# SENATE—*Tuesday, March 19, 1986*

*(Legislative day of Tuesday, March 18, 1986)*

The Senate met at 10 a.m., on the expiration of the recess, and was called to order by the President pro tempore [Mr. THURMOND].

## PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray.

God of love and mercy, Who calls Your people to remember Your mighty acts of providence, we thank You for memories. Today we are especially grateful for the initiative taken by Senator DOLE and Senator BYRD to memorialize the seven astronauts who lost their lives in the *Challenger* disaster. Thank You, Father, for leaders who do not forget to remember, with compassion and gratitude, great Americans whose sacrifices are a milestone in human progress.

We remember, loving Father, the families of those seven heroes, for whom the tragedy is still very real. Comfort them in their immeasurable loss and pain; let them be assured that they are not forgotten by a sorrowing and grateful Nation.

And Father God, while we are remembering, we pray for the hostages who remain in captivity in Lebanon. Help us not to forget them and their families, who bear the unrelieved burden of uncertainty, who keep hoping as they resist despair. Energize those who seek release of the captives, guide them in their persistence, and grant success to their efforts. In the name of Him who came to set the captives free. Amen.

## RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The able majority leader is recognized.

## SCHEDULE

Mr. DOLE. Mr. President, under the standing order, the majority leader and the minority leader have 10 minutes each. I will reserve any time I do not use. I also will yield 3 minutes to the distinguished Senator from Delaware [Mr. ROTH].

There will be special orders in favor of Senators HAWKINS, PROXMIRE, SPECTER, ZORINSKY, and perhaps Senator ROTH, for not to exceed 5 minutes each.

Then there will be routine morning business, not to extend beyond 10:30 a.m., with Senators permitted to speak therein for not more than 5 minutes each.

At the conclusion of morning business, we hope the Senate can turn to any legislative or executive items which can be cleared.

It is my understanding that there is a debt collection bill that is not controversial—just a matter of bringing it up, as I understand, and getting a rollcall vote. We would like to dispose of that this morning. It is S. 209. I do not know of any request for extended debate on that matter. There will be 10 minutes time for debate.

If we can clear that on each side, maybe we can do it this morning.

Following that, there are a number of options. There is a drug export bill. There is a sports franchise bill. There is a trade bill. There is a regional airport compact. So we have a number of items we could turn to.

It is also my hope that the Senate Budget Committee, which is meeting at this moment, can report a budget resolution, so that we can commence action on that before the Easter recess. We may not complete action.

Then, of course, we still have the Contra aid proposal. Notwithstanding what may happen in the House the proposal will be before the Senate. So far as this Senator knows, it will not be a compromise. It will be as is, as the President requested, and we will vote on that, we hope, Tuesday of next week, though that is flexible.

So we will have a busy schedule between now and the close of business on Thursday, March 27. Then we will commence the Easter recess, we are scheduled to be back in session on Tuesday, April 8.

I hope we may have the cooperation, as we always have—or nearly always have—of my colleagues, so that we can move a number of bills and be in fair shape when we return.

Mr. GORE. Mr. President, will the majority leader yield?

Mr. DOLE. I yield.

Mr. GORE. Mr. President, just very briefly and for the purpose of looking at the schedule between now and the Easter recess, I simply note that there is substantial concern on the part of some Senators about the sports bill that was mentioned. It could require extended debate that might take some time. I only mention that for the majority leader's consideration.

Mr. DOLE. I understand that if we bring it up, there could be extended debate, and that is true of the other matters I mentioned. So it is a question of where we go and where we believe we can make the most progress. I think that sooner or later, probably later, we will have the sports franchise bill up, notwithstanding that it may take some time.

Mr. BYRD. Mr. President, will the majority leader yield?

Mr. DOLE. I yield.

Mr. BYRD. Mr. President, can the majority leader tell us at this time what the likelihood is for, say, rollcall votes beyond 6 o'clock today, whether or not he is able to tell us what the program might be for Friday of this week, and whether or not there will likely be rollcall votes on Friday?

Mr. DOLE. I am not certain about today. There may not be votes after 6, but there could be votes on Friday. I will be in a better position to advise the distinguished minority leader by 1 or 2 o'clock this afternoon.

Mr. BYRD. Very well.

Mr. DOLE. There may be extended debate on whatever we bring up, so there could be debate into the evening, but I doubt that there would be any rollcall votes. I hope to firm that up. It appears that on Friday there could even be a cloture vote on whatever we bring up.

Mr. BYRD. I thank the distinguished majority leader.

Mr. DOLE. Mr. President, after the distinguished minority leader has used his time, I yield 3 minutes of my time to the distinguished Senator from Delaware [Mr. ROTH].

## RECOGNITION OF THE MINORITY LEADER

The PRESIDENT pro tempore. The distinguished minority leader is recognized.

Mr. BYRD. Mr. President, I ask unanimous consent that I may reserve the balance of my time for the remainder of the day.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BYRD. I thank the Chair.

## RECOGNITION OF SENATOR ROTH

The PRESIDING OFFICER (Mr. PRESSLER). The Senator from Delaware [Mr. ROTH] is recognized.

## THE ROTH REFORMS

Mr. ROTH. Mr. President, as the issue of tax reform begins to occupy more and more of our time and in-

volvement, I believe it is necessary to keep in mind what the reform package we adopt must do.

Our Nation presently stands on the threshold of a new beginning. Under the leadership of President Reagan we have witnessed a great comeback from the days of stagnant growth and high inflation. And the future beckons.

Today's revolution in science and technology promises that the future will be bright, and we have every reason to be positive. But we will not automatically be the dominant nation in the world economy. We will not remain No. 1 unless we take the necessary steps now to prepare for the changing world economy. One of these steps must be to meet the challenges posed by the stiff competition from abroad.

Whether we are talking about Japan or the rim of Asia, these countries have demonstrated a competence in this new world or high technology. They are able to maintain the most modern industries, the most sophisticated facilities, and the most advanced trade practices. They have large pools of revenue from the savings of their people which in turn provide money for business growth and industry expansion. These savings result from incentives, and they allow these countries to buy our technology, in many cases improve upon it, and beat us in our game.

One only has to look around to see examples of American industries, once thought to be invincible, now scrambling to keep up with the latest advancements made overseas.

As we move forward with tax reform, we should look for policies that will improve the economic and competitive posture of our industries and allow America to maintain its competitive edge. With this in mind, I see four specific goals that we must meet as we put earnest reform into motion:

First, we must continue to ease the tax burden carried by middle America;

Second, we must remove the bias against savings that is presently part of our Tax Code;

Third, our reform package must help American industry modernize and become the most effective and the most efficient in the world, and this modernization must spill over into industries basic to America's role as the shield of the free world; and

Fourth, we must lift the bias against American exports and encourage a more level playing field in the arena of trade.

Mr. President, it is my intention to introduce a series of reforms that will allow us to maintain and even strengthen our competitive edge. In short, these reforms will enable us to meet the challenges posed by the foreign competition.

They will meet each of the four criteria listed above, and they will provide for long-range strength, stability, and security in our domestic economy, foreign trade, and international defense.

First, I propose that we reduce the marginal rate of income taxes for individuals to 15, 20, 25, and 30 percent. This will give the typical middle class American an average reduction of at least 8 percentage points in the marginal rate of taxation. The full deduction for State and local taxes will be retained, and the top capital gains rule will be 20 percent.

Second, my reforms will promote savings through tax-deferred super savings accounts [SUSA's]. Similar to IRA's, these SUSA's will allow an individual to save up to $3,000 tax free—$6,000 for families. But, unlike the money locked-in in individual retirement accounts, the money in these SUSA's could be withdrawn at any time, for any purpose, and without penalty. And only upon withdrawal will the money be taxed. In the area of IRA's, I propose an increase in savings potential for housewives, or househusbands, from $250 to $2,000. And I will also retain the current law for 401(k) pension plans.

Third, my reforms will encourage industry growth and modernization through an expense cost recovery system that will allow firms to expense half their equipment costs the first year and depreciate the remainder according to President Reagan's capital cost recovery system. My proposal will also reduce the top corporate Federal tax rate to 33 percent—13 percentage points lower than current law and 3 percentage points lower than the House provision.

This third step will also lend to our goal of modernizing our basic industries important to our security. If we are to be the No. 1 industrial nation in the world, and if we are to continue in our role as the shield for the free world, we must have the most up-to-date industrial facilities. And need I say that these improvements will translate into jobs, a very important factor in our future that must be considered today.

Fourth, my reforms will level the playing field of international trade through the introduction of a business transfer tax. This 8-percent tax will bring in $364 billion in new revenue over the next 5 years, and combined with these reforms will be completely revenue neutral as prescribed by President Reagan. Perhaps more importantly, the BTT will correct an inequity in the current tax system that puts American products at a tax disadvantage.

Business would calculate the tax by adding up revenues and subtracting all costs except interest, dividends, and salaries. The 8 percent will be applied against the difference. The employer will be permitted to credit his BTT against his FICA, or Social Security, payments. Any excess BTT above the Social Security payroll credit will also be deductible against the corporate income tax.

Under the business transfer tax, all organizations with an income of $10 million or less will be exempted. This will serve to protect small business and the family farm.

To level the playing field in the trade arena, the BTT will be rebated on American exports and levied on foreign imports. This will result in foreign firms paying 40 percent of the $364 billion, and it will represent a substantial tax reduction on the part of the American taxpayer.

I believe this tax reform proposal will move our industry, and consequently our country, into tomorrow. And we will arrive before our competition. My reforms are targeted to stimulate the American economy and to give us the edge in international trade. And keeping with the spirit of this administration, they will be profamily, proemployment, probusiness, protrade—in short—pro-American. And nothing can be as important.

Mr. President, I ask unanimous consent to have printed in the RECORD an addendum to my statement entitled "The Roth Reforms."

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE ROTH REFORMS

(Remarks by Senator William V. Roth, Jr.)

REMARKS TO NATIONAL PRESS CLUB

Thank you, Mary Kay (Quinlan—NPC President). I'm honored to be speaking to such a prestigious organization.

I know there exists the eternal question concerning the relationship between press and politician. Is it adversarial or friendly-cooperative? Well, in the name of time and safety, I'll leave this to be answered by the scholars. But I will say that I believe a free press is not a privilege, but an organic necessity in a great society.

And ours is a great society. Besides, I think President Harry Truman answered the question when he said, "If a politician is looking for a friend in Washington, let him buy a dog!"

But actually, to be a free press in America is not enough. Freedom from something is never enough. It must be freedom for something. In 1965, Walter Lippmann said: "Without criticism and reliable reporting, the government cannot govern." And I believe that in this age of communication, journalists must be ever-present. You must remain in every quarter of the world. And through use of the facts and issues, you must continue to give life to theories and ideas.

For this reason, I have come here today. This afternoon, I would like to shake the Muse who governs the media. I would like to introduce you to the third and final version of an idea whose time has come. And I would like to show you how this idea, simple in theory, will revolutionize the economic character of our nation.

Benjamin Franklin once said, "Nothing is certain but death and taxes." I don't think he knew then that one day those two words would become mutually inclusive. High taxes, along with other factors—including over-regulation—came close, not too many years ago, to choking the life out of an economy that once served as the world's model.

These factors resulted in what President Jimmy Carter called the malaise of the 70's—the days when double-digit inflation, interest rates at 21 percent, and soaring unemployment ground away at the American dream.

We can all recall the headlines. Chronicled in magazines and newspapers—coming into our living rooms night after night on television—was a story of economic decline and frustration. The gas lines, the sagging building industry, the banished hopes of young couples to own their own homes—they were all a part of that era.

Thank goodness times have changed. And they've changed for the better. Of course, in the beginning, the term "Reaganomics" was used by the President's opponents to describe what they thought was an economic pipedream. But soon it became an exciting concept as Ronald Reagan became the first president in more than 20 years to bring down both unemployment and inflation.

Between December 1982 and September 1985 nearly nine million Americans went back to work. Today inflation is about four percent, interest rates are below ten percent, and the results are outstanding. Our once waning spirit has been rekindled. And I think we have to agree with the President when he says, "America is Back."

I'm proud to be a part of this recovery with the Kemp-Roth tax cuts, and I invite anyone who cannot see or feel the excitement of our country's great comeback to take a trip outside the beltway and talk to the people back home.

Today is an exciting era in which we live. Mankind has labored for thousands of years to open the frontier of technology. And we now stand ripe for progress. Today's hi-tech revolution gives us every reason to be positive. And along with the present strength of our economy, it holds the keys to a bright future.

But we also face some challenges. We face stiff competition from abroad. Whether you're talking about Japan or the rim of Asia—countries that are growing by six; seven, eight, or nine percent—these countries have demonstrated beyond all question a competence in this new world of high technology. They also have the means to buy the best technology in the world. In most cases it's American technology, and they are using it to produce better products at better prices. And, ironically, these countries don't have nearly the resources we enjoy. Like us, they have a population of bright, educated, well-motivated people. But they also have the advantage of a ready source of revenue from their high rate of savings. In Japan, this savings can be as high as 20 percent of an individual's disposable income. And this money means capital—capital to continuously modernize.

New technology is the order of the day, and countries that are best able to maintain the most modern industries are going to emerge in this new world economy as the leaders of tomorrow.

The fundamental question, then, is how do we meet the challenge of this foreign competition? How do we develop the policies that will continue to boost economic growth and jobs? And what should we be doing to help America compete in this new world economy?

Today, I will concentrate on tax initiatives that are critical to answer these questions. Specifically, I believe there are four tax goals the government must set to help our people capitalize on our economy's recent turnaround.

First, we must reduce the burden of federal income tax on middle America.

Second, we must eliminate the bias against savings that exists in our present tax code.

Third, our tax policy must encourage our industry to be the most modern, the most efficient in the world as that means growth and jobs. It must also promote the modernization of industries basic to America's role as the shield of the free world.

And fourth, our tax policy must encourage trade.

By promoting policies that stimulate progress in these four areas, government will allow America to meet today's challenges. But to reduce the marginal rate of federal income tax for all Americans, to promote savings to strengthen the security of the American family, to modernize industry and increase employment, and to balance international trade, is a difficult charge. To find the revenue and means is even more difficult, especially to do it in a revenue neutral way, and at a time when the budget deficit is demanding our attention.

But, I believe it can, and it will be done.

President Reagan has advised us that Tax Reform is a key to future growth and prosperity. And I agree. But I also agree with the President that what's not needed is a tax increase. That's not the panacea. In fact, prescribing a tax increase now would be like a prescription of marshmallows for a man on a diet. If the past is any guide for the future, we know that raising revenues will only raise spending. Despite the promises, it's been the story time and again—so often, in fact, that I believe political economy are two words that should be divorced on grounds of incompatibility.

Now, there are a number of reform packages that are floating around Washington, even as we speak. In fact, just about everybody has a personal idea about what tax reform should be. But it's against the four criteria I listed for economic growth that we must judge the numerous proposals.

Recently, the House passed its version of tax reform. HR 3838 is a reform package that I believe seeks to ease the tax burden borne by the middle class, but it doesn't go far enough, nor does it promote the other three areas I've outlined as necessary for our continued economic growth. Rather, it continues the bias against savings, the high cost of capital, and the imbalance in international trade. In fact, the House proposal would do little to encourage the trend of increasing employment opportunity. It would do little to increase jobs for our young and unemployed.

In short, the House proposal is anti-growth—it's anti-jobs.

This brings us to the question: If not HR 3838, then what? Who has the answer?

In his essay, "Self-Reliance," Emerson teaches us that we should abide by our own spontaneous impressions with good-humored inflexibility, lest we be forced to take with shame our own opinion from another.

Now, having said that—need I say more!

I call my proposal the Roth Reforms, and I'm proud to say that together they meet each of the four criteria.

First, the individual's marginal rate of income taxes would be reduced to four rates of 15-20-25 and 30 percent. The typical middle class American would enjoy an average reduction of at least 8 percentage points in the marginal rate of tax. Our more affluent would be in the 30 percent bracket, or in twice as high a tax bracket as our lower income families.

Second, the Roth Reforms would promote savings. We would establish Super Savings Accounts (or SUSAs), similar to IRAs, that would allow an individual to save up to $3,000 tax free or $6,000 for families. And unlike the money they have locked-in in Individual Retirement Accounts, the money in these SUSAs could be withdrawn at any time, for any purpose, and without penalty. And only upon withdrawal would the money be taxed. Now, families could save for college educations. Young couples could save for their first down payment. And older couples could save for retirement, or for anything they wanted. The SUSAs are pro-family and pro-America for they represent a new source of capital that will help family needs and keep American industry up-to-date.

For similar reasons, that is to promote family savings, the Roth Reforms will also retain the current law for 401K Pension Plans.

And, finally, we will recognize the contribution of the homemaker to the American economy by increasing the IRA savings potential for housewives, or househusbands, from $250 to $2,000.

Next, to promote growth and modernization in the private sector and to regain our competitive edge in the international marketplace, my proposal would:

Reduce the top corporate federal tax rate to 33 percent—13 percentage points lower than current law and 3 percentage points lower than the House provision.

And we would introduce an Expense Cost Recovery System that allows firms to expense half their equipment costs and depreciate the remainder according to President Reagan's Capital Cost Recovery System. This step will both help modernize our basic industries, so important to our security as well as help new technology to be incorporated in all American industry. As I have already stated, if the United States is to be the number one industrial nation, it must have the most up-to-date industrial facilities.

Now, how do we do all this? These reforms are expensive. And the question arises: How do we make up for the lost revenue? The answer is an 8 percent business transfer tax. As proposed in my package, this BTT would bring in $364 billion in new revenue over the next five years. Combined with these reforms, it would be completely revenue neutral as prescribed by the President.

Businesses would calculate the tax by adding up revenues and subtracting all costs except interest, dividends, and salaries and then applying the 8 percent tax against the difference. Next, the employer would be permitted to credit his BTT against his FICA—or Social Security payments. This helps employment as it lowers the up front cost of new employees. Any excess BTT above the Social Security Payroll Credit would also be deductible against the corporate income tax. And it's important to mention here that the BTT would in no way have an affect on the integrity of the Social Security system.

Under the Business Transfer Tax, all organizations with an income of $10 million or less would be exempted. This would serve to protect small business and the family farm.

And of the $364 billion—over the five year period—40 percent would be paid for by foreign firms. This alone will allow the BTT to represent a substantial tax reduction on the part of the American taxpayer.

Now, President Reagan has said we must level the playing field in the trade arena, and this is what the BTT would do. In trade, the United States is disadvantaged. Under international rules—better known as GATT—certain types of taxes can be rebated or refunded to the manufacturer as goods are exported. But income taxes cannot.

Under these rules, many European countries and Japan have an advantage over their American trading partner. When Bill Brock was the U.S. Trade Representative he illustrated this by saying the American automobile manufacturer has, on the average, a $600 tax disadvantage.

For example, by the time a Toyota rolls into the showroom in the United States, its Japanese producer has already received a rebate on the taxes he paid in Japan. And he paid almost no taxes when the car came into this country. When an American auto manufacturer sells a car in Japan, it doesn't receive a tax rebate when the auto leaves the U.S. And furthermore, it encounters a large excise tax at the border of Japan. The result is a tax holiday for foreign exporters while Americans are double taxed.

My plan will correct this inequity. The BTT will be rebated on American exports and it will be paid as products enter our market. For example, if that Toyota cost $8,000, the Japanese exporter will be required to pay a $640 Business Transfer Tax. In other words, my plan will level the playing field for international trade.

Let me re-emphasize that because the foreign exporter must pay its BTT, 40 percent of the new tax will be paid by foreign business firms. This alone will shift a great deal of the tax burden off the American people.

Now, let me take a moment and explain how the full tax reforms will benefit working America.

For low-income families with an annual gross of $15,000 and the standard deductions, tax payment under current law would be $818. However, under my plan these families would pay $330 for a savings of almost $500.

If you're making $32,000, with itemized deductions of $4,736, under current law you would pay $3,665 in federal income taxes. Under my proposal—$2,881. A savings of $784.

Let's say you're making $45,000, you're a family of four, and you have $8,984 in itemized deductions. Under current law, you would pay $5,877 in federal income tax. Under my proposal, however, you would only pay $4,878, for a savings of almost $1,000.

If your income range is $75,000, and you have $11,000 in itemized deductions, current law demands $15,502. The Roth Reforms would call for $11,225. This is a savings of $4,277. And remember, one of the purposes of tax reform is to get the more affluent out of tax shelters and to put their money to a more productive use.

The Super Savings Account, and the increased IRA for housewives, would alter even further the amount of your return. For every $1,000 placed in a SUSA or IRA, your tax savings would range from $150 in the low income bracket to $300 in the high.

In closing, let me say I'm a firm believer that Americans are proud to pay taxes, but I think they'd be just as proud for half the money. I believe this tax reform would move our industry into tomorrow. And we would arrive before our competitors. President Reagan has said the tax cuts Americans have received so far have stirred a spirit of risk-taking and have helped rouse America's economy. Well, if the cuts so far have done that, then I believe we should just go right ahead and wake the economy up. And I know of few Americans who wouldn't sacrifice their taxes to help to do just that.

In short, my reforms are targeted to stimulate the American economy and to give us the edge in international trade. They will allow us to continue in our role as a shield for the free world, with a strengthened economy and with renewed vigor in our basic and technological industries. And keeping with the spirit of this Administration, they will be profamily, proemployment, probusiness, protrade—in short—they will be pro-American.

Because, put simply, they will once again reward Ambition in America with more than just high taxes.

Thank you.

SUMMARY

Individual Rate Structure: Four rates set at 15, 20, 25 and 30 percent. $2,000 personal exemption extended to itemizers in the bottom tax bracket. Top capital gains rate of 20 percent. Retains deduction for state and local taxes.

Savings Provisions: $3,000 Super Savings Account (SUSA) ($6,000 for couples filing jointly), phased in over 3 years. Retain current law for 401K Pension Plans. Increase spousal IRA to $2,000.

Business Provisions: Top corporate rate of 33 percent. Expense Cost Recovery System (ECRS). Firms would expense half of equipment costs and depreciate remainder according to President's Capital Cost Recovery System. Corporate Minimum Tax Rate set at 15 percent. Money set aside for other areas and BTT transition rules.

Business Transfer Tax (BTT): 8 percent tax on net business receipts. BTT fully creditable against FICA tax. Excess BTT above FICA deductible against income for corporate or individual income tax. Firms with gross receipts of less than $10 million exempt from BTT. ⅗ vote of both Houses of Congress required to increase BTT rate.

EXPLANATION OF MAJOR PROVISIONS

The Roth Reforms will achieve the primary goals of tax reform—to protect middle class taxpayers from unfair tax burdens, to reduce the cost of capital to American business, to diminish the anti-savings bias in the tax code, and to promote U.S. exports. These reforms will create an environment of economic growth and will enhance America's international competitiveness.

The Roth Reforms will be advanced by Senator Roth during the Senate Finance Committee's deliberations on tax reform. Since the Finance Committee's mark-up document is not completed, the changes listed should be viewed in reference to the House tax reform bill, H.R. 3838. Adjustments will be made, when necessary, after the Finance Committee document is available.

INDIVIDUAL RATE STRUCTURE

Rates: In some instances, under H.R. 3838, taxpayers would face higher marginal rates than under current law. To encourage work effort and savings, and to remove the incentive to invest in unproductive tax shelters, rates must be lowered even more. The Roth proposal contains a four rate structure with rates set at 15, 20, 25, and 30 percent. The attached chart shows the brackets associated with these rates. The Roth reforms would retain the deduction for state and local taxes and set the top capital gains rate at 20 percent.

Personal Exemption: To protect working taxpayers who itemize deductions, the $2,000 personal exemption would be extended to those in the 15 percent tax bracket.

SAVINGS PROVISIONS

Current tax law is unfairly biased against saving due to double taxation. The United States, under any measure of savings (inclusive of business saving) ranks last or second to last compared to our major trading partners. After the Japanese essentially eliminated the double taxation of savings in their country after World War II, their savings rate doubled (see chart). A major opportunity will be missed if tax reform does not include major savings incentives to remove the double taxation of savings.

Super Savings Accounts (SUSAs): SUSAs, as described in S. 243, would function much like IRAs except that the savings could be used for any purpose. Current contributions to SUSAs would be tax deductible and savings would be taxed when withdrawn. There would be no additional tax penalty for early withdrawal. Limits would be set at $3,000 for those filing singly and $6,000 for joint returns. In combination with IRAs, this would result in savings vehicles totaling $5,000 per year for individuals and $10,000 for couples.

The SUSAs would be phased in over three years at the rate of $1,000 per year for individuals ($2,000 per year for joint returns).

401K Plans: These tax deferred savings plans have been very effective savings vehicles and should not be cut back as in H.R. 3838. The Roth proposal would maintain current law treatment of 401K plans.

Spousal IRA: The current $250 limit on spousal IRAs discriminates against those that choose to work in the home and also inhibits savings. Under the Roth Reforms, the spousal IRA limit would be increased to $2,000.

BUSINESS PROVISIONS

Corporate Rate Reduction: High marginal tax rates, whether on the individual or corporate side, are a deterrent to economic growth. Senator Roth proposes to lower the top corporate rate to 33 percent. Graduation of corporate rates will be retained.

Depreciation: By slowing down depreciation schedules and eliminating the Investment Tax Credit, current tax reform proposals would increase the cost of capital to American business. The goal of equalizing the tax treatment across industries is laudable, but not at the expense of increased capital costs, decreased investment and slower economic growth. It is possible to achieve neutrality across industries without dramatically increasing the cost of capital to American companies. This is achieved by restoring much of the initial cash flow that is taken away in both the House bill and the President's package.

Roth's proposal to implement the Expense Cost Recovery System (ECRS) would involve a combination of first year expensing and CCRS, the President's proposal. A firm would expense 50 percent of equipment costs and depreciate the remainder according to CCRS. A half year convention would be in place. Asset categories would be the same as under the President's plan and indexing of the basis would be retained. ECRS

would apply to categories 1 through 5 in the President's plan.

Corporate Minimum Tax Rate: Because it is commonly accepted that every company should pay its fair share of tax, a minimum tax is an important element of a tax reform proposal. However, the high tax rate in H.R. 3838 unfairly and adversely affects new businesses. The centerpiece of the Roth Reforms, the Business Transfer Tax (BTT) has many of the attributes of a minimum tax. A high rate of minimum tax coupled with the BTT would be redundant and hurt entrepreneurial activity. In the Roth proposal, the minimum tax rate would be 15 percent.

Miscellaneous: Money would be available to address other areas such as the foreign provisions, as well as to pay for necessary transition rules associated with the BTT. For example, a transition rule would be in order for firms who have invested in large amounts of capital before the effective date of the BTT. They would be taxed on the value added from that capital without any corresponding offset. This is especially a concern to currently unprofitable firms with large amounts of unused credits and deductions. They should not be hit by a new tax just when they are trying to become competitive.

THE BUSINESS TRANSFER TAX

The Roth Reforms would be financed by introduction of a Business Transfer Tax (BTT). The BTT is a net receipts tax on all domestic business. Each firm would calculate its tax base by calculating gross receipts from the domestic sale of goods and services and subtracting purchases of inputs such as raw materials and capital. The tax rate would be applied to this net receipts base.

As a replacement tax, the BTT, in general, should have no effect on the price level. However, if it became evident that the BTT would impact unfairly on low-income families, a sliding credit, modelled after the earned income credit, would be available for the poor. Money for the sliding credit would be set aside.

All firms with under $10 million in gross receipts would be exempt from the tax. To avoid undue hardship to those firms with gross receipts slightly in excess of $10 million, phased in rates would be developed only for firms with between $10 million and $20 million of gross receipts.

The BTT would be fully creditable against the employers portion of the Social Security Payroll Tax (FICA). In addition, BTT liability in excess of FICA would be deductible against income for corporate and individual income tax purposes.

All imports would be taxed at the full BTT rate with the foreign exporter being held liable. A credit mechanism would insure that the BTT on exports is rebated.

The BTT would extend to all sectors in the economy including financial services. Rules would be developed to equitably measure value added in these industries and to maintain competitive balances.

The BTT rate would be set at 8 percent. To make sure that the BTT is not abused, once implemented, a ⅗ majority in both Houses would be required to increase the BTT tax rate.

QUESTIONS AND ANSWERS

1. Won't the BTT result in higher consumer prices?

The BTT is not a net tax increase, but a replacement tax. Because the BTT is replacing taxes which are already part of a firm's cost structure, generally speaking, there will be no increase in domestic prices. There may, however, be an increase in the price of imports. This is necessary if American goods and foreign goods are to be treated equally. It is true, also, that firms who have managed to avoid paying taxes in the past will have to pay the BTT. Whether these latter taxes would be passed on would depend on the competitive situation of the particular business.

2. What will be the impact on small business and family farms?

Due to the exemption for organizations with gross receipts below $10 million, all small businesses and family farms will be exempt from the BTT.

3. Won't the BTT result in an enormous tax increase?

With any broad-based tax, there is apprehension by some that it will be used to generate revenues to fuel government spending. The Roth proposal is a revenue neutral tax reform package. Senator Roth will oppose use of the BTT to increase the overall tax burden. To prevent the BTT from being misused, there is a provision requiring a ⅗ majority vote in each House of Congress for any BTT rate increases.

4. Why is the BTT preferable to a European VAT?

The BTT presents little new administrative burden for either business or the Internal Revenue Service. Each firm would file for the BTT at exactly the same time that the corporate or individual income tax is filed. In fact, the BTT would be an addendum to that form. The estimated tax rules will be the same as under the income tax. No additional record keeping will be required of business as a result of the BTT.

The European VAT, on the other hand, involves major new compliance costs. The VAT is collected through an "invoice and credit" method. This means that each firm pays a tax on total sales, and then gets a credit for the tax paid on all the goods that went into the production process. The firm must keep track of all invoices in order to get the proper amount of credits and must make sure that all its suppliers paid their taxes. This forces firms to assume the additional burden of policing the tax system on top of enormous new record keeping.

5. How will the Roth proposal affect the cost of capital?

The Roth proposal will reduce the cost of capital in several ways. It contains a very valuable capital recovery system—an Expensing Cost Recovery System (ECRS)—and lower corporate rates. It will increase U.S. savings by building new savings incentives into the tax code, thereby making more capital available for investment. Capital costs to American businesses will be much lower than under H.R. 3838 and will make American businesses competitive in international markets.

6. What will the Roth reforms do to the national savings rate?

By reducing the double taxation of savings, over a period of time, people will be more inclined to save part of their earnings. In companies with 401K or other tax deferred savings plans, employees of all income groups have higher savings rates than their counterparts in companies that don't offer these plans. While some claim that the reduction of marginal rates and liberalization of IRAs in 1981 have not stimulated personal savings, this is a false perception. The National Income and Products Accounts definition of personal savings includes corporate contributions to pension funds. However, if actual household savings are singled out, it becomes evident that people are saving more as a result of the savings incentives of 1981.

Even the Japanese, whose personal savings far surpass Americans', were not always prolific savers. Japan's national savings rate increased dramatically after World War II, when changes in the Japanese tax code essentially eliminated the double taxation of saving.

7. Isn't the BTT a regressive tax?

The BTT is a proportionate tax on the incomes from capital and labor, and is used to replace taxes of similar incidence already paid by business. As such, there is no reason to assume the tax will be passed on any more than the tax it replaces. For those firms that have managed to avoid taxes in the past, there is the possibility that they will try to pass on some or all of the BTT. Their willingness to increase their prices to compensate for the BTT will depend on the market conditions of their particular industry.

If it becomes apparent that the BTT might have a disproportionate effect on low income families, a refundable credit, similar to the earned income credit, which phases out at stated income levels could be implemented.

8. Won't the use of the FICA Credit undermine the Social Security System?

The Social Security System is not in any way changed by this proposal. Firms still will be liable for the same amount of FICA tax as before the BTT, and all amounts will go directly to the Social Security Trust Fund. The BTT revenues are simply earmarked to fulfill the FICA liability.

9. Is this a protectionist proposal?

An important feature of this proposal is that it harmonizes our tax system with that of our major trading partners. Under international treaty, so-called indirect taxes (taxes on products) are to be levied in the country in which they are consumed. Taxes on exports are rebated and imports are taxed as they cross the border. Our trading partners raise more revenue through indirect taxes than the United States. Because of this, there is an inherent bias against American exports and in favor of foreign imports. Imposition of the BTT will reduce this bias so that American goods are treated the same as those from other countries.

10. Could the BTT lead to retaliation by U.S. trading partners?

The BTT is compatible with the General Agreement on Tariffs and Trade. Retaliation would be illegal under international trade agreements. The only legal retaliation would be for countries to raise their VAT, which hardly seems likely.

HOW THE TAX RATES COMPARE: THE ROTH PROPOSAL VERSUS H.R. 3838

[Individual marginal tax rates and taxable income brackets]

| Tax rates (percent) | Married filing jointly | Single | Head of household | Married filing separately |
|---|---|---|---|---|
| The Roth reforms: | | | | |
| 15 | $0 to $22,500 | $0 to $12,500 | $0 to $16,000 | $0 to $11,250 |
| 20 | 22,500 to 43,000 | 12,500 to 30,000 | 16,000 to 34,000 | 11,250 to 21,500 |
| 25 | 43,000 to 70,000 | 30,000 to 42,000 | 34,000 to 52,000 | 21,500 to 35,000 |
| 30 | Over 70,000 | Over 42,000 | Over 52,000 | Over 35,000 |
| H.R. 3838: | | | | |
| 15 | $0 to $22,500 | $0 to $12,500 | $0 to $16,000 | $0 to $11,250 |
| 25 | 22,500 to 43,000 | 12,500 to 30,000 | 16,000 to 34,000 | 11,250 to 21,500 |
| 35 | 43,000 to 100,000 | 30,000 to 60,000 | 34,000 to 75,000 | 21,500 to 50,000 |
| 38 | Over 100,000 | Over 60,000 | Over 75,000 | Over 50,000 |

EXPENSE COST RECOVERY SYSTEM (ECRS)

[Percent of cost recovered each year]

| | Class 1 | Class 2 | Class 3 | Class 4 | Class 5 |
|---|---|---|---|---|---|
| Year: | | | | | |
| 1 | 39 | 36 | 33 | 30 | 30 |
| 2 | 45 | 42 | 39 | 35 | 33 |
| 3 | 9 | 10 | 9 | 8 | 6 |
| 4 | 4 | 5 | 6 | 6 | 5 |
| 5 | 3 | 4 | 5 | 6 | 4 |
| 6 | | 3 | 5 | 6 | 4 |
| 7 | | | 3 | 6 | 4 |
| 8 | | | | 3 | 4 |
| 9 | | | | | 4 |
| 10 | | | | | 4 |
| 11 | | | | | 2 |

*Revenues from the business transfer tax 8-percent rate FICA credit with excess deductible against income for the corporate and individual income tax*

[In billions of dollars—percent of total from imports 40.8 percent]

| | |
|---|---|
| 1987 | 47.6 |
| 1988 | 71.4 |
| 1989 | 76.2 |
| 1990 | 81.6 |
| 1991 | 87.2 |
| Total | 364.0 |

Source: Joint Committee on Taxation.

The PRESIDING OFFICER. The time yielded to the Senator has expired.

## RECOGNITION OF SENATOR HAWKINS

The PRESIDING OFFICER. Under the previous order, the Senator from Florida is recognized for not to exceed 5 minutes.

## NICARAGUA'S DIRTY LITTLE WAR IN NORTH AMERICA

Mrs. HAWKINS. Mr. President, this week the Nation's attention has turned south as first the House and then the Senate vote on the President's request for vital aid to the Contras. If any of my colleagues are still undecided and are looking for a solid reason to vote one way or another, let me say that I believe you need look no further than our schoolyards and our playgrounds to see the threat of Nicaragua's dirty little war in North America.

I will grant you that it is not a conventional war. There are no Kalishnikovs, no attack helicopters, no tanks. No, this war is more subtle. But it is no less threatening to our way of life. This war is being fought with a deadly little white powder called cocaine. The left may laugh and make jokes about the "Red tide" threatening San Diego. But let me tell you that I don't consider the mass murderers who traffic in cocaine a laughing matter.

These are very serious allegations, and I am prepared to back them up. In mid-July 1985, a Federal grand jury in Miami, FL, indicted 11 people including an aide to Interior Minister Thomas Borge on cocaine smuggling charges. According to the indictment the aide, Frederico Vaughn, actively assisted Colombian smugglers in their efforts to ship 1,500 kilos of cocaine to the United States.

In August 1984 I held a hearing in the Subcommittee on Alcoholism and Drug Abuse to look into the Narco-terrorist link. Having seen the indictment of Vaughn in Miami, I put the following question to William Von Raab, Commissioner of the U.S. Customs Service:

Senator HAWKINS. During the past few weeks there have been numerous reports of direct involvement by senior members of the Nicaraguan Government in narcotics trafficking. I have the indictment that was filed in my hand. Consistent with your responsibility to protect intelligence sources and methods and pending investigations, do you personally believe that senior members of that Government are engaged in narcotics trafficking?

Commissioner VON RAAB. Yes, I do.

Later in that hearing we received testimony from Antonio Farach, former minister counselor at the Nicaraguan Embassies in Venezuela and Honduras. During the course of his testimony Mr. Farach explained his willingness to come before the subcommittee saying, "it is to the youth of the United States, and only for them, that I am here today." Why did he say this? Because after learning of the involvement of high-ranking Nicaraguan officials in narcotics trafficking, he asked why they were doing it and was told:

Our youth would not be harmed, but rather the youth of the United States, the youth of our enemies. Therefore, the drugs were used as a political weapon because in that way we were delivering a blow to our principal enemy.

Some questioned Farach's testimony so I decided to search out an unimpeachable source. On April 19, 1985, in the Subcommittee on Children, Family, Drugs, and Alcoholism, I conducted another hearing into this sordid business. The star witness was James Herring. Mr. Herring was the key witness in the Miami indictments that involved Frederico Vaughn, aide to Tomas Borge.

Is Mr. Herring a reliable authority? If not, eight people are in jail who should not be. It was primarily on the basis of Mr. Herring's testimony that eight people were convicted on drug trafficking charges. Mr. Herring had been hired by Robert Vesco to assist the Nicaraguan Government launch its cocaine processing operation. He worked on a regular basis with Frederico Vaughn. What did he think was the role of the Nicaraguan Government based on his extensive contacts with Nicaraguan officials and his visits to Nicaragua and Cuba? I put that question to him directly:

Senator HAWKINS. Do you believe that the cocaine trafficking operation was a Government initiative or the action of a few corrupt individuals in Nicaragua?

Mr. HERRING. I think it was a Government-initiated thing; I think it was to gain dollars for the economy of Nicaragua.

In addition, there was testimony from John Keeney, Deputy Assistant Attorney General for the Criminal Division, U.S. Department of Justice that there is an eyewitness to the fact that narco-profits from the Nicaraguan drug dealers were returned to Nicaragua by Nicaraguan diplomatic personnel.

Finally, I would like to make mention of important information that has been provided by Alvaro Jose Baldizon Aviles, former chief investigator of the Special Investigations Commission of the Nicaraguan Ministry of the Interior. Baldizon has recently defected to the United States.

In mid-1984, Baldizon's office received a report linking Tomas Borge with cocaine trafficking to the United States. Borge's office instructed Baldizon to investigate this as a compromise of a state secret. After raising this issue with his superiors, Baldizon was told that if he received any further information on cocaine trafficking in the future, it should be passed to the Minister without investigation.

I for one am grateful to the DEA, the Customs Service and the Department of Justice for their vigilance in uncovering this plot. It is to be hoped

that by going public with this information over the last few years we can show the drug traffickers that we are alert to attempts to use Nicaragua as a processing and shipment center. But we cannot be certain that we have, in fact, discouraged the Nicaraguans.

The evidence is that high ranking Nicaraguan officials probably with full government support have systematically tried to build a network for trafficking cocaine into this country. With such a concerted effort, I do not believe we can assume that once caught they will back off.

Most of the leaders of the Nicaraguan Government are self-confessed Marxists. I believe that they are out to undermine and destroy our way of life in any way they can—even through drug trafficking. I believe they are committed to continuing their dirty little war in Central America, and I hope we have the sense to do something about it.

The PRESIDING OFFICER. The time allotted to the Senator has expired.

## RECOGNITION OF SENATOR PROXMIRE

The PRESIDING OFFICER. Under the previous order, the Senator from Wisconsin is recognized for not to exceed 5 minutes.

The Senator from Wisconsin.

Mr. PROXMIRE. Thank you, Mr. President.

## GORBACHEV "CONCESSION" ON STAR WARS WILL NOT ADVANCE ARMS CONTROL IN EUROPE

Mr. PROXMIRE. Mr. President, a report from Moscow that appeared in the New York Times on February 8 asserted that the Soviet Union has moved closer to agreement on nuclear arms control in Europe. The Soviet Union has changed its position. The Soviet Union will now negotiate for a reduction of intermediate nuclear missiles in Europe without insisting that the United States abandon its star wars or SDI project. Does this mean that the superpowers will now promptly go forward to agree on a reduction of intermediate nuclear arms on both sides in Europe? No. Such an agreement is now possible. It is still unlikely.

The main significance of the Gorbachev decision to make such an agreement while the United States proceeds to advance star wars suggests that Gorbachev is not really concerned about a U.S. missile defense. In the judgment of this Senator, Gorbachev never has been concerned about star wars. Gorbachev had previously indicated that continued laboratory research on star wars by the United States was not an obstacle to negotiation. The Russian leader continues to insist that he will not agree to any new strategic—that is intercontinental—arms control limitation or reduction if the United States proceeds with SDI.

This Senator has long argued that the Soviet Union fully understands, as virtually every informed and independent American knows, that star wars almost certainly will not work. Why has the Soviet Union so strongly protested the program if they do not regard it as a serious threat? Answer: Gorbachev knows that the one way he can most surely persuade the Congress to go along with the President and divert military funds into this hopeless program is for Gorbachev himself to protest it. If any Member of Congress doubts that star wars will reduce other military programs, including vital and highly relevant research, he should see a speech recently delivered by this Senator on the floor of the Senate documenting exactly this. The more vigorously the Soviets protest star wars, the more Members of the Congress will support it.

Why then does Gorbachev now indicate that star wars progress by the United States will not keep the Soviets from agreeing to a treaty on intermediate nuclear weapons in Europe? The Soviet leader understands that the star wars defense is strictly a potential and very likely impossible U.S. defense. It has no possible application to Europe. A missile flight from the Soviet Union to the United States or vice versa would take 20 minutes to half an hour. It would reach an apogee of several hundred miles above the Earth. Theoretically, an SDI defense could intercept some of such missiles at some point during their long flight. But how about an attack from an advanced Warsaw Pact base in West Germany, Paris, Rome, or even London. The time of missile flight is short. The distances are short. A cruise missile hugging the ground could penetrate any star wars defense. Star wars offers absolutely no credible defense for Europe so, obviously, star wars is totally irrelevant to any agreement on intermediate nuclear missiles. Gorbachev not only knows this. He knows that even many Members of the U.S. Congress understand it. So he appreciates the fact that any insistence on his part that intermediate missile negotiations could not proceed if star wars continues is irrelevant and is recognized by everyone as irrelevant.

Why doesn't this Gorbachev agreement to drop the star wars objection to intermediate missile negotiations indicate the probable success of such negotiations? Answer: When Secretary Gorbachev announced he was dropping the star wars objections, he also announced that he will insist that France and England agree not to increase their intermediate nuclear arsenals. It is true that this does constitute a very slight advance over the previous Soviet posture. In the past, the Soviets had insisted that French and United Kingdom nuclear missiles had to be included with United States intermediate nuclear missiles deployed in Europe in any agreed reduction. Now the Soviets are only asking that neither France nor England increase the present size of their arsenal. If that sounds like a reasonable expectation, it is not. Why won't England and France meet this condition? Answer: As Secretary Gorbachev certainly knows, both France and England have already commenced a major expansion of their nuclear arsenals. Each of these two European countries has announced plans for at least a 1,000 nuclear warhead force. Production of the submarines and bombers to deliver these additional nuclear weapons is well underway. The U.S. position that it cannot and will not negotiate for other sovereign countries is correct. We cannot. Neither the United Kingdom nor France seem inclined to limit their planned new nuclear deployment. So the Gorbachev decision that U.S. star wars progress will not prevent him from reaching an agreement with the United States on superpower deployment of intermediate nuclear missiles will make Gorbachev's position less unreasonable and that is about all it does. It does not signal success for an arms control agreement to limit or reduce superpower nuclear weapons in Europe.

## MYTH OF THE DAY: MEDICARE BENEFICIARIES CAN PRICE SHOP FOR MEDICAL CARE

Mr. PROXMIRE. Mr. President, the myth of the day is that most Medicare beneficiaries are in a position to effectively price-shop for nonemergency physician care.

One of the goals of this administration—which I strongly support—is to introduce competition into the marketplace for nonemergency care. But a central tenet of effective competition is an explicitly defined price to the consumer. And for most beneficiaries, it is necessary to be clairvoyant if they are to accurately project their potential out-of-pocket costs from different providers for the same service.

For some beneficiaries, this problem has been eased by the development of Medicare reimbursement to Health Maintenance Organizations [HMO's]. With HMO's the possibility of effective price-shopping is becoming a reality: beneficiaries can evaluate competing HMO benefit packages, their maximum out-of-pocket costs under each plan, whether their preferred physician participates and the general reputation for quality of each HMO. Hardly a foolproof system. But a

major improvement over the situation which most beneficiaries face in attempting to limit their out-of-pocket costs and shop prudently for medical care.

And with the tremendous reductions which Medicare has been forced to make in the last 5 years, the need of beneficiaries to restrain their out-of-pocket costs has become even more pressing.

But how are beneficiaries who cannot or do not want to join HMO's supposed to price-shop for physician services? Even when they want to price-shop, or desperately need to do so, it is virtually impossible to do so.

The reason lies in Medicare's incredibly complex formula for part B reimbursement. Known as customary, prevailing and reasonable [CPR], Medicare's formula is a bewildering array of formulas that make it impossible for the beneficiary, and often for the physician, to have any idea what Medicare will pay on the physician's bill. Thus, even when a physician is willing, and they often are, to assist those in need, by charging the beneficiary no more than their 20-percent copayment, it is often impossible for a physician to even let the beneficiary know in advance what that 20-percent copayment translates to in dollars.

The complexity derives from the fact that Medicare pays the lowest of: the physician's actual charge for the service the customary charge of the physician for the same service based on billings to Medicare from the prior year or the prevailing charge—a figure set at the 75th percentile of charges of all physicians in the area for the same service—and to complicate matters even further increases in the prevailing charge may not increase more from year to year than increases in the Medicare economic index.

All of this means that unless the physician can remember what Medicare is paying this year for a specific service, the beneficiary has no hope in evaluating the relationship between the bill they receive and what Medicare might pay.

But that's not the end of the story. The next question is whether the physician agrees to accept assignment, meaning that the beneficiary is responsible only for the required 20-percent copayment of Medicare's approved charge; if the physician refuses assignment, the beneficiary faces the 20-percent copayment as well as the difference between the actual charge and Medicare's approved amount—and, in 1985, that difference was 26.2 percent.

And last, but not least, is the question of whether the beneficiary has met the required $75 deductible in the year before Medicare pays a dime. Hardly a reassuring scenario by which the elderly can price-shop.

Consider the points made by the Office of Technology Assessment report:

> Some physicians may not be able to recall their Medicare approved charges when they recommend to the patient that a specific service be rendered, and when they refer a patient to another physician for a specialized service, they may not know all of the services that that physician may render, much less the charges for those services.
>
> For some infrequently performed procedures rendered near the beginning of a fee screen year, an approved charge for the procedure may not have been calculated for the physician practice. Neither the beneficiary nor the physician would then know the level of the approved charge until a bill for the service had been submitted.
>
> At the beginning of a fee screen year a physician would be likely to learn of that year's allowed charges only as reimbursements were received for services rendered in the new fee screen year. A physician could request information on those new approved charges . . . but there was no organized information dissemination . . . to physicians.

With such a bewildering structure, can there be any surprise at former HCFA Administrator, Dr. Carolyne Davis' statement that:

> We get something like 9 million letters a year on reimbursement, most simply wanting to know how the payment was arrived at.

The bottom line is clear. As Congress considers revision in Medicare's payment system, we need simplicity. An explicit payment schedule that can be understood by both the beneficiary and the physician in advance. Only then can competition truly flourish. And only then will beneficiaries be in a position to protect themselves from high out-of-pocket costs.

## MEETING THE NICARAGUA PROBLEM

Mr. STENNIS. Mr. President, there is a great deal of concern—I am certainly including myself with those who have great concern—about the trend of things, and the possible developments in Nicaragua.

So I want to make use of about 10 minutes to sum up and review this situation in part, and put my thoughts for whatever they may be worth before my fellow Members.

The only basis I have to make a speech on this subject is some of the background, happenings, and so forth in the time since I have been here. I will not take over about 10 minutes.

Soon after the end of World War II, we assumed a major international leadership role, where prior thereto we had been leaning toward isolationism. Our leaders and our people knew this policy, knew the position, and knew that it would be expensive when we went into it. But, nevertheless, we deliberately took over the responsibility.

As the leader of the free world, we started paying a heavy price, a very heavy price, for that role shortly thereafter because within just a few years we were fully committed in the Korean war, which cost us heavily in manpower and in money. Thus, we had fought our first undeclared war.

I remember so well standing just to the rear of where I am now sitting when I fully realized that we had actually sent troops into Korea, they were engaged then in battle, and we had not passed a resolution of declaration of war which the Constitution plainly and clearly says that Congress shall have the power to declare.

Within a few years, we were fully committed, as I said, in the Korean situation—the first time we fought deliberately an undeclared war. A few years later, we became involved in the war in Vietnam—again an undeclared war—which also cost us severely in lives and money. We have since then been involved in Lebanon, Grenada, and in one way or another in many other countries around the world. Our commitment throughout the world requires us to maintain a military program now costing us over $300 billion a year, three times the amount it cost to run our entire Government only 25 years ago.

I recite those facts as a background for the opportunity I have had to observe and partly get the feel of, and these conditions have influenced me in my conclusion about Nicaragua and a relatively small sum of money, in a measure that the President has asked us to authorize to spend there. It is a lot of money in my book. But when it comes to dealing with these international affairs that I have related, it certainly is not an extravagant figure.

We have had Castro, also, and his regime in Cuba on our very doorsteps for over 20 years in a threatening, unfriendly, and positively closely aligned way with the Soviet Union. Now we have the present regime in Nicaragua closely connected and supported with weapons from the Soviet Union and from Cuba with a clear and present danger that their system and the threat it represents will spread to other Central American countries. That doubly underscores and multiplies many times over my concerns. It is not just Nicaragua, but also these other countries are tied in with all of Central America. The Lord only knows what else could become involved.

We have had a lot of problems. We met them the best we could. We have been successful in part. I do not know where the world would be by now if it had not been for our effort. And the real point we come to now is, What will happen if we do not continue this relatively small program that we have now in Nicaragua—hoping against hope that it will lead to something better and hold things together, and

thereby pave the way for the saving of that area?

Promises of negotiation have not been met. I cite these facts to show we already have these problems and trouble spots. We cannot avoid them now by merely withdrawing, because they will not go away. I think our people want a strong, firm foreign policy. They fully understand that there is risk involved. Not only of money, but they understand that it will cost far more in resources and risks to our national security if we have a soft foreign policy, and are unprepared to deal with the situations that may arise. The problems confronting us in Nicaragua will not go away of their own accord. Instead, those problems will grow and fester if left alone. We cannot afford to leave it alone.

With the foregoing facts confronting us, we are compelled to intervene by providing some funds for assistance to the Contras opposing the regime in Nicaragua. The area surrounding Nicaragua could be the seedbed for future trouble if we do not act now.

I repeat that for emphasis. If we do not provide money to help the Contras now, some of these countries are highly vulnerable and run the risk of being undermined in time by the same type Marxist philosophy now present in Nicaragua. This money is not what is known as economic development aid. This money is in reality military funds, a distribution to the Contras to carry on in the fight against Communists in Nicaragua. The only request to us now is for $100 million to be used by the Contras as outlined by the President.

This plan is awkward, in a way, for Nicaragua, and also the other neighboring countries. But it carries the hope and a potential for freedom and democratic institutions in which all countries in the area will eventually share.

This limited involvement now aids the chances for a successful ending of this threat. We need to prevent developments in the area that are adverse to the interests of the local countries, and also definitely a threat to our country.

I am convinced, Mr. President, that we should act in this limited way, and I am further convinced that our Secretary of State, Mr. Shultz, understands this problem, and will do an excellent job.

Mr. President, Secretary Shultz has proved his understanding, his know-how, and his knowledge. He is a planner. He knows, in these uncertain times, in these treacherous times, how to proceed.

This is his recommendation and it is a recommendation of the President of the United States that these funds be supplied. It is unthinkable that we withhold this money now and walk away after having started the course. If we do not proceed now, we shall pay a much greater price later, so let us move forward with this plan.

Mr. President, I have outlined the substance in a brief way, of my background of experience in these crises.

Mr. President, they are moving toward us every day, closer and closer and closer. Now, and this sounds like it is way off, but it is within close distance with modern travel by air.

Mr. President, we must meet these conditions now. We must not slacken, we must not back up; we have started on this course and I hope we can move right on and approve this relatively small amount. Let them know that we are going to be willing to pay the necessary price, and that we are not going to yield.

Mr. President, I thank the Chair and I thank those who have arranged for our speaking during this period of time. I yield the floor and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SPECTER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. KASTEN). Without objection, it is so ordered.

## RECOGNITION OF SENATOR SPECTER

The PRESIDING OFFICER. The Senator from Pennsylvania [Mr. SPECTER] is recognized.

## IMPACT OF PROPOSED BUDGET CUTS ON PENNSYLVANIA

Mr. SPECTER. Mr. President, I report today on a series of hearings which I held throughout Pennsylvania to investigate the impact that the administration's proposed budget cuts may have. The information that I received has been very informative and will be helpful to me in determining my budget priorities as a series of votes will come before the Senate. There is a great concern throughout my State on what the budget revisions will mean. There is a general understanding that the deficit must be reduced and eventually eliminated. However, cuts in programs should be fair and evenly distributed. This principle is not evident in the proposed budget.

Any budget proposal should take into account the special circumstances of States which have special needs, and that involves a State like Pennsylvania, which, regrettably, has not shared in the economic recovery. Certain regions of the State continue to suffer from levels of high unemployment, and subsequent loss of tax base. I cannot support the proposed budget provisions that will impose undue hardships on Pennsylvanians and hinder my State's ability to continue the economic gains that are being made.

I suggest, Mr. President, that the situation is not unique for Pennsylvania but is duplicated in many other areas of the United States. So there will have to be careful targeting as we work through the process of cutting the deficit, but still give appropriate care and attention to areas of need in this Nation.

At my hearings, many concerned Pennsylvanians testified on matters regarding education, mass transit, veterans' affairs, job programs, job corps, transportation, UDAG's health and human services, general revenue sharing, housing, small business, juvenile justice, and environment. I was very much impressed with their breadth of knowledge and their commitment to efficient, high quality public service. I came away convinced that the budget cuts which were discussed would have to be very carefully tailored so that the needs of areas of our Nation like my own State will be met.

City officials testified that they were quite disturbed by the proposed budget cuts in programs such as urban mass transit, urban development action grants, where the UDAG's have been leveraged for very fine city improvements which have yielded a strong tax base and have yielded more in taxes and revenues to the Federal Government than the initial expenditures; much concern about the Economic Development Administration, which again has a record for a positive yield on the investment and the Federal outlays; great concern about urban mass transit, where the elimination on a drastic basis of Federal support would result in extraordinarily high increases at the fare box, would discourage people from using mass transit, and would undercut the ability of many, simply stated, to be able to get to work. Concern was also expressed at the cuts in housing rehabilitation and development programs, general revenue sharing and job programs. These are some of the programs that are essential to a successful rebuilding of our urban centers, where millions of Americans, including many of our less fortunate low-income, unemployed, and older adults live. Other witnesses testified on particular subject areas which I will briefly describe.

### EDUCATION

Educators were very much concerned with the inevitable loss of equal access to educational opportunity given the proposed changes to Pell grants, national defense student loans, and guaranteed student loans. According to these sources, decreases in such aid would compel a good portion of students currently attending colleges to forfeit or delay their education.

They also stressed that these proposed cuts will in fact act to deny students the right to attend the college of their choice. The cuts will result in the selection of a college being based on financial, rather than academic criteria. They testified that many students and their families find themselves unable to meet the rising costs of education without outside assistance. The elimination/reduction in the aforementioned programs would leave thousands of students faced with a very difficult situation: That is, that there would simply be no other sources from which to acquire funds for education. As one person stated, "If you think education is expensive, try ignorance."

It is very important, as we assess the Federal budget on education, that we bear in mind that education is realistically viewed as a capital asset, and that the investment in the future of scholarship is a great thing for America. It is an expenditure which has to be made if we are to keep pace with the Soviets and other great world powers and if we are to keep pace with the modern industrial nations like West Germany, Japan, and other evolving nations.

MASS TRANSIT

The testimony from mass transit officials pointed to the fact that, if operating subsidies are eliminated, there will be dramatic cutbacks in service and unavoidable fare increases. Many mass transit users are poor and elderly, and they would suffer the most from these increased charges. Reductions in capital funding, along with proposed mixing of highway and mass transit block grants, will mean the eventual decay of critical infrastructure that has taken so long to build. Elimination of the gas tax exemption for bus fuel would also impair transit authorities' ability to provide affordable service.

Amtrak officials testified that Amtrak would simply have to shut down if the administration's proposed cuts in subsidies are adopted. Amtrak contributed hundreds of millions of dollars to the economy last year through the purchase of goods and services and its payroll. Amtrak also described the dismal situation the transportation industry and the Nation would face if Amtrak were terminated: Increased air and highway congestion, other transportation inconveniences, and a loss of some 25,000 jobs.

VETERANS

Great concern was shown, Mr. President, from veterans who came to my hearings all across Pennsylvania. They were especially concerned about reductions in medical care, medical treatment.

Witnesses testifying on behalf of Pennsylvania veterans stated that the budget proposals will cause a decline in all aspects of VA programs and services. They charge that cuts are being made without regard to past efficiencies and cost cutting which reportedly have generated over $2 billion in savings over the past 5 years.

With respect to the veterans' issue, it has to be remembered that, unlike many grants or gifts which the Federal Government undertakes, the commitments to the Nation's veterans are obligations which are undertaken for services performed.

JOBS PROGRAMS

The Pittsburgh Job Corps Director testified that, if the administration's proposals are accepted, $5 million would be lost to the local economy. In addition, the opportunity to break the cycle of welfare, one of the President's stated goals, would be eliminated for the 1,000 local youths who participate every year. He questioned the budget's logic given administration's studies, and numerous independent studies which reportedly prove conclusively that there is a return on investment of $1.46 for every dollar invested in the Job Corps. He testified that the President's budget entails 38 to 64 center closings, 32,000 fewer new enrollees, and 6,200 lost staff jobs nationwide.

JUSTICE

Juvenile Justice, Justice Assistant, and Victim Assistance Programs would be critically injured by budget proposals. These programs have shined in their success until now and we should not allow them to be eliminated. To do so would serve only to negate much of the progress already achieved. Their importance to my State was stressed in testimony.

SMALL BUSINESS ADMINISTRATION

The firm consensus of all those who testified on behalf of the Small Business Administration [SBA] was that the SBA has exerted a tremendously positive influence, providing much needed financial and management assistance to small businesses. The SBA assistance programs have greatly enhanced the ability of small businesses to compete effectively in the marketplace, and thereby continue to provide valuable and essential services. Elimination of the SBA and its programs would seriously curtail the growth of small businesses as a positive force in our economy, reduce the competitive nature of our business sector, and raise unemployment.

ENVIRONMENT

Representatives of the Sierra Club expressed great concern over the adverse consequences that would result from the cuts in environmental programs. Testimony stated that Pennsylvania stands to lose over $640 million in 1987 (a good portion of which would come from elimination of grants for construction of sewage treatment plants). The continuation of the preservation and cleanup of Pennsylvania's rivers and streams is of critical importance. As such, all testimony stressed that we can ill afford to allow the tremendous progress made in environmental protection to be reversed or negated.

HOUSING/UDAGS/CDBG/EDA

City officials across the State testified as to the devastating effects that proposed reduction and/or elimination of UDAG's, CDBG's, housing programs, and economic development would have on their cities and surrounding areas. All who testified reiterated their support for and understanding of the need to reduce Federal spending and eventually eliminate the deficit. However, they expressed deep concern over the indiscriminate manner in which the proposed budget cuts appear to have been made. The recurrent theme of each person who testified was that the loss of Federal funds will create great havoc and place a tremendous burden on local municipalities who cannot replace those funds through increased tax revenue. The end result—dramatic curtailments and cutbacks in essential services, programs, and employment.

Officials substantiated their arguments for the continuation of UDAG's/CDBG's in describing dozens of examples where these grants were the pivotal leveraging mechanism for financing such varied projects as housing development/rehabilitation, urban revitalization, commercial development, public safety, and street improvements.

HHS

Officials testifying for agencies who provide health and human services programs described an equally dismal situation should proposed cuts in their funding be enacted. Given previous reductions in funding levels for many HHS areas, the additional proposed cuts would force agencies to make extremely difficult decisions in determining the priorities for the distribution of their scarce resources. Affected programs include nutritional service, employment and training, education, health, housing, and other vital programs.

For example, a study conducted by the Urban Institute here in Washington concluded that Allegheny County is one of the most heavily dependent upon Federal assistance for social services. Of the nearly $1.5 billion spent annually in Allegheny County for these services, 77 percent comes from the Federal Government. Should the county lose those funds, the immense impact of the loss becomes painfully clear. These cuts are especially difficult for an area which has experienced such a dramatic loss of manufacturing jobs and tax base.

In summation, Mr. President, I have acquired valuable information from and insight into the concerns of Pennsylvanians regarding the fiscal year

1987 budget. When the 1981 tax and budget cuts were enacted, one major premise was that, as the Federal Government reduced grants for social service, State and local governments would step in to fill the gap. In the case of Pennsylvania, that apparently cannot happen. Given this, it is clear that, while the Federal Government continues to shift the financial burden to the State and local levels, those governments find themselves without sufficient financial resources to address many of the problems which were originally conceived as being national goals and objectives. Therefore, as we in Congress continue to strive toward our goal of eliminating the Federal deficit, we must remember that we have a duty to tailor the Federal budget to the real needs of the country, and to the diverse circumstances of the States. I will be working vigorously to assure that this is accomplished.

Mr. President, I have attached a list of the witnesses who testified and where these hearings were held, and I ask unanimous consent that it be included in the RECORD.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

BUDGET HEARING WITNESS LIST, FRIDAY, FEBRUARY 14, 1986—ERIE, PA

Joseph Schleicher, Board of Erie Metro Transit Authority.
Jim McIntosh, V.P., Amalgamated Transit Union Local 568.
Richard Ace, Steward, Amalgamated Transit Union Local 568.
Hayes Hamilton, Transit Passenger.
Michael Crockett, Transit Passenger.
Ruth Long, Transit Passenger.
Alice Pacek, Transit Passenger.
Alvira Carson, Transit Passenger.
Thelma Grady, Transit Passenger.

BUDGET HEARING WITNESS LIST, SATURDAY, FEBRUARY 15, 1986—PHILADELPHIA, PA

David Boonin, Mayor's Director for Intergovernmental Affairs.
Timothy Gillespie, Senior Director, Congressional Affairs, Washinton, DC. Amtrak.
Lewis F. Gould, Chairman of the Board, SEPTA.
Robert Gerard, Vice President, Mellon Bank (East).
Kenneth Staley, Vice President, Kinzy Staley & Sons, Inc.
Bob Sorrel, Executive Director, Urban League of Philadelphia.
Vera Gunn, Philadelphia Urban Coalition.
Sister Charity Kohl, Administrator, Cora Services.
Johnathan Stein, Executive Director, Community Legal Services—Ronald Harper, President, Board of Trustees.
Brother Patrick Ellis, President, La Salle Univ.
Perry Lenzer, Business Manager, Cheyney Univ.

BUDGET HEARING WITNESS LIST MONDAY, FEBRUARY 17, 1986—PITTSTON, PA

Honorable David Wenzel, Mayor, City of Scranton.
Honorable Thomas McLaughlin, Mayor, City of Wilkes-Barre.
Mrs. Rachel Lohman, Director, Financial Aid Office, Wilkes College, Wilkes-Barre, Pennsylvania.
Mr. Fred Letteri, Executive Director, Scranton-Lackawanna Human Development Agency.
Mr. Sanford Sutherland, President, Board of Directors, Economic Development Council of Northeastern Pennsylvania.
Mr. Howard Grossman, Executive Director, Economic Development Council of Northeastern Pennsylvania.
Mr. James J. Decker, Executive Director, County of Lackawanna Transit System, Immediate Past President, Pennsylvania Mass Transit Association Directors.

BUDGET HEARING WITNESS LIST, FEBRUARY 17, 1986—ALLENTOWN, BETHLEHEM, EASTON AIRPORT, PA

Donald Bernhard, Director of Community Development, City of Allentown.
Renee Saleh, Director of Financial Aid, Kutztown University, Vice President, Pennsylvania Association of Financial Aid Administration.
Armando V. Greco, Executive Director, Lehigh and North Kingston Transit Authority.
Bernadette Kuebler, Chairman, Allentown Housing Authority.

BUDGET HEARING WITNESS LIST, MONDAY, FEBRUARY 17, 1986—PITTSBURGH, PA

Honorable Pete Flaherty, Allegheny County Commissioner.
David Donahoe, Mayor's Office.
Father Donald Nesti, President, Duquesne University, Lois Behr, Student.
Bill Millar, Executive Director, Port Authority Transit.
Leo McDonough, President, Smaller Manufacturers Council and Frank Fairbanks, Past President, Smaller Manufacturers Council.
Vince Doran, Executive Director, Job Corps.
Joseph Pulgini, Director, Allegheny County Department of Veterans' Affairs.
Richard Drnevich, Director of Redevelopment, Allegheny County Redevelopment Authority or Housing.
Tom O'Shea, Deputy Director, Area Agency on Aging.

BUDGET HEARING WITNESS LIST, FEBRUARY 22, 1986—HARRISBURG, PA

Mayor Stephen Reed, Harrisburg.
Andy Thompson, National Service Officer, Disabled American Veterans.
Charles Coder, Executive Director, Small Business Development Center, Bucknell University.
James Hoffer, General Manager, Capitol Area Transit.
Jeff Schmidt, Governmental Liaison, Pennsylvania Sierra Club.
James Thomas, Executive Director, Pennsylvania Commission on Crime and Delinquency.
Jeff Birringer, Managing Attorney, Harrisburg Legal Services.
David Helfman, Assistant Research Director, Pennsylvania State Education Association.
Donald Raley, Director of Financial Aid, Dickinson College.
Mayor Martin Schneider, Lebanon.

BUDGET HEARING WITNESS LIST, MONDAY, FEBRUARY 24, 1986—JOHNSTOWN, PA

Herbert Pfuhl, Mayor of Johnstown.
Thomas Klaum, Executive Director, Cambria-Somerset Council of Governments.
Harold Jenkins, Executive Director—Cambria County Transit.
John Henry, Director—Cambria County Human Services.
Thomas Wonders, Director of Admissions and Financial Aid—University of Pittsburgh.
Tina Eppolito, Student Recipient of Financial Aid.
John Torres, Director of Community Economics Development.
George Walter, Deputy Director, Community Development.
Robert Symon, Project Director, Community Service Employment Program.

BUDGET HEARING WITNESS LIST, MONDAY, FEBRUARY 24, 1986—Altoona, PA

David Jannetta, Mayor of Altoona.
William Stouffer, Chairman—County Commissioner of Blair County.
Donna Gority, Blair County Commissioner Speaking on Human Services.
Charles Catteral, Executive Director—Altoona Housing Authority.
Dr. Edward Pierce, President—Mt. Aloysius Jr. College.
Student From Mt. Aloysius Jr. College.

Mr. SPECTER. Mr. President, I thank the Chair. I yield the floor.

## FEDERAL DEBT RECOVERY ACT

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Senate now turn to the consideration of Calendar No. 554, S. 209, the Federal Debt Recovery Act, and that it be considered under the following agreement: That no amendments be in order with the exception of the committee-reported amendments; that no motions to recommit with instructions be in order; 2 minutes on any debatable motions, appeals, or points of order, if so submitted to the Senate; that the vote on final passage of S. 209 occur at 11:30 a.m.; and that the agreement be in the usual form.

The PRESIDING OFFICER. Without objection, it is so ordered. The bill will be stated by title.

The legislative clerk read as follows:

A bill (S. 209) to amend chapter 37 of title XXXI, United States Code, to authorize contracts retaining private counsel to furnish collection services in the case of indebtedness owed the United States.

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Governmental Affairs, with amendments, as follows:

(The parts of the bill intended to be stricken are shown in boldface brackets, and the parts of the bill intended to be inserted are shown in italic.)

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Federal Debt Recovery Act of 1985".

SEC. 2. Section 3718 of title 31, United States Code, is amended—

[(1) by striking out subsection (d);]

[(2)] *(1)* by redesignating subsections [(b) and (c)] *(b), (c), and (d)* as subsections [(d) and (e),] *(d), (e), and (f),* respectively;

[(3)] *(2)* in subsection (d), as redesignated by paragraph [(2),] *(1),* by inserting "or (b)" after "subsection (a)";

[(4)] *(3)* in subsection (e), as redesignated by paragraph [(2), (1)—]

*(A) by inserting "or (b)" after "(a)" in the first sentence; and*

(B) by striking out "(b)" *in the second sentence* and inserting in lieu thereof "(d)"; and

[(5)] *(4)* by inserting after subsection (a) the following new [subsection:] *subsections:*

"(b)(1) The Attorney General may make contracts retaining private counsel to furnish legal services, including representation in negotiation, compromise, settlement, and litigation, in the case of any claim of indebtedness owed the United States. If the Attorney General makes a contract for legal services to be furnished in any judicial district of the United States under the first sentence, the Attorney General shall use his best efforts to retain, from among attorneys regularly engaged in the private practice of law in such district, more than one private counsel to furnish such legal services in such district. Each such contract shall include such terms and conditions as the Attorney General considers necessary and appropriate, including a provision specifying the amount of the fee to be paid to the private counsel under such contract or the method for calculating that fee. The amount of the fee payable for legal services furnished under any such contract may not exceed the fee that counsel engaged in the private practice of law in the area or areas where the legal services are furnished typically charge clients for furnishing legal services in the collection of claims of indebtedness, as determined by the Attorney General, considering the amount, age, and nature of the indebtedness and whether the debtor is an individual or a business entity.

"(2) The head of an executive or legislative agency [may] *may, subject to the approval of the Attorney General,* refer to a private counsel retained under paragraph (1) of this subsection claims of indebtedness owed the United States arising out of activities of that agency.

"(3) Notwithstanding sections 516, 518(b), 519, and 547(2) of title 28, a private counsel retained under paragraph (1) of this subsection may represent the United States in litigation in connection with legal services furnished pursuant to the contract entered into with that counsel under paragraph (1) of this subsection.

"(4) A contract made with a private counsel under paragraph (1) of this subsection shall include—

"(A) a provision permitting the Attorney General to terminate the contract if the Attorney General [finds] *determines* that *the* termination of the contract is [in the public interest;] *for the convenience of the Government;*

"(B) a provision permitting the Attorney General to have any claim referred under the contract returned to the Attorney General if the Attorney General finds such action to be in the public interest;

"(C) a provision permitting the head of any executive or legislative agency which refers a claim under the contract to resolve a dispute regarding the claim, to compromise the claim, or to terminate a collection action on the claim; and

"(D) a provision requiring the private counsel to transmit [monthly] *periodically* to the Attorney General and the head of the executive or legislative agency referring a claim under the contract a report on the services relating to the claim rendered under the contract during the [month] *period for which the report is made* and the progress made during [the month] *such period* in collecting the claim under the contract.

"(5) Notwithstanding the fourth sentence of section 803(6) of the Fair Debt Collection Practices Act (15 U.S.C. 1692a(6)), a private counsel performing legal services pursuant to a contract made under paragraph (1) of this subsection shall be considered a debt collector for the purposes of such Act.

"(c)(1) The Attorney General shall transmit to the Congress an annual report on the activities of the Department of Justice to recover indebtedness owed the United States which was referred to the Department of Justice *or to a private counsel* for collection. Each such report shall include a list, by agency, of the total number and amounts of collected and uncollected claims of indebtedness which were referred to the Department of Justice *or to a private counsel* for collection, shall separately specify any uncollected claim of indebtedness which was covered by a contract (A) which was terminated by the Attorney General under subsection (b)(4)(A) of this section or (B) under which the claim was returned to the Attorney General under subsection (b)(4)(B) of this section, and shall describe the progess made by the Department of Justice in collecting uncollected claims of indebtedness during the one-year covered by the report.

"(2)(A) The Comptroller General of the United States shall carry out an annual audit of the actions taken by the Attorney General under subsection (b) of this section during the preceding twelve months. The Comptroller General shall determine the extent to which there is competition among private counsel to obtain contracts awarded under such subsection, the reasonableness of the fees provided in such contracts, the diligence and efforts of the Attorney General to retain counsel in accordance with the provisions of this section, and the results of the debt collection efforts of private counsel retained under such contracts.

"(B) After completing each audit under subparagraph (A), the Comptroller General shall transmit to the Congress a report on the findings and conclusions resulting from the audit.".

SEC. 3. Not later than [sixty] *180* days after the date of enactment of this Act, the Attorney General of the United States shall transmit to the Congress a report on the actions taken under section 3718(b) of title 31, United States Code (as added by paragraph [5] *(4)* of section 2 of this Act).

Mr. COCHRAN. Mr. President, I ask for the yeas and nays on the bill.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. COCHRAN. Mr. President, I am very pleased that the Senate is today considering the Federal Debt Recovery Act. Our subcommittee of the Governmental Affairs Committee conducted hearings on the bill at the request of the distinguished Senator from New York [Mr. D'AMATO]. After considering the testimony and the proposal the subcommittee had made for reporting the bill, the committee did report the bill and is recommending to the Senate today that it enact this bill and send it to the House.

I commend the distinguished Senator from New York for his leadership in developing this legislation and in assisting to bring it before the Senate.

This legislation provides authority for the Federal Government to employ private attorneys to assist in the collection of delinquent debts that are owed to the Federal Government.

For some time, private collection agencies have been employed by the Government to assist in collecting these debts, but there has been an absence of authority to use private attorneys. The Department of Justice has been the sole legal counsel and litigant authorized to proceed against those who owe the Government money and will not pay it. So any judgments obtained against individuals who owe the Government money have been obtained through the use of U.S. attorneys throughout the country.

The workload has become immense. The number of outstanding debts that are not being collected because of the failure to be able to employ private counsel have risen dramatically over the years. It is important that we pass this legislation and that we provide this additional authority to employ private counsel.

Mr. President, at this time I yield to the distinguished Senator from New York such time as he may consume.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. D'AMATO. Mr. President, I thank my distinguished colleague, the Senator from Mississippi [Mr. COCHRAN], for his aid in making it possible for us to consider S. 209 today. His counsel, June Walton, and the staff director, James Lofton, have been of invaluable assistance with respect to this legislation.

Mr. President, I am pleased to rise today to support passage of S. 209, the Federal Debt Recovery Act of 1985. This bill will assist the Federal Government in recovering hundreds of millions of dollars in delinquent nontax debts that currently go uncollected. S. 209 is virtually identical to S. 1668 which passed the Senate on July 25, 1984, by a vote of 96 to 1.

S. 209 has been reported unanimously by the Governmental Affairs Com-

mittee. It was a subject of hearings by the Energy, Nuclear Proliferation, and Government Processes Subcommittee on September 26, 1985. I want to thank Chairman COCHRAN and the subcommittee staff, especially Chief Counsel June Walton, and the staff director, James Lofton, for all the help they have provided in getting this important legislation to the floor at this time.

The bill before us today will permit the Attorney General to contract with private attorneys to furnish legal services in connection with the recovery of nontax indebtedness owed the United States. It will enable the Federal Government to begin the process of recovering billions of dollars in nontax delinquent debt in a timely, systematic, and fair manner. No appropriations are required for this bill because attorneys will be compensated only from the proceeds collected. As I speak, there is more than $24 billion worth of overdue delinquent nontax debt outstanding.

A companion bill, H.R. 979, has been introduced by Congressman JIM MOODY. Hearings will be held in the House Judiciary Committee in the near future. I am confident that my House colleagues will be encouraged by today's Senate action to press for swift consideration and passage of this vital legislation. Each day, delinquent nontax debts cost the Federal Government $15.37 million due to lost interest, increased Government borrowing costs, and debts lost to the statute of limitations. We cannot afford to permit these funds to continue to go uncollected. The 99th Congress has the duty to achieve deficit reduction wherever possible. This legislation is a clear opportunity to carry out that responsibility.

I have worked on this legislation for more than 3 years. In 1983, when I introduced previous bills on this subject with former Senator Percy, the amount of nontax delinquencies was $16 billion. When I introduced S. 209 in the 99th Congress, the amount of nontax delinquencies had grown to $19.9 billion—an increase of 24 percent. At the end of fiscal year 1985, that amount had soared to $23.9 billion—an increase of another 20 percent. Clearly, the problem is getting worse at a time when deficit reduction goals are forcing us to make hard choices about funding levels for various federally aided programs.

The most significant benefit of this bill is that it will bring desperately needed dollars back into the Treasury; however, a beneficial byproduct is that it will help restore the integrity of many Federal loan programs that have lost support in large part due to the Federal Government's inability to manage its debt. Failure to implement professional debt-management procedures has led to a proliferation of seriously delinquent debts. There is now at least $14.9 billion in nontax delinquencies that are more than 1 year overdue—an increase of 21 percent from fiscal year 1984. I think it is a shame that we end up cutting dollars from worthwhile programs in the name of deficit reduction when, with better credit management, the funds would be there to fund the programs.

Mr. President, many of the figures I have cited are summarized in two simple tables my staff has prepared. I ask unanimous consent, therefore, that they be printed in the RECORD in their entirety at this point.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

DEBT OWED THE FEDERAL GOVERNMENT

[Dollar amounts in billions]

| | End of fiscal year 1984 | End of fiscal year 1985 | Change 1984–85 (percent) |
|---|---|---|---|
| Total debt owed Federal Government | $315.3 | $345.8 | +10 |
| Tax | 53.2 | 56.2 | +6 |
| Nontax | 262.1 | 289.6 | +10 |
| Overdue debt | 49.6 | 59.2 | +19 |
| Tax | 29.7 | 35.3 | +19 |
| Nontax | 19.9 | 23.9 | +20 |
| Less than 1 year overdue | 29.0 | 28.0 | −3 |
| Tax | 21.4 | 19.0 | −11 |
| Nontax | 7.6 | 8.9 | +17 |
| More than 1 year overdue | 20.6 | 31.2 | +51 |
| Tax | 8.3 | 16.2 | +95 |
| Nontax | 12.3 | 14.9 | +21 |
| More than 6 years overdue | 10.35 | 15.6 | +51 |
| Tax | 4.15 | 8.1 | +95 |
| Nontax | 6.2 | 7.45 | +20 |
| Written-off in fiscal year 1984 | 3.6 | 2.7 | −25 |
| Government borrowing rate (percent) | 10.7 | 8 | |

DAILY/ANNUAL STATISTICS ON DELINQUENT DEBT

| | Amounts |
|---|---|
| Moneys lost to the statute limitations | $7.5 million per day. |
| Increased Government borrowing costs | 5.24 million per day. |
| Lost interest (at rate of 4 percent) | 2.62 million per day. |
| Total | 15.37 million per day. |
| Total moneys lost to Government | 5.61 million per day. |

DEBT COLLECTION ACTIVITY

[Dollar amounts in millions]

| Agency/Department | Delinquent amounts: fiscal year— | | Change (percent) | Write offs: fiscal year— | |
|---|---|---|---|---|---|
| | 1984 | 1985 | | 1984 | 1985 |
| Agriculture | $6,235 | $9,197 | +47 | $91 | $86 |
| Aid | 252 | 282 | +12 | 24 | 26 |
| Commerce | 354 | 516 | +46 | 92 | 44 |
| Defense | 685 | 1,030 | +50 | 43 | 47 |
| Education | 3,976 | 3,945 | −1 | 390 | 41 |
| Energy | 38 | 68 | +79 | 17 | 1 |
| HHS | 623 | 479 | −23 | 378 | 403 |
| HUD | 1,715 | 1,576 | −8 | 822 | 447 |
| Interior | 183 | 280 | +53 | 8 | 5 |
| Justice | 27 | 39 | +44 | 118 | 4 |
| Labor | 343 | 372 | +8 | 6 | 5 |
| SBA | 2,644 | 2,519 | −5 | 521 | 604 |
| Transportation | 350 | 620 | +77 | 64 | 19 |
| VA | 1,415 | 1,555 | +10 | 79 | 96 |
| Export-Import Bank | 919 | 971 | +6 | 20 | 5 |
| All other activities | 111 | 458 | +313 | 70 | 46 |
| Nontax total | 19,870 | 23,907 | +20 | 2,743 | 1,977 |
| Tax total | 29,745 | 35,283 | +19 | 900 | 764 |
| Grand total | 49,615 | 59,190 | +19 | 3,643 | 2,741 |

DEBT COLLECTION ACTIVITY—Continued

[Dollar amounts in millions]

Mr. D'AMATO. Mr. President, for years, Federal agencies have continued to make billions of dollars available in loans under a myriad of different programs. Until very recently, however, there has not been a corresponding effort to assure that debts are repaid on time. The Debt Collection Act of 1982 was a significant beginning in the Federal Government's effort to gain control of its burgeoning collection problems. As a result of that act and subsequent program initiatives, the Federal Government is starting to implement modern tools of credit management, such as automated tracking of accounts, sharing of information regarding debtors among Federal agencies, and the use of collection agencies.

In 1984, the enactment of the Deficit Reduction Act allowed the Internal Revenue Service to offset delinquent debts against income tax refunds otherwise due to taxpayers. Under that act, debtors must be given 60 days notice prior to such an offset and must be allowed to bring their accounts into current status, establish payment schedules, or pay in full prior to the effective date. As of December 1985, $14.8 million has been collected through voluntary payments as a result of offset notices sent to taxpayers. The IRS will be able to continue this practice through 1986. I commend this administration for committing itself to bringing 20th century techniques into our debt collection efforts. The retention of private attorneys, as provided for in S. 209, however, is the next logical step in good credit management.

Many debtors with the financial ability to repay their debts have steadfastly refused to pay them; they have learned that debts owed to the Federal Government are unlikely to be pursued, reduced to judgments, and enforced. Unfortunately, they are right. Many of these debtors have proven to be affluent professionals.

The Justice Department is ill-equipped to handle the massive

volume of delinquent tax debts ($35.3 billion), let alone the delinquent nontax debts ($23.9 billion). DOJ has higher priorities, such as fighting organized crime, drug trafficking, extortion, and other serious felonies.

As of July 31, 1985, there were 92,978 delinquent debt cases pending at DOJ, as well as 210,557 other cases and matters. Of the debt collection cases, 18 percent were over 4 years old; in many of them, no action had yet been instituted. Even in those cases where judgments were secured, often the critical step of enforcement action was not taken to actually collect moneys owed to the Treasury.

At the close of fiscal year 1985, there were 6,937,757 delinquent nontax debts. At the same time, there were 158,285 overdue accounts pending at DOJ, independent of the tens of thousands of other criminal and civil cases and other matters also pending there. A total of less than 75,000 lawsuits of any nature, in which the Federal Government was the party plaintiff, were brought by DOJ during 1985. Even if all of the 75,000 lawsuits were collection cases, which they were not, the cases would represent less than 2 percent of the delinquent debts owed the Federal Government. The point is clear: The sheer volume of delinquent accounts overwhelms the resources of DOJ. For example, as of July 31, 1985, DOJ had terminated only 4,390 debt-collection cases. At the same time, there were another 25,344 cases referred by Education Department pending at DOJ.

As a result of the immensity of the task assigned to it, DOJ occasionally publicizes its efforts to pursue delinquent debtors in order to deter others from failing to pay their debts. Such publicity makes a brief splash, but without diligent follow through—securing judgments and, most importantly, enforcing them and collecting the amounts owed—these incidents do not serve the Government well because the debt remains unpaid and debtors may have been subjected to extreme embarrassment and humiliation.

An article illustrating this very point appeared in the March 6 issue of the Washington Post. It tells the story of an employee of a quasi-Government agency who was arrested by U.S. marshals and brought before a U.S. magistrate for failure to repay a student loan of $1,100. The Government had obtained a judgment against this debtor, but after 5 years, was unable to reduce the judgment to payment. Under the Deficit Reduction Act, the wages of the debtor could have been garnished to repay the debt; instead, the Government chose the intrusive option of arresting the debtor. This type of police-state tactics would not be tolerated if practiced by the private bar. In fact, there are severe penalties in Federal laws aimed at those who would abuse consumer debtors. Mr. President, I commend this article to the attention of the Senate, and I ask unanimous consent that it be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Mar. 6, 1986]

U.S. WORKER ARRESTED IN STUDENT LOAN CASE AFTER LONG SEARCH

(By Nancy Lewis)

A 41-year-old Northwest Washington man who for five years eluded the federal government's efforts to collect a $1,100 court judgment against him for an unpaid student loan while at the same time working for the Federal Deposit Insurance Corp. was arrested yesterday by U.S. marshals.

"When you ignore a contempt of court [summons] . . . you can expect to have U.S. marshals take you into custody and bring you before the court," Assistant U.S. Attorney Royce C. Lamberth said after Ronald A. Sanders of 49 Seaton Place NW was arrested at his home.

U.S. Magistrate Arthur L. Burnett told Sanders that he could have "avoided embarrassment" if he had simply answered the government's inquiries. In the future, Burnett said, "come down here and people will try to help you."

Sanders, who told Burnett that he hadn't received all of the court's summons because of "domestic problems," and simply that the incident had been "humiliating."

The government had been trying for five years to get Sanders to set up a repayment plan for the balance, plus interest, on two loans, totaling $1,700, that he received while attending Central State University in Wilberforce, Ohio.

The order to bring Sanders into court was approved Jan. 22 by U.S. District Judge John Pratt after the government was unable to find out where Sanders worked. Although federal agencies have several programs designed to uncover federal employes who have defaulted on student loans, none apparently turned up Sanders, officials said.

"We do not intend to allow people to ignore their obligation to repay money they owe the United States," Lamberth said. "In this day of federal deficits, the money we can obtain from debt collections, while small in individual cases, is staggering in its total impact on the federal treasury."

Richard Hastings of the Department of Education said that of all federal loan programs, about $5 billion is in default. For guaranteed student loans, made by private financial institutions and backed by the government, the rate of default is about 10 percent, he said.

For direct student loans, the default rate is about 14.5 percent.

As part of its increased efforts, Hastings said, the names of more than 18,000 people who are in default on their loans have been sent to federal prosecutors for collection.

Lamberth said that in the District the government is trying to collect on about 1,000 judgments. The wages of more than 100 federal employes here are being garnished.

Government officials said that they expect Sanders' pay would be garnished if he did not propose a satisfactory repayment schedule.

Mr. D'AMATO. Mr. President, the legal process should not be used to frighten debtors into paying their debts. I firmly believe that a systematic approach to debt collection, combined with a meaningful threat of litigation as a last resort, is the best way to collect delinquent debts. Moreover, S. 209 specifically states that the Fair Debt Collection Practices Act applies to attorneys handling debt collection cases for the Federal Government. Thus, attorneys must recognize the basic rights and liberties of consumers while utilizing all available legal collection tools.

I am pleased that DOJ supports my legislation. Over the last several years of work on this bill, DOJ has come to agree with its privatization approach. This idea was recommended by the President's Private Sector Survey on Cost Control—the Grace Commission.

S. 209 will freeup DOJ attorneys, some of our very best Federal lawyers, for the challenging and important work they were hired to do. It certainly is questionable whether DOJ should have to treat debt collection as one of its top priorities. Certainly, it is important to recover these delinquent debts, but I believe that DOJ attorneys are best employed as crime fighters, not as bill collectors.

Collection agencies are vital to the Government's effort to collect these delinquent debts. However, as noted in a 1983 GAO study, collection agencies efforts are hampered by their inability to threaten debtors with legal suits. Without the added tool of litigation, collection agencies employed by the Education Department have only been able to achieve a collection rate of 6.6 percent. In the private sector, where the threat of litigation is meaningful, the collection rate for similar debts would be as high as 30 percent to 40 percent.

S. 209 is the product of extensive discussion and deliberation with the Justice Department, the Education Department, and many others with expertise in the field of debt collection. It reflects a compromise reached with justice whereby justice was given the power to contract with private law firms for legal services in connection with debt collection. Further, we agreed that the heads of Federal agencies could then, subject to the approval of the Attorney General, refer cases directly to the law firms hired by DOJ.

Federal agencies should not bypass the cost-effective use of collection agencies in recovering delinquent debt. Litigation against recalcitrant debtors is only intended to be used as a tool of last resort. In addition, S. 209 was crafted to permit Federal agencies to have the option to decide whether a contract with a collection agency would give the collection agency the power to make direct referrals to law firms retained by DOJ. Nothing in the

bill precludes such contracts from being executed.

In order to safeguard the public interest, the bill authorizes DOJ to recall any claim referred to private counsel. This authority is intended to be reserved for exceptional, rather than routine, cases. DOJ may also terminate contracts with private law firms. S. 209 also states that the heads of Federal agencies shall have the power to resolve disputes regarding claims, compromise claims, or terminate collection action on claims. Private attorneys must also submit periodic status reports, both to the Attorney General and to the head of the Federal agency referring claims under the contract.

The Attorney General is required to submit to Congress an annual report on DOJ's activities to recover delinquent debts. An annual audit of DOJ's actions to retain private counsel under this bill is also required to be performed by the Comptroller General and submitted to Congress. In order to ensure prompt action in implementing the provisions of the bill, the Attorney General must make a report to Congress within 180 days after enactment. The magnitude of the outstanding delinquent debt makes it essential that no more time be lost in recovering these moneys.

It should be clearly understood that S. 209 does not require Congress to appropriate a single penny to implement its provisions. Payments to attorneys retained by DOJ are to be made out of proceeds collected. It is anticipated that DOJ will negotiate contingent fee arrangements with private counsel. The amount of the fee may not exceed the fee that counsel in the same geographic area typically charge clients for debt collection legal services. Factors to be taken into account in determining whether a fee is reasonable include such items as the amount, age, and nature of the indebtedness, and whether the debtor is an individual or a business entity. Contracts may include all terms and conditions deemed necessary by the Attorney General. The bill also requires the Attorney General to use his best efforts to retain more than one private counsel in each judicial district.

Under the careful supervision of DOJ, and subject to provisions which would protect the rights of debtors, the use of private counsel will greatly enhance the ability of the Federal Government to recover outstanding debt. Many individuals owing money to the Federal Government are making a calculated decision not to repay their loans, convinced that the Federal Government has neither the inclination nor the capacity to recover the debt. They have a take-the-money-and-run mentality. This cheats the taxpayer and, in the long run, threatens the viability of many worthwhile Federal programs such as the student financial assistance programs, which are especially important to the lower and middle-class families of this Nation. We must reverse that attitude and send a clear message that we mean business.

This bill will create more efficient, cost-effective debt collection by the Federal Government. It also will help restore the good faith and integrity which should be present in successful debtor-creditor relationships. I am pleased that S. 209 has the support of the DOJ, the Department of Education, and OMB. DOJ's firm support for this bill is evidenced by a similar proposal which it drafted incorporating the essential features of S. 209 with some technical differences.

Mr. President, one should reflect on the fact that while we talk about reducing the Federal deficit, there are billions of dollars in overdue delinquent debts that are owed to the Treasury, to the taxpayers of the United States of America, that for years have gone uncollected. Moreover, they have gone uncollected without justifiable reasons.

It is not a question that the debtors do not have the ability to pay. Oftentimes, we hear the most incredible stories, about people who have borrowed money for a variety of reasons—guaranteed student loans, small business loans, commerce loans, energy loans—and have willfully failed to repay their loans despite the fact that they have enormous incomes. It is simply a matter that they have never been pressed by the Federal Government to repay their obligations after they have borrowed the money.

Many debtors have reached the conclusion that, "If you come to the Federal Government and borrow money, the chances are miniscule that you will ever be required to pay it back. Therefore, simply don't answer the letters that come to you from collection agencies with respect to your delinquent debt, and the chances are pretty good that you will never be sued on your debt by the Federal Government.

Consequently, we have a situation today in which the Federal Government, for fiscal year 1985, is owed, in nontax-delinquent debts—not because of delinquent taxes—$23,907,000,000. The total figure representing overdue nontax debts has been rising each year.

The Federal Government is sending the wrong message to the taxpayers of this country: If you borrow money from Uncle Sam, we are not going to diligently pursue the overdue debt; and, it is very unlikely that we will ever get around to sueing you and enforcing any judgment against you.

The Justice Department simply does not have adequate resources to sue all those who owe delinquent debts, many of whom are in a financial position to repay these moneys. The Guaranteed Student Loan Program is an example: We should be making those moneys available, but we also should assure that they are repaid so that the program will be there to help future generations. The same principle applies to a host of other programs.

It is my hope that this carefully crafted bill will ensure that in the future we will not continue to lose billions of dollars because the statute of limitations has run out on many of these debts. Annually, the statute of limitations tolls on the Federal Government's ability to collect hundreds of millions of dollars of taxpayers' money. It is highly unlikely that we will ever be able to collect any of those debts for which the statute of limitation has tolled.

This legislative initiative was passed in the Senate 2 years ago by a vote of 96 to 1. I hope that our colleagues in the House of Representatives will act expeditiously to pass companion legislation. It is about time we got serious about collecting the dollars that are owed to the U.S. taxpayers.

I urge my colleagues to vote for passage of this bill.

Mr. GORE. Mr. President, this is an excellent bill. I rise to encourage my colleagues to give it overwhelming, if not unanimous, support. It was considered carefully by the Governmental Affairs Committee, on which I serve.

There was a hearing by the Subcommittee on Energy, Nuclear Proliferation and Government Processes on September 26, 1985. The Senator from Mississippi [Mr. COCHRAN] chaired that hearing. The Senator from Ohio [Mr. GLENN] is the ranking minority member of that subcommittee. They did excellent work. There will be virtually unanimous support on this side of the aisle.

Mr. President, I wish to add my commendation to that already expressed by the Senator from New York [Mr. D'AMATO]. He showed remarkable initiative in bringing this legislation forward and in pushing it diligently to the point where it now stands on the verge of overwhelming adoption.

Our country obviously needs revenue, and obviously the first place to get more revenue is from those who already owe it and have not paid it.

Insofar as the traditional methods of collecting those debts have not worked as well as we would like, and insofar as the private sector is capable of and willing to assist us in increasing the amount of revenue from those who owe it, this legislation represents a really good idea. There are some hazards and pitfalls to consider in addressing this subject, but through the hearing process, the Governmental Affairs Committee has addressed all those potential problems.

I am convinced that this legislation is very much in the best interest of the country, and I again commend my colleague, the Senator from New York, for bringing it forward.

Mr. METZENBAUM. Mr. President, I rise in support of S. 209, the Federal Debt Recovery Act of 1985, which permits the use of private attorneys to collect outstanding debts owed the Federal Government. This bill also contains important safeguards to ensure that, by granting such authority, we do not provide a huge financial windfall to only a handful of private law firms.

I am pleased that the sponsors of S. 209 saw fit to include those safeguarding provisions which I offered, and which the Senate adopted, when this body considered similar legislation in 1984. These provisions will help ensure that the contracts for the services of private attorneys are awarded on a competitive basis, that the fees paid for such services reflect the going rates charged for litigating commercial debt cases, and will require an annual GAO audit to monitor the soundness of the entire program.

I believe these provisions make a good idea even better.

There is no question that we have an enormous problem of defaulted debt to the Federal Government. As of September 30, 1985, $23.6 billion in nontax delinquent debt was owed the Federal Government. This amount is more than double the $11.7 billion in nontax delinquent debts which were reported outstanding in fiscal year 1981.

Although the Debt Collection Act of 1982 permitted the Federal Government to use the services of private debt collection agencies, we have hardly made a dent in this mountain of bad debt.

That is so, Mr. President, for the simple reason that dunning by collection agencies often doesn't work.

After the dunning notices fail to make the debtors pay back the money they owe, the Federal Government must turn to the Justice Department to take these debtors to court. Quite frankly, the Department of Justice has neither the personnel nor the inclination to move aggressively to collect this money.

There were 92,978 delinquent debt cases pending at the Department of Justice as of July 31, 1985, in addition to the 210,557 other civil and criminal cases and other matters. Of these debt collection cases, 18 percent were over 4 years old. These cases were in various stages of action, but, as the Committee on Governmental Affairs noted in its report accompanying S. 209, no legal action had been initiated in many of them.

S. 209 will go a long way in strengthening our ability to collect money owed the Federal treasury by permitting the Justice Department to contract, on a contingency fee basis, with private law firms to litigate some of these bad debt cases.

At the same time, the bill includes the amendments I offered back in 1984 to ensure that contracts are awarded competitively and that the contingency fees paid for such private attorneys are reasonable.

I believe S. 209 is a carefully constructed piece of legislation and I urge its adoption.

Mr. COCHRAN. Mr. President, I thank the distinguished Senator from Tennessee [Mr. GORE] for his support of the legislation which we are now considering. He is an important member of the Governmental Affairs Committee, and we appreciate very much his assistance in bringing this bill to the floor and having it reported favorably by the committee.

I also thank the distinguished Senator from Ohio [Mr. GLENN] who is the ranking minority member of our subcommittee. It has been a pleasure working with him on the subcommittee which has a wide range of jurisdiction. His assistance in getting the bill to the floor is sincerely appreciated.

I think this bill is going to greatly enhance our efforts to reduce the Federal deficit. When Congress passed the Debt Collection Act of 1982, it indicated its recognition of the importance of improving our credit management system.

That act permitted the Federal Government to charge interest, report delinquent debtors to credit bureaus, and most importantly to utilize private collection agencies to pursue recovery. Another important credit management tool, the Internal Revenue Service's authority to deduct overdue debts from the tax refund checks of debtors, was enacted as part of the Deficit Reduction Act of 1984.

At a time when we are faced with severe budget constraints, it is gratifying to me that we are considering legislation that will not require any additional appropriation of funds but instead will increase revenues without raising taxes by facilitating the collection of debts owed to our Government.

The tools that have been made available in the past have improved our debt collection efforts considerably, but this final step, permitting litigation by attorneys, has not been used often enough nor have postjudgment actions been pursued aggressively in the past.

Currently, agencies are required to refer claims of $600 or more, including debt collection cases, to the Department of Justice for litigation. However, the staff and resources available to U.S attorneys around the country are limited and better utilized in pursuing cases involving important constitutional issues, violent crime, and narcotics trafficking, all of which are very serious problems throughout the country.

As of July 31, 1985, there were 92,978 delinquent debt cases pending with the Department of Justice. These cases were in various stages of litigation or postjudgment action. In many of the cases, no legal action had been taken, or, where judgment had been obtained, no postjudgment enforcement action was being pursued.

Mr. President, the Department of Justice recognizes the need for assistance in reducing the backlog of delinquent debt cases. As part of the administration's antifraud enforcement initiative last year it recommended enactment of legislation similar to S. 209. Senator ROTH and I introduced that bill, S. 1658, by request on September 18.

Additionally, Mr. President, the Office of Management and Budget has reported that, at the beginning of fiscal year 1985, almost $19.9 billion in nontax delinquent debt was owed to the U.S. Government. Over $6.2 billion of that amount was more than 6 years overdue. The lastest OMB figures show that as of September 30, 1985, nontax delinquent debt had grown to $23.6 billion, an increase of $3.7 billion in just 1 year. The enormous growth in the amount of delinquent debt is even more evident when you consider that since fiscal year 1981, when outstanding nontax delinquent debt stood at $11.7 billion, the total has more than doubled.

It is also disturbing that due to the running of the statute of limitations, which cuts off the ability to pursue legal action, our failure to collect on these debts on a timely basis impairs any chance of future recovery. OMB provided statistics for fiscal year 1985 which indicate that $7.5 million is lost each day due to the running of the statute of limitations. Coupled with the increased costs of borrowing and lost interest to the Treasury, total cost to the taxpayer is an estimated $5.61 billion per year.

This bill will enable the Department of Justice to reduce its backlog of pending cases and in a more expeditious way handle hundreds of thousands of potential new cases which have yet to be referred by the agencies to whom debts are owed. The use of private counsel will also enable the Government to pursue litigation in cases under $600, which the Department considers too small to litigate in an effective or efficient way. However, private attorneys have testified that they regularly handle such small dollar claims and profitably collect on them.

This legislation will allow the Government to retain the services of attorneys who have demonstrated competency, experience, and reliability in the handling of collection accounts in the geographical area where the debtor is located. Furthermore, private

attorneys specializing in debt litigation have extensive experience with post-judgment remedies and procedures as well as the financial motivation to vigorously pursue collection.

The PRESIDING OFFICER. The time allocated to the majority side has expired.

Mr. COCHRAN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. COCHRAN. The unanimous-consent request which was propounded to the Chair included no time agreement.

The PRESIDING OFFICER. The unanimous-consent agreement provided for a vote at 11:30 a.m., and that the agreement be in the usual form. The agreement in the usual form provides for a division of time between the majority and minority sides.

Mr. GORE. Mr. President, I am happy to yield time to the chairman of the subcommittee from the minority time.

Mr. COCHRAN. I thank the distinguished Senator from Tennessee.

Mr. President, with enactment of this legislation, collection agencies will be able, where appropriate, to advise debtors that litigation is a likely consequence for the failure to pay. Once debtors are aware that the Government is serious about collecting the money it is owed, they will respond to persuasive collection efforts.

Protections have been built into the legislation to ensure the integrity of the program and enhance competition. The bill requires the Attorney General to use his best efforts to retain more than one counsel in a judicial district where such services will be utilized. The fees established will be reasonable and may not exceed the rate typically charged for a similar service in the area where the private counsel is engaged in practice. The attorneys retained to litigate debt cases under this act will do so on a contingency fee basis. Language in the committee's report directs the Attorney General to use his best efforts to ensure that all interested firms, including small firms and minority firms, will have full opportunity to compete or be considered for these legal service contracts.

Attorneys retained under this authority will be debt contractors under the Fair Debt Collection Practices Act and will be subject to its provisions. Furthermore, the committee's report emphasizes that the authority to retain private counsel does not mean that Federal agencies should bypass the use of private collection agencies. Rather, Government agencies should increasingly use all the credit management tools available. Litigation should be used as a final collection tool after other attempts to collect have failed. All collection activity, from start to finish, must be pursued promptly.

Mr. President, the Senate has previously approved the use of private attorneys to assist in the litigation of debt cases. By the overwhelming vote of 96 to 1 the Senate passed S. 1668, a bill similar to S. 209, on July 25, 1984. However, that bill was not acted on by the House prior to adjournment of the 98th Congress.

At a hearing on S. 209 last September 26, our Subcommittee on Energy, Nuclear Proliferation and Government Processes, received testimony from the Department of Justice supporting the legislation. Private attorneys and collection agencies testified that collections would be enhanced with prompt and timely litigation. State government officials described their successful experiences using private attorneys for collection litigation and recommend their use.

Mr. President, an efficient and effective credit management system requires timely litigation and post-judgment enforcement. Enactment of S. 209 will ensure that these tools are fully utilized.

In closing, Mr. President, I want to thank the distinguished Senator from New York, who is my good friend, Mr. D'AMATO, the sponsor of S. 209, for his hard work and cooperation in bringing this legislation before the Senate. Anne Miano of his staff was most helpful to my subcommittee staff in preparing for our hearing on the bill.

I am pleased to be a cosponsor of this legislation, and I urge my colleagues to support it.

The PRESIDING OFFICER. The Chair wishes to inform the managers of the bill that there are pending several amendments to the bill. Those amendments have been reported by the committee and a unanimous consent agreement would be necessary that those amendments be considered en bloc.

Mr. COCHRAN. Mr. President, I ask unanimous consent that the amendments be considered en bloc and agreed to en bloc.

The PRESIDING OFFICER. Without objection, the amendments are agreed to.

The committee amendments were agreed to en bloc.

The PRESIDING OFFICER. No further amendments are in order. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and was read the third time.

The PRESIDING OFFICER. Under the previous order, the hour of 11:30 having arrived, the Senate will vote on the bill. The bill, having been read the third time, the question is, Shall it pass? The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. SIMPSON. I announce that the Senator from Idaho [Mr. MCCLURE] is necessarily absent.

I also announce that the Senator from Maryland [Mr. MATHIAS] is absent on official business.

Mr. CRANSTON. I announce that the Senator from Oklahoma [Mr. BOREN] is necessarily absent.

I also announce that the Senator from Hawaii [Mr. INOUYE] is absent because of death in the family.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 95, nays 1, as follows:

[Rollcall Vote No. 42 Leg.]

YEAS—95

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|---|---|---|
| Abdnor | Glenn | Mitchell |
| Andrews | Goldwater | Moynihan |
| Armstrong | Gore | Murkowski |
| Baucus | Gorton | Nickles |
| Bentsen | Gramm | Nunn |
| Biden | Grassley | Packwood |
| Bingaman | Harkin | Pell |
| Boschwitz | Hart | Pressler |
| Bradley | Hatch | Proxmire |
| Bumpers | Hatfield | Pryor |
| Burdick | Hawkins | Quayle |
| Byrd | Hecht | Riegle |
| Chafee | Heinz | Rockefeller |
| Chiles | Helms | Roth |
| Cochran | Hollings | Rudman |
| Cohen | Humphrey | Sarbanes |
| Cranston | Johnston | Sasser |
| D'Amato | Kassebaum | Simon |
| Danforth | Kasten | Simpson |
| DeConcini | Kennedy | Specter |
| Denton | Kerry | Stafford |
| Dixon | Lautenberg | Stennis |
| Dodd | Laxalt | Stevens |
| Dole | Leahy | Symms |
| Domenici | Levin | Thurmond |
| Durenberger | Long | Trible |
| Eagleton | Lugar | Wallop |
| East | Matsunaga | Warner |
| Evans | Mattingly | Weicker |
| Exon | McConnell | Wilson |
| Ford | Melcher | Zorinsky |
| Garn | Metzenbaum | |

NAYS—1

Heflin

NOT VOTING—4

| | |
|---|---|
| Boren | Mathias |
| Inouye | McClure |

So the bill (S. 209), as amended, was passed, as follows:

S. 209

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Federal Debt Recovery Act of 1985".

SEC. 2. Section 3718 of title 31, United States Code, is amended—

(1) by redesignating subsections (b), (c), and (d) as subsections (d), (e), and (f), respectively;

(2) in subsection (d), as redesignated by paragraph (1), by inserting "or (b)" after "subsection (a)";

(3) in subsection (e), as redesignated by paragraph (1)—

(A) by inserting "or (b)" after "(a)" in the first sentence; and

(B) by striking out "(b)" in the second sentence and inserting in lieu thereof "(d)"; and

(4) by inserting after subsection (a) the following new subsections:

"(b)(1) The Attorney General may make contracts retaining private counsel to furnish legal services, including representation in negotiation, compromise, settlement, and litigation, in the case of any claim of indebtedness owed the United States. If the Attorney General makes a contract for legal services to be furnished in any judicial district of the United States under the first sentence, the Attorney General shall use his best efforts to retain, from among attorneys regularly engaged in the private practice of law in such district, more than one private counsel to furnish such legal services in such district. Each such contract shall include such terms and conditions as the Attorney General considers necessary and appropriate, including a provision specifying the amount of the fee to be paid to the private counsel under such contract or the method for calculating that fee. The amount of the fee payable for legal services furnished under any such contract may not exceed the fee that counsel engaged in the private practice of law in the area or areas where the legal services are furnished typically charge clients for furnishing legal services in the collection of claims of indebtedness, as determined by the Attorney General, considering the amount, age, and nature of the indebtedness and whether the debtor is an individual or a business entity.

"(2) The head of an executive or legislative agency may, subject to the approval of the Attorney General, refer to a private counsel retained under paragraph (1) of this subsection claims of indebtedness owed the United States arising out of activities of that agency.

"(3) Notwithstanding sections 516, 518(b), 519, and 547(2) of title 28, a private counsel retained under paragraph (1) of this subsection may represent the United States in litigation in connection with legal services furnished pursuant to the contract entered into with that counsel under paragraph (1) of this subsection.

"(4) A contract made with a private counsel under paragraph (1) of this subsection shall include—

"(A) a provision permitting the Attorney General to terminate the contract if the Attorney General determines that the termination of the contract is for the convenience of the Government;

"(B) a provision permitting the Attorney General to have any claim referred under the contract returned to the Attorney General if the Attorney General finds such action to be in the public interest;

"(C) a provision permitting the head of any executive or legislative agency which refers a claim under the contract to resolve a dispute regarding the claim, to compromise the claim, or to terminate a collection action on the claim; and

"(D) a provision requiring the private counsel to transmit periodically to the Attorney General and the head of the executive or legislative agency referring a claim under the contract a report on the services relating to the claim rendered under the contract during the period for which the report is made and the progress made during such period in collecting the claim under the contract.

"(5) Notwithstanding the fourth sentence of section 803(6) of the Fair Debt Collection Practices Act (15 U.S.C. 1692a(6)), a private counsel performing services pursuant to a contract made under paragraph (1) of this subsection shall be considered a debt collector for the purposes of such Act.

"(c)(1) The Attorney General shall transmit to the Congress an annual report on the activities of the Department of Justice to recover indebtedness owed the United States which was referred the Department of Justice or to a private counsel for collection. Each such report shall include a list, by agency, of the total number and amounts of collected and uncollected claims of indebtedness which were referred to the Department of Justice or to a private counsel for collection, shall separately specify any uncollected claim of indebteness which was covered by a contract (A) which was terminated by the Attorney General under subsection (b)(4)(A) of this section or (B) under which the claim was returned to the Attorney General under subsection (b)(4)(B) of this section, and shall describe the progress made by the Department of Justice in collecting uncollected claims of indebtedness during the one-year period covered by the report.

"(2)(A) The Comptroller General of the United States shall carry out an annual audit of the actions taken by the Attorney General under subsection (b) of this section during the preceding twelve months. The Comptroller General shall determine the extent to which there is competition among private counsel to obtain contracts awarded under such subsection, the reasonableness of the fees provided in such contracts, the diligence and efforts of the Attorney General to retain counsel in accordance with the provisions of this section, and the results of the debt collection efforts of private counsel retained under such contracts.

"(B) After completing each audit under subparagraph (A), the Comptroller General shall transmit to the Congress a report on the findings and conclusions resulting from the audit.".

SEC. 3. Not later than 180 days after the date of enactment of this Act, the Attorney General of the United States shall transmit to the Congress a report on the actions taken under section 3718(b) of title 31, United States Code (as added by paragraph (4) of section 2 of this Act).

Mr. DOLE. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. GORE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The majority leader is recognized.

## METROPOLITAN WASHINGTON AIRPORTS TRANSFER ACT

Mr. DOLE. Mr. President, let me again indicate to my colleagues we are now going to try to get consent to go to the regional airport bill, Calendar No. 424, S. 1017.

I know this is a matter of great importance to a number of Senators. It is going to take a considerable period of discussion. I have discussed this with the distinguished Senator from Maryland, Senator SARBANES, and also with the Senators from Virginia, Senator TRIBLE and Senator WARNER. But I do believe we should move in that direction.

Mr. President, I ask unanimous consent that the Senate turn to the consideration of Calendar No. 424, S. 1017, the transfer of Metropolitan Washington airports to an independent Washington authority.

The PRESIDING OFFICER. Is there objection?

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, reserving the right to object, and I will object, I simply want to say to the majority leader that I think this is one of those issues which the membership has not focused its attention upon. I feel very keenly about this issue. I believe it needs to be fully discussed and, therefore, I object to the unanimous-consent request.

The PRESIDING OFFICER. Objection is heard.

Mr. DOLE. Mr. President, I move that the Senate turn to the consideration of Calendar No. 424, S. 1017.

The PRESIDING OFFICER. The question is on agreeing to the motion.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I wish to speak to the motion.

Mr. President, I have objected to the unanimous-consent request to proceed to the consideration of this legislation, thereby requiring the majority leader to make a debatable motion. I might observe that I think it is important to take some time to develop in full what is at issue here.

The proposal contained in S. 1017, which would involve the Federal Government in the two federally owned and operated commercial airports located in the Washington metropolitan area, is one with far-reaching significance. It is a matter of very vital concern to the State of Maryland which, of course, operates the third airport in this metropolitan area that interacts and interrelates with the two under consideration here.

I realize the majority leader is under some pressure on this bill at home, and I can appreciate that situation and, in some respects, sympathize with him. But I must say I think we have to develop the fact that a fire sale is being conducted at the Department of Transportation, the bargain basement disposal of Federal assets at a time when the pressure ought to be to realize the maximum amount possible from Federal assets. That is one of the issues involved with S. 1017. This ought to be a matter, I think, of very deep concern to every Member of the Senate.

Furthermore, when we are considering a bill of this sort, and it does involve important interests of the State of Virginia and the State of Maryland, it is very important to bear in mind how essential it is that the Federal Government act with impartiality in

affairs affecting individual States. In other words, the actions of the Federal Government should favor no one State or jurisdiction at the expense of another. I intend to show in the course of this discussion a patent unfairness in this proposal with respect to the State of Maryland and the competitive position of the Baltimore-Washington International Airport as it operates in this regional market.

Mr. President, I want to go back and recount a little history for the Members of the Senate. The legislation before us stems in part from a report to the Secretary of Transportation issued by the advisory commission on the reorganization of the Metropolitan Washington Airports. That was a commission appointed by Secretary Dole and chaired by former Gov. Linwood Holton, of Virginia. Governor Holton has, in fact, been very much in evidence the last few days, speaking with Members about this legislation. I have a great deal of respect for Governor Holton, but I must say that one cannot be oblivious to the fact that the chair of the commission that looked into this question of dealing with these airports is himself a former chief executive officer of the State of Virginia.

When the Secretary of Transportation created this advisory commission, she gave it a very limited charge. In fact, the commission—and I served on the commission as one of the representatives from the State of Maryland—was in effect told not to determine whether the airports should be transferred. It was limited from looking at a broader authority that might encompass all airports—but simply how Dulles and National should be transferred. So there was a very narrow constraint placed on the work of the commission. In the end, a majority essentially composed of Virginia and D.C. representatives joined together in recommending that both airports—both airports—should be placed in one authority and that that authority should be governed by a skewed board that would consist of 11 members: five appointed by the Governor of Virginia, three by the Mayor of the District of Columbia—that is eight of the 11 right there—two by the Governor of Maryland and one by the President, the latter to have the advice and consent of the Senate, and that the chairman be selected from the membership.

The Maryland representatives on this commission put forward what we thought was a very reasonable proposition in terms of how this devolution of airorts should take place. There is, of course, a threshold question and that is whether it should happen at all, which involves very important questions of how one perceives the airports or what the Federal role in the operation of the airports should be. Maryland, in making its proposals, accepted the proposition that these airports should be moved to local or regional control, although I must say I think that is a proposition which can be argued. In other words, I think there is a reasonable case, given the finances of this matter, that in fact that should not happen. Certainly, how it is done and at what cost is related to the question of whether it should be done. In other words, one might accept the proposition that the airports should be moved out from Federal control and yet perceive the terms on which it is being done as unacceptable.

In this regard, I bring to the attention of the Members a letter from the National Taxpayers Union of recent origin, which says:

DEAR SENATOR. Soon you may be asked to vote on S. 1017, the Metropolitan Washington Airports Transfer Act. This bill would transfer ownership of Dulles and National Airports to an independent authority dominated by the Commonwealth of Virginia. We urge you to vote no on this sale.

Although we agree that the Federal Government should get out of the business of owning and managing airports, we are appalled at the ridiculously low sales price placed on these valuable properties. The combined market value of the properties is conservatively estimated at $1.5 billion to $2 billion. Yet the two airports are to be sold for only $47 million, about one thirty-fifth of their actual worth.

In addition, the transfer and future improvements are to be financed with tax-exempt bonds over a 30-year period. This adds up to a double soaking of the taxpayer. Given the Nation's tremendous budget deficits and $2 trillion national debt, it is fiscally irresponsible for the Federal Government to do anything but seek fair market value for the airports. Sound policy demands that the price tag on Dulles and National be raised to reflect their true worth. Otherwise, the sale should be rejected.

That is the end of the letter, Mr. President. That points up the relationship between the judgment as to whether the airports should be transferred and how it is proposed to transfer them and at what price. In fact, there are some who argue that they ought not to be transferred, that there is an important Federal interest in keeping the airports and in operating them, that that is the most sensible way to do it financially, and that the problems that people point out with the operations of these two airports in fact come from a failure to take a number of actions which should have been taken if one were using true business judgment. But I want to pass beyond that issue because, as I said, Maryland was prepared to come at this issue on the premise that a transfer, if it could be properly arranged or developed, should take place.

Our objection now is obviously that the terms on which this is taking place are unfair and inequitable to the Federal taxpayer and to the State of Maryland and its involvement in the regional airport picture. We think that what is taking place here is highly unfair in terms of competition. Maryland, in fact, welcomes competition between these airports, but thinks it should be done on a fair and reasonable basis.

For the purpose of aiding in understanding the background of this issue, I want to set out the Maryland proposition before the advisory commission on the reorganization of the Metropolitan Washington Airports, this commission which Secretary Dole established with a very limited mandate. In other words, its charge precluded from fully examining all questions involved—with respect to how these three major airports in this regional area should be dealt with.

The Secretary did that right at the outset. She narrowed the scope of examination and by doing that precluded the consideration of other alternatives that perhaps should have been entertained.

As I indicated, this was the Commission which former Governor Holton of Virginia chaired.

In an alternative report to the Commission, the Maryland representatives proposed, in terms of the structure, that National Airport should be transferred to an interstate authority and that Dulles Airport should be transferred to the State of Virginia. In effect, this created an equality between Dulles under the State of Virginia and BWI under the State of Maryland, with National, located in the center of this metropolitan region, being in an interstate authority, having a balanced membership. The proposal was that National would be under an interstate authority with three members each from the District of Columbia, Virginia, and Maryland, appointed by the Mayor and two Governors and that provision could be made, if it was considered desirable to include one or two representatives of the Federal Government appointed by the President in order to recognize the Federal interest in National Airport.

It was proposed that the members of this authority would serve staggered 6-year terms, would not hold elective or political office, would reside in the Washington metropolitan area, and would serve without compensation.

As part of this proposal it was put forward that Dulles would be transferred to the State of Virginia. Virginia then would have full policy and financing authority and responsibility for Dulles. It was our very strong view that this approach would reflect the significant interest of each of the principal jurisdictions in National Airport.

About 40 percent of the traffic of National originates in the District, about a little over a third from Virginia, and about a quarter from Maryland. So there is clearly substantial in-

terest on the part of each of the three jurisdictions in this metropolitan area in National Airport. The origins at Dulles are much more substantially from Virginia, and the origins of BWI are much more substantially from Maryland.

It was felt that this approach would have allowed each of the principal jurisdictions to reflect their significant interest in National Airport, would allow Virginia to develop Dulles in the same way that Maryland is developing Baltimore-Washington International Airport.

What this approach did—and it is very important to understand this—is that by recognizing that all jurisdictions do not have equivalent interests in Dulles, it avoided the problem of fair representation which is inherent and perhaps insoluble in the single authority proposal. In other words, if you are going to put both airports in a single authority and then try to construct a governing board for that authority, it becomes difficult, given the heavy Dulles involvement in Virginia, to argue for an equal board, although the equal board, in my opinion, clearly makes the greatest sense for National Airport. Of course, putting the two airports in the same authority—and I am going to move on to this in a bit—creates very difficult competitive situation because of the cross-subsidization which can take place between National and Dulles, and therefore affect the competitive situation with respect to Baltimore-Washington International Airport, an airport which the State of Maryland bought in 1972 from the city of Baltimore for $36 million and subsequently has invested in it, at updated dollars, some quarter of a billion dollars.

There was another proposal made that if there was going to be a single board, at least the membership of that board be equal and at least deal with its jurisdictions in those terms. As I indicated, the counterargument to that is the degree of Virginia involvement in Dulles, but you are caught betwixt and between. If you put them in a single authority and then give a lopsided representation, as has happened in the proposal that is before us, that is unfair to the State of Maryland. It seemed to us that the way to break that problem was to put National in a single authority and to sell Dulles to the State of Virginia. In each instance to do it at a price that was reasonable under the circumstances and not to give it away as is happening with the proposal before us.

As I indicated, this proposition was not adopted by the Commission chaired by former Governor of Virginia Holton, and in fact the proposal, much like the one that is before us in S. 1017, was put forward by that Commission.

I feel very strongly that this is not the way to address this problem. It seems to me that the Secretary should have been engaged in a much more extended and detailed discussion with the respective jurisdictions trying to work out an arrangement that all perceived as fair and acceptable.

Governor Hughes of our State, has taken a very strong position on this. It is not a new issue. It has been before the country on previous occasions. In his concern he indicated: First, Maryland's role in the proposed Airports Authority in setting out the areas of concern. Second, the financial aspects of the proposed transfer. Third, the status of Maryland-owned and operated Baltimore-Washington International Airport with respect to the transfer, and finally the disposition of three key elements of the existing Federal regulatory scheme governing the two Federal airports.

Mr. President, let me make it very clear. Maryland welcomes a competitive situation and we believe in fact that if you structure a situation of fair competition it can result in enhancing air services in the Washington region, but we do not think that this bill does that. By lumping the two in one authority, by constructing the governing board of that authority in such a way that Maryland is really a dissenting voice without weight, by permitting the finances of one of these airports to be used in effect to underwrite the other, we have created a situation in which Maryland faces unfair competition. It is very important to recognize that.

Mr. President, I understand that my distinguished colleague from South Carolina wishes to address this issue because he has an engagement he must get to. I will be happy to yield the floor at this time in order that he may have the opportunity to speak.

I yield the floor.

The PRESIDING OFFICER. The question is on agreeing to the motion to proceed.

Mr. HOLLINGS addressed the Chair.

The PRESIDING OFFICER. The Senator from South Carolina is recognized.

Mr. HOLLINGS. I thank my distinguished colleague from Maryland.

Mr. President, the engagement referred to by the Senator from Maryland is the Budget Committee, which is just about ready—in the next 3 or 4 hours this afternoon—to finalize, I believe, a bipartisan solution to our deficit requirements, the requirement that we submit a budget within the confines of Gramm-Rudman-Hollings.

It has been quite a marathon, working among Senators, their staffs, and the agencies of Government. I think we are right at the point where we have the votes and can at least get a budget to the floor that takes care of the needs of our Government.

The reason why I mention that in detail is that we are right now engaged in what troubles us and what causes this tremendous trauma of Gramm-Rudman-Hollings. It is quite obvious that that is not the smoothest way to run Government.

What that Gramm-Rudman-Hollings initiative says is this: You go to the doctor, and the doctor says that by October 1 you either lose 38 pounds or else. How you are to lose the 38 pounds is your business. You can go on whatever diet you wish. You can provide it all by what we call the social or domestic programs. You can cut some more taxes or you can increase the revenues in order to pay the bill. But pay the bill you must. You must provide the revenues for whatever you appropriate.

In that light, if you pay the bill, there is no trigger, there is no Gramm-Rudman-Hollings. It fixes that responsibility on the Congress But if you come back on October 1 and have not lost that 38 pounds, thereupon, we are going to wire your jaw, and you are not going to eat anything until you do. That is how traumatic it is.

The reason we get into these traumas is apparent right here on the airport bill. It is amazing to me—and I should not be amazed—how the tail wags the dog, how the news media sets the pace. We get "Airports On Standby In Senate" on March 15—last Saturday.

The Washington Post says on that day we should clear it for a vote. So, by Wednesday morning we clear it for a vote.

This editorial in the Post says that this is the proposal—talking about the airport transfer bill—that we turn the two airports over to a regional authority responsible to the people and governments of Greater Washington.

Well, I guess we lumped in there the U.S. Government along with the city council of Arlington, maybe, or the Garden Club at Bolling, or whatever. I do not know what governments they are talking about.

They say it is a sensible and overdue delegation of Federal authority and a smart approach. I do not think it is smart at all.

Not long ago, I went to Greenville, SC, and I walked into an industry named Woven Electronics and met a former college mate who was a senior when I was a freshman. He has a very responsible, profit-making organization that has grown by leaps and bounds, and they have civilian as well as military business.

As an example of just exactly what is required with respect to an order from the Pentagon, he had an order from Burroughs Adding Machine Co. He pointed to that particular order

and he said: "We got this order yesterday, on Monday, and we will fill it tomorrow, on Wednesday. We will have that out in 2 days, without any trouble."

The senior Senator from Virginia, who could well be the chairman of our Armed Services Committee before long, will be interested in this. My friend said: "Here is a similar order from the military, the Federal Government. Here are the requirements."

He pointed to two big stacks of documents, papers, rehearsals, reports, findings, requirements. He said:

> We'll negotiate the answer and we'll correspond and we'll talk, and it will take 6 months for what would be a 2-day order if it were from the civilian sector. Why? Because, in general, you folks in Congress require this and the next thing and another requirement and another one.

We are politically sort of supercautious. If we can put all these requirements into a particular measure, if we can require all the audits and reports and hearings and findings and everything else, then we think we really have economy in Government. But in reality, the waste, fraud, and abuse that we all berate in Government begins right here, on the floor of the U.S. Senate.

Nothing is exposed so dramatically as the waste, fraud, and abuse in this airport bill. I call it a conspiracy.

I do not blame my Virginia friends a bit. If they can pick up this multimillion dollar property for peanuts and politically operate it, they are taking care of their financial problems in Virginia. They are taking care of their political problems in Virginia. But they are giving a fiscal headache, with respect to the facilities of the governments, to the people of the United States.

At another airport last week—I spend half my life at these airports—I ran into a colleague and friend who is on the Commission to commemorate the 200th birthday, next year, of the Constitution of the United States. He put a pin in my lapel: "We the People."

It reminded me at the time of Watergate, when the people throughout this land were looking for sustenance and stability.

As the late Senator from Minnesota, Hubert Humphrey, used to say, that the Constitution did not start off with the people saying, "We the Constitution," or "We the executive branch," or "We the Congress," or "We the Supreme Court." But, in contrast, it commences, "We the people."

And there is the significant feature here of the airports at Dulles and the National. They belong to the people of the United States, and we have that responsibility as the people's representatives here in the national Congress. The responsibility is here, and generally speaking they say we have met up to those responsibilities save and except keeping pace with modernization and demands.

Studies have been made—and the Federal Aviation Administration, Republican administrations, Democratic administrations have come during the past several years and stated categorically—that what we really need is modernization out at National. We need some parking facilities. And out of Dulles we need an infield terminal, maybe two or three kinds of infield terminals, to give the expanded service that is needed there at Dulles.

These two airports are working well. They are making a profit. People are going in and out and they are not falling apart, and if it ain't broke, don't fix it. Now, like the telephone company, we are going to fix this one up. We are going to put it into a political mess and you are going to have the dichotomy on the Commission between the District, Maryland, and the State of Virginia with us in the Congress more or less looked upon with the responsibility still and not able to do a blooming thing about it.

I would hate to have to come up here and say, well, we are short of money down in Richmond. I have run a State government and when you run a State government and you look around and you have a nice fat facility down there in the district and after all it is not looked upon so much as a State asset because it really serves the people of the United States. In Arlington they think it is a nuisance and that they ought to close it. They forget the days when we first started out when there was a Hoover Field where the Pentagon now is. Before they built that Pentagon, we had an airfield there, and we transferred it over to the National Airport and then everybody built around it and then started complaining. "It makes too much noise, too much traffic, get rid of the nuisance," and everything else like that. They'll say "we can now operate everything we need to operate without that and so let us tax it a little bit more. We can balance the budget in Richmond, and take care of those needs under the authority that is so wise, so smart."

Let us look, for example, Mr. President, at what this editorial in the Washington Post says.

The proposal makes good financial sense, too. The regional airport authority could float tax exempt bonds to underwrite improvements at National and Dulles.

Mind you me, those two statements are in contradiction of themselves. Tax exempt bonds make no financial sense at all when you have the money in the Government till that the users of those two particular airports have already paid for over the many, many years—to modernize, to put in the infield facilities, to put in the parking facilities. The money is sitting there. It cannot be used. It is in a trust fund. It has been there.

The Airport and Airways Trust Fund that was established by Congress long ago is to be used exclusively for the development and improvement of airports and airways.

It is a $7.7 billion fund, I say to the Senator from Maryland. Even with all the expenditures on schedule, if you just take and commit the moneys to all of them, which I doubt will occur this year, but if you did it all, you still have a $4 billion surplus over there that can be only used for this. I resent the idea it makes financial sense that I have to pay double. I am a user. I came through Dulles last weekend, the day before yesterday, on Sunday. I went out on National. I'm due to go out on Dulles again on Friday maybe and come back on National again on Saturday. But that is the life and work of a Senator who represents the people of the United States. And here I am paying into that trust fund each time I go through for all the impovements and all the particular needs for safety and otherwise. And now they tell me it is a smart idea that I have to go out and borrow the money.

When President Carter wanted to fix up his airport down there in Atlanta at Hartsfield he just took $100 million out of the trust fund. That was just one section of the country. That was not the people's airport. If the Washington Post thinks we shouldn't do the same for the airport users around here they better illuminate themselves. The city of Atlanta, yes, that belongs to that community and that particular facility, but President Carter took from that trust fund of the people $100 million. President Johnson got $150 million for Houston and Dallas.

At St. Thomas, in the Virgin Islands, we figured out we ought to really lengthen the runway so everybody can go down and get the sun. Now we are not getting enough sunshine. We ought to lengthen that runway and build it into the water. There aren't enough parking facilities there to satisfy a traffic jam. And we didn't provide any money for infield facilities for more efficient use, or anything like that. They just figured what we ought to do with that little island was inundate it and overrun it with people who had the money to fly all the way down to get the sunshine. Se we just spent $90 million from the trust fund on that. We did not have any difficulty there.

But all of a sudden when we want to spend $250 million over a 5-year period for the American people's airport at Dulles, the American people's airport at National, which are already making a profit, therein it is a smart idea to give the airport facilities away. They

are worth at least $200 million, and we want to give them away for $47 million and let in a mixed authority from the various surrounding States and the District of Columbia come in and let them argue and talk about what their need for the District is or what the need for Maryland is or what the need in Virginia is—but not what the needs of the people are. This is a commuter service for the people of the United States who come to and from their National Government.

Incidentally, on the breakdown, Mr. President, my good friend Mayor Marion Barry, did not get equal rights. Any study of this particular airport facility and usage would show that 40 percent of it comes out of the District of Columbia. But they did not get 40 percent representation on this particular authority. I am really surprised at that. That came out at the hearing, that we did not get equal rights for the District.

I happen to have a home here in the District and been in it now for just going on 20 years, so I feel very keenly about the District as the Senator from Virginia feels keenly about Virginia and the Senator from Maryland feels keenly about his great State.

The District of Columbia is not getting anything other than minority rights all over again, and we ought to be assured of at least the proper representation if we had an authority.

But, mind you me, they just didn't want to really study about the needs and the projected usage and everything else of that kind.

What really has occurred here in this particular measure is that the Secretary of Transportation is like the old woman who lived in the shoe. She has got so many concerns and other worries she doesn't know what to do. If you are Secretary of Transportation you have really become educated as to the numerous responsibilities that you have.

I have seen this happen over 20 years with the various Secretaries. The Secretary of Commerce comes in and he finds out it is a big department. He has come in there for international business and he has trade and he has the business communities on his mind. And now he finds, Heavens above, he has the National Oceanic and Atmospheric Administration, the weather. He is interested in the business weather, the business climate. He is not interested in the normal climate, the weather climate in this land. He looks and finds out he has thousands and thousands of employees in the deep oceans with the atmospheric and the ocean studies and everything else of that kind. And so he says, "Look, I am a pretty good cow puncher but you can't lasso a whale. Let me get rid of this one and cut it." Every time they call over to the Department of Commerce he cuts the NOAA budget because he does not want it.

Someone rings up the Secretary of Transportation and tells them they have parking difficulties or they lost their baggage at National and they say, "Oh, my, there is a headache there. I don't want to even hear any more about it."

They do not ask for the money. They do not ask for the money at all. The money is in the till in the trust fund. But there is no request by the Secretary of Transportation to improve the airports.

These funds are easily provided by the trust fund and, incidentally, I will get to that because I am hoisted by my own petard of Gramm-Rudman-Hollings. I am in a position where I cannot ask for it because I have to match it off with a zero sum amendment and tell you where the revenues are coming from. But I really don't need to do this. There is a trust fund and the money is there. I shouldn't have to provide offsetting programs to the tune of $250 million, which, of course, my colleagues would not want to vote for because they are interested in their own projects and programs, whether they be defense, education, or whatever. All of these programs have been cut pretty well down to the bone. We have been playing the game of chicken to see who is going to be blamed for the deficit.

Unfortunately, they are blaming this side of the aisle and, therefore, we had to come in with the Gramm-Rudman-Hollings. But right now I am caught by it. I cannot introduce that amendment unless it is a zero sum amendment.

I have put in a bill that has been introduced and is pending now in the Commerce Committee to see if we could not just go ahead and put it in the budget and perhaps later, when we debate the budget on the floor, we will have an amendment and sufficient support to allocate those funds from the trust fund, the Airport and Airways, Trust Fund, to Dulles and National, so we can get on with the work and not all the extra costs.

But, back to the Secretary of Transportation, she comes in with the Coast Guard and finds out, "Where in the heavens did I ever get this?"

I remember Secretary Volpe. He and I were Governors together. He is from Massachusetts. I asked him, "Mr. Secretary, if you ever had to organize the Transportation Department, would you put the Coast Guard in it?" He said, "Absolutely not."

But all of a sudden he has 40,000 people in his Department and he is about to throw them out until he finds out they got three good airplanes that he can travel around the world in and another plane that he can crisscross the country in—they are jets—and he has got a wonderful mess—a Philippine mess.

We used to think the Philippine mess was a place to eat. Now it is Imelda Marcos' clothes and shoes and dresses and everything else.

But the Philippine mess that the Secretary of Transportation inherited was a many splendored thing. They could sit down there and eat like kings and call on the jets and travel. And they learned pretty quickly over in Transportation, "Don't worry about the 40,000, just send up the promotions. The Coast Guard can look out for itself."

The fact is, it cannot. We in the Budget Committee, for example, have to increase it. We have increased the size of the United States by one-third some 8 years ago when we increased the 200-mile economic zone, the 200-mile limit out in the seas. We have increased the size of the United States but systematically decreased the size of the Coast Guard to police that area and the likes of the drug problem that continues to consume us all. So we have got real headaches there.

But the Secretary of Transportation figures, "Now, I'm on a roll. I have got Conrail and all I need to do is get the same crowd and we will get rid of these airports and then, before long, we will have enough time to travel around in those Coast Guard planes and make those wonderful talks around the country and tell what a great job we are doing."

Well, Mr. President, when the distinguished Secretary of Transportation, Mrs. Dole, called me—you know that I have the highest respect for her—I immediately called on my experience in signing these tax-exempt bonds.

Let us dwell on that a minute. Back when I was Governor we did not have those stylus automatic machines that just sit there and put the signatures on things all morning while you are jabbering politics, or whatever. You had to literally sign those bonds—millions of dollars in bonds for your State for airports, for highways, mental health facilities, penal facilities, all the institutions. So you knew what bond lawyers cost. You knew the time and delays involved in the bonds. And then you knew, of course, of the particular added cost or loss of revenue since they are tax exempt.

And we get back to the particular little editorial in the Post on how smart it is and it makes financial sense. This is where the waste, fraud, and abuse comes in. Because here, in order to get $250 million in improvements that we all agree are needed—no dispute about the administrative capabilities of Mr. Engen and the Federal Aviation Administration and the Department of Transportation—rather, in order to get that $250 million, I have to spend $712 million.

At least the Reagan administration agrees that it does not make financial sense, because they have come out and said, "Let's don't float tax-exempt bonds." You look at Treasury I and look at Treasury II and they do away with tax-exempt bonds. Why? Because it does not make financial sense to the Reagan administration, the very crowd that is asking for tax-exempt bonds to finance airports.

We had a little tiff at the Commerce Committee hearings because I was asking the proponents, "Do you support the President on 'Let's do away with these tax-exempt bonds because they don't make good financial sense' or do you think they do make good financial sense?"

We never could get an answer. It was a very interesting thing because I know what the financial sense was, having signed these bonds and knowing exactly what they cost. Because you look at the 15-percent limitation, usually, upon every State in America in order to maintain a triple A credit rating if you want to be able to continue to issue financially viable bonds at the lowest rate, then you have to stay within that constitutional provision not only in that regard but make sure you hold back and you are just not willy-nilly offering bond issues for any and every kind of everyday need.

So I resisted. I asked the distinguished Secretary, "Where are you coming from?" And I could tell from her answers that she just wanted to get rid of this particular headache. No, she had not asked for the money for improvements out of this administration. No, she had not figured out really how much it would cost from the authority.

Then what study was really made in the Department of Transportation? I was looking for the study. We kept talking in an erudite fashion. When Governor Holton came up with his so-called study commission, we found out they were not studying anything. They were told to fix it—"Fix the deal. Get PAUL SARBANES and Governor Hughes and that Maryland crowd satisfied and take care of Marion Barry and come on back in here and get our crowd satisfied. Fix the deal and then come on back and we will run it. We have got legislation already drawn. We know what we want to do. You just tell us the numbers everybody will go along with them."

That is all it was. There was not any study of usage. There was not any study of allocation. They still do not know the facilities we have at Dulles. We will, in this debate—as it goes on several days, I take it—we will bring out what they really have at Dulles and the acreage out there and what some of it has been used for and the cost of it to other agencies of Government that many in this Congress do not even understand.

So the committee did not have an in-depth study. When you heard the Holton Commission—let us refer to that as the "Holton fix." It was not a commission. It was a fix and he got it fixed. It was not a good, unanimous fix. We have the dissent. We have our distinguished friends from Maryland who come forth and brought out many of these factors that I am citing to you right here and now.

They said, "Oh, no, that can't go and that can't be." They have been over there in Maryland running what was an airport important to that particular State and that particular area and community. And Maryland showed the foresight to come forward and bond itself for its particular interests over there with its authority and spend their good taxpayers' money to keep current and keep competitive with the Federal facilities over here. And they had shown that willingness to sacrifice over the years, and now they would be given a minority position on the Commission and no chance to compete.

The moneymaking National could subsidize Dulles and allow that airport to take business away from Baltimore—just move it all out and put it over there.

And talk about making good financial sense, the distinguished Governor from Maryland came to the hearing and when they said, $47 million, he said, "I double the offer right here and now. I will give you $94 million. I will give you $94 million right here and now at this particular hearing. Maryland would be delighted to pay that amount."

And they all smiled because it did not affect "the fix." They have all gone around and worked and worked. If they want to know, there is no "airports on standby" in the Senate. It has been months since we last heard about it. That is not the last our colleagues have heard about it.

It has been an ongoing fix. What you do is get enough votes. You do not want to discuss the merits. You do not want to discuss the cost. You do not want to really discuss the residents. You can say we ought to get through it. And, you know, these courts work good. And let us get that thing in to the authority. And we can all go a heck of a lot more.

Of course, the folks are not thinking it through, wanting to help a fellow Senator, and saying, "Heck, I will vote for that. Yes. I guess so." And so they get "the fix" on. Then they bring it to the floor. They did not think they could get enough votes, I guess, to race it on through. That is what held it up.

I commend my distinguished colleague from Maryland for his hold on this thing. It should not be called for consideration. I do not see how in conscience we can in one breath go through all of the machinations that we have been going through now for a good 3 weeks. Domenici-Chiles could be well called Boschwitz-Hollings and others who have gone on a bipartisan approach to answer our budget responsibilities as manager CHILES has been going on with. Senator DOMENICI and Senator CHILES have been working for weeks on end, and on weekends, to save a little here and a little there, to watch these trust funds, and watch out for the outyear costs to the Government.

We are looking at student housing. We are looking at all of the things that are costing the Government money. We think we are now becoming fiscally responsible. And now we want to come down on the floor and start another revenue hemorrhage with airport authority bonds. The Secretary of the Treasury, Secretary Regan, in Treasury I and Treasury II, said we ought to do away with these tax-exempt bonds because they are just a revenue hemorrhage. They are costing the people way more money than they should.

We are going to have to pay for all of these lawyers fees, court cases, disputes, and everything else where we do not have to hire lawyers. We do not have to put out any of these feelers, and then amend the law further, go up to the court on appeal and have all of the delays.

We have the money. The word is "trust." It has been in trust for the improvements of these airports. I so told the Secretary. I said, Secretary Dole, why do you not ask for the money and let us get on? I am for it. I am confident that if you ask for it, if the administration asks for it—and with the Budget Committee, the Appropriations Committee, and the authorizing committee having a three-way check—I would be delighted to sort of bicycle this around, talk to everyone, and see if we cannot get it in there as a study need. It is a study over there. Then there is the Transportation Department as to the mid-field facilities, and the modernization at the National Airport itself.

But the Secretary said no. She did not want to do that. She wanted to go ahead with this authority. In going ahead with the authority, she mentioned, of course, that we should look at the New York-New Jersey Airport and Port Authority operation there. That is like the United Nations. It operates—or you survive—as a result of a veto. There is not a veto here with this airport proposal. If the Governor of New Jersey can veto and also the Governor of New York, even with a veto they get into pretty heated arguments and discussions. I remember one, way back, under Governor Rockefeller. We will get into that later. They do not work all that smoothly. They can get into some real jams, if you please.

That is not necessarily a good example because that is not what they provided. But they just provide for the customary thing that has been required by communities all over the country in order to have authorities and issue the bonds.

They say it works so well. Why can it not work here? But here you already are starting off with competitive airport facilities.

The authorities have not been put in a competitive position. They have been put in there for authority policy—such as in Charleston, SC, Richmond, VA, the other cities in America—Charlotte, NC, and others. I could go right on down the list. They are not in competition. At Hartsfield in Atlanta or the one at Dallas. And they do not have any competition really from Love Field. They have a wonderful time just making their own decisions and do not have to make decisions for numerous airports in several States and the District of Columbia.

So the example is not necessarily well taken. I can see some political headaches emanating from this so-called authority that the distinguished Secretary of Transportation thought so well of.

We have gotten to the bottom line about the loss of revenues. Under those tax exempt bonds, it not only costs more for the issuance of the bonds. The issuance costs $346.2 million. I am going into this. I will yield back to my distinguished colleague from Maryland. But the $346.2 million is from the nonpartisan, bipartisan Congressional Budget Office.

This is one of the few fiscal studies. If there is another fiscal study, I would like to know where the proponents have it. They ought to work for the CIA because they have kept it top secret. I have not been able to find it. Where is the Holton Commission study? Where is their financial analysis? They did not want any.

But we had to go to the Congressional Budget Office to get the $346.2 million cost figure for the issuance of the bonds. As for the tax expenditure, which the Finance Committee handles now and which we know euphemistically as loopholes—the cost of the Treasury is $366.3 million over the 30 years.

That is a total cost to the U.S. Treasury of $712.5 million.

That is where waste, fraud, and abuse commences—here on the floor of the U.S. Senate. We praise each other for being so distinguished. We praise each other for being so smart, as the editorial says. We praise each other for the good financial sense.

You can tell when people want something. They just disregard the fact. They disregard the economics of it. They just call it good financial sense. And then they get to the tax-exempt bonds.

And I guess I can find another editorial. I will get that from the New Republic where they are always putting in conflicting headlines from the same newspaper on a different page. I bet you I can find that one of the Washington Post and forward it to them where they said it is not good financial sense on the matter of the tax-exempt bonds. So we will have it coming from both sides in the same newspaper on a different page on a different day.

But for starters, regional authority would improve the sound barrier at National. I doubt it. For starters, they would get organized politically and start hearing from the local communities which they are responsive to. And for starters they would start hiring lawyers and they will start hiring bureaucracy and overhead.

I do not see any budget cut from the Department of Transportation on this one. I would like to see the consummate costs they are going to have for that new airport authority, and see if we cannot cut the Federal Aviation Administration budget because they have been relieved of all of these duties. I can tell you here and now they are asking for increases. They are asking for increases, and everyone is talking about airport safety. We will not save the money.

We will start, Mr. President, with waste, fraud, and abuse of the taxpayers' money right here on the floor of the U.S. Senate. I understand that my distinguished colleague from Maryland has already put in a communication from one group, the National Taxpayers Union. They wrote all of us a letter on March 18. I will not repeat the contents of that letter except for the fact that there are interested parties out there watching.

My hope was that the Members of the U.S. Congress would stop, look, and listen—and not just because we have a very attractive, very competent, and very able Secretary of Transportation come over to just ask for what seems like an offhand request that ought to be run right on through—when we actually end up with added costs, added bureaucracy, and really an unfair situation to the Baltimore International Airport in Maryland.

I use that example, incidentally, because BWI has the direct flight from Piedmont to Charleston, SC. Many times I can go right to Baltimore and get back home a lot quicker than I can going through National and laying over in Charlotte, NC, because I do much better with the connections that you have developed over at the Baltimore International.

I appreciate that airport, too. I am not necessarily in the middle of the argument between my colleagues from Maryland and Virginia on that score, but I certainly understand it. I am willing to stand here with my colleague from Maryland and do our best to try to explain this to some extent.

Mr. President, I yield the floor back to the distinguished Senator from Maryland and I thank him for his indulgence in allowing me to speak.

The PRESIDING OFFICER [Mrs. KASSEBAUM]. The question is on the motion to proceed.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Madam President, I thank the distinguished Senator from South Carolina for his very perceptive remarks. He has been following this issue very closely for a long time and has been intimately acquainted with it in the committee.

I would say to the Senator that I agree with his evaluation of the Secretary of Transportation as being intelligent and experienced. But what we have here is a bargain basement sale of these facilities. If I were a Virginian, I would be running all the way to the airport on this thing because it is a tremendous deal for Virginia. But it is at the expense of the Federal taxpayer and to the very strong and distinct competitive disadvantage of the State of Maryland. It is highly unfair.

I also noted when the distinguished Senator from South Carolina made reference to the New York-New Jersey airport authority, that that authority is composed of equal membership from the two States. Beyond that, the Governor of each State, of New York and of New Jersey, has the veto power over the actions of the authority.

I think Maryland would be quite amenable to the Secretary trying to work out some comparable sort of arrangement in this region as it involved our Governors and others intimately involved.

Madam President, before the Senator from South Carolina spoke, I was going to point out some of the testimony of Governor Hughes when he appeared in the Congress.

First of all, on the subject of Maryland's role in the proposed airport authority, the Governor pointed out that S. 1017 defines a local community in two fashions: first, the legislation evisions transfer of the federally owned airports to an independent authority created by the Commonwealth of Virginia and the District of Columbia.

The Federal legislation provides for the membership and gives Maryland 2 on this 11-member board, but the authority which that membership is going to govern does not involve the State of Maryland in its creation. It is to be legally created only by the Commonwealth of Virginia and by the District of Columbia.

That board, as we noted earlier, is composed of five individuals appointed by the Governor of Virginia and three

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by the Mayor of the District of Columbia, two from Maryland, and a Presidential appointee.

In Maryland's view the proposed authority structure is asymmetric and cannot be fairly characterized as turning National and Dulles over to local control.

Recognizing that the Maryland suburbs of Greater Washington represent approximately 40 percent of the region's population, it seems that Maryland, with just two votes on an 11-member panel, fails to achieve equal representative. Many Maryland travelers make extensive use of the two Federal airports, with Washington National playing a particularly important role.

Based on the 1981-82 survey of air passengers conducted by the Metropolitan Washington Council of Governments, over three-quarters of a million air travelers, 14 percent of National's total traffic, began their trips in Maryland's Montgomery County not in Maryland but in Montgomery County, MD, alone.

Fairfax County, in Virginia, registered a 15-percent share; the District, a 40-percent share.

So 70 percent of the traffic moving through National Airport came from the District of Columbia and from these two jurisdictions, two counties, one in Maryland and one in Virginia.

In addition, of course, the thousands of Maryland residents from other parts of the State make use of National, as I indicated earlier, bringing the figure up to close to a quarter.

Furthermore, there is a noise problem connected with this airport. I hope to develop that later, particularly in view of the fact that the distinguished Senator from Virginia got the committee, after it had reported the bill, to add an amendment dealing with the noise issue, and placing control over the noise question in the airport authority, dominated by Members from the State of Virginia.

It does not take much imagination to anticipate what is going to happen on the noise issue at National Airport, which has been an extremely serious issue. In fact, Maryland and Virginia have worked together to try to protect their people from excessive noise.

The change made by this late starter amendment added after the markup is going to make it possible for the authority to, in effect, shift and place that noise on the Maryland side of the Potomac. Two voices on an 11-man authority can only speak so loudly and, clearly, they can be outvoted again and again and again.

As I noted, during the deliberations of the advisory commission, Maryland advanced an alternate plan calling for transfer of National to an interstate authority and Dulles to the Commonwealth of Virginia. Maryland tried to be positive and constructive in this situation.

National, under that proposal, would have been placed under a 9-member interstate authority composed of three members each from the District, Virginia, and Maryland appointed by the Mayor and the two Governors. One or more representatives of the Federal Government could be included for proper representation of the Federal interest in National Airport.

I do think there is a Federal interest and that that is being badly neglected in this legislation. It is something many Members need to focus upon, as the distinguished Senator from South Carolina mentioned.

I obviously have a pressing responsibility to present Maryland's case and particularly to make the point that in this proposed legislation which the Secretary of Transportation has sent to us the Federal Government is not acting with impartiality in affairs affecting individual States. It is, fact, favoring one State at the expense of another. It seems to me that one of the essential prerequisites of moving on this issue should have been that the States were going to receive fair and equitable treatment without one being placed at a competitive disadvantage.

Let me turn to the financial and competitive aspects of the proposed transfer, Madam President, which are extremely important. I have talked about the composition of the authority and the governance that would prevail and the fact that by taking both airports and putting them in one Authority, by giving an asymetrical weighting of that Authority heavily in favor of the State of Virginia, that is unfair to Maryland's role in the regional airport situation. But I want to turn now to the financial aspects of the proposed transfer and its competitive aspects.

In the commission's deliberations, Virginia argued that the Maryland approach of having National under multijurisdictional authority and Dulles go to the State of Virginia was not viable because it worked to deprive Dulles of a revenue base sufficient to support its capital development needs. With all due respect, I might point out that the State of Maryland, when it purchased BWI from the city of Baltimore in 1972, did not enjoy a National Airport cash cow to support the physical redevelopment of that airport. In fact, the State had to undertake an investment in that airport in order to realize what it is not realizing, and that is significant dividends. It does not seem unreasonable to expect that the State of Virginia should undertake the same responsibility with respect to Dulles International Airport.

In fact, the traffic at Dulles has increased markedly even within the last year, since studies were made about its financial viability. It is my own view that updated figures need to be taken into account. Dulles is producing an operating profit now, contrary to what was earlier the case. In 1984, it registered almost a 20-percent jump in total commercial passengers, and a 24-percent jump in air freight.

One of the issues involved in this question of financial viability is the question of cross-subsidization. In effect, this legislation, by placing the two airports in one Authority, would permit them to draw on the airport trust funds which, up to now, they have not done because they have had a direct line in the Federal budget. It also would allow them to continue to cross-subsidize to a limited extent. It is important to understand this issue, because it really affects the financial competitive situation.

Since 1966, landing fees at National and Dulles have been set at a common rate by pooling the total landed weight of carriers serving both airports. In addition to this single-cash-register approach to revenues, airfield costs were necessarily combined on National and Dulles as well. By treating National and Dulles as one revenue-cost center, landing fees at the more heavily utilized National, in effect, underwrite the fee structure at Dulles, thereby making it a lower cost facility than it otherwise would be for carriers basing operatings there. Simply stated, fees at Dulles are set below cost with National's revenue stream making up the difference.

So, for instance, in the particular case of foreign flag carriers, where BWI and Dulles typically find themselves in direct competition for services, subsidized fees at Dulles potentially could be enough to artificially tip the scales in its favor. Given that S. 1017 makes National and Dulles eligible for airport improvement program funding in lieu of the current practice of obtaining line-item funding via the annual USDOT appropriations bill, this ability to cross-subsidize is particularly burdensome. In fact, as a matter of public policy, I think it is legitimate to question whether this practice is appropriate, particularly in light of the sponsorship requirements set forth in section 511 of the Airport and Airway Improvement Act of 1982, which includes a requirement that an airport operator or owner maintain a fee and rental structure for the facilities and services being provided the airport users which will make the airport as self-sustaining as possible under the circumstances existing at that particular airport.

Let me repeat that, Madam President:

> Maintain a fee and rental structure for the facilities and services being provided the airport users which will make the airport as self-sustaining as possible under the circumstances existing at that particular airport.

I emphasize "at that particular airport."

The framers of S. 1017—actually, this was not included in S. 1017 until it was submitted. It was added, in fact, in the committee because clearly, the problem I am talking about, to any fair and objective observer, creates an unfair and inequitable situation. So, in the committee, an amendment was made. I quote it now. It is at pages 41 and 42 of S. 1017.

(8) Notwithstanding any other provision of law, no landing fee imposed for operating an aircraft or revenues derived from parking automobiles—

(A) at Washington Dulles International Airport may be used for maintenance or operating expenses (excluding debt service, depreciation, and amortization) at Washington National Airport; or

(B) at Washington National Airport may be used for maintenance or operating expenses (excluding debt service, depreciation, and amortization) at Washington Dulles International Airport.

It is asserted that this takes care of the cross-subsidy issue.

Only partly, Mr. President. And to the extent that it does not fully take care of it, it makes it possible in effect to subsidize at a virtually unlimited level. This language excludes from the prohibition of using landing fees or parking revenues debt services, depreciation, and amortization. In other words, landing fees and parking revenues at one airport can be used for debt services, depreciation and amortization at another airport. And so the capital improvement costs at one airport can be underwritten by the revenues at another airport.

Let me just dwell on that point for a moment longer. Maryland's position put very simply on this financial question is that it is unfair, unfair to Maryland and Baltimore-Washington International Airport, to be in competition with Dulles Internatioal Airport if Dulles International Airport can be underwritten in one way or another by revenues from Washington National Airport.

In other words, each of these airports ought to stand on its own, and that to underwrite one from the revenues of another opens up a clear opportunity for competitive disadvantage. Maryland is prepared to compete against Dulles. Maryland put forward the proposal that Dulles be transferred to the State of Virginia; that the State of Virginia undertake responsibility for it; that Dulles and Baltimore-Washington International Airport, therefore, each of them under their respective States, be placed in an equal competitive position; that Washington National Airport be separate and apart from both and in its own authority, and that any possibility of a cross-subsidy be eliminated.

Now, as I have just indicated, this very language still permits the use of landing fees and parking revenues to be used for debt service, depreciation, and amortization at the other airport. That is not precluded. That link is not broken.

The second opportunity that exists, on pages 36 and 37 of the legislation, is the opportunity to develop "for airport purposes" all of that acreage at Dulles, including development for nonaviation business or activities provided the revenues are used for the airport authority. So that the use of the acreage is not just limited to airport purposes but also is allowed for nonaviation business or activities. So that all of this land the Federal Government is turning over to this authority at virtually no cost—the estimate of the value on that property has been put in the hundreds of millions of dollars—and of course the revenue generated is then available to the authority.

This Federal gift of highly attractive, undeveloped land at Dulles is a windfall to the new airport authority. It is conservatively estimated at 2,000 developable acres. The authority has virtually no fixed costs with respect to that acreage. It will therefore be available to negotiate extremely attractive lease arrangements, really divorced from normal market considerations, and enter into the widest possible range of joint venture projects with potential developers.

Assume for the moment that a thousand developable acres at Dulles valued at approximately $100,000 per acre and a 10-percent lease rate for a 20-year term. You would conservatively estimate a potential income stream to the new authority in excess of $200 million.

Now, that is fine for the new authority and it is terrific for the State of Virginia. I notice my able colleague from Virginia nodding his head, and he is absolutely right. It is a terrific proposition. The question is, Is it a fair proposition for the Federal taxpayer and the Federal Government to dispose of these assets at virtually nothing, and is it fair to the State of Maryland which is engaged in a competitive position?

BWI is not afraid to compete, but having the Federal Government essentially give away an undeveloped area, roughly two-thirds the size of BWI's entire 4,200 acre site, seems to be an extreme test of fairness. People have got to stop, as my distinguished colleague from South Carolina said, stop, look, and listen at what is being done. Enormously valuable assets are being put into this authority at hardly any cost, and the transfer of this land with its tremendous potential value, poses potentially adverse consequences for BWI and Maryland's ability to compete effectively for new commercial enterprise and investment.

I want to stress Maryland is ready, willing, and able to compete, but we want a fair competitive situation. S. 1017 does not establish such a situation. First of all, the cost of the transfer is so low that it is very close to giving the assets away. The Grace Commission in their report looked at this and came up with lots of different figures. They finally settled on a figure of $340 million, with a range between $200 million and well over $400 million. It is difficult to know what valuation technique to use, but any of the ones ordinarily relied upon provide figures far, far larger than what is involved in this bill.

This is really a giveaway. It is a giveaway of these facilities, thereby putting the authority at the very outset in such an unfairly strong competitive position that that, in and of itself, raises very serious questions.

Second, by putting the two airports in the same authority and by not absolutely severing completely one airport's ability to support the activities at another airport, it leaves open the possibility of a cross-subsidy essentially from National to Dulles, which would enable Dulles then to compete with BWI on other than an equal basis.

The other point, of course, with respect to a form of cross-subsidy that I think needs to be touched upon is that with both airports in one authority and with the slots at Washington National Airport limited and highly desirable, it is possible for the authority to use access to the Washington Natinal Airport slots in order to have carriers undertake service at Dulles. I think it is unfair.

I believe that carriers should make the judgment on whether they are going to go to Dulles or BWI on the basis of appropriate competition between those two airports. Dulles should have to stand on its own finances, and its charges should be related thereto, and the same thing at BWI. Whether a carrier goes to one or the other ought to be determined by each airport in competition. Dulles ought not be able to be financially underwritten from the other airport under the authority, National, which is far more profitable, in order to gain an unfair competitive advantage.

Beyond the finances, it stands to reason that access to the highly desirable National slots—an airport within 10 minutes of downtown Washington, it is highly sought after by the airlines; passengers like to fly in and be across the river and into the District in 5 or 10 minutes, in nonrush-hour traffic. Access to those slots, since you have one authority, can be used as a lever in order to enhance service at Dulles. That is not something with which BWI can compete.

That kind of tie-in arrangement—I am not necessarily suggesting that it will be done explicitly. It may not even be done implicitly. The people in this

business are smart people. I do not think anyone denies that. It is a highly competitive business. The people involved know what they are doing. They know the lay of the land. They know the score, so to speak. It will not be necessary to spell it out. But, obviously, if you are very anxious to get into Washington National, to get into sole of those slots, and this authority is running both National and Dulles and has a full-blown campaign on to get airlines to put service into Dulles, I think the writing is pretty clearly on the wall regarding to what will occur.

That, we think, is unfair competition. We want competition. We welcome it. We strongly support Dulles going into the hands of Virginia. Let Virginia take it over and try to develop it, and let us break this connection between Dulles and National which raises all the possibilities for unfair competition. That makes sense.

Second, dispose of these assets at some figure that makes sense to the Federal Government, rather than a bargain basement give-away, which is what has come before us.

I know that the Secretary is anxious to dispose of this responsibility and to devolve it elsewhere; but it has to be done, I think, in a way that makes sense. I do not believe that has happened in this legislation.

I turn now to the noise question, to which I alluded earlier.

Because of an amendment added late in the consideration of this measure—in fact, after the bill had been reported—the authority for controlling the noise question has been shifted from the FAA to the authority.

The noise issue has been a pressing issue, and anyone who lives in the Washington area, in the flight path or anywhere near the flight path into National Airport, knows how pressing this issue has been.

In fact, I have been joined in the past in working with my colleagues in Virginia with respect to the noise problem. We have been aligned together on a number of occasions in trying to control the noise problem, to place some controls on the number of passengers using National, and trying to maintain effective limits on noise produced by flights in and out of that airport. It has been a difficult struggle, with some advances and then some setbacks.

The present situation is that there is now in effect a curfew at National which limits flights to landing before 10 p.m. and after 7 a.m. In other words, there is a curfew between 10 p.m. and 7 a.m., although certain so-called quiet jets are allowed to land under certain circumstances after the curfew hours have gone into effect.

As we all know, National Airport is located in the center of one of the largest metropolitan areas in this country. Jets coming into National airport are required to follow an unusual landing and takeoff pattern, which stipulates that they must follow the Potomac River to minimize the impact of noise on the highly populated areas surrounding the airport.

Even under current circumstances, because of the peculiar geography and the twists and turns of the Potomac River and the turning points at which pilots leave the landing and takeoff patterns to head for their destination, Marylanders are much more affected by airplane noise than those citizens living in Virginia or the District of Columbia.

However, at least at present the hours of operation and the flight patterns are set by the Federal Aviation Administration and they have from time to time been reviewed by Congress.

So, as difficult as the problem, is, at least the current judgment on how to deal with it is made by the FAA at a level removed from State interest.

If the FAA is playing fair and square, you are not going to get preference for one State over another, I mean, one assumes hopefully, and I think, it has generally been the case, that they will make their judgments on other bases: the impact of the noise, the safety patterns, proper flight patterns, reasonable hours; and not come at it from the point of view of, well, whose ox is being gored the most in this situation.

The bill before us today, S. 1017, would make drastic changes in that procedure. An amendment was added at the last minute in committee, and I am quoting now from the legislative history in the report from the Committee on Commerce, Science, and Transportation, accompanying S. 1017:

On April 26, 1985, Senators WARNER, TRIBLE, and DANFORTH introduced S. 1017, the Metropolitan Washington Airports Transfer Act of 1985 at the request of the administration.

With all due respect to my colleagues from Virginia, if I had been from Virginia, I would have introduced this legislation as well. It is a terrific bonanza. So I do not in the least fault them for introducing it. I think it is more than understandable that they would do so.

On June 26 and July 11, 1985, the Subcommittee on Aviation held hearings on the transfer proposal.

On September 11, 1985, the committee ordered the text of S. 1017 reported by vote of 12 to 4 after agreeing to an amendment in the nature of a substitute.

Bear in mind that the independent airport authority created by this legislation, to which full responsibility for regulating aircraft noise at National was transferred by this late-starting amendment, is dominated by Virginia with 5 of the 11 members of the authority. Maryland has only two members of that authority. The District has three. The President puts on one. So Virginia and one other can in effect make the decision on this critical issue.

With the airport authority controlling the hours of operation and thus effectively controlling the issue of airplane noise, I do not think it unreasonable for Marylanders to be apprehensive that they are going to receive the brunt of the noise generated by planes landing and taking off from National Airport.

On November 14, 1985, that is 2 months later, after the bill was reported out from the committee, the committee ordered reported by voice vote a committee amendment to the amendment in the nature of a substitute previously ordered reported.

This committee amendment would transfer to the independent airport authority created by this legislation full responsibility for regulating airport-aircraft noise at National.

Let me just repeat that:

This committee amendment would transfer to the independent airport authority created by this legislation full responsibility for regulating airport-aircraft noise at National.

I would recognize the same point if the numbers were reversed and the problem were being asserted by other parties. In other words, you have taken the problem, put it under the authority, whose membership is heavily weighted, allowing it to impose the burdens of the operation of that airport on the jurisdiction underrepresented in the authority.

This is not a small problem. Those of us who represent people who live in this area, and I think the Delegate from the District of Columbia and I think the Congressmen and the Senators from Virginia, would concede that the noise impact on constituents is a severe problem and one that we have to contend with as a very real issue confronting our people. There has always been the difficulty in working out the sort of balance between the operation of National Airport and the impact on the constituents, putting on a curfew that is plainly controversial. The airlines did not want to do it. Drew Lewis developed a regional policy in that regard.

So I say to the membership this change only further complicates this matter.

In the findings section of S. 1017, the bill states, and I quote, on page 26 of S. 1017:

• • • an operating authority with representation from local jurisdictions, similar to authorities at all major airports in the United States, will improve communications with local officials and concerned residents regarding noise at the Metropolitan Washington Airports; • • •

It is my view, Madam President, that this simply will not happen in any balanced way given the unbalanced makeup of the airport authority in this bill.

Madam President, I realize that this is not an issue on which Members have focused, and I realize that on first blush it seems to simply carry with it a parochial squabble between Maryland and Virginia.

But I submit to the membership that the issues are far more grave and severe than appears on first impression.

First of all, as the distinguished Senator from South Carolina pointed out, you have the entire question of whether to undertake this transfer at all. And there are strong arguments to be made on both sides of that.

Second, you then have the question that, if the transfer is to be made, under what terms and conditions? The Federal Government currently has two very important and valuable assets. When the Governor of Maryland testified before the committee, he said he would pay double—double—for these airports what Virginia was being called upon or what the authority was being called upon to pay under the bill. I use the term Virginia and the authority almost interchangeably. That is not quite correct. But I do that in part because of the very predominant position Virginia holds on this authority.

And the Governor said that he would double—double—what the Federal Government was otherwise going to get from the transfer of these airports. Maryland has a very successful record in running an airport in BWI. They have done very well indeed at BWI over the years. In fact, Maryland is very proud of what they have managed to do at Baltimore-Washington International Airport. We have competed very effectively for passengers and cargo as well as for carriers and services.

Maryland made the decision to compete when they purchased BWI in 1972 and then launched a major capital improvement program, inaugurated aggressive sales and marketing initiatives to attract passengers and freight, and commenced the process of air service development, introducing new carriers and flights to the marketplace. They made effective use of airport moneys available from the Federal Government.

But I think on balance, it is fair to say that BWI achieved its status as a major air transportation facility the old-fashioned way—we earned it through hard work and prudent expenditure of funds.

During the difficult period of terminal expansion and modernization, Maryland enjoyed the support and cooperation of the carriers serving BWI, as well as the passengers and shippers convenienced by the use of Maryland's facility. Maryland showed it was not afraid to compete by making BWI an international gateway. Maryland was very much involved in gaining London routes, European routes, and is now the premier international airport in the region.

It has met the challenges of a competitive marketplace and continues to be prepared to meet the challenges of a competitive marketplace. But Maryland does not feel it should be placed at these competitive disadvantages, with an airport authority heavily weighted to Virginia, with the facilities conveyed to the authority at virtually no cost.

As I said, the Governor simply threw out at the meeting that he would double the price. Actually, the price ought to be far higher than that if you are talking about any essential fairness to the Federal taxpayer.

We confront the ability of these airports to cross-subsidize, which means that National can be used to underwrite Dulles and therefore enhance Dulles' competitive position vis-a-vis BWI. If Dulles can develop on its own an enhanced, competitive position vis-a-vis BWI, all praise to them. That is what it ought to be all about. But for them to be able to do it because they are being underwritten by Washington National Airport or because the authority can use the control of both airports and the desirability of slots at National and the difficulty of obtaining them as a leverage to enhance service at Dulles, we think is unfair.

And then, of course, I have talked at some length about the noise problem and how the incidence of that can be shifted in a very unfair way.

I have other points I wish to make, but I see my distinguished colleague from South Carolina has returned and in fact the proponents of the legislation may in fact want to make some comments about it. I think it is important to try to get into the RECORD, so our colleagues have an opportunity to review it, as much material as we can, so they will have a chance to go over it and begin to acquaint themselves in some detail with the issues that are involved.

Madam President, I yield the floor.

Mr. HOLLINGS. Madam President, I thank the distinguished Senator from Maryland. He has covered this extremely well and in detail. I would like to add a few things, though, that do not ordinarily come out in the normal consideration. What you have here is a many study operation, both at National and Dulles.

And watching the safety factors, of which we have all become concerned with at all airports, we watch particularly the one at National. Anyone who has flown in and out and knows anything about the takeoff and clearance schedules given—both private and general aviation, as well as the commercial lines—will understand in a second that National has, pretty well like Kansas City, gone about as far as she can go. What we have is an imposed cap of some 16 million passengers and a cap of some 37 landings and takeoffs per hour.

Now that was imposed by the Secretary of Transportation after very thorough observation and conferring with the operators at the airport, the particular air controllers, the FAA, and its safety requirements and everything else of that kind. She did this because there have been some near misses. Not due to traffic, of course, but on account of the freeze, the Air Florida crash itself, the pressure, I would take it.

We are thinking now in terms of the shuttle flight. And it has boiled down, it is very interesting, to every day they keep coming back to the O-ring problem. And the distinguished Presiding Officer and myself are both very much concerned about that. But that was not anything new. The O-ring problem on the shuttle was one that had been observed and declared dangerous.

One term of art of particular reference and classification was that by the National Aeronautics and Space Administration. They call it a criticality I. In a criticality I, there was no backup. If that particular item in the equipment experienced a failure, that would cause the failure of the particular flight and perhaps the loss of the lives of the crew itself. So the O-ring problem was criticality I. And there had been a burn-through of the primary O-ring, and almost totally through the secondary, in January 1985—over a year before the tragic crash we had.

Now we go into the proposition of why the pressure to launch over the objection of the contractors. There are certain guidelines and processes that we as Senators are responsible for and the commission making the investigation is responsible for. I have made a very important distinction in my mind, having tried several cases before. When you say the process is flawed, the feeling thereon is that, just like a flaw in the cloth or flaw in the metal, something unforeseen that sneaked in could not be observed. Whereas, if the process is violated, that is the violation of an observed deficiency, and this is the latter in my judgment.

We observed the O-ring failure in January 1985. We came back and had a letter in the midsummer from witness Cook—in July of last year. We thereupon went into studies in August, and had several high level conferences. So concerned were they that in November of last year, when they had an automotive engineering conference with automotive engineers, the space engineer said, "well, maybe the auto-

motive engineers have an approach that we have not tried." So they attended the automotive engineering conference here in Washington trying to solve it.

Of course, on the afternoon of January 27 and in that evening when the cold weather set in, the responsible engineer, McDonald of Morton Thiokol, said "No; I am not signing off." This is unsafe. And they went 2,000 miles uprange to overrule him at the personnel office. Again, the next morning he said you have got the written permission but I would implore you to wait until afternoon when it warms up. They still would not wait, and a separate engineering authority, namely Rockwell, at the Cape, also went to the launch authorities and said it was unsafe. And the authorities said, "Well, I thought he was expressing a concern and not an objection."

So in two instances we had contractors saying it was unsafe, and we had it overruled. In no instance in history of a launch have we had a contractor say it is unsafe, and thereby the launch occurring as a result of overruling the unsafe admonition.

They have been awfully careful. They had a dust storm all the way out.

Mr. WARNER. Madam President, will the distinguished Senator yield for a question?

Mr. HOLLINGS. Yes.

Mr. WARNER. Madam President, as the manager of the bill, Mr. TRIBLE and myself will determine at the appropriate time to go forward on this bill when the proponents of the bill have within their rights exercised whatever proportionate time they still desire to debate the present pending motion to proceed. And by distinguished colleague from Maryland, who stepped aside the floor momentarily, sort of invited reply to the several points he raised.

Indeed, Mr. TRIBLE and I are prepared to reply to his inquiries at the appropriate time when the bill is before the Senate, and the Senate is permitted to work its will.

I say to my distinguished colleague from South Carolina, could he inform the Senate about the desire of the opponents of this bill and the relevance as to the flight of the space capsule, and also the Air Florida crash, because we are anxious, I think, to proceed with the formal consideration of this bill.

(Mr. SIMPSON assumed the chair.)

Mr. HOLLINGS. Mr. President, does the Senator not want me to talk about the space shuttle?

Mr. WARNER. No; the Senator is free. As a matter of fact, I rather enjoy listening to my distinguished colleague.

Mr. HOLLINGS. I want to make an analogy.

That pressure could have come from the Congress inadvertently, I might add, but as sure as it would have been pressure by way of budget, by way of trying to justify the increases that they thought necessary in order to get the space station in place and keep the program up to snuff.

I heard the statement made by my colleague over on the House side. I am going to make the analogy right here. We might be starting pressure on NASA with this particular authority. I will make the analogy. But I want everyone to understand it is real. It is not imaginary. My colleague on the House side just the week before last asked Dr. Graham about the particular future of the program on commercial flights. He said Congress was unanimously in favor of the continued role of NASA for commercial flights for the space shuttle. That is not true. It is not unanimous at all. Over here on the Senate side we think this is a research project. And I think, rather than not bringing the pressure, that yes, when a leading member of the Space Committee in the National Congress jumps all over the Director, the message is clear and the Director says, "I had better keep it going, I had better keep a number of flights in the air, and keep up a schedule that would warrant commercial availability."

That is pressure. I happen to think, Senator, it was unusual pressure on the tragic morning of January 28. It was not any customary launch schedule pressure. It was unusual pressure to cause them to overrule two of the contractors who said it was unsafe to launch. That is wherein we have let the case get cold. I am not going into that unless you want to. I will be glad to go into that because we have been stonewalled. The Commerce, Science, and Transportation Committee, of which I am the ranking member on the minority side, has been stonewalled from having any hearings. The people of America think that we have a responsibility. You and I know the responsibility for oversight. They are trying to finesse now, and trying to get budget figures out of us, but do not want to hear anything about the tragedy itself.

That is the only way we can determine the budget, the direction, and what happens with our Space Program—we must get into the cause and exactly what occurred. There have been hundreds and hundreds of people who have gone into the technical difficulties. But there has been hardly a field investigator go over to NASA and ask the head: "Who did you call?" "When did you call?" And if anybody in this National Congress believes that they can send a member from NASA saying "look, Mr. President, when you make your talk to the joint Congress on the evening of January 28, please refer to Christa McAuliffe"—the teacher in space, which the President himself launched. And if anybody believes—this Senator does not—that they just took that particular reference, just threw it aside, and nobody ever looked at it again—but they thought it significant enough to talk about a science test on the *Challenger* flight and not Christa McAuliffe on that *Challenger* flight—anybody who believes that is whistling Dixie. I can tell you that right now. They are not going to make this Senator believe and disregard that they never even thought of that. We are looking at the unusual pressure.

I have tried to get the telephone logs. I am trying to find out exactly what occurred so that we can settle it for once and for all. But I am not allowed to have the field investigators. I am not allowed by the majority of the Commerce Committee to continue in our particular hearings that we had. We are in a catch-22 situation.

The chairman of the committee says if we find fault with the Rogers Commission, then we will have a hearing. That makes me have to find fault in order to do my work.

Secretary Rogers comes up and he says I am not going to give you anything. So I cannot find fault or good. I just cannot find. So I cannot do my job.

But pressure begins right here in the National Congress in these things. It can begin in the agencies through overzealous interests. In this particular case, there is, yes, a local interest involved here with respect to making money, not necessarily safety. Airport authorities have got to make money. These authorities, I know, right now are making the money. They are getting a good windfall and everything else of that kind. But you never can tell what the economic pressures are. As now indicated in the findings that I referred to earlier, they said, yes, we would freeze the number of slots or landings there at National to 37 per hour. We eliminated the passenger cap. We unfroze that particular cap to allow them all to come in.

What effect does that have on the airport at National? Immediately that says bring in the bigger planes and let go the smaller planes. Immediately that is a particular pressure brought in general aviation. I was hailed by the general aviation groups, inadvertently, I guess, for the posture that I had taken in the very early instance because they said, no, we cannot go along with that. We will not be able to land the planes because with that cap removed, they will go to all commercial and we would not be able to land a single general aviation flight. They will do away with the facility out there. It would not pay for itself. Up to a point, then they got together with the distinguished Senator from Virginia, Senator TRIBLE, and with the arrangement they made with him, I

think Senator TRIBLE took care of those concerns or Senator WARNER did. We will hear from the Senator later on that score.

But I know general aviation opposed this particular bill in the very early stages, and opposed it very vigorously. Now they have been made very happy. I want to learn later on why or how they were made happy. But back to pressure.

Pressure brought on National Airport is one issue that really borders on a hairline ruling out there at the present moment with respect to safety. We know we cannot get in any more landings and takeoffs. It is physically impossible, with the controllers, the space and they use cross-runways and different other things in there to bring them in as best they can. But now they say you cannot handle the passengers. And in this particular initiative they eliminate the passenger cap.

They also had the matter of the noise level. That amendment was due for defeat in the Commerce Committee, and, in fact, temporarily held up my the distinguished junior Senator from Virginia, and later offered and acted upon with respect to the noise level.

I wonder with all of these concerns whether we really are improving—as the Washington Post said in its editorial—whether we really are improving the public service there, or are we putting it in jeopardy in contrast to a public service?

Mr. President, I want to go to the undervaluation of the sale price.

The Department of Transportation sale price of $47 million is to be repaid over the next 35 years. It is too low. In fact, the revenues coming in and everything else of that kind means they will really have a financial kitty to operate on, rather than just pay back. And we, the users, will be paying double for that particular service we have been receiving.

The National Taxpayers Union estimated the fair market value of the facilities at $1.5 billion.

The Grace Commission, when they put their value on it, had it at more than $300 million. I remember back under President Richard Nixon, it was $170 million. It hit me when we had the $47 million figure used that this particular "Holton Fix" got it at $47 million and got a sweetheart deal with the administration in their notion to take over.

They really had it arranged because they were buying at least $300 million and probably double that amount for $47 million.

The General Accounting Office, using the Department of Transportation accounting records and evaluation techniques, found another $61 million had been excluded. Even using the Department of Transportation's undervalued pricing system, which no one endorses, it should be at least $108 million, not $47 million.

Maryland's Governor, Governor Hughes, testified at the hearing that he would double the $47 million figure and pay $94 million if he could get hold of those facilities right now.

Why is it that we are really stonewalled, in a sense, with this particular low price? They will not accept any amendments at all on that score. If we do, why should we even pay more because then we will have to want more bonds and if we want more bonds then instead of the $250 million we will want $350 million? Then, instead of $712 million, we really are talking about a $1 billion cost to the users of National and Dulles. This is added cost to their operations for no reason at all on top of what they have already paid to go ahead and get these approvals.

Mr. President, I cannot see how they can sneak it by. I guess that is why we are here objecting to bringing it up for consideration. We are really jammed with a lot of important matters—too important to bother with a couple of airports which do not deserve, frankly, the time of the U.S. Senate for more than a half-hour at the most. The Members themselves are all boiled up with respect to Contra aid, with respect to the deficit, with respect to tax reform and all the other particular initiatives. Everybody out in the hinterland has been told that Gramm-Rudman-Hollings has cut their programs so they have come to Washington and once again they want to see the devil put into Gramm-Rudman-Hollings. You cannot possibly see all the people who want to come and talk to you to tell you of the worth of their particular program.

In the meantime, we come here with an attempt to resolve a very important problem. The problem is a made problem. It is a politically made problem. If we did not have this particular bill in, if we only had a request, we would approve it in the Budget Committee with a line just going across there, allocating the amounts. And the Federal Aviation Administration could immediately go to getting the bids on the particular improvements, awarding those bids and supervising the improvements as the particular facilities were being constructed.

No authority has constructed anything at National. No authority has constructed and operated anything at Dulles. We now have the Government ready, willing, and able to move forward, and we have the money within the Government. It has always been a matter of puzzlement to me where we are constantly taking money into the trust funds that we have and not spending it, while enacting new and different initiatives, and borrowing in order to finance those particular initiatives. Crudely expressed, we do not spend the money we got and we do spend the money we don't got.

We have moneys in the highway fund. Just two Christmasses ago we had a jobs bill of $5 billion. We had over $10 billion unexpended in the highway trust fund. We could have given everybody a job. But it could not be expended, save on highways. But, no, do not spend that. We could not get anyone's attention on that one. We have to borrow $5 billion in order to get jobs where we already had $10 billion in the highway fund which could have been used for the same purposes.

Now we come with the money we have in the trust fund having been paid. That is a surplus amount. There is such a thing in Washington as a surplus. They ought to go out and take a picture of it as an endangered species and put it in the Smithsonian. We already have the money allocated. But now we are going to have the $4 billion sit there unallocated and we will put out some more tax-exempt bonds and the tax expenditure costs will exceed some $300 million to the taxpayers.

I cannot see for me how we can continue on with this particular initiative. I would hope that the leader will respond to the Washington Post. I know he is not responding to any pressure in the family or anything of that kind. But the Washington Post is pushing.

The airport trust fund was created for the modernization and development of airports and the aircraft control system. The current trust fund balance is $7.7 billion.

I just received these figures from the Congressional Budget Office and from our Budget Committee.

The surplus is expected to reach more than $4 billion at the end of this fiscal year of 1986. Why not use the money we have and spend that on National and Dulles rather than spending money that we do not have?

As I stated before, there are many other airports that have shared in this without any debate on the floor of the U.S. Congress. The administration asked for and was immediately given that $150 million for Dallas-Fort Worth. When the administration asked for the $100 million in Atlanta, $90 million for a runway in St. Thomas, they immediately responded.

Our problem here is that we have not even been asked, and my problem here is that I cannot ask because Gramm-Rudman-Hollings says you have to have a zero sum amendment, or find $250 million, when in reality I know I have the $250 million in the trust fund right now waiting to be expended for airport improvement.

I want to talk a little bit about the proposed representation on the regional authority, Mr. President. I said earlier that the New York Port Authority had a veto, they had equal representa-

tion on the authority from New York and New Jersey. Each Governor had a signoff and somewhat like the United Nations, and with a veto they could survive. Now, in reality, the State of Virginia is given that veto with five members from Virginia, only three from the District and two from Maryland, and one appointed by the President. There is not any question that that is going to be one of the great commitments that is easily given.

If you have ever run for President, you know you have these people come along with their particular interests. They are talking to the candidates and if they are smart enough, they will ask every candidate—Republican, Democrat, obscure like myself and winning candidates like the President himself and Vice President Mondale—"There is a little thing there in Virginia, we are very much concerned about the operation of these two airports and we would like to have a signoff on your appointee."

You say, "Why I would give it consideration." You do not make a commitment. That is against the law for anybody running for President, but you make that representation very easily.

If I were the governing authority of Virginia, I would make an inquiry of the candidates as they all came through and then when the election came up, we would have our five plus one, you would have the six. You would have the veto and you would run. You would listen to the other people if they were pleasant and agreeable. You might even get some who were very agreeable in the District.

But looking at some of the appointments we have to rule on from time to time in the Senate, I cannot look for any hope that anybody is really going to be interested other than in the title of this particular situation.

So we are going to have a Virginia veto, no doubt, with respect to the makeup of this particular authority. I would certainly want, if I have 40 percent, the four rather than the three that I have from the District of Columbia. But I am only given the three and the two from Maryland here, then one appointed by the President. That puts me in a bad position.

The airports do not belong to Virginia, Maryland, or the District. We should not be transferring the responsibility from Washington to Annapolis or to Richmond. But that is what is really occurring in Congress today. We are going to take the airports down there at Washington, the Capital, which is anathema to the Virginia government anyway. Those things, jealousy and competition and disdain, build up in every particular State and they think that we look too much at the Federal problems, with Federal employees and everything else, and are not that much interested in the welfare of the Commonwealth. Then, when the welfare of the Commonwealth comes forward and there are needs there and adjustments to be made, it would be very, very easy to transfer those needs and adjustments to impact upon the Dulles properties or the National Airport.

I could see very well, if I served on that authority and I had a chance to get a big factory out there at Dulles—3,000 acres—and I am making an industrial park and I can see where we might need even again some further runway development or what-have-you—or an industrial park coming out to Virginia—I would say I would opt for jobs, opt for industrial power—let us put the building there and let us put the facilities there and let them all land.

If industry came along and said, "Look, if you landed them all one way, I could put this big industry there," the temptation would be great. You are sitting in Richmond and you are looking for industry. You want to point at what you did. You cannot run for Governor of Virginia and get reelected on the proposition that you got some more landings at Dulles or improved the service at Dulles. They would run you off the campaign track in the Commonwealth of Virginia running on that particular platform. So what you are really going to do is take the people's facilities and transfer them over to Richmond's political nuances and needs and turn, perhaps, an airport authority into an industrial development authority.

I could well imagine, with the airport authority having all this prime industrial property out there, that the tail could wag the dog in that particular instance and thereupon, we would just, unknowingly, resolve into industrial development rather than airport service.

I think this thing is fraught with more dangers and wastes and costs than we can possibly imagine, Mr. President. It is a bad initiative at a bad time. I guess what they are saying is we could use the $47 million today here, in 1986 to help with the deficit, but that is our trouble now. We want to transfer the bill to the next generation to pay. We have been buying votes with the fruits of the next generation.

Mr. President, I hope we will continue to give this very serious consideration and perhaps reject it, because the people from Maryland have not been treated fairly on this one. The people from the District of Columbia have not been treated fairly on it. The people of the United States have not been treated fairly on it.

I have a note here, I say to the Senator from Maryland that the Budget Committee is going to have two votes at 2:35, so if I could be excused momentarily, I want to continue later with the debate and the presentation that the Senator from Maryland is making on this score. Since we do not have a proxy rule in the Budget Committee of the U.S. Senate, I would like to attend those two votes. I think they could be needed in order to get this vote out this afternoon and then rejoin the Senator on the floor.

I thank the distinguished Senator from Virginia and the distinguished Senator from Maryland for their courtesy in listening to my deep concerns. I am going to come back later and describe safety a little bit more so everyone will understand it with respect to the pressures we bring on unsafe operations here, right at the beginning of the national Congress.

I thank the distinguished Senators here and I thank the distinguished Senator from Maryland.

Mr. SARBANES. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. WARNER. Mr. President, I ask unanimous consent that the quorum call now in progress be discontinued.

The PRESIDING OFFICER (Mr. HELMS). Without objection, it is so ordered.

Mr. WARNER. Mr. President, the distinguished Senator from Maryland has reappeared on the floor, and I am wondering if at this time we might engage in a colloquy such that we could better inform the other Members of the Senate about the progress of this bill. The proponents, the Senator from Virginia [Mr. TRIBLE] and myself, are quite anxious to proceed and join in the issues raised by the distinguished Senator from Maryland, but we determined that it was best to await the Senate's formal consideration of the bill. The Senator from Maryland at this time, together with other colleagues, has discussed the merits of proceeding, so I wonder if at this time we could ask of the Senator from Maryland any advice he might give the managers of the bill, together with other Senators, as to the progress we might hope to make.

Mr. SARBANES. Will the distinguished Senator yield?

Mr. WARNER. I yield the floor.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, as I indicated to the distinguished Senators from Virginia, of course Senator HOLLINGS had to go back to the Budget Committee for some votes and intends to return and continue on this matter further. While I made an opening statement, there are some elaborations that I also wish to make. There

are also other Members, we believe, who want to have a chance to speak, although they are now tied up, so I am not sure exactly when they will get here. I do not know whether either of the Senators from Virginia wants to speak on the matter. It would seem to me they might want to so that material and debate is available in the RECORD in the morning for our colleagues as they consider this. I am coming more and more to think, as we debate the issue, that the Members probably ought to perceive the motion to proceed as really raising the question whether this matter is in a sufficiently proper state for the Senate to go to it. In other words, a lot of difficulties have been pointed out and underscored.

We have two problems. One is whether, given the current state of this legislation—in fact, I think the disarray, from my point of view, would be the more accurate term to use—whether, given the current disarray, it is something the Senate wants to address.

As I indicated earlier, many positive and constructive ideas were put forward along the way in considering this, but none of them was picked up. For a lot of reasons, the Senate may decide this issue needs further work, if in fact the Senate decides that it wants to take it up. If the matter is indeed taken up, there is a range of amendments, as I understand, to be proposed, on a whole variety of issues. Of course, that would then raise, conceivably, an entirely different question, at the end of that deliberation.

Mr. TRIBLE. Mr. President, will the Senator yield?

Mr. SARBANES. I yield.

Mr. TRIBLE. It is the opinion of the Senators from Virginia that debate on the merits should await the Senate turning to this bill. We look forward to a lively and thorough debate.

We have listened very carefully and attentively to the discussions of the Senator from Maryland and the Senator from South Carolina. I hope now that the Senator from Maryland will permit the Senate to proceed to the actual consideration of this measure.

I ask the Senator what his intentions are. Is it his intention to permit us to proceed to a debate—to turn formally to the matter at hand?

Mr. SARBANES. Certainly not today. As I indicated earlier in my statement, I thought it important that our colleagues have the benefit of the discussion that is going on here—in the RECORD in the morning—to review, and for their staffs to review, and begin to gain a sense of what the issues are that are at stake here.

It was in that context that I was suggesting that the Senator might want to address it. I am perfectly ready to go on with some other points I want to make. I do have the view that this should be available in the morning, in the RECORD, for Members and their staffs to examine, so that they can factor these considerations into their judgment, if and when we reach the decision on whether to proceed.

Mr. TRIBLE. Mr. President, if the Senator will yield, I am sure that our colleagues wait expectantly for tomorrow's RECORD, to follow our discussions about this measure.

Mr. SARBANES. If they do, it would probably be a first.

Mr. TRIBLE. I suspect that my colleague from Maryland is correct in that judgment.

If it is the Senator's intention to continue his discussion at this point, then it would be my intention to sit here and listen.

Mr. SARBANES. Mr. President, earlier we talked about the Grace Commission and the fact that this matter was included in the Grace Commission report.

I understand that the Grace Commission has done some backsliding on this issue in the interim, and one can understand that. There are a lot of pressures of one sort or another at work.

One never knows what may move people to come to a somewhat different perspective at a later time. But I think it is important to include in the record their consideration of these Metropolitan Washington airports.

When they were talking about the sale of the airports, they considered the question whether they should be sold, and at what price. Their conclusion was that the potential revenue from the sale of Washington National and Dulles International Airports would result in a one-time Federal revenue acceleration of $341 million.

They indicated in their report that there were three basic approaches to implement an appraisal of a capital asset: One, replacement cost; two, capitalization of projected cash flow; three, market value, the price at which a willing seller and a willing buyer arrive.

They went on to say:

Because airports are unique in several aspects, chiefly their nonprofit status, capitalization of projected cash flow is not a valid approach. Neither is "market value," because of the near absence of other comparable transactions.

The land component of an airport can be valued in terms of replacement cost, but this approach has limited relevance. The value of similar land outside the airport reflects the present value of expected cash flows from uses which generally do not occur at an airport. Structures at an airport also tend to be unique and unlikely to have alternative uses that would have a comparable value if the property were sold.

Having, in effect, disposed of these three basic approaches by those comments, they then went on to say:

Consequently, in this issue three other techniques are used to update earlier appraisals that have been made:

Adjust to 1982 constant dollars by using the Gross National Product (GNP) price deflator, the appraised value of the MWA in 1972, and any capital improvements since 1972;

Calculate the ratio of the 1972 appraised market value to the 1972 net book value of the MWA land and buildings. Assuming this same market value-to-book value ratio exists in 1982, multiply this ratio times the MWA 1982 net book value of land and buildings.

Calculate the ratio of the 1978 appraised market value to 1978 net book value of Burbank Airport land and buildings.

They use Burbank because there was a sale that took place in Burbank, CA, from a private party to a public agency.

This report then goes on:

Assuming this same market value-to-book value ratio exists in 1982, multiply this ratio times the MWA 1982 net book value of land and buildings.

They then go on to take these three techniques, which they have outlined in an effort to ascertain the price; I am not now necessarily endorsing this approach or any particular one of these techniques. I am really setting it out here so Members can have the benefit of the analysis by the Grace Commission, and so they will see more clearly the enormous disparity in evaluations made by the Commission, made by the Taxpayers Union, and made by others with respect to what is a reasonable price to be paid for these facilities; and so they will understnad the virtual giveaway price at which Secretary Dole and the Department are seeking to obtain here in the course of transferring it to this airport authority.

The Grace Commission, the so-called President's private sector on cost control, goes on to say, with respect to the three techniques for appraisal just set out, the following, and I quote:

"Alternative appraisals: valuation based on GNP price deflator. In 1972, an independent audit of the MWA—" metropolitan Washington airports, and that is National and Dulles combined—they are collectively known in the terminology of this report as the MWA—"land and buildings determined the fair market value to be $105 million. Assuming no depreciation, the 1982 yearend constant dollar value would be $217.5 million. Add to this any capital appropriations adjusted to reflect fiscal year 1982 yearend dollars. The result is a total value of $318.4 million."

So using this first approach, they conclude the result is a total value of $318.4 million.

They then go on to take the second approach. They say: "Alternative appraisals: valuation based on a multiple of book value from the Burbank Airport valuation. When the Burbank Airport was appraised to find the fair

market value of its land and buildings in 1978, the ratio of market to book value was 4.77 times. Multiplying the metropolitan Washington airport, September 30, 1982."—of course we are now using somewhat dated figures, 1982—"land and buildings net book value—after accumulated depreciation of $80.4 million by 4.77 yields $383.5 million. The book value of construction in process is assumed to be equal to the market value. The total value of the MWA's land and buildings after adding $30.2 million construction in process is $413.7 million."

So now we use one alternative appraisal method and they came in with a figure of $318.4 million. Bear in mind now that what the Department of Transportation was saying was $47 million to be paid over a 35-year period. That is the level at which the proposition before us finds itself, well under $100 million.

Yet here the first appraisal method is $318.4 million, the second appraisal method is $413.7 million, and the third method, and I now quote from the report, "Valuation based on a multiple of book value from the MWA's valuation in 1972. When the MWA's land and buildings were valued at $105 million in 1972, the net book value of these assets was $32.2 million." In other words, they took the 1972 valuation and then compared it with a book value and came up with a factor of 3.26. "This results in a market to book multiple of 3.26 times. Multiplying the MWA's land and building net book value of $80.4 million by 3.26 and adding $30.2 million in construction in process gives $292.3 million."

So now we have been through three appraisal methods used by the President's Private Sector on Cost Control Commission. One method put a total value on of $318.4 million; another, $413.7 million; and a third one, $292.3 million.

As I indicated, I do not vouch for any one of these methods. I think a strong case can be made that the figure should indeed be much higher, and I spoke earlier of the amount of land that was being transferred to Dulles, the thousands of acres, and the value that attached to it.

But the Grace Commission went on to say in their summary: "The three estimates of the fair market value of the MWA land and buildings range from $292.3 million to $413.4 million. The mean value is $314.5 million, which will be used in further calculations for purposes of simplicity."

So the value that they attached on this sale of the two airports was $341.5 million.

Yet the figure that was put forward by the Department of Transportation was $47 million. As I indicated, the Governor of Maryland came in before the committee and said he would double the price right on the spot. He was prepared to double the price.

So it is clear that these assets are being disposed of at far, far below anything that begins to approximate their reasonable value. They in effect are being given away.

There is no wonder the State of Virginia and its two able and distinguished Members in this body are so anxious to move this legislation along. They are going to be running all the way to the bank. It seems to me that the great deal or steal of 1986, needs some careful attention and focus by the Members of this body.

(Mr. TRIBLE assumed the Chair.)

Mr. SARBANES. The distinguished Senator from South Carolina had to leave the floor for the very pressing budget problems in the Budget Committee. It is not as though the Nation were in a fiscal period when we could simply sort of shrug their shoulders and say, "Well, a few hundred million or less, what does it matter?"

I think it is reasonable to expect that if we are going to devolve ourselves of these assets that we ought to obtain a reasonable price for them.

We just went through that with the sale of Conrail, a proposal that came from the same Department and the same Secretary.

I think the Secretary is an able person and I have been struck by the many, many articles written about her which have made that point. I think she has shown a lot of skill as a member of the President's Cabinet.

But it seems to me we have to begin to question more closely this bargain basement operation being run over at the Department of Transportation.

When the Conrail proposal was here, in effect, there was an alternative bid at 50 percent above the price being offered by the party whom the Secretary supported, a reputable bid.

The Secretary, many thought at the time, had locked herself into a position and felt obligated to press forward with it. And, of course, the consequence was that what the Federal Government could have realized from the sale of Conrail to the private sector was substantially under what it could have gotten had the Secretary been prepared to be more flexible in that situation.

I am fearful that we have the same sort of situation at work here. The Senator from South Carolina was absolutely right earlier when he said that the Secretary set up this commission. She was anxious to shed the responsibilities of National Airport and Dulles Airport and not to carry them on at the Federal level. They have been uniquely the national airports now for many years. But she was anxious to get rid of them. And, in the end, she swallowed a deal that I take it she perceived as the only one she could get if the State of Virginia were to go along.

It is obvious why the State of Virginia will go along with this deal. Here you have three valuations, $318.4 million, $413.7 million, and $292.3 million. The mean value of them is $341.5 million, almost $350 million. Yet, the price the Department was talking about is $47 million. Now we are losing a quarter of a billion dollars, at least, on this proposition, just compared with these appraisals, let alone others.

I read earlier the letter from the National Taxpayers Union in which they state, and I am quoting beginning with the second paragraph:

> Although we agree that the Federal Government should get out of the business of owning and managing airports, we are appalled at the ridiculously low sale price placed on these valuable properties. The combined market value of the properties is conservatively estimated at $1.5 to $2 billion. Yet, the two airports are to be sold for only $47 million—about 1/35th their actual worth.
>
> In addition, the transfer and future improvements are to be financed with tax-exempt bonds over a 30-year period. This adds up to a double soaking of the taxpayer.
>
> Given the Nation's tremendous budget deficits and $2 trillion national debt, it is fiscally irresponsible for the Federal Government to do anything but seek fair market value for the airports. Sound policy demands that the price tag on Dulles and National be raised to reflect their true worth. Otherwise, the sale should be rejected.

Mr. President, I ask unanimous consent that the text of the National Taxpayers Union letter be printed in the RECORD at this point and that the excerpt quoted from by the President's private sector on cost capital report on privatization also be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

NATIONAL TAXPAYERS UNION,
*Washington, DC, March 18, 1986.*

DEAR SENATOR: Soon you may be asked to vote on S. 1017, the Metropolitan Washington Airports Transfer Act. This bill would transfer ownership of Dulles and National Airports to an independent authority dominated by the Commonwealth of Virginia. We urge you to vote "NO" on this sale.

Although, we agree that the federal government should get out of the business of owning and managing airports, we are appalled at the ridiculously low sale price placed on these valuable properties. The combined market value of the properties is conservatively estimated at $1.5 to $2 billion. Yet, the two airports are to be sold for only $47 million—about 1/35 their actual worth.

In addition, the transfer and future improvements are to be financed with tax-exempt bonds over a 30-year period. This adds up to a double soaking of the taxpayer.

Given the nation's tremendous budget deficits and $2 trillion national debt, it is fiscally irresponsible for the federal government to do anything but seek fair market value for the airports. Sound policy demands that the price tag on Dulles and Na-

tional be raised to reflect their true worth. Otherwise, the sale should be rejected.

Sincerely,

JILL LANCELOT,
*Director, Congressional Affairs.*

REPORT ON PRIVATIZATION

*Summary.* The three estimates of the fair market value of the MWA land and buildings range from $292.3 million to $413.4 million. The mean value is $341.5 million, which will be used in further calculations for purposes of simplicity.

(Mr. PRESSLER assumed the chair.)

Mr. SARBANES. Mr. President, the question of the price to be paid here is a question that involves, obviously, every Member since we are disposing of Federal assets and we are doing it here for virtually nothing—the figures range from $47 million to $300 million to over $1 billion, with incredibly valuable land at Dulles, thousands of acres also at issue.

If you look at the bill reported by the committee as to what the prices should be, you find it nowhere states a price. I invite the attention of the membership to the fact that what we have stated here is a very involved and complex formula without any way of knowing exactly what that means in dollar terms.

First of all, it is to be a lease, not a sale. In other words, the money is not to be received now in payment for the facilities. They have set an incredibly low cost and then you do not even get it in hand, you get it over 35 years. One has the sense that the Federal pockets are being picked here.

But the legislation says on page 29:

In consideration for the transfer of the Metropolitan Washington Airports, the Airports Authority shall make payments to or for the account of the United States, as specified in this subsection.

Basic lease payments sufficient to repay to the United States the amount of hypothetical indebtedness of the Metropolitan Washington Airports shall be made to the Treasury of the United States, as determined by the Federal Aviation Administration as of the date of transfer in accordance with appropriate Federal financial directives, and at the imputed interest rate for such indebtedness on that date, within 35 years. The Comptroller General of the United States shall conduct an audit of the Federal Aviation Administration's determination of hypothetical indebtedness, and shall also report on any costs incurred for the Metropolitan Washington Airports not included in such determination.

And then, the next section goes on to provide, "In addition to the consideration required for lease and acquisition in the metropolitan Washington airports under paragraph (2) of this subsection, the Airports Authority shall" pay certain moneys to the Civil Service Retirement and Disability Fund to represent certain costs connected with employees of the authority.

I see the distinguished Senator from Virginia on the floor. Perhaps he can tell me what this means in dollar terms. There is no dollar figure in this bill. It is a 35-year payment, the so-called amount of hypothetical indebtedness. Whatever the figure is, trying to puzzle through the committee's report, it is clearly a lot less than any of these other figures which have come before us as being reasonable for obtaining this airport.

Mr. TRIBLE. I look forward to responding to the points raised by my colleague. But, before we engage in that debate—a debate which quite properly should be reserved until the Senator from Maryland permits the Senate to turn to the consideration of this measure—I would like to point out that the Senator from Maryland and his colleague from South Carolina have shared their thoughts and concerns about this legislation since approximately 11:50 this morning. It would seem that my colleagues from Maryland has now had ample opportunity to instruct his colleagues. I ask if the Senator from Maryland would now permit the Senate to proceed to the consideration of this legislation

Mr. SARBANES. I indicated to the Senator earlier that I thought it was important for our colleagues to have the benefit of this analysis to review in the RECORD in the morning. This is not an issue, I think it is fair to say, on which Members have focused. They have tended not to see it as a highly controversial issue. It only indirectly affects the interests of many Members of this body, although I think upon analysis they will come to understand that it does in fact affect the taxpayer in a very vital way.

My own view is that as we probe into this further and further there are sufficient questions about even the basic merits of the legislation to raise the very serious point as to whether the Senate ought to spend its time in order to take it up.

Mr. TRIBLE. Will the Senator yield for another question?

Mr. SARBANES. Surely.

Mr. TRIBLE. Recognizing the right of a Senator to take time to share his thoughts and concerns in respect to this, will the Senator agree to a unanimous-consent agreement establishing a time certain at which the Senate can turn properly to this legislation?

Mr. SARBANES. No. The Senator is not prepared to do that at this point.

Mr. TRIBLE. I must observe that the Senator is really not engaging in debate but rather is filibustering, and is obstructing the process at a time when the Senate has a whole host of important matters, including this measure.

Mr. SARBANES. That may be the Senator's observation. I do not share it. I think that before we take this matter up, Members ought to appreciate the deficiencies connected with this legislation and then ask themselves. This question: Do we really even want to take it up? Is this not an issue on which some effort should first be made to address the range of objections which have been raised here, in effect to say to the Secretary, "Well, you really ought to go back and redraw this at the drafting board"?

We saw the same problem with Conrail. A lot of points were raised, and the Secretary said, "Well, you know, we made that decision way back then and now we have to sort of stick to it." That is exactly what is happening here. Let me give you one example.

A strong argument was made in the commission that Dulles could not sustain itself alone financially. Therefore, it had to be linked with National be able to draw on that underwrite from National, which we in Maryland think is very unfair to the competition between BWI and Dulles. I do not see how any reasonable observer could conclude otherwise.

Every other airport has to stand on its own. To link these two, and take a highly profitable one which is not BWI's competitor, and underwrite the other, which is BWI's competitor, is an unfair situation.

Since that analysis was made, a year and a half have passed. The activity at Dulles has increased tremendously over that period. In fact, there was a story in the Washington Post at the end of last year, last December, headlined "Fast Growth Strains Dulles Services." It went on to talk about how the tremendous increase in air traffic was placing a strain on the services.

That, of course, raises the question as to whether the financial analysis that was relied upon, or at least was used by some to argue for putting the two airports together financially, still stands. In the light of this development, it is reasonable to argue that the case for severing the financial connection between Washington National and Dulles Airport has been greatly strengthened. Dulles to stand on its own if that were the case, at least in the financial arena—up to a limited point, because you still have the giveaway of major assets. So they start off in effect almost with a free capital base—that is what it amounts to—for the competition we are talking about.

Maryland wants the competition but it wants it on a fair basis. It wants it on a fair basis. Maryland bought an airport and spent a quarter of a billion dollars improving it. We are prepared to compete with Virginia if it pays a reasonable fee for Dulles, and then seeks to improve it.

Mr. TRIBLE. Will the Senator yield for a question?

Mr. SARBANES. Yes.

Mr. TRIBLE. The Senator has asserted on two occasions now that Maryland has spent a quarter of a bil-

lion dollars on BWI. I wonder if he might tell us about that expenditure. It certain is at odds with the figures presented to the Commerce Committee.

Mr. SARBANES. I said earlier—and I should have said there—that is adjusted for constant dollars. But let me read what Maryland says on that point.

"Maryland invested $36 million in State general funds in 1972 in acquiring Friendship Airport from Baltimore City. This represents some $100 million in today's dollars" inflated through the end of 1985. In other words, the authority is now going to acquire this facility not even in today's dollars. The authority is going to acquire this facility not even in today's dollars because the authority is going to have a lease, and pay for them over the next 35 years. So the comparison I am about to make is even more pointed than the figures I just used.

"Maryland invested $36 million in State general funds in 1972 in acquiring Friendship Airport from Baltimore City. This represents some $100 million in today's dollars."

In other words, adjusted for inflation through 1985.

If you bought it at the end of 1985 in 1985 dollars, and adjusted it from the figure paid in 1972, it would be $100 million.

"Additionally, Maryland invested almost $114 million in Maryland DOT funds on improving Baltimore-Washington International."

That is $114 million invested then at the dollar levels over the period 1972 to 1985—some early in that period, some in the middle, some at the end of that period.

"This represents some $180 million in today's dollars" adjusted for inflation.

So, "The current dollar investment of State funds is $280 million."

If you took what Maryland has put into BWI and brought it up to date, it is $280 million. This legislation proposes to give these two airports to this Airport Authority dominated by Virginia $47 million. That is not even in current prices.

Mr. TRIBLE. Will the Senator yield?

Mr. SARBANES. Surely.

Mr. TRIBLE. Even with the recomputation, I must point out the Senator's figures are incorrect. As the Senator said, Maryland paid $36 million to Baltimore to buy Friendship Airport. The Senator is now saying we are going to recompute those figures in today's value. Beyond that, the Senator has pointed out that $114 million came from the transportation fund of Maryland. The Congressional Research Service suggests it is actually $116 million.

These are State bonds bought against the Maryland Consolidated Transportation Trust Fund. These are not dollars drawn from the taxpayers of Maryland. These are moneys from the users of the highways and the airports of Maryland.

I will point out also that BWI has also benefited from $33 million through Federal AIP grants.

Mr. SARBANES. I was not counting that money.

Mr. TRIBLE. You did not count those moneys quite properly because they could not in the wildest of imagination be counted as drawn against the State of Maryland.

I think that all those figures suggest more precisely the funding of BWI.

I have resisted the temptation today to raise a number of points during the Senator's soliloquy because we will have that opportunity to debate once the Senator permits the Senate to turn to the consideration of this measure. However, I would point out that the Commerce Committee decided to reimburse the State of Maryland for the $36 million out-of-pocket expenditure for Friendship Airport.

Moreover, I would point out finally that the Commerce Committee, by a vote of 12 to 4, overwhelmingly supported this measure and found it was fair—fair to Maryland and in the best interests of all of our citizens. I thank the Senator for yielding.

Mr. SARBANES. I appreciate the comments of the Senator from Virginia. I would point out that the money Maryland invested was Maryland money, not Federal airport improvement money. I was careful to leave that out. Those are moneys paid by Maryland.

Mr. TRIBLE. If the Senator will yield, these are dollars generated from all the users of the highways and airports in Maryland and not from Maryland's taxpayers.

Mr. SARBANES. If Virginia were doing this thing right, they would have the opportunity to make use of similar funds. The fact is that Maryland has put into this airport about $280 million in current funds. The Airports Authority is about to acquire these two airports for less than 20 percent of that, and then is not even going to pay that 20 percent up front. It is going to pay it over a 35-year period. It is incredible.

Mr. TRIBLE. If the Senator will yield, I do not want to really engage in debate at this point, so I will reserve my response to a more appropriate time for debate on the merits. That is when the Senator will permit the Senate to turn to the consideration of this measure.

My only purpose in rising at this particular point is to make sure there is no mistake in the record about the exact amounts of moneys involved here and where they came from. That, I think, has been accomplished.

Mr. SARBANES. I am pressing to make my point. The Senator is welcome to try to rebut it. I am happy to have him try to do that. The fact of the matter is that as part of this transfer the authority is going to get a federally funded access road for free, originally costing $60 million. What happens in this proposal to the Dulles access road built by the Federal Government at its expense? What happens to it is that it is transferred as another one of the assets going over to the Airports Authority, $60 million.

Definitions on page 28 of the bill: "Metropolitan Washington Airports," which is what is going to be transferred to the Airports Authority, is defined as:

"Means Washington National Airport and Washington Dulles International Airport, and includes the Dulles Airport access highway and right of way, including the extension between the interstate routes I-495 and I-66."

It is magnificent. I hope the Senator from Virginia goes back every night and says to his constituents, "Look at what we have pulled off here. Up there in Maryland they have this BWI, which they are trying to build up. In current dollars they have put in $280 million to get that facility to where it is today. Look, we are going to get two airports and a federally constructed access road at a cost, I am told, of $60 million at the time it was built, and we are going to get this thing for roughly $50 million. So we are going to set up this Airports Authority to compete and they are going to get all of this capital and all of these facilities and everything else for about $50 million. And they are not even going to pay it."

It is incredible.

As I told the Senator earlier when we were off the floor, the more I get into this thing, the more energized I become. It is incredible what is going on here.

There is a nice book called "The Great Train Robbery." This is providing us the grist for the mill, to just substitute "airport" for "train."

It is going to be paid as a lease over 35 years.

Not only do you have this tremendous disparity in the value that is being talked about, but then, despite this giveaway price, it is not even being paid for up front. It is going to be paid over 35 years.

By the time you discount it for inflation over the 35 year period, the figure is going to be a lot less than the $50 million we are talking about.

So if you compare what Maryland put in to get Baltimore-Washington International where it is, $280 million, the Virginia authority is now going to get two airports, both of them profitable—National very profitable, as we know; Dulles showing rapid improvement.

As I understand it, there are what—some 10,000 acres—at Dulles. Does the Senator quarrel with that figure? I take it not. Some 10,000 acres at Dulles, 2,000 of which can be developed and the best estimate is that they have a value of about $200 million.

Mr. President, where is the fairness to the Federal taxpayer in all of this? Some have argued here that the transfer ought not to happen at all, that the Federal Government ought to hold on to National and Dulles and to proceed from there. But if it is going to transfer and dispose of them, clearly, it ought to do so at a figure that contains within it some fairness for the Federal taxpayer. It is obviously for this reason that the National Taxpayers Union has sent us this very strong letter urging a no vote on this sale.

The reason I say to the Senator that we need to try to put these arguments on the record and have them considered is that I think Members, before they agree to go to this bill, ought to understand this. In fact, the membership might feel, "Well, we really think that the transfer ought to take place but we think these terms have not been carefully worked out. We think really that there ought to be an effort made to go back to the drawing board to reexamine the offers, to reexamine the arrangements by which this would happen; in other words, by what kind of authority can you split Dulles and National?"

I do not think that proposal was ever given the consideration it deserved. I agree with the observation made by my distinguished colleague from South Carolina [Mr. HOLLINGS] earlier in the debate that the outcome was pretty well set the very moment the commission began to consider this matter. That was that both airports were going to be put in the same authority. It was precluded from considering whether all three airports should be brought into one authority. That is a complicated thing to do, but it may make a lot of sense if you are going to run an overall regional air transport program.

That was excluded from consideration.

No serious consideration, in my judgment, was given to the proposition, I think a positive and constructive one, that Dulles and National should be separated, the proposition of allowing National to be run by an authority embracing the three jurisdictions equally, with representation from the Federal Government, and allowing Dulles to go to the State of Virginia.

As you begin to look at these figures and the enormous discrepancies in them and begin to understand that this is really a fire sale, I think more and more Members may ask themselves, "Would it not be better to go back and try to work this thing out again, take another look at it?" The Secretary was unwilling to do that with Conrail, even though significantly improved offers had come in subsequent to her previous decision. There is a responsibility here, it seems to me, to the Federal Treasury and the Federal taxpayer which ought to motivate the Secretary and which requires a second look.

That is aside from the argument I have been making about trying to be equitable in terms of the competition between Maryland and Virginia and constructing an airport system in this area, in this region, that will work effectively.

In setting out the legislation, as I said earlier, Mr. President, it fails to spell out how much money we are talking about. I do not blame them for that. If they spelled the figure out, it would be so shocking in its inadequacy that anyone simply looking at the legislation would react negatively. So, as it is, it is dressed up in a lot of legal language so that when you actually read the bill, it does not really tell you how much money the Federal Government will be receiving.

This independent authority which this legislation seeks to establish is, by its own definition, an agency of the Commonwealth of Virginia and the District of Columbia. In effect, Maryland was cut out of participating in this to such a degree that we were not even involved in creating the agency. The agency was created by the Commonwealth of Virginia, then corroborated in by the District of Columbia, and Maryland was given these 2 places out of 11 on the Commission. That Airports Authority is going to operate the Metropolitan Washington airports under the terms of lease and transfer agreed to in accordance with the act. I made reference earlier to the provisions in the legislation with respect to the lease payments.

The definition of Metropolitan Washington airports encompasses not only the two airports but also the Dulles Airport access highway, the right-of-way—60 million dollars' worth—that is being turned over to the Airport Authority. Of course, as I indicated, the composition of this authority is five members from Virginia, three from the District of Columbia, two Marylanders, one appointed by the President. I do not think there is a Member of this body, except possibly the two Senators from Virginia, who would look at that composition, where they get 5 out of the 11, and say that represents an equitable arrangement in terms of conducting the affairs of this authority. Obviously, it is a loaded authority.

Then, the legislation goes on to discuss how the revenues shall be used. As I indicated earlier, this is a very, very important point.

What this transfer legislation now before us fails to achieve in trying to move from Federal to local control is any reasonable measure of equity amongst the local interests. In fact, the Maryland suburbs of the Greater Washington area represent some 40 percent of the region's population; 2 Maryland votes on an 11-member airports governing panel, as contemplated by the transfer legislation, fails to meet the test of equal representation among local interests. The figures on airport usage further back Maryland's position.

In fact, when you see those surveys on airport usage conducted by the Metropolitan Washington Council of Governments, Dulles clearly functions as Virginia's airport with over half of its passenger traffic originating in the Commonwealth of Virginia. National, conversely, is truly a regional air transportation facility. In terms of local passengers using National, the Council of Governments survey found that the top three ranking jurisdictions, the District of Columbia, Fairfax County in Virginia, and Montgomery in Maryland, account for nearly 70 percent of National's traffic.

During deliberations of the Study Commission, these facts suggested to Maryland that all local jurisdictions do not share equivalent interests in the two Federal airports. Thus this single authority proposal now before the Congress is fundamentally flawed in this respect. You cannot really address the problem of fair and equal representation because it tries to force it all into a single authority. And the way to get out of the box is to have National and Dulles transferred separately and not put in the same authority. Transfer Dulles to the Commonwealth of Virginia, which would then equalize Dulles and Baltimore-Washington International Airport, both of them roughly equidistant from the District of Columbia, from downtown Washington. Let Virginia take over Dulles at a reasonable figure and develop it, in competition with Baltimore-Washington International, and then let an interstate authority on a balanced, equitable arrangement run National Airport.

Now, that proposal, as I indicated, did not get anywhere in the Holton Commission, the Commission set up by Secretary Dole and chaired by former Governor of Virginia Linwood Holton. But a lot has happened since that Commission made its report, which is now more than a year ago, and it seems to me we need to take another look.

The report of Governor Holton's Commission was made in December 1984, some 15 months ago.

So the real question is should we take a second look at this thing. There is a problem here that needs to be

worked out. We need to develop a structure and a system for the operation of these airports and open up the opportunity to improve them in a vigorous and effective manner.

A lot has happened over this year, particularly at Dulles, which places in doubt the apparent need to have one authority govern both National and Dulles. Back then the Virginia people argued that Dulles could not support itself and its capital development needs, and therefore it needed a subsidy from National's revenue stream in order to keep going.

Now, many of us are very concerned about that because if you allow that to happen and do not limit it, then as Dulles' position improves that subsidy can be used not simply to keep it going but to give it very advantageous arrangements which then heightens its competitive position versus BWI.

In other words, Dulles should have to make it on its own, and developments over the last 15 months in air carrier operations and passenger traffic and freight volumes at Dulles all indicate that it would be in a position to do that, that it can stand on its own without artificial support from National.

Now, if that is correct, why do we not do that? In other words, if there have been developments over the last 15 months of such significance that one ought to take another look at this proposition, then we ought to take another look at it.

There is no prestige so tied to this thing that it has to be pressed through even though it contradicts good fiscal sense, good administrative sense, and good competitive sense. If we did that, then Maryland would be able to compete with Dulles on a level playing field.

This proposal to transfer National and Dulles as a unit through a 35-year lease-purchase arrangement at about $50 million is neither equitable nor very businesslike.

I mentioned earlier the appraisals made by the Grace Commission that valued the combined airports at $341.5 million, more than seven times the amount called for in this transfer legislation now pending before the Congress.

Now, as we wrestle with balancing the budget, as we wrestle with Gramm-Rudman, the idea of a virtual no-cost transfer of National to Dulles strikes me as ridiculous. Where is our good sense here? We should be seeking a fair return on the transfer of these assets, not simply giving them away.

Mr. President, I want to pursue this point for a minute, so that we may have here an opportunity to take another look at it.

Despite the effort mounted by Governor Holton and those who were assisting him, Secretary Dole really should consider revisiting this issue. In fact, she has the benefit of the fact that the State of Maryland does not oppose the effort to defederalize the two facilities. Unlike some who question whether it should happen at all, the State is prepared to accept that proposition. The question is how it would be done. What is the logical, fair, and reasonable way to accomplish the transfer?

The State has taken a very strong position, which I think is a fair one, that any transfer of National and Dulles Airports must be equitable, providing full representation of effected parties and allowing fair competiton.

In divesting itself of these facilities, the Federal Government should not unduly benefit one jurisdiction at the expense of another. The current proposal, the one before us in S. 1017, does not meet this essential test of fairness.

This legislation has not been reasonably constructed and would adversely affect the interests of the citizens of the State of Maryland.

I talked earlier about the usage of these airports, the heavy usage by Marylanders of National Airport, and the fact that Maryland would have only 2 out of 11 members on this board, an authority created by the laws of Virginia and the District of Columbia. Let me cite two examples which illustrate the potential consequences of this underrepresentation on the board.

One, because of its location, access to National Airport is highly prized by the airlines. Everyone knows that. The airlines place a tremendous premium on access to National Airport. With both airports placed in one authority, were an airline to request entry to National for an expansion of facilities there, the new authority could exert strong influence over it to also use Dulles rather than BWI for cross-country or international flights.

Obviously, 2 votes out of 11 could not protect Maryland's interests in this issue. In other words, when you put them both in one authority and when one of the airports put in the authority, National, has highly coveted and difficult to obtain slots, and when the authority's overall financial health and, in fact, its responsibilities to perform are geared to enhancing the interests of both airports, I do not think it is unreasonable to anticipate that the access to the slots at National or an improvement in airline facilities there would be subjected to influence with respect to the use of Dulles.

Second, in its operation of National and Dulles Airports, the new authority will make decisions regarding noise regulations and other operational issues affecting Maryland. With only 2 votes out of 11, it is not hard to predict whose interests will be looked after and whose interests will be ignored.

This noise authority was shifted only at the last minute. That was done after the committee had finished its markup, was added subsequent thereto, puts the control over noise now in this authority, and of course opens up the very real possibility that that issue will not be handled in an equitable way but will be handled in a way highly disadvantageous to Maryland.

That amendment was added in November 1985, after the committee had reported S. 1017, 2 months earlier, in early September.

As I note, this controlling authority is going to be a Virginia corporation. It was passed by the General Assembly of the Commonwealth of Virginia. The General Assembly of Maryland has not been involved in this in any way, so it is not fair representation. It is regionally unbalanced, and it is not a result of regional consensus. Given the Maryland position which I have outlined before, it seems to me that the basis for achieving a regional consensus existed.

The Secretary did not pick up on that possibility.

In other words, this is not one of those insoluble situations where there is no way to work out what the goals and objectives of the Secretary are, with the concerns and interests of the various regional actors and with the need to provide protection for the Federal taxpayer. It is just not the case that all of those interests cannot be harmonized. They in fact can be harmonized.

As I indicated earlier, Maryland put forward a very constructive proposition. The development in air traffic of both National and Dulles over the last 15 months has altered the financial picture significantly so there is more potential give in order to address the problems of the Federal taxpayers. It seems to me that the Secretary should be seeking a regional consensus and not trying to impose this legislation on some major players in this area.

Mr. WARNER addressed the Chair.

Mr. SARBANES. The issue of competition is a very important issue. I have alluded to it a number of times in the course of this discussion today.

The three airports in the Washington region compete for air service. It has been suggested by some that BWI serves a market different from those of National and Dulles, but BWI serves Metropolitan Washington in addition to its service to the Baltimore region.

In fact, in a 1981–1982 survey 30 percent of the users of the BWI originated within the Washington metropolitan area.

Convenience and frequency of air service are a great stimulous to economic development. Each jurisdiction seeks expansion of services to provide stronger incentives for business activi-

ty. So competition is a factor and any transfer legislation ought to acknowledge it.

We are not objecting to a situation that puts us into competition. In fact, we would welcome it.

What we do object to is being placed into an unfair competitive position by the inclusion of both of these airports in a single authority with the ability to cross-subsidize and with the turning over of very valuable assets at values far below anything that anyone would regard as being reasonable.

The legislation proposes a transfer price of only $47 million for both airports. This amount would be paid to the Federal Government over a 35-year lease period after which the new authority would own the two facilities. An interest rate of 4.9 percent would be applied to the outstanding balance during the lease period. Listen to that: 4.9 percent interest on the outstanding balance during the lease period, with 35 years to pay it.

The proposed legislation would also include the transfer of the Dulles access road and new businesses for ground transportation at no cost to the new authority whereas similar transportation services at BWI has been financed by Maryland taxpayers.

Thus, the Federal Government intends to relinquish two highly valuable public assets for no more than what was invested some 20 to 30 years ago.

In light of the high Federal deficits, the difficult budget reduction decisions, how can the Federal Government allow these facilities to be transferred at such a ridiculously low price?

As I indicated earlier, as a point of comparison, Marylanders at today's prices have invested $280 million in BWI and the Grace Commission estimated a value for National and Dulles ranging between $292 and $414 million, with a mean value of $342 million.

Mr. PRESSLER. Mr. President, will my colleague yield?

Mr. SARBANES. I yield. I understand the Senator from South Dakota wishes to address this issue.

The PRESIDING OFFICER. The Chair recognizes the Senator from South Dakota.

Mr. PRESSLER. Mr. President, during consideration of this matter in the Commerce Committee, I let my views be well known. I was one of those Senators to vote against it. I very much want the airports in this region to be prosperous. I very much want to work this matter out. But it is not just a squabble between Maryland and Virginia. There are some national interests here. I come from the State of South Dakota and let me say that many airports take a dim view of the smaller State's concerns.

Since deregulation, everything has gone to the big population centers. People want full aircrafts coming in. We have found that rural interests do not command a great deal of attention in the big city markets. There is a national interest here. My constituents like to come to Washington, DC to petition their Government. In fact, just today I met with bankers from South Dakota and the homebuilders of South Dakota. I met with people from a day care center worried about liability insurance problems, and when I finish this speech there are constituents waiting to see me, all of whom have flown here to petition their Government. Citizens in my State currently have matters before the ICC and other Federal agencies. So we have a national interest.

Let me also say, and I think my colleagues in Virginia would agree, that I am always very supportive of matters that help this region because it is a national center. Be it the Kennedy Center, or way back to the Pennsylvania Avenue Development Corporation, which I voted on when I was in the House of Representatives. I was roundly criticized for supporting it in my home State. I have been a strong supporter of the development of this region and will continue to be. But I have been concerned because this piece of legislation will essentially place in the hands of Virginia and the District of Columbia and Maryland the decisionmaking process that will affect the entire Nation on two airports that have national and international implications.

I think that those States should have the principal say in it, but I also believe that the Presidential appointees should be expanded. I am going to file three amendments if that is proper under the rules without giving up the floor, and I intend to yield the floor back to the gentleman from Maryland when I finish speaking. But let me address the first amendment.

The first amendment is one we discussed in the Commerce Committee. I have made my views well known in the Commerce Committee already. The first amendment would more evenly distribute the membership of the authority's governing board. As presently drafted, this bill reserves five slots for Virginia, three for the District of Columbia, two for Maryland, and one for the President with Senate advice and consent. My amendment would change this makeup to allow three slots for Virginia, DC, and Maryland, respectively; and two for the President with Senate advice and consent.

It is clear that the deck is currently stacked against Maryland. We could just as well not allow Maryland any members if we go forward with the bill as presently designed.

I opposed this bill in the Commerce Committee. Not only is it unfair to Maryland, but more importantly to me it is unfair to the rest of the country. There is good reason to treat these airports differently. They are truly national airports, serving a city that was established for the entire Nation—not any single State.

In the wake of airline deregulation, it is already difficult enough for citizens from States such as South Dakota to have adequate access to our Nation's capital. I am concerned that the more control of these airports we put into the hands of any one State, the interests of the other States will be lost in the shuffle.

Presently, we all have at least an indirect voice in the operation and control of this airport. It is important that we maintain some control so the interests of the other States are not forgotten—or at a minimum, we should at least ensure against giving any one State what is tantamount to almost exclusive control over important decisions that affect all of our constituents. Everyone has a right of access to this city. Important decisions in this regard should not be dominated by a single State.

What I am asking for here are one more Presidential appointee and a more even distribution. However, note that even under the formula in my amendment the District of Columbia and Virginia would still have a majority. The thrust of what I am trying to say here is that the Nation has an interest in this issue—every State in the Union. If people want to petition their Government or appear before a Federal regulatory body or indeed to bring their family here to see our national monuments, they have to rely on our national airports.

The purpose of my second amendment would be to make certain that the U.S. Government gets a fair purchase price for these valuable assets. The estimated worth of these facilities is somewhere between $1.5 and $2 billion. But here we are, ready to give them away for $47 million! It never ceases to amaze me that in our efforts to commercialize or privatize functions of this sort, the Federal Government always wants to give them away rather than seek an adequate purchase price.

We just completed action on a bill to sell Conrail to the Norfolk Southern Corp., only to find out later that the CBO estimates that it will cost us $250 million to give it away! Now we want to do the same thing with these airports. By the time we sell these assets for the fire sale price of $47 million, then turn around and allow the improvements to be financed through federally subsidized bonds, it will cost us hundreds of millions to give these airports away.

If we are going to privatize, we should at least demand a reasonably fair market price.

Mr. President, my third amendment deals with the federally subsidized bond issue. The purpose of this amendment is to make certain that the Federal Treasury is not raided further after this legislation is enacted. I do not know whether all Senators are aware of it, but under the proposal before us today, we will be forced to continue to pay for this give-away for many years to come.

What will happen is this: After we sell these valuable assets for little or nothing, the local authorities plan to finance many hundreds of millions of dollars in capital expenditure through the use of federally subsidized bonds. If the purpose of this legislation is to help balance the budget, this is a strange way to go about it. Because of the gross inefficiencies of the subsidized bond process, it will ultimately cost us more than if we were to finance these expenditures directly out of the trust fund as the able Senator from South Carolina has proposed.

Now other airport authorities rely on these tax exempt bonds, so why not allow it under this approach. Well, that would be fine if we demand a fair price for it at the outset. Other airports are not built by the Federal Government and then turned over for a song.

Again, Mr. President, this points out the tortured logic behind this proposal, and is in itself a strong argument for defeating this bill. I ask unanimous consent that the text of these amendments be inserted in the RECORD at this point.

Mr. TRIBLE. Will the Senator yield for a question?

Mr. PRESSLER. If I can yield without——

Mr. TRIBLE. The floor is the Senator's.

Mr. PRESSLER. The floor is the Senator from Maryland's.

Mr. TRIBLE. No; the floor is yours, I would tell the Senator. The Senator from Maryland has yielded the floor.

Would the Senator yield for a question?

Mr. PRESSLER. Without losing my right to the floor, I yield for a question.

Mr. TRIBLE. I wonder if the Senator would apply the same tax treatment to airports in his own home State that wish to raise moneys through revenue bonds, or is he going to single out only these airports?

Mr. PRESSLER. The airports in my home State were not built by the Federal Government.

Mr. TRIBLE. So the Senator is going to single out only these airports and permit airports all over the country to use revenue bonds as a way of raising finances? That certainly seems inequitable.

Mr. PRESSLER. Only those airports that were built by the Federal Government, is the point I am making. They are in quite another category. There are other airports in Virginia which are in the same category as my airports, but these are in a different category.

Mr. TRIBLE. Well, I will certainly observe that it is unfair for you to focus on two airports, of all the hundreds and thousands of airports in this country, and say we are not going to let you achieve financing through a lawful purpose, but I am going to permit people to do that in my home State.

Mr. PRESSLER. Well, would not my colleague agree that these two airports are in quite another category? There are several other airports in Virginia—and I have helped my colleague from Virginia in the past, both of my colleagues from Virginia, and will again—but these are two airports that are in a unique classification. They were built by the Federal Government, which is quite different than being built by a State.

Mr. TRIBLE. Will the Senator yield again?

Mr. PRESSLER. Yes.

Mr. TRIBLE. You see, what you are trying to do here is punish these two airports because of their Federal history. But you are not going to punish Virginia, you are going to punish the people that use these airports. I would tell my colleague they include your constituents, the people you say you are concerned about.

By requiring these airports to go out and raise money in more expensive ways, you are going to drive up the costs imposed on all users. That will no doubt include Virginians and Marylanders and people from the Dakotas and people from all over this world that wish to come to Washington. That hardly is equitable. It is hard for me to believe the Senator is serious in advancing that amendment before this Senate.

Mr. PRESSLER. I am not necessarily against selling these airports, but would not my colleagues agree that the value of those airports is much higher? We are literally, with the bonds, we are giving them away with a subsidy. My concern is getting a fair price if we are to do that.

Also, would my colleague not agree the citizens of South Dakota have an interest in this?

Mr. TRIBLE. If the Senator will yield again——

Mr. PRESSLER. Let me conclude.

Would not my colleague agree that the rest of the citizens of this country would have an interest in having more representation from outside of Virginia, Maryland, and the District of Columbia? And probably my colleague from Maryland may disagree with my formula.

But I would like to see more national representation on the board of directors of this operating authority—right now, it is completely controlled by Virginia.

Mr. TRIBLE. Well I have resisted the temptation to engage in debate with the opponents of this bill. I have done that because their obvious purpose is to frustrate and obstruct and not to instruct this body.

I have yielded to temptation in this case because I think this amendment is so outrageous on its face. I suggest to my colleague that if he is concerned about the purchase price, then he should focus his attention on the purchase price. But by suggesting that these airports should be denied the right of every other airport in this country to use the legal means of raising money to enhance the airports his constituents hope to use, I think is foolish and it has nothing to do with the price. Indeed, it only adds an incredible burden on those people that would propose to use these airports, and they, after all, are the people we ought to be thinking about.

Mr. PRESSLER. Would my colleague comment on the authority's membership? I am not trying to obstruct. Indeed, this is the first time I have spoken on this subject and my speech would be over by now.

But in terms of the authority's membership, there will be disputes arising in the future about which flights come in and which do not. There will be disputes about a number of things that he or I cannot foresee. The way this authority is set up, it is controlled by one State entirely. Is that fair?

Mr. TRIBLE. Well, let me respond briefly to the assertion of my colleague and simply say his premise is incorrect. In order for this authority to transact serious business, it requires a heavily weighted majority of seven that far exceeds the representation of Virginia. Indeed, I think anyone that knows anything about these kinds of regional authorities knows that once people are appointed to these authorities, they stop thinking like Virginians and Marylanders and residents of the District of Columbia. They start thinking about the regional interest or national interest and that is what we are about.

If the Senator is genuinely concerned about improving the opportunity of his constituents to come to this city, to petition the Government, to be involved in what goes on here, then I would suggest to my colleague that we ought to get on with the important business of enhancing these airports. We need a new terminal at National Airport. We need new parking. We need a new road system. We need a midfield terminal at Dulles Airport. There is no way those improvements can be achieved but for this legislation.

Mr. PRESSLER. We do all of that cheaper under the Hollings proposal.

Surely, if the people who come on this authority's governing board will think nationally, and if my colleague has been correct, I assume he would have no objection to my first amendment regarding the authority of the membership.

In any event, Mr. President, I wish to yield the floor to the Senator from Maryland. But I ask unanimous consent to send to the desk my three amendments and have them printed in the RECORD.

The PRESIDING OFFICER. The Chair will say the Senator has a right to send to the desk at this time the amendments for the purposes of printing.

(The amendments are printed later in today's RECORD.)

Mr. PRESSLER. Mr. President, let me conclude by thanking the Chair and thanking my colleagues from Maryland and Virginia, and by saying that I have found since the deregulation of airlines that the air service in my State has suffered immensely. As we turn more and more from surface transportation to air transportation, the only way that constituents from my State and many other States can get to this area is by air.

I think particularly my first amendment reallocating the authority's membership is something that we need to do. It still essentially gives Virginia and the District of Columbia control. It will give Maryland a little more power. But it will give Presidential appointees more, and the entire Nation has an interest in this. I think having one more Presidential appointee would be very appropriate.

Mr. President, I yield the floor to the Senator from Maryland.

The PRESIDING OFFICER. The Chair wishes to advise that one Senator cannot yield the floor to another.

The Chair recognizes the Senator from Maryland.

Mr. SARBANES. I thank the Chair.

Mr. President, my colleague from Virginia made a comment in exchange with the distinguished Senator from South Dakota that I wish to address; that is, he said the purpose here was to obstruct and not to instruct. I would simply like to take issue with that. I have made it very clear that in my view the Members of the Senate have not focused on this legislation up to this point, and need to have their attention drawn to it. In my judgment, attention must be focused before the Senate makes the decision to proceed to the legislation.

The Members need to ask themselves whether it is not the wisest course, in light of the arguments being made, for this bill to be sent back to the Secretary of Transportation and for the Secretary to be asked to try again.

That did not happen with Conrail. But that legislation went out of here with serious misgivings on the part of Members of the Senate. I think the sense on the part of many is that somehow the train, or in this instance the plane, has been put on automatic pilot, and there is no ability to change its course even though the circumstances call for it and require it.

Serious questions have been raised about this legislation from a number of different perspectives. The distinguished Senator from South Dakota, I think, makes a very valid point about the Federal interests in these two airports. They are, in fact, unique, by the Government and operated by the FAA. And they, along with BWI in Maryland, are the access points for air travel to the Nation's capital. So whatever is done with them, one must take that into account.

I say to the able Senator from South Dakota that Maryland had urged before Secretary Dole and her commission that National be put under a joint authority, with equal membership from the two States and the District of Columbia, and with Federal representation, that is with one or two members appointed at the Federal level. I think the point about Federal involvement and Federal representations is a very good point indeed.

If the airports were, in fact, transferred to local or regional control, then the point put by the Senator from Virginia about their access to bonding comparable to the access that other airports have would be a reasonable point—if the transfer has been made. The Senator from South Dakota and the Senator from South Carolina have both made the very interesting point that in terms of cost to the Federal Government, there is really a strong case for making the improvements directly from the available airport trust funds. That would, in effect, save money.

In any event, I thought the Senator from South Dakota put his finger on a very important point. The criticism on the bonding authority is related to the price you are paying for the airports to begin with. It would be one thing if the Senator from Virginia could get up and say that we are really paying real value for these airports, that the Federal taxpayer is getting from us a really generous payment as a transfer of these facilities and, therefore, we ought to have access to the bonding route contained in this bill. When you are getting the airports for virtually nothing, and then the Senator from Virginia also wants the bonding authority, he has really got you coming and going.

As the National Taxpayers Union said in their letter to Members of the Senate—and I now quote them:

> Although we agree that the Federal Government should get out of the business of owning and managing airports, we are appalled at the ridiculously low sale price placed on these valuable properties. The combined market value of the properties is conservatively estimated at $1.5 to $2 billion. Yet the two airports are to be sold for only $47 million, about one thirty-fifth of their actual worth.

Then they go on in a subsequent paragraph:

> In addition, the transfer in future improvements are to be financed with tax-exempt bonds over a 30-year period. This adds up to a double soaking of the taxpayer.

At a minimum this ought to be limited to only one soaking, and not a double soaking. A double soaking is really so far beyond the pale of reasonableness that even those trying to get away with it should be ashamed of themselves. They really should. They should be ashamed of themselves.

So I think the Senator from South Dakota is absolutely right, in his response on the bond question, to insist that it ought to be related to the purchase price to begin with, because this Airport Authority, Virginia-dominated, is going to have it both ways as the National Taxpayers Union says. This adds up to a double soaking of the taxpayer.

It seems to me the course of action that ought to be followed here is for the Secretary to, in effect, say, "I do not have regional consensus." That is obvious. There is considerable concern in the body by Members from other States about a broader national interest. I share that concern, although I have also, in effect, carried the burden of our articulating Maryland's specific problems with this.

We think that the proposal is so egregious that anyone with a sense of fairness will agree with the positions we are putting forward.

Mr. TRIBLE. Will the Senator yield?

Mr. SARBANES. I yield.

Mr. TRIBLE. If there is so much concern in this body, why is it, after being here for 5 hours, that only three people have chosen to speak against this measure. Where are all these people who are against this?

Mr. SARBANES. I would say to the distinguished Senator who is as familiar with this problem as I am that committees are meeting. The distinguished Senator from South Carolina had to leave the floor in order to go to a meeting of the Budget Committee. I understand they are about to report out a budget resolution this afternoon. They do not allow votes in that committee by proxy. That seems to me understandable under the circumstances.

There were four dissenting votes on the Commerce Committee. I understand that some of those who supported bringing it out of committee now have second thoughts, misgivings, about this legislation.

So I think there is a growing concern.

One of the reasons why we are putting this case in the RECORD, and why I

want Members and their staffs to review it in the morning, is that I do not believe this issue has been at the center of Members' attention. I think Mrs. Dole has moved this along as something that the Department is going to do. She certainly lobbied very heavily for it. I understood she visited virtually every Senator. I think Governor Holton has done much the same.

It seems to me we need to lay these arguments out so Members can begin to see that the proposed action is a complicated matter, and that what is being done here has a lot of implications if assets are really being given away. We have no assurance as to how the authority will be conducted. The competitive situation in the Greater Washington region is going to be adversely affected. There will be a significant cost over time to the Federal Government.

If I were a Virginia Senator, I would be chomping at the bit to get this. It is terrific. As I said, I would run all the way to the bank with it. It is incredible. You are getting these two assets valued anywhere from—well, who knows? Secretary Dole ought to go back and try seriously to figure out what they are worth. You are getting them at such a low price that the Governor of Maryland came before the committee and said, "Look, I will give you twice. I will double it. We will put it right down here on the barrelhead, twice the money."

Come on, it is marvelous for you. I understand that.

Mr. TRIBLE. That might be a more attractive offer if we were certain that the checks would not be drawn on a Maryland savings and loan.

May I ask one additional question?

Mr. SARBANES. I do not think the Senator from Maryland has reflected on the faith and credit of the State of Virginia. I think Virginia is trying to do the best they can. I understand that. We do not think it is fair or reasonable. We want to make a case against it.

Our Maryland checks are good.

Mr. TRIBLE. Let me ask one additional question.

If it is the Senator's intention to instruct and not to obstruct, why will not the Senator from Maryland agree for a time certain for a vote tomorrow. The Senator has had 5 hours today, and he would have additional time tomorrow to make his case, if indeed, the intention of the good Senator from Maryland is to instruct?

Mr. SARBANES. The Senator must remember that the benefit of this debate or discussion will be in the RECORD in the morning and Members will have a chance to review it. The Senator from Virginia has options available to him under the procedures. I understand that. He can put a cloture petition on this motion to proceed and we can go to a vote on cloture and see whether the membership of the Senate wants to go ahead and take up this matter.

If the membership of the Senate on that kind of vote decides they want to move ahead and take it up, I would address the substance of the measure at that point, but I would not prolong simply taking it up, although there would be 30 hours after the fact.

It is important that the judgment of whether to proceed—let us assume it is under a cloture petition that the Senator files—is seen by Members as raising the very basic question of whether this legislation is in such form, really, that we ought to be taking it up. I do not think it is. If Members think about it they will say:

> Look, this thing has not been worked out. There is a way here to address the amount of money the Federal Government is getting, to address the Federal interests, and to address the Maryland concerns about unfair competition in a way that maybe a regional consensus can be achieved.

Maybe not. You have to give a lot on some of these questions in order to bring that about.

We have talked about the membership of the Commission. I have talked about the need, in my judgment to separate the two area airports, both in terms of the authority and how they are run. I have talked further about the need to separate them on the financial front in any event. Obviously, these are all prospective amendments. But working out a complicated piece of legislation like this is what we must do.

The committee does not even talk about the sales figure. You can read the whole bill and still find no figure in there as to how much it is going to cost this airport. It is all written out in very legalistic language.

It seems to me this is one of those instances where Members might say, "Look, this thing ought to go back, and they ought to take another crack at it."

There are enough problems connected with this, enough deficiencies in it that we have been trying to lay out and elaborate on here today, that the Senate ought not move on it now. The Secretary, and also those who serve here, ought to readdress the problem, reopen the discussions with the Governors.

A lot of things have changed. When Virginia approached this question earlier, the airport usage figures were very different from what they are today. I do not differ with the Senator from Virginia when he gets up and says, "Look, there are things we need to do at these airports."

I have been through both of those airports. I am not trying to keep those airports down. I want those airports to come up. The real question is, how are they going to come up and what is going to be the competitive relationship as they do that?

It is such a sweetheart deal here that it is not fair to the Federal Government and it is not fair, competitively, to Maryland. I told you, our Governor said he would pay twice for these facilities right on the barrel. Actually, they are worth more than that. I think the price ought to be higher than that. I indicated to the Senator from Virginia that on the bonding authority there is a case to be made here, particularly if this information is correct. If you really succeed in setting them up in an independent authority comparable to what exists elsewhere across the country, then have changed the status of the airports.

But to ask for that and, at the same time, have a giveaway price is, as the Taxpayers Union says, a double soaking.

We indicated in the deliberations some sympathy to the revenue bond problem—but not unrelated to the asking price problem, and not unrelated to the structure of the authority, and particularly not unrelated to the ability to cross-subsidize. If you were on the other side, Mr. President, you would not entertain lightly the prospect of an authority that controls highly desirable slots at National, difficult to obtain, and that can be used as leverage to get service at Dulles, when Dulles is in direct competition with BWI.

Mr. President, I am not asking the Senator from Virginia to give BWI that kind of leverage. I am not asserting here that BWI ought to have National and therefore be in a position to exercise that kind of leverage. No one, in fact, has ever looked at whether it would make any sense to put all three airports in a common authority. That was precluded by the Dole charge. Her charge was to devalue these two.

What I am saying to the Senator is that we want to develop this problem, make Members understand it, and it may well affect their judgment on whether the Senate should go to this matter or whether it ought to be reexamined by the executive branch.

Mr. President, let me address this point, because it came up in the exchange between the junior Senator from Virginia (Mr. TRIBLE) and the Senator from South Dakota [Mr. PRESSLER]. That is the disposition of these two airports at an unjustifiably low value and why that is unfair to Maryland and to BWI. If one stops and thinks about that for a moment, it seems to me obvious that, first of all, it allows the new owner of National and Dulles, which is this airports authority, single authority, to embark on a program with respect to the airports unconstrained by the need to pay for the fair value of the property which it has obtained.

I agree that those airports need improvements, and I am in favor of making those impovements. I even would be supportive of the Senator from South Carolina in terms of the way he would seek to do it. But if we are going to put them in this authority, they ought not to be given an unfair advantage in relation to other airports with whom there is competition. There is competition between Dulles and BWI. The proposed authority ought not to be given an unfair advantage by receiving the properties at far less than market value.

Having gotten the facilities at a bargain price—bargain basement price; a giveaway, virtually a giveaway—it is clear why both Senators from Virginia are here, on the floor, and very anxious about this legislation. It is a chance to just grab it and run. I do not fault my colleagues. In fact, I fully understand what they are doing.

Having obtained these facilities as a bargain-basement price, then the airport authority is in a position to set its fees at a level far below the industry norm. In effect, their ability to do so is being subsidized by the fact that they obtain these properties at far less than their real value.

Earlier I went into detail about what Maryland has spent on BWI: at current dollars, $280 million since 1972; $280 million. And, of course, Maryland has to set its fees at a level to recover that investment. Now these airports, both of them, are going to be transferred for $47 million.

Third, the new authority is in a position to subsidize land leases at Dulles, really deriving from Federal generosity in giving, at little or no cost, the power to sublease federally owned land for profitable nonaviation purposes. In other words, they are going to get 10,000 acres out there, 2,000 of it really prime development land. They will be in a position, since they got it virtually for nothing and with hardly any fixed cost associated with it, to lease it at very low rates. They have been subsidized in their ability to lease it.

In summary, by disposing of National and Dulles Airports to this Virginia-chartered corporation at far less than fair market value, the Federal Government is conferring an unfair advantage upon this authority, this Virginia-chartered corporation, to the detriment of a direct competitor, BWI. We want this thing set up on a fair and equal basis and then we will compete. If Virginia can beat us in that competition, then more power to them. Frankly, I think if you have fair competition, it is going to turn out to be to the advantage of both jurisdictions and to the advantage of the users of the airports.

Now, in addition to undervaluation, which I have just been talking about, and the price of the airport, the financial cross-subsidy between National and Dulles would be an egregious unfairness with respect to the Dulles competition with BWI. The proposed authority would be able—despite the provision in the bill, since that does not cover servicing capital improvements—to shift revenues from one airport to underwrite costs at the other. That, of course, is contrary to the standard condition at airports all across the country.

As I indicated, at the time this was considered in the Commission, an argument was made that a low transfer price and cross-subsidy of the two airports was necessary if the new authority was going to be able to afford the improvements at Dulles. That was based on a perception that Dulles was an albatross.

Well, Dulles has turned around. The traffic there has increased by leaps and bounds, incredible figures. It is now operating at a profit. Its growth potential is considerable. It really ignores what Virginia could do with Dulles if in fact it was placed under Virginia. In any event, to keep the two linked together in light of this change in financial circumstances clearly enables Dulles to draw on sources of support for the competition which are outside of the scope of that airport, and therefore, I submit, unfair and unreasonable.

Now, Secretary Dole never opened up the sales process. You have no sense of what might be bid for these airports in that context, although, as I indicated, the Governor of Maryland went before the committee and said he would double the price on the spot.

If the transfers are going to happen—and questions have been raised about whether they should happen—there ought to be fair representation, fair competition, and a fair selling price.

Now, I have serious doubts whether it is possible to achieve fair representation without separating the administrative control of the airports, but some people have put up proposals for even representation with both airports in the same authority.

I have talked about the fair competition, the underwriting that is possible here, of the leverage that is possible through the control of the slots at National to pressure airlines to go into Dulles, and of course the fair selling price.

Here we are tying ourselves in knots about the Federal budget, about the cuts in the budget, about Gramm-Rudman, and yet the price being set on these airports is ridiculously low. I do not think that any real defense can be made of it. I would have liked to hear one, but we have not been given that privilege today. And, of course, that is why a lot of concern has been raised about this entire sale from the outside.

I do not see why the Secretary does not recognize, first of all, that a lot of important circumstances have changed. This is no longer the same issue that it was when it was before the Commission. Second, it has not been worked out in a way that achieves regional consensus, which I think is important. We tried on that Commission to put forward a positive suggestion. It was not accepted. It was made in good faith, and I thought had a lot of merit to it. That was to transfer National to an interstate authority and Dulles to the Commonwealth of Virginia, and then have equal membership from the three jurisdictions on the interstate authority with one or more members from the Federal Government included giving proper recognition of the Federal interest in the Nation's airport. Dulles then would have gone to the State of Virginia to be developed by the State of Virginia.

Now, unlike the current proposal, unlike S. 1017, this other proposal incorporated a symmetry reflecting the locations and functions of the three facilities—National Airport controlled equally by the three parties while Dulles and BWI were to be operated by their predominant users and beneficiaries, Virginia and Maryland, respectively.

This approach would reflect the significant interests that each of the three principal jurisdictions has in National Airport, while permitting Virginia to develop Dulles in the same way Maryland has developed BWI.

This proposal would more accurately have apportioned representation to usage and population. Passengers at National originate throughout the entire region, with significant numbers from each jurisdiction. Considered together with a population distribution of the metropolitan area, a tripartite authority overseeing National would seem eminently logical.

On the other hand, the origin of passengers using Dulles and BWI come primarily from Virginia and Maryland, respectively, thus confirming the logic of independent control by the States in which each airport is located.

We really need to go back and look at this matter to seek a more practical and equitable method of divestiture, if that is the way we are going to proceed. I think the currently proposed transfer is flawed. In their haste to remove themselves from responsibility for these facilities the Secretary and those who counsel her in the Department of Transportation would confer on the authority established under this bill an unfair advantage—unreasonably harmful to Maryland, in terms of competition, and costly to the Nation.

Mr. President, I think it is very important that the national Government, whenever possible, act with im-

partiality in affairs affecting individual States. No matter how well-intentioned, efforts of the Federal Government should favor no one State or jurisdiction at the expense of another.

There are really two overriding questions. One is, is the Federal Government and the Federal taxpayer, the Federal constituent, being dealt with fairly in this proposal? That question would arise if there were no BWI Airport. The first question is whether the arrangements provided in this bill, S. 1017, the terms on which the Federal Government would divest these two facilities, is fair to the Federal Government and to the Federal taxpayer.

It is my strong position that it is not, that the Secretary is so anxious to dispose of this thing that that interest has been neglected and indeed overlooked.

The other issue here, given the fact that Maryland runs an airport which serves this Metropolitan Washington area, is whether the proposal to divest achieves impartiality in the affairs affecting individual States or whether or not this arrangement does not, in fact, give an unfair competitive advantage.

I support the idea of competing. As I indicated earlier, I support putting forward the proposition that Dulles should go to Virginia, that Virginia should be free to develop it in competition with BWI. But to link the two together in one authority or permit a financial cross-subsidy, allow the use of leverage on access to highly sought-after slots at National, at a price so ridiculously low that they do not face what would otherwise be the normal costs and therefore can structure their entire operations in that light, is not fair competition.

I urge my colleagues to look at this record, look at the arguments, and consider very carefully whether, given the substance of this legislation, it is something to which we really want to proceed. For the life of me, I do not understand why whatever approaches are necessary cannot be taken in such a way that at least some of the issues I have raised would be resolved and a consensus, achieved.

I am very much reminded of the recent Conrail fight. But it seems to me that we have a higher obligation here to the Federal taxpayer and a higher obligation to equity between the States, than routinely to adopt this legislation. It is flawed legislation. It does not reflect what might have been achieved. Whether it can, I do not know. But it seems to me that for the Senate to move ahead on this legislation is a very serious mistake.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HOLLINGS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HECHT). Without objection, it is so ordered.

Mr. HOLLINGS. Mr. President, I thank my distinguished colleague from Maryland, who has been holding forth in a very interesting discourse on exactly the concern all Senators should have.

I was temporarily diverted due to Budget Committee markup of the budget resolution. It is interesting that on March 19, much ahead of the schedule originally set in the Budget Act—and before the schedule set in Gramm-Rudman-Hollings, that the Senate Budget Committee has reported a budget resolution by a vote of 13 to 8—seven Republicans and six Democrats voted for reporting the resolution. That is the strongest bipartisan consensus we have had for a budget resolution, in some years. What we have had for the past several years was one side reporting a budget in order to get it out, and then when we got it on the floor, it was a veritable donnybrook.

Senator DOMENICI and Senator CHILES have led the way. They have conferred with all the Senators on both sides. There has been a tremendous give and take and a maturity about this approach, a seriousness of purpose, and one that our chairman and ranking member should be proud of when it is on the floor.

I commend the attention of the Senate to the fact that we have, in an early fashion and ahead of schedule, reported a bipartisan budget that is pretty well near the target. I have certain misgivings about the resolution with respect to defense and with respect to education. I think the resolution is low in those functions. Other Senators will have their misgivings. But this is a tough task, where there has to be a lot of give and take in order to become to an agreement.

With respect to the Washington Metropolitan Airport System of National and Dulles Airport facilities, in August of last year I asked the Congressional Budget Office to compare the cost to the Federal Government of two alternatives for financing the improvements of National and Dulles.

What we really have is an avoidance of responsibility. Unfortunately, in this day of instant coffee and instant banking and instant government and hit-and-run driving, with your future, in effect, more or less determined by the 20-second squib of the 7 o'clock news, we all progress as we make headlines rather than making headway. One of the better ways to survive in this game is to continue to make the headlines and not worry too much about the problems.

When there are serious problems, whether it be Contra aid in Latin America in facing up to the competition we have down there, we avoid that. We act as though there is not any competition.

Seven years after we have asked for negotiations, we still hear the word "negotiate." Everybody wants to negotiate, but nobody wants to negotiate. We would negotiate in a second if there were an entity down there that would be willing to do so, but I have never seen a Marxist government that wants to negotiate away its control.

The Reagan administration came in with Secretary Haig and President Reagan talking about invading El Salvador and blockading Cuba, causing some 700,000 Americans to spill onto the sidewalks of New York. They were not worried about Brezhnev. They were worried about our own President. As a result, the President lost credibility with respect to his handling of the problem in Central America. So today, when he wants to negotiate, the only way he can possibly effect it is to make a credible show of force to bring the Sandinistas to the table.

If he makes that credible show of force, then he immediately is tackled from behind by the misgiving of those saying, "Wait a minute. That is what we are worried about. You want to use troops. You really mean what you say. We could get involved."

And then the President immediately says, "Oh, no, I am not asking for troops. Troops are not needed."

There upon, the Sandinistas do not negotiate. There is no need to. There is no credibility. And any kind of threat made is nothing to them but to continue to play a game which we in the National Congress tire of easily.

We are not persistent. We do not have the stick-to-it-iveness that is necessary in any kind of long-range policy.

Obviously, then we go around in a circle and nothing is done and herein the National Airport again. Nothing is done here because nobody wants to take the responsibility for asking for $250 million.

When we went to the commission members and said, "Look, four from Maryland would not even sign on. How about you in the airport business, and everyone else, the pilots and otherwise?"

They said, "Senator HOLLINGS, we would gladly go along with your proposition if we could get the $250 million. That would be the quickest way. But we cannot get a President, we cannot get a Congress, to ask for the money."

We have not even asked for it.

Here is the opposite case where a Congress that is always worried about someone negotiating and never really trying to negotiate, here Congress is

guilty of the exact misgiving. We never have tried to improve the facilities at National and Dulles, even though we all think it is necessary. We have not asked for the funds that we have asked the traveling public to deposit in a trust fund by way of the fees paid when they buy their tickets and go through the airports out there. It has built up to $7.7 billion and if all the commitments that are now under consideration were honored immediately there would still be a surplus of $4 billion.

The reason then is not that we do not have the money. The money is there. The reason is that we have not asked for the money and the reason we have not asked for the money is this crowd, this Congress, really does not want to take on the responsibility for Latin America, for airports, for the Government, for taxes, for paying for what you get, for revenues. They do not want to take on the responsibility of anything other than "I introduced." "I made a speech." "I first spoke on that initiative."

They all think that they are supposed to be visionaries in order to hold office. They have this hit-and-run driving tactic where they move from one subject to another and never follow through.

We have excellent facilities that have been properly developed. They just need modernization. We need parking facilities out there. We need the infield terminals at the Dulles Airport very badly. We just would not even ask.

I was bothered about that back in August and I asked the Congressional Budget Office to make an analysis. They wrote on August 21, 1985 to me as a ranking minority member. This was from Rudolph G. Penner, Director of the Congressional Budget Office. He said:

DEAR SENATOR: In response to your request, the Congressional Budget Office has compared the cost to the Federal Government of two alternatives for financing improvements to National and Dulles Airports: (1) direct Federal funding, and (2) local financing from tax-exempt bonds. Based upon your staff's request, we have assumed for both scenarios that the construction costs for improvements at the two airports will total $250 million. As the tables indicate, it would cost the Federal Government more money over time to finance the improvements with tax-exempt bonds than with a direct Federal grant, but the annual tax losses are relatively small and are spread over many years. However, if the costs are discounted to reflect their value in 1986 dollars (assuming a 10 percent discount rate), the Federal Government would lose $116 million in forgone tax revenue if tax-exempt bonds are issued, compared to $215 million if a direct grant is used to finance the construction.

Let me hesitate there a moment about discounting. Discounting is a wonderful, splendid thing, when actually if you are allowed to do so. But, of course, we are not allowed that luxury in Government. We have to pay for what we get. That is why we have so many of what we call off-budget amounts and so many loans and so much exposure that really crunch upon us in the capital market at the present time.

The very moment we are speaking now as a result of this discounting—where we get the services now and pay for them later—we have run up a debt of $2 trillion. So the very first thing that the Government did at 8 o'clock this morning here on a Wednesday morning is go down and borrow $500 million to pay the carrying charges. And you would think that would do something to the debt. No, I am not talking about doing anything to the debt other than paying the interest cost—not the principal.

So Thursday morning we are going down—now the Treasury ought to get worn out doing this—we borrow another $500 million and then we put them to work on Saturday as well and on Sunday as well and on Christmas day every day. Three hundred and sixty-five days around the clock this calendar year of 1986 we are going to borrow $500 million each day.

That is the first act of Government. Why? Not to retire the national debt—just to pay the carrying charges.

Do you know the carrying charges, distinguished colleague, exceeds the cost of general government?

They talk about getting Government—if we did not have that debt around here, I could give you $207 billion in Government. I could build you more airports around here. We could pave it. I could tell you. I would start a runway at Baltimore-Washington International and let it come all the way to Dulles and then have lots and lots of parking and ramps and everything else of that kind and then buy up all the rest of the country's airports and take them over. We would not have to turn them over to the authorities. We could just buy up everybody's airports and say, "Look, it is paid for with $207 billion bucks."

But, you know, on the one hand in our trillion-dollar budget we have $300 billion for national defense, we have Social Security, Medicare, and Medicaid—Social Security $200 billion, Medicaid and Medicare $100 billion, $300 billion for the entitlements, Social Security and health care, $300 billion for the matter of defense, and then there is $400 billion left; $207 billion of the $400 billion, a little over half, goes for the carrying charges.

So interest costs exceed the cost of pages and parliamentarians and press facilities for that free press—they like it free I tell you right now, they enjoy it thoroughly—and for the operation of the botanical gardens and the national defense. Well we had to exclude that. But all the other Departments of Commerce, Interior, Agriculture—go right on down the list—the FBI, the Supreme Court, the entire facilities of Government—the carrying charges, just the interest costs, exceed the cost of general government.

That is exactly where we are and it seems like we learned a lesson. Here we come on the floor of the Senate and we want to talk about discounting rates and we want to talk about putting some more indebtedness on the Federal Government and call that, as the Washington Post said, "smart," s-m-a-r-t, that is smart and the other expression "good financial sense."

If you can find a local newspaper cheerleading Congress to continue to spend and spend and borrow and borrow and spend and spend, there is no wonder we are caught up in a loop here. When we go home people look at us like we are freaks. They wonder where in the world you folks are up there in that ivory tower when the Washington Post is saying we are doing a good job putting this debt onto the next generation; let us just break the children and the grandchildren. Let the future Congresses come back up here with all the indebtedness going to put on with the airports and all the other particular approaches that we have in a similar vein and let the ensuing Congresses come up and provide something for health, whatever they can for Social Security, a little bit for defense. They will not have any Weinberger around here. They will have to have someone who is real penurious over there as Secretary of Defense and otherwise just pay the carrying charges.

I am convinced at the present rate at which we are going, the carrying charges and interest costs will exceed the cost of defense.

And there just will not be any room for student loans, women's, infant's, and children's feeding, child care centers, nutrition, and the matter of research and the other particular things for investing in the next generation.

This Government will only be indebted to pay for the profligacy and the extravagance of this present generation. That is what we are going to end up with.

"Here we go again," as President Reagan says.

Going back to the letter from the Congressional Budget Office:

Under the first scenario, we have assumed that the federal government would appropriate $250 million to fund 100 percent of the needed construction costs at the two airports. This option would increase budget authority by $250 million in 1986. Our historical spending rates indicate that this would result in increased outlays of approximately $50 million in 1986, $113 million in 1987, $51 million in 1988, $24 million in 1989, and $12 million in 1990. Federal spending would increase by $250 million over five years, but if the costs were discounted to their present value, they would be equivalent to a 1986 cost of $215 million.

The second scenario assumes that the airports are transferred to an independent local authority that, in turn, issues 30-year tax-exempt bonds to finance the needed improvements. Based on information we have reviewed for other airport improvement bonds, we estimate that bonds would have to be issued for almost $350 million to fund $250 million worth of construction improvements.

Now, is that not something? The Congressional Budget Office says:

Based on information we have reviewed for other airport improvement bonds, we estimate that bonds would have to be issued for almost $350 million to fund $250 million worth of construction improvements.

That is congressional financing. We get all the economists out. We have gotten around and found $250 hammers, $600 toilet seats, I believe it was, and $9,000 coffee pots. We, the diligent, astute Congress, that is, watching the Pentagon for waste, fraud, and abuse—and I will read that statement again for a third time:

Based on information we have reviewed for other airport improvement bonds, we estimate that bonds would have to be issued for almost $350 million to fund $250 million worth of construction improvements.

Here is the crowd that knows how to save money. Where is that Secretary of Defense, that rascal? Bring him in with that $250-hammer, or whatever else he has got. We are prepared not to spend $350 million to get $250 million.

Now, going back to the letter:

The additional funds are used to cover net interest during construction ($60 million), debt service reserve ($27 million), and issuance costs ($9 million). These costs usually add up to 50 percent of the amount of bonds needed to cover the construction. According to Moody's Investor Service credit report, for example, airport bonds for $1.5 billion in 1983 and 1984 financed $983 million in construction programs.

Our analysis also assumes that the bonds would be issued on two dates, rather than through one issue, because of Treasury limits on the time taken to spend bond proceeds. Since the improvements are expected to take five years to complete, we have assumed that the initial bond issue would cover the costs of the first 2½ years of construction, and a second issue could then be made to cover the remaining costs. The tax losses to the government would be about $10 million in the first few years, rising to $12 million after the second issue. These annual tax losses would continue until the bonds mature.

So, right now we do not have any tax losses, Mr. President. We are operating these airports with a profit. But, with this legislation, not only are we taking on interest costs and spending $350 million to get $250 million, but we are incurring what they characterize as "annual tax losses." But we want to assume these tax losses, because we are the Congressmen and Senators that know where the $200 hammers are over in the Pentagon and where that waste, fraud, and abuse is; where that poor little so-and-so who walked up to the counter with food stamps and, instead of buying nutritious milk for the baby, and bought, I guess, filet mignon.

Excuse me. They bought dogfood. I remember that story they had about buying dogfood and they said, "You can't buy dogfood for your dog with food stamps."

So, then the recipient turned around and bought beefsteak instead and fed that to the dog, because you can buy beefsteak but you cannot buy dogfood.

Now, we are very smart on these things. This is the highly intelligent, most deliberative body in the world. We know how to spend money and never increase our pay around here. Everybody in this particular role and responsibility that we treat with it, all these commissioners and everything, they all are paid $250,000 a year. I think we ought to get paid more, but we do not want to pay each other. We are frugal. I mean, we have to really cut the costs around here and not pay the fellow because we are watching every dollar. This is the watch group. The ready-watch crowd is out on the floor of the Senate today because we are not going to waste money. We are against Government waste, but we now want to assume "annual tax losses."

Well, we have tax gains out of there now, but under the Warner-Trible plan—or we will call this Trible-Warner; I want to be proper because I got left out of Gramm-Rudman, thank heavens, at least down home, and I do not want to slight anyone. But under the Trible-Warner thrust here, we are going to take on annual tax losses plus we are going to take on another $100 million, $330 million to fund $250 million.

Well, well. Now we are seeing where the waste really starts in America. They all say it is over in the Pentagon and with the food stamp recipients, but it is right here on the floor of the U.S. Senate this afternoon.

Let me complete the paragraph by Mr. Penner, the Director of the Congressional Budget Office.

Over the life of the bonds, the Federal Government would lose approximately—

What? $366 million in tax revenues. Excuse me, I say to Senator TRIBLE, I did not realize we were going to lose $366 million. Now we are getting in revenues there, and we put that into the fund and we call that the Airport and Airways Trust Fund. That is the official name. And, as we put revenues into the trust fund, it builds up to the tune of $7.7 billion. Now, under Trible-Warner, we are going to start taking away. But the taking away is not anything other than the loss of $366 million in tax revenues. Rather than putting it into the till, we are going to take it out under this option here.

Heavens above, I just do not believe I would be brave enough to introduce that kind of waste. I really do not. But there are some who have courage in the U.S. Senate and they could go back home and explain that. I do not believe I could go back home and explain how, all of a sudden—I have not built anything—I just lost that in revenue.

I do not have to lose it in revenues. The money is in the trust fund that we have gotten from the users of the airport—the Senators, the Congressmen, the constituents coming up here to tend to their affairs and feed into what we call the representative government. They have all been using this. I have. For many, many years I paid my hundreds and thousands of dollars, no doubt, like all others who have been coming in here over years and years. Now, instead of using that money to improve my airport, which is just as much mine as the Senator from Virginia's, I have to all of a sudden adopt this one—$366 million in tax expenditures.

In terms of present value, the loss to the Government would be the equivalent to a 1986 outlay of $116 million. Well, that does not help me a bit back on the stump. Because, you see, my opponent would get up and say, "Look, HOLLINGS, you lost $366 million just to get your name on the airport bill up there. You want it to be known. So you got into an airport bill that cost $366 million that we were having to pay out. Yet, you are down here talking about waste, fraud, and abuse in Government, the Grace Commission report, how we have to economize, and in order to comply with Gramm-Rudman-Hollings we all have to pull in our belts."

Well, with this airport we all ought to pull in our heads. We have to start thinking clearly on this one. I am reading this thing in more shock than I was last August when I first got it.

Dr. Penner said:

It is also worthwhile to note that under the administration's new tax reform proposals, it is possible that airport improvement bonds might no longer qualify for tax-exempt status.

That might happen. I wonder which way our Virginia colleagues would direct us on that particular one. Are they for President Reagan's proposal to eliminate the tax-exempt nature of the bonds under Treasury I and Treasury II? Or are they for tax-exempt bonds for Dulles and National Airports? If you did away with tax-exempt bonds, Dr. Penner says:

In that case, there would be no cost to the Federal Government if bonds were issued to finance the improvements.

Am I led to believe that this airport initiative now is tied to tax reform? This is getting complicated here. I think the Senator from Maryland and I will have to talk for awhile, to understand it ourselves, and perhaps talk

some more so I can get our colleagues to understand it. I am looking at that thing. I want to go in one direction.

Am I going in the tax exempt direction? Or am I going in a nontax exempt direction? Apparently under Trible-Warner I am going to maintain the tax exempt status because we want to lose $366 million in tax revenues.

Now the tax tables, Dr. Penner says, provide more details of that cost.

So, Mr. President, I ask unanimous consent at this point to have printed in the RECORD the tax table from the Congressional Budget Office. It reads "The Local Financing" Table II, "Local Financing From Tax-Exempt Bonds [In millions of dollars]," dated August 21, 1985.

There being no objection, the table was order to be printed in the RECORD as follows:

AUGUST 21, 1985.

TABLE 2.—LOCAL FINANCING FROM TAX-EXEMPT BONDS

[In millions of dollars]

| Fiscal year | Project cost | Construction outlays | Interest during construction | Bonds issued (net) | Bonds repaid | Federal tax expenditures |
|---|---|---|---|---|---|---|
| 1986 | 250.0 | 49.8 | −10.8 | 273.8 | | 9.8 |
| 1987 | | 113.5 | 8.7 | | | 9.8 |
| 1988 | | 51.2 | 14.2 | 72.4 | | 11.0 |
| 1989 | | 24.0 | 22.2 | | | 12.2 |
| 1990 | | 11.5 | 25.9 | | | 12.2 |
| 1991 | | | | | | 12.2 |
| 1992 | | | | | | 12.2 |
| 1993 | | | | | | 12.2 |
| 1994 | | | | | | 12.2 |
| 1995 | | | | | | 12.2 |
| 1996 | | | | | | 12.2 |
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| 2007 | | | | | | 12.2 |
| 2008 | | | | | | 12.2 |
| 2009 | | | | | | 12.2 |
| 2010 | | | | | | 12.2 |
| 2011 | | | | | | 12.2 |
| 2012 | | | | | | 12.2 |
| 2013 | | | | | | 12.2 |
| 2014 | | | | | | 12.2 |
| 2015 | | | | | | 12.2 |
| 2016 | | | | | (273.8) | 2.4 |
| 2017 | | | | | | 2.4 |
| 2018 | | | | | (72.4) | 2.4 |
| Total | 250.0 | 250.0 | 60.2 | 346.2 | 346.2 | 366.3 |
| Discounted to 1986 outlay | 250.0 | 215.0 | 41.4 | 330.6 | (17.7) | 116.1 |

Source: Congressional Budget Office.

Mr. HOLLINGS. I thank the distinguished Chair.

Under the first column, we have the project cost of $250 million commencing in the year 1986. We then go to the construction outlays in 1986 of $49.8 million; in 1987, of $113.5 million; in 1988, $51.2 million; in 1989, $24 million; in 1990, $11.5 million; for a total sum of $250 million.

Then, of course, the 1987 interest during construction is, $8.7 million; in 1988, $14.2 million; 1989, $22.2 million; in 1990, $25.9 million. Just the interest costs for the construction is really more than the asking price for the two facilities. Interest costs in 1 year exceed, let us say, the cost that we would sell National for under this bill, or the cost that we would sell Dulles by itself: Just the interest costs in the year 1990. And over 5 years, they total $60.2 million.

Bonds issues, in the next column, net 273.8, and again in 1988, it is 72.4, for a total of 346.2. So in order to get the $250 million in construction, we actually spend 346.2. We have to issue that many bonds in order to get the $250 million. That is, practically in round terms, $350 million to get the $250 million in airport development.

Then we go to the last column on the CBO table, to Federal tax expenditures. We find right here and now, just in Federal tax expenditures, that we just drew a budget up for, over a 5-year period, of let us say, and you see the average over in the last column—it is not an average. That is what it is, $12.2 million, $12.2 million, $12.2 million—five times $12.2 million, of course, is $61 million. So the Federal loss, through these tax expenditures, exceeds any gain from the sales price, I might say, of Dulles and National, which is a mere $47 million.

It seems like in selling these airports we would look at them and say, "Look, fellows, do you mind just paying us the interest cost to the Federal Government during the next 5 years?" We have just drawn up a budget here. We are all projecting these figures for 5 years hence. I have been struggling for weeks and weeks with the Budget Committee trying to put out an alternative which we just finally agreed upon this afternoon. I had no idea that we were supposed to be enthralled, enthused, and warmed over the idea that we are going to get $47 million when I find out I am losing $61 million in 5 years just in Federal tax expenditures with this particular initiative.

That is hardly fair to the Federal Government. It is quite obvious why this was brought about. This was a sweetheart deal that I think we can operate the airport, and I can give you an authority from Charleston, SC, my hometown. We would volunteer. I think, if they put through this bill to Charleston, SC, we would pay for it, and make more money back. I can get a group down there of entrepreneurs that would gladly come forward, pay up the $47 million, and operate and make even better promises to the Federal Government than what this daring Commission has made.

The truth of the matter is that the full membership of the Commission has not been in favor of this. You have a three-way split. You have the very ones obviously who benefit from the deal. They are 100 percent for it; with common sense, they ought to be for it. It is a terrific operation when you can come in and take over this whole thing, the land and everything else out there, the two facilities, and make yourself a bunch of money. If I was the Governor of Virginia and turned this one down, I would want to know how long I could last in office without being impeached necessarily.

Mr. SARBANES. Will the Senator yield on that point?

Mr. HOLLINGS. Yes. I am delighted to yield.

Mr. SARBANES. The Senator is absolutely right. Not only do they get the two airports, but they get the access highway and right-of-way including the extension between Interstate Route I-495 and I-66. It cost the Federal Government $60 million to put that road out there—$60 million. That is part of the package as well, along with these two airports. They are paying less than the access road cost let alone the value of the two airports, all of the land, and all of the facilities. It is just incredible. It is no wonder the Governor of Maryland when he went before the committee said right on the spot that he would pay twice the money. He said right now, we will pay twice the money right on the spot. He was prepared to do it. No wonder.

Mr. HOLLINGS. That is right. We have Congressmen running all over this Hill worrying about Mrs. Marcos' shoes and Mrs. Marcos' dresses. Can you imagine such a thing talking about the waste that is going on. Where does the money go? They got all the national news programs looking to see how much else was wasted over there. It is right under their noses. I am telling you. They are going to get national awards for finding out about the shoes and the dresses. But, no, Senator. You are right. What we are supposed to do is come along. What do they call that thing in the Washington Post—"smart?"

I guess they would call it smart. Look at the makeup of that Commission.

Why did they not have the President appoint, let us say, five members, one from Virginia appointed by the Governor, one from Maryland appointed by the Governor, have the Mayor of the city of Washington appoint one, and we could have an eight-man commission, with several from the President. This is a local thing. Maybe they would want two from Maryland and two from the District and Virginia. But the national nature of this facility belongs to the people of the United States.

They ought to have a majority appointed really by the President of the United States to take it over. Let them be confirmed. We would have some input, some oversight on that authority as they came up before us because then we would know that national facilities for a national purpose, for the people of the United States, would be

looked out for and I would not have to be worrying about what they are doing in Richmond, whether they are running shy of revenues or whether they have pressure there to bring in a new industry.

You can look at the bill and it says,

The real and personal property constituting the Metropolitan Washington airports shall, during the period of the lease, be used only for airport purposes.

In addition, property that is necessary for additional runway development and property that serves as a perimeter buffer area at Washington Dulles International Airport may not be devoted to commercial building development which would return to the Airports Authority revenue in excess of the Airports Authority's cost directly related to such development.

That is another bunch of words. You can leave that wording out of it. That makes them fiscally responsible and it makes us look like we are not being fiscally responsible. It means nothing more than you pay for what you get.

Next you see the airport purposes. You would think airport purposes was airport purposes.

The bill says,

Airport purposes includes a use of property interests (other than a sale) for aviation business or activities, or for nonaviation business or activities that provide revenue for the Airports Authority.

Is that not tricky? I am telling you. They ought to bring them over to the Budget Committee and we could continue to fool everybody. We could continue to spend and would not have to pay for anything. Forget about Gramm-Rudman-Hollings and all these "let us pay the bills" initiatives around the Congress.

What we have is airport purposes are nonairport purposes. Airport purposes are airport purposes and nonairport purposes.

If you read that, they come in and they put in the nonaviation business or activities that provide revenues.

Necessarily, revenues have to go to the Airports Authority. We know it is going there. It is not going somewhere else. I do not think they will put in a Marcos fund the authority for shoes and dresses. I would think it would go to the authority. There would not be any secret kind of front or anything of that kind, so we know that is and where it would go.

Then they said, "If the Secretary determines that any portion of the land leased to the Airports Authority pursuant to this act is used for other than airport purposes," which is for nonaviation business or nonairport purposes, "the Secretary shall direct that appropriate measures be taken by the Airports Authority to bring the use of such land in conformity with airport purposes," which, of course, is nonairport purposes, "and retake possession of such land should the Airports Authority fail to bring the use of such land into a conforming use within a reasonable period of time, as determined by the Secretary," which language has been provided by the Secretary, which says that aviation purposes is nonaviation purposes.

That is delightful. We have Philadelphia lawyers in the U.S. Senate. They and this Trible-Warner initiative, taking on the $366 million in lost tax revenue, not only issuing $350 million in order to get $250 million, but we say whatever it says it does not say, whatever is airport purposes is nonairport purposes as well as airport purposes.

So there we are.

So I am the Governor. I am sitting over there. I will tell the Senator from Maryland that what we are doing is not manufacturing cars anymore. They are having celebrations in Smyrna, TN, and places in Kentucky, when the truth of the matter is, you ought to see the pallets that come into the ports of Baltimore and Charleston.

We do not manufacture any American cars. We assemble foreign parts with a Japanese robot.

I went to Detroit, to General Motors, and we saw a Japanese robot assembling these foreign cars. I said, "Look, I know a Cincinnati company makes a a better robot than that."

"Yes, Senator, but the Japanese finance it."

So we get a Japanese robot assembling Japanese cars from parts, and they bring them in here already manufactured through the port. You Senator SARBANES, get a little port business and I get a little port business. Then the car manufacturers go up to Tennessee and Kentucky and they hire a few hundred people to assemble it. They have a big celebration and bring up a Japanese flag and surrender.

They say, "Whoopee, we have a big industry and we have jobs."

The truth of the matter is, we have transferred thousands of jobs offshore and have lost the opportunity for research.

My distinguished colleague from Colorado has said, "Look, we are being forced to economize in so much in this budget that we have actually lost our sense of purpose of government. What we need is growth. The way to get that is to invest in research."

Here, what we are really doing is putting in a facility. I can tell you right now, no American company will come to Dulles Airport. There will be Japanese and foreign industries to be located out there, Swedish companies, and what have you, all piling in, for example, to assemble foreign parts into cars so that we can have a celebration somewhere in this country for their putting us out of business.

Whoopee for the Dulles-Japanese development.

But you cannot blame the Governor of Virginia. If I were the Governor of Virginia, I would try to take what I could get. And tell you that even though it is a few crumbs, not a loaf, we have found in many circumstances in this country to take a few crumbs and be happy.

The only thing is that this United States of America is not a Third World country. This is supposed to be a world power. We cannot sustain, Mr. President, if we continue to export our industrial capacity, our manufacturing capacity.

I wish everyone would take the March 3 issue of Business Week and see the piece in there from the chairman of the board of Sony. He said that the United States has given up on maintaining itself as an industrial power. He said we do what I described, taking all the parts and assembling them here. Now, under Trible-Warner, they want to give us another Japanese assembling point at Dulles so we can get rid of a few more jobs in this particular bill.

If we lose $366 million in tax as well as expenditures, get rid of another $350 million just to get $250 million in construction, they will still jump on the Secretary of Defense for a $350 toilet seat. How smart they are.

The Grace Commission, the Patent Commission, alternative bidding—we have so many rules and regulations on Government bidding right now that it is impossible. Nobody wants to participate.

I went down to Greenville not long ago. They have a fine company down there named Woven Electronics. Woven Electronics is something we can all appreciate and understand. It takes something like the webbing you would have in a GI belt, a Navy web belt, and intersperse a fine copper wiring throughout the entire length of the belt. Then that webbing itself gets the real strength from it, with very soft transistor wiring. You weave that in and out a B-1 bomber or submarine, throughout the internal infrastructure of these defense pieces.

The particular owner and operator there, Jack Burnette—he went to the Citadel and I was one of his "rats" when I started off. His son was showing it to me, and he said, "Now, on Monday"—that was yesterday; this was on Tuesday—"we have an order from Burroughs, because we have quite a bit of private business." I am confident the majority of their business is private. "That order on Monday, we are going to deliver on Wednesday, it only takes a couple of days to get the order out and the delivery made.

"That very same order from the Federal Government," and he went over and showed two big stacks of papers—reports, requirements, conferences, reports, requirements, conferences. He said,

It will take 6 months and all that bookwork and instead of the regular personnel

delivering it, running it right through the stockroom, we are going to have to assign six people to that particular order and pay for the overhead and take 6 months to deliver the same thing. Why? Because that order came from the Pentagon rather than from Burroughs Machines.

Mr. President, there you go. That is where we talk about waste, fraud, and abuse. If we can slow down this Congress and buy a bunch of mirrors, we would find out, like Pogo, that we have met the enemy and it is us. We start the waste, fraud, and abuse with the kinds of initiatives we have for the Trible-Warner airport grab. These are honorable gentlemen. I started to say "steal" but I would not want to offend them, because it would be entirely improper. I do not know of any more outstanding Members than our colleagues from Virginia. I serve with them on some committees and have the highest regard and respect for them.

I understand what they are doing. They are not stealing anything. But if the Federal Government would be stupid enough to come forward with anywhere from $300 million to $1 billion worth of property to this Senator from South Carolina and say, "Take it off my hands for $47 million, plus the highway, plus the industrial development park of 10,000 acres," the Senator from South Carolina would do the same thing. I would put in here the Hollings-Thurmond grab bill, rather than the Trible-Warner grab bill. I would be an inadequate Senator if I did not do it.

So I do not make that assertion on this particular bill as a matter of blame. But we have to fix where it is coming from. And what really happened here with Governor Holton and that sweetheart commission—the one that never studied anything but arranged the best they could—told General Aviation, "We will take care of you later." They told the airlines, "Get on this. We are going to put a limit on the number of flights in and out of National, but we are removing the cap on the number of passengers. We have an intolerable situation. We cannot handle it out there. But don't worry. You'll get in. The bigger the plane, the bigger the profit.

"We don't care that the runways are not long enough to safely handle the big aircraft at National."

Like Air Florida. With my good friend. I speak respectfully, because of Arland Williams. We have named the bridge, the Rochambeau crossing, the Arland Williams Bridge. He was a Citadel graduate who went into the cold water three times and saved other passengers before he went under himself. So I think upon that, not in a derisive sense, but a rather historic sense and one of admiration for Arland Williams.

But there on these runways, getting off, landings and takeoffs with the rush and the crunch with bigger airplanes now, what we are going to find is we have a threat to safety with the Trible-Warner initiative here on the floor of the U.S. Senate.

We are going to spend $366 million extra in lost tax revenues, we are going to spend another $346 million in bonds trying to get $250 million in construction. We are going to threaten the safety of the passengers and we are going to open up our threat to international trade out at Dulles with what well may become a Japanese industrial park, because American industry does not have any money left. They cannot make any profits here, they have to go offshore in order to make a living.

We are going out of business here in this country today because we do not have a trade policy. The people up in the Northeast think it is pork, hogs from Canada, they joined on the pork resolution. They think it is timber. They want to argue with Prime Minister Mulroney, who was in here from Canada, about timber. The people in South Carolina think it is not only timber, because we have 610 acres down there, and the docks of my home town are full of Canadian timber, but they think it is textiles. We go up to Cleveland, OH, and they think it is machine tools. We go to Detroit and they think it is automobiles. Then in Seattle, they have taken on airplanes, as airbuses are subsidized. We are competing with those Government subsidies and we find out we have a government-to-government enterprise proposition.

We, in the Government, who are trying to look out for the general good of the people of the United States, the common good, instead are looking out for the common good now just because we will not ask and we have a Secretary that is out of sorts with these kinds of responsibilities who says, "Now is the time to get the quick kill. I have gotten the Conrail bill through and all I have to do is get the Trible-Warner airport bill through and we can get rid of that one and tell the dumb Congressmen and Senators over there that they are getting $47 million to offset the deficit. Why should they complain? We don't want to run it anyway, and they don't want to run it, so we can get some responsible people in here to run it."

That is some deal, I say to the Senator from Maryland.

Mr. SARBANES. Will the Senator yield for a question?

Mr. HOLLINGS. Yes, sir, I yield.

Mr. SARBANES. I was struck earlier by the Senator's observation when he was looking at the language in the bill that supposedly puts some restraint on this authority and how it is going to use the real and permanent property that comes with these airports.

First, it says this is a lease for 35 years.

Mr. HOLLINGS. Correct, Mr. President.

Mr. SARBANES. Then it says, "The real and personal property constituting the Metropolitan Washington airports shall, during the period of the lease, be used only for airport purposes."

So after the period of the lease, after the 35 years, it can be used for other than airport purposes. That is the first point to make, that they are let out after 35 years.

Then you say to yourself, "Now, what does 'airport purposes' mean? They are restricting the use of this real and personal property to airport purposes. What does that mean?"

So you look over here on the next page, page 37. It says:

For the purposes of this paragraph, the term "airport purposes" includes a use of property interest (other than a sale)—

So it could be a lease.

—for aviation business or activities.

So, you say, well, they are limiting airport purposes to aviation business or activities.

Except they then go on and say, "or for nonaviation business or activities that provide revenue for the Airports Authority."

What kind of provision is that, Mr. President? I read that to be no restriction at all. How does the Senator see that provision?

Mr. HOLLINGS. There is no restriction. It is very cleverly drawn.

Mr. SARBANES. Oh, it is very cleverly drawn.

Mr. HOLLINGS. Masters of rhetoric we are up here. We can mean what we say and not say what we mean. When we are asked by the news media, what we can say is, "I am concerned." That is the way to answer all these questions. I learned at least that much in campaigns over the years. If you ask me about the airports at Dulles and National, I do not have to know anything. All I have to say is, "That is a very good question, I am concerned about that. I am concerned about Dulles. I understand these are very fine facilities out there. But as for Government operations and safety, we are all concerned about it and I am concerned about National and Dulles."

That is what they are saying in a similar fashion here when they got it printed up, so they can say, "We looked out for airport purposes but we have looked out for nonaviation purposes." They have looked out for both. So they have canceled it out.

What the Senator says reminds me of the little contest they had down there for an insurance company in the State of South Carolina, Capital Life. An old-time friend was looking for a slogan for his new insurance company and he thought up a slogan and that said:

Capital Life will surely pay if the small print on the back don't take it away.

Well, that is what we have. We will surely take care of airport purposes and restrict it, but if then you read the small print further, we take it away. They have it in there for nonairport purposes.

We have seen this kind of approach before and we worry about it because they have all kinds of land at Dulles. I hate to see good airport development and then all of us move our offices and highrise buildings and everything else under the flight path then people complain because a plane lands. The reason we have the big hotels and motels, eating places, and all the other magnificent development just across the Potomac over here is on account of the Capitol and the airport facility. Anybody living on the Capitol side trying to get out of town on a Friday knows what a value it is to be located near the airport. And now that they have all these areas populated, urbanized and congested, they complain about it.

Airports now are open after 10 o'clock at night all over America. Airplanes are coming and going in my hometown, coming in from Atlanta, GA, making the connections in Charlotte, 1 and 2 in the morning.

But what do we have here? We have a local interest that has developed contrary to the use of the airport. What we have are noise level restrictions and everything else. So now we have language in the bill saying that they can fix the noise levels, as well as get into nonaviation purposes, and Japanese industries, while soaking the taxpayers for 712 million bucks.

I do not know what else we are going to think of to try to get the attention of our colleagues, but these nonairport purposes begin to develop more and more and more, and before long you look around and you find out that maybe we will have to restrict Dulles—you cannot land there after a certain hour because of the noise and everything—or whatever might happen out there. Perhaps certain industries would want to have a certain height requirement.

Twenty years from now they might want to change around and use some of those 10,000 acres for longer landing strips. Let me get into the Orient Express. Where is it going to take off, I ask the Senator? I had hoped it was going to take off from Dulles. It better be a helicopter and go straight up in the air because what we are going to do now at Dulles is put industry all around and we are not going to be able to have the long runway for the Orient Express that can go to Tokyo in 2 hours' time. That would be pretty nice. You get the Japanese industry out there, and just about the time you get your Japanese industry at Dulles and you think you can take off from Tokyo to land at Dulles, you find out that the industry has cut out the property and you cannot lengthen the runway so you cannot land there.

Maybe the Senator from Maryland ought to change his mind. Maybe we can go to Baltimore-Washington International [BWI]. Maybe they can hold some facilities and some space out there for us because we are not going to be able to hold it here for general airport purposes.

Now, the Federal Government is not into industrial development, and that is why we have the acreage out there that we have used for several other governmental purposes. But we here have no central control in one particular interest and that is the airport users of America, of all 50 States, coming to and leaving from their Nation's Capital. Instead, you have given me as Governor of Virginia five people who want to have industrial development out there. They cannot walk around and say, "Look at what we have with airport use." They want to have some ceremonies. They want to have some groundbreakings. They want to give away a commonwealth flag and they want to have a big banquet and find out about more jobs. Because when I run for reelection in the Commonwealth of Virginia I cannot get on the stump and tell them how I have improved the airport services at Dulles. They will run me out of office. I have to tell them how much more industry I have put there.

I think we are at a crosspurpose here. Our trouble in Congress is we get one measure and we do not look beyond its provisions to the direction which we had and then wonder some years later why the general intent has been frustrated. That is a natural development. If you are going to give me as a Governor of a State some 10,000 acres of fine land all around an airport facility, I am going to put all the industry I can get all around that place.

We just got one—Porsche, in Charleston. Do you know that you cannot buy a Porsche except it has got to be flown into Charleston Airport? They fly them all right in there and we have a big factory, and when I land I look at all those Porsches, all of those expensive cars, $35,000 apiece. All of those Porsches coming into the United States from Europe come through the Charleston International Airport. That is what the airport authority has done. And they are proud of having done it.

Well, that is pretty good for this generation at this particular moment. But think of the expanded needs as between airport users and industrial developers. All authority developers want to be industrial developers. They are all builders, so we put an industry out there at the Charleston Airport. Right now everyone is proud of that.

But what I am thinking is in the future we will experience exactly what we experienced at the National Airport—built up and around, up and around and then you lose the original purpose. In fact, you have to restrict the original purpose of the airport in order to continue its usage. I hope that is not going to happen at Dulles. I am going to have to look this evening when we break at the highway facilities that have been given out there. I hope they are not going to charge the Government a toll for using that highway.

I was just looking, I say to the Senator from Maryland, at page 38. If we read a little bit further, this one has a lot of rabbits in it. This is a good time, Easter time, for us to get all the rabbits we can find in this particular bill. Under section 2, beginning on page 37, "The Airports Authority shall furnish without cost"—this another "We are going to take it away" paragraph, if you know what I mean, with the small print on the back. But I am going to get to the small print. Let me read the big print.

The Airports Authority shall furnish without cost to the Federal Government for use in connection with any air traffic control and navigation facilities or weather-reporting and communication activities related to air traffic control at these airports, such areas of land or water, or rights in buildings, at the airports as the Secretary considers necessary or desirable for these purposes, including construction at Federal expense of additional space or facilities. In addition—

Now we get to the small print—

In addition, all airport facilities shall be available to the United States for use by Government aircraft in common with other aircraft facilities without charge, except, if the use by the Government aircraft is substantial, a charge may be made for a reasonable share, proportional to such use, of the cost of providing, operating, and maintaining the facilities used.

I can tell you here and now, Mr. President, the FAA has a hangar out there now, and they have a fleet of airplanes. The Coast Guard has its fleet of airplanes. The Weather Bureau has its fleet of airplanes. And I am going right on down the list of the various Government entities. So you can look over on page 37 and you see that all of those things are just fine in connection with air traffic control, navigation, Coast Guard, Federal aviation, weather reporting, communication and what have you, except that all facilities shall be available in common with other aircraft without charge "except, if the use by the Government"—let's see if the small print on the back does not take it away—"except, if the use by the Government aircraft is substantial, a charge may be made for a reasonable share, proportional to such use, the cost of providing, operating and maintaining the facilities used."

I can tell you right now, when they are not charging, you are going to pay the bill. I hope they catch Secretary Dole out there and make her pay.

Mr. SARBANES. That is like the other provision we discussed a little while ago.

Mr. HOLLINGS. Now you got it. The small print on the back of page 37. When you get to page 38, they take it away.

Mr. SARBANES. Mr. President, I appreciate the Senator doing this, because it is very important for our colleagues.

Take the next section on page 38, where the Senator just looked. It says:

All of the facilities of the metropolitan Washington airports shall, during the term of the lease, be available to the public, including commercial and general aviation, on fair and reasonable terms and without unjust discrimination.

What happens after the lease is over with? Why is that language in there? Why do they limit the requirement that these facilities be available to the public, including commercial and general aviation, on fair and reasonable terms, and without unjust discrimination? Why do they limit it to the term of the lease?

What that means is that once the lease is over with, they do not have the requirement anymore to provide it on fair and reasonable terms and without unjust discrimination.

There is another instance where they give it with one hand and take it away with the other.

Then, the next section—I ask the Senator about this. He is on the committee. This has to do with the problem of the noise at Washington National Airport. That is a very serious problem in this area, as the Senator knows.

This bill was reported by the committee on September 11, 1985. On November 14, the committee ordered reported a committee amendment which would transfer to the authority full responsibility for regulating aircraft noise at National.

That is a very serious problem, because they have this noise problem at National. They have put on a curfew and planes are required to come in on a certain traffic pattern. Heretofore, the FAA has tried to control that and addressed the noise problem seen by both Marylanders and Virginians.

Now what is going to happen is that the authority to deal with the noise problem is going to be put in the hands of an authority dominated by Virginia. I am very frank to say that Maryland people are very much concerned that the noise problem at National Airport is going to be dealt with by this authority in a way that is going to throw the burden of that noise on Maryland rather than sharing the problem in some fair way with Virginia.

I ask the Senator whether that would concern him—if traffic patterns created a noise problem for constituents in both Maryland and Virginia, and then you look and you are going to put the power in an authority that is dominated by Virginia. How do you think they are going to decide this noise problem?

I think what is going to happen is that Marylanders are going to take it in the ear with respect to the noise problem.

Mr. HOLLINGS. There is no question that the Senator is right on target.

Go back to page 14, and you will see how they drew that. They start off, "The Washington National Airport shall cease to be in effect on the day of transfer, provided further, however, during the term of the lease"—jump down to line 14, paragraph 2—"However, during the term of the lease, the nighttime noise limitation standards currently set out in 14 CFR 159.4 may not be amended."

So, with respect to the Code of Federal Regulations, under that volume and page, where we have nighttime noise limitation standards, they have intentionally red-lined it, given it to the authority. So you can tell their intent by what they had put in there originally and then scratched out.

I am glad we have the distinguished majority leader here, so he can learn and go back home and explain this bill. I want him to get into this tonight. I know he will have a chance.

On page 41 it says:

Notwithstanding any other provision of law, no landing fee imposed for operating an aircraft or revenues derived from parking automobiles at Washington-Dulles National Airport may be used for maintenance or operating expenses, excluding debt service, depreciation, and amortization at the Washington National Airport.

So they are going to take it away, because they have in parentheses "excluding debt service, depreciation, and amortization." So they do not have to put anything in there on improvements.

They just run up fees and say, "We have allocated those sums to debt service, depreciation and amortization."

With any auditor, you can put down amortization—any amount of money you want—and say it depreciated that much.

When it comes to debt service, we know they can put $366 million in the debt service on the loss of revenues, plus another $100 million of the costs above the $250 million needed. So that is $466 million in increased costs, derived from the parking of automobiles.

It would be better to walk to Dulles. It is going to be better to go out and never get in a car, because you will have to declare bankruptcy to get out of that airport. That is the way they will have it before they get through. I have seen how they soak them. Talk about Washington, DC, for the parking costs—that is more than the mortgage I have on the car. You go home at night and flip a coin: "Should I pay for the parking fee or let them have the car?"

Mr. DOLE. What page was that?

Mr. HOLLINGS. Page 41, where they have the charge for parking and everything else.

I would like to make sure you came out there with a good fiscal responsibility in order to park your car. You had better have three statements from a bank, at least, and the net worth, in order to get in and out of that airport, because they will say, "Debt service, depreciation and amortization."

If I am the Governor in Richmond, I know how to soak that rich crowd in Washington: "They don't vote for me. All those big Senators are worried about those dresses and those shoes that Imelda has. We are not worried about shoes and dresses here today. We have millions of dollars here, and we are going up on the parking fees and everything else."

I will have to get to the landing fee in excess of 12,500 pounds. I will save that for tomorrow. I have had the indulgence of my colleagues for this afternoon.

The majority leader wants to move the business along. We are not trying to prolong anything, but they talk about getting attention. It is very difficult to take responsible Senators, 100 of us, and get our attention when these kinds of matters come up, because we are thinking not in terms of millions but in billions. We are thinking in terms of what is really a good policy for the safety and security of the democracy in Central America. We are thinking in terms of all the other pressures upon us. No one would think offhand, with all the problems, that we really had a bill of this nature introduced with any seriousness of purpose.

I just do not see how people can talk about waste, fraud, and abuse and put this particular measure in in good conscience when it is going to cost us $712 million just to get the $250 million in improvements, turn it over perhaps to a nonaviation purpose and then raise all the fees to be charged, and raise the parking fees. We could have free parking under a fair price.

Can you imagine that? This would be the one airport in the world where you would have free parking.

All they would have to do is go to the Virginia people and say, "Look, we have fought a good fight, but under the Trible-Warner initiative, they caught us now and to save face we think we ought to pay the Federal Government a reasonable price. In paying them a reasonable price rather

than $47 million, we are going to pay them $347 million and we have $300 million in free parking for the next several years around, and then everybody could really enjoy themselves and land at Dulles and Washington with a smile on their face."

I thank the distinguished Chair and yield the floor at this time.

(By request of Mr. DANFORTH, the following statement was ordered to be printed in the RECORD:)

● Mr. MATHIAS. Mr. President, the bill before the Senate today authorizes the transfer of Washington National and Dulles International Airports to a regional authority. In examining this issue, we need ask only one question—Is this action in the public interest? The conclusion I have reached, after grappling with this legislation for over a year, is that it is not. How can it be in the public interest when one of the three airports serving the Washington metropolitan area has been excluded?

The public in question is a complex one. It includes the population of the huge Chesapeake-Potomac megalopolis extending from Richmond to the Mason-Dixon Line and westward to the Appalachians. It also includes those Americans who come to their National Capital from across the country for sightseeing, education, or business. This group merits the special attention of the Congress because it is national in character. And it includes the international travelers who come to the Capital of the free world and are important to us as an element of international commerce and as links with other peoples around the world. This is the public in whose interest we must work.

Three thriving and busy airports—Washington National, Dulles International, and Baltimore-Washington International—serve this complex public. We should seek harmony and cooperation among the three airports to best serve this local, national, and international constituency.

Under the current arrangement, BWI stands apart from the other two airports because it is operated by the State of Maryland while National and Dulles are operated by the Federal Government. The bill before us today only serves to codify the isolation of BWI and gives Dulles an unfair competitive advantage over BWI. Instead of encouraging harmony among the three airports, as it should, it threatens to promote a disquieting discord.

I am not against the idea of turning over National and Dulles Airports to a regional authority. I believe the time has come to do that.

But the only way to accomplish our goal of divesting the Federal Government of these two airports and, at the same time, ensure a balanced air transport system in the Washington metropolitan area is to include all three airports under the regional authority.

Then the public would have a safe and convenient air travel system. Flight schedules at the three airports would be complementary. Competition would be between air carriers, not airports. Bringing the three airports into this kind of cooperative relationship will serve the public interest.

The organizational framework and philosophy creating the Port Authority of New York and New Jersey provides a useful and instructive model for the Baltimore-Washington region and the operation of its three airports. The Holton Commission itself recognized the virtue of this regional approach, hearing testimony from officials representing New York and New Jersey on the history and operations of the authority during its deliberations on this issue over a year ago.

After World War II, New York and New Jersey, as a way to effectively respond to the growing importance of aviation to the national and international economies, placed responsibility for the region's three airports in the hands of the New York Port Authority. As my colleagues from New York and New Jersey can relate better than I, the authority essentially took over the control, operations, and development of La Guardia and Newark Airports and of what is known today as John F. Kennedy International Airport. In so doing, the port authority introduced cooperation where there had been competition among the airports and coordination where there had been disjointed, ad hoc decisions. As a result, the region boasts of having one of the most efficient air transportation systems today, serving the traveling and shipping public well.

In that same manner, we must look for ways to foster cooperation among the three Washington area airports.

The Senate Committee on Commerce, Science, and Transportation, during its deliberations on the bill, made a good-faith attempt to address the equity problem within the context of the legislation. Senators FORD and INOUYE advanced amendments, which I favored, that were accepted by the committee, which had the effect of diminishing the competitive advantage afforded to Dulles over BWI. But the refinements, while providing a more level playing field, still fall short of correcting the inherent inequity in the bill.

The answer is not in the legislation before us. The solution rests with a regional authority that includes all three airports.

While one of the changes made by the Commerce Committee allows BWI to enter the authority at a later date, the legislation is rigidly constructed to provide specifically for the transfer of just Dulles and National Airports. A tripartite authority is, therefore, in practical terms, beyond the scope of this legislation. For this concept to become a reality, Virginia, Maryland, and the District of Columbia would have to go back to the drawing boards and negotiate and frame such a cooperative relationship.

I am hopeful that somewhere down the runway this solution will take off and fly. But the bill before us today should not leave the gate.●

Mr. DOLE. Mr. President, I thank all Senators who have participated in the debate today. I think, as I listened to parts of it in my office, there has only been about three quorum calls, so it has been almost an uninterrupted debate since shortly before noon. So I commend my colleagues.

This is a matter of great interest. I have tried to not become directly involved but I will look at page 41. I think it was page 41 the Senator from South Carolina alluded to.

Mr. President, I would hope that we could complete action on this bill very quickly and I do not want to offend anyone, but I think an orderly procedure would be that we would need to have a vote on the motion to proceed. Hopefully we might get consent to do that tomorrow. I will not make that request now. But if not, it would be a vote on cloture on Friday. We will be in session in any event on Friday.

## CLOTURE MOTION

Mr. DOLE. Mr. President, I have already indicated to the distinguished Senator from Maryland, Senator SARBANES, that I would send a cloture motion to the desk and I do that at this time.

The PRESIDING OFFICER. The cloture motion having been presented under rule XXII, the Chair directs the clerk to read the motion.

The assistant legislative clerk read as follows:

CLOTURE MOTION

We, the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, hereby move to bring to a close debate on the motion to proceed to the consideration of S. 1017, a bill to provide for the transfer of the Metropolitan Washington Airports to an independent airport authority.

Bob Dole, Paul Trible, Bob Kasten, Thad Cochran, Jake Garn, Mitch McConnell, Pete Wilson, Warren B. Rudman, Ted Stevens, Robert T. Stafford, John Danforth, Paul Laxalt, John Warner, Slade Gorton, Nancy L. Kassebaum, Dan Quayle, Pete V. Domenici, Al Simpson, Jesse Helms, and Chic Hecht.

Mr. DOLE. Mr. President, if there is no further debate on this matter, I think we are prepared to take up the Commodity Credit Corporation conference report. I would hope that we could do without a vote. I have been visiting with my distinguished friend from Montana. Can we get an agreement on that?

Mr. COCHRAN. I do not know.

Mr. DOLE. Ten minutes on a side?
Mr. MELCHER. Yes.

## URGENT SUPPLEMENTAL APPROPRIATION FOR THE COMMODITY CREDIT CORPORATION—CONFERENCE REPORT

Mr. COCHRAN. Mr. President, I submit a report of the committee of conference on House Joint Resolution 534 and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be stated.

The assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill amendment of the Senate to the joint resolution (H.J. Res. 534) making an urgent supplemental appropriation for the Department of Agriculture, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by all of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report will be printed in the House proceedings of the RECORD.)

Mr. COCHRAN. Mr. President, I shall review for Senators the events which have brought us to this point.

House Joint Resolution 534, the emergency supplemental appropriations bill for the Department of Agriculture, passed the House on February 26. It included $5 billion for the Commodity Credit Corporation, as well as language which require the conservation reserve and emergency funding for the Federal Crop Insurance Corporation to be subject to appropriation action next year.

Under the leadership of the Senator from South Dakota, [Mr. ABDNOR], the Appropriations Committee, and subsequently the Senate, deleted the House language requiring those programs to be subject to action by the appropriations committees. The Senate then requested a conference with the House to work out a compromise on the resolution.

In that conference, the House conferees agreed with the Senate position concerning the conservation reserve and the Federal Crop Insurance Corporation, with a few minor changes. The House conferees then insisted that the conferees state—in bill language—that the amount previously appropriated for the insured operating loan program of the Famers Home Administration shall be available for this fiscal year. After offering to accept this as language for the statement of managers, the Senate conferees finally agreed to the House's proposal with the addition of language making it subject to the sequester order.

Last Thursday night, a point of order to this amendment was sustained, and the Senate voted down an appeal from the ruling of the Chair.

On Tuesday of this week, the Senate, by unanimous consent, again considered the amendment in technical disagreement for the purpose of further amendment. This Senator then offered an amendment which stated that at least $1.7 billion is available for the insured operating loan program and that the Secretary shall proceed immediately to make loans to farmers and farm owners. That amendment also included language suggested by the Senator from Montana [Mr. MELCHER], which addressed his concern—as well as the concern of many others—that if funds available for this program are exhausted, the Secretary should request additional funding.

When this was sent back to the House, the House requested further conference with the Senate on the amendment in disagreement.

On Tuesday night and again this morning, the conferees considered various proposals to make this amendment acceptable to both the House and Senate. An agreement was finally reached concerning the Farmers Home provision. That language reads as follows:

It is agreed that at least $1.7 billion is available for the insured operating loan program of the Farmers Home Administration. Therefore, the Secretary shall proceed immediately to make loans to farmers and farm owners. If these funds should prove to be insufficient, other funds should be made available to meet emergency credit needs of American farmers and ranchers.

Mr. President, I support this amendment and reiterate the urgent need for the Commodity Credit Corporation to have access to the $5 billion in this bill. There is also a critical and desperate need for credit assistance from the Farmers Home Administration.

Mr. President, to summarize, let me simply say that I believe we have finally resolved the outstanding issues that surrounded this conference report in particular language that had originally been added by House conferees at their insistence, which provided basically a sense-of-Congress insistence that funds which had previously been appropriated for the Farmers Home Administration operating loan funds be used to help meet the credit needs of farmers throughout the country.

After a point of order was sustained the other night to that language, further amendments were discussed with conferees and as late as this morning we were finally able to get an agreement on that language. Basically, it provides that if the funds are insufficient that are currently available, other funds should be made available to help meet these emergency needs.

We appreciate the assistance of specifically the Senator from Montana [Mr. MELCHER] in helping to resolve this issue and in permitting the conference report to be brought to the Senate.

The $5 billion that is provided is desperately needed to operate the programs which farmers are depending upon this year as we enter this planting season.

I urge Senators to support the amendment in disagreement that has now been worked out.

I think this will finally resolve the matter.

Mr. DOLE. Mr. President, could I just indicate I just had a brief discussion with the distinguished minority leader, Senator BYRD, that I believe we can dispose of this conference report on a voice vote.

So I am prepared to announce at this time there will be no rollcall votes this evening, because I know many Members have been making calls on each side.

Mr. BYRD. Mr. President, I join with the distinguished majority leader in saying that there will be no more rollcall votes this evening.

I take the floor at this point simply to say that we have checked on our side via telephone and we have no request for a rollcall vote.

Mr. DOLE. I thank the distinguished minority leader and I also thank the distinguished Senator from Mississippi [Mr. COCHRAN], and the distinguished Senator from Montana, [Mr. MELCHER].

This is a very important bill to farmers, and I hope it will be signed as quickly as it reaches the White House.

I thank all Senators for their cooperation, particularly the Senator from Mississippi who has been trying to work it out, and the Senator from Montana who had some good suggestions which have now been incorporated, as I understand, in the conference report.

Mr. COCHRAN. That is right.

Mr. MELCHER. Mr. President, I am pleased to have the opportunity to pinch hit for the senior Senator from North Dakota [Mr. BURDICK], who I believe is over on the House side attending some rather significant meetings. When this came up he said if I would stand in for him, he would be grateful. I am very honored to do so.

I commend the Senator from Mississippi, [Mr. COCHRAN], for working out with the House conferees the acceptance of some language that would say, in this particular bill, that Farmers Home Administration funds should be examined periodically, to see what is going to be needed for emergency credit needs of American farmers and ranchers during these coming months, and through the persistence of the Senator from Mississippi that lan-

guage is in this conference report, and I am very pleased that it is.

I hope, as the majority leader has stated, that after we have acted and after the House has acted and the bill gets down to the President, he will sign it quickly.

We have had some indication that the money is needed for the Commodity Credit Corporation in its operation, and I would not want to have any impediment in the way of the CCC having the funds as it needs them.

Having said all that, I hope that the President will sign the other farm bill that we sent down. I think we had a title for it, something called the Food Security Improvements Act of 1986, and I believe the number was H.R. 1614. That went down to the White House on March 12. As of right now—unless something has happened in the last hour and a half—I do not believe the President has signed it yet.

Now I want to refer back to some of the urging that we had here to get that bill down there. The statements reflected the feeling of the administration that we should not be too late in getting the bill down there. It was here for several days while we discussed the question of emergency credit being available for farm and ranch operators. And indeed it is, Mr. President, it is emergency needs. And while there was reason to discuss it here, we were holding up the other things that were in that bill, but some of us felt it was very necessary to dramatize and emphasize how important credit was, particularly lower interest rates, at this time for farmers throughout this country.

To the extent that we delayed the bill which had features in it with dairy questions to be resolved and some questions for ASCS offices across the country as they signed up the farmers in the various farm programs, we were taking some time arguing the case for doing something about getting these interest rates down. Maybe we would have an opportunity for farmers on the brink of credit disaster to be able to have lower interest rates, be able to possibly survive with sufficient credit and have a sufficient cash flow to where their creditors would see that there was a light at the end of the tunnel and keep providing the necessary credit for them.

That is still a problem. We have not resolved that yet. I hope that we will address that problem a little later on this spring. Because, unless we do, I am afraid that too many farmers will be liquidated that could otherwise have been saved if they just had their operating loans at reduced interest rates.

However, it saddens me that there was some urgency about that bill. We meant to delay, dramatizing the need for credit. We did dramatize that and there was a sense-of-the-Congress resolution attached to it drawing that to the attention of the President. But, nevertheless, it saddens me because the bill has not been signed.

Now, there are comments, I believe, going around the halls of both sides of Congress from office to office to the effect that somehow the President is trying to use signing that bill with the dairy provisions in it as some leverage over the way one, two or a half dozen Congressmen are going to vote on the Contra aid issue. Surely, that is an overstated rumor. Surely, nobody is going to be influenced on how to vote on the Contra aid on whether or not the President signs a bill—this is Wednesday—on Wednesday or Thursday or Friday, dealing with an extraneous subject, extraneous to the Contra aid question, and that subject being the provisions in that bill, H.R. 1614, that dealt with the dairy program.

But I think it would have resolved the whole point if the bill had been signed by the President yesterday or the day before yesterday or even on Sunday at Camp David or wherever. I think this is something that the Senate—and I do not say it is just this side, I think it is just the same on the opposite side of this aisle—this Senate does not want to be told that a bill is extremely important, to get it out of here, get it down to the President's desk, and then find it roosting on that desk, unsigned.

I was never too sure, in my own judgment, how important it was to get the bill down there quickly. But I accepted the statement made by my colleagues and the statements made by the administration that it was urgent to get the bill down there quickly.

This is a deliberative body and it is a rather significant body, this Senate of ours—when I say "ours," I mean the entire country—and to sort of having us make statements of urgency in getting legislation passed because the administration points out that it is urgent and then to find out that the bill is still unsigned a whole week later does not make any sense to me.

I draw this to the attention of the Senate tonight because, while the President can still sign the bill—and I have been indicating that apparently it had not been signed since 5 o'clock. An hour and a half or a little over an hour and a half has passed. I cannot believe there is anything to a rumor that states, "Well, he is holding it as a lever over some Congressmen on how they are going to vote on Contra aid."

I do not think any Congressman or Congresswoman is going to respond to that kind of talk and I do not believe the President would make that kind of a statement or inference to anybody. I think that is harmful and degrading to even have the rumor floating around. It is harmful and degrading to the office of the Presidency.

But the other matter troubles me because, when the administration says they want a bill, and says it in a sincere and convincing way, and that it is urgent to have it down there, I believe they should follow through or at least give us an explanation on why it was not as urgent as they thought it was or, if they have some problem in the bill to notify us.

Since none of that has happened, I only say this: Let us not play any sort of charade. If the bill is urgent, it should be signed. If there is something wrong with the bill, I would like to know about it. And if it was not urgent and they found out it was not urgent after they got it, I would like to know that too. I would like to cooperate with the administration on matters of importance, where there is a time limit or timeframe, and where Government performs better if we meet that timeframe. I think that type of recognition is important. I think it works both ways.

I hope that we will have some explanation from the administration in the next day or two telling us what the circumstances are.

Mr. President, we certainly, on this side of the aisle, are very much in favor of this conference report and wholeheartedly endorse it.

Mr. COCHRAN. Mr. President, for the information of Senators, the other body has asked that the Senate act first on this conference report. So, upon its adoption, it would go back to the House and, if it is approved there, immediately to the President for his action.

I am also pleased to be able to advise Senators that, as far as can be ascertained, there is no objection to this conference report from the Office of Management and Budget, the Congressional Budget Office, or the Budget Committee here in the Senate.

Mr. President, if there is no further debate, I urge the adoption of the conference report.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The conference report was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. MELCHER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

## ROUTINE MORNING BUSINESS

Mr. COCHRAN. Mr. President, I ask that there now be a period for the transaction of routine morning business for not to extend beyond the hour of 7 p.m. this evening.

The PRESIDING OFFICER. Without objection, it is so ordered.

## UNITED STATES, A TOP WORLD DEBTOR

Mr. BINGAMAN. Mr. President, once again yesterday the United States achieved the dubious distinction in setting a new international all-time high trade deficit. The current-account balance, which covers trade in goods and services as well as investment flows between the United States and other countries, reached a record $117.7 billion. We simultaneously achieved the further distinction of becoming one of the four largest debtor nations in the world. Just 1 year after becoming a debtor nation for the first time since 1914, we moved from having a surplus with the rest of the world to having a net debt in the range of $56 billion, just behind Brazil and Mexico, and just ahead of Venezuela.

Both the increasing current account deficit and the growth in our debt, combined with a still high budget deficit and an ever-increasing merchandise trade deficit—which reached a record $148.5 billion last year—spell real economic trouble for us in the months and years ahead. They erode our position in the world economy and they mean economic deterioration and resulting loss in the standard of living for all Americans.

Mr. President, I ask that a copy of an article that appeared in today's Washington Post by Stuart Auerbach appear in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Mar. 19, 1986]

### TRADE GAP HITS RECORD

(By Stuart Auerbach)

The United States ran a record deficit of $117.7 billion in the broadest measure of international trade last year as it became one of the four largest debtor nations in the world, the Commerce Department reported yesterday.

The current-account balance, which covers trade in goods and services as well as investment flows between the United States and other countries, was dragged down by the massive merchandise trade deficit, Commerce analysts said.

The deficit reached $124.3 billion last year, an increase of almost 9 percent over 1984, completely overwhelming small surpluses in income from overseas investments and trade in services such as banking and engineering. The merchandise trade deficit reported yesterday is lower than the record $148.5 billion given in late January by the Commerce Department because it is figured in a different way.

The deficit increased in the fourth quarter of last year to $36.6 billion, from $29.3 billion in the previous three months, indicating a continued adverse balance of trade for this year. At the fourth-quarter rate, the current-account deficit would have reached nearly $150 billion last year. C. Fred Bergsten, director of the Institute for International Economics, predicted the current quarter's deficit would be as high as the fourth quarter's.

### U.S. BECOMES MAJOR DEBTOR OWING TO HUGE TRADE DEFICIT

Last year's current-account figures show that the United States went from a country that was in the black to the rest of the world by $28.2 billion at the end of 1984, to one that became a major debtor nation for the first time since 1914. This means that foreigners now own more in U.S. investments than Americans own overseas.

The turnaround is considered extremely worrisome by some economists, even though others disagree and President Reagan has downplayed it by declaring it shows the strength of the economy.

The exact amount of the debt will not be released by the Commerce Department until June, but yesterday's figures show that it will be in the neighborhood of $56 billion. That would put this country behind Brazil and Mexico, the largest debtor nations in the Third World, each owing about $100 billion, and just ahead of Venezuela.

While these debts are potential threats to the world financial system, the U.S. debt is not considered as crucial because most of it is in dollars, which the United States can print, and because of the underlying strength of the U.S. economy.

Nonetheless, Bergsten, assistant secretary of Treasury in the Carter administration, said the U.S. debt is likely to top $100 billion by the end of this year, and will reach $400 billion before leveling off.

He called the United States' new status as a debtor nation "a massive deterioration in America's international financial position."

"We will have to pay interest on this debt, and eventually foreigners may want their money back. It essentially puts a sword out there hanging over us," said David Wyss of Data Resources Inc.

But Edward M. Bernstein, an economist at the Brookings Institution, called the overall current-account deficit a bigger problem than the fact that the United States became a debtor nation.

The United States held a current-account surplus until 1982 because investment income and a surplus in trade in services were enough to overcome merchandise trade deficits.

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## MARCOS' PILLAGE OF THE PHILIPPINES

Mr. DECONCINI. Mr. President, in recent events around the world, particularly in the Philippines and Haiti, we have witnessed the yearning for freedom take extraordinary forms. Last month, the world anxiously watched the people of the Philippines rise up to claim their democratic rights and recapture their democratic heritage.

We saw in the Philippines a government increasingly at odds with its own people. We viewed a Catholic Church, moderate opposition parties, the middle class, the media, and other segments of society increasingly disaffected from their government. We saw an election in which the Government was shaken by the dedication and courage of the opposition's campaign and sought by fraud to perpetuate itself in power. While the Filipino people were thankful that the political authority of President Marcos had finally dissipated, they could not imagine the extent to which his lack of moral authority had pillaged their treasury. Ferdinand Marcos fled his homeland in the grand tradition of deposed despots, taking with him a plane load of friends and as much stash as could be jammed into two U.S. Air Force planes. Marcos follows in the path of other autocratic rulers who looted and plundered their country's treasury.

The issue here is one of principle. A principle which we as Americans must honor, defend and, most of all, continue to practice. This principle exemplifies doing what is just, equitable, and conscionable. The United States must act to protect the interests of the Filipino people as well as do what is morally right in its foreign policy. President Reagan and Secretary Shultz must not allow Mr. Marcos to steal what belongs to the people of the Philippines. The facts are plainly obvious. Mr. Marcos amassed personal wealth estimated at $3 to $10 billion on an annual salary of $5,700. I have no doubt that this was the direct result of abandoning the distinction between public and private, between what was his and what belonged to the country.

My concern is twofold. The United States must do everything in its power to assist the new Filipino Government in recovering what is legitimately theirs. This would boost their struggling economy and would eliminate any potential for this issue to become a significant source of friction between the United States and Philippine Governments. Second, if the United States can cooperate with the Aquino government to recover stolen collections of jewelry, art, and money, which are determined by the courts to rightfully belong to the Commonwealth of the Philippines, this can only assist in offsetting future U.S. tax money for aid to the Philippines. The equity of $100 million in four New York City buildings identified in House hearings and documents as belonging to the Marcos family equal 1 year's economic aid from the United States.

Mr. President, the United States should always be a courageous and visible leader in the world, conducting foreign policy based upon principles and ideals. I encourage the Reagan administration to fully cooperate with the Aquino government in resolving this matter through legal and diplomatic methods in order to have a foreign policy based upon justice, principle, and rule of law. Ideally, national security concerns should be in harmony with traditional American values. This ideal cannot always prevail, but in this particular instance, a symbiotic balance is in the interests of both parties.

## NEW ZEALAND GRAIN SALES IN THE UNITED STATES

Mr. MELCHER. Mr. President, Continental Grain Co. is driving one more nail into the U.S. grain farmer's coffin by importing 30,000 tons—1,200,000 bushels—of New Zealand barley into Stockton, CA, for cattle feedlots and dairies. We hate to lose the business for Montana, Washington, and Oregon barley producers, but it is just another example of the administration being asleep at the switch. The New Zealand barley can be sold here in the United States, but I defy anyone trying to sell United States barley or wheat to New Zealand interests—their government will not let anybody buy it from us. There are no reciprocal agreements with them—it is all just one way, and it is time to change.

The circumstances of the sale are these:

The New Zealand Grain Board 2 months ago negotiated the sale with Continental Grain Co., one of the giant U.S. grain companies, for about $80 a ton for good quality, heavy barley. The ocean freight for Continental was close to $15 a ton, and delivered in Stockton the total cost will be around $95 per ton, which makes it a little cheaper than coming from the Northwest States, where it is around $85 a ton plus a trucking charge of about $20 a ton.

There are a couple of points to note. This is the end of the grain harvest season in New Zealand, and the New Zealand Grain Board, an agency of the New Zealand Government, is probably interested in the sale for dollars to meet New Zealand needs for currency exchange. My personal judgment is that this is a below-cost sale that deserves attention by the United States Government, with a message sent to New Zealand which states bluntly that unless there are reciprocal agreements between our two countries, we shall have to examine future sales to determine whether any part of our market should be open to them. I think it is about time we took care of U.S. grain producers first.

I call upon the administration, through the Department of Agriculture and the Department of State, to determine the question of this sale being below cost, which I believe it is, since I question whether New Zealand is offering further sales at this price.

Second, the question of reciprocal agreements for New Zealand to open their markets for American farm products should be arranged, or our markets should not be open to them. That is what free trade means.

## SAMUEL MURPHEY BASON

Mr. LONG. Mr. President, the strength of America is not to be found so much in Washington, in the armed services or in corporate board rooms as it is in the many communities, large and small, where honorable, principled men and women set the examples that inspire us to be worthy of them.

On January 17, 1986, I attended funeral services in Yanceyville, NC, for Samuel Murphey Bason, my father-in-law, who had served his community, State and Nation in many capacities throughout his 91 years on Earth.

Sam Bason's contributions to his community are too numerous to detail in this brief statement.

When he passed on to his reward, Sam Bason had been out of the mainstream for many years because of declining health. But despite his extended absence from the scene, I was struck with the way the people in that small town of Yanceyville expressed their love and affection for him when they paid their last respects.

He might have been sidelined by his illness, but he had not been forgotten. On the contrary, his memory was very vivid in the hearts of those who knew and loved this very kind, gentle man who gave so much to so many.

Funeral services for Sam Bason were held at the century-old Yanceyville Presbyterian Church and were conducted by Dr. Donald Boulton of Chapel Hill, NC. He was eulogized by his long-time friend, Robert Clawson, who recently retired as president of The Bank of Hartsville in Hartsville, SC.

Mr. President, I ask unanimous consent that Mr. Clawson's remarks as well as the text of two articles—one by J.M. Harrelson, editor of the Caswell Messenger, and the other by Erwin D. Stephens, former editor of the Messenger—be printed in the RECORD.

There being no objection, the materials were ordered to be printed in the RECORD, as follows:

A TRIBUTE TO SAMUEL MURPHEY BASON (BY ROBERT CLAWSON)

I am looking into the faces of the family of Samuel Murphey Bason and those of his many, many friends. Sam Bason was a gentle, kind, caring, and loving man to his family and to his fellow man.

We are here to pay tribute to Sam Bason, and it is an honor and a privilege to be requested by his family to help honor his memory at this service. We all offer our heartfelt sympathy to all the dear Bason family for the loss of this loved one.

He was born the son of William Henry Bason and Flora Green Murphey Bason in Swepsonville, Alamance County, North Carolina, on December 3, 1894. Sam attended Burlington High School, Oak Ridge Military Academy, and the University of North Carolina at Chapel Hill.

He was married to the former Martha E. Hatchett in 1921. She is affectionately known as "Miss Marnie". This union brought forth two daughters and one son: Mrs. Russell B. Long (Carolyn) of Washington, D.C.; Mrs. John J. Burke (Dorothy) of Charlotte, North Carolina; and William Hatchett Bason (Bill) of Jacksonville, Florida. We all know Sam was very much a family man, devoted to "Miss Marnie", Carolyn, Dot, and Bill and to his five grandchildren. He loved them all dearly.

Sam Bason was a highly successful banker and business man, a leader of men. For many years he was President of the Bank of Yanceyville until it was merged with Northwestern bank (now First Union), when he was designated Executive Vice President of the Yanceyville office until he retired some years ago. He was also the owner of the Caswell Insurance and Realty Company. Sam was always held in high esteem by the many customers of the bank and of his insurance company because they knew him to be a man of integrity and one wanting to help them. He could usually be identified by the rose worn daily on his coat lapel, either from the rose garden of "Miss Marine" or from the bushes of his neighbors. As I was coming through the countryside to Yanceyville, I was reminded of his fondness for flowers and of the outdoors and knew Sam had bird hunted some of those fields many times with his dogs and with friends.

Sam was an enthusiastic sports fan. In his youth, he played baseball at Burlington High School, where his team won the state championship. In his latter years, his interest continued in baseball, basketball and football. On fall afternoons, he would often journey to Keenan Stadium, home of the Carolina Tarheels.

Sam Bason was a man of God and he loved his church, having held most all offices in the Yanceyville Presbyterian Church at one time or another. Among them, he was Superintendent of Sunday School for eight years; and Elder for thirty-four years; and Chairman of the Board of Deacons for twenty years.

He loved his country, having volunteered for service in World War I and was in the Army for twenty-two months, half of which was duty overseas. He was proud to be an American. Sam loved community service and was an outstanding leader in his community, and always was for anything that was good. He served as the first President of the Yanceyville Rotary Club and was one of its founders. He served as Master of the Caswell Brotherhood Masonic Lodge #11 on three different occasions.

Sam Bason loved state public service. He was a member of the North Carolina Highway Commission for four years from 1937 to 1941, having been appointed by then-Governor Clyde R. Hoey; served as a member of the North Carolina Gasoline and Oil Inspection Board for 3 years from 1942 to 1945; and served as a member of the North Carolina Railroad Commission in 1957 and 1958.

Sam was held in high regard by governors and other political leaders through the years. He ran for only one elective office: The citizens of the Fifteenth Senatorial District showed their appreciation of Sam Bason by electing him senator to the North Carolina Legislature each time he ran—in 1947, 1953, 1959, and 1965. He was an outstanding senator and was appreciated by his colleagues for his good judgment and for trying to get things done for the best interest of the state. He was chairman of several important committees during this service in the Senate.

Now, I want to tell you of a personal relationship, which I will appreciate as long as I live.

When I worked in the Cannon Mill plant at Salisbury in the afternoons during high school and afterwards at night so I could attend a business college in the daytime, I had a great burning desire to be a banker. When I finished, one of my business school-

teachers got me a job with the North Carolina Highway Department at Graham, not too far from Yanceyville. Sam was the Highway Commissioner for the Fifth Division. That was my first contact with him in 1937 when he would come by the office to visit with the District Engineer and to inspect roads in the District of several counties. That was the beginning of a lasting friendship with Sam and his family.

Later in 1938, Sam told Division Engineer Tom Burton of Greensboro that the next opening of a job in the Bank of Yanceyville, it would be offered to Bob Clawson. He had no idea of my earlier desire to be a banker. I couldn't say anything to Sam, in the meantime, about the bank job possibility because Mr. Burton had told me in confidence. I could hardly wait during those next several months. In March of 1939, he came to Graham and asked me to go to Yanceyville to be his secretary, bank clerk, insurance clerk and bookkeeper. Providence had found a way for me to get into banking through Sam Bason. He was a great mentor and I have been thankful throughout my 46 years in banking for having such a good teacher and good friend. My wife, Annie King, and I named our third son "Samuel" in his honor in 1948.

He, "Miss Marnie", and his children have been my close friends. Through the years, they have made me feel like a member of their family. I wanted to be a successful banker like Sam, a man of honesty, a man interested in his community, and a man anxious to voluntarily serve his community, county and state.

I can say I have tried to emulate his life in many ways. I an glad to be one of those whose life was touched and influenced by Sam Bason.

Yes, we will have fond memories of Sam Bason and he will be missed. We can be comforted, however, in the knowledge that his soul is with our God. May God's blessings be upon the Bason family, and his surviving sister, Mrs. Alice Bason Roney.

In closing, I want to read some Scriptures that I personally view as Sam Bason's feeling of trust in our God, and as I saw his light shining on this earth.

PSALM 23

The Lord is my Shepherd; I shall not want.
He maketh me to lie down in green pastures.
He leadeth me beside the still waters.
He restoreth my soul.
He leadeth me in the paths of righteousness for his name's sake.
Yea, though I walk through the valley of the shadow of death, I will fear no evil, for thou art with me, thy rod and thy staff, they comfort me.
Thou preparest a table before me in the presence of mine enemies: Thou annointest my head with oil, my cup runneth over.
Surely goodness and mercy shall follow me all the days of my life, and I will dwell in the house of the Lord forever.

MATTHEW 5—VERSES 15 AND 16

Neither do men light a candle and put it under a bushel, but on a candlestick, and it giveth light unto all that are in the house.
Let Your light so shine before men, that they may see Your good works, and glorify Your Father which is in Heaven.

We are grateful to God for the life of Samuel Murphey Bason.

[From the Caswell Messenger, Caswell County, Yanceyville, NC]

SAM BASON DIES AT AGE 91

(By J.M. Harrelson)

Former banker and well-known local civic leader Sam Bason of Yanceyville died Wednesday of last week in the Roman Eagle Memorial Home in Danville, Va. He was 91.

Bason, a native of Swepsonville in Alamance County, was best known here as president of the Bank of Yanceyville, a post he held up through the merger of the bank with Northwestern Bank (now First Union). He also served four terms as a state senator representing Caswell and Rockingham counties, and was a member of the State Highway Commission for four years.

In addition to his post at the bank, Bason founded and operated Caswell Insurance and Realty Company.

Bason was a charter member and first president of the Yanceyville Rotary Club, and was a Master of Caswell Masonic Brotherhood Lodge Number 11 for three years. A veteran of the U.S. armed forces, he saw 22 months of action in France in World War I.

Bason was known by many in Caswell County for his cheerful attitude towards life, his professional bearing and for his great interest in Caswell County and its people. Long before the concept of 'personal bankers' came about Bason made many friends through his banking practices. Many Caswell residents recall that Sam Bason had a way of making them feel as if they "were doing him a favor" by using his bank as their financial institution.

Over the many years Bason spent in Caswell County, he saw many changes, and is remembered as being one of the driving forces for progress here.

Funeral services for Bason were held at 11 a.m. Friday at the Yanceyville Presbyterian Church by the Rev. Dr. Donald Boulton and by Robert G. Clawson, a family friend who once worked with Bason in the Bank of Yanceyville. Masonic graveside rites were held in the church cemetery.

Survivors include his wife, Mrs. Martha (Marnie) Hatchett Bason of the home; daughters, Mrs. Russell Long of Washington, D.C. and Mrs. John Burke of Charlotte; a son, William Hatchett Bason of Jacksonville, Florida; a sister, Mrs. Alice Roney of Hawfields, N.C.; five grandchildren and one great granddaughter.

TRIBUTES RECALL SAM BASON'S LOVE OF FELLOW MAN—FORMER MESSENGER EDITOR REMEMBERS OLD FRIEND

(By Erwin D. Stephens)

The poet who wrote "Let me live in the house by the side of the road and be a friend to man" was describing the life of Sam M. Bason and his beloved wife and faithful companion, "Miss Marnie" Hatchett Bason. He was an outstanding citizen, civic and church leader, statesman and counselor for many people throughout his adopted county of Caswell. A man of sterling character, integrity, wisdom and courage, he stood for the right and what he thought was best for this county and his state.

His friends, both rich and poor, black and white were numbered in the thousands and his influence will live on in his devoted and remarkable wife, his three fine children, his lovely grandchildren and all of those whose lives he touched. I counted him as an intimate friend of mine and my family for more than forty years until the passage of time took away his awareness of those who loved and respected him.

He took a small bank and built it into a strong financial institution for the people of his county until it was merged with a larger financial institution.

While his body was laid to rest in the hallowed ground of the Yanceyville Presbyterian Church, his outstanding merits and his memory will linger long in the minds of the people who knew, loved and respected him.

## CONTRA MILITARY LEADERSHIP STILL FORMER SOMOZA OFFICERS

Mr. PELL. Mr. President, last Thursday, the Arms Control and Foreign Policy Caucus released a report entitled, "The Contra High Command: An Independent Analysis of the Military Leadership of the FDN." It concludes that 12 of the 13 principal leaders of the FDN Contra force "are today, as they have been since 1980, ex-National Guard officers," who served the Somoza dictatorship.

It is especially important to note that the Department of State, while differing on what constitutes the "High Command," confirmed my contention, supported by the caucus report, that the FDN leadership is largely in the hands of former officers of the Somoza National Guard. On March 13, in response to my letter of March 4, in which I asked specific questions regarding the FDN military leadership, the State Department confirmed that 9 of the 13 names listed by the caucus were members of the FDN leadership. The caucus continues to contend that 12 of the 13 members of the High Command are former Guard officers. As the caucus report states, while service in the National Guard need not be viewed as itself disreputable, the problem is that the administration wants to arm, equip, and train these people, some of whom were "personally responsible for brutality * * * repression or corruption, as well as close personal associates of Somoza."

Senator HARKIN is inserting the full text of the caucus report into the RECORD, and I commend it to my colleagues for careful reading. In addition, I would like to share with my Senate colleagues a letter that has been sent to all House Members by Representatives HCHUGH and MILLER of the Arms Control and Foreign Policy Caucus, highlighting the principal findings of the report. I ask unanimous consent that the full text of that letter appear in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CONGRESS OF THE UNITED STATES,
*Washington, DC, March 18, 1986.*

CONTRA HIGH COMMAND STILL DOMINATED BY EX-GUARDSMEN

DEAR COLLEAGUE: Our colleague Bob Lagomarsino wrote you on March 13, disputing the finding of two Arms Control and For-

eign Policy Caucus staff reports that the primary contra army is "organized and commanded by former National Guardsmen." On March 17, the State Department released the data on which Rep. Lagomarsino based his contention—the names and backgrounds of what the Administration defines as the FDN's military leaders.

We welcome the attention being focused on this critical issue of the background of the military leaders of the FDN, since this year's largely military aid request would go to FDN military leaders rather than UNO civilian leaders. Having sought for about a year now the Administration's listing of names, we are glad they have finally declassified them, and that their data actually confirms most of our report's data, and strengthens its conclusion that the contra High Command is still dominated by former Guardsmen.

While the Administration has certain quarrels with the definitions we use in our listing (and we with theirs), there is now virtually unanimous consensus among both supporters and opponents of contra aid that the majority of the FDN's top military leaders are ex-Guardsmen.

This is not only our conclusion: it is that of UNO leader Arturo Cruz, who conceded in a recent interview (Washington Post, March 9) that "the largest number in the inner staff" are ex-Guardsmen; of Central America analyst Robert Leiken, who has written (New York Review of Books, March 13) that "the FDN high command, with one exception, is drawn entirely from the National Guard"; and now of the Administration.

While we continue to believe, as the report states, that "serving as an officer in the National Guard need not be viewed in itself as disreputable," we do continue to be concerned that U.S. aid could be going to and being distributed by former Guardsmen with documented records of repression and in certain cases personal brutality toward civilians, as well as close personal associates of Somoza.

Our differences of opinion with the Administration come over several aspects of their counting methods and certain of their findings about individuals who they contend have left the FDN, but who our sources contend remain in positions of power. For instance:

Although we both find a dozen former Guardsmen now in the High Command, the Administration contends there are 9 other important "military personnel" who were not Guardsmen, and thus concludes that the 12 Guardsmen are only about half of the High Command. We dispute their inclusion of the 9 others as military leaders, because in our view their duties are clearly not military: the Administration includes the heads of the finance office, the legal office, the hospital, public relations, and social services. Our definition of "High Command" did not include those with political or social duties; nor do we believe it should.

The Administration confirms 9 of our 13 names and positions, but of the remaining 4, contends that 3 have left the High Command and makes no mention of one. Our independent sources, including former FDN officials who first made these detailed charges a year ago and have confirmed them with FDN sources in Honduras within the past month, maintain that the 3—Maj. Ricardo Lau, Capt. Armando "The Policeman" Lopez and Capt. Justiciano Perez—are still serving in the High Command. The final officer we list as heading the officer training school; the Administration lists no such position.

Our major difference with the Administration, which results in different statistical conclusions, relates to the large number (over 100) of individuals the Administration claims are in the lower-level military leadership, in the field commands. While last year's Caucus report did list commanders at the field level, this year's report clearly indicates that we are unable to confirm or refute any current listing of field commands. Our independent sources believe that many of these units have disbanded as functioning military units (in fact they call them "Ghost Commands" because they exist only on paper). We note that the Administration's list appears to be based on material published recently by the FDN itself. This raises the possibility that the Administration is relying primarily on FDN claims, which have been vastly inflated in the past.

For those who have not seen the Caucus report, we repeat the listing provided by our independent sources of the name, current position and (in 12 of the 13 cases) former Guard rank of each member of the Contra High Command:

Supreme Commander: Col. Enrique Bermudez.*

Theater Commander: Lt. Walter "Tono" Calderon.*

Personnel Commander: Lt. Harley "Venado" Pichardo.*

Intelligence Commander: Lt. Rodolfo "Invisible" Ampie.*

Operations Commander: Lt. Luis "Mike Lima" Moreno.*

Logistics Commander: Capt. Armando "Policia" Lopez.†

Special Operations, Nicaragua: Carlos "Pajarito" Guillen.*

Special Operations, Honduras: Maj. Ricardo "Chino" Lau.†

Air Commander: Capt. Juan Gomez.*

Counter-Intelligence Commander: Maj. Donald "Toro" Torres.*

Indian force liaison: Capt. Justiciano "Pino" Perez.†

Officer Training Center Commander: Lt. "Trampas".†

Artillery Commander: Lt. "Roberto".*

*Confirmed by Administration.
†Disputed by Administration.

Sincerely,

MATT MCHUGH.
GEORGE MILLER.

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THE CONTRA HIGH COMMAND

Mr. HARKIN. Mr. President, as the Senate prepares to consider the President's request for $100 million aid for the Contras, it is critical that we are fully aware of the background of the military, as well as the political, leadership of the Nicaraguan democratic resistance.

For this reason, I commend to my colleagues' attention the following report, "The Contra High Command: An Independent Analysis of the Military Leadership of the FDN," prepared by the staff of the Arms Control and Foreign Policy Caucus.

The report concludes that 12 of the 13 commanders of the High Command—the Estado Mayor—are today, as they have been since they were first organized in 1980, former officers in General Somoza's National Guard. I believe it is especially important this year to focus on the military rather than the Civilian leadership of the Contras. Seventy percent of the President's aid request is for military aid, which will fall under the military leaders' jurisdiction, rather than that of political leaders such as Arturo Cruz.

Information provided by the Nicaraguan Government is not used in this report. Instead, the research is based largely on publications of the Nicaraguan Democratic Force [FDN] and interviews with former FDN officials, Edgar Chamorro and Salvador Icaza. Former FDN Director Chamorro has reviewed and confirmed his information within the last month with FDN sources in Honduras. Caucus staff supplemented these primary sources with interviews on the background of ex-Guardsmen with respected American analysts, including Prof. Richard Millett of Southern Illinois University, Col. Edward King, and former high-ranking U.S. diplomats.

Formed in 1959 by Senator Joseph Clark, as a small breakfast discussion group, the Arms Control and Foreign Policy Caucus has grown to its present day size of 130 members. The caucus is a bipartisan group composed of Members of the House and Senate who are concerned with foreign and military policy.

Mr. President, I request that a copy of the report, "the Contra High Command," be printed in the RECORD.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

THE CONTRA HIGH COMMAND: AN INDEPENDENT ANALYSIS OF THE MILITARY LEADERSHIP OF THE FDN

Over the past five years, the United States has provided over $100 million to support the armed opposition to the Nicaraguan government. Within the next few weeks, Congress will vote on an Administration request to provide $100 million more to the contra force.

This report seeks to provide a current analysis, based on independent sources, of the military leadership of the contras. This review is especially important since this year's request (unlike last year's) is 70% military aid, which will clearly fall under the jurisdiction of the FDN's high command rather than its civilian umbrella group.

This report, which updates a study of last April, charts the membership of the high command; names individuals in each position; provides biographical information on as many of the individuals as possible; and reviews the creation and evolution of the high command.

Information provided by the Nicaraguan Government is not used in this report. Instead, the research is based largely on FDN publications and interviews with former FDN officials Edgar Chamorro and Salvador Icaza. Former FDN Director Chamorro has reviewed and confirmed his information within the last month with FDN sources in Honduras. Caucus staff supplemented these primary sources with interviews on the background of ex-Guardsmen with respected American analysts, including Dr. Richard

Millett (Professor at Southern Illinois University and the leading American academic on the Nicaraguan National Guard); Colonel Edward King (a retired U.S. Army officer and frequent visitor to both FDN and Sandinista camps, whose Army service included acting as liaison between the Joint Chiefs of Staff and Nicaraguan National Guard officers); and former high-ranking U.S. diplomats.

SUMMARY OF THE FINDINGS

In summary, the analysis concludes:

The contra army remains a peasant army commanded by former National Guardsmen;

12 of the 13 members of the FDN's Estado Mayor—the military High Command or, literally, the "chiefs of staff"—are today, as they have been since 1980, ex-National Guard officers;

While serving as an officer in the National Guard need not be viewed in itself as disreputable, the High Command includes ex-Somocistas who were personally responsible for brutality against political opponents, repression or corruption, as well as close personal associates of Somoza;

Unlike the civilian leadership, which has undergone three major upheavals since the FDN's creation, the military leadership has remained constant since 1980—increasing concerns that the military rather than civilians like Arturo Cruz and Alfonso Robelo would ultimately hold power if the contras took over;

Regional and Task Force commanders are in a state of transition, as units have disintegrated and returned to their families in Honduran camps, and as many of their commanders have been wounded or killed in action. Administration claims (which are virtually identical to FDN claims) that there are some 15 Regional Commands and over 50 Task Forces are challenged by independent sources as "Ghost Commands," formed on paper to enhance the image of the contras' effectiveness; and

Both the Administration and the FDN confirm that there is a high level of Somocista involvement in the FDN military leadership; but by apparently broadening the definitions of leadership in order to reduce the percentage of Somocista involvement, the Administration's overall statistical findings are open to question. The Administration's further insistence on classifying as "secret" the names and duties of high FDN military leaders, even though the FDN publishes some of this information, does not lend confidence to their findings.

STRUCTURE OF THE CONTRA HIGH COMMAND

("Estado Mayor," February, 1986)

Supreme Commander: Col Enrique Bermudez, "El Commandante Estrategico" and chief of staff.

Commander of Theater Operations: 1st Lt. Walter "Tono" Calderone, Coordinates and directs regional commanders.

*General staff*

G-1, Personnel: 1st Lt. Harley "El Venado" Pichardo.

G-2, Intelligence: 1st Lt. Rodolfo "El Invisible" Ampie.

G-3, Operations: 2nd. Lt. Luis "Mike Lima" Moreno.

G-4, Logistics: Capt. Armando "El Policia" Lopez.

*Central commanders*

Special Operations, Nicaragua: Carlos "El Pajarito" Guillen.

Special Operations, Honduras: Maj. Ricardo "Chino" Lau.

Air Operations: Capt. Juan Gomez.

Counter-Intelligence: Maj. Donald "El Toro" Torres.

Liaison with Indian forces: Capt. Justiciano "Pino' Perez.

Officer Training Center: 1st Lt. "Trampas".

Artillery: 1st Lt. "Roberto".

BIOGRAPHICAL INFORMATION ON THE CONTRA HIGH COMMAND

This section provides background information on the FDN High Command, referred to in FDN camps and documents as the Estado Mayor or Comando Estrategico. Of the 13 men listed here, 12 were officers in the National Guard. FDN publications themselves confirm the name, position and background of 8 of the 13 individuals named here.

Of particular concern in this group of 13 are a number of high-ranking ex-Guardsmen with controversial backgrounds who the FDN denies are part of the High Command: Capt. Armando "The Policeman" Lopez, Maj. Ricardo "Chino" Lau, Capt. Juan Gomez and Capt. Justiciano "Pino" Perez. According to the FDN, the only Guard officer above the rank of Lieutenant now serving in the FDN is Col. Enrique Bermudez. According to our sources, though, the concentration of operational authority in these former high-ranking officers continues to be a reality for the FDN.

*Supreme Commander: Col. Enrique Bermudez*

Bermudez, 53, was one of the most senior officers in Somoza's National Guard. He commanded the Guard's contingent when Nicaragua responded to a U.S. request to send a symbolic force to the Dominican Republic after the U.S. invasion in 1965. As a full Colonel (the highest active rank possible, since Somoza was himself the Guard's commanding General and precluded others from active service at that rank), he was sent to Washington during the last three years of Somoza's rule as military attache, where he tried, largely unsuccessfully, to obtain U.S. military aid for the Guard while it fought the revolutionary forces led by the Sandinistas.

According to Col. Edward King, who worked with Bermudez in the 1960s, both of these assignment were "plums," highly-valued rewards for Bermudez' personal closeness to Somoza. Most of our sources vigorously dispute the Administration's contention that Bermudez was "posted out" of Nicaragua because of differences with Somoza. However, a former leading U.S. diplomat in the area believes that tension did exist between Somoza and Bermudez, and that this contributed to his being sent out of the country. Although the Administration claims that the U.S.—in Somoza's final months—recommended that Bermudez replace Somoza as Guard commander, the Caucus' former diplomatic source, who was actively trying to find a replacement acceptable to Somoza, dismisses this contention as a "fantasy" and a "non-issue."

In 1980, Bermudez formed the Argentinian-funded 15th of September Legion with Somoza business and Party associate Aristides Sanchez. The Legion carried out sabotage raids and assassinations inside Nicaragua. In 1981, Bermudez and Sanchez founded the CIA-funded FDN. Bermudez has since served on every FDN Directorate, and has headed the FDN High Command. The presence of Bermudez and his close associates Maj. Richard Lau and Capt. Justiciano Perez (see below) in the FDN has been cited publicly by Eden Pastora as the reason he refuses to join the FDN. Bermudez' official title in FDN documents is El Comandante Estrategico, the equivalent of Supreme Commander, but he is usually referred to in the contra camps by his nom de guerre, "3-80."

*Theater Commander: 1st Lt. Walter "Tono" Calderon*

Calderon, 30, (known in the contra camps by his nom de guerre,. "Tono," a contraction of his nickname, Antonio) graduated from the Guard military academy in the mid-1970s as a 2nd Lieutenant. After further training at U.S. military schools, he commanded combat units from 1976 to the end of the war. In 1979, as a 1st Lieutenant, he is said to have commanded troops in Somoza's palace guard, which defended the President's bunkers through the final days of the revolution.

He appears to be respected for his skills as a field commander by the Sandinistas who faced him both during the revolution and after, when he led an FDN Task Force. FDN publications in Honduras identify him as El Comandante de Comando Operaciones Tacticas, the equivalent of theater commander. In this position, he coordinates and directs the regional commanders.

GENERAL STAFF

*G-1, Commander of Personnel: 1st Lt. Harley "Venado" Pichardo*

Pichardo, a former 1st Lieutenant in the Guard, led a FDN task force until he was badly wounded in 1984. He has served as G-1 for over a year. As commander of personnel, he controls payrolls and advises Bermudez on personnel placement. He is known in the contra camps as "El Venado," the deer.

*G-2 Commander of Intelligence: 1st Lt. Rodolfo "Invisible" Ampie*

Ampie, 34, is known in the contra camps by his nom de guerre, "El Invisible," a name he acquired while leading an FDN task force. He served as a 1st Lieutenant in the National Guard, and was an early FDN task force leader. He was promoted to the High Command in 1985, and served initially as G-5, Commander of Psychological Warfare, a position that has rotated frequently and appears to be vacant at present. According to our former FDN sources, "El Invisible" was a popular task force leader who retains the intense loyalty of troops who served under him.

*G-3, Commander of Operations: 2nd. Lt. Luis "Mike Lima" Moreno*

"Mike Lima," or "M.L.", is the nom de guerre of one of the contras' most charismatic commanders, 2nd Lieutenant Luis Moreno, 26. A cadet at the Nicaraguan military academy who was commissioned in 1979 at age 20 with the rank of 2nd Lieutenant, he saw action in the last year of the revolution before joining the exodus of Guardsmen to Honduras.

Assigned to lead the "Diriangen" regional command in 1983, he built it up into the FDN's largest and most active, with some 2,000 fighters inside Nicaragua by late 1984, when he was badly wounded in a mortar explosion and lost an arm. After a period of recuperation he joined the High Command as G-3, commander of operations, a position in which he plans strategy with the Theater Commander. Like "El Invisible" (see above), "Mike Lima" retains a strong following among the troops who served under him in the field.

*G–4, Commander of Logistics: Capt. Armando "El Policia" Lopez*

Capt. Armando Lopez is one of Bermudez' closest associates, and is considered by a number of our sources to be his principal military adviser. Lopez acquired his nickname, "El Policia," under Somoza, when he commanded units of Managua's metropolitan police, a branch of the National Guard. In the contra camps, he is referred to as "L–26."

"El Policia" is controversial both because of his brutal behavior toward FDN prisoners (according to our sources), and because of his prior service with the Managua police—which Somoza used to arrest hundreds of civilian political opponents. By the late 1970s, international human rights organizations reported substantial numbers of tortures and assassinations by the Managua police.

"El Policia" was a founding member of both the 15 September Legion and the FDN. Known as a hard-line anti-communist opposed to negotiating with the Sandinistas, he has told reporters: "He who speaks of dialogue with the Communists speaks of wasting his time. . . . We'll fight this war to the finish if we have to use picks and shovels. We won't hold peace talks over the graves of our dead."

In addition to advising Bermudez on strategy and personnel decisions, Lopez orders all military and logistical supplies for combat units, and controls distribution of the materiel.

CENTRAL COMMANDERS

*Special Operations (Nicaragua): Carlos "El Pajarito" Guillen*

Guillen, 39, is known in the contra camps as "El Pajarito," the little bird. A medical student in Mexico during the revolution, he is the only member of the FDN High Command who did not serve in the National Guard, although his father was a Guard officer. As Commander of Special Operations in Nicaragua, he leads small groups on sabotage and other special missions. According to Caucus sources, he is a solid soldier and popular with his troops, but has little sway in Bermudez' inner circle.

*Special Operations (Honduras): Maj. Ricardo "Chino" Lau*

Lau, the most controversial member of the FDN High Command, is a close associate of Bermudez. Caucus sources confirm numerous press accounts of his brutal and criminal behavior both during his Guard service and his tenure with the 15th of September Legion and the FDN.

Although the FDN claims that Lau left the FDN in 1983, Caucus sources unanimously report that he remains powerful in the High Command. According to former FDN official Salvador Icaza, "where there is Bermudez, there is Lau . . . forever." Specifically, it appears that Lau now commands a small unit that carries out special counter-intelligence missions in Honduras for Bermudez, such as executions of suspected Sandinista informers. This unit is said to include Lt. "El Policita" Lopez, the son of Capt. Armando "El Policia" Lopez (see above), also known as "El Bestia," or the beast.

Lau attained the rank of Major in the National Guard. He was extremely close to Somoza, and served in his security police and then on his Estado Mayor as G–2, chief of intelligence operations. In this capacity, he arranged for hundreds of political arrests and at times supervised or approved clandestine torture and execution. Lau was cited during the revolution by an independent Nicaraguan human rights commission for commanding a massacre of civilians in a church in Jinotepe. Eden Pastora, who commanded rebel forces during the revolution, has cited the presence of Lau, Bermudez and Capt. Justiciano "Pino" Perez (see below) in the FDN as a principal reason why he has not joined the organization.

Lau was an original member of both the 15th of September Legion and the FDN. In both organizations, Lau and a small circle of associates under his command have been accused of conducting assassinations and robberies. A former Salvadoran Army Colonel accused Lau of arranging the murder of Salvadoran Archbishop Romero while he was celebrating mass in 1980. As late as 1986, Lau was formal commander of all counter-intelligence operations for the FDN, but he was replaced by Maj. Donald Torres (see below), and now focuses on special operations approved personnally by Bermudez.

*Commander of Air Operations: Capt. Juan Gomez*

Gomez, a close personal associate of Somoza's and for years his personal pilot, was a founding member of the 15th of September Legion and, as a member of the initial FDN directorate, a signatory of the Acta creating the FDN Estado Mayor in 1982. He has commanded FDN air operations for the past five years, as well as served as Bermudez' personal pilot. He is responsible for acquiring, maintaining and using the FDN's small fleet of Cessna fixed-wing reconnaissance and attack craft, C–47 cargo planes and Hughes 500–D observation and attack helicopters, which are based at Honduras' U.S.-constructed Aguacate airbase.

*Commander of Counter-Intelligence: Maj. Donald "El Toro" Torres*

Known in contra camps by his nom de guerre "El Toro," or the bull, the FDN's chief of counter-intelligence served as a Major in the National Guard. In 1983, he joined the FDN High Command as G–2, Commander of Intelligence, replacing another Colonel, Edgard Hernandez, who was implicated in corruption following a CIA investigation of pay-roll funds. In 1985, he replaced Maj. Ricardo "Chino" Lau (see above), who has been serving as chief of counter-intelligence. "El Toro's" primary duties involve assessing recruits to determine if they may be Sandinista agents.

*Liaison with Indian Force: Capt. Justiciano "Pino" Perez*

Perez, like Maj. Lau, has frequently been reported by the FDN to have left the contra camps, only to resurface again. As a Guard Captain, he assisted Somoza's son in commanding the Guard's infantry training school, known by its initials EEBI. As is the case for Lau and Bermudez, Perez' presence in the FDN has been cited by other opponents of the Sandinistas as a barrier to a coalition with the FDN.

Perez was a member of the 15th of September Legion, and led a Legion splinter group that bombed civilian airliners bound for Managua. He joined the High Command in 1982, and although the FDN claims that he left in 1984, Caucus sources assert that he has remained in the High Command, serving Bermudez as liaison with the MISURA Indian forces.

*Commander of the Officer Training School: 1st Lt. "Trampas"*

A National Guard 1st Lieutenant operating under the nom de guerre of "Trampas" has responsibility for the FDN officer training school, the Comando Centro de Entrenamientos Para Comandos, C.E.C. The school was originally established by Argentinian and CIA trainers, but now operates without foreign instructors.

*Commander of Artillery: 1st Lt. "Roberto"*

According to an FDN document dated March, 1985, a National Guard 1st Lieutenant operating under the nom de guerre of "Roberto" has responsibility for the Comando Unidad de Artilleria, or united artillery command. Caucus sources are unable to confirm his presence in this position at present, or name a different artillery commander.

THE EVOLUTION OF THE FDN HIGH COMMAND

Shortly after the fall of Somoza in 1979, thousands of Nicaraguan National Guardsmen, including hundreds of officers, fled the country to El Salvador, Honduras, Guatemala and the United States. During 1980, Aristides Sanchez, a wealthy business and party associate of General Somoza then operating out of Miami and Tegucigalpa, Honduras, began to contact former officers to put them on the payroll of what began to be called the "15th of September Legion," commemorating the day of Nicaragua's independence from Spain. According to Edgar Chamorro, funds for the Legion's payroll came from Argentine intelligence officials operating in Honduras and from personal funds amassed during Somoza's rule by Sanchez and his brother, planation-owner and Somoza party legislator Enrique "the Cuckoo" Sanchez.

Founding legionnaires—all of whom remain in the High Command, according to Caucus sources—include Col. Enrique Bermudez (Somoza's military attache in Washington), Maj. Ricardo Lau (Somoza's top counter-intelligence officer, later accused of numerous assassinations including the murder of Salvadoran Archbishop Romero), Capt. Justiciano Perez (commander of the Guard training center under Somoza's son), Capt. Armando "El Policia" Lopez (who commanded units of the Managua police, which carried out arrests and attacks on Somoza's political opponents), and Capt. Juan Gomez (Somoza's personal pilot).

A U.S. Defense Intelligence Agency analysis in 1982 (later made public by the Associated Press) referred to the Legion as a "Somocista group."

According to the DIA, the Legion carried out minor sabotage in Nicaragua for a year before joining the FDN in late 1981, merging with Steadman Fagoth's Indian group and southern-based ex-Sandinistas of the UDN/FARN movement. By this point, according to Chamorro, the former Guards' salaries were being paid by the CIA. A small group of Legionnaries led by Perez and Col. Francisco Rivera continued to operate independently into 1982, according to the DIA, bombing a Nicaraguan civilian airliner in Mexico City, hijacking a Costa Rican civilian airliner in San Jose and sending a suitcase bomb on a Honduran civilian airliner that exploded in the civilian area of Sandino Airport in Managua. This group apparently disbanded in 1982, and Perez and Rivera also joined the FDN.

The Caucus has obtained a copy of the signed Acta formally creating the FDN High Command, or Estado Mayor, in September, 1982. The 10 signatories of the document were Aristides Sanchez, former Sandinista Vice-President Jose Cardenal and 8 National Guards, including Bermudez, Lau, Gomez and Rivera.

According to Col. Edward King, the structure of the Estado Mayor, and particularly the designation of general staff positions G-1 through G-5 for functional duties, derives from the National Guard's own structure, established by U.S. military advisers who trained the Guard throughout its 40-year history. Both King and Chamorro note that assignments and duties are more fluid than they would be in a national High Command, given the less structured nature of an insurgency and the importance of individual loyalties to the retention of power. However, they point out that those in the High Command do consider themselves to be a formal military Estado Mayor (also referred to as Comando Estrategico), and do refer to colleagues by appropriate military designations.

Unable to exercise power over Sanchez and Strategic Commander Bermudez, Cardenal left the FDN, and a new nearly all-civilian directorate was installed with CIA support in December, 1982. Two years later, Chamorro, a member of the new directorate, followed Cardenal's example, and left while protesting the control of military operations by what he calls the "Bermudez triangle" of former Guard officers intensely loyal to Bermudez and Sanchez, who by this time had become FDN General Secretary. A third civilian restructuring took place in 1985 when Cruz and Robelo formed the UNO umbrella organization with FDN civilian head Adolfo Calero.

Through the three major changes in the civilian leadership, one thing remained constant: the military High Command continued to be nearly exclusively former National Guardsmen. When a CIA investigation of corruption in the use of CIA payroll funds led to the resignation in December, 1983 of four of the original members of the high command, including three signers of the September, 1982, Acta, they were replaced by other Guard officers rather than younger non-Guardsmen with combat experience. In spite of attempts by Administration and FDN civilian leaders to "cleanse" the FDN image, there has been virtually no change in personnel in the High Command in the two succeeding years. The military leaders have apparently managed to exempt themselves from these political pressures.

In April, 1985, the Caucus published a study, based on interviews with Chamorro and Icaza, naming 12 of the 13 members of the High Command as former Guard officers. Without identifying specific individuals, the State Department, in a letter shortly thereafter from Assistant Secretary Motley to Caucus Chairman McHugh, confirmed that "nine of the ten member general staff" were former Guardsmen.

Similarly, Central American analyst Robert Leiken reported in the March 13, 1986, New York Review of Books that "the FDN high command, with one exception, is drawn entirely from the National Guard, and many were senior officers in it." Even UNO Director Cruz stated in a Washington Post interview of March 9, 1986, that "the largest number of the inner staff" are former Guardsmen, although he asserted that they "are aware of the need for democracy and are aware of the need to forget about the past."

In a February, 1986, report, though, the State Department, while not disclaiming its previous position that 9 of the 10-member general Staff were Guards, appeared to modify it by stating that 12 of the 21 "top positions" in the FDN military were held by former Guards. Included in the new State Department count were "all members" of the "civil-military commands" and "all chiefs of support services."

It is not clear why these civilian-held positions are now considered to be part of the military command now when they were not considered as such last year. In its January, 1984, issue the FDN publication Comandos identifies the following positions as part of the civil-military command and the support services, none of which involve participation in military command decisions, and few of which are related to combat operations:

Three civilian members of a civil-military committee.

Director of the central hospital.

Director of the regional clinics.

Director of public relations.

Director of publications.

Director of political education.

Director of the rebel radio ("15th of September")

Director of social services for combatants' families.

Director of transportation services in Honduras.

Director of acquisition for food for Honduran camps.

Director of acquisition for military supplies.

Director of human rights.

It is likely such officials are included in the State Department's most recent count, but this can not be verified, since the Department refuses to provide the names or positions of its roster of the High Command in unclassified form. It is misleading at best to include such personnel among "top leaders" of the FDN military. Our definition of the High Command, unchanged from last year, focuses on those who the FDN itself calls the Estado Mayor (or Comando Estrategico), those planning and directing military operations. We find that like last year, 12 of these 13 top leaders are former National Guardsmen.

STATUS OF THE FDN ARMY AND OF REGIONAL AND TASK FORCE COMMANDS

*The FDN Army*

This report's conclusion that the High Command is dominated by ex-Somoza National Guardsmen does not overshadow another finding of last year's report: that the army as a whole is, and remains, a peasant army.

While concluding that the FDN is a peasant army with a High Command dominated by former Guard officers, the report does not attempt to evaluate it as a fighting force, to assess its human rights record or to fix its size—about which estimates range from the Administration's claim of 25,000 "potential" fighters of whom 6,000 are active inside Nicaragua today to independent estimates of 12,000 FDN soldiers, of whom no more than 1,000 are currently inside Nicaragua.

*Regional and Task Force Commands*

Serving under the High Command are two key levels of FDN military leadership, the regional commanders and their task force commanders. Unlike last year, when the Caucus identified five of six regional commanders and all 30 task force commanders as former National Guards, Caucus sources contend that these commands are currently in such a fluid state of transition that identification of them is neither possible nor very meaningful.

The primary reason for this is that the intense and largely unsuccessful combat of the FDN fall offensive badly disrupted FDN organization at the field level. Many commanders appear to have left due to injury, death or simply fatigue. As units have left the combat region to which they were detailed, they appear to have lost their cohesion, as soldiers returned to FDN camps in Honduras to join their families and friends. It is unlikely that functional regional and task force commands—and their commanders—will emerge until the FDN refits itself with additional external support.

This raises doubts about recent claims by the Administration and the FDN that there are 14 regional commands and 52 task force or independent commands. If organized combat-ready units are the criteria for claiming the existence of a functional regional command or task force, this total of 62 field commanders (of whom 17 are said to be former Guards) is greatly overstated.

In addition, the FDN's most recent listing of field commanders (on which the Administration seems to have based its counts) appears to be a year out of date and self-contradictory. First, it is virtually identical to a version circulated by the FDN last March, although most observers agree that there has been great turmoil in the field command structure during this time. And second, it includes contradictions, perhaps related to its being dated: for example, the FDN list names "Mike Lima" as commander of the Diriangen regional command, but the FDN cover letter for the list states that his wounds, suffered over a year ago, forced him out of a regional command and up to the general staff, as reported in last year's Caucus report. Such apparent inconsistencies lend doubt to the credibility of the FDN list.

The FDN's most recent listing confirms all six names and five of the six reported backgrounds for the regional commanders included by the Caucus in last year's report, but it adds eight regional commands which one of our former FDN sources refers to as "Ghost Commands." The fabrication of a "Ghost Command" could be motivated either by corruption, since commanders are provided with per-soldier salaries which they then distribute to their troops, or by a desire to inflate overall troop strength to impress foreign audiences, such as Congress.

## BUDGET ANALYSIS AND RECOMMENDATIONS OF THE NEW YORK STATE CATHOLIC CONFERENCE

Mr. MOYNIHAN. Mr. President, I recommend my colleagues read the careful, important analysis of our Federal budget situation just provided to us by the New York State Catholic Conference on behalf of the Roman Catholic bishops and dioceses of New York State. The Catholic Conference met this morning in the Capitol with members of the New York congressional delegation. These are dedicated people who have hands-on knowledge of the problems of poor and disadvantaged people in their State.

Speaking for her organization, Sister Serena Branson, executive director for Albany's Diocesan Health and Social Services, gave us a dismal overview of the effect of past budget cuts and proposed future cuts on the poor and vulnerable members of society.

Sister Serena cited a Congressional Research Service study which found that the 1981 cuts in the Aid to Families with Dependent Children [AFDC] program alone impoverished over one-half million—560,000—persons, the majority of whom were children.

And more of the same misery may be forthcoming. The administration's proposed fiscal year 1987 budget recommends over $8 billion in cuts in low-income programs. By 1991, these cuts will mount to $21 billion on an annual basis.

And what outcome can we expect? The answer is obvious to those who can speak from experience. Ms. Mildred Shanley, of the counsel's office of the Catholic Charities Diocese of Brooklyn put it succinctly today:

> Between 1970 and 1983, the State's poverty rate among those under 18 rose 13 percent. Over half of the increase occurred between 1980 and 1983, when an additional 350,000 children fell below the poverty line * * *. A child born in New York State in 1970 had a 1 in 10 chance of being poor. Today, a child's chances of being born into poverty are nearing 1 in 3.

What should we think about ourselves having helped to foster such an outcome?

The New York State Catholic Conference sets an ambitious legislative agenda for us. In sum, it calls for the reversal of most of the administration's spending and tax program. Much of the conference's recommendations are contained in legislation, S. 1194, the Family Economic Security Act, which I introduced last May 23 along with my colleagues in the House, Representatives HAROLD FORD and CHARLES RANGEL.

The New York Catholic Conference is not alone in its analysis of what is happening. Mayor Henry G. Cisneros of San Antonio, TX, speaking before the 1986 Congressional-City Conference, characterized Federal budget trends over the last 5 years this way:

> It is a disastrous dismantling of the Federal-local partnership. It is a meat-axe chopping of the domestic obligations of Government.

The mayor went on to point out that, since 1980, while the Federal deficit has grown from $27 billion to $200 billion, spending for urban programs have plummeted from $69 billion to $17 billion. He adds, "and it is we who are blamed for the deficit."

I ask that the full text of the analysis and policy recommendations of the New York State Catholic Conference be printed in the RECORD.

The material follows:

NEW YORK STATE CATHOLIC CONFERENCE

FEDERAL BUDGET OVERVIEW

On behalf of the Council of Catholic Charities Directors, I want to first express our understanding about the difficult budget dilemma which faces Congress this year. We recognize that the budget deficit must be reduced, that there is always concern about defense spending, and that especially in light of the President's initial negotiating position, it is difficult to raise taxes.

Yet, as Cardinal O'Connor has indicated in his introductory remarks, we must view this budget process from the perspective of its impact on the poor vulnerable members of society.

We want to share with you briefly our perspective on four major issues related to the Federal Budget process:

1. Our concern for the impact that the last four federal budgets have had on poor and vulnerable families and individuals.

2. Our preliminary analysis of the impact of the President's budget on the population for whom we are concerned.

3. The impact of implementation of the Gramm-Rudman Bill if the deficit must be reduced by $60 billion as some economists now estimate.

4. Our perspective on the relationship of domestic spending, the military budget and taxes.

Obviously, any analysis of this current year's budget process must begin with an understanding of the impact of the last several years' budgets.

In the written materials in your briefing book, we have summarized some of the major effects of cutbacks in the Federal Budget from 1981-1983 as analyzed by the Congressional Budget Office.

The results of these cutbacks have been devastating. For example:

The Congressional Research Services found that the 1981 cuts in AFDC alone pushed 560,000 more persons into poverty.

The Congressional Budget Office stated in a 1984 study that budget and tax changes enacted from 1981-1983 would force low and moderate income households to lose $20 billion in income and benefits over the three year period 1983-1985.

Many other studies have demonstrated similar results.

We are concerned that enactment of the *President's proposed budget* would have further negative impact on these trends.

According to an analysis of this budget by the Center on Budget and Policy Priorities:

Proposed cuts in low income programs would total over $8 billion next year and $21 billion in 1991.

Fourteen low income programs would be eliminated outright and benefit reductions would be made in nearly all basic low income benefit programs.

By 1991, low income programs would be reduced by nearly one-sixth.

We have also included in your materials a fuller analysis of the President's proposed cutbacks in low income programs, as developed by the Center on Budget and Policy Priorities.

We feel compelled to make comment also in this federal budget overview on the Gramm-Rudman Bill, because we recognize that the two houses in Congress and the President may not be able to come to agreement on deficit reduction methods and that the Gramm-Rudman automatic deficit reduction process may well be triggered for Federal fiscal year 1987.

Obviously, we are pleased that the Gramm-Rudman law exempts such low income programs as Medicaid, AFDC, SSI and Food Stamps from the automatic deficit reduction process but, nevertheless, many programs which assist low and moderate income programs will be affected. Examples are Head Start Programs, a variety of employment programs, low income energy assistance, and so forth. We have also included in your written materials a listing of the approximately $300 million in such programs that would be lost in New York State if the Gramm-Rudman automatic deficit reduction is triggered at $60 billion for Federal Fiscal Year 1987.

Our understanding of the impact of cuts in low income programs over the last four years, and of the potential harm that would result from adoption of the President's budget proposal on the implementation of the Gramm-Rudman automatic deficit reduction provisions leads us to three bottom line conclusions about the Federal Budget:

First, there is no more room for reductions in the budget of programs which benefit low and moderate income persons.

In fact, according to the Congressional Budget Office, tax concessions granted under the 1981 Economic Recovery Act (ERTA), along with increased defense spending, have been virtually the sole source of our increasing national deficit.

We have included in your briefing book a document detailing some facts about defense spending, corporate tax expenditures and the deficit.

This analysis leads us to our two other major budget recommendations:

We believe that in light of the deficit situation and the great need to fund human resource programs, there is a need to increase federal resources and the tax base while still promoting tax equity. We are concerned with the shortsightedness of ignoring the revenue potential on the tax side of the budget available not only through broadening the tax base, but through further curbing wasteful tax shelters and expenditures, reforming corporate tax policy to reflect a fairer share, and enacting stronger compliance procedures to collect the $90 billion lost annually through tax-fraud. While we applaud the concept of exempting poverty households from the payment of federal income tax, the current tax proposals remain predominantly revenue neutral, and contain alarming reforms that could impact heavily on the broad middle class of the nation. They neither raise necessary new revenues by retrieving larger amounts of revenue foregone, or go far enough in addressing equity issues. Instead, they propose reforms such as restricting deductibility of charitable contributions, which will have further negative effect on the provision of human services and harm the middle class worker, particularly in New York State.

Finally, we recommend reductions in Defense Budget of $37.5-40.0 billion dollars in the following fashion:

1. Approximately $16 billion through a freeze of budget outlays at FY 86 figures within National Defense Function (050).

2. Approximately $20 billion through improved managerial control over the purchase of equipment from private contractors and improvements in contract management waste and fraud accounting.

3. Approximately $2-4 billion through the scaling back of eleven major weapon systems identified by the Congressional Budget Office as sources of potential cutback due to questionable merit (these savings would grow in future years due to the extended and deferred costs of these weapon systems contracts—CBO estimated that outlay savings for these eleven weapons systems including the controversial MX land-based missile would be $10 billion by 1990).

## BUDGET WOULD MAKE LARGE CUTS IN LOW-INCOME PROGRAMS

### REDUCTIONS OF $8 BILLION PROPOSED FOR NEXT YEAR—14 LOW-INCOME PROGRAMS SLATED FOR TERMINATION

The Administration's FY 1987 budget contains sharp cuts in low income programs totaling over $8 billion next year and $21 billion in fiscal 1991, according to an analysis issued today by the Center on Budget and Policy Priorities.

The Center found that 14 low income programs would be eliminated outright and that benefit reductions would be made in nearly all basic low income benefit programs.

The Center's analysis also reported that by fiscal year 1991, low income programs would be reduced nearly one-sixth.

The analysis shows that reductions in low income programs would be three times larger than the savings from the much-discussed sale of certain government assets, which is also proposed in the next budget.

In addition, the Center reported that 2 million elderly persons living below the poverty line would be required to pay more out of their own limited incomes for Medicare coverage.

"The budget proposal would exact a substantial tool on poor families and low income elderly persons, while providing for a very large increase of $34 billion in defense appropriations next year," Center director Robert Greenstein noted. "These proposals would be likely to reduce standards of living and increase hardship for many who are poor."

*Reductions in low-income programs*

The new budget contains reductions in all of the core benefit entitlement programs for the poor—Aid to Families with Dependent Children (AFDC), Medicaid, food stamps, and Supplemental Security Income (SSI)—the Center reported. Cuts in these programs alone would total $2 billion next year, climbing to $6.5 billion in FY 1991. Over the next five years, a total of $22 billion would be taken from these programs.

The largest of these cuts would come in Medicaid, where federal financial support would be reduced significantly.

"It would be extremely difficult, if not impossible, for states to cover the losses of Medicaid funds simply through administrative changes," the Center observed. "Major reductions in the coverage of low income beneficiaries or in the scope of medical services provided would be virtually inevitable."

In non-entitlement areas, the analysis finds that 14 low income programs would be terminated. These include housing assistance for the elderly and handicapped, emergency food and shelter programs aimed at relieving hunger and homelessness, the legal services program, the low income weatherization program, rural housing programs, the Work Incentive Program (which provides job training to welfare mothers) and the community services block grant.

Total funds appropriated for the low income programs that would be terminated came to $4 billion this year.

In addition, in a number of low income programs the cuts would start to be made immediately under the new budget. The analysis reports that some or all of the funds appropriated for 15 low income programs in FY 1986 would be rescinded (or cancelled) under the budget. Approximately $7 billion in appropriations in the low income area would be rescinded.

The rescissions in low income programs constitute more than 60 percent of all rescissions requested in the entire federal budget.

*Housing, Job Training, and Nutrition Programs Hit*

Among the areas affected most severely would be housing and employment programs, the analysis states.

The budget would rescind or defer 70 percent of all funds appropriated for HUD subsidized housing in FY 1986, and then provide no appropriations at all for HUD subsidized housing in FY 1987. In addition, rural housing programs at the Department of Agriculture, which are targeted on low and moderate income rural families, would be eliminated.

In another proposed reduction in the low income housing area, rents would be raised for hundreds of thousands of low income families in existing section 8 housing. This would be accomplished by requiring these families to pay most or all of any rent increases imposed by landlords next year. For large numbers of these low income families, rents would likely be raised above the current legal maximum of 30 percent of income.

The reductions in housing for low income families and elderly and disabled persons would not be matched by similar treatment of housing for the military, however. Appropriations for military housing would be raised 21 percent next year (and 65 percent by FY 1991), while appropriations for low income housing were being zeroed out.

In the job training area, the Job Corps, program to train disadvantaged, low income youth would be cut nearly in half, and the summer youth employment program would be reduced about one-third. (As noted, the program to provide job training to welfare mothers would be eliminated.)

Reductions would also be felt in nutrition programs. Nearly 30,000 low income pregnant women, infants, and children at nutritional risk would have to be removed next year from the women, infants, and children special food program. By fiscal year 1991, 140,000 fewer women, infants and children would be reached. In addition, funding for two emergency food programs designed to reach hungry persons with the assistance of volunteer and non-profit organizations would be ended, and the food stamp and child nutrition programs would sustain new cuts of over $1 billion a year.

Finally, the analysis reports that a proposal in the budget to raise the premiums that elderly persons must pay for Medicare coverage would require the elderly to pay nearly $200 more per year by 1991. About two-thirds of the elderly below the poverty line—more than 2 million persons—would have to pay the premium increase out of their own pockets, the Center observed.

The Center is a non-profit research and analysis organization in Washington, D.C.

TABLE I.—REDUCTIONS ON LOW-INCOME PROGRAMS IN PRESIDENT'S BUDGET: BUDGET AUTHORITY REDUCTION IN FISCAL YEAR 1987

[Dollar amounts in millions]

| | CBO baseline estimate [5] | Decrease from CBO baseline in President's budget [1] | Percent cut |
|---|---|---|---|
| Entitlements: | | | |
| AFDC [2] | $9,492 | −$277 | −2.9 |
| Child support enforcement | 769 | −41 | −5.3 |
| EITC | 1,232 | 0 | 0.0 |
| Food stamps | 12,216 | −315 | −2.6 |
| Medicaid [2] | 26,434 | −1,390 | −5.3 |
| SSI | 10,405 | −34 | −0.3 |
| Veterans pensions | 3,768 | 0 | 0.0 |
| Total entitlements | 64,316 | −2,057 | −3.2 |
| Discretionary programs: | | | |
| Commodity Supplemental Food Program | 38 | 1 | 2.6 |
| Community Development Block Grant | 3,135 | −1,010 | −32.2 |
| Community Services Block Grant | 374 | −370 | −98.9 |
| Compensatory Education | 3,740 | −52 | −1.4 |
| Emergency Food and Shelter | 73 | −73 | −100.0 |
| Emergency Food Assistance | 50 | −50 | −100.0 |
| Family Social Services | 854 | −36 | −4.2 |
| Financial Aid for Needy Students | 4,945 | −1,132 | −22.9 |
| Food Donations | 193 | −6 | −3.1 |
| Health Care Services | 1,299 | −140 | −10.8 |
| Housing Assistance for the Elderly | 610 | −610 | −100.0 |
| Human Development Services | 2,032 | −54 | −2.7 |
| Indian Education | 68 | 8 | 11.8 |
| Indian Health | 881 | −156 | −17.7 |
| Legal Services | 309 | −309 | −100.0 |
| Low-Income Energy Assistance | 1,919 | 181 | 9.4 |
| Low-Income Weatherization | 189 | −189 | −100.0 |
| Nutrition Assistance for Puerto Rico | 847 | −22 | −2.6 |
| Public Housing Operating Subsidies | 1,342 | −170 | −12.7 |
| Refugee Assistance | 415 | −41 | −9.9 |
| Rural Housing Programs [3] | 3,517 | −149 | −4.2 |
| Rural Water and Sewer Facilities | 115 | −115 | −100.0 |
| Social Services Block Grant | 2,700 | 0 | 0.0 |
| Subsidized Housing | 9,769 | −9,769 | −100.0 |
| Training (JTPA, Job Corps and Summer Youth) | 3,527 | −617 | −17.5 |
| Very Low-Income Housing Repair | 12 | −12 | −100.0 |
| WIC [4] | 1,632 | −15 | −0.9 |
| WIN | 222 | −222 | −100.0 |
| Total discretionary | 44,807 | −15,129 | −33.8 |
| Grand total | 109,123 | −17,186 | −15.7 |

[1] For entitlement programs, the reductions are those reflected in the President's budget.
[2] Reflects both legislative and regulatory savings, as detailed in HHS budget documents.
[3] See note on rural housing that follows table IV.
[4] OMB baseline used for WIC.
[5] Fiscal year 1987 budget authority needed to maintain current services (post Gramm-Rudman).

TABLE II.—REDUCTIONS IN LOW-INCOME PROGRAMS IN PRESIDENTS BUDGET: OUTLAY REDUCTIONS IN FISCAL YEAR 1987

[Dollar amounts in millions]

| | CBO baseline estimate [1] [5] | Decrease from CBO baseline in President's budget | Percent cut |
|---|---|---|---|
| Entitlements: | | | |
| AFDC | $9,492 | −$277 | −2.9 |
| Child support enforcement | 769 | −41 | −5.3 |
| EITC | 1,232 | 0 | 0.0 |
| Food stamps | 12,210 | −315 | −2.6 |
| Medicaid [2] | 26,434 | −1,390 | −5.3 |
| SSI | 10,407 | −34 | −0.3 |
| Veterans pensions | 3,772 | 0 | 0.0 |
| Total entitlements | 64,316 | −2,057 | −3.2 |
| Discretionary programs: | | | |
| Commodity Supplemental Food Program | 38 | 1 | 2.6 |
| Community Development Block Grant | 3,313 | −214 | −6.5 |
| Community Services Block Grant | 368 | −306 | −83.2 |
| Compensatory Education | 3,568 | −32 | −0.9 |
| Emergency Food and Shelter | 73 | −73 | −100.0 |
| Emergency Food Assistance | 49 | −49 | −100.0 |
| Family Social Services | 917 | −94 | −10.3 |
| Financial Aid for Needy Students | 4,732 | −468 | −9.9 |
| Food Donations | 192 | −15 | −7.8 |
| Health Care Services | 1,271 | −184 | −14.5 |
| Housing Assistance for the Elderly | 632 | −247 | −39.1 |
| Human Development Services | 1,987 | −37 | −1.9 |
| Indian Education | 66 | 2 | 3.0 |
| Indian Health | 880 | −117 | −13.3 |
| Legal Services | 307 | −269 | −87.6 |
| Low-Income Energy Assistance | 1,928 | 163 | 8.5 |
| Low-Income Weatherization | NA | NA | NA |

TABLE II.—REDUCTIONS IN LOW-INCOME PROGRAMS IN PRESIDENTS BUDGET: OUTLAY REDUCTIONS IN FISCAL YEAR 1987—Continued

[Dollar amounts in millions]

| | CBO baseline estimate [1] [5] | Decrease from CBO baseline in President's budget | Percent cut |
|---|---|---|---|
| Nutrition Assistance for Puerto Rico | 845 | −21 | −2.5 |
| Public Housing Operating Subsidies | 1,382 | −85 | −6.2 |
| Refugee Assistance | 414 | −71 | −17.1 |
| Rural Housing Programs [3] | 3,697 | −1,880 | −50.9 |
| Rural Water and Sewer Facilities | 147 | 15 | 10.2 |
| Social Services Block Grant | 2,700 | 0 | 0.0 |
| Subsidized Housing | 10,866 | −1,689 | −15.5 |
| Training (JTPA, Job Corps and Summer Youth) | 3,344 | −232 | −6.9 |
| Very Low-Income Housing Repair | 12 | −11 | −91.7 |
| WIC [4] | 1,627 | −14 | −0.9 |
| WIN | 223 | −198 | −88.8 |
| Total discretionary | 45,579 | −6,125 | −13.4 |
| Grand total | 109,895 | −8,182 | −7.4 |

[1] For entitlement programs, the reductions are those reflected in the President's budget.
[2] Reflects both legislative and regulatory savings, as detailed in HHS budget documents.
[3] See note on Rural Housing that follows table IV.
[4] OMB baseline used for WIC.
[5] Fiscal year 1987 outlay levels needed to maintain current services (post Gramm-Rudman).

TABLE III.—REDUCTIONS IN LOW-INCOME PROGRAMS IN PRESIDENT'S BUDGET: BUDGET AUTHORITY REDUCTIONS IN FISCAL YEAR 1991

[Dollar amounts in millions]

| | CBO baseline estimate [4] | Decrease from CBO baseline in President's budget [1] | Percent cut |
|---|---|---|---|
| Entitlements: | | | |
| AFDC [2] | $10,747 | −$268 | −2.5 |
| Child support enforcement | 875 | −27 | −3.1 |
| EITC | 1,019 | 0 | 0.0 |
| Food stamps | 14,440 | −575 | −4.0 |
| Medicaid [2] | 36,227 | −5,597 | −15.4 |
| SSI | 12,519 | −34 | −0.3 |
| Veterans pensions | 3,615 | 0 | 0.0 |
| Total entitlements | 79,442 | −6.501 | −8.2 |
| Discretionary programs: | | | |
| Commodity Supplemental Food Program | 45 | −2 | −4.4 |
| Community Development Block Grant | 3,720 | −664 | −17.8 |
| Community Services Block Grant | 461 | −461 | −100.0 |
| Compensatory Education | 4,735 | −1,047 | −22.1 |
| Emergency Food and Shelter | 86 | −86 | −100.0 |
| Emergency Food Assistance | 58 | −58 | −100.0 |
| Family Social Services | 1,091 | −113 | −10.4 |
| Financial Assistance for Needy Students | 6,261 | −2,707 | −43.2 |
| Food Donations | 229 | 16 | 7.0 |
| Health Care Services | 1,492 | −334 | −22.4 |
| Housing Assistance for the Elderly | 736 | −736 | −100.0 |
| Human Development Services | 2,492 | −514 | −20.6 |
| Indian Education | 86 | −11 | −12.8 |
| Indian Health | 959 | −234 | −24.4 |
| Legal Services | 390 | −390 | −100.0 |
| Low-Income Energy Assistance | 2,229 | −129 | −5.8 |
| Low-income Weatherization | NA | NA | NA |
| Nutrition Assistance for Puerto Rico | 977 | −152 | −15.6 |
| Public Housing Operating Subsidies | 1,646 | −195 | −11.8 |
| Refugee Assistance | 373 | −68 | −18.2 |
| Rural Housing Programs [3] | 2,921 | −475 | −16.3 |
| Rural Water and Sewer Facilities | 138 | −138 | −100.0 |
| Social Services Block Grant | 2,700 | 0 | 0.0 |
| Subsidized Housing | 11,424 | −1,829 | −16.0 |
| Training (JTPA, Job Corps and Summer Youth) | 4,469 | −1,518 | −34.0 |
| Very Low-Income Housing Repair | 15 | −15 | −100.0 |
| WIC | 1,896 | −79 | −4.2 |
| WIN | 274 | −274 | −100.0 |
| Total discretionary | 51,903 | −12,213 | −23.5 |
| Grand total | 131,345 | −18,714 | −14.2 |

[1] For entitlement programs, the reductions are those reflected in the President's budget.
[2] Reflects both legislative and regulatory savings, as detailed in HHS budget documents.
[3] See note on Rural Housing that follows Table IV.
[4] Fiscal year 1991 budget authority needed to maintain current services (post Gramm-Rudman).

TABLE IV.—REDUCTIONS IN LOW-INCOME POROGRAMS IN PRESIDENT'S BUDGET OUTLAY REDUCTIONS IN FISCAL YEAR 1991

[Dollars amounts in millions]

| | CBO baseline estimate [4] | Decrease from CBO baseline in President's budget [1] | Percent cut |
|---|---|---|---|
| Entitlements: | | | |
| AFDC [2] | $10,747 | −$268 | −2.5 |
| Child support enforcement | 875 | −27 | −3.1 |
| EITC | 1,019 | 0 | 0.0 |
| Food stamps | 14,430 | −575 | −4.0 |
| Medicaid [2] | 36,227 | −5,597 | −15.4 |
| SSI | 12,521 | −34 | −0.3 |
| Veterans Pensions | 3,619 | −0 | −0.0 |
| Total entitlements | 79,438 | −6,501 | −8.2 |
| Discretionary programs: | | | |
| Commodity Supplemental food program | 45 | −2 | −4.4 |
| Community Development Block Grant | 3,470 | −584 | −16.8 |
| Community Services Block Grant | 453 | −453 | −100.0 |
| Compensatory Education | 4,436 | −748 | −16.9 |
| Emergency Food and Shelter | 86 | −86 | −100.0 |
| Emergency Food Assistance | 57 | −57 | −100.0 |
| Family Social Services | 1,087 | −124 | −11.4 |
| Financial Assistance for Needy Students | 5,953 | −2,391 | −40.2 |
| Food Donations | 228 | 12 | 5.3 |
| Health Care Services | 1,469 | −303 | −20.6 |
| Housing Assistance for the Elderly | 636 | −562 | −88.4 |
| Human Development Services | 2,429 | −451 | −18.6 |
| Indian Education | 83 | −8 | −9.6 |
| Indian Health | 949 | −222 | −23.4 |
| Legal Services | 387 | −387 | −100.0 |
| Low-Income Energy Assistance | 2,220 | −120 | −5.4 |
| Low-Income Weatherization | NA | NA | NA |
| Nutrition Assistance for Puerto Rico | 976 | −151 | −15.5 |
| Public Housing Operating Subsidies | 1,612 | −191 | −11.8 |
| Refugee Assistance | 377 | −75 | −19.9 |
| Rural Housing Programs [3] | 2,843 | −2,367 | −83.3 |
| Rural Water and Sewer Facilities | 122 | −107 | −87.7 |
| Social Services Block Grant | 2,700 | −0 | −0.0 |
| Subsidized Housing | 14,325 | −3,713 | −25.9 |
| Training (JTPA, Job Corps and Summer Youth) | 4,171 | −1,246 | −29.9 |
| Very Low-Income Housing Repair | 15 | −15 | −100.0 |
| WIC | 1,890 | −78 | −4.1 |
| WIN | 271 | −271 | −100.0 |
| Total discretionary | 53,290 | −14,700 | −27.6 |
| Grant total | 132,728 | −21,201 | −16.0 |

[1] For entitlement programs, the reductions are those reflected in the President's budget.
[2] Reflects both legislative and regulatory savings, as detailed in HHS budget documents.
[3] See note on Rural Housing that follows Table IV.
[4] CBO baseline estimate of fiscal year 1991 outlay levels needed to maintain current services (post Gramm-Rudman).

## Appendix A: Impact of Federal Budget Cuts 1981-83

440,000 low income working families were terminated from the Aid to Families with Dependent Children Program (AFDC) and several hundred thousand had benefits reduced according to the General Accounting Office (GAO). Eighty percent of those terminated were still living on below poverty incomes two years later. Most of these families are also lost Medicaid coverage and, thus, access to any health care coverage.

Rents were raised for all moderate and low income families and elderly persons living in public or subsidized housing from 25% to 30% of income by 1986. This averages $500 in additional costs to a household annually in 1986. Federal support for activities to help replenish the shrinking stock of low rent housing has been cut by two-thirds. According to the Urban Institute, 300,000 more families now live in substandard housing as a result of these reductions.

$1 to $2 billion per year has been cut from the Food Stamp Program due to cuts enacted in 1981 and 1982. Over two-thirds of these reductions have come from reducing benefits to households below the poverty line according to CBO.

Overall funding for employment and training programs which stood at more than $9 billion in 1980 now comes to less than $4 billion; hardest hit have been the public service jobs program which was abolished, leaving more than 500,000 who had been served without employment opportunity and the Job Corps and WIN programs which serve unemployed youth and public assistance recipients respectively and have seen their funding reduced by 40% in real dollars in comparison with 1981 levels.

Estimates by the Children's Defense Fund show that over 200 community health centers cut back on services as a result of 1981 funding reductions and that 725,000 persons, result of 1981 funding reductions and that 725,000 persons, two-thirds of them low income children or women of child bearing age, lost access to services.

Reduction of 25% in real terms in Social Services Block Grant Program has denied thousands of low income families access to federally supported day care services and reduced the services available to the homebound elderly and the disabled.

About 2 million fewer children currently eat school lunches each day as a result predominantly of a 28% reduction in child nutrition program spending in 1981. In addition, moderate income families now pay an overage of $100 more a year for their children's school lunches.

Cutbacks in Medicaid forced many states to make corresponding reductions in both eligibility and coverage for some medical services.

Estimates by the Washington Council of Lawyers, a non-profit organization, found that some 375 legal services offices closed nationwide and that a 30% reduction in the number of attorneys and paralegals serving the poor occurred as a result of major federal funding reductions.

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## Appendix C.—Attachment on Select Low Income Program Reductions required Under Gramm-Rudman-Hollings as They Effect New York State: Total Dollar Loss Listed 298.8 million

While total loss to New York State in select Grants-in-Aid to State and Local Governments and Non-Grant Entitlements will total approximately $1.1 (not including certain non-exempt programs such as subsidized housing programs and General Revenue Sharing), our major concern is the some $300 million is select low income program loss for the most vulnerable. The chart below, excerpted from a printout by Fiscal Planning Services Inc. Details that potential loss to New York State (Using FY 87 Baseline in Obligations).

[Dollars in millions]

| Program | Total loss due to Gramm-Rudman-Hollings | Per capita loss |
|---|---|---|
| Community services block | −$7.77 | −0.44 |
| Head Start | −20.69 | −1.17 |
| Employment services | −16.06 | −.91 |
| JTPA disadvantaged workers | −31.97 | −1.80 |
| JTPA summer youth employment | −15.20 | −.86 |
| Dislocated workers assistance | −1.22 | −.07 |
| Senior community service employment, State program | −1.19 | −.07 |
| Work incentive program child care and social services | −4.69 | −.26 |
| Preventive health services block grant | −1.57 | −.09 |
| Maternal and child health block grant | −7.02 | −.40 |
| Low Income Home Energy Assistance Program | −60.96 | −3.44 |
| Social services block grant | −42.40 | −2.39 |
| Older Americans Act Programs (congregate and home deliver meals and support services) | −12.07 | −.68 |

[Dollars in millions]

| Program | Total loss due to Gramm-Rudman-Hollings | Per capita loss |
|---|---|---|
| Community development block grant (State Program and entitlement Program) | −76.02 | −4.29 |

ATTACHMENT/NEW YORK STATE POVERTY AND RELATED FIGURES

In 1980, 13.4% of New York's population had incomes below poverty (10,609 for a family of four).

25% of Black families in New York live below poverty and 32% of Hispanic families.

In New York City, the poverty rate overall is 24%, with Black poverty at 29.3% and Hispanic poverty rates—possibly as high as 45% (based on 1982 study by Community Service Society).

Over one-half of New York's poor are children or elderly over the age of 65.

3.6 million New Yorkers live at 125% of poverty or below. While most are likely eligible for Food Stamp Program benefits, only 50% actually participate.

1.5 million total New Yorkers have no health care coverage. 400,000 of them live at or below poverty another 390,000 are near poor. Of the 400,000 poor uninsured, 25% are children. 80% of the full uninsured population are either employed or from working households.

The WIC Program in New York State serves only slightly over 40% of the eligible population.

The total public assistance grant to a family of four (including the basic grant and the maximum shelter allowance) in New York City is $597 monthly or 67.5% of the monthly poverty income figure of $884 (this includes last year's state increase in the basic grant level through a home energy allowance).

Even when a maximum food stamp allotment is included in the total benefit level for a family of four receiving public assistance, the monthly benefit level is only 83.7% of poverty (studies show that nationwide many AFDC households do not routinely receive food stamps).

In a report by the Montefiore Medical Center, nearly one-half of the people interviewed at 29 emergency food sites reported being hungry at some point and not being able to obtain food.

There was a 50% increase in the number of emergency food sites in New York in 1984, but a 75% increase in demand according to the New York State Committee Against Hunger.

The infant mortality rates for New York were 10.8 per 1,000 live births among whites in 1980 and nearly twice as high 20.0 per 1,000 live births for blacks.

The number of homeless people in New York City on a given night is as high as 60,000 according to the Coalition for the Homeless.

APPENDIX D

I. Some Facts—About Defense Spending and the Deficit: [1]

The growth rate in the Defense Budget since 1981 has annually averaged 8.5 percent above inflation.

Defense outlays will reach their highest peacetime level in real terms in FY 86 since 1954 even after the Gramm-Rudman-Hollings cuts are considered.

The Defense Budget has become inefficient and bloated to the point that it cannot be managed properly. Money is appropriated so quickly that it cannot be spent by the Pentagon. Unobligated appropriations from previous years carried forward to 1986 now have reached $51 billion.

While the deficit had increased by approximately $132 billion in the period FY 1980–1985 while defense spending has risen by $152 billion over the same period.

There is extraordinary waste and mismanagement within the procurement process at the Department of Defense (DOD). With more than $200 billion in DOD procurements, estimates show that over 20 percent of this spending could be saved through improved management and the elimination of waste and fraud.

It is likely in FY 87 that the Defense Department will attempt to compensate for automatic FY 86 Gramm-Rudman-Hollings cuts by asking for $314 billion in Defense budget authority. When compared to DOD's budget authority after the automatic FY 86 Gramm-Rudman-Hollings cuts, $314 billion would represent an 8.15 percent increase in budget authority or a dollar increase of $36 billion.

II. *Some Facts—About Corporate Tax Expenditures and the Defense:* [2]

Corporate "tax expenditures" have grown from a mere $8.3 billion in 1970 to an estimated $199.9 billion in the Fiscal Year 1986.

In 1960, corporate taxes comprised 25 percent of the nation's revenue base, by 1984 that figure was down to 8.5 percent.

That $119.9 billion in corporate tax subsidies represents well over one-half of the estimated federal budget deficit for FY 87.

The corporate income tax is now more loophole than tax. The estimated costs of corporate tax breaks in FY 86 amounts to $1.69 for every $1.00 corporations are expected to pay in federal income tax.

The cost of $119.9 billion in corporate tax loopholes adds up to $1,512 for every taxpaying individual or family in America.

The 1981 Economic Recovery and Tax Act firmly institutionalized many of these corporate tax expenditures. Overall ERTA has had the effect of reducing government revenues by $208 billion in FY 86, almost the entire size of the deficit.

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Impact:

Under these proposals new budget authority for HUD would drop by almost ⅔, while actual spending (outlays) would fall from $15 billion in 1986 to $14 billion in 1987. If deferrals and rescissions fail to go through, outlays for the two years would be about $2.7 billion. Spending would continue to decline until it levels off at about $12 billion. By 1991, HUD programs will account for 1.1 percent of all federal outlays, down from 2.2 percent in 1981.

An estimated 4.2 million low-income households received some sort of HUD subsidy in 1986. The total is expected to grow to 4.4 million by 1991.

Response:

1. Since 1981, the low-income housing programs of HUD and the Farmers Home Administration have received more cuts than any other human service area. The Congress should respond by (i) rejecting proposals rescind and/or defer funds already appropriated for FY 1986 (ii) rejecting the recommendation to gut the housing programs for FY 1987 and (iii) restore the share of federal expenditures (2.2 percent) for housing to levels that prevail prior to the deep cuts in 1981.

2. Unless we as a society are prepared to accept the permanency of homelessness, substandard conditions, sever rent hardships and over-crowding for growing numbers of people, we need to expand federal assistance to those unable to find decent and affordable housing. New housing proposals such as the Nehemiah Homeownership Demonstration and the two-tier program for emergency and transitional housing for the homeless should be enacted.

3. The Congress should view homelessness as a national disaster and provide immediate relief for all in need. Funds for the Emergency Food and Shelter Program administered by the Federal Management Administration (FEMA) should be re-appropriated allowing for "brick and mortar" shelter expansion as well as for food and other emergency needs.

4. There is a disproportionate amount of sub-standard housing in rural America—some 38 percent of the nations "bad housing" is in rural communities. The federal Rural Housing and Community Development programs administered by the Farmers Home Administration must be continued. HUD programs do not respond to the special credit needs of rural America.

If the President's proposed rescission of the Farmers Home Administration Program is accepted, New York State will lose $31 million of low and very low-income housing funds that are allocated for use in the state for this fiscal year. This will represent a 67 percent reduction from the previous fiscal year. The proposed elimination of the rural housing programs in the President's 1987 budget cannot be accepted. Without the Farmers Home Administration assistance the housing needs of rural New Yorkers will not be met.

5. Proper incentives for the preservation of existing predominately low-income housing projects and the creation of new predominately low-income housing projects must be a part of tax reform consideration.

Legislation regarding multifamily housing bond financing must:

1. provide adequate targeting for setting aside low-income units with rents restricted to no more than 30 percent of the maximum qualifying income:

2. a just income by family size for qualified low-income tenants:

3. restrict use for a minimum of 15 years;

4. prohibit the use of IDB funds to finance any development in which low or very low-income people are or will be displaced by those of higher income;

5. allow local and state initiated efforts to use Single Room Occupancy and other nontraditional housing resources to house the homeless;

6. ensure that the mix of the unit sizes of the low-income set aside units mirrors the distribution of the market units.

6. Since 1974 the CDBG has been a cornerstone for the improvement and expansion of housing opportunities for low- and moderate-income Americans. The Administrations proposal to defer $500 from the FY 1986 allocation should be rejected. In fact, the CDBG should be appropriated at $3.6 billion, the level set forth in the 1983 au-

[1] Sources: American Federation of State, County and Municipal Employees and The Defense Budget Project of the Center for Budget and Policy Priorities.

[2] Source: Citizens for Tax Justice.

thorization bill. Furthermore, CDBG funds should be targeted so that 100 percent of the funds benefit low and moderate-income people at the local level. Adequate provisions should be added to protect against displacement and guarantee compliance with CDBG regulations.

LOW-INCOME HOUSING

OVERVIEW

From the Great Depression of the 1930's until 1981 the role of the federal government in providing housing had been expanding through a wide range of programmatic initiatives. In 1949 the Congress set for itself the goal of providing a "decent home and suitable living environment for every American." Along with the FHA and VA mortgage insurance programs, the federal government assisted low and moderate income households through public housing, Section 8 rent subsidies, loans for rural housing development, funds for the construction of housing for the elderly and handicapped (Sec. 202) as well as support funds to localities under the Community Development Block Grant Program. (CDBG)

In 1981 the President's Commission on Housing issued a report that maintained that there is a sufficient supply of adequate housing in the United States. The report recommended that the expansion of housing opportunities for lower-income people through new construction and substantial rehabilitation be severely curtailed. It suggested that the role of the federal government be reduced to a "voucher" program (non-entitlement) to assist households with the affordability of existing units.

What Has Happened to Funding:

The passage of the 1981 Budget and Reconciliation Act (Gramm-Latta) cut the housing programs of the U.S. Dept. of Housing and Urban Development (HUD) and the Farmers Home Administration (FmHA) by 60 percent. The multifamily new production program under Section 8 stopped being funded in that year. Also, the payment-of-rent for tenants was increased from 25 percent of income to 30 percent. In 1983 the statute authorizing Section 8 for new construction and substantial rehabilitation was repealed (except where it works to build housing for older people or the handicapped), leaving only the Section Certificate Program for Existing Housing.

In preparation for the current FY1986 budget year, the Administration proposed a "moratorium" on adding any more units to the nation's subsidized supply. It even failed to ask for any "vouchers"! Although the Congress rejected this approach—funding about 100,000 additional assisted units—housing did suffer more cuts. The biggest losses were in the rural housing programs—a 30 percent cut over the previous year! The FY1986 HUD Appropriations bill called for 12,000 units of Sec. 202 housing for the elderly/handicapped (same as FY1985); 5,000 units of public housing (same); 32,000 Section 8 Certificates (down 5,500); 36,000 vouchers (down 2,500); 5,000 units of Section 8 Moderate Rehabilitation. The CDBG was cut 10% to $3.124 billion and a 25 percent cut for the Urban Development Action Grant Program (UDAG) to $330 million. The relatively new Sec. 17 Rental Rehabilitation Program and the Housing Development Grant Program (HODAG) were cut in half and funded at $75 million each. The Emergency Food and Shelter program at FEMA was funded at $70 million.

The Executive Budget Proposals for FY 1987:

While offering mostly a repeat of last year's budget proposals, the Administration this year will have the advantage of the Gramm-Rudman-Hollings balanced budget act with which to batter congressional resistance. The Executive Budget asks for 50,000 vouchers to replace the current programs of HUD and FmHA. The Administration proposes to eliminate FmHA altogether and fold rural housing into HUD. Section 8 Certificate and voucher fair market rents would be frozen at 1986 levels. Public housing modernization funds would be cut back to allow for emergency repairs only. The CDBG would be cut by 30 percent. However, the Administration has temporarily abandoned proposals to "sell" the assets of the popular FHA.

Gramm-Rudman-Hollings Cuts for FY 1986:

Some 2,435 units of low-income housing will be cut from the present HUD program levels and 2,100 will be cut from the rural housing programs of the FmHA as a result of the 4.3 percent across-the-board cut.

Furthermore, the Administration has requested additional deferrals and rescissions for about 70 percent of the current HUD and FmHA programs—eliminating the Sec. 202 program—leaving about 54,000 vouchers out of the appropriated 100,000 units.

CHILDREN IN POVERTY: AN OVERVIEW

Through the leadership of individuals like Senator Moynihan and Congressman Rangel, increased attention is being focused on the number of children in this country who are growing up in poverty.

Even though we understand that nationally much information has been developed on this significant problem, we have summarized here for your information important findings abut problems faced by young people in New York State.

Twenty-six percent of New York State's children under 18 are poor. One of every two black and one of every three Hispanic children are poor. Over a quarter of New York's children under age 18, but even more of those under age five, are poor—four percent above the national average.

Impoverished is the single word which best described New York State's children in the 1980's. Between 1970 and 1983, the state's poverty rate among those under 18 rose 13 percent. Over half of the increase occurred between 1980 and 1983, when an additional 350,000 children fell below the poverty line. Today, 1,236,800 children in New York State live in poverty. Poverty rates are highest among our youngest children. A child born in New York State in 1970 had a one in ten chance of being poor. Today, a child's chances of being born into povery are nearing one in three.

The U.S. official poverty line is adjusted annually to account for cost-of-living increases. In 1984, the poverty line for a family of four was set at $10,609. An individual working full time at minimum wage makes $7,000 annually, $3,609 below the poverty line.

SPECIFIC AREAS OF CONCERN

*Public Assistance*

Over 500,000 children living in poverty in New York State do not receive public assistance. Benefit and eligibility levels have not kept pace with inflation. In 1973, 86 percent of all poor children in New York State received public assistance. The 1981 Federal budget cuts reduced public assistance benefits for 100,000 children in the State. 41,000 children lost their benefits completely; 33,000 in New York City alone. Today, ADC is reaching 737,237 children—only 59 percent of New York State's poor children.

Two-thirds of all New York's poor children live in female headed households. There are 666,000 single-parent families in New York State; 90 percent are headed by women. Fifty-seven percent of all female headed households are poor.

*Medical*

Although Medicaid is a Federal program, each State sets its own eligibility levels. in New York, these levels have not kept pace with inflation. New York State's Medicaid eligibility criteria discriminate against large families, denying coverage to over 100,000 poor children. In 1966, families with incomes 85 percent above the poverty line received Medicaid benefits. For uninsured children, health care remains crisis oriented. Routine check-up and basic immunizations are out of reach. New York's infant mortality and prenatal care data reveals a serious crisis. 2,856 infants in New York State died before their first birthday. In 1982, New York State had the 11th highest infant mortality rate, and 12th highest rate of low birthweight babies among the 50 States. Low birthweight infants are three times more likely to suffer from birth defects, 10 times more likely to be mentally retarted, and have mortality rates 20 times higher than normal birthweight infants.

Of all 50 States, New York has the highest percentage of women receiving late or no prenatal care to minority women. Only South Dakota supplied less prenatal care to minority mothers that year.

Every dollar invested in prenatal care may save as much as $3.38 in later health care costs.

*Hunger*

The mother's nutrition is a critical factor in the infant's birthweight. 609,000 women, infants and children are eligible for WIC benefits, but funds are too limited. Even with state supplementary program, 329,000 receive no benefits. Although New York State is one of the only States that offers WIC supplemental nutrition assistance programs, these combined State and Federal benefits only reach 280,000 persons, or 45.9 percent of those eligible. For every $1.00 invested in WIC, studies show a $5.00 savings in hospital costs for premature and low-weight babies. The spectre of hunger is with us again, yet over a half-million New York State children who are eligible for food stamps are not receiving them. Federal budget cuts eliminated 120,000 children from free school lunch programs between 1981 and 1983.

*Child Care*

Subsidized child care is an essential support to low income families, aiding self-sufficiency and providing a crucial educational head start. Statewide, only one out of five children whose families earn less than $15,000 a year receives a child care subsidy. As of 1983, 33 of the State's counties provided no day care for non-welfare recipients. Federal cuts in title XX block grant moneys resulted in a $25 million reduction and a cut of 12,000 day care slots between 1981-83. Upstate, as many as 46 percent of all children previously in publicy funded day care lost sudsidies due to Federal budget cuts. The State estimates 260,370 children 0-12 years old have parents who are either working or in training and earn less than $15,000 a year. However, State subsidized child care serves on 46,300 children monthly in New York City; 6,062 in the rest of the States.

Head Start, the federally supported program found effective in reducing drop out rates, truancy and school failure is so underfunded that 90 percent of all children eligible for Head Start programs cannot be enrolled.

*Homelessness*

Homelessness is now epidemic in New York City, at crisis proportions in affluent Westchester County and increasing throughout the State. Federal cuts in housing programs and the negative economics of the low-income housing market have combined to leave thousands of people homeless. Twice as many New York City families are homeless today than in 1983.

During 3 months in 1985, 5,800 families and 17,000 children sought emergency shelter in New York City. Four hundred families with 800 children in Westchester County are living in shelters with average stays of 8 months per family. The homeless include an estimated 20,000 youth pushed out of their homes or discharged from institutions, without resources, in need of jobs, training and education. They are the fastest growing population of homeless. Their needs are immediate shelter and continued services, as well as permanent housing. The Federal Runaway and Homeless Act provides base funding for shelters for this group.

*Education*

Our schools today fail too many young people—those who need special support services and education, young women who wish to compete in a male-dominated world, minority and poor students who need the confidence of teachers to work and succeed, and homeless youth who are shuttled from school to school or excluded from an education because they lack a residence.

Today, 33 percent of the State's students drop out before graduation—an increase from 25 percent a decade ago. The figures are far worse for our big cities: the New York City Board of Education places the rate at 41.7 percent. Retention rates for Rochester, Syracuse, and Poughkeepsie showed that over 40 percent of the entering 9th grade class is not present in 12th grade 4 years later. Dropout rates among blacks and Hispanics are over 50 percent. Ninety percent of handicapped students are not receiving diplomas.

The Federal role in primary and secondary education has always been small, but its focus has ensured that localities served the most vulnerable with compensatory, bi-lingual and special education, and that rights to equal access and equality of educational opportunities are respected.

In 1982-83, Federal Chapter 1 funds, which underpin compensatory education, reached less than half of those eligible for service. NAEP attributes this reduction of 40 percent of the gap in achievement in the 1970's to the Federal program.

Studies have demonstrated that high quality bi-lingual education can improve the achievement level of students with limited English proficiency. But current programs reach only one-third of those in need.

The Federal act for Handicapped Education Public Law 94-142 has revolutionized education of handicapped students. Federal funding in recent years has been reduced from 18 percent of costs to 8 percent of costs. In response, some States have reduced their programs.

*Youth Unemployment*

New York's teenage unemployment rate is 25 percent; for black and Hispanic youth the rate is over 40 percent. A recent estimate showed 260,000 of New York City's 16 to 24-year-olds lacking basic employability skills; 160,000 were out of school. Forty-five percent of Federal youth employment and training funds were cut between 1981 and 1983.

In addition to the generalized concerns that we have outlined earlier in this session, it is particularly our concern for the low income children in the State that has led us to develop our proposal for An Omnibus Anti-Poverty Initiative, detailed in another section of this Briefing Book.

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AN OMINBUS ANTI-POVERTY INITIATIVE

With national poverty rates at over 14 percent and poverty in New York hovering between 13 percent and 14 percent, we recommend that Congress develop an "Omnibus Anti-Poverty Initiative". While States can act independent and creatively to develop programs and policies that complement federal programs, cushion Federal dollar loss, fill service gaps or supplement Federal efforts with State dollars, they cannot and should not substitute for the Federal Government in developing unified nationwide policies to address poverty.

The alarming growth of poverty nationwide over the last 5 years is just as significant a national issue as lowering the federal deficit. Providing health care for the uninsured, creating jobs, housing the homeless, feeding the hungry, providing adequate supports for the working poor and those who want to work and, indeed, insuring a standard of decency for every American should not be a secondary national policy issue. We cannot simply close our eyes hoping that the problem will disappear nor can we defend a rationale that states that all Americans will be assured with economic decency, much less prosperity, by a thriving economy when all the evidence is to the contrary. We must provide for those children, the elderly, women, minorities and, indeed, workers who have been "immune" to our prospering economy and for whom a Federal safety net is little more than fiction.

We urge that the Congress, in addition to addressing our Nation's growing deficit, create the financial latitude within the budget through tax base expansion and defense savings to fund a Federal "Omnibus Anti-Poverty Initiative" at a level of $15-$20 billion. Much of what we propose is contained in the Family Economic Security Act of 1985, introduced last year by Senator Moynihan, Representative Rangel and Representative Ford. Other aspects of our "Omnibus Anti-Poverty Initiative" are new initiatives. On the whole, we believe that a program such as this would be representative of a true attempt to address growing poverty as a nation. Our proposal is a blending of historically proven approaches and new innovative approaches to poverty and we urge the members of the New York State Congressional Delegation and others to support the provisions or some beginning elements of them as outlined below.

Increase SSI benefit levels and offer partial Federal support to States which increase or initiate State Supplemental SSI benefits. Mandate medicaid coverage for all SSI recipients. By increasing SSI benefit levels by $24/month for an individual and $30/month for a couple, poverty would be lessened among the elderly and disabled poor. Also, by providing Federal matching of 30 percent for increases in State Supplements for SSI, States would be encouraged to implement supplemental payments where currently non-existent and to maintain the currency of State supplemental efforts where they are provided. Medicaid benefits should be automatically provided to SSI recipients—currently states have the option of covering SSI recipients under medicaid.

IN THE AREA OF HEALTH CARE

Mandate a 1-year Federal extension of medicaid for all families who leave AFDC and have no health insurance and permit states at their own option to extend coverage for an additional year. This would be particularly beneficial to those who leave AFDC in order to work but have no fringe benefit package and to those who lose AFDC eligibility because of increased earnings.

Waive the provisions under the current Employee Retirement Income Security Act (ERISA) that prevents states from mandating employer-based health coverage. Currently States are prohibited from finding creative ways to provide health care coverage to workers and particularly the working poor by Federal legislation that does not give them latitude over employers in regard to requiring the provision of health care. Nationwide over 35 million persons, and in New York estimates ranging from 1.5-2.0 million persons, have no health insurance from any source. Many of these uncovered are poor and a significant majority are from working households.

IN THE AREA OF EMPLOYMENT

Create a new Federal block grant to support State job creation and job placement efforts for the structurally unemployed. Targeting efforts to women on AFDC and long-term adult AFDC recipients. Maintain and increase the targeted jobs tax credit (TJTC) focused on employing disadvantaged youth and general assistance recipients.

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The Most Reverend John R. McGann, Bishop of Rockville Centre.

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Ms. Dorothy Howe, Charities, USA.

Mr. Frank Monahan, United States Catholic Conference.

Ms. Sharon Daly, United States Catholic Conference.

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LEGISLATIVE PROGRAM 1986

On behalf of the Roman Catholic Bishops and Dioceses of New York State, the New York State Catholic Conference presents its program of legislative proposals for 1986. These objectives are firmly rooted in the Gospel values which motivate and guide the Church's activities in the public forum in responding to human needs.

The common thread which runs through all of these objectives is the inherent worth and dignity of every human life. The unborn, the elderly, teenage mothers, students, the hungry and homeless, Medicaid recipients, the unemployed and imprisoned—all possess rights which must be observed; all deserve respect, nurturance and protection. All public policy should be developed, all legislation enacted, and all regulations reviewed with the inestimable significance of human life at the forefront of discussion.

The State and the Church must cooperate to protect and enhance human lives at all stages of their development. It must be recognized that social responsibility and public morality often rise above personal freedoms. Further, effective public policy cannot be developed in a solely secular environment. The public and private sectors must cooperate in their efforts to restructure the law to respond beneficially and appropriately to those New Yorkers most vulnerable, most oppressed, most in need.

The Conference stands ready to participate actively in the development of such policies.

TARGETED OBJECTIVES

The Conference has selected the following specific objectives to be targeted for action during the 1986 Session. Both the Church and the State have responsibility to promote these programs as fair and sound public policy.

Protecting Human Life—Seeking primarily the elimination of the state funding of abortions and, as in the past, the transfer of such funds to programs which aid women in carrying their pregnancies to term, the Conference will support legislation requiring parental notification for abortions and programs of pre-natal care which allow women, especially those of low-income, the security of bringing their pregnancies to term. The Conference will continue to oppose the enactment of a death penalty statute as well as any right-to-die legislation which would tend toward the legalization of suicide or euthanasia.

Feeding and Housing the Indigent—The Conference will seek funding of the SNAP program at a level of $50 million to provide additional funds for nutrition outreach, the WIC program, meals for the homebound elderly, support for soup kitchens and food pantries, and school food programs.

In addition, efforts will be undertaken to continue the Homeless Housing Assistance Program funded at a level of $30 million for FY 86-87 as well as the creation of an operating subsidy program funded at a level of $2 million in 1986-87 to enhance effective operation of existing programs.

Fostering Educational Choice—To continue the efforts of last year, the Conference will cooperate with other groups to attain enactment of a program of educational tax relief for parents of children attending public or nonpublic elementary and secondary schools.

Ensuring Medical Care—While seeking an increase in the Medicaid eligibility levels to reach 100 percent of the federal poverty level, special efforts will be undertaken to secure the provision of Medicaid services for families of all sizes, especially those headed by single women, with incomes below the federal poverty level and to obtain expeditious determination of Medicaid eligibility for alternative care programs for the elderly and disabled.

Serving Youth—The Conference will seek enactment of Omnibus Youth Services legislation which among other provisions would provide additional funds for children's mental health services; increase funding for the STEP program with provision that it be targeted to minorities, those at risk for teen pregnancy, and residents of group and foster homes; establish a special student scholarship program of tuition payments for at-risk youth for attendance at either a non-district public school or a nonpublic school; increase by $5 million the appropriation for the State's Teen Pregnancy Prevention Program; increase funding for preschool and after-school day care programs; and create a Family Support Program for families on or eligible for public assistance experiencing symptoms of dysfunction and in need of counseling and case-management services.

Employing the Unemployed—The Conference will support the creation of a state employment program, subsidizing and expanding a grant diversion program targeted to employable public assistance recipients.

SPECIAL LEGISLATIVE CONCERNS

While the targeted objectives will receive major emphasis in the 1986 Session, the Conference will also direct efforts toward protecting the following populations through pursuit of the initiatives enumerated below.

Elderly and Disabled—Increase respite funding to families caring for elderly and physically disabled dependents; expand the availability of transportation services; provide appropriate recreational opportunities and services.

Encourage family support services for those rendering home care to the mentally disabled as well as for persons with disabilities who require care as their parents become less able to care for them.

Revise CSS eligibility requirements to allow provision of services to persons who have not been previously institutionalized.

Women in the Workplace—Eliminate gender-based wage disparity in the work place.

Provide skills training for women re-entering the job market.

Develop adequate child care policies for all working women.

Disadvantaged Children—Enact legislation to provide supplementary services for pupils with special educational needs in nonpublic schools.

The Physically Ill—Maintain the funds provided in the hospital-based reimbursement methodology, which include provisions for bad debt and charity care.

Support medical malpractice reform which alleviates the financial burden placed on hospitals for the cost of physicians' liability insurance; freezes any immediate adjustment in malpractice insurance rates; assures accessibility to health care services for all; and provides for the establishment of a Commission on Liability Insurance.

Support provisions for adequate payment of alternate care patients, regulatory protections of possible inappropriate discharges, and increased availability of home care services.

Support an increase of at least $5.00 for clinic rates, elimination of the cap on outpatient services, and increases for emergency room rates.

Victims and Offenders—Continue to pursue legislative initiatives to reduce prison overcrowding, with concern for both victims and offenders, proposing criminal justice reform that makes common sense for both. This would entail increased use of community-based alternatives to incarceration for young offenders and persons who pose no danger to society, so as to reduce recidivism and promote community reintegration and safety.

Families—Maintain and improve the state's existing housing stock through increased funding for neighborhood and rural preservation companies, removing the cap on funds to individual companies, and developing new rehabilitation initiatives including the SRO Preservation Loan Program, a state-financed public housing modernization program, and a program for moderate rehabilitation of occupied buildings.

Expand middle and low-income housing opportunities for elderly and disabled residents.

The Oppressed—Support efforts to monitor and curb the investment of public retirement funds in firms doing business with the Republic of South Africa. It should be made clear that investments and bank loans to South Africa carry grave moral burdens and have critical impact on issues of human rights.

The concerns outlined above do not exhaust the full legislative program of the New York State Catholic Conference. A "General Legislative Agenda," specifying all of the proposals which the Conference will actively pursue in the 1986 Session, is available from the Conference office.)

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## MESSAGES FROM THE HOUSE

At 10:12 a.m., a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the House agrees to

the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2453) to amend the Older Americans Act of 1965 to increase the amounts authorized to be appropriated for fiscal years 1985, 1986, and 1987 for commodity distribution, and for other purposes.

The message also announced that the Speaker appoints Mr. CONTE as an additional conferee in the further conference on the disagreeing votes of the two Houses on the amendment of the Senate to the amendment of the House to the amendment of the Senate to the joint resolution (H.J. Res. 534) entitled making an urgent supplemental appropriation for the Department of Agriculture for the fiscal year ending September 30, 1986, and for other purposes.

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At 3:48 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 4151. An act to provide enhanced diplomatic security and combat international terrorism, and for other purposes.

At 5:13 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Seante:

H.R. 4399. An act to designate the Federal building located in Jamaica, Queens, New York, as the "Joseph P. Addabbo Federal Building".

## MEASURES REFERRED

The following bill was read the first and second times by unanimous consent, and referred as indicated:

H.R. 4151. An act to provide enhanced diplomatic security and combat international terrorism, and for other purposes; to the Committee on Foreign Relations.

## EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-2733. A communication from the Secretary of the Army, transmitting, pursuant to law, a report stating that the unit cost threshold has been breached on the Remotely Piloted Program; to the Committee on Armed Services.

EC-2734. A communication from the Secretary of the Army, transmitting, pursuant to law, a report stating that the unit cost threshold has been breached on the Army Helicopter Improvement Program; to the Committee on Armed Services.

EC-2735. A communication from the Deputy Assistant Secretary of Defense (Administration), transmitting, pursuant to law, the annual report on Extraordinary Contractural Actions to Facilitate the National Defense for calendar year 1986; to the Committee on Armed Services.

EC-2736. A communication from the Secretary of the Air Force, transmitting, pursuant to law, a report stating that the unit cost threshold has been exceeded on the Space Defense and Operations and T-46A programs; to the Committee on Armed Services.

EC-2737. A communication from the Secretary of Transportation, transmitting a draft of proposed legislation to authorize appropriations for the Coast Guard for fiscal year 1987, and for other purposes; to the Committee on Commerce, Science, and Transportation.

EC-2738. A communication from the Chairman and Chief Executive Officer of the Consolidated Rail Corporation, transmitting, pursuant to law, the annual report of CONRAIL for calendar year 1985; to the Committee on Commerce, Science, and Transportation.

EC-2739. A communication from the Secretary of Transportation, transmitting, pursuant to law, a report on the Department of Transportation's efforts to implement the Commercial Space Launch Act of 1984; to the Committee on Commerce, Science, and Transportation.

EC-2740. A communication from the Secretary of Transportation, transmitting, pursuant to law, a report stating that there were not Federal Railroad Administration contractors or subcontractors indemnified during 1985; to the Committee on Commerce, Science, and Transportation.

EC-2741. A communication from the Chairman of the Board of the United States Synthetic Fuels Corporation, transmitting, pursuant to law, the annual report of the Corporation for 1985; to the Committee on Energy and Natural Resources.

EC-2742. A communication from the Acting Executive Director of the United States Holocaust Memorial Council, transmitting a draft of proposed legislation to authorize appropriations to carry out the programs of the United States Holocaust Memorial Council; to the Committee on Energy and Natural Resources.

EC-2743. A communication from the Deputy Associate Director for Royalty Management, Minerals Management Service, Department of the Interior, transmitting, pursuant to law, a report on the refund of certain excess offshore lease revenues; to the Committee on Energy and Natural Resources.

EC-2744. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Benefit Overpayments-Recoveries Could Be Increased in the Food Stamp and AFDC Programs"; to the Committee on Finance.

EC-2745. A communication from the Director of the United States Information Agency, transmitting, pursuant to law, the annual report on competition advocacy for fiscal year 1985; to the Committee on Governmental Affairs.

EC-2746. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Justice Department-Improved Management Process Would Enhance Justice's Administration"; to the Committee on the Judiciary.

EC-2747. A communication from the Acting Administrator of the Panama Canal Commission, transmitting, pursuant to law, the annual report of the Commission under the Freedom of Information Act for calendar year 1985; to the Committee on the Judiciary.

EC-2748. A communication from the Director of the Office of Governmental and Public Affairs, Department of Agriculture, transmitting, pursuant to law, the annual report of the Department under the Freedom of Information Act for calendar year 1985; to the Committee on the Judiciary.

EC-2749. A communication from the Attorney General of the United States, transmitting, pursuant to law, the report of the National Drug Enforcement Policy Board entitled "Federal Drug Enforcement Progress Report 1984-1985"; to the Committee on the Judiciary.

EC-2750. A communication from the Chairman of the Federal Home Loan Bank Board, transmitting, pursuant to law, the annual report of the Board under the Freedom of Information Act for calendar year 1985; to the Committee on the Judiciary.

## EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. HATCH, from the Committee on Labor and Human Resources:

Lois Burke Shepard, of Maryland, to be Director of the Institute of Museum Services;

Francis M. Norris, of Virginia, to be Assistant Secretary for Legislation and Public Affairs, Department of Education;

John R. Wall, of Ohio, to be a member of the Occupational Safety and Health Commission for the term expiring April 27, 1987;

Truman McGill Hobbs, of Alabama, to be a member of the Board of Trustees of the Harry S. Truman Scholarship Foundation for a term expiring December 10, 1991;

Donald Barr, of Connecticut, to be a member of the National Council on Educational Research for a term expiring September 30, 1988;

James Harvey Harrison, Jr., of Virginia, to be a member of the National Council on Educational Research for a term expiring September 30, 1988;

Robert H. Matson, of Oregon, to be a member of the National Council on Educational Research for a term expiring September 30, 1988;

Joan M. Gubbins, of Indiana, to be a member of the National Council on Educational Research for a term expiring September 30, 1988;

Robert Lee McElrath, of Tennessee, to be a member of the National Council on Educational Research for a term expiring September 30, 1987;

David Alan Heslop, of California, to be a member of the National Council on Educational Research for a term expiring September 30, 1986;

Marilyn Logsdon Mennello, of Florida, to be a member of the National Museum Services Board for a term expiring December 6, 1989;

James H. Duff, of Pennsylvania, to be a member of the National Museum Services Board for the remainder of the term expiring December 6, 1986;

David B. Grey, of Maryland, to be Director of the National Institute of Handicapped Research; and

C. Ronald Kimberling, of Virginia, to be Assistant Secretary for Postsecondary Education, Department of Education.

(The above nominations were reported from the Committee on Labor and Human Resources with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

## INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. DANFORTH (for himself and Mr. CHAFEE):

S. 2207. A bill to modify the limitations under the Internal Revenue Code of 1954 on net operations loss and excess credit carryovers, and for other purposes; to the Committee on Finance.

By Mr. KENNEDY (for himself and Mr. KASTEN):

S. 2208. A bill to establish the African Famine, Recovery and Development Fund for the relief, recovery, and long-term development of sub-Saharan Africa, and for other purposes; to the Committee on Foreign Relations.

By Mr. DOLE (for himself, Mr. DOMENICI, Mr. PRYOR, Mr. SIMON, Mr. STAFFORD, Mr. HATCH, Mr. DURENBERGER, Mr. BRADLEY, Mr. BENTSEN, Mr. HEINZ, and Mr. WEICKER):

S. 2209. A bill to make permanent and improve the provisions of section 1619 of the Social Security Act, which authorizes the continued payment of SSI benefits to individuals who work despite severe medical impairment; to amend such act to require concurrent notification of eligibility for SSI and Medicaid benefits and notification to certain disabled SSI recipients of their potential eligibility for benefits under such section 1619; to provide for a GAO study of the effects of such section's work incentive provisions, and for other purposes; to the Committee on Finance.

By Mr. COCHRAN (for himself, Mr. BURDICK, Mr. DOLE, Mr. KERRY, Mr. NUNN, Mr. SIMON, Mr. STENNIS, Mr. LUGAR, Mr. ZORINSKY, and Mr. CRANSTON):

S.J. Res. 299. A joint resolution to designate the week of December 7, 1986, through December 13, 1986, as "National Alopecia Areata Awareness Week"; to the Committee on the Judiciary.

## SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. McCONNELL:

S. Res. 369. A resolution relating to trade between the United States and the Republic of Korea; to the Committee on Finance.

## STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. DANFORTH (for himself and Mr. CHAFEE):

S. 2207. A bill to modify the limitations under the Internal Revenue Code of 1954 on net operating loss and excess credit carryovers, and for other purposes; to the Committee on Finance.

TAX CARRYOVER LIMITATION ACT

● Mr. DANFORTH. Mr. President, Senator CHAFEE and I are pleased to be introducing legislation to address a problem in the Internal Revenue Code that Congress has grappled with since 1976. Specifically, I am referring to Code sections 382 and 383 which limit the use of a corporation's net operating loss and other carryovers following a substantial change in the stock ownership of the corporation.

The need to revise section 382 to curb abuses and eliminate discontinuities and uncertainties under current law has been apparent for many years. It is the solution that has eluded us. In the last few years, however, a growing consensus has emerged on an approach to the carryover of net operating losses. This approach first surfaced in a 1982 study by the American Law Institute entitled "Federal Income Tax Project: Subchapter C." Subsequently, a task force composed of tax practitioners, academicians, and professional staff from the Joint Committee on Taxation and the Department of the Treasury joined together with the staff of the Senate Finance Committee to prepare a report on proposals to revise the taxation of corporations and shareholders. Last year, the staff of the Senate Finance Committee released its final report on subchapter C, including specific suggestions for the revision of sections 382 and 383 based on substantial refinements and modifications to the American Law Institute's 1982 study.

The bill I am introducing draws heavily from the Senate Finance Committee's subchapter C report for new principles and guidelines to govern the carry over of net operating losses. I note that the tax reform bill recently passed by the House of Representatives also adopts the general principles proposed in the subchapter C report for dealing with such operating losses. In addition, the tax reform proposals just released by Senator PACKWOOD include revisions to sections 382 and 383 that are substantially the same as those embodied in my bill.

Mr. President, before turning to a discussion of the provisions in my bill, I would like to publicly thank all of the people—both in Government and from the private sector—who contributed so much time and effort to the Senate Finance Committee's subchapter C report. A complete list of these people can be found in Senator CHAFEE's opening remarks at the September 30, 1985, hearing on the subchapter C report held by the Subcommittee on Taxation and Debt Management of the Committee on Finance. In recent months, many of these people contributed to the development of my bill and deserve particular recognition. These people are George Yin and Lindy Paull from the Finance Committee; LaBrenda Stodghill, Laurie Mathews, and Paul Jacokes from the Joint Committee on Taxation; Jim Fransen and Mark Mathiesen from the office of Legislative Counsel; and Rick D'Avino from the Department of the Treasury.

Normally, when describing proposed legislation, I would start with a description of current law. Unfortunately, it is extremely difficult to identify current law under the circumstances presently surrounding sections 382 and 383. As part of the Tax Reform Act of 1976, Congress completely rewrote section 382 and 383. Since then, we have postponed, time and again, the effective dates of the 1976 amendments because they suffer from the same basic flaws as pre-1976 sections 382 and 383, as well as a host of additional inadequacies. The latest postponement of the effective dates expired on December 31, 1985. As a result, the 1976 amendments to sections 382 and 383 are technically the law today.

This problem is further compounded by the tax reform bill passed by the House of Representatives in December. As mentioned earlier, that bill contains new rules governing the carryover of corporate tax attributes following certain changes in stock ownership. These rules are embodied in amendments to sections 382 and 383, and are effective to changes in corporate ownership that occurred on or after January 1, 1986.

Mr. President, the situation I have just described is an excellent example of the type of confusion created by the effective dates in the House tax reform bill. In planning for a transaction, should a taxpayer rely on the 1976 amendments which are technically the law, but which almost everyone agrees should never take effect? If not, should the taxpayer rely on the provisions of the House bill which represent a sound policy improvement over the 1976 amendments and pre-1976 law, but which have not yet been acted upon by the Senate? Or perhaps the taxpayer should rely on pre-1986 law which, in fact, has been the law through December 31, 1985, notwithstanding the 1976 amendments? In my opinion, we can surely provide taxpayers with a modicum of certainly better than this.

For purposes of my statement, I will refer to pre-1976 law as current law. Under current law, a corporation that incurs a net operating loss in 1 year generally is permitted to use the loss of offset income earned in the 3 taxable years prior to and the 15 years after the year in which the loss is incurred. The underlying policy for this treatment is to ameliorate the otherwise harsh consequences of a strict annual accounting system. In 1954,

section 382 was added to the Internal Revenue Code to curb trafficking in corporations with unused net operating losses following certain changes in the ownership of the corporation. One set of rules applies in cases of ownership changes by taxable stock purchase or redemption, and the other set of rules applies to acquisitions by tax-free reorganization.

The purchase rule provides that no carryover of net operating losses is permitted if: First, the 10 largest shareholders of a loss corporation own a percentage of stock in the corporation which is at least 50 percentage points more than they owned at any time within the two preceding taxable years, and second, the loss corporation does not continue to carry on substantially the same trade or business after the change in stock ownership. Absent either of these conditions, the net operating loss carryovers of a corporation are unaffected by a change in ownership resulting from a purchase or redemption of stock. In contrast, the reorganization rule limits the carryover of net operating losses following certain tax-free reorganizations if the stock in the acquiring corporation that is received by shareholders of the loss corporation represents less than 20 percent of the stock of the surviving corporation. In such a case, the net operating loss carryovers of the loss corporation are reduced by 5 percent for each percentage point below 20 percent of the stock of the surviving corporation received by loss corporation shareholders.

In addition to these specific rules, net operating loss and other carryovers can be subject to limitations following changes in stock ownership under a variety of additional rules. First, section 269 authorizes the Secretary of the Treasury to disallow carryovers if the principal purpose of an acquisition of a corporation is tax avoidance by securing the benefit of the losses or excess credits. Limitations may also be imposed under the so-called *"Libson Shops"* doctrine, based on a 1957 Supreme Court decision [(*Libson Shops, Inc.* v. *Kehler*, 353 U.S. 382 1957)] which held that, under pre-1954 law, net operating losses would not survive a statutory merger unless the losses were offset against income earned after the merger that was attributable to the same business that produced the loss. Subsequent court decisions are divided over the continuing validity of the Libson Shops case in light of the statutory changes made in 1954. Finally, the consolidated return regulations restrict the use of net operating loss and other carryovers where a loss corporation is acquired by a consolidated group of corporations—the separate return limitation year rules—and where there is a change in the ownership of a consolidated group of corporations that has net operating loss carryovers, the consolidated return change of ownership rules.

Critics of the current rules have argued that the law encourages trafficking in net operating loss and other carryovers. In addition, current law places a substantial premium on tax planning, discriminates between different types of acquisitions without fundamental policy reasons for such discriminations, distorts investments decisions, and creates undue bias between diversified and nondiversified entities and between old and new businesses. Finally, current law fails to provide certainty in determining the extent to which tax attributes, such as net operating loss carryovers, will survive an acquisition which are unlikely to be a reflection of actual experience for a specific corporation. On the other hand, the approach provides reasonable limitations for the utilization of carryovers following ownership changes, creates an increased level of certainty for transactions covered by its provisions, and should substantially cut down on the trafficking in loss corporations.

A number of additional provisions in my bill insure the smooth application of the new rules. The bill includes a rule designed to prevent the value of the loss corporation from being inflated in anticipation of an ownership change. In particular, any capital contribution made at any time as part of a plan the principal purpose of which is to avoid the limitations would not be taken into account in determining the value of the loss corporation. In implementing this rule, the bill provides that any capital contribution made during the 2-year period ending on the date of the ownership change would be treated as such a plan. Regulations would ameliorate this 2-year rule in appropriate circumstances such as capital contributions made upon formation of the corporation.

Other provisions of the bill include special rules governing first, loss corporations which are investment companies; second, increases or decreases in investment companies; third, the limitation on utilization of carryovers for built-in gains and losses; fourth, bankruptcy proceedings; and fifth, the repeal of the Libson Shops doctrine. I do not feel it is necessary to examine all of the provisions of the bill in detail. Rather, I wish to make a few remarks on several specific provisions.

First, my bill does not include built-in depreciation deductions as built-in losses for purposes of calculating the limitations on use of carryovers. The reason for this is quite simple—use of depreciation deductions is already spread over a period of years under the provisions of the tax laws governing depreciation deductions.

Second, my bill contains a special rule exempting certain reorganizations of failing thrifts and savings and loans from the new limits on the use of carryovers. This exemption applies only to reorganizations described in section 368(a)(3)(D)(ii), and only if the reorganization is completed before January 1, 1991. I have included this provision because a similar exception applies under current law. I am not entirely convinced that this exception is warranted, but I do believe we should address the issue specifically in the Senate Finance Committee. At the present time, the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation rely heavily on the existing exception in making failing thrifts attractive investments to prospective purchasers. It is not a great secret that the FSLIC is experiencing severe financial problems. Before exacerbating its problems with a change in the tax laws, we should at a minimum have a lively debate on this issue. Finally, if it is determined to retain this type of exception, we should also examine whether a similar rule should apply to reorganizations of financially troubled banks insured by the Federal Deposit Insurance Corporation.

Third, unlike the provisions of the House tax reform bill, my bill would eliminate the continuity of business requirement as a prerequisite to the carry over of net operating losses following a change in ownership.

Fourth, my bill resolves specifically the confusion over what laws are currently applicable to net operating loss carryovers by providing an effective date of January 1, 1987. At the same time, the 1976 amendments would be repealed. The result is that pre-1976 amendments would be applicable through December 31, 1986, and thereafter the provisions of my bill would apply. I do note that we may wish to consider a transition rule permitting taxpayers to elect to have the 1976 amendments apply to transactions occurring in 1986 prior to the date of enactment of my bill.

In conclusion, I believe my bill represents a significant improvement over current law, over the 1976 amendments, and over the applicable provisions of the House tax reform bill. I am hopeful that we will enact my bill quickly and finally put to rest the question of the treatment of net operating loss carryovers following substantial changes in the ownership of a corporation.

Mr. President, I ask unanimous consent that the entire text of my bill be included in the RECORD immediately following my remarks.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 2207

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE; AMENDMENT OF 1954 CODE.

(a) SHORT TITLE.—This Act may be cited as the "Tax Carryover Limitation Act of 1986".

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

SEC. 2. LIMITATIONS ON TAX CARRYOVERS.

(a) IN GENERAL.—Section 382 (relating to special limitations on net operating loss carryovers) is amended to read as follows:

"SEC. 382. LIMITATION ON NET OPERATING LOSS CARRYOVERS AND CERTAIN BUILT-IN LOSSES FOLLOWING CHANGE IN CONTROL.

"(a) GENERAL RULE.—The amount of the taxable income of any new loss corporation for any post-change year which may be offset by pre-change losses shall not exceed the section 382 limitation for such year.

"(b) SECTION 382 LIMITATION.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this section, the section 382 limitation for any post-change year is an amount equal to—

"(A) the value of the old loss corporation immediately before the ownership change, multiplied by

"(B) the Federal mid-term rate in effect under section 1274(d) on the change date.

"(2) CARRYOVER OF UNUSED LIMITATION.—If the section 382 limitation for any post-change year exceeds the taxable income of the new loss corporation for such year which was offset by pre-change losses, the section 382 limitation for the next post-change year shall be increased by the amount of such excess.

"(3) SPECIAL RULE FOR POST-CHANGE YEAR WHICH INCLUDES CHANGE DATE.—In the case of any post-change year which includes the change date—

"(A) LIMITATION DOES NOT APPLY TO TAXABLE INCOME BEFORE CHANGE.—Subsection (a) shall not apply to the portion of the taxable income for such year which is allocable to the period in such year before the change date. Except as provided in regulations, taxable income shall be allocated to such period on a daily pro rata basis.

"(B) LIMITATION FOR PERIOD AFTER CHANGE.—For purposes of applying the limitation of subsection (a) to the remainder of the taxable income for such year, the section 382 limitation shall be an amount which bears the same ratio to such limitation (determined without regard to this paragraph) as—

"(i) the number of days in such year on or after the change date, bears to

"(ii) 365.

"(4) SPECIAL RULE FOR SHORT TAXABLE YEAR.—In the case of any post-change year which is less than 365 days, the section 382 limitation shall be an amount which bears the same ratio to such limitation (determined without regard to this paragraph) as—

"(A) the number of days in such post-change year, bears to

"(B) 365.

"(c) PRE-CHANGE LOSS AND POST-CHANGE YEAR.—For purposes of this section—

"(1) PRE-CHANGE LOSS.—The term 'pre-change loss' means—

"(A) any net operating loss carryover to the taxable year ending with the ownership change or in which the change date occurs, and

"(B) the net operating loss of the old loss corporation for the taxable year ending with the ownership change or the net operating loss of the old loss corporation for the taxable year in which the ownership change occurs which is allocable to the period in such year before the change date.

Except as provided in regulations, the net operating loss shall, for purposes of subparagraph (B), be allocated to the period on a daily pro rata basis.

"(2) POST-CHANGE YEAR.—The term 'post-change year' means any taxable year ending after the change date.

"(d) VALUE OF OLD LOSS CORPORATION.—For purposes of this section, the value of the old loss corporation is the value of the stock of such corporation (including any stock described in section 1504(a)(4)).

"(e) OWNERSHIP CHANGE.—For purposes of this section—

"(1) IN GENERAL.—There is an ownership change if there is—

"(A) a more than 50-percent owner shift, or

"(B) a more than 50-percent equity structure change.

"(2) MORE THAN 50-PERCENT OWNER SHIFT.—There is a more than 50-percent owner shift if, immediately after any owner shift, the percentage of the stock (by value) of the new loss corporation held by all 5-percent shareholders is more than 50 percentage points more or less than the percentage of stock (by value) of the old loss corporation (or any predecessor corporation) held by such shareholders at any time during the testing period.

"(3) MORE THAN 50-PERCENT EQUITY STRUCTURE CHANGE.—There is a more than 50-percent equity structure change if, as a result of an equity structure change—

"(A) the percentage of stock (by value) of the new loss corporation held by shareholders of the old loss corporation is more than 50 percentage points less than

"(B) the percentage of stock (by value) of the old loss corporation (or any predecessor corporation) held by such shareholders at any time during the testing period.

"(4) OWNER SHIFT DEFINED.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'owner shift' means any change in the respective holdings in the stock of a corporation.

"(B) EXCLUSION OF MORE THAN 50-PERCENT EQUITY STRUCTURE CHANGE.—Any more than 50-percent equity structure change shall not be treated as an owner shift.

"(5) EQUITY STRUCTURE CHANGE DEFINED.—The term 'equity structure change' means any reorganization (within the meaning of section 368). Such term shall not include any reorganization described in subparagraph (D) or (G) of section 368(a)(1) unless the requirements of section 354(b)(1) are met.

"(f) SPECIAL RULES FOR BUILT-IN GAINS AND LOSSES.—For purposes of this section—

"(1) IN GENERAL.—

"(A) NET UNREALIZED BUILT-IN GAIN.—

"(i) IN GENERAL.—If the old loss corporation has a net unrealized built-in gain, the section 382 limitation for any taxable year ending in the recognition period shall be increased by the recognized built-in gains for such taxable year.

"(ii) LIMITATION.—The increase under clause (i) for any taxable year ending in the recognition period shall not exceed—

"(I) the net unrealized built-in gain, reduced by

"(II) recognized built-in gains for prior years ending in the recognition period.

"(B) NET UNREALIZED BUILT-IN LOSS.—

"(i) IN GENERAL.—If the old loss corporation has a net unrealized built-in loss, the recognized built-in loss for any taxable year ending in the recognition period shall be subject to limitation under this section in the same manner as if such loss were a pre-change loss.

"(ii) LIMITATION.—Clause (i) shall apply to recognized built-in losses for any taxable year ending in the recognition period only to the extent such losses do not exceed—

"(I) the net unrealized built-in loss, reduced by

"(II) recognized built-in losses for prior taxable years ending in the recognition period.

"(2) RECOGNIZED BUILT-IN GAIN AND LOSS.—

"(A) RECOGNIZED BUILT-IN GAIN.—The term 'recognized built-in gain' means any gain recognized during the recognition period on the disposition of any asset to the extent the new loss corporation establishes that—

"(i) such asset was held by the old loss corporation immediately before the change date, and

"(ii) such gain is allocable to any period before the change date.

"(B) RECOGNIZED BUILT-IN LOSS.—The term 'recognized built-in loss' means any loss recognized during the recognition period on the disposition of any asset except to the extent the new loss corporation establishes that—

"(i) such asset was not held by the old loss corporation immediately before the change date, or

"(ii) such loss (or a portion of such loss) is allocable to any period after the change date.

"(3) NET UNREALIZED BUILT-IN GAIN AND LOSS DEFINED.—

"(A) NET UNREALIZED BUILT-IN GAIN AND LOSS.—

"(i) IN GENERAL.—The terms 'net unrealized built-in gain' and 'net unrealized built-in loss' mean, with respect to any old loss corporation, the amount by which—

"(I) the fair market value of the assets of such corporation immediately before an ownership change is more or less, respectively, than

"(II) the aggregate adjusted basis of such assets at such time.

"(ii) CASH AND CASH ITEMS NOT TAKEN INTO ACCOUNT.—In computing any net unrealized built-in gain or net unrealized built-in loss under clause (i), there shall not be taken into account—

"(I) any cash or cash item, or

"(II) any marketable security which has not declined or appreciated substantially in value (as determined under regulations).

"(B) THRESHOLD REQUIREMENT.—If the amount of the net unrealized built-in gain or net unrealized built-in loss of any old loss corporation (determined without regard to this subparagraph) is not greater than 25 percent of the amount determined under subclause (I) of subparagraph (A)(i) (determined with regard to subparagraph (A)(ii)), the net unrealized built-in gain or net unrealized built-in loss shall be zero.

"(4) SECRETARY MAY TREAT CERTAIN DEDUCTIONS AS BUILT-IN LOSSES.—The Secretary may by regulation treat amounts which accrue before the change date but which are

allowable as a deduction on or after such date as recognized built-in losses.

"(5) RECOGNITION PERIOD.—The term 'recognition period' means, with respect to any ownership change, the period beginning on the change date and ending at the close of the fifth post-change year.

"(g) 5-PERCENT SHAREHOLDERS.—For purposes of this section, the term '5-percent shareholder' means any person holding 5 percent or more in value of the stock of the corporation at any time during the testing period.

"(h) TESTING PERIOD.—For purposes of this section—

"(1) 3-YEAR PERIOD.—Except as otherwise provided in this section, the testing period is the 3-year period ending on the day of any owner shift or equity structure change.

"(2) SHORTER PERIOD WHERE THERE HAS BEEN RECENT OWNERSHIP CHANGE.—If there has been an ownership change under this section affecting any carryover of a loss or of an excess credit, the testing period for determining whether a second ownership change has occurred shall not begin before the 1st day following the testing period for such earlier ownership change.

"(3) SHORTER PERIOD WHERE ALL LOSSES ARISE AFTER 3-YEAR PERIOD BEGINS.—The testing period shall not begin before the 1st day of the 1st taxable year from which there is a carryover of a loss or of an excess credit to the 1st post-change year.

"(i) CHANGE DATE.—For purposes of this section, the change date is—

"(1) in the case of a more than 50 percent owner shift, the date on which such shift occurs, and

"(2) in the case of a more than 50 percent equity structure change, the date of the reorganization.

"(j) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) LOSS CORPORATION.—The term 'loss corporation' means a corporation entitled to use a net operating loss carryover. Except to the extent provided in regulations, such term includes any corporation with a net unrealized built-in loss.

"(2) OLD LOSS CORPORATION.—The term 'old loss corporation' means any corporation—

"(A) which (before the ownership change) was a loss corporation, or

"(B) with respect to which there is a pre-change loss described in subsection (c)(1)(B).

"(3) NEW LOSS CORPORATION.—The term 'new loss corporation' means a corporation which (after an ownership change) is a loss corporation. Nothing in this section shall be treated as implying that the same corporation may not be both the old loss corporation and the new loss corporation.

"(4) TAXABLE INCOME.—Taxable income shall be computed with the modifications set forth in section 172(d).

"(5) VALUE.—The term 'value' means fair market value.

"(6) RULES RELATING TO STOCK.—

"(A) PREFERRED STOCK.—Except for purposes of subsection (d), the term 'stock' means stock other than stock described in section 1504(a)(4).

"(B) TREATMENT OF CERTAIN RIGHTS, ETC.—The Secretary shall prescribe such regulations as may be necessary—

"(i) to treat warrants, the conversion feature of convertible debt interests, and other similar interests as stock,

"(ii) to treat stock as not stock, and

"(iii) to treat options to acquire or sell stock as having been exercised.

"(C) DETERMINATIONS ON BASIS OF VALUE.—Determinations of the percentage of stock of any corporation held by any person shall be made on the basis of value.

"(k) CERTAIN ADDITIONAL OPERATING RULES.—For purposes of this section—

"(1) CERTAIN CAPITAL CONTRIBUTIONS NOT TAKEN INTO ACCOUNT.—

"(A) IN GENERAL.—Any capital contribution received by any old loss corporation as part of a plan the principal purpose of which is to avoid any limitation under this section shall not be taken into account for purposes of this section.

"(B) CERTAIN CONTRIBUTIONS PRESUMED TO BE PART OF PLAN.—For purposes of subparagraph (A), any capital contribution made during the 2-year period ending on the change date shall, except as provided in regulations, be treated as part of a plan described in subparagraph (A).

"(2) ORDERING RULES FOR APPLICATION OF SECTION.—

"(A) COORDINATION WITH SECTION 172(B) CARRYOVER RULES.—In the case of any pre-change loss for any taxable year (hereinafter in this subparagraph referred to as the 'loss year') subject to limitation under this section, for purposes of determining under the second sentence of section 172(b)(2) the amount of such loss which may be carried to any taxable year, taxable income for any taxable year shall be treated as not greater than—

"(i) the section 382 limitation for such taxable year, reduced by

"(ii) the pre-change losses for taxable years preceding the loss year.

Similar rules shall apply in the case of any credit or loss subject to limitation under section 383.

"(B) ORDERING RULE FOR LOSSES CARRIED FROM SAME TAXABLE YEAR.—In any case in which—

"(i) a pre-change loss of a loss corporation for any taxable year is subject to a section 382 limitation, and

"(ii) a net operating loss of such corporation from such taxable year is not subject to such limitation,

taxable income shall be treated as having been offset first by the loss subject to such limitation.

"(3) OPERATING RULES RELATING TO OWNERSHIP OF STOCK.—

"(A) CONSTRUCTIVE OWNERSHIP.—Section 318 (relating to constructive ownership of stock) shall apply in determining ownership of stock, except that—

"(i) paragraph (2)(C) of section 318(a) shall be applied by substituting '5 percent' for '50 percent',

"(ii) paragraph (3)(C) of section 318(a) shall be applied—

"(I) by substituting '5 percent' for '50 percent', and

"(II) by considering a corporation as owning the stock (other than stock in such corporation) owned by or for any shareholder of such corporation in that proportion which the value of the stock which such shareholder owns in such corporation bears to the value of all stock in such corporation, and

"(iii) except to the extent provided in regulations, paragraph (4) of section 318(a) shall not apply.

"(B) STOCK ACQUIRED BY REASON OF DEATH, GIFT, DIVORCE, OR SEPARATION.—If—

"(i) the basis of any stock in the hands of any person is determined under section 1014 (relating to property acquired from a decedent) or section 1015 (relating to property acquired by gift or transfers in trust),

"(ii) stock is received by any person in satisfaction of a right to receive a pecuniary bequest, or

"(iii) stock is acquired pursuant to any divorce or separation instrument (within the meaning of section 71(b)(2)),

the receipt or acquisition of such stock shall not be taken into account in determining whether an ownership change has occurred.

"(C) SPECIAL RULE FOR EMPLOYEE STOCK OWNERSHIP PLANS.—The acquisition of employer securities (within the meaning of section 409(l)) by—

"(i) a tax credit employee stock ownership plan or an employee stock ownership plan (within the meaning of section 4975(e)(7)), or

"(ii) by a participant of any such plan pursuant to the requirements of section 409(h), shall not be taken into account in determining whether an ownership change has occurred.

"(D) CERTAIN CHANGES IN PERCENTAGE OWNERSHIP WHICH ARE ATTRIBUTABLE TO FLUCTUATIONS IN VALUE NOT TAKEN INTO ACCOUNT.—Under regulations, any change in proportionate ownership which is attributable solely to fluctuations in the relative fair market values of different classes of stock shall not be taken into account.

"(4) NO CARRYOVER ALLOWED IN THE CASE OF AN INVESTMENT COMPANY.—

"(A) IN GENERAL.—If, immediately before any ownership change, the old loss corporation is an investment company, the section 382 limitation for any post-change year shall be zero.

"(B) INVESTMENT COMPANY.—For purposes of subparagraph (A), the term 'investment company' means any corporation at least 2/3 of the value of the total assets of which consists of assets held for investment, but such term shall not include a regulated investment company to which part I of subchapter M applies or a real estate investment trust to which part II of subchapter M applies.

"(C) TREATMENT OF SUBSIDIARIES.—For purposes of subparagraph (B), stock and securities held by any parent corporation in any subsidiary corporation shall be disregarded and such parent corporation shall be deemed to own its ratable share of the subsidiary's assets. For purposes of the preceding sentence, a corporation shall be treated as a subsidiary if the parent owns 50 percent or more of the combined voting power of all classes of stock entitled to vote, or 50 percent or more of the total value of shares of all classes of stock outstanding.

"(5) TITLE 11 OR SIMILAR CASE.—

"(A) IN GENERAL.—Subsection (a) shall not apply to any ownership change if—

"(i) the old loss corporation is, immediately before such ownership change, under the jurisdiction of the court in a title 11 or similar case, and

"(ii) the shareholders and creditors of the old loss corporation (determined immediately before such ownership change) own, immediately after such ownership change, stock of the new loss corporation which meets the requirements of section 1504(a)(2) (determined by substituting '50 percent' for '80 percent' each place it appears).

"(B) REDUCTION FOR INTEREST PAYMENTS TO CREDITORS BECOMING SHAREHOLDERS.—In any case to which subparagraph (A) applies, the net operating loss deduction under section 172(a) for any post-change year shall be determined as if no deduction was allowable under this chapter for the interest paid or accrued by the old loss corporation on indebtedness which was converted into stock pursuant to the title 11 or similar case during the period beginning on—

"(i) the first day of the 3rd taxable year preceding the taxable year in which the ownership change occurs, and

"(ii) ending on the change date.

"(C) SECTION 382 LIMITATION ZERO IF ANOTHER CHANGE WITHIN 2 YEARS.—If, during the 2-year period immediately following an ownership change to which this paragraph applies, an ownership change of the new loss corporation occurs, this paragraph shall not apply and the section 382 limitation with respect to the second ownership change for any post-change year ending after the change date of the second ownership change shall be zero.

"(D) ONLY CERTAIN STOCK OF CREDITORS TAKEN INTO ACCOUNT.—For purposes of subparagraph (A)(ii), stock of a creditor which was converted from indebtedness shall be taken into account only if such indebtedness—

"(i) was held by the creditor at least 1 year before the date of the filing of the title 11 or similar case, or

"(ii) arose in the ordinary course of the trade or business of the old loss corporation.

"(E) TITLE 11 OR SIMILAR CASE.—For purposes of this paragraph, the term 'title 11 or similar case' has the meaning given such term by section 368(a)(3)(A).".

(b) AMENDMENT OF SECTION 383.—Section 383 (relating to special limitations on unused investment credits, etc.) is amended to read as follows:

"SEC. 383. SPECIAL LIMITATIONS ON CERTAIN EXCESS CREDITS, ETC.

"(a) IN GENERAL.—In the case of an ownership change of any corporation, the Secretary shall prescribe regulations which apply the limitations of section 382 with respect to net operating loss carryovers to—

"(1) any unused credit of such corporation under section 30(g)(2) or 39,

"(2) any excess foreign taxes of such corporation under section 904(c), and

"(3) any net capital loss of such corporation under section 1212.

"(b) OWNERSHIP CHANGE.—For purposes of subsection (a), the term 'ownership change' has the meaning given such term by section 382(e), except that the determination of whether a change is an ownership change shall be made without regard to whether a corporation is a loss corporation (within the meaning of section 382(j)(1)) immediately before the change.".

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (5) of section 318(b) is amended by striking out "section 382(a)(3)" and inserting in lieu thereof "section 382(l)(3)".

(2) The table of sections for part V of subchapter C of chapter 1 is amended—

(A) by striking out the item relating to section 382 and inserting in lieu thereof the following new item:

"Sec. 382. Limitation on net operating loss carryovers and certain built-in losses following change in control.",

and

(B) by striking out the item relating to section 383 and inserting in lieu thereof the following new item:

"Sec. 383. Special limitations on certain excess credits, etc.".

(d) REPEAL OF CHANGES MADE BY TAX REFORM ACT OF 1976.—

(1) Subsections (e) and (f) of section 806 of the Tax Reform Act of 1976 are hereby repealed.

(2) Subsection (g) of such section 806 is amended by striking out paragraphs (2) and (3).

(3) The repeals made by paragraph (1) and the amendment made by paragraph (2) shall not affect the amendment to section 383 of the Internal Revenue Code of 1954 made by subsection (f) of such section 806.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a), (b), and (c), shall apply to any ownership change (as defined in section 382(e) of the Internal Revenue Code of 1954, as added by this section) occurring after December 31, 1986.

(2) FOR AMENDMENTS TO TAX REFORM ACT OF 1976.—The repeals made by subsection (d)(1) and the amendment made by subsection (d)(2) shall take effect on January 1, 1986.

(3) SPECIAL RULE FOR CERTAIN REORGANIZATIONS OF FINANCIAL INSTITUTIONS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this section shall not apply to any reorganization described in section 368(a)(3)(D)(ii) of the Internal Revenue Code of 1954 which is completed after December 31, 1986, and before January 1, 1991.

(B) SUBSEQUENT REORGANIZATION.—If, at any time following a reorganization described in subparagraph (A), a subsequent ownership change occurs—

(i) subparagraph (A) shall not apply to any post-change year ending after the change date of such subsequent change, and

(ii) the section 382 limitation with respect to pre-change losses allocable to periods before the reorganization described in subparagraph (A) shall be zero.

(C) DEFINITIONS.—For purposes of this paragraph, any term used in section 382 of such Code, as amended by this section, shall have the same meaning when used in this paragraph.●

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By Mr. KENNEDY (for himself and Mr. KASTEN):

S. 2208. A bill to establish the Africa Famine, Recovery, and Development Fund for the relief, recovery, and long-term development of sub-Saharan Africa, and for other purposes; to the Committee on Foreign Relations.

AFRICA FAMINE, RECOVERY, AND DEVELOPMENT FUND ACT

Mr. KENNEDY. Mr. President, I am delighted to join Senator KASTEN in introducing today a bill similar to legislation we introduced last year to establish within the Foreign Assistance Act a permanent long-term fund for African famine recovery and development. It is patterned along the lines of legislation I offered in 1974, with the late Senator Hubert Humphrey, when we created the Sahel drought fund. That fund has, and continues to do much to assist those West African countries.

But drought and famine conditions have now spread to much of sub-Saharan Africa, and we need to broaden and strengthen the authorities in our law to assist them in a more effective and sustained fashion.

Following our legislative effort last year, Senator KASTEN and I have worked closely with the voluntary agencies, with their umbrella coalition at InterAction, and with many other experts in the field. The hope was to learn from the past and to strengthen the existing authorities in the Foreign Assistance Act, while also broadening them to include new initiatives dealing with famine recovery and development in Africa.

I believe all Americans can be proud of what our country has done over the past year and a half to help the starving peoples of Africa. U.S. aid—contributions from the church agencies, and private donations—have saved millions of lives. But we cannot afford to relax now. We must keep the pipeline filled with food, and keep the pressure on, so that help gets where it is still needed.

But equally important, we must begin to prepare now for the longer term. The central challenge today is whether the nations now suffering recurrent drought and famine in Africa can ever feed themselves again. Two decades ago, the same question was posed—and answered affirmatively—in Asia. In the 1960's the United States acted to avert repeated famine in India, but today India feeds itself, thanks to international assistance and agricultural reforms.

That is the purpose of the bill we are offering today. As in the Sahel a decade ago, this bill will help us move from an emergency relief effort to programs for rehabilitation and recovery, and finally to longer-term agricultural development. As in the Sahel, we need a longer-term authority in our foreign assistance program to launch this longer-term effort to help the African nations recover from drought and famine, to achieve agricultural development and, hopefully, to become self-sufficient in food production.

Our bill simply establishes an African famine recovery and development fund to allow the President to seek appropriations for long-term agricultural recovery and development programs, particularly for support of policy reforms and for agricultural support and research for small farmers. These goals of the fund are specified because all agree today that they are central to Africa's effort to achieve self-sufficiency in food.

The key to avoiding future famines, and to minimizing the effect of droughts when they do occur, is to pursue broad agricultural reforms. Ultimately, the African nations themselves must make a commitment to reform. However, they can do so only if they obtain help from other countries. The United States should make clear that it is ready to respond generously to nations that pursue policy reforms, and to reward them with additional assistance when they do.

Unfortunately, many governments in Africa still maintain economic and agricultural policies that favor urban consumers to the detriment of rural farmers. Prices paid to farmers are kept artificially low. Currencies are inflated, and with loans from abroad

urban citizens are able to purchase inexpensive foods and goods from overseas at the expense of their own farmers. Sometimes cash crops have been promoted to support food imports at the expense of domestic crops. It will take political courage for any of these nations to reverse their policies, but we should be prepared to help those that begin the effort.

Second, the fund's authorizing language also emphasizes agricultural research and support for small farmers. There is widespread agreement that the best method to increase food production in Africa is to strengthen rural farmers, who are frequently neglected or ignored in current government programs and agricultural extension services.

Third, the bill emphasizes that the crisis in Africa requires a global initiative, and stresses the important role of international organizations and multilateral institutions, as well as the voluntary and church agencies. It recognizes that international organizations are particularly suited to undertake programs in material and child health, primary health care, refugee self-sufficiency and strengthening of host country social infrastructure, donor coordination, women's roles in African food systems, food strategy planning, replenishment of natural resources, population planning, and research related to increasing African food production. These organizations include the U.N. Development Program, UNICEF, the U.N. High Commissioner for Refugees, World Health Organization, Food and Agriculture Organization, and the International Fund for Agricultural Development. The work of all these organizations in Africa can be supported by this fund.

Fourth, the bill recognizes the importance of achieving better coordination of development efforts in Africa. Again, building on the Sahel experience, it mandates that an international coordinating mechanism be established for Africa and be strongly supported by our Government.

Fifth, the bill recognizes the importance of trade policies and the role of the multilateral lending institutions, such as the World Bank's Special Facility for Africa, in supporting policy reform and agricultural rehabilitation in Africa.

Mr. President, it is impossible today for us to establish an exact dollar level for these programs, even for the coming fiscal year, much less for the years to come. We are still involved in emergency operations in several countries. That is why we have simply authorized "such sums as may be necessary," while at the same time mandating that all existing programs authorized in the development assistance accounts of AID must be implemented within the guidelines contained in the new authorities established in this bill.

Although it is not possible to give a precise figure on needed funding, it is possible to establish what funds will be available next year from these accounts. Approximately $350 million is now available for Africa from existing accounts, including the Sahel fund, and up to another $650 million might come from loan reflows, development and military sales, or ESF funds—for a total of $1 billion for the coming fiscal year. Some have suggested that another $300 million—for a total of $1.3 billion—should be the target we establish for the fund.

While we may not be able to agree now on an exact figure, we know that it will be substantial if we are really to join in an international effort to help Africa feed itself in the decade to come.

Senator KASTEN and I consider this to be a "working bill"—a starting point—an effort to establish a permanent funding authority to support longer-term recovery and development in Africa. Because the lesson of past experience is that a self-sustaining future for nations dealing with drought and famine is possible only through long-term agricultural reform.

In recent years, per capita food production has been rising steadily in Asia and Latin America, but it is sharply down in Africa. Unless this basic trend is reversed, there will be no long-term progress. There is hope for Ethiopia and Sudan and other hardhit nations if the United States and the West are willing to help—not just today, but tomorrow too. That is the goal of the special fund we are establishing by this bill, and I urge the Senate to support it.

Mr. KASTEN. Mr. President, the response of both the American people and their Government to the pleas for help when much of sub-Saharan Africa was subjected to drought last year, was extraordinary and heartening.

The U.S. Government, led by the Agency for International Development, responded promptly and effectively, and deserves much of the credit for alleviating suffering and preventing starvation.

The response of the American people to pleas for financial assistance was met in a typically very generous fashion, and it is a total effort that we all can be very proud of.

Notwithstanding that effort, much remains to be done. Most of the countries of Africa live at the edge of life, their people eking out a bare subsistence on land resources constantly pressured by drought, desertification, and poor agricultural practices.

Most government policies on the continent emphasize the needs of the urban population, destroying incentives necessary for agricultural production and marketing.

The legislation Senator KENNEDY and I are introducing today represents a major effort on our part, to begin a process which hopefully will lead to the enactment of comprehensive legislation addressing the long-term recovery and development needs of sub-Saharan Africa.

Clearly, a special effort is required, and more clearly, we need a redirection in the way assistance programs are carried out on that continent.

Mr. President, I am not going to repeat the presentation already made by the senior Senator from Massachusetts on this legislation, but I would like to highlight a few of the major provisions it contains:

The legislation establishes a fund through which appropriations for development assistance would be provided, thus eliminating some of the more cumbersome aspects of providing aid under the existing functional accounts of the Foreign Assistance Act. This particular provision is very important in order to provide the administration with the flexibility required in Africa;

The legislation emphasizes both the need for agricultural research and support for small farmers, as well as the need for structural economic reforms in such areas as pricing policy, privatization of parastatals, and the development of indigenous capabilities in the areas of appropriate technology and improvement and development of production related infrastructure;

The legislation stresses the need for a global initiative through increased utilization of international organizations, multilateral institutions, as well as voluntary and church agencies. It underscores the need for donor coordination, a very important element if the overall effort is to be successful;

Funding for this initiative is obtained by the transfer of those funds which would have gone to the area through existing programs. Because of the budgetary situation, the legislation does not call for increased funding, but there is a provision which would allow for increased funding if the overall budgetary situation should change. The most important aspects of this legislation are the new authorities and flexibility they provide.

Mr. President, as Senator KENNEDY mentioned, we view this legislation as a working bill—in effect, a first draft which we hope will be the starting point for the appropriate committees to begin with as we search for long-term solutions to help the countries of Africa develop and sustain themselves.

Finally, Mr. President, I would like to express my appreciation to the numerous organizations which helped in the development of this legislation, led by "interaction," the umbrella group formed by private and voluntary organizations.

Senator KENNEDY and I look forward to continuing our work on this legislation with them, as well as international organizations, the administration, the Foreign Relations Committee, and others who are interested in helping to solve the problems of Sub-Saharan Africa.

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By Mr. DOLE (for himself, Mr. DOMENICI, Mr. PRYOR, Mr. SIMON, Mr. STAFFORD, Mr. HATCH, Mr. DURENBERGER, Mr. BRADLEY, Mr. BENTSEN, Mr. HEINZ, and Mr. WEICKER):

S. 2209. A bill to make permanent and improve the provisions of section 1619 of the Social Security Act, which authorize the continued payment of SSI benefits to individuals who work despite severe medical impairment; to amend such act to require concurrent notification of eligibility for SSI and Medicaid benefits and notification to certain disabled SSI recipients of their potential eligiblity for benefits under such section 1619; to provide for a GAO study of the effects of such section's work incentive provisions, and for other purposes; to the Committee on Finance.

EMPLOYMENT OPPORTUNITIES FOR DISABLED AMERICANS ACT

Mr. DOLE. Mr. President, today I am introducing, along with my colleagues Senators DOMENICI, PRYOR, SIMON, STAFFORD, HATCH, DURENBERGER, BRADLEY, BENTSEN, HEINZ, and WEICKER the Employment Opportunities for Disabled Americans Act. The primary purpose of this bill is to permanently remove a major work disincentive, and to create a Federal environment which fosters increased employment of disabled persons.

On June 9, 1980, the Social Security Disability Amendments of 1980 were signed into law. These amendments attempted to deal with some longstanding issues of equity and efficiency in the SSDI and SSI Programs. Among the provisions within these amendments were the section 1619 Program: special SSI benefits and continuation of Medicaid for the working disabled. This 3 year demonstration was scheduled to cease at the end of 1983. The Social Security Disability Reform Act of 1984, however, extended section 1619 beyond its original expiration date, once again on a demonstration basis.

Section 1619(a) allows SSI recipients to continue to receive SSI cash payments after they begin engaging in substantial gainful activity [SGA] up to the income disregard "breakeven point." Section 1619(b) permits SSI eligible persons to retain Medicaid coverage eligibility if they continue to need Medicaid services in order to work, and if their income is not sufficient to purchase the needed medical services.

There is a growing recognition that the 1619 program could save money by encouraging persons to work who would otherwise remain on SSI throughout their lives. A recent Congressional Budget Office preliminary estimate of the cost of making 1619 permanent projects a zero-budget impact. This CBO estimate reflects the assumption that many SSI recipients who would otherwise remain on the SSI rolls for life would begin to work under the protection of a permanent 1619.

The financial advantages of enabling as SSI recipient to work are substantial. SSA estimates that a typical SSI recipient at the age of 35 years old would receive at least $200,000 in SSI income payments and health care benefits if not working by the time he became 65 years old.

In addition to making the provisions of section 1619 permanent, this bill also:

Provides for the automatic reinstatement, without delay, of individuals who are deemed eligible for SSI because of their disability if their income or medical coverage fluctuates;

Continues SSI payments to 1619 eligibles who are institutionalized for up to 60 days within a 24-month period;

Provides for the continuation of title XIX benefits to otherwise eligible children who become entitled to child's insurance benefits under section 202(d);

Requires the Social Security Administration to designate a 1619 specialist in each office where feasible;

Requires SSA to notify a disabled individual about section 1619 when the individual first becomes an SSI recipient, and again when the person's earned income exceeds $200 a month;

Requires GAO to conduct a study of the operation of section 1619 to evaluate the program's effectiveness; and

Extends the Social Security Administration's authority to waive a variety of statutory requirements to test the impact on rehabilitation and employment of SSI and SSDI recipients.

Currently there are 406 persons participating in the section 1619(a) program and 6,804 persons in the 1619(b) program. There are, however, over 2.5 million disabled SSI recipients. The provisions outlined above will provide the impetus for even greater numbers of disabled Americans to become participants in the 1619 program and gainful employment.

We are just beginning to scratch the surface regarding the full potential of persons with disabilities. Industry has recognized this untapped resource and is beginning to open wide the doors to employment opportunities for disabled persons. It is up to the Federal Government to support such opportunities—opportunities for a job and all the independence, self-sufficiency, and dignity that goes with being a productive member of the community.

The legislation that I introduce today takes one more step in the long path to economic independence for disabled Americans. I urge my colleagues to join me in cosponsoring the Employment Opportunities for Disabled Americans Act.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 2209

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE.

This Act may be cited as the "Employment Opportunities for Disabled Americans Act".

SEC. 2. PERMANENT AUTHORIZATION OF PROGRAM OF BENEFITS UNDER SECTION 1619.

Section 201(d) of the Social Security Disability Amendments of 1980 (42 U.S.C. 1382h note) is amended by striking out ", but shall remain in effect only through June 30, 1987".

SEC. 3. ELIGIBILITY OF CERTAIN DISABLED INDIVIDUALS FOR BENEFITS DURING INITIAL TWO MONTHS IN PUBLIC INSTITUTION.

Section 1611(e)(1) of the Social Security Act (42 U.S.C. 1382(e)(1)) is amended—

(1) in subparagraph (A) by striking out "and (D)" and inserting in lieu thereof "(D), and (E)(i)"; and

(2) in subparagraph (B) by inserting "(subject to subparagraph (E)(ii))" after "shall be payable"; and

(3) by adding at the end thereof the following new subparagraph:

"(E)(i) Notwithstanding subparagraph (A), any individual who—

"(I) is an inmate of a public institution throughout any month as described in subparagraph (A),

"(II) was eligible under section 1619(a) or (b) for the month preceding such month, and

"(III) has not been an eligible individual or eligible spouse by reason of this subparagraph for any month during the 24-month period ending with (and including) such preceding month,

may be an eligible individual or eligible spouse for purposes of this title (and entitled to a benefit determined on the basis of the rate applicable under subsection (b)) for the month referrd to in subclause (I) and, if such subclause still applies, for the succeeding month.

"(ii) Notwithstanding subparagraph (B), any eligible individual or eligible spouse who—

"(I) is in a hospital, extended care facility, nursing home, or intermediate care facility throughout any month as described in subparagraph (B),

"(II) was eligible under section 1619 (a) or (b) for the month preceding such month, and

"(III) has not had his or her benefit determined on the basis of the rate applicable under subsection (b) while in such a hospital, home, or facility, by reason of this subparagraph, for any month during the 24-month period ending with (and including) such preceding month,

shall have such benefit determined on the basis of the rate applicable under subsection

(b) for the month referred to in subclause (I) and, if such subclause still applies, for the succeeding month.".

SEC. 4. IMPROVEMENTS TO SECTION 1619 PROGRAM.

(a) CONDITIONS FOR CONTINUATION OF MEDICAID COVERAGE.—Section 1619(b) of the Social Security Act is amended—

(1) by striking out "title XIX" in paragraph (3) and inserting in lieu thereof "title XIX of XX"; and

(2) by striking out "title XIX" in paragraph (4) and inserting in lieu thereof "titles XIX and XX".

(b) DESIGNATION OF SECTION 1619 SPECIALIST.—Section 1619(c) of such Act is amended by striking out "and shall conduct such programs for the staffs of the district offices of the Social Security Administration" and inserting in lieu thereof ", shall conduct such programs for the staffs of the district offices of the Social Security Administration, and shall require each such office with a sufficient number of staff personnel to designate a staff member to specialize in the implementation of the provisions of this section".

(c) BENEFITS FOR INDIVIDUALS WITH INCOME OF AN UNUSUAL AND INFREQUENT NATURE.—Section 1619 of such Act is further amended by adding at the end thereof the following new subsection:

"(d)(1) For purposes of subsection (a), an individual who was not eligible to receive a benefit under section 1611(b) or under this section for the month preceding the month for which eligibility for benefits under this section is now being determined shall nevertheless be deemed to have been eligible to receive a benefit under section 1611(b) or under this section for that month if—

"(A) the individual was ineligible to receive such a benefit for that month, or for that month and one or more additional months (in a period of consecutive months) immediately preceding that month, solely because the individual had received income of an unusual and infrequent or irregular nature (as defined by the Secretary for purposes of this subsection), but

"(B) the individual received such a benefit for the month preceding the first month of such ineligibility.

"(2)(A) For purposes of subsection (b), an individual who did not receive any payment described in clause (i), (ii), (iii), or (iv) of such subsection for the month preceding the first month in the period to which such subsection applies shall nevertheless be deemed to have received such a payment for the month preceding the first month in such period if—

"(i) the individual was ineligible to receive such a payment for that month, or for that month and one or more additional months (in a period of consecutive months) immediately preceding that month, solely because the individual had received income of an unusual and infrequent or irregular nature (as so defined), but

"(ii) the individual received such a payment for the month preceding the first month of such ineligibility.

"(B) In determining under subsection (b)(4) whether or not an individual's earnings are sufficient to allow the individual to provide a reasonable equivalent of the benefits under this title and titles XIX and XX which would be available to the individual in the absence of such earnings, there shall be excluded from such earnings an amount equal to the sum of any amounts which are or would be excluded under clauses (ii) and (iv) of section 1612(b)(4)B) (or under clause (iii) of section 1612(b)(4)(A)) in determining his income.

"(C) Determinations made under subsection (b)(4) shall be based on information and data updated no less frequently than annually.".

SEC. 5. NOTIFICATIONS TO APPLICANTS AND RECIPIENTS.

Section 1631 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Notifications to Applicants and Recipients

"(j)(1) The Secretary shall establish and implement procedures to ensure that, whenever an individual is formally notified of his or her eligibility for benefits under this title, such individual is concurrently notified of the medical assistance which is available to such individual under the applicable State plan approved under title XIX.

"(2) The Secretary shall automatically notify any individual receiving benefits under section 1611 on the basis of disability of his or her potential eligibility for benefits under section 1619 (and for continuing benefits under title XIX pursuant to section 1619(b)—

"(A) at the time of the initial award of such benefits (or within 90 days after the date of the enactment of this subsection in the case of an individual who (i) is already receiving benefits under section 1611 on that date, or (ii) first becomes eligible for such benefits within such 90-day period); and

"(B) at the earliest subsequent time when such individual's earned income for any month (other than income excluded pursuant to section 1612(b)) is $200 or more, and periodically thereafter so long as such individual has earned income (other than income so excluded) of $200 or more per month.".

SEC. 6. GENERAL ACCOUNTING OFFICE STUDY.

(a) REPORT REQUIRED.—The Comptroller General of the United States shall conduct a study of the operation of section 1619 of the Social Security Act, with the particular objective of evaluating the work incentive provisions of such section and determining—

(1) the extent to which such section is utilized by individuals who work despite severe medial impairment, and the extent to which the provision of such benefits contributes to the accomplishment of the purposes of the supplemental security income program; and

(2) the effects and effectiveness of the dissemination, training, and related programs and activities which are conducted in connection with the provision of benefits under such section.

(b) DETERMINATIONS.—In carrying out the study under subsection (a)(1), the Comptroller General shall determine (for individuals from each State, and for each of the calendar years 1987, 1988, and 1989, separately specified)—

(1) the number of individuals who receive benefits under section 1619 of the Social Security Act;

(2) the number of individuals receiving benefits under such section who become ineligible for such benefits due to their income;

(3)(A) the number of individuals receiving benefits under such section who become ineligible for such benefits for reasons other than their income, and (B) the reasons for such ineligibility;

(4) the number of individuals who are notified (under section 1631(j)(2) of the Social Security Act of otherwise) of their eligibility or potential eligibility for benefits under such section;

(5)(A) the number of individuals so notified who decline to apply for or receive benefits under such section, and (B) their reasons for declining such benefits;

(6) with respect to the individuals receiving benefits under such section who engage in substantial gainful activity and as a result become ineligible for such benefits or have such benefits reduced, the amount or rate of their countable earned income before beginning to receive such benefits as compared to the amount or rate of their countable earned income after becoming ineligible or having such benefits reduced;

(7) the Federal and State costs incurred in the provision of medical assistance (under the State plan approved under title XIX) to individuals receiving benefits under such section 1619 as compared to the corresponding costs incurred in the provision of such assistance to other individuals receiving benefits under this title, stated both in the aggregate and on an average per capita basis;

(8) the role of State vocational rehabilitation agencies in the implementation of such provisions;

(9) the potential role of nonprofit and private rehabilitation agencies in the implementation of such provisions; and

(10) the estimated costs or savings to the Federal Government which are attributable to such provisions.

The figures determined under paragraphs (1) through (6) shall be broken down so as to show the type of disability, age, previous work history, and sex of the individuals involved.

(c) INFORMATION AND DATA.—The Secretary of Health and Human Services shall make available upon request to the Comptroller General, for purposes of this section, any information and data which has been developed or collected by the Secretary in the conduct of studies having objectives similar or related to the objective specified in subsection (a) and involving items or matters similar or related to those set forth in subsection (b).

(d) DATE OF SUBMISSION.—The Comptroller General shall submit to the Congress, on or before October 1, 1990, a full report of the findings made in the study conducted under subsection (a).

SEC. 7. LOSS OF SSI BENEFITS UPON ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASED ON DISABILITY.

Section 1634 of the Social Security Act is amended—

(1) by inserting "(a)" after "SEC. 1634."; and

(2) by adding at the end thereof the following new subsection:

"(b) If any individual who has attained the age of 18 and is receiving benefits under this title on the basis of a disability which began before he or she attained the age of 22—

"(1) becomes entitled, on or after the date of the enactment of this subsection, to child's insurance benefits which are payable under section 202(d) on the basis of such disability or to an increase in the amount of the child's insurance benefits which are so payable, and

"(2) ceases to be eligible for benefits under this title because of such child's insurance benefits or because of the increase in such child's insurance benefits,

such individual shall be treated for purposes of title XIX as continuing to receive benefits under this title so long as he or she would be eligible for benefits under this

title in the absence of such child's insurance benefits or such increase.".

SEC. 8. DEMONSTRATION PROJECTS INVOLVING THE DISABILITY INSURANCE AND SSI PROGRAMS.

(a) WAIVER AUTHORITY UNDER TITLES II AND XVIII.—

(1) Section 505(a)(3) of the Social Security Disability Amendments of 1980 (42 U.S.C. 1310 note) is amended by inserting "which is initiated before June 10, 1991" after "demonstration project under paragraph (1)".

(2) Section 505(a)(4) of such Amendments is amended to read as follows:

"(4) On or before June 9 in each of the years 1987, 1988, 1989, and 1990, the Secretary shall submit to the Congress an interim report on the progress of the experiments and demonstration projects carried out under this subsection together with any related data and materials which the Secretary may consider appropriate.".

(3) Section 505(c) of such Amendments is amended by striking out "under this section no later than five years after the date of the enactment of this Act" and inserting in lieu thereof "under subsection (a) no later then June 9, 1991".

(b) WAIVER AUTHORITY UNDER TITLE XVI.—

(1) Section 1110(b)(2) (42 U.S.C. 1310(b)(2)) of the Social Security Act is amended—

(A) by striking out "and" at the end of subparagraph (C);

(B) by striking out the period at the end of subparagraph (D) and inserting in lieu thereof "; and"; and

(C) by adding at the end thereof the following new subparagraph:

"(E) the Secretary shall include in the projects carried out under this subsection experimental, pilot, or demonstration projects to determine the relative advantages and disadvantages of various work incentive programs with respect to the rehabilitation and employment of recipients of such benefits.".

(2) Section 1110(b) of the Act is amended by adding at the end thereof the following new paragraph:

"(3) All reports of the Secretary with respect to projects carried out under this subsection shall be incorporated into the Secretary's annual report to the Congress required by section 704.".

SEC. 9. EFFECTIVE DATE.

The amendments made by this Act shall take effect on the date of the enactment of this Act.

Mr. DOMENICI. Mr. President, in introducing this bill with the distinguished majority leader, Mr. DOLE, I hope to alleviate some of the disincentives that currently exist for severely disabled Americans to engage in work to the limit of their abilities. Work and the contribution that it allows the worker to provide to the society at large is enormously theraputic for all of us. It is unfortunate that some of our currently existing legislation places economic barriers in the way of disabled Americans who wish to make full use of their potential. It is fortunate, however, that our form of government allows us continuous opportunity to improve our legislation.

This bill makes permanent several changes to section 1619 of the Social Security Act that have been temporarily enacted for two 3-year periods. These changes allow severely disabled people who are receiving SSI payments to continue receiving these payments until they meet the SSI breakeven criteria for their State. The bill also continues their Medicaid eligibility indefinitely despite their employment.

In order to prevent these people from joining the ranks of the increasing numbers of homeless, this bill also provides that SSI payments will be continued throughout an institutionalization lasting no more than 60 days. This provision is particularly helpful to the severely mentally disabled who have multiple institutionalizations throughout the course of their illness. Without this provision of continuing SSI payments during their institutional stay, the severely mentally disabled may not be able to continue paying rent and will therefore lose their permanent housing. At this time over 40 percent of the homeless population are schizophrenics.

This bill addresses some longstanding problems with Social Security benefits for severely disabled Americans. While there is some potential for cost savings if a larger number of our disabled citizens obtain employment, realistically we must wait and see how this program works before we depend too heavily upon the cost-saving projections. What we can depend upon are the people-saving projections based on the enhanced self-esteem that employment will bring to severely disabled Americans.

This bill will not solve all of the problems that currently exist in our programs for the severely disabled. It will, however, provide much needed leadership from the Congress in trying new ideas in rehabilitating all severely disabled Americans and integrating them into the most productive position possible in society.

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By Mr. COCHRAN (for himself, Mr. BURDICK, Mr. DOLE, Mr. KERRY, Mr. NUNN, Mr. SIMON, Mr. STENNIS, Mr. LUGAR, Mr. ZORINSKY, and Mr. CRANSTON):

S.J. Res. 299. Joint resolution to designate the week of December 7, 1986, through December 13, 1986, as "National Alopecia Areata Awareness Week"; to the Committee on the Judiciary.

NATIONAL ALOPECIA AREATA AWARENESS WEEK

● Mr. COCHRAN. Mr. President, today I am introducing legislation to designate the week of December 7, 1986, through December 13, 1986, as "National Alopecia Areata Awareness Week."

Alopecia areata, one of the most tragic diseases of our time, is an immunological disorder causing severe hair loss. Its approximately 2 million victims are mostly children and young adults, who often lose all of their hair, including eyelashes, eyebrows and body hair.

Total or partial hair loss causes a dramatic change in a alopecia victim's appearance. This is particularly hard on children, who suffer emotionally when they are teased about being different, and on young adults, who are constantly reminded that our society equates beauty with a shiny, healthy head full of hair. Without question, the disease can cause devastating psychological effects.

Alopecia areata, a Latin phrase meaning bald spot, occurs when hair follicles stop production. While little is known about the cause of alopecia, researchers believe that a malfunction of the body's immune system can cause "hibernation" of the fair follicles. There is some hope that a cure is within reach.

A week set aside to increase public awareness of this disease will enhance the research and support efforts of the National Alopecia Areata Foundation. This network of support groups in 42 States has helped thousands of victims and their families cope with the physical and emotional problems caused by alopecia areata.

I believe it is crucial to promote awareness of alopecia areata in order to work toward finding a cure and toward easing the trauma of the thousands of alopecia areata victims across the country.

Mr. President, I urge my colleagues to join me in this effort and to cosponsor my joint resolution designating "National Alopecia Areata Awareness Week."●

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## ADDITIONAL COSPONSORS

S. 945

At the request of Mr. THURMOND, the name of the Senator from Tennessee [Mr. GORE] was added as a cosponsor of S. 945, a bill to recognize the organization known as the National Association of State Directors of Veterans' Affairs, Incorporated.

S. 1513

At the request of Mr. BAUCUS, the name of the Senator from Wyoming [Mr. WALLOP] was added as a cosponsor of S. 1513, a bill to amend the Internal Revenue Code of 1954 to allow monthly deposits of payroll taxes for employers with monthly payroll tax payments under $5,000, and for other purposes.

S. 1580

At the request of Mr. HATCH, the name of the Senator from Nevada [Mr. HECHT] was added as a cosponsor of S. 1580, a bill to provide for comprehensive reforms and to achieve greater equity in the compensation of attorneys pursuant to Federal statute in civil and administrative proceedings in which the United States, or a State or local government, is a party.

S. 1747

At the request of Mr. ROTH, the names of the Senator from Wisconsin [Mr. KASTEN], and the Senator from Georgia [Mr. MATTINGLY] were added as cosponsors of S. 1747, a bill to amend the Foreign Assistance Act of 1961 to protect tropical forests in developing countries.

S. 1748

At the request of Mr. ROTH, the names of the Senator from Wisconsin [Mr. KASTEN], and the Senator from Georgia [Mr. MATTINGLY] were added as cosponsors of S. 1748, a bill to amend the Foreign Assistance Act of 1961 to protect biological diversity in developing countries.

S. 1794

At the request of Mr. HATCH, the name of the Senator from Nevada [Mr. HECHT] was added as a cosponsor of S. 1794, a bill to amend Revised Statutes section 722 (42 U.S.C., sec. 1988) to exempt State judges and judicial officers from assessment of attorneys' fees in cases in which such judge or judicial officer would be immune from actions for damages arising out of the same act or omission about which complaint is made.

S. 2081

At the request of Mr. STAFFORD, the names of the Senator from Pennsylvania [Mr. SPECTER], and the Senator from Tennessee [Mr. GORE] were added as cosponsors of S. 2081, a bill to reauthorize the Head Start Act, the Low-Income Home Energy Assistance Act of 1981, the Community Services Block Grant Act, for deferred cost care programs, and for other purposes.

S. 2133

At the request of Mr. KASTEN, the name of the Senator from Massachusetts [Mr. KERRY] was added as a cosponsor of S. 2133, a bill to amend the Social Security Act to safeguard the integrity of the Social Security trust funds by ensuring prudent investment practices.

S. 2149

At the request of Mr. KENNEDY, the name of the Senator from Delaware [Mr. BIDEN] was added as a cosponsor of S. 2149, a bill to authorize United States contributions to the International Fund established pursuant to the November 15, 1985, agreement between the United Kingdom and Ireland.

S. 2190

At the request of Mr. SARBANES, the name of the Senator from Massachusetts [Mr. KERRY] was added as a cosponsor of S. 2190, a bill to provide that the full cost-of-living adjustment in benefits payable under certain Federal programs shall be made for 1987.

SENATE JOINT RESOLUTION 241

At the request of Mr. DOLE, the names of the Senator from Illinois [Mr. SIMON], and the Senator from Tennessee [Mr. GORE] were added as cosponsors of Senate Joint Resolution 241, a joint resolution designating the week beginning on May 11, 1986, as "National Asthma and Allergy Awareness Week."

SENATE JOINT RESOLUTION 246

At the request of Mr. LAUTENBERG, his name was added as a cosponsor of Senate Joint Resolution 246, a joint resolution to designate May 25, 1986, as "Hands Across America Day," for the purpose of helping people to help themselves, and commending United Support of Artists for Africa and all participants for their efforts toward combating domestic hunger with a 4,000-mile human chain from coast to coast.

SENATE JOINT RESOLUTION 267

At the request of Mr. HEINZ, the name of the Senator from Massachusetts [Mr. KERRY], was added as a cosponsor of Senate Joint Resolution 267, a joint resolution designating the week of May 26, 1986, through June 1, 1986, as "Older Americans Melanoma/Skin Cancer Detection and Prevention Week."

SENATE JOINT RESOLUTION 279

At the request of Mr. GORE, the name of the Senator from Louisiana [Mr. JOHNSTON], was added as a cosponsor of Senate Joint Resolution 279, a joint resolution to designate the month of October 1986, as "Lupus Awareness Month."

SENATE JOINT RESOLUTION 287

At the request of Mr. BOREN, the names of the Senator from New Jersey [Mr. BRADLEY], the Senator from Tennessee [Mr. GORE], and the Senator from South Carolina [Mr. HOLLINGS] were added as cosponsors of Senate Joint Resolution 287, a joint resolution designating September 29, 1986, as "National Teachers Day."

SENATE JOINT RESOLUTION 289

At the request of Mr. ROTH, the names of the Senator from South Dakota [Mr. ABDNOR], the Senator from Illinois [Mr. SIMON], the Senator from Montana [Mr. BAUCUS], and the Senator from Michigan [Mr. LEVIN] were added as cosponsors of Senate Joint Resolution 289, joint resolution to designate 1988 as the "Year of New Sweden" and to recognize the New Sweden '88 American Committee.

SENATE JOINT RESOLUTION 290

At the request of Mr. DECONCINI, the names of the Senator from Nebraska [Mr. ZORINKSY], the Senator from Mississippi [Mr. COCHRAN], and the Senator from South Carolina [Mr. THURMOND] were added as cosponsors of Senate Joint Resolution 290, joint resolution to designate July 4, 1986, as "National Immigrants Day."

SENATE RESOLUTION 105

At the request of Mr. MATTINGLY, the name of the Senator from Ohio [Mr. GLENN] was added as a cosponsor of Senate Resolution 105, a resolution to designate March 21, 1986, as "Henry Ossian Flipper Day."

SENATE RESOLUTION 344

At the request of Mr. HEINZ, the names of the Senator from Ohio [Mr. GLENN] and the Senator from Arkansas [Mr. BUMPERS] were added as cosponsors of Senate Resolution 344, resolution expressing the sense of the Senate with respect to the proposed rescission of budget authority for housing for the elderly and handicapped under section 202 of the Housing Act of 1959.

## SENATE RESOLUTION 369—RELATING TO TRADE BETWEEN THE UNITED STATES AND THE REPUBLIC OF KOREA

Mr. MCCONNELL submitted the following resolution; which was referred to the Committee on Finance:

S. RES. 369

Whereas the exports of the Republic of Korea to the United States have grown at an average annual rate of nearly 16 percent since 1981, United States exports to the Republic of Korea grew at an average annual rate of approximately 3 percent during that period with a decrease of 2 percent in 1985.

Whereas in 1985 the United States imported from the Republic of Korea merchandise worth $10,013,085,000, the Republic of Korea only imported merchandise from the United States of a value of $5,720,136,000, resulting in a United States trade deficit of $4,292,949,000.

Whereas in 1985 the United States extended to the Republic of Korea preferential treatment under the Generalized System of Preferences (GSP) program for certain products it exports to the United States worth $1,655,000,000, making the Republic of Korea the second largest beneficiary under such program.

Whereas the Republic of Korea persists in maintaining the following acts, policies, and practices which are unreasonable, unjustifiable, or discriminatory and which burden or restrict United States commerce:

(1) The domestic market of the Republic of Korea is closed to cigarettes made in the United States. It is illegal for citizens of the Republic of Korea to possess cigarettes made outside the Republic of Korea. A citizen of the Republic of Korea possessing foreign cigarettes is subject to a fine of up to $1,161.44, imprisonment, and loss of employment.

(2) The importation into the Republic of Korea of all beef and pork from the United States has been effectively banned since May 1985. Prior to the ban, the United States supplied most of the high-quality beef imported into the Republic of Korea.

(3) The Office of National Tax Administration of the Republic of Korea is scheduled to require that all distilled spirit products be manufactured with a minimum proportion of local raw materials after January 1987.

(4) The Ministry of Agriculture and Fisheries of the Republic of Korea restricts the importation of many United States agricultural items by refusing to grant import approval to those items. Included in the items which are subject to such restraints and are prevented from being imported into the Republic of Korea are fresh oranges, canned

fruit cocktail, grape juice, wine, alfalfa products, edible meat offals, walnuts, fresh grapes, sausages, canned beef and pork canned peaches, concentrated orange juice, other fruit juices, and canned corn and dried peas.

(5) The issuance of an import license for United States manufactured goods must have the recommendation of the Korean industry association whose members compete with the imported good. This unreasonable practice adversely affects many United States products, including agricultural chemicals, soda ash, automotive parts, cosmetics, nylon carpets, loudspeakers, electric hand tools, razors and razor blades, machine tools, personal computers, electric shavers, cameras, and construction equipment.

(6) The importation of computers and peripheral equipment that can be produced locally has been effectively banned since July 1982, by the requirement of the Republic of Korea that investment or licensing of local production of computers and peripheral equipment be made as a condition for importing computers and peripheral equipment.

(7) Tariffs imposed by the Republic of Korea remain unreasonably high on several products in which the United States has a comparative advantage, including—

(A) fresh fruits and vegetables (current tariff is 50 percent ad valorem),

(B) canned meat (current tariff is 40 percent ad valorem),

(C) cosmetics (current tariff is 40 percent ad valorem),

(D) wood products (current tariff is 20 percent ad valorem),

(E) electric hand tools (current tariff is 20 percent ad valorem),

(F) computers (current tariff is 20 percent ad valorem),

(G) automobile parts (current tariff is 30 percent ad valorem), and

(H) chocolate confectionery (current tariff is 40 percent ad valorem, falling to 30 percent ad valorem in 1988).

(8) The application of emergency tariffs, adjustment tariffs, special commodity taxes, and value added tax on top of the general tariff rate, and other fees, make many products prohibitively expensive.

(9) The entire import regime of the Republic of Korea is designed, through the use of import licenses and quotas, to discourage the importation of any seafood. The only United States product now entering the Republic of Korea in any volume comes from joint ventures, and much of this is reprocessed in the Republic of Korea and exported.

(10) The Republic of Korea unreasonably restricts the sale of United States fire insurance to only those properties outside of the 10 largest cities in the Republic of Korea, and unreasonably denies licenses to United States firms to write life insurance.

(11) The Republic of Korea unreasonably denies United States banks the ability to participate fully in the domestic financial market.

(12) The Republic of Korea does not adequately protect intellectual property.

Whereas these unreasonable, unjustifiable, and discriminatory acts, policies, and practices of the Republic of Korea burden or restrict United States commerce: Now, therefore, be it

*Resolved*, That it is the sense of the Senate that the Republic of Korea should not be treated as a beneficiary developing country under the Unitd States Generalized System of Preferences until the unreasonable, unjustifiable, and discriminatory acts, policies, and practices described in the preamble of this resolution are eliminated and import restrictions imposed by the Republic of Korea are liberalized through—

(1) agreement by the Republic of Korea that the purchase and sale of imported cigarettes, and regulation thereof by the Republic of Korea and its instrumentalities, will be conducted on a nondiscriminatory and equitable basis, including repeal of the law which makes it illegal for citizens of the Republic of Korea to use or possess imported tobacco products under threat of fine, imprisonment, or loss of employment;

(2) extension of the ability to import United States tobacco leaf into the Republic of Korea to all private non-Korean entities;

(3) elimination of the ban on the importation into the Republic of Korea of beef and pork from the United States;

(4) inclusion on the Automatic Approval List of fresh oranges, canned fruit cocktail, grape juice, wine, alfalfa products, edible meat offals, walnuts, fresh grapes, sausages, canned beef and pork, canned peaches, concentrated orange juice, other fruit juices, and canned corn and dried peas;

(5) inclusion on the Automatic Approval List of agricultural chemicals, soda ash, automotive parts, cosmetics, nylon carpets, loudspeakers, electric hand tools, razors and razor blades, machine tools, personal computers, electric shavers, cameras, and construction equipment;

(6) elimination of the ban on the importation of computers and peripheral equipment that can be produced locally;

(7) reduction and binding of the general tariff rates imposed by the Republic of Korea to the levels of protection maintained by average industrialized countries, including, but not limited to, wood, wood products, and dairy commodities;

(8) elimination of the practice of discouraging the importation of seafood into the Republic of Korea;

(9) elimination of the requirement that all distilled spirit products be manufactured with a minimum proportion of local raw materials after January 1987;

(10) elimination of restrictions on the sale of United States fire insurance in the Republic of Korea;

(11) elimination of unreasonable denials of licenses to United States firms to write life insurance; and

(12) extension to United States banks of the ability to participate fully in the financial markets of the Republic of Korea.

Mr. McCONNELL. Mr. President, Benjamin Franklin was fond of stating that "No nation was ever ruined by trade." While the truth of these words is clear, the reality is that virtually every nation engages in practices and policies which, to a greater or lesser degree, limit trade as a way of protecting their domestic producers.

Nevertheless, I rise today to share with my colleagues a growing concern about what, in my view, are the excessively protectionist policies of one of America's most important Asian allies—the Republic of Korea.

I am pleased to note, Mr. President, that Korea has found a healthy market in the United States for its products. This is not only good for the Korean economy, but also the American consumer. Since the beginning of the decade, their exports to the United States have grown at an average annual rate of nearly 16 percent—reaching an all-time high of close to 30 percent in 1984.

In stark contrast, however, U.S. exports to Korea have grown at an average annual rate of only 3 percent since 1981—with a decrease of 2 percent in 1985. The result of this imbalance is that, since 1982, the United States has endured a growing trade deficit with Korea—a deficit of some $4 billion in 1985 alone.

Of course, there is nothing inherently wrong with one nation selling more goods than it buys from another. It would be implausible for me to suggest that the Korean and American economies are so similar that we should expect a standard of balanced trade between our two nations.

It is not unreasonable to expect, however, that U.S. commercial interests be given a reasonable opportunity to compete in the Korean marketplace. Unfortunately, for many American products and commodities, this is not the case. Few of our allies have erected as extensive and unfair a system of trade barriers as has Korea.

Let me share with you a few examples, Mr. President. It is illegal—I repeat illegal—for Korean nationals to even possess foreign cigarettes. Koreans found guilty of possessing foreign cigarettes are subject to fines, imprisonment, and possible loss of employment. This is not a symbolic policy, Mr. President. The Koreans are serious about this issue—so serious, that in 1983, over 5,000 Korean were found guilty of possessing foreign cigarettes. This policy is ridiculous and unfair. The Koreans will not even purchase leaf tobacco from Kentucky farmers for use in their own cigarette blends. Perhaps it is best put into perspective when on realizes that it is legal for Koreans to possess firearms, yet it is illegal for a Korean national to possess an American cigarette.

Let me give another example of the unfair trading policies practiced by Korea. This one involves citrus products. Korea has a developing tangerine industry, although the tangerines are of very poor quality. To upgrade the flavor and quality of the finished juice product, imported orange juice concentrate is added. The catch here, though, is that 70 percent of the finished product must be Korean juice which effectively prevents the volume of American citrus products from substantially increasing. To further compound the problem, imports of orange juice concentrate are burdened with a 50 percent ad valorem tax. I suppose it

could be worse, Mr. President, had the Koreans not gone to "great lengths" to liberalize their trade policy by reducing the ad valorem tax from 60 percent to a mere 50 percent.

Still another agricultural commodity which faces a significantly unfair trade environment is beef. All beef imports to Korea were unilaterally discontinued in 1984, except for small quantities of high-quality American beef which were imported for use in Korean resort hotels. In May 1985, all importation of beef was discontinued. The importation of beef was not discontinued because Koreans stopped eating red meat—the per capita consumption rate is over 8 pounds annually—but because of pressure from Korean cattlemen to restrict imports. I can understand why the cattlemen would want to do that, since Korean beef costs consumers over $17 per pound. surely American beef cattle farmers would love an opportunity to participate in that market, but are prevented from doing so for purely protectionist reasons. With domestic meat prices at $17 per pound, I cannot believe that there is a glut of beef on the market.

An equally troubling Korean trade policy exists regarding the importation of computers and computer software. At present, Mr. President, the Koreans have imposed a total ban on micro- and mini-computers, including software and peripherals. Industry analysts estimate that there is a potential market of $50 to $80 million which is completely unavailable to American computer companies. As the Republic of Korea continues its rapid business growth, there is every reason to believe that the computer market will continue to be very lucrative. There is no good reason, Mr. President, why we should not be permitted to compete in this market.

Ironically, in light of these restrictions, we have extended to Korea over the last decade billions of dollars worth of duty-free access to our markets under the Generalized System of Preferences. I am convinced, therefore, that as long as Korea persists in maintaining selective policies and practices which unreasonably restrict U.S. commerce, it is inconsistent for the United States to extend this preferential tariff treatment to Korea—an advantage, I might add, worth over $1.5 billion annually in duty-free access to our markets. Or to put it another way, an amount equal to roughly half of our trade deficit with Korea.

Mr. President, our friendship with Korea demands the maintenance of a certain level of accountability. Since the 1950's, the United States and Korea have enjoyed an alliance built on mutual trust and respect. To continue to ignore the inequities in our trade relationship is to weaken our overall friendship during a time when we should be looking for ways to strengthen our alliance. For Korea to support those policies, which our farmers and businessmen can only conclude are unfair and discriminatory, is for Korea to choose their limited self-interest over the common interest.

In response to this situation, I am today introducing legislation to express the sense of the Senate that until substantial progress is made in the liberalization of Korean import restrictions, the Republic of Korea should be removed—I repeat, removed—as a beneficiary country under the U.S. Generalized System of Preferences.

The next weeks and months are critical in terms of decisions being made about trade policy between our two nations. As the host of the 1988 Summer Olympic Games, Korea will have the opportunity to show the world that it is a progressive and dynamic growth-oriented country. I invite and encourage my colleagues to take advantage of the opportunity afforded by my resolution to support our Korean ally as they move toward this goal.

Mr. President, I ask unanimous consent to print in the RECORD a table outlining the major bilateral trade issues with the Republic of Korea.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

REPUBLIC OF KOREA—BILATERAL TRADE ISSUES

| Issue | Background | Status |
|---|---|---|
| Cigarettes | Korea bans importing cigarettes for use by Korean nationals. All cigarette sales are handled by the Office of Monopoly. | Bilateral discussions continue in an effort to liberalize this practice. |
| Computers | The Ministery of Trade and Industry Computer Decree was revised in August 1983 making it virtually impossible to export small computers and peripherals to Korea in the absence of a plan for local production of some equipment. | Bilateral discussions continue in an attempt to modify the decree. |
| Frozen Potato Imports | Korea recently placed frozen potatoes under prior licensing approval procedures, thus inhibiting U.S. exports to fast food outlets and undermining their automatic approval status. | The U.S. embassy in Korea has been asked to make representations to appropriate Korean officials to return to automatic licensing status. |
| Intellectual Property | The United States is concerned about weak patent protection for chemicals and pharmaceuticals, the absence of copyright protection for foreigners, the absence of explicit copyright protection for computer software and difficulties in meeting trademark "use" requirements for goods subject to import restrictions. | Technical discussions on copyright matters were held in November 1984. Similar discussions on patents and trademarks are planned for mid-1985. A Section 301 proceeding was initiated on September 23, 1985. |
| Licensing and Tariff Liberalization for Higher Valued Products; Market Maintenance for Primary Products. | Consultations over the past two years have yielded some positive results. The most recent meeting, on July 1–2, 1985 resulted in liberalizing almonds, grapefruit, cherries, cottonseed oil and canned corn. The meeting also resulted in a confirmation that Korea is not considering new variable import taxes on primary products. Efforts toward total liberalization, however, fell short of what is needed to counter the protectionist sentiment toward Korean imports. | A six-month market access campaign is currently under interagency review. |
| Market Access | In December 1983 Korea liberalized import licensing restrictions on 31 items of interest to U.S. manufacturers and farm interests. Service firms in the United States continue to identify import licensing restrictions, high tariffs and restrictions on services as major impediments to greater U.S. exports to Korea. | The U.S.-Korean Trade Group addressed these matters in February 1984 and July 1985. Bilateral consultations continue on specific liberalization requests for both merchandise and services. |
| Steel | In December 1984 Korea agreed to limit its exports of steel to the United States to 1.9 pecent of U.S. apparent consumption until September 30, 1989. | Details for implementing the agreement were negotiated between January and May 1985. |

Source: "Annual Report of the President of the United States on the Trade Agreements Program 1984–1985," Office of the United States Trade Representative, February 1986.

## AMENDMENTS SUBMITTED

### METROPOLITAN WASHINGTON AREA AIRPORT TRANSFER

### PRESSLER AMENDMENT NO. 1700

(Ordered to lie on the table.)

Mr. PRESSLER submitted an amendment intended to be proposed by him to the bill (S. 1017) to provide for the transfer of the Metropolitan Washington Airports to an independent airport authority; as follows:

Line 7, page 10, strike the word "Five" and insert in lieu thereof the word "Three".

Line 10, page 10, strike the word "two" and insert in lieu thereof the word "three".

Line 11, page 10, strike the words "one member" and insert in lieu thereof the words "two members".

Lines 6 and 7, page 11, strike "in the case the Commonwealth of Virginia and the District of Columbia,".

Lines 8 through 10, strike "The Governor of Virginia shall make the final two Virginia initial appointments for one two-year and one four-year term."

Mr. PRESSLER. Mr. President, the purpose of this amendment is very simple. It is intended to more evenly distribute the membership of the Authority's governing body. As presently drafted, this bill reserves five slots for Virginia, three for the Dis-

trict of Columbia, two for Maryland, and one for the President with Senate advice and consent. My amendment would change this makeup to allow three slots for Virginia, District of Columbia, and Maryland, respectively; and two for the President with Senate advice and consent.

It is clear that the deck is currently stacked against Maryland. We could just as well not allow Maryland any members if we go forward with the bill as presently designed.

I opposed this bill in the Commerce Committee. Not only is it unfair to Maryland, but the rest of the country as well. There is good reason to treat these airports differently. They are truly national airports, serving a city that was established for the entire Nation—not any single State.

In the wake of airline deregulation, it is already difficult enough for citizens from States such as South Dakota to have adequate access to our Nation's capital. I am concerned that the more control of these airports we put into the hands of any one State, the interests of the other States will be lost in the shuffle.

Presently, we all have at least an indirect voice in the operation and control of this airport. It is important that we maintain some control so the interests of the other States are not forgotten—or at a minimum, we should at least ensure against giving any one State what is tantamount to almost exclusive control over important decisions that affect all of our constituents. Everyone has a right to access to this city. Important decisions in this regard should not be dominated by a single State.

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PRESSLER AMENDMENT NO. 1701

(Ordered to lie on the table.)

Mr. PRESSLER submitted an amendment intended to be proposed by him to the bill (S. 1017), supra; as follows:

On page 32, insert the following immediately after line 2:

(f) Notwithstanding any other provision of law, the Secretary shall not enter into any agreement which provides for the transfer of authority over the Metropolitan Washington Airports to the Airports Authority unless such agreement includes a requirement for the payment by such Airports Authority of not less than $1.5 billion.

Mr. PRESSLER. Mr. President, the purpose of this amendment is to make certain that the U.S. Government gets a fair purchase price for these valuable assets. The estimated worth of these facilities is somewhere between $1.5 and $2 billion. But here we are, ready to give it away for $47 million! It never ceases to amaze me that in our efforts to commercialize or privatize functions of this sort, the Federal Government always wants to give them away rather than seek an adequate purchase price.

We just completed action on a bill to sell Conrail to the Norfolk Southern Corp., only to find out later that the CBO estimates that it will cost us $250 million to give it away! Now we want to do the same thing with these airports. By the time we sell these assets at the fire sale price of $47 million, then turn around and allow the improvements to be financed through federally subsidized bonds, it will cost us hundreds of billions to give these airports away.

If we are going to privatize, we should at least demand a reasonable fair market price.

Mr. President, I ask unanimous consent that the full text of this amendment be inserted in the RECORD at this point.

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PRESSLER AMENDMENT NO. 1702

(Ordered to lie on the table.)

Mr. PRESSLER submitted an amendment intended to be proposed by him to the bill (S. 1017), supra; as follows:

On page 32, insert the following immediately after line 16:

"Notwithstanding any other provision of law, the Airports Authority shall not utilize any bond guaranteed by the Federal Government for the purpose of undertaking or completing the improvement, construction, and rehabilitation of facilities, as provided in this section."

Mr. PRESSLER. Mr. President, the purpose of this amendment is to make certain that the Federal Treasury is not raided further after this legislation is enacted. I do not know whether all Senators are aware of it, but under the proposal before us today, we will be forced to continue to pay for this giveaway for many years to come.

What will happen is this: After we sell these valuable assets for little or nothing, the local authorities plan to finance many hundreds of millions of dollars in capital expenditure through the use of federally subsidized bonds. If the purpose of this legislation is to help balance the budget, this is a strange way to go about it. Because of the gross inefficiencies of the subsidized bond process, it will ultimately cost us more than if we were to finance these expenditures directly out of the trust fund as the able Senator from South Carolina has proposed.

Again, Mr. President, this points out the tortured logic behind this proposal, and is in itself a strong argument for defeating this bill.

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## NOTICES OF HEARINGS

SUBCOMMITTEE ON ENERGY REGULATION AND CONSERVATION

Mr. NICKLES. Mr. President, I would like to announce for the information of the Senate and the public, that the Subcommittee on Energy Regulation and Conservation of the Committee on Energy and Natural Resources has scheduled a hearing on Tuesday, April 15, 1986, beginning at 10 a.m. in room SD-366 of the Senate Dirksen Office Building, Washington, DC.

The purpose of the hearing is to receive testimony on the following measures: S. 1302, to amend the Natural Gas Policy Act of 1978, to protect consumers from market distortions that occur as a consequence of current partial regulation of natural gas prices by eliminating the remaining wellhead price regulation as contracts expire, or terminate, or are renegotiated, to permit natural gas contracts to reflect free market prices, to eliminate incremental pricing requirements for natural gas, to eliminate certain restrictions on the use of natural gas and petroleum, and for other purposes; S. 1251, entitled the "Natural Gas Utilization Act of 1986"; and S. 2205, to eliminate certain restrictions on the use of natural gas and petroleum, and for other purposes.

Those wishing to testify or submit written statements for the hearing record should write to the Committee on Energy and Natural Resources, Subcommittee on Energy Regulation and Conservation, U.S. Senate, Washington, DC 20510. For further information regarding this hearing, please contact Ms. Debbi Rice or Mr. Howard Useem at (202) 224-2366.

SUBCOMMITTEE ON NATURAL RESOURCES DEVELOPMENT AND PRODUCTION

Mr. WARNER. Mr. President, I would like to announce for the information of the Senate and the public, the scheduling of a public hearing before the Natural Resources Development and Production Subcommittee of the Senate Energy and Natural Resources Committee.

The hearing will take place on Thursday, April 24, 1986, beginning at 10 a.m. in room SD-366 of the Dirksen Senate Office Building in Washington, DC. Testimony is invited regarding S. 1322, to amend the Geothermal Steam Act of 1970.

For further information regarding this hearing, you may wish to contact Ms. Ellen Rowan on the subcommittee staff at (202) 224-5205. Those wishing to testify or who wish to submit a written statement for the hearing record should write to the Natural Resources Development and Production Subcommittee, Committee on Energy and Natural Resources, Dirksen Senate Office Building, Washington, DC 20510.

SUBCOMMITTEE ON PUBLIC LANDS, RESERVED WATER AND RESOURCE CONSERVATION

Mr. WALLOP. Mr. President, I would like to announce for the information of the Senate and the public that the Subcommittee on Public Lands, Reserved Water and Resource Conservation of the Committee on Energy and Natural Resources has added an additional measure on which

the subcommittee will receive testimony at its hearing scheduled for Friday, April 11, 1986, at 9:30 a.m., in room SD-366, of the Senate Dirksen Office Building, Washington, DC.

The additional measure is S. 2029, to establish the Big Cypress National Preserve addition in the State of Florida, and for other purposes. As previously announced, the subcommittee also will receive testimony on S. 977, S. 1374, S. 1413 and H.R. 2067, S. 1542, and H.R. 3556.

For further information, please contact Patty Kennedy of the subcommittee staff at (202) 224-0613.

COMMITTEE ON SMALL BUSINESS

Mr. WEICKER. Mr. President, I would like to announce that the Senate Small Business Committee's Subcommittee on Entrepreneurship and Special Problems Facing Small Business has rescheduled its March 25, 1986 hearing on the Entrepreneurial Spirit in America for Thursday, March 27, 1986. The hearing will commence at 2 p.m. and will be held, in room 428A, of the Russell Senate Office Building. For further information, please call Skip Waddell of the committee staff at 224-5175, or Steve Loucks of Senator KASTEN's office at 224-4652.

## AUTHORITY FOR COMMITTEES TO MEET

SUBCOMMITTEE ON DEFENSE ACQUISITION

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Defense Acquisition Subcommittee of the Committee on Armed Services be authorized to meet during the session of the Senate on Wednesday, March 19, to hold a hearing on S. 2082, Defense Enterprise and Initiative Act of 1986; S. 2151, Department of Defense Acquisition Reorganization Act of 1986; and other proposals.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON LABOR AND HUMAN RESOURCES

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on Labor and Human Resources be authorized to meet during the session of the Senate on Wednesday, March 19, 1986, in order to mark up S. 1965, the Reauthorization of the Higher Education Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON THE JUDICIARY

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet during the session of the Senate on Wednesday, March 19, 1986, in order to receive testimony concerning the nomination of Jefferson Sessions to be U.S. district judge for the Southern District of Alabama.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON SEAPOWER AND FORCE PROJECTION

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Subcommittee on Sea Power and Force Projection of the Committee on Armed Services be authorized to meet during the session of the Senate on Wednesday, March 19, in executive session, to hold a hearing on AFW capabilities, in review of the fiscal year 1987 DOD authorization request.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON PREPAREDNESS

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Subcommittee on Preparedness of the Committee on Armed Services be authorized to meet during the session of the Senate on Wednesday, March 19, 1986, in open—later to be closed—session, in order to receive testimony on DOD operations, and maintenance.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON ARMED SERVICES

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on Armed Services be authorized to meet during the session of the Senate on Wednesday, March 19, 1986, in order to conduct a closed executive hearing on Air Force Tactical Programs.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Wednesday, March 19, 1986, in closed executive session, in order to conduct a hearing on the fiscal year 1987, intelligence authorization.

The PRESIDING OFFICER. Without objection, it is so ordered.

## ADDITIONAL STATEMENTS

### ON PENTAGON REFORM

● Mr. GOLDWATER. Mr. President, the Senate Armed Services Committee recently reported a bill on the Reorganization of the Department of Defense out of committee. That bill is the result of approximately 3 years of effort by the Senate Armed Services Committee staff and the project was initiated by Senator JOHN TOWER and the late Senator, Scoop Jackson.

During the course of the deliberations concerning this bill, it became apparent that this was, at the very least, a controversial issue. I have maintained for some time that the Department of Defense, in spite of the fact that it does many things well, is in need of some reforms.

A recent article by Herbert Stein, which appeared in the Wall Street Journal on March 14, 1986 concerning Pentagon reform, very solidly supports my contentions that some changes need to be made. I highly recommend this article by Mr. Stein to all my colleagues who are interested in this subject, and I ask that it be printed in the RECORD.

The article follows:

[From the Wall Street Journal, Mar. 14, 1986]

ON PENTAGON REFORM

(By Herbert Stein)

I have always been skeptical of complaints about management of the defense program. Often they seemed to be rationalizations for cuts in defense expenditures that were really wanted on other grounds. Also, I had seen lots of high-powered secretaries of defense, and many expert commissions on defense management, come and go. I thought what mortals could do they had done and what waste remained we would have to live with.

I have now had an unusual educational experience. I have been serving as a member of the President's Blue Ribbon Commission on Defense Management, chaired by David Packard. I have had discussions with many secretaries of defense, past and present, other high-ranking civilians in the DoD, numerous four-star officers, defense contractors, defense reformers, whistle blowers, students of defense and members of Congress. I have had the opportunity to chew the subject over with other members of the commission, which includes four former high civilian defense officials, four former high military officers, two former cabinet members, three businessmen, a senator and a congressman.

This has not made me a defense expert. But it has led me to some conclusions and, most unusual at my age, it has caused me to change my mind on some points.

Basically, I have concluded that some important things are wrong and should be fixed. It isn't useful to repeat Bert Lance's Law: "If it ain't broke, don't fix it." The defense program isn't broke but it is defective, and it can and should be fixed.

Nothing I have learned indicates that the defense budget should be cut. Steps can be taken that would get more military strength per dollar of expenditure. But these steps still have to be taken. Even after they have been taken, their full effect on costs will not be seen for several years. Most important, applying these savings, when realized, to cutting the budget will be justified only if the amount of military strength we are now getting is adequate. It may be that the savings should be applied to achieving a higher level of strength, not a lower level of expenditure. That issue our commission did not study.

As I see it, there are five major defects in defense management:

1. Decisions about the size of the defense program and its main elements are not realistically adapted to national-security goals and plans, on the one hand, and to the capacity of the economy on the other hand. The most conspicuous evidence of this is the major shifts from a low level of defense spending in the late 1970s to the rapid buildup initiated in 1981 to the abrupt slowdown of the program now under way—while the national-security threat and our capacity were basically unchanged.

The low budgets of the late 1970s resulted from wishful thinking about the threat. The Reagan buildup reflected a more accu-

rate estimation of the threat, but it did not prepare the country to pay for the buildup, either by taxes or by borrowing. The cuts already made in the Reagan program, and the further cuts threatened, are caused by arbitrary limitations on acceptable amounts of taxing or borrowing.

Responsibility for these serious deficiencies begins at the White House. The president, with the assistance of the National Security Council, does not formulate a national-security policy precise enough for defense options to be deducted from it. He does not get military options presented to him in terms that permit him to judge how well they meet his national-security objectives. He does not get budget options presented in terms that permit him to judge how much more or less security is provided by more or less expenditure. Too often, military requirements or budget limits are accepted as absolutes, dominating all other considerations, rather than as factors to be weighed against each other.

The difficulties are compounded when the decisions move to Congress. Decision making about defense is now divided among dozens of congressional committees and subcommittees, so that hardly anyone feels a primary responsibility for the defense program as the safeguard of our national security. Too many are able to look upon the defense budget as a big pot of money from which they can serve their special interests.

2. The defense program is highly unstable. The big swings from the Carter program to the first term Reagan program to what looks like the second term Reagan program have already been noted. Since the program is not firmly rooted in national-security requirements and economic capabilities. It is also subject to frequent and unpredictable swings between years and even within the year. These swings originate both in the administration and in Congress, as defense becomes just another counter in the game of budget management and budget politics. Defense officials and contractors are also encouraged to play this game. Since future budget limits are uncertain, they have an incentive to get projects initiated even though funds to complete them are not in sight, hoping thereby to establish commitments that will force the money to be provided later. If this hope is disappointed, there are costly stretchouts or cancellations.

Unnecessary instability of all kinds is the greatest source of excess cost in the defense program. A reasonably stable and predictable path of expenditures in the past 10 years would have yielded the level of forces actually achieved at a cost tens and possibly hundreds of billions of dollars below what we have actually spent.

3. Present organization, forces and plans are not well adapted to the limited violence crises that are experienced today. The Marine intervention in Lebanon and the invasion of Grenada are examples. Our military estalishment is designed to prepare in peace for a war in which all forces are engaged and the nation is on a war footing. They have not been well prepared for the other circumstances in which the armed forces may be needed. These are likely to be circumstances in which speed, secrecy and flexibility are essential, in which the forces engaged are small but include elements from more then one service and more than one theater, in which there may be unusual limitations on the way force is used and in which continuous integration of political and military decisions is imperative. A major obstacle to effective operation in such circumstance is an excessively long chain of command between the political military decision makers in Washington and the forces involved in the field. For example, when the Marine garrison was in Lebanon, command over them ran from Washington to Brussels to Stuttgart to London to Naples to the Sixth Fleet in the Mediterranean to the Marine component of that fleet and then to the Marines ashore. Such a chain offers too many opportunities for information and instructions to be delayed, lost or misunderstood.

4. Probably the most serious deficiency in the defense acquisition process is the failure to assign clear responsibility and authority once a decision has been made to enter production. Nominally at this point a program manager takes charge. But in fact his authority is severely limited. He must contend with a large number of people who are in a position to make distracting demands upon him. These include representatives of the services who want to change the system in one way or another and representatives of various anciliary functions, such as aid to small businesses, environmental concerns, competitiveness concerns, etc. The program manager must also report on his progress through many layers of higher authority and seek approval from all of those layers for decisions he wants to make.

This is the opposite of the best private practices and the few outstanding Department of Defense programs. There the basic principle is to give someone the authority to do his assigned task and to hold him accountable to a high-level official who is the only person entitled to change his assignment. In Department of Defense common practice, the primary objective of getting the job done quickly and efficiently is subordinated to a passion for participation by representatives of secondary interests within the Pentagon, such as small business, equal opportunity or envirnmental advocacy.

The Department of Defense commonly insists that its weapons systems be produced with parts made to order to military specifications rather than permitting production to commercial specifications or purchase of parts available in the commercial market. In a great many cases the commercial specifications or parts of equivalent performance are much cheaper than the military specifications. In some cases the commercial specifications are of superior quality because market-competition forces private producers to incorporate the latest technological advances, whereas military specifications change only slowly. The insistence on military specifications is an example of bureaucratic aversion to taking the risks involved in a decision to depart from an established routine.

Other defects, although possibly less clearly established than these, are also important. These include inadequate balance among the views and responsibilities of the service chiefs, the chiefs of the Unified Commands for the various global regions and the chairman of the Joint Chiefs of Staff, weakness of the military transportation system, premature decisions on adoption of weapons, "gold-plating" of requirements, inability to attract and hold highly qualified people in defense acquisition, and ineffective and excessively bureaucratic methods of dealing with problems of fraud and abuse.

This is an impressive list of things wrong with the management of our national defenses. But it is also a list of things that can be corrected, if not perfectly at least substantially. It is an agenda for the future, not an indictment of the past.●

## ACID RAIN

● Mr. DODD. Mr. President, President Reagan has recently received and reviewed a critical document: "The Joint Report of the Special Envoys on Acid Rain."

Acid rain is by no means a new problem. It has long threatened our precious environment. It has been poisoning our lakes, streams, and forests for decades. It has already disrupted that delicate balance of the ecosystem, perhaps irreversibly.

Some of us have been pushing for action against acid rain's devastating effects for years. However, it is only now, with the release of the special envoys' report, that this administration is giving acid rain the attention it deserves.

This moment is long overdue, Mr. President. As the second "Shamrock Summit" between Prime Minister Mulroney and President Reagan gets underway, let us not allow the moment to consist only of optimistic rhetoric. Let us ensure that 1986 will be remembered as the year that the United States and Canada cooperated to overcome the problem of acid rain. The time for talk is over; the time for action is now.

Yesterday I introduced a sense of the Senate resolution to this effect, Mr. President. The resolution urges the President to endorse the findings of the special envoys' report, which includes analyses of the sources, extent, transport patterns, and damaging effects of acid deposition. The envoys' findings come as no surprise to those of us who have been concerned about this problem all along; however, these frightening but indisputable conclusions should force the administration to recognize, for the first time, that acid rain is a serious threat—to the United States, to Canada, and to all future generations of the world.

My resolution goes one step further. It supports the recommendation of the special envoys' report for renewed research into methods for addressing the problem, but also calls for immediate action. I urge my colleagues in the House and the Senate to enact comprehensive legislation to mandate reductions in acid-rain causing emissions through fixed emission reduction targets and timetables.

I readily agree that further research—to develop new technologies for reduction of emissions and to improve existing technologies—is desirable and even necessary. But sufficient and effective technology exists now. We have the means to begin making in-roads against this devastating process. Why not get started—before it is too late?●

## INNA AND NAUM MEIMAN: A SOVIET COUPLE'S SAD SITUATION

● Mr. SIMON. Mr. President, more and more information is coming to light which exposes the worsening medical condition of Inna Meiman, a Soviet refusenik who has cancer. Inna and her husband, Naum, are personal friends of mine and I am deeply saddened by the continued Soviet refusal to allow the Meimans permission to emigrate. Inna can be medically treated, but not by Soviet doctors who have said there is nothing more thay can do. Medical authorities in the West have invited to treat Inna, free of charge.

I strongly urge the Soviet authorities to allow Inna and Naum Meiman to emigrate.

One of the most recent articles that I have seen which details the Meiman's plight appeared in the March 9, 1986, edition of Toronto's the Sunday Sun, by Genya Intrator. I ask that the article be printed in the RECORD.

The article follows:

COUPLE IN DESPERATE STRAITS

(By Genya Intrator)

American university student Lisa Paul was so moved by the desperate situation of Jewish "refusenik" Inna Meiman that she went on a 25-day hunger strike to urge Soviet authorities to grant her an exist visa.

Paul, 23, a Russian studies major at the University of Minnesota, has just returned from a two-year stay in Moscow where Meiman served as her Russian language tutor.

Meiman, 54, is an English professor who has written several college textbooks, including *Modern English for Advanced Learners.* She is the wife of Prof. Naum Meiman, 74, an authority on mathematics and elementary particles.

The couple has been refused permission to emigrate on the pretext Meiman possesses "secrets", despite testimony of coworkers the results of his work were published in scientific journals.

in 1982, Inna was diagnosed as having soft tissue sarcoma, a severely debilitating cancer. She has undergone four operations on her neck and was told by local doctors that they could do no more.

She has been invited to undergo treatment in the U.S. Israel, France and Sweden, but Soviet authorities have refused her permission to leave the country.

In an open letter to Communist Party chairman Mikhail Gorbachev, Meiman said he could not "remain helplessly silent while heartless anonymous officials doom my wife to a tortuous death.

He said he's been seeking permission to go to Israel to rejoin his daughter since 1975, but has been refused because of his work.

He last worked on classified material more than 30 years ago when he did mathematical computations for the institute of physical problems of the Academy of Sciences.

Meiman pleads with Gorbachev for an act of mercy to let his wife go to the West for medical treatment that could save her life.

The inter-religious Task Force urges readers to support the campaign for Inna Meiman. Write get-well messages to her; send them to USSR/RSFSR/Moscow 113127/Naberezhnaya Gorkogo 4/22 Apt. 57, Inna Meiman.

Write to Lisa Paul, 40 27th Ave., SE, Minneapolis, Minn 55414.

Send telegrams and letters to the following Soviet officials demanding that Meiman be permitted to emigrate:

USSR/RSFSR/Moscow 3 Rakhmanovsky Pereulok/ Sergei P. Kurenkov, minister of health, and

USSR/Moscow 103009/ 6 Ogareva Street/ Rudolf Kuznetsov, head of the national OVIR.

Chairman of the presidium of the USSR Supreme Soviet, Andrei A. Gromyko, The Kremlin, Moscow 103132, RSFSR, USSR.

If you wish to contact the Inter-religious Task Force, please write to: 12 Carscadden Dr., Willowdale, M2R 2A7, telephone 633-4788.●

## NEIGHBORHOOD CLEANERS ASSOCIATION

● Mr. D'AMATO. Mr. President, I rise today to commend the efforts of the Neighborhood Cleaners Association [NCA], which is headquartered in New York and represents members from the States of New York, New Jersey, Massachusetts, Rhode Island, Pennsylvania, West Virginia, Florida, Connecticut, and Delaware. Historically, the month of April has been designated by the fabric care industry as "Good Grooming Month." The NCA is continuing the campaign it began during "Good Grooming Month" last year—"The People's Campaign" to help groom an American symbol, the Statue of Liberty. I am pleased to note that the NCA Program has been a great success.

This year marks the 40th anniversary of NCA, and I want to extend my best wishes on this occasion. NCA started in New York City in 1946 with fewer than a hundred members. Its program meant survival for small retail dry cleaners who were involved in zoning fights. From that small beginning of assisting a small number of members to establish property rights in the zoning issue for the retail dry cleaner, NCA has grown to 3,800 members in nine States and has distinguished itself on behalf of its members.

NCA was one of the first small-quantity generators to establish a pickup for hazardous waste—even before being required to do so by law in 1984. It instituted a program for its members to have their chemical wastes picked up and disposed of in an approved site, thereby protecting our environment. NCA has distinguished itself in many areas over the last 40 years.

When retail dry cleaning came into being after World War II, there was no established training program on the proper care and cleaning of clothing. The NCA started the New York School of Dry Cleaning in 1949 to meet this need. This school was formally recognized and licensed by the State of New York and has trained thousands since then. NCA has also trained, through a working relationship with vocational rehabilitation agencies, thousands of the hardcore unemployed. The New York school offers courses throughout the country and has trained an estimated 150,000 persons.

Over the last 40 years, NCA has worked to assist its members in training, has directed each member toward a responsible approach to meeting the needs of a safe environment, and has participated in every aspect of public community service, from collecting clothing for Goodwill to providing toys, games, and candy to hospitals every year.

Mr. President, I want to take this opportunity to advise my colleagues of "Good Grooming Month" and to congratulate the Neighborhood Cleaners Association on their 40th anniversary.●

## THE IMPORTANCE OF TRADE WITH CANADA

● Mr. CHAFEE. Mr. President, a trade initiative of historic consequence has been launched between the United States and Canada, one which hopefully will refute those who think the chief answer to economic problems is to close the door and hide in the dark.

The United States and Canada—which already benefit from the largest two-day trade in history, trade that totalled $118 billion in 1984—are discussing the possibility of reducing and eliminating trade barriers that still exist between them.

This is no easy task, and it will not be a painless one. But it is a critical undertaking, and President Reagan and Canadian Prime Minister Brian Mulroney deserve our encouragement and support for setting this shining example.

There are some who would imperil this magnificant opportunity with demands that certain United States-Canadian disputes be resolved before even allowing these negotiations to begin. Whenever right may lie in these individual disputes, they should not stand in the way of the immense opportunity to negotiate a bilateral trade agreement that would benefit all.

With the hope of promoting the atmosphere of good faith essential to the success of these negotiations, I would like to submit for the RECORD remarks delivered February 25 by the Ambassador of Canada, Allan E. Goltlieb, before the U.S. Chamber of Commerce on the prospects for a United States-Canadian trade agreement.

THE PROSPECTS FOR A CANADA/U.S.A. TRADE AGREEMENT

(Allen E. Gotlieb)

Good Morning: Today I would like to discuss with you the prospects for a new trade

agreement between Canada and the United States. In Canada this topic has and will continue to dominate public debate on economic issues for the coming year. I expect that as the time for formal negotiations approaches it will also become a topic of much debate in the USA.

The decision to propose the negotiation of a new trade agreement to the United States was announced by the Prime Minister to the House of Commons on September 26 last year. This decision flowed naturally from Prime Minister Mulroney's new Conservative Government which had campaigned on the need to "refurbish relations with the United States" and to get the economy moving again by setting it free from excessive government controls and regulation.

The new government came to office with a profound belief in the importance of individual enterprise and great confidence in the capacity of the Canadian economy to compete in a more international trading and investment environment.

The Government therefore set about replacing the more interventionist policies of its predecessors in the areas of energy and investment policy and developing a more activist approach to dismantling trade barriers. Underlying these decisions was the basic premise that the government should encourage the liberalized flow of goods, services and capital as this could benefit the Canadian economy.

In little more than a year after taking office in September 1984, the Mulroney government replaced the much vilified "National Energy Policy" that was adopted in 1980, with a market-oriented policy for oil and natural gas that does not discriminate on the basis of ownership or nationality of the investor. As a result of these changes I believe that the energy sector is now less regulated than that in the United States.

With respect to foreign investment, the new government decided to roll back legislation which, since the early '70s, required that foreign investors demonstrate that their investments were of significant benefit to the Canadian economy. That legislation also required that any takeover, regardless of size be reviewed.

The new Investment Canada Act of 1985 reversed the earlier policy by making the presumption that foreign investment is good for the Canadian economy. Equally significant, Investment Canada now has a mandate to promote foreign investment in Canada, thus redirecting its energies to attracting new investment.

Under the new Act new investments are not subject to any review. Takeovers of existing enterprises are reviewable only where the value of the acquisition exceeds a relatively high threshold. An exception to this general rule is made only for certain culturally sensitive sectors.

Since the Government announced the new investment policy, the level of non-Canadian investment in Canada has risen by 25 percent. We hope and believe that this is a trend that will grow as investors come to appreciate that Canada is once again "open for business".

After experiencing the first fall in economic activity in nearly thirty years in 1982, the Canadian economy has returned to a strong growth path. After achieving 5 percent real growth in 1984, real economic output grew by 4 percent during the first half of 1985, and by well over 6 percent during the second. This was twice the rate of growth of the United States in 1985.

Growth is expected to remain strong again in 1986. Inflation has been remarkably well behaved for the past two years and is remaining very moderate even with strong growth.

Since the coming to office of the new Government in September 1984, Canada has created 580,000 new jobs—which on a proportionate basis would translate into 5.3 million new jobs here—a remarkable record. Unemployment remains unacceptably high but has gone down from 11.2 percent in January '85 to 9.8 percent in January 1986.

Shortly after taking office, and in keeping with its mandate "to get the economy moving again", the Mulroney Government began a complete review of trade policy with a view to finding new ways to "secure and enhance Canadian access to export markets".

Given the concentration of our exports to the United States and the fragility of our access to that major market, some means had to be found to enlarge and improve on that access and to make it more secure and predictable.

Following his announcement to the House of Commons, on September 26, Prime Minister Mulroney wrote to President Reagan on October 1, 1985 to "propose that our two governments pursue a new trade agreement involving the broadest package or mutually beneficial reductions in barriers to trade in goods and services".

President Reagan warmly welcomed the Canadian iniative on October 2, and following extensive consultations between the Administration and Congressional leaders, the President, on December 10, 1985 sent forward the formal notice of intent to negotiate a trade agreement with Canada as required under U.S. trade law. Congress has 60 legislative days to react. About 24 days have now elapsed. We expect the negotiations to start early in May. Every indication we have is that the Congressional response will be positive.

Clearly an iniative of historic importance has been launched. I would like to share with you the reasons for the initiative and describe the objective Canada will be pursuing.

The rationale for Canada to participate in trade negotiations and conclude trade agreements is self evident. Canada is a trading nation. Much of our economic structure can be explained only in terms of our external trade. More than thirty percent of Canada's GNP is generated by our exports of goods and services. At the same time, Canada imports a wide variety of both producer and consumer goods which either cannot be produced in Canada or which can be obtained more cheaply from abroad.

As a first rank producer of commodities, as a manufacturing nation, and as a major force in world banking and consulting engineering, Canada's prosperity depends on its ability to sell goods and services in many parts of the world, especially in the United States, Western Europe and Japan.

For Canadian producers and investors, the test of our foreign trade policy lies in whether the government can maintain current access available to Canadian producers and improve market access for those sectors where Canadian production is or can be competitive in world markets.

Private sector investment is a key to growth and job creation. Canadian producers need to be confident that their market access is secure and that foreign governments will not move to frustrate the effort of Canadians to market their goods abroad.

Unlike our two principal trading partners, Japan and the United States, Canada does not possess a large internal market. Unlike European countries Canada does not have preferred access to a larger market through regional trading blocs.

These factors explain why Canada has been a very active participant in every round of multilateral trade negotiations over the last 40 years. We are and will remain leaders in the international efforts to press ahead with the new multilateral round scheduled to begin in September.

We have, moreover a binding international agreement with the United States covering all our trade—the General Agreement on Tariffs and Trade and this agreement conveys substantial rights and imposes heavy obligations upon both countries. We have one subsidiary but highly important trade agreement with the United States covering automobiles and several dealing with defence products. Hence the question before us is not whether there should be a trade agreement between Canada and the United States but rather whether we can go farther and do better than the present arrangements.

To place this issue in perspective two way trade totalled US $118.8 billion in 1984. Canada enjoyed a surplus on merchandize trade of US $15.4 billion. This surplus on merchandize account was second in importance only to Japan.

Our surplus, however, has not come under the same close scrutiny and criticism because the Canadian market is essentially open. Ample testimony to this is given by the fact that U.S. exports to Canada increased by over 20 percent in 1984. This should be contrasted with U.S. export performance in Japan and the EEC where the rates were 8 and 6 percent respectively.

Further the surplus we enjoy on the merchandize account is substantially offset by a large and traditional deficit we run with the United States on invisibles (i.e. interest, dividends, tourism and service payments). For 1984 the current account surplus was U.S. $6.7 billion. This was only the third year since World War II that Canada enjoyed an overall surplus on current account.

The other side of the coin, so to speak, is the importance of Canada as a market for American goods and services. Canada is by far the largest market for the United States, larger than Japan and equal to the market offered by the member countries of the European Community.

Canadian imports of U.S. goods in 1984 were US $46.5 billion. In the same year Japan imported US $23.6 billion and the European Community imported US $46.9 billion of U.S. goods. In 1984, Canada, a nation of 25 million purchased more than 21.3 percent of all U.S. exports. Moreover, 85 percent of these goods were fully or partially manufactured.

In 1985, U.S. exports to Canada increased by 12 percent. This increase in exports to Canada should be contrasted with a decline in exports to the European Community of 2 percent and a decline in exports to Japan of 4 percent. Again in 1985, the Canadian market absorbed 22.3 percent of all U.S. exports.

One of the most important things we want to do is to open up the vast U.S. market to Canadian industry in order to increase its efficiency and competitiveness. Through increased scale of production and greater specialization in certain products, Canadian manufacturers would have a unique opportunity to increase their competitiveness and efficiency, increase employment opportuni-

ties, and ultimately raise the real income of all Canadian workers.

New jobs are created and new investment is stimulated when the market is large enough to allow economies of scale and specialized production. Better jobs are created when companies are confident about the future and are prepared to invest to remain competitive.

Whatever we can achieve in opening up the U.S. market, our present access to this market is under considerable threat. Canadian jobs are lost and new jobs are not created when the United States imposes quotas or higher tariffs on trade. In many cases the threat of protectionist actions is as potent a deterrent to investment as is the actual imposition of a restrictive measure.

Examples which come readily to mind are the steel and softwood lumber issues. Let me take a few moments on lumber.

Softwood lumber exports to the U.S.A. are an important ingredient in our bilateral trade. In 1984 they were valued at $C 3.3 billion. They are also a valued import as they make up the shortfall in U.S. production and meet the real needs of many users who prefer the species, size and quality of softwood lumber available from Canada.

Lumber is not a new issue. The industry is prone to cycles of boom and bust. When the market is stong, Canadian softwood lumber is welcome. When the market turns down, the U.S. industry would like us to go away lest the abundant supplies create a downward pressure on prices.

In the current cycle the U.S. industry has alleged that Canadian forest management and pricing practices are unfair. It has requested that steps be taken to either limit volume or raise prices of imported lumber.

The Canadian industry has been the subject of the most intense scrutiny for the past five years. Two investigations by the ITC under Section 332 and a massive countervailing duty case have failed to provide evidence that would substantiate the U.S. lumber industry's claims. Yet the pressure for limiting our access to your market for lumber continues to grow.

Today there are a number of bills before Congress that would either raise Canadian lumber prices, limit the volume or change the countervailing duty laws to make current Canadian practices actionable.

Recognizing the seriousness of the problem, we have agreed to enter into high level, government to government talks in an effort to try and resolve the issue. These talks should be allowed to proceed without prejudice.

The new protectionist threats come on top of an existing system of so-called contingency protection measures that pose an ever-present threat to many Canadian exports. Many Canadian companies doing business in the United States find themselves compelled to hire expensive Washington law firms as their U.S. competitors increasingly use the full array of U.S. trade remedy law in an effort to obtain relief from foreign competition.

Through a new agreement, we want to ward-off the very real threat to existing Canadian exports and Canadian jobs posed by the sweeping new protectionist measures being put forward in Congress. We want to seek to obtain an agreement with the United States that will help shield us against the continuing threat posed by existing protectionist measures in place in the United States, which have the effect of impeding exports and discouraging new investment in Canada aimed at supplying the U.S. market.

The third major objective for Canada in these negotiations will be to enshrine the improved access to the U.S. market in a treaty or congressional-executive agreement. Such treaty or agreement should include a strong dispute settlement mechanism to reduce the disparities in size and power and to provide fair, expeditious and conclusive solutions to differences of view and practices. It should also provide institutional and other provisions maintaining Canadian independence of action in areas of national endeavour.

While it may be clear why Canada has initiated this process it may not be equally apparent why the United States should want to pursue a bilateral trade agreement with Canada.

In my opinion there are a number of compelling reasons.

First as I mentioned earlier, Canada offers the largest, fastest growing and in many respects the easiest market for U.S. goods and services. In 1985, we took 22.3 percent of all U.S. goods exports and ran a sizeable deficit with you on services.

That was under the existing tariff structure. The average tariff facing goods flowing north is between 9 and 10 percent whereas the average level of U.S. tariffs is between 3-4 percent. It is therefore obvious that your trade could be considerably enhanced by moving to a zero tariff across the board.

Second, a large and growing proportion of the U.S. economic activity lies in the service sector. Given the proximity of our markets and the similarity of our economic systems we already have a flourishing two-way trade in services. Traditionally, you have enjoyed a large surplus in this account. In 1984, the surplus was $14 billion.

Improved and more predictable access into the service sector would obviously open new markets for U.S. firms. Looking beyond our bilateral horizon, there is an urgent need to begin developing international rules governing trade in services along the lines of those GATT rules that have served us well in the goods trade.

An agreement with Canada on services providing a broad legal framework and effective disciplines could serve as an example of what can be achieved in this new area. It could go a long way towards advancing our mutual interest in negotiating better international rules in the next MTN round.

Third, under the heading "improvements to trade in services" one could also envisage addressing a variety of regulatory issues that because of a lack of symmetry lead to the creation of trade barriers. Here one might think of such arcane subjects as grading standards for potatoes or plywood, approval processes, business travel, etc. In a relationship as complex as ours, there are hundreds of such issues that impede trade, often inadvertently.

Fourth, there are a number of non-tariff barriers at both the federal and provincial levels which impede U.S. access to certain parts of the Canadian market. In the United States you have such things as "Buy America" preferences or restrictions, small business set asides, State and local government preferences, etc. In Canada we have engaged in similar practices that have restricted U.S. access to certain areas of government purchasing or at the provincial level have made it more difficult for U.S. suppliers to compete such as in the area of alcoholic beverage marketing.

Finally there is the area of foreign investment. As I pointed out earlier the Mulroney government has made some very fundamental changes in this area, greatly reducing the regulatory scope of Investment Canada and increasing the transparency and predictability of the process. I understand that some U.S. interests would like further movement in this area towards completely unfettered access—a condition I might add that does not exist in the United States.

While this is a sensitive area, the government is on record as saying that it wants the broadest possible deal consistent with a balanced negotiation.

There is a lot of optimism on both sides of the border about a new trade deal. There are also some serious worries, especially in Canada. Some Canadians are extremely concerned about the effect these negotiations might have on Canadian cultural industries and, therefore, on our ability to express our national ethos and to protect our essential sovereignty.

No country is more open than Canada to foreign cultural products. Anyone who doubts that should look at our bookstores, our theatres, our broadcasting system, our galleries and museums. Equally no country in the world is more committed than Canada to making the rules of international commerce more transparent and fair.

Because we are so open, and because we live next door to the most powerful country in history with perhaps the most vibrant culture on earth, it is not surprising that preservation of our own cultural sovereignty has to be a preoccupation of the Canadian government.

But the commitment to preserving cultural sovereignty does not stop us from seeking better trade rules for cultural industries. From Canada's point of view, better rules are both possible and desirable.

We are prepared to discuss with the U.S. whatever concern you may have. We expect a similar openness of your side. No doubt, as the negotiations proceed, your side will state that it cannot meet certain Canadian demands; no doubt, we will do the same. But there will be many issues on which we will be able to agree. This is the essence of negotiations.

These negotiations will not be the first time that Canada and the U.S.A. will be sitting down to try and improve their trading relationship. Seventy-five years ago. the government of Sir Wilfrid Laurier concluded an agreement providing for reciprocity between Canada and the U.S.A. This agreement has the crowning achievement of Laurier's liberal free-trade policy. It also sent the Laurier Government down to a crashing defeat, a lesson not lost on subsequent Canadian Governments.

But there is a happier lesson to be drawn from past history—the precedent setting agreements Canada and the U.S.A. negotiated in 1935 and 1938. These agreements established the "most-favoured-nation" principle and began the dismantling of extensive trade barriers that had been thrown up in the wake of the Smoot-Hawley tariff. Coming as they did in the depth of the depression they were a true act of faith in the benefits to be derived from a more open trading system. The principles of these bilateral accords formed the foundation of the post-war multilateral trading system.

The words Smoot-Hawley are often heard these days around Washington on the lips of people who fear that protectionist pressure may be driving the U.S. towards an historic error.

What is needed to avoid such an error, on your side of the border and on ours is an act

of courage in our capacity to compete and an act of faith in the benefits of open markets, just as we made in the thirties. We, Canada and the U.S.A., have shown this leadership before, in our common interest. Canada is on record as wishing to try to do so again.

The Canadian Government has taken the initiative. It will be brought to fruition only with broad based support in both our countries. It requires that people like you who see the major economic and political benefits that can flow from such an agreement to actively promote it. I invite you to join me in countering the influence of the nay sayers that are always attracted to great initiatives. I invite you to join me in promoting an enterprise that will be good for Canadians and Americans alike.●

## HHS'S LIST OF "OUTLIER" HOSPITALS

● Mr. DURENBERGER. Mr. President, 2 days ago, the Department of Health and Human Services released the results of a statistical study comparing the actual number of deaths of Medicare patients in hospitals with the number that would have been expected according to a statistical model developed by the Department. Included on the list are those hospitals whose actual experience differed from the predicted experience by a statistically significant amount—whether for better or worse. This will be very helpful in ensuring quality of care for Medicare beneficiaries. But, right now, I believe it is vitally important that we all understand just what this list is—and what it is not.

This list is certainly not a list of hospitals which have been found to have problems in terms of the quality of care they provide—the model used by the Department does not take into account a number of important factors which could explain a hospital's appearance on the list. For example, the model used does not consider the severity of illness of the patients seen in that hospital, or even whether or not the hospital is a hospice or teaching hospital or referral hospital which can expect to see more severely ill cases. But, when peer review organizations—the groups charged with monitoring quality and utilization in the Medicare Program—receive the names of hospitals in their jurisdiction which appear on the list, they will know which hospitals' appearance is justified and which hospitals should be looked at more closely. The informaton is not very meaningful taken out of context—it is simply a tool, generated by HCFA on the basis of Medicare statistics, for the PRO's to use in monitoring the quality of care in hospitals, just as they were set up to do.

While I am pointing out what a crude and unrefined tool this list is in one respect, I should also point out that, in another way, it represents an important and valuable shift in the way in which the Government tries to measure or define quality of care. That is, it does not simply compare a patient's actual experience with a textbook recommendation as to what tests should have been ordered or what procedures should have been followed. Nor does it "measure" the quality of care provided by examining the physical plant or facilities to see if they meet some criteria from which inspectors will infer that they can deliver quality care. Those methods represent the old-fashioned thinking that we can ensure quality by requiring the process of delivering care to be set up in a way which should guarantee quality. Instead, we must begin to examine quality by going straight to the patients themselves—in other words, by focusing on the outcome, or the patients' condition following medical treatment, rather than the process of delivering that care. This outlier list is a valuable start toward approaching the health care system from the outcome side rather than the process or structure side.

I understand that the Department originally intended to send each PRO the names of the hospitals within its jurisdiction which appeared on the list so that the responsibility for investigating why these hospitals are outliers could be included in the contracts they are about to renegotiate with the Health Care Financing Administration. However, last week a copy of the list was leaked to the New York Times. When that happened, the Department decided to go public with it in order to explain the severe limitations to its usefulness so that no one would draw justified inferences from it and unduly frighten beneficiaries. I applaud their effort, and I hope they have been successful in allaying unfounded fears.

Admittedly, it would be very easy to draw broad conclusions based on this rough data; for instance, I cannot help being proud that only four Minnesota hospitals appeared on the list, that two of those had better experience—or lower death rates— than the model would have predicted, and that another has a hospice unit. But I want to caution everyone—especially beneficiaries—that this list is only a tool, a very preliminary step in reviewing the quality of care being provided to Medicare patients. We have been given a peek into the early stages of quality review. Let us not be unduly alarmed. It is just the system we set up doing its job.●

## REINS ON INSURANCE

● Mr. SIMON. Mr. President, the liability insurance problem is a growing monster.

This Nation cannot ignore this problem, and we want to make sure we come up with answers that are solid for the customers, for the insurance companies, and for everyone.

But when people with no record of claims all of a sudden face increases as high as 63 percent, as in one case I read about, something is wrong.

The Economist newspapers in the Chicago area recently published an editorial, "Reins on Insurance."

It is an editorial that my colleagues and the insurance industry would do well to read, and I ask that it be printed in the RECORD.

The editorial follows:

REINS ON INSURANCE

The movement for increased regulation of the insurance industry is gaining steam as the crisis continues unabated.

State Rep. Ellis Levin of Chicago has introduced a package of bills in the general assembly that would regulate insurance rates, require 90 rather than 30 days before an insurance policy can be canceled.

At a hearing Thursday before the House Task Force on Insurance, Levin charged that Illinois insurance rates are so high that insurance firms are making "obscene levels of profit."

Levin said rates here are "way out of line with other states," and contended that Illinois is the only state in the union lacking a mechanism to hold insurers accountable for their rates.

Property owners, local governments and small businesses are paying the price for the firms' profits, Levin said. While some insurance rates in Illinois have increased as much as 1,200 percent, rates in neighboring states like Indiana and Iowa are increasing by "only" 12, 15 or 25 percent, according to a study by the Legislative Research Unit of the General Assembly.

A spokesman for the Alliance of American Insurers disputed Levin's argument that rate controls are needed. He claimed conditions are no better in other states where government approval of rate hikes is required.

The spokesman, Bradley Kading, predicted that insurance premiums will be cut in Illinois by 1989, as part of the normal swing of prices in the free market.

But 1989 is three years away; at the rate premiums are increasing, small businesses and governments all over Illinois will be crushed by 1989. By then, rates could be astronomical.

Creation of a rate control commission require insurers to justify their rate increases. If observers like Levin are correct, a rate control commission would uncover any unjustified rate hikes.

At the same time, Sen. Paul Simon, D-Ill., has proposed national measures to fight the insurance crisis. He is talking about an end to antitrust laws that benefit insurance companies by limiting competition; plus a study of whether the federal government should get involved in providing some sorts of insurance.

Simon has also raised questions about tax law provisions that benefit insurance firms.

It appears that the longer insurers allow the crisis to continue, the louder the calls for increased regulation will become. It seems unlikely that insurers will be happy with the final product.●

## ACTIVITIES OF THE NATIONAL ENDOWMENT FOR DEMOCRACY IN NICARAGUA

● Mr. LUGAR. Mr. President, for some time, the National Endowment for Democracy has been providing financial support to those in Nicaragua who favor democracy. The Endowment's major grant has gone to La Prensa, Nicaragua's only independent daily newspaper, for the supplies it needs to publish. This grant has allowed La Prensa to continue to serve as the voice of the democratic opposition in Nicaragua.

The Endowment's assistance to La Prensa and its other activities on behalf of democracy in Nicaragua should not in any way be confused with President Reagan's request for aid to the Contras or any other official U.S. policy. The Endowment is an independent corporation. It supports only nonviolent activities aimed at promoting democracy around the globe.

Nicaragua is not the only country in which the Endowment has played an important role in aiding the forces of democracy. During the recent elections in the Philippines, the Endowment sponsored an international observer team to monitor election procedures. This team coordinated its efforts with the observer delegation I cochaired. Working with the Endowment team was a pleasure. It also helped insure that we got an accurate picture of election conditions throughout the Philippines.

Mr. President, I strongly support the Endowment's activities in Nicaragua, the Philippines, and elsewhere. Moreover, I believe all Americans, regardless of their views on aid to the Contras, can be proud of the Endowment's work in fostering democracy in Nicaragua. For the benefit of my colleagues, I ask that a description of the Endowment's program of support for La Prensa, approved at its January board meeting, be printed in the RECORD.

The description follows:

### LA PRENSA

#### SUMMARY

La Prensa, Nicaragua's only independent daily, is seeking additional funds to purchase the supplies and other materials which are vital to its continued publication. A NED grant of $100,000 in FY 1985 for the purchase of these supplies was crucial to La Prensa's continued existence as a force for democracy in Nicaragua.

#### PROGRAM DESCRIPTION

Nicaragua's only independent daily newspaper, La Prensa, has requested another $100,000 to purchase essential printing supplies, spare parts for its presses, and wire and feature services. These supplies and services must be purchased abroad and paid for in dollars. La Prensa, however, cannot obtain the required dollars because of restrictions on foreign currency exchange imposed by the Sandinista government. These restrictions are due in part to Nicaragua's precarious financial status, but when applied selectively to La Prensa they also represent a form of economic harassment by the Sandinistas.

La Prensa estimates its foreign currency needs to purchase the necessary supplies and services as $10,000 per month. The required materials, vital to a major daily, include printing ink, photo supplies, chemicals and other printing supplies, and mechanical and electronic spare parts. The required services include the Associated Press, Agence France Press, Editors Press Service, New York Times wire service and King Features.

La Prensa received a $100,000 NED grant in FY 1985 for similar purposes which helped to meet its needs from February through November, 1985.

#### REASONS FOR ENDOWMENT SUPPORT

La Prensa is the only independent daily newspaper in Nicaragua. Although heavily censored, it continues to publish and has become a symbol of the embattled civic opposition to the Sandinistas.

The other two major dailies in Nicaragua do not share La Prensa's difficulties. Barricada, the Sandinista party newspaper, and El Nuevo Diario, which is pro-Sandinista, receive numerous donations and grants from abroad. Barricada, for example, received a complete rotary press from the East German Communist Party. Both Barricada and El Nuevo Diario receive preferential treatment from the Sandinista government in the allocation of foreign currency for their purchases abroad.

Although La Prensa is heavily censored and all reports which in any way are thought to be critical of the Sandinista government are deleted, it remains a vital force in Nicaraguan public life. It has a daily circulation of 70,000, and its eight to twelve-page edition includes two pages of sports and two pages of classified ads, in addition to local and foreign news.

NED's FY 1984 grant literally has kept La Prensa alive. For example, its editors have reported that the first shipment under the FY 1985 grant—a large supply of printers ink—arrived in Managua just as La Prensa's supply of ink had been depleted.

NED has had some success in enlisting other U.S. support for La Prensa. As a result of NED encouragement, Americares, a private foundation in New Canaan, Connecticut, has obtained commitments for 180 tons of newsprint (market value $94,500) from the U.S. pulp and paper industry, which will cover La Prensa's paper needs for four to five months. Shipments of the newsprint to Managua are already under way at a cost of approximately $22,000, also raised by Americares.

#### ORGANIZATION

Friends of the Democratic Center in Central America (Prodemca), a non-profit educational organization committed to the promotion of democracy and human rights in Central America, has agreed to administer the grant for a second year. Prodemca's National Council includes Angier Biddle Duke (Chairman), Maurice Ferre, J. Peter Grace, Theodore M. Hesburgh, Sidney Hook, Bayard Rustin, John R. Silber, William E. Simon, Ben J. Wattenberg, and Elie Wiesel.

A grant to La Prensa would be consistent with NED's objective of encouraging democratically-oriented journalistic enterprises in the Third World, in particular by assisting the media that serve as forums for free discussion and the advancement of democratic ideas. La Prensa has a long history as a crusading, independent newspaper. It opposed the Somoza regime, which resulted in the bombing of its offices and the murder of its chief editor. It originally supported the Sandinista government but withdrew its support when the Sandinistas reneged on their promise to create a pluralistic society with guarantees for press freedom.●

## TUCSON JOURNALIST AWARDED THE ALFRED I. DU PONT-COLUMBIA UNIVERSITY AWARD FOR EXCELLENCE IN BROADCAST JOURNALISM

● Mr. DECONCINI. Mr. President, on February 5, 1986, News Reporter Nancy Montoya of KGUN television, Tucson, AZ, was awarded the Alfred I. du Pont-Columbia University award. Receiving the award with Nancy was cameraman Tom Gilmer. Montoya, selected from over 1,000 entries, was honored for her distinction in broadcast journalism. The awards ceremony at Columbia University in New York City was telecast nationally on public broadcasting networks nationwide.

The Alfred I. du Pont-Columbia University award honors those who excel in radio, television, cable news, and public affairs programming. This prestigious award was established in 1942 by Jessie Ball du Pont in memory of her late husband. Montoya was recognized for localizing national news. For this, Montoya traveled to El Salvador and Nicaragua. Montoya's report, "Searching for Sanctuary," discussed the findings of the attorneys preparing for the Tucson Sanctuary trial. In her report on Nicaragua, "Politics of Peace", Montoya presented information on a group of American's who traveled to Nicaragua on a factfinding mission.

This award, one of the most esteemed in journalism, represents Nancy's commitment to individuals, issues, and the truth. Past recipients of this award include Roger Mudd, David Brinkley, and Terry Drinkwater. We are proud of Nancy and her dedication to her job and her community. Nancy has set a standard of excellence and we are pleased that she has been recognized for this by receiving such a prestigious award.●

## RETIREMENT OF ELBREGE SULLIVAN

● Mr. BOREN. Mr. President, I would like to take this opportunity to share with my colleagues a tribute to Mr. Elbrege Sullivan, a native of Lawton, OK, who is retiring this year after 30 years as a leader for our dairymen. He has dedicated not only time and energy to this endeavor, but has also invested a keen interest and a comprehensive knowledge of the dairy industry to the development of many growing organizations.

Elbrege Sullivan will probably never stop working to help the dairy indus-

try, but he is retiring this year from the Associated Milk Producers Inc. [AMPI] because of the mandatory age restriction at 65. He was active in organizing early dairy cooperatives in Oklahoma and has served as a committee chairman or member in every phase of dairy co-op work both locally and nationally. His leadership has spanned the National Milk Producers Federation, American Dairy Association, Oklahoma Dairymens Credit Union, and many other dairy organizations on local, State, and national levels.

A dinner was held in Elbrege Sullivan's honor in February by AMPI in Dallas. Many friends and associates were present to add their endorsements to the tribute being paid to him, and to praise him for "going the extra mile" for dairymen. He was known to sacrifice, not once, but many times and was remembered for giving the last full measure of devotion to dairy farmers. In response, the March issue of Dairymen's Digest quotes Mr. Sullivan as saying, "I had to pinch myself to realize you were talking about me. But let me tell you, everything has fallen into place for me * * * look at all the valuable contacts and wonderful friends I've made, yes right here in this room * * *."

The work will continue, and the leadership of AMPI will now pass on to others. But none will forget the dedication and pride that Elbrege Sullivan has for the dairy industry. Mr. President, I am proud to take this opportunity to thank Mr. Elbrege Sullivan for many years of service to this important sector of the agriculture industry, and I am pleased to share this tribute today with my colleagues.●

## NEW JERSEY RADON TASK FORCE

● Mr. LAUTENBERG. Mr. President, in January I went to Sweden with a task force to investigate how that country has dealt with a problem of growing concern to residents of my State, and citizens throughout the country. The problem is radon gas contamination in homes.

This task force was comprised of members of the Federal Government, New Jersey State government, and private sector. I formed the group to bring together the types of people who will have to work cooperatively to address radon problems. Sweden has known of its indoor radon problems since the 1960's. Based on epidemiological studies, radon is estimated to cause as much as 40 percent of the lung cancers detected annually in Sweden. The information gathered in meetings with top Swedish environmental, health, and building officials is helpful as the United States begins to address radon contamination.

Mr. President, radon is a major public health threat in New Jersey. At least 250,000 homes in New Jersey alone are located atop a geologic formation known as the Reading Prong. The Reading Prong has higher than normal radon emissions, and 40 percent of New Jersey Reading Prong homes tested have high levels of radon gas. But radon contamination is by no means limited to the Reading Prong. New Jersey State environmental officials estimate that 1.6 million homes in the State could be at risk.

Mr. President, radon is more than a regional public health threat. Radon contamination has been found in 45 States. ABC News in Washington recently reported on the presence of radon in homes throughout the Washington metropolitan area, and I have received reports of radon contamination from States throughout the country. The Centers for Disease Control has reported that 6 million Americans are exposed to hazardous levels of radon, levels which could be causing 20,000 lung cancer deaths each year in this country. EPA will soon begin a national assessment of radon contamination. When this survey is completed, radon will further emerge as a national health problem.

Mr. President, radon is a national problem, and deserves national attention. The Senate has approved legislation to establish a radon program at the Environmental Protection Agency. As a sponsor of this bill, I have also worked to provide funding for EPA for a radon program to address the national scope of this problem adequately. EPA has made progress in setting up a program over the last year. But, the effort is just getting underway and will need continued support to effectively assess the problem nationally, develop mitigation techniques, and provide technical assistance and information to the States which are most affected by radon contamination.

Following my factfinding trip to Sweden, I prepared a report on the behalf of the task force. This report summarizes the findings of our visit, and recommends a course of action integrating Federal, State, and local governments and the private sector.

Mr. President, I ask that the text of this report be inserted in the record for the information of my colleagues.

The report follows:

### RADON TASK FORCE REPORT

#### I. SWEDEN

A radon task force, led by U.S. Senator Frank R. Lautenberg, travelled to Stockholm, Sweden between January 7-10, 1986, to assess that country's response to indoor radon contamination, and how the Swedish experience could be of use to the U.S. The task force represented interests of New Jersey and the nation, public and private sectors. The participants served not only in their official capacities, but several as concerned homeowners residing within the Reading Prong area, also.

The members were: United States Senator Frank R. Lautenberg; New Jersey State Senator John H. Dorsey; Richard J. Guimond, director of the federal Environmental Protection Agency's radon programs; Marlene McMahon, New Jersey Builders Association; David Jackson, New Jersey Builders Association; Robert Ferguson, New Jersey Realtors Association; and John Spears, National Association of Homebuilders Research Foundation, Inc.

Over three days of meetings, the task force met with officials of the Board of Physical Planning and Building Research, Institute of Radiation Protection, Building Research Council, and the Institute of Environmental Medicine at the Karolinska Institute.

In addition, they met with municipal health officials, residents of a home which had been contaminated with high levels of radon, and a Swedish realtor.

The meetings encompassed all aspects of the radon problem—government policy, scientific research, economic effects, and the real effects of radon on homeowners.

The findings of the task force in Sweden were significant. Perhaps most important was the report given by Dr. Goran Pershagen of the Institute of Environmental Medicine. In describing a yet-to-be published report, Dr. Pershagen outlined epidemiological studies which show a definite link between lung cancer and residential radon contamination. Estimates link as much as 40% of lung cancers in Sweden with radon contamination.

Radon exposures in homes in Sweden are thought to have increased by a factor of three or four over the last 20-25 years. This correlates with the increasing attention to energy conservation in homes. Radon poses the greatest risk from radiation sources to Swedes, by a factor of about 14 over other sources, such as diagnostic x-rays.

Dr. Gunnar Bengtsson, Director-General of the Institute of Radiation Protection, said that as many as 140 deaths per million people each year could occur as a result as exposure to radon in homes. In Sweden, this would mean as many as 1100 deaths could be occurring due to radon each year. This was compared to exposure to x-ray diagnosis, which poses a fatal risk to ten per million, for a total projection of about 83 deaths each year.

In the U.S., all health estimates have, so far, been based on studies done on uranium miners. Although the evidence of increased lung cancers among miners due to radon exposure is clear, there has been some dispute over the effects of exposure at levels found in homes as opposed to mines.

While the task force was in Sweden, the Swedish government announced a major new policy initiative, firmly committing that nation to adequate treatment of the radon problem. The policy announcement placed the Institute of Radiation Protection (SSI) in the federal leadership role, to be responsible for overall strategy and to coordinate testing of homes. Other provisions of the announcement included: the determination of the feasibility of a nationwide epidemiological study; making municipalities financially responsible for finding homes with radon levels exceeding 400 Bequerels [1]

[1] A Bequerel (Bq) is the unit of measurement most commonly used for expressing radon concentration in Sweden. Bq is a part of the international standard (SI) system. To derive working levels from Bq, divide the Bq value by 3700.

(.11WL); and having the SSI work to certify private detection and mitigation firms.

Swedish officials first became aware of a residential radon problem in the mid 1960's. The initial concern arose because of findings of radiation emanating from a lightweight concrete made in part with alum shale. This material was found to be emitting radon, along with gamma radiation. Beginning in 1968, several reports were issued on the dangers of radon. Production of alum shale concrete was banned in 1974.

After initial investigations, it became apparent that building materials were only a minor component of Sweden's radon problem. Naturally occurring radon contamination, like that being found in the Reading Prong, was determined to be the primary contributor to the problem.

Emphasis on energy conservation in homes was seen as a major contributor to the radon problem. In 1974, the SSI published a document entitled "Radiation in Our Homes," which was distributed to local public health officials, and made available to the public. It clearly stated that an increased rate of lung cancer could result from decreased indoor ventilation rates, specifically as obtained through energy conservation measures. This was due to the fact that energy conservation efforts were aimed at sealing windows, doors, and other aboveground building parts, and not at foundations, a major entryway for radon. It was estimated that an increase of 20 lung cancer cases in Sweden would result for each average increase of 1pCi/1 of indoor radon.

The warnings in this booklet went largely ignored. In fact, a mass media representative reportedly told the SSI that "if we reproduce what you say here, we might scare people."

It wasn't until January of 1979 that Sweden's residential radon problem drew major attention in the press and public. Homes in a small community in central Sweden were found to have very high radon levels. The SSI and local authorities held an informational meeting for residents. The meeting attracted large scale media attention, and radon became a real problem to Swedes. This somewhat parallels what happened in Boyertown, Pennsylvania in later 1984, with the discovery and publicity of radon contamination at the Watras home.

Public concern in Sweden was significant. The SSI reported receiving 800 phone calls a day following the publicity. The concern was both over health and economic impacts.

Following these events, the government immediately appointed a Radon Commission, which the SSI had sought a year earlier. The Commission is composed of representatives of the SSI, Urban Planning Board, Karolinska Institute, and other government agencies. Within a week of its establishment, the Commission published an informational booklet, jointly prepared by the SSI, the Urban Planning Board, and the Board of Health and Welfare.

In May 1979, the Radon Commission published an interim report entitled "Preliminary Proposals for Action Against Radiation Risks in Buildings." The report contained:

Proposals for acceptable safe radon exposure limits;

Recommendations for extensive radon testing in each community to find high homes;

Proposals to find homes with building materials emitting radon; and

Proposals to do geologic testing and surveying to find hot spots.

In 1982, results were published on the coordinated municipal testing of nearly 33,000 homes in Sweden [2] The cost of this survey was approximately $3 million. Several smaller testing programs were also undertaken, including one by the SSI, which looked at 512 homes in a random sampling.

The results of such testing are used as a tool in planning development in Swedish communities. With this information, planners can take high risk radon hot spots into account when devising building and development strategies.

Based on the SSI testing, the following estimates were made:

| Radon concentration WL/Bequerels | Percent of buildings exceeding this concentration (municipal testing) | Percent of buildings exceeding this concentration (SSI random testing) | Number dwellings (SSI data) |
|---|---|---|---|
| 0 | 100 | 100 | 3,500,000 |
| >.019/70 | 78 | 14 | 500,000 |
| >.054/200 | 38 | 3.5 | 120,000 |
| >.108/400 | 11 | 1.0 | 35,000 |
| >.216/800 | 1.75 | | |
| >.54/2000 | 25 | | |

The Commission proposed a preliminary action level of 400 Bq, or approximately .11WL, meaning that immediate attention would be given to those homes with radon concentrations exceeding that level. That would, based on SSI estimates, include approximately 35,000 homes, or roughly 1 percent of the nation's homes. Later estimates have ranged as high as 50,000 to 100,000 homes. (Similar estimates have been made of the percentage of U.S. homes with high radon levels).

In November 1979, the Radon Commission wrote the government, proposing a means of assisting homeowners with large expenses related to radon mitigation. As a result, parliament approved a low-interest loan program for those homeowners with radon concentrations exceeding the action level of 400 Bq.

During the Swedish budgetary year 1981/1982, 300 loans were issued, averaging about $2,000, for a total cost of approximately $600,000.

In 1980, the Urban Planning Board introduced radon concentration limits in the national building code. It set the limit of radon concentration in new homes at 70 Bq (.02WL), 200 Bq (.05WL) in renovated homes, and 400 Bq (.11WL) in existing homes.

Enforcement of these building codes has not been as strict as it could be. The government policy announcement made while the task force was in Sweden contained provisions for toughening up enforcement of these codes.

In 1981, the SSI, Urban Planning Board, and Board of Health and Welfare jointly issued a comprehensive report summarizing the results of Sweden's radon programs to date. The Radon Commission also published a second interim report that year.

The reports reaffirmed the determination that the radon problem was due principally to natural emissions from the soil, and not from building materials. The highest radon concentrations were found to result from the combination of several conditions:

High radium concentrations in the soil.

Porous soil.

Faulty building design/construction (inadequate sealing of foundation spaces, etc.).

Low indoor ventilation rate.

Significant low indoor pressure, drawing in soil gas.

Use of radon rich building material.

It is felt that increased radon concentration leads to a corresponding increase in lung cancer risk. Even at relatively low levels, radon is thought to present a notable risk.

Recent estimates place the average radon concentration in Sweden at approximately 53 Bq. (.01WL). The corresponding lung cancer risk may be of the order of 1 in 10,000, or over 800 cases of lung cancer a year in Sweden. Epidemiological studies cited for the task force indicated that the actual number of radon-induced lung cancer is higher, at about 1,000 of a total of 2,500 lung cancer deaths each year.

Dr. Gunnar Bengtsson outlined the need to address the entire range of radon contamination in homes. Although the homes with the highest levels must be mitigated on a priority basis, in order to cut into the overall lung cancer rate, all exposures must be diminished.

It is thought that the bulk of radon-induced lung cancers are caused by relatively low exposures, below the 400 Bq action level. It is at these levels that the larger percentage of people are affected, not at the extremely high, uncommon levels. While eliminating the very high exposures reduces the risk faced by an individual, it does little to cut down on the collective risk faced by the entire population at risk.

For example, consider a group of 100 individuals exposed to varying levels of radon. Suppose 90 of them are exposed to levels between 50 and 100 Bq—relatively low, but still a risk. The other ten are exposed to levels exceeding the 400 Bq action level. If the ten with the high levels are remediated, the risk faced by those individuals has been reduced, but the collective risk faced by the entire 100 as a group has changed little.

In order to effectively address collective risk, and make a significant reduction in the total number of lung cancers, the overall average must be brought down. Dr. Bengtsson told the task force that the SSI hopes to eventually bring Sweden's national radon average down below 40 Bq (.01WL). This would result in a significant reduction in the number of radon-induced lung cancers each year in Sweden.

The cost of such a program could be enormous. It would involve finding not only the homes with very high levels, but also those with lower levels, anything above 40-50 Bq (.01WL). This would involve testing a very large number of homes, and then taking remedial action. While bringing very high levels down to a more acceptable range may be fairly easily achieved, bringing a home with 80 Bq down to 40 Bq will likely be much more costly and difficult. Dr. Bengtsson stated that such a program could eventually cost as much as one-half of one percent of Sweden's gross national product.

In 1983, the Commission published its final report, entitled "Radon in Dwelling." It further expanded the factors leading to high radon concentrations to include water concentration and soil permeability. It estimated the average home radon concentration throughout Sweden at 53 Bq (.01WL). The U.S. average is thought to be somewhat lower, although extreme levels, of the sort found at some homes in the Boyertown

[2] For comparison, in the U.S., the most comprehensive testing base available has been compiled by the Terradex Corporation. From isolated tests done largely on an individual basis in almost every state, Terradex has an information base of approximately 16,000 tested homes as of October, 1985.

area, are far above the highest levels ever found in Sweden.

The number of existing homes exceeding the action level of 400 Bq (.11WL) has been placed at about 40,000, over 1% of the nation's dwellings. Some 500,000, or 14% of housing, may exceed the 70 Bq (.019WL) level. About 10% of all Swedish ground is believed to pose a high risk of radon contamination.

Remedial action costs have ranged from a few hundred Swedish crowns for installation/adjustment of simple ventilation systems to about 50,000 crowns for installation of forced ventilation with heat recovery. (There are currently about 7.5 Swedish crowns to the dollar.)

Sweden has had a great deal of success in mitigating radon contamination in homes. However, due to different building practices, this success may not be easily transferred to the U.S. Swedish homes are extremely energy efficient, with effective insulation against intrusion of soil gases or wind. Building a Swedish house was likened by one task force member to "putting a glass bottle on the ground." This efficiency, accompanied by the fact that most Swedish homes do not have basements, makes radon mitigation in new construction relatively simple. According to Bengt Olsson, Associate Director of the Swedish Council for Building Research, under current Swedish building practices, adequate quality control will be enough to ensure that radon will not enter a home.

Existing homes pose a more difficult problem. However, in one home visited by the task force, radon levels were reduced by 75-94% with the use of a very simple venting system. This inexpensive system consisted of one pipe rising from beneath the floor of each of two ground-level rooms, connecting, and venting the soil gases through the chimney, with the aid of a very small fan. Put into place by the homeowner, it has maintained these reduced levels for over four years. Operation and maintenance costs are minimal.

This home, in the Stockholm suburb of Sollentuna (pop. 50,000), is among the more than 2,500 homes tested there under the municipal health and environment department program. 500 homes were tested at the municipality's expense, and the remaining 2,000+ at individual expense, with equipment obtained in mass quantity by the municipality. The total number of homes tested continues to grow as more homeowners take part in the program.

Information on radon and its health effects was provided to all homeowners in Sollentuna and testing began, at a cost of approximately $50 per home. The municipality offered to perform the tests, with equipment at owner's expense, in every home. If high levels were found, the municipality provided advice on mitigation. Once mitigation has been done, follow-up testing will be conducted, to monitor radon levels.

A Swedish realtor told his New Jersey counterpart that there had been a period in the late '70's when home sales plummeted in areas with known radon problems. He saw this as being an unwarranted panic, something an official of the Physical Planning Board referred to as a "radon fever" which struck Sweden.

Once prospective homebuyers learned more about the radon problem, and advances were made in detecting and mitigating radon contamination, conditions returned to normal. It is now routine for radon inspections to be part of the home-buying process, with price ajustments being made in some cases to cover the costs of any necessary remedial action.

II. RECOMMENDATIONS

While the radon problem still contains more unknowns than knowns, there are actions which can take place. Activities do not have to take place in isolation, and can go on concurrently. With the task force, federal, state, and private, sector interests have worked together to try to assess the state's radon problem, and how they might work together to reach toward a solution. Following are some observations and recommendations, based on the information gathered in Sweden, and it is hoped that they will be considered as the State of New Jersey undertakes its radon program.

Radon is a national problem. According to data compiled by the Terradex Company in California, limited testing has indicated at least one finding of radon exceeding 4 pico-Curies per liter in 45 states.

From the information gathered in Sweden, and from growing evidence in the U.S., it is clear that an effective approach to the radon problem will have to involve a blend of federal, state, and local governments, along with the private sector. Significant delays in taking action will result in incresasing occurrence of lung cancer.

*A. Federal responsibilities*

The federal government has the most expertise in radon study, and should make that expertise fully available to the states. Dissemination of information is a critical component of an affective radon program, and an aggressive public information program must be institutionalized.

The federal government has resources which make it best suited for developing technical advances and scientific study. A national assessment, which is needed to determine the scope of the radon problem in this country, must be conducted by the federal government. The federal government can provide the combined services of environmental, health, and housing experts to develop mitigation and detection techniques, health guidelines, and suggested building modifications to preclude radon contamination in homes.

The federal government can also contribute by establishing a national radon program to coordinate activities among the states. It should have the leadership role in developing and improving effective, low-cost radon mitigation methods. The federal government should establish adequate health guidelines, guidelines which indivudual states can base their programs on and which will allow homeowners to assess the level of risk they might be exposed to.

The federal government can also assist states in protecting consumers from fraudulent or faulty radon detection services. The federal government has facilities to calibrate testing equipment, to ensure that detectors work properly, and that readings made by testing firms are accurate. These facilities should be made available to the states, for use in their programs.

The federal government should also explore, the feasibility of establishing a testing/mitigation voluntary certification program, or providing guidance to states for them to establish such programs.

The question of funding an adequate radon program, and providing financial assistance to needy homeowners for radon mitigation is a difficult question. With the current federal budget situation, it is clear that the federal government will be able to assume only limited financial responsibility for anything beyond basic research and demonstration work.

There are, however, certain areas where the federal government might be able to provide assistance. The Federal Emergency Management Agency [FEMA] has stated that naturally-occurring radon could be considered a natural disaster, as are hurricanes, floods, and earthquakes. Such a determination will make it possible for the governor of a state affected by extensive radon contamination to seek federal relief through a presidential declaration of disaster. New Jersey is seeking to design its radon assessment program to be in accordance with FEMA requirements for a declaration of disaster, if warranted.

Secondly, through the existing tax codes, homeowners could seek relief by deducting radon mitigation expenses undertaken for the purpose of protecting health as a medical deduction. While such a claim has not yet been filed, the Internal Revenue Service has stated that it would consider one, and that there are precedents which could make a medical deduction possible.

There may be other means of assisting homeowners in need without putting an inordinate strain on the federal budget. Any such alternatives should continue to be explored.

*B. State and local responsibilities*

Much of the implementation of an effective radon program will likely lie with the states and municipalities. Funding assistance, such as that which has been provided in Pennsylvania, will likely fall to the states, and not the federal government.

Dissemination of information to the public should be a priority. Distribution of printed material, use of a toll-free information telephone service, training of local health officials, and public information seminars should all be part of an effective informational program.

There is also a need to provide information to potentially-effected businesses. Builders, real estate interests, bankers, and firms looking to locate within high risk areas should all be the targets of an aggressive information agenda. Effectively accomplished, this would work to stave off unwarranted economic harm.

The building and realty industries have demonstrated an interest in addressing the radon problem in New Jersey. Along with the National Association of Homebuilders Research Foundation, they should be incorporated into state and federal plans and efforts. The expertise these groups have to offer would be of great assistance to the state and federal governments, and with little or no funding, could provide significant insight and advances in the areas of radon mitigation and information dissemination. Without the cooperation of these industries, development and enforcement of advanced building practices will be more difficult, and their early interest should be fostered.

The states should coordinate in-state detection efforts, to be able to determine small-scale distribution of radon contamination and better inform their residents. This would complement the national assessment, which will not pinpoint specific problem areas. As in Sweden, this information should be made readily available to community planners and developers.

Schools should be tested for radon problems as well as homes. Parents should know what their children may be exposed to, and

teachers and staff should know what, if any, threats their work environment may pose. States and municipalities have an obligation to see that the buildings under their jurisdiction—schools as well as other public buildings—are safe for those working in them.

Additionally, the problem of high radon levels in water supplies should be studied. Water with high levels of radon can lead to elevated indoor levels, as the gas volatizes from running water supplies, such as showers, sinks, dishwaters. Water concentrations of approximately 10,000 picoCuries per liter would lead to air concentrations of about 1 picoCurie per liter.

States should take an active interest in protecting consumers from victimization by unqualified or negligent testing and mitigation firms. The need for a certification programs should be assessed, and voluntary participation in such programs should be encouraged.

Epidemiological studies should also be conducted, using state-specific information to more accurately assess the health impacts of radon contamination in each state.

The states must also explore possible means of providing financial assistance to homeowners. Low interest loan programs, direct funding/subsidizing of testing, and direct funding of mitigation have been attempted or considered. Once an assessment of the scope of a state's problem is completed, the low interest loan and mitigation assistance issues, as well as other possible means of assistance, can be more reasonably considered.●

## AUTOMOBILE FUEL ECONOMY STANDARDS

● Mr. EVANS. Mr. President, today I am submitting for the record a short article I wrote and which was published in the March 13, 1986, edition of the Christian Science Monitor.

The article is entitled "Deficit Fuel-Hardiness," and in it I discuss the Federal budget consequences of backing away from our commitment to passenger car fuel economy. As we set out, during the next few weeks, to forge a budget resolution, I would like my colleagues to bear in mind that we can make some significant progress toward deficit reduction with very little effort.

The only effort that will be required of this Congress to take a $500 million step toward our Gramm-Rudman deficit goal is to prevent any future rollback of Federal fuel economy standards. What would we get in return for our efforts? A half-billion dollars is equal to half the proposed budget cut for the Department of Health and Human Services and is greater than the total cuts proposed for the Departments of Education, Agriculture, Housing and Urban Development, Interior, and State. It is $100 million more than we will spend in 1986 on nutrition for older Americans. It is enough to run Head Start programs for 450,000 underprivileged preschoolers for half a year. It is more than the total funding for both conservation programs and research contained in the administration's 1987 budget request for the Department of Energy.

I have no doubt that my colleagues will hear from both Ford and GM that fuel economy standards make little sense in today's environment. These giant automakers will claim that they are helpless before the tide of consumer demand sweeping Americans into auto showrooms demanding big, fast, gas-guzzlers.

Do not be fooled by the rhetoric. I am also inserting for today's RECORD a short article that recently appeared in Ward's Auto World. In that article, Ford's vice president—North American Sales Operations Louis E. Lastaif is quoted saying that the automakers do have mechanisms available to help them meet fuel economy standards. I submit that this statement to a widely read industry trade publication reflects the truth; that it is largely the decisions made by the automakers themselves that dictate whether they will meet fuel economy standards.

Let us not be fuel hardy. Let us not be fooled by automaker rhetoric. Let us stand for rational energy policy and prudent budget policy and prevent any further erosion of fuel economy standards.

The material follows:

[From the Christian Science Monitor, Mar. 13, 1986]

### DEFICIT FUEL-HARDINESS

(By Daniel J. Evans)

In light of two of today's prominent news headlines—the deficit and falling oil prices—yet another confusing signal is coming from Washington. Just as the federal government is taking a hard line on deficit spending, it is lending a sympathetic ear and may give away $500 million to two unlikely recipients of federal largesse: Ford and General Motors.

These two hugely profitable concerns will get—and the government will lose—almost $500 million if the Department of Transportation (DOT) accedes to their request to reduce the average fuel economy level for the fleet of cars they sell in 1987 and 1988.

This half-billion dollar bonanza would be expensive gilding on the estimated $280 million gift received by the automakers when DOT lowered, at the automakers' request, the fuel efficiency standard (Corporate Average Fuel Economy standard, or CAFE) for 1986.

Congress established the CAFE standard in 1975 to promote increased fuel economy of automobiles.

The goal was to help insulate America from the economic havoc that excessive reliance on imported oil can wreak. Congress gave the automakers a full 10 years to implement the technology necessary to meet the 27.5 miles per gallon standard set for 1985 and beyond. The $500 million that might be given away to Ford and GM is for fines owed due to failure to meet the standard.

GM and Ford claim they cannot sell enough fuel-efficient cars to meet the standard because low gasoline prices induce consumers to buy gas-guzzlers. Well then, how can Chrysler make record profits while offering consumers a complete line of cars and complying with the standard? Clearly, the technology is there to meet the standard, and implementing the technology is in the national interest. Chrysler shows that under this sound national policy business may prosper.

Ford and GM didn't meet the standard because they consciously made the marketing decisons which caused them to miss it. They promoted sales of their largest cars, which yield the largest profits for them.

To reward their recalcitrance is outrageous.

Today's headlines may lead one to ask why we should take the time to worry about oil vulnerability. We seem to be awash in oil; prices have dropped precipitously and continue their downward slide. Yet, a glance even a short distance up the energy roadway gives one cause for deep concern.

Recent Interior Department estimates indicate that domestic oil production will fall from 11.1 to 7.6 million barrels per day between 1985 and 1995 and that net oil imports will rise during the same period from 5.1 to 11.7 million barrels per day. Certainly, today's low oil prices create no incentive for new exploration or production. Foreign sources inevitably will continue to supply a significant portion of our petroleum needs.

We cannot let today's sagging oil prices result in sagging enthusiasm for conservation. Prices at the pump, in inflation-adjusted dollars, are lower then they were 2 years ago. Price plays a significant role in creating incentives to conserve. Yet, other government policies, such as CAFE standards, are important, supplementary incentives to conserve. To lower the standard at a time when market forces are least able to maintain pressure for continued energy efficiency is the antithesis of responsible government.

A lowered fuel standard will only fuel the deficit. But preventing a lowered standard will demonstrate our commitment to an energy efficient future.

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[From Ward's Auto World, March 1986]

### FORD, CHEVY SHUN MINICAR BATTLE, FOR NOW

Ford Motor Co. and General Motors Corp's Chevrolet Motor Div. have no immediate plans, *WAW* learns, to take on the growing number of low-price minicars entering the U.S. market—other than with existing models.

Chrysler Corp.'s decision to introduce low-price versions of its aging Omni/Horizon L-body subcompacts under the "America" marque may change those plans, but otherwise Ford will fight it out with Escort—introduced as an '81 model—and Chevy will rely upon its 12-year-old Chevette and 2-year-old Sprint supplied by Suzuki Motor Co.. Ltd., both base-priced in the $5,000–$6,000 range.

"We're in a different position than the others" Ford Vice President-North American Sales Operations Louis E. Lataif tells *WAW*. "We've just changed over Escort for '86½, and they are in short supply. It would be silly of us to cut prices when demand is there. Also, what do you do? A 'strippie' that may not be competitive?"

Ford needs Escort volume to offset poorer fuel economy of its larger models and therefore meet federal corporate average fuel economy (CAFE) standards currently stablized at 26 mpg (9L/100km). Mr. Lataif agrees Ford undoubtedly would be forced to take some pricing action if "we needed it to keep Escort volume up" for CAFE's sake.

Ford's entry level, small-car strategy calls for importing Festiva, a minicar designed by

its 25-percent-owned Mazda Motor Corp. subsidiary and to be built by Mazda affiliate Kia Industrial Co. Ltd. of Korea for export to the U.S. starting with the '87 model year. It'll also have higher-line, Mazda-derived small cars in 1988 from a new Ford plant under construction in Hermosillo, Mexico.

GM Vice President/Chevrolet General Manager Robert D. Burger says Chevy dealers already have all the car lines they can handle. "We've got all we can do—from Chevette to Corvette," he says.

If Chevette loses ground to low-price competitors, "then we'll have to do something about Chevette," he says, quickly adding: "No, we won't have a Scooter." That refers to a past Chevy tactic of removing the rear seats from Chevettes to slash its price, resulting in an often-maligned version called Scooter.

Chevy, of course, also has quota-limited supplies of the 3-cyl. Sprint to compete at around $5,400. Suzuki contemplates Canadian production—perhaps in conjunction with GM—in the late '80s. That output presumably would provide Chevy all the minicars it may need.

## DAVID SCHWARTZ HONORED BY DEMOCRATIC POLICY COMMISSION

● Mr. LAUTENBERG. Mr. President, I am pleased today to recognize the accomplishments of New Jersey Assemblyman David Schwartz, who is being honored by the Democratic Policy Commission for his innovative efforts to stimulate affordable housing in New Jersey.

A member of the New Jersey Assembly since 1978, David's commitment to making homes more affordable and improving the quality of urban life has resulted in initiatives that are both cost effective and compassionate. Over the past 7 years, he has crafted legislation that has helped 8,000 New Jersey residents buy their own homes, generated close to 5,000 new apartments and kept 10,000 people—3,800 families—from being evicted from their homes with temporary mortgage and rental payment assistance. His legislation has led to over $40 million in needed home improvements.

In these days when so many of our young people despair of ever owning their own homes, when families are forced to pay a higher and higher percentage of their incomes for housing, and when people are forced from their homes because of temporary economic problems, David's programs have demonstrated sensible, successful solutions.

Mr. President, I am proud to join in honoring David Schwartz for his considerable accomplishments, which have benefited all New Jerseyites. His efforts stand as a testament to government which is both fiscally and socially responsible; government which works for the average American.●

## EFFECTIVE DATES OF TAX REFORM

● Mr. DANFORTH. Mr. President, the Committee on Finance met today for the first markup session on tax reform. In their usual opening statements, Senator after Senator raised issues running the gamut of the Tax Code. But in virtually every case, the issue of effective dates was raised.

It is no great secret that the effective dates in the House tax reform bill are creating havoc in the business community. Businesses cannot evaluate the economic consequences of their investments because they cannot ascertain the tax consequences of their investments.

In my opening remarks, I, too, expressed concern with the problems created by the effective dates in the pending tax reform legislation. I also suggested that the members of the Committee on Finance agree not to sign any conference report on tax reform legislation this year unless the effective dates for such legislation are substantially in conformance with the effective dates in the Senate version of the tax reform bill. I was extremely pleased when my colleagues on the Finance Committee expressed support for this idea. In fact, 18 members of the Finance Committee signed a statement expressing exactly this sentiment. I hope this statement will help alleviate some of the uncertainty involved in the tax reform process and enable the business community to go forward with some of the investment decisions it has had to postpone pending resolution of the effective date issue.

Mr. President, I ask that the entire text of the statement be printed in the RECORD.

The statement follows:

STATEMENT ON EFFECTIVE DATES, MARCH 19, 1986

The undersigned members of the Committee on Finance agree not to sign the conference report on any tax reform legislation passed by the Senate in 1986 unless the effective dates for such legislation are substantially in conformance with the effective dates as passed by the Senate. The undersigned further agree not to engage in any conference negotiations relating to substantive issues in the tax reform legislation unless a majority of the conferees from the House of Representatives agree to accept effective dates in accordance with the spirit of the preceding sentence.

John H. Chafee, John Heinz, Malcolm Wallop, Steve Symms, Lloyd Bentsen, John C. Danforth, Bill Roth, Bill Armstrong, Russell Long, Spark Matsunaga, Daniel P. Moynihan, Max Baucus, Bob Dole, George Mitchell, Daniel Boren, David Pryor, Dave Durenberger, and Chuck Grassley.●

## YOUNG WRITER'S CONTEST

● Mr. HOLLINGS. Mr. President, I should like to take a moment to officially congratulate four outstanding young writers from South Carolina. Mary Rebecca Henderson of Lexington, Christine Clawsonn of Cowpens, Simmy Sims of Central, and Elizabeth Grey of Seneca, have all been chosen as winners of the 1985-86 Young Writers Contest. Their winning entries were chosen from a field of 8,000. The judging was done by an extremely diverse panel, which included some of my distinguished colleagues. The 105 winning entries will be published in the 1986 Rainbow Collection: Stories and Poetry by Young People which is due out in April.

The Young Writer's Contest Foundation was created to further the efforts of educators in improving the basic communication skills of young people in the United States. By involving first through eighth graders in a national writing competition, and by publishing an anthology of the winning entries as the prize, the Young Writer's Contest provides students with the excitement of challenge and the satisfaction of recognition. In addition, it offers educators a stimulating motivational tool. Entries can be in the form of a short story, a poem, or an essay. They are judged on creativity, imagination, originality, grammar and structure, and a host of other factors.

Mary, who is in the eighth grade, wrote a poem entitled "Never Fall in Love." Elizabeth, a fifth grader, wrote a story called "The Examination," while Christine and Simmy, who are both in the seventh grade, wrote stories entitled "A Trip in Time" and "Nemesis," respectively.

All four girls have done an outstanding job. They represent South Carolina to the literary world. I can think of no better representative.●

## U.S. AND SOVIET RELATIONS WITH GREECE

● Mr. LUGAR. Mr. President, Senator LARRY PRESSLER, my colleague on the Senate Foreign Relations Committee and chairman of the European Subcommittee, has recently contributed to the Christian Science Monitor a most useful and incisive analysis of U.S. security interests in the Eastern Mediterranean. Entitled "U.S. and Soviet Relations with Greece," the article seeks to promote a more balanced approach to America's relations with and priorities toward the countries of Turkey, Greece, and Cyprus. The Senator argues that a policy that recognizes the equivalent importance of Greece and Turkey as allies has made America's appeal in the region more persuasive than that of the Soviet Union, and he goes on to document that recent improvements in U.S. relations with Greece.

Mr. President, I recommend Senator PRESSLER's article to my colleagues.

The article follows:

[From the Christian Science Monitor, Mar. 6, 1986]

U.S. AND SOVIET RELATIONS WITH GREECE

(By Larry Pressler)

Over the last two years, the United States has greatly improved its security position in the eastern Mediterranean by balancing its relations more equally. In the past, US policy was often seen as narrow, focusing on Greece or Turkey or Cyprus. Bilateral relations and NATO strategy often suffered as a result. However, a new maturity now seems to be infusing United States policy toward the eastern Mediterranean. Secretary of State George Shultz has broadened the policy focus to one that is now more equally Greece and Turkey and Cyprus.

This more balanced assessment of America's priorities, which recognizes the roughly equivalent importance of Greece and Turkey as allies, has made America's appeal in the region more persuasive than that of the Soviets. The effects are most obvious in our relations with Greece.

A wide variety of settings illustrate significant improvement in US-Greek cooperation since 1984.

Prime Minister Andreas Papandreou reacted to American information identifying Soviet spies in Greece by quickly arresting them last September. American and Greek antiterrorist experts have been training together in both countries for several months, and Greece's minister of culture, actress Melina Mercouri, has proposed an "American Month in Greece." Each of these events is the product of a renewed Greek and US determination to revitalize relations.

US-Greek cooperation heightened even further on Jan. 7 when the two nations signed the General Security of Military Information Agreement. It obligates both sides to safeguard information and technology exchanges, and is viewed as an indication of Greek seriousness in improving bilateral ties. In response, the US notifed Greece on Jan. 11 of approval for the sale of 40 F-16s to Greece.

Other talks are also progressing.

A Greek delegation came to the United States in December to discuss a technical accord on industrial cooperation in defense, and civil aviation talks will resume soon. In addition, the United States is now operating two powerful Voice of America transmitters in Greece under an expired agreement which the Greeks still respect.

In sum, all indications suggest that the basic tenor of the United States relationship with Greece has significantly changed since 1984. Recent progress on many fronts seems to indicate that when the US base agreement expires in 1988, the renewal could be easier than previously expected. Indeed, Mr. Papandreou has subtly shifted his position in the last few weeks. He now states that any government in power in 1988 can introduce new legislation to support a new agreement. In anticipation that real progress can be made on this issue, US contact with Greece has increased. Undersecretary of State Michael Armacost went to Greece in October. Secretary of State Shultz met with the Greek foreign minister, and Mr. Shultz plans to meet with Papandreou this spring.

Revitalized US-Greek relations are born of three factors: Papandreou's postelection recognition of the damage done by excessive anti-American rhetoric; Greek interest in eliminating the terrorist threat to civilized international relations; and an American awareness that the period of rhetorical anti-Americanism is past history.

By contrast, 1985 was a particularly poor year for the Soviets. After the Greek spy scandal, the Soviets withdrew their ambassador, Igor Andropov, son of the former premier. The Communist Party also won its lowest percentage of the Greek vote in recent times (9.89 percent) in 1985. Similarly, on Cyprus the Communists experienced an even greater electoral setback in recent parliamentary elections.

Only a year ago, Soviet Ambassador Andropov was riding high in Athens. The Soviets had moved agressively to fill a gap perceived to exist in the hearts of Greeks disillusioned by American actions.

The Soviets apparently felt that the United States had lost Greek support in the left and center for embracing the Greek junta and that more were disillusioned on the right over the United States response to the invasion of Cyprus by Turkey.

Soviet attempts to woo Greece took many forms. Thousands of Greeks have been embraced by the Soviets during visits to the Soviet Union. Hundreds of Greek and Cypriot youths have been provided free college educations at Eastern-bloc universities. The Soviets have also moved to invest in Greece. In 1985 Greece and the Soviet Union signed a 10-year economic and technical cooperation agreement.

By contrast, the US association with Greece is longstanding. Deep links tie our two countries together: similar histories, cultures, and philosophies of government, respect for the individual, and a stress on religion and family.

It is clear that the US now has another chance to reestablish the extremely close ties once enjoyed with this strategically situated country.

The comparative United States advantage over the Soviets in Greece and Cyprus will continue if the United States learns from its recent experience in improving relations with the area. The United States must not allow itself to frame the issue as "Turkey *or* Greece *or* Cyprus." The correct formulation for American policy is "Turkey *and* Greece *and* Cyprus." The United States cannot make this sort of mistake as it has in the past. American security interests in the eastern Mediterranean depend on it.●

## TEMPORARY EXTENSION OF CERTAIN PROGRAMS RELATING TO HOUSING AND COMMUNITY DEVELOPMENT

Mr. SIMPSON. Mr. President, after conferring with the Democratic leader, I would now ask unanimous consent that the Senate now turn to House Joint Resolution 563, to provide for the extension of certain housing programs.

The PRESIDING OFFICER. The joint resolution will be stated by title.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 563) to provide for the temporary extension of certain programs relating to housing and community development, and for other purposes.

The PRESIDING OFFICER. Without objection, the joint resolution will be considered as having been read the second time by title.

Is there objection to the present consideration of the joint resolution?

There being no objection, the joint resolution (H.J. Res. 563) was considered, ordered to a third reading, read the third time, and passed.

Mr. SIMPSON. Mr. President, I move to reconsider the vote by which the joint resolution was passed.

Mr. BYRD. Mr. President, I move to lay that motion to reconsider on the table.

The motion to lay on the table was agreed to.

## AFGHANISTAN DAY

Mr. SIMPSON. Mr. President, I ask unanimous consent that the Senate now turn to the consideration of Calendar Item No. 548, Senate Joint Resolution 272, designating March 21, 1986, as Afghanistan Day.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A joint resolution (S. J. Res. 272) to authorize and request the President to issue a proclamation designating March 21, 1986, as "Afghanistan Day," a day to commemorate the struggle of the people of Afghanistan against the occupation of their country by Soviet forces.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution.

Mr. Humphrey. Mr. President, the brutal Soviet occupation of Afghanistan entered its seventh tragic year in December. What Moscow refers to as a "small contingent" of troops now numbers 120,000. Fully one-half of Afghanistan's population has been violently uprooted, forced into the teeming refugee camps of neighboring states or into internal refugee status near Kabul or other Afghan cities. Casualties are currently estimated at 1 million, out of a population of 15 million. In short, more than half of Afghanistan's people have been violently uprooted and none have been left untouched by the barbarity visited upon them by the Soviet Union.

In spite of the astounding proportions of warfare in Afghanistan, the response of the American public is only slowly becoming audible. Because of the "iron media curtain" drawn by the Kremlin around its savage drama, many in the West have been unaware of the genocidal proportions of Soviet actions in Afghanistan. An oft-invaded people, the Afghans were capable until only recently of defending their borders by traditional means. Their heritage discourages them from asking others to defend them; to this day they want not foreign manpower but materiel and humanitarian assistance with which to oppose yet another invasion from the north. We must endeavor to use every means at our dis-

posal to ensure that Soviet designs are thwarted once again. To sit idly by while the Kremlin adds another wing to its empire at the expense of these brave people is unconscionable.

Our moral duty is compounded by the absolute horror which charaterizes Soviet strategy and tactics in Afghanistan. Once it became clear to Moscow's planners that they had vastly underestimated the ability and determination of the Afghan resistance movement, the Politburo apparently decided that if the Soviets could not control the countryside they would instead empty it. Thus they have bombed, slashed, tortured, burned and raped their way through an essentially defenseless population, with absolutely no regard for the lives of women, children, and the elderly. Opponents of the regime are executed with regularity. In an effort to "Sovietize" Afghanistan, Moscow is attempting to educate a whole generation in Marxist-Leninist doctrine.

Soviet tactics preclude nothing. The U.N.'s Special Rapporteur on human rights violations in Afghanistan, Mr. Felix Ermacora, has uncovered instances of the Soviets training dogs to attack children and the elderly as well as reports of handcuffed Afghans being dropped from helicopters while Soviet troops fire on them from below. American media coverage of this twisted war has been slight in spite of these crimes, a fact partially attributable to the Soviet attitude expressed by Moscow's Ambassador to Pakistan, Vitaly Smirnov:

> Stop trying to penetrate Afghanistan with the so-called Mujahedin. From now on, the bandits and the so-called journalists—French, American, British and others—accompanying them will be killed.

When the true story is told, though, the reaction is astonishing. A recent article in Reader's Digest entitled "Agony in Afghanistan" induced thousands of concerned Americans to write me expressing their outrage. Most were unaware of the atrocious conditions in Afghanistan, a fact I find unbelievable in light of the duration and intensity of the war.

Afghanistan Day, March 21, 1986, is partially an attempt to bring the Afghans' struggle to the attention of America and the world. It is also an attempt to let the people of Afghanistan know that the Government and the people of this great Nation are behind them. We must not falter in our efforts to shine the spotlight of world public opinion on the massive violation of human rights being perpetrated in Afghanistan.

The PRESIDING OFFICER. The joint resolution is before the Senate and open to amendment.

If there be no amendment to be proposed, the question is on the engrossment and third reading of the joint resolution.

The joint resolution (S.J. Res. 272) was ordered to be engrossed for a third reading, read the third time, and passed.

The preamble was agreed to.

The joint resolution (S.J. Res. 272), and the preamble, are as follows:

S.J. RES. 272

Whereas Afghanistan, more than six years after the Soviet invasion, remains a nation occupied and terrorized by over one hundred eighteen thousand Soviet troops;

Whereas the continued Soviet occupation of Afghanistan is causing enormous suffering among the people of Afghanistan, as well as the deprivation of their basis right of national sovereignity;

Whereas between one quarter and one-third of Afghanistan's prewar population has been driven into exile, killed, wounded, or internally displaced;

Whereas the Soviet invasion of Afghanistan undermines the spirit and intention of the Declaration of Principles of the Final Act of the Conference on Security and Cooperation in Europe, which the Union of Soviet Socialist Republics signed at Helsinki in 1975;

Whereas the puppet regime of Babrak Karmal, installed and maintained by the Union of Soviet Socialist Republics, has denied the people of Afghanistan their rights ot self-determination, in violation of the United Charter;

Whereas the United Nations General Assembly has passed seven resolutions calling for "the immediate withdrawal of the foreign troops from Afghanistan";

Whereas on December 13, 1985, the United Nations General Assembly passed an unprecedented resolution on human rights in Afghanistan endorsing the United Nations Special Rapporteur's report demonstrating "gross, massive, and increasing human rights violations in Afghanistan";

Whereas the undaunted resistance of the Afghan freedom fighters against the Soviet occupational forces is in inspiration to the free world; and

Whereas the people of Afghanistan observe March 21 as the start of each new year and as a symbol of the Nation's rebirth: Now, therefore, be it

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That the President is authorized and requested to issue a proclamation designating March 21, 1986, as "Afghanistan Day", and calling upon the people of the United States to observe such day with appropriate ceremonies and activities.

Mr. SIMPSON. Mr. President, I move to reconsider the vote by which the resolution was passed.

Mr. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

## DESIGNATION OF THE JOSEPH P. ADDABBO FEDERAL BUILDING

Mr. SIMPSON. Mr. President, I ask unanimous consent that the Senate turn to the consideration of H.R. 4399, a bill to designate the Federal building located in Jamaica, Queens, NY, as the Joseph P. Addabbo Federal Building.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

> A bill (H.R. 4399) to designate the Federal building located in Jamaica, Queens, New York, as the "Joseph P. Addabbo Federal Building."

Mr. SIMPSON. Mr. President, I ask unanimous consent that the bill be considered as having been read the first and second times and that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. D'AMATO. Mr. President, I rise today in support of legislation to designate the Federal building located in Jamaica, NY, as the Joseph P. Addabbo Federal Building. This is a fitting tribute to a man I have been privileged to work closely with over the past several years.

JOE ADDABBO, since his first election to Congress in 1960, has accomplished something remarkable. He has been a fighter for his district—a Congressman every resident of the Sixth District should be grateful to have as their representative. But he has also shown a remarkable national perspective on issues affecting every American. I think this is most evident in his work as chairman of the Defense Appropriations Subcommittee.

JOE ADDABBO has always been for a strong defense, but he has always insisted that every penny be spent wisely. I think we would be hard-pressed to find someone who could compete with his intelligence and attention to detail. On a more personal side, JOE has always been accessible to discuss even the smallest issue.

I think it is fitting that the Federal Building in Jamaica, Queens, should be named in honor of JOE ADABBO. It is a small gesture, considering what JOE has given over his 25 years in Congress. I urge my colleagues to join me in honoring JOE ADDABBO through swift passage of this measure.

Mr. MOYNIHAN. Mr. President, I am pleased that the Senate has agreed to consider H.R. 4399, a bill to designate the Federal Office Building in Jamaica, Queens, as the Joseph P. Addabbo Building. This bill, introduced by my colleague from New York, Representative MARIO BIAGGI, passed the House this morning by unanimous consent.

The construction of a Federal office building in Jamaica was JOE ADDABBO's dream, and without his efforts, that structure would never have been built.

In the late 1960's JOE wanted to see depressed downtown Jamaica restored to its former vibrance and vitality. He knew that bringing a Federal presence to Queens would accomplish this. To convince the Congress to build a Federal office building in downtown Queens was no easy task in 1969, nor would it be today. But JOE ADDABBO's

determination knew no limits. In 1980, for example, the matter had reached the House Public Works Committee for a vote. When the vote was stalled for lack of a quorum, JOE convinced Congressman John Murphy to recess his Merchant Marine and Fisheries Committee hearing to allow Members to return to the Public Works Committee for a vote. As anyone who has worked with JOE ADDABBO will attest, he knows how to get things done. The measure passed 32 to 1.

I have been privileged over the years to collaborate with JOE ADDABBO on many projects, and probably none more important than the Federal building. This $93 million building will house the Northeastern Program Service Center for the Social Security Administration. The center prepares checks totaling $1.5 billion each month for 5.5 million Social Security beneficiaries, about one-sixth of the Nation's total. I joined JOE on this legislation as one of my first efforts after coming to the Senate. It took us several years to achieve, but JOE was indefatigable—and unstoppable.

JOE ADDABBO's efforts on behalf of Queens and all of New York deserve great praise and acclaim. Today, we mean to pay him a simple tribute. It is one he richly deserves, and I hope my colleagues will join me.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill (H.R. 4399) was read the third time, and passed.

Mr. SIMPSON. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. BYRD. Mr. President, I move to table the motion to reconsider.

The motion to lay on the table was agreed to.

## THE EXECUTIVE CALENDAR

Mr. SIMPSON. Mr. President, I would like to inquire of the minority leader if he is in a position to confirm any or all of the following nominations on the Executive Calendar: Calendar No. 659, Calendar No. 660, Calendar Nos. 703 and 704 under the Army, Calendar Nos. 705 and 706 under the Navy, Calendar Nos. 707 and 709 under the Marine Corps, and all nominations placed on the Secretary's desk, with the exception of the Foreign Service nomination of Edwin G. Corr.

I state for the information of the Democratic leader that the two Labor Committee nominees were reported out with a quorum present.

Mr. BYRD. Mr. President, I was going to ask the distinguished assistant Republican leader about whether or not these two nominees had been reported out in accordance with the rules or whether in violation of the rules they had been polled out. When they were first placed on the calendar, it was my understanding they were polled out, but I am now told by the distinguished assistant Republican leader that the committee has met and re-reported them, this time with assurances that a quorum of the committee was physically present at the time they were reported. Therefore, there is no objection.

Mr. SIMPSON. Mr. President, let me amend the inquiry to include Calendar item No. 708. I said 707 and 709. That should have included 708 under the Marine Corps.

Mr. BYRD. Mr. President, there is no objection on this side to the nominations that have been enumerated.

## EXECUTIVE SESSION

Mr. SIMPSON. Mr. President, I ask unanimous consent that the Senate go into executive session to consider the nominations just identified, and that they be considered en bloc and confirmed en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered. Without objection, the nominations are considered and confirmed en bloc.

The nominations confirmed en bloc are as follows:

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

Lois Burke Shepard, of Maryland, to be Director of the Institute of Museum Services.

DEPARTMENT OF EDUCATION

Frances M. Norris, of Virginia, to be Assistant Secretary for Legislation and Public Affairs, Department of Education.

IN THE ARMY

The following-named officer to be placed on the retired list in grade indicated under the provisions of title 10, United States Code, section 1370:

*To be lieutenant general*

Lt. Gen. Robert L. Wetzel, [redacted] (Age 55), U.S. Army.

The following-named officer under the provisions of title 10, United States Code, section 601, to be assigned to a position of importance and responsibility designated by the President under title 10, United States Code, section 601:

*To be lieutenant general*

Maj. Gen. Colin L. Powell, [redacted] U.S. Army.

The following-named officer to be placed on the retired list in grade indicated under the provisions of title 10, United States Code, section 1370:

*To be lieutenant general*

Lt. Gen. Willard W. Scott, Jr., [redacted], (Age 59), U.S. Army.

The following-named officer under the provisions of title 10, United States Code, section 601, to be assigned to a position of importance and responsibility designated by the President under Title 10, United States Code, section 601:

*To be lieutenant general*

Maj. Gen. Dave R. Palmer, [redacted] U.S. Army.

IN THE NAVY

The following named captains of the Reserve of the U.S. Navy for permanent promotion to the grade of rear admiral (lower half) in the line and staff corps, as indicated, pursuant to the provisions of title 10, United States Code, section 5912:

UNRESTRICTED LINE OFFICERS

Richard Kenneth Maughlin.
David Anthony Janes.
Wallace Nessler Guthrie, Jr.

UNRESTRICTED LINE OFFICER (TAR)

Richard Kenner Chambers.

SPECIAL DUTY OFFICER (PUBLIC AFFAIRS)

Robert Allan Ravitz

MEDICAL CORPS OFFICER

Horace MacVaugh, III.

DENTAL CORPS OFFICER

William Bernard Finagin.

SUPPLY CORPS OFFICER

Jay Ronald Denney.

CHAPLAIN CORPS OFFICER

Aaron Landes.

CIVIL ENGINEER CORPS OFFICER

Paul Calvin Rosser.

The following-named Rear Admirals (lower half) of the U.S. Navy for promotion to the permanent grade of Rear Admiral, pursuant to title 10, United States Code, section 624, subject to qualifications therefor as provided by law:

SUPPLY CORPS

*To be rear admiral*

Daniel Wayne McKinnon, Jr.
Robert Burke Abele.

IN THE MARINE CORPS

The following named brigadier generals of the Marine Corps for promotion to the permanent grade of major general, under title 10, United States Code, section 624:

John R. Dailey.
James E. Cassity.
Carl E. Mundy, Jr.
Ernest T. Cook, Jr.
John P. Monahan.
Richard A. Gustafson.

The following named brigadier general of the Marine Corps Reserve for promotion to the permanent grade of major general, under title 10, United States Code, section 5912:

Charles S. Bishop, Jr.

The following named colonel of the Marine Corps Reserve for promotion to the permanent grade of brigadier general, under title 10, United States Code, section 5912:

Mitchell J. Waters.

NOMINATIONS PLACED ON THE SECRETARY'S DESK IN THE AIR FORCE, ARMY, MARINE CORPS, NAVY, SENIOR FOREIGN SERVICE

Air Force nomination of Orr Y. Potebnya, Jr., which was received by the Senate on February 11, 1986, and appeared in the Congressional Record of February 18, 1986.

Air Force nomination of Kenneth G. Sandberg, which was received by the Senate on February 11, 1986, and appeared in the Congressional Record of February 18, 1986.

Army nominations beginning Ulon C. Argo, and ending Jose L. Rodriguez, which nominations were received by the Senate and appeared in the Congressional Record of February 3, 1986.

Army nominations beginning James I. Moody, and ending Michael J. Johnson, which nominations were received by the Senate on February 21, 1986, and appeared

in the Congressional Record of February 24, 1986.

Army nominations beginning Philip J. B. Stanley, and ending Paul L. Christianson, which nominations were received by the Senate on February 21, 1986, and appeared in the Congressional Record of February 24, 1986.

Army nominations beginning Robert C. Lim, Jr., and ending Louis R. Zako, which nominations were received by the Senate and appeared in the Congressional Record of March 3, 1986.

Army nominations beginning Robert Allen, and ending Douglas S. Harr, which nominations were received by the Senate and appeared in the Congressional Record of March 6, 1986.

Marine Corps nominations beginning Stuart W. Bracken, and ending Michael R. Ramos, which nominations were received by the Senate and appeared in the Congressional Record of February 3, 1986.

Marine Corps nomination of Lt. Col. Charles F. Bolden, Jr., which was received by the Senate on February 21, 1986, and appeared in the Congressional Record of February 24, 1986.

Marine Corps nominations beginning Andrew S. Dudley, Jr., and ending Mark G. Zimmerman, which nominations were received by the Senate and appeared in the Congressional Record of March 6, 1986.

Navy nomination of Cmdr. Michael J. Smith, which was received by the Senate and appeared in the Congressional Record of March 6, 1986.

Navy nominations beginning John Rexis Aguilar, and ending Donald Rae Keith, which nominations were received by the Senate and appeared in the Congressional Record of March 6, 1986.

Navy nominations beginning Charles Ervin Aaker, and ending Paul Edward Pritchard, which nominations were received by the Senate and appeared in the Congressional Record of March 6, 1986.

Navy nominations beginning Robert Gilbert Acosta, and ending Mark Godfrey Zlomke, which nominations were received by the Senate and appeared in the Congressional Record of March 6, 1986.

Navy nomination of Cmdr. Edward White Rawlins, which was received by the Senate and appeared in the CONGRESSIONAL RECORD of March 10, 1986.

Mr. SIMPSON. Mr. President, I move to reconsider the vote by which the nominations were confirmed.

Mr. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. SIMPSON. Mr. President, I ask unanimous consent that the President be immediately notified that the Senate has given its consent to these nominations.

The PRESIDING OFFICER. Without objection, it is so ordered.

## LEGISLATIVE SESSION

Mr. SIMPSON. Mr. President, I ask unanimous consent that the Senate now resume legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SIMPSON. Mr. President, I very much thank the Democratic leader for his cooperation, and assistance.

I share with him, I think, the appreciation that these nominations are coming through and being reported out with a quorum present rather than through the polling procedure. I have always shared his view on that. I think it has a very good effect on our efforts.

Mr. BYRD. Mr. President, of course, I appreciate it too on behalf of not only myself but also on behalf of the Members on this side. The distinguished majority whip has from the beginning supported this effort to comply with the rules. I am glad that the committees are not doing it.

## ORDERS FOR THURSDAY

RECESS UNTIL 10 A.M.

Mr. SIMPSON. Mr. President, after conferring with the Democratic leader, I ask unanimous consent that once the Senate completes its business today, it stand in recess until the hour of 10 a.m. on Thursday, March 20, 1986.

The PRESIDING OFFICER. Without objection, it is so ordered.

RECOGNITION OF CERTAIN SENATORS

Mr. SIMPSON. I further ask unanimous consent that following the two leaders under the standing order, there be special orders in favor of the following Senators for not to exceed 5 minutes: Senator HAWKINS, and Senator PROXMIRE.

The PRESIDING OFFICER. Without objection, it is so ordered.

ROUTINE MORNING BUSINESS

Mr. SIMPSON. Following the special orders just identified, I ask unanimous consent that there be a period for the transaction of routine morning business for not to extend beyond the hour of 10:30 a.m., with Senators permitted to speak therein for not more than 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SIMPSON. At the conclusion of routine morning business, the Senate will resume the motion to proceed to S. 1017, the regional airport bill. The Senate could also be asked to turn to any other legislative or executive items cleared for action; therefore, rollcall votes can be expected throughout the day on Thursday, March 20, 1986.

ORDER OF PROCEDURE ON FRIDAY

Mr. President, let me respond on behalf of the majority leader to the question earlier in the day of the Democratic leader, with regard to Friday's activity, if I may share that.

We shall have a cloture vote on the regional airport bill, on the motion to proceed to that issue. If cloture is invoked, there would be further votes, indeed, on amendments to the airport bill which are pending and being considered. Other items could generate and will generate votes on Friday.

Mr. BYRD. Mr. President, I thank the distinguished majority whip. Does the majority whip know at this point when the Senate will come in on Friday and as to what hour the vote on the cloture motion will occur in the event it is an hour that is outside the cloture rule?

Mr. SIMPSON. Mr. President, I believe the convening hour will be at 9 o'clock on Friday. It is not ordered as yet, of course, but that would be the thought, at 9 a.m. Then the cloture vote would occur at approximately 10:30 or 11 a.m. on Friday.

Mr. BYRD. I thank the distinguished assistant Republican leader.

Mr. SARBANES. Mr. President, will the Senator yield? I just caught the tail end of the statement. What was the schedule that the assistant majority leader was sketching out on the cloture vote?

Mr. SIMPSON. I share with my friend from Maryland that it is the leader's intent to have the cloture vote on the motion to proceed to the regional airport bill around the hour of 10:30 a.m on Friday.

Mr. SARBANES. I thank the Senator.

Mr. SIMPSON. And there could be other votes throughout the day, I say to the Senator from Maryland.

## RECESS UNTIL 10 A.M. TOMORROW

Mr. SIMPSON. Mr. President, is there any further business from the Democratic leader?

Mr. BYRD. Mr. President, I thank the distinguished assistant Republican leader. I have nothing further today.

Mr. SIMPSON. Therefore, Mr. President, I move, in accordance with the previous order, that the Senate stand in recess until the hour of 10 a.m. tomorrow.

The motion was agreed to and, at 7:02 p.m., the Senate recessed until tomorrow, Thurday, March 20, 1986, at 10 a.m.

## CONFIRMATIONS

Executive nominations confirmed by the Senate March 19, 1986:

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

Lois Burke Shepard, of Maryland, to be Director of the Institute of Museum Sciences.

DEPARTMENT OF EDUCATION

Frances M. Norris of Virginia, to be Assistant Secretary for Legislation and Public Affairs, Department of Education.

The above nominations were approved subject to the nominees' commitments to respond to requests to appear and testify before any duly constituted committee of the Senate.

IN THE ARMY

The following-named officer to be placed on the retired list in grade indicated under

the provisions of title 10, United States Code, section 1370:

*To be lieutenant general*

Lt. Gen. Robert L. Wetzel, [redacted], age 55, U.S. Army.

The following-named officer under the provisions of title 10, United States Code, section 601, to be assigned to a position of importance and responsibility designated by the President under title 10, United States Code, section 601:

*To be lieutenant general*

Maj. Gen. Colin L. Powell, [redacted], U.S. Army.

The following-named officer to be placed on the retired list in grade indicated under the provisions of title 10, United States Code, section 1370:

*To be lieutenant general*

Lt. Gen. Willard W. Scott, Jr., [redacted], age 59, U.S. Army.

The following-named officer under the provisions of title 10, United States Code, section 601, to be assigned to a position of importance and responsibility designated by the President under title 10, United States Code, section 601:

*To be lieutenant general*

Maj. Gen. Dave R. Palmer, [redacted], U.S. Army.

IN THE NAVY

The following-named captains of the Reserve of the U.S. Navy for permanent promotion to the grade of rear admiral (lower half) in the line and staff corps, as indicated, pursuant to the provisions of title 10, United States Code, section 5912:

UNRESTRICTED LINE OFFICERS

Richard Kenneth Maughlin.
David Anthony Janes.
Wallace Nessler Guthrie, Jr.

UNRESTRICTED LINE OFFICER (TAR)

Richard Kenner Chambers.

SPECIAL DUTY OFFICER (PUBLIC AFFAIRS)

Robert Allan Ravitz.

MEDICAL CORPS OFFICER

Horace MacVaugh III.

DENTAL CORPS OFFICER

William Bernard Finagin.

SUPPLY CORPS OFFICER

Jay Ronald Denney.

CHAPLAIN CORPS OFFICER

Aaron Landes.

CIVIL ENGINEER CORPS OFFICER

Paul Calvin Rosser.

The following-named rear admirals (lower half) of the U.S. Navy for promotion to the permanent grade of rear admiral, pursuant to title 10, United States Code, section 624, subject to qualifications therefor as provided by law:

SUPPLY CORPS

Daniel Wayne McKinnon, Jr.,
Robert Burke Abele.

IN THE MARINE CORPS

The following-named brigadier generals of the Marine Corps for promotion to the permanent grade of major general, under title 10, United States Code, section 624:

John R. Dailey.
James E. Cassity.
Carl E. Mundy, Jr.
Ernest T. Cook, Jr.
John P. Monahan.
Richard A. Gustafson.

The following-named brigadier general of the Marine Corps Reserve for promotion to the permanent grade of major general, under title 10, United States Code, section 5912:

Charles S. Bishop, Jr.

The following-named colonel of the Marine Corps Reserve for promotion to the permanent grade of brigadier general, under title 10, United States Code, section 5912:

Mitchell J. Waters.

IN THE AIR FORCE

Air Force nomination of Orr Y. Potebnya, Jr., which was received by the Senate on February 11, 1986, and appeared in the CONGRESSIONAL RECORD of February 18, 1986.

Air Force nomination of Kenneth G. Sandberg, which was received by the Senate on February 11, 1986, and appeared in the CONGRESSIONAL RECORD of February 18, 1986.

IN THE ARMY

Army nominations beginning Ulon C. Argo, and ending Jose L. Rodriguez, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of February 3, 1986.

Army nominations beginning James I. Moody, and ending Michael R. Johnson, which nominations were received by the Senate on February 21, 1986, and appeared in the CONGRESSIONAL RECORD of February 24, 1986.

Army nominations beginning Philip J.B. Stanley, and ending Paul L. Christianson, which nominations were received by the Senate on February 21, 1986, and appeared in the CONGRESSIONAL RECORD of February 24, 1986.

Army nominations beginning Robert C. Lim, Jr., and ending Louis R. Zako, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of March 3, 1986.

Army nominations beginning Robert Allen, and ending Douglas S. Harr, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of March 6, 1986.

IN THE MARINE CORPS

Marine Corps nominations beginning Stuart W. Bracken, and ending Michael R. Ramos, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of February 3, 1986.

Marine Corps nomination of Lt. Col. Charles F. Bolden, Jr., Which was received by the Senate on February 21, 1986, and appeared in the CONGRESSIONAL RECORD of February 24, 1986.

Marine Corps nominations beginning Andrew S. Dudley, Jr., and ending Mark G. Zimmerman, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of March 6, 1986.

IN THE NAVY

Navy nomination of Cmdr. Michael J. Smith, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of March 6, 1986.

Navy nominations beginning John Rexis Aguilar, and ending Donald Rae Keith, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of March 6, 1986.

Navy nominations beginning Charles Ervin Aaker, and ending Paul Edward Pritchard, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of March 6, 1986.

Navy nominations beginning Rober Gilbert Acosta, and ending Mark Godfrey Zlomke, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of March 6, 1986.

Navy nomination of Cmdr. Edward White Rawlins, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD of March 10, 1986.