

RICHARD
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MINE

1 EXECUTIVE COMMITTEE MEETING

2 WEDNESDAY, AUGUST 5, 1987

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The meeting was convened, pursuant to notice, at
7 9:42 a.m. in Room SD-215, Dirksen Senate Office Building,
8 the Honorable Lloyd Bentsen (chairman) presiding.

9 Present: Senators Bentsen, Moynihan, Baucus, Bradley,
10 Mitchell, Pryor, Riegle, Rockefeller, Daschle, Packwood,
11 Danforth, Chafee, Heinz, Wallop, and Durenberger.

12 Also present: Messrs. George McDonald, Acting Director
13 of Programs and Evaluation, Office of the Secretary, U.S.
14 Department of Transportation; and C. Eugene Steuerle, Deputy
15 Assistant Secretary for Tax Analysis, U.S. Department of
16 the Treasury.

17 Also present: Mr. Bill Wilkins, Majority Staff
18 Director/Chief Counsel; Ms. Mary McAuliffe, Minority Staff
19 Director; Mr. David Brockway, Chief of Staff, Joint Committee
20 on Taxation; and Mr. Ben Hartley, Staff Member, Joint Committee
21 on Taxation.

22 (The press release announcing the hearing follows:)

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25

1 The Chairman. If you will please and cease conversation,
2 the committee will get under way.

3 Let me say, for the benefit of the members, that we have
4 some serious time constraints today. We will be going back
5 into conference with the House at 12:30, and we have a number
6 of things to consider, including a meeting with the
7 Administration concerning the Canadian trade agreement.

8 The first thing we have this morning is the extension
9 of the tax for the airports and airways, and we will be
10 considering that one. We have seen the Commerce Committee
11 proceed with their part of it on the authorization; of course,
12 ours is concurrent on the tax funds that have to be raised.

13 Those taxes include an eight percent tax on air passenger
14 transportation, a five percent tax on freight transportation,
15 and a \$3.00 per person international departure tax. Then,
16 in addition to that, we have the taxes on aviation fuels
17 and tires.

18 All of those expire at the end of this calendar year.

19 Now, the amounts of those funds collected in the Trust
20 Fund are spent on a variety of airport-related purposes under
21 authorization acts passed by the Congress; and those include
22 such Acts as the Airport and Airway Development Act of 1970,
23 most recently that of 1982.

24 Expenditures also permitted to be made under the Federal
25 Aviation Act of 1958, which are attributable to air traffic

1 control, air navigation, communications, or supporting
2 services.

3 We have certain administrative costs of the Department
4 of Transportation that also can be paid out of the trust fund.

5 In all candor, there is considerable dispute and some
6 ambiguities as to what can be paid out of that trust fund,
7 dispute as to whether those funds are being spent more than
8 the bookkeeping actually shows at the present time or could
9 be, and whether some of those expenditures ought to be out
10 of general revenues or ought to be out of the trust fund.

11 But the authority granted in the Internal Revenue Code
12 to make those expenditures from the trust fund expires at
13 the end of this fiscal year.

14 The Commerce Committee reported S. 1184, a bill which
15 would extend authorizations from the trust fund for three
16 more years. That bill is now on the calendar.

17 The Finance Committee needs to agree on a revenue title
18 to add to that bill. Now, once we agree to that revenue
19 title, then I propose to offer it on the floor as a floor
20 amendment of the committee.

21 I would propose that the committee simply extend the
22 trust fund taxes for three years at their current levels.

23 Now, that would be consistent with the Commerce
24 Committee's bill.

25 I would now ask for discussion or amendments on the matter.

1 I understand that my friend, the distinguished ranking
2 minority member, Senator Packwood, may want to proposa an
3 amendment.

4 Senator Packwood. Mr. Chairman, I do have an amendment,
5 in an attempt to cure the usual problem we have of all
6 Administrations, Republican and Democrat, mounting up the
7 trust funds and not spending them. Of course, if they don't
8 spend them, it technically counts as reducing the surplus.

9 And what that means is we levy user fees on people that
10 we promised to spend the money for on the things that they
11 never would have agreed to the taxes unless we would spend
12 the money for them; and then we don't spend it.

13 So, I have no objection to extending the taxes for the
14 three years; but I would go further and say that in 1991,
15 which would be the fourth year, the taxes will be cut by
16 50 percent if the trust fund is \$3 billion or over and that
17 they would sunset at the end of 1991.

18 The Chairman. Senator, let me say I strongly share your
19 concern about using the trust fund to try to balance off the
20 budget and not spending that money for the purpose for which
21 it was intended. And as one who flies, it seems, almost every
22 other day, I take a deep personal interest in the issue.

23 I am not interested in watching the movie on the plane
24 next to me --

25 (Laughter)

1 The Chairman. I am really concerned about getting there
2 safely.

3 Senator Packwood. This is not really an effort to cut
4 the taxes. It is an effort to get them to spend the money
5 for the things that we hope they will spend the money for.

6 The Chairman. That is right, and I want to also fly
7 Delta from time to time, going back to Texas.

8 Senator Packwood. So, I would offer that amendment.

9 The Chairman. Are there questions?

10 Senator Danforth. I am just wondering. I share the
11 concern of the Senator from Oregon. I think that the trust
12 fund is there for a purpose; the purpose is to improve
13 facilities, equipment, runways, and so on to accommodate the
14 demands of the air traveler. That is what it is there for.

15 I am just wondering whether, in fact, the trigger would
16 have the desired practical effect.

17 Let's suppose for example--a hypothetical case--we have
18 an Administration cutting taxes where it is the be-all and
19 end-all of existence. Wouldn't this provide an incentive
20 for simply reducing the size of the Airway Trust Fund?

21 Senator Packwood. It would depend upon the
22 Administration. Given an Administration that wants to reduce
23 it, they might seize upon this as an incentive to do that.
24 They might say: Good, this is a good way to reduce it. We
25 don't want to spend it and the funds are going to go down by

1 half in the last year and sunset at the end of that year;
2 but I think that you could probably also say that, if we
3 extend it for three years and it sunsets at the end of
4 three, I suppose we could use the same argument there.

5 In essence, we have a trigger. The trigger is the
6 end of three years. That is the end of the money period.

7 I just extend it one more year and say it drops to half
8 for that year and then sunsets.

9 Senator Danforth. Let me ask the Administration. Is
10 the reason for the buildup of the trust fund solely the
11 decision of the Administration, that it wants to solve the
12 deficit problem by not spending the trust fund? Or is it
13 related to some degree to Congress' actions?

14 Mr. Steuerle. Generally, what Congress has both
15 authorized and appropriated has been spent. The buildup in
16 the trust funds derives primarily from some penalty provisions
17 that relate to the extent to which the money can be spent out
18 of the trust funds on capital improvements, FAA improvements,
19 versus operating expenditures.

20 In general, about 47 percent of FAA expenditures actually
21 are paid for out of general revenues.

22 Senator Danforth. So, what does that mean?

23 Mr. Steuerle. So, what happens in effect is that some
24 of the buildup in the trust funds merely is matched by an
25 increase in general revenue funding. So, it is not a matter

1 that you are doing anything to the deficit at all; it is just
2 a matter of which account you are pulling the money out of.

3 Senator Danforth. Right, but I mean a lot of us have
4 been critical of the fact that the trust fund is not being
5 utilized for its intended purpose.

6 Mr. Steuerle. Generally, what has been authorized and
7 appropriated has been spent. As I said, there are penalty
8 provisions which do not allow trust fund monies to be spent
9 on operating expenditures if there are certain levels of
10 expenditures not met on the capital improvements on the
11 other side.

12 Senator Danforth. Right, but the reason for that is that
13 Congress doesn't want the use of the trust fund simply to
14 supplant normal Treasury funds for operations.

15 Mr. Steuerle. Yes. What is spent of the trust fund is
16 generally required. If it is appropriated and authorized
17 by the committees, generally it has been spent. Would you
18 like to clarify that further?

19 Mr. McDonald. Secretary Dole wrote to the committee
20 yesterday and explained that some 93 percent of the
21 authorizations in the 1982 Act and the anticipated levels for
22 operations spending have, in fact, been appropriated in the
23 past six years.

24 The issue isn't whether we are spending the money; the
25 issue is where it is coming from. And the penalty provisions,

1 whenever there is a shortfall in the capital programs--the
2 facilities and equipment, to buy the air traffic control
3 equipment, or the Airport Grant Program--it triggers a much
4 bigger reduction in the trust fund's contribution to
5 operations.

6 Over the past six years, that has amounted to \$3.2
7 billion that has been spent, but it has just come out of the
8 general fund rather than the trust fund.

9 If it hadn't been for the penalty provisions, the
10 envisioned recovery from the trust fund for FAA's costs
11 would have brought the trust fund balance down by about \$4
12 billion from the \$5.6 billion.

13 If Congress had appropriated another \$1 billion, as the
14 President requested for facilities and equipment, we would
15 be done to about \$.5 billion in the trust fund right now as
16 a surplus, which is less than most people believe we need
17 in the trust fund as a margin of error for errors in projecting
18 revenues.

19 In short, the issue isn't that the money is not being
20 spent; the issue is where is it being spent from?

21 Senator Packwood. Mr. Chairman?

22 The Chairman. Yes?

23 Senator Packwood. I did not mean to unduly browbeat the
24 Administration. This is also meant as a hammer for Congress.
25 If we are going to tax everybody who buys, and then we are not

1 going to spend the money, then we are not keeping the faith.

2 I think the trigger should apply equally whether we are
3 at fault or the Administration is.

4 The Chairman. I think that is a valid point. The other
5 point is that the Ways and Means Committee does have a trigger
6 on it, as I understand it; and that is at 90 percent of
7 authorizations, I believe.

8 Frankly, I think Senator Packwood's trigger works better
9 and would be more of an impetus to getting the Appropriations
10 Committee to make the appropriations from the trust fund.

11 Senator Wallop. Mr. Chairman, the penalty provisions
12 are mystical; I am not quite sure how they work. But my
13 question is, as I perceive they are working: Do we not run
14 the risk by having the Packwood cliff of triggering more
15 automatic contributions to the trust fund out of the general
16 fund?

17 In other words, are we rather than saving money or
18 directing its expenditures, actually reducing the tax that
19 funds them and still maintaining the obligation to spend out
20 of the general fund--because of the penalty provisions?

21 The Chairman. It seems to me that actually the incentive
22 would be for the Appropriations Committee to not lose that
23 source of tax revenue and it would work the other way --

24 Senator Wallop. But the trigger mechanism is so strange.
25 Could the Administration comment on that? I am not trying to

1 get in the way of this; I am trying to understand it.

2 Mr. McDonald. The \$3 billion target in Senator Packwood's
3 amendment, by our analysis of S. 1184, if every dollar in
4 the bill were made available over the next three years, the
5 surplus would be \$3.4 billion at the end of 1990.

6 So, if S. 1184 becomes law, and any Administration and
7 every Congress between now and 1990 appropriates every dollar
8 in the bill, we are going to still trigger a tax reduction
9 in 1991.

10 Senator Packwood. Shouldn't you in that case?

11 Senator Wallop. It would be because of the contributions
12 to the trust fund out of the general fund. That is the
13 quirkish nature of the penalty provision.

14 The Chairman. It seems to me, too, that when you speak
15 of the \$3.4 billion, my understanding is that CBO sets it
16 a \$2.9 and that Senator Packwood, in effect, has calculated
17 it from the CBO number.

18 Senator Packwood. I took the CBO number.

19 Mr. Hartley. That is correct, Mr. Chairman. In
20 discussions with CBO last night, using OMB methodology, they
21 gave us \$2.9 billion if S. 1184 is enacted. With their
22 slightly different methodology, they get \$2.5 billion.

23 Senator Wallop. But as I understand it--and I am
24 grappling to understand it--the so-called surplus of the
25 fund now results principally from contributions out of the

1 general fund to the trust fund.

2 Mr. McDonald. That is right. We had an argument with
3 the Congress on \$1 billion for facilities and equipment that
4 Congress didn't appropriate that the President asked for,
5 but the bigger contribution to the trust fund surplus has
6 been the \$3.2 billion that was authorized to come out of the
7 trust fund to support operations in the 1982 Act but, in fact,
8 came out of the general fund because of the workings of this
9 mystical penalty provision.

10 Senator Packwood. But that is because you didn't spend
11 the F&E money on safety, though.

12 Mr. McDonald. But it doesn't matter how you spend the
13 F&E money. It is a shortfall. The \$1 billion shortfall in
14 F&E triggered a \$2 billion switch to general revenues, rather
15 than trust fund for operations. That is the problem.

16 Senator Packwood. You wouldn't have figured it, had
17 the money been spent on the F&E.

18 Mr. McDonald. Again, we had an argument with Congress
19 over spending that particular \$1 billion; but 93 percent of
20 all the authorizations were appropriated in the Gramm-Rudman
21 era. That is a pretty good record; and still it triggered
22 \$3.2 billion general taxpayers subsidy of aviation.

23 That is what we are talking about. We have a huge funded
24 program that is being subsidized by the general taxpayers.

25 Senator Baucus. Mr. Chairman?

1 The Chairman. Yes, Senator Baucus?

2 Senator Baucus. I wonder if I could ask what this penalty
3 is. I don't understand what this penalty is. Is it a penalty
4 that in fact contributions to the trust fund for operating
5 expenses is reduced if there is somehow a reduction in the
6 trust fund dollars that are spent on hardware, if you will,
7 or the other non-O&M?

8 Mr. McDonald. Exactly, Senator.

9 Senator Baucus. That is what the penalty is?

10 Mr. McDonald. Yes, sir. There are three major accounts
11 in FAA. There is facilities and equipment that provides the
12 computers and the screens that air traffic controllers use.
13 There are airport grants that go to large airports and States
14 to build new runways and taxiways. And there are operations,
15 which pays air traffic controllers' salaries, aviation safety
16 inspectors' salaries, and so forth.

17 There is no argument about the two capital programs:
18 facilities and equipment and airport grants. There are 100
19 percent trust-funded; but the operations is split-funded
20 between the general fund and the trust fund.

21 And the 1982 Act and S. 1184 envision that you can
22 recover the full amount of the airport grants dollars in a
23 year; that equivalent amount can come out of the trust fund
24 for operations.

25 The penalty provisions then say: But if Appropriations

1 Committees make less than the full authorized amount for
2 airport grants available, you reduce the trust fund
3 contribution to operations by that amount.

4 And then, for every dollar shortfall in the facilities
5 and equipment account, you reduce the trust fund contribution
6 to operations by \$2.00.

7 And that is how we have gotten the \$3.2 billion. It is
8 not that that money isn't spent for operations; it is not
9 that that money isn't contributing to making civil aviation
10 possible in this country.

11 It is just that, in this intra-Government dispute over
12 spending, the penalty provisions are really penalizing the
13 general taxpayer who is innocently going ahead and subsidizing
14 civil aviation out of this dispute between authorizing
15 Appropriation Committees and the administration.

16 Senator Baucus. How many trust fund dollars have been
17 spent on FAA O&M in the last few years?

18 Mr. Steuerle. My figures show that 26 percent of FAA
19 operations costs were financed out of the trust funds in
20 1987. So, that means 74 percent were financed out of general
21 revenues.

22 Senator Baucus. What percent of the trust fund? That
23 is what I want to know.

24 Mr. McDonald. It is \$4.2 billion that has come out of the
25 trust fund for operations.

1 Senator Baucus. \$4.2 billion out of the trust fund for
2 operations?

3 Mr. McDonald. Yes, sir, out of a total operations of
4 \$15.7 billion. The total amount that has been made available
5 for FAA spending over the past six years is \$26.7 billion.
6 That counts the capital programs and operations. Only \$15.2
7 billion, or 57 percent, has come out of the trust fund.

8 Senator Baucus. All right. Thank you.

9 The Chairman. Thank you.

10 Senator Heinz. Mr. Chairman, while we have a quorum
11 do you want to make a motion to report the Airport and Airway
12 Trust Fund bill, subject to amendment?

13 The Chairman. I may have to resort to that, considering
14 the quorum problem.

15 Do you have any objections to that?

16 Senator Packwood. No, but could we vote on my amendment
17 and see if it is adopted and send it out with it?

18 The Chairman. I have no objection to that.

19 Senator Chafee. Mr. Chairman?

20 The Chairman. Yes?

21 Senator Chafee. On Senator Packwood's amendment, I think
22 this is a little confusing. I must say that at a time when
23 we are scrambling for revenue around here and indeed --

24 The Chairman. It is my understanding that that goes out
25 to the fourth year and does not become a problem insofar as the

1 budget is concerned. And I would assume that, certainly
2 prior to that time, it would be addressed again.

3 Senator Packwood. We have done this, John, in both the
4 Superfund and in the Customs User Fees on the trigger.

5 Senator Chafee. I just hate to lose revenue that seems
6 so painless.

7 Senator Packwood. I hope we spend it. I don't want to
8 lose it.

9 The Chairman. That is not the objective at all.

10 Senator Heinz. Mr. Chairman, may I speak for 30 seconds
11 on Senator Packwood's amendment? I support it because I think
12 we just kid ourselves as to deficit reduction if we accumulate
13 trust funded money and assume that it is permanent deficit
14 reduction.

15 It is about the equivalent of sale of assets. It is
16 going to catch up with you some day. Eventually, you will
17 spend the money, and you will look worse.

18 It is just postponing the inevitable.

19 Senator Daschle. Mr. Chairman?

20 The Chairman. Yes, Senator Daschle?

21 Senator Daschle. If I could just for 10 seconds--because
22 I know everyone is in a hurry--but I think that Senator Wallop
23 may be right in that we are collecting more than we are using;
24 but we are not using what we should be using. I mean, that
25 is really incredible.

1 We just had another near-miss last night; and the number
2 of accidents that may occur as a result of the
3 underutilization of this fund may be incalculable, but we
4 are short by \$1.6 billion in what we ought to be spending on
5 facilities and equipment, \$225 million in research and
6 engineering, airport improvements \$1.5 billion, 15,000 traffic
7 controllers.

8 I mean, there is a broad range of things that we ought
9 to be doing with this money.

10 Now, I support the amendment of the Senator from Oregon
11 because I think that, if we are not going to use it, at least
12 we ought to reduce it. This ought to be off budget, and we
13 ought to be requiring somehow that the money be utilized as
14 soon as possible for the kinds of needs that are so clearly
15 demonstrated--again by the near-miss last night.

16 Senator Rockefeller. Mr. Chairman?

17 The Chairman. Yes?

18 Senator Rockefeller. Mr. Chairman, I also support the
19 amendment of the Senator from Oregon. I think it may come
20 to the point where we will have to do something about the
21 trigger and the AIP, but that is not the point now.

22 Let's make the point that it is public policy. There is
23 a direction involved here. I think the amendment ought to
24 be passed.

25 The Chairman. Are there further comments?

1 (No response)

2 The Chairman. The motion has been made that we report
3 the bill out with the amendment.

4 Senator Heinz. And subject to other amendments, such as
5 one I have.

6 The Chairman. I must say that you will have to have a
7 quorum to make those effective, as I understand it.

8 Mr. Wilkins. Yes. In order to further amend the
9 committee amendment, I believe we would have to convene
10 another committee meeting.

11 The Chairman. To make them effective, we need a quorum.
12 We have one at the pr-sent time; hopefully, we will be able
13 to hold it.

14 Senator Heinz. When we dispose of the Packwood amendment,
15 I have an amendment I would like to offer, which should take
16 only about a minute or two.

17 Senator Baucus. Mr. Chairman, I have an amendment, too,
18 which shouldn't take long.

19 The Chairman. All right. Then, we will proceed.
20 Apparently, there is an objection. Everyone wants to tie
21 their amendment on it as it goes, and I understand that.

22 We have a proposal that your amendment be the subject of
23 the motion and not the bill itself.

24 Senator Packwood. That is fine. I move my amendment.

25 The Chairman. Moving just the amendment of the Senator

1 from Oregon.

2 Senator Danforth. Mr. Chairman, I just would like to
3 state my opposition to the Packwood amendment. I absolutely
4 agree with the thrust of it. I agree with everything that
5 Senator Daschle has said.

6 It just strikes me that it does not necessarily improve
7 airports and improve capital expenditures for airports to
8 trigger out the tax.

9 The Chairman. Are there further comments?

10 (No response)

11 The Chairman. All in favor of the motion as stated,
12 make it known by saying "Aye."

13 (Chorus of ayes)

14 The Chairman. Opposed?

15 (Chorus of noes)

16 The Chairman. May I have a show of hands? All in favor
17 of the motion as stated?

18 (Show of hands)

19 The Chairman. Opposed?

20 (No response)

21 The Chairman. Those were loud, clear voices, but --

22 (Laughter)

23 The Chairman. The ayes appear to have it.

24 Senator Danforth. Could we have a roll call, Mr.

25 Chairman?

1 The Chairman. Yes, of course.

2 A roll call has been requested. Would you proceed with
3 the roll call?

4 The Clerk. Mr. Matsunaga?

5 (No response)

6 The Clerk. Mr. Moynihan?

7 (No response)

8 The Clerk. Mr. Baucus?

9 Senator Baucus. No.

10 The Clerk. Mr. Boren?

11 The Chairman. Aye by proxy.

12 The Clerk. Mr. Bradley?

13 (No response)

14 The Clerk. Mr. Mitchell?

15 (No response)

16 The Clerk. Mr. Pryor?

17 (No response)

18 The Clerk. Mr. Riegle?

19 Senator Riegle. Aye.

20 The Clerk. Mr. Rockefeller?

21 Senator Rockefeller. Aye.

22 The Clerk. Mr. Daschle?

23 Senator Daschle. Aye.

24 The Clerk. Mr. Packwood?

25 Senator Packwood. Aye.

1 The Clerk. Mr. Dole?

2 (No response)

3 The Clerk. Mr. Roth?

4 (No response)

5 The Clerk. Mr. Danforth?

6 Senator Danforth. No.

7 The Clerk. Mr. Chafee?

8 Senator Chafee. No.

9 The Clerk. Mr. Heinz?

10 Senator Heinz. Aye.

11 The Clerk. Mr. Wallop?

12 Senator Durenberger. No by proxy.

13 The Clerk. Mr. Durenberger?

14 Senator Durenberger. Aye.

15 The Clerk. Mr. Armstrong?

16 (No response)

17 The Clerk. Mr. Chairman?

18 The Chairman. Aye.

19 The Clerk. Nine yeas; four nays.

20 The Chairman. The amendment is approved.

21 Senator Heinz. Mr. Chairman?

22 The Chairman. Senator Heinz?

23 Senator Heinz. I have an amendment that would exempt
24 charter helicopters from the eight percent passenger ticket
25 tax if the helicopter does not take off from or land at a

1 facility eligible under the Airport and Airway Development Act
2 or otherwise use services pursuant to the 1982 Act during
3 such use.

4 This will affect primarily emergency medical air
5 transportation that does not use airports. Were a helicopter
6 to land at an airport and they picked up any passengers,
7 they would be subject to the passenger tax.

8 The amendment does not affect the 14 cents per gallon fuel
9 tax. That they will pay in any event.

10 It is my understanding that the Administration does not
11 object to the amendment.

12 The Chairman. I want to be sure that we don't run into
13 a conflict with the budget and require a budget waiver in the
14 process. Have you taken care of that?

15 Senator Heinz. Yes, Mr. Chairman. The effective date
16 is October 1, 1988, and I am advised that this will avoid
17 any problem with the budget act.

18 The Chairman. Let me further ask what the cost is.

19 Senator Heinz. The cost is less than \$5 million annually.

20 The Chairman. And that is the lowest that is reported,
21 as I understand it.

22 Mr. Hartley. That is correct. The cost estimate is
23 less than

24 The Chairman. So, it is something less than \$5 million.

25 Senator Heinz. I would also add that, at the present

1 time, timber, oil and gas, and corporate-owned helicopters
2 are also exempt from the passenger tax.

3 The Chairman. If I remember that one, that is for
4 offshore operations.

5 Senator Heinz. I can't imagine why oil and gas and
6 timber helicopters would be exempt --

7 (Laughter)

8 The Chairman. It was not the chairman's amendment, as
9 I recall.

10 (Laughter)

11 The Chairman. As I recall, it was the previous chairman
12 of this committee, and it was for offshore rigs.

13 Senator Packwood. Actually, it was the previous previous
14 chairman.

15 (Laughter)

16 The Chairman. All right. Are there further comments?

17 Senator Daschle. Mr. Chairman?

18 The Chairman. Yes, Senator Daschle?

19 Senator Daschle. Just briefly, I reluctantly oppose the
20 amendment. As one who flies myself, I know how much one has
21 to use air traffic controllers, flight service stations, the
22 broad range of facilities, even if you are in the air. I fly
23 my own plane in South Dakota frequently, and I know that
24 helicopters are a big part of the traffic in the Black Hills
25 in South Dakota.

1 And I think everybody ought to pay his own fair share,
2 When we start putting exceptions in here, I am troubled by
3 that. For one, I would oppose it.

4 Senator Heinz. Mr. Chairman, let me just say that the
5 way the taxes are structured, the passenger tax money goes
6 to fund terminals; and these helicopters don't use terminals
7 by definition; and if they do, they have to pay the tax.

8 They do pay the fuel tax, which is 14 cents a gallon in
9 case they do use the airways; and the 14 cents goes for those
10 kinds of facilities. The passenger tax does not.

11 So, I don't think we are violating the principle.

12 And the other thing I would say is that you have another
13 irony here which is that only American-made helicopters pay
14 the passenger tax right now because American-made helicopters
15 weigh over 6,000 pounds. But all the European-made helicopters
16 such as the Italian Agusta, the German Bulko, the French
17 Aerospace--they all weigh less than 6,000 pounds; and they
18 don't pay the tax ever only because they are a little lighter.

19 That doesn't make any sense, but that is the way it is.
20 So, let me plead with you to at least not prejudice American
21 made helicopters, if you are looking for a good reason.

22 The Chairman. Let me ask you another question, Senator
23 Heinz. Suppose that helicopter lands at an airport? Does
24 it then have to pay the eight percent?

25 Senator Heinz. Yes. They will. If they land at an

1 airport, they have to pay eight percent.

2 The Chairman. I have no objections, as long as we don't
3 need a budget waiver; and in turn, if they land at an airport,
4 they have to pay the eight percent. And in addition to that,
5 they have to pay the 14 cents.

6 Senator Heinz. All of that is correct, Mr. Chairman.

7 Senator Baucus. Mr. Chairman, I have a question. Where
8 do the proceeds of the passenger tax go? What is that revenue
9 used for?

10 Senator Heinz. It goes into the trust fund.

11 Senator Baucus. It goes into the trust fund? Are trust
12 fund expenditures used for controllers--air traffic
13 controllers--or equipment?

14 Senator Daschle. Will the Senator yield?

15 Senator Baucus. Yes.

16 Senator Daschle. That is yes. Flight service stations
17 are paid for out of the trust fund. All air traffic
18 controllers are paid out of the trust fund. All facilities
19 and equipment are paid out of the trust fund. All research
20 and engineering, all airport improvements, the broad range
21 of things that serve pilots are paid for out of the trust fund.

22 So, what that means is that we are going to have to take
23 what remains--and I don't think we ought to exempt these--I
24 can't imagine why European helicopters ought to be exempt.

25 It probably underscores my first argument--that we should

1 not get in the business of providing exemptions.

2 Senator Heinz. Senator, the problem I have is that
3 basically this is a sick tax because most of these helicopters
4 are Medivac helicopters. They operate -- 80 percent of them
5 are ehlicoptors that are operated by hospitals to go to
6 hospitals, go to some location, pick people who are seriously
7 injured up.

8 Now I don't object to the provisions in current law that
9 exempt timber, helicopters, oil and gas, off-shore helicopters,
10 or corporate helicopters, although corporate helicopters are
11 exempt. What sticks in my cross is why do we want to tax
12 somebody that is not using an airport that is flying under a
13 thousand feet that is not using air traffic control. And we
14 are asking them to pay a passenger tax for somebody who might
15 be dying. That doesn't make any sense to me.

16 The Chairman. Are there further comments?

17 Senator Durenberger. Yes, Mr. Chairman, on that latter
18 point. I don't know whether 80 percent is right, and I didn't
19 even know this issue was coming up today, but I know what the
20 reality is in the Twin Cities area, and that is that we have
21 a lot of hospitals using emergency helicopters, and they would
22 like to move to, if they move to the buying from a charter
23 service--and there are two of them in that area--then they pay
24 the 8 percent tax. If they hang on to their own little
25 helicopter, which is costing them dearly, they don't pay it.

1 So I see this amendment simply as trying to eliminate some
2 discrimination in a very important area.

3 Now you may be right that all this other stuff ought to
4 be taxed, but it isn't. And so I support this as a way to
5 alleviate discrimination in a very important area of public
6 service.

7 The Chairman. Are there further comments?

8 Senator Pryor. Mr. Chairman, one question. Why is it--
9 if the Senator from Pennsylvania would explain to me--why is
10 it that the European or the other helicopters are not taxed?

11 Senator Heinz. Because they weigh less than 6,000 pounds.

12 Senator Pryor. But it seems like that would be a proper
13 amendment for us to consider at this time, just say "any
14 helicopter." I don't know why they would be exempt if they
15 weigh less.

16 Senator Heinz. Senator, I don't understand it either, but
17 that is not my amendment.

18 Senator Pryor. I may have an amendment here after a while.

19 (Laughter)

20 The Chairman. So much for the amendment that takes a
21 minute. Are there further comments concerning this particular
22 amendment?

23 (No response)

24 The Chairman. Has the motion been made?

25 Senator Heinz. Yes, Mr. Chairman. I move the adoption.

1 The Chairman. All in favor of the motion make it known
2 by saying "aye".

3 (Chorus of "ayes")

4 The Chairman. Opposed?

5 (Chorus of "noes")

6 The Chairman. The "ayes" appear to have it. The "ayes"
7 have it.

8 Senator Baucus, you have an amendment.

9 Senator Baucus. Mr. Chairman, I know that time is short
10 and I will be very brief. I have an amendment which
11 authorizes the trust fund to pay for an essential air service
12 program. An essential air service program is that program
13 which really is critically important because of airline
14 deregulation, that is, many smaller communities in the
15 country have virtually no air service or certainly would have
16 no air service if it were not for an essential air service
17 program which costs about \$35 million and provides the funds
18 to allow those communities to continue to have some kind of
19 air service.

20 Now I need not remind this committee that all America is
21 in deep economic trouble, particularly the heartland of
22 America. And, second, we have a national transportation
23 policy in this country. We built a highway system. That was
24 a federal program that built highways in rural parts of
25 America as well as urban parts of America. It seems to me we

1 have a national obligation to help provide air service to
2 rural America.

3 Interest on the trust fund exceeds the authorization of
4 EAS. Interest from the trust fund is about \$35 million a
5 year. At least above that, the EAS program was about 30, 35
6 million dollars.

7 So I strongly suggest that it makes good economic sense
8 for a very small portion of the trust fund to pay for the EAS.

9 I must remind this committee that annually, \$1.8 billion
10 of the trust fund goes for non-facilities programs, that is,
11 for operation and maintenance. So it seems to me that it is
12 a myth when some people talk about the sanctity of the trust
13 fund for airports, runways, et cetera. We do spend \$1.8
14 billion a year for salaries, and operation and maintenance
15 already, which ordinarily is general revenue funds. I think
16 it is the time to authorize EAS.

17 Senator Durenberger. Mr. Chairman?

18 The Chairman. Senator Durenberger.

19 Senator Durenberger. Mr. Chairman, I am not sure we
20 ought to be acting on this amendment today. But I think the
21 issue is worth talking about briefly. And I feel very
22 strongly, as the Senator from Montana does, about this service.
23 We have been working quite closely with our colleagues on the
24 Commerce Committee on this issue for a long period of time,
25 and I really do respect their judgment on the issue. And I

1 hope that as they bring up the reauthorization bill this year
2 that they will be sensitive to this particular need. And I
3 would just like to make the point for my colleagues who do
4 not have a lot of rural service, that when we fought for this
5 a few years ago in the times of deregulation it was to help
6 us in transition into the deregulated airline service era. And
7 in my State, we have nine communities who benefitted one way or
8 another from this. And it isn't just that they get a direct
9 benefit from the subsidy, it is that they get a benefit from
10 this change from year to year, time to time, from the nature
11 of their air service.

12 International Falls, where I am going to go fishing next
13 week, would have died, you know, without this service. But
14 today, you can fly to International Falls via, I think it is
15 Northwest Airlines' air link, or something like that, and there
16 is no subsidy currently because there are enough people who
17 want to go fishing there, even though it is the coldest spot
18 on earth, and has the largest mosquitoes in the summertime.
19 But at least the subsidy has sustained them through this
20 period of time. But today, they are not getting a direct
21 benefit from the subsidy. I don't know, maybe the next year
22 or the year after, some economic. Something happens to
23 Northwest in their new merger, and they may need it because
24 somebody else is going to come in in there to be helpful.

25 But I think this may be not the place or the time to

1 engage in a long debate on this. But I would hope that our
2 colleagues who are on both these committees will appreciate
3 how strongly some of us feel about the benefits of this little
4 \$30 million a year subsidy, and how much we would like to see
5 it continue.

6 The Chairman. Senator, I share your concern over it.
7 For small communities, I think this essential air service is
8 terribly important. The problem is that we don't have the
9 jurisdiction on this. This is outside of our jurisdiction.
10 We are talking about the reauthorization of this particular
11 service and whether we get the funding of it from general
12 revenue or the trust fund. And it seems to me that this is an
13 issue to be resolved on another day and before the appropriate
14 committee for it, as much as I am concerned about the program.
15 And it affects my own State and some of the communities. And
16 I am supportive of the program.

17 Senator Daschle. Mr. Chairman?

18 The Chairman. Yes.

19 Senator Daschle. I would just say that I think that there
20 is a reluctance on the part of some Senators to utilize
21 general revenues for this purpose. And I think the point of
22 Senator Baucus' amendment is simply that if we have no other
23 recourse, then it may be that if the EAS is as good a program
24 as all of us say it is, we may be left with no other alternative
25 but to utilize trust fund dollars. I think we ought to use

1 general revenue dollars. I think that makes a lot more
2 sense. But I also understand that the Department of
3 Transportation is right when they say that in South Dakota
4 the four cities that have scheduled air service today would
5 not have it were it not for EAS. And to lose that entirely
6 would be to lose the opportunity that we have for economic
7 growth.

8 And so I think the Senator's amendment is a valid one. It
9 is just that if we can move the other Senators along in
10 utilization of general revenue rather than trust fund, we
11 ought to do so. but use this as a fall back if it were
12 necessary.

13 Senator Baucus. Mr. Chairman, just two quick points here.
14 One, this is truly a national program, EAS. It is true that
15 local communities--isolated communities--need the subsidy so
16 they can depend upon and utilize air service.

17 On the other hand, these communities tend to be farming
18 communities, agricultural communities, and communities that
19 rely on parts, or service from other parts of the country.
20 For example, farmers and ranchers need parts for combines, or
21 for hay bailers, and other equipment, the equipment that
22 breaks down. And it is the manufacturers from other parts of
23 the country which need to ship those parts quickly. Not by
24 rail--it takes too long. Not by bus because in many of these
25 areas there is no bus service to these communities.

1 I see the Chairman winced a little when I say "no bus
2 service". It is true, at least in my State of Montana, of
3 four or five communities which receive central air service
4 do not have bus service. It is 2 to 300 miles to the next
5 airport. So if there is no air service at all to these
6 communities, there is no public transportation whatsoever.
7 And it is 2 to 300 miles to the next airport.

8 So it is truly a national program for those companies that
9 manufacture products, have services, which they can quickly
10 get to these smaller communities. It works both ways.

11 My second point is that the fact is, five years ago this
12 committee reported out a full airport trust fund bill, the
13 spending, the tax, the airport ticket tax, all of it. And so
14 it seems to me that there is at least some precedent for this
15 committee to take any action here today.

16 I understand the reluctance of the chairman and others in
17 the committee at this point, at this time, to take this
18 action, but based upon the assurances of Senators on this
19 committee as well as on the Commerce Committee to address
20 essential air service this year, whether it is out of the
21 trust fund or out of general revenue funds, I will withdraw
22 the amendment.

23 It is absolutely clear that we have to get this program
24 authorized this year.

25 The Chairman. The amendment has been withdrawn. And may

1 we have a motion now on the amendment to the airport bill for
2 the funding?

3 Senator Packwood. So moved, Mr. Chairman.

4 The Chairman. Is there further debate?

5 (No response)

6 The Chairman. All in favor of the amendment, as stated,
7 make it known by saying "aye".

8 (Chorus of "ayes"0

9 The Chairman. Opposed?

10 (No response)

11 The Chairman. The amendment is carried,

12 Are there further things to be brought before the
13 committee at this point?

14 (No response)

15 The Chiarmen. If not, we will suspent --

16 Senator Packwood. Are we going to report the bill?

17 The Chairman. Yes.

18 Senator Danforth. That is what we voted on, I think.

19 The Chairman. We have just voted it out. It is not a
20 bill, it is an amendment.

21 Senator Packwood. I mean an amendment.

22 The Chairman. Now the committee members will retire to
23 the room behind this for the meeting with the Administration.

24 Senator Bradley wants to be recorded on the Packwood amendment.

25 And your vote is?

1 Senator Bradley. Aye.

2 The Chairman. All right.

3 Senator Moynihan will be reported on the Packwood
4 amendment. And your vote is?

5 Senator Moynihan. Aye.

6 The Chairman. Voting "aye".

7 (Whereupon, at 10:27 a.m., the meeting was concluded.)

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C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Committee Meeting of the United States Senate Finance Committee, held on August 5, 1987, were transcribed as herein appears and that this is the original transcript thereof.

William J. Moffitt
WILLIAM J. MOFFITT
Official Court Reporter

My Commission expires April 14, 1989.

UNITED STATES SENATE
COMMITTEE ON FINANCE

EXECUTIVE SESSION

Wednesday, August 5, 1987, 9:30 A.M.
(Prior to Classified Briefing on U.S./Canada Negotiations)
Room SD-215, Dirksen Senate Office Building

A G E N D A

1. Mark-up on the Extension of the Airport and Airway Trust Fund excise taxes (Attachment A).
2. Confirmation of earlier Committee action to report favorably the nomination of M. Peter McPherson to be Deputy Secretary of the Treasury (Attachments B and C).

M E M O R A N D U M

TO: MEMBERS, COMMITTEE ON FINANCE
FROM: COMMITTEE STAFF
RE: MARK-UP ON EXTENSION OF THE AIRPORT AND AIRWAY
TRUST FUND TAXES
DATE: AUGUST 3, 1987

The Chairman has scheduled a Finance Committee mark-up on the extension of the Airport and Airway Trust Fund Excise Taxes for 9:30 A.M. on Wednesday, August 5, 1987, in Room SD-215.

BACKGROUND

Excise Taxes are imposed on users of the Federally financed aviation system. Receipts from these taxes are deposited into the Airport and Airway Trust Fund, and expenditures may be made from the Trust Fund for purposes authorized under the Internal Revenue Code Section.

Taxes paid into the Airport and Airway Trust Fund include:

- An 8% tax on air passenger transportation;
- A 5% tax on domestic air transportation of property;
- A \$ 3 per person international departure tax;
- A 12 cents per gallon tax on gasoline used in noncommercial aviation; and
- A 14 cents per gallon tax on nongasoline fuels used in noncommercial aviation.

These excise taxes are projected to raise approximately \$ 3.1 billion in FY 1987.

Under Internal Revenue Code 9502, expenditures from the Trust Fund are permitted to meet obligations authorized in various authorization acts (most recently the Airport and Airway Improvement Act of 1982). The Trust Fund is projected to have a surplus of \$5.63 billion as of September 30, 1987.

The Airport and Airway Trust Fund taxes are generally scheduled to expire as of the end of 1987. New expenditures from the Airport and Airway Trust Fund are not permitted after September 30, 1987.

ACTION TO DATE

-- The President's Budget proposes a two year extension of the Airport and Airway Trust Fund excise taxes (through December 31, 1989) and a two year reauthorization of programs funded out of the Trust Fund, through the end of fiscal year 1989.

-- On July 1, 1987, the Senate Committee on Commerce, Science, and Transportation reported S. 1184, which would extend Trust Fund authorizations for three years, through the end of fiscal year 1990. The bill would authorize spending of \$ 4.93 billion in FY 1988, \$ 5.13 billion in FY 1989 and \$ 5.58 billion in FY 1990.

-- On June 3, 1987, the House Committee on Public Works and Transportation reported H.R. 2310, which would extend Trust fund authorizations for five years, through Fiscal year 1992. Authorizations would total \$ 28.5 billion for FY 1988 through FY 1992.

-- The House Ways and Means Committee has scheduled mark-up of extension of the Airport and Airway Trust Fund excise taxes for Monday, August 3, 1987.

MARK-UP PROPOSAL

The Chairman proposes that the Committee mark-up from a proposal based on S. 1184, the Senate Commerce, Science and Transportation Committee's bill. The current Airport and Airway Trust Fund excise taxes would be extended for three years, through December 31, 1990. Similarly, the dedication of revenues from the taxes and authority to spend from the Airport and Airway Trust Fund would be extended for three years. The expenditure purposes permitted from the Trust Fund would be expanded to include purposes authorized in S. 1184. The mark-up is intended to produce a Finance Committee amendment that can be offered as a revenue title to S. 1184.

Extension of the current Airport and Airway Trust Fund excise taxes is included in the Congressional Budget Office baseline and will therefore have no effect on the Committee's Budget Act responsibilities.

August 5, 1987
JCX-11-87

EXTENSION OF AIRPORT AND AIRWAY EXCISE TAXES AND TRUST FUND

(Prepared for Use of the Committee on Finance)

Present Law

Excise taxes are imposed on domestic air passenger tickets (8 percent), domestic air cargo waybills (5 percent), international passenger departures (\$3.00), and fuels for noncommercial aviation (12 cents per gallon on gasoline and 14 cents per gallon on other fuels).

Revenues from these taxes are deposited in the Airport and Airway Trust Fund to fund certain Federal airport and airway programs.

The aviation excise taxes are scheduled to expire after December 31, 1987. Authority to spend from the Airport and Airway Trust Fund is scheduled to expire after September 30, 1987.

Administration Proposal

The President's Fiscal Year 1988 Budget proposes to extend the aviation excise taxes and Airport and Airway Trust Fund expenditure authorizations for two years.

S. 1184 Trust Fund Authorization Levels

S. 1184, as reported by the Senate Committee on Commerce, Science, and Transportation, would extend Trust Fund authorizations for three years, fiscal years 1988-1990. Trust Fund authorizations under S. 1184 would total \$5.1 billion for fiscal year 1988, \$5.3 billion for fiscal year 1989, and \$5.8 billion for fiscal year 1990.

Other Congressional Action--H.R. 2310

Trust Fund authorizations

H.R. 2310, as reported by the House authorizing committees, would extend Trust Fund authorizations for five years, fiscal years 1988-1992.

Extension of aviation excise taxes and Trust Fund authority

On August 3, 1987, the House Committee on Ways and Means approved a committee amendment, to be offered as a revenue

title to H.R. 2310, which would extend present-law aviation excise taxes for five years, January 1, 1988 through December 31, 1992.

The Committee on Ways and Means amendment includes a provision to reduce automatically the air passenger ticket, cargo, and fuels taxes for the following calendar year, if Trust Fund appropriations for airport improvements, airway facilities and equipment, and research, engineering, and development for a fiscal year (beginning on or after October 1, 1987) total less than 90 percent of authorized levels. A tax rate reduction would occur only if the Trust Fund unobligated balance at the end of the applicable fiscal year is \$2 billion or more. The tax rate reduction would be equal to the percentage of the funding shortfall, but it could not exceed 50 percent.

The committee amendment also would provide an exemption from the aviation taxes for emergency medical helicopters owned or leased by a private non-profit health care facility when the helicopters do not use the federally assisted airport and airway system.

AMENDMENT BY SENATOR PACKWOOD

PROBLEM

The Airport and Airway Trust Fund is supported by excise taxes on air passenger tickets, cargo, and fuels. This Trust Fund is to be used to fund certain Federal airport and airway programs, including:

1. the Airport Improvement Program (AIP);
2. Federal Aviation Administration (FAA) Facilities and Equipment;
3. certain research and development programs; and
4. a portion of FAA Operations and Maintenance expenses.

Despite the acute need for improvements in the Nation's airport and airway system, however, the Airport and Airway Trust Fund surplus will exceed \$5 billion by September 30, 1987.

AMENDMENT

1. Extend the Airport and Airway Trust Fund excise taxes for three years (1988-1990) at current levels. Authorizations and program specifications in the Senate Commerce Committee's authorization legislation (S. 1184) would not be affected.
2. Provide a trigger in 1991 to tie the aviation excise taxes to spending for airport and airway programs. The aviation excise taxes would be reduced to one-half of current levels if the Trust Fund surplus exceeds \$3 billion at the beginning of 1991.
3. The aviation excise taxes would expire on December 31, 1991.

CHARTERED HELICOPTERS

FEDERAL AIRPORT-AIRWAY TRUST FUND

PROPOSAL Exempt helicopters from the 8 percent passenger ticket tax if the helicopter does not routinely take off from, or land at, a facility eligible for assistance under the Airport and Airway Development Act of 1970 or otherwise routinely use services provided pursuant to the Airport and Airway Improvement Act of 1982 during such use.

RATIONALE

- 1) Under current law, chartered helicopters including certain types of emergency medical air transportation pay the 8 percent passenger ticket tax but receive nothing material for this payment since these helicopters virtually never use federally funded airport facilities. There is no nexus between the fee and the use because chartered helicopters do not operate under traffic control. Historically, the aviation passenger ticket tax was clearly intended to apply to passenger airplane travel. As an example, chartered helicopters take technical personnel such as architects and engineers between various plant locations to provide higher levels of productivity, prevent construction downturns and avoid construction

layoffs. Another example is emergency helicopter transportation. The average emergency transport may cost between \$2,000 and \$3,000, an 8% tax on this amount can prove a substantial burden on individuals, since this cost is often not covered by insurance.

- 2) Because of lower weights (less than 6000 pounds), compatible helicopters manufactured in Italy, Germany and France are not even subject to the 8 percent passenger ticket tax under current law. This places U.S. firms at a severe competitive disadvantage. Comparable twin engine helicopters include the Italian Augusta, German Boelkow and French Aerospatiale. This aspect of airport-airway fees is clearly inconsistent with efforts to boost the U.S. competitive position in world trade.
- 3) Under the proposal, the 14 cents per gallon aviation fuel tax would continue to apply to chartered helicopters anyway even though these vehicles rarely use FAA facilities, personnel and equipment.
- 4) Under current law, corporate-owned helicopters are exempt from the tax while chartered helicopters are subject to the tax. This represents unjust discrimination.

- 5) The federal Airport-Airway Trust Fund has a surplus of some \$5.6 billion. The proposed exemption for chartered helicopters has an insignificant revenue impact.

AMENDMENT PROPOSED BY MR. BAUCUS

1 SEC. ____ . ESSENTIAL AIR TRANSPORTATION PROGRAM FUNDED BY
2 AIRPORT AND AIRWAY TRUST FUND EXPENDITURES.

3 (a) In General.--Subsection (d) of section 9502 of the
4 Internal Revenue Code of 1986 (relating to expenditures from
5 Airport and Airway Trust Fund) is amended--

6 (1) by redesignating subparagraph (C) as subparagraph
7 (D),

8 (2) by striking out "or" at the end of subparagraph
9 (B), and

10 (3) by inserting after subparagraph (B) the following
11 new subparagraph:

12 "(C) incurred under the essential air
13 transportation program pursuant to section 419 of the
14 Federal Aviation Act of 1958 (49 U.S.C. 1389); or".

15 (b) Effective Date.--The amendments made by subsection
16 (a) shall apply to obligations incurred in fiscal years
17 beginning after September 30, 1987.

August 5, 1987
JCX-11-87

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(Prepared for Use of the Committee on Finance)

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MEMORANDUM

DATE: August 3, 1987

TO: Members, Committee on Finance

FROM: Committee Staff

SUBJECT: Mark-up to Confirm Earlier Committee Action
on Nomination of M. Peter McPherson

On June 16, 1987, the Committee, by voice vote, reported favorably the nomination of M. Peter McPherson to be Deputy Secretary of the Treasury. However, the Committee met during the session of the Senate and a request later that day to grant unanimous consent to authorize the meeting was denied.

On Monday, August 3, the McPherson nomination was removed from the Senate's Executive Calendar and re-referred to the Finance Committee, so that the Committee may now reconsider the nomination at a time when it has authority to act.

The Chairman has scheduled the McPherson nomination for Committee mark-up at its meeting Wednesday, August 5, 1987 at 9:30 a.m. in Room SD-215, following consideration of the extension of Airport and Airway Trust Fund excise taxes. The Chairman proposes that the Committee confirm its earlier action and report the nomination favorably.

Biographical materials on the nominee are attached.

Attachments

A. BIOGRAPHICAL:

1. Name: Melville Peter McPherson
2. Address: 2800 N. Fairfax Dr. No. 403
Arlington, VA 22203
3. Date and Place
of Birth: October 27, 1940
Grand Rapids, Michigan
4. Marital Status: Divorced
5. Names and ages of
Children: Michael David Kircher-22-step-son
Donald Bruce McPherson-16-
6. Education: Michigan State University, Graduated 1963
B.A. - Political Science

Western Michigan University, Graduated 1967
M.B.A.

American University Law School, Graduated
1969 - J.D.
7. Employment Record:

1964-1966 - Peace Corps

June, 1969-March, 1975 - Internal Revenue
Service, Tax Law Specialist, Corporation
Branch specializing in international and
corporate tax matters in the national office.

March, 1975 - January, 1977 - White House,
Associate Director of Presidential Personnel
Office, and then Deputy Director of Presidential
Personnel and Special Assistant to President
Ford.

During the Summer and again in the Fall of 1976 -
I left the White House to work on President
Ford's campaign.

January, 1977 - January, 1981 - Vorys, Sater,
Seymour & Pease Law Firm. Partner and head
of Washington office.

1979-1980 - Part time effort as Regional Campaign Director for Ronald Reagan campaign.

November 6, 1980 - January 21, 1981 - General Counsel to Reagan-Bush transition

January 21, 1981 - February 20, 1981 - Acting Legal Counsel to the President, White House

March 5, 1981 - present - Administrator, Agency for International Development.

8. Government Experience:

1958 - Page, Michigan House of Representatives

Summer of 1963 - Property Tax Assessor's Office, Lansing, Michigan

1964-1965 - Peace Corps

1969-1975 - Internal Revenue Service

1975-1977 - White House - Associate Director of Presidential Personnel Office and then Deputy Director, Presidential Personnel Office and Special Assistant to the President

1980 Initial Trustee to Presidential Transition Trust

1977-1980 - Member of Presidentially appointed and part time Board for International Food and Agricultural Development (BIFAD).

1981-present - Chairman, Overseas Private Investment Corporation (OPIC) Board of Directors

1981-present - Member of the Board of Inter-American Foundation (IAF)

9. Memberships:

1973-present	Board member of American Council of Young Political Leaders
1980-present	Board member of Jobs for American Graduates
1972-present	American Bar Association (also Michigan and D.C. bars)

10. Political affiliations and activities:

1977-1980	Parliamentarian - Maryland Republican party
1979-1980	A Regional Political Director - Reagan campaign
1980	Work to plan Reagan transition

Note: Several financial contributions to candidates and parties. No contribution more than \$200.00 and most much less. No more than \$300.00 per year and usually much less.

11. Honors and Awards

- 1987 - Certificate of Special Merit
U.S. Dept of State
U.S. Dept of Housing & Urban Development
The UN International Year of Shelter for
the Homeless (IYSH)
- 1987 - Plaque, In appreciation for leadership
on the Board of Directors of Jobs for America's
Graduates, Jan. 87.
- 1986 - Honorary Doctorate of Humane Letters from Mount
St. Mary's College.
- 1986 - Plaque, InterAction Board of Directors during
African Famine Emergency and strong support of
PVOs, Nov 6, 1986.
- 1985 - Outstanding Humanitarian Award
The Young Republican National Federation,
March 23, 1985
- 1985 - Cooperative League of the United States of
America in recognition of his innovative
leadership and effective support of the
Cooperative Business Development Around the
World, April 30, 1985.
- 1985 - Commendation from Agricultural Cooperative
Development International and National
Council of Farmer Cooperatives.
- 1985 - Recognition Award from the International Institute
for Infant Nutrition and Gastrointestinal Disease,
Children's Hospital of Buffalo.
- 1985 - Certificate, in appreciation for the Prevention
of Famine and Freedom from Hunger from the Commission
on International Agricultural Programs of the
National Association of State Universities and Land-
Grant Colleges.
- 1985 - Copernicus Society Award involved gift of \$10,000.
Could not accept it under law because job related
and it was given to International oriented non-profit
organization.

11. Honors and Awards - Continued:

1984 - Honorary Doctorate of Law from Michigan State University.

1984 - Honorary Doctorate of Humane Letters from Virginia State University.

1983 - Resolution Honoring Leadership as a Member of the Board for International Agricultural Development and as Administrator of A.I.D. from National Association of State Universities and Land-Grant Colleges, Nov. 13, 1983.

1983 - "Humanitarian of the Year" Award from the American Lebanese League.

1981 - Certificate of Appreciation for Outstanding Public Service from Board for International Food and Agricultural Development (BIFAD).

NO DATE

Plaque - Of Appreciation in providing home ownership opportunities for poor people in developing countries:

Cooperative Housing Foundation
National Association of Realtors
National Housing Conference
National Association of Housing and
Redevelopment Officials
U.S. League of Savings Institutions
National Association of Housing Cooperatives
National Cooperative Bank
National Association of Home Builders
Housing Assistance Council
National Council of Savings Institutions

12. Published Writings:

1. "War Will Not Leave the Hungry Alone", Washington Post, March 5, 1985.
2. "U.S. Affirms Strong Aid for Africa", USIA, Worldnet, April 10, 1984.
3. "We Weren't Looking for a Quick Fix", The New York Times, November 23, 1986.
4. Statement on issuance of the World Development Report, 1983, July 24, 1983.
5. "Food for Hungry 'Without Regard to Politics'", U.S. News & World Report, May 13, 1985.
6. "Helping Grenada Rebuild", The Washington Times, November 6, 1984.
7. "What's Gone Right-and Wrong-With Aid", U.S. News & World Report, November 17, 1986.
8. "AID Administrator Remembers", Peace Corps Times, 1987.
9. "Helping the Hungry - Saving the Children is a Battle We Can Win", USA Today, January 14, 1986.
10. "India's Strides in Development Highly Impressive; Innovative U.S. AID Activities Helping Millions", Indo-American Business Times, February, 1987.
11. Booker and McPherson, "Ford-Canton: The Struggle Continues", 17 LABOR LAW JOURNAL 538 (1967).
12. Booker and McPherson, "Unemployment Compensation and Labor Dispute Disqualifications", 21 LABOR LAW JOURNAL 247 (1969)
13. Possibly other writings we were not able to find at this time - all related to my A.I.D. position.

13. Speeches:

1987:

1. "Just Give Me the Opportunity" John A. Hannah International Lecture, Michigan State University, February 23, 1987.
2. Remarks given to the 1987 Southern Africa Development Coordination Conference, February 5, 1987, Gaborone, Botswana.
3. Declaration of U.S. Assistance to the SADCC Region, 1987 Southern Africa Development Coordination Conference, February 6, 1987, Gaborone, Botswana.
4. "Family Planning and the Private Sector", The Annual Conference of Cooperating Agencies, Westpark Hotel, Rosslyn, Virginia, January 21, 1987.

1986:

1. "Africa: An End to Famine", Minneapolis World Affairs Council, and Notre Dame University, January 28-29, 1986.
2. "Foreign Economic Aid: America's Investment in Peace", Humphrey Institute, University of Minnesota, January 28, 1986.
3. Keynote Address at the International Conference on Privatization, Washington, D.C., February 17, 1986.
4. "U.S. Foreign Policy on Water Resources in the Middle East and Horn of Africa", Center for Strategic and International Studies, Washington, D.C., February 20, 1986.
5. "Social Policy in the Middle East", Brandeis University's Center for Social Policy in the Middle East", Rayburn House Office Building, May 5, 1986.
6. Informal Remarks on "Foreign Economic Aid: America's Investment in Peace", Chamber of Commerce, Des Moines, Iowa, May 9, 1986.
7. Informal Remarks on "Foreign Economic Aid: America's Investment in Peace", World Affairs Council in Columbus, Ohio, May 6, 1986.
8. "Development: The New Name for Peace", Mt. St. Mary's College, Emmitsburg, Maryland, May 18, 1986.
9. "Lessons Learned from the African Drought", Committee on Food Aid, Rome, Italy, May 26, 1986.

13. Speeches - Continued:
10. Remarks before the United National General Assembly Session on the Critical Economic Situation in Africa, New York, New York, June 1, 1986.
 11. Speech before the UNDP Governing Council, Geneva, Switzerland, June 9, 1986.
 12. Remarks before the Interregional Conference on Health, Population, and Nutrition Programs, June 16, 1986.
 13. Opening Session Welcome to the Conference on Tax Reform and Private Sector Growth, Washington, D.C., July 10, 1986.
 14. Remarks before the Model Projects Awards Ceremony, Department of Housing and Urban Development, Washington, D.C., October 6, 1986.
 15. Remarks to the InterAction Annual Board Meeting, Riverside Church, New York, November 6, 1986.
 16. Remarks at the National Press Club, Washington, D.C. November 12, 1986.
 17. Remarks at the City Club of Cleveland, Cleveland, Ohio, December 10, 1986.
 18. Remarks before the Chicago Council on Foreign Relations, Chicago, Illinois, December 10, 1986.

1985

1. Speech before the Iowa Pork Producers Association, Des Moines, Iowa, January 23, 1985.
2. Speech before The Cosmos Club, Washington, D.C., January 28, 1985.
3. "Scholarship Diplomacy", Meridian House International, Washington, D.C., February 12, 1985.
4. "Tradenet Topics", Washington, D.C., February 26, 1985.
5. Opening Address at the Conference on "The International Role of Extension: Future Directions", Michigan State University, March 31, 1985.
6. "Prescription for a Health Revolution", Washington, D.C. April 4, 1985.

13. Speeches - Continued:
 7. Address to Protestant Clergy & Laity, "The Moral and Ethical Dimensions of A.I.D. Policy", Washington, D.C., April 18, 1985.
 8. "State of the Agency", Washington, D.C., April 23, 1985.
 9. ACDI Breakfast Talking Points, Washington, D.C., April 24, 1985.
 10. Association for Women in Development Conference, "Women Creating Wealth: Transforming Economic Development", The Capital Hilton, Washington, D.C., April 25, 1985.
 11. Address to the Lowell, Michigan Rotary Club, Lowell, Michigan, April 26, 1985.
 12. Statement made to the UNDP Governing Council, New York, New York, June 11, 1985.
 13. "Perspectives in Development", Washington, D.C., May 6, 1985.
 14. Talking Points to the U.S./China Joint Economic Committee, Washington, D.C., July 1985.
 15. Speech before the National Resource Council Seminar, Washington, D.C., September 20, 1985.
 16. "Drought in Africa: The Continuing Crisis and the Black American Response", Washington, D.C., September 26, 1985.
 17. Remarks before the Pan American Health Organization Directing Council, Washington, D.C., September 27, 1985.
 18. Address before the International Cooperative Alliance, New York, October 16, 1985.
 19. Remarks before the Newsmakers Breakfast, International Symposium on Drought and Desertification, Howard University, October 26, 1985.
 20. Remarks at the Inauguration Ceremonies of the International Institute of Infant Nutrition, Buffalo, New York, October 28, 1985.
 21. Remarks at the Park East Synagogue, New York, November 4, 1985.

13. Speeches - Continued
22. "International Family Planning: The Reasons for the Program", American Enterprise Institute, November 25, 1985.
23. Opening Address and Closing Remarks at the Second International Conference on Oral Rehydration Therapy (ICORT II), Hyatt Regency Hotel, Washington, D.C., December 10, 1985.
24. Remarks at the PVO Award Ceremony, National Council for International Health, Washington, D.C., December 16, 1985.
25. Remarks at the Overseas Development Network Conference, Harvard University, Boston, Massachusetts, December 11, 1985.

Other remarks from time to time.

14. Qualifications:

I feel I am qualified to serve as Deputy Secretary of Treasury.

At A.I.D. for six years I have worked with the problems of some 70 countries that receive U.S.G. assistance and have a very good understanding of the economic problems of the developing world. A major change I have undertaken at A.I.D. is an emphasis on market-oriented economic reforms in countries in which A.I.D. works. In that context, I worked extensively on the economic policy issues of all major A.I.D. recipient countries from Egypt to Costa Rica. Obviously, I have been very interested and involved in the debt issues affecting A.I.D. recipients, e.g., the Philippines, Ecuador, several countries in Africa, etc. There are clearly differences between these situations and the large Latin debtor countries but there are many similarities. At A.I.D. I have followed closely the U.S. agriculture situation because that so affected the cost and type of commodities available through the PL 480 program administered by A.I.D. Also, Secretary Shultz has involved me extensively with a broad range of economic issues touching upon LDCs.

As a lawyer running the Washington office of a large Ohio law firm and at the IRS, I worked extensively with corporate and tax matters. This knowledge will clearly be of great help in the Treasury job.

My role in the Reagan-Bush Transition, as Acting Counsel for President Reagan for a short time and at the Ford White House has given me a government wide perspective that should serve me in good stead at Treasury.

At A.I.D. and previously, I worked extensively with Congress and take pride in my very many good relationships on the Hill. Clearly this is an integral part of any senior position in this government and certainly should be helpful at Treasury.

I am very interested in the economic issues at Treasury and would very much like to serve as Deputy Secretary at Treasury.