

ORIGINAL

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HEARINGS

Before the

COMMITTEE ON FINANCE

UNITED STATES SENATE

EXECUTIVE SESSION

Washington, D.C.

Wednesday, June 29, 1983



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EXECUTIVE SESSION

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WEDNESDAY, JUNE 29, 1983

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

The Committee met, pursuant to notice, at 3:11 p.m., in Room SD-215, Dirksen Senate Office Building, the Honorable Robert Dole [Chairman of the Committee] presiding.

Present: Senators Dole [presiding], Packwood, Danforth, Chafee, Heinz, Wallop, Durenberger, Symms, Grassley, Long, Bentsen, Matsunaga, Moynihan, Baucus, Bradley, Mitchell, and Pryor.

Also Present: Rod De Arment, Chief Counsel; Michael Stern, Minority Staff Director; Mr. Kassinger, Mr. Lang, Mr. Pieler, Mr. Humphreys, Ms. Burke, Staff; and Bob Rafuse, Treasury Department.

The Chairman: We have about six members present.

Mr. De Arment: I think we did have seven, Mr. Chairman, and we will shortly have seven again. That is a sufficient quorum to conduct business.

The Chairman: I wonder if, unless there is some objection, we could consider the nominations for the International Trade Commission, the nominations of Lodwick,

1 Liebeler, and Schlitt, first.

2 Senator Heinz: Mr. Chairman, if you do not mind, I would
3 like to consider them in order on the agenda, because there
4 are some things that I would like to discuss with our
5 colleagues, but a lot of them are not here.

6 The Chairman: Well, we will just wait until they
7 arrive.

8 As I understand it, unless there is something that I do
9 not know about, the only one that is being objected to is
10 Liebeler. Is that correct?

11 Senator Heinz: That is my principal concern, Mr.
12 Chairman.

13 The Chairman: Well, why do we not take care of the other
14 two, and reserve that one for later?

15 Senator Heinz: Could we do that?

16 The Chairman: Certainly. Is there any objection to
17 considering the nominations?

18 Senator Moynihan: Would you restate the proposition,
19 please, for our colleague?

20 The Chairman: Certainly. I move that we go ahead and
21 move on the nominations and report them out. Senator Heinz
22 indicated that he would like to reserve reporting the
23 nomination of Susan Liebeler until more members are present.
24 Is there any objection to reporting out the other two
25 nominations?

1 Senator Bradley: Mr. Chairman, let me say that I have
2 been disturbed that the three nominations do not include a
3 Democrat. There are two independents, and I think my major
4 concern is with Ms. Liebeler. I would not oppose reporting
5 out the other two, but I do think that there are a lot of
6 very serious questions that we have to raise with regard to
7 Ms. Liebeler.

8 Now, I say this, as I said to her, because the ITC is the
9 body that is charged with the responsibility of enforcing our
10 trade laws, and in my view there has been some laxness in
11 that enforcement process, and I would not want to take the
12 chance that we were going to get into a situation that was
13 more heavily politicized than is necessary.

14 Senator Moynihan: Mr. Chairman, I think it might be the
15 case that we would be more comfortable if we first dealt with
16 Mrs. Liebeler, and knew the outcome, and heard Senator Heinz,
17 and then went forward. It seems to me there are now a lot of
18 us here.

19 The Chairman: We have a pretty good group here now,
20 John. Do you want to do that? Ten is probably about as many
21 as we are going to have.

22 Senator Heinz: I do not think we quite have a quorum
23 yet. I do not have any objection to doing the other two, but
24 I really would like to keep the third one in order.

25 Senator Moynihan: Mr. Chairman, if you wanted to change

1 the agenda, I have an amendment on revenue sharing. Oh,
2 Senator Long, excuse me.

3 Senator Long: Well, Mr. Chairman, I would just as soon
4 express my thought about the matter. I have been on the
5 Committee long enough to have worked very hard with other
6 members to try to draw this law in such a way that we would
7 assure or try to assure the independence of that Commission.

8 Now, I really got involved in the fight regarding the
9 independence of the Commission back when they had a Democrat
10 in the White House. When I saw how the Administration
11 informed us of these people who are negotiating in Geneva, if
12 they knew they did not have the power to make an agreement on
13 the antidumping code or with regard to the American selling
14 price, and after they said that, then they came back in here
15 and they went ahead with the arrangement that they had worked
16 out with the people on what was the predecessor of the
17 International Trade Commission.

18 Now, the chairman of that commission is going to take the
19 new antidumping code and to read the law, the trade law in
20 such a fashion that one would not conflict with the other.
21 Now, what that meant, in effect, was that you are just going
22 to overrule in effect all of the previous law and previous
23 decisions that had been made.

24 Now, that was never intended, but then the more we got
25 into it, the more we found that we had people working through

1 the State Department, and they would go to the State
2 Department and the White House and have people in the White
3 House call over to the Trade Commission, undertaking to tell
4 the Commission what they ought to do. Now, that is totally
5 contrary to what we had intended.

6 Now, I thought back in my day as Chairman of the
7 Committee that we should try to see to it that we had laws
8 and that the President would respect them, and that we would
9 not confirm people unless we had an assurance that we would
10 have an independent commission. Now, here is what we see
11 here.

12 Under President Reagan, he had the opportunity to send up
13 here seven nominations, and he has yet to send up a
14 Democrat. It is a six-person commission. Mr. Egges, the
15 present chairman, is a Republican. Ms. Haaggard is the
16 present member, a Republican. Ms. Liebeler is an
17 independent. She was on the transition team, though, the
18 Reagan transition team. Mr. De Lion, a Republican.

19 Then, after we recessed and came back, he sent Ms.
20 Liebeler up a second time. She is an independent. Then Ms.
21 Schlitt, an independent, and Mr. Lodwick, an independent. We
22 have not seen a Democrat come here yet. Now, that Commission
23 is supposed to have people of both parties on it.

24 It is a six-person commission. Now, I can understand the
25 President on what would be a Democratic appointment -- on

1 what is supposed to be a Democratic appointment sending us an
2 independent, particularly an independent who has been leaning
3 toward being a Democrat, or even a person who is totally
4 independent, but when we do not see one Democrat in the
5 crowd, it just makes me wonder, does the President have some
6 kind of thing about Democrats?

7 Does he think he would do a dishonorable act if he would
8 appoint a Democrat to a bipartisan commission? What about
9 the idea that this is supposed to be an independent
10 commission expressing both points of view? That is my real
11 concern about this matter, Mr. Chairman. I think we are
12 entitled to have one of these nominees be a Democrat.

13 Keep in mind, you know, the Democrats have a great deal
14 of variety. There are some who are very, very conservative,
15 even more conservative than many Republicans. And there are
16 some who are even more liberal than anybody we have here in
17 the Congress, if that is conceivable. We have all shades of
18 the rainbow represented.

19 The Chairman: Well, maybe the President will look back
20 at the period from 1965 to 1968 when the commission had three
21 Democrats, two independents, and one Republican, so this is
22 not without precedent. I remember I asked the last question
23 of Mrs. Liebeler, and said, I want to nail down whether or
24 not you have had any political activity in the Republican
25 Party. She said the last activity she had was stuffing

1 envelopes for her father, who was running as a Democrat. So
2 that is about as close as you can come. I assume she is
3 independent, but I understand her nomination will be objected
4 to by some, and I think we are going to have come about all
5 we have coming right here now, John, if you want to discuss
6 it.

7 Senator Heinz: Well, I gather the Chair would like to
8 take up the nominations first.

9 The Chairman: Well, just checking my little list here, I
10 think one other Senator may come in, but I do not know.

11 Senator Heinz: Well, I have no particular objection to
12 changing the agenda. Mr. Chairman, I must tell you that I
13 think it would be a good idea nonetheless to not press
14 forward with Mrs. Liebeler's nomination at this time. At
15 this time I would be constrained to strongly oppose her
16 nomination. She has been before this Committee on two
17 occasions. Last year she came before the Committee, and
18 again this year. This year, I asked her some questions about
19 her views on trade, and I was frankly discouraged by the
20 answers I got.

21 The first question that I asked was, in effect, whether
22 if we confirmed her she would be the next chairman of the
23 International Trade Commission. The answer to that was
24 basically in the affirmative, that it was her understanding
25 based on a conversation with the White House that her papers

1 would be submitted first, and that therefore, assuming her
2 confirmation, she would be the next chairman of this
3 commission. Therefore, Mr. Chairman, I want to be sure that
4 we have a fully qualified individual in this position.

5 Let me read you for a moment one question that I asked.
6 "Senator Heinz: Now, generally speaking, what kinds of
7 trends do you see developing internationally in terms of
8 world trade? Do you think the world is becoming more
9 protectionist or less protectionist?"

10 "Mrs. Liebeler: Senator, it is my understanding that in
11 the position as a commissioner of the ITC, if confirmed, if I
12 should be chosen as chairman once I am a commissioner, I
13 would not be involved in trade policy issues, and I would be
14 disinclined to express any opinion on trade policy matters.

15 "Senator Heinz: Well, do you think that the world is
16 becoming more protectionist? Are we becoming more
17 protectionist?"

18 "Mrs. Liebeler: I think that I have read a lot of
19 articles in the press which make those suggestions. On the
20 other hand, you see countervailing views. I do not think it
21 would be appropriate for me to express an opinion."

22 I will not at this time read the rest of the transcript,
23 although I could be encouraged to do so if it would slow this
24 down. I must say, Mr. Chairman, that the point of my
25 questions was not to trap Mrs. Liebeler -- excuse me, Ms.

1 Lieheler -- into some kind of wrong answer. What I wanted to
2 try and draw out of her was whether she has any experience in
3 trade at all and any experience with trade law at all. To
4 say that her answers were unresponsive, particularly for
5 someone who is coming before the Committee for the second
6 time around, is putting it kindly.

7 I do not know what I am voting for. For all I know, I am
8 voting for someone who has absolutely no qualifications for
9 the job, who has not got a single thought about trade issues
10 or trade concerns, or maybe I am not. I do not know. But I
11 can tell you based on the hearing record that nobody else on
12 this Committee can possibly know whether this person is
13 qualified for the job, because in answer to most of the
14 questions, neither an understanding of trade law was conveyed
15 nor was there any willingness to convey understanding of much
16 of anything that has to do with trade. That is just not a
17 standard that this Senator can accept, particularly for
18 somebody who is going to be the next chairman of the United
19 States International Trade Commission.

20 So, at this time, Mr. Chairman, I am prepared not just to
21 oppose the nomination, but to oppose it very strongly,
22 loudly, and forcefully indeed. Now, maybe at some future
23 time if I can get some reasonable answers, just responsive
24 answers, to my questions, I might not always feel that way.
25 Now, I am not taking a position, and my colleagues on the

1 other side do take this position, that this nominee does not
2 have the kind of party affiliation they want. I am not
3 making that argument. I am arguing from the viewpoint of
4 qualifications. Whether she is a Republican, a Democrat, or
5 an independent, I would make that statement.

6 Senator Bradley: Would the Senator yield on that point?

7 Senator Heinz: I yield.

8 Senator Bradley: I would say to the Chairman that my
9 concern is frankly the integrity of the ITC. We happen to be
10 coming into a year where we will have record trade deficits.
11 That will generate, given the levels of unemployment, great
12 pressure for direct legislative involvement on a bilateral
13 basis on a whole score of trade issues. It seems to me that
14 if we are going to remain committed to a multilateral
15 resolution of these issues, then the centerpiece enforcement
16 mechanism, which is the ITC, has to be totally objective and
17 above any kind of charge of favoritism.

18 Therefore, I think frankly that there is a lot more at
19 stake here than simply a party representation. I would hope
20 the Committee would look at this, and I would hope ultimately
21 that her name would be withdrawn. If not, I would be
22 prepared to reject it.

23 Senator Danforth: Mr. Chairman, I wonder if I could ask
24 Senator Bradley what constitutes being a Republican or a
25 Democrat or an independent. Does being on the transition team

1 alone make somebody not an independent?

2 Senator Bradley: No, I think we should have a Democratic
3 nominee, though, to balance the commission in order that you
4 have a broad-based representation on that commission.

5 Senator Danforth: So you do not contest the fact that
6 Ms. Lieheler is an independent?

7 Senator Bradley: No, I do not contest that.

8 Senator Danforth: You just think it is not enough to
9 have an independent, and that instead we should have a
10 Democrat?

11 Senator Bradley: That is correct. At this time, I think
12 that is very important, because you are going to see in the
13 next year, as you have probably already seen, if you followed
14 the ITC's actions, a whole series of actions that have
15 diverged from the intent of this Committee and the Congress
16 and the 1979 trade law enforcing countervailing duties if
17 injury has been determined.

18 Senator Moynihan: I wonder if the Senator would yield on
19 that point.

20 Senator Bradley: Sure.

21 Senator Moynihan: In response to Senator Danforth, and
22 to speak to the point that Senator Heinz made, there are
23 Senate problems here. During the second hearing, at one
24 point Ms. Lieheler said that the 1979 material injuries
25 standard, which we wrote in this Committee, and the Senator

1 from Pennsylvania was much involved, was somewhat higher, as
2 she put it, on paper, and I asked her, what did she think our
3 laws were printed on? Were they printed on marble tablets?
4 It took her quite a while to admit that, yes, laws are
5 printed on paper, and that did not make it any less law.

6 Well, this is really not very reassuring.

7 The Chairman: I am not certain that I fully understand
8 what the Senator from Pennsylvania has in mind, but as I
9 understand the Act, the President is required to appoint
10 Commissioners who in his judgment are possessed of
11 qualifications requisite for developing expert knowledge of
12 international trade problems and efficiency in administering
13 the duties and functions of the commission. It does not
14 suggest you had to be an expert, and I am not certain that
15 her answer, so far as making policy, was incorrect. I hope
16 that the International Trade Commission is not making
17 policy. I think that is our role, to make policy, and the
18 executive branch is supposed to help us in technical areas so
19 that we can make policy. I would hope they are not going to
20 become the trade policy arm of this country, though.

21 I am prepared to go ahead in whatever time it takes so
22 that we can vote.

23 Senator Heinz: Mr. Chairman, may I just make an
24 observation? First of all, we are not asking the ITC to make
25 policy, but I think it is very important that we appoint

1 people to jobs who have an interest in the subject area other
2 than the title. I think it is important to understand how a
3 person's mind works. That is the minimum thing that a
4 Committee such as the Finance Committee or any other
5 Committee ought to seek to achieve as a modest goal.

6 I would submit that that goal was impossible to achieve
7 given the unresponsiveness of the testimony.

8 Secondly, I would suggest that when we have Assistant
9 Secretaries before this Committee, in a sense, they do not
10 make policy either. The President makes policy. The Congress
11 makes policy, and Assistant Secretaries implement it. But we
12 are always interested in their views, and we expect them to
13 be reasonably thoughtful, if not knowledgeable in their
14 views.

15 So, if this is the proper time, Mr. Chairman, I would
16 make a motion, if I may, that would read as follows. I move
17 that we report favorably the nominations of Seeley Loiwick
18 and Lyn Schlitt, but defer until a future time the nomination
19 of Susan Liebeler.

20 Senator Mitchell: Mr. Chairman, may I be heard on this
21 issue at this time?

22 The Chairman: Sure.

23 Senator Mitchell: I think in considering the actions
24 that we are taking we ought to first take a look at the law,
25 because that is, of course, what is and should be guiding our

1 actions. The law says, that section of it governing
2 membership in the ITC, and I now quote the law, "In making
3 appointments, members of different political parties shall be
4 appointed alternately as nearly as may be practicable."

5 With these three nominations, President Reagan will have
6 presented seven persons for appointment to the International
7 Trade Commission. Not one has been a Democrat. To my
8 knowledge, there has been no justification, no explanation as
9 to why it has not been practicable to appoint a Democrat. In
10 the absence of such justification, it seems to me that these
11 nominations plainly violate the law. The law could not
12 possibly be clearer. As nearly as may be practicable,
13 members of different political parties shall be appointed.

14 I think we are seeing the politicization of a commission
15 that was intended not to be political, which the Congress
16 painstakingly attempted to render non-political by the
17 language to which I have referred, and which it is my
18 understanding, at least, not having been able to participate
19 personally, that it has been operated in a largely
20 non-political manner.

21 I would welcome any spokesman for the President
22 explaining why in two and a half years, with seven
23 appointments, it has not been practicable to comply with the
24 law. I would welcome that kind of explanation.

25 Senator Packwood: Mr. Chairman.

1 The Chairman: Senator Packwood.

2 Senator Packwood: For what it is worth, and I do not
3 know which way I am going to vote on this nominee, but I
4 share some of the same feelings that have been expressed by
5 Senator Mitchell based upon previous actions that I have seen
6 in the last Administration where appointments were made of
7 independents for Republican positions. If that is what we
8 want to have, then let us just take away the name "party."
9 Frankly, you can probably find a Democrat who will suit your
10 Republican needs anyway, and vice versa, if that is what you
11 are looking for. But if we really do mean that there is
12 going to be some balance, some bipartisan balance, then the
13 saw can cut both ways, depending upon whose President is in.
14 Then I think it ought to be that, and if it is not going to
15 be that, then we should not make a sham out of the law.

16 Senator Mitchell: May I comment regarding Senator
17 Packwood's statement? I do not want to interrupt you.

18 Senator Packwood: I am done.

19 Senator Mitchell: I would point out that research which
20 staff has made available has indicated that over the many
21 years in which the commission and its predecessors have
22 existed, there have only been four independents nominated to
23 the Commission, so there is precedent, but the precedent in
24 each of those other cases has been limited for appointing
25 independents whose background suggests a close association

1 with the party that by law the President is authorized to
2 pick his nominee from, rather than, as is now the case, in
3 association with the party, that he is not by law authorized
4 to pick his nominee from.

5 And so, what you have is a practice of appointing more
6 independents in a short term than have previously been
7 appointed over a long period of time, and doing so in a
8 manner inconsistent with the prior practice of appointing
9 independents.

10 The Chairman: Well, then, how do you explain the period
11 from 1965 to 1968, when there was one Republican, two
12 independents, and three Democrats?

13 Senator Moynihan: That about reflected the distribution
14 of political allegiance during that period.

15 [General laughter.]

16 Senator Long: I believe it would be correct, though, to
17 say that the independents you are speaking of were not
18 appointed by the same President. I think each of them was
19 appointed by different Presidents. I think there have been
20 three other independents who previously served on the
21 Commission, and they were appointed by different Presidents.

22 Senator Mitchell: And as I pointed out, they were
23 independents whose close association was with the party that
24 by law the President was authorized to pick from. It would
25 be as though in this case the President were appointing an

1 independent whose association was with the Democratic Party,
2 as opposed to selecting an independent whose association was
3 with the Republican Party, and that is a very significant
4 difference.

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1 The Chairman: I have just been advised by staff, since
2 we talked about the seven appointments the President has
3 made, Eckes was appointed to replace Joe Parker, Republican;
4 Ronnie Haggard was to replace Katherine Bedell, a Republican;
5 Seeley Lodwick to replace Mr. Frank, a Republican; Ms.
6 Liebeler to replace Mr. Calhoun, an independent; and Lyn
7 Schlitt, to replace Mr. Alberger, who was a Democrat, and
8 some think Schlitt is a Democrat.

9 So you have two independents and some Republicans think
10 one is a Democrat and some Democrats think the other is a
11 Republican.

12 Senator Bradley: Why do we not defer them both and
13 confirm the Republican?

14 The Chairman: Oh, I am not sure we want to do that.

15 Senator Pryor: Mr. Chairman, I would just like to stress
16 another point that Senator Heinz brought to my mind and would
17 just elaborate for a moment on it, because I know we have a
18 vote.

19 Frankly, I will be honest with you: If we have a
20 Democrat, that is fine. If we have an independent, I could
21 take an independent. If we even had a Republican, under
22 certain circumstances that would not make me lose too much
23 sleep.

24 But the most important think, I think, is that we need
25 somebody in the role who is qualified. We need someone with

1 the experience and the expertise to deal with these trade
2 issues. And it appears to me from some of the testimony that
3 this nominee gave before the Committee that there is a lack
4 not only of experience but also knowledge. And I think we
5 are in dangerous shape already in trade policies and I think
6 we are getting into rougher shape as the days go by.

7 I would just hope we would defer this nomination and hope
8 to try to find someone who is more qualified to try to assume
9 this role and this position.

10 Senator Baucus: Mr. Chairman.

11 The Chairman: Senator Baucus.

12 Senator Baucus: Mr. Chairman, I would like to speak to
13 the point made by the Senator from Arkansas.

14 Like it or not, we in America -- and we know this is the
15 case -- are becoming more and more involved in international
16 trade, and therefore it is more and more important that the
17 people we appoint to these positions be knowledgeable about
18 the facts and the trends so that we in the United States can
19 meet changing situations.

20 70 percent of all of the products today produced in the
21 United States are in foreign competition. Our wheat competes
22 with Canadian and Argentine wheat. Our autos obviously
23 compete with Japanese and German autos. We are in the world
24 marketplace, and it is absolutely critical, I think, that
25 anybody, whether it is the Congress, the Administration, or

1 the International Trade Commission, be much, much more
2 knowledgeable of what is happening.

3 Frankly, Mr. Chairman, I think that dovetails with
4 another responsibility of ours, and that is to be a little
5 more, if not ceritical, at least to pay a little more
6 attention to nominees, of whatever political persuasion,
7 regardless of which President appoints them, than we have in
8 the past. We tend to rubber-stamp appointees.

9 And yes, the President should by and large be entitled to
10 his people. But we also have a constitutional
11 responsibility. I think probably in the past not only this
12 Committee but the full Senate has not exercised that advise
13 and consent responsibility quite as assiduously as it
14 probably should have.

15 I just want to confirm the point of the Senator from
16 Arkansas. I think it is an excellent point. I think all of
17 us know that there probably could be a better appointment
18 than the one we are now discussing.

19 The Chairman: Well, they could probably find better
20 people to replace us.

21 [Laughter.]

22 The Chairman: But I hope they do not do it in my state.

23 [Laughter.]

24 The Chairman: I do not know of anybody who wants to have
25 a hearing on our qualifications.

1 But I wonder if we are aware of what Ms. Liebeler did
2 extensively respond in writing to a series of questions I
3 think that Senator Heinz, or at least I asked that she submit
4 responses to; whether or not they've been reviewed by
5 members.

6 Senator Heinz: Mr. Chairman, I have not yet seen those.

7 The Chairman: Would that be helpful?

8 Senator Heinz: It might be. I do not know. It could
9 be.

10 The Chairman: I do not know why they have been kept a
11 secret. How long have we had those?

12 Mr. DeArment: Since last week, and they were supplied to
13 all of the staffs at the time.

14 The Chairman: So they have been distributed?

15 Mr. DeArment: Yes.

16 The Chairman: Well, there is a vote going on now, so I
17 think we might as well go and vote.

18 Senator Bradley: Mr. Chairman, when we come back will we
19 then entertain Senator Heinz' motion?

20 Senator Heinz: Mr. Chairman, why do we not do this. Why
21 do we not voice vote the first two and get them out of the
22 way?

23 The Chairman: I think Pat has a problem with that.

24 Senator Moynihan: Yes. Let us go by sequence. We will
25 be back soon and we can air the problems then.

1 The Chairman: I think your point might be that if we
2 approve the two --

3 Senator Moynihan: We might not get to the third.

4 The Chairman: Would that disappoint you?

5 Senator Moynihan: [Nods affirmatively.] Yes, it would,
6 Mr. Chairman.

7 The Chairman: Okay. Then why do we not go vote. Let us
8 get back soon.

9 [Recess.]

10 The Chairman: I have decided, after all of the
11 discussion, not to reverse the agenda. So we will now start
12 with an extension of general revenue sharing, and I am going
13 to recognize Senator Heinz, who is Chairman of that
14 Subcommittee, to present the proposal that he supports and
15 the Administration supports.

16 I know there will be amendments. We have six Senators
17 now, there are two in the back room, so we are okay.

18 John.

19 Senator Heinz: Thank you, Mr. Chairman.

20 First let me say that I am very grateful to you, Mr.
21 Chairman, that we have been able to schedule what I hope will
22 be a fairly expeditious markup of the extension of general
23 revenue sharing. I say I hope it will be expeditious,
24 because we will be out at the end of today's business and we
25 will be out next week. We would like to be able to get this

1 on the floor in July. We do not want to create any
2 uncertainties as to its extension.

3 So while this by no means precludes any amendments, I am
4 grateful to you that we are having this markup.

5 I would propose, Mr. Chairman, that the basis of the
6 markup be the simple three-year extension level funding, wit
7 the Administration's amendments. But I intend to offer two
8 amendments which I hope my colleagues would accept.

9 The first amendment that I would offer in effect to the
10 Administration bill is to eliminate the audit requirements in
11 the Administration bill, which I believe, while praiseworthy
12 in their intent, would be extremely costly to many small
13 jurisdictions. Some of our jurisdictions, Mr. Chairman, get
14 \$10,000 or \$15,000. The minimum cost of these audits is
15 \$3,000. It just does not make a lot of sense to spend 30
16 cents to get the other 70 cents.

17 The other amendment is a very technical amendment which
18 we have worked out with your staff, which George Pieler at
19 the appropriate point will explain.

20 So unless there is objection, Mr. Chairman, I would
21 propose we use the legislation that I have just described as
22 our markup vehicle and have it considered as our starting
23 point for amendments.

24 The Chairman: I wonder if Mr. Pieler might just briefly
25 indicate whether we are going to use that as the markup

1 vehicle? That is level funding for a three-year period?

2 Mr. Pieler: That is correct, Mr. Chairman, at the level
3 of \$4.6 billion for this fiscal year.

4 The Chairman: And I understand Senator Moynihan will
5 have an amendment?

6 Senator Moynihan: That is right, Mr. Chairman.

7 Senator Heinz: Mr. Chairman, to give brief background,
8 this legislation does grow out of our hearings of March
9 21st. We heard from Senator Durenberger who, as we all know,
10 has a great interest in his proposal, S. 700, the new
11 federalism. Some of us share an interest, I might add, in a
12 formula change in revenue sharing.

13 But I must tell you frankly that I am not going to push
14 for any change in the formula, certainly at level funding. I
15 think we are a little uncertain as to what the Administration
16 position on those formula changes might be. But one thing I
17 am not uncertain of is that the House of Representatives will
18 be very difficult to deal with on this issue, and because of
19 that I do not want to get into a position where we jeopardize
20 the passage of this legislation.

21 So although in principle I like the idea of formula
22 changes, I will not try to push for them. But it is my
23 understanding that Senator Durenberger will offer an
24 amendment which will be contingent and which will say that we
25 would like to adopt those formula changes if there is

1 sufficient money to do it. I am a supporter. I do not know
2 whether there are the votes to pass it, but I just want
3 people to know where I am coming from on that.

4 Mr. Chairman, I think we might entertain amendments.

5 The Chairman: Senator Moynihan.

6 Senator Moynihan: Thank you, Mr. Chairman.

7 My amendment is straightforward. The Administration
8 proposal is to continue the program at its present level.
9 This amendment would increase it by \$450 million, from, that
10 is, \$4.55 billion to \$5.017 billion. This latter figure is
11 the amount that is provided for in the budget resolution.

12 I would make the point that is offered in a letter which
13 the Committee has received from the President of the National
14 League of Cities, Mr. Charles Broyer, the President of the
15 National Association of Counties, Mr. William J. Murphy, and
16 the President of the United States Conference of Mayors, Mr.
17 Richard H. Pulton.

18 They make the point that funding for the general revenue
19 sharing program has not been increased since 1976, and during
20 that period they estimate, and I think this would be roughly
21 the case -- and Mr. Pieler and Mr. Stern could advise us --
22 that the value of the general revenue sharing in constant
23 dollars has diminished by approximately half. This would not
24 in any way restore the program to the constant dollar level
25 of 1976, but it would bring it up to the level that was

1 contemplated by the budget resolution which we have adopted
2 here and in the House.

3 I believe the argument need not be elaborated. I would
4 propose to add the \$450 million as contemplated in the budget
5 resolution.

6 The Chairman: Again, I do not have any quarrel with the
7 amendment, except this Committee is going to have its work
8 cut out for us, since we have 98 percent of the
9 responsibility for the budget resolution, \$73 billion in new
10 revenues being the most significant. That is 86 percent.

11 And I understand, I am sympathetic with, the letter from
12 the persons that you mentioned. I met with representatives
13 from from those groups, I think most of those groups, and
14 they indicated that obviously they would like to have
15 additional funding, but what they really wanted was to get
16 this bill reported and moving, because there is an expiration
17 date. I think I have correctly stated the views following
18 our conversation.

19 I think a number of us agree with the Senator from New
20 York that we have fallen behind, there is no doubt about it.
21 You say by 50 percent?

22 Senator Moynihan: Yes.

23 The Chairman: But I am not certain where we find the 50
24 percent. So I am very sympathetic to the amendment, but I
25 must oppose it because I am not certain how we are going to

1 achieve the budget resolution in any event.

2 Senator Heinz: Mr. Chairman.

3 The Chairman: Senator Heinz.

4 Senator Heinz: I want to salute the intent of the
5 Senator from New York's amendment, because as he says this
6 program has been frozen during a time of very extensive
7 inflation, and that inflation has had the clear effect of
8 reducing the purchasing power of revenue sharing. But I also
9 agree with our Chairman that, given the fact that we are
10 supposed somehow to find \$71 billion in revenues plus a
11 couple of more billion dollars in expenditure savings or some
12 combination of the two, it is going to be a very great burden
13 on this Committee to find the means to make up that which we
14 are supposed to make up based on the budget resolution.

15 This Senator would like to see us do more for our cities,
16 towns, counties, and even our states. But I do not think
17 that it is realistic, so I am going to have to oppose the
18 amendment because I just do not know where we are going to
19 find the money we are supposed to find, unless there is
20 someone on that side who wants to vote for a \$71 billion tax
21 bill. But I do not know how much enthusiasm there is on
22 either side of the aisle for that.

23 Senator Moynihan: Mr. Chairman, I have spoken. I would
24 make the simple point that what we propose is what the Senate
25 and the House have voted for. It catches up with ten percent

1 of the loss in constant dollars. It certainly does not make
2 the cities and counties and municipalities whole.

3 I feel that revenue sharing is an important aspect of the
4 Finance Committee's responsibilities. It began here. It is
5 something we care about. It is good federalism. And just as
6 we tried to keep whole these programs in other areas, we
7 obviously cannot do so here, but we could try.

8 And I will not speak further, because others might wish
9 to speak and there is justification on both sides.

10 Senator Durenberger: Mr. Chairman.

11 The Chairman: Senator Durenberger, then Senator Wallop.

12 Senator Durenberger: I have just a brief comment. As
13 you know, there are 75 Senate sponsors on S. 41, which I hope
14 ends up being the vehicle that we mark up and report out
15 here, that basic reauthorization of the \$4.6 billion. I
16 guess I am in the position, having spent an awful lot of time
17 both in this Committee and other Committees, being willing to
18 settle for that kind of amount if there is not any money out
19 there to expand the formula.

20 Actually, as you know, Mr. Chairman, from being at the
21 hearing this morning, I have a lot of other ideas about what
22 we ought to be doing with what I consider the most efficient
23 of our state and local assistance programs. But it has not
24 struck me as I have been here for the last five or six months
25 of this year that this is the best time to do things

1 novelly.

2 So my basic comment with regard to the amendment by the
3 Senator from New York is, I cannot support myself additional
4 moneys unless the system is getting some fairness as a result
5 of putting that additional money in. I have a variety of
6 formula changes that ought to be made part of any additional
7 funding. These are changes that were here when we arrived in
8 '79, and I know you are aware of them. Treasury and GAO have
9 recommended them.

10 But the problem that you will face confereeing this bill
11 is that the House has \$5.3 billion and no formula change. I
12 think our position over here is, if we are going to spend
13 another nickel we ought to get something for it, for those
14 communities that are being disadvantaged by the present
15 system.

16 So from my standpoint, I can go either way. I can go
17 with more money, but I would not do it unless we could change
18 the formula. If the consensus here is that we should not
19 spend any money, I guess I can live with that. I would
20 rather not spend any more money for a two-year period rather
21 than a three-year period, but I am willing to support the
22 majority here in moving in either direction.

23 The Chairman: Senator Wallop?

24 Senator Wallop: Mr. Chairman, I will be very brief. I
25 think one thing that would appeal to my municipalities more

1 than anything else is to get something out that we can pass,
2 so that they can get on with their own budgeting. It is
3 extremely difficult. They have state constitutional
4 requirements which they cannot meet if we do not act. They
5 just will not know.

6 So for that, and the reasons that were mentioned by the
7 Chairman, I would oppose the amendment as well.

8 The Chairman: Do you want a roll call, Pat?

9 Senator Moynihan: I would appreciate it.

10 Mr. DeArment: Mr. Packwood.

11 [No response.]

12 Mr. DeArment: Mr. Roth.

13 The Chairman: No.

14 Mr. DeArment: Mr. Danforth.

15 The Chairman: No.

16 Mr. DeArment: Mr. Chafee.

17 The Chairman: No.

18 Mr. DeArment: Mr. Heinz.

19 Senator Heinz: No.

20 Mr. DeArment: Mr. Wallop.

21 Senator Wallop: No.

22 Mr. DeArment: Mr. Durenberger.

23 Senator Durenberger: No.

24 Mr. DeArment: Mr. Armstrong.

25 The Chairman: No.

1 Mr. DeArment: Mr. Symms.
2 Senator Symms: No.
3 Mr. DeArment: Mr. Grassley.
4 Senator Grassley: No.
5 Mr. DeArment: Mr. Long.
6 Senator Long: Aye.
7 Mr. DeArment: Mr. Bentsen.
8 Senator Bentsen: No.
9 Mr. DeArment: Mr. Matsunaga.
10 Senator Matsunaga: Aye.
11 Mr. DeArment: Mr. Moynihan.
12 Senator Moynihan: Aye.
13 Mr. DeArment: Mr. Baucus.
14 [No response.]
15 Mr. DeArment: Mr. Boren.
16 [No response.]
17 Mr. DeArment: Mr. Bradley.
18 Senator Bradley: Aye.
19 Mr. DeArment: Mr. Mitchell.
20 [No response.]
21 Mr. DeArment: Mr. Pryor.
22 Senator Pryor: Aye.
23 Mr. DeArment: Mr. Chairman.
24 The Chairman: No.
25 Senator Moynihan: Mr. Chairman, may the roll call remain

1 open for those Senators who were not here until the end of
2 the day?

3 The Chairman: Yes, the roll call will remain open,
4 provided that it does not change the outcome.

5 There are eleven days and five years. The members have
6 not agreed to it.

7 Senator Moynihan: I think it will not change the
8 outcome.

9 Senator Bradley: Mr. Chairman.

10 The Chairman: Senator Bradley.

11 Senator Bradley: Mr. Chairman, I was prepared to come
12 back with splitting the difference, with the \$225 million
13 increase. But I will not do that unless there is one person,
14 at least, on the other side who voted against this who would
15 find \$225 million acceptable, where they would not find \$450
16 million.

17 The Chairman: I think, as pointed out by Senator Wallop
18 or Senator Durenberger, it will end up in conference in any
19 event with the House.

20 Senator Durenberger: They have \$730 million over the
21 \$4.6 billion, \$5.3 billion.

22 The Chairman: I think we would be doing a service to our
23 counties and municipalities if we would just report out the
24 proposal that Senator Heinz and Senator Durenberger referred
25 to. It has how many co-sponsors?

1 Senator Durenberger: 75.

2 The Chairman: I assume we will have to have some
3 flexibility in conference.

4 Senator Durenberger: Mr. Chairman.

5 The Chairman: Wait a minute. I do not know if Senator
6 Bradley is finished.

7 Senator Bradley: Well, I am curious. Would any of the
8 eleven who are here be interested in changing their mind?

9 The Chairman: I could check the proxies.

10 Senator Bradley: Well, I was not thinking of the
11 proxies.

12 The Chairman: They are fairly firm.

13 [Laughter.]

14 The Chairman: Senator Durenberger.

15 Senator Durenberger: Mr. Chairman, I think I was one of
16 the eleven. I wonder if somebody on the staff who is an
17 expert on this subject would explain to us the formula
18 changes that I have proposed by amendment. I could try it
19 myself, George, but why do you not try your hand at it
20 because you are probably a lot better than I am.

21 Mr. Pieler: Mr. Chairman, there are four basic changes
22 in the revenue sharing formula proposed in Senator
23 Durenberger's S. 700. They do not deal with the basic
24 formula, but they deal with the constraints on the formula
25 regarding differentials between recipient governments and

1 with the way in which the funds are allocated to counties and
2 areas within counties.

3 I will just give a very brief description. Treasury may
4 want to comment on this. This is Bob Rayfuse, who is Deputy
5 Assistant Secretary for State and Local Finance.

6 The first change would be to "de-tier" the formula so
7 that county governments would compete on an equal basis with
8 localities within the county for revenue sharing funds,
9 rather than have a separate allocation to the counties and
10 then an allocation based on proportion of taxes to the
11 jurisdictions within the county, including the county
12 government.

13 The second would change the current rule that no unit of
14 government may receive a per capita allocation that exceeds
15 145 cent of the state per capita average allocation. The
16 Durenberger proposal would be, I believe, to raise that to
17 160 percent of the state per capita allocation, and the goal
18 of that would be to try to aid areas that have unusually high
19 tax efforts and low per capita income, such as large cities
20 and some rural areas.

21 The third change would alter the minimum constraint in
22 the formula, which under present law guarantees each
23 recipient a payment that is on a per capita basis at least 20
24 percent of the statewide per capita average. And I believe
25 under S. 700 that would be changed to 15 percent of the state

1 per capita average.

2 And finally, Senator Durenberger would change the budget
3 constraint in the formula, which currently limits the
4 jurisdiction's payment to no more than 50 percent of total
5 tax effort, total taxes and intergovernmental transfers. The
6 argument here is that especially the intergovernmental
7 transfers may be paid on an ad hoc basis, resulting in some
8 lumpiness in making the calculation, and to make a more
9 evenhanded type of budget constraint Senator Durenberger
10 would limit that, change it to 2.5 percent times the
11 percentage that revenue sharing represents of statewide local
12 taxes.

13 In other words, if statewide local taxes -- if revenue
14 sharing represented ten percent of that, the constraint on
15 the budget would be 25 percent rather than ten percent.

16 Senator Durenberger: Mr. Chairman, let me do this
17 quickly. The way the formula works is, it is a three-part
18 formula. In part it is tax effort, in part it is personal
19 income, in part it is population. Those three formulas are
20 slapped against every state and there is a state allocation
21 based on that.

22 Then that same three-part formula is applied to all the
23 counties in the state to determine if how much money is going
24 to each of those counties. Then it happens a third time,
25 against each of the cities and townships within each of the

1 counties.

2 Now, that's the way the system operates. Now, with
3 regard to the first two of those formula changes, no city can
4 get more than 160 percent of this average nor less than 20
5 percent. The reason we recommended, well, going from 145 to
6 160 and from 20 to 15 is that ten years of experience has
7 indicated there are very rich cities that really do not need
8 anything at all, but we have decided to give them some amount
9 of money.

10 So that is why we have the bottom end cap at 20 percent.
11 We are recommending taking that down to 15, because they do
12 not even really need that, on a comparison basis within the
13 state.

14 On the upper end, you have got a lot of rather poor
15 cities with a 140 percent cap. I guess the studies have
16 shown that that 140 percent cap will penalize a lot of
17 people, also. So that is why the recommendation is to go to
18 the 160.

19 The so-called "de-tiering" provision merely takes the
20 second step out of the process and you go right from how much
21 goes to the states and then from the states it goes to
22 counties and the local governments, rather than going through
23 the counties, because under the present system you can have
24 one city in one county and an identical city right next to it
25 in another county and the amount of money they would be

1 getting would be drastically different.

2 Let me ask you how much all of this would be. Let us say
3 we were to pass this formula change with nobody losing out.
4 In other words, the folks that were down at the 20 percent
5 are going to stay there, so they are held harmless, and the
6 folks at various ends, well, nobody gets hurt by this
7 change. How many extra dollars over the \$4.6 billion would
8 it take?

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1 Mr. Pieler: Are you saying no jurisdiction would receive
2 the money we lose as a result of the changes? We are advised
3 by the Office of Revenue Sharing that it would take about
4 \$218 million additional funds at least on an initial basis to
5 achieve that.

6 Senator Durenberger: Mr. Chairman, I just want to
7 present you I suppose principally and my colleagues with this
8 problem. You are the expert on going into conference with
9 the House, but the problem you are going to face when you get
10 in there is they are at \$5.3 billion with no formula change
11 and you are at \$4.6 billion with no formula change and you
12 may be faced with the proposition of ending up with a Pat
13 Moynihan version or the Bill Bradley and get nothing for it
14 for a lot of these communities.

15 I am suggesting that we give a little thought to the fact
16 that it is nice to sit here and say well we do not want to
17 put any more money into the program, but by the same token
18 you can end up there in conference if you trade it off all of
19 these wonderful formulas that I really believe in for staying
20 at \$4.6 billion and then you are where you want to be, but
21 you have something to trade. Otherwise even if you have to
22 go to some other figure we are all going to get some benefit
23 out of it for those communities that presently are not being
24 equitably treated.

25 The Chairman: Does the administration have any comment

1 on the Durenberger proposal?

2 Mr. Rafuse: Mr. Chairman, if I might with Senator Heinz'
3 permission I would convey some information that was provided
4 in a letter from Secretary Regan today in response to a
5 request from Senator Heinz for comments on Senator
6 Durenberger's proposal that he has just outlined. We
7 indicated, of course, that the position of the administration
8 has been in opposition to any increase in funding for the
9 program on grounds that it is not provided for in the
10 President's budget and that economic and budgetary
11 circumstances do not allow for such an increase at this time.

12 The letter indicates that in addition to these arguments
13 which we have been making all along that the administration
14 would also specifically find objectionable an increase in the
15 context of the revenue sharing program itself, an increase
16 that would be distributed through the existing formula, and
17 in the specific words of the letter as the number of recent
18 studies by the General Accounting Office and others have
19 demonstrated the formula is flawed in a number of important
20 respects and we consequently would find objectionable for
21 this ground as well any increase in payments.

22 Although the administration has not specifically endorsed
23 the package of changes that Senator Durenberger is
24 recommended, we do indicate in a letter that the formula
25 modifications proposed by the Senator have been subjected to

1 intensive analysis during the past several years, some of
2 them since the mid-1970's when they were first proposed by
3 the Ford Administration. Their technical merit has never
4 been seriously disputed.

5 So we then suggest that although we continue to oppose an
6 increase in funding essentially if there were to be an
7 increase that increase would be considerably less
8 objectionable from the point of view of the administration.
9 If the kinds of formula changes that Senator Durenberger is
10 putting forward to respond to the flaws in the formula that
11 we are concerned about, if those formula changes were
12 incorporated in the legislation it would certainly make a
13 funding increase less objectionable than it would otherwise
14 be.

15 So that is the position of the administration.

16 Senator Heinz: Mr. Chairman, first I am delighted that
17 we do have the letter from Don Regan. We should make it a
18 part of the record. It literally came over the Transom just
19 a few moments ago. This is the first I have had a chance to
20 see it, but I think Mr. Rafuse has accurately stated with
21 great care the administration's position which is they do not
22 want to increase funding for the program but were the funding
23 to be increased the best hope of getting the President's
24 approval would be through the adoption of formula changes.

25

1 I think that is a fairly accurate summation of what was
2 said. I have some interest in exploring how we can go to
3 conference with Dave Durenberger's and in effect the
4 administration's formula in our bill.

5 I think we ought to be realistic enough to know that we
6 are going to conference with some pretty determined customers
7 over there on the House side and that if we were to adopt
8 Senator Durenberger's suggestion we would have to do it, and
9 at least I would suggest that we find a way to trigger it in,
10 that if funding was above a certain level, maybe it would be
11 \$220 million, maybe it would be \$218 million, maybe it would
12 be a higher figure, I do not know, but then Senator
13 Durenberger's figure, his proposal, would be a live item.

14 I would ask Senator Durenberger if that is what he would
15 like to do in this instance, that is, find a way to trigger
16 his proposal in if in conference we end up with a \$218
17 million or more dollars or X dollars more, X being larger
18 than \$218 million, than we have at level funding.

19 Senator Durenberger: Well, I guess my favorite position
20 would be to not increase the dollars at all which would meet
21 one of the administration's guidelines but also to get the
22 formula changes incorporated and a hold harmless provision at
23 the same time.

24 [Laughter]

25 Senator Durenberger: Now, I am not sure all of that is

1 doable, but if we could work out that kind of set of
2 principles coming out of here then it seems to me the
3 Chairman of this committee has some negotiating room. If he
4 has to spend some dollars in order to get there, we have
5 adopted the principle that we want formula change and we have
6 adopted the principle we do not want anybody hurt, then the
7 Chairman is in a position of determining what that dollar
8 level might be.

9 Senator Bentsen: Mr. Chairman, just in case someone
10 might be under the illusion that we are developing a
11 consensus --

12 [Laughter]

13 Senator Bentsen: -- I am not a part of it, and I would
14 very vigorously oppose what I believe to be a very major
15 change in the formula and one that we have not had a chance
16 to properly develop I think in the full committee.

17 I was not privy to whatever passed over the Transom. I
18 just don't think we have had the time to consider it and
19 obviously whether you go the hold harmless route, which means
20 a substantial amount of tax dollars being taken in a
21 different direction, or whether you try to stay for the same
22 amount and substantially cut some of the states and what they
23 are receiving now, in either direction I would find it not
24 acceptable.

25 Frankly, I would hope we would not go into that

1 conference with that kind of proposal.

2 Senator Long: Here is a letter signed by Charles Royer,
3 President of the National League of Cities; William J.
4 Murphy, President of the National Association of Counties;
5 and Richard H. Fulton, President of the United States
6 Conference of Mayors. Now I just want to read what it says
7 about this particular proposal.

8 It says under this proposal less than a third of the
9 39,245 local governments entitled to revenue sharing payments
10 would receive an increase in allocation while two-thirds
11 would be "held harmless" and receive no additional funds.
12 Now if two-thirds are going to be cut, I would find it even
13 less palatable to do business in this way.

14 My impression about the way people react is if you give
15 one-third of them an increase and the other two-thirds either
16 just stay the same, what would they say? They would say well
17 we got nothing. These other people got something extra but
18 we did not get anything.

19 Now if you give two-thirds of them a cut then I think
20 they will really get up set. If we are going to have a
21 program, I think we would do better to just give them all
22 that they expect rather than cutting some and then increasing
23 some or even cutting some and leaving the others alone
24 especially if the majority is not going to get any increase.

25 If you are going to just give a third an increase if you

1 ever try to do business with those people at a convention, I
2 think you will find you are an unpopular speaker and you
3 would not be well received.

4 Senator Bradley: Mr. Chairman.

5 The Chairman: I am advised that we may have a vote on
6 the conference report, and I am hopeful that we can report
7 this bill and then move on to health care for the unemployed.

8 Senator Bradley.

9 Senator Bradley: May I just say, Mr. Chairman, that I
10 think Senator Durenberger's idea and the suggestion Senator
11 Heinz made is an intriguing one. Indeed, I think if you did
12 couple a formula change with the hold harmless, which means
13 in a sense based upon what staff has said that in conference
14 the formula change would be triggered in only if we got more
15 than \$218 million more than the present level of funding.

16 I could personally support that kind of approach and that
17 kind of direction from the committee as a part of the bill.

18 Senator Wallop: Mr. Chairman.

19 The Chairman: Senator Wallop.

20 Senator Wallop: Mr. Chairman, while I think the idea is
21 intriguing and I do not quarrel with Senator Bradley, it is
22 an invitation to the conferees to raise \$225 billion, excuse
23 me, \$218 million. You know, if that has attraction in the
24 formula change then all you are doing is inviting that before
25 you begin bargaining with the rest of the money.

1 While I like the idea in the abstract, when it is
2 translated I do not like it so much.

3 Senator Bradley: Well, I think that goes to whether you
4 think you are going to come out of conference with the same
5 funding level as current law or whether you think you will
6 come out with a little bit more. If you are going to come
7 out with a little more and you like the formula change, it
8 would be nice to have that bill when you are going into
9 conference.

10 Senator Heinz: Will the Senator from Wyoming yield?

11 Senator Wallop: I will give up.

12 Senator Heinz: Do not give up.

13 Senator Wallop: Oh, I am not giving up the idea, just
14 the floor.

15 Senator Heinz: Well, do not do that either, but I think
16 it is probably realistic to say that when you go to
17 conference with somebody who has \$731 million a year more in
18 their bill assuming we do not change our position on money
19 that you are probably going to come out somewhere a little
20 bit above level funding.

21 What intrigues me about Senator Durenberger's proposal is
22 if we do come out \$218 million or more we get something for
23 it. That is an improvement in public policy, and I think
24 one's judgment on whether it is a good idea or a bad idea
25 rests on whether you think we are going to have to compromise

1 with the House and I will not prejudge that.

2 Senator Wallop: Well, I do think we have to, but all I
3 am suggesting is that the compromise floor will be the \$218
4 million versus the \$730 million versus the zero and \$730
5 million if we have in mind a trigger mechanism.

6 The Chairman: Well, in an effort to sort of bring this
7 to head I wonder if we could vote on something.

8 Senator Durenberger: Mr. Chairman, I will move whatever
9 it is I said.

10 [Laughter]

11 Mr. DeArment: For the record, let me state what I
12 understand the motion to be. It is that we would on a
13 contingent basis triggering in if we get at least an increase
14 of \$218 million per year that we would make the four formula
15 changes that Senator Durenberger had outlined and have a hold
16 harmless for the others.

17 Senator Durenberger: Well, the trigger is \$4.6 billion,
18 when it goes over \$4.6 billion.

19 The Chairman: So we do not change our level of funding?

20 Senator Durenberger: No.

21 The Chairman: We would report out \$4.6 billion?

22 Senator Durenberger: Yes, with the hold harmless.

23 Mr. DeArment: With the \$4.6 billion you would trigger in
24 these changes?

25 Senator Durenberger: Right. If we spent one penny over

1 \$4.6 million then the hold harmless is in effect.

2 Mr. Stern: Mr. Chairman, does this assume there is no
3 district change in the formula among the states? This only
4 relates to within the states?

5 Senator Durenberger: That is correct. Now I am not
6 quite sure I heard something, but the House took this up at
7 the last minute in Government Operations Committee and the
8 formula change lost by two votes in Government Operations.
9 They came within two votes of passing it over there.

10 Senator Bentsen: I understand the formula change is
11 limited to within each states and not amongst the states.

12 Senator Durenberger: That is right. It is only within
13 the state.

14 Senator Heinz: There are no losers under Senator
15 Durenberger's proposal. This is different from Jimmy
16 Carter's proposal.

17 Senator Bentsen: Well, I do not quite interpret it in
18 that way. That is the hold harmless provision supposedly,
19 but that is a floor. That means that the excess amount is
20 shared by others.

21 Senator Baucus: Mr. Chairman.

22 The Chairman: Senator Baucus.

23 Senator Baucus: I would like to ask the Senator from
24 Minnesota a question. The Senator from Minnesota said if
25 there is one penny increase then the formula change does into

1 effect, but if there is a hold harmless provision in it I am
2 trying to figure out the mathematics of this. There has to
3 be a certain level before which the formula can go into
4 effect and still hold any county or city harmless it seems to
5 me.

6 Senator Wallop: That one penny will be worth \$218
7 million. It is the biggest penny in history.

8 Senator Baucus: That is right. Is that the intent of
9 the Senator from Minnesota?

10 Senator Durenberger: I beg your pardon?

11 Senator Baucus: One penny increase would -- Well, what
12 is the figure, \$218 million.

13 Senator Durenberger: Well, it might take \$218 million,
14 but I am not sure that is what it takes or not, but I just
15 wanted to make sure the trigger was at 4.6 and not 4 point
16 anything else.

17 Senator Bradley: But there is also a hold harmless.

18 Senator Wallop: That is what makes the penny expensive.

19 Senator Heinz: If I may respond to the Senator, I think
20 the practical effect of the Durenberger proposal is to say
21 that he is not sure, the staff is not positive, at exactly
22 what number hold harmless triggers in. It may be 218. It
23 may be 220, but the practical effect is once you get over 4.6
24 is really is as Senator Wallop said you get enough sufficient
25 money in there to hold people harmless.

1 I think that is the intent as I understand it.

2 Senator Baucus: I understand what you are saying
3 personally. My feeling is similar to that of the Senator
4 from Texas. I just think we are getting into something here
5 that at this point we should not get into, and for that
6 reason I will vote against the proposal.

7 Senator Bradley: Mr. Chairman, my concern, too, is even
8 though my friend from Minnesota says it is just an internal
9 affair within the state I cannot help but believe that if you
10 put it within the state that then sets the pattern to try to
11 move beyond that amongst the states.

12 Senator Durenberger: Not on this Senator's part.

13 The Chairman: Could I just sort of clarify this? As I
14 understand it, we are voting on the Durenberger amendment
15 which would not increase the level.

16 Mr. DeArment: That is correct as I understand it and
17 have reflected on the motion. The Durenberger motion would
18 trigger the four formula changes with a hold harmless if the
19 funding exceeds \$4.6 billion.

20 The Chairman: So you could go to conference with the
21 Durenberger provision and they would drop their increase and
22 we would drop Durenberger.

23 Mr. DeArment: That is correct.

24 [Laughter]

25 Senator Bentsen: Mr. Chairman, you are beginning to make

1 a little more sense out of this.

2 [Laughter]

3 The Chairman: Okay. We are ready.

4 Mr. DeArment: Mr. Packwood?

5 [No response]

6 Mr. DeArment: Mr. Roth?

7 [No response]

8 Mr. DeArment: Mr. Danforth?

9 Senator Danforth: Aye.

10 Mr. DeArment: Mr. Chafee?

11 Senator Chafee: Nay.

12 Mr. DeArment: Mr. Heinz?

13 Senator Heinz: Aye.

14 Mr. DeArment: Mr. Wallop?

15 Senator Wallop: Nay.

16 Mr. DeArment: Mr. Durenberger?

17 Senator Durenberger: Aye.

18 Mr. DeArment: Mr. Armstrong?

19 [No response]

20 Mr. DeArment: Mr. Symms?

21 [No response]

22 Mr. DeArment: Mr. Grassley?

23 [No response]

24 The Chairman: Grassley is in the back room. Would

25 somebody get him.

1 Mr. DeArment: Mr. Long?
2 Senator Long: Nay.
3 Mr. DeArment: Mr. Bentsen?
4 Senator Bentsen: Nay.
5 Mr. DeArment: Mr. Matsunaga?
6 Senator Long: Nay.
7 Mr. DeArment: Mr. Moynihan?
8 [No response]
9 Mr. DeArment: Mr. Baucus?
10 Senator Baucus: Nay.
11 Mr. DeArment: Mr. Boren?
12 [No response]
13 Mr. DeArment: Mr. Bradley?
14 Senator Bradley: Aye.
15 Mr. DeArment: Mr. Mitchell?
16 [No response]
17 Mr. DeArment: Mr. Pryor?
18 Senator Pryor: Nay.
19 Mr. DeArment: Mr. Chairman?
20 The Chairman: Aye.
21 Senator Moynihan: Moynihan votes aye.
22 The Chairman: On this vote the ayes are seven and the
23 nays are seven.
24 Senator Grassley, do you want to be recorded as aye?
25 Senator Grassley: Yes.

1 Senator Long: Mr. Boren wanted to be recorded as nay.

2 The Chairman: So then the amendment would not be agreed
3 to.

4 Senator Durenberger: Could we hold this open and see if
5 the absent Senators can be recorded?

6 The Chairman: Right. If we can do that before we report
7 out the bill.

8 Senator Bentsen: Mr. Chairman, let me ask him what the
9 rule of the committee is as to whether this will change the
10 vote.

11 The Chairman: It will not change the vote. They have to
12 record themselves before we report out.

13 Senator Bentsen: Is it the rule of the committee that
14 those not present who are voting by proxy may be allowed to
15 vote later even if it changes the outcome?

16 Mr. DeArment: No.

17 The Chairman: I do not think so.

18 Senator Danforth: Well, now I offered two amendments,
19 and I prevailed on both of them until two days later.

20 The Chairman: But that was an exceptional case.

21 [Laughter]

22 Mr. DeArment: Senator Danford, that was an occasion
23 where the measure had not been reported out of the committee.

24 The Chairman: But that is not Senator Bentsen's
25 question. Senator Bentsen's question is if those present

1 vote to reject an amendment or whatever they vote yes or no
2 and then before the bill is reported out, can you canvass
3 those not present. I would like to find out what the
4 precedent is one way or another. I would be very surprised
5 if the precedent is not that people are free to switch around
6 having been the victim of that several times.

7 Senator Bentsen: I am really asking for information and
8 want to understand under which of the rules we will operate
9 under this time. I want to know what the House rules are.

10 Mr. DeArment: Mr. Chairman, after we vote to report a
11 measure out we will not allow members to report themselves
12 where it will change the outcome. Otherwise members might
13 not have voted to report it out if they had known that the
14 circumstances were different. That is sort of the practical
15 consequence that members when they vote to report something
16 out need to know what is in and what is out.

17 The Chairman: But up until that time?

18 Mr. DeArment: Up until that time they can record
19 themselves and where it will not change the outcome we allow
20 them to record themselves.

21 Senator Danforth: What if it will change the outcome?
22 Will they be allowed?

23 Mr. DeArment: No. If it changes the outcome after a
24 measure has been reported out --

25 The Chairman: You mean up until the time it is reported

1 out?

2 Mr. DeArment: Yes, up until the time.

3 Senator Danforth: Well then let's suppose that an
4 amendment is agreed to and the measure has not been reported
5 out of committee, then people can still switch any way they
6 want and it can change the outcome of that amendment?

7 Mr. DeArment: That is correct.

8 Senator Moynihan: Is the reverse true? If an amendment
9 has not been agreed to, can additional votes be changed?

10 Mr. DeArment: Yes.

11 Senator Moynihan: Well, may I ask this? I believe, Mr.
12 Chairman, when I asked the roll call would remain open he
13 stated --

14 The Chairman: Yes, that is right, but that was different.

15 Senator Long: May I suggest that with regard to this
16 bill that we abide by the how the absentees vote. I think it
17 would be better to do it that way because as far as I am
18 concerned I think most of us would be willing to vote to
19 report the bill any event and that way we hope that there
20 would be no reason to hold it up.

21 As far as I am concerned I would be willing to vote the
22 bill out even if the absentees change the result of the
23 amendment.

24 Senator Heinz: On a one-time basis?

25 Senator Long: No, on this item right here I just ask

1 that we do it and that way you can go ahead and proceed with
2 however you want to vote.

3 The Chairman: Do you have any objections?

4 Senator Bentsen: No.

5 The Chairman: Okay. I think we have been trying to
6 follow the rules because the members sometimes cannot be
7 here. They have a right to be recorded, and I spoke
8 incorrectly there, Pat, if in fact that has changed.

9 Are there other amendments?

10 Senator Durenberger: I have one small one. I believe I
11 have discussed it with you and that is authorizing the
12 Secretary of Treasury, the Secretary of Commerce, the
13 Comptroller General and the Advisory Commission on
14 Intergovernmental Relations to undertake a series of studies
15 on federalism and the potential role of the revenue sharing
16 program in resolving distortions or imbalances in the federal
17 system.

18 There is some more elaborate language to go with that.

19 Senator Heinz: Mr. Chairman, I am familiar with the
20 Durenberger amendment, and I will put some remarks into the
21 record by unanimous consent. I do want to say, however, that
22 I support it and I think it is a worthwhile amendment.

23 [COMMITTEE INSERT]

24

25

1 Senator Long: What is this amendment?

2 Senator Durenberger: This is a study amendment. It
3 authorizes an Advisory Commission on Intergovernmental
4 Relations and the Treasury, Comptroller General and Secretary
5 of Commerce to take a look at the kinds of issues we have
6 been dealing with up in the last 15 or 20 minutes.

7 Senator Bentsen: Well, Mr. Chairman, that is not a
8 casual proposal that he is making because those persons as I
9 understand it that he is proposing be on that study committee
10 are people who are already in effect committed something akin
11 to what he is talking about in the way of a formula.

12 Senator Durenberger: The primary purpose of this is to
13 take a look at the future role of revenue sharing so we are
14 not coming back here every three years and fighting the
15 battle of 4.6, 4.6, \$4.6 billion. Now, is there a larger
16 function for revenue sharing particularly at the state level?

17 I have my own recommendation for state revenue sharing
18 and in two years or three years we ought to address whether
19 or not we are going to state revenue sharing.

20 Senator Bentsen: Well, if you are going to do that then
21 I think, Mr. Chairman, that we ought to expand the people
22 involved. I think you ought to get the municipalities
23 involved. I think you ought to have county governments
24 involved.

25 Senator Durenberger: They are all involved, Senator.

1 That is why I selected the Advisory Commission on
2 Intergovernmental Relations because the cities, counties,
3 townships, all of those people are represented very strongly
4 and very well as a matter of fact on the Advisory Commission
5 on Intergovernmental Relations.

6 Senator Bentsen: Who do you have listed as the members
7 of your Advisory Commission?

8 Senator Durenberger: Well, I am not appointing a
9 committee. I am just suggesting that we authorize the
10 Secretary of the Treasury, the Secretary of Commerce, the
11 Comptroller General and the Advisory Commission on
12 Intergovernmental Relations to undertake a series of studies.

13 Senator Bentsen: Well, you are appointing a committee,
14 and you are talking about people who are already in effect
15 committed. So I think that in effect stacks the result, and
16 I would strongly urge that we add to that commission by
17 having people representing specifically the cities and
18 counties.

19 The Chairman: I wonder, Dave, if maybe you and Lloyd
20 could work on this and do it on the floor.

21 Senator Durenberger: Fine. If he just wants to add more
22 people and more institutions, that is great. That would be
23 fine.

24 The Chairman: I think there are two technical amendments
25 and then we could report this bill.

1 Senator Heinz: Mr. Chairman, the first technical
2 amendment deals with the audit provisions. Basically we
3 propose to strike those audit provisions.
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1 Senator Moynihan: If that is the amendment, I second the
2 motion.

3 Senator Chafee: Well, I do not want to take a lot of
4 time, but are audits looked on as just an innocuous matter?

5 The Chairman: John, would you explain this? I think
6 there are only some small areas where we are talking about
7 the audits.

8 Senator Heinz: George, do you want to explain the
9 provisions of the administration bills?

10 Mr. Pieler: The changes would require each recipient
11 government to have an audit for each fiscal year for which
12 they receive revenue sharing funds, I believe, above
13 \$25,000. Under current law they only have to do that for
14 every third year then they can aggregate the fiscal years and
15 have an audit every third year.

16 Senator Bentsen: What is an audit cost these days?

17 Senator Moynihan: \$3000 is the figure Senator Heinz gave
18 earlier.

19 Senator Bentsen: It depends on the size of the audit.

20 Senator Moynihan: I think he meant the minimum cost.

21 Senator Bentsen: I was trying to find out what the cost
22 of the audit was when he says it is anything above \$25,000.

23 Senator Heinz: That is the level. That is the
24 threshold.

25 Senator Bentsen: Oh, I understand that, but I am trying

1 to correlate that.

2 Senator Heinz: Senator Bentsen wants to know that is the
3 range of cost of the audit itself.

4 Mr. Rafuse: If I might, Senator, the cost of an audit
5 varies with the size of the jurisdiction and its complexity.

6 Senator Bentsen: Well, I said that and I understand
7 that, but let's talk about that. Let's suppose someone was
8 going to receive -- the type of city government that would
9 receive a \$25,000 grant or allocation, what kind of city
10 would that be, what would the size of it be, and what would
11 you estimate the audit would be for that size city or a
12 marginal city there.

13 Mr. Rafuse: Approximately when you are speaking of the
14 jurisdiction the level of size of a jurisdiction that
15 receives a \$25,000 payment you are talking about
16 jurisdictions as small as 2500 or 2000 population. In such
17 cases I am advised by people I have consulted in the
18 accounting profession on a basis when the audits were
19 routinely performed on an each year basis, an established
20 relationship with an auditor exists and so forth that the
21 cost can be as small as a \$1000 a year for the audit.

22 When a government and all of the governments that would
23 be subject to this are now subject to the once every three
24 year requirement, a once every three year audit is
25 considerably more expensive because you have the years when

1 you do not have audited opening balances and so forth so that
2 single audit is more expensive and is not an accurate guide
3 to what the annual cost would be. So the cost could be as
4 small as in the ballpark of \$1000, and it would certainly not
5 be three times or two times as large as the existing every
6 three year requirement.

7 Senator Heinz: Mr. Chairman, may I interject something
8 because it may help people a little bit to know that the
9 House has a very full audit provision in its legislation. I
10 would urge my colleagues to delete this provision so we are
11 not stuck with absolutely no flexibility in conference.

12 Senator Bentsen: Senator, I am not opposing it. I am
13 trying to better understand the correlation between cost and
14 the size city and the award made to see if it makes sense.
15 That is all I am probing for.

16 Senator Heinz: I understand that, Senator.

17 The Chairman: Is there any objection then?

18 [No response]

19 The Chairman: Okay. Without objection so ordered. Is
20 another technical amendment?

21 Senator Heinz: There is another technical amendment,
22 very technical which I will not even try to explain.

23 The Chairman: Explain it, George.

24 Mr. Pieler: Senator, the amendment would just change the
25 rule so that certain communities in Massachusetts could

1 consider certain types of taxes for the tax effort formula on
2 a one-time basis with assurances to the Treasury that they
3 use regular accounting standards. It is a one time deal, and
4 Treasury does not oppose it.

5 Senator Heinz: Will the administration support this
6 amendment?

7 The Chairman: Quickly.

8 Mr. Rafuse: Yes.

9 The Chairman: Any objections to the amendment?

10 [No response]

11 The Chairman: Without objection, the amendment is agreed
12 to. Are there any further amendments?

13 [No response]

14 The Chairman: If not, do you want a roll call to report
15 the bill?

16 Senator Moynihan: Yes.

17 The Chairman: The Clerk will report the roll.

18 Mr. DeArment: Before I do that, Mr. Chairman, the
19 Durenberger motion did not carry by a vote of eight to ten at
20 this point.

21 The Chairman: But there is a consent agreement. Well,
22 go ahead and call the roll.

23 Mr. DeArment: Okay. Mr. Packwood?

24 [No response]

25 Mr. DeArment: Mr. Roth?

1 The Chairman: Aye.

2 Mr. DeArment: Mr. Danforth?

3 Senator Danforth: Aye.

4 Mr. DeArment: Mr. Chafee?

5 [No response]

6 Mr. DeArment: Mr. Heinz?

7 Senator Heinz: Aye.

8 Senator Chafee: Aye.

9 Mr. DeArment: Mr. Wallop?

10 Senator Wallop: Aye.

11 Mr. DeArment: Mr. Durenberger?

12 Senator Durenberger: Aye.

13 Mr. DeArment: Mr. Armstrong?

14 The Chairman: Aye. Wait, I am not sure about that.

15 Mr. DeArment: Mr. Symms?

16 The Chairman: Symms is aye.

17 Mr. DeArment: Mr. Grassley?

18 Senator Grassley: Aye.

19 Mr. DeArment: Mr. Long?

20 Senator Long: Aye.

21 Mr. DeArment: Mr. Bentsen?

22 Senator Bentsen: Aye.

23 Mr. DeArment: Mr. Matsunaga?

24 [No response]

25 Mr. DeArment: Mr. Moynihan?

1 Senator Moynihan: Aye.

2 Mr. DeArment: Mr. Baucus?

3 Senator Baucus: Aye.

4 Mr. DeArment: Mr. Boren?

5 [No response]

6 Mr. DeArment: Mr. Bradley?

7 Senator Bradley: Aye.

8 Mr. DeArment: Mr. Mitchell?

9 [No response]

10 Mr. DeArment: Mr. Pryor?

11 [No response]

12 Mr. DeArment: Mr. Chairman?

13 The Chairman: Aye.

14 Senator Chafee: Chafee aye.

15 Senator Long: Pryor aye.

16 The Chairman: Packwood aye.

17 Senator Long: Do you have Matsunaga. Matsunaga is aye

18 also.

19 The Chairman: I might tell the members that we hope to

20 come back and take up health care for the unemployed. It

21 should not take too long.

22 Senator Long: Boren is aye also.

23 The Chairman: Senator Heinz. Wait, let's get the vote.

24 The ayes are 18. The nays are 0, and the absentees may be

25 recorded.

1 Senator Heinz: Mr. Chairman, are we going to report this
2 using the administration's number, that is, 1426?

3 The Chairman: Yes, we will report this using the
4 administration's number, and under the agreement proposed by
5 Senator Long there is consent to members to change their vote
6 after the reporting on the Durenberger amendment.

7 Mr. DeArment: Mr. Chairman, how long will that be?
8 Until the end of the day?

9 The Chairman: Yes.

10 Mr. DeArment: Thank you.

11 The Chairman: Okay. We are going to come back in a few
12 minutes.

13 [A brief recess was taken.]

14 The Chairman: All right. What do we have to clean up on
15 the revenue sharing matter? Is there anything?

16 Mr. DeArment: Mr. Chairman, just to give the staff
17 technical drafting authority consistent with the decisions
18 made by the committee --

19 The Chairman: I do not think there is any objection to
20 the technical drafting authority which is normal given.

21 Now we have good news and bad news. The good news is we
22 lost ten members on the last vote. The bad news is we will
23 not be able to markup health care for the unemployed, but I
24 do want to try to set a date.

25 What about the Tuesday, that is, the 12th of July?

1 Mr. DeArment: Tuesday the 12th is a free day for the
2 committee right now in terms of the committee's schedule.

3 Senator Moynihan: I think that would be a very good
4 thing. We could start out fresh, and we will be informed on
5 the material.

6 Senator Heinz: Mr. Chairman, I think that is a fine
7 suggestion. We will in effect lose practically no working
8 days in terms of the Senate, and I think we will report the
9 bill. I think we will report it quite promptly.

10 It will give the committee staff, my staff and some other
11 member's staffs sometime to refine the more technical
12 elements of the proposal. So while I would not ask for the
13 delay, it is not unwelcome.

14 The Chairman: Right. I think it still keeps our
15 commitment to a number of Senators who feel this has a very
16 high priority as it does, but without a quorum we could not
17 accomplish a great deal.

18 Now, I understand -- Sheila, are you visiting with
19 different staff people and different staff members to work
20 out any differences?

21 Ms. Burke: Yes, Mr. Chairman. We met with the staffs
22 yesterday and will continue to do so over the recess to talk
23 over with them the legislation.

24 The Chairman: Well, it is still my hope that before it
25 is reported it will have the financing provision in it.

1 Ms. Burke: Yes, sir.

2 Senator Danforth: Mr. Chairman, along the same line as
3 long as there is some time to work on it I do hope that the
4 staff will concentrate on how we are going to pay for it
5 because I am a little bit concerned with the budget, and we
6 are embarking on new programs. We have reported out the
7 tuition tax credits and now this.

8 Secondly, as I understand it there is no kind of means
9 test in the bill in its present form. Is that right?

10 Ms. Burke: There is reference to the fact that the
11 states may choose if they wish to apply a means test, but
12 there is none required with respect to the legislation.

13 Senator Danforth: I would hope, Mr. Chairman, that we
14 might look at that at the non-means test programs, those that
15 deserve special attention.

16 The Chairman: We will do that, and it will give us some
17 time if there are any other major differences and perhaps
18 time either to fold this into the revenue bill, which we are
19 required to report by the budget resolution, or have a
20 separate provision to finance the cost of the program.

21 Again, I do not quarrel with other committees, but I
22 think there has been another bill reported which is, what,
23 about \$4 billion?

24 Ms. Burke: There is legislation that has been agreed to
25 by the Labor and Human Resources Committee, Senator, which

1 includes a provision for health benefits which is
2 approximately \$7 billion but also includes a home health
3 benefit that is valued at about \$2 billion also.

4 The Chairman: I also understand the House Ways and Means
5 Committee today passed a proposal by a vote of 21 to 11 --

6 Ms. Burke: Yes, sir.

7 The Chairman: -- which is not much different in many
8 respects from the one that we will consider except they did
9 not finance it.

10 Ms. Burke: They did not and the level of spending is
11 approximately \$4 billion in that legislation.

12 The Chairman: That is somewhat different, too.

13 Well then we will meet when, Rod? Is 10:00 Tuesday the
14 12th satisfactory with everyone?

15 Mr. DeArment: Tuesday the 12th is okay.

16 The Chairman: Is that satisfactory with everyone to
17 markup the health care proposal?

18 Mr. DeArment: We will notify that absent members
19 accordingly.

20 Senator Chafee: Mr. Chairman, let me ask this. What are
21 the Chairman's plans for when we get back? It seems to me we
22 have a rigorous schedule ahead of us I presume to achieve
23 these goals. Would you foresee us probably meeting nearly
24 every day at 10:00 as you see it?

25 The Chairman: Well, we have anticipated the budget

1 resolution. We have been able for the past several weeks to
2 have almost daily hearings. We have concluded hearings this
3 morning so we are not really far behind the curve.

4 I think we need to make some determination of whether or
5 not there is going to be a revenue bill. If in fact it could
6 be put together before the 22nd, there is some indication
7 that there might be an effort both by the House and the
8 Senate to delay the reporting date until sometime in
9 September.

10 Of course, it is going to give us an option to see
11 whether or not the President wants to become -- what his
12 position may be on revenues and also the Ways and Means
13 Committee. But we have had most of the hearings.

14 Senator Chafee: Well, I appreciate that, but you know
15 the tough part is going to come in trying to distill the
16 hearings and decide what to do.

17 The Chairman: I thought what we might do at the
18 appropriate time is to gather together all members and go
19 over numerous items that might raise revenues to see if any
20 of them had any votes.

21 Senator Chafee: Would this be a public meeting or a
22 private meeting?

23 [Laughter]

24 The Chairman: It would be private to be made public
25 immediately after the private meeting.

1 [Laughter]

2 The Chairman: Very well. We will stand in recess until
3 10:00 Tuesday, July 12.

4 [Whereupon, at 5:48 p.m., the committee adjourned, to
5 reconvene at 10:00 a.m., Tuesday, July 12, 1983.]

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