

1 EXECUTIVE COMMITTEE MEETING .

2 TUESDAY, JUNE 13, 1989

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The meeting was convened, pursuant to notice, at 3:14
7 p.m. in room S. 207, the Capitol, Hon. Lloyd Bentsen
8 (Chairman) presiding.

9 Present: Senators Bentsen, Matsunaga, Moyniha, Baucus,
10 Boren, Bradley, Mitchell, Pryor, Riegle, Rockefeller,
11 Daschle, Packwood, Dole, Roth, Danforth, Chafee, Heinz,
12 Durenberger, Armstrong, and Symms.

13 Also present: Van McMurtry, Staff Director and Chief
14 Counsel; Ed Mihalski, Chief of Staff, Minority.

15 Also present: Pat Oglesby, Chief Tax Counsel; Marina
16 Weiss, Chief Health Counsel; Mary Schmitt, Assistant Chief
17 of Staff, Joint Committee on Tax; Stewart Brown, Deputy Chief
18 of Staff, Joint Committee on Tax; Norm Richter, Tax Counsel;
19 Sam Sessions, Tax Counsel; Kenneth Gideon, Assistant Secretary
20 for Tax Policy, Department of the Treasury; Linda Paul,
21 Tax Counsel; Randy Hardock, Maurice Foley, Norm Richter,
22 Margaret Malone, Jos Humphrey, Professional Staff Members.

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1 The Chairman. This meeting will come to order.

2 We are holding the markup session in here because we
3 understand that we will have a series of votes this
4 afternoon, and in order to be less disruptive to the process
5 we have moved it to Room 207. I apologize for the
6 inconvenience it causes some of you.

7 Let me state that what we are offering today is a
8 package for child health care and for child care. It is one
9 that will afford approximately \$1.5 billion a year to help
10 parents pay for that health insurance to keep their children
11 healthy, to pay the doctors' bills when they are sick, and
12 it provides an even larger amount increasing over a period
13 of time to help working parents meet the cost of child care.

14 In addition, the package takes care of some of the
15 serious obstacles to employers that try to provide health
16 insurance to their workers and to their families.

17 It repeals the complex Section 89 non-discrimination
18 rules and replaces them with a simple set of rules that
19 companies can pass just by designing their health insurance
20 plans correctly.

21 We have identified some \$10.5 billion in revenue and
22 that is over the 5-year period. So this proposal is not only
23 revenue neutral for fiscal year 1990 but also for that
24 period through 1994.

25 I must also say that I am going to resist any amendments

1 that would cause the package to lose money in fiscal years
2 1989, 1990 or over that 5-year period.

3 I want to start with that part of the package that
4 deals with the tax relief and the tax credits, and that
5 means I want to start with Section 89, the Childrens' Health
6 Insurance Credit and the Dependent Care Credit.

7 As we make the decisions that provide relief, I want
8 those decisions to reflect the constraints imposed by the
9 revenue sources that are identified in the markup documents
10 before this committee. It has not been easy to arrive at
11 them.

12 As we consider the relief provisions, I want to
13 emphasize again I do not want to go beyond the \$10.5 billion
14 provision, the amount of revenue that is available for this
15 package over the 5 years.

16 Now once we have gone through the provisions that cost
17 the money, we will then turn to the revenue sources, and
18 that will be the only time when I will be considering
19 motions that increase the cost of the package.

20 I am going to insist that we do not make any
21 contributions to the package that add to the Federal
22 deficit, as I have stated, whether that is over the 5 years
23 or we are talking about fiscal year 1989 or 1990. I want
24 to limit the scope of the discussion today to child care and
25 health and the ways that we go about to pay them. There

1 are a lot of other issues that we are going to be
2 considering soon. And as I stated on the floor the other
3 night, one of my very top priorities is going to be dealing
4 with the medical catastrophic coverage and to see what we can
5 do to reform that supplemental premium, but that is not the
6 topic for today. We will have hearings very soon on that
7 topic. I think we have a chance to make some great progress
8 here on some very difficult problems.

9 Do you have any comments, Senator Packwood?

10 Senator Packwood, A very short comment.

11 As I have indicated to the Chairman, I am going to
12 support his proposal to marry the health credit to the
13 dependency credit, day care credit, child credit, call it
14 what you want, and send it out of this Committee. In the
15 best of all possible worlds of our drawing the perfect bill
16 that I would like, I think I would have preferred to the
17 Moynihan-Packwood bill as we introduced it. We don't have
18 that. But I want everyone to clearly understand that as it
19 goes out of this Committee that is the way I expect to
20 report it on the floor. And if this in any way gets mixed
21 up with any bills that have what I would regard as
22 anti-religious provisions, or any bills that have any
23 attempt to mandate Federal standards or to put in provisions
24 that would have what people would call incentives for Federal
25 standards, then all bets are off and we will see what happens

1 on the floor at that stage.

2 The Chairman. We will now proceed with the
3 presentation of Section 89. Mr. Hardock, if you would like
4 to lead off on that.

5 Senator Heinz. Mr. Chairman.

6 The Chairman. Yes.

7 Senator Heinz. In order to offer an amendment to the
8 Chairman's proposal or are you going to discuss it first?

9 The Chairman. Yes. We are going to discuss Section 89
10 first.

11 Senator Heinz. Section 89, yes.

12 The Chairman. Yes.

13 Senator Heinz. And I would like to offer an
14 amendment to it at the appropriate time.

15 The Chairman. Well let us get to it. Let's discuss
16 Section 89.

17 Senator Heinz. That is what I asked.

18 The Chairman. Oh, yes. As long as it does not cost
19 money.

20 Senator Heinz. Very well.

21 The Chairman. All right.

22 Mr. Hardock. The markup document describes a bill,
23 S. 1129, that was introduced by Senator Bentsen and
24 cosponsored by 18 members of the Committee.

25 The Chairman. Let me say, Randy, apparently that is just

1 for the recording. So speak to us and raise your voice,
2 please.

3 Mr. Hardock. All right, sir.

4 It currently has 60 cosponsors. It has a number of
5 elements. The first element is a 1-year delay in all
6 Section 89 rules. It then repeals the current Section 89
7 discrimination rules and replaces them with a simpler tax
8 base on design. It provides a series of special rules that
9 address the particular problems of small business. It also
10 repeals the penalty for failure of the Section 89
11 qualification rules. That penalty is currently placed on
12 employees. It would place a penalty on employers with an
13 exception for good faith errors by the employer. And,
14 finally, the bill provides a series of changes in current
15 law that address employer concerns with particular elements
16 or interpretations of current law.

17 That, I think, is a short summary of the bill.

18 The Chairman. That is a short summary.

19 Now do we have questions concerning it? Yes,
20 Senator Daschle.

21 Senator Daschle. Mr. Chairman, I am unclear about the
22 compliance question and perhaps the staff can clarify it.

23 In the current regulations, one of the difficulties is
24 that before the regulations were actually promulgated there
25 was a requirement for compliance. We had a lot of people

1 shooting in the dark trying to determine whether they are
2 in compliance or not.

3 Do we have a requirement in the new bill--and I should
4 know this, I suppose--but is there some kind of a
5 stipulation whereby the regulations would be promulgated
6 prior to the time we expect any compliance?

7 The Chairman. Let me comment on that, Senator Daschle.

8 One of the problems that you run into, and we run into
9 repeatedly, is we will pass a piece of legislation here, and
10 there are times when those in the Executive Branch do not
11 like it. And one of the ways they decide to defeat it is by
12 not publishing regulations. In effect, we forfeit the
13 authority for what we have tried to accomplish by their
14 dragging their feet.

15 In addition to that, we have hundreds--I suppose
16 thousands--pieces of legislation where they have not
17 finished regulations, and where they have been dragging them
18 out.

19 Now what we have tried to do in structuring this is to
20 help, because I can understand the arguments from the side of
21 the businessman. He says, how can I comply if I don't have
22 the regulations? But we have put a provision in there
23 calling for liberal or reasonable standards in interpretation
24 of the law to try to protect in regard of that. But I defer
25 to Mr. Hardock for comments that he might have in that

1 regard.

2 Mr. Hardock. The bill has a provision that says "Any
3 reasonable interpretation the employer may take of the rule
4 as in effect in the legislative history and in the
5 statute will be acceptable until such time as the Treasury
6 Department comes out with difinitive guidance on issues."

7 In addition to that, there is language which says that
8 "An employer can, if he wishes, rely on the current
9 regulations to the extent they are not overruled by this
10 provision." So the current regulations will also provide
11 some guidance as a safe harbor.

12 The employer can still adopt another reasonable
13 interpretation even if that is not the one the current
14 proposed regulations have in it.

15 Senator Daschle. Mr. Chairman, I don't want to belabor
16 the point. I am a cosponsor of your bill. I would just say
17 that this is a very, very complicated new set of
18 requirements. And there is, as I say, just a tremendous
19 amount of question. I think we caused the biggest share of
20 the problems for ourselves last time in mandating
21 compliance prior to the time we were able to certify what the
22 regulations were.

23 I don't know if ever we have mandated that rules be
24 promulgated by a certain date. And if we have, I don't know
25 why that wouldn't work in this case as well to, at least in

1 part, compensate for the lack of certainty that we have with
2 regard to the Administration's response in this case. But it
3 would then give us a little more assurance I suppose that we
4 are not creating another problem for ourselves.

5 The Chairman. Let me state, first, that this is, in
6 my view, it is not a very complicated set of rules we are
7 putting into effect. We are talking about a very major
8 simplification of it. A great deal of work was done on this
9 previously by Senator Pryor, and then we have seen Chairman
10 Rostenkowski on the House side take the benefit of what was
11 learned from the hearings and the comments concerning Senator
12 Pryor's approach. And then we, in turn, here--Senator Pryor
13 and I--have developed this after seeing the response to
14 Chairman Rostenkowski. And we think we have answered many of
15 the concerns and the problems.

16 Now in a number of times in the past we have put in
17 dates for the promulgation of regulations, but they have not
18 complied with them. And that has happened often.

19 Are there further questions?

20 Senator Symms. Mr. Chairman.

21 The Chairman. Yes.

22 Senator Symms. Could I ask the staff a question about
23 the term "leased employees" with respect to independent
24 contractors? Have we got that clarified so that the
25 independent contractor is treated properly? We have got a

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1 problem with some of these laws and that is what I am
2 referring to.

3 The contractor is not obviously considered to be
4 leased employees. That is what I am trying to drive at.

5 Mr. Grafmyer. What we have done is we have put
6 together an additional technical amendment that we think
7 needs to be made to S. 1129. It basically gives it a little
8 more, I guess would be the best way to describe it, is meat
9 to the definition of what is control. And in that
10 amendment it basically states that control is basically
11 defined as whether you describe the individual methods that
12 he worked, how he worked the job, whether he was supervised
13 by that individual, how the individual's working hours were
14 set, and he sets the individual's compensation well. So
15 those are guidelines, but again somewhat like the logger can
16 look to, and almost like a check list and say, do I set his
17 compensation? Do I set his working hours. He is in a
18 better field for what is the definition of a leased
19 employee within those rules. We now try to address that.

20 Mr. Hardock. Senator, the loggers have not talked to
21 us, so I don't know where they fit in this rule. But I
22 think that Senator Packwood has a long standing interest in
23 loggers and I think his staff has talked to them.

24 The Chairman. Senator Heinz has an amendment that the
25 Chairman is going to support, assuming it is still the one

1 30 hours.

2 Senator Heinz. Mr. Chairman, that is correct.

3 By the way, I apologize. I think the acoustics in here
4 are very tough. I have a tough time hearing you and I assume,
5 therefore, you are having a tough time hearing me.

6 This is the amendment, Mr. Chairman, I offer on behalf
7 of myself and Senator Boren, of Oklahoma, with whom I have
8 worked very carefully on the amendment. And it would
9 establish the threshold for part-time, the definition of a
10 part-time employee at 30 hours.

11 Let me say as background that we did a fair amount of
12 research on the extent to which there are any definitions
13 that either in current law, current practice of the courts.

14 The Department of Labor definition of part-time is
15 currently 35 hours and under as part-time. The Internal
16 Revenue Service has a case that has not been totally
17 disposed of it, Lucky Stores case, where they are arguing
18 that substantial full-time work is 30 hours, but that has
19 not been disposed of yet. In our minimum wage statute there
20 is no definition of what is part-time work, and according to
21 the Fair Labor Standards Board they have no such definition.

22 Obviously, if we were to debate a national health
23 insurance and mandatory employer coverage, the definition of
24 what part-time work would or would not be, we would be a
25 lot more relevant. But this legislation, of course, is aimed

1 at curing a specific problem. Those few corporations or
2 service corporations perhaps that have very high Cadillac
3 plans for a few top managers and a lot of other lower paid
4 but full-time workers who get a raw deal.

5 I would hope that the Committee would understand that
6 we are just trying to cure a problem, not write a national
7 health insurance bill.

8 The Chairman. It is my understanding also that in some
9 parts of the country you have difficulty getting policies
10 from insurance companies covering employees with less than
11 30 hours.

12 Senator Heinz. Mr. Chairman, That I think is a well
13 taken point. And, of course in those areas of the country
14 where there is a lot of demand on the labor market, employers
15 will be forced to offer health insurance in any event that
16 whatever is required to attract employees.

17 The Chairman. Are there other comments concerning this?

18 Senator Boren. Mr. Chairman, I want to join with my
19 colleague in his comments and I am pleased to cosponsor this
20 amendment with him. I think this will go a long way to
21 removing the compliance burdens especially on the smaller
22 businesses. And I think it is consistent with the
23 definition elsewhere in the law. I think it is a
24 reasonable approach, especially given the aims of this
25 particular policy change that Senator Heinz has said, and I

1 hope the Committee will adopt it.

2 The Chairman. Is there other comments in opposition of
3 the amendment?

4 (No response)

5 The Chairman. If not, do you move the amendment?

6 Senator Heinz. Mr. Chairman, I so move the amendment.

7 Senator Boren. Seconded.

8 The Chairman. All in favor of the amendment as stated,
9 make it known by saying aye.

10 (Chorus of ayes.)

11 The Chairman. Opposed?

12 (No response)

13 The Chairman. The amendment is carried.

14 Senator Pryor. Mr. Chairman, may I make a comment?

15 The Chairman. Yes, of course. Senator Pryor.

16 Senator Pryor. Now that the poll is over, I was
17 trying to get my papers assembled and I did not. I have in
18 my possession, Mr. Chairman, about 10 or 12 letters from
19 various organizations, mostly representing small business,
20 some praising the Committee for taking the action of
21 repealing Section 89, and some wanting it to go further. But
22 it does seem, Mr. Chairman, that each of these letters
23 demonstrates a desire to move from the 25 to 30 hours. And
24 I think that this will allay a great number of fears that
25 have been expressed, especially from the small business

1 community.

2 The Chairman. Good.

3 The more I looked at it the more I became impressed
4 that it was the better choice of terms.

5 Are there further questions concerning what we have done
6 on Section 89 in this particular bill?

7 (No response)

8 The Chairman. If not, we -- I see we have a vote.
9 That is the end of 89 unless there are further questions
10 concerning it. Let's go ahead and vote and come right back.

11 (Whereupon, at 3:32 p.m., the meeting was recessed.)

12 AFTER RECESS

13 (3:41 p.m.)

14 The Chairman. Will you please cease conversation and
15 take sets and we will get underway again.

16 Senator Armstrong. Mr. Chairman, it is pretty
17 difficult to hear at this end fo the room.

18 The Chairman. It sure is. It is difficult at this
19 end.

20 Senator Armstrong. Did we adopt the Section 89
21 proposal?

22 The Chairman. No, we have not.

23 (Laughter)

24 Senator Armstrong. Mr. Chairman, if it is timely, I
25 understand that a number of members of the Committee have

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1 cosponsored the bill. I think I am not a cosponsor, but I
2 would like to be if that is still an option.

3 The Chairman. You are coming in loud and clear I can
4 tell you very well.

5 (Laughter)

6 Senator Armstrong. Well I really congratulate the
7 Chairman and the others who have worked on it. It is a great
8 improbement over present law.

9 The Chairman. Thank you, Senator. I appreciate that.

10 Let me state that we have some technical amendments to
11 be offered by the Chairman. Mr. Hardock, would you comment
12 on them?

13 Mr. Hardock. Would you like to go through each
14 individual one because they are very technical?

15 The Chairman. No. We will take them entirely.

16 Mr. Hardock. I think we can say that they are
17 technical in nature.

18 The Chairman. Can you give us a very short summary of
19 them?

20 Mr. Hardock. Yes. I will do the ones that were not,
21 cross the "T" and dot the "I".

22 The Chairman. We are not talking about major
23 substantive changes.

24 Mr. Hardock. That is correct.

25 The Chairman. All right.

1 Mr. Hardock. During oversight, the line of business
2 rules were not extended to dependent care arrangements under
3 the test applicable dependent care arrangements. This would
4 correct that.

5 Typically when we make changes that affect collective
6 bargaining agreements in effect, we provide a transition
7 relief until the expiration of that agreement. This would
8 provide similar relief to the new Section 89 rules.

9 The next few are very technical. We have the leased
10 employee change that was described to Senator Symms. We have
11 a problem that was raised by some of the small business
12 groups in the bill's definition of "Core benefits." There
13 was some concern that we were allowing the Secretary of the
14 Treasury to define what "core benefits" were, and that would
15 create some inference as to what appropriate medical plans
16 were. And that was changed to delete any inference to that
17 effect and to merely provide employers the option of using
18 that approach.

19 There is a series of issues that would be clarified in
20 the legislative history. Business travel insurance is of
21 particular concern of many businesses, and that would be
22 exempted from the 89 rules to the extent it is de minimis.
23 And I think it is fair to describe the rest of these
24 amendments as technical in nature.

25 The Chairman. May I have a motion?

1 Senator Moynihan. I so move.

2 Senator Symms. Mr. Chairman.

3 The Chairman. Yes.

4 Senator Symms. Sir, I just want to make one brief
5 comment if I could on the bill.

6 The Chairman. Well could we take care of the
7 technical amendment?

8 Senator Moynihan. I so move.

9 The Chairman. Is there a second?

10 Senator Armstrong. Second.

11 The Chairman. All in favor of the motion as stated make
12 it known by saying aye.

13 (Chorus of ayes.)

14 The Chairman. Opposed?

15 (No response)

16 The Chairman. The motion is carried.

17 All right, Senator Symms.

18 Senator Symms. Mr. Chairman, I want to repeat part of
19 what Senator Armstrong said, and I think it should be noted
20 here that there was quite an effort on the floor for outright
21 repeal. And I think the Committee, you know, my preference
22 would be not to have to do this at all and just repeal this
23 bill. I don't think we have the votes in here. But I do
24 think that you have come a long way, and I particularly like
25 the part of the delay to give people a chance to catch up

1 with what it is that has happened. And I believe that this
2 will go a long way towards removing a lot of the opposition
3 that we have all faced on Section 89. I compliment the
4 Committee for getting thisfar.

5 I would say though that there still may be an effort
6 on the floor by other members from this Committee or maybe
7 some on this Committee to make an attempt to just go back to
8 pre-1986 law. And I don't want to remove my ability to vote
9 for that if it comes up. I think you have done very well
10 though.

11 The Chairman. Thank you, Senator.

12 Senator Chafee. Mr. Chairman.

13 The Chairman. Yes, Senator Chafee.

14 Senator Chafee. I would like to ask the staff a
15 question on this percentage of leased employees. As I
16 understand now, that they are exempt, leased employees, if
17 they make up 5 percent or less of the total employment. Is
18 that right?

19 Ms. Schmitt. Under part of the law there is, in
20 effect, a rule for consent recordkeeping, which means the
21 recordkeeping of requirements do not apply if the percentage
22 of leased employees is 5 percent or less. In effect, in many
23 cases this works out to an exemption if less than 5 percent
24 of your employees are leased employees.

25 Senator Chafee. And suppose if, say, 8 percent. Then

1 what happens?

2 Ms. Schmitt. Then basically--excuse me if I said it--
3 the records keeping rule, then you don't get the record
4 keeping exemption, and then you have to keep track of your
5 employees to determine how many are leased employees. And
6 you are generally under the general rules applicable to
7 leased employees.

8 Senator Chafee. Well I have heard some complaints
9 that that mitigates against using leased employees in an
10 emergency situation, and the suggestion was it be increased
11 somewhat.

12 Ms. Schmitt. In general, in order for someone to be a
13 leased employee they have to perform services on a
14 substantially full accomodation for a year in the case of
15 pension benefits or six months in the case of poor health
16 benefits. So they have to be performing services for a
17 substantial period of time before they would be a leased
18 employee.

19 Senator Chafee. All right.

20 The Chairman. Are there further amendments?

21 Senator Durenberger. Mr. Chairman.

22 The Chairman. Yes. Senator Durenberger.

23 Senator Durenberger. I do have one small suggestion
24 to make by way of an amendment and I have a question on
25 another subject I need to ask.

1 As you recall from our hearing, I raised some issues
2 about my own bill with Dave Pryor as the predecessor of
3 what you are now doing in terms of its practicality, and also
4 suggested at that time that the National Bipartisan
5 Commission on Comprehensive Health Care of which four of the
6 members of this Committee are also members, ought to take
7 some responsibility for helping the country resolve this
8 issue, the issue of non-discrimination, while it is looking
9 at the work place as an opportunity in which to buy health
10 insurance for all Americans.

11 So, in effect, my amendment would talk to the U.S.
12 Bipartisan Commission on Compresenvie Health to look at the
13 access cost and related issues involved in the issue of
14 Section 89 and discrimination, and come back with
15 recommendations in their overall recommendations about
16 universal access, and tell us how this issue might be
17 resolved in the larger context of employer-employee health
18 insurance. That is about it. And I move that amendment.

19 Senator Rockefeller. Mr. Chairman.

20 The Chairman. Yes. Senator Rockefeller.

21 Senator Rockeffler. I am not seconding the amendment at
22 all, but I would agree with the underlying statement of
23 the Senator from Minnesota that this is something the
24 Bipartisan Commission can take up and we can come up with
25 some solutions on it maybe.

1 The Chairman. I don't see any problem with that. Does
2 the staff see any problem with it?

3 Mr. Hardock. I think in the context the Bipartisan
4 Commission is charged, it makes perfect sense to look at all
5 these issues.

6 Senator Durenberger. As a second amendment,
7 Mr. Chairman, --

8 The Chairman. Wait a minute. Let's act on this one.
9 Do you so move, Senator?

10 Senator Durenberger. Yes, I do.

11 The Chairman. Is there a second?

12 Senator Moynihan. I second it.

13 The Chairman. All right.

14 All in favor of the amendment as stated, make it known
15 by saying aye.

16 (Chorus of ayes.)

17 The Chairman. Opposed?

18 (No response)

19 The Chairman. The amendment is carried.

20 Senator Durenberger. Mr. Chairman, if I might, the
21 question with regard to the language which appears in the
22 working paper in front of us, the explanation on page 8, the
23 explanation of the bill explains how we are simplyfying the
24 non-discrimination rules, and talks about the benefits test
25 and suggests that we can, in effect -- I will read the line --

1 "Under the benefit test, the maximum tax favored benefit
2 that a highly compensated employees may receive is no more
3 than 133 percent of the employer premium for the employee
4 only covered that was taken into account in applying the
5 eligibility test." Well I don't understand that very well,
6 but that is not my problem.

7 It looks on its face as though we are endorsing
8 discrimination at the level of at least 133 percent. And
9 whoever wrote this may have a very good reason for
10 endorsing a more advantageous premium by 33 percent on
11 half of some employees on plans that are not available to
12 others. And I am just curious to know why. I thought a
13 hundred percent would be just fine, not 133.

14 The Chairman. Mr. Hardock, would you comment on that,
15 please?

16 Mr. Hardock. The 133 percent grows out of the need to
17 provide flexibility. There are a larger number of plans
18 that might have different values or different costs. And
19 the 133 percent, it is simply a convention to allow much of
20 that diversity in health coverage to continue to exist. It
21 is not unlike the current law, which though based on actual
22 benefits provided, it basically said that the benefits to
23 the low pay have to be at least 75 percent of the benefits
24 to the high pay. And it is true that in some cases it will
25 result in some limited discrimination being allowed in the

1 rule.

2 The Chairman. Now what it does, as I understand it,
3 it gives a greater flexibility. And if we did otherwise, we
4 would get back to a tougher law than we currently have. And
5 I am sure under those kind of conditions you would see such
6 support as we have erode in a massive way.

7 Senator Durenberger. Mr. Chairman, I need to just
8 clarify it for my own benefit.

9 If we dragged out the federal employee health benefit
10 plan, as I did in the hearing which I don't have now, I
11 think it would illustrate the problem, wouldn't it, that you
12 have high option plans and you have low option plans, and
13 you have this variety of plans which offer differing
14 benefits, depending on the person's differing needs?

15 Mr. Hardock. I think it would illustrate it, except
16 for one fact, and that is that the Federal Government does
17 not subsidize generally the high option any more than the
18 low option.

19 Senator Durenberger. All right. Now this is where I am
20 getting at.

21 The Federal Government makes the same dollar
22 contribution to each of the plans. Right?

23 Mr. Hardock. Yes, sir.

24 Senator Durenberger. Now you are trying to deal with the
25 issue in which some employers will contribute more to one

1 plan than they will contribute to another plan. Now while I
2 don't necessarily agree to that as good public policy, I
3 don't think this is a place to decide or the time to decide
4 that issue. However, let me just ask you this question.

5 The plan towards which the employer makes the higher
6 contribution to premium must, under these rules, that plan
7 be available to all employees?

8 Mr. Hardock. No, it does not have to be available to
9 all employees.

10 Senator Durenberger. Well then that is discrimination.
11 If it is available to all employees, and some of them choose
12 the higher rate --

13 Mr. Hardock. Judy Vance will explain it is not
14 available to all employees with an HMO. It might only be
15 available in one location. It would be impossible for an
16 employer to make that plan --

17 Senator Durenberger. All right. All employees in one
18 location. How is that?

19 Mr. Hardock. There is a rule in the bill which--we
20 call it the discriminatory provision test--we do not have a
21 rule in the plan that on its face result in benefits being
22 provided primarily to highly compensated employees. It
23 basically prohibits the situation where you have one plan
24 for the executive only situation where only high paid people
25 were in it, and then another plan with lesser value is

1 available to everyone else. That is not a prefect rule,
2 but it would address the most aggregous situation.

3 Senator Durenberger. Well I am tracking with you so
4 far. I just want to be sure that either under the 75
5 percent test of the existing law or the 133 percent that you
6 are recommending that we are not isolating a certain set of
7 employees by reason of income or category in the company as
8 opposed to location and saying to them, we can give a richer
9 benefit package as long as the premium stays under 133
10 percent. That is not what we are doing here.

11 Mr. Hardock. That is not what we are doing. But I
12 think it depends on how bad the targeting is.

13 Senator Durenberger. Right.

14 Mr. Hardock. It is very bad. It is clearly not allowed.
15 To a limited extent it could happen.

16 Senator Durenberger. Mr. Chairman, I believe I
17 understand it.

18 The Chairman. Thank you. Senator Pryor.

19 Senator Pryor. Yes.

20 Mr. Chairman, I would like to ask some of my
21 colleagues that there is one difference in the newly
22 revised 89, or repeal, and we will call it something else.
23 In fact, let's never again refer it as Section 89.

24 (Laugther)

25 Senator Pryor. But Senator Bentsen did put in this

1 legislation four new rules that relate to those businesses
2 with 20 or fewer employees. Granted, if you don't have that
3 list of those four items to read to us or to summarize,
4 possibly you could just place them in the record at this
5 point. I think it is a good point in the record to have
6 those in there.

7 Mr. Hardock. Senator Pryor, I believe they are here on
8 page 9.

9 The Chairman. All right. Are there further comments?

10 (No response)

11 The Chairman. Now what I would like to do is this. I
12 want to vote at the end on the entire package. And the
13 reason it really has to be that way is the way we raise the
14 money for the package. And it is not truly in the position
15 to have it broken up. If we had to break it up we would
16 have serious problems deciding what do do with the money.
17 But I would like to get an expression of the feeling here if
18 I could on Section 89. Do I find any further objections to
19 Section 89, the general support for what we have done?

20 (No response)

21 The Chairman. All right. Then let's move on to the
22 next provision, unless there is some comment by the
23 Administration.

24 (No response)

25 The Chairman. All right. Let's move on to the health

1 care provisions and the child care provisions.

2 Ms. Schmitt. Mr. Chairman, there are tow main elements
3 on this part of the proposal. The first would create a new
4 health insurance credit for a family with children under age
5 19. A health insurance policy would have to cover the child
6 and it could also cover the family, the parents. The credit
7 would be equal to 50 percent of an expenditure of \$1,000,
8 with a maximum credit therefor of \$500.

9 Senator Rockefeller. Mr. Chairman, could I ask that
10 those of us who are not at this table, that everybody else
11 please be quiet so we can hear?

12 The Chairman. And if you will close those doors behind
13 us, please. And I know the room has bad accoustics and we
14 have put many of you in a rather uncomfortable position here.
15 But please try to hold down any movement or noise so we can
16 hear.

17 And then I would also like a list of the organizations
18 that are sponsoring this provision.

19 Ms. Schmitt. The maximum credit would be available to
20 families with incomes of \$12,000 or less, and it would phase
21 out so it would not be available for families with incomes in
22 excess of \$21,000. It would be refundable at the option of
23 the employee. It could be paid on an advance basis, that is,
24 in the regular employee's pay check.

25 The next element is for child care. And in this part of

1 the proposal we make the current child care credit refundable.
2 And it would also be increased for families with incomes of
3 \$10,000 or less. The credit is now at a maximum of 30
4 percent for families with incomes of \$10,000 or above. For
5 those with incomes below \$10,000, it would now become 32
6 percent, down to an income of \$8,000, and 34 percent for
7 families with incomes below \$8,000. It would be unchanged
8 for families with incomes of or in the current ranges.

9 In addition, this credit would be available on an
10 advanced basis beginning in 1992 as with the health insurance
11 credit.

12 Because of an estimate we have just received from the
13 Joint Tax Committee, we have had to scale back the child
14 care piece to the extent that in the first year of the child
15 care refundable credit we will only be able to make the
16 refundability about 33 percent rather than 100 percent.

17 Senator Packwood. Then it goes to a hundred percent.

18 Ms. Schmitt. Then it goes to a hundred percent in the
19 second year.

20 The final piece of the package is for a child health
21 demonstration project. \$25 million a year for a period of
22 five years would be authorized to allow the Secretary of
23 HHS to make grants to public and private nonprofit
24 organizations to conduct demonstrations that would promote
25 the availability of health insurance for children under age

1 19. The maximum contribution of the Federal Government to
2 these projects would be 50 percent.

3 The Chairman. Are there questions?

4 Senator Heinz. Mr. Chairman, could we have an
5 estimate of what the revenue package now is?

6 The Chairman. Yes. The overall revenue package, yes.
7 Would you give those numbers, please?

8 Mr. Grafmyer. Yes, sir

9 The Chairman. I gave you a number earlier insofar as
10 for the five years and for the first year, but if you would
11 go through that again.

12 Mr. Grafmyer. Yes, sir.

13 Almost all the revenue shows up on page 16 of the
14 markup document. There were distributed to the tax staff
15 yesterday some other materials, including an early sunset of
16 the expiring tax provisions of troubled financial
17 institutions. The money turned out not to be there on that
18 one. Our revised estimates caused that one to drop off, so
19 we had to drop out of the tax. It was not useful as a
20 revenue raiser. We got a new estimate from CBO overnight
21 that most of the money disappeared.

22 Senator Pryor. Was that on the transition date, on that
23 May 10th date?

24 Mr. Grafmyer. There was some interest in giving
25 transmissions from that rule.

1 Senator Pyror. But that is the area that you are
2 knocking out. Is that correct.

3 Mr. Grafmyer. The whole thing, that is, the whole
4 revenue raiser for which you were interested in transition.
5 The provision is not there any more. The amount of revenue
6 shown on page 16 is, if I have added it up right, \$10,551
7 from two telephone tax provisions. One is just a simple
8 extension of the current 3 percent rate, and another a
9 speed up of the collection mechanism.

10 There is one more small revenue raiser that is on page
11 18, to make S corporations pay estimated tax, and that
12 solves the fiscal year 1989 problem. That raises \$25 million.
13 There is a total revenue of \$10,576 million.

14 Senator Danforth. Mr. Chairman.

15 The Chairman. Yes.

16 Senator Danforth. Mr. Chairman, I don't know what
17 sequence you want to work in, but I have an alternative
18 proposal to offer the Committee.

19 (CONTINUED ON PAGE 31.)
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21
22
23
24
25

(Continued from previous page.)

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1 The Chairman. To what?

2 Senator Danforth. To your proposal.

3 The Chairman. Oh. All right.

4 Senator Danforth. I do not know how you want. In other
5 words, is this open for amendment; and if so, then I would
6 just offer this proposal as a substitute and I would Lindy to
7 describe it. But essentially, what it does is to delete the
8 health insurance tax credit component of the proposal that is
9 before and make the dependent care tax credit somewhat more
10 generous than what has been proposed, and expand the existing
11 investment tax credit for families with one or more children
12 age four or before.

13 The Chairman. Is that the earned income tax credit?

14 (Laughter)

15 Senator Danforth. The earned income tax credit. I am a
16 child of the wars of 1986. I will always be so.

17 (Laughter)

18 Senator Packwood. Is this paid for by completed
19 contracts?

20 (Laughter)

21 Senator Danforth. The next part of my repertoire is to
22 get into CCM.

23 (Laughter)

24 Senator Danforth. But it does expand the earned income
25 tax credit.

1 Here is the theory for this proposal: This Committee is
2 working on a tax credit concept to deal with a problem. The
3 problem has been perceived by a lot of people. The problem
4 very simply is, what do we do to provide for child care? How
5 do we provide for child care? It seems to me, Mr. Chairman,
6 that this Committee cannot do everything at once. I wish we
7 could, but I do not think we can. We have a limited amount
8 of funds that are available to us. We are talking about
9 something in the neighborhood of \$3.5 billion a year.

10 It would be my view that if we are going to spend \$3.5
11 billion a year we should focus that spending on the subject
12 before us. I do not deny the importance of health insurance.
13 I think the concept of a health insurance tax credit may be a
14 good concept and one that is worth considering. So in no way
15 do I minimize the importance of that idea. It is simply a
16 question of how many ideas can we have before us at one time
17 when there is simply a limited amount of cash.

18 So the proposal that I would have would be to delete the
19 health insurance credit and expand the earned income tax
20 credit and expand somewhat the Chairman's proposal for the
21 dependent care tax credit. Lindy has all the details.

22 The Chairman. All right.

23 Ms. Paul. As far as I understood it, however, is the
24 package I got was that the dependent care tax credit that was
25 proposed in the most recent markup document is what you would

1 be proposing as part of this compromise. That does reflect
2 an increase over current law, but it is what is being
3 proposed by the Chairman in this package. That is, the
4 dependent care tax credit would be made refundable. However,
5 the first year it would be one-third refundable -- 33 percent
6 refundable -- and 100 percent thereafter.

7 For incomes under \$8,000 the credit would go from 30
8 percent to 34 percent; and for incomes between \$8,000 and
9 \$10,000, the credit would go from 30 percent to 32 percent.
10 All of that is already included in the Chairman's proposal.

11 Senator Danforth. Is that right?

12 Ms. Paul. Yes.

13 Senator Danforth. Because my understanding was there was
14 a slight difference.

15 Ms. Paul. No.

16 Senator Packwood. Let me ask a question if I might, Mr.
17 Chairman. Because I knew -- Jack had kind of told me what he
18 was going to do and I told him I was going to stick with the
19 Chairman. But initially, I think this is what Jack intended.
20 We thought we had about \$3 billion. I told him refundability
21 costs about \$1.5 billion.

22 Correct?

23 Ms. Paul. The first year. It goes up a little bit every
24 year.

25 Senator Packwood. Okay. And that whatever was left

1 between refundability, we would take his package and divide
2 it at about \$800 million on the earned income tax credit and
3 you could use that in one of two ways. You could increase
4 the credit to those presently eligible or you could make more
5 people eligible. You could shift it around as you wanted.
6 And to take the \$2.2 billion and use it for dependency
7 credits. And again, you could shift that in any arrangement
8 you wanted to.

9 What Jack is offering -- and it is a fair debate -- is a
10 substitute for what the Chairman is talking about. If his
11 substitute carries, my hunch is the Committee could in good
12 faith say, all right, it carried. We take the \$800 million
13 for the EIT should be as follows: increase the age or
14 increase the amount. And we think that the \$2.2 billion for
15 dependency credits should be arranged as follows. I do not
16 think the Committee would have a difficult time doing that.

17 I think Jack is proposing this as a total substitute for
18 the Chairman's concept.

19 Ms. Paul. Okay. So the dependent care tax credit would
20 be increased somewhat to achieve this revenue goal of \$2.2
21 billion. The earned income tax credit would also be
22 increased but not until 1991, which is the same effective
23 date of the health insurance tax credit, and it would be
24 increased by some amount that would meet this revenue target
25 of \$800 million a year.

1 The concept of increasing it would be to increase it for
2 a certain amount for one child under the age of four and an
3 additional incremental amount if you have two or more
4 children under the age of four. The total cost of that,
5 again, would be \$800 billion a year. As I understand it, you
6 would delete the health insurance tax credit that the
7 Chairman has proposed.

8 The Chairman. Margaret, would you tell me what
9 difference is there between this and what the President was
10 originally proposing?

11 Ms. Malone. Mr. Chairman, I have not seen a piece of
12 paper so I am not 100 percent sure what it is. But
13 basically, I think it changes the credit so that it is called
14 an earned income tax credit rather than a child tax credit.
15 As I understand it, it keeps the same ages. In other words,
16 it is still targeted on families with a child under age four
17 as the President's original proposal was. I do not know
18 about the income phase out range, whether it is the same as
19 the President's or not.

20 Ms. Paul. The income phase out ranges would be similar
21 to the President's, obviously, within the constraints of, you
22 know, putting together --

23 The Chairman. Does this get us back more to the transfer
24 payment?

25 Ms. Malone. Yes, sir; that is what it is.

1 The Chairman. I see. That is what I thought.

2 Ms. Malone. I mean an earned income tax credit is a cash
3 transfer payment.

4 Senator Matsunaga. Mr. Chairman, is the offer of the
5 substitute to have anything in writing that we can look at
6 for comparison purposes?

7 The Chairman. Yes, we do. All right, that is -- When
8 the Senator proposes that as a compromise, I think the word
9 substitute is appropriate.

10 Senator Packwood. It is a substitute.

11 Senator Moynihan. Mr. Chairman, I would like to make a
12 praise, but not in support of Senator Danforth.

13 (Laughter)

14 Senator Moynihan. Because clearly, there is a great
15 consensus in this Committee and a very strong one. The
16 Senator and ranking member have shaped it, which is that we
17 want to do what we can do with very limited resources. We
18 have come upon a little bit of a social invention which is
19 the refundable credits. We have been extending them as we
20 can, the amounts. In the Chairman's proposal we extend them
21 to a new area. If there is one large, missing provision in
22 American social welfare, it is health insurance for low
23 income people. We have 37 million persons in this country
24 with no health insurance and there is no country of our
25 capacity in the world that has such a situation.

1 You addressed that subject. By providing a refundable
2 child health care insurance credit, you begin to address that
3 one large gap in our social provision. You do not close it,
4 but you begin it. I think that is hugely important and I
5 hope we will support it.

6 The Chairman. Thank you.

7 Any further comments?

8 Senator Bradley.

9 Senator Bradley. Mr. Chairman, I think that the earned
10 income tax credit is the best kept secret in American tax
11 policy. I think a lot of people this year are going to be
12 surprised, and were surprised, when they got a check back in
13 the mail from the IRS. I tried that one out at a few town
14 meetings and did not have wide acceptance from the audience
15 that they would actually get a check back in the mail.

16 But in effect, that is what has happened. I think it is
17 an important public policy tool and I think it has its place.
18 I think that you are attempting to address another area where
19 there is an equal need. And, I would hope that we would
20 support your approach on the credit on health insurance and
21 come back at a later time to expand your initial tax credit,
22 which everyone on this Committee believes is enormously
23 important.

24 The Chairman. Thank you.

25 Senator Matsunaga. Mr. Chairman.

1 The Chairman. Yes.

2 Senator Matsunaga. Procedure wise, how do you plan to --
3 as an amendment to S.5 on the floor?

4 The Chairman. Well, we have not decided on that one yet.

5 Senator Matsunaga. You have not?

6 The Chairman. No.

7 Senator Matsunaga. Because, as you know, Senator
8 Mitchell would be totally opposed to any amendment to Title
9 20. That is going to be our problem.

10 The Chairman. Yes. Thank you.

11 Let me state that the Chair feels very strongly,
12 obviously, about the child health care amendment. We have a
13 situation today where children now can be immunized for
14 measles, for mumps, for a number of contagious diseases, and
15 yet a vast number of them are not getting their shots. One
16 of the reasons -- they cannot afford it.

17 We are also seeing a major escalation in premium costs
18 for health insurance policies. You are seeing more and more
19 companies dropping health insurance. Particularly amongst
20 smaller companies, that is happening. Or you are seeing that
21 they do not cover the dependents. We have a situation in
22 this country today where the health of young people is not
23 being properly addressed, and particularly that of children.

24 I feel very strongly that we ought to address it, that we
25 ought to assist them in that regard. We are nineteenth in

1 the way of infant mortality amongst the major nations of the
2 world. That is an outrage. A child born here in the
3 District of Columbia has less chance of living to the age of
4 one than a child born in Cuba.

5 I would ask the members of the Committee to vote against
6 the substitute amendment. I think that we have crafted and
7 drafted a reasonable approach to this effort and that it
8 should be supported.

9 Senator Danforth. Mr. Chairman.

10 The Chairman. Yes.

11 Senator Danforth. Mr. Chairman, I would like to point
12 out, if we decided that this fund of money should be used for
13 the earned income tax credit instead of for a new health
14 insurance tax credit, there is, of course, nothing to prevent
15 parents from using the funds for health insurance.

16 So what we are saying, if we go the route of the earned
17 income tax credit, is to say that it is up to the parents
18 depending on the needs of that particular family, to spend
19 the additional funds for health insurance or in the
20 alternative for child care, or for other purposes in helping
21 raise their kids.

22 It seems to me that if our focus at this markup is on
23 child care, we should at least allow parents the flexibility
24 to use this \$800 million for child care.

25 The Chairman. Let me state that the focus of this markup

1 is obviously those things that have been presented across the
2 board. One of the very major parts of this package, as far
3 as the Chair is concerned, and one of the reasons I agreed to
4 move early and try to push on this markup, was consideration
5 of the health care provisions of this and trying to encourage
6 better health care for the children of this country.

7 I would urge the opposition to the amendment.

8 Senator Durenberger. Mr. Chairman.

9 The Chairman. Yes, Senator Durenberger.

10 Senator Durenberger. Mr. Chairman, if I might speak
11 briefly. My view is, you are both right and it is very
12 difficult to sit on this Committee and pretend that you are
13 going to cut the baby in half and not really do it because
14 somebody changes their mind. Obviously, neither of you are
15 going to change your view on this issue.

16 What has bothered me is not the Chairman's commitment to
17 mothers and children, because we have known that -- anybody
18 who has served on this Committee knows that -- it is the
19 choice of vehicle, Mr. Chairman. If you took the same amount
20 of money and you put it into maternal and child health, or
21 you put the same amount of money into Medicaid, expanding
22 eligibility for Medicaid, and you really reached out to poor
23 moms and kids in America, I would have a lot greater
24 sympathy, I suppose, for the amendment than buying into a
25 health insurance system in this country which currently is

1 sick.

2 If you believe that the market is going to respond to all
3 of these poor families in the ghettos of New York and
4 Washington, D.C. and offer a product for a child who is more
5 likely to be born with a birth defect than anywhere else in
6 America or be a very costly claim, I do not think, with all
7 due respect to the people in the industry that I have great
8 affection for -- I do not think you are going to get a lot of
9 coverage with this particular amendment.

10 So my position, in support of Jack, has nothing to do
11 with my consistent support of you, Mr. Chairman, and your
12 commitment to kids in this country, which is incredibly real.
13 It is simply the vehicle that you have chosen here.

14 The Chairman. Let me further state that Senator Chafee
15 and I will be introducing legislation that further expands
16 the Medicaid approach to that. I think we have to move on
17 this from both directions.

18 But I do think we have to continue to assist the private
19 sector approach to this. Here we are talking about low
20 income working people. That is who this one is addressed to.
21 The Medicaid provision will take care of those of even lesser
22 income. Both sides of that have to be approached, and we
23 will. But in this instance, I am talking about particularly
24 the problem of here we are with Section 89 -- forgive me for
25 the use of the term Senator Pryor -- but trying to keep those

1 health plans in effect and to see that there is not
2 discrimination in the application of them. This kind of a
3 credit will help in that regard and help substantially.

4 I think it will encourage employers to cover the
5 dependents and not just the employees. In addition to that,
6 as we had testimony and witness after witness addressing and
7 supporting this provision yesterday, and people from the
8 industry, saying that they would move in this area and
9 package plans to do this.

10 As we listed to the State of Florida where they are doing
11 a package deal insofar as children in school in providing
12 health insurance for them. In listening to what is done out
13 in California in that regard, and particular packages for
14 that purpose. I was much encouraged by that. As I look at
15 Blue Cross and Blue Shield and the kind of package that they
16 are able to put together for children in that regard, it is
17 most encouraging.

18 I am really sorry that the two Senators who have spoken
19 did not have the benefit of listening to those witnesses
20 yesterday. I think they would have felt more supportive.
21 But as I looked at the actuarial value of the child portion
22 of the Blue Cross and Blue Shield standard option for Federal
23 employees, when it gets to the children's portion of it, it
24 is about \$1,000 for which you get unlimited hospital care,
25 major medical coverage, well child services -- a good

1 substantial package of benefits.

2 I must say after I listened to those witnesses, I was
3 bolstered in my feelings about what we have done in this and
4 I was much encouraged by it, as to what the private sector
5 would do to try to implement it. I think it is a major step
6 in that direction and it will be quite helpful.

7 Are you prepared for a vote?

8 The motion has been made by Senator Danforth. All in
9 favor of that motion make known by saying aye.

10 Senator Armstrong. Mr. Chairman, could we have the roll
11 called?

12 The Chairman. Do you want a roll call on that?

13 Senator Armstrong. Yes, sir.

14 The Chairman. Fine, we will have a roll call. We will
15 call the role.

16 The Clerk. Mr. Matsunaga.

17 Senator Packwood. Aye. Oh, wait a minute.

18 (Laughter)

19 Senator Durenberger. Sparky wasn't here yesterday
20 either, I don't think.

21 (Laughter)

22 The Chairman. I tell you, the acoustics are really bad
23 in this building.

24 (Laughter)

25 Senator Matsunaga. At least I have made somebody happy

1 for a minute.
2 (Laughter)
3 The Chairman. You put a stake through my heart.
4 The Clerk. Mr. Matsunaga.
5 Senator Matsunaga. No.
6 The Clerk. Mr. Moynihan.
7 Senator Moynihan. No.
8 The Clerk. Mr. Baucus.
9 The Chairman. No, by proxy.
10 The Clerk. Mr. Boren.
11 The Chairman. No, by proxy.
12 The Clerk. Mr. Bradley.
13 Senator Bradley. No.
14 The Clerk. Mr. Mitchell.
15 Senator Mitchell. No.
16 The Clerk. Mr. Pryor.
17 Senator Pryor. No.
18 The Clerk. Mr. Riegle.
19 Senator Riegle. No.
20 The Clerk. Mr. Rockefeller.
21 The Chairman. No, by proxy.
22 The Clerk. Mr. Daschle.
23 Senator Daschle. No.
24 The Clerk. Mr. Packwood.
25 Senator Packwood. No.

1 The Clerk. Mr. Dole.
2 Senator Packwood. Aye, by proxy.
3 The Clerk. Mr. Roth.
4 Senator Danforth. Aye, by proxy.
5 The Clerk. Mr. Danforth.
6 Senator Danforth. Aye.
7 The Clerk. Mr. Chafee.
8 Senator Chafee. No.
9 The Clerk. Mr. Heinz.
10 Senator Heinz. Aye.
11 The Clerk. Mr. Durenberger.
12 Senator Durenberger. Aye.
13 The Clerk. Mr. Armstrong.
14 Senator Armstrong. Aye.
15 The Clerk. Mr. Symms.
16 Senator Symms. Aye.
17 The Clerk. Mr. Chairman.
18 The Chairman. No.
19 The Clerk. The are 7 votes in favor of the Danforth
20 substitute; 13 votes against the Danforth substitute.
21 The Chairman. Are there further amendments?
22 Senator Armstrong. Mr. Chairman.
23 The Chairman. Yes, Senator Armstrong.
24 Senator Armstrong. Mr. Chairman, I would like to offer
25 an amendment which really is on behalf of Senator Roth, who

1 is unable to be here, and for myself as well.

2 It addresses quite a practical concern in all this child
3 care business. That is, the plight of some people who are
4 the most likely and, indeed, the most logical child care
5 providers. That is to say, the people who are just over
6 sixty-five and who have not yet reached their seventieth
7 birthday. So our proposal is simply to exempt child care
8 earnings from the social security earnings test for any
9 earnings that result to these people from child care.

10 It is very simple and we think it is good social policy
11 and, of course, I know the Committee is familiar with the
12 broader issue of the social security earnings test, which we
13 are going to revisit, I guess, on other occasions. But for
14 the moment we are simply recognizing that a lot of this child
15 care can and, in fact, should be provided by people in this
16 age group.

17 Senator Moynihan. Mr. Chairman.

18 The Chairman. Yes, Senator Moynihan.

19 Senator Moynihan. Mr. Chairman, is it not the case that
20 you plan to revisit this issue which Senator Armstrong so
21 forcefully brought to our attention earlier in this Congress,
22 that you plan to have the Committee consider the whole range
23 of possibilities and difficulties and opportunities such that
24 this would not be the setting in which to make a general
25 decision about what is obviously a subject that commands a

1 lot of attention and support, as Senator Armstrong has shown
2 us.

3 But I would like, if it is the case as I understand, I
4 would think we might put that over until we get to a general
5 meeting.

6 The Chairman. Let me make a comment about an intriguing
7 proposal that you have made there. I have some question that
8 I would like to ask of the Administration if they have, as to
9 problems of Administration of administering such a provision.
10 Do you think you would have problems in administering it,
11 such as proposed?

12 Mr. Gideon. I think if it is clearly drafted, we
13 probably could find an administrable position there. It's
14 difficult to react to that in the abstract. We need to see
15 more detail. But I think on grounds of administrability, it
16 could be done.

17 Senator Armstrong. Mr. Chairman, if I could also respond
18 to that, at the present time social security recipients
19 submit every year a statement of their previous year's
20 earnings. So we are not talking about a novel kind of thing.
21 I mean, this is the sort of information that the Social
22 Security Administration routinely collects and so far as we
23 can tell it would not entail any particular administrative
24 burden or any new reporting or anything of that kind.

25 In other words, these recipients already report that kind

1 of income.

2 The Chairman. Let me ask the Senator how he plans to pay
3 for it. What provision does he have for that?

4 Senator Armstrong. Mr. Chairman, the cost of this is
5 surprisingly modest. It is about \$15 million in each of the
6 next three years and \$20 million a year thereafter. I would
7 be prepared, basically, subject to the advice of the Chairman
8 or other members, of either simply offer the amendment
9 without paying for it or to offer a suggested means of paying
10 for it.

11 I guess I am shopping around for votes. I do have a
12 couple of different ways that we could pay for it. But it
13 seems to me that the amount is small enough in the context of
14 the overall bill that maybe it is not something that we want
15 to get into a specific item to pay for it.

16 The Chairman. Unfortunately, I think we have to.
17 Because we were arguing late this morning and we are getting
18 continued revisions out of Joint Tax, cutting back on our
19 sources of income of what we had thus far.

20 The Chair would, as far as the Chair is concerned, not
21 speaking for the members of the Committee, I would be quite
22 willing to further consider it if you could find us an
23 acceptable source of funds to pay for it.

24 Senator Armstrong. Very well, Mr. Chairman; I am pleased
25 to offer such a source of funds. I would suggest that we pay

1 for it by an adjustment in the benefit recomputation. At the
2 present time, as the Chairman and other members know,
3 benefits are recomputed on an annual basis through a process
4 which has the acronym AERO, standing for Automatic Earnings
5 Reappraisal Operation.

6 Because of the lag time which is inherent in this
7 process, under payments in excess of one year are quite
8 common. In fact, I am advised that at the present time the
9 average lag is 14 months. The practice at present is to give
10 the beneficiary a repayment in a lump sum for all of the
11 benefit months that they were underpaid.

12 Now my proposal, and this I guess is as close to painless
13 as anything can be in this world, Mr. Chairman, my proposal
14 is to simply say, limit the amount of the lump sum repayment
15 to 13 months and any additional repayment to which
16 beneficiaries are entitled would be spread out on an
17 actuarial basis throughout the rest of their benefit
18 recipient years.

19 In brief, it does not change the amount of benefits they
20 receive; it does change by a tiny amount the length of time
21 involved. I judge from the look on the Chairman's face that
22 he shares my appreciation that this is a pretty neat solution
23 to the problem.

24 (Laughter)

25 The Chairman. Let me speak to this. What the Senator

1 has done is, gone and taken the source of money that I was
2 using to raise the amount of money that could be earned
3 without loss of part of the social security income and a
4 lessening of the charge against that income that was earned
5 by reducing it from a penalty of \$1 out of \$3 as the law
6 changes to \$1 out of \$4. That is the provision that Senator
7 Moynihan and I are sponsoring and will be presenting.

8 So what he has good natured about is, he has moved in on
9 the source that we found.

10 Senator Armstrong. No. No, Mr. Chairman, let me make
11 two points. First of all, this is an issue which -- the
12 recomb issue which I believe I brought to the Senate in the
13 first place -- but what I am suggesting is really taking only
14 one-fourteenth of this amount, not the whole amount, but only
15 one-fourteenth of it.

16 I would also like to make this point in response to
17 Senator Moynihan. He is correct. This is not the time, nor
18 the bill, for addressing generally the question of the social
19 security earnings limit. This is a child care bill. But the
20 point of this amendment is to enhance the availability of
21 child care and that is why I have drafted this amendment to
22 really only go to those who are child care providers.

23 The devotion that I have and others have to the general
24 principle of raising, or even abolishing, the social security
25 earnings limit is well know. But this is a child care bill;

1 it is not a social security bill.

2 The Chairman. Senator Moynihan.

3 Senator Moynihan. Mr. Chairman, I must plead with the
4 Committee in this respect. This proposal, with perfectly
5 well intentions, would introduce a radical move principle in
6 the social security, which is that we differentiate between
7 the worthiness of different kinds of employment.

8 That is something I thought good conservative Republicans
9 did not think the government ought to be doing. That it is
10 none of your business whether you make your living as a
11 sacristan or a milk farmer or a day care teacher. I mean,
12 could you imagine the number of amendments we will get in the
13 category of preferred and desirable employment.

14 We have a universal thing here. It is working so well.
15 Bill, please do not do this.

16 (Laughter)

17 Senator Armstrong. I think I can allay the fears that my
18 friend from New York expresses because this amendment has
19 nothing to do with how worthy a particular kind of employment
20 is. It does not bear on that at all.

21 What it says is, that this is a bill about child care and
22 this will stimulate and enhance and facilitate the provision
23 of child care services. That is all it says.

24 Senator Moynihan. It violates the principal of
25 universality of the social security law. I would ask, Mr.

1 Chairman, surely the Administration will support us on
2 something.

3 (Laughter)

4 Mr. Gideon. Well, we have not found a lot of support for
5 our position here today, Senator.

6 (Laughter)

7 Mr. Gideon. I am going to stay out of this one.

8 (Laughter)

9 The Chairman. It sounds like the Administration has been
10 in these fights before.

11 Let me state that I would say to the Senator, obviously I
12 have become very concerned with using that source of income
13 with what Senator Moynihan and I are prepared to present at a
14 more appropriate time. I would urge the Committee to vote
15 against the amendment.

16 Senator Chafee. Mr. Chairman.

17 The Chairman. Yes.

18 Senator Chafee. It seems to me there are never
19 appropriate times for this type of amendment. I know the
20 Senator has been embarked in this crusade for a number of
21 years. I think he has the right vehicle and the right issue
22 here. I would hope we would support it.

23 Senator Moynihan makes an eloquent plea that we are
24 treating professions differently. I do not think that is new
25 under the social security system. Ministers have been

1 exempted for years under the social security system.

2 Senator Moynihan. But never for Senators.

3 Senator Chafee. And indeed, municipal and state
4 employees have been treated differently. So I do not think
5 we ought to get all hung up on that. This is a child care
6 bill and all of us have experienced the difficulties of
7 obtaining goals for interest in child care. If it comes May
8 or June, no longer is your able, experienced sitter there. I
9 just think this is beneficial for everyone concerned. I was
10 worried how he was going to find that \$16 million but I
11 thought he did it in an ingenious fashion.

12 (Laughter)

13 Senator Chafee. I really believe, Mr. Chairman, in
14 finders keepers.

15 (Laughter)

16 The Chairman. Let's have a vote on this one and I want
17 to be sure that my voice is clearly heard this time. I would
18 oppose the amendment and would urge the Administration to
19 study it and come back with a recommendation later.

20 Do you propose your amendment?

21 Senator Armstrong. I do. Thank you, Mr. Chairman.

22 The Chairman. All right. A motion has been made. Will
23 you take a voice or do you want a roll call?

24 Senator Armstrong. I would just as soon have a roll
25 call.

1 The Chairman. All right.

2 Senator Armstrong. My hope is that other people would

3 respond to the eloquent statement of Senator Chafee and we

4 might slip this one through.

5 The Chairman. All right. A vote is called.

6 Would you call the roll?

7 The Clerk. Mr. Matsunaga.

8 Senator Matsunaga. No.

9 The Clerk. Mr. Moynihan.

10 Senator Moynihan. No.

11 The Clerk. Mr. Baucus.

12 The Chairman. No, by proxy.

13 The Clerk. Mr. Boren.

14 The Chairman. No, by proxy.

15 The Clerk. Mr. Bradley.

16 Senator Bradley. (No response.)

17 The Clerk. Mr. Mitchell.

18 Senator Mitchell. No.

19 The Clerk. Mr. Pryor.

20 Senator Pryor. No.

21 The Clerk. Mr. Riegle.

22 Senator Riegle. No.

23 The Clerk. Mr. Rockefeller.

24 Senator Rockefeller. No.

25 The Clerk. Mr. Daschle.

1 Senator Daschle. No.
2 The Clerk. Mr. Packwood.
3 Senator Packwood. Aye.
4 The Clerk. Mr. Dole.
5 Senator Packwood. Aye, by proxy.
6 The Clerk. Mr. Roth.
7 Senator Armstrong. Aye, by proxy.
8 The Clerk. Mr. Danforth.
9 Senator Danforth. Aye.
10 The Clerk. Mr. Chafee.
11 Senator Chafee. Aye.
12 The Clerk. Mr. Heinz.
13 Senator Heinz. Aye.
14 The Clerk. Mr. Durenberger.
15 Senator Durenberger. Aye.
16 The Clerk. Mr. Armstrong.
17 Senator Armstrong. Aye.
18 The Clerk. Mr. Symms.
19 Senator Symms. Aye.
20 The Clerk. Mr. Chairman.
21 The Chairman. No.
22 The Clerk. The votes are 9 in favor of the Armstrong
23 amendment; 10 opposed.
24 Senator Armstrong. Mr. Chairman.
25 The Chairman. Yes.

1 Senator Armstrong. Before we leave the subject, could I
2 just follow up for a moment. I got the impression that you
3 were sympathetic to the notion of the amendment and it is the
4 funding source that troubles you. Did I understand that
5 correctly?

6 The Chairman. I think Senator Moynihan makes a valid
7 point there and I do get concerned about differentiating
8 between different types of income when it comes to getting
9 credit for it. So that would trouble me also.

10 I am quite prepared to have the Administration make a
11 study and try to make a recommendation of it.

12 Senator Armstrong. Well, what I was going to ask, and it
13 may not be timely in view of what you have just said, but I
14 hope it would be, is that maybe we could look around and see
15 if there are other places where we could find a funding
16 source that would be agreeable and we could take another look
17 at it on the floor. It really does seem to me that this is a
18 natural for a child care bill and at least I would urge
19 members to retain some degree of openmindedness about it if
20 they can.

21 The Chairman. Thank you.

22 Are we prepared to move on?

23 Senator Chafee. Mr. Chairman.

24 The Chairman. Yes.

25 Senator Chafee. I have an amendment. Mr. Chairman, the

1 amendment that I have passed out essentially is the original
2 Packwood/Moynihan bill or Packwood/Moynihan/Heinz bill,
3 modified to take into account the revenue estimates. Now
4 what that legislation does in effect is, it raises the child
5 and dependent tax credit to 40 percent. We phase in
6 refundability and we create a block grant of \$400 million a
7 year, an increase in Title 20. It is very simple.

8 Because of the change in numbers, there are some phasing
9 in; but that is the concept. What that eliminates, of
10 course, Mr. Chairman, is your proposal to have a health
11 insurance tax credit. I do that advisedly because as I have
12 reviewed the testimony and I read it through, even though I
13 was not able to be there yesterday, and consulted with staff
14 members who were there.

15 I get the very strong impression that the tax credit is
16 going to have a very marginal effect on people who most need
17 the help. The people who will benefit from the tax credit
18 are those people who now have family coverage and who,
19 because of this tax credit, to the extent any of them are
20 prepared to drop from family coverage to individual coverage
21 -- an assumption which I question. I am very skeptical of
22 the fact that a mother and child, or a father, mother and
23 child or with maybe several children will elect to put their
24 child first at risk rather than themselves. So I question
25 that assumption.

1 It seems to me though that if we were really serious
2 about helping the underweight child born in the District of
3 Columbia or in Pittsburgh or Los Angeles or in Chicago what
4 we would do, as it was suggested earlier, is to further
5 improve the Medicaid program, build or fund some additional
6 services through community health centers and really make
7 sure that our help got to the poorest people who really need
8 that kind of health care help.

9 At the same time I think if you want people to avoid
10 opting out of coverage, what I think you need to do is make
11 sure that they do not have to bear both health insurance cost
12 coverage and extra day care coverage for their children. So
13 what I have, in effect, done is put all the money that is
14 available into day care -- a very substantial chunk -- \$400
15 million of it -- in the form of an increase in Title 20 of
16 the Title 20 block grant, bring it up to \$3.1 billion,
17 knowing as we do, that a very large amount of Title 20 is
18 already used for day care, thereby achieving, if you will,
19 some supply side day care in addition to the demand side that
20 the 40 percent dependent and child tax credit will clearly
21 generate.

22 I think that if we really want to help those people most
23 in need, putting the money into the Title 20 block grant will
24 get through to the people who are the poorest, the most in
25 need, and who are the most stressed as a result of economic

1 pressures.

2 I hope that I have explained the amendment clearly and my
3 reasons for it persuasively.

4 The Chairman. Well, let me state that this is a debate
5 we have, at least in part, just gone through. Once again, I
6 would like to stress very strongly that Senator Chafee and I
7 will be offering some legislation to try to broaden Medicaid
8 and what was done on welfare reform last year on that
9 particular piece of legislation, we further did that insofar
10 as the mother, at least for one year, as she went back to
11 work, provided that Medicaid assistance.

12 So here we are trying to get to the working poor and to
13 the lower income working people. I believe that what you are
14 going to see with the continuing escalation of hospital
15 premiums -- insurance premiums for hospital care -- that you
16 are going to see more and more dropping of the coverage for
17 dependents. I would strongly urge the defeat of the
18 amendment or the substitute effect.

19 Are there further comments on it.

20 Senator Packwood. Mr. Chairman.

21 The Chairman. Yes.

22 Senator Packwood. Mr. Chairman, I am going to oppose
23 Senator Heinz's amendment and I will tell you why. Since I
24 started out in this business years ago in day care, some who
25 were here at the time may remember the battle we had over the

1 equivalent of mandatory standards probably around 1972, 1973,
2 1974. I cannot remember. This battle has been around for a
3 long, long time.

4 How this comes out in the Congress this year is going to
5 determine for a decade or a generation which way we are going
6 to go on day care -- whether we are going to go mandatory
7 standards, no money to religious institutions -- with what I
8 regard as a rather heavy-handed bureaucracy or whether we are
9 going to start down the road of expanded earned income tax
10 credit, other tax credits.

11 I think the best way to get there is the vehicle that we
12 will, I think, soon send out of this Committee, which is the
13 Chairman's health proposal, melted by in large with the
14 proposal that Pat and I and others had. It is not my
15 favorite way of getting there. I would have rather have
16 gotten there with the proposal that John is suggesting.

17 But I want to say again, very clearly, that as we are
18 moving down the path on this Bill on the Senate floor, if I
19 see any effort to derail what the Chairman is about to send
20 to out to marry it or meld it to unacceptable provisions,
21 then my view will be totally different.

22 Senator Mitchell. Mr. Chairman.

23 The Chairman. Yes, Senator Mitchell.

24 Senator Mitchell. Mr. Chairman, I think that we are all
25 supportive of the Title 20 program and aware of the wide

1 range of beneficial services that are funded with the
2 program. But there is a catch 22 in this, in that unless you
3 earmark these funds explicitly for child care you have no way
4 of assuring that they will be used for child care and
5 therefore accomplishing the central purpose which we are
6 seeking to accomplish. But the States, who administer the
7 Title 20 program, strongly object to earmarking for precisely
8 the reason that they want the widest possible latitude to use
9 the resources for those services that they deem most
10 necessary in their particular jurisdictions.

11 And so if the central purpose here is to deal with the
12 problem of child care, then it seems to me that this is an
13 inappropriate vehicle for accomplishing that purpose because
14 of the catch 22 aspect of earmarking or no earmarking.

15 I think, therefore, Mr. Chairman, that we ought to
16 concentrate on the program that you have suggested and I
17 think Senator Heinz's proposal, as with Senator Danforth's,
18 is sensible and when viewed in isolation is defensible, but
19 encounters this difficulty. The one thing that is plain from
20 all this discussion is that we have more problems confronting
21 us than we have resources to address.

22 The question then becomes how best to address it in the
23 most efficient way. If we agree that the central purpose
24 which we are here trying to accomplish is child care and care
25 for children, I would urge the Senators to oppose the

1 amendment and to concentrate and support that of the
2 Chairman.

3 The Chairman. Thank you.

4 Are we ready for a vote? Would you move.

5 Senator Heinz. Mr. Chairman, I would ask for a recorded
6 vote.

7 The Chairman. The motion has been made for the
8 substitute. Would you settle for a voice vote or do you want
9 a roll vote? Senator Heinz, voice or roll call?

10 Senator Heinz. A recorded vote -- roll call, please.

11 The Chairman. Will you call the roll, please?

12 The Clerk. Mr. Matsunaga.

13 Senator Matsunaga. No.

14 The Clerk. Mr. Moynihan.

15 Senator Moynihan. No.

16 The Clerk. Mr. Baucus.

17 The Chairman. No, by proxy.

18 The Clerk. Mr. Boren.

19 The Chairman. No, by proxy.

20 The Clerk. Mr. Bradley.

21 The Chairman. No, by proxy.

22 The Clerk. Mr. Mitchell.

23 Senator Mitchell. No.

24 The Clerk. Mr. Pryor.

25 Senator Pryor. No.

1 The Clerk. Mr. Riegle.
2 Senator Riegle. No.
3 The Clerk. Mr. Rockefeller.
4 Senator Rockefeller. No.
5 The Clerk. Mr. Daschle.
6 Senator Daschle. No.
7 The Clerk. Mr. Packwood.
8 Senator Packwood. No.
9 The Clerk. Mr. Dole.
10 Senator Dole. Aye.
11 The Clerk. Mr. Roth.
12 Senator Heinz. Aye, by proxy.
13 The Clerk. Mr. Danforth.
14 Senator Danforth. Aye.
15 The Clerk. Mr. Chafee.
16 Senator Chafee. No.
17 The Clerk. Mr. Heinz.
18 Senator Heinz. Aye.
19 The Clerk. Mr. Durenberger.
20 Senator Durenberger. Aye.
21 The Clerk. Mr. Armstrong.
22 Senator Armstrong. Aye.
23 The Clerk. Mr. Symms.
24 Senator Symms. Aye.
25 The Clerk. Mr. Chairman.

1 The Chairman. No.

2 The Clerk. The votes are 7 in favor of the Heinz
3 amendment; 13 opposed.

4 The Chairman. Are we now prepared to vote out the Bill?
5 May I have a motion to that effect?

6 Senator Pryor. Could I ask a question?

7 The Chairman. Yes. Mr. Chairman, I am just curious, on
8 page 18 of the handout -- this is from Staff -- of the
9 estimated tax payments of the S corporations. I see a \$25
10 million figure. That may not be a lot, but it may be an ouch
11 for some companies. Where is that coming from in the S
12 corporations?

13 Mr. Oglesby. Senator, so far S corporations just do not
14 pay any estimated tax. Usually the income flows through the
15 S corporation. There are a number of occasions where, in
16 fact, the S corporation itself is in itself a taxpayer, a
17 rare occasion. This would just make them pay us maybe tax --
18 just likes trusts, individuals, corporations and so on.

19 The Chairman. What we think is that it was an oversight.

20 Senator Moynihan. Mr. Chairman, I move the adoption.

21 Senator Heinz. Mr. Chairman.

22 The Chairman. Yes.

23 Senator Heinz. We are about to vote on the package and
24 it includes the revenue; is that correct?

25 The Chairman. That is correct.

1 Senator Heinz. Mr. Chairman, I need to bring up one
2 almost technical problem. Unfortunately, it is not totally
3 technical, involving what are called exemption certificates.
4 The Staff I think is familiar with this. Basically what
5 happens is that the Tax Code allows exemptions of the
6 telephone excise tax to certain groups -- to hospitals,
7 educational organizations, State and Local governments. It
8 is kind of a strange list. It does not include all
9 nonprofits.

10 However, to qualify they have to have an annual
11 exemption. It has been argued, and I agree, that this is
12 extremely burdensome and a waste of time since most of this
13 group are very stable, ongoing organizations and so they are
14 looking for some kind of permanent exemption. I understand
15 that no one seems to have a problem with this. So I am
16 trying to devise some kind of method that can be used.

17 I would appreciate it if the Committee could agree to
18 instruct the Staff to work with us to find a good solution.

19 The Chairman. Well, I think we can try to do that -- see
20 what we can work out. We will address it and see what we can
21 do. Fine.

22 Senator Heinz. Thank you, Mr. Chairman.

23 Senator Moynihan. Mr. Chairman, I move the adoption of
24 the Chairman's markup.

25 The Chairman. Wait a minute. I think Senator Dole had a

1 comment.

2 Senator Dole. Right. I know this will not be the end of
3 the child care debate or this may not be what finally evolves
4 from the conference. But there is nothing in this Bill that
5 the President would support other than, I guess, the
6 refundability. The new child health credit benefits only if
7 they pay for health care and if these families cannot afford
8 the \$2,000 to \$5,000 necessary to purchase family health
9 insurance, the child health credit will be of no use.

10 In considering the revenue impact the child health credit
11 -- the Joint Tax Committee estimated that this credit would
12 benefit only those families who currently pay for family
13 insurance coverage. In other words, there would be no
14 additional coverage as a result of this credit. Given the
15 reality of health insurance costs, this credit will reward
16 only families of low income workers who are eligible for
17 employer subsidized insurance benefits and will discriminate
18 against those families, who through no fault of their own,
19 are not covered by an employer plan.

20 I agree with the President that any effective child care
21 initiative must satisfy four fundamental and important
22 principals. It must leave child care decisions to parents;
23 it must increase the options available to families; it must
24 not discriminate against parents who choose to stay home with
25 their children; and it must target Federal assistance to the

1 neediest families.

2 Based on the information from the Bureau of Labor
3 Statistics, a major of families with incomes under \$15,000 do
4 not have documentable child care expenses. Even if both
5 parents, or only one parent, work. For example, children may
6 be left with a relative, neighbor or friend. These families
7 cannot claim a dependent care tax credit under current law.

8 In addition, very young children need full time, not just
9 after school care. This demand creates extra burdens on poor
10 families often forcing one parent to forego work and these
11 families also need assistance.

12 The President's child tax credit reaches that segment of
13 the low income population which does not benefit from either
14 the enhanced dependent care tax credit or the new child care
15 health credit. Low income families with children ages zero
16 to four may not pay for either child care or health
17 insurance. It also extends the benefit of the current
18 dependent care tax credit to poor families who pay for child
19 care. Both of these components are essential to Federal
20 assistances to reach the neediest families.

21 I would just say that I know everybody wants to move
22 child care along. I know there is going to be a big battle
23 with the ABC bill on the floor. Maybe we will end up with no
24 child care legislation at all. But I do not see how those of
25 us on this side can support a bill that has nothing the

1 President recommended, except the child care dependent credit
2 refundability.

3 The Chairman. Let me state that first we are not talking
4 about \$2,000 to \$5,000 dependent insurance policies. We are
5 talking about what is the move that we are seeing on the part
6 of the industry. We looked at the Blue Shield, Blue Cross
7 and the kind of a package that they have available for
8 \$1,000. The testimony that we had yesterday, we had packages
9 developed for the West Coast that were running from \$250 to
10 \$320 for a child.

11 We were assured by the industry that they would work at
12 developing a package to take advantage of the up to \$500
13 credit on an insurance policy for the children. What you saw
14 was a static analysis that was made, and the same type of
15 static analysis that was made insofar as child care itself,
16 which showed no growth for it either with a refundable tax
17 credit.

18 But again, I must emphasize that was a static analysis
19 that was done in regard to that. So I would strongly urge
20 that the package be supported.

21 Senator Chafee. Mr. Chairman.

22 The Chairman. Yes, Senator Chafee.

23 Senator Chafee. Mr. Chairman, I am going to support this
24 package. But I must say I have grave reservations and really
25 deep concerns over the health insurance provisions of this --

1 the health portions of it. I think what you are going to do
2 is just start paying for those who are already paying and I
3 do not think you are going to pick up more children under
4 this program.

5 First, I want to thank you for the nice things you said
6 about me in connection with the support for health insurance
7 -- particularly the Medicaid expansion which you and I are
8 working on -- and I really believe that is the route to go.
9 I think that is where we are going to get some real coverage
10 for these low income children. I do not think it is going to
11 come about with these particular provisions here.

12 But as our distinguished leader on this side has said,
13 there is a long ways to go in this legislation and I
14 personally want to see it come out on the floor and then deal
15 with the difficulties as I see them at that time.

16 The Chairman. Are there further questions?

17 Senator Heinz. Mr. Chairman.

18 The Chairman. Yes.

19 Senator Heinz. Mr. Chairman, I am going to -- I want to
20 in a sense echo Senator Chafee's remarks. I am going to vote
21 yes on this legislation, not because I have a lot of
22 enthusiasm for the insurance tax credit, I do not. Senator
23 Dole, our Republican leader, has I think made a very eloquent
24 analysis of the deep flaws in that proposal and I agree with
25 him 100 percent.

1 But I at least am willing to go and take the next step,
2 which is to see how this legislation comes out on the floor.
3 I would not want anyone, however, to misread my aye vote as a
4 sign of enthusiasm for what the legislation has become.

5 The Chairman. Let me state that the very same arguments
6 that are applied to the health portion on the tax credit
7 apply to the child care portion on the tax credit; and the
8 same kind of projections out of the Joint Tax Committee. And
9 in each instance it is a static analysis and I, for one, am
10 absolutely convinced that you are going to see a substantial
11 increase in coverage as a result.

12 The vote has been called. Could I have a roll call on
13 that?

14 Senator Dole. I think we ought to be looking at the
15 earned income tax credit which was, I know, offered in an
16 earlier package, but then we do not meet that argument. If
17 we are really trying to help poor families, then we ought to
18 design a package that does that. Then again, we will have
19 plenty of time to debate.

20 The Chairman. All right. A roll call has been
21 requested. If you will call the roll, please.

22 The Clerk. Mr. Matsunaga.

23 Senator Matsunaga. Aye.

24 The Clerk. Mr. Moynihan.

25 Senator Moynihan. Aye.

1 The Clerk. Mr. Baucus.
2 The Chairman. Aye, by proxy.
3 The Clerk. Mr. Boren.
4 The Chairman. Aye, by proxy.
5 The Clerk. Mr. Bradley.
6 The Chairman. Aye, by proxy.
7 The Clerk. Mr. Mitchell.
8 Senator Mitchell. Aye.
9 The Clerk. Mr. Pryor.
10 Senator Pryor. Aye.
11 The Clerk. Mr. Riegle.
12 Senator Riegle. Aye.
13 The Clerk. Mr. Rockefeller.
14 Senator Rockefeller. Aye.
15 The Clerk. Mr. Daschle.
16 Senator Daschle. Aye.
17 The Clerk. Mr. Packwood.
18 Senator Packwood. Aye.
19 The Clerk. Mr. Dole.
20 Senator Dole. No.
21 The Clerk. Mr. Roth.
22 Senator Packwood. Aye.
23 The Clerk. Mr. Danforth.
24 Senator Danforth. Aye.
25 The Clerk. Mr. Chafee.

1 Senator Chafee. Aye.

2 The Clerk. Mr. Heinz.

3 Senator Heinz. Aye.

4 The Clerk. Mr. Durenberger.

5 Senator Durenberger. Aye.

6 The Clerk. Mr. Armstrong.

7 Senator Armstrong. No.

8 The Clerk. Mr. Symms.

9 Senator Symms. No.

10 The Clerk. Mr. Chairman.

11 The Chairman. Aye.

12 The Clerk. The votes are 17 in favor of the legislation;
13 3 opposed.

14 (Whereupon, the hearing was adjourned at 4:57 p.m.)

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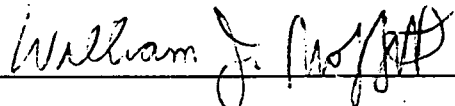
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C E R T I F I C A T E

1
2 This is to certify that the foregoing proceedings of an
3 Executive Committee Meeting of the United States Senate
4 Finance Committee, held on June 13, 1989, were transcribed as
5 herein appears and that this is the original transcript
6 thereof.

7
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9 
10 WILLIAM J. MOFFITT
11 Official Court Reporter

12
13 My Commission Expires April 14, 1994.
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