

EXECUTIVE SESSION

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FRIDAY, SEPTEMBER 28, 1979

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

The Committee met, pursuant to notice, at 10:20 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (Chairman of the Committee) presiding.

Present: Senators Long, Talmadge, Nelson Bentsen, Matsunaga, Moynihan Boren, Bradley, Roth, Danforth, Chafee, Heinz and Durenberger.

The Chairman: This Committee will come to order.

The Secretary of Treasury has been so kind as to come and meet with us to discuss a very difficult problem, as raised by Senator Dole. I informed Senator Dole that we were going to discuss it with the Secretary of the Treasury. Senator Dole cannot be here this morning and the Secretary of the Treasury is going to have to take a trip overseas to carry out some of his responsibilities, so he cannot be here for a few days after today himself.

The problem has to do with regulations over in Treasury and also Treasury rulings.

Mr. Secretary, let me ask you some prepared questions I

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1 have here. I would be prepared to give it to you in writing.
2 Some concern has been given with regard to the Treasury's
3 proposed regulations with regard to the foreign tax credit.
4 As you know, these regulations are very controversial.

5 It would appear appropriate for you to be presently
6 involved in consideration of the regulations before they
7 become final. I would like to know whether you have had an
8 opportunity to review those regulations and to what extent do
9 you intend to become personally involved in them.

10 Secretary Miller: Mr. Chairman, I have looked at this
11 issue. You are correct. In the seven weeks I have been in
12 office, I have had an opportunity to discuss this subject with
13 a number of interested people and I have become convinced that
14 this is an area that deserves a process of highest level
15 review.

16 The principle^{al} objective that I see is to interpret and
17 apply the law in a way that does not disadvantage American
18 industry in its competitiveness around the world, yet is
19 consistent with the mandates that Congress has laid down.

20 It is my suggestion and proposal to you as a process,
21 that I did become personally involved and take the
22 responsibility to review the proposed regulation, take the
23 responsibility to review the comments, take the responsibility
24 to review the outcome of a hearing that is proposed and to
25 make an independent judgment of what I think would be the best

1 solution to accomplish the overall objective, and to do it in
2 that way.

3 I think that would be an orderly process in which we
4 would get, I believe, a fair and equitable result.

5 The Chairman: Mr. Secretary, I think that as far as this
6 committee is concerned, the overwhelming majority -- perhaps
7 even the unanimous majority -- would feel that, in view of the
8 experience that you have had prior to coming here, both in
9 complying with the American tax laws and in paying these taxes
10 and in claiming credits as an executive officer of an
11 international company that you ought to have a lot of
12 practical knowledge of the problem as well as knowledge of the
13 law by the time you make the decision and I think that they
14 would feel better if they thought that was going to be your
15 decision rather than the decision of one of your advisers.

16 They do not seek to deny your advice, but they would like
17 to feel that you would listen to the lawyers, both those
18 outside Treasury as well as those inside Treasury, and let
19 them make their case, and that would really be your decision,
20 what you honestly think as one who understands the problem
21 from actual live experience rather than one just making it as
22 sort of a rubber stamping what somebody brings to you.

23 Secretary Miller: I think we need all the technical
24 expertise we can ^{shall}~~marital~~ but in cases like this, I think the
25 Secretary has the responsibility to study it in depth and make

1 these decisions and to be practical.

2 One consequence of interpreting this kind of statute is
3 that we get a sort of Alice in Wonderland result sometimes
4 where we merely force a complicated process of redesigning
5 laws of foreign countries in order to accomplish what we could
6 have accomplished by being more practical in the first place.

7 I think that is the kind of approach that I hope I can
8 take and be realistic to the substantive objective we are all
9 seeking and not to be tied to a rational looks and form rather
10 than substance.

11 The Chairman: When we first discussed this matter, Mr.
12 Secretary, I thought, based on what you said -- and that is
13 what our conversation was -- that this would solve a very
14 difficult and perplexing problem, and some of my staff told me
15 that they did not think we had a meeting of the minds. That
16 gets me to a point at which I will now proceed.

17 There have been some rulings issued by the Treasury
18 Department in the last several years which deal with the
19 application of the foreign tax credit. Do you intend to
20 incorporate your review of those as well?

21 Secretary Miller: Oh, yes. I think one cannot come out
22 with a solution to this particular problem without addressing
23 the outstanding rulings and incorporating them into the
24 solution. I think that is essential. Otherwise, we have a
25 complication of overlapping determinations over various

1 periods of time.

2 One objective is to get certainty and greater simplicity
3 into the process and I do not think we do that unless we wrap
4 it all up.

5 The Chairman: During the period in which you reviewed
6 the foreign tax regulations and before they become final, what
7 is the Treasury Department's view as far as the status of the
8 law, and in the case of the foreign tax credit?

9 For example, will the IRS apply rules contained in these
10 rulings in the proposed regulations during the period, or will
11 it apply the law in this area the way it applied before these
12 rulings were issued?

13 In other words, would the IRS continue to treat a
14 credible tax, or as a credible tax, any tax that was treated
15 as a credible tax by the IRS as of January 1, 1976?

16 Secretary Miller: Mr. Chairman, I will confess that I
17 have not had a chance to review personally all of these
18 outstanding rulings and determinations. So far, all of the
19 tax years that are closed would go through 1978. We are now
20 in 1979 and that is not over yet.

21 My understanding is that the IRS will not challenge, and
22 will not dispute, the ~~credibility~~^{credibility} of those taxes over the
23 prior years. What we are trying to determine is what to do in
24 '79 and thereafter.

25 If the Committee is so willing, I will undertake to see

1 that this is resolve^d before the end of the year so that we
2 will not have any open periods over which there is confusion
3 or lack of certainty.

4 The Chairman: Now, it was suggested to me that in view
5 of all of the information that is being sent to your
6 Department suggesting various views on this subject that the
7 date of the hearing should be moved back because the time from
8 the time the views are in until the hearing is a short period.

9 If you should be requested by the Committee to extend the
10 time so that more information, at least there could be more
11 studies of all the different conflicting views, would you be
12 inclined to do that?

13 Mr. Miller: Mr. Chairman, the period for comment close
14 is the end of this month, which is Sunday, I guess, and the
15 original schedule was to hold a hearing on October 11th. The
16 purpose of that was to try to address this quickly.

17 From my personal point of view, I would be -- and I can
18 speak for Treasury -- we would be certainly ready, and there
19 would be no problem to defer that, if that would be desirable.
20 All I would ask is that we obtain everyone's cooperation so
21 that if we hold it later that there would be adequate time for
22 us to get a good decision before the end of the year. We
23 should not put it so late that we keep this thing open.

24 I think Congress -- you might want to be here when I
25 resolve it and not let it drift over into next year.

1 The Chairman: Right. Thank you very much, Mr.
2 Secretary.

3 Are there any questions, gentlemen?

4 Senator Danforth: Should we, Mr. Secretary, do anything
5 about a moratorium on the effective date of regulations or
6 rulings?

7 Secretary Miller: Senator Danforth, I do not think so.
8 I think we will be interpreting it in a way that is
9 detrimental to no one through the closed tax years. We will
10 make a decision before the end of this year.

11 I do not think a moratorium is indicated because I think
12 we will close up all the gaps in this process.

13 Senator Danforth: You do not think that it would have a
14 desirable effect for anybody just to sew it up?

15 Secretary Miller; I do not think that it would add to
16 the process. I do not have any strong feelings. I am
17 determined we have to get this resolved.

18 Senator Danforth: Just to clarify my understanding of
19 two points that I think you made, one that in your analysis of
20 it you will consider any possible effect it will have on
21 America's competitive position abroad?

22 Secretary Miller: Yes. I think there is no purpose in
23 going through a procedure which disadvantages American
24 companies at a time we need to capture all the oil resources
25 we can through our enterprises and our national interests and

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1 to do so in a way that merely forces a restructuring and
2 accomplishing the same purpose in the end at enormous cost and
3 loss of time and turmoil. So I really think we have to be
4 more practical in both keeping our companies on a competitive
5 equitable basis and cutting through some of the problems of
6 how we can be consistent with statute and yet be practical.

7 Senator Danforth: Sure.

8 The practicality, I think that what you are saying is
9 that it is possible for other countries to, in effect, comply
10 with any change in American laws simply by changing their laws
11 and we are back to square one after a multinational change in
12 tax laws.

13 Secretary Miller: It seems to me that it is not in our
14 interest to create a condition where we force a foreign nation
15 to change its laws to comply and in the process change nothing
16 substantively but end up creating a great deal of animosity
17 and wasting a great deal of time and resources where there are
18 other important issues we all should be facing.

19 Senator Danforth: Senator Dole is very interested in
20 this subject. He has some prepared questions. I am not sure
21 which ones he wants to submit, or does not want to submit, but
22 I wonder, Mr. Chairman, if he could, maybe on Monday, submit
23 whatever he wants for the record?

24 The Chairman: Surely. I have discussed this matter with
25 Senator Dole. Of course, he was not in a position to know

1 what the Secretary's answer would be, but frankly, Mr.
2 Secretary, I am encouraged to believe that Senator Dole will
3 be inclined to withhold his proposed amendment based on your
4 assurance that you will give this matter your personal
5 attention and you are going to give us an honest decision.

6 I would hope, Mr. Secretary, that before this thing is
7 resolved ---and one of the President's very talented advisers
8 down at the White House will not get in on the act and want
9 the President to call on you to urge you to decide this matter
10 the way some White House adviser thinks it should be decided.

11 I admire the President. I think he is a God-fearing man,
12 a sincere man, a man who has the public interest at heart. He
13 has all sorts of wonderful attributes, but I honestly think --
14 and I would be the last man on earth to tell him how to run a
15 peanut warehouse. I know he knows so much more about that
16 than I do, that he would make money where I would go broke,
17 for sure. But on the other hand, I think when it gets down to
18 knowing something about what the international problem is of
19 paying taxes to these foreign governments, you know more about
20 that than he does.

21 If he feels he ought to get involved in it, I hope you
22 would take it up with him directly and it would just be the
23 Secretary of the Treasury and the President to discuss the
24 matter rather than some White House aide trying to make a
25 decision for you.

1 Secretary Miller: Well, I appreciate that advice. I am
2 always open to receiving good advice and counsel. It is the
3 only kind I accept.

4 The Chairman: Thank you.

5 Are there any further questions, gentlemen?

6 Senator Bentsen: Only to say that I think you have dealt
7 with the concerns that I had and I am also very pleased to see
8 that the Secretary is going to take a personal interest in it.
9 I see no reason for the delay in the regulations with that
10 understanding that they will be expedited.

11 The Chairman: Thank you very much, Mr. Secretary.

12 Secretary Miller: Thank you, Mr. Chairman.

13 The Chairman: We appreciate very much your coming up
14 here. I hope your trip goes well.

15 Secretary Miller: Thank you.

16 It is not exactly a pleasure trip, to go over and
17 represent us at an International Monetary Fund Bank meeting,
18 but I will do my best to represent you.

19 The Chairman: Fine. I wanted to submit one point this
20 morning, a point of some distinction, without a difference,
21 but the way it proceeds makes a difference. We had an
22 agreement in the beginning that we were going to reconcile
23 with regard to the amounts in this bill and, in view of that,
24 that the tax credit aspects of it or the alternative sources
25 are a great deal more than the bill can stand at this point

1 and they will have to be reduced.

2 I have discussed this matter with Senator Packwood who
3 offered the amendment that has the heaviest impact and he
4 would be willing to go along with us. I would like to suggest
5 that we reconsider those amendments and that we ask the staff
6 to undertake to get us the best information that it can on
7 what the relative efficiency of each one of these tax
8 expenditures and producing more revenue and also some
9 alternative rates and perhaps more than one alternative
10 package showing how a proposed package to incorporate the
11 best and most effective points of these tax credits can be
12 fitted into this bill.

13 That would mean as of now they would not be in, but that
14 you would come back with a package that seeks to basically
15 bring to us a proposed reconciliation and then at that point,
16 we will vote to add it to the bill. It would just be like any
17 amendment to a bill. You can amend it. The point being that
18 we were going to have to do it anyhow, but technically it is a
19 part of the bill right now, and technically it reduces our
20 revenue more than we can afford.

21 Senator Packwood told me this morning over the telephone
22 that he has some ideas that he suggested how the impact of his
23 amendment can be drastically reduced and how that it can be
24 made more efficient and it can fit very well inside of this
25 bill and how it can be incorporated with the tax cuts that we

1 voted on the production end and bring out a bill that is a
2 very substantial revenue raiser. That was my impression from
3 the beginning and I would simply like to urge that we do that.

4 During the days we used to have closed door sessions, we
5 could well understand that that was what we were going to do.
6 I am dismayed to see that some perceive this that we have
7 finally decided some things that basically were tentative
8 decisions.

9 Yes?

10 Senator Chafee: Mr. Chairman, there is only one word
11 that I have on this and that is that it seems to me that we
12 are delegating to the staff to come up with a package which
13 will then be set forth and incorporated in the bill in lieu of
14 a whole series of other credits. What bothers me is, where
15 are our other options going to be if they come up and say that
16 this amounts to, say, \$30 billion of credits, or \$25 billion,
17 or whatever it is, that that is that, and that there may be
18 some trade-offs, but that for three here we would like to
19 insert three there.

20 The answer is we would have an opportunity on an insert
21 or substitution, realizing you have to keep within the total
22 parameter. Will they come up? The staff will come forward
23 with its package, but would they also have some of the things
24 that they have dropped out, that they have rejected, because
25 in their view, it does not save enough oil to make the credit

1 worthwhile.

2 But if we could have some of those also set forth so
3 that, for various reasons, we might want to make a substitute,
4 is that possible?

5 The Chairman: Sure.

6 What I am saying would completely envisage the point that
7 when they come back that they may say, pare down the Chafee
8 amendment, but you would say to that, wait a minute, I think
9 what I have proposed has more merit than the whole package. I
10 do not think that should be reduced at all. I think it should
11 be exactly as agreed to, and we might want to do precisely
12 that.

13 I am just talking about the kind of thing we have done so
14 many times.

15 Larry Woodworth used to do more of this than Bob Shapiro
16 does. Larry used to say, well, you might want to consider
17 doing that. You might want to consider this, this and this
18 and offer us four or five different alternatives and we might
19 not adopt any of them and we might adopt it to suit our own
20 views.

21 Senator Bradley?

22 Senator Bradley: Mr. Chairman, since the Packwood bill
23 addresses alternate energy sources and conservation in some
24 detail and at a sizable expenditure level, I would support
25 this idea of having staff facilitate the reconciliation, but I

1 would like for us to at least move my tax credit into that
2 reconciliation process by giving the approval to it that we
3 have given to the other tax credits that are simliar in
4 nature.

5 The Chairman: Is there objection? Hearing none, so
6 ordered.

7 Now, let us understand what we do here. We have agreed
8 to the Bradley amendment. Now, basically, we have agreed to
9 reconsider that they are not in the bill as of now. We are
10 going to vote on them when we bring back a package, and we
11 will modify the package on how we want to modify it.

12 The staff is going to bring to us after consulting with
13 the Senators who have offered these amendments and consulting
14 with the Treasury and the DOE to get their views that we want
15 a proposal as to how these various suggestions that have been
16 voted by this committee can be modified to stay within a
17 revenue range that will permit us to report a bill that will
18 gain substantial revenue.

19 Do you understand what I am talking about, Mr. Shapiro?

20 Mr. Shapiro: Yes, sir, Mr. Chairman. What we have
21 agreed to do is put a list together of all the items that you
22 have agreed to so far, what the full impact is, so the
23 Committee knows where the alternatives should be coming from
24 and prepare a series of alternatives, with alternatives there,
25 that you could make a determination as to your final package

1 in that regard.

2 Senator Danforth: Mr. Chairman?

3 The Chairman: Yes, sir.

4 Senator Danforth: May I ask, as of now, where are we
5 with respect to net windfall tax revenues and with respect to
6 various sorts of credits?

7 Mr. Shapiro: On the credits, you are in the range of
8 approximately \$98 billion over the period 1980 to 1990.

9 Senator Danforth: Is that both the production credits
10 and the conservation credits?

11 Mr. Shapiro: That includes production and conservation
12 credits. It does not include Senator Bradley's right now. It
13 is where you were with your decisions up to today.

14 The windfall tax that you would pick up, including the
15 decision you made yesterday on tertiary is approximately \$80
16 billion over that period.

17 Senator Danforth: Now, we are at about \$18 billion short
18 and we are still ---and then figuring into that whatever we
19 would do with respect to strippers, with respect to Alaskan
20 oil, with respect to any small producer exemption, and then on
21 the other side, anything that we would want to do with respect
22 to aid to the poor. This has zero dollars for aid to the
23 poor, correct?

24 Mr. Shapiro: As of now, that is correct.

25 Senator Danforth: Zero dollars for an energy security

1 fund.

2 Mr. Shapiro: Right.

3 Senator Danforth: Right.

4 Zero dollars for mass transit?

5 Mr. Shapiro: That is right.

6 The Chairman: We are going to, of course, consider some
7 of these other things, just general relief for th poor. We
8 want to consider that as well.

9 Without objection --

10 Senator Danforth: Is this going to have mass transit,
11 Mr. Chairman, and also the Energy Security Fund, are all of
12 these going to be in this.

13 The Chairman: We have a right to vote, I assume, on all
14 of this, do we not?

15 Mr. Shapiro: The Committee has the right to allocate
16 certain monies in a trust fund, or make available for those
17 purposes. However, this Committee does not have the
18 jurisdiction of what should be done for mass transit. But
19 that can be part of the money that is available for those
20 purposes.

21 The Chairman: Yes, sir?

22 Senator Bradley Mr. Chairman, I think it is important
23 that this Committee set a figure for mass transit and for
24 low-income assistance and that we figure this into the final
25 reconciliation at the same time that we deal with the tax

1 credits and the revenue that has been gained from the taxes
2 that we approve.

3 The Chairman: We will want to talk about that. We might
4 talk about that this morning, because we want to do some
5 things about that. What are talking about, we have disagreed
6 to the ones we originally agreed to. We have to consider
7 them, that they will be voted on subsequently and when they
8 were voted on, it is our plan to tailor a package that will
9 fit inside this bill and it will leave us enough revenue so
10 that we can do the kinds of things you are talking about.

11 All right.

12 Do you have a proposal here now? Does the Treasury, or
13 someone, have an amendment pending on this area of relief for
14 the poor, general low-income assistance relief for home
15 heating costs and other relief?

16 Senator Bentsen: Mr. Chairman, if I might interrupt
17 there, we have not totally resolved all parts of my amendment
18 on tertiary. We had one question still left -- that was the
19 question on the decline curve. It is a minor part of the bill
20 but it is important. The decline curve, before the initiation
21 -- Mr. Lubick had some things he wanted to say.

22 The Chairman: Let me make one point, and I do not think
23 this is going to interfere with what you want to do. Senator
24 Dole cannot be here for this morning's session. He asked me
25 that we not vote on any controversial part of the tax because

1 he wanted to be here ast that point.

2 But in so far as we can resolve --

3 Senator Bentsen: I wonder if we could make it subject to
4 the point -- whether Senator Dole thinks it is controversial
5 when he gets back?

6 The Chairman: That is fine.

7 Senator Bentsen: We may be able to work this thing out.

8 The Chairman: That is what I had in mind. Basically, I
9 believe what you have in mind, we could accomplish.

10 Yes, sir?

11 Mr. Lubick: I might describe the issue. The question
12 was how to distinguish that oil which is incremental tertiary
13 from that hwich which is normal production.

14 The way in which it was done in the House bill was to
15 provide mechanical decline rates, anything above that level of
16 production established by the decline rates would be
17 regarded as a contribution through incremental tertiary.

18 The House bill establishes a decline rate of 1 percent
19 with respect to periods before you actually get into the
20 incremental tertiary project. Once you move into the actual
21 exploitation by incremental tertiary methods it provides a 2.5
22 percent decline rate.

23 Now, the reason 1 percent was suggested was that if --
24 first of all, if the decline rate is too fast, you have a
25 decline rate of 1.5 percent. That gives everyone an incentive

1 to delay going into these projects because the lower you can
2 get the normal base by waiting, the more likely you are to get
3 the benefits of incremental tertiary once you start.

4 So that it seemed appropriate for that reason to use that
5 1 percent and then to quickly accelerate it, as we are all in
6 agreement --- both Senator Bentsen and we are in agreement --
7 that it should go to 2.5 percent. So we have given then a
8 very liberal decline rate once they start, but we think that
9 we ought to err on the cautious side, to make sure that they
10 get going on this stuff as soon as possible.

11 Further, we think the 1 percent rate is adequate because
12 in the incremental tertiary area, we are talking both about
13 Tier I and Tier II oil.

14 I am informed that the average of those two tiers is
15 really a rate of 5 percent a year, which is substantially under
16 5 percent. With respect to some of the older wells, 1 percent
17 is a little on the tight side. With respect to some of the
18 newer wells, 1 percent would have been on the liberal side,
19 but it is very important to encourage people to move into this
20 incremental tertiary type of project as quickly as possible.

21 Overall, the 1 percent is more than adequate.

22 The third thing is even if in those few wells where there
23 is a little bit of error on the 1 percent side, the fact that
24 we move rapidly up to 2.5 percent means that we are going to
25 get to more than a correct decline curve within a very short

1 time. We would think that it would be consistent with the
2 Committee's desire to expedite bringing incremental tertiary
3 production on line as quickly as possible to stick with the
4 House formula of 1 percent.

5 I do not know, Richard, if you have anything to add to
6 that.

7 Mr. Smith: No.

8 The Chairman: Do you agree with that, Senator Bentsen?

9 Senator Bentsen: No, not entirely. There are some
10 points that I think are valid that Don has made, but let me
11 make some points here.

12 Most of the places where you see tertiary recovery
13 applied will be in oil found before 1973, and very often that
14 will be in reservoirs where you have gone to the second stage
15 of water flood.

16 The idea that you are going to have a 1 percent or 1.5
17 percent decline does not necessarily apply to this kind of
18 production because you can get some precipitous drops.

19 We spoke yesterday about linear decline, or exponential
20 decline, but you get a situation where it really starts
21 downhill very fast.

22 In the last few months, there is no economic logic to
23 trying to hold it down, you see, in that period of time by,
24 say, not working over your rigs. You can have some serious
25 problems if you let the water pressures diminish and this

1 kind of a thing, do not keep up, you can lose your whole
2 reservoir, so there is a big gap in that, but trying to do
3 what Secretary Lubick is concerned about -- I would like to
4 meet him, I think, certainly at least halfway, and say, let's
5 do this, because what we are trying to do is take care of the
6 actual decline rate but yet give some assurance going in.

7 And if you let these deficiencies build up and compound
8 -- DOE recognized that -- the real disincentive going into
9 tertiary recovery.

10 Instead of my one-and-a-half that I proposed, I would
11 like to go ahead and accept the 1 percent that they are
12 proposing and the House does, unless the actual decline rate
13 is greater.

14 They will have to prove that if there actual decline rate
15 is greater, they get that decline rate. I do not know why
16 there should be an exception to that, frankly. That is what I
17 would like to propose.

18 The Chairman: Is that all right with you?

19 Senator Bentsen: I do not want you to think, Mr.
20 Secretary, that I am getting soft in the process.

21 Mr. Lubick: The one problem you see -- I take it you
22 mean accurate rather than historical decline?

23 Senator Bentsen: You would have to get to actual.

24 Mr. Lubick: We do not want to give any incentive to
25 people to hold production down to get it.

1 Senator Bentsen: That would be done from an economic
2 standpoint, and from a geological standpoint. Someone who
3 wants to look at that kind of thing, you would really get your
4 reservoir in trouble.

5 Mr. Lubick: The DOE says that would be dumb.

6 Senator Bentsen: I think we have a deal here.

7 The Chairman: If there is no objection -- without
8 objection, agreed.

9 I think that we have talked about the project
10 certification yesterday. Is there something else on here that
11 you would like to discuss, Mr. Lubick, that might not have
12 been discussed that you might want to raise, in addition to
13 that item.

14 Mr. Shapiro: There are some other items on the list that
15 Senator Bentsen had. They are not controversial, but they are
16 changes from the House bill so they probably should just be
17 indicated.

18 One is a project certification. The House bill has a
19 procedure whereby you either have a project certified by DOE
20 or a self-certification process. Senator Bentsen would also
21 like to allow a certification by a competent governmental
22 regulatory body.

23 Senator Bentsen: I thought we did that.

24 Mr. Shapiro: When you left yesterday, Senator Long
25 wanted the decision just to be an exemption for incremental

1 tertiary.

2 The Chairman: After we voted, or prior to the time we
3 voted, Mr. Lubick raised a matter about -- as you know, we
4 voted, and everybody rushed off to go to the Floor to vote.
5 Mr. Lubick raised a matter about the decline curve that you
6 have just discussed and agreed on, and the point was made that
7 some of these other items here that have not been discussed,
8 so I announced that we would discuss these items, and we can
9 do whatever we want to do about them like anything else.

10 As far as I am concerned, I have no objection to that. I
11 think we ought to discuss it so people would know that is
12 there.

13 Mr. Shapiro: There is no disagreement. Let me go ahead,
14 very quickly, into it. There is no controversy. Treasury,
15 DOE and our staff agrees on the matter.

16 It allows a competent regulatory governmental regulatory
17 body for project certification as certain changes in the
18 requirements for the criteria of the project certification.
19 There is also a beginning date on the project when the project
20 qualifies. The date of submission to the regulatory or the
21 self-certification process, or the date on which the gas or
22 liquid initially is ejected.

23 There is a procedure when you have certification and
24 revocation. There is also a rule that is more definitive when
25 you have a continuing qualification.

1 There is also a procedure on the IRS examinations on the
2 qualifications to any certification project, and also an
3 advanced determination with regard to the regulatory certified
4 projects that they be eligible for IRS advance determination
5 within 180 days of the application.

6 These are the other proposed modifications as to the
7 House provision changes in addition to the ones discussed this
8 morning.

9 The others have been agreed to by the Department, DOE,
10 Treasury and our staff.

11 The Chairman: Without objection, they are agreed to --
12 by the same vote, I assume?

13 I want it understood that those who voted, all of those
14 who voted for that Bentsen amendment, that is what we voted
15 for.

16 Senator Bentsen: I would just like to say, Mr. Chairman,
17 I read off that list pretty well yesterday.

18 The Chairman: Now, shall we talk about the general low
19 income assistance? Perhaps it would be good for us to get
20 into that.

21 Do we have a recommendation before us?

22 Mr. Shapiro: Senator Dole brought up one matter in that
23 regard, an in-kind tax matter in regard to tertiary
24 injunctions. We are waiting for a revenue estimate. There
25 was a question as to whether or not they get a deduction for

1 certain procedures used for incremental tertiary.

2 The question was raised as to what the companies are
3 actually doing, what the IRS procedure is. The companies have
4 been currently deducting expenses they make as we understand
5 it. Certainly, these incremental tertiary methods.

6 There is this one area where it is controversial where
7 all the intangible drilling expenses are deducted currently
8 and there was one aspect that a question was raised that the
9 IRS may have a position they are not allowed to deduct it.

10 A ruling was requested for the IRS to make a
11 determination. They refused to do so. Therefore, the company
12 that asked for it, withdrew it.

13 When Senator Dole brought it up yesterday, we said we
14 wanted to get more information on it, we have now done that.
15 We understand that the revenue involved is \$13 million in
16 1980, then it goes down to somewhere between \$6 million in
17 1984 and in the range of \$5 million to \$6 million for the rest
18 of the years in the 80s.

19 It is questionable right now what the IRS policy actually
20 is, but as we understand it, the companies are presently
21 deducting that today, that matter. The IRS may say that you
22 have to pay it, but as of now, they are not paying it. It is
23 consistent to allow that to be deducted, based on what is
24 being done for all the other.

25 The Chairman: I think I could hear you better, Mr.

1 Shapiro, if you did not talk directly into the mike. If you
2 put the mike down and talked over it, I think I could hear you
3 better, because the mike picks up some of your expletives
4 better than it does the rest of what you are saying. I can
5 understand you very well when you talk without a mike, but I
6 have some difficulty hearing you when you are talking into
7 that mike.

8 Why do you not put that mike down a little? Do not speak
9 so directly into it, more of a distance from it. Hold it
10 below you.

11 Now, let me see if I understand what you are talking
12 about. This is something that Senator Dole may want to --

13 Mr. Shapiro: Senator Dole brought it up yesterday and
14 the staff indicated we did not have all the information in
15 regard to that and we wanted to get some overnight in regard
16 to what the revenue effect is and what the current position
17 was with the IRS in that regard.

18 We understood that the revenue is \$13 million the first
19 year, because you are allowing a current deduction, whereas it
20 would otherwise be spread over several years. It would be the
21 expenses for using some of the injection methods for tertiary
22 recovery. The revenue in the middle 80's are anywhere from \$5
23 million to \$6 million.

24 The question is whether or not -- what is the present law
25 with regard to these special types of tertiary methods.

1 The Chairman: What he wanted to know was what the law is
2 in regard to this.

3 Mr. Shapiro: He wanted to make it clear that these
4 companies would be allowed to deduct currently rather than
5 capitalize the expenses for certain tertiary recovery methods.
6 We were not sure of the revenue effects or the present
7 treatment.

8 As a general matter, intangible drilling costs are
9 currently deductible, all of them are, with a few exceptions.
10 The exceptions depend on the cases where it has a longer run
11 effect rather than just the current year, but a longer run.

12 And therefore, in the case of that, you do not get a
13 current deduction on some of the tertiary recovery methods in
14 that regard.

15 As we understand it, the companies are presently taking
16 current deductions on those today.

17 Senator Dole would like to make it clear in the law that
18 they be permitted to do so. If the Internal Revenue Service
19 would audit these returns, a question would be raised whether
20 or not they would say that the company could not deduct
21 currently but rather would have to capitalize them, and
22 therefore, expense them over several years.

23 The Chairman: Do we have any real problem here, Mr.
24 Lubick?

25 Mr. Lubick: Most of the injectants, as I understand it,

1 really have a useful life of less than one year. There are
2 only some that have a useful life that is longer than one
3 year.

4 Theoretically, for income tax purposes, if they have a
5 usefl life for more than one year, they should be capitalized
6 and amortized over that period.

7 The period in any event of capitalization would not be a
8 very long one. That is why the revenue loss starts to go down
9 because you have to offset it against that the amortization
10 deductions that otherwise would have been allowable.

11 As a theoretical matter, I think that those expenses that
12 do have a useful life of more than one year should be
13 capitalized in these particular cases. You are talking about
14 expense, or expenditures, that would not have a very long
15 capitalization life in any event, so it is not the most
16 earth-shaking issue that has appeared before you.

17 The Chairman: Well --

18 Mr. Lubick: We do not see any reason to change the law.
19 The amounts involved are not large.

20 The Chairman: In other words, it seems that what we have
21 got here is someone is pumping some detergants down -- I do
22 not know what the name of them is, other to call them
23 detergants -- sometimes you only pump down carbon dioxide, the
24 same thing that comes out of that seltzer water bottle, carbon
25 dioxide, the stuff that makes the water come out the tube, the

1 stuff that makes coca cola fizz.

2 So that when you push that stuff down inside the well,
3 some of it is going to stay down there. Some of it will find
4 its way out along with the oil that you hope to wash out and
5 the problem is, I take it, that in some cases, Treasury would
6 like to make them capitalize that and amortize it over a
7 period of two to three years. Is that what we are talking
8 about?

9 Mr. Shapiro: The question has been raised in that
10 regard. In other words the companies are, as we understand
11 it, presently deducting those. The Internal Revenue Service
12 has issues from previous rulings, as we understand it, the
13 late 60's and early 70's that said the use of some of these
14 tertiary recovery methods should be capitalized because they
15 do not have a one-year effect, but an effect over several
16 years.

17 As we understand it, there is a question of what would
18 happen in audit. They are presently deducting it. IRS has
19 been asked to presently rule on it. They have declined to do
20 so. Some in the industry are concerned. They asked Senator
21 Dole to have an amendment to clarify it, to make it clear that
22 what they presently do is admissable so we would remove any
23 question of doubt if these returns were audited.

24 The Chairman: He is not offering the amendment right
25 now?

1 Mr. Shapiro: He offered it yesterday. The staff asked
2 us to bring it in, and he asked us to bring it up this
3 morning.

4 The Chairman: Does the Treasury object to it?

5 Mr. Lubick: As a matter of consistent income tax
6 principle, we would think the amendment is not proper. As I
7 indicated to you, the periods are, indeed short.

8 The Service has not actually, as I understand it, made up
9 its mind whether to disallow it or not. If you had something
10 that would have a two-year life in normal practice, does not
11 go in and force you to capitalize something and write it off
12 over two years, even though theoretically that is the right
13 result.

14 I am not at all sure where the Service would come out
15 where you had a relatively short life. The game just isn't
16 worth the candle to set up something and then recover it in
17 two years.

18 The Chairman: It seems to me the kind of thing the
19 Service is talking about doing there would sort of compare
20 with what happens when somebody puts something in these
21 bathroom facilities that keeps the bathroom clean,
22 and then the Treasury says, "Hell no, you can't deduct that.
23 It hasn't worn out yet."

24 So it seems to me that that is getting awfully picky to
25 take the view that if you pump a bunch of water and some

1 lestoil down inside the hole and the Treasury says, "Hell, you
2 are still getting some benefit out of the lestoil. You can't
3 deduct it this year. You've got to carry it over to next
4 year." It brings us all kinds of questions, who knows how
5 much lestoil is still down there and that kind of thing.

6 Mr. Lubick: It depends on the technology, Mr. Chairman.
7 Some of it may last four or five years and I think that is a
8 very different question from that which is going to last 15
9 months or 16 months.

10 And the service has has not really come down on this
11 issue.

12 We are reasoning from analagous rules which have been set
13 forth in other situations and that is a longstanding principle
14 of the income tax, that if an expenditure produces a benefit
15 over a period of time, it should offset the income which it
16 produces.

17 That is standard accounting and standard income tax
18 accounting as well.

19 I am not sure that a change is necessary. I think that
20 in most of these situations, the service would doubtless go
21 along and allow it to be expensed because, just for
22 convenience, you might as well write it off in one year.

23 The Chairman: Well, I do not like to have to vote fo
24 something where we have to take the burden of saying we lost
25 \$14 million for the Treasury -- and I do not like to be put in

1 the position of looking like we are overruling Treasury on
2 something where they might be right about it. It seems to me
3 as if you ought to be able to give us something that we could
4 all agree is a fair way to do it.

5 Mr. Lubick: Well, I think in the administration the
6 Service will do it fairly. The Service is right in requiring
7 capitalization of an expenditure that produces benefits over
8 several years. The Service, as a practical matter in
9 administration, is not going to force capitalization of
10 something that has a useful life of 18 months, even though
11 theoretically it should.

12 It just does not do that in practice. By the time the
13 return is audited they would have to adjust another year
14 because the useful life has expired.

15 So s a practical matter, the Service is just not going to
16 disallow those expenditures which perhaps go as long as two
17 years. But when you start getting into longer ones,
18 theoretically, to reflect income, the Service is absolutely
19 right. That is the position you have enacted in the
20 accounting provisions in the Code.

21 The Chairman: Is this an intangible we are talking about
22 here?

23 Mr. Shapiro. It is a tertiary, not an intangible.

24 Let us do this. There are some questions as to the
25 effect of this from an energy point of view with regards to

1 each well. I would like to review that and talk to
2 Treasury and let us bring it back to you, probably when
3 Senator Dole is here.

4 The Chairman: I wish you would.

5 Now, Senator Moynihan wanted to talk about this general
6 relief for the poor. Is he here?

7 Mr. Stern: Mr. Chairman, we have prepared a spread
8 sheet which will now be distributed.

9 Mr. Wilke, will you distribute the spread sheet, please?

10 We have also prepared a document which was sent out a few
11 days ago which simply shows you the various kinds of proposals
12 that have been made.

13 There are two basic kinds of proposals, the proposals
14 which are welfare-type proposals of giving additional
15 assistance to people and the kinds that are linked
16 specifically to heating oil or other fuels.

17 And of the various proposals on this spread sheet, they
18 split about half and half.

19 The administration's proposal is really related to a
20 welfare type approach of providing funds to low-income
21 households and the approaches of Senators Dirk, Heinz,
22 Ribicoff and part of Senator Moynihan's proposal, relate
23 specifically to credit for fuel.

24 Senator Moynihan's other part, and Senator Dole's and the
25 staff alternative, like the administration, relate to cash

1 grants.

2 The administration's proposal is to have a new welfare
3 type program of grants to states for funds to AFDC recipients
4 and others below 125 percent of the poverty line and through
5 the SSI system to make payments to aged, blind and disabled
6 people.

7 They also have a program of funding for emergency
8 situations which has basically been acted on through the Labor
9 and Human Resources Committee, it is my understanding.

10 The staff alternative is a considerably less expensive
11 alternative which would suggest an increase in earned income
12 credits and in AFDC and SSI, the existing programs, of roughly
13 \$60 a family.

14 The proposals of tax credits are related to heating oil
15 costs and they are credits related to the expenses and the
16 range up to certain maximums and phase-out, and they range in
17 cost from \$300 million to \$1.4 billion in fiscal year 1980.

18 Would you like a more detailed description of any of
19 these proposals? I have just tried to give sort of an
20 overview.

21 I might say in the Senate budget there is only \$500
22 million provided for assistance in energy costs to low-income
23 people; \$400 million of that was contemplated for the
24 emergency situation program which is already in law, which
25 would leave a net of \$100 million.

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1 With the staff alternative, we also have a proposal which
2 has nothing to do with energy, simply a proposal that would
3 save \$400 or \$500 million in fiscal year 1980 related to
4 interim payments under Medicare and Medicaid, as a way of
5 fitting within the budget in fiscal year 1980 itself. After
6 that, it would be a net cost.

7 So should you want to do something that costs \$400 or
8 \$500 million, this would cover you for the budget in fiscal
9 year 1980, if you want to do it, and we can go into that, too.

10 The Chairman: Well, frankly, we are going to have the
11 same fiscal problem, the same revenue problem, in this area, I
12 should think, that we are going to have in the other area, in
13 other word, in the area that we just got through talking about
14 for the tax credit.

15 For example, here we have these suggestions, and they
16 vary, on a fiscal year basis from \$1.2 billion down to --
17 well, here is one that could cost as much as \$1.8 billion
18 depending on the benefit formula.

19 Senator Moynihan: That's \$3.1 billion, Mr. Chairman.

20 The Chairman: The point is that it could be a great deal
21 of money, looking at the first fiscal year cost, fiscal 1980,
22 so it could be a very big cost, or it could be as little as
23 \$400 million.

24 But even if it is \$400 million the first year -- I am
25 trying to think in terms of the revenue to pay for it -- was

1 it the administration's idea that this should be paid for by
2 the revenue raised by the windfall tax, or by the net revenue
3 raised by it?

4 Mr. Stern: Yes, sir.

5 The difference is that in the Congressional Budget
6 process, expenditures are treated as a wholly separate
7 category from revenues, and even should you come up with
8 revenues to pay for something, if your expenditures exceed
9 what is contemplated in the budget, it is considered
10 completely separately, and therefore our suggestion was that
11 for fiscal year 1980, you consider a cost-saving amendment to,
12 so to speak, pay for, or to offset, the additional
13 expenditures in fiscal year 1980.

14 For future years, the revenues of the windfall profit
15 would take care of you and you would not have a Budget Act
16 problem.

17 The Chairman: Well, what cost-saving item do you have in
18 mind that might save you enough to pay for this?

19 Mr. Stern: The specific item is described on page 21
20 of this thicker document, the elimination of periodic interim
21 payment hospital reimbursement procedure.

22 This is a procedure under which Medicare pays hospitals
23 an interim payment on the basis of bills which state what
24 covered services have been furnished during the billing
25 period. There is about a six-week lag between the rendering

1 of the service and the receipt of the payment, but only about
2 two weeks of this is the time taken by the Medicare
3 intermediary in processing the bill.

4 If you were to eliminate this periodic interim payment,
5 you would have a one-time savings by making this effective
6 towards the end of this fiscal year, of shifting, in effect,
7 something like a half-billion dollars of cost from one fiscal
8 year into the other.

9 It is not a savings of Federal money, but it does shift
10 it from one fiscal year back and therefore would have the
11 effect of fiscal year 1980 expenditures by an estimated \$400
12 or \$500 million.

13 Senator Nelson: Mr. Chairman, I wonder if another point
14 ought not to be considered before we move to any of these
15 bills.

16 Mr. Secretary, the Human Resources Committee is in the
17 process of marking up the bill. Now, the authority and the
18 jurisdiction for the current programs that are in place for
19 delivery of emergency fuel assistance to the poor that have
20 been used for three years is under the Economic Opportunities
21 Act.

22 The Secretary has appeared before the Committee, and the
23 bill that is being worked on there is a proposal to be
24 effective for this winter. Patricia Harris has testified it
25 will not work. You cannot change the law, the rules,

1 delivery the money and make it effective this year. It is
2 impossible administratively.

3 She said that from the day the bill is signed and the
4 money is appropriated, it is 80 days to get that first dollar
5 out to that needy homeowner.

6 Now, under even a foolishly optimistic guess, this thing
7 ain't going to be passed both Houses, conferences, signed by
8 the President, appropriations made, by November 1st. There is
9 no way in the world that can be done. We will not finish this
10 bill out on the Floor for at least two weeks from now.

11 So what you are talking about is marking up a bill in
12 which you are going to deliver fuel assistance to the poor on
13 January 20th. Well, you will not need to bother in Minnesota
14 and Wisconsin and the northern tier. Those poor people are
15 not going to be alive on January 20th if you are going to rely
16 upon the government for assistance for fuel.

17 So I think that Patricia Harris made the point that it is
18 just an exercise in futility to try to change the law this
19 year when we have a mechanism in place. What she asked for is
20 \$1.2 billion -- I am addressing just the poor. There is no
21 question but that, if you wanted to go beyond the poor, you
22 could deal with tax credits effectively in legislation this
23 year because they will be filing tax returns on April 15th. I
24 am talking only about the poor.

25 Her argument is, we have got a mechanism in place, the

1 states have been using it. They have been receiving this kind
2 of assistance for three years now. We had testimony from
3 community services administrators yesterday from Maine and
4 elsewhere representing the national organizations saying for
5 this year, stick with the present law. There is no way to get
6 it out there by changing the law.

7 So it seems to me we are making a mistake trying to
8 address at least the question of delivery of service to the
9 poor in any legislation for this winter.

10 Now, I do not know how you reconcile what the Human
11 Resources and this Committee does in respecting the poor,
12 because, as I say, the jurisdiction and the current law and
13 the current delivery of assistance to the poor of fuel for,
14 since 1974, was under an amendment to the Economic Opportunity
15 Act which was drafted by my staff and authored by me and four
16 or five other members of the Committee and has been in place
17 for going on to six years.

18 The Chairman: Well, I have seen cases at the state level
19 where we could move that fast, Senator. I recall one time
20 when we said we were going to increase these welfare payments
21 to those aged people and in that first session of the
22 legislature, they got it done in the first 30 days and took a
23 picture of all the legislators standing beside the mail sacks
24 to mail the checks out. So it can be done.

25 Senator Heinz?

1 Senator Heinz: Thank you, Mr. Chairman.

2 Basically, Mr. Chairman, I think Senator Nelson has made
3 a very telling point, which is to say, almost all the
4 conventional means of providing relief to poor people against
5 their energy bills or against inflation will not arrive until
6 after considerable damage has been done.

7 Even in the case of a tax credit on their income tax
8 form, April 15th is long after the worst of the heating bills
9 have arrived.

10 But I think there is a fundamental decision that we ought
11 to make, and that is do we want to have a program that is
12 simply an increase in assistance to poor people or do we want
13 to have a program that targets in on the increases in energy
14 costs, in fuel costs, in heating costs to poor people?

15 It is a fundamental decision. It is both a question of
16 policy and politics.

17 Senator Nelson: I did not understand. Do we want what
18 or what?

19 Senator Heinz: There is --

20 Senator Nelson: I thought all of these addressed just
21 the energy question.

22 Senator Heinz: Well, there is a policy question and what
23 you decide on makes a great deal of difference in where you
24 come out and the kind of program that you tailor.

25 The President's program, for example, which is cash

1 grants to low-income households, is not related, in any way,
2 shape or form, to energy. It is a cash grant. And if you are
3 in Phoenix or in Penobscot, Maine, you participate in the
4 program irrespective of whether you pay any heating bills or
5 not.

6 Senator Nelson: I see the point you are raising. There
7 were states last year that did not receive a single penny, nor
8 even applied for any money, for emergency energy intervention.
9 Florida, for example, did not apply.

10 After all, living in your state, or mine, or any in the
11 northern tier, when you are talking about assistance for
12 energy, because the bills are going to be \$1,200 and in
13 Florida they might be \$100, obviously the problem is different
14 in the two places and should be addressed by the formula and I
15 have a very good formula that addresses it, and there are
16 others who do, too.

17 Senator Bentsen: Let me address that point, for a
18 minute, Mr. Chairman. Let me respond to that, if I may,
19 because what you are saying is something that really gives a
20 distortion to the cost of energy.

21 I am concerned about the poor in all parts of this
22 country, not just the northeast, but also in the southwest,
23 and when you say it makes such a great difference whether you
24 are living in Phoenix, I would also say Hawaii, or the
25 northeast. You see, the cost of energy has gone up to all of

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1 the poor around the country, and let me cite you the figures.
2 People always talk about heating oil. Let's also talk
3 about natural gas and what has happened there in the
4 escalation in the cost. This is not rhetoric; let me give you
5 numbers.

6 Senator Heinz: I am not --

7 Senator Bentsen: The Consumer Price Index -- I will be
8 through in just a minute.

9 Senator Heinz: It is my time and I want to point
10 something out to me so that you do not draw a false --

11 Senator Bentsen: I would like to answer that particular
12 point and then --

13 Senator Heinz: I do not yield. You do not understand.
14 I am not yielding to you.

15 The Chairman: The gentleman has the floor and he is
16 entitled to have his say. I will call Senator Moynihan, who
17 had his hand up, and then I will call you, Senator Bentsen.

18 Senator Heinz: I am in the midst of trying to say
19 something, Lloyd and I do not yield to you. It is my time.

20 Senator Bentsen: If you do not want it answered, go
21 ahead.

22 Senator Heinz: I would like to finish what I stated out
23 to say.

24 There is a decision that we have to make as to whether we
25 want to address the cost of energy or general relief to poor

1 people. The cost of energy is not -- I say to my good friend
2 from Texas ---the rate. It is the total bill that people have
3 to pay.

4 The proposal advanced by the administration is not
5 sensitive to the total amount that people have to pay. There
6 are differences in the total amount that people pay in Maine,
7 for energy, versus the total amount that people pay in
8 Phoenix, or even in my good friend from Hawaii's state,
9 because of the nature of climate.

10 I suggest that the Committee should have an approach,
11 number one, that is tailored towards relief for total energy
12 costs, but that is the decision for the Committee to make.

13 The second point I would make is that it should be
14 effective in reaching people just as quickly as possible
15 this winter. Senator Nelson has correctly stated that the
16 cash grants cannot be cranked up very quickly.

17 In many states, the crisis intervention program was an
18 extremely unfair program because you had to miss payments on
19 energy bills, and that took 30 to 60 days and a lot of people
20 did not want to participate --

21 Senator Nelson: That is something you could legitimately
22 and easily eliminate in this legislation, and it should be,
23 and I think it is eliminated in most proposals that I have
24 seen, and the administration supports that.

25 Senator Heinz. That is I do not mean particularly to

1 be self-serving, but of all the proposals here, the only one
2 that I am confident can work effectively in reducing that
3 overall cost of energy to poor people is the approach taken in
4 1633, as revised, which actually reduces the fuel bills by
5 cutting the rate of those fuel bills 25 percent with a
6 pass-through tax credit.

7 But if there is another means of doing that, of getting
8 the relief up front, I would like to hear it. That is the
9 second principle: getting that relief to them as quickly as
10 possible.

11 Finally, I think we want a program that is efficient and
12 does recognize the difference in energy cost by area -- I mean
13 total aggregate cost, not rate. I am not sure that every
14 single proposal that we have does that. I am sure that the
15 pass-through tax credit, which goes to the suppliers of
16 heating energy, would do so.

17 I am also convinced, finally, that we need a program that
18 is efficient, that it does not create a new bureaucracy, that
19 it does not require lots of new forms and lots of new tax
20 forms and I would suggest to you that my proposal meets that
21 test.

22 Thank you. Now I would be very happy to yield to my good
23 friend from Texas.

24 Senator Bentsen: I will speak on my own time, if I
25 might.

1 The Chairman: Hold on just a minute. Let's let each one
2 have his say as we go along, because that way they can get in.

3 I have Senator Moynihan, Senator Bentsen, Senator
4 Durenberger, if you would just take them in turn.

5 Senator Moynihan?

6 Senator Moynihan: Thank you, Mr. Chairman. I think this
7 is a good time to get this started.

8 I think that Senator Nelson, and then Senator Heinz, have
9 put the question properly, and let me offer two thoughts.

10 First, on the question of this winter, I do not see any
11 alternative to the kind of direct aid that Senator Nelson is
12 talking about. I doubt very much that we can put anything
13 else in place.

14 But on the other hand, as an arrangement for the period
15 of the coming decade, which is what we try to legislate for,
16 it makes a convenient unit -- I think we have to have a
17 program which will be guaranteed by the revenues of the taxes
18 we are imposing, that we will not have this subject to
19 appropriations and authorizations in the way that we have seen
20 how erratic that can be. There is no guarantee to anybody for
21 the next twelve months.

22 We are going to put these taxes on for a decade, we
23 should put the compensations on. That would be my first
24 point.

25 My second point -- and here, Senator Heinz and I might

1 not agree -- but I do not see this as just a question of low
2 income. For instance, persons on welfare or SSI or even at
3 that level eligible for earned income tax -- I see the
4 legislative task here as one of sharing the burden of OPEC
5 among producers and consumers in this country. Taking some
6 measure of the extra profits away, returning some measure of
7 the extra domestic costs.

8 Charlie Schultze, when he first talked about the
9 administration's program to us describing the continuation of
10 the tax after the period of decontrol as the OPEC rip-off tax,
11 and there is simply an element of truth there. As a nation,
12 we are going through this period which we are not capable of
13 preventing in the international market, so it makes for an
14 equitable sharing of the burden, and therefore the proposal I
15 have made would be for effectively most households. It would
16 go up to \$30,000 of income, which is about one and
17 three-quarters of the median income.

18 I put the point one, that we ought to make a permanent
19 arrangement out of credits and exemptions we can guarantee in
20 this committee.

21 And two, that our concerns should spread across the
22 income brackets and not that we confine it to persons in very
23 low income levels.

24 The Chairman: Senator Bentsen?

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

1 The point I am trying to make is that I am concerned
2 about the poor, wherever they are, whether they are in the
3 northeast, the north, the midwest or the south. And there is
4 a tendency to think just because the depth to the thermometer
5 in the winter in the north, that the utility bills are that
6 much higher in the north.

7 But actually, what has happened according to the Consumer
8 Price Index, is in the period from July, 1969 to July, 1979,
9 No. 2 fuel oil prices have increased 407 percent. Now, during
10 that same period, natural gas prices have increased 383
11 percent -- almost identical.

12 The CPI also compares an index of retail prices for fuels
13 and utilities and that index shows that fuels in the Twin
14 Cities area, which cost \$100 in April, 1978, now cost \$242.
15 \$100 as opposed to \$242.

16 That same combination of fuels cost \$217 in the
17 Pittsburgh area -- \$100 to \$217. But in Houston, the same
18 fuels mix cost \$271. Now, this is not a fuel mix Lloyd
19 Bentsen put together. This is the CPI.

20 That is their index of retail prices.

21 So when we talk about energy assistance, we are not
22 simply talking about heating. There are other energy uses,
23 whether we are talking about lighting or refrigeration or food
24 preparation or water heating, small appliances or cooling.
25 All are problems for the cool, are heating costs are.

1 I agree very much with Senator Nelson and Senator Heinz
2 and Senator Moynihan that we are going to have to find some
3 mechanism in being to try to expedite this or we are going to
4 be too late to be of any help this winter and I would seek
5 that, too.

6 I do think that we have a list of beneficiaries available
7 now with the AFDC and SSI roles that can be used for the
8 funding formula. I think the staff has done a great deal of
9 work on this and has made a major contribution in what they
10 are proposing.

11 The point I am getting to again, the costs of energy
12 affect the folks I represent just as they affect the folks
13 that each of you represents, and I am not sure that there is
14 that kind of disparity around the country. I think it is
15 shared by all of us.

16 Senator Nelson: Since I originally --

17 The Chairman: Let's let Senator Durenberger have his say
18 and then we will come to you.

19 Senator Nelson: He is responding to something I said,
20 may I have just 60 seconds?

21 Senator Durenberger: I yield 60 seconds.

22 Senator Nelson: I agree with what Senator Bentsen says.
23 What you do is take the total energy costs to the poor. You
24 can have poor people with a \$9,000 income in two different
25 places and the cost of living is the same and one of them pays

1 \$1,500 a year for energy and the other one pays \$1,000 for
2 energy and one of them is \$500 better off than the other.

3 We have looked at them, and you will find those
4 disparities all over, including significant disparities
5 between southern California and norther California, and you
6 will find that the energy consumption is higher in the
7 northern tier states because they use more.

8 But I think it is fair to say that you treat poor people
9 the same and you use all energy consumption and you address
10 that question and then you can use your numbers and come out
11 and treat everybody equal.

12 Senator Durenberger: Thank you, Mr. Chairman.

13 If you wonder why I am wearing my all-wool lined sports
14 coat today, I am headed back for one of those northern states.

15 I wanted to share with you much of what we have already
16 heard here, and I think John Heinz's question is a very good
17 one, and it is crucial to the consideration of income
18 assistance.

19 But for starters, I think the approach is to recognize as
20 several of the Senators have poined out that while we may levy
21 the OPEC rip-off tax on oil producers, the people who are
22 paying the tax are the people that we are sitting here trying
23 to provide some assistance to.

24 So that the question becomes how best to help them help
25 us solve the energy problem.

1 population, 35 percent of the allotted sums on the basis of
2 relative aggregate residential energy expenditures in each
3 state and 30 percent on an income standard that I would like
4 the opportunity to go into with the committee.

5 The Chairman: Thank you, Senator.

6 I think we have more or less covered the general things
7 -- Senator Moynihan?

8 Senator Moynihan: I would just like to note that Senator
9 Durenberger suggested a \$20,000 limit. I have a higher one,
10 but the principle is the same and the number is, obviously,
11 negotiable. I think there is some sentiment in the committee
12 that this just should be in the way of a general sharing of
13 this particular problem, that a burden has come along in a
14 very explicit way and we are trying to devise a general
15 response to it.

16 Senator Bradley: I would like to respond to that by
17 saying that maybe a way out of it instead of looking at a
18 specific number nationwide is applying the median income in a
19 particular state and working from that median income.

20 The Chairman: Senator Danforth, Senator Chafee, Senator
21 Matsunaga.

22 Senator Danforth: Mr. Chairman, it seems to me that
23 there are three basic problems that have to be addressed.

24 The first question was addressed very clearly by Senator
25 Heinz and has to do with the form in which any assistance

1 comes. Is that assistance which is of a general cash nature
2 or is it assistance such as, for example, energy stamps or
3 subsidies that come by way of the utilities for fuel use
4 itself.

5 The second question is the amount of money that is going
6 to be distributed. The administration asks for \$24 billion
7 over a ten-year period of time. Does that amount to too much
8 or too little? That is the second big question.

9 The third big question, it seems to me, is to whom does
10 this go? Does this just to poor people or does it go, as
11 Senator Moynihan has proposed, beyond poor people to people
12 who are middle-income, or even upper middle-income.

13 Now, my view on those questions are as follows. With
14 respect to form, I think it should be a simple cash grant. I
15 think it should be a cash grant for exactly the same reason
16 stated by Senator Durenberger.

17 If what you are doing is subsidizing the use of energy,
18 in effect, it seems to me to be counterproductive. Secondly,
19 it seems to be a bit patronizing to provide help for one form
20 of use only and also I think it seems to be a little bit
21 complex.

22 I would think that if time is of the essence, you could
23 use existing programs and simply increase cash payments on the
24 basis of where poor people are located and not the basis of
25 degree days.

1 Secondly, with respect to the total amount, the
2 administration has asked for \$24 billion over an eleven-year
3 period of time. It is my understanding that under the
4 administration's own figures, over the next three years,
5 low-income people ---that is, people whose incomes are 125
6 percent of the poverty level or lower -- are going to
7 experience increases in their fuel bills of an aggregate of
8 \$10 billion, just for that class of people, and we are talking
9 here about ten- or eleven-year program.

10 So I do not see how you can take care of even the
11 low-income people on \$24 billion over this ten- or eleven-year
12 period of time.

13 I think that the amount is going to come out, if we are
14 going to do it fairly, at substantially more than that.

15 I do not want to be a practitioner of the politics of
16 joy. I think that some other parts of the President's program
17 should be reduced. But I think that one thing we should do is
18 take care of the poor.

19 Thirdly, with respect to whom we distribute this. Sure,
20 I would like to give money to everybody. I would like to dump
21 it out of airplanes. But it seems to me that if you are
22 dealing with a limited number of dollaars, and even if we were
23 to go from, say, \$24 billion to say, \$35 billion, you would
24 still not be taking care of all increased energy bills of
25 people who are poor.

1 I just do not believe we can fritter away a substantial
2 portion of the money which should be made available for taking
3 care of those who are in need of distributing more broadly.

4 I would like to do it, but I just do not think we can do
5 everything for everybody.

6 So, in summation, my view is the form should be a cash
7 grant probably made to food stamp recipients, that the amount
8 of it should be somewhat more than the \$24 billion, probably
9 in the neighborhood of somewhere around \$35 billion, and that
10 the distribution should be limited to the people who are truly
11 low-income.

12 The Chairman: Mr. Chafee?

13 Senator Chafee: Mr. Chairman, it seems to me that, to
14 some degree, we are losing sight of why we are here. We are
15 here because oil has been decontrolled and thus the price of
16 oil has been decreased to the people substantially and thus we
17 set out to remedy that increase.

18 Now, it has been suggested that everybody has suffered
19 increases in the various fuels. Senator Bentsen talked about
20 the people in his section of the country. Now, that is true.

21 One point I think it is important to make is that fuel,
22 heating fuel, for residents of his area is a far smaller
23 percentage of the total expenditures of a family there when it
24 is in the colder sections of the country.

25

1 And so when you get a 200 percent or 300 percent increase
2 in the fuel costs for a family there, it is a 200 percent or
3 300 percent increase in a far smaller amount.

4 Furthermore, we tried, in the natural gas legislation
5 last year, to restrict the incremental increases in the price
6 of gas to businesses, not to residents. Now, I do not know
7 how that worked out. But it seems to me that we are working
8 eventually here with a rather -- we are not going to have all
9 the money that we wish, as Senator Danforth has pointed out,
10 and we should, it seems to me be taking care of those who are
11 suffering the increases as a result of the decontrol of the
12 price of oil, namely those who are burning oil.

13 Now, you can say it is parochial. I have voted for
14 plenty of things around here that have nothing to do with New
15 England and certainly all oil burners are not in New England,
16 but if we want to take care of a broad aid to the poor who
17 have heating problems all over the nation, it seems to me that
18 that is an entirely different subject than we are gathered
19 here for. It is something that should be before the Human
20 Resources Committee where they handle problems of that nature.

21 Also, I think we are getting into something quite
22 substantial if we set out to help people all over the country.

23

24

25

1 Then we are getting into a permanent program, a permanent
2 assistance program, and do we want that forever?

3 The Chairman: Senator Heinz?

4 Senator Heinz: Thank you, Mr. Chairman.

5 I think this is a very interesting debate, because we are
6 dealing with some very fundamental questions. I would like to
7 touch on the issue of conservation, because I think it may
8 help us come to a clearer decision on how we want to go.

9 It seems to me to be, in the first instance, inconsistent
10 with principles of common sense that you would achieve more
11 conservation by giving, let's say, tax credits for fuel costs
12 to middle-income people who presumably use a considerable
13 amount more energy per capita than poor people.

14 Hence, I would caution my colleagues about jumping on any
15 tax credit bandwagon if they are doing so in the spirit of
16 conservation. It is a price subsidy only delayed after the
17 fact.

18 Secondly -- and I guess this is the real issue -- is what
19 do we really want to accomplish, particularly if you accept
20 Jack Danforth's rationale that there is not enough money to go
21 around to everybody and we have to concentrate it on those who
22 are in the most desperate circumstances -- and I accept that
23 rationale. How can we be most helpful to those poor people?

24 Now, first of all, we have to ask this of ourselves, does
25 anybody really believe that somebody eligible for food stamps

1 or SSI has many conservation options, with the price of
2 heating oil, to take just one commodity, at 55 cents or 90
3 cents, as it will probably be this winter?

4 The homes of the poor people I go into in my state have
5 the lights turned down low to begin with. They have 10 and 20
6 watt bulbs already installed, and I come from a relatively
7 electricity inexpensive state. We burn a lot of coal that is
8 mined in our state. We send some of it to New York and New
9 Jersey, happily

10 Certainly there are home improvements that poor people
11 could make if we had Senator Bradley's energy proposal in
12 effect, to insulate their roofs, insulate their homes, put in
13 more fuel-efficient burners in their furnaces and the like,
14 but they do not have the money to do that now. So I really
15 raise my serious doubts that whether heating oil is delivered
16 at 85 cents a gallon or if you cut 25 percent off, 65 cents a
17 gallon to poor people, that there is any difference at all
18 that we may effectively expect in their conservation pattern.

19 Now, that, I hope, is an argument for cutting the cost of
20 energy to poor people up front. But let us turn to the
21 question of the cash grant and let me express my reservations
22 about it.

23 I am not sure how the cash grant that is so popular here
24 is necessarily different from the President's famous \$50 tax
25 rebate to everybody. Now, maybe there is a way to distribute

1 it, cut it up into twelve, equal annual payments and stick it
2 into their income stream, but I have a hunch that if you
3 simply deliver a check for \$100 bucks, or a \$50 check, or
4 whatever the amount comes out to be, that that is going to go
5 very quickly into what the economists might call incremental
6 consumption. The cash arrives, and you spend it.

7 Now, I know I run the risk of being patronizing when I
8 say this, but I am not sure that is the best way to do poor
9 people a favor.

10 Thank you, Mr. Chairman.

11 The Chairman: Yes, sir.

12 Senator Matsunaga?

13 Senator Matsunaga: I think, as Senator Chafee has
14 indicated, and Senator Nelson has indicated, we must not lose
15 sight of what we are trying to do with this section of the
16 bill. We took it for granted that because of decontrol the
17 price of energy is going to jump up. The ones who will suffer
18 most are the poor, and this part of the bill, as I understand
19 it, is to get to the poor, and to get to the poor, we have got
20 to devise ways and means of getting to them the fastest with
21 the mostest, and I would like to get the views of the
22 administration -- of course, they have to support their
23 administration proposal, I take it, but there may be other
24 proposals here which may even be better in getting the fastest
25 with the mostest to the poor, and I am somewhat pleased at

1 some of these proposals and looking at the thought that went
2 behind all of these proposals.

3 The Chairman: Let me ask the Senator from Hawaii this
4 question to help me with my thinking. Does the Senator feel
5 that Hawaii should be in on this program to provide some help
6 to the poor because of increased energy costs, or that Hawaii
7 should be left out?

8 Senator Matsunaga: Well --

9 The Chairman: You have some lovely weather out there.

10 Senator Matsunaga: The greatness of this nation is
11 equality under the law, and I might point out to the Chairman
12 that because of the rapidly escalating cost of fuel in Hawaii
13 -- in electricity, for example, the cost was \$265 per
14 household average in 1974 and it has jumped up to \$463 in 1979
15 and gas from \$36 to \$69 and gasoline ---that is, for
16 transportation, \$694 in '74 to \$1084 in 1979.

17 And the national average, as determined by the Department
18 of Energy estimates, is about 4.7 percent of income ---that is,
19 for the average American family nationally. In Hawaii, it is
20 5.17 percent of the income, which means that we are paying
21 much more for energy out of the average income than the
22 national average.

23 It is understandable, because the cost of transportation,
24 et cetera, is involved in getting energy to Hawaii.

25 The Chairman: Well, my thought is if we are trying to

1 help the poor, even with what we are doing now, people are not
2 going to freeze to death. They are going to be uncomfortable,
3 and I think it is worth considering the fact that even in the
4 southern states, we have problems. It is not nearly so cold
5 in the wintertime, but the houses are not near as well
6 insulated because of that very fact, and people really swelter
7 in that hot summer heat.

8 So to try to say well, people in the southern part of the
9 country ought to be left out, that is hard to sell to
10 constituencies in the southern states. Does the Senator from
11 Hawaii have that same problem?

12 Senator Matsunaga: If I may respond to the Chairman,
13 definitely, while the people in Hawaii may not freeze to
14 death, because of the escalating increase in energy, they may
15 starve to death because of the less money they have for food.
16 And dying from freezing may be not as bad as dying from
17 starving. You do not feel so bad. I do not know which is

18 worse.

19 The Chairman: Well, now, does someone over here from the
20 administration want to offer a suggestion, having heard this
21 discussion, as to the approach they think we ought to take?

22 Ms. Amidei: Yes, Senator Long.

23 I think the discussion has been very helpful to us as
24 well, because I think, in a variety of ways, what we have
25 offered responds to a number of the comments that have been

1 made.

2 We are suggesting a two-part program. One part of that
3 would be block grants to the states to help the states
4 themselves to meet a variety of emergency or life- or
5 health-threatening crises that might arise, and those grants
6 would be available to anybody under 125 percent of the poverty
7 line, so they would be available to people who are not just
8 welfare recipients and could also be in the form of vendor
9 payments to suppliers, a number of the other things that
10 people have mentioned around the table.

11 The second piece of it, which we also believe -- oh,
12 excuse me. That first piece is in place, has been, as Senator
13 Nelson has pointed out, already in operation for a number of
14 years, can be augmented this year and can make help available
15 immediately.

16 The second piece also builds on existing programs, would
17 not require a new administrative mechanism. We would be able
18 to get checks out by January and February to our elderly SSI
19 recipients, handicapped recipients and AFDC families, and that
20 second piece is cash grants that vary by state, according to
21 the climate, so that we can take into account some of the
22 things that Mr. Heinz, I think, was concerned about as well as
23 population in the state. Those grants could be made available
24 to people to meet a variety of kinds of energy-related needs.
25 They will have indirect energy costs. They may have energy

1 costs related to more than one source of energy, which is one
2 of the reasons that we thought cash grants directly to the
3 individuals would be helpful, and they would be made available
4 directly to those individuals.

5 I have a couple of people with me from the administration
6 who could help answer any questions that people might have.

7 The Chairman: It seems to me that we could begin to
8 narrow this question by making one decision first, and as much
9 as I would like, to try to help people in the middle-income
10 range, I am convinced that this energy problem is going to be
11 with us for a long time. It is not going to go away in just a
12 year or two. It is going to take time to work our way out of
13 it, and we do not have, in this bill, in my judgment, the
14 money to take care of the middle-income people. We just do
15 not have it. And if you do not have it to work with, then you
16 just cannot do it.

17 Now, we have found ourselves in the trap that we have
18 removed ourselves from at the beginning of this session of
19 doing more with the tax credits for energy conservation than
20 we could afford at this point, so at least we are back on a
21 fiscally sound basis, and I think we would make a mistake to
22 go back off that end again.

23 I would, therefore, just put the question to the
24 committee, just for starters, can we go beyond helping the
25 poor or the very near-poor, and it seems to me -- I know what

1 my view on that has to be -- that we do not have that much
2 money.

3 While I would like very much to go along with what
4 Senator Moynihan said, I do not see, unless and until we had
5 the money, I cannot vote for it. In other words, if we had
6 that much dough, yes, I could go along with that.

7 Senator Bradley: Mr. Chairman, I think that that brings
8 us back to trying to precisely identify what is the problem
9 and the fact is we are not trying to give assistance to those
10 areas of the country who have decided over a period of ten
11 years that they would invest heavily in nuclear energy, thereby
12 pushing up their electricity rates; nor are we trying to
13 provide aid to those parts of the country who have had price
14 increases because of dependence on gas as a result of the
15 activities of the Congress in the last two or three years.

16 And I would suggest that the figures that Senator Bentsen
17 quoted, I am sure did not include the recent 60 percent
18 increase in OPEC oil.

19 We are looking prospectively at increases in oil costs,
20 which is what this bill deals with, and unfortunately, I think
21 it does come down to those areas of the country which do use a
22 greater percent of oil for their heating and energy needs than
23 other areas of the country.

24 And I think --

25 Senator Moynihan: I wonder if I could ask the Senator if

1 he has noticed that when we have been discussing cutting the
2 windfall profits tax as proposed, the geographical
3 composition of our attendances has been different from those
4 times when we are discussing providing some compensation for
5 the people who are going to have to pay higher prices.

6 I looked about me, and to my great surprise, a committee
7 well-known for its expertise in oil and gas exploration, if we
8 had to ask about tertiary oil, may I ask the Senator, could we
9 get an authoritative answer from his committee right now?
10 They all seem to have disappeared.

11 Senator Bradley: Well, we have tried in New Jersey, but
12 we have not hit it yet.

13 The Chairman: Well, while we are on the subject, I wish
14 you would note the Chairman has been here, in any event.

15 Senator Moynihan, do you care to address yourself to this
16 problem, about limiting this thing to the poor.

17 Senator Bradley: Could I just finish?

18 My point is that if you assume you are going to aid
19 everyone in the country who is an AFDC recipient, or an SSI
20 qualifier, that the pool of money is not going to go very far,
21 but if you are precisely defining the targetted population
22 then you can go higher in income qualification to meet those
23 people who are affected directly by the action that the
24 President has taken and that we are in the process of taking
25 as it pertains to oil price, and that we have no control over

1 prospectively because it is all tied to OPEC price.

2 The Chairman: Senator Moynihan.

3 Senator Moynihan: I would like to continue what Senator
4 Bradley has said, sir.

5 We have spent the last four weeks cutting these taxes to
6 shreds, and now suddenly we find no money to distribute. And
7 that the staff alternative, sir, is a derisory \$800 million a
8 year when it reaches its peak.

9 Now, we cannot just sit here and cut taxes on the
10 producers while presumably entertaining a balanced response to
11 this unique experience of OPEC pricing, and then having taken
12 out all the taxes, say unfortunately, there is nothing left
13 for anybody else excepting the dependent. I thought we were
14 going to share this burden a bit, like a good country.

15 There are going to be regions and companies and
16 individuals who are going to greatly benefit from the illegal
17 activity, or certainly the unwelcome activity, of an
18 international cartel. There are going to be many, many more
19 people who are going to suffer.

20 Not suffer in Hell, not the tortures of the damned, not
21 the final agonies of St. Catherine, but it is going to be
22 hard, and a question of equity. Do we share a tight situation
23 together, or do we not?

24 Senator Danforth: Mr. Chairman, I wonder if I could ask
25 Senator Moynihan a question at that point.

1 Do you have in mind an amount that should go into
2 assisting whoever the people are over the next ten years? Do
3 you have an amount?

4 Senator Moynihan: I do. This is where I do not want to
5 reduce, and I do not know think you want to reduce, this
6 discussion to my bill or yours.

7 Senator Danforth: No, but what I am saying is do you
8 have a round figure?

9 Senator Moynihan: Right. Just multiplying by ten the
10 particular bill we have here would be \$31 billion.

11 Senator Danforth: Well, now, if you have \$31 billion, I
12 would say about \$35, but it is in the same area, all right?

13 Well, then, the question is not whether we want to share
14 what you call the OPEC burden, whether we want to share that
15 from the oil companies to people, that is not the issue. The
16 issue is how much and to what people. That is the sole issue.

17 And what I am saying --

18 Senator Moynihan: No, it is not.

19 Senator Danforth: Yes, it is the sole issue. If you
20 have got \$31 billion or \$35 billion you have got a defined
21 amount of money and one way or another, that amount of money
22 is going to be distributed to somebody.

23 Senator Moynihan: If you have agreed on the amount of
24 money, how you distribute it is the next issue. Right.

25 The fact that you and I have agreed does not mean that

1 this committee as agreed.

2 Senator Danforth: Not yet, but we are working on it.

3 But the question is, then, between us, the question is,
4 well, whatever the pot is, who gets his hand in it. And all I
5 am saying is I do not see how you can get to people ---I
6 mean, Senator Roth and I have kind of made a career on this
7 committee of talking about middle-income people and the need
8 to help them. I believe it. I believe we need a general tax
9 cut.

10 I think that there is some likelihood that in connection
11 with this bill we might raise that issue again, just as we did
12 with the Second Concurrent Budget Resolution. But I really
13 believe when you are talking about direct assistance out of a
14 limited fund of \$31 billion, \$35 billion, \$24 billion, really
15 you are cutting that fund a little thin, you are watering it a
16 bit, if you are distributing it to people with \$30,000.

17 Senator Moynihan: May I just say that the Senator makes
18 a clear analytic point and I am willing to talk to him about
19 it. I note that just as he has been concerned with the
20 middle-income person, it has fallen to me to talk about
21 welfare recipients, and I hope on behalf of welfare
22 recipients, in this society for a long time and there is a
23 certain role reversal here this morning which is not without
24 its attractions and --

25 The Chairman: Well, now, I am just trying to accommodate

1 people and specifically, the Senators on the Committee, but
2 now look here. We start the day by moving ourselves back out
3 of the trap we were in about having spent more than we had by
4 saying, all right, we will reconsider the tax credits. So,
5 they have been reconsidered.

6 All right. Now, the administration has made a thoughtful
7 suggestion, but I see down here on the cost, \$1.2 billion
8 ---and is that \$.4 billion in addition to the \$1.2 billion?

9 Ms. Amidei: Yes, Senator.

10 The Chairman: All right, that makes it \$1.6 billion

11 Now, in the first year, all we are going to have is what
12 the tax would raise, what \$2 billion?

13 Mr. Stern: The budget contemplates net that you would
14 raise \$2 billion. I believe the receipts in the House bill,
15 without any credits, were \$2.6 billion.

16 The Chairman: Now, as I understand it, we are subject to
17 a point of order under the Budget Resolution. We assume we
18 are going to have to come in here under that Budget Resolution
19 and we are subject to a point of order under the Budget
20 Resolution if we spend more than we take in. Right?

21 Mr. Stern: What I am saying is on the spending side,
22 they are looking at the amount that has been provided in the
23 Budget Resolution and that while they may not be able to raise
24 a point of order as a whole, this would not raise expenditures
25 above the total for the Federal government, you would be

1 rather out of whack with the budget if you reported anything
2 that cost, I think, more than about \$100 million net.

3 The only reason we were suggesting a nongermane
4 cost-saving amendment was that at least in fiscal year 1980
5 you would be able to report something out that did not
6 raise expenditures above the amount contemplated in the Budget
7 Resolution.

8 What you do on the tax side is not counted as
9 expenditures, unless it is a refundable tax credit.

10 The Chairman: Now, I made myself rather unpopular with
11 the Chairman of the Budget Resolution by suggesting that this
12 bill should be subject to a waiver of the budget process so
13 that we could move this bill through and my views on that
14 subject did not prevail.

15 As I say, I do not see how, no matter how we spread the
16 benefit, that we are going to have enough money here to do
17 anything more than look after the poor.

18 Senator Bradley: Mr. Chairman, that could possibly be
19 true as it pertains to 1980 but this is a bill in which we are
20 considering the next ten years and how we are going to spend
21 money for the next ten years, and therefore, I think that to
22 arbitrarily limit our categories of expenditure because of the
23 exigencies of this Budget Resolution would be short-sighted.

24 What the committee has to do is set the numbers for the
25 total amount that they want to spend over a ten-year period

1 Senator Bradley: Would the Senator yield on that point?
2 The question is not fuel. The question is oil.

3 Senator Nelson: No, energy. 10 percent of this country
4 is heated by electricity.

5 Senator Bradley: Indeed, and are we trying to rectify
6 the decisions of utilities across this country to move to
7 nuclear power and thereby increase the cost of electricity?
8 My response is no, we are not.

9 We are trying to rectify the action that OPEC took in
10 raising the price of oil 60 percent in the last six months and
11 that they have the power to control that price over the next
12 ten years.

13 Maybe my understanding of his whole effort is not
14 correct, but I do not think we are aiming at all energy
15 prices. We are aiming at the price of oil.

16 Senator Nelson: I think you have to aim at the price of
17 energy, and some day, all energy is going to be the same.

18 But the point is, what we are addressing, if we are going
19 to address the poor, is what do the poor need to take care of
20 their energy needs, if they have the misfortune of living in a
21 place where a decision was made to build a power plant that
22 costs more than it would be otherwise, that poor person had
23 nothing to do with it.

24 But if we are going to help with the energy needs, then I
25 think we have to factor in total energy consumption used by
the poor in that formula.

The Chairman: Let me say this. In view of the fact that we
have to take care of the debt limit bill, the debt

1 limit bill has to come right behind this bill, and I think we are
2 voting on it on final passage right now --

3 Mr. Stern: Yes, sir.

4 The Chairman: So we have to go to the Floor on the debt
5 limit. I know that I do, and I hope the other Senators will come
6 there and participate.

7 We are not going to be able to vote on this today, so I hope
8 everybody will study these materials.

9 Senator Chaffe : Mr. Chairman, before the administra-
10 tion -- one question.

11 On your cash grants program, to the AFDC, would you make
12 that in one payment?

13 Ms. Amidei: This year we would, yes.

14 Senator Chaffe : You would make one single cash
15 payment?

16 Ms. Amidei: Yes. That is this year. In future years, two
17 payments.

18 Senator Matsunaga: Do you have the machinery set up to do
19 it without additional personnel?

20 Ms. Amidei: We could do it, yes. If we had a go ahead
21 signal in October, we could do it.

22 The Chairman: We will meet again at 10:00 Tuesday. I would
23 suggest that the Democrats caucus before we go in that meeting
24 at 9:00 Tuesday to give us a chance to talk about this matter and
25 also if the Republicans want to that they might consider the same.

1 Senator Moynihan: Mr. Chairman, another matter. May I ask
 2 that the bill passed yesterday which has been given the title
 3 Social Services and Child Welfare amendment of 1979 be renamed
 4 Adoption Assistance and Child Welfare Act of 1979?

5 The Chairman: Without objection, so ordered.

6 (Whereupon, at 12:00 p.m,the committee, recessed, to
 7 reconvene at 10:00 a.m. on Tuesday, October 2, 1979.)

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