

MINE

1 EXECUTIVE COMMITTEE MARKUP SESSION ON BUDGET DEFICIT
2 REDUCTION PROPOSALS
3 THURSDAY, MARCH 22, 1984
4 U.S. Senate
5 Committee on Finance
6 Washington, D.C.

7 The committee met, pursuant to recess, at 9:10 a.m. in
8 room SD-215, Dirksen Senate Office Building, Senator Robert J.
9 Dole (chairman) presiding.

10 Present: Senators Dole, Chafee, Durenberger, Armstrong,
11 Grassley, Long, Matsunaga, Moynihan, Boren and Bradley.

12 Also present: Dr. Robert Rubin, Department of Health and
13 Human Services; Mr. Michael Rollinson, Department of the
14 Treasury.

15 Also present: Roderick DeArment, Esquire; Michael Stern,
16 Esquire; Sydney Olson; Harry Graham; and Joseph Humphrey.

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1 The Chairman. Let's see, we have Dr. Rubin here from
2 HHS, and Sidney. Obviously we need to wait for other
3 members to come before we can get into amendments that may
4 be in dispute.

5 I understand there are three or four technical things
6 at least we can raise now, if there is no objection. We can
7 indicate that we will raise them later, when we have seven
8 members present.

9 I think first of all it would be helpful for the record
10 of we could just ask to be included in the record sort of
11 a section by section analysis of this proposal, and then if
12 we can move to -- are there three or four minor technical
13 areas that we could at least raise while we are waiting for
14 other members to come?

15 Ms. Olson. I think we could raise the Armstrong,
16 amendment, Senator, which deals with the statutory waiver
17 for a child support demonstration project in the State of
18 Wisconsin.

19 We have worked out language with the Administration, with
20 the State, and with Senators Kasten and Proxmire, which I
21 believe Senator Armstrong intends to offer. And I think
22 we could take care of that now.

23 I know the Administration is opposed, on principle, to
24 a statutory waiver, but they do prefer the language we have
25 developed to the language in the House bill.

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1 The Chairman. Dr. Rubin, do you have any comments on
2 that?

3 Dr. Rubin. I think that's right. We are opposed to
4 writing in the statute that we give broad waivers; however,
5 we do think that the Wisconsin program is an interesting
6 one and would encourage them to apply under the broad waiver
7 authority that is included in the bill.

8 However, if the committee sees fit to include a mandatory
9 waiver in the statute, we clearly prefer the language that
10 we have developed in conjunction with staff over the House
11 bill.

12 The Chairman. All right. Senator Armstrong is here now.

13 We are trying to bring up a few technical things we
14 think we might be able to if not dispose of, at least raise.
15 And if there is some objection later when there are seven
16 members present, we will not do it.

17 Why don't you just go over that quickly again for
18 Senator Armstrong.

19 Senator Armstrong. I am familiar with the substance of
20 the Wisconsin waiver. And frankly, I don't see any reason
21 for there to be any controversy about it. I was going to
22 raise it myself, just at the request of Senator Kasten.

23 If the Department is comfortable with it, and I
24 understand there is no reason to doubt, under the revised
25 waiver language, that the cost of it will be held to no more

1 than it would otherwise have been, and so I say let's let
2 them go with it.

3 The Chairman. All right. We can't agree to the
4 amendment, but let's at least --

5 Has it been discussed with staff on both sides?

6 Ms. Olson. Yes, it has.

7 The Chairman. Well, we will wait until other members
8 get here.

9 Are there any other technical areas that we might to
10 be able at least to bring up, so as to keep this thing
11 moving?

12 Ms. Olson? I think that's the only area of
13 non-controversial amendments we have.

14 The Chairman. Are those the only amendments we have?
15 Senator Packwood. The only non-controversial ones.

16 The Chairman. I understand that Senator Grassley has
17 an amendment that would offset.

18 Did we get the IRS to collect on non-AFDC cases?

19 Senator Grassley. Yes.

20 The Chairman. It seemed to me to be a bad idea, but
21 maybe --

22 Senator Grassley. Is it your desire that we would take
23 that up at this point?

24 The Chairman. I think we might get into it now.

25 Senator Grassley. I would like to.

1 The Chairman. I understand they do this in Iowa.

2 Is that correct, on a State level?

3 Senator Grassley. Yes. And I think the track record
4 there is a pretty good track record.

5 I want to ask the members to consider this in the vein
6 of "an ounce of prevention is worth a pound of cure." I
7 think you have to realize that in a lot of cases where child
8 support is involved, that eventually some of those cases
9 could become AFDC and do become AFDC, and then they become
10 a cost to the taxpayers.

11 So, anything we can do to prevent that is very helpful.
12 And by having income tax offset for non-AFDC, I think we are
13 taking that ounce of prevention.

14 I would like to remind the committee that just in the
15 bill we voted out yesterday, we voted a recommendation of
16 the Grace Committee to expand the current refund offset
17 program to a lot of government debt. And I think if it's
18 good for government debt, it is also good for others. And
19 particularly, if it is good for AFDC, it ought to be good for
20 non-AFDC.

21 I think we have addressed the subject of equity. I
22 think this is a very tightly-drawn amendment. I think it is
23 protective of the taxpayers' rights, particularly the spouse
24 of a supporting person who wouldn't be involved and who
25 obviously has rights to part of the income tax refund. We

1 are overly protective, I think, of those concerns.

2 And I guess I would ask, in the final analysis, that
3 we shouldn't have to wait until a family falls into AFDC
4 before offering them the assistance in collecting past-due
5 child support. The State is going to have to document well,
6 and it has the option of not getting involved until after
7 they have been requested to, unless they desire on their own
8 to go back. So from that standpoint, it's only prospective.

9 Senator Packwood has helped a great deal on this, and
10 Senator Durenberger. I want to acknowledge and thank them
11 for their work in that effort.

12 Mr. Chairman, I don't think I can say any more in
13 support of it. It's a darn good approach, and it's a real
14 preventive approach.

15 Senator Packwood. Mr. Chairman?

16 The Chairman. Senator Packwood?

17 Senator Packwood. I think this is a wise follow-up, and
18 Senator Grassley deserves extraordinary credit for taking
19 the lead on this, a wise follow-up to what we have been
20 doing with AFDC.

21 You will recall how long it took this committee to even
22 adopt the AFDC provisions. It was fought by the Internal
23 Revenue Service, it was fought by the Treasury Department.
24 Senator Long pushed it and pushed it. The argument was made
25 that it would be burdensome, it would cost more money than

1 it would produce, and the records that we've got so far on
2 the AFDC have been excellent.

3 If my figures are right, in 1982, in the first year of
4 the program, the IRS made 297,000 offsets, which resulted
5 in \$174 million in welfare savings. In 1983, only through
6 August, the IRS has made 323,000 offsets, which have
7 resulted in \$170 million savings in welfare costs.

8 Chuck Grassley is absolutely right: If what we're going
9 to say to that spouse that is working but is marginal is, "If
10 you go on welfare, we'll collect for you; but if you don't
11 go on welfare, we won't," that is a perversion of what we
12 ought to be driving toward, and that is to keep people off
13 welfare if we can. And if we adopt the Grassley Amendment,
14 it is going to help very, very much. And regardless of what
15 arguments the IRS may make, I think we ought to go ahead and
16 adopt it.

17 The Chairman. Can we hear from the Treasury? Do you
18 support the amendment?

19 Mr. Rollinson. No, Senator, we don't. We oppose the
20 amendment.

21 As you know, since 1982 there have been provisions for
22 a refund offset for AFDC payments. We have been concerned
23 about the effect of those payments on taxpayer compliance.

24 There has been an ongoing study at the Internal Revenue
25 Service to examine exactly what the effect of these refund

1 offsets are on taxpayer compliance. And although that study
2 is ongoing and we do not have conclusive data at this point,
3 there are certainly indications that the program does hinder
4 compliance -- that is, once the taxpayer has had certain
5 amounts of his refund withheld by the government, we fear
6 that that increases the likelihood that the taxpayer will
7 not fully pay his tax due in succeeding taxable years.

8 Senator Packwood. Let me ask you this question:

9 Actually the evidence you have had, preliminarily, is that
10 people reduce their withholding the next year. But what you
11 have found is that they have been basing their withholding
12 and claiming dependents for whom they were paying no support
13 They were not complying with the Tax Code. And once they
14 discovered you were going to withhold, didn't they reduce
15 their claimed withholding to what they legitimately were
16 entitled to?

17 Mr. Rollinson. I think that is probably true in some
18 cases, Senator, but I don't believe -- maybe the IRS has
19 more information on this than we do at Treasury, but my
20 information at this point is that the data is still being
21 collected.

22 There certainly have been cases where claims of
23 excessive exemptions have gone down. I think you are right
24 in that. But there are also a number of other instances that
25 have been reported in which taxpayers who did file returns in

1 the previous year have ceased filing returns after they had
2 their refunds withheld. So I think the jury is still out on
3 that.

4 What we would like to do here is go somewhat slowly. As
5 you know, we have just expanded the refund offset program in
6 the current package that the committee has just passed, to
7 provide for refund offsets for government, for debts owed
8 to the government. That in and of itself is a very large
9 step.

10 We are very reluctant to get into refund offsets
11 between two private individuals, where the government has
12 no claim or no basis to know which party may in fact be
13 correct with respect to that claim.

14 So we would strongly urge that we move slowly with
15 respect to refund offsets. We have just expanded the
16 provision significantly for government claims, and we would
17 be very hesitant and would oppose seeing it extended to
18 private claims.

19 Senator Packwood. Mr. Chairman, that argument that this
20 is a private problem -- Senator Long will remember this
21 well -- is one that in essence they raised on AFDC. They
22 said, "Well, even though the Federal Government is slightly
23 involved, that is basically a State problem." They were
24 opposed to it; they didn't want to do it; they fought it.
25 I don't know how long Senator Long pushed that before they

1 finally adopted it.

2 Can you remember, Russell? It was four or five years,
3 as I recall.

4 Senator Long. My recollection is, they fought us as
5 though their life depended on it to prevent us from even
6 finding the names of the damn people and where they were.

7 Senator Packwood. Oh, yes -- let alone collect.

8 Senator Long. That's right.

9 They took the view that as long as they were collecting
10 those taxes, they were doing their job. And they just didn't
11 want to be bothered to even let us know where the damn
12 fellow was. Pardon my language, but I got irritated about
13 that matter. Where was the guy? He owed us money, and we
14 had to support the family, because the guy was making
15 plenty of dough but wouldn't pay. They had the address and
16 knew. So it was costing us a fortune on the one hand, but
17 they wouldn't tell us where the man was. And they knew it,
18 right there in their files.

19 Senator Packwood. And I am not going to get hung up on
20 this argument that this is strictly a private collection.
21 Delinquent child supports are a major national problem. It
22 is part of what is driving people to welfare, and then they
23 become a public charge.

24 To say that we are not going to take an ounce of
25 preventive medicine, that we are going to wait until they

1 go on welfare, and then and only then will the IRS --
2 reluctantly -- go ahead and try to help collect, that's --

3 Senator Armstrong. Bob, would you yield for a question?

4 Senator Packwood. Yes.

5 Senator Armstrong. I think what you are saying has a
6 sort of appealing ring to it, but the thing that concerns me
7 is, where would you draw the line? In other words, if you
8 stop at AFDC, which is where the line is drawn now, there is
9 a clear threshold between something that is public and
10 private.

11 Obviously, the failure of people to pay child support
12 payments is a major national problem; but my question is:
13 Would you be willing to extend the same kind of treatment --
14 that is, offset by the IRS against tax refunds -- to other
15 similar major national problems?

16 Senator Packwood. I would take it, Bill, a step at a
17 time. This is a major national problem, and I think you can
18 justify it. I am not saying that the Internal Revenue
19 Service ought to become a collection agency for every private
20 debt.

21 But I think when you are talking about child support,
22 to call that a "private debt" like automobile collections, or
23 house payments or anything else, is a world apart in terms
24 of the philosophical difference.

25 Senator Chafee. Well, Mr. Chairman, I am interested in

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1 this. It has been indicated that Senator Grassley has a
2 tightly-drawn bill. What does that mean? Suppose I am
3 John D. Rockefeller, and I am not paying my support payments.
4 Can they get a little assistance from the --

5 Senator Grassley. Well, I am sure you wouldn't be
6 getting an income tax refund if you were John D. Rockefeller.

7 (Laughter)

8 Senator Chafee. I hope I would.

9 This isn't solely against refunds, is it?

10 Senator Packwood. Yes.

11 Senator Grassley. Yes, it is.

12 Senator Chafee. Well, when it is "tightly-drawn," what
13 does that mean? Could somebody tell me what the bill does?

14 Senator Packwood. Well, first you have to give a notice
15 to the absent parent. You can't go out and in essence
16 garnishee him like you would without notice. First you have
17 to tell him you are going to do it. You have got to notify
18 the second spouse, assuming that the first spouse has
19 remarried, so that the second spouse has no obligation
20 toward the children of the first spouse. You have to notify
21 the non-obligated spouse so that their portion of whatever
22 wages they may have or other sources of returns is not
23 touched. It is drawn tightly.

24 You can't even start this without notifying the
25 delinquent parent. Even the notification might be enough to

1 cause them to pay.

2 Third, you don't do it unless the past-due support is
3 \$500 or above, so that you have a threshold test.

4 And last, the IRS, if they want, can charge to the
5 State a fee of \$25 for withholding on non-welfare cases to
6 cover their administrative costs.

7 Senator Chafee. Well, it seems to me that the
8 justification of this is the threat that these people might
9 be on AFDC. But there are a host of cases that they are
10 no threat of all, that the person is going to be on AFDC,
11 and this would be a very convenient collection agency. What
12 is the protection against that?

13 Senator Packwood. I don't use the argument, the sole
14 argument, that they might be on AFDC. Some are going to, if
15 they don't get this. But I think this has become a social
16 problem of sufficient significance that we can justify using
17 the withholding system and the refund system to pay for the
18 support of children who are not otherwise getting the
19 support.

20 The Chairman. It seems to me we are trying to revamp
21 the entire law now to make it be more efficient. It seems
22 to me that before we get the IRS involved, we ought to see
23 whether what we are doing is going to work.

24 I don't know where you draw the line. I know Mr. Egger
25 was here when we did the other offset where the debts were

1 owed to the government, and he wasn't very happy with that.
2 We did it over his objection. That's not unprecedented.

3 (Laughter)

4 The Chairman. But it seems to me you have a private
5 contract here, or a matter that should be settled in a
6 private way rather than to invoke the long arm of the
7 government.

8 I think those who were concerned about IRS harrassment
9 and where we are going to stop, we are actually contributing
10 to that.

11 I think everybody understands the issue. Maybe we can
12 just vote on it.

13 Senator Long. Let me just say this, Mr. Chairman. I
14 feel like we are making a forward stride in collecting money
15 that is owed by doing as we provided in the tax bill, that
16 the IRS will withhold for money owed to the government.

17 Now, that ought to be your logical starting point, to
18 the extent that you want the IRS to help you collect money.

19 I am a little reluctant in this bill right here, if it
20 means that the next time we collect taxes that in addition
21 to that we will be also withholding on child support. I
22 think we would do better to wait and see how it works on
23 withholding on just what is clearly owed to the government,
24 and see how that works.

25 The IRS didn't want to do that, did you? My recollection

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1 is that you didn't want to do that.

2 Mr. Rollinson. That is correct, Senator.

3 Senator Packwood. Well, they didn't want to do it for
4 welfare people either, and it's working there.

5 Senator Chafee. I don't think the test should be that
6 they don't want to do it, and therefore it should be done.
7 That's not the criteria we are judging these things by.

8 I think let's give it a chance and see. Was it in 1982
9 that we did it in the AFDC?

10 Senator Packwood. It started in 1982.

11 Senator Chafee. All right. Well, that's hardly a time
12 to compile any kind of a record.

13 The Chairman. Dr. Rubin?

14 Dr. Rubin. Mr. Chairman, you indicated that there may
15 be other provisions in the bill that are under discussion
16 that might in essence achieve the goals that Senator Packwood
17 is talking about.

18 In point of fact, the mandatory wage withholding
19 practices which are contained in the staff draft of the bill
20 would in essence require the employer to withhold wages
21 rather than just the IRS refund offset. And at least in the
22 judgment of our Department, it is clearly a more effective
23 way of assuring that the custodial parent receives any
24 arrearages that may be due.

25 In view of the technical matters that the Treasury

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1 Department has raised, it would be the position of the
2 Administration that we have in our proposed bill sufficient
3 safeguards to assure that the problem that you describe would
4 not in point of fact happen, because when someone is in
5 arrearages for a month or more, they would have their wages
6 withheld at the time that they earned them rather than waiting
7 for an IRS tax offset.

8 The Chairman. Harry, did you have a comment?

9 Mr. Graham. Yes, sir.

10 The offset for non-AFDC payments really came into the
11 law in 1981, on the Omnibus Reconciliation Act.

12 The Chairman. For AFDC, you mean.

13 Mr. Graham. For AFDC. Yes, sir.

14 Since that time there have been a number of court suits
15 involving the IRS over due process claims, especially where
16 you have a debtor who has subsequently remarried another
17 person. And a number of court cases have held that the IRS
18 violated procedural due-process rights on the notification,
19 and so forth.

20 The IRS procedures in the notice that they have to give
21 the taxpayer before they do an offset have really started to
22 conform to those tax cases or to those constitutional cases
23 that are currently in process. And I think that the IRS is
24 still in the process of trying to refine and develop those
25 procedures on how to get notification out and whether that

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1 notification differs, based on whether you are dealing with
2 a common law State or a non-common law State, where the rights
3 of a non-debtor spouse would differ with respect to the
4 procedural due-process claim to the refund.

5 Senator Grassley. Mr. Chairman, you know, I can hardly
6 believe, considering the fact that yesterday we voted out a
7 bill for \$49 billion of tax increases and \$26 billion of
8 expenditure reductions because we are so concerned about the
9 national debt, and here we are. We know that we have a
10 proven track record, that this program works for AFDC cases;
11 we know that we have a trend towards going from a divorce to
12 private support for a family in divorce into ADC; there is
13 a track record that nobody disputes; we are concerned about
14 taxpayers rights. The issue addresses that.

15 It seems to me like when we have a proven record, and
16 when we know if we don't do anything it is going to eventually
17 end up costing the taxpayers money, and we don't take that
18 preventive action, that we aren't acting in the same spirit
19 as we did the last three weeks to do what we could to keep
20 potential costs to the government down.

21 It is very much in the same vein. I would suggest to
22 you that it is more or less a backup provision. It is like
23 a shotgun behind the door. It will accomplish a great deal
24 just being on the books, without being instituted. And we
25 have a provision that it won't be instituted in the first

1 instance, unless there is \$500 of arrearages. And it is not
2 going to be instituted for any case before that person
3 actually becomes a 4-D case.

4 With that sort of track record, with the statistical
5 base we have in support of the proposition, all we have
6 really dictating against our taking this action is the fact
7 that the Internal Revenue Service and the Treasury would just
8 as soon not have us do that.

9 The Chairman. It is also going to cost \$235 million.
10 There are no Federal benefits.

11 Senator Grassley. Well, that's true; but then we know --
12 also those same statistics -- what it will bring in. And
13 we know that it is a revenue-producing cost. And that ought
14 to be pretty important, because -- remember -- for every
15 dollar that we bring in over and above the cost, we are
16 saving 142 percent in eventual cost to the taxpayers just
17 in my State alone. And for those States like Mississippi
18 that have Medicaid and AFDC costs well above 58 percent, it
19 is going to be even more of a savings, in those instances.

20 The Chairman. But in AFDC cases there is a savings to
21 the Federal Government, because it offsets some of the
22 welfare expenditures. In this case, again you have got two
23 people out there trying to collect child support. The
24 Federal Government spends \$235 million, and they have no
25 interest in it at all. There is not any Federal expenditure

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1 when you've got non-AFDC cases.

2 Senator Grassley. The Chairman is right. I was meaning
3 to say if you keep people off welfare.

4 The Chairman. Well, we don't have any estimates on
5 that, I don't think.

6 Senator Bradley. Mr. Chairman, it seems to me that the
7 basic question is: Should we try to put the toughest child
8 support enforcement legislation on the books? And it seems
9 to me there are women who are poor, and there are women who
10 are lower-middle, and middle income, who are not getting
11 child support. I view this as a measure to make it as tight
12 as possible. And I don't know why we should not make it as
13 tight as possible for cases where fathers have a little more
14 income.

15 In my view, if you are going to have a tough child
16 support law, you want to have the toughest law available.

17 The Chairman. Well, what is the estimate you are going
18 to collect? If we are going to spend \$250 million in Federal
19 money where we have no interest at all -- if you are talking
20 about the deficit, we are just going to add a quarter of a
21 billion dollars to it, and the government gets nothing in
22 return. Who is going to pay for it? Where does the
23 \$235 million come from?

24 Mr. Graham. Senator, as I understand it, that would be
25 the administrative costs to the Federal Government of

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1 offsetting.

2 And in addition, as I understand it, the amounts that
3 they offset will eventually be returned back to the
4 individuals.

5 Senator Bradley. Isn't the normal return on the child
6 support enforcement about \$1 administrative cost to \$3-4
7 in increased child support? I mean, you know, are we
8 willing to make that investment to get that increased
9 child support?

10 The Chairman. Well, why shouldn't we put in
11 \$250 million to collect auto loans? What is the difference?

12 Senator Durenberger. There are people involved here.
13 There are little kids involved here. There are families
14 involved here.

15 The Chairman. Well, we can get into health care costs
16 and things of that kind. I mean, this is just another
17 way, another appropriation of Federal money.

18 We were trying to tighten up the law, and now we are
19 coming in with overkill. And it seems to me that --

20 Senator Grassley. Mr. Chairman, what about the fact
21 that we allow in this amendment the IRS to charge a \$25 fee
22 for these? It seems to me like that is worthy of
23 consideration, and it is not a total out-of-Treasury cost.

24 Senator Packwood. What are those \$250-million figures?

25 The Chairman. That is CBO's estimate.

1 Senator Packwood. Estimate, over how many years?

2 The Chairman. Three.

3 Ms. Olson. Five years.

4 Senator Packwood. A five-year estimate. Fifty million
5 a year. How much are you estimating recovering from the
6 right to charge for collection?

7 Ms. Olson. CBO included that in the cost estimate, as
8 I understand it. Also included in the cost estimate that
9 CBO gave us is approximately \$20 million a year cost
10 avoidance. In other words, the savings from keeping on the
11 fringe from dropping into welfare.

12 The Chairman. Is that all? Not a very big problem.

13 Mr. Rollinson. Mr. Chairman, I would like to add, to
14 reiterate, that I think getting the Internal Revenue Service
15 of collecting non-government debts is a very serious
16 problem. I don't think that the track record is quite as
17 good as it has been portrayed.

18 Our estimates show that where there have been refund
19 offsets, taxpayers are twice as likely not to file a return
20 in the succeeding year, and three times as likely to have
21 a deficiency owed to the government. So I think, since the
22 AFDC program has only been on the books for two years, I
23 would strongly urge that we go much more slowly than
24 extending this to the millions of taxpayers that would be
25 affected.

1 Senator Armstrong. Mr. Chairman, there is something
2 I don't quite understand, because my disposition is the same
3 as Bill Bradley's, that we ought to draw this thing to really
4 collect the money and to make these parents who are obligated
5 under court order to meet their family responsibilities.

6 But I don't understand how this does it. We are talking
7 about a once a year event, where somebody has got a refund
8 coming on their Federal tax return. The bill already
9 provides for mandatory withholding from wages, and most
10 people get paid twelve times a year; most people, in fact,
11 get paid at least 24 times a year, and some of them get paid
12 every week. So there is somewhere between 12 and 50
13 opportunities every year to get the money from a delinquent
14 parent.

15 How do we enhance the probability of collection by
16 affording a 53rd opportunity or a 27th opportunity by bringing
17 the Federal Government in and crossing this threshold of
18 getting the IRS into something that frankly I have doubts
19 about?

20 If it really was a significant increase in the chance to
21 collect these delinquencies, I would at least consider it.
22 But it appears to me that the downside potential is very
23 great, but the actual opportunity to collect even one new
24 payment from a delinquent parent is very, very remote.
25 Maybe there is something I don't understand about it.

1 Senator Durenberger. Bill, would you yield just a
2 second? I don't have the exact answer. Let me give you
3 an illustration:

4 Minnesota put their non-AFDC recapture into effect in
5 1981, and they were estimating, for 1982, 29,114 claims,
6 11,645 hits -- which means a claim hit a refund -- which
7 would have been 40 percent of the total.

8 What happened is, I think they actually hit something
9 in the neighborhood of 53 percent and collected over
10 \$2.6 million.

11 Senator Armstrong. Do you have mandatory wage
12 withholding in Minnesota?

13 Senator Durenberger. I think so, yes.

14 Senator Armstrong. How many of those claims, if any,
15 could not have been just as well --

16 Senator Durenberger. I think a lot of these are
17 arrearages. I think the large part of this. And this is a
18 declining thing. One year it might be 53 percent, then it
19 starts to decline once this whole system is in effect.

20 Senator Armstrong. But if you know where somebody is,
21 it appears to me it's a lot easier to get it out of his
22 paycheck than to wait until he's got a tax refund coming the
23 following April 15th.

24 Senator Durenberger. Well, you do both.

25 Senator Packwood. That assumes they are not

1 self-employed.

2 Senator Grassley. Could I mention we have it in these
3 States -- Alabama, California, Iowa, Maryland, Minnesota,
4 New Jersey, Rhode Island, Wisconsin, and Alaska? They don't
5 have a State income tax, but it offsets it's State Surplus
6 Refund. And I think we have a track record there.

7 It is particularly very beneficial where there are
8 large arrearages, and where it would benefit really well is
9 where there is interstate need to get at this spouse who
10 is behind.

11 I think that we need to remember the interstate aspect
12 of this. It is one more tool.

13 The Chairman. What about the rights? If they are
14 non-AFDC cases and the spouse remarries, and you have the
15 other spouse contributing to the income, and somebody
16 snatches away the refund? You talk about taxpayers' rights.

17 Senator Grassley. Well, we recognize that, and that's
18 taken care of, Mr. Chairman.

19 The Chairman. How do you take care of it?

20 Senator Grassley. We take care of it by notifying that
21 second spouse -- I mean the spouse of the supporting spouse.
22 Of the percentage? She would get an opportunity to state
23 what that percentage is, and that would be protected, and
24 there would be a notification --

25 The Chairman. Just with a simple statement she can

1 protect her portion? Does he have to go to court?

2 Senator Grassley. It is the responsibility of the State
3 to notify and set it out so that she merely has to state
4 what her percentage is. That's all that has to be done, and
5 it's protected.

6 The Chairman. How would the IRS handle that? I mean,
7 let's just say you have a working couple, and somebody gets
8 a notice that we are going to offset payments that weren't
9 made by, say, the husband, who is now remarried. And you've
10 got a \$500 refund coming. Now, if she says "Half of it's
11 mine"?

12 Senator Packwood. Well, that isn't hard to document.
13 If John and Mary are working, and John is making \$20,000 and
14 Mary is making \$20,000, it isn't hard to document upon whom
15 wages are withheld and upon who owes what.

16 Mr. Rollinson. There are very substantial problems
17 here, Mr. Chairman, in how the Internal Revenue Service is
18 to undertake to sure itself that it is to withhold; that is,
19 it is not in every case that one can readily know whether
20 there is an adjudicated claim.

21 Senator Durenberger. You had testimony here at the
22 hearing that they can go to Commissioners of Revenue all
23 around the country who have solved this problem. They all
24 started out, they had a tough problem. But they resolved it
25 on the AFDC cases. So if the Commissioners of Revenue can

1 resolve it on State income taxes, why can't the IRS?

2 Mr. Graham. Well, Senator, I think one point is, they
3 haven't full resolved all of the AFDC problems, because the
4 rights of the non-debtor spouse to a refund are determined
5 by State law. For instance, if you are in a community
6 property State like California, it doesn't matter whether one
7 or both spouses had income; both will have an undivided
8 one-half right to the refund. In a non-community property
9 State, the rights of the non-debtor spouses to the income
10 differs. So it is really a State law question as to how
11 much of the refund you can claim, even if you are a non-
12 debtor spouse. And those are some of the problems that are
13 running in with the current AFDC cases, and they are trying
14 to put in administrative procedures to have administrative
15 hearings set up at the governmental level where the debt is
16 being claimed in order to handle those types of situations.

17 Senator Chafee. Mr. Chairman, I get very queasy about
18 the long arm of the Federal Government getting into these
19 private arrangements between parties, even though they are
20 reinforced by a court decision that is a support decision.

21 Let me ask the Treasury: Is there any other example
22 in which a private matter, a litigation matter, if you would,
23 in which one of the parties can go to the Federal
24 Government under the IRS and have the tax returns affected?

25 Mr. Rollinson. Not to my knowledge, Senator. No.

1 Senator Chafee. So, Mr. Chairman, it said here that we
2 don't want the Federal Government to be a collection agency.
3 But that is exactly what we are doing.

4 Also, it's said that we have a vast body of experience
5 on what has taken place in the AFDC cases, so therefore we
6 can blithely move ahead in this area. That isn't what I
7 understand from what Treasury says. Maybe there is this
8 experience at the State level, but not on the Federal level,
9 if I understand Treasury correctly.

10 Senator Packwood. Well, Mr. Chairman, this is another
11 one of these damn attitudes of the Treasury Department --
12 "If you think you can, or if you think you can't, you're
13 right." And Treasury, when they don't want something --
14 "Oh, can't be done. It's impossible to administer" --
15 unless it's their program. And then somehow they can
16 magically find out a way to do something that they can't
17 otherwise do.

18 They couldn't administer the AFDC part of it, either --
19 "It would be impossible," beyond their ken and comprehension.
20 And, magic. It is working out. Look at the statistics for
21 the first year and a half. In 1982, the first year of the
22 program, the IRS made 297,000 offsets and they saved
23 \$174 million in welfare savings; through August of 1983,
24 320,000 offsets, and \$170 million savings through the first
25 eight months. It's working.

1 And as far as Bill Armstrong's worry about "isn't it a
2 lot easier to go in terms of wages that are paid once a week
3 or biweekly or once a month?" it is. And my hunch is that
4 you are only going to use the refund as a last resort, when
5 you have been unsuccessful at anything else. Sure, anyone
6 who is entitled to child support would rather have it every
7 week or every month than in one lump sum at the end of a
8 year.

9 Senator Armstrong. But, Bob, the whole point of this
10 bill is to enhance the enforcement procedure, and to require
11 mandatory wage withholding. That was my point, that this
12 adds, at best, a very small increment, and does so by
13 crossing a threshold of enforcement principle that the
14 Service is loathe to cross.

15 Senator Long. Well, Mr. Chairman, I have discussed
16 this matter with our staff and have some additional
17 information that makes me look at this matter in a more
18 favorable light with Senator Packwood.

19 What I am advised is that, since this program went into
20 effect for AFDC, it has collected a lot of money, as the
21 Senator said. Mind you, that is something where it is not
22 only helping the family but is helping the Government as well,
23 because you are getting money for the Government. But it is
24 collecting a lot of money. And, every bit as important, it
25 is getting us a lot of addresses of where these people are.

1 are, so we know where to go and get them.

2 Now, if you are going to get your withholding from the
3 employer, you need to know where the person is; otherwise,
4 how can you withhold if you can't find the person to
5 withhold on?

6 So, every bit as important as the money is the fact that
7 we are now getting those addresses -- at least a great
8 number of addresses that we weren't getting before, even
9 under the previous law that I worked so hard to try to get.

10 So, when you are finding where the people are, and you
11 are collecting the money, that's what we are really after, to
12 a large extent.

13 And further, as far as the government getting involved
14 in this, the whole purpose of this law -- what is this law
15 about? -- the whole idea of the law is to help those
16 mothers get some money to support those children. And this
17 is a Federal intervention in the problem, to help these
18 mothers get some money to support the children.

19 It seems to me that we could stop by just saying, "Oh,
20 yes. Well, anytime the Federal Government has to put them
21 on our payroll, then we will got to work and try to get some
22 money out of those fellows; but until that poor woman is
23 on the Federal payroll as a welfare client, sorry, no help."
24 Those of us who support the bill feel that we shouldn't take
25 that cut-off attitude, that "it is no longer any of our

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1 concern if it is not costing the Federal Government some tax
2 money" to help these people. well.

3 What we would like to do is to get it to where it is so
4 difficult for this guy to get away without paying some money
5 for those children, that the blamed fellow will pay, pay up.
6 That's what affluent people do. Men in affluent families
7 go ahead and pay, because they know if they don't pay they
8 are going to be sued. Then the guy is going to attach the
9 bank account or whatever it takes to get the dough from him.

10 But where there are small amounts of money involved, and
11 a woman with a couple of children there, up til now she has
12 had so little help that she just had to suffer it and
13 couldn't get the money. And it's still that way.

14 The Chairman. This just occurred to me: We already
15 have one offset. Let's say this errant parent also has a
16 student loan he hasn't repaid. Who has priority? Debts
17 owed the Federal Government, or debts in this little
18 arrangement? I think at least we ought to establish that
19 if he gets two offsets in a year, the Federal Government
20 ought to get their money back first.

21 Senator Packwood. I would be willing, as a trade off
22 for a unanimous vote in favor of it, to let the Federal
23 Government come first. We come first in all other creditor
24 proceedings, and I would be willing to run the risk that
25 for those few, very few, recipients, non-AFDC spouses who

1 might also owe money to the Federal Government for a student
2 loan, that we let the Federal Government collect the student
3 loan first.

4 The Chairman. I'll bet there are a lot of them, because
5 the same kind that don't pay their bills in one area aren't
6 going to pay their bills in another. I don't know; I don't
7 have any statistics, but it seems to me if we are going to
8 start all of these multiple offsets, you are going to have
9 those situations.

10 We have to authorize \$250,000 for new clerical
11 assistants in the IRS? Where do you get the \$250,000?

12 Mr. Rollinson. It is \$250 million.

13 The Chairman. Right. Excuse me.

14 Mr. Rollinson. I assume that will come from all of the
15 other taxpayers.

16 Senator Long. Well, I just look at that \$250 million
17 figure and scoff at it, because any time the government
18 doesn't want to do something, they come up with some
19 ridiculous --

20 The Chairman. It's CBO, though.

21 Senator Long. Well --

22 The Chairman. They are always willing for the government
23 to do more.

24 Senator Long. CBO has not been known to be without
25 error. But if it is a Departmental estimate, my impression

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1 is that anytime it is a Departmental estimate, if they don't
2 like the idea, "Give it an estimate that costs a fortune."
3 If they do like the idea, "It costs practically nothing."
4 And for anything in social welfare, it is especially that
5 way.

6 The Chairman. Well, could there be some agreement that
7 at least the government ought to have priority? I mean, if
8 they owe a student loan, and Roscoe Egger has got to figure
9 out who to pay.

10 Mr. Rollinson. To my knowledge, there are no priority
11 provisions in the current statute.

12 Senator Grassley. I agree with Senator Packwood, and
13 as a cosponsor of the amendment if Senator Durenberger agrees
14 to that, we have no problem with that.

15 Senator Durenberger. Good.

16 Senator Grassley. So, include that in the amendment.

17 The Chairman. I am not for it, but I think you are
18 going to pass it.

19 (Laughter)

20 The Chairman. If you are going to pass it, at least
21 you ought to be sure the government gets something out of it.
22 We are going to pay for it.

23 Senator Chafee. Mr. Chairman, I think this presents
24 tremendous possibilities. How about a judgment in an
25 accident suit, an accident that is damaging to a child, where

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1 the responsible party hasn't paid? Now, here we are affecting
2 children, and the child should be able to collect, and the
3 judgment has been rendered. How about withholding that from
4 the --

5 Senator Packwood. John, when you get --

6 Senator Chafee. No, Bob. You start off your statement
7 saying you don't want the Federal Government to be a
8 collection agency. Then you move into it. And I say let's
9 protect the children in every situation.

10 Senator Packwood. And, John, I said when it reaches
11 a place where the magnitude of the problem is such that it is
12 a genuine problem, and you can factually show that, then you
13 shouldn't hesitate to say the Government is going to try to
14 help collect.

15 You haven't got any evidence that people who are unable
16 to collect on accidents, most of which are covered by
17 insurance, have become such an overwhelming problem that there
18 are thousands and thousands and millions of little children
19 going starving because they aren't able to collect from
20 Aetna.

21 (Laughter)

22 Senator Chafee. Well, I haven't heard the millions of
23 children starving under your situation, the non-AFDC
24 situation.

25 The Chairman. Senator Moynihan?

1 Senator Moynihan. Mr. Chairman, I would like to speak
2 on behalf of Senator Packwood's position.

3 The Chairman. I don't think you have to. I think you
4 have enough votes.

5 (Laughter)

6 Senator Moynihan. Well, at the risk of losing some, I
7 would like to make a point here.

8 (Laughter)

9 Senator Moynihan. We are talking about family policy.
10 I don't think it has sunk in, even in this committee, that,
11 from research done a few years ago, one out of every three
12 children born in the United States in 1980 will be supported
13 by the AFDC program before they reach 18 -- one child in
14 three.

15 Now, we have already put in place a Federal Tax Refund
16 intercept for the parents of those children.

17 (Continued on the next page)

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1 Senator Moynihan: Is there any reason why they should
2 be identified as a group with less rights or expectations
3 under the law? And similarly, in a particular moment, that
4 children are not receiving who are welfare. And especially
5 of establishing classes of persons here.

6 I don't think we should have classes of persons.
7 Although this may be Senator Packwood's view.

8 The Chairman. Are we ready to vote? Want to call
9 the roll?

10 Mr. DeArment. Mr. Packwood?

11 Senator Packwood. Aye.

12 Mr. DeArment. Mr. Roth?

13 Senator Roth. No.

14 Mr. DeArment. Mr. Danforth?

15 Senator Danforth. (No response)

16 Mr. DeArment. Mr. Chafee?

17 Senator Chafee. No.

18 Mr. DeArment. Mr. Heinz?

19 Senator Heinz. (No response)

20 Mr. DeArment. Mr. Wallop?

21 Senator Wallop. (No response)

22 Mr. DeArment. Mr. Durenberger?

23 Senator Durenberger. Aye.

24 Mr. DeArment. Mr. Armstrong?

25 Senator Armstrong. No.

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1 Mr. DeArment. Mr. Symms?
2 Senator Symms. Aye by proxy (Senator Grassley)
3 Mr. DeArment. Mr. Grassley?
4 Senator Grassley. Aye.
5 Mr. DeArment. Mr. Long?
6 Senator Long. Aye.
7 Mr. DeArment. Mr. Bentsen?
8 Senator Bentsen. (No response)
9 Mr. DeArment. Mr. Matsunaga?
10 Senator Matsunaga. Aye by proxy (Senator Bradley)
11 Mr. DeArment. Mr. Moynihan?
12 Senator Moynihan. Aye.
13 Mr. DeArment. Mr. Baucus?
14 Senator Baucus. Aye by proxy (Senator Bradley)
15 Mr. DeArment. Mr. Boren?
16 Senator Boren. Aye by proxy (Senator Bradley)
17 Mr. DeArment. Mr. Bradley?
18 Senator Bradley. Aye.
19 Mr. DeArment. Mr. Mitchell?
20 Senator Mitchell. (No response)
21 Mr. DeArment. Mr. Pryor.
22 Senator Pryor. (No response)
23 Mr. DeArment. Mr. Chairman?
24 The Chairman. No.
25 The ayes are 9, and the nays are 4. The amendment is

1 agreed to.

2 Now, I think you have another one that makes a State
3 to do the same thing?

4 Senator Grassley. Yes.

5 The Chairman. What does that cost the Federal Govern-
6 ment?

7 Senator Grassley. The States are required to do it.

8 The Chairman. Do you have the Federal cost of that?

9 Ms. Olson. The CBO estimates there will be a Federal
10 cost. They did not give us a figure.

11 The Chairman. I want to keep track of how much we
12 are spending here.

13 Senator Grassley. For what?

14 Ms. Olson. For the State income tax refund. We would
15 share the administrative costs as a result of the Federal
16 match.

17 Senator Grassley. From that standpoint, yes. Then, I
18 would have to correct myself.

19 The Chairman. Why do we want a Federal match?

20 Ms. Olson. It would be part of the regular child
21 enforcement program administrative, which we pay 70 percent
22 of.

23 The Chairman. Can we provide that this would not be
24 part of the match?

25 Ms. Olson. It certainly could be considered.

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1 Senator Grassley. It is all right with me. I can
2 only speak for myself.

3 Ms. Olson. Excuse me. We may need to ask the Child
4 Support Enforcement Office if it is possible to keep
5 separate cost accounting for this particular provision,
6 if it is passed that way.

7 The Chairman. It is not possible?

8 Dr. Rubin. At the risk of adding to the displeasure
9 by saying something is or isn't possible, we don't think
10 that this is possible to do in any easy way.

11 (Laughter)

12 Dr. Rubin. But I think that may suit your point.

13 Senator Packwood. You mean to say that you have the
14 70 percent match now. We are going to pass Senator
15 Grassley's amendment and we are going to say any of the
16 cost to the State in enforcing this under a State income
17 tax refund, it shall not be applicable to the 70 percent,
18 and it is impossible to keep track of what you are not
19 going to allocate?

20 Dr. Rubin. I am told by the Child Support Office that
21 it would be very difficult to allocate the cost of a
22 particular action on the State in any sort of meaningful
23 way in terms of the cost benefit to doing that.

24 It is our judgment, off the top of our heads, that it
25 would not be worth doing.

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1 Senator Packwood. You mean that it is so de minimus
2 that it is not worth doing?

3 Dr. Rubin. Yes.

4 The Chairman. All right.

5 Senator Packwood. We could lump it in with the 70
6 percent anyway.

7 Dr. Rubin. Hopefully with the 65 percent, yes.

8 (Laughter)

9 The Chairman. Is there any objection to that amendment
10 then?

11 Senator Long. I don't to let this opportunity to
12 discuss the idea of the 65 percent matching be voted on.

13 Senator Packwood. We are not to that.

14 Senator Long. Then, I will just hold up on that.

15 The Chairman. I guess that amendment can be agreed
16 to. We have a third amendment, right?

17 Senator Grassley. Mr. Chairman, I would like to hold
18 off on my third amendment for just a little while. I
19 want a consultation with Mr. Bradley on it.

20 The Chairman. All right. As I understand, there are
21 two or three others that we can dispose of rather quickly.

22 Didn't Senator Chafee have one that is not --

23 Ms. Olson. I understand Senator Chafee may not be
24 offering that amendment, pertaining to the determination
25 of paternity.

1 Senator Durenberger. Can we adopt the Wisconsin
2 amendment?

3 The Chairman. Yes. We will adopt the Wisconsin
4 amendment. Senator Armstrong's amendment.

5 Ms. Olson. Senator Durenberger and others on the
6 committee have that amendment dealing with sense of the
7 Congress language, which I believe is noncontroversial.

8 The Chairman. Okay. Can we adopt that? Which one?

9 Ms. Olson. Senator Durenberger, Senator Packwood,
10 Grassley, Boren, and others have co-sponsored sense of
11 the Congress language --

12 The Chairman. All right. I agree with that. It
13 doesn't cost anything either.

14 Senator Durenberger. No.

15 (Laughter)

16 The Chairman. That is an exception to the normal rule.

17 Senator Roth said no amendment, but wishes to raise
18 the issue of Federal enforcement of visitation rights.
19 Could that be covered by this?

20 Ms. Olson. It would be covered by Senator Durenberger's
21 resolution. Senator Armstrong is concerned that States
22 should be enforcing visitation rights with the equal vigor
23 of child support rights.

24 He doesn't wish to have the Federal Government involved
25 at this point, but he did want to raise the issue and

1 indicate his concern about visitation rights.

2 The Chairman. All right. Is he a co-sponsor of your
3 provision?

4 Ms. Olson. I don't think so.

5 Senator Bradley. No.

6 The Chairman. But he doesn't have any objection to it?

7 Senator Durenberger. He is not a co-sponsor but he
8 doesn't have any objection to it.

9 The Chairman. So, can we take care of his concerns?

10 Ms. Olson. As far as we are able at this time to
11 do, we can.

12 The Chairman. All right. What do you have left then?

13 Ms. Olson. Senator Durenberger and Senator Bradley
14 had an interest in the Medicaid amendment.

15 The Chairman. That is going to cost, I know that.

16 Senator Bradley. Mr. Chairman, the amendment is
17 essentially to avoid the cliff if you are --

18 The Chairman. We already went over the cliff.

19 (Laughter)

20 Senator Bradley. I don't think so. If you get your
21 child support payment and it pushes you above AFDC income
22 level, then you are ineligible then for Medicaid, and what
23 this would do would be allow a four-month extension for
24 Medicaid eligibility so you wouldn't see the family during
25 the four-month period after the begin to get the child

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1 support drop off of Medicaid eligibility.

2 It is a similar position that exists under the Social
3 Security Act that applies to wages, and this would be simply
4 treating child support as wages are treated under that Act.

5 The Chairman. Does the Administration have a view
6 on this? Dr. Rubin?

7 Dr. Rubin. Yes. We strongly oppose this amendment.
8 We would point out that we estimate that Federal costs
9 would be \$173 million over three years.

10 Considering the actions of this committee over the last
11 two weeks to come up with savings of that magnitude in
12 the programs that they have adopted, then one wonders whether
13 this is the best way to do it.

14 The second point that I would like to make is that
15 the rationale for the AFDC extension that Senator Bradley
16 refers to is that people who are going to work frequently
17 can't get their health insurance on the first day that that
18 occurs.

19 The Administration does support and the department
20 will be issuing regulations requiring the States to pursue
21 medical support orders at the earliest opportunity, and
22 indeed, hopefully in conjunction with the support order
23 so that the absent parent is the one that is paying for
24 the medical care of this child, rather than the taxpayer
25 or the Federal Government.

1 Senator Durenberger. I was just going to make the
2 point that it seems to me you have that same transition
3 problem.

4 Senator Bradley. Exactly. He is using two different
5 sets of numbers though.

6 Senator Durenberger. And Bob, either you or somebody
7 gave a very different set of estimates over on the House
8 side. It was like one-third of that \$173 million you are
9 talking about.

10 Dr. Rubin. I didn't give any estimates on the House
11 side. These are numbers that we agreed to -- our actuaries
12 agreed to -- and our office is also quoting the same
13 numbers.

14 Senator Bradley. What is the CBO estimate of the cost?

15 Ms. Olson. The CBO estimate is \$25 million each year.

16 Senator Bradley. \$25 million versus the
17 Administration estimate of \$175 million?

18 Ms. Olson. But that was over three years.

19 Senator Bradley. Over three years, so it is still
20 considerably less on the CBO estimate.

21 Dr. Rubin. The difference, Senator Bradley, is that
22 the CBO estimate estimates that --

23 Senator Bradley. Your enforcement regulations are
24 going to work -- isn't that what it estimates?

25 Dr. Rubin. The CBO estimates a different caseload.

1 The Chairman. Have you got another copy of this little
2 memo you gave me?

3 Ms. Olson. We could certainly get another one.

4 Dr. Rubin. The other point that needs to be made
5 is that our actuaries believe that people will spend more
6 during the time that they have Medicaid since Medicaid is
7 probably the richest health insurance package that exists
8 in this country, in terms of the benefits that are provided.

9 It is clearly far superior to most employer-sponsored
10 health insurance packages.

11 The Chairman. Could I suggest that -- we have heard
12 from my State. They don't want this amendment. They can't
13 afford it. They also indicate that it would create a
14 special class of former AFDC recipients who may be no
15 more or less in need of medical support than others.

16 They may be able to qualify for the medically needy
17 program. Additionally, the department has issued a
18 regulation which we included in the last fall reconciliation
19 bill that requires States to seek the inclusion of medical
20 insurance coverage in new or modified child support orders.

21 If we are going to have to have the amendment, at
22 least it ought to be made optional. I think that a number
23 of States probably haven't been heard from that can't
24 afford any more of this Federal charity.

25 Dr. Rubin. Senator Dole, I apologize for not using

1 those numbers the first time I spoke. It would cost the
2 States an additional \$147 million over the three years.

3 Senator Chafee. Mr. Chairman, isn't the cost of
4 these provisions to encourage people to get off AFDC, and
5 I know that that obviously was true in the one where they
6 take a job.

7 Now, we have done that. Isn't that correct?

8 And it isn't just to cover people who--to take care
9 of the slack period while they are covered by the employer's
10 insurance, but it is to get them to take that leap that
11 sometimes appears dangerous to them about going to work
12 because they might lose this.

13 Now, can there be many cases involving this? Now,
14 we are getting the increased child support payments. It
15 seems to me that must be a limited group, isn't it?

16 Except as a result of the achievements we have made
17 here earlier.

18 Ms. Olson. Senator, we are advised by the AFDC Office
19 that only 6 percent of case closings each year -- or for
20 the last year, they have the most recent estimates -- qualify
21 for four months of Medicaid eligibility. The rest lose
22 their AFDC eligibility for other reasons and are not
23 eligible.

24 So, it is a very small group right now that does qualify
25 for Medicaid eligibility for four months.

1 We would be enlarging that group somewhat.

2 Senator Chafee. Now, what is the other group? That
3 was referred to in the letter that Senator Dole mentioned.
4 In other words, he said this is making -- the letter as I
5 understood it said that this is making--favoring a special
6 group.

7 Ms. Olson. The only other group that does not qualify
8 are those that lose AFDC eligibility as a result of
9 increased earnings from employment or increased hours of
10 employment, and I am advised that that is only 6 percent of
11 the case closures in AFDC.

12 The others leave for various reasons -- the child is
13 too old, the earnings disregard is no longer applicable to
14 that family -- so it is a small group currently now that
15 does qualify for Medicaid eligibility.

16 The Chairman. Could we just vote on it and see?

17 Mr. DeArment. Mr. Packwood?

18 Senator Packwood. Aye.

19 Mr. DeArment. Mr. Roth?

20 Senator Roth. No.

21 Mr. DeArment. Mr. Danforth?

22 Senator Danforth. (No response)

23 Mr. DeArment. Mr. Chafee?

24 Senator Chafee. Aye.

25 Mr. DeArment. Mr. Heinz?

1 Senator Heinz. (No response)
2 Mr. DeArment. Mr. Wallop?
3 Senator Wallop. No.
4 Mr. DeArment. Mr. Durenberger?
5 Senator Durenberger. Aye.
6 Mr. DeArment. Mr. Armstrong?
7 Senator Armstrong. No.
8 Mr. DeArment. Mr. Symms?
9 Senator Symms. No by proxy (The Chairman)
10 Mr. DeArment. Mr. Grassley?
11 Senator Grassley. No by proxy (The Chairman)
12 Mr. DeArment. Mr. Long?
13 Senator Long. Aye.
14 Mr. DeArment. Mr. Bentsen?
15 Senator Bentsen. (No response)
16 Mr. DeArment. Mr. Matsunaga?
17 Senator Matsunaga. Aye by proxy (Senator Bradley)
18 Mr. DeArment. Mr. Moynihan?
19 Senator Moynihan. Aye by proxy (Senator Bradley)
20 Mr. DeArment. Mr. Baucus?
21 Senator Baucus. (No response)
22 Mr. DeArment. Mr. Boren?
23 Senator Boren. (No response)
24 Mr. DeArment. Mr. Bradley?
25 Senator Bradley. Aye.

1 Mr. DeArment. Mr. Mitchell?

2 Senator Mitchell. (No response)

3 Mr. DeArment. Mr. Pryor?

4 Senator Pryor. (No response)

5 Mr. DeArment. Mr. Chairman?

6 The Chairman. No.

7 The ayes are 7, the nays are 6. The amendment is
8 agreed to.

9 Absent members can vote until we report the bill.

10 I need to go to the Senator floor, but Senator
11 Armstrong, who is really the one who has done the lion's
12 share of work in this matter, in any event, and he has
13 agreed to take over. Will you take over, Bill. I will
14 come back. We have the farm bill up.

15 Senator Chafee. That is where you are talking about
16 some real problems out there, Mr. Chairman.

17 The Chairman. We are supposed to be trying to save
18 three if we can corral John Melcher long enough.

19 Senator Chafee. There you are talking billions rather
20 than millions.

21 The Chairman. Savings.

22 Senator Chafee. Yes. Here we are dealing with millions.
23 There you are dealing with billions.

24 The Chairman. Billions saved against millions expended.

25 Senator Chafee. When a farm program comes up with

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1 savings, I will believe it when I see it.

2 (Laughter)

3 Senator Long. Mr. Chairman, I would like to bring up
4 this matter about the matching funds.

5 Senator Packwood. That 70-65 percent?

6 Senator Long. Yes.

7 Senator Packwood. I think it is probably one of the
8 earlier amendments, anyway.

9 Senator Long. I would like to bring up the matter
10 about the matching funds. There would be no immediate
11 savings in this matter.

12 You go down to 69 percent in fiscal year 1978, and then
13 1988, down to 60, and so forth.

14 Now, we can do that in the future if we want to do it.
15 I would recommend that we not do it at this time, and the
16 reason is that that would tend to look like the Federal
17 Government is placing a lesser priority on this program
18 than perhaps some others--in relation to other programs,
19 which is not our intention at all.

20 I think we ought to just keep it where it is 70 percent.
21 If that gives any problem about the budget thing, I would
22 be glad to propose an amendment that would cover the cost
23 of it.

24 The cost estimates -- there would be no savings in
25 fiscal year 1985, and no saving in fiscal year 1986. \$10

1 million in 1987. An estimated \$25 million in 1988. An
2 estimated \$35 million in 1989.

3 I could suggest other ways that would save even more
4 money and be more--and do no harm to this particular program.
5 I don't like for us to adopt something that is going to
6 look like the Federal Government is going to have less
7 interest in this program in the future.

8 And I would hope that we would just leave the matching
9 funds at 70 percent where it is.

10 Senator Armstrong. Dr. Rubin?

11 Dr. Rubin. We would strongly oppose Senator Long's
12 amendment. From 1985 to 1989, the new incentive provisions
13 that are contained in our bill would cost roughly \$145
14 million over the current incentive program.

15 At the same time, using the phase reduction and the
16 matching rate that is in the draft bill, it would cost
17 about \$54 million, so that there would be a net savings
18 of roughly \$90 million, or an increase or disbursement
19 of money to the States.

20 So, we don't believe that perception that you portray
21 is one that we need to disspell.

22 This is a program that, as you know, Senator, has
23 always resulted in State savings and Federal cost. We are
24 talking about a five-year cost of retaining the 70 percent
25 match of our numbers being roughly \$59 million.

1 You are correct that there is no impact in the first
2 two years, but after that, the costs go up fairly
3 substantially relative to the draft bill.

4 Senator Long. This particular amendment you have got
5 here -- it wouldn't saving anything until 1987, and then
6 it would only save \$10 million, \$25 million -- according
7 to your estimates -- in 1988. In 1989, \$89 million according
8 to your estimate.

9 If we need to save that much money, I can think of
10 other ways that we could save that much. It would be more
11 appropriate and probably do less harm to any program.

12 I think this is part of the program that we want to
13 have emphasis on. I believe you agree with that.

14 Dr. Rubin. We do, Senator, and we believe that, by
15 changing the incentive program and rewarding the States for
16 good performance, rather than for spending money, as you
17 recall, when the Secretary testified here, the number of
18 States that have poor cost-effective ratios -- in other
19 words, those that would pay a great deal of administrative
20 costs but we don't get very much back -- is substantial

21 What we want to do is reward those States that have
22 effective programs. At the same time, we want to provide
23 States that may not have effective programs an incentive
24 to make their programs better.

25 I think by maintaining the administrative match at

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1 70 percent, this committee sends a signal that we are not
2 serious about the incentive program, and we are not serious
3 about cutting down the administrative costs.

4 Senator Long. It seems to me that this is irrelevant
5 to the incentive program. We can go about the incentive
6 under its own rights, but this reduces the Federal matching
7 share, no matter whether you are doing a good job or a bad
8 job, and I just don't think we ought to do it.

9 Senator Chafee. Mr. Chairman, let me say just one
10 thing. Having been on the receiving end of this, we kind
11 of worked out a theory that any program wherein the Federal
12 Government pays much over 50 percent reduces our incentive
13 to accomplish--let me phrase it--increases our incentive to
14 get into it, and to load it up, figuring the Federal
15 Government is going to pay a lot of it.

16 We may have been atypical of Government, but I doubt
17 it. And so, any program where the Federal Government
18 came in for over 55 or 60 percent was looked on as a very
19 favorable program, and go to it because the Feds are paying
20 such a big share of it.

21 And therefore, I for one sort of have a philosophy that
22 we should get the Federal Government's share down toward
23 60 percent or even 55, and that is when you really get
24 the attention.

25 Senator Long. Senator, if you want the people to take

1 the emphasis off of this program, that is exactly what you
2 are going to do. If you want them to move away from this
3 program, let's just reduce the matching ratio.

4 And you can persuade them to do exactly that. That is
5 the point.

6 Senator Chafee. No.

7 Senator Long. Why did we make it 70 percent in the
8 first place? I was here when we did it. We did that
9 because we wanted to put emphasis on the program. We wanted
10 the States to take an interest in it. We are having great
11 difficulty getting people to take an interest in this
12 program, and that is why we made it so high.

13 Senator Armstrong. Senator Long, maybe we could clarify
14 that.

15 Dr. Rubin, is it your position that with the changed
16 ratio with the incentive program, that individual States
17 would actually receive less or more if they operate
18 efficiently?

19 Dr. Rubin. Most States will receive more.

20 Senator Armstrong. In other words, they are not in
21 total --

22 Dr. Rubin. The total number of dollars available, if
23 you look at the incentive program as well as the matching
24 rate, as I said earlier, we would spend an additional \$144
25 million over what we currently spend on the incentive side

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1 at a cost to the States of reducing the incentive by \$54
2 million.

3 Senator Armstrong. Senator Chafee, I didn't mean to
4 interrupt you.

5 Senator Chafee. I just wanted to point out to Senator
6 Long that what we are talking here are administrative
7 costs, and this is a wonderful opportunity to load up the
8 administrative side, not being very careful over it, because
9 the Federal Government pays X percent -- in this case, 70
10 percent.

11 Now, we may be unlike other States, but I suspect we
12 aren't, and it is a good place to load up the payroll
13 without the commensurate return in efficiency. In other
14 words, what I am saying is you get just as much in
15 efficiency for a lower Federal percentage, and it could be
16 -- What are we talking about -- going down to 65 percent.

17 Senator Long. You are just assuming. You are just
18 assuming that this isn't going to work the way you want
19 it to work. There are all sorts of incentive things
20 boomeranging, and they don't work the way that they are
21 intended at all.

22 But there is no doubt about this part of it. This
23 part of it here moves emphasis away from this program and
24 increases the costs on those that you want to do the job
25 for you.

1 So, we weren't getting anywhere with this program until
2 we went to the 70 percent. Why do they want to go away from
3 it?

4 Now, for this small savings you are talking about, I
5 would be glad to support any one of a number of things that
6 would save that much back. There is no problem in saving
7 that much money between now and 1989 -- if you look at the
8 whole AFDC program.

9 I personally think that you ought to put more emphasis
10 on getting people into some type of useful service and less
11 on just paying them to stay there and draw the money.

12 And you would save a lot of money if you did -- a huge
13 amount. But in any event, I don't think that this is where
14 you ought to try to make your savings.

15 Senator Armstrong. Senator Bradley?

16 Senator Bradley. Let me ask Ms. Olson. What does this
17 bill do in the way of increasing Federal mandates on
18 the States?

19 Ms. Olson. This proposal does not decrease Federal
20 mandates. The proposal adds Federal mandates for the
21 States.

22 Senator Bradley. And what kind of Federal mandates?

23 Ms. Olson. The proposal includes mandatory wage
24 withholding, a requirement that States have in place the
25 State income tax offset, and as now amended would apply to

1 both non-AFDC and AFDC. We require States to have in place
2 procedures to place liens on property of a debtor child
3 support payor, to have in place processes to obtain
4 securities or bonds on these people --

5 Senator Bradley. And on and on and on.

6 Ms. Olson. Several others.

7 Senator Bradley. The point is that this bill is
8 increasing Federal mandates on the States, and we should
9 not be cutting what we are going to contribute to that
10 process, when at the same time we are increasing the
11 mandates on the States.

12 Senator Long. Tennessee and the average State budget
13 -- I know I can speak for ours -- I had something to do
14 with making up the Louisiana budget -- now Tennessee and
15 the average State budget are just a foot in the same figure
16 you had last year.

17 That is your starting point. And so if you put in the
18 same figure you had last year, you have got less money
19 available for the program. It is just that simple.

20 And why do you want to cut back on this part of it when
21 you ought to be putting emphasis on getting money to help
22 support the children?

23 Now, we are talking about something that reduces the
24 cost of Government. If you can get it down to where those
25 fellows come up and pay the money, and they find that they

1 can't get by without paying it -- which is the objective
2 of the bill -- then you are going to save a tremendous
3 amount of money because when they start paying up, then
4 you can really cut back on the cost of the program.

5 It would be enormously reduced, but until you become
6 very effective -- a lot more effective than you are now --
7 you ought to have the incentive in there.

8 And you shouldn't be saying, well, we are going to
9 cut back on this program, you see, because we assume it
10 is going to be effective. After you are effective, then
11 come back on the cost of the program. It might automatically
12 reduce itself.

13 Senator Armstrong. Senator Durenberger?

14 Senator Durenberger. I am not going to shed any light,
15 but I did sit here and listen to all the witnesses -- maybe
16 not as long as Senator Long did, so I respect his judgment
17 on there -- but I got myself in trouble with our current
18 President a few years ago when I took on this issue of
19 whether the Federal Government is always telling the States
20 what to do and sending them money to do it with, or whether
21 or not the States have come in here -- or people came in
22 here -- asking for help.

23 And he still operates -- I noticed yesterday -- on the
24 theory that all of these programs that are swallowing up
25 State and Federal economies were all invented in Washington

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1 and foisted on little people out there in Westovershoe.

2 I called it baloney two years ago, and it is still
3 baloney. I mean, this place is not a self-starter. This
4 place reacts to problems, and Senator Long certainly knows
5 that.

6 In the child support area, you didn't wake up one
7 morning and say we have to do something about child support.
8 I mean, you saw hundreds and thousands of situations that
9 cried out for some help, and I think the situation here
10 is that we listened to those States tell us that we ought
11 to do that long list, Bill.

12 I mean, they said you are not getting what you ought
13 to for the money you are currently investing, and that is
14 why you ought to do the income tax offsets, and that is
15 why you ought to help us with the interstate problem. You
16 ought to do this, that and the other.

17 Now, I grant you that, in the end, they also said
18 you ought to stick with 70 percent, but in order to get
19 this Administration and this President and a whole lot of
20 other people to come to grips with all the goods things
21 that are going to get more money to more kids and more
22 families out there, we did agree that the States ought to
23 carry on a little larger share of that financial burden.

24 I didn't necessarily like it, and I didn't want it
25 either, but I am going to support it, and I regret having

1 to oppose Senator Long on this issue.

2 But I think we have a pretty good package even with
3 that slightly increased State share that we have built into
4 the system.

5 Senator Armstrong. Unless there is something further,
6 I think we are ready for the vote.

7 The clerk will call the roll.

8 Senator Chafee. What are we voting on now?

9 Senator Armstrong. This is to retain the current
10 70 percent Federal match. Senator Long's proposal.

11 Mr. DeArment. Mr. Packwood?

12 Senator Packwood. No.

13 Mr. DeArment. Mr. Roth?

14 Senator Roth. No by proxy (Senator Armstrong)

15 Mr. DeArment. Mr. Danforth?

16 Senator Danforth. (No response)

17 Mr. DeArment. Mr. Chafee?

18 Senator Chafee. No.

19 Mr. DeArment. Mr. Heinz?

20 Senator Heinz. (No response)

21 Mr. DeArment. Mr. Wallop?

22 Senator Wallop. No by proxy (Senator Armstrong)

23 Mr. DeArment. Mr. Durenberger?

24 Senator Durenberger. No.

25 Mr. DeArment. Mr. Armstrong?

1 Senator Armstrong. No.

2 Mr. DeArment. Mr. Symms?

3 Senator Symms. No by proxy (Senator Armstrong)

4 Mr. DeArment. Mr. Grassley?

5 Senator Grassley. No by proxy (Senator Armstrong)

6 Mr. DeArment. Mr. Long?

7 Senator Long. Aye.

8 Mr. DeArment. Mr. Bentsen?

9 Senator Bentsen. Aye by proxy (Senator Long)

10 Mr. DeArment. Mr. Matsunaga?

11 Senator Matsunaga. Aye by proxy (Senator Bradley)

12 Mr. DeArment. Mr. Moynihan?

13 Senator Moynihan. Aye by proxy (Senator Bradley)

14 Mr. DeArment. Mr. Baucus?

15 Senator Baucus. (No response)

16 Mr. DeArment. Mr. Boren?

17 Senator Boren. Aye.

18 Mr. DeArment. Mr. Bradley?

19 Senator Bradley. Aye.

20 Mr. DeArment. Mr. Mitchell?

21 Senator Mitchell. (No response)

22 Mr. DeArment. Mr. Pryor?

23 Senator Pryor. (No response)

24 Mr. DeArment. Mr. Chairman?

25 The Chairman. No by proxy (Senator Armstrong).

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1 Senator Armstrong. Are there other amendments?

2 On this vote, there are six ayes, and nine nos, and
3 the amendment is defeated.

4 Are there other amendments that are before us?

5 Senator Long. Yes. I would like to ask Mr. Stern to
6 explain the problem we find on this Federal incentive
7 payment matter.

8 Mr. Stern. The present law provides a 12 percent
9 incentive payment which comes out of what would otherwise
10 be the Federal Government's share when child support
11 collections are made in AFDC cases.

12 The proposal here is to have a different structure of
13 incentive payment, which relates both to AFDC cases and
14 non-AFDC cases, and the incentive would be 4 percent in
15 the case of AFDC cases, and 4 percent in the case of non-AFDC
16 payments, and then, depending on the ratio of State
17 administrative costs to collection costs, it could rise
18 above the 4 percent minimum to 6.5 percent or higher.

19 That is the proposal that is in here.

20 The effect of that is that in 38 States the incentive
21 payment would be lower than under present law, probably
22 substantially lower, and this would be particularly felt
23 in the local jurisdictions that would be doing the
24 collection efforts since the incentive payments are often
25 what is paying for these local efforts.

1 So, that is the problem here.

2 Senator Long. One way that could be handled is to
3 set a 6 percent minimum for each of the AFDC and non-AFDC,
4 approximating the 12 percent AFDC under present law.

5 Or simply stick with the present law. I would suggest
6 that we simply set the 6 percent minimum for AFDC and
7 non-AFDC.

8 Senator Armstrong. Do you offer that as an amendment?

9 Senator Long. Yes.

10 Senator Armstrong. Dr. Rubin?

11 Dr. Rubin. If the Senator would agree to maintaining
12 the current cost-effectiveness ranges that are in the
13 staff draft, but raise the minimum from 4 to 6 percent,
14 we would not oppose that.

15 Senator Long. Would that be okay with us?

16 What is your objection, Mr. Stern?

17 Mr. Stern. Our problem was with the minimum amount,
18 and that ought to be acceptable then, or a range above
19 that would be fine.

20 Senator Long. I would be glad to do that. It is so
21 modified.

22 Senator Packwood. Just so we are sure we understand,
23 Dr. Rubin, are we talking about the ranges on page 4 of the
24 staff --

25 Ms. Olson. Page 4 of the staff proposal.

1 Senator Bradley. The administrative cost ratios,
2 right?

3 Ms. Olson. Yes.

4 Senator Packwood. You modified your proposal so that
5 these ranges are retained, but a 6 percent floor is put in?

6 Senator Long. Yes.

7 Mr. Stern. That wasn't exactly the proposal. In other
8 words, keep the range, but you would have a 4 or 6 percent
9 instead of 4 percent for each --

10 Ms. Olson. Senator, for the record, CBO estimates a
11 \$25 million cost for that proposal from the staff proposal.

12 Senator Armstrong. Three-year cost?

13 Ms. Olson. Each year.

14 Senator Armstrong. Each year.

15 Ms. Olson. Our incentive structure saves, according
16 to CBO, I think approximately \$10 million a year. This
17 would cost \$25 million from the staff proposal according
18 to CBO.

19 Senator Armstrong. \$75 million over three years?

20 Ms. Olson. Right.

21 Senator Armstrong. Senator Long, were you going to
22 offer an offsetting cost reduction item?

23 Senator Long. I will be glad to if this amendment is
24 agreed to, or if any of my amendments are agreed to. As
25 far as I am concerned, I am not trying to increase the cost

1 of this program. I just want to retain the effectiveness
2 of it.

3 Senator Chafee. Could Dr. Rubin explain what is the
4 merit in reducing the incentive here? How does that work?

5 If the incentive is down, previously we were discussing
6 an administrative cost matter, which I could clearly
7 understand, but now we are talking in incentive payment
8 -- a reward for collecting, as I understand it.

9 And previously, as I understand it, there was a reward
10 of 12 percent for AFDC payments. Is that right? In other
11 words, if a payment came in, 12 percent off the top would
12 go to the State as an incentive?

13 Dr. Rubin. Off of the Federal share, yes. It is
14 financed completely off the top of the Federal share.

15 Senator Chafee. And that went to the State?

16 Dr. Rubin. Yes.

17 Senator Chafee. Now, this is a rather dramatic drop
18 to 4 percent. That would be on AFDC and non-AFDC.

19 Dr. Rubin. That is correct.

20 Senator Chafee. And so, you would say that that would
21 result in a net loss, if you would, presumably?

22 Senator Bradley. For 40 States.

23 Senator Chafee. For the States?

24 Senator Bradley. 40. It is 39 States.

25 Ms. Olson. Senator, the figures we have from the

1 department do not show that many States losing in savings
2 as a result of this proposal.

3 From the chart given to me by the Administration, I
4 see three States that lose in savings from current law under
5 this proposal.

6 Senator Chafee. That isn't what you said before.
7 I thought it was 38 States -- somebody said. Isn't that
8 what Mr. Stern said?

9 Dr. Rubin. Senator, let me respond to you -- while
10 they are looking for their data. I think one point needs
11 to be stressed.

12 It was 12 percent on every dollar that you collected,
13 but we are talking about here a sliding percentage scale
14 from now 6 percent -- if Senator Long's amendment is
15 adopted -- to 10 percent.

16 In both AFDC and non-AFDC -- so the total amount
17 available for the incentive payments would increase. One
18 of the criticisms or one of the ways in which we think this
19 program needs to be improved -- and we have heard a lot
20 of commentary about it this morning -- is that we need to
21 give the States incentives to collect for non-AFDC custodial
22 parents as well as AFDC custodial parents.

23 And it is in that vein that we chose to decrease the
24 overall incentive payments but allow incentive payments for
25 non-AFDC collections as well as rewarding States for having

1 cost-effective programs.

2 So, the total amount of dollars that are going out in
3 the incentive pool, as I indicated earlier, is substantially
4 more than under current law. We are just allocating them
5 differently.

6 Senator Chafee. Presumably, there would be additional
7 work, too, wouldn't there? What you are doing under this
8 is encouraging them to get more into the non-AFDC. Isn't
9 that it?

10 Dr. Rubin. We are providing them with the tools which
11 Senator Bradley enumerated earlier that will make it easier
12 for them to collect this. Rather than putting burdens on
13 the State, what we are doing is providing them with the tools
14 so that they can be more effective in collecting child
15 support for custodial parents.

16 Senator Chafee. So, presumably, they will collect
17 more with these new tools, and thus come out about the
18 same. Now, what is the difference between three and 38
19 in the States affected?

20 Mr. Humphrey. The 38 is based on looking at the
21 current statistics that are available. The 3 is on the
22 assumption that somehow States are going to collect a lot
23 more money and then spend no more money doing it, and that
24 in the future when this becomes effective, they will be
25 a lot more effective than they are now. It is a question of

1 whether you look at what the situation is or make some
2 assumptions about what might happen in the future, in terms
3 of hoping that the States will be more effective.

4 Senator Armstrong. I would like to be sure that we
5 are all talking about the same thing here, and we have had
6 a little caucus up in front that maybe indicates there is
7 some misunderstanding.

8 I just want to be absolutely sure there isn't.

9 As I understand Senator Long's proposal, it is to take
10 the 4 percent minimum and change that to 6 percent. It
11 is not to change the 6.5 percent to 6.

12 So, I don't see, and I just want to be sure we
13 understand it. If there is a way to pay for it, Senator
14 Long, I don't object to doing it, but I can't see that this
15 proposal contributes any new incentive to efficiency because
16 everybody gets 4 percent no matter how bad their record is.

17 Mr. Stern. It would be different from present law in
18 that it would provide a real incentive to get into non-AFDC
19 cases because, under the present law, the incentive only
20 relates to AFDC cases, and so I think that would be a
21 significant difference, even if a State wound up getting
22 the same amount of money.

23 If they were getting it for different reasons, then
24 that would be a significant change.

25 Senator Long. The experience I have in Louisiana is

1 that these district attorneys are doing the best job they
2 can with the money they have available.

3 And it absolutely defies me how you expect to do a
4 better job by cutting him out of money that they have got
5 available to them. That is why I think it-- As I recall,
6 they came up here and testified that way, didn't they, Mike?

7 Mr. Stern. Yes, sir.

8 Senator Long. That was their testimony. You cut the
9 funds -- you cut it from 12 down to 8, and then we have
10 just got to cut our activities by that much.

11 Senator Armstrong. Any other discussion?

12 Ms. Olson. Senator, the problem that Mike Stern
13 mentioned is true. A number of the States did testify
14 that a reduction in the match or a reduction in the
15 incentives was harmful to local jurisdictions, and that is
16 a problem with the way the local jurisdictions receive
17 the money from the State and not something that we felt
18 we could deal with at the Federal level, except to require
19 a pass-through to the local jurisdictions for incentives
20 and match.

21 Senator Dole's view, in proposing the 4 percent
22 minimum, was that we should encourage States to do better
23 than they are now doing.

24 If you guarantee them what they are receiving now, we
25 were fearful that the reaction would be just to go along,

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1 making a profit on the program as the States do, and not
2 increase collections or look for ways to cut costs.

3 Senator Long. Yes, but I have seen how you people
4 arrive at some of these things, like for this incentive
5 thing. You say why is it so high in Louisiana? The reason
6 it is so high is because we do a lot of paternity tests,
7 and it costs money to do these tests for paternity -- more
8 than I think it ought to cost.

9 But that is a medical thing that they have to do. So,
10 because we do a lot of paternity testing, to see if this
11 is actually the father, then our costs are higher than I
12 would like to see it.

13 So, these bureaucratic things that you write into these
14 laws oftentimes do just the opposite of what you want to do.
15 I think you ought to always have a paternity test before
16 you have got a case. If the mand denies that he is the
17 father, you ought to have a test.

18 But because we do, then you give it a high cost ratio,
19 and for all I know, we might be at the minimum because we
20 are testing for paternity, which we definitely ought to
21 be doing.

22 But I fail to see how you are going to make the program
23 more effective by cutting the funds that the people can
24 rely upon to get the job done.

25 Mr. Stern. Mr. Chairman, I would like to say that this

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1 doesn't guarantee a State what it gets now.

2 This is a percentage of collections and therefore, if
3 they don't do the collecting, they wouldn't get the same
4 amount of money they get now.

5 So, it isn't really guaranteeing the same amount as
6 they get now, and it is split differently between the
7 AFDC and non-AFDC, so it would be different from the present
8 law.

9 Senator Armstrong. Dr. Rubin, the Administration
10 supports this?

11 Dr. Rubin. We don't oppose it.

12 Senator Armstrong. Is there any objection to the
13 amendment?

14 (No response)

15 Senator Armstrong. The amendment is agreed to.

16 Are there other amendments pending?

17 Senator Long. I want to bring up another matter that
18 I think is a rather important matter.

19 And what I had in mind I don't think ought to include
20 the costs at all.

21 Would you mind presenting that matter about paternity,
22 Mr. Stern?

23 Mr. Stern. In determining the administrative costs
24 when you accept this ratio for the incentive payment, you
25 are allowed to deduct the laboratory costs of determining

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1 paternity, but no other costs of determining paternity.

2 And determining paternity tests to involve a high,
3 up-front cost, but over the years then you get the collection
4 and we would be concerned that by including most paternity
5 costs -- a significant portion of paternity costs -- in
6 this administrative ratio, you might be discouraging
7 States from determining paternity.

8 So, for purposes of determining administrative
9 efficiency, we recommend just leaving out all paternity
10 costs.

11 Senator Long. But we would just propose that you
12 simply exclude the paternity cost. I frankly think that
13 these -- I was amazed to see how high those costs can run.

14 What is the average cost of the paternity determination
15 in America today?

16 Ms. Olson. I think we have had this question before,
17 Senator, and the department was unable to give us an answer.
18 I know that the cost of paternity --

19 (Continued on next page.)
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1 Ms. Olson. I think we had that question before,
2 Senator. The Department was unable to give us an answer.
3 I know that the cost of blood tests, I have been told by
4 the state administrators, ranges from \$50.00 to \$1,000.00.

5 Senator Long. How much?

6 Ms. Olson. Fifty to \$1,000.00, depending upon the
7 area in which the blood test was taken.

8 Senator Long. Oh, you mean \$50.00 to \$1,000.00.

9 Ms. Olson. Yes.

10 Senator Long. I was told that the cost of that can
11 cost you about \$4,000.00 on average. Do you have any
12 figures like that, Mr. Stern? Do you know anything about it?

13 Mr. Stern. I don't have an idea what it would be on
14 the average.

15 Senator Long. Is there any cost estimate?

16 Ms. Olson. The CBO estimates an additional cost of
17 \$10 million for including all costs of paternity in the
18 category of fees that are deducted from administrative costs.

19 Senator Long. We are just talking about excluding them.
20 Isn't that right?

21 Ms. Olson. Excluding. The staff --

22 Senator Armstrong. Ten million a year?

23 Ms. Olson. Ten million. The staff proposal allows
24 the states to exclude from their administrative costs only
25 the lab fees for determining paternity. As I understand the

1 Senator's amendment, he would exclude other costs.

2 Mr. Stern. I think the \$10 million estimate related to
3 a 4 percent threshold for most states. And, therefore, I
4 would think it would be much less, the committee having
5 agreed to a 6 percent.

6 Senator Long. Is that right? I believe it is.

7 Senator Armstrong. The change from 4 to 6 was \$25
8 million?

9 Ms. Olson. That's correct.

10 Senator Armstrong. And the change now proposed is an
11 indeterminate amount, something less than \$10 million?

12 Ms. Olson. CBO is here and I will consult with them.
13 But \$10 million is the cost they gave me.

14 Senator Armstrong. All right.

15 Ms. Olson. CBO says that \$10 million would be the added
16 cost to the proposal above the \$25 million for the \$6.00
17 minimum.

18 Senator Armstrong. Dr. Rubin, did you want to comment
19 before we voted on this?

20 Dr. Rubin. Senator, we would strongly oppose Senator
21 Long's amendment, as I understand it. What we have here
22 again is the issue of loading costs to be excluded from an
23 incentive payment that we have already increased.

24 Laboratory tests are excluded in the staff draft. They
25 are easily identified. They are by far the most expensive

1 part of the paternity determination.

2 Frequently when one goes to court to get a child
3 support order, or to establish paternity, the order is done
4 at the same time. How do you allocate those costs? We
5 suspect that the states will seek to use this to maximize
6 their incentive payments. We would oppose it.

7 Senator Armstrong. Further discussion on this issue?

8 Senator Chafee. What's the consequence --

9 Senator Armstrong. The question is Senator Long's
10 amendment to exclude paternity costs from the calculation.
11 The administration opposes it. Says it will cost \$10
12 million a year.

13 Senator Long. Basically, the argument is that you
14 shouldn't be penalized because you test for paternity. In
15 my judgment, that is very ridiculous.

16 Bill Gavin worked on this committee staff for many,
17 many years. Then when he left here he went over to the
18 Department. They thought enough of him to hire him over
19 there until he retired. And the point Bill Gavin made to
20 me time and again is now the one thing you must not do is
21 to penalize these states because they test for paternity.
22 He said you aren't going to get anywhere with child support
23 if you can't determine who the father is. If you don't have
24 that, you've got nothing.

25 Here they bring in a proposal where a state gets

1 penalized for testing for paternity. Now that just doesn't
2 make any sense at all.

3 Dr. Rubin. Senator, my understanding of the staff
4 proposal is that a state would not be penalized for doing
5 any laboratory tests for testing for paternity. Mr. Stern
6 may be able to amplify that, but that's my understanding of
7 the staff draft.

8 Senator Long. Would you explain what your understanding
9 about that is, Mr. Stern?

10 Mr. Stern. The staff proposal would allow a state to
11 exclude the laboratory tests that are involved in determining
12 paternity, but there are other costs in determining
13 paternity, which are not allowed to be excluded.

14 Senator Long. If you think the laboratory costs ought
15 to be excluded why in the name of common sense should you
16 exclude the rest of them?

17 Dr. Rubin. Because the rest are very ill defined and
18 very difficult to allocate. And, consequently, we think
19 that the potential for states to maximize their return from
20 the federal government is substantial. We believe that a
21 laboratory test has a voucher. It gets paid for by a vender.
22 It is easily verifiable. And it is clearly, in our judgment,
23 the most expensive part of the paternity determination.

24 And as you said, once you test for the paternity and --

25 Senator Long. I would like for you on the staff to

1 hear this. Go ahead. I'm sorry.

2 Dr. Rubin. Once you test for paternity doing the
3 appropriate genetic typing, then it seems to us that the
4 remainder of the cost may be relatively small and hard to
5 distinguish from the cost of obtaining a child support order
6 or other parts of the administrative process.

7 And we really do believe that this is an area where it
8 would be administratively very, very difficult for the
9 federal government to audit to make sure that we weren't
10 over-paying.

11 Senator Long. How do you suggest they might handle
12 that, Mr. Stern?

13 Mr. Stern. Well, when you run across similar kinds of
14 situations in the past sometimes you require separate,
15 identifiable units or something like that. Some states
16 apparently do have paternity determination units.

17 It seems to me that if you are going to allow the state
18 to exclude the paternity determination processing and you
19 want to draw rather tightly what you --

20 Senator Long. Would you just say the burden of proof
21 is on the states to establish it? The state has got to
22 carry the burden of proof to prove that that is a paternity
23 cost.

24 Dr. Rubin. We would still recommend that again, as
25 you said, frequently the laboratory studies are the definitive

6
1 way of establishing paternity or at least disproving
2 paternity. That's the major cost of this item. And that
3 we are willing to support the staff proposal to reduce what
4 the -- let the states pull that out so that your major
5 concern is providing disincentives for states to prove
6 paternity, we feel, would be adequately taken care of.

7 Senator Armstrong. Ready to vote? You want a roll
8 call?

9 Senator Long. Sure.

10 Mr. DeArment. Mr. Packwood?

11 Senator Packwood. No.

12 Mr. DeArment. Mr. Roth?

13 Senator Armstrong. No by proxy.

14 Mr. DeArment. Mr. Danforth?

15 (No response)

16 Mr. DeArment. Mr. Chafee?

17 Senator Armstrong. No by proxy.

18 Mr. DeArment. Mr. Heinz?

19 (No response)

20 Mr. DeArment. Mr. Wallop?

21 Senator Armstrong. No by proxy.

22 Mr. DeArment. Mr. Durenberger?

23 Senator Armstrong. No by proxy.

24 Mr. DeArment. Mr. Armstrong.

25 Senator Armstrong. No.

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1 Mr. DeArment. Mr. Symms.

2 Senator Armstrong. No by proxy.

3 Mr. DeArment. Mr. Grassley?

4 Senator Armstrong. No by proxy.

5 Mr. DeArment. Mr. Long?

6 Senator Long. Aye.

7 Mr. DeArment. Mr. Bentsen?

8 Senator Bentsen. Aye.

9 Mr. DeArment. Mr. Matsunaga?

10 Senator Bradley. Aye by proxy.

11 Mr. DeArment. Mr. Moynihan?

12 (No response)

13 Mr. DeArment. Mr. Baucus?

14 (No response)

15 Mr. DeArment. Mr. Boren?

16 Senator Boren. Aye.

17 Mr. DeArment. Mr. Bradley?

18 Senator Bradley. Aye.

19 Mr. DeArment. Mr. Mitchell?

20 (No response)

21 Mr. DeArment. Mr. Pryor?

22 (No response)

23 Mr. DeArment. Mr. Chairman?

24 Senator Armstrong. No by proxy.

25 On this vote the ayes are 5 and the nays are 9, and

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1 the amendment is not agreed to. We have second bells on a
2 vote. And I understand, Senator Long, you have some other
3 amendments to bring up. Shall we break and come back?
4 Do you have an amendment? We will have to come back in
5 any case. Unless we are done, it appears we are supposed
6 to come right back.

7 (Whereupon, at 11:45 a.m., the mark-up session was
8 recessed.)

9 AFTER RECESS

10 (12:10 p.m.)

11 Senator Armstrong. Senator Bradley, did you have an
12 amendment to offer?

13 Senator Bradley. Yes, I did, Mr. Chairman.

14 The amendment that I would offer would again go to the
15 incentive payment question and to the cap that is now placed
16 on the incentive payment for non-AFDC efforts. Essentially
17 I thought that the purpose of this bill in part was to
18 encourage non-AFDC collections as well as to assure AFDC
19 collections. There are now 20 states whose non-AFDC
20 collections exceed those of their AFDC collections.

21 I think we want to encourage those states to go after
22 the father who is not making his child support payments
23 pursuant to a court order. And I would suggest that we raise
24 that cap from 100 percent for the non-AFDC to 125 percent
25 so that you now have an AFDC effort that is at 100 percent.

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1 And then you would have 125 percent of that for a non-AFDC
2 effort.

3 I think that this is needed in order to give those
4 states as well as others additional incentive to go out
5 and try to find the absent father who is not making payments,
6 if that person is a non-AFDC situation.

7 That's basically the amendment.

8 Senator Armstrong. Any estimate of the cost of that?
9 It probably wouldn't cost much.

10 Ms. Olson. CBO estimates an additional cost of \$10
11 million a year.

12 Senator Armstrong. Dr. Rubin?

13 Dr. Rubin. Well, the CBO is a little bit optimistic.
14 We estimate it would cost roughly \$99 million over five
15 years. We think that it would reduce the incentive for the
16 states to run balanced programs to focus on AFDCs as well
17 as non-AFDCs.

18 We also believe that what it would do is merely allow
19 states to run a fair number of their non-AFDC collections
20 through the existing 4D program, and not really improve
21 collections at all.

22 So we think that, again, this is something that costs
23 a lot of money. It is unclear that it achieves the desired
24 result. And to some extent, the disparity or the concern
25 that Senator Bradley has discussed, we believe has been

1 addressed by the raising of the minimum from 4 percent to
2 6 percent, as suggested by Senator Long.

3 Senator Armstrong. Commenting on that proposal earlier,
4 did you point out or did you mention or did I imagine that
5 the administration's willingness to go along with that was
6 conditioned on maintaining the 100 percent cap?

7 Dr. Rubin. Certainly it was conditioned on that, to
8 deal with that particular issue. I may or may not have
9 mentioned it. But certainly you --

10 Senator Armstrong. I thought I heard somebody mention
11 it. I wasn't certain.

12 Dr. Rubin. We are well aware of that.

13 Senator Bradley. Mr. Chairman, it seems to me that
14 if you are going to go out and try to find the non-AFDC
15 situation that you don't want to tie it to your ability to
16 squeeze more out of AFDC situations. And that's precisely
17 what the cap does. It provides no greater incentive. And,
18 in fact, in some states, among them Louisiana, Colorado and
19 New Jersey, there is a much bigger effort being made in
20 non-AFDC situations now.

21 And I think that it should be encouraged in other states
22 as well. And if you don't provide a little more incentive
23 for them to do that, I don't think that that is going to
24 happen. And that's the thrust of the amendment, and it's
25 a rather simple proposition.

1 Senator Armstrong. Senator Long?

2 Senator Long. I have no discussion on that.

3 Senator Armstrong. Mr. DeArment, what are the
4 traditions of the committee? Shall I wait until some people
5 arrive and go onto another amendment?

6 Senator Long. I have one I could offer that's kind of
7 controversial.

8 Senator Armstrong. Well, this is a matter, obviously,
9 that is controversial. There is no beating around the bush
10 about it. I've got several votes and I will vote. But I
11 think the normal order is for there to be five or six
12 members.

13 Mr. DeArment. Senator Armstrong, the committee rules
14 require five to continue.

15 Senator Long. I would suggest that in view of the
16 fact that you defer this to have more members here to hear
17 you.

18 Senator Bradley. If the committee rules are five,
19 we can have a roll call vote.

20 Senator Long. Let's not make the point for no quorum
21 because there might be a thing or two we can agree on here.

22 Senator Armstrong. Something we can agree on.

23 Senator Long. I've got one I think you could agree on.
24 One, I think that there ought to be something --

25 Senator Armstrong. Before you begin, could I ask if

1 there are staffers here who could get us another member or
2 two. It's my desire and it is Senator Dole's desire that
3 we complete action on this bill, but we will need several
4 more members to actually report it and get it finished up.
5 So if we could have a couple more members, that would
6 really be helpful.

7 Senator Long. I have got one that I hope can be
8 agreed to. I would like for Ms. Olson and all the others
9 to hear this too.

10 There ought to be some guidelines somewhere that one
11 could look to to try to obtain more uniformity in these
12 child support payments. For example, it's just the luck of
13 the draw to what some woman is going to get for those
14 children.

15 Some judge will give her \$50.00 a month and some judge
16 will give her \$250.00 for the same case. Now to help make
17 that work out, it seems to me that the Department ought to
18 suggest to the states what they think an appropriate
19 schedule would be, and let the states go ahead and adopt
20 whatever schedule they want. But I would hope they would
21 adopt it by an act of state legislature. But if it is not,
22 they could just do it by departmental rulings.

23 But I would think that we ought to require each state
24 to have a suggested schedule of what they would think would
25 be an appropriate level of payment could be. So that one

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1 could refer to that.

2 Like if a lawyer is putting in a child support case,
3 then he could say, well now, Your Honor, this is what the
4 department recommends or this is what the state legislature
5 recommends for this kind of a state. That's leaving the
6 judge some discretion to look at the overall facts to make
7 the facts fit the case.

8 But if you have a recommendation if a man has a
9 certain amount of income and there is a certain amount --
10 he has a certain number of children here, looking at these
11 various circumstances, you would suggest that the payments
12 be at a certain level. I think that that would tend to
13 bring about more uniform justice.

14 And I believe we ought to have that in the law some-
15 where. Simply require the states to have a uniform level.

16 I discussed this with Mr. Stern. Can you add something
17 to that, Mr. Stern, as to how that might work?

18 Mr. Stern. It would be a requirements that states
19 develop such guidelines. And from the information that we
20 have where a few states do have such procedures, they are
21 generally higher award amounts. And so that's what this
22 would be.

23 The federal department would offer technical assistance,
24 but it would really be a matter of states developing their
25 own guidelines.

1 Senator Armstrong. Senator Long, when you were
2 referring to either the legislature setting for the guide-
3 lines of the department, you were referring to the state
4 department of public assistance or whatever it might be?
5 You weren't referring to HHS?

6 Senator Long. No, I think that HHS could be, you
7 know -- might suggest to them what they thought an appropriate
8 schedule would be. But I would leave it up to the states
9 to determine. I just think that they ought to have one.

10 Mr. Stern is more familiar with this than I so I would
11 like to ask him this. Is it not true that some states do
12 have a suggested guideline, and that where they do it tends
13 to be much more uniform justice.

14 Mr. Stern. Yes, sir.

15 Senator Long. In some cases, particularly where a
16 judge has to run for office and he is in a low income
17 area, some judges will favor the wife, some will favor the
18 husband, some will just uniformly give everybody \$50.00.
19 Some will do a lot better than that.

20 Senator Armstrong. Dr. Rubin, does the department have
21 a position on this?

22 Dr. Rubin. We would have no objection to what Senator
23 Long proposes. We do have a research grant right now to do
24 what you suggest in terms of payment guidelines. We would
25 only -- we haven't seen the precise wording of the language

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1 that you would like to insert.

2 Senator Long. You can help us draft it as far as I
3 am concerned. I'm talking about that the states should
4 have a suggested guideline. And some states do.

5 Dr. Rubin. Suggested, I think, is the key word. We
6 would still want to give the judge some flexibility,
7 depending upon particular circumstances.

8 Senator Long. And so would I.

9 Senator Armstrong. Ms. Olson, did you have a comment?

10 Ms. Olson. No, Senator Armstrong.

11 Senator Armstrong. Well, Senator Long, the only
12 concern that I have -- based on some preliminary discussion,
13 I was completely comfortable with this idea. In fact, I
14 think it's commendable.

15 But it seems to me there is a lot of difference between
16 having HHS provide technical assistance to develop these
17 guidelines by the state legislature or by some local state
18 department of government or even requiring in this bill
19 that states do develop these guidelines -- I would support
20 that. But the notion that somehow HHS would promulgate those
21 guidelines, even on an advisory basis, makes me uncomfortable.

22 Senator Long. It would be all right with me to just
23 simply require that states have it.

24 Senator Armstrong. Could we leave it at that? That
25 the legislation would require that states develop these

1 guidelines and leave it up to them rather than trying to
2 nationalize what the guidelines should be. Is that all
3 right with you, Bill?

4 Dr. Rubin. Let me just add that we concur with your
5 uneasiness, Senator Armstrong. We would not want to be
6 promulgating national rules and regulations.

7 Senator Armstrong. Without objection, that is
8 adopted.

9 Senator Long. Now there is another point I want to
10 raise here.

11 On the required states' procedures on the withholding,
12 it just seems to me -- I have here a list of what all is
13 required. And it just seems to me that this is altogether
14 too much detail. You can just take a look at it, Mr.
15 Chairman. That's just an outline of it. Just look at all
16 that detail.

17 It just seems to me that that is a great deal more
18 detail than we ought to be requiring. It seems to me that
19 we could drastically reduce that. Leave the states more
20 flexibility and achieve the purpose, but just not have near
21 as much detail in these guidelines. I would like to leave
22 the states more flexibility. Just look over all they have
23 to do. A lot of this stuff could be suggestions by the
24 department. But to require all that detail, I think, is
25 just --

1 Senator Armstrong. Do you have a specific proposal to
2 amend it or something that you want to delete?

3 Senator Long. I don't have a specific proposal. I
4 guess I could draft one. But what I would like to do is
5 suggest that we instruct the staff to look this thing over
6 and see if they can't drastically reduce that. That's just
7 too much detail, it seems to me, when you spell out all this
8 detail that they are required to do.

9 Dr. Rubin. If the Senator would care to support the
10 administration's bill, which only contains wage withholding,
11 state income tax offset, quasi-judicial procedures, and
12 leaves the rest optional with the states, we would certainly
13 obviously support that.

14 Senator Long. Well, that's the direction I'm trying to
15 suggest going on this particular item. I'm not buying
16 everything in the bill, but on this particular item I think
17 that's the type thing we ought to have. It ought to be --
18 most of that detail ought to be up to the states to
19 determine.

20 Senator Armstrong. Would you state again what would be
21 required under the administration's version?

22 Dr. Rubin. We think that the three most effective
23 things in this bill are mandatory wage withholding, the
24 establishment of quasi-judicial procedures, which I maybe
25 referred to a little bit differently --

1 Senator Long. What was that?

2 Dr. Rubin. We call it "quasi-judicial procedures."
3 The staff draft on Page 9 calls it "expedited processes."
4 And the state income tax refund offset. We also strongly
5 believe that we ought to have required fees for services.

6 Other than that, we would make the rest optional with
7 the states.

8 Mr. Stern. Mr. Chairman, I think that's a slightly
9 different point. The question is the level of detail even
10 on say mandatory wage assignment. The administration bill
11 was also quite detailed on that too.

12 Senator Long. Why don't we ask our staff. See if
13 they can't reduce the amount of detail in this. Just look at
14 all the stuff you have got to do here. And if you don't do
15 any one of them, you are out of compliance. And it seems to
16 me that we don't have to require all that detail.

17 It's all right with me, if somebody has a -- I have no
18 objection at all to the department having a whole bunch of
19 suggestions as to how somebody might go about doing all this.
20 But to require in detail that we do, I think is going too far.
21 It's too much detail.

22 Senator Armstrong. Well, is it your suggestion that
23 we simply pass over this and ask them to come back at some
24 point? What's your pleasure?

25 Senator Long. We can just do it that way. But I think

1 it would be best to reduce the detail. Can I simply ask
2 the staffs to work together and see if they can't give us
3 a set of guidelines that is much less detailed than this?

4 Senator Armstrong. With the notion that we take it
5 up when we return after this vote or take it up when?

6 Senator Bradley. You mean less detail on that specific
7 provision, on the withholding, right? That's what you are
8 interested in. You are interested in simplifying that.

9 Senator Long. I'm simply interested in simplifying this
10 one proposal.

11 Senator Armstrong. Why don't we think about that a
12 moment. Are there other amendments that we need to handle?
13 I think we are to the point where we need to decide whether
14 we are going to finish this now or come back later in the
15 day or some other day.

16 Bill, you want to vote on your amendment?

17 Senator Bradley. I'd like a vote on my amendment, and
18 then I'm ready to go to final passage.

19 Senator Armstrong. Is it your desire to come back and
20 do it now?

21 Senator Bradley. Well, I don't want to come back if
22 it is just going to be the three of us.

23 (laughter)

24 Senator Armstrong. That's what I was trying to determine.

25 Senator Long. Let me raise this issue too because this

1 is one we might be able to settle.

2 I'm looking at Page 5 on my sheet here. You may have
3 the same numbers on yours. We are talking about the pass
4 through to localities. Our staff's suggestion here is that
5 this proposal leaves some doubt about how the states would
6 pass through incentive payments to the localities.

7 It is suggested that this be clarified to show that the
8 local government gets at least their pro rata share of the
9 state incentive based on the total collections. Basically,
10 what we are seeking here is a clarification.

11 Ms. Olson. The administration would have assumed that
12 the secretary would devise regulations that would do that.
13 And they have no objection to having it spelled out.

14 Senator Long. Mr. Stern, can you spell this thing
15 out and clear it with the staff?

16 Mr. Stern. Certainly.

17 Senator Armstrong. Can you have it for us when we
18 return in about 10 minutes?

19 Mr. Stern. Well, the principal of it would be to
20 do what Senator Long said. Namely, a particular jurisdiction
21 within the state would get a portion of the incentive payments
22 based on their proportion of the collections.

23 Senator Long. They would get their share based on the
24 percentage of the work they did?

25 Mr. Stern. That's right. So if a particular county

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1 collected 5 percent of the collections, they would get 5
2 percent of the incentive.

3 Senator Bradley. Could I suggest, Mr. Chairman, that
4 we come back maybe later this afternoon instead of at
5 12:40 or so? It's going to be quarter of 1:00 or 1:00
6 anyway.

7 Senator Armstrong. I was trying to determine how much
8 more we had to do. If all we have is another 5 or 10
9 minutes, I would just as soon clean it up. What is your
10 preference, Senator Long?

11 Senator Long. Well, it seems to me that what I am
12 suggesting right here we could finish right now. We have
13 many times agreed to things like this with no more
14 instruction than that.

15 Senator Armstrong. We still have Senator Bradley's
16 amendment.

17 Senator Long. Yes, sir. It's all right with me.
18 However you two want to do it, it's all right with me.

19 Senator Armstrong. Let's come back and see if we can
20 clean it up.

21 Senator Bradley. Why don't we come back at 2:00?

22 Senator Armstrong. That may be difficult for me to
23 come back at 2:00. I'm advised that a number of offices
24 have been called, and hopefully they will be able to return.

25 Is it difficult for you to come back?

1 Senator Bradley. I can be here until about 10 of 1:00.

2 Senator Armstrong. Pardon me?

3 Senator Bradley. I can be here until 10 of 1:00.

4 Senator Armstrong. Hopefully, we can wrap it up in
5 that time.

6 Senator Bradley. We haven't agreed on the withholding
7 thing.

8 Senator Armstrong. We will try. If we don't finish,
9 we will just agree to come back later.

10 (Whereupon, at 12:28 p.m., the mark-up session was
11 recessed.)

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AFTER RECESS

(12:44 p.m.)

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2
3 Senator Armstrong. Senator Bradley, when we left off,
4 we were talking about the amendment which you had
5 previously discussed.

6 I wonder if we could recap that and then get a brief
7 statement of the department's position, and then determine
8 whether or not to bring it to a vote.

9 My own disposition is to do so if you don't object,
10 even though the attendance is a little thin. I don't
11 think it will change the outcome, and my own personal main
12 interest is just to get the bill brought to its conclusion
13 and bring it to the floor.

14 Would you like to take a moment, just for the record,
15 to recap the issue at stake and then we will ask --

16 Senator Bradley. Sure. Mr. Chairman, the issue at
17 stake is whether there should be a greater incentive for
18 the non-AFDC situation.

19 Under the present law, the non-AFDC situation is
20 capped at 100 percent of what AFDC is. That pushes everyone
21 to concentrate on the AFDC family situation.

22 The purpose of the bill is to expand child support
23 enforcement so that we go after the non-AFDC parent as
24 well as the AFDC parent. To do that, you need some
25 incentive, so I propose raising it to 125 percent of what

1 the incentive is for AFDC.

2 That is the basic amendment.

3 Senator Armstrong. Ms. Olson, would you state again
4 what the cost of this amendment is?

5 Ms. Olson. \$10 million each fiscal year.

6 Senator Armstrong. Thank you. Dr. Rubin? Anything
7 you want to add?

8 Dr. Rubin. The department believes that this would
9 cost almost \$100 million over five years. We believe that
10 it would cost States to gain the system by running a lot
11 of non-AFDC cases that would never have to go through the
12 4D system, and would not necessarily result in improved
13 collections.

14 And in our agreeing to Senator Long's amendment to
15 go from 4 to 6 percent in terms of the minimum, that was
16 predicated on maintaining the 100 percent cap.

17 Senator Armstrong. Unless other members of the
18 committee wish to speak, or unless there is an objection
19 to having a roll call, let's go ahead and call the roll.

20 Mr. DeArment. Mr. Packwood?

21 Senator Packwood. Aye by proxy (Senator Bradley)

22 Mr. DeArment. Mr. Roth?

23 Senator Roth. No by proxy (Senator Armstrong)

24 Mr. DeArment. Mr. Danforth?

25 Senator Danforth. (No response)

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1 Mr. DeArment. Mr. Chafee?
2 Senator Chafee. No by proxy (Senator Armstrong)
3 Mr. DeArment. Mr. Heinz?
4 Senator Heinz. Aye by proxy (Senator Armstrong)
5 Mr. DeArment. Mr. Wallop?
6 Senator Wallop. No by proxy (Senator Armstrong)
7 Mr. DeArment. Mr. Durenberger?
8 Senator Durenberger. No.
9 Mr. DeArment. Mr. Armstrong?
10 Senator Armstrong. No.
11 Mr. DeArment. Mr. Symms?
12 Senator Symms. No by proxy (Senator Armstrong)
13 Mr. DeArment. Mr. Grassley?
14 Senator Grassley. No by proxy (Senator Armstrong)
15 Mr. DeArment. Mr. Long?
16 Senator Long. Aye.
17 Mr. DeArment. Mr. Bentsen?
18 Senator Bentsen. Aye by proxy (Senator Bradley)
19 Mr. DeArment. Mr. Matsunaga?
20 Senator Matsunaga. Aye.
21 Mr. DeArment. Mr. Moynihan?
22 Senator Moynihan. Aye by proxy (Senator Bradley)
23 Mr. DeArment. Mr. Baucus?
24 Senator Baucus. (No response)
25 Mr. DeArment. Mr. Boren?

1 Senator Boren. Aye by proxy (Senator Bradley)

2 Mr. DeArment. Mr. Bradley?

3 Senator Bradley. Aye.

4 Mr. DeArment. Mr. Mitchell?

5 Senator Mitchell. (No response)

6 Mr. DeArment. Mr. Pryor?

7 Senator Pryor. (No response)

8 Mr. DeArment. Mr. Chairman?

9 The Chairman. No by proxy (Senator Armstrong).

10 Senator Bradley. Mr. Chairman, did you record Senator
11 Packwood?

12 Senator Armstrong. I did not record Senator Packwood.

13 Senator Bradley. Senator Packwood, aye by proxy.

14 Did you record Senator Heinz?

15 Senator Armstrong. I did record Senator Heinz.

16 This vote, the ayes are eight, and the nays are 8, and
17 the motion is not agreed to.

18 Senator Long, did we satisfactorily resolve the question
19 that you were speaking to earlier?

20 Senator Long. I believe that, since I brought the
21 subject up, it made it more clear to me than it was before.
22 That is, that there is confusion here as to what each
23 local government would get as their pro rata share.

24 Now, there is a simple way that you can do it. You
25 could simply look to what each county or each district, each

1 unit of government collected, and if they collected 5
2 percent, then all right, you would get 5 percent of the
3 incentive payment based on total collection.

4 Or you could have much more complicated way of going
5 about doing it, in which case you would be trying to decide
6 -- let's say in Louisiana you would try to decide parish
7 by parish, or in Colorado, county by county, which county
8 is entitled to get more of the incentive money and which
9 one is entitled to get less of it.

10 And then that gets you to this problem. It then
11 becomes possible for one unit of government to push some
12 of their costs on another unit of government in
13 administration, which makes their record look better.

14 For example, you might have some other illustrations,
15 but they will just point out to us in Louisiana -- as they
16 testified -- that some of the parishes would just say, well,
17 make the State take the application. We will just do the
18 collection part of it.

19 So, make the State government interview the people,
20 receive the application, prepare the information you need
21 to start with -- then they just handle the case in court.
22 So, that reduces their case and makes the percentage look
23 a lot better.

24 That is one example that was given to us. So, if the
25 department wants to have a more complicated method, you

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1 would then have to get into a thing of trying to crack this
2 thing and say who gets credit when they start pushing costs
3 from one unit of government off onto another unit of
4 government.

5 It seems to me as though it would be simple just to
6 say that, if you collected 5 percent of the money, you
7 get 5 percent of the incentive payment.

8 So, just why not do it that way?

9 Ms. Olson. Senator, perhaps we could have Fred
10 Schutzmann from the Office of Child Support Enforcement
11 come and tell us their problems.

12 Apparently, some areas would be disadvantaged by a
13 straight percentage because a large jurisdiction may collect
14 a lot of money but also have a lower cost-effectiveness
15 ratio, and the example cited to me was Baltimore. So,
16 what might be effective in Louisiana might not work in
17 another State, and that is their concern in trying to
18 define just a pro rata share without taking into account
19 cost-effectiveness.

20 Senator Long. Are you having such a problem now in
21 trying to determine cost-effectiveness in one county
22 against another county?

23 Ms. Olson. Right now, the incentives, as you know,
24 are not based on cost-effectiveness. They are just based
25 on collections.

1 Senator Long. I will be glad to hear from Mr.
2 Schutzmann.

3 Mr. Schutzman. The purpose of the incentives in the
4 performance standards is to reward States for doing a good
5 job and effective job which includes cost-effectiveness.

6 It is possible that a particular county can make very
7 large collections but spend twice as much money making
8 those collections, which is not what we are looking for,
9 Senator Long.

10 Most of the costs -- when we are talking about the
11 local -- I know that that is your concern, and you should
12 be concerned, and so are we -- they usually are working
13 with the State through a cooperative agreement so costs
14 are very, very clear.

15 It is usually spelled out in a cooperative agreement
16 between the State and the locality. So, there is no
17 question how much cost is being spent by the locality versus
18 how much cost is being spent by the State.

19 I know that is one of your concerns, and I think that
20 is taken care of by the cooperative agreements between
21 the localities and the States.

22 Senator Long. Now, just look at one State that I am
23 familiar with. The only one I am thoroughly familiar
24 with would be Louisiana. All right?

25 Now, in Louisiana, you have got a district attorney's

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1 office that is handling the collection--that does the
2 collecting. Then, you have got a State office -- a State
3 Welfare Office -- that is in the position to take an
4 application.

5 So, the district attorney's office says let the State
6 take in the application, let them interview the people,
7 let's push as much off as you can on the State government,
8 and try to limit our activity where we just do the part
9 where you go to court on this matter.

10 Now, how are you going to handle that when you find
11 a practice that varies from county to county. Some of
12 them push as much of it as they can off on the State
13 Government to try to make their program look better, while
14 others go ahead and do the whole job in their own office.

15 Mr. Schutzmann. As I indicated, the States and the
16 localities usually agree through a -- like a contract.
17 That is what we mean by a cooperative agreement.

18 Let me give another example. I used Baltimore. I
19 would like to use New York City. I don't remember the
20 numbers exactly, but several years ago we looked at the
21 numbers, and New York City was spending like \$60 million
22 to collect \$40 million.

23 We think that what we ought to try to do is to
24 streamline that operation.

25 We have had experiences in some large urban areas where

1 we have worked with the local people and the State people.
2 We used Essex County, as Senator Bradley knows, as an
3 example, where we doubled the collections and reduced costs.

4 It is possible to reduce the costs, as Senator Bradley
5 knows, and as we did in Essex County. That is really what
6 we are trying to do.

7 We are trying to increase the collections and contain
8 the costs.

9 Senator Long. It looks to me as though when I have
10 the problem, others are going to have it, of trying to
11 assure each one of these districts -- these jurisdictions
12 -- that they are going to get their share of that money.

13 It seems to me that I need to have something better
14 in that law than just saying according to regulations to
15 be promulgated by the Secretary, which is the way you
16 have got it right now. Isn't that about the size of it?

17 Right now, the Secretary would make regulations.

18 Dr. Rubin. Senator Long, I think what we heard in
19 various examples is that situations differ across the
20 Unites States relative to how individual State or local
21 or county governments deal with this issue in terms of
22 the allocation of costs, etc.

23 I think that the language in the staff draft, which
24 talks about assuring that localities which participate in
25 the costs receive their appropriate share really addresses

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1 your concern.

2 What it doesn't do is set out a formula, and the reason
3 that we do not have a formula in the staff draft bill is
4 because the situation varies so much and is so complex
5 across this country that it was impossible to come up
6 with something that would deal with every conceivable
7 situation.

8 What we would attempt to do is -- and we would be
9 glad to work with your staff on this -- is at the time
10 we promulgate these regulations, come up with a methodology
11 that allows the State the flexibility of doing what is
12 best in their particular State and/or location, and which
13 assures that the localities get their fair share of what
14 is coming to them.

15 And I agree with you that the problem about loading
16 costs so that you get a better or worse cost-effectiveness
17 ratio can be a real one.

18 Senator Long. I am just trying to relate to people
19 who come and explain the problem to me and they are making
20 a real effort to do a job for you, and for us.

21 These people would like to see-- And this may be a
22 good answer in Louisiana, and it may not be a good answer
23 in New York. That may be the case.

24 But the ordinary district attorney in Louisiana would
25 like to be assured that if he collects 10 percent of the

1 money, he is going to get 10 percent of the incentive.

2 If he collects 20 percent of the money, he is going
3 to get 20 percent of the incentive for it. And he would
4 like to have it judged on his collections.

5 Now, I don't see that that would give you too much
6 trouble up there in New York City because if they don't
7 collect much, they don't get much. In other words, they
8 spend a ton of money and don't collect much, so they
9 don't get much.

10 But it may be that you ought to have some other formula,
11 but I would plead with you and also plead with members of
12 this committee -- give us something more definite than
13 the way it is now. I mean, I would like to see something
14 that we can rely upon so that someone can read the law
15 and have some reasonable indication as to what he can expect
16 to receive if he does a good job for us.

17 And right now, I think it is just pretty much like I
18 have seen so many times in these bills out of HEW or HHS.
19 According to regulations to be promulgated by the Secretary.
20 Well, that might--sometimes a regulation might be good
21 and sometimes it might not be good.

22 I think that we ought to be able to do a better job,
23 and you ought to be able to give us better information on
24 which to do a better job.

25 A better indication as to how we propose to handle this.

1 Mr. Schutzmann. Okay.

2 Senator Armstrong. Senator Long, I am not sure I
3 understand. Are you saying that you want a Federal-- that
4 you want the department or the statute to say how that
5 pass-through will be, or are you saying that you want to
6 leave some flexibility for Louisiana to do it one way and
7 New York some other way and Colorado some other way?

8 Senator Long. I just think that we shouldn't have
9 it as doubtful as this now, as to how you are going to
10 divide up this incentive money. If there is going to be
11 money divided, then it is not clear to me how that is going
12 to be done.

13 And I don't know of a jurisdiction in Louisiana that
14 I could tell them how much money they are going to get
15 based on what they do. And that is why if you are not
16 willing to divide the money based on the collections, and
17 apparently you are not willing to do that -- you don't
18 think that is the best way to do it -- then I would like
19 to have it a lot more definite than we have it now.

20 How is it going to be done?

21 Senator Armstrong. In the absence of any comment to
22 the contrary, where does it stand?

23 Mr. Schutzmann. Okay. I know Mr. Long is concerned
24 and we were also concerned. It put a large burden on us
25 to tell the States how to divide the money.

1 When the House bill was passed, we immediately got a
2 group together -- and these were State and local people
3 from throughout the country -- we had some 20 people in
4 a meeting to discuss the House bill and how we would
5 implement it. And we had a subgroup, including local as
6 well as State people, and some of my people involved in
7 this discussion on the pass-through.

8 The local people were very adamant at the beginning
9 about the same thing Senator Long was, but at the end of
10 the discussion -- it was a day and a half, this discussion
11 -- they came to the conclusion that we should leave it
12 to the State to take care of the pass-through, and that
13 is really what our intentions are going to be in our
14 regulations -- to leave it to the States to pass through
15 the incentive to the localities.

16 Senator Armstrong. In the way that they deem to be
17 appropriate?

18 Mr. Schutzmann. Yes. Does that satisfy you, Senator
19 Long?

20 Senator Long. If that is what we are going to do,
21 why don't we say that in the law then? Is that what the
22 law says -- that you are going to leave it to the States
23 to decide how to pass the money through?

24 Dr. Rubin. To the extent that the States also assure
25 that localities receive a fair share, yes. That is what

1 the staff's draft says -- that is my understanding.

2 Senator Long. To the extent that they are sure that
3 there is a what?

4 Dr. Rubin. The States have the flexibility to
5 distribute the money with the caveat that there are
6 assurances that localities will receive an appropriate
7 share of any incentive payments that result from
8 collections.

9 The way in which the States do that is up to them.

10 Mr. Stern. The way this reads, it doesn't read that
11 way. It says as defined by the Secretary. "States must
12 assure localities participating in the cost of collecting
13 support will receive their appropriate share of any
14 incentive payment as defined by the Secretary."

15 That was where my concern came from.

16 Dr. Rubin. That is correct.

17 Senator Long. It seems to me that the way Dr. Rubin
18 stated it would make better sense. Doesn't it?

19 Mr. Stern. Sure.

20 Senator Long. Why don't we put it that way? How did
21 you say it, Dr. Rubin?

22 To the extent that they do what?

23 Dr. Rubin. I can't recall the exact words. The folks
24 who were listening to you --

25 Senator Long. Whoa. We have it recorded. What you

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1 said sounded a lot better to me than what is in that bill.

2 Mr. Stern. That was the "as defined by the Secretary"
3 part.

4 When he talked about receiving the appropriate share
5 of the incentive payment, he left out the part "as defined
6 by the Secretary."

7 Senator Long. What he is saying is that you would
8 leave it to the State to the extent that they want it
9 in efficiency and effectiveness. That is what we are
10 talking about.

11 Mr. Stern. That is exactly right.

12 Senator Long. That is right.

13 Senator Armstrong. If that is the case, why don't we
14 just strike the whole requirement? I mean, what is the
15 sense of the requirement if all it requires is that the
16 States do what they wish to do otherwise?

17 Senator Long. He is not saying that. He is not
18 saying that. Dr. Rubin is not saying that.

19 Dr. Rubin. No.

20 Senator Long. He is saying that you would leave it
21 to the States to the extent that they reward efficiency
22 in their program. That is what he is saying.

23 And I have no objection to that. In other words, it
24 is perfectly all right with me to say that New York City
25 did a lousy job and therefore they don't get as much as

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1 they would get otherwise. That is all right with me
2 because it is true.

3 (Laughter)

4 Senator Armstrong. Friends, I am perfectly comfortable
5 with it either way, if someone will state what the
6 understanding is. Then, we will see if there is objection
7 to it.

8 Senator Bradley, did you want to comment on that?

9 Senator Bradley. No. I wanted to-- No, I didn't want
10 to comment on that.

11 Mr. Stern. I believe that the pass-through requirement
12 would be that States would have to assure that localities
13 participating in the cost of collecting support would
14 receive their appropriate share of incentive payments,
15 as determined by the State.

16 That would be more a requirement than no requirement
17 at all because they would at least have to show that they
18 were giving --

19 Senator Armstrong. I am perfectly comfortable with it.
20 You don't have to sell me.

21 Senator Bradley. Could I ask the Administration on
22 that -- is the word "appropriate" sufficiently clear to
23 you?

24 Mr. Schutzmann. We were talking about efficiency and
25 effectiveness. We are really talking about cost

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1 effectiveness, and they are just talking about collections.

2 And we think cost effectiveness must be put in.

3 Senator Long. I am willing to go along with you in
4 saying that the State makes the decision who gets the money
5 and that will be based on -- that they will have to take
6 cost effectiveness into account. That is all right with me.

7 Dr. Rubin. The Administration has no objections to
8 that.

9 Senator Armstrong. Okay?

10 Senator Long. I don't quarrel for a moment that we
11 are taking cost effectiveness into account. The State is
12 going to do that. That is all right with me.

13 Senator Bradley. Mr. Chairman, I had a call from
14 Senator Pryor who wanted to vote "aye" on the 125 and the
15 Medicaid.

16 Senator Armstrong. Have we reached agreement on the
17 issue that Senator Long has raised? And is the final
18 disposition, Senator Long, in your understanding as
19 determined by the States.

20 Senator Long. It is my understanding that the State
21 would make the determination but the State would be
22 required to take effectiveness into account. That is what
23 we are talking about.

24 Senator Armstrong. But it is their call as to how
25 they take it into account?

1 Dr. Rubin. Yes.

2 Senator Long. But in the last analysis, it is my
3 understanding that, if New York City is not doing the job,
4 and the department doesn't think New York City is doing the
5 job, the department has got the right to call the State's
6 hand and say New York is getting too much, because they
7 are not doing the job.

8 As I understand it, that is what you had in mind, and
9 I am very willing to have it that way.

10 Dr. Rubin. It would be up to the State of New York
11 to determine how they wanted to deal with New York City.
12 Hopefully, the Federal Government would not be involved.
13 We would obviously provide them with the information.

14 Senator Long. Okay. That is all right with me.

15 Senator Armstrong. Is there objection to the proposal?

16 (No response)

17 Is there anything else? If not, that is agreed to,
18 subject to interpretation by individual members.

19 The Chairman. Could I ask one question on visitation
20 rights? Is there anything in here that is going to
21 encourage the States to use any diligence at all as far
22 as the paying father, in this case?

23 I mean, I just had one stop me in the hall and say we
24 pay our support. We would hope there might be some
25 language--some recognition that there are legitimate concerns

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1 that haven't been addressed.

2 I know we have the Durenberger resolution, but is that
3 all we have in this package?

4 Ms. Olson. Senator, that is the extent of the
5 visitation reference in the staff proposal.

6 The Senator Durenberger and others' language that
7 should take into account and examine current practices and
8 laws with regard to visitation rights. That is the only
9 reference.

10 Senator Durenberger. Should we strengthen it up a
11 little or something?

12 The Chairman. That is what he suggested. I am not
13 here lobbying, but I think there is a legitimate concern
14 there.

15 There are fathers, in this case, who never miss a
16 payment and who are still denied rights of visitation.
17 I don't suggest we can get in every one of those cases,
18 but we at least ought to do some language that would
19 indicate to the State that that was a responsibility -- at
20 least a concern of ours -- that they would make more diligent
21 efforts to do whatever they do.

22 Ms. Olson. We could certainly include committee report
23 language to that effect. As far as the statutory requirement,
24 I don't believe that that would be supported by the
25 Administration.

1 The Chairman. I don't suggest that, but maybe
2 something in the committee report.

3 Senator Long. I would like to raise another matter,
4 and Mr. Stern can explain briefly. It has to do with the
5 improvement of Federal oversight.

6 Would you just explain that further, Mr. Stern?

7 Mr. Stern. The department basically monitors the
8 effectiveness of the State child support program and can
9 impose a penalty on States that don't have effective
10 programs, but the penalty now in the present law is so
11 substantial that it has not been invoked.

12 The staff proposal includes some elements that relate
13 to this and relate to compliance requirements in general.

14 We would not suggest any change in giving more
15 flexibility on the penalty, but we think that there ought
16 to be a strong role of the child support administrator
17 in establishing performance standards against which any
18 penalties would be invoked.

19 And we have some specific items in mind as to what
20 they would set standards on. We have discussed this with
21 the department people.

22 They would not want to actually specify these in the
23 statute, but I understand that if they were required to
24 establish standards of performance and conduct audits to
25 determine if the standards had been met and then perhaps

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1 just cite these as examples in the committee report.

2 For example, success rate of collections, timeliness
3 of establishing court orders, adequacy of interstate
4 cooperation, timeliness and effectiveness of establishing
5 paternity, and levels of service to welfare and nonwelfare
6 families -- that these would be examples of the kinds of
7 things that they could set standards on.

8 On the penalty itself, the staff proposal says that
9 the penalty would be set at not more than 2, 3 and 5
10 percent. We would be concerned that not more than 2 percent
11 might be zero -- there should be some penalty involved.

12 We would think that setting 2, 3, and 5 percent, they
13 could pick whatever penalty was appropriate, or if they
14 have another number in mind, maybe do that.

15 And also the staff proposal says that a State only
16 need be in substantial rather than full compliance and,
17 since that is a rather vague term, we would suggest that
18 it be defined so that if a State were not in full
19 compliance, the Administration could postpone the penalty
20 only if the State demonstrated that its compliance was
21 -- we used the word -- purely technical, but not the
22 substantive kind of noncompliance, and it wouldn't adversely
23 affect the program's effectiveness or that the State was
24 actively pursuing that corrective action so that they
25 would be in compliance soon.

1 So, those are basically the elements. I did have
2 an opportunity earlier to discuss this with Dr. Rubin.

3 Senator Long. What is the Administration position?

4 Dr. Rubin. If you agree to the changes that Mr. Stern
5 described about putting the specifics not in the statute
6 but in the report, we have no problems with the remainder.

7 Senator Long. All right.

8 Senator Armstrong. Has anybody else got any problems
9 with that?

10 Anything else we need to take up? Are you ready to
11 report the bill, Senator Dole?

12 The Chairman. I don't know whether we can report the
13 bill with four of us here.

14 Senator Armstrong. I hadn't noticed that we were
15 only four.

16 Senator Long. That amendment is agreed to?

17 Senator Armstrong. Yes. Without objection, that is
18 agreed to.

19 The Chairman. I think we have a lot of vote-switching
20 going on, and hopefully we can-- What is the score on
21 the various amendments now?

22 Mr. DeArment. Do you want me to recap them all?

23 The Chairman. Just the ones that are in doubt.

24 Mr. DeArment. Okay. On the Durenberger amendment to
25 extend the Medicare eligibility to four months for persons

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1 who lose AFDC eligibility for child support collection,
2 the vote is losing at the moment, 9-10.

3 The Chairman. You mean Durenberger is losing?

4 Mr. DeArment. That is correct.

5 The amendment is failing.

6 Senator Long. Which amendment is that?

7 Mr. DeArment. That is the Medicaid eligibility.

8 And Senator Bradley's amendment to raise the cap on
9 non-AFDC incentive payments to 125 percent at the current
10 time is winning by a vote of 10-9.

11 The Chairman. What is the vote on that?

12 Mr. DeArment. 10 to 9.

13 The Chairman. Is somebody not recorded?

14 Mr. DeArment. Senator Baucus is not recorded.

15 The Chairman. And how much does that cost? \$100
16 million?

17 Dr. Rubin. Yes. \$100 million for five years.

18 The Chairman. And the others? I understand the
19 Grassley amendment was significant.

20 Mr. DeArment. The Grassley amendment is passing by
21 a vote of 12-4.

22 The Chairman. It is all right with me if it is all
23 right with the rest of you to consider the action final.
24 I guess if Senator Baucus wants to be recorded, he could.

25 Senator Long. If my amendment had been the one that

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1 presented the cost problem, Mr. Chairman, I would have
2 been glad to save the cost of it, but it is not my
3 amendment. I think out of the cost items, what I had to
4 offer was about the least of them, wasn't it?

5 Ms. Olson. The 6 percent minimum had a cost of \$25
6 million a year.

7 Senator Long. But Mr. Packwood's amendment was
8 estimated to cost what?

9 Ms. Olson. \$235 over five years.

10 Senator Long. 235. And what does Mr. Grassley's cost?

11 Ms. Olson. Mr. Grassley's tax intercept amendment
12 has the cost of \$235 over five years.

13 Mr. Durenberger's Medicaid amendment has a CBO cost
14 of \$25 million a year.

15 The Chairman. What is the one that Bradley had?

16 Ms. Olson. The Bradley amendment had a CBO estimated
17 cost of \$10 million each fiscal year. That is the 125
18 percent ceiling on non-AFDC collections.

19 The Chairman. According to HHS, it is \$100 million.

20 Dr. Rubin. Yes. That is correct. \$100 million over
21 five years.

22 Senator Long. I sort of feel like the people that
23 have the expensive amendments ought to come up with
24 amendments to pay the cost of it.

25 If I had the big amendment, I would be glad to propose

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1 an amendment to save for it.

2 It is all right with me, Mr. Chairman, if you want to
3 put the burden on this committee to raise the money to
4 pay for this because I personally think it wouldn't be
5 a bad idea at all.

6 The Chairman. No, I am not suggesting that. I am
7 just trying to see how much damage we have done.

8 Senator Long. I suggest we ought to pay for it.

9 The Chairman. Sure.

10 Senator Long. Here is the way we could do it. We
11 might need more senators to vote on it, but here is now
12 I think you can do it.

13 Simply take your breakdown of your cost of your AFDC
14 program, as to how much you think it is going to cost
15 in each State. Then say, all right, now each State that
16 lives within that estimate will get the matching that the
17 law spells out.

18 If they go above the estimate, they get 1 percent less
19 matching. For example, if you are 50-50 in the State and
20 you go above the estimate -- and the estimate is based
21 on the information the States are providing us -- if
22 you go above your estimated program costs, instead of
23 getting 50 percent matching, you would get 49 percent.

24 So, if it is a \$100 million program, it would cost
25 you \$1 million to go above your estimate.

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1 And my guess is that that would make all those people
2 committed to those programs stay within their estimate.

3 And if they stay within their estimate, you don't have
4 to match the overflow. That gives them an incentive to
5 stay within our budget.

6 And if you do that, I think you would save a lot more
7 of the costs.

8 The Chairman. Does the Administration have any comment
9 on that?

10 Maybe some of these people who offered these amendments
11 would rather not have their amendments passed.

12 (Laughter)

13 We only need one vote to defeat the Bradley amendment,
14 which I understand doesn't do any good in any event. It
15 is just another cost-shifting. Is that true?

16 Dr. Rubin. That is our interpretation. Yes.

17 The Chairman. What does it take to report a bill?
18 How many?

19 Mr. DeArment. Eleven members.

20 The Chairman. We seem to be a little short.

21 (Laughter)

22 Senator Bradley. What was the question?

23 The Chairman. How many does it take to report the
24 bill?

25 Senator Bradley. Well, you know, we are working that

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1 way. You are right. So, what are we going to do --
2 adjourn for a while?

3 The Chairman. I think action on the bill has been
4 completed. Is that correct?

5 Senator Armstrong. Yes.

6 The Chairman. There are no further amendments.

7 Senator Bradley. So, we are just waiting to report it
8 out?

9 The Chairman. I guess we ought to get some
10 parliamentary advice here. Could we agree to report it
11 out?

12 Mr. DeArment. That has been done.

13 The Chairman. Could you poll all the members?

14 Mr. DeArment. We could poll other members and
15 consider all --

16 Senator Long. Mr. Chairman, might I just suggest that
17 we agree to take a final vote on this at some time when
18 we have a quorum present?

19 The Chairman. That would be better because we may
20 have to find a way to dig up that \$.5 billion that has
21 been added this morning. So, that would give us a little
22 time to work on that.

23 Senator Bradley. Mr. Chairman, if action had been
24 completed on the bill, would we then be just voting on
25 final passage of the bill to the floor? Is that what the

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1 vote would be?

2 The Chairman. Except that Senator Long suggested a
3 way to pay for all these add-ons that you and others have
4 added on. So, maybe we had better not foreclose it with
5 that possibility.

6 Senator Bradley. Would that mean, then, that the
7 votes are still open?

8 The Chairman. They have been open all morning. I
9 can tell --

10 (Laughter)

11 The Chairman. I switched some, and you switched some.
12 I have only got one more to contact. How many more do
13 you have?

14 Senator Bradley. One.

15 (Laughter)

16 Senator Bradley. We are probably going for the same one.

17 (Laughter)

18 The Chairman. I think he is out of town.

19 I think we should quit.

20 Senator Bradley. When will we get back together?

21 Just from a scheduling standpoint.

22 The Chairman. Soon.

23 Senator Bradley. Okay.

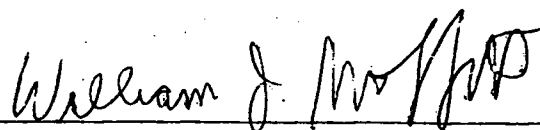
24 (Whereupon, at 1:20 p.m., the hearing was recessed
25 to reconvene sine die.)

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C E R T I F I C A T E

1
2 This is to certify that the foregoing proceedings of
3 a hearing before the Committee on Finance, held on March 22,
4 1984, in re: Executive Session, Mark-up on Child Support,
5 were held as herein appears and that this is the original
6 transcript thereof.
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10 

11 WILLIAM J. MOFFITT
12 Official Reporter
13
14

15 My Commission expires April 14, 1984.
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