The PRESIDING OFFICER. Without objection, it is so ordered.

FAA REAUTHORIZATION

Mrs. HUTCHISON. Mr. President, I would like to thank my colleagues for their work on the Reagan National perimeter rule issue.

Last week, I sat down with several interested colleagues in an effort to try and find a path forward on this issue. As a result, we have the modified Ensign amendment before us.

I would like to say a few words about the intent of that amendment. I am one who is sympathetic to the concerns of from my friend from Virginia, Senator WARNER, who also serves as a member of the Senate Commerce Committee. While in a somewhat different position, in the past, I have had similar issues raised concerning my home State of Texas, and I recognize well that the impacts of dealing with a decision to change the status quo are enormously difficult.

With that in mind, I believe we have come up with a compromise proposal that meets the concerns of my Western State colleagues and others and tries to address, to the extent possible, my friend from Virginia's concerns.

The modified Ensign amendment is a simple solution to a complex problem. The amendment would allow any air carrier with existing ''inside'' the perimeter large hub airport slots into Reagan National the ability to ''convert'' those slots to any community ''outside'' the perimeter, with each air carrier being capped at 15 round trip operations eligible for conversion.

By utilizing the idea of ''conversions,'' we don't add any new flights to the airport, but we do give the air carriers the opportunity to better utilize their networks. I am hopeful we can take that concept and message to the House in the next round of the legislative process on this bill.

I thank Senators ENSIGN and KYL, as well as Senators DEMINT, BOXER, MCCAIN, ROCKEFELLER, DORGAN, and WARNER for their work on this very important issue. I remain hopeful that the final version of this FAA reauthorization bill will include a consensus agreement on this issue, and allow the opportunity for direct service to our Nation's Capitol for a number of communities that are eager for such service.

AIG SEVERANCE PAYMENTS

Mr. GRASSLEY. Mr. President, I recently asked Secretary Geithner why the Treasury Department is allowing AIG to pay millions of dollars of severance pay to executives given the billions of dollars of taxpayer assistance AIG has received.

At one point I even said that AIG has the American taxpayer over a barrel and that AIG has outmaneuvered the administration.

Mr. Kenneth Feinberg, the Treasury Special Master for executive compensation, insisted he was not outmaneuvered by AIG. As it turns out, he was not outmaneuvered by AIG. Instead, he was outmaneuvered by Secretary Geithner. Let me explain what I mean.

In February, 2009, we enacted the Recovery Act. The law required Secretary Geithner to take control of the runaway executive compensation at companies that the American taxpayer bailed out.

Congress provided Mr. Geithner with several tools to accomplish this critical job.

By far the most important and most flexible tool Congress gave Mr. Geithner was a general mandate to require bailed-out companies like AIG to meet ''appropriate standards'' for executive compensation.

This rule was applicable to compensation already in place, compensation in the future, and compensation for all executives, not just a handful of the most senior executives.

What happened to this tool?

Well, even before the law was passed the bonuses, retention awards, and incentive compensation were ''grandfathered.''

That means that while one part of the statute banned them for a handful of senior executives, another part said they had to be paid if the payments were based on a contract that existed in February 2009.

We all remember the outrage when people learned that this provision was quietly added by the Senate drafters on the other side of the aisle because it required AIG to pay massive bonuses in March 2009 and again earlier this year.

Secretary Geithner was quoted in the press at the time saying that ''Treasury staff'' worked with the Senate drafters on the grandfather carve-out. Well, the damage was done.

The grandfather loophole was law. You might say the American taxpayer was outmaneuvered by Treasury staff too.

The President instructed Secretary Geithner to ''pursue every single legal avenue to block these bonuses and make the American taxpayers whole.''

The next step required Treasury to implement the law and use the tools Congress gave Mr. Geithner to put the brakes on runaway executive compensation at firms where taxpayers are footing the bill.

What did Treasury do?

One thing Treasury apparently did was hire a Wall Street executive compensation lawyer from a firm that specializes in helping highly paid executives maximize their pay, but more about that later.

Despite the public outcry over the loophole, which permitted AIG employees and others to walk away with millions, Treasury wrote a regulation that actually expands the loophole even further.

That's right, in the face of overwhelming public outrage, Treasury quietly worked to expand the loophole! Let me explain how they did that.

The grandfather provision in the law that Congress enacted protected three things: bonuses, retention awards, and incentive compensation. It did not protect severance. Let me repeat: it did not protect severance.

But in what appears to be an effort to protect severance agreements despite the statutory language, the regulations Treasury drafted expanded the term ''bonus'' beyond its normal meaning.

Unlike bonuses, severance payments are intended to ease someone out the door, not reward them for doing a great job. Severance is basically the opposite of a retention bonus.

But, after Treasury drafted the regulation, suddenly, severance payments were also protected by the grandfather loophole, just like bonuses. Treasury must have known exactly what it was doing.

AIG had an executive severance plan that dated back to March 2008. It was just the sort of contract the grandfather provision would protect if Treasury expanded the loophole.

And what was the impact of the Treasury regulation on the bottom line? What did American taxpayers have to pay?

Because of this regulation, AIG recently paid two of its executives $1 million and $3.9 million in severance pay. We don't yet know how many others have received severance or may receive it in the future.

As the law was passed, these payments would not have been protected by the grandfather provision because they were not a bonus, retention, or incentive payment.

But Treasury officials took care of that. Rather than setting appropriate standards for executive severance payments generally, as the law passed by Congress required, the regulation leaves AIG free to pay excessive severance payments to many of its executives. Then, the American taxpayer gets the bill.

The Recovery Act told Mr. Geithner that he ''shall'' require each bailed-out company to meet appropriate standards for executive compensation. This command covers all types of executive compensation for all executives, not just bonuses for the most senior executives.

It is a command, not a suggestion. And the grandfather provision that protects certain bonuses does not apply to this more general provision.

But the Treasury regulation almost completely ignores this mandate. It does address one form of executive compensation. The regulation bars tax gross-up payments for senior executives.

That is the practice of allowing the company to pay the executive's income taxes for him. Now don't get me wrong—tax gross-up payments should be banned for companies that were bailed out, and I am glad to see that this was done.

But Congress gave Mr. Geithner a powerful tool that should have been