

1 EXECUTIVE COMMITTEE SESSION

2 THURSDAY, JANUARY 30, 1986

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The committee met, pursuant to notice, at 9:10 a.m. in
7 room SD-215, Dirksen Senate Office Building, the Honorable
8 Bob Packwood (chairman) presiding.

9 Present: Senators Packwood, Grassley, Long, Bentsen,
10 and Moynihan.

11 Also present: Bill Diefenderfer, Chief of Staff; John
12 Colvin, Chief Counsel; Frank Cantrell, Tax Attorney;
13 William L. Wilkins, Chief of Staff, Minority; and Anne G.
14 Cantrel, Administrative Director.

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1 The Chairman. The committee will come to order, please.

2 I will repeat several times today, we have a
3 resolution for Mike Stern printed and we will be
4 circulating it for the members' signature and we would
5 appreciate it if they would sign as it is brought around.

6 Secondly, I would like to ask the committee to approve
7 an International Trade Committee study on International
8 Competitiveness of the Existing Tax Law. You will recall
9 how we stand in terms of international competition now under
10 present law. They are doing one for us now as to what the
11 effects would be based upon, the President's bill and the
12 House bill, but they have indicated they would be willing
13 to do this also. And I think it would be something worth
14 having and I would ask the committee to approve it. This is
15 an ITC study on how we stand today under the present law in
16 terms of international competitiveness.

17 Senator Moynihan. Mr. Chairman, I very much agree and so
18 move.

19 The Chairman. Without objection.

20 Now if we could pass on to the committee the budget. And
21 I have placed in front of you two documents, one which says
22 "Committee budgets, 1985," and it shows the actual budgets
23 for 1985. It is a one-page sheet for the different
24 committees, starting with Labor at roughly \$4.5 million, and
25 coming down to Veterans at the end at \$890,000. But you

1 will see that Finance is number 10.

2 And as we are going into trade in depth this year, tax
3 reform in extended indepth, and I would expect Medicare-
4 Medicaid after we see the President's budget we will be into
5 indepth again.

6 And so I am going to ask the committee--and I have
7 talked with Senator Bentsen and Senator Long--for a
8 requested increase in the budget of \$445,000. And I realize
9 that with Gramm-Rudman and with the Rules Committee we are
10 not likely to get that. But in terms of our obligations
11 and looking at the budgets of other committees, one of which
12 I used to chair, which I think have lesser obligations, I
13 am not at all embarrassed to say that I think we can
14 justify that amount considering the load that we have
15 coming upon us this year.

16 Senator Bentsen?

17 Senator Bentsen. Mr. Chairman, I strongly recommend go
18 along, agree, support what you are asking for. And it is not
19 just these other committees, it is what we run into with the
20 Ways and Means Committee.

21 I find when we get into a conference with them we meet
22 waves of staff. We always try to hang in there and go
23 through the 36 hours, or whatever it is. They continue to
24 send in reinforcements.

25 The Chairman. It is kind of like tag wrestling.

1 Senator Bentsen. Yes, it is.

2 The Chairman. You are by yourself.

3 Senator Bentsen. But they are able to cover all the
4 subjects in much more detail in depth because of the
5 substantial staff. And I really would like to see it
6 supplemented.

7 The Chairman. Senator Moynihan?

8 Senator Moynihan. Mr. Chairman, I begin my tenth year
9 on this committee and find it interesting that the first
10 time that I am aware we discuss the size of our committee
11 and what it cost. And it is different from other
12 committees. There are no staff for our subcommittees. And
13 I suppose that is a managerial decision by chairmen. But,
14 Mr. Chairman, this last fall, after much difficulty, it
15 became possible to have a hearing of the Subcommittee on
16 Social Security, at which we just barely established the
17 fact that something like \$28 trillion was missing from the
18 Social Security fund.

19 The Chairman. Trillion? T?

20 Senator Moynihan. I am sorry. I mean billion; "B", I
21 meant.

22 But I have a letter that just arrived from a very
23 distinguished economist. I see Mr. Greenspan has arrived.
24 He will recognize the name of Mr. Robert Solo of the
25 Massachusetts Institute of Technology, who said, "Was it

1 really like that in Rortania?" I mean, the government
2 would be looting the funds of its pension systems and not
3 telling the respective committees.

4 I cannot think, sir, that this would have happened if
5 we -- I mean, I cannot even get a meeting of a
6 subcommittee to inquire what the Controller General mean
7 when he said, "Well, probably the Secretary of the
8 Treasury acted illegally, but under the circumstances what
9 was he to do?" I am not sure what is the category of law.
10 Probably it was illegal, but what to hell, you know. He
11 had no choice.

12 I mean, we have a responsibility. I am not here to make
13 a long sound.

14 Our Subcommittee on Social Security meets, at most, once
15 a year. In 1984, something like \$8 billion were cashed of
16 trust fund bonds without knowledge of anybody. Then the
17 next year \$22 billion were cashed without anybody's
18 knowledge. And our subcommittee did not know. You know
19 who knew and how we found out? The actuary at the Social
20 Security Administration. He knew. It is his job. He
21 closes the books every day.

22 And he told--one of our people knew him, on my staff--
23 "Our committee staff didn't know a thing." And if you take
24 six zeros off these numbers, they become occasion for
25 criminal actions in the courts. It is just that nobody has

1 ever gone to jail for misallocating \$28 billion.

2 And I just want to make the point that I do not think we
3 have enough staff. I think that with respect to a solemn
4 fiduciary responsibility on social security, we do not carry
5 it out, sir. And how we have let a situation arise where
6 Government Affairs has \$4.4 million and we have \$2.2. Does
7 Government Affairs do twice the work we do?

8 The Chairman. And they have only 13 members.

9 Senator Moynihan. Just 13 members?

10 Well I just think in other circumstances it would be an
11 outright scandal what happened to those Social Security
12 trust funds.

13 And could I hear just that there is a chance that we
14 might have somebody on this subcommittee who would pay
15 attention? I mean, our people are magnificent and they work
16 90 hours a day. But we have no one on the Finance
17 Committee who has any responsibility that I am aware of for
18 the integrity of the Social Security funds, which maybe we
19 didn't have to, because in 50 years a question never arose,
20 but has arisen.

21 And could I ask you, is there anybody on our committee
22 who is inquiring, on the staff level, as to what the
23 Controller General means when he said that the actions of
24 the Secretary of the Treasury were probably illegal?

25 The Chairman. I think the answer is no.

1 Senator Moynihan. Yes.

2 Well, Mr. Chairman, you can't get mad when a fellow
3 keeps agreeing with you.

4 The Chairman. Senator Grassley, do you have any
5 comments?

6 Senator Grassley. Not right now.

7 The Chairman. Senator Long?

8 Senator Long. I am familiar with that, Mr. Chairman,
9 and I am in support of what you suggest about the matter.

10 We had the smallest budget of any committee on the Hill
11 when I became chairman many years ago, and I recall we only
12 had two telephones. One of them was the chairman's,
13 who was Elizabeth Springer, who was our chief of staff, you
14 might say. Or she acted as chief of staff. And the other
15 one was for the other Senators plus the staff.

16 The Chairman. One phone for everybody else?

17 Senator Long. Including the public.

18 And we only had one staff assistant. Most of our
19 information we would often obtain from the Executive
20 branch or from the Joint Committee. But this committee has
21 never been adequately staffed, and I applaud your effort to
22 have it adequately staffed to do the job properly on this
23 tax bill.

24 The Chairman. Is there objection?

25 (No response)

1 The Chairman. Without objection, it is adopted.

2 We also adopted a request for the International Trade
3 Commission to do a study on International Competitiveness
4 of our industry under the laws as they exist today. They
5 are doing a study as to how they would be affected by the
6 tax bill that the House passed.

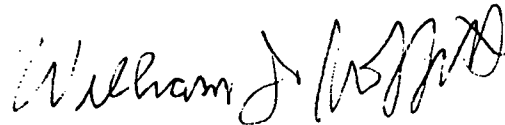
7 And then we will be circulating a resolution of
8 appreciation for Mike Stern, which I would hope we would all
9 sign as it goes around.

10 That then will finish the Executive Committee session.
11 We will wait about ten minutes and start at 9:30 sharp with
12 our three witnesses.)

13 (Whereupon, at 9:21 a.m., the Executive Committee
14 session was concluded.)

C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Committee session, held on January 30, 1986, were transcribed as herein appears and that this is the original transcript thereof.



WILLIAM J. MOFFITT
Official Court Reporter

My Commission expires April 14, 1989.

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MR TACKWOOD - CHAIRMAN, MR MOYNIHAN, MR BRITTON, MR GRASSLEY, MR LONG
MR ROY, MR SYMMS, MR DURENBERGER, MR CHAFEE, MR PRYOR, MR HEINZ
MR BRADLEY, MR MITCHELL, MR ARMSTRONG

BOB DOLE, KANSAS
WILLIAM V. ROTH, JR., DELAWARE
JOHN C. DANFORTH, MISSOURI
JOHN H. CHAFEE, RHODE ISLAND
JOHN HEINZ, PENNSYLVANIA
MALCOLM WALLOP, WYOMING
DAVID DURENBERGER, MINNESOTA
WILLIAM L. ARMSTRONG, COLORADO
STEVEN D. SYMMS, IDAHO
CHARLES E. GRASSLEY, IOWA

RUSSELL B. LONG, LOUISIANA
LLOYD BENTSEN, TEXAS
SPARK M. MATSUNAGA, HAWAII
DANIEL PATRICK MOYNIHAN, NEW YORK
MAX BAUCUS, MONTANA
DAVID L. BOREN, OKLAHOMA
BILL BRADLEY, NEW JERSEY
GEORGE J. MITCHELL, MAINE
DAVID PRYOR, ARKANSAS

United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510

WILLIAM DIFENDERFER, CHIEF OF STAFF
MICHAEL STERN, MINORITY STAFF DIRECTOR

January 28, 1986

TO: SENATE FINANCE COMMITTEE MEMBERS
FROM: FINANCE COMMITTEE STAFF
SUBJECT: EXECUTIVE SESSION - THURSDAY, JANUARY 30,
1986, 9:00 A.M., SD-215

The Committee will meet in executive session on Thursday, January 30, 1986 to consider the Committee's annual staff budget. Attached is a fact sheet on the 1986 proposed budget.

1986 FINANCE COMMITTEE BUDGET RESOLUTION

(Prepared by the Staff of the Committee on Finance)

The Finance Committee staff budget includes funds to pay the salaries of Committee staff as well as the costs of holding hearings and other routine Committee expenses. The staff recommends that the Committee request an increase of \$470,000 in this year's authorization, representing the costs of seven additional professional staff positions to work in the areas of tax, trade and health.

Finance Committee Annual Staff Budget

	<u>1985 opera-</u> <u>ting budget</u>	<u>1986</u> <u>budget</u>	<u>Increase</u> <u>over 1985</u>
Staff salaries	\$ 2,041,745	2,487,245	+ 445,500
Consultant services	15,000	15,000	---
Administrative expenses:			
Hearings	70,000	85,000	+ 15,000
Stationery, subscriptions, etc.	<u>90,328</u>	<u>100,000</u>	<u>+ 9,672</u>
Subtotal	160,328	185,000	+ 24,672
Total Budget	\$ 2,217,073	2,687,245	470,172

Explanation of changes:

1. Staff continuation costs (+ \$85,500)-- An additional \$85,500 represents the cost of continuing staff salaries in 1986. No allowance is included for a cost-of-living increase in 1986.

2. Additional positions (+ \$360,000)-- In order to accomodate the anticipated heavy workload associated with tax reform, trade legislation, and deficit reduction, it is recommended that allowance be made for seven additional professional staff positions.

3. All other increases (+ \$24,672)-- The remaining increases are due to slightly higher administrative costs. For example, the costs of hearings will go up because of the lengthy mark-up schedule anticipated for tax reform.

4. Consultant services-- There is no increase requested for consultant services. As was done in 1985, the Committee will request authority in the funding resolution for up to \$30,000. However, only \$15,000 will be included in the budget. Should the need arise for consultant services in excess of \$15,000, the additional costs would come out of funds from other parts of the budget.

5. Training of professional staff-- There are no funds included in the 1986 budget for training. However, as was done in 1985, the Committee would request the authority of up to \$10,000 to be provided in the funding resolution. Should any funding be needed for training, any costs for such training, would come out of funds from other parts of the budget.

COMMITTEE BUDGETS - 1985

<u>COMMITTEE</u>	<u>1985 BUDGET</u>	<u>MEMBERSHIP SIZE</u>
1. LABOR	4,450,000	16
2. GOVERNMENTAL AFFAIRS	4,440,000	13
3. JUDICIARY	4,300,000	18
4. APPROPRIATIONS	4,120,000	29
5. COMMERCE	3,310,000	17
6. BUDGET	2,960,000	22
7. FOREIGN RELATIONS	2,430,000	17
8. ENERGY	2,400,000	18
9. ENVIRONMENT	2,330,000	15
10. FINANCE	2,220,000	20
11. ARMED SERVICES	2,160,000	19
12. BANKING	1,660,000	15
13. AGRICULTURE	1,300,000	17
14. RULES	1,230,000	15
15. SMALL BUSINESS	930,000	19
16. VETERANS' AFFAIRS	890,000	12