



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Senator Chuck Grassley
before the Senate Committee on Finance
Chairman's Mark Regarding the Extension of
Highway Trust Fund Provisions and the
"Volumetric Ethanol Excise Tax Credit Act of 2003"
September 17, 2003

I would like to open the meeting today by expressing disappointment that we are not here to mark up a six-year highway bill. Senator Baucus and I have worked very hard to provide creative financing solutions that would enable us to bridge the funding gap required to move forward on this very important legislation. Despite our best efforts, we were unsuccessful at reaching a consensus with each of the five committees involved in developing a six-year bill for our nation's transportation system. I do not criticize my colleagues' efforts but regret that we were unable to make further progress. As you know, the previous highway bill (TEA 21) expires on September 30. The Internal Revenue Code prohibits spending money from the highway trust fund account for obligations made after that date. In fact, Treasury is prohibited from transferring incoming gas tax revenues into the highway trust fund in the event that this rule is violated. To ensure that a programmatic shutdown of the highway program does not occur, we are here today to mark up a temporary extension of TEA 21. Both Houses of Congress and their respective committees of jurisdiction have agreed to extend, without modification, the current provisions of TEA 21 for five months – through March 1, 2004.

We should remember, however, that temporarily extending the highway bill only puts a band-aid on the problem of agreeing upon funding for our country's transportation needs. Reaching a consensus on these issues will require serious conversations and difficult decisions by each of the interested committees. I sincerely hope that each of those committees will roll up their sleeves over the next five months and get serious about providing a longer-term solution for our nation's infrastructure. Now let me talk about something I am very excited about. As members of this Committee are well aware, I have worked for many years on the development of renewable fuels in the marketplace. Twenty-five years ago we created an alcohol fuels tax incentive to promote the use of ethanol. Today, we have a chairman's mark that will simplify the excise tax collection system for all transportation and renewable fuels. This legislation reforms the alcohol fuels tax credit and creates a new "Volumetric Ethanol Excise Tax Credit" (VEETC). In addition to streamlining the alcohol fuels tax credit, this legislation creates a new tax credit for biodiesel. As chairman of the Finance Committee, along with Ranking Member Max Baucus, I have crafted new legislation that accomplishes three major objectives: 1. Improve and simplify the tax collection system for renewable fuels; 2. Increase the revenue source for the Highway Trust Fund; and 3. Enhance the delivery of renewable fuels in the marketplace. In simplifying the tax collection system, all user

excise taxes levied on both gasoline and ethanol blended fuels will be collected at 18.4 cents per gallon; and all excise taxes levied on diesel and biodiesel blended fuels will be collected at 24.4 cents per gallon. On average, this legislation will generate more than \$2 billion per year in additional Highway Trust Fund revenue. In addition to bringing money to the Highway Trust Fund coffers, I would like to take a few moments to review a few of the other benefits of this reform and simplification:

It eliminates the restrictive blend levels (5.7%, 7.7% and 10%) dictated by the tax code to reflect obsolete Clean Air Act requirements, providing significant flexibility to oil companies to blend as much or as little ethanol or biodiesel to meet their octane or volume needs. It streamlines the tax collection system to avoid the potential for fraud while accelerating the refund mechanism. It provides new market opportunities for ethanol and biodiesel in off-road uses, E-85 and ETBE, and, of course, it resolves a longstanding issue with regard to the Highway Trust Fund. I feel strongly about this legislation because it simplifies the tax infrastructure and fuel delivery impediments that have been problematic throughout the history of the renewable fuels industry. I want to thank my fellow members of the Finance Committee who were original Co-Sponsors of this legislation prior to today's mark-up: Senator Baucus; Senator Frist; Senator Daschle; Senator Thomas; Senator Jeffords; Senator Conrad and Senator Lincoln and I encourage you to join us in working to enact this legislation during this Congress.

Opening Statement of Sen. Chuck Grassley
Consideration of the Chairman's Pension Bill
Wednesday, Sept. 17, 2003

Now we are going to turn to the pension bill. A pension bill very similar to this one was reported by the Finance Committee in July 2002. The bill was drafted in response to abuses at Enron, Worldcom, Global Crossing and numerous other corrupt companies. There are about 5,000 workers from both Enron and Worldcom in Iowa. Their 401(k) accounts were devastated by corporate misdeeds. I was fire-fighting mad about the Enron corruption when the company filed for Chapter 11 protection at the end of 2001. And I'm still fire-fighting mad. The most noteworthy difference between last year's bill and this one is that this one includes a permanent replacement rate for the 30-year Treasury rate. The replacement rate is must-pass legislation. In March 2002, Congress enacted legislation to adjust the interest rate used to value pension plan liabilities. The relief was granted for two years. The two years is about up, and we're forced to take action again. The chairman's mark substitutes for the 30-year Treasury a blended rate based on high-quality, long-term, corporate bonds. The replacement will last for the next three years. After that, a yield curve would be phased in. The chairman's mark gives pension plans short-term relief. But it asks for the promise of reform in the long-term. That reform is the yield curve.

No one wants to protect the defined benefit pension system more than I do. The collapse of the steel industry has caused untold misery for steel workers and their families. The collapse of airline plans, now and in the past, is no better. My heart goes out to people whose pension plan has failed. If we've learned one thing from the collapse of the steel plans and the airline plans, it's that the funding rules aren't working. While Senator Baucus and I are sympathetic to the need for short-term relief, we need assurance that funding reform can be accomplished in the long-term. Because

of the uncertainty about the yield curve, companies and unions don't want it. They have made that clear to me. I respect their views. But people of good faith can disagree, and I respectfully disagree with them on the yield curve. In a minute, I will be calling on Mr. Sweetnam of the Treasury Department. I will ask him to answer some questions about the yield curve. My constituent companies have a right to have their concerns addressed. Because I take their concerns seriously, we will give Mr. Sweetnam a little test on the yield curve and see how he answers. This package of 30-year Treasury replacement rate provisions has been criticized by both extremes. There are those who say it is too harsh. There are those who say it is too generous. Both think the package ought to be rejected. But the Finance Committee has a history of bipartisan action. Nowhere is that more evident than on the pension law. The mark is the product of bipartisan compromise. It does not reflect extreme positions. It works against the extremes, and is an effort to develop a consensus on some thorny issues. I am committed to making sure that the rules we report out today will be fair to workers, retirees and the companies who sponsor the plans. I pledge to exercise my oversight responsibilities to keep on top of the Treasury Department and the PBGC as we move forward on this issue. With that, I'll turn to Senator Baucus.

Opening Statement of Senator Grassley
Senate Finance Committee Mark up
Social Security Protection Act of 2003 – H.R. 743

The Social Security Protection Act of 2003 provides the Social Security Administration with important new tools to fight waste, fraud and abuse. This bill would eliminate benefits to fugitive felons. It would prohibit benefits to illegal workers. It would eliminate the "last day" loophole in the Government Pension Offset. It would provide additional oversight of representative payees. Finally, the bill would improve benefits for person with disabilities. I would like to take a moment to focus on three of these provisions in particular. The first item relates to representative payees. The Social Security Act authorizes the appointment of representative payees to receive and manage the Social Security benefits on behalf of individuals who cannot manage their own finances because of mental or physical impairments. A representative payee may be an individual or an organization, including non-profits and State or local government agencies. Over the years, there have been numerous reports that representative payees have misused the benefits entrusted to their care. As chairman of the Aging Committee, I held hearings on this issue and developed legislation to address this serious problem. The bill we are marking up today includes the protections I proposed in the last Congress.

The second provision I would like to focus on is fugitive felons. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 included a provision making fugitive felons ineligible to receive benefits under Title XVI (SSI). Since that time, the Social Security Office of Inspector General and the General Accounting Office have raised concerns that fugitive felons remain eligible to receive benefits under Title II (OASDI). I cosponsored legislation with Senator Santorum to address this disparity. However, concerns have recently been raised that in some cases law enforcement agencies have chosen not to pursue individuals identified through the fugitive felon program. Such cases often involve minor offenses that are decades-old and will never be prosecuted. As a result, the only punishment imposed is the denial of Social Security benefits. I do not believe the fugitive felon program was ever intended to deny benefits to those no longer sought by law

enforcement. Thus, the provision in this bill would be limited to those who are truly seeking to avoid arrest or prosecution. Finally, I would also like to say a word about the provision to eliminate benefits to illegal workers. The Social Security Inspector General has raised concerns that individuals who were never legally permitted to work in the U.S. have been able to collect Social Security benefits on the basis of their illegal earnings. The bill would begin to address this problem by limiting benefits to those who have worked legally in the U.S.

This provision does not fully address the problem, since individuals who begin working illegally and later obtain legal status could still use their illegal earnings to qualify for benefits. However, I understand the Commissioner of Social Security has raised concerns about SSA's ability to administer a more comprehensive approach. So, I believe we have reached the best compromise possible at this time. However, I will continue to look for ways to more fully address this problem in the future. I would note for the record, the bill we are marking up today reflects the culmination of a process that actually began last Congress. As the members of this Committee are aware, both the House and the Senate passed a version of this bill last year, but we were unable to go to conference before the 107th Congress adjourned. I'm hopeful this year we will be able to reach final agreement with the House and enact this important legislation.