

Washington Newsletter



FROM SENATOR BOB DOLE

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Energy Policy-- What Makes Sense For America?

President Carter is asking the American people to sacrifice by using less energy in their daily lives and by digging deeper into their pockets to pay for it. We can all understand the nature and the seriousness of the energy problem. We have been using fuel more rapidly than new supplies are being discovered. Though the experts disagree about how much energy reserves there are in this country and in the rest of the world, it is known that the supply is not exhaustible. It will run out some day soon unless: (1) we find more; or, (2) we use less; or (3) preferably both.

So the questions that we face are these:

- What are we doing to provide more energy -- to increase the supply that will be available?
- Are energy prices reasonable?
- If prices go higher, will they encourage producers to produce more of what we need?
- If prices go higher, will they cause consumers to consume less? To be less wasteful?
- Above all, is the sacrifice fair? Are the higher prices spread equitably among all the people, or is there one region or group made to bear an unfair burden?

The policies that Congress adopts, acting on the President's recommendations, will affect your financial condition as well as your family's living habits.

TAXES AND DEMAND

There are two sides of this subject. One is what the economists call demand -- see ENERGY, page 2

SUMMARY OF ENERGY POLICY ISSUES

** President Carter's focus on energy is an important step in bringing our nation to grips with the energy problem. His proposal addresses the necessary elements of an energy policy -- conservation, pricing, energy production, and the development of new energy resources.

** An aspect of the President's conservation program is to reduce the use of gasoline by raising taxes on gas and on crude oil.

** Proceeds from the energy tax are to be returned to consumers and non-consumers of gasoline through rebates, tax reform, and possibly a welfare reform program.

** The rebate program outlined by the President would, in my view, be unfair to people who need their cars to drive long distances to their jobs or for other essential purposes. It would discriminate against rural and non-metropolitan residents in favor of urban residents who have access to public transportation services.

** There are few incentives for expanded development of Kansas oil, gas and coal reserves in the President's proposal. Additional stimulus for coal gasification and solar energy development are needed.

** A wise energy policy will incorporate both strong incentives for increased production and strong incentives for conservation.

ENERGY (con't from page 1)

how much people want to buy and use. In the program that he submitted to Congress, President Carter proposed inducing conservation and reducing demand by making gasoline and crude oil more expensive. Higher prices would be imposed by increasing taxes and returning the tax revenue to the population at large.

The President wants to:

- put a \$5 a barrel tax on crude oil produced in this country from wells already in operation. This would bring the price of domestic crude up to the level of foreign oil. By 1980, it would mean approximately 7¢ a gallon more in the price of gasoline.
- raise the federal tax on gasoline by an additional 5 cents a gallon following any year in which overall national consumption goes up more than slightly. The possible additional tax could be 50¢ a gallon over 10 years.
- put a tax on cars that burn more gas and return the money to people who own cars that use less gasoline.

If the legislation passed, the total retail cost of gasoline could go well over \$1 a gallon. Whether that would cause Americans to drive less rather than pay much more for gas remains to be demonstrated. Since the Arab oil embargo, prices have gone up by about 20 cents a gallon. But Americans are using more gasoline than ever.

If the price of gasoline goes up by 50 cents a gallon, a Kansas motorist who now spends \$12 a week to fill up the tank would pay \$22 a week -- or an additional \$520 a year out of the family budget. If he consumes two tanks full per week, the extra cost would be over \$1,000 a year. Government policymakers can talk about inflation all they want, but the direct impact of the higher cost of gas on that family's cost of living is obvious -- and it's real, not theoretical.

GAS TAX INEQUITABLE

I believe the gas tax increase would be an inequitable burden on middle-income Americans who need their cars to drive long distances to their jobs and for other essential purposes. The typical Kansan necessarily drives longer distances and uses more motor fuel, especially if he lives and works in a rural area, than does a resident of, say, urban Connecticut. Average consumption of motor fuel is

1976 KANSAS ENERGY STATISTICS

MOTOR FUEL CONSUMPTION

State total	36.2 million barrels
Per capita	15.5 barrels

CRUDE OIL PRODUCTION

State total	58.7 million barrels
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NATURAL GAS

Consumption	485 billion cubic feet
Production	836.2 billion cubic feet

COAL

Consumption	3.7 million tons
Production	576,000 tons

considerably greater in Kansas than in the nation at large.

This means that any system of raising gasoline taxes and returning equal shares to all the taxpayers will hurt the typical Kansan and benefit a typical resident of an Eastern metropolitan area who probably rides a bus or some other form of mass transportation to work or to shop. Farming activities by their nature also consume more fuel which puts Kansas at a disadvantage in any general gas tax rebate plan.

Would You Break Even?

And what would happen to the extra tax collections? After skimming of the considerable cost of bureaucratic administration, the government would return the money to the American people. The President indicates "in the form of a per capita energy credit against other taxes or in the long run as part of general tax reform." The Administration has also indicated that the revenues might be utilized to finance welfare reform. When the tax is fully in effect, a family of four would receive \$188 in energy payments. I feel the rebate program as it has been revealed to date would not return to Kansans amounts anywhere near the additional gasoline taxes that would be levied against them. By tying the rebate program to welfare and tax reforms, the benefits are going to become even more illusory for the middle class American who is going to bear the brunt of the energy tax.

The emphasis on fuel efficiency in automobiles is important, but as proposed, see ENERGY, page 4

MAY, 1977

PAGE 3

Your views are important!

I would welcome your advice on the energy issues that Congress will be considering in the coming months.

Please indicate your opinion and make any additional comments. Cut off the newsletter portion of this page, fold it so the return address is showing and mail. No postage is required.

As many as three persons may respond.

1 2 3

Do you think the federal government should become directly involved in energy production instead of relying on the private sector?

YES YES YES
NO NO NO

Have higher energy prices of the past three years prompted you to measurably cut back your consumption of gasoline, heating oil and natural gas?

YES YES YES
NO NO NO

Would the proposed cost increases for energy cause you to make efforts to conserve?

YES YES YES
NO NO NO

ADDITIONAL COMMENTS:

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PAGE 4

MAY, 1977

CONSERVATION INCENTIVES PROPOSED

- ** TAX CREDIT FOR INSTALLATION OF SOLAR EQUIPMENT -- 40% tax credit for the first \$1,000 and 25% for the next \$6,4000.
- ** HOMEOWNERS TAX CREDIT -- 25% credit for the first \$800 and a 15% tax credit for the next \$1,400 spent on improving energy conservation in homes.
- ** UTILITY INSULATION PROGRAM -- Mandatory loans by utility companies for home insulation. Loans would be repaid through monthly utility bills.
- ** FEDERAL LOANS -- Loans for home energy conservation improvement through federal mortgage programs.
- ** BUSINESS TAX CREDIT -- 10% tax credit for improved conservation and investment in solar heating equipment.
- ** FEDERAL GRANTS FOR HOSPITALS AND SCHOOLS -- \$300 million a year for three years to help nonprofit hospitals and public schools improve energy conservation.
- ** MANDATORY ENERGY STANDARDS -- Mandatory energy conservation standards for buildings and home appliances.

ENERGY (con't from page 2)

it impacts on more than just the rich who can afford the tax anyway. Station wagons, pickup trucks, and other family vehicles would feel the heavy burden of the tax, yet their owners really have no alternatives for what will meet their family transportation needs.

Energy Production

But what about production? Kansas has substantial oil, gas, and coal reserves waiting to be developed, reserves that can supply cheaper and more dependable energy than foreign sources. Will these Kansas reserves be tapped under the President's energy proposal? I see little incentive for increased oil and gas production in Kansas. The proposed tax on energy channels consumer dollars to the government, not to energy producers as an incentive to expand production. The higher prices that are allowed on some new oil are oriented toward major discovery efforts of bigger oil companies, not to independent oil companies that work in Kansas.

New ceilings are to be placed on intra-state natural gas which will remove the incentives that have been expanding Kansas natural gas production. Insufficient emphasis is placed on coal gasification which offers the best opportunities for use of Kansas coal.

Appropriate attention is given the expansion of nuclear and solar energy, and hopefully wind energy can be also examined as an alternative for Kansas and a number of the Great Plains states.

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