

EXTENSIONS OF REMARKS

PRIVATE ACTIVITY BOND CLARIFICATION ACT OF 1999

HON. TOM DeLAY

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 30, 1999

Mr. DELAY. Mr. Speaker, today I introduce the Private Activity Bond Clarification Act of 1999. This legislation, which will clarify existing law with respect to the use of tax exempt bonds, is needed to protect taxpayer dollars from being used to subsidize essentially private activities. The bill will also ensure a level playing field for other businesses which are excluded from, or do not seek, subsidies from the American taxpayer through tax-exempt bond financing.

As most of our colleagues know, interest on bonds issued by State and local governments is generally exempt from federal income tax. The federal tax exemption allows the bonds to carry lower interest rates, which in turn lowers the cost of borrowing. State and local governments are then better able to finance schools, roads, public transportation and other public infrastructure projects.

At the same time, federal tax law and regulations issued by the Treasury Department have been carefully tailored—as they should be—to ensure that this tax exemption is not abused for private gain. Tax-exempt bonds should not be used to give private individuals or businesses a preferential benefit at the expense of the American taxpayer.

For example, under current law, if facilities financed with State and local government bonds are used more than 10 percent of the time directly, or indirectly, in a trade or business by a private person or business, the IRS may consider the bonds “private activity bonds” and interest paid on them generally will not be excluded from a bondholder’s taxable income. For purposes of determining whether this 10 percent test is met, use of a financed facility is treated as a direct use of the proceeds, and any activity carried on by a private person is treated as a trade or business. When a financed facility is used by several private persons, use by all private entities is aggregated for purposes of determining whether the 10% private business use threshold is met.

For the most part, private business use of a facility is only deemed to occur if a private person, group, or business has a special legal entitlement to the use of the financed facility under an arrangement with the state or local government that issued the bonds. Typically, such an arrangement would involve the ownership or lease of the facility, or a management contract involving the facility, that grants priority rights in using the facility.

Although it appears that existing tax law, as interpreted by the Treasury regulations, may be adequate to assure that all businesses and members of the general public are treated fairly in matters involving the use of facilities constructed with tax-exempt bonds adoption of

the legislation I introduce today to codify key elements of the regulatory rules will help to ensure that this valuable—and costly—tax subsidy is not misused for the benefit of private individuals instead of the taxpayers. I emphasize that the bill leaves the ultimate determination as to whether the law has been violated in a specific case up to the IRS as it is under current law.

You see, Mr. Speaker, while tax-exempt bond financing is largely carried out in a manner consistent with the purposes set forth in the tax law and regulations, as with just about any federal program in which a tax subsidy is involved, there are always those who are looking for ways to “push the envelope” to gain the benefit of a tax subsidy for their own private business purposes.

The impetus for this legislation was prompted by press reports of a proposal to build, with tax-exempt bonds, a massive new Convention Center in Las Vegas. However, my concern is not with that community per se, but rather with the potential implications for all American taxpayers, and the potential precedent which could be established, should financing of this facility go forth in the face of statutes and regulations which suggest it should be ineligible for tax-exempt treatment.

According to press reports, a group of private businesses referred to as the Consortium, is currently seeking to take advantage of tax-exempt bond financing to promote construction in Las Vegas of a new 1.3 million square foot convention center, which when completed, will be one of the largest such facilities in the country. It will be larger than the Astrodome, the George R. Brown Convention Center, the Dallas Convention Center and even the Javits Center in New York.

I understand that once ground is broken for this facility, the members of the Consortium who have worked with local authorities to develop this facility will be provided with preferential rights to lease the facility for the purpose of putting on money-making trade shows. These preferential rights will allow Consortium members to “lock up” more than 60 percent of the available rentable days for the new facility each year through 2009. Furthermore, from a business standpoint, the specific dates to be “locked up” by the Consortium are more valuable than those that will be left over for use by others. In effect, the benefits of the federal subsidy utilized in financing this facility are being largely transferred to the handful of businesses comprising this Consortium.

The situation in Las Vegas raises the possibility that the lack of a specific definition of “related parties” may lead bond issuing authorities and their counsel to mistakenly conclude that only those business users related by law (e.g., corporations and their wholly-owned subsidiaries) are to be treated as “related parties.” Such a narrow, legalistic interpretation could result in bonds being wrongfully issued in instances where, as in this case, a principal purpose for which the facility is being financed is for the use of a group of

private parties who are related in fact. Parties that are not related by law can nevertheless by agreement act in such concert that they should, and presumably would, be treated by the IRS as related parties.

Mr. Speaker, allow me at this point to reiterate that my concern here is not Las Vegas per se. However, I will point out that the new facility financed with the use of these federally tax-exempt bonds will both compete with convention facilities in Houston, and “lock in” to Las Vegas through 2009 these trade shows, effectively denying Houston and other communities the opportunity to attract these conventions to our region.

In any event, it should be obvious that Congress did not intend to provide carte blanche to private businesses to band together to facilitate construction of a tax-exempt financed facility—which would then be largely made available to those businesses for their own commercial purposes. The legislation I introduce today will protect the taxpayer’s interest in this regard by simply clarifying the definition of “related parties” already found in the Treasury regulations that implement the “private business use” limitations in the tax code.

My bill would enable the IRS, acting on a case-by-case basis, to determine that parties should be treated as “related parties” if they have at any time acted in concert to negotiate an arrangement to facilitate the financing of a property financed with tax-exempt bonds, and enter into preferential arrangements for the use of such property. The collective use of a facility by related parties would be aggregated when applying the 30 and 90 days safe harbors (and the 180 days general limitation) found in the IRS’ current regulations.

I will point out that local governments can of course continue to avoid any potential uncertainty about the rules on “related parties” by applying for an advance ruling by the IRS that the limitations on “related parties” do not apply to their particular proposals.

To protect the interests of the American taxpayer, and to assure a level playing field for private business, it is important that Congress act to clarify the rules governing tax-exempt bond financing so that potentially hundreds of millions of dollars in of tax-exempt bonds are not mistakenly issued—whether in Las Vegas or elsewhere. So as to put the public on notice, and to help prevent any bond from being issued based on a mistaken interpretation of the rules governing private activity bonds, the legislation would apply to bonds issued after July 1, 1999.

PROBLEMS IN PANAMA

HON. ENI F.H. FALEOMAVEAGA

OF AMERICAN SAMOA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 30, 1999

Mr. FALEOMAVEAGA. Mr. Speaker, I wish to inform our colleagues and our great Nation of important, recent developments in Latin America.

• This “bullet” symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

As you may be aware, Mr. Speaker, the country of Panama held its elections on May 2, 1999, which resulted in the selection of Panama's first female president, the Honorable Mireya Moscoso. President-elect Moscoso will be inaugurated into office this September 1st.

Mr. Speaker, this is a very positive development in Panama's progression to true democratic governance, for which the good people of that nation should be deeply congratulated. However, Mr. Speaker, the good news is overshadowed by the fact that the influence and policies of Panama's current president, Ernesto Perez Balladares, will likely continue for some time to control key government agencies.

Mr. Speaker, I find it troubling that Mr. Balladares wields a shadowy influence over the Moscoso administration through his control of political appointees he has selected for critical positions in the government—appointees whose terms of office will continue long after Mr. Balladares has stepped down as Panama's President.

Mr. Speaker, our colleagues should understand this is crucial because the recent election results are a positive sign that may significantly influence the future course of U.S.-Panamanian relations as Washington enters a critical time, the final transitional period for relinquishing control over the Panama Canal.

Mr. Speaker, President-elect Moscoso should be allowed to represent the will of the good people of Panama, unhindered by political handcuffs from prior administrations.

On that subject, Mr. Speaker, I recommend the following research memorandum which was authored by Dr. Brittmari Janson Perez, a Panamanian anthropologist who is a fellow at the Institute of Latin American Studies at the University of Texas.

Dr. Perez also holds a senior research fellowship at the prestigious Council of Hemispheric Affairs (COHA), which is based in Washington under the leadership of Director Larry Birns, a respected, longtime advocate for democracy and human rights in Latin America. The attached article represents an updated version of Dr. Perez' work, which originally appeared in COHA's biweekly publication, the Washington Report on the Hemisphere.

Mr. Speaker, I urge our colleagues to read this timely article which addresses the need to observe upcoming events in Panama to ensure that the Moscoso administration is able to constructively impact the direction in which Panama develops, despite strong and likely non-productive opposition from pro-Perez Balladares partisans.

PANAMA ELECTIONS DO NOT SEND A CLEAR SIGNAL

(By Dr. Brittmari Janson Pérez)

A few days before Panama's May 2 presidential elections, a cartoon in a local newspaper depicted President Ernesto Pérez Balladares squirming on a throne and moaning, "Nobody is looking at me." On election day, the man whose regime has been labeled a "civilian dictatorship," tried to steal the limelight by telling the French news agency AFP that he wanted to be president again. However, his ambitions were destined to be postponed for at least 10 years when Pérez Balladares' move amending the constitution which would allow him to immediately run again, was resoundingly defeated in a referendum last year.

Nevertheless, he will cast a long shadow on the administration of president-elect Mireya Moscoso, the victorious opposition candidate. Through his appointees, known for their eagerness to comply with his wishes, Pérez Balladares, on a de facto basis, will be able to control the Supreme Court, the Attorney General's office, the Electoral Tribunal and the Technical Judicial Police during the Moscoso administration. To make matters worse, thanks to millions of dollars supplied by his regime over the past five years to legislators of ruling Revolutionary Democratic (PRD) to spend in their respective districts, Pérez Balladares' party has retained its majority in the National Assembly.

PRESENT ECONOMIC SITUATION

The lame duck leader's ongoing influence within the government structure could bode no good for any hopes of the new leadership to blunt the costly neoliberal reforms he vigorously implemented while in power. As elsewhere in the hemisphere, economic globalization has tended to benefit foreign investors and the local elite, but does not appear to be arresting the impoverishment of the rural campesinos as well as the urban lower and middle sectors. For example, while non-traditional agricultural exports such as melons and watermelons was increasing, the market for local beef, potatoes, vegetables and other traditional products was shrinking due to cheap competitive imports. The power of labor unions was also being seriously undercut by restrictive reforms enacted by Pérez Balladares. His privatization of the state-run telephone company resulted in higher rates for the lower and middle urban sectors, which has caused an appreciable hardship on their lifestyle.

In the recent electoral campaign, expectations were raised that the worst effects of Pérez Balladares' policies could be remedied at the polls. All three presidential candidates—Moscoso as head of the Amulfista Party in the Union for Panama coalition; Martin Torrijos, the son of the late authoritarian ruler, who became the PRD candidate in the New Nation coalition after Pérez Balladares' referendum bid to allow him to run again had failed; and Alberto Vallarino, a banker who split from the Amulfista Party and formed the Opposition Action coalition with the support of the Christian Democrats—addressed economic issues from different perspectives, and made numerous promises aimed at ending the dreary status quo.

Already educators are warning Moscoso that if she now decides to implement policies that are harmful to the poor (who made up the bulk of her supporters), she can expect street protests once she is inaugurated. Yet, Moscoso's power to implement important economic pallatives is limited by overseas accords signed by Pérez Balladares with the international lending agencies. Also, prospective social investments by her administration likely have been jeopardized due to the legacy of profligate spending by Pérez Balladares in order to curry political favor. Her power to govern, even to maintain fundamental public order, will be restricted by his lingering influence over critical government institutions whose proper functioning could have made a difference.

DIVIDING UP THE SPOILS

Pérez Balladares' inaugural speech, which contained promises of austerity in public spending and transparency in government were given short shrift, eventually producing widespread mistrust of him among the citizenry, who nicknamed him "Pinocchio." He had resurrected Manuel Noriega's discredited political vehicle, the PRD, with the aid of some of the more notorious members of the

now Miami-jailed dictator's coterie. Upon taking office in 1994, Pérez Balladares pardoned hundreds of PRD members and military personnel who were facing charges of murder, torture, and embezzling state funds during the Noriega era. Some individuals were even appointed to his cabinet. He also made questionable appointments to the boards of independent government agencies, including the Panama Canal Authority (ACP) and the Administration of the Inter-oceanic Region (ARI), the last-named body using entrusted with the disposition of canal properties transferred to Panama as the U.S. relinquishes control over the facility.

Pérez Balladares is particularly vulnerable to accusations of malfeasance regarding the process used to dispose of former canal properties. Thanks to his party's legislative steamroller, he was able to change the ARI's charter, stripping the institution of its all-important independence. Increasing the ARI's board of directors to his personal satisfaction, Pérez Balladares ousted an ARI administrator known for his honesty and firm hand, and Nicolás Ardito Baletta, a highly controversial World Bank official who was "elected" president of Panama through a Noriega-orchestrated electoral fraud in 1984. In this way, he was able to obtain oversight of the transfer of the "treasure of Panama," the properties, installations and land adjacent to the Canal, whose value has been conservatively estimated at over \$4 billion by the U.S. ambassador to Panama.

Nevertheless, it is unlikely that he or his agents will be held accountable for their questionable actions involving numerous allegations of moral turpitude. On the contrary, the institutions and offices over which Pérez Balladares and his party will continue to exercise influence, likely will be used to harass the president-elect at every turn.

CHANGES TO BE PURSUED UNDER THE NEW GOVERNMENT

There is a widespread clamor in Panama to significantly alter or replace the 1972 Constitution imposed during the dictatorship of Gen. Torrijos, and amended under the aegis of the two military leaders who followed him, Generals Rubén D. Paredes and Manuel Noriega. Critics charge that it grants excessive powers to the executive branch at the expense of the legislature. Paradoxically, the PRD's predictably obstructionist legislative majority will oblige the president-elect to renege on her campaign promise to democratize Panama through giving more power to the national assembly. Observers note that if she does not make ample use of the range of powers with which the military dictatorships purposively endowed the executive branch, she will, in effect, be unable to govern the country.

President-elect Moscoso has outgrown the charges made against her of being a decorative figure who inherited a titular role in the party because of her late husband, Pres. Arnulfo Arias. This image along with other factors marred her prospects in the 1994 presidential campaign, which she lost to Pérez Balladares. Since then, she has made herself known throughout Panama by waging a tireless grassroots campaign, touring city and countryside to keep in touch with Panamanians of all stations. She proved her grit in intra-party squabbles when she snuffed out Alberto Vallarino's 1998 challenge her rule in her party's presidential primaries.

It is unfair to her and the Panamanian people that the country is almost doomed to remain a victim of the baleful and corrupt legacies of past dictatorships, and that Pérez Balladares and his PRD could jeopardize the administrative of the first woman president of Panama, who will also assume, in the name of her country, responsibilities of running the Panama Canal.

CELEBRATING THE RICH HISTORY
OF NORTHPORT, MICHIGAN

HON. BART STUPAK

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 30, 1999

Mr. STUPAK. Mr. Speaker, I rise today to call your attention to the small community of Northport, a unique and rustic village on the beautiful Leelanau Peninsula in northwestern Lower Michigan. This richly diverse community, which draws its heritage from Native Americans and many other cultures, is currently celebrating its 150th birthday with a schedule of festivities that will last more than a month.

The celebration began on June 11 with a reenactment of the event that would lead to the creation of the village, the 1849 landing of Rev. George and Arvilla Smith, accompanied by Chief Peter Wakazoo and more than 40 families, most of them Native American.

As local lore relates, the town experienced a population boom in the mid-1800s after Deacon Joseph Dame wrote to the New York Tribune, extolling the benefits of the area. By 1859, according to the Sesquicentennial brochure, "Northport was the largest community in northwest Michigan, with 400 residents, two wharfs, five general stores, three hotels, several saloons, a sawmill and the first organized school district in Leelanau County."

As part of the festivities, residents and visitors can take a walking tour of the community, viewing the homes of early settlers whose lives were intertwined with Northport's 15 decades of history. Typical of such homes is that of the Eli Bordeaux family, which was on its way to Frankfort, Mich., by boat in 1867 when a storm forced them to take shelter in the Northport Harbor. As the guide books relate, family members liked what they saw and decided to stay. Eli, a farmer, built the home, which remains today.

This story and this home, Mr. Speaker, are just a small part of the rich heritage of the community represented in this walking tour. Many other events, including an original drama, a powwow presented by the Grand Traverse Band of Ottawa and Chippewa Indians, and an ongoing exhibit of community artifacts in a rehabilitated civic building are just part of the many weeks' activities.

When communities like Northport hold such celebrations, they certainly have in mind a goal of promoting the event to attract visitors, many of them perhaps visiting for the first time. Northport's events, however, are a true celebration for the residents themselves of a rich and unique heritage on a peninsula whose name means "delight of life." The name reflects not only the picturesque community and the surrounding area, but also the wonderfully moderated temperatures caused by the surrounding water. In fact, despite its location more than halfway to the North Pole, both tourism and fruit production are vital parts of the area's economy.

Mr. Speaker, I ask you and my House colleagues to join me in congratulating this special community in my district, the 1st Congressional District of Michigan, and in wishing its residents joy in their celebration and a future that continues rich in those intangibles that have created its wonderful quality of life.

IN RECOGNITION OF WILLIE LEE
GLASS

HON. RALPH M. HALL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 30, 1999

Mr. HALL of Texas. Mr. Speaker, I rise today to pay tribute to a truly fine American—Mrs. Willie Lee Glass of Tyler, TX—who died May 2, 1999. In honor of her tireless efforts in the East Texas area, Mrs. Glass received many awards and accolades including, the People of Vision award and induction into the Texas Women's Hall of Fame.

Mrs. Glass was born August 24, 1910, in Nacogdoches, TX, to the late E.J. and Mary Campbell, both educators. She left Nacogdoches to attend Prairie View A&M and later received her master's degree from Iowa State. As a result of her strong family background in education, Willie returned to East Texas to serve as a homemaking consultant for the Texas Education Agency. She was also an active member of the Texas College Board of Trustees, the American Red Cross, the University of Texas at Tyler Foundation, and the Stephen F. Austin University Foundation. She was presented numerous tributes from the people of East Texas such as induction into the Nacogdoches Heritage Festival Hall of Fame and recognition as a Philanthropy Day Awards Outstanding Volunteer honoree.

Mrs. Glass was preceded in death by her husband, Dr. D.R. Glass, a 30-year president of Texas College. They were both members of the St. Paul CME Church. Willie's passion for education still runs deep even after her death, as a memorial scholarship has recently been established in her name at Texas College.

Mr. Speaker, as we adjourn today, let us do so in honor and in respect for this truly outstanding American—Mrs. Willie Lee Glass.

HONORING BRUNDIDGE VFW POST
7055 FOR EXEMPLARY SERVICE
TO VETERANS

HON. TERRY EVERETT

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 30, 1999

Mr. EVERETT. Mr. Speaker, I would like to spotlight public service efforts of a veterans organization in my Southeast Alabama congressional district which I feel are truly exemplary.

Veterans of Foreign Wars Post 7055 in Brundidge, Alabama has volunteered its time, talents and resources to construct a fitting memorial on the grave site of a deceased veteran renowned in life for his generosity and selflessness.

When the members of VFW Post 7055 learned that the grave site of former veteran and Presidential "Point of Light," J.D. Williams, was largely ignored, they sprang into action.

To honor the late veteran who before had spent decades selflessly decorating the graves of other veterans, VFW Post 7055 placed new coping and chipped marble on his humble Pike County, Alabama grave site and topped it off with a permanent American flag pole.

Their future plans include adding a bronze plaque to honor the memory of this remarkable veteran who was known for decorating at his own expense literally thousands of Southeast Alabama veteran graves with flags and white wooden crosses.

The late J.D. Williams' selflessness earned him national recognition some ten years ago as one of President George Bush's "Points of Light." He passed away in July of 1994 and was buried in Union Hill Cemetery near Troy, Alabama.

According to a recent article in The Pike County News, "the Brundidge VFW Post has made it a perpetual organizational project to upgrade, beautify and maintain Mr. Williams' grave site."

I join the U.S. House of Representatives in commending the membership of the Brundidge, Alabama VFW Post 7055 for their generosity and patriotism.

RECOGNIZING THE CONTRIBUTIONS
OF NACOGDOCHES COUNTY
ELECTED OFFICIALS

HON. JIM TURNER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 30, 1999

Mr. TURNER. Mr. Speaker, I rise today in recognition of three extraordinary East Texans: Robert Spencer, Dorothy Tigner and Eddie Upshaw, all elected law officials in Nacogdoches County which I represent as part of Texas' Second Congressional District.

In an age where community action and politics are often, unfortunately, viewed with an indifferent or cynical eye, it is both uplifting and inspiring to encounter instances where public servants, through their professional efforts in and for the community, earn for themselves the gratitude and high regard of their fellow citizens. This is certainly true in the case of these three public officials who were recently awarded recognition by their peers and colleagues in the Commissioners' Court of Nacogdoches County.

County citizens are fortunate to have working on their behalf individuals such as Mr. Robert Spencer, who as the first African-American Justice of the Peace in Nacogdoches County, has played an integral role in educating the community's children on the dangers of drug use and school truancy. Prior to his election to this post, Mr. Spencer also served as a Deputy Sheriff in Nacogdoches County. His colleagues in the community have duly recognized his valuable work to establish and facilitate improved communication between the court system and law enforcement centers in the area.

Nacogdoches County organizations and boards truly have a friend in Dorothy Tigner, who was elected last year to serve as Justice of the Peace. As such she is the first woman to serve in this post. Prior to this, Ms. Tigner served for 5 years as the Administrative Court Assistant for the 145th Judicial District Court. In what must be limited free time, Dorothy Tigner plays an active role in the community, serving in several public service organizations including the Nacogdoches County Child Welfare Board and the Nacogdoches County Community Justice Counsel.

A graduate of the East Texas Police Academy, Mr. Eddie Upshaw plays an integral role