24 It applies to this whole thing.

25 Senator Bentsen: Let me say, Mr. Chairman, that I am

1 sympathetic to the efforts that my friend from New York has
2 made but as I look to the numbers as to what it does, I have a
3 concern for the working poor in my state just as he has in his
4 state and we get back to the classic argument of degree days
5 and energy costs per household and there is some credibility on
6 both sides of that and Senator Nelson's amendment has tried to
7 address that.

8 You have to give some consideration to degree days. I
9 understand that. But you also have to give consideration to
10 the amount of energy costs per household and again the people
11 that I represent have had some very substantial increases in
12 the cost of energy.

13 A good part of the energy bill is for cooking food, for
14 keeping food from spoiling, for turning on lights and the rest
15 of the normal things that require energy in a household.

16 When I look at the formula in Table Five, that is the one
17 that shows the results from one-third of the amount of money
18 that is on the tax credits.

19 So frankly I am going to have to oppose this on the Floor
20 and try to seek -- frankly, I do not think I have the votes
21 here, but on the Floor I will be urging that we give
22 consideration to something closer to what the Nelson formula
23 does for the full \$2.9 billion or \$3 billion or whatever it is.

24 The Chairman: Mr. Moynihan?

25 Senator Moynihan: Mr. Chairman, I think that I should

1 respond to my friend from Texas here to say that I recognize
2 his point and do not, in any sense, dispute the rightness of
3 his raising it.

4 It is a plain fact however ---and there is nothing we can
5 do about it ---that Table Five does represents the distribution
6 of fuel oil expenditures. We have modified that to include
7 propane and imported natural gas so that it will be modified
8 but not effectively.

9 Some states in the northeast are heavily dependent on oil
10 and disproportionately so and that is a reality. It is not
11 something which I feel we have to apologize for. It is the way
12 the Lord made the United States.

13 I just want to say that I understand perfectly well the
14 Senator from Texas will do what he does. I think he
15 characteristically understands why the Lord put all that oil
16 and gas in Texas. That is something I have never been able to
17 understand myself.

18 The Chairman: We have been willing to cooperate to put
19 some in the other states. They will take it. We have been
20 willing to let them have a refinery or two up there, and a few
21 chemical plants.

22 Senator Moynihan: A fair point.

23 The Chairman; They do not understand what a good thing it
24 is.

25 Sometime back, Senator, we had a celebration there in

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1 Louisiana because we got one of these plants. I forget what
2 they are going to do. They are going to take something and
3 turn it into some kind of chemical product.

4 It turns out that the reason after we got through
5 celebrating, we found out that the reason we got the plant was
6 that nobody else would let them put the plant in their state
7 because everybody else turned them down and we got it in
8 Louisiana.

9 Of course, we are grateful for all small favors. It was
10 not exactly that we have a great commerce industry. Others
11 would not have them, so we took them in.

12 It may be that we ought to take another look at what I
13 suggested when I suggested in view of the fact that there was
14 so little in it -- I want the Senator from Texas to hear this
15 ---I suggested at the beginning that there is so little in it
16 for Louisiana that I just thought we might as well leave us out
17 and be done with it. If we could not get more than \$5, it is
18 no point putting us in, period.

19 There would be more questions raised about the \$5. It
20 might be a sore spot rather than a talking point.

21 It might be, if you could work out something that would
22 look at the extent to which people's heating and energy
23 expenses had gone up during the past four or five years or
24 during any particular period that you might come up with a
25 formula that would allow Texas and Louisiana to participate on

1 a more workable basis.

2 I must admit when I look down here and see that the
3 percentage distribution in Louisiana is .03 and we have got 2
4 percent of the population, it is a bit hard to explain.

5 I am not expecting to get our population weight. It is
6 sort of hard to explain how we show up at that level, to say,
7 did you not misplace a decimal point?

8 Senator Nelson: Mr. Chairman, I think a lot of us would
9 be happy to make a bargain with you, just take all the
10 distribution formulas you can think of that this Congress has
11 passed and I will give you all those that benefit Wisconsin and
12 you give me all those that benefit Louisiana and I would be
13 well ahead.

14 There are formulas and formulas. We have weighted them
15 for poverty year after year after year. My state pays out a
16 whole lot of money than it gets back. We have states that get
17 back a whole lot of money than they are paying the Federal
18 Treasury.

19 I just want to say one thing on the point raised by
20 Senator Bentsen. I respect that. As a matter of fact, I did
21 raise the question. I am concerned about the tax credit
22 because such a small amount -- it took a big hunk of the dough
23 and a small amount goes to somebody making \$18,000 or \$20,000,
24 \$60 or \$70 a year.

25 I raised that here, although I reluctantly went along with

1 it.

2 I would like to point out that Senator Long and Senator
3 Bentsen raised the point about energy consumption in the
4 household. Half of this formula is aimed at energy
5 consumption in the household.

6 You will recall there is a mandate in the bill that I
7 agree with and support that directs HEW to make a study of
8 energy consumption by the poor people in this country including
9 all energy consumption in the household including automobile
10 gasoline consumption, if they can do it with the objective
11 being in mind, they may say that it will take a couple of years
12 to do that, but in any event, the objective is that we will
13 accommodate the formula to the new information when that comes.

14 Then you will be talking about the total energy
15 consumption of the poor people.

16 The Chairman: Low income.

17 Senator Nelson: That is right.

18 Senator Bentsen: Mr. Chairman, let me cite you some
19 figures here from the Washington Center for Metropolitan
20 Studies in a paper written for the Community Services
21 Administration. It was entitled "Colder-Darker."

22 It says, only 17 percent of the nation's poor use home
23 heating oil while 59 percent use natural gas. Additionally,
24 while 40 percent of the nation's fuel oil is consumed in the
25 northeast, that area holds only 22 percent of the nation's poor

1 population.

2 Those are some of the things that concern me.

3 I think Senator Moynihan has done an admirable job in
4 fighting for the people he represents, but I am concerned about
5 the poor that I represent and they are running into the
6 question of deciding whether they are spending it on food or
7 they are spending it on energy. They have the same kinds of
8 tough decisions that are facing the people in the northeast.

9 So a formula along the lines of Senator Nelson's that
10 tries to give some judgment to both sides, degree days and
11 energy costs per household and that is what he has done. I
12 do not quarrel with that, even though the administration's
13 proposal is, frankly, a lot more favorable to Texas, but I
14 would want it to apply across the board rather than just
15 two-thirds of the amount of money being funded for the poor.

16 The Chairman: In other words, if I understand what you
17 are saying, you are saying that you do not object to Table One.

18 Senator Bentsen: Well, I am not excited about it but I
19 accept it because I realize some compromise has to be made
20 here.

21 The Chairman: All right.

22 But your feeling is that when you come over, Texas does
23 not do all that well under Table One. What percent of the
24 population do you have in Texas? What percent of the
25 population do you have there? What is the population of Texas?

1 Senator Bentsen: Our Texas population is 13 million,
2 about 6 percent.

3 The Chairman: 6 percent and you get 8.9 percent over
4 here?

5 Senator Bentsen: We get substantially more under the
6 administration's bill but I am ready to work out some kind of a
7 compromise frankly.

8 The Chairman: Your complaint is when you get to the other
9 part of it?

10 Senator Bentsen: It is zilch. We do not get anything and
11 our working poor have the same kinds of problems.

12 Senator Ribicoff: If you are looking at tables, Mr.
13 Chairman, I wonder if the staff has any tables as to what Texas
14 gets out of everything we have been voting here since we
15 started marking up this bill on windfall profits tax?

16 I would like to see what Texas gets in comparison with the
17 other states in the union. I think if we are going to do it,
18 let's do it.

19 We have been sitting here and voting billions and billions
20 of dollars where the beneficiaries will be in a half a dozen
21 states. Now we are talking about the poor in the states. We
22 suddenly found this horrendous because the poor of one state
23 get \$10 or \$20 more than the poor of another state.

24 If we are going to play that kind of a game, let's get the
25 tables against one another and see how they look.

1 Senator Bentsen: Let's talk about that kind of a game.
2 What we are talking there is about something that goes to
3 individuals. We are talking about something where you are
4 trying to create more incentives to create more oil and gas --
5 in this instance, oil -- for the entire nation. We are not
6 talking about something that directly goes to the poor. They
7 are two different issues.

8 If you want to talk about how much we get in Federal
9 revenues and how much we, in turn, pay in Federal revenues,
10 Texas is one of those states that virtually breaks even.

11 Some of my friends here -- Senator Nelson -- cites the
12 fact that they get less back than they give. I do not question
13 his numbers. I know in our own state it is virtually a
14 break-even. It is a penny one way or the other. I do not
15 remember what it is, Senator.

16 The fact that you have some producer back there, or you
17 have got a major oil company that operates across this nation,
18 that they are going to have more income, unfortunately it does
19 not really help our poor.

20 Senator Ribicoff: It is really not that, because you have
21 people in your state that have royalties, that have visas, that
22 are drilling. It is just not the major oil companies that are
23 drilling there. You have other people.

24 If you have a question of how you handle the question of
25 the poor with the income that is coming in within the state

1 of Texas and a few other states, there is nothing to prevent
2 the state legislature from passing some sort of a tax to get
3 sufficient revenue from the windfalls that are being received
4 by a small number of people to take care of the poor to bring
5 them up to balance with other states that do not have the
6 benefits of these windfalls.

7 This is a tough game to try to play when you are talking
8 about billions and billions of dollars worth of profits taht
9 are being reported daily in the press today a against what
10 happened in the cold climates of this country because of the
11 continued rise in the price of heating oil.

12 You are talking about people who are getting lots of money
13 -- in the billions of dollars -- against people trying to
14 determine whether they can stay warm and not freeze to death in
15 the wintertime.

16 Senator Bentsen: I am sure I read the profits that Exxon
17 has made and Continental has made. I dare say that there is
18 more of that stock owned in the northeast than there is in
19 Texas by far. All I have to do is look at the tax returns in
20 various places to see that.

21 The Chairman: Here is the kind of problem the Senator is
22 talking about. I am not sure he has the answer, but here is a
23 wire from the Mayor of New Orleans.

24 "We understand that one half of the \$.2 billion is being
25 earmarked for home heating oil assistance. We feel it is

1 Mr. Stern: Originally, Mr. Chairman -- you had talked
2 about \$30 billion over the period when you were using the
3 assumption of \$22 per barrel rising at a real price rate
4 increase of 1 percent per year.

5 When you adopted the assumption of \$30 price rising 2
6 percent in real terms over the period, that also earmarked
7 one-half of the revenues for aid to the poor. That does work
8 out for \$70 billion which sounds a lot higher than the \$30
9 billion but it is based on a rather more steeply rising price
10 of oil.

11 In fact your legislation only goes through fiscal year
12 1982. We assume that, at that pint, you might very well want
13 to review whatever extension legislation there is.

14 Senator Moynihan: Is Mr. Stern saying in terms of that
15 original division of the \$75 million of \$30 million, \$30
16 million, \$15 million, if you recall?

17 Mr. Stern: Right.

18 Senator Moynihan: That we would not -- in terms of
19 projected revenues, we ought to be allocating \$70 million. Is
20 amat what you are saying, in that proportion?

21 Mr. Stern: You should allow yourself that amount of room.

22 Senator Moynihan: Why do we not take this to your effort
23 and allocate \$14 billion over two years. This would enable us
24 to be a lot more generous to states.

25 Senator Bentsen's point is very clear. There are plenty

1 of oil wells in Texas, but not everybody owns one and not of
2 them are owned in Texas. I wish they did and soon they will,
3 if they have their way.

4 Should we not try to allocate -- I wonder what Senator
5 Dole thinks of this?

6 Mr. Stern: Mr. Chairman, I so not think that you should
7 do this in terms of a flat amount. In other words, if you say
8 \$70 billion, it is really not \$70 billion a year.

9 Senator Moynihan: Allocate some more for two years. Our
10 revenue estimates have doubled. That ought to change how much
11 we provide the poor here and the low-income here.

12 The Chairman: Senator Dole?

13 Senator Dole: I do not have any quarrel with that. Do
14 you have any suggestion, any recommendation?

15 The Chairman: What Senator Bentsen was suggesting is that
16 you try to work it out that the distribution of funds reflected
17 in Table One would tend to carry through over on Table Five.
18 In other words, we understand we are going to have less, but on
19 the other hand to get down where you have Texas over there with
20 6 percent and you look at what percentage you get for
21 percentage distribution, it is .05.

22 In other words, it is tough enough to tell you when you
23 have 6 percent and you get .389, but when you have 6 percent
24 and you get .05, it is sort of hard to allow for that. But if
25 you do that, you would either have to -- maybe you could

1 provide the formula that you have got, but put an alternative
 2 in there to give a person just the revenue sharing formula to
 3 choose on some different basis, to consider something or else
 4 look -- for example, one way it seems to me it might be fair is
 5 to say, take a base period, whatever you want. Take '73. Take
 6 last year, this year, whatever, but take a base period. Then
 7 look at how much people's heating bills have gone up -- heating
 8 and energy consumption, household energy consumption has gone
 9 up.

10 After, let us say, any given period of time, how much you
 11 estimated it is going to go up and then let them claim on that
 12 basis a tax credit.

13 If you did that, you might make it possible for everyone
 14 who is in the same bracket that they can claim a tax credit to
 15 claim some kind of tax credit, perhaps enough where it might be
 16 meaningful to him.

17 When it gets so small that it does not mean anything, you
 18 might as well forget about it.

19 Mr. Stern: If you are going to put additional money in for
 20 the poor in general, perhaps the simplest way -- not to try to
 21 do anything different on the tax credit, but do what you
 22 suggested and say if a state would get more by using the
 23 revenue shasring formula, then under the formula you have
 24 already agreed to, they could choose that amount instead.

25 I do not have immediately in mind how much is involved.

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1 My impression is it would be perhaps a couple of hundred
2 million dollars more.

3 I believe that there is only about 16 states that would do
4 differently.

5 The Chairman: Back on the rear, on this Table Five. That
6 is based on a tax credit as I understand it?

7 Mr. Stern: Based on a tax credit for heating oil. My
8 suggestion, not trying to change the tax credit for the heating
9 oil particularly. If you do extend it to include something
10 like natural gas, it winds up being a very small credit, but
11 instead of giving more money through the basic formula. For
12 example, in the case of Texas, if you allow them the revenue
13 sharing formula, that would give them 4.84 percent instead of
14 3.89 percent, an additional percentage which would be about \$20
15 million.

16 The Chairman: Mr. Moynihan?

17 Senator Moynihan: Mr. Chairman, why do we not do what we
18 have done with some success in evolving these formulas which is
19 to work this afternoon on it and give to our combined staffs
20 who have worked very well -- Senator Dole's staff and your
21 staff have worked very well on these matters -- if we give them
22 a money amount to deal with, a new sum, I would like to suggest
23 that since we now project a ten-year average of \$7 billion a
24 year where we have been projecting a ten-year average of \$3
25 billion a year in this category, that we increase it for the

1 two years that we are getting ourselves broken down on this
2 subject, that we make it five and that we put \$3 billion into
3 the Dole formula, the AFDC-SSI-Food Stamps instead of \$2
4 billion, \$3 billion; in this low income section, instead of
5 \$1 billion, \$2 billion.

6 We have the Nelson formula. We do not want to disturb
7 that. Then we will work out a formula for the second one which
8 involves something that fends against the equality of states in
9 this table.

10 The Chairman: Let me tell you the thought that occurs to
11 me that might even be good for states that do very well under
12 the formula. It occurs to me that perhaps we ought to have
13 some kind of minimum that all these lower-middle income
14 taxpayers could claim. In other words, you take a situation
15 where a fellow is on fuel oil and he would feel he is treated
16 very well. Here is another fellow who complains bitterly
17 because he is not using their fuel oil. Maybe he is paying a
18 high expense. Maybe he is heating by electricity. Maybe he is
19 heating by natural gas, but he is paying a very high cost
20 indeed.

21 He comes in complaining, you did all right for the fellow
22 with the fuel oil but you left me out.

23 It may be, by having some kind of a minimum in here, that
24 those who are not using the fuel oil can claim that you might
25 manage to fix it up for more uniform justice and even the

1 attitude. He wants to be fair about the matter.

2 Mr. Chafee?

3 Senator Chafee: Mr. Chairman, could we briefly go back to
4 Table 1 that started this off?

5 The distortions we pointed out -- Table One on the back
6 page of the additional issues related to low income energy
7 assistance and the distortions that appeared there, it seems to
8 me, would be eliminated if that first column were headed annual
9 payment per eligible household.

10 Is that not true, Mr. Stern? It would not e based on
11 households that collected but the households that were
12 eligible.

13 Mr. Stern: I might suggest in the Committee report that
14 we could show it both ways. If you showed it that way, I think
15 you would eliminate the distortions. At the same time, you
16 probably do want to show it the other way, just to show.

17 Senator Chafee: If the eligible households show what we
18 are doing in the Federal government, then as far as those who
19 collect within the states, that is dependent upon the state
20 law.

21 If New Hampshire is very, very stiff in their
22 requirements, then the amount that each household received
23 would be this \$501, but if they had the same standards as, say,
24 Massachusetts, or Maine, for example, then the amounts would be
25 comparable to Maine, which has similar degree days.

1 Mr. Stern: The only reason that I suggest that the
2 minimum benefit is based on the actual number of recipients.
3 If you were to do it the way that you suggest, applying the
4 \$120 minimum against that, the distribution would be different
5 among the states.

6 I guess I agree with you, Senator Chafee, to show it that
7 way. I wonder if it would be all right to show it both ways?

8 Senator Chafee: It seems to me that going to the Floor
9 with this table, it is so distorted looking that we would run
10 into all kinds of problems.

11 Senator Moynihan: John is right.

12 The Chairman: Go ahead.

13 Senator Chafee: Why do you not revise the column there
14 into annual payments per eligible households?

15 Mr. Stern: All right, we can do that. We will have to
16 have a footnote in those cases where the amount shown on this
17 table is less than \$120 which says that we expect that based
18 upon the formula, if they use the payments to recipient groups,
19 those groups will get \$120. The reason is because there are
20 more people eligible than are actually receiving now. Since
21 you base your \$120 minimum on number of people actually
22 receiving welfare benefits, if you show it in your table, a
23 distribution based on the heat bill, it may wind up being \$80
24 or something.

25 Senator Chafee: Alabama may be way down, or Mississippi

1 ma be way down.

2 Mr. Stern: That is correct. We could handle that by
3 having a footnote just showing that we do anticipate that the
4 minimum benefit would apply.

5 The Chairman: Could I just ask this question? I would
6 think that almost anybody would look for the highest figure and
7 see how he relates to it. He looks at the figures and he finds
8 \$501, that is New Hampshire with \$501.. I assume that figure
9 comes out because they have a rather spartan type welfare
10 program up there. They have maybe not so many people on Food
11 Stamps. I gues that is how it would come out that way.

12 Mr. Stern: Yes, sir.

13 The Chairman: Now, in arriving at how much New Hampshire
14 would get, would you look at the number of low-income people
15 rather than the number of people on food stamps?

16 Mr. Stern: The actual distribution, if it is done by the
17 Federal government, is done as shown, more or less on this
18 table. Senator Chafee's point --

19 The Chairman: I am asking a question. You are not
20 answering it.

21 You arrive at the \$501 by looking at the number of
22 low-income people who are in New Hampshire whether they are
23 drawing any food stamps or not?

24 Mr. Stern: No, sir.

25 It is based on the actual number of people receiving

1 benefits.

2 The Chairman: Is the formula based on that?

3 Mr. Stern: No, sir. The formula is based on the number
4 of low-income people in the state.

5 The Chairman: All right. The formula is based on the
6 number of low-income people in the state?

7 Mr. Stern: Right.

8 The Chairman: The state has a rather restrictive welfare
9 program?

10 Mr. Stern: Right.

11 The Chairman: Compared to others, it is rather
12 restrictive on who it puts on the food stamps. The result is
13 that they come up with the \$501 figure.

14 If you had the state figure related to the number of
15 low-income people, it would be a different figure than that?

16 Mr. Stern: That is correct. As Senator Chafee points
17 out, it would be practically the same as it would be in New
18 Hampshire, Vermont and Maine.

19 The Chairman: It seems to me that that is how it ought to
20 show it, because otherwise it causes people to look here and a
21 person says, as Senator Chafee has said, hold on just a minute.
22 If I were Ed Muskie, coming from Maine, I would look down there
23 and say, hold on just a moment. I do not understand this.
24 Maine, we get \$299. We have as much problem with the cold,
25 maybe more, than does New Hampshire and look here, here is New

1 Hampshire with \$501.

2 Mr. Stern: All right. We will simply show it that way in
3 the Committee report, based on the total of low-income people.

4 The Chairman: That is the amount they get related to the
5 number of people who are receiving 125 percent of the poverty
6 level. Is that it?

7 Mr. Stern: Is that it?

8 The Chairman: Yes, sir.

9 Mr. Stern: That would give you something that would be
10 much more uniform and would not create near as much resentment
11 as it would when the fellow from Maine compares himself to New
12 Hampshire.

13 Mr. Stern: That is right.

14 The Chairman: Yes, sir?

15 Sentaor Chafee: I agree with that.

16 The second point I wanted to make, Mr. Chairman, is a
17 point following up on what Mr. Bentsen and Senator Moynihan
18 have been talking about, I would just like to demur from that
19 proposal, that it just seems to me that we are getting away
20 from the whole purpose that we are sitting around these tables
21 for. We are here because oil has been deregulated. That has
22 caused substantial problems for people who heat with fuel oil.

23 First of all, it has caused substantial problems with
24 people heating generally. We have taken care of that with the
25 low-income people and worked in the degree days. The next

1 thing we came to were the working poor, or people on some sort
2 of welfare program, who heat with fuel oil.

3 They are being hit the hardest.

4 Then we thought, oh, well, the propane people are being
5 hit, so we took care of them. Then we moved into the Canadian
6 gas because it was related by Senator Baucus that that was
7 directly tied in with the price of oil.

8 But now they are ready, it seems to me, to turn it into
9 some kind of general welfare program and spread it around to
10 take care of everybody who might need something. That is
11 getting away from the reason we are sitting around this table.

12 As I say, oil has been deregulated and has caused
13 particular hardship on a small group of people, particularly
14 those who heat with fuel oil in the cold states where fuel oil
15 is a very substantial portion of their budget, way in excess of
16 running one's refrigerator.

17 I have great trouble understanding the thrust of the
18 procedure that is being suggested over here of changing the set
19 up that we have agreed upon in these meetings and diluting the
20 formula in some way for that group that is using fuel oil,
21 natural gas and propane.

22 The Chairman: Senator, you have a good point. On the
23 other hand, if you just look at that chart down there on page 5
24 that Senator Bentsen is complaining about, let me remind you
25 that we may need 60 votes to pass this bill because we have

1 reason to believe that we may be confronted with a filibuster
2 out there on that floor.

3 If that develops and we are looking for 60 votes to pass
4 the bill, people start voting against it if they can find
5 anything in there that they are opposed to. I have difficulty
6 in believing that this Table Five could be correct, but look at
7 Arkansas. Arkansas has about 1.75 percent, almost 2 percent of
8 the population. Look at what they get: 0.00.

9 You can understand when a fellow from Arkansas looks at
10 that, people get cold up there in Arkansas and they get very
11 hot, too. And he looks at that thing. If I were a guy from
12 Arkansas, I think I would be in the filibuster, you know?

13 It is one thing to say we get very little. By the time
14 you get down to where you cannot even find the second decimal
15 point, you begin to get upset.

16 Then Mississippi, 0.03. New Mexico -- I admit that is not
17 the biggest state in the Union -- 0.01. The only consolation
18 you could take if you come from New Mexico is that you are a
19 little better off than Arkansas.

20 Mr. Heinz?

21 Senator Heinz: Mr. Chairman, I would like to raise
22 briefly three issues. One of them has to do with this, and if
23 the Committee would let me, I would like to raise the other
24 two, because if we are going in this afternoon I may have to be
25 on the Floor with the banking bill, if the Committee would bear

1 Senator Heinz: That is correct. Unless there is
2 something complicated about it, I would not prohibit a
3 procedure that allows a Federal tax credit, but my
4 understanding is because we are dealing with appropriated funds
5 it would have to be very cumbersome. Go to the IRS, get
6 approval, come back, revoucher.

7 Mr. Stern: It would be easier to eliminate the Federal
8 tax credit and make it a vendor payment where you would not
9 have the problem of one state's having the Federal tax credit
10 and the other not.

11 Senator Heinz: Let's take either the Federal payment
12 option or the vendor option.

13 The Chairman: I thought I understood and agreed to it
14 until Mr. Stern got in on the act.

15 As I understand it, the amount of money we are paying
16 through to the state governments, if they wanted, they could
17 take the money for the welfare money and for the SSI money, the
18 states can claim that and they can pay it out the way they
19 think it ought to be paid out. Is that right?

20 Mr. STern: Yes, sir, but there was one additional option
21 and that was Senator Heinz's proposal. If they wanted to, they
22 could elect to have a tax credit approach that fuel vendors
23 themselves would get so the benefit would be in the form of
24 lower fuel costs to low-income people.

25 The Chairman: I understand that. Let's get this

1 straight, because my understanding is, with regard to what we
2 are trying to work out for what was the Moynihan-Ribicoff
3 ---whoever was the first name on there -- sponsored their
4 amendment, and for that purpose we are not talking about using
5 the money for that approach, are we?

6 Mr. Stern: No, sir.

7 The Chairman: No.

8 So that would go as a Federal tax credit. That would be
9 completed and they would claim it in their income tax if they
10 are in that income category, is that right?

11 Mr. Stern: Yes.

12 Senator Heinz: There is no conflict with that, Mr.
13 Chairman.

14 Mr. Stern: All right.

15 Is there any objection?

16 Senator Heinz: The point is I would like language in the
17 bill which says this is permitted, that the state refundable
18 tax credit approach is permitted and the vendor payments are
19 permitted.

20 I want affirmative language in the bill in that regard.

21 Mr. Stern: Yes, sir.

22 Senator Heinz: All right.

23 Senator Nelson: You are not mandating --

24 Senator Heinz: No. I am saying they are allowed under
25 the block grant payments.

1 Mr. Chairman, if I could proceed with two additional
2 items, a question at the staff level has arisen with regard to
3 the clean coal-fired furnaces and boilers that the Committee
4 agreed to. There seems to be some confusion as to whether that
5 was for retrofit, or for retrofit and for new.

6 I am advised by the Joint Committee that there is
7 practically no cost difference between the two, in the
8 neighborhood of \$5 million. I had wanted it to be for retrofit
9 and new. I would like that made clear at this time.

10 Mr. Wetzler: Senator Heinz, the problem is the existing
11 home insulation credit only applies to homes that were in
12 existence on April 22, 1977. If your credit is an amendment to
13 that, it would be available for existing homes. One assumes
14 they have some sort of heating system.

15 That is the sense in which you want to apply your coal
16 boiler credit to new homes. That would be a departure from the
17 existing insulation credit.

18 Senator Heinz: It would be a departure that the existing
19 incentives -- yes, it would be a departure, number one. Number
20 two, we will be having some incentives, as I understand it, or
21 standards for insulation, is that correct, for new dwellings?

22 Mr. Wetzler: They will be mandatory fuel efficiency
23 standards.

24 Senator Heinz: The reason I would like to have standards
25 for new furnaces rather than just retrofits, I think that this

1 kind of fuel should be encouraged. I am told that the cost is
2 not a very big item.

3 Is that correct?

4 Mr. Wetzler: You would want it to apply to
5 newly-constructed homes as well as homes in existence on April
6 20?

7 Senator Heinz: Yes.

8 Mr. Shapiro: When the Committee, in the Energy Act in
9 1978 when the Congress provided the residential credits, the
10 insulation credits, the decision was to make it only for
11 existing homes. As of April 20, 1977, the date the
12 administration made their proposal, the idea was you wanted to
13 insulate the homes that probably did not have sufficient
14 insulation, but because of the high fuel cost, there would be
15 incentive for builders and new home buyers to insulate better.

16 It was left to existing homes.

17 What you are suggesting is that for new homes that there
18 should be an incentive to use coal furnaces and therefore you
19 wanted to have the incentive for the new homes as well as for
20 the existing homes.

21 Senator Heinz: That is correct.

22 Is it not true that the cost of that is nearly
23 insignificant?

24 Mr. Wetzler: We are assuming in our estimates it will not
25 be an enormous demand for coal stoves. I would assume that

1 most of the demand that would be there would be in older homes.

2 I do not think it would be a very big cost.

3 Senator Heinz: This is for two years, through '82.

4 Mr. Wetzler: Three years.

5 Senator Heinz: Three years. That is correct.

6 Is there any objection to that, Mr. Chairman?

7 The Chairman: What is the cost of it?

8 Mr. Shapiro: The cost is not much for the reason it is
9 not expected that many new homes would put in coal furnaces.
10 If you assume that many homes would put it in, it would be a
11 cost figure.

12 The Chairman: Do you have any cost estimates on what we
13 are talking about now?

14 Senator Heinz: My staff has a figure of \$5 million.

15 Mr. Wetzler: The real issue is this would be a precedent
16 if you extended the whole regular insulation credit for new
17 homes.

18 Senator Heinz: Not for insulation, for an energy source
19 that is a domestic energy source. If they put in a furnace --

20 The Chairman: What does Treasury want to say about this?

21 Mr. Lubick: We are concerned, Mr. Chairman, about the
22 problem that staff has raised, namely the precedential problem.
23 This will be the first extension of this type of credit, heat
24 pumps what have you, to something new.

25 That would open up a whole new area.

1 may lose a second time.

2 Mr. Chairman, the last issue is that some time ago,
3 several weeks ago, you yourself raised the issue of protecting
4 members of the Committee against conflicts of interest in this
5 bill that there would be language in it to protect you and
6 anybody else, such as myself, or maybe Senator Bentsen, and I
7 want to be reassured at this point that such language is going
8 to be in his bill.

9 Senator Nelson: I hope not.

10 The Chairman: That it will or not?

11 Senator Heinz: That it will.

12 The Chairman: As far as I am concerned, anybody who wants
13 to have anything in here to say he will not have any benefit
14 out of this bill, I will be glad to agree to it.

15 I do not know specifically what someone has in mind. It
16 is all right with me.

17 Senator Heinz: Then, Mr. Chairman, if there is unanimous
18 agreement on that, I will be submitting some language.

19 Senator Nelson: With all due respect, I just say there is
20 not. I do not think you can define that. I do not think we
21 should be starting to adopt amendments to say that if there is
22 a conflict or potential conflict that somehow or another no
23 benefit shall accrue. I think that we are on a wicket that you
24 absolutely cannot solve.

25 Senator Heinz: Why do we not try to find out?

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1 Senator Ribicoff: I think the problem you are going to
 2 get into, then you get the problem of disclosure, the
 3 specifics. I think it is very complex. I think you have made
 4 it clear that you are not doing this for yourself and I think
 5 that you are starting something very dangerous that you are
 6 going to have to live with a lot of years with a lot of
 7 problems.

8 I think you should go very cautiously forward on this.
 9 Those who have spoken out publicly that you are not looking for
 10 a benefit -- nobody is questioning you. You are bona fide.

11 When you try to write it in language, somebody should go
 12 cautiously.

13 Senator Heinz: I understand that.

14 My recollection is -- I will go check the transcript to be
 15 sure ---there seemed to be -- I think you and Senator Nelson
 16 were recorded as you have now stated yourselves in terms of
 17 your opinion. I think there was general agreement on this
 18 point.

19 The Chairman himself said that he instructed the staff to
 20 put such language in.

21 Senator Ribicoff: Let's put it this way. I would not be
 22 against it, if that is what you want to do. I would not vote
 23 against any of you wanting to put that language in. I think
 24 there ought to be a caveat raised that you are going to start
 25 something that is going to be very troublesome for many, many

1 assets going to not take the benefit of the capital gains tax?

2 We thought that was an important principle in capital
3 formation. That is a very significant benefit to a lot of
4 people in this institution, the capital gains benefit. Are
5 they going to give up that?

6 This is the kind of sticky wicket you get into. I do not
7 think it is good.

8 The Chairman: It is a matter of degree. It is a matter
9 of degree, it seems to me.

10 Senator Moynihan?

11 Senator Moynihan: Mr. Chairman, I would be happy to talk
12 about this subject for a day or for a week, but I cannot see us
13 resolving it in this manner.

14 I would like to introduce a thought that might be
15 considered here. Maybe I would be alone in this; I doubt it.

16 If I were asked to identify my general thoughts about
17 government, I would say I am a Madisonian and what you were to
18 read in the Tenth Federalist on the nature of interest, that is
19 about the way I think our government is constructed and how it
20 works and how I try to behave in it.

21 I happen to think that we represent interests around this
22 committee table, and that is proper. That is our
23 understanding. We represent wheat growers and milk consumers
24 and oil producers and oil consumers.

25 When each of us, in one form or another, will locate

1 himself in a certain kind of social class, distribution -- I do
2 not say hierarchy. We represent our social classes.

3 And why we might separate our own very small part of the
4 class interests out, we are still representing a class and
5 classes -- most of us represent many classes in one form or
6 another ---and to pretend that we do not do that is to deny our
7 basic function here and to exempt ourselves from any benefit,
8 from the increases or the advantages of disadvantages
9 pertaining to those classes we represent is, in fact, not fair
10 scrutiny.

11 Yesterday morning we were dealing here, the whole of
12 yesterday morning, Senator Heinz and I, Senator Dole and
13 yourself, sir, right to the end, what were we mostly looking
14 after in the trade legislation? We were very much looking
15 after certain types of businesses and certain trade unions,
16 specific trade unions, and properly so, and they were all in
17 that audience and we knew they were there and that is what we
18 were doing and we were seeking to protect those interests and
19 to deny that we have done this by exempting ourselves is to
20 miss the principle on which the American government has
21 operated -- rather successfully, I think.

22 The Chairman: Mr. Chafee?

23 Senator Chafee: Mr. Chairman, I think this is a very bad
24 procedure which has been suggested here and I second completely
25 what Senator Nelson has said. Is it suggested that we vote for

1 a tax credit for insulation and that therefore we are
2 prohibited from taking an insulation tax credit? The whole
3 thing gets ridiculous.

4 There are all kinds of disclosure that every one of us has
5 to make as to all the holdings that we have, and if the voters
6 want to throw us out, they have that opportunity every six
7 years.

8 But to write into the legislation anything along this
9 line is wrong. If there is a suggestion that it might be done,
10 I would like to move that it not be done.

11 If that is a suggestion that it is going to be in this
12 legislation, that anybody who has any interest in any way
13 cannot benefit from it?

14 The Chairman: That is what the Senator has suggested.

15 Senator Heinz: I do not think anybody understands what I
16 said. If so, I apologize, because the fault is mine.

17 My recollection is that the discussion originally some two
18 weeks ago was that an individual Senator felt, as Senator Long
19 felt on the independent producers exemption, that he would be
20 accorded an opportunity to protect himself, not anybody else,
21 against such a conflict.

22 I did not mean to suggest that there was any kind of a
23 blanket proposition.

24 That is all I wanted reassurance of.

25 Senator Chafee: I do not understand what that means.

1 Senator Roth: Mr. Chairman?

2 Senator Chafee: What would you do?

3 Senator Heinz: I do not have a specific proposal but I
4 wanted to clarify my understanding of something the Chairman
5 had said a couple of weeks ago. My understanding of what the
6 Chairman had said was this, that he felt that he might have a
7 conflict with respect to some oil or gas production, that he
8 did not want to be put in the position of voting for something
9 that benefited him.

10 My recollection is -- Mr. Chairman, I am not trying to put
11 you on the spot or put words in your mouth; correct me if I am
12 wrong -- that he had instructed the staff to draft language
13 that, in so far as his holdings went, protect him --

14 The Chairman: What the language would say, what the
15 amendment would have said was, at the time that we exempted
16 independent producers and royalty owners, it would say if you
17 are a member of this Congress, you are not exempt.

18 Mr. Shapiro: The way the staff understands the committee
19 discussion, that was in regard to the independent producer
20 exemption. That exemption was not agreed to by the Committee
21 and the staff understanding was that the bill as of now
22 contains no such provision with regard to any member of the
23 Committee.

24 Senator Heinz: I see. All right.

25 The Chairman: If I understand it, though, we voted on it.

1 That was the agreement; that was the understanding.

2 Mr. Shapiro: If that provision had passed, that was the
3 understanding.

4 The Chairman: If that had passed that is how it would
5 have been, that I would not have been exempt.

6 I voted for it, but I wanted it understood that I was not
7 voting to exempt myself because I had a very substantial
8 interest. It seems to me that those things are a matter of
9 degree, Senator.

10 In other words, I would think, for example, if all you are
11 talking about is the insulation thing applying to you, that is
12 different, but if it is something that applies to you that
13 somebody might feel that was very substantial, that you might
14 substantially benefit, then I would understand why you would
15 not want to benefit from it.

16 Of course you know you have another option. You just
17 could give it to charity just give it away, donate it.

18 Senator Dole: Give it to me.

19 The Chairman: I can understand your money and in my
20 judgment, it is a matter of degree.

21 Senator Heinz: I do not know the nature of anybody's
22 specific problem, Mr. Chairman. I include myself, at this
23 point.

24 Senator Dole: Ours is not that problem.

25 Senator Heinz: I appreciate the staff's making clear what

1 we had done. It was an amendment, but when the amendment
2 failed, that particular language was washed out.

3 Senator Chafee: There is nothing like that in the bill
4 right now.

5 Mr. Shapiro: That is correct.

6 The Chairman: No.

7 Senator Roth wanted to be recognized.

8 Senator Roth: This issue, I take it, is dead.

9 Senator Dole: It is dead.

10 The Chairman: That is settled for the time being.

11 Senator Dole: Can we now go ahead and readopt the Nelson
12 compromise, the so-called Table One?

13 The Chairman: We do not need to readopt it. There is no
14 motion.

15 Senator Dole: Are we going to do the Chafee?

16 The Chairman: There is no proposal to change it. It has
17 been suggested by Mr. Moynihan, and I think that is fair
18 enough, that our staffs meet.

19 When could you do it, Mr. Stern?

20 Senator Dole: We did not agree on a dollar figure.

21 Mr. Stern: If you are not going to meet this afternoon,
22 we could do it this afternoon.

23 The Chairman: Basically you are talking about that our
24 staffs meet and that they talk about the possibility of
25 something that would try --

1 Senator Dole: That table has to do with tax credits.

2 The Chairman: I know it, but try to find some way to
3 amend the tax credit thing so that people who come out with .00
4 or thereabouts would not show up so bad.

5 Senator Moynihan: Given the large amount to be
6 distributed, Senator Dole says we have not agreed to that yet.
7 Can we talk about that?

8 Senator Dole: I had not thought about a figure, but you
9 were talking about, you said, 527.

10 Mr. Stern: Senator Moynihan's, \$3 billion instead of \$2
11 billion.

12 That is more or less decided, and then you would try to
13 see if you could not work out a tax credit perhaps along the
14 line the Chairman suggested for people no matter what formula.

15 Senator Moynihan: To distribute \$2 billion.

16 Mr. STern: It would cost about \$2 billion.

17 Senator Moynihan: We would be working on it
18 until we see what we think of it, until we see what these high
19 revenue estimates really hold up.

20 This is less than the revenue estimate but more than we
21 have been doing.

22 Mr. Stern: Mr. Chairman, would it be all right to go
23 through the remaining issues on the poor, which are smaller
24 issues?

25 Senator Durenberger: To make sure I understand the dollar

1 parameters of the staff discussion, we approved the Nelson
2 formula using \$2 billion and included in that is the tax
3 credit, or not included in that?

4 Mr. Stern: No, sir. The \$2 billion applies to the
5 payment to the poor and the state option and so forth with a
6 minimum benefit differential of one and one-half times.

7 Senator Durenberger: The tax credit is an additional \$900
8 million.

9 Mr. Stern: \$1 billion. The table shows \$900 million. 90
10 percent of it relates to heating oil; the other 10 percent to
11 propane and Canadian national gas.

12 Senator Durenberger: Has Senator Moynihan expanded that
13 \$1 billion?

14 Mr. Stern: He suggested that the staff get together and
15 come back with a suggestion that would use \$2 billion instead of
16 \$1 billion.

17 Senator Chafee: What agreements would make up the
18 formula?

19 Senator Moynihan: That is what the staff would want to
20 talk about, given the exceptions that Senator Bentsen and no
21 doubt others have raised and the thought that we would go out
22 to the Floor with a united committee.

23 That is the purpose, is it not?

24 Senator Dole: Some minimum credit.

25 The Chairman: Some way.

1 Senator Bentsen: I do not want it limited to a minimum
2 credit. I want to look at the Nelson formula for that purpose.
3 Obviously, Senator Chafee and I are in substantial disagreement
4 on this. I frankly think consideration has to be given for
5 things like Number Two distillate which is used for the
6 generation of electricity so you get an immediate reflection of
7 whatever has happened to the OPEC prices just as much as you do
8 in the fuel oil that is delivered at the home. You have a
9 problem. You have a new gas contract in Mexico, \$3.62. It is
10 a small amount in so far as the gross delivery of gas, but that
11 is a start.

12 You have a letting of new contracts on gas in those areas
13 above that price.

14 Our own negotiators were delighted to lock up that deal
15 because they had information about these new contracts on gas.
16 It is just not heating oil. This is happening to us across
17 this country and what happens to heating oil is reflected, and
18 what happens to gas. They are competing fuels.

19 Senator Durenberger: May I ask a question? Are we
20 changing the definition of this program from a residential fuel
21 oil program to something else?

22 Senator Bentsen: What?

23 Apply the formula across the board that Senator Nelson has
24 worked out. That is what I understand that the Human Resources
25 Committee has done, is it not?

1 I would apply it to the tax credits that Senator Moynihan
2 is talking about.

3 The Chairman: You have already gone beyond fuel oil. You
4 have propane and Canadian gas. If you are going to do that --

5 Senator Dole: We voted on everything else.

6 The Chairman: That is right.

7 If you are going to do that it seems to us, why not look
8 at the increases bills that all people are going to have to pay
9 and see if we might work out something that one would benefit
10 more people and two, be more like what you have in Table One,
11 to which we agreed.

12 Senator Durenberger: Mr. Chairman, I have no objection to
13 that. I am just concerned that we keep a residential base. I
14 understand that in some parts of this country electricity is
15 terribly more expensive than it is in my state because it has
16 to be generated from fuel oil.

17 I just want to be sure that it is the intent here to hang
18 onto the residential base and not expand it to something else.

19 Senator Bentsen: Absolutely. I agree with that.

20 Senator Nelson: I would like to see a chart based on
21 Table One applied to this which does take into consideration
22 all energy.

23 Senator Bentsen: Mr. Chairman, I would like my staff, of
24 course, to be involved in this.

25 The Chairman: Send one of your staff people. I will send

1 one of mine. Let them talk it over and see what you can work
 2 out. You just want a broader formula, something broader, that
 3 everybody can participate in. That would even be helpful to
 4 what the Senator is talking about; it can even be helpful in
 5 the states where some of your people benefit. You may have
 6 some person who gets some benefit because he uses Canadian gas
 7 and because he uses fuel oil but he is left out because he is
 8 using gas that is not produced in Canada or because he is using
 9 coal.

10 We are just trying to say, let's see if we can work out
 11 something that will be of more general benefit and it will cost
 12 more to do it that way.

13 I am not talking about taking away from somebody, but
 14 trying to do better by more people.

15 All right.

16 Do you want to cover the other points now?

17 Mr. Stern: If it is possible to raise the remaining
 18 issues on the sheet, called "Additional Issues Related to
 19 Low-Income Energy Assistance."

20 The first one is under the heading "block grants." If the
 21 state is going to exercise their block grant options, they
 22 really should give notice within a fairly short amount of time.

23 The administration recommends that they be required to
 24 give notice within 15 days of enactment because they are going
 25 to have to move quickly on that.

1 Senator Nelson: For this year, for this winter?

2 Mr. Stern: Yes, sir.

3 Senator Nelson: In future years, what are you going to
4 do?

5 Mr. Stern: In future years they would have to give at
6 least 90 days notice. What we are suggesting, once the
7 decision be made, that it be made for an entire fiscal year so
8 they would have to let the Secretary know 90 days before the
9 fiscal year if they are going to change from block grant or to
10 a direct payment or from a direct payment to a block grant.

11 Senator Nelson: How do we convey this notice to the
12 states as far in advance as possible? We talked about that
13 once before.

14 Mr. Stern: In terms of this year?

15 Senator Nelson: Yes.

16 Mr. Stern: Once the Committee makes a decision, we will
17 tell the Governors Conference and ask them to let the state
18 government know as quickly as possible that this is in the
19 works.

20 Senator Nelson: Are we expecting to affect the
21 distribution system this year?

22 Mr. Stern: It depends on what ultimately happens to the
23 \$1.2 billion appropriation.

24 Senator Nelson: The administration has published Table
25 One, as I understand it, as a formula which they are going to

1 use to distribute this winter's fuel. Is that correct?

2 Somebody told me -- I am wondering what we are doing.

3 Senator Ribicoff: Do you not have a problem in 15 days
4 that some states may have to have the legislature authorize
5 that, not just the Governor. Do you think you could do this in
6 15 days?

7 That is what is bothering me, requiring 15 days.

8 Mr. Stern: If they cannot do it in 15 days then the
9 Federal system would be in operation for the first year.

10 Senator Ribicoff: It is rather short. In all fairness to
11 the states, there are states that require notice that the
12 legislature be called into session X number of days, or take a
13 certain number of days for the Committees to meet and the
14 Governors to sign the bill.

15 I do not mind your doing that. I think 15 days is not
16 enough for many states to act.

17 I think you ought to give them at least 30 or 45 days. I
18 am trying to figure what the problems are.

19 Mr. STern: The problem is you are expecting the Federal
20 government to take an action very quickly so they really have
21 to know more or less right away that they have to run a
22 program.

23 Senator Ribicoff: You should not foreclose a state out.
24 If we have an alternative, they are going to have to go on
25 their own in the Federal formula, let the state come into it a

1 little later. Within 30 days, their legislature can act.

2 I do not want to foreclose the state. We might foreclose
3 them out for one month. Could we --

4 Senator Nelson: Could we ask HEW?

5 Mr. Stern: Fifteen days.

6 Senator Nelson: We voted, as you know the other day, last
7 week, \$1.2 billion additional appropriations on the Interior
8 Appropriations bill.

9 Is HEW planning to spend the money right away without
10 waiting for this bill and other things to pass?

11 Mr. Bynum: We are on that track, yes, sir.

12 Senator Nelson: Do you need advice on the formula for
13 distribution or anything, or are you just all prepared to go
14 right ahead --

15 Mr. Bynum: For this year --

16 Senator Nelson: Are you prepared to give it to states who
17 want to administer it?

18 Mr. Bynum: That is the option that the Secretary
19 described in her latest testimony.

20 Senator Nelson: Then do you we need any additional notice
21 or anything in this legislation telling you to give states 15
22 --

23 Mr. Bynum: Not for 1980. Not for fiscal year 1980.

24 Senator Nelson: You can handle it in 1980 and you can use
25 the block grant system?

1 Mr. Bynum: Yes, sir.

2 Senator Nelson: Well, then I do not see why we are
3 wasting time.

4 The Chairman: What you are saying is the 15 days and you
5 want the state to tell you within 15 days whether they want to
6 exercise that block grant option. Is that right?

7 Mr. Bynum: That is correct.

8 The Chairman: So assuming that what the state wants to do
9 with it requires an act of legislature, it does not require an
10 act of legislature to tell you that they want to exercise the
11 block grant option. The Governor could speak for the state in
12 that regard could it not?

13 So if it winds up that the state decides that they want to
14 have the block grant option and then they get the thing all
15 fouled up and cannot act in a timely fashion, that would not be
16 your fault. It would be the fault of the Governor in saying
17 that he could act and then between him and the state
18 legislature getting the thing all balled up. It would not be
19 your fault.

20 Mr. Bynum: It would not be our fault, but the problem
21 would still exist in terms of the energy payments.

22 The Chairman: All I really need to know is that they are
23 exercising the 15 day option. Implicit in this is that the
24 Governor could speak for the state.

25 Senator Ribicoff: I am just curious. Can he? I assume

1 you have studied this. Can the Governor in the states exercise
2 the option on his own to go block grant on this? I mean, you
3 may be right. I do not know.

4 Mr. Barth: We have not done a legal analysis, but the
5 Governors have emergency powers in order to make a decision to
6 accept a block grant instead of a state program. The Governor
7 could do that.

8 Senator Ribicoff: I might be inclined to question that.
9 I just do not know, but I do not want a state to be foreclosed
10 out if, under their legislative procedure, it is going to take
11 20 days or 30 days.

12 I do not mind the 15 days if it can be done, but if it
13 could not, I would not want to foreclose the state out because
14 it would take 30 days.

15 That is the only suggestion I make, Mr. Chairman.

16 Mr. Barth: The House language on this issue gives the
17 state 30 days to do it.

18 And another point is that many states are already in the
19 process and some have already delivered to the Community
20 Services Administration the state plans to operate programs
21 starting as soon as --

22 Senator Ribicoff: I would just amend that, Mr. Chairman,
23 to make it 30 days. I think almost every state could do it
24 within 30 days. I think there are some that could not do it
25 within 15.

1 The Chairman: Well, the 30 days would be in conference
2 anyway, would it not?

3 so I would think that you have only got 50 Governors to
4 consult. It seems to me that it would be easy enough between
5 now and the time the decision is finally made to see if it is
6 going to present the problem with any one of the 50 states and
7 if so, we could accept that in conference or even on the Floor.
8 We could accept it as a Floor amendment.

9 If there is no objection, then, we will take the 15 day
10 proposal.

11 Mr. Stern: All right and 90 days in the case of future
12 years.

13 The next issue, then is the question of protecting SSI
14 recipients that if the Federal payment goes to the SSI
15 recipients and then in some subsequent year a state decides to
16 exercise its option we would recommend that the state could
17 only exercise that option if they would assure that there would
18 not be any reduction to SSI recipients.

19 In other words, they either they do not exercise the
20 options with respect to the SSI funds, or else they say that
21 those people would not get a reduction as a result of their
22 exercising the option.

23 Supposing you give an additional \$20 per month to SSI
24 recipients in a particular state and two years from now the
25 state decides to exercise its option. You would not want a

1 situation where they have some different formula under which
2 the SSI recipient would be cut back \$10 or \$12.

3 Our suggestion is that if the state allows the Federal
4 government to make the payments to SSI recipients and then in a
5 future year it exercises the option that they would have to
6 promise not to reduce the payments to the SSI recipients at
7 that point.

8 The Chairman: Well, I do not know if we want to do that.
9 It seems to me as though if you are going to follow the block
10 grant approach and let them have a block grant, that they are
11 supposed to do the job, that if you are going to trust the
12 states to handle the money, it seems to me as though you ought
13 to just trust them to handle it.

14 Now, if some state does proceed just to take the money and
15 cut the welfare payments, that would make me think in the
16 future that maybe we do not want to do business that way.

17 But it seems to me that if you are going to follow the
18 block grant approach you are basically saying that you are
19 going to trust the state government to use the money wisely.

20 Senator Ribicoff: Mr. Chairman, I respectfully disagree
21 with you on that point because what we are doing here is making
22 billions of dollars available for people who are really poor.
23 Now, we know that some states treat the poor differently than
24 others.

25 Now, certainly a state should not be allowed to use that

1 money to give to people who are not poor because we take into
2 account that the poor suffer the most because of high energy
3 costs. So there should be a safeguard, while generally they
4 can do what they want, but if it is our policy to protect the
5 poor, we want to make poor that the states do not abdicate the
6 responsibility to the poor in accordance with what we are
7 voting here.

8 We are not just making a grant to the states. We are
9 protecting the poor of the whole country.

10 That is just my thought on it.

11 The Chairman: Well, you are saying now that we have had
12 some problems with these maintenance of effort things and
13 usually where we have had the problems did not involve the kind
14 of thing that we wanted to preclude.

15 Where we have had the problems on maintenance of effort,
16 it has not involved the areas of the kind of thing we wanted to
17 preclude. We have had some problems that required us to change
18 the law to give somebody a waiver and, invariably, it has been
19 some technical thing that did not involve, either because it
20 was not convenient for the legislature to meet, or something.

21 Can you recall the kinds of problems that we have had to
22 contend with on that maintenance of effort?

23 Mr. Stern: Well, I guess the outstanding example was when
24 the Medicaid program was first put into effect. New York State
25 already was spending considerable amounts of money on

1 health care for low-income persons and the effect of the
2 maintenance of effort requirement was, in effect, to require
3 New York State to greatly expand its program that the Congress
4 then reacted against.

5 So it can sometimes work in a fashion that you did not
6 have in mind.

7 But that is the opposite kind of question. That was not a
8 question of their paying at least as much. That was a question
9 of them paying more than perhaps some in Congress wanted.

10 The Chairman: We have a situation right now with regard
11 to the state of Missouri where we require them to do something
12 and we cut their matching if they do not do it, and they are
13 making a good faith showing that they were not able to
14 comply and they are asking for a waiver. So that requires an
15 act of Congress and I am trying to recall what it was about.

16 I am satisfied that they are entitled to it. I just do
17 not want to be in a position of riding herd on the kind of
18 things that we did not intend to get involved in. That is what
19 bothers me about this.

20 Now, tell me what the thing is that you were suggesting in
21 the beginning now. What did you start to suggest?

22 Mr. Stern: The suggestion was if you wanted to consider
23 requiring that if a state switches off from the Federal
24 payments to SSI recipients and decides instead, to make that
25 money part of their block grant, whether you want to require

1 the states to promise to pay at least as much to SSI
2 recipients.

3 The problem from a Federal standpoint is that a recipient
4 is receiving a Federal check of a certain amount of money.
5 Then if a state then decides to use that money and distribute
6 it in a somewhat different fashion with lower payments to the
7 SSI recipients, the Federal SSI check goes down and the state
8 supplementary check, of whatever sort it is, may very well not
9 go up, or not go up by that amount.

10 And so the question was, in that kind of situation, do you
11 want to do something?

12 You can certainly take a position that it is up to the
13 state to decide whether they want to do that or not.

14 The Chairman: Why do we not hold this thing in abeyance.
15 I would like to study it a little further, Senator. Frankly, I
16 just do not fully understand what we are talking about.

17 I think that maybe we can work this thing out between us,
18 but I just do not understand it enough to agree to that.

19 What is the next point you have?

20 Mr. Stern: The next question is what requirements, if
21 any, you want to put on states. We suggest just a very broad
22 requirement which just says that funds would be utilized solely
23 to provide assistance to lower income households with the
24 definition of that established by the state to meet needs
25 related to increased energy costs.

1 It is just a rather broad guideline.

2 Senator Dole: I think we want to keep it broad, according
3 to Senator Roth.

4 Senator Roth: Yes. If you are talking about trying to
5 build in some requirements on the state law or option, I think
6 we want to have maximum flexibility there. I do not want to
7 get in a situation where some bureaucracy in Washington is
8 going to require the program to be approved by them and delay
9 it. That is the thing that concerns me.

10 Mr. STern: This is meant to be very broad language to
11 avoid that sort of thing while, at the same time, if anybody
12 says can this money be used to build roads because that would
13 not be meeting needs of low income persons.

14 It is meant to at least give some direction to the money
15 without being so specific as to involve some kind of review
16 procedure.

17 The Chairman: I would hope that this would not preclude
18 the states from paying people to do something useful with some
19 of that money. I would hope that they could at least pay them
20 to do something that they think would be beneficial to the
21 area, like keep the place clean or shovel some snow or
22 something like that to help out.

23 Mr. Stern: This refers to what they would be giving
24 people the money for and what you are talking about is
25 something that --

1 Senator Roth: Let me ask you this question. We use the
2 term "lower income household" -- you say according to a
3 definition to be established by the state. I think that takes
4 care of the problem that I am concerned about.

5 And, of course, you have got senior citizens which are
6 particularly hard hit.

7 I think this language is all right but I would hope that
8 in the report that we would make it very clear that the
9 discretion is with the state and that we intend to help those
10 in need but, at the same time, it is the state who would
11 determine what could be done.

12 Senator Ribicoff: I think the staff is absolutely right
13 that whatever formula they use should be related to increased
14 energy costs. That is the whole purpose of this.

15 And, again, I understand what the Chairman is saying, it
16 is not to sweep the streets or to shovel snow. I am for doing
17 that some other way in your work-related programs, but what we
18 are voting here is an energy related bill on windfall profits
19 tax and we are recognizing that a huge burden has fallen on the
20 lower income people and the money we are voting now for the
21 poor is really for their increased costs of energy and I think
22 that that definitely should be nailed down, that the states
23 cannot take these block grants and spend them for purposes
24 otherwise than the increased cost of energy.

25 I think that is a very important point that should be

1 here.

2 On the solid waste disposal of Senator Byrd, amended by
3 Senator Bradley, I believe, I understand one, that it is clear
4 from the record that they may not sell that electricity
5 generated by solid waste disposal to the private sector. I
6 expressed my opposition to that at the time and I do intend to
7 raise it on the Floor because I think if there is anything we
8 want to do in this country it is to get rid of our solid waste
9 disposal. I think we ought to be able to sell it anyplace.

10 So I just wanted to notify the Committee that I would
11 argue that on the Floor.

12 My query, however, is can they sell the steam generated
13 from a waste disposal plant that has the benefit of these tax
14 benefits, can they sell that steam to the private sector?

15 Mr. Shapiro: Yes. The decision the Committee made was
16 that they could sell the steam because that is part of the
17 solid waste facility. They cannot sell, however, the
18 electricity that may be generated from the steam anywhere other
19 than the state or local or Federal government.

20 Senator Nelson: All right.

21 Some people confused me.

22 Mr. Stern: Mr. Chairman, the next issue, which is on page
23 2, relates to allocation. The expression here is in terms of
24 \$2 billion. If you decide to make it a higher amount, this
25 procedure would equally well apply.

1 As a practical matter, administratively, you have to know
2 if you are operating within a fixed amount of money how you use
3 that money since the number of recipients is estimated and what
4 we are suggesting is the following procedure.

5 First, HEW estimates the monthly payment per household on
6 the basis of the best available data and then they go ahead and
7 make payments for the entire year based on that estimate
8 without changing them up or down.

9 However, that leaves a certain amount of money for the
10 food stamp families other than those on AFDC and SSI and what
11 they would do is when they are about to make the first of two
12 payments they would divide the money in two and mail it out
13 based on the information they have available then and when they
14 make the second payment, they do the same thing.

15 This could very well result in the food stamp family
16 getting slightly more than the AFDC or SSI family, but it
17 seemed to us that this was the only practical way of living
18 within the actual total dollar amount that you have.

19 This is how you, once you have got the money for each
20 state, how you actually determine exactly you pay the welfare
21 recipients and exactly how much you pay the food stamp
22 recipients.

23 Senator Moynihan: You are referring to allocation issues
24 on page 2?

25 Mr. Stern: That is correct.

1 Senator Moynihan: That has gone by the question of
2 amounts of funding.

3 Mr. Stern: Well, I have gone by the amount of funding
4 because you left that open.

5 Do you want to resolve that now?

6 Senator Moynihan: You think we have left that open for
7 the moment? We have.

8 Mr. Stern: I thought you wanted to look at the different
9 approaches.

10 Senator Moynihan: We have not resolved that at this
11 point.

12 Mr. Stern: That is right. Yes, sir.

13 This suggests that the payments to the food stamp
14 recipients be made twice a year. You had asked us to look at
15 an administratively simplified way of doing that and you have
16 to talk with HEW. The recommendation is two payments a year.

17 The next issue probably would not arise if you had an
18 increasing amount of funding, but if you have the same amount
19 of funding from one year to the next it is conceivable that if
20 the SSI caseload has gone u you could wind up with a relatively
21 lower payment in one year than in a previous year and we are
22 suggesting that you fix the payments to SSI so that they do not
23 go down for purposes of making your allocation from year to
24 year. That is, if in a particular state the payment is going
25 to be an additional \$21 a month and the formula the next year

1 works out to \$19 a month you simply keep it at the \$21 level.

2 Senator Dole: How often are payments going to be made?

3 I had outlined in the middle of page 2 the procedure for
4 how you actually decide how much you are including in the
5 checks for welfare recipients and food stamp recipients which
6 is basically you take the best information you have available
7 and then you keep those payments fixed during the course of the
8 year in the case of welfare recipients and use the remaining
9 money to distribute among food stamp families and then the
10 other suggestion was that if the formula would work out.

11 The second suggestion is that you make sure that the SSI
12 payments do not go down from one year to the next. If they
13 were to be \$21 a month one year and the formula under the next
14 year would otherwise reduce it to \$19 in a particular state,
15 you keep it at \$21 so that it does not go down.

16 Also if it turns out that in actual fact once you have
17 made your estimate and you make your payments you do not use up
18 the full amount -- let's say it was \$2 billion and you only use
19 \$1.95 billion or so, that that amount remain in the trust fund
20 for possible use for excess payments in future years, because
21 even though you might over-estimate one year the number of
22 welfare recipients for purpose of making your estimates, the
23 next year you may under-estimate it slightly.

24 So this would just assume that that extra funding would be
25 available in case you had under-estimated the next year.

1 Senator Ribicoff: Mr. Chairman, I am just curious. Are
2 there any basic issues to be decided the rest of the morning?

3 I have to leave in a few minutes. We have a very sparse
4 group of people here.

5 Mr. Stern: There are a few administrative issues that I
6 think are not controversial but --

7 Senator Ribicoff: On your list, but are there any other
8 basic issues to be decided today.

9 Mr. Stern: I think that there are other issues that
10 relate to the tax and you may want to come back this afternoon
11 or however you want to handle it.

12 Senator Packwood: Could I ask what the Chairman's
13 intention is?

14 Senator Moynihan: May I offer the suggestion to Senator
15 Ribicoff that there are staff proposals. They seem quite
16 reasonable.

17 Senator Ribicoff: I have no problem on these at all.
18 What Mr. Stern is reading from now, I have no problem. I am
19 just wondering. I know there are basic decisions that have to
20 be made.

21 Mr. Stern; Well, I think there are some issues that
22 relate to the windfall profits tax that have not been brought
23 up yet.

24 Senator Ribicoff: I think that Senator Dole has some
25 proposals, Senator Roth. I do not know whether you would --

1 Senator Roth: Mr. Chairman, I have a proposal that I
2 intend to offer.

3 Senator Ribicoff: Well, Mr. Chairman, if they are
4 important -- Senator Nelson is not here. We have one, two --

5 The Chairman: Let me just suggest that we have a
6 subsequent meeting. We are going to have to have a meeting
7 with regard to that tax credit schedule anyhow. I would think
8 that we would have got the low-income thing in shape so we can
9 leave that the way it is.

10 We will have to have another meeting with regard to the
11 tax, that is the matter that Senator Bentsen brought up. I
12 think we can probably agree to what Mr. Roth has to suggest,
13 but I do think the other members would like to know about it
14 and I think there is a matter or two Senator Dole would like to
15 have considered which we had agreed would be considered.

16 So I think we will meet in the morning. I would have
17 difficulty meeting this afternoon. I would think most others
18 would have to rearrange plans to do it.

19 When can we meet again?

20 Mr. Stern: You have meetings scheduled for tomorrow and
21 Friday, Mr. Chairman. They were scheduled for disability
22 insurance but you can move that back and continue on this
23 tomorrow morning.

24 The Chairman: All right. Tomorrow we will meet on this
25 rather than disability.

