

# LEGISLATIVE REVIEW ACTIVITY

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## R E P O R T

OF THE

# COMMITTEE ON FINANCE UNITED STATES SENATE

FOR THE

101<sup>ST</sup> CONGRESS

PURSUANT TO

PARAGRAPH 8 OF RULE XXVI OF THE  
STANDING RULES OF THE SENATE



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# CONTENTS

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	Page
Foreword.....	1
Report of legislative review activity of the Committee on Finance during the 101st Congress.....	2
Legislative review of Internal Revenue laws.....	3
Legislative review of international trade.....	7
Legislative review of programs under the Social Security Act.....	8
Legislative review of the bonded debt of the United States.....	14
Legislation reported to the Senate by the Committee on Finance during the 101st Congress.....	15
List of hearings held by the Committee on Finance.....	16



## FOREWORD

This report by the Committee on Finance on its legislative review activity during the 101st Congress is submitted pursuant to paragraph 8 of rule XXVI of the Standing Rules of the Senate. The rule requires standing committees of the Senate to "review and study, on a continuing basis the application, administration, and execution" of laws within their jurisdiction and to submit biennial reports to the Senate. The full text of paragraph 8 follows:

8. (a) In order to assist the Senate in—

(1) its analysis, appraisal, and evaluation of the application, administration, and execution of the laws enacted by the Congress, and

(2) its formulation, consideration, and enactment of such modifications of or changes in those laws, and of such additional legislation, as may be necessary or appropriate, each standing committee (except the Committees on Appropriations and the Budget), shall review and study, on a continuing basis the application, administration, and execution of those laws, or parts of laws, the subject matter of which is within the legislative jurisdiction of that committee. Such committees may carry out the required analysis, appraisal, and evaluation themselves, or by contract, or may require a Government agency to do so and furnish a report thereon to the Senate. Such committees may rely on such techniques as pilot testing, analysis of costs in comparison with benefits, or provision for evaluation after a defined period of time.

(b) In each odd-numbered year, each such committee shall submit, not later than March 31, to the Senate, a report on the activities of that committee under this paragraph during the Congress ending at noon on January 3 of such year.

The Committee on Finance, in the course of its work, publishes additional committee prints reporting on various aspects of legislation within its jurisdiction. Copies of those committee prints, as well as additional copies of this report, can be obtained from the office of the committee, room SD-205 Dirksen Senate Office Building, Washington, DC 20510. Written requests should be accompanied by a return address label.

## **REPORT OF LEGISLATIVE REVIEW ACTIVITY OF THE COMMITTEE ON FINANCE DURING THE 101ST CONGRESS**

Rule XXV of the Standing Rules of the U.S. Senate provides that at the commencement of each Congress there shall be appointed a—"Committee on Finance," to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

1. Bonded debt of the United States, except as provided in the Congressional Budget Act of 1974.
2. Customs, collection districts, and ports of entry and delivery.
3. Deposit of public moneys.
4. General revenue sharing.
5. Health programs under the Social Security Act and health programs financed by a specific tax or trust fund.
6. National Social Security.
7. Reciprocal trade agreements.
8. Revenue measures generally, except as provided in the Congressional Budget Act of 1974.
9. Revenue measures relating to the insular possessions.
10. Tariffs and import quotas, and matters related thereto.
11. Transportation of dutiable goods.

## LEGISLATIVE REVIEW OF INTERNAL REVENUE LAWS

During the 101st Congress, the preponderant focus of the Finance Committee in the tax area was developing revenue-raising provisions to achieve significant, long-term deficit reduction as a part of the budget reconciliation process. The Committee also achieved the enactment of important tax policy reforms, including the repeal of the section 89 nondiscrimination rules, repeal and replacement of the section 2036(c) estate freeze rules and enactment of a comprehensive package of energy production incentives. The Committee participated in other significant legislative initiatives of the Congress, including the Financial Institutions Reform bill, the Clean Air Act Amendments, the Oil Pollution Act, the Puerto Rico Referendum Act and the Campaign Cost Reduction and Reform Act.

### BUDGET RECONCILIATION

#### *Budget Reconciliation Act of 1990*

Pursuant to the budget summit agreement, the budget resolution for fiscal year 1991 directed the Finance Committee to increase revenues by \$118.8 billion over 5 years and to achieve an additional \$20 billion in deficit reduction from either revenue increases or spending reductions.

On October 12, the Finance Committee approved a package of revenue provisions that would increase revenues by \$17.1 billion in 1991 and \$142.1 billion over 5 years. The Committee achieved its deficit reduction goals in a manner that made the tax system more progressive. The major revenue-raising provisions were as follows: limiting itemized deductions for taxpayers with incomes over \$100,000; increasing the motor fuels, tobacco, alcoholic beverage, airport/airway and harbor maintenance excise taxes; increasing the Medicare Hospital Insurance wage base to \$89,000; extending the telephone excise tax; imposing a new 10% excise tax on luxury items; extending Social Security coverage to all state and local workers not participating in public retirement plans; extending the Medicare Hospital Insurance tax to all state and local employees; requiring insurance companies to amortize policy acquisition expenses; and extending the Federal Unemployment Tax Act (FUTA) surtax.

The Committee also approved a series of important tax incentive provisions, including: a one-year extension of all of the expiring tax provisions, including the research and experimentation and low-income housing tax credits; a \$3.4 billion package of energy tax incentives, which included permanent extension of the section 29 nonconventional fuels tax credit and tax incentives for ethanol production, enhanced oil recovery techniques and exploratory drilling; modifications to the section 2036(c) estate valuation rules; and a

\$16.8 billion expansion of the earned income tax credit. The Committee's recommendations were incorporated into the Senate reconciliation bill, S. 3209.

The final conference agreement on the Budget Reconciliation Act of 1990, H.R. 5835, closely paralleled the Finance Committee recommendations. The conference agreement, which cleared the Senate on October 27, increased revenues by \$17.6 billion in 1991 and by \$137.2 billion over 5 years. The major changes from the Finance Committee bill were as follows: increasing the top individual income tax rate to 31% and the individual alternative minimum tax rate to 24%; phasing out personal exemptions for high-income taxpayers; increasing the Medicare Hospital Insurance wage base to \$125,000; increasing the interest rate on large corporate tax underpayments; and dropping the provision to extend mandatory Medicare coverage to all state and local workers.

### *Budget Reconciliation Act of 1989*

In accord with the budget summit agreement, the budget resolution for fiscal year 1990 directed the Finance Committee to increase revenues by \$5.3 billion. The budget agreement also provided that Congress would not act on specific revenue proposals to implement the budget summit agreement without the support of the President.

On October 3, the Finance Committee approved a package of revenue provisions that would increase revenues by \$5.3 billion in 1990 and \$8.6 billion over five years. The major revenue-raising provisions were as follows: permanently extending the telephone excise tax; repealing the partial interest exclusion for certain Employee Stock Ownership Plan (ESOP) loans; suspending the tax reduction "trigger" for the Airport/Airway trust fund taxes; imposing a new excise tax on ozone-depleting chemicals; accelerating payroll tax deposit deadlines; allowing certain excess pension funds to be used to pay current health benefits for retirees; disallowing loss deductions for certain leveraged debt; and repealing certain tax benefits for acquiring financial institutions.

As reported, the Finance Committee bill also included a number of important tax incentives, including: extension of the expiring tax provisions, such as the research and experimentation credit and the low-income housing credit; a refundable dependent care credit and a new child health insurance credit; restoration of the universal IRA deduction; and other important incentives and tax policy reforms, including repeal of the Section 89 nondiscrimination rules. The Committee's recommendations were incorporated into the Senate reconciliation bill, S. 1750.

However, the Senate Leadership subsequently agreed that the budget reconciliation bill should only be comprised of provisions that reduced the deficit. Consequently, the extension of the expiring provisions, child care tax incentives, the IRA restoration, and other revenue-losing provisions were dropped from the Senate bill. As passed by the Senate, the Finance Committee revenue provisions provided for deficit reduction of \$5.3 billion in 1990 and of \$26.1 billion over five years.

The final conference agreement between the House and the Senate tax-writing committees, which cleared the Senate on No-



ember 22, was similar to the Senate-passed bill. The major changes were that the conference agreement provided for a 9 month extension of the expiring provisions and included a package of reforms and simplifications to the corporate alternative minimum tax, which were considered time-sensitive by the conferees. Repeal of the Section 89 nondiscrimination rules was incorporated into legislation to extend the public debt limit (H.J. Res. 280), which cleared the Congress on November 7.

## OTHER TAX-RELATED LEGISLATION

### *Puerto Rico Status Referendum*

S. 712, legislation providing for a referendum on the political status of Puerto Rico, was sequentially referred to the Finance Committee for the consideration of those provisions within its jurisdiction. The Finance Committee reported S. 712 on August 1, 1990. As reported, S. 712 provided for phasing out the tax incentives provided under section 936 to U.S. businesses operating in Puerto Rico if Puerto Rico voted for either statehood or independence. The Finance Committee amendments also provided for a gradual phase-in of U.S. Federal income taxation for the residents of Puerto Rico under the statehood option. The Senate did not complete action on S. 712 prior to adjournment.

### *Oil Spill Liability Trust Fund*

The Finance Committee was named to the conference on the Oil Pollution Act, H.R. 1465. In the conference, the Committee agreed to a series of amendments to conform the tax code to the new oil pollution liability and compensation program. Under the conference agreement, the Committee agreed to raise the borrowing authority and per-incident spending limits to \$1 billion, to raise the natural resource damage limit to \$500 million, expand the spending purposes of the Fund and provide for the consolidation of any remaining balances in existing Federal oil spill cleanup funds into the new Fund. Earlier, as a part of the 1989 Budget Reconciliation Act, the Committee agreed to increase the size of the Oil Spill Fund to \$1 billion and to raise the financing rate from 1.3 cents to 5 cents per barrel of petroleum.

### *Financial Institutions Reform*

The Finance Committee was named to the conference on the Financial Institutions Reform, Recovery and Enforcement Act, H.R. 1278. In the conference, the Committee agreed to repeal the special tax rules (regarding FSLIC payments and tax-free reorganizations) applicable to financially-troubled financial institutions as of May 10, 1989.

### *Clean Air Act Amendments*

The Finance Committee was named to the conference on the Clean Air Act Amendments, S. 1630. In the conference, the Committee successfully worked to clarify that any "fees" imposed by the Environmental Protection Agency under the Act may not exceed the cost of administering the specified program. The conferees also dropped a provision to provide extended unemployment

benefits to dislocated workers. In its place, the bill authorized funding for a new training and benefit program under the Job Training Partnership Act. A Senate provision to ban the importation of certain ozone-depleting chemicals was also deleted by the conference.

### *Trust Funds*

As a part of the 1990 budget reconciliation bill, the Finance Committee agreed to extend through 1995 and increase the excise taxes funding the Airport/Airway and Highway Trust Funds to meet critical needs in these areas. The Committee also agreed to reimpose the Leaking Underground Storage Tank Trust Fund tax. Finally, the Committee agreed to dedicate a portion of the motor fuels excise tax increase to the Aquatic Resources Trust Fund to establish and fund a new wetlands restoration program. As a part of the conference agreement, the Committee also agreed to extend the environmental taxes dedicated to the Hazardous Substance Superfund for four years to avoid any disruption in the cleanup program.

### *Campaign Finance Reform*

The Finance Committee was named to the conference on the Campaign Cost Reduction and Reform Act, H.R. 5400, to consider provisions regarding public financing of congressional campaigns and tax credits for individual contributions to congressional campaigns. The conference committee did not complete action prior to the adjournment of the 101st Congress.

## COMMITTEE HEARINGS AND OVERSIGHT

Many of the tax legislative initiatives adopted by the Finance Committee in the 1989 and 1990 budget reconciliation bills were generated in response to Committee hearings during the 101st Congress. After receiving testimony that the section 89 nondiscrimination rules were overly complex and counterproductive, the Committee agreed to repeal the rules. In response to testimony that the section 2036(c) estate freeze provisions were affecting legitimate transactions and were too complex, the Committee agreed to repeal and replace the old rules. To strengthen U.S. energy security and reduce dependence on foreign oil, which was highlighted in Committee hearings, the Committee adopted a package of energy tax incentives.

Other legislative proposals adopted by the Committee in response to hearings included: restoring the universal availability of Individual Retirement Accounts to boost savings; disallowing the interest exclusion for certain ESOP loans to address reported abuses; allowing use of excess pension assets to pay current retiree health benefits; disallowing deductions for losses from certain debt acquired in leveraged buyouts to discourage tax-motivated transactions; and expanding the size of Oil Spill Liability Trust Fund in response to the Exxon Valdez incident.

## LEGISLATIVE REVIEW OF INTERNATIONAL TRADE

Following the passage of the Omnibus Trade and Competitiveness Act of 1988 in the 100th Congress, much of the international trade activities of the Committee during the 101st Congress related to oversight of that law. The Committee took an aggressive role in monitoring the implementation of the 1988 Trade Act through an active program of hearings and regular consultation with the Executive Branch.

With respect to new legislative activity, the Committee developed legislation, the Customs and Trade Act of 1990 (Public Law 101-382), to address a variety of miscellaneous tariff and trade issues. On March 22, 1990, the Committee reported a bill (H.R. 1594) that included: (1) the first major expansion of the Caribbean Economic Recovery Act since its enactment in 1983, including an amendment providing permanent duty-free treatment for imports from eligible Caribbean countries; (2) technical amendments to Title IV of the Trade Act of 1974 relating to the Congressional approval process for providing most-favored-nation status to certain countries; (3) amendments to the customs user fee; (4) authorizations of appropriations for fiscal year 1991 for the U.S. Customs Service, the U.S. Trade Representative, and the U.S. International Trade Commission; and (5) over 200 tariff provisions. The Senate passed the bill, as amended, on April 24, 1990. The conference report was adopted by the Senate on July 31, 1990. The Customs and Trade Act of 1990 was enacted on August 20, 1990.

The Committee also approved legislation to implement the President's steel trade liberalization program. The legislation included an extension of the President's authority to enforce voluntary restraint agreements with respect to steel imports. On November 15, 1989, the Committee approved H.R. 3275, as passed by the House, with two amendments: one relating to ethanol imports from the Caribbean; and, one to bring the superfund excise tax into conformity with U.S. obligations under the General Agreement on Tariffs and Trade. The bill was subsequently passed by the House and Senate on November 22, 1989 and enacted on December 12, 1989 (Public Law 101-221).

In other legislative activity relating to international trade, on October 18, 1990, the Committee reported legislation (S.J. Res. 361) to approve the extension of most-favored-nation treatment to products from Czechoslovakia. That legislation was enacted on November 8, 1990. The Committee also ordered reported on June 21, 1990, without recommendation, legislation (H.R. 4328) to provide for orderly imports of textiles, apparel, and footwear. That legislation was subsequently approved by both the Senate and the House, but was vetoed by the President. The House failed to override the President's veto.

# LEGISLATIVE REVIEW OF PROGRAMS UNDER THE SOCIAL SECURITY ACT

## OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

During the 101st Congress, the Committee continued its oversight of the Social Security Act programs of Old-Age and Survivors Insurance and Disability Insurance. In order to assure the adequate funding of these programs, there is a standing requirement that the Board of Trustees conduct an annual review of the actuarial status of the trust funds. Reports from the Boards of Trustees reporting on these annual actuarial reviews for these funds were issued on April 26, 1989 and April 19, 1990 and referred to the Committee. Both reports show a continuing build up in the reserve balances of the funds although the 1990 report indicate a lesser rate of increase than had been projected a year earlier. The 1990 report also showed a lessening of the long-range actuarial balance of the funds relative to the 1989 report.

The Committee received the nomination during the 101st Congress of a new Commissioner of Social Security and also received nominations for the positions of the two public members of the Board of Trustees. The Committee held hearings on these nominations and favorably reported the nominations to the Senate, which subsequently ratified them.

In reviewing these programs, the Committee determined the need for a number of changes in the laws governing their operation. One major proposal which was approved by the Committee for inclusion in the 1989 Reconciliation legislation was a change in administrative structure under which the Social Security Administration would have become an independent agency headed by a single, strong executive. Further action on this proposal was not taken by the 101st Congress, however, and it did not become law. Several other changes approved by the Committee did become law as elements of the 1989 and 1990 Omnibus Budget Reconciliation Acts (Public Laws 101-239 and 101-508). These included (along with several other less significant changes) the following:

- A requirement that the Department phase in (with full implementation by 1999) an annual notification to covered workers of their earnings and potential benefits under the Social Security program.
- A restructuring of the rules governing payment of benefits to representative payees (on behalf of beneficiaries unable to manage their own benefits) so as to assure adequate safeguards and accountability;
- A change which conforms the disability definition for widows and widowers to that applied to workers;

- A modification to the trial work period provisions for disability beneficiaries to provide that it be computed over a rolling 5-year period;
- A revision of the formula for indexing certain tax and benefit factors to include certain types of deferred compensation which constituted covered wages but were previously excluded in determining average wage levels for indexing purposes.
- Elimination of certain dependency test requirements for eligibility of certain adopted children for benefits.
- Permanent extension of the authority to continue benefits pending a hearing when individuals are found no longer disabled;
- A revision of the statutory rules relating to review of attorneys' fees in connection with administrative procedures relating to Social Security;
- Expanded eligibility for spouses benefits in cases where individuals in good faith entered into defective marriage;
- Reduction in amount of wages needed to earn a year of coverage for purposes of special minimum benefits;
- Several changes designed to improve protections and services for beneficiaries of the program.

During the 101st Congress, several hearings relating to the Old-Age, Survivors, and Disability Insurance program were held. The full Committee held three days of hearings relating to Social Security financing and proposals for changing the Social Security contribution rate. The Subcommittee on Social Security and Family Policy held hearings on several Social Security issues including the effects of the 1977 benefit formula change, public confidence in Social Security, deceptive mailings to the elderly, tamper-proof Social Security cards, and proposals to restructure the Social Security Administration as an independent agency.

### SUPPLEMENTAL SECURITY INCOME

During the 101st Congress, the Committee recommended several refinements to the Supplemental Security Income (SSI) program for the needy aged, blind, and disabled. These were included in the 1989 and 1990 reconciliation acts (P.L. 101-239 and P.L. 101-508). Changes to SSI in these bills included:

- elimination of the requirement that married SSI couples must live apart for six months before being treated as separate individuals for SSI purposes;
- a requirement for an ongoing program of outreach to children who are potentially eligible for SSI on the basis of blindness or disability; and
- an expansion from 3 to 6 months of the period during which payments can be made on the basis of a finding of presumptive disability.

Numerous other changes to the program were also included in these acts to address specific problems which had been identified. For example, several changes were made to the provisions relating to the counting of income and resources for eligibility purposes so as better to deal with such situations as those involving victims

compensation and relocation payments, royalties, and impairment related work expenses.

### FAMILY SUPPORT PROGRAMS

During the 100th Congress, the Committee had worked on and achieved enactment of a major revision of the Nation's basic welfare programs with a view to strengthening their ability to assist needy families to attain or regain the capacity for self support. This legislation had emphasized both the role of a strengthened program of child support enforcement and a program of job opportunities and basic skills training (JOBS) for those receiving Aid to Families with Dependent Children (AFDC). The 101st Congress was a time for overseeing the implementation of this legislation. The legislation had created a new position of Assistant Secretary for Family Support to carry out its provisions. During the 101st Congress, the Committee received a nomination to this position, and, after a hearing, favorably reported that nomination to the Senate. The Committee's Subcommittee on Social Security and Family Policy also held an initial hearing on implementation of the 1988 Family Support Act.

In view of the major legislative revision undertaken in the previous Congress, the Committee did not propose substantial changes in the basic legislative structure of family support programs. However, a major revision was made in the requirements for an ongoing program of quality control under which States with high error rates in their AFDC programs are subject to fiscal penalties. Also, the Committee's continuing review of these programs did uncover a number of areas in which minor or technical adjustments were required and these were incorporated in the 1989 and 1990 budget reconciliation acts. The 1990 reconciliation legislation also included a directive to the General Accounting Office to undertake a study of the implementation of the 1988 Family Support Act provisions as they relate to Indian tribes and Alaska Native organizations.

### FOSTER CARE, ADOPTION ASSISTANCE, AND CHILD WELFARE

The child welfare services program under title IV-B of the Social Security Act authorizes Federal assistance to State and local governments in their activities designed to protect and aid neglected and abused children. Where such children must be removed from their own homes, foster care is provided. In the case of children who would otherwise be eligible for Federally-aided public assistance, Federal matching for a portion of the cost of the foster care maintenance payments is provided under title IV-E of the Act. IV-E matching is also provided for adoption assistance for such children when it is determined that there is a special need requiring such assistance in order to achieve the adoptive placement.

The last major revision of the Federal laws relating to these programs were enacted in the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272). However, the Committee has continued to monitor these programs on an ongoing basis. In the 101st Congress, the Committee began a major review of these programs with a view to possible hearings and legislation to be undertaken in the

102nd Congress. As a part of the Committee review activities in the 101st Congress, the Committee sought out and compiled data on trends in each of these programs and on available information concerning the characteristics of the caseload. This information along with information on the financing of the programs, on the procedures for determining compliance with Federal requirements, on the foster care and adoption data and information collection system, and on placement, administrative, and training costs was printed as a committee document. (S. Prt. 101-118). Committee staff also undertook on-site visits to observe the operations of child welfare agencies and meet with staff of those agencies.

While the review of these programs undertaken during the 101st Congress were partly aimed at laying the groundwork for possible legislation during the following Congress, there was determined to be an immediate need for certain legislative changes including an increase in the authorized level of funding from the Child Welfare Services program (from \$266 million to \$325 million) and an extension with increased funding of a special program which helps older children in foster care make the transition into independent living. The Committee also proposed to clarify that the Federal matching provisions under the foster care program cover not only maintenance payments and administrative costs but also the costs involved in placement activities. These changes were included in the 1989 and 1990 budget reconciliation acts.

### CHILD CARE

Legislation under the jurisdiction of the Committee on Finance is the source of funding for most of the child care paid for by the Federal Government. This includes child care provided under the Social Services Block Grant Program (title XX of the Social Security Act), child care related to the programs of Aid to Families with Dependent Children (AFDC) and Job Opportunities and Basic Skills training (JOBS), child care funded through the Child Welfare Services program, and two child care related provisions of the Internal Revenue Code: the dependent care credit and the exclusion for employer provided child care.

During the 101st Congress, the Committee examined the issue of child care provided through the programs under its jurisdiction. It held three days of hearings on this matter in April and June of 1989. Legislation subsequently was reported by the Committee and passed by the Senate as a part of S. 5. This legislation, in that form, was not finally enacted; however child care legislation was included in the 1990 Budget Reconciliation Act (P.L. 101-508). That legislation established a new child care program under which \$300 million per year is available to the States, on a matching basis, for providing child care to families where such care is needed to enable a parent to work and where the family would otherwise be at risk of becoming dependent upon Aid to Families with Dependent Children (AFDC). Also, during the 101st Congress, an increase in the funding level of the title XX Social Services Block Grant program was enacted. This increase raised the permanent funding level from \$2.7 billion per year to \$2.8 billion.

## OTHER SOCIAL INSURANCE AND SOCIAL WELFARE ACTIVITIES

During the 101st Congress, the Committee on Finance also acted to review and address a number of other issues falling within its general jurisdiction over national programs relating to social insurance and social welfare.

A National Commission on Children had been created by the Omnibus Budget Reconciliation Act of 1987. At that time, it had been expected to complete its work in 1989. However, the Commission was unable to begin meeting until early 1989, and legislation was therefore enacted to extend its reporting date until 1991. Also enacted during the 101st Congress were a number of minor and technical amendments needed to facilitate the operations of the Commission.

A provision of the Social Security Act authorizes the Secretary of Health and Human Services to loan funds to destitute U.S. citizens and their dependents who have been repatriated from foreign countries because of crisis conditions. Twice during the 101st Congress, action had to be taken to increase this authority in order to deal with the large number of such cases arising from the crises in Liberia and Kuwait. In Public Law 101-382, the \$300,000 annual limit on such loans was increased to \$1 million. That limit was removed altogether in the case of fiscal years 1990 and 1991 under P.L. 101-508.

The Federal-State program of unemployment compensation also falls within the jurisdiction of the Committee on Finance. A temporary provision of law governing the distribution of funds among trust fund accounts when fund ceilings are reached would have expired in 1991. Legislation was enacted during the 101st Congress (P.L. 101-508) to extend this provision on a temporary basis with modifications to provide that any distribution to State accounts of excess funds from Federal accounts would be made in proportion to each State's share of wages subject to Federal unemployment taxes.

During the 101st Congress, legislation was reported by the Committee on Energy and Natural Resources providing for a referendum to be held in the Commonwealth of Puerto Rico concerning the future political status of that jurisdiction. That legislation was referred to the Committee on Finance because it proposed to modify a number of statutes dealing with matter which falls within Finance Committee jurisdiction. In preparing its recommendations with respect to this legislation, the Committee undertook a thorough review of the ways in which Finance Committee Social Security Act programs operate in Puerto Rico. This review was undertaken by Committee staff, and assistance was also requested from Congressional support agencies. The Committee held two days of hearings on this matter in November of 1989. A further hearing was held in April of 1990. On September 30, 1990, the Committee reported the legislation to the Senate recommending substantial amendments to the text of the bill but making no recommendation as to the overall passage of the legislation. The 101st Congress did not complete action on this legislation prior to its adjournment.



## HEALTH PROGRAMS

During the 101st Congress, the Committee approved a number of proposals relating to the budgetary impact and substantive nature of the Medicare, Medicaid, and Maternal and Child Health programs. The most significant changes in these programs were incorporated into the Omnibus Reconciliation Acts of 1989 (P.L. 101-239) and 1990 (P.L. 101-508). Specifically, Medicare spending was reduced by an estimated \$11.2 billion over the years FY90-FY94, and by an additional \$44.7 billion during the FY91-FY95 period. Medicaid spending was also reduced by \$616 million over the FY91-FY95 interval.

With enactment of the Budget Reconciliation Act of 1989, a number of changes were made in the Medicare program to improve payments to rural hospitals, including a reduction in the differential between basic urban and rural payment rates, increased payments to sole community and Medicare dependent hospitals and increased funding of the Rural Health Transition Grant program. Hospitals designated as cancer centers were excluded from the Medicare prospective payment system. The identification of Medicare secondary payer cases was strengthened.

OBRA '89 also mandated far-reaching reforms of the Medicare physician payment system, including a resource-based national fee schedule for physicians' services, volume performance standards, enhanced beneficiary protections, and the development and dissemination of practice guidelines.

In addition, it eliminated several limitations on the availability of mental health services to Medicare beneficiaries and expanded program coverage to include cancer screening.

In 1989, the Medicaid program was amended to require States to expand eligibility to more pregnant women and infants, to improve prevention and treatment services for children and to provide coverage of Medicare cost-sharing for elderly individuals with incomes below the Federal poverty level. The funding authorization for the Maternal and Child Health Block Grant was also increased from a level of \$561 million to \$686 million and the program was amended to ensure greater accountability and to target funds for preventive services and services to chronically ill children.

The Budget Reconciliation Act of 1990 includes provisions that phase out the differential between basic payment rates under the prospective payment system for rural and urban hospitals in small urban areas over a five year period. Medicare coverage for hospice care was extended beyond 210 days for beneficiaries certified as terminally ill. A new policy was established for Medicare payments to hospitals with university affiliated nurse training programs. And major reforms were enacted to strengthen Federal standards for private insurance that supplements Medicare coverage ("Medi-gap" plans).

OBRA 1990 incorporated a number of Medicare Part B provisions designed to improve access to health care in underserved areas by increasing reimbursement levels paid to non-physician providers of care and by paying for services furnished in Federally-qualified health centers. Part B was also amended to provide for the development of uniform prepayment review screens for physician visits to

rehabilitation hospitals and units, and to expand program coverage to include mammography screening for cancer.

OBRA '90 also included provisions that set the Part B premium for 1991 through 1995 at levels estimated to cover twenty five percent of program costs and increased the Part B deductible from \$75 to \$100 a year.

In 1990, the Medicaid program was amended to require States, over a 12-year period, to phase in eligibility to all children under age 19 in families with incomes below the Federal poverty level. The program was also modified to increase payments to hospitals for the care of very sick infants and children and to require States to place outreach workers in hospitals and clinics that serve pregnant women and children from families of modest means. The Budget Reconciliation Act of 1990 also increased protections against higher Medicare premiums for certain elderly individuals and expanded options for providing home and community based care to frail elderly individuals and to individuals with mental retardation or a related condition. In addition, a methodology was established for obtaining prescription drug discounts for the Medicaid program, and a number of amendments were made to the nursing home reform provisions of the Omnibus Budget Reconciliation Act of 1987.

Finally, OBRA '90 required Medicare and Medicaid providers, as a condition of program participation, to ask patients whether they have executed an advance medical directive (such as a "living will"), as well as to distribute informational materials on their rights under applicable State laws on this subject.

On December 13, 1989, the President signed into law repeal of the non-Medicaid provisions of the Medicare Catastrophic Coverage Act of 1988.

## **LEGISLATIVE REVIEW OF THE BONDED DEBT OF THE UNITED STATES**

The statutory limit on outstanding public debt was \$2.8 trillion at the start of the 101st Congress. Legislation to extend or increase the public debt limit was required nine times during the 101st Congress (Public Laws 101-72, 101-140, 101-350, 101-405, 101-412, 101-444, 101-461, 101-467, and 101-508). The last of these Acts, P.L. 101-508, increased the limit on the public debt to \$4.145 trillion. During the 101st Congress, the Committee's Subcommittee on Taxation and Debt Management held hearings on the public debt limit in July of 1989 and again in July of 1990. In addition to providing for the above described increases and extensions of the debt limit, legislation was also included in Public Law 101-72 which changed the debt limit treatment of "zero-coupon" bonds which do not bear an explicit interest rate but are rather sold on a discount basis. In prior years, such obligations had been counted against the debt limit at their face value. Under Public Law 101-72, such issues are now counted on the basis of their accrued value.

**LEGISLATION REPORTED TO THE SENATE BY THE  
COMMITTEE ON FINANCE DURING THE 101ST CONGRESS**

- H.J. Res. 280:** A joint resolution increasing the statutory limit on the public debt. Reported to the Senate on July 25, 1989 (without written report). Became Public Law 101-40.
- H.R. 1594:** To extend nondiscriminatory treatment to the products of the Peoples' Republic of Hungary for 3 years. Reported to the Senate March 22, 1990 (Senate Report 101-252). Became Public Law 101-382.
- H.R. 3275:** To implement the Steel Trade Liberalization program. Reported to the Senate November 15, 1989 (Senate Report 101-206). Became Public Law 101-221.
- H.R. 4328:** To authorize appropriations for fiscal years 1991 and 1992 for the customs and trade agencies, and for other purposes. Reported to the Senate June 25, 1990 (without written report). Vetoed by the President October 5, 1990. House sustained the President's veto October 10, 1990.
- S.J. Res. 151:** An original joint resolution to honor the U.S. Customs Service on the two hundredth anniversary of its establishment. Reported to the Senate June 7, 1989 (without written report).
- S.J. Res. 361:** A joint resolution approving the extension of nondiscriminatory treatment (most favored nation treatment) to the products of Czechoslovakia. Reported to the Senate October 18, 1990 (without written report).
- S. Res. 34:** An original resolution authorizing expenditure by the Committee on Finance. Reported to the Senate February 2, 1989 (without written report).
- S. 712:** To provide for a referendum on the political status of Puerto Rico. Reported to the Senate September 30, 1990 (Senate Report 101-481).
- S. 1164:** An original bill to authorize appropriations for fiscal year 1990 for the Office of the U.S. Trade Representative, the U.S. International Trade Commission, and the U.S. Customs Service. Reported to the Senate June 13, 1989 (Senate Report 101-48). Became Public Law 101-207.
- S. 1185:** An original bill to amend the Internal Revenue Code of 1986 to allow a credit for health insurance premium costs, to make the credit for dependent care refundable, to simplify the antidiscrimination rules applicable to certain employee benefits. Reported to the Senate June 14, 1989 (Senate Report 101-51).
- S. 1262:** An original bill to amend the Trade Act of 1974 to make Poland eligible for the Generalized System of Preferences. Reported to the Senate June 23, 1989 (without written report).
- S. 2092:** to provide for the restoration of certain trade benefits for Panama. Reported to the Senate February 7, 1990 (without written report).

## LIST OF HEARINGS HELD BY THE COMMITTEE ON FINANCE

### FULL COMMITTEE

- Leveraged Buyouts and Corporate Debt**—Parts 1, 2, and 3 (January 24, 25, and 26, 1989).
- Oversight of the Trade Act of 1988**—Parts 1, 2, and 3 (March 1, April 20, May 3, and June 14, 1989).
- Customs Service Budget Authorization for Fiscal Year 1990** (March 7, 1989).
- USTR and ITC Budget Authorization for Fiscal Year 1990** (March 8, 1989).
- Revenue and Spending Proposals for Fiscal Year 1990**—Parts 1 and 2 (March 9, 14, and 15, 1989).
- S. 55, S. 159, S. 187, S. 364, S. 392, S. 409, S. 412, S. 569, S. 601, and S. 692**—Child Care Welfare Programs and Tax Credit Proposals (April 18 and 19, 1989).
- Medicare Reimbursement to Rural Hospitals** (May 4, 1989).
- Section 89—Nondiscrimination Rules** (May 9, 1989).
- Europe-92 Trade Program** (May 10, 1989).
- S. 353, S. 442, S. 659, S. 838, and S. 849**—Miscellaneous Tax Bills—1989 (May 17, 1989).
- Catastrophic Care—Excess Revenues** (June 1, 1989).
- Child Care and Health Initiative** (June 12, 1989).
- S. 800—Commuter Tax Moratorium Bill** (June 13, 1989).
- Health Care Coverage for Children** (June 20, 1989).
- S. 771 and S. 1066—Oil Spill Cleanup Costs** (June 21, 1989).
- Catastrophic Coverage** (July 11, 1989).
- Super IRA Proposal** (September 29, 1989).
- U.S.-U.S.S.R. Economic Relations** (October 4, 1989).
- S. 712—Puerto Rico's Political Status**—Parts 1 and 2 (November 14, and 15, 1989, and April 26, 1990).
- Oversight of 1988 Trade Act—1990** (February 7, 1990).
- S. 2026—Social Security Tax Cut** (February 5, 8, and 27, 1990).
- Fiscal Year 1991 Customs Service Budget Authorization and Customs User Fee** (February 22, 1990).
- Fiscal Year 1991 Budget Proposals** (February 28, March 6, and 22, 1990).
- S. 1654—Effects of Short-Term Trading on Long-Term Investments** (March 21, 1990).
- Tax Incentives for Increasing Savings and Investment** (March 27 and 28, 1990).
- Guarantees of Retirement Annuities** (April 5, 1990).
- United States-Japan Trade Relations** (April 25, 1990).
- Decline of Corporate Tax Revenues** (May 3, 1990).
- Health Impact, Costs of Smoking** (May 24, 1990).

**Rural Health Care Crisis—Field Hearings, Sioux Falls, SD and Rapid City, SD (June 2, 1990).**

**S. 2411—Textile Apparel and Footwear Trade Act of 1990 (June 7, 1990).**

**Extending Most Favored Nation Status for China (June 20, 1990).**

**Infant Victims of Drug Abuse (June 28, 1990).**

**Foreign Influence on U.S. Policy Decisions (September 19, 1990).**

#### NOMINATIONS

**Carla Hills, to be U.S. Trade Representative (January 27, 1989).**

**Louis W. Sullivan, to be Secretary of Health and Human Services (February 23, 1989).**

**David Campbell Mulford, to be an Under Secretary of the Treasury (March 4, 1989).**

**Edith E. Holiday, to be General Counsel for the Department of the Treasury (March 16, 1989).**

**David W. Mullins, Jr., to be an Assistant Secretary of the Treasury (March 16, 1989).**

**Constance J. Horner, to be Under Secretary of Health and Human Services (April 21, 1989).**

**Mary Sheila Gall, to be an Assistant Secretary of Health and Human Services (April 21, 1989).**

**Eric I. Garfinkel, to be an Assistant Secretary of Commerce (May 4, 1989).**

**Robert R. Glauber, to be an Under Secretary of the Treasury (May 4, 1989).**

**John E. Robson, to be Deputy Secretary of the Treasury (May 4, 1989).**

**Rufus Hawkins Yerxa, to be a Deputy U.S. Trade Representative (May 4, 1989).**

**Charles H. Dallara, to be Deputy Under Secretary of the Treasury (May 9, 1989).**

**Hollis S. McLoughlin, to be an Assistant Secretary of the Treasury (May 9, 1989).**

**Roger Bolton, to be an Assistant Secretary of the Treasury (May 9, 1989).**

**Kay Coles James, to be an Assistant Secretary of Health and Human Services (May 9, 1989).**

**Sidney Linn Williams, to be a Deputy U.S. Trade Representative, with the rank of Ambassador (May 18, 1989).**

**Kenneth W. Gideon, to be an Assistant Secretary of the Treasury (June 7, 1989).**

**Gerald L. Olson, to be an Assistant Secretary of Health and Human Services (June 7, 1989).**

**John Michael Farren, to be Under Secretary of Commerce for International Trade (June 7, 1989).**

**Brycle L. Harlow, to be a Deputy Under Secretary of the Treasury (June 7, 1989).**

**Fred T. Goldberg, to be Commissioner of Internal Revenue (June 22, 1989).**

**Michael J. Astrue, to be General Counsel of the Department of Health and Human Services (June 22, 1989).**

- Julius L. Katz**, to be a Deputy U.S. Trade Representative with the rank of Ambassador (June 22, 1989).
- Thomas James Duesterberg**, to be an Assistant Secretary of Commerce (July 25, 1989).
- Linda Gail Morrison Combs**, to be an Assistant Secretary of the Treasury (July 25, 1989).
- Wade Frederick Horn**, to be Chief of the Children's Bureau, Department of Health and Human Services (July 25, 1989).
- Gwendolyn Stewart King**, to be Commissioner of Social Security (July 25, 1989).
- Sidney Lewis Jones**, to be an Assistant Secretary of the Treasury (October 16, 1989).
- Catalina Vasquez Villalpando**, to be Treasurer of the United States (November 15, 1989).
- Donald E. Kirkendall**, to be Inspector General, Department of the Treasury, new position (November 15, 1989).
- Abraham N.M. Shashy, Jr.**, to be an Assistant General Counsel in the Department of the Treasury (Chief Counsel for the Internal Revenue Service) (January 25, 1990).
- Martin H. Gerry**, to be an Assistant Secretary of Health and Human Services (January 25, 1990).
- Gail Roggin Wilensky**, to be Administrator of the Health Care Financing Administration (January 25, 1990).
- Peter K. Nunez**, to be an Assistant Secretary of the Treasury (January 25, 1990).
- Jo Anne B. Barnhart**, to be Assistant Secretary for Family support, Department of Health and Human Services (April 3, 1990).
- James S. Halpern**, to be a Judge of the United States Tax Court (June 5, 1990).
- Stanford G. Ross**, to be a member of the Boards of Trustees of the Federal Hospital Insurance Trust Fund; the Federal Old-Age and Survivors Insurance Trust Fund; the Federal Disability Insurance Trust Fund; and the Federal Supplementary Medical Insurance Trust Fund for the term of 4 years (July 24, 1990).
- David M. Walker**, to be a member of the Boards of Trustees of the Federal Hospital Insurance Trust Fund; the Federal Old-Age and Survivors Insurance Trust Fund; the Federal Disability Insurance Trust Fund; and the Federal Supplementary Medical Insurance Trust Fund for the term of 4 years (July 24, 1990).
- Steven B. Kelmar**, to be an Assistant Secretary of Health and Human Services (September 11, 1990).
- Jerome H. Powell**, to be an Assistant Secretary of the Treasury (September 11, 1990).
- Jeanne S. Archibald**, to be General Counsel for the Department of the Treasury (September 27, 1990).

LIST OF HEARINGS HELD BY SUBCOMMITTEES OF THE COMMITTEE ON  
FINANCE

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

- Social Security "Notch" Issue** (January 23, 1990).
- Implementing The Family Support Act Of 1988** (May 15, 1989).
- Improving Public Confidence In Social Security** (June 2, 1989).

- Deceptive Social Security Mass Mailings to the Elderly** (November 20, 1989).  
**Implementation of the Jobs Program** (February 26, 1990).  
**S. 214—Tamper-Proof Social Security Cards** (April 18, 1990).  
**S. 2453—Social Security Restoration Act of 1990** (May 11, 1990).  
**Wisconsin Learnfare Program** (June 18, 1990).  
**Infant Victims Of Drug Abuse** (June 28, 1990).  
**Fetal Alcohol Syndrome** (December 10, 1990).

SUBCOMMITTEE ON INTERNATIONAL TRADE

- Bilateral Trade Agreements** (March 13, 1989).  
**Oversight of the United States-Canada Free Trade Agreement** (April 7, 1989).  
**Currency Manipulation** (May 12, 1989).  
**Japanese Trade Barriers To Forest Products—Parts 1 and 2** (June 22, 1989 and February 26, 1990).  
**United States-Japan Structural Impediments Initiative (SII)—Parts 1, 2, and 3** (July 20, November 6 and 7, 1989 and March 5, 1990).  
**H.R. 3275—Steel Trade Liberalization Program Implementation Act** (October 27, 1989).  
**Extending International Trading Rules To Agriculture** (November 3, 1989).  
**Trade Between Montana and the Pacific Rim—Field Hearing, Billing, MT** (December 8, 1989).  
**S. 504 and H.R. 3299—Caribbean Basin Initiative** (February 9, 1990).  
**Fiscal Year 1991 USTR and ITC Budget Authorizations** (February 23, 1990).  
**Implementation of the Brady Plan** (March 2, 1990).  
**Super 301: Effectiveness In Opening Foreign Markets** (April 27, 1990).  
**S. 2742—Trade Agreements Compliance Act** (July 13, 1990).  
**Trade and the Environment** (July 30, 1990).  
**Implementing The United State-Canada Free Trade Agreement** (September 28, 1990).

SUBCOMMITTEE ON ENERGY AND AGRICULTURAL TAXATION

- S. 1041—Tax Treatment Of Certain Farm Indebtedness** (July 28, 1989).  
**S. 828—Tax Incentives To Boost Energy Exploration** (August 3, 1989).  
**Estate Freezes—Joint hearing with Subcommittee on Taxation and Debt Management** (June 27, 1990).  
**Dependence On Foreign Oil** (July 27, 1990).

SUBCOMMITTEE ON PRIVATE RETIREMENT PLANS AND INTERNAL REVENUE SERVICE

- IRS Management Quality Improvement Programs And Taxpayer Services** (February 22, 1989).  
**S. 2901 and 2902—Pension Plan Complexity—Parts 1 and 2** (March 23 and August 3, 1990).



**IRS Implementation of the Taxpayers' Bill of Rights (April 6, 1990).**

**SUBCOMMITTEE ON HEALTH FOR FAMILIES AND THE UNINSURED**

**Health Care for the Uninsured—Parts 1 and 2—June 28 Field Hearing, Southfield, MI (June 19, 28, 1989, February 15, and April 18, 1990).**

**Health Care For Children: Protecting America's Future—Field Hearing, Lansing, MI (May 30, 1990).**

**Uncompensated Care Costs for the Uninsured (July 23, 1990).**

**Improving Quality of Care in Nursing Homes—Field Hearing, Wyoming, MI (August 28, 1990).**

**Medicaid Prescription Drug Pricing (September 17, 1990).**

**SUBCOMMITTEE ON MEDICARE AND LONG-TERM CARE**

**Overview Of Medicare Program (March 3, 1989).**

**Physician Payment Reforms—Parts 1 and 2 (March 17, April 20, and June 16, 1989).**

**Rural Health Care (May 19, 1989).**

**Medigap Insurance (February 2, 1990).**

**Medicare Volume Performance Standards (May 18, 1990).**

**S. 1766—Living Wills (July 20, 1990).**

**Medigap Insurance: Strengthening Federal Standards (September 14, 1990).**

**SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT**

**H.J. Res. 280—Public Debt Limit (July 19, 1989).**

**S. 812, S. 1171, and S. 1303—ESOPs and Retiree Health—Joint hearing with the Subcommittee on Private Retirement Plans and Oversight of the Internal Revenue Service (July 19, 1989).**

**Debt Limit Increase—Savings And Loan Costs (July 31, 1990).**

