By Mr. LOTT (for himself, Mr. DASCHLE, Mr. NICKLES, and Mr. REID):

S. Res. 388. A resolution tendering the thanks of the Senate to the President pro tempore for the courteous, dignified, and impartial manner in which he has presided over the deliberations of the Senate; considered and agreed to.

By Mr. LOTT (for himself, Mr. DASCHLE, Mr. NICKLES, and Mr. REID):

S. Res. 389. A resolution tendering the thanks of the Senate to the Vice President for the courteous, dignified, and impartial manner in which he has presided over the deliberations of the Senate; considered and agreed to.

By Mr. LOTT (for himself, Mr. NICKLES, and Mr. REID):

S. Res. 390. To commend the exemplary leadership of the Democratic Leader; considered and agreed to.

By Mr. DASCHLE (for himself, Mr. NICKLES, and Mr. REID):

S. Res. 391. A resolution to commend the exemplary leadership of the Majority Leader; considered and agreed to.

By Mr. LOTT (for himself, Mr. DASCHLE, Mr. NICKLES, and Mr. REID):

S. Res. 392. A resolution tendering the thanks of the Senate to the Senate Staff for the courteous, dignified, and impartial manner in which they have assisted the deliberations of the Senate; considered and agreed to.

By Mr. DURBIN (for himself and Mr. FITZGERALD):

S. Res. 393. Considered and agreed to.

By Mr. STEVENS (for himself and Mr. BYRD):

S. Con. Res. 162. A concurrent resolution to direct the Clerk of the House of Representatives to make a correction in the enrollment of H.R. 4577; considered and agreed to.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

Mr. McCONNELL (for himself, Mr. TORRICELLI, Mrs. FEINSTEIN, Mr. ALLARD, Mr. SMITH of Oregon, Ms. LANDRIEU, Mr. BURNS, and Mr. BENNETT):

S. 1. A bill to establish an Election Administration Commission to study Federal, State, and local voting procedures and election administration and provide grants to modernize voting procedures and election administration, and for other purposes; to the Committee on Rules and Administration.

ELECTION REFORM ACT

Mr. McCONNELL Mr. President, I rise today to introduce the Election Reform Act. As chairman of the Senate Rules Committee, I am pleased to be introducing along with Senators TORRICELLI, FEINSTEIN, ALLARD, SMITH, and LANDRIEU meaningful, bipartisan legislation to reform the administration of our nation's elections. As we move into the twenty-first century it is inexcusable that the world's most advanced democracy relies on voting systems designed shortly after the Second World War. The Election Reform Act will ensure that our nation's electoral process is brought up to twenty-first century standards.

By combining the Federal Election Commission's Election Clearinghouse and the Department of Defenses' Office of Voting Assistance, which facilitates voting by American civilians and servicemen overseas, into the Election Administration Commission, the bill will create one agency that can bring focused expertise to bear on the administration of elections. This Commission will consist of four Commissioners appointed by the President with the advice and consent of the Senate. It will continue to carry out the functions of the two entities that are being combined to create it. These include advising states on the requirements of the Voting Accessibility for the Elderly and Handicapped Act, carrying out the Federal functions under the Uniformed and Overseas Voting Act, and servicing as a clearinghouse for information on federal elections and election administration.

In addition, the new Commission will engage in ongoing study and make periodic recommendations on the best practices relating to voting technology and ballot design as well as polling place accessibility. The Commission will also study and recommend ways to improve voter registration, verification of registration, and the maintenance and accuracy of voter rolls. This is of special urgency in view of the allegations surfacing in this election of hundreds of felons being listed on voting rolls and illegally voting, as reported last week in the Miami Herald, while other law abiding citizens who allegedly registered were not included on the voting rolls and were unable to vote. Such revelations from this year's elections coupled with the well-known report by ''60 Minutes'' of the prevalence of dead people and pets both registering and voting in past elections make clear the need for thoughtful study and recommendations to ensure that everyone who is legally entitled to vote is able to do so and that everyone who votes is legally entitled to do so—and does so only once. In addition to its studies and recommendations, the Commission will provide matching grants to states working to improve election administration.

I think it is important that this Commission be established as a permanent, ongoing body. Many issues of election administration, such as polling place accessibility and alternative voting methods require ongoing examination in view of ever-changing technology. A permanent Commission will be able to better facilitate timely information about new, cost-effective technologies that can improve election administration, such as technology to enable physically-challenged citizens to vote with the same degree of privacy and dignity enjoyed by other citizens. In this age of rapid technological innovation, continuous, ongoing assessment of the ways technology can improve election administration serves our nation's interest by ensuring that outmoded technology and procedures never again impede democracy in our great nation.

I am pleased to announce that Representative TOM DAVIS, along with Representatives ROTHMAN and KENNEDY, are introducing the House companion to our bill today. And finally, I would like to mention some of the citizens organizations that have announced their support for our bill. They include the Paralyzed Veterans of America, The Voting Integrity Project, The National Council on Disability, and the National Foundation for the Blind.

Mr TORRICELLI. Mr. President, I am pleased to join Senators MCCONNELL, FEINSTEIN, ALLARD, LANDRIEU, SMITH and BENNETT to introduce the Election Reform Act of 2000, bipartisan legislation that seeks to modernize and improve the nation's election procedures. Although there is much about the aftermath of the November 7th elections upon which Americans can disagree, this much should be clear: the United States is a 21st century democracy with a 19th century election system. In order to maintain the legitimacy of our country's democratic institutions, we must have an election system that is fair and accurate.

The antiquated voting equipment used in most counties around the country is perhaps the most startling revelation from this year's election. Election Data Services reports that eighteen percent of Americans vote using technology that prevailed around the time Thomas Edison invented the lightbulb and nearly thirty-three percent of Americans vote by punching out unpredictable little chads, a system implemented during the Johnson administration. In a nation where people can confidently access the balance in their checking account on any street corner, it is unacceptable to have any less confidence in the exercise of the most fundamental of rights. Many states and localities continue to use outdated systems because of the cost of replacing them. Electronic voting machines with touch screens similar to bank ATMs, which are the most modern and accurate systems, cost about $5,000 each while replacing a punch-card system costs only about $225.

The inequity in quality of voting machines across the country raises fundamental questions of fairness and equal protection. Statistics from Florida demonstrate that those individuals who voted in areas with punch cards had a much higher chance that their vote would not register than those who voted with more modern equipment. For example, in Florida predominantly African-American neighborhoods lost many more presidential votes than other areas largely because of the inferiority of their voting machines. Thus, thousands of legally qualified voters were disenfranchised as a direct result of the financial resources of their community.

Therefore, in order to help improve and modernize the nation's election procedures, the Election Reform Act establishes a permanent, federal commission charged solely with the improvement of election administration. By combining the Federal Election

Commission's Office of Election Administration (OEC) and the Department of Defenses' Office of Voting Assistance which facilitates voting by American civilians and servicemen overseas, into the Election Administration Commission, the bill will create one agency that can bring focused expertise to bear on the administration of elections. This Commission will engage in ongoing study and make periodic, recommendations on the best practices relating to voting technology and ballot design as well as polling place accessibility. The Commission will also study and recommend ways to improve voter registration, verification of registration, and the maintenance and accuracy of voter rolls. Finally, to help diminish the cost to states and localities of updating their election procedures, the Commission will provide at least $100 million a year in matching grants to states working to improve election administration.

There can never be a sense again that an election in the United States is settled on an arbitrary basis or that elections are an approximation. Constitutional guarantees of one person, one vote mean nothing in theory if they do not have any meaning in practice. So long as one voter, whether it be a senior citizen, an African-American, or one in service to their country has doubt about whether their vote was counted, our democracy suffers. That is an American, not a partisan problem. The challenge before Congress is to make sure that the legacy of this election is not the confusion that has reigned for the past five weeks but an enhancement of the legitimacy and credibility of our democratic processes.

Therefore, I look forward to working with the chairman of the Rules Committee as well as my colleagues on both sides of the aisle to see that this bipartisan legislation is the first priority of the 107th Congress. I am encouraged that both Vice-President Elect CHENEY and Senator JOSEPH LIEBERMAN have expressed their strong desire to make election reform legislation their immediate priority in the next administration and Congress. I am also pleased that Representatives ROTHMAN, DAVIS, KENNEDY, and ALCEE HASTINGS are introducing the House companion of this legislation today. Their support along with the endorsements of the Voting Integrity Project, Paralyzed Veterans of America, the National Organization on Disability, and the National Foundation for the Blind gives me great confidence that this legislation will gather strong support progress quickly.

Mrs. FEINSTEIN. Mr. President, I rise today to join with Senators MCCONNELL and TORRICELLI to introduce the Election Reform Act. I believe that this legislation will play an important role in improving elections in the United States.

The situation in Florida with different counties using different equipment, different standards and different methodologies in the conduct of the election is a clear indication that reform is needed. Although elections are within the purview of the states, if the Federal government can provide incentives and financial assistance to update equipment and administration to ensure that every vote counts, that would be a giant step forward.

Our democracy is based on the principle that our political leaders are chosen through a fair and accurate election process. While the aftermath of this year's election brought much disagreement, it is clear that the voting system is antiquated and in need of reform.

This legislation establishes a permanent, federal Commission dedicated to election administration. This Commission will consist of four Commissioners appointed by the President with the advice and consent of the Senate. The Commissioners will serve four-year terms, with no more than two Commissioners affiliated with the same political party.

The Commission would do the following: study various aspects of election administration and make periodic recommendations on such topics as ballot design, accuracy, security, and technological advances in voting equipment; develop and update voluntary standards for voting systems at least every four years; study accessibility to polling places and recommend voluntary guidelines to increase access to polling places; allocate $100 million in matching funds to States and localities that improve their voting systems in a manner consistent with voluntary recommendations developed by the Commission.

This legislation has the support of the Voting Integrity Project, the Committee for the Study of the American Electorate and the National Organization on Disability, the American Foundation for the Blind, and the Paralyzed Veterans of America.

As we move forward in the 21st century, it is essential that the all Americans, and nations throughout the world, continue to have confidence in our electoral process. This means modernizing the system to include new, cost-effective technologies that can improve election administration. The reforms embodied in this legislation will permit these advances. I am hopeful one of the first acts of the 107th Congress will be to pass this legislation.

Mr. SMITH of Oregon. Mr. President, I am pleased today to join Senators MCCONNELL, TORRICELLI, FEINSTEIN, and ALLARD in the introduction of the Election Reform Act. I think this last election made it abundantly clear that the time has come to streamline and update our voting system's outmoded technology and procedures. As my colleague Senator MCCONNELL has pointed out, it is inexcusable that the world's most advanced democracy relies on voting systems designed shortly after the Second World War.

The Election Reform Act will combine the functions of the Federal Election Commission's Election Clearinghouse and the Department of Defense Office of Voting Assistance, which facilitates voting by American civilians and servicemen overseas, into a single Election Administration Commission which will provide grants to states to modernize their voting procedures. It is important to note that the Commission will in no way usurp what is rightfully the responsibility of the states to determine the times, places and manner of holding elections.

The Commission will study Federal, State, and local voting procedures and election administration and will develop, update and adopt every 4 years, voluntary engineering and procedural performance standards for voting systems. In addition, the Commission will engage in ongoing studies of procedures and make periodic recommendations on the best practices relating to voting technology and ballot design. Another very important responsibility of the Commission will be to advise States regarding compliance with the requirements of the Voting Accessibility for the Elderly and Handicapped Act and develop, update, and adopt voluntary procedures for enhancing voting methods for voters, including disabled voters. It is imperative that, as we pursue improvements in the administration of our elections, we also have the most up-to-date information about new technologies to enable the elderly and the disabled to vote with the same degree of privacy and dignity enjoyed by other citizens.

Mr. President, I believe this legislation will go a long way toward restoring confidence in our voting systems, and I am hopeful that the Senate will pass the Election Reform Act very early in the new Congress.

Mr. SPECTER:

S. 3280. A bill to prohibit assistance to the Palestinian Authority unless and until certain conditions are met; to the Committee on Foreign Relations.

LEGISLATION CONDITIONING ASSISTANCE TO THE PALESTINIAN AUTHORITY

Mr. SPECTER. Mr. President, I rise to introduce legislation at this time which will put on the record factors which have been enormously harmful in the current violence which now occurs in Israel. This bill would prohibit assistance to the Palestinian Authority or Palestinian projects, unless and until certain conditions are met. The Oslo Interim Agreement of 1995 provided that the Palestinian Authority would:

> . . . ensure that their respective educational systems contribute to the peace between the Israeli and Palestinian peoples and to peace in the entire region, and will refrain from the introduction of any motifs that could adversely affect the process of reconciliation.

Notwithstanding that commitment, the Palestinian Authority has filled

the textbooks with the most vitriolic condemnation of Israel and the Jews. For example, the ninth graders are taught:

> One must beware of the Jews, for they are treacherous and disloyal.

The ninth graders are further instructed:

> One must beware of civil war, which the Jews try to incite, and of scheming against the Muslims.

There are some extraordinarily vitriolic comments which are inciting the young people, the Arabs, to turn to violence in the name of Allah, with the instruction directing them that they will be doing Allah's work, and if they are killed, they will go to heaven as Allah's messengers, as Allah's assistants.

There are reports of 12-year-old boys who leave their homes telling their parents they are off to throw stones and otherwise incite violence. The parents permit this under a fatalistic attitude of ''what will be will be,'' and that it is something to be desired—incite to violence and be killed in doing Allah's work.

The difficulties in the peace process are enormous. They are generational. There is absolutely no likelihood of success if the schoolchildren in the Palestinian Authority schools are going to be taught hatred and violence and the most extraordinary forms of misleading comment—about how to please Allah and how to go to heaven by getting themselves killed in the process of killing others and destroying the peace process.

The United States and our allies have contributed very substantially to projects in the West Bank and Gaza. While the United States has not given aid directly to the Palestinian Authority since 1995, in fiscal year 2000, the United States allocated $485 million in development assistance to non-governmental organizations working in the West Bank and Gaza. Between 1995 and 1998, international aid provided by 21 countries and 4 international organizations amounted to almost $227 million. Between 1993 and 1999, the international community pledged a total of $5.7 billion for assistance in the West Bank and Gaza, and over $2.7 billion was disbursed by the end of 1999, according to the World Bank. I will go into the funding which the United States has provided and which our allies have provided in greater detail.

This legislation would condition any assistance by the United States to the Palestinian Authority on changing those textbooks in accordance with their commitments under the Oslo agreement, ceasing to publish maps which omit Israel but instead refer only to Palestine, and changing the vitriol which appears on the state-sponsored television. These are absolutely minimal steps which have to be taken if there is to be any opportunity for success in the Mideast peace process.

In 1995, Senator SHELBY and I introduced legislation which was enacted which conditioned U.S. aid on the Palestinian Authority changing its charter which called for the destruction of Israel. That, in fact, did happen and perhaps our legislation was somewhat helpful in getting that done. The legislation also conditioned aid on maximum efforts of the Palestinian Authority and Chairman Arafat to restrain terrorists. For a time, I think there was a real effort by Chairman Arafat and many in the Palestinian Authority to do that, but that has totally broken down.

Notwithstanding those grave difficulties, efforts must continue on the peace process to try to terminate the violence there. I note in this morning's press there are reports of additional meetings. I have both privately and publicly commended President Clinton for his efforts in trying to mediate the difficulties between the Israelis and the Palestinians.

This business about teaching sixth graders, seventh graders, eighth graders, and ninth graders to hate and to incite violence is just absolutely intolerable if there is to be any chance at all for the peace process to succeed, and even in the next generation to find a way for people to live in peace with the Jewish State of Israel, the Palestinian Authority and the Arabs, who are citizens of Israel, for that matter.

I am introducing this bill on what is probably going to be the last day of our session so that these educational tools may become better known. People will understand them and will join the fight to insist that they be terminated.

Mr. President, to reinterate, I have sought recognition today to introduce legislation to condition aid to the Palestinian Authority upon the removal of all anti-Semitic and anti-Israel content from their school textbooks, and radio and television broadcasts at publically funded facilities. The Palestinian Authority deliberately and consciously disseminates messages filled with anti-Semitic and anti-Israel hatred with the clear aim of promoting violence against Israel and the Jewish people. This is a clear violation of the spirit of the peace process.

A study by the Center for Monitoring the Impact of Peace, a Jerusalem-based non-governmental organization, found that there is not one example in the entire Palestinian school system of a positive reference to a Jew, Judaism, or to peace with Israel. I urge the passage of this legislation to send a clear signal to the Palestinian people that the international community will not accept the fostering of hatred in textbooks and broadcast media in the West Bank and Gaza. The United States provides assistance to the region in support of the peace process, and we must condition this assistance upon each party's fulfillment of the commitments made to bring peace to the region. Furthermore, we must vigorously press for our allies to do the same.

In years past, Palestinian schools in the West Bank used Jordanian textbooks and the schools in Gaza used Egyptian textbooks. While the areas were under the control of the Israeli government, these books continued to be used but anti-Semitic and anti-Israel material was removed. As a result of the 1993 Oslo Accords, the responsibility for education in the West Bank and Gaza was transferred from the Israeli government to the Palestinian Ministry of Education. While beginning to develop their own curriculum, the Palestinian Ministry of Education continued to use Egyptian and Jordanian books, but failed to remove the anti-Israel and anti-Semitic material. Currently, the Palestinian Ministry of Education is directly supervising the production of new textbooks which are the first Palestinian-produced textbooks.

As part of a pilot program, the first new textbooks were introduced in the first and sixth grades in September 2000, as part of the new curriculum which the Palestinian Authority plans to expand to cover the grades first through twelfth over the next fours years. Many Israelis and others hoped these books would promote the peace process and teach cooperation and tolerance among the Israelis and the Palestinians. Instead, the new Palestinian textbooks continue to contain anti-Israel material, such as a map denying the existence of Israel. The continued promotion of hatred by the Palestinian Authority is unacceptable, as it not only violates the spirit of the peace process but also the letter of the Oslo Accords. The United States and the rest of the international community must send a message to the Palestinian Authority that this will not be tolerated.

By means of both the new and old textbooks in their schools, the Palestinian Authority is raising an entire generation of Palestinian children to despise Jews and Israel. These teachings foster an environment of hatred and violence, not peace and conciliation. Palestinian school children are actively taught that the Jewish people and Israel are the enemy in a broad range of contexts, and that Jews are not to be trusted. For example, on page 79 of the textbook entitled the Islamic Education for Ninth Grade, the book outlines lessons to be learned by the students. Specifically, it says ''One must beware of the Jews, for they are treacherous and disloyal.'' The book goes on to say on page 94, ''one must beware of civil war, which the Jews try to incite, and of scheming against the Muslims.'' Reinforcing this message, students read on page 182, ''The Jews . . . have killed and evicted Muslim and Christian inhabitants of Palestine, whose inhabitants are still suffering oppression and persecution under racist Jewish Administration.''

Another textbook, the Islamic Religious Education for Fourth Grade, on page 44, states ''. . . the Jews—as is their way—do not want people to live in peace. . .'' In the Reader and Literary Texts for Eighth Grade, on pages

96 through 99, students are taught ''The Jews have clear greedy designs on Jerusalem.'' Students are then asked to think about the following question: ''What can we do to rescue Jerusalem and to liberate it from the thieving enemy. . .?'' The authors of these textbooks clearly intended not to foster an environment of trust between the Palestinian people and their Jewish neighbors. Without a foundation of trust in the hearts and minds of the Palestinian people, the peace process is doomed to failure.

The school books also include lessons equating Zionism with Nazism, Fascism, and racism. For example, the textbook entitled The Contemporary History of the Arabs and the World, on page 123, states ''The clearest examples of racist belief and racial discrimination in the world are Nazism and Zionism.'' Lessons such as this one are clearly not intended to support peace between the Palestinians and Israelis.

More alarmingly, in addition to anti-Semitic material, these textbooks also teach children to pursue violence and the destruction of Israel. The calls to fight and eliminate Israel through Jihad, holy war, and martyrdom for Allah, appear frequently in the school textbooks. The need to fight Israel is portrayed as a religious imperative in the books.

For example, a fifth grade textbook, Our Arabic Language for Fifth Grade on page 69 and 70, teaches children that ''there will be a Jihad and our country shall be freed. This is our story with the thieving conquerors. You must know, my boy, that Palestine is your grave responsibility.'' The book also teaches children to ''remember: The Arabs and the Muslims are fighting the Jews who fought against them and oppressed them and drove them from their homes unjustly. The final and inevitable result will be the victory of the Muslims over the Jews.''

The violent message continues in the seventh grade textbook, Islamic Education for Seventh Grade, on page 108, which states ''if the enemy has conquered part of its land and those fighting for it are unable to repel the enemy, then Jihad becomes the individual religious duty of every Muslim man and woman, until the attack is successfully repulsed and the land liberated from conquest and to defend Muslim honor. . .''.

In addition to lessons on Jihad, students are instructed to adopt hostile attitudes on a particularly divisive topic—their responsibility regarding holy sites. The seventh grade textbook, Islamic Education for Seventh Grade, on page 184, states ''Muslims must protect all mosques. . . They must devote all their efforts and resources to repairing them and to protecting them and must wage a Jihad both of life and property to liberate al-Aqsa Mosque from the Zionist conquest.'' The inflammatory language is also included on page 50, ''The Muslim connects the holiness of al-Aqsa Mosque, and its precincts, with the holiness of the 'Sacred Mosque' and Mecca. Therefore, any aggression against one is an aggression against the other and to defend them is to defend Islam. Disregard of the duty in respect of them is a crime for which Allah will punish every believer in Allah and His Prophet.'' The aggressive message clearly encourages the violence which is currently taking place in the Middle East.

The same seventh grade book also teaches children to fight and conquer Israel's capital, Jerusalem. For example, the book contains a composition question which asks: ''How are we going to liberate our stolen land? Make use of the following ideas: Arab unity, genuine faith in Allah, most modern weapons and ammunition, using oil and other precious natural resources as weapons in the battle for liberation.'' It is this type of violent message which leads young children to take to the streets and engage in stone-throwing and other violence.

However, this message is not limited to schoolbooks. The same hateful portrayal of Jews and Israel found in the school books is promoted regularly on Palestinian Television, which is also under direct control of the Palestinian Authority. For example, on May 14, 1998, Palestinian television broadcast statements such as ''The Jewish gangs waged racial cleansing wars against innocent Palestinians . . . large scale appalling massacres saving no women or children.'' On May 14, 1998, Zionism was presented as ''a cancer in the body of the nation.''

Palestinian television broadcasts a continuous flow of violent images with messages glorifying the children in the streets as martyrs participating in Jihad. For example, television stations around the world broadcast the image of Muhammad al-Durrah, the twelve year old boy who was killed while his father tried to shield him from the crossfire on September 30, 2000. However, the image of the young man, who had no intention when he left his house that day to become a martyr, was instantly the symbol used by Palestinian television of the continued victimization of the Palestinian people at the hands of the so-called Israeli ''occupiers.''

By continually referring to the occupation of their land, Palestinian television refuses to acknowledge the legitimacy of Israel. On May 19, 1998, Palestinian television reported '' . . . the war of 1948 brought about the establishment of the Zionist entity on Palestinian land.'' The television broadcasts also declared in May 1998: ''This is our Palestine. We defend it with blood.''

The hate-filled broadcasts further reinforce the anti-Israel and anti-Semitic messages found in the school textbooks and explicitly aim to incite violence. We cannot tolerate this behavior by a society that claims to be committed to pursuing the peace process. These teachings send a direct message to young children to pursue violence and the destruction of Israel, and the message appears to be reaching the children.

On October 6, 2000, the New York Times reported on Muhammad Ibrahim, a Palestinian teenager engaged in the current violence in the streets. Muhammad joins his young friends on the streets and throws stones at Israeli soldiers, even though his father asked him ''not to go down that road'' and telling him ''we do not need another generation of victims.'' When asked why he engaged in the stone throwing, Muhammad plainly stated, ''You want to express your anger. You know your stone might not hit an Israeli soldier or might not even hurt him. But you want to feel you've done something for the homeland.'' Muhammad made clear where he learned these lessons when he said, ''I was raised with stories of how they kicked us off our land.'' The young people out on the streets today throwing stones have been raised on anti-Israel and anti-Semitic stories, which is formally reinforced in the textbooks used in the schools in the West Bank and Gaza and the television and radio broadcasts. If there is any hope for lasting peace in the region, the next generation of leaders must not be raised on lessons of hatred and violence.

In signing the 1995 Interim Agreement on the West Bank and Gaza, the Israeli government and the Palestinian Authority agreed to use their respective educational systems to support the peace process. Specifically, Article XXII of the Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip of 1995 declares that Israel and the Palestinian Authority will ''ensure that their respective educational systems contribute to the peace between the Israeli and Palestinian peoples and to peace in the entire region, and will refrain from the introduction of any motifs that could adversely affect the process of reconciliation.'' The Palestinian Authority should be held to the commitments made in the peace process, not the least of which is to educate the young people of the West Bank and Gaza with a curriculum that will contribute to peace between the Israeli and Palestinian peoples.

The United States provides assistance to the region in support of the peace process, and it is imperative to condition this assistance upon the fulfillment of the commitments made to bring peace to the region. While the United States has not given aid directly to the Palestinian Authority since 1995, in fiscal year 2000 the United States allocated $485 million in development assistance to non-governmental organizations working in the West Bank and Gaza, including funds for educational programs. It is of the utmost importance that the United States conditions any aid to the Palestinian Authority on their commitment

to the peace process, which must be demonstrated by the removal of the anti-Semitic and anti-Israel material from their textbooks and radio and television broadcasts.

It is also imperative that the United States urge our allies to condition their aid to the Palestinian Authority on this issue. Between 1995 and 1998 international aid provided by twenty-one countries and four international organizations provided $226.9 million to educational projects in the Palestinian Territories. Between 1993 and 1999, the international community pledged a total of $5.7 billion in assistance for the West Bank and Gaza, and over $2.7 billion was disbursed by the end of 1999 according to the World Bank. From 1994 to 1999, the European Community committed over $600 million. Recently, on December 6, 2000, the World Bank also agreed to a grant to the Palestinian Authority in the amount of $12 million.

The assistance to the Palestinian Authority, whether through international institutions or our allies, must include conditions which will compel the Palestinian Authority to remove this unacceptable material from the textbooks and the broadcast media. The assistance is given to the Palestinian Authority with the intent to support peace in the region, and therefore, the aid should be conditioned on the removal of material which undermines the peace process from the Palestinian educational system and broadcast media. I urge my colleagues to join me in supporting this legislation which sends a clear signal to the Palestinian Authority that the use of anti-Semitic and anti-Israel material in their schools and television and radio broadcasts will not be tolerated.

Mr. President, I ask unanimous consent that the text of the bill be printed in the CONGRESSIONAL RECORD.

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

S. 3280

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION I. FINDINGS.

Congress makes the following findings:

(1) Today in the West Bank and Gaza, textbooks used in Palestinian schools are teaching hatred towards Jews and the incitement towards violence.

(2) Article XXII of the Israeli-Palestinian Interim Agreement of the West Bank and the Gaza Strip of 1995 declares that Israel and the Palestinian Authority will ''ensure that their respective educational systems contribute to the peace between the Israeli and Palestinian peoples and to peace in the entire region, and will refrain from the introduction of any motifs that could adversely affect the process of reconciliation''.

(3) As a result of the Oslo Accords, the responsibility for education in the West Bank and Gaza was transferred from the Government of Israel to the Palestinian Ministry of Education.

(4) Since the early 1950s, Palestinian schools in the West Bank have used Jordanian textbooks and the schools in Gaza used Egyptian textbooks, but when these areas were under the control of the Israeli government, anti-Semitic and anti-Israel content was removed from the school books.

(5) While beginning to develop their own curriculum, the Palestinian Ministry of Education continued to use Egyptian and Jordanian books, but failed to remove the anti-Israel and anti-Semitic content.

(6) The Palestinian Ministry of Education directly supervised the production of new textbooks which are now used in schools in the West Bank and Gaza.

(7) The new textbooks contain anti-Semitic and anti-Israel content, and the Israeli government no longer has the authority to change the content of the textbooks.

(8) Palestinian Authority school children are actively taught that the Jews and Israel are the enemy in a broad range of contexts, and for example, page 79 of the Islamic Education for Ninth Grade reads, ''One must beware of the Jews, for they are treacherous and disloyal''.

(9) The Islamic Education for Ninth Grade also instructs that ''one must beware of civil war which the Jews try to incite, scheming against the Muslims,'' on page 94.

(10) On page 182, the text of the Islamic Education for Ninth Grade reads ''The Jews—have killed and evicted Muslim and Christian inhabitants of Palestine, whose inhabitants are still suffering oppression and persecution under racist Jewish administration.''

(11) The Islamic Religious Education for the Fourth Grade teaches students on page 44, ''. . . the Jews—as is their way—do not want people to live in peace.''

(12) The books include lessons equating Zionism with Nazism, Fascism, and racism, and for example, The Contemporary History of Arabs and the World, on page 123, states ''The clearest examples of racist belief and racial discrimination in the world are Nazism and Zionism.''

(13) Islamic Education for the Fourth Grade teaches children ''the Jews are the enemies'' on page 67.

(14) The new textbooks do not acknowledge the State of Israel, but rather the creation of Israel is explained as the Israeli occupation of 1948.

(15) All the maps of ''Palestine'', be they political, historical, geographical, or natural resource maps in the textbooks, erase mention of Israel.

(16) The calls to fight and eliminate Israel through Jihad (Holy War) and Martyrdom for Allah, appear frequently in the school books.

(17) In addition there is a separate recurring theme: the children are taught to fight and conquer Israel's capital, Jerusalem, and for example, the book Islamic Education for Seventh Grade asks: ''How are we going to liberate our stolen land? Make use of the following ideas: Arab unity, genuine faith in Allah, most modern weapons and ammunition, using oil and other precious natural resources as weapons in the battle for liberation'' on page 15.

(18) The need to fight Israel, all of which is said to be on ''occupied Arab Land'' becomes a religious imperative, with teachings like the following from Islamic Education for Seventh Grade, page 108:''if the enemy has conquered part of its land and those fighting for it are unable to repel the enemy, then Jihad becomes the individual religious duty of every Muslim man and woman, until the attack is successfully repulsed and the land liberated from conquest and to defend Muslim honor. . ''.

(19) The same message appears in the fifth grade text Our Arabic Language for Fifth Grade on pages 69 and 70, ''there will be a Jihad and our country shall be freed. This is our story with the thieving conquerors. You must know, my boy, that Palestine is your grave responsibility.

(20) Children are specifically taught to protect all mosques, and for example, Islamic Education for the Seventh Grade instructs students that ''they must devote all their efforts and resources to repairing them and to protecting them and must wage a Jihad both of life and property to liberate al-Aqsa Mosque from the Zionist conquest'' on page 184.

(21) Palestinian Authority television is under direct control of the Palestinian Authority.

(22) The same hateful portrayal of Jews and Israel found in the school books is promoted regularly on Palestinian television, and for example, on May 14, 1998, Palestinian television broadcast statements such as ''The Jewish gangs waged racial cleansing wars against innocent Palestinians. . . large scale appalling massacres saving no women or children''.

(23) Also, radio and television broadcasts made by publicly funded facilities in the Palestinian Authority-controlled areas of the West Bank and Gaza include programs having an anti-Semitic, anti-Israel content.

(24) On May 14, 1998, on Palestinian Television Zionism was presented as ''a cancer in the body of the nation.''

(25) The Palestinian Television also refuses to acknowledge the state of Israel, and broadcast in May 1998, ''the war of 1948 brought about the establishment of the Zionist entity on Palestinian land.''

(26) The message of Jihad is also conveyed on the Palestinian Television, and for example, the broadcasts declared in May 1998, ''This is our Palestine. We defend it with blood.''

(27) While the United States has not given aid directly to the Palestinian Authority since 1995, in fiscal year 2000 the United States allocated $485 million in development assistance to non-governmental organizations working in the West Bank and Gaza, including funds for education programs.

(28) Between 1995 and 1998 international aid provided by 21 countries and 4 international organizations provided $226.9 million to educational projects in the Palestinian Territories..

(29) From 1994 to 1999, the European Community committed over $600 million in assistance to the Palestinian Territories, including funds for education programs.

SEC. 2. RESTRICTION ON ASSISTANCE.

(a) RESTRICTION.—No assistance shall be provided to the Palestinian Authority unless and until the President certifies to Congress that the Palestinian Authority has removed the anti-Semitic, anti-Israel content included in the textbooks used in schools, and radio and television broadcasts made by publicly funded facilities, in the Palestinian Authority-controlled areas of the West Bank and Gaza.

(b) SENSE OF CONGRESS.—It is the sense of Congress that the President should urge allies of the United States to apply an equivalent restriction on assistance as described in subsection (a).

Mr. BINGAMAN:

S. 3282. A bill to authorize funding for University Nuclear Science and Engineering Programs at the Department of Energy for fiscal years 2002 through 2006; to the Committee on Energy and Natural Resources.

DEPARTMENT OF ENERGY UNIVERSITY NUCLEAR SCIENCE AND ENGINEERING ACT

Mr. BINGAMAN. Mr. President. I rise today to introduce a bill authorizing

the Secretary of Energy to provide for the Office of Nuclear Science and Technology to reverse a serious decline in our nation's educational capability to produce future nuclear scientists and engineers. Let me outline how serious this decline is, after doing so I will outline its impact on our nation and then discuss how this bill attempts to remedy this situation.

As of this year, the supply of four-year trained nuclear scientists and engineers is at a 35-year low. The number of four-year programs across our nation to train future nuclear scientists has declined to approximately 25—a 50 percent reduction since about 1970. Two-thirds of the nuclear science and engineering faculty are over age 45 with little if any ability to draw new and young talent to replace them. Universities across the United States cannot afford to maintain their small research reactors forcing their closure at an alarming rate. This year there are only 28 operating research and training reactors, over a 50 percent decline since 1980. Most if not all of these reactors were built in the late 1950's and early 60's and were licensed initially for 30 to 40 years. As a result, within the next five years the majority of these 28 reactors will have to be relicensed. Relicensing is a long, lengthy process which most universities cannot and will not afford. Interestingly, the employment demand for nuclear scientists and engineers exceeds our nation's ability to supply them. This year, the demand exceeded supply by 350, by 2003 it will be over 400.

These human resource and educational infrastructure problems are serious. The decline in a competently trained nuclear workforce affects a broad range of national issues.

We need nuclear engineers and health physicists to help design, safely dispose and monitor nuclear waste, both civilian and military.

We rely on nuclear physicists and scientists in the field of nuclear medicine to develop radio isotopes for the thousands of medical procedures performed everyday across our nation—to help save lives.

We must continue to operate and safely maintain our existing supply of fission reactors and respond to any future nuclear crisis worldwide—it takes nuclear scientists, engineers and health physicists to do that.

Our national security and treaty commitments rely on nuclear scientists to help stem the proliferation of nuclear weapons whether in our national laboratories or as part of worldwide inspection teams in such places as Iraq. Nuclear scientists are needed to convert existing reactors worldwide from highly enriched to low enriched fuels.

Nuclear engineers and health physicists are needed to design, operate and maintain future Naval Reactors. The Navy by itself cannot train students for their four year degrees—they only provide advance postgraduate training on their reactor's operation.

Basically, we are looking at the potential loss of a 50 year investment in a field which our nation started and leads the world in. What is worse, this loss is a downward self-feeding spiral. Poor departments cannot attract bright students and bright students will not carry on the needed cutting edge research that leads to promising young faculty members. Our system of nuclear education and training, in which we used to lead the world, is literally imploding upon itself.

I've laid out in this bill some proposals that I hope will seed a national debate in the upcoming 107th Congress on what we as a nation need to do to help solve this very serious problem. It is not a perfect bill, but I think it should start the ball rolling. I welcome all forms of bipartisan input on it. My staff has worked from consensus reports from the scientific community developed by the Nuclear Energy Advisory Committee to the Department of Energy's Office of Nuclear Science and Technology, in particular its Subcommittee on Education and Training. The report is available on the Office's website. I encourage everyone to read and look at these startling statistics.

Here is an outline of what is in the bill.

First and foremost, we need to concentrate on attracting good undergraduate students to the nuclear sciences. I have proposed enhancing the current program which provides fellowships to graduate students and extends that to undergraduate students.

Second, we need to attract new and young faculty. I've proposed a Junior Faculty Research Initiation Grant Program which is similar to the NSF programs targeted only towards supporting new faculty during the first 5 years of their career at a university. These first five years are critical years that either make or break new faculty.

Third, I've proposed enhancing the Office's Nuclear Engineering Education and Research Program. This program is critical to university faculty and graduate students by supporting only the most fundamental research in nuclear science and engineering. These fundamental programs ultimately will strengthen our industrial base and over all economic competitiveness.

Fourth, I've strengthened the Office's applied nuclear science program by ensuring that universities play an important role in collaboration with the national labs and industry. This collaboration is the most basic form of tech transfer, it is face-to-face contact and networking between faculty, students and the applied world of research and industry. This program will ensure a transition between the student and their future employer.

Finally, I've strengthened what I consider the most crucial element of this program—ensuring that future generations of students and professors have well maintained research reactors.

I've proposed to increase the funding levels for refueling and upgrading academic reactor instrumentation.

I propose to start a new program whereby faculty can apply for reactor research and training awards to provide for reactor improvements.

I have proposed a novel program whereby as part of a student's undergraduate and graduate thesis project, they help work on the re-licensing of their own research reactors. This program must be in collaboration with industry which already has ample experience in relicensing. Such a program will once again provide face-to-face networking and training between student, teacher and ultimately their employer.

I have proposed a fellowship program whereby faculty can take their sabbatical year at a DOE laboratory. Under this program DOE laboratory staff can co-teach university courses and give extended seminars. This program also provides for part time employment of students at the DOE labs—we are talking about bringing in new and young talent.

In making all of these proposals, let me emphasize that each one of these programs I have described is intended to be peer reviewed and to have awards made strictly on merit of the proposals submitted. This program is not a hand out. Each element that I am proposing requires that faculty innovate and compete for these funds. If they do not win, then their reactors will simply be shut down by their institutions.

I have outlined a very serious problem that if not corrected now will cost far more to correct later on. If the program I have outlined is implemented, then it will strengthen our reputation as a leader in the nuclear sciences, strengthen our national security and our ability to compete in the world market place.

Mr. President, I ask unanimous consent that the text of this bill be printed in the RECORD.

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

S. 3282

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as ''Department of Energy University Nuclear Science and Engineering Act''.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) U.S. university nuclear science and engineering programs are in a state of serious decline. The supply of bachelor degree nuclear science and engineering personnel in the United States is at a 35-year low. The number of four year degree nuclear engineering programs has declined 50 percent to approximately 25 programs nationwide. Over two-thirds of the faculty in these programs are 45 years or older.

(2) Universities cannot afford to support their research and training reactors. Since 1980, the number of small training reactors in the United States have declined by over 50 percent to 28 reactors. Most of these reactors

were built in the late 1950s and 1960s with 30- to 40-year operating licenses, and will require re-licensing in the next several years.

(3) The neglect in human investment and training infrastructure is affecting 50 years of national R&D investment. The decline in a competent nuclear workforce, and the lack of adequately trained nuclear scientists and engineers, will affect the ability of the United States to solve future waste storage issues, maintain basic nuclear health physics programs, operate existing fission reactors in the United States, respond to future nuclear events worldwide, help stem the proliferation of nuclear weapons, and design and operate naval nuclear reactors.

(4) Further neglect in the nation's investment in human resources for the nuclear sciences will lead to a downward spiral. As the number of nuclear science departments shrink, faculties age, and training reactors close, the appeal of nuclear science will be lost to future generations of students.

(5) The Department of Energy's Office of Nuclear Science and Technology is well suited to help maintain tomorrow's human resource and training investment in the nuclear sciences. Through its support of research and development pursuant to the Department's statutory authorities, the Office of Nuclear Science and Technology is the principal federal agent for civilian research in the nuclear sciences for the United States. The Office maintains the Nuclear Engineering and Education Research Program which funds basic nuclear science and engineering. The Office funds the Nuclear Energy and Research Initiative which funds applied collaborative research among universities, industry and national laboratories in the areas of proliferation resistant fuel cycles and future fission power systems. The Office funds Universities to refuel training reactors from highly enriched to low enriched proliferation tolerant fuels, performs instrumentation upgrades and maintains a program of student fellowships for nuclear science, engineering and health physics.

SEC. 3. DEPARTMENT OF ENERGY PROGRAM.

(a) ESTABLISHMENT.—The Secretary of Energy, through the Office of Nuclear Science and Technology, shall support a program to maintain the nation's human resource investment and infrastructure in the nuclear sciences and engineering consistent with the Department's statutory authorities related to civilian nuclear research and development.

(b) DUTIES OF THE OFFICE OF NUCLEAR SCIENCE AND TECHNOLOGY.—In carrying out the program under this Act, the Director of the Office of Nuclear Science and Technology shall—

(1) develop a robust graduate and undergraduate fellowship program to attract new and talented students;

(2) assist universities in recruiting and retaining new faculty in the nuclear sciences and engineering through a Junior Faculty Research Initiation Grant Program;

(3) maintain a robust investment in the fundamental nuclear sciences and engineering through the Nuclear Engineering Education Research Program;

(4) encourage collaborative nuclear research between industry, national laboratories and universities through the Nuclear Energy Research Initiative; and

(5) support communication and outreach related to nuclear science and engineering.

(c) MAINTAINING UNIVERSITY RESEARCH AND TRAINING REACTORS AND ASSOCIATED INFRASTRUCTURE.—Within the funds authorized to be appropriated pursuant to this Act, the amounts specified under section 4(b) shall, subject to appropriations, be available for the following research and training reactor infrastructure maintenance and research:

(1) Refueling of research reactors with low enriched fuels, upgrade of operational instrumentation, and sharing of reactors among universities.

(2) In collaboration with the U.S. nuclear industry, assistance, where necessary, in relicensing and upgrading training reactors as part of a student training program.

(3) A reactor research and training award program that provides for reactor improvements as part of a focused effort that emphasizes research, training, and education.

(d) UNIVERSITY-DOE LABORATORY INTERACTIONS.—The Secretary of Energy, through the Office of Nuclear Science and Technology, shall develop—

(1) a sabbatical fellowship program for university professors to spend extended periods of time at Department of Energy laboratories in the areas of nuclear science; and

(2) a visiting scientist program in which laboratory staff can spend time in academic nuclear science and engineering departments.

The Secretary shall also provide for fellowships for students to spend time at Department of Energy laboratories in the area of nuclear science.

(e) MERIT REVIEW REQUIRED.—All grants, contracts, cooperative agreements, or other financial assistance awards under this Act shall be made only after independent merit review.

SEC. 4. AUTHORIZATION OF APPROPRIATIONS.

(a) TOTAL AUTHORIZATION.—The following sums are authorized to be appropriated to the Secretary of Energy, to remain available until expended, for the purposes of carrying out this Act:

(1) $44,200,000 for fiscal year 2002.
(2) $56,450,000 for fiscal year 2003.
(3) $63,100,000 for fiscal year 2004.
(4) $61,100,000 for fiscal year 2005.
(5) $71,700,000 for fiscal year 2006.

(b) GRADUATE AND UNDERGRADUATE FELLOWSHIPS.—Of the funds under subsection (a), the following sums are authorized to be appropriated to carry out section 3(b)(1):

(1) $5,000,000 for fiscal year 2002.
(2) $5,100,000 for fiscal year 2003.
(3) $5,200,000 for fiscal year 2004.
(4) $5,200,000 for fiscal year 2005.
(5) $5,200,000 for fiscal year 2006.

(c) JUNIOR FACULTY RESEARCH INITIATION GRANT PROGRAM.—Of the funds under subsection (a), the following sums are authorized to be appropriated to carry out section 3(b)(2):

(1) $10,000,000 for fiscal year 2002.
(2) $11,000,000 for fiscal year 2003.
(3) $11,500,000 for fiscal year 2004.
(4) $11,500,000 for fiscal year 2005.
(5) $11,500,000 for fiscal year 2006.

(d) NUCLEAR ENGINEERING AND EDUCATION RESEARCH PROGRAM.—Of the funds under subsection (a), the following sums are authorized to be appropriated to carry out section 3(b)(3):

(1) $10,000,000 for fiscal year 2002.
(2) $15,000,000 for fiscal year 2003.
(3) $20,000,000 for fiscal year 2004.
(4) $21,000,000 for fiscal year 2005.
(5) $22,000,000 for fiscal year 2006.

(e) COMMUNICATION AND OUTREACH RELATED TO NUCLEAR SCIENCE AND ENGINEERING.—Of the funds under subsection (a), the following sums are authorized to be appropriated to carry out section 3(b)(5):

(1) $200,000 for fiscal year 2002.
(2) $250,000 for fiscal year 2003.
(3) $300,000 for fiscal year 2004.
(4) $300,000 for fiscal year 2005.
(5) $300,000 for fiscal year 2006.

(f) REFUELING OF RESEARCH REACTORS AND INSTRUMENTATION UPGRADES.—Of the funds under subsection (a), the following sums are authorized to be appropriated to carry out section 3(c)(1):

(1) $6,000,000 for fiscal year 2002.
(2) $6,500,000 for fiscal year 2003.
(3) $7,000,000 for fiscal year 2004.
(4) $7,000,000 for fiscal year 2005.
(5) $7,000,000 for fiscal year 2006.

(g) RE-LICENSING ASSISTANCE.—Of the funds under subsection (a), the following sums are authorized to be appropriated to carry out section 3(c)(2):

(1) $2,000,000 for fiscal year 2002.
(2) $2,500,000 for fiscal year 2003.
(3) $3,000,000 for fiscal year 2004.
(4) $3,000,000 for fiscal year 2005.
(5) $4,500,000 for fiscal year 2006.

(h) REACTOR RESEARCH AND TRAINING AWARD PROGRAM.—Of the funds under subsection (a), the following sums are authorized to be appropriated to carry out section 3(c)(3);

(1) $10,000,000 for fiscal year 2002.
(2) $15,000,000 for fiscal year 2003.
(3) $15,000,000 for fiscal year 2004.
(4) $17,000,000 for fiscal year 2005.
(5) $20,000,000 for fiscal year 2006.

(i) UNIVERSITY-DOE LABORATORY INTERACTIONS.—Of the funds under subsection (a), the following sums are authorized to be appropriated to carry out section 3(d).

(1) $1,000,000 for fiscal year 2002.
(2) $1,100,000 for fiscal year 2003.
(3) $1,100,000 for fiscal year 2004.
(4) $1,100,000 for fiscal year 2005.
(5) $1,200,000 for fiscal year 2006.

By Mr. LUGAR (for himself, Mr. GRAMM, Mr. HARKIN, Mr. FITZGERALD, Mr. HAGEL, and Mr. JOHNSON):

S. 3283. A bill to reauthorize and amend the Commodity Exchange Act to promote legal certainty, enhance competition, and reduce systematic risk in markets for futures and over-the-counter derivatives, and for other purposes; read the first time.

THE COMMODITY FUTURES MODERNIZATION ACT OF 2000

Mr. LUGAR. Mr. President, I am pleased to rise today with Senators GRAMM, HARKIN, FITZGERALD, HAGEL, and JOHNSON to re-introduce the Commodity Futures Modernization Act of 2000. This legislation is the Senate companion to H.R. 5660, which Congressman THOMAS EWING introduced yesterday in the House of Representatives and which will be enacted as part of the final appropriations package today. This monumental legislation is the culmination of two years worth of hearings and hard-fought negotiations, but I am confident that the resulting legislation will greatly benefit the U.S. financial industry. I commend all the Members and staff who have contributed to this bill. In particular, I want to applaud Senator GRAMM, Congressman EWING and Senator FITZGERALD for their stewardship and determination in helping pass a bill this year. Its enactment would not have occurred without their efforts. I also want to recognize Treasury Secretary Summers, Commodity Futures Trading Commission, CFTC, Chairman Bill Rainer and Securities and Exchange Commission, SEC, Chairman Arthur Levitt as well as their staffs, who have played a pivotal role in bringing this bill together and garnering support for its passage.

This bill, which re-authorizes the Commodity Exchange Act for five

years, would reform our financial and derivatives laws in five primary ways. First, it would incorporate the unanimous recommendations of the President's Working Group on Financial Markets on the proper legal and regulatory treatment of over-the-counter, OTC, derivatives. Second, it would codify the regulatory relief proposal of the CFTC to ensure that futures exchanges are appropriately regulated and remain competitive. Third, this legislation would repeal the Shad-Johnson jurisdictional accord, which banned single stock futures 18 years ago. Fourth, this legislation provides certainty that products offered by banking institutions will not be regulated as futures contracts. Finally, this bill provides legal certainty for institutional equity swaps by providing the SEC with express but limited authorities over these instruments.

Derivative instruments, both those that are exchange-traded and traded over-the-counter, have played a significant role in our economy's current expansion due to their innovative nature and risk-transferring attributes. The global derivatives market has a notional value that now exceeds $90 trillion. Identified by Federal Reserve Chairman Alan Greenspan as the most significant event in finance of the past decade, the development of the derivatives market has substantially added to the productivity and wealth of our nation.

Derivatives enable companies to unbundle and transfer risk to those entities who are willing and able to accept it. By doing so, efficiency is enhanced as firms are able to concentrate on their core business objective. A farmer can purchase a futures contract, one type of derivative, in order to lock in a price for his crop at harvest. Likewise, automobile manufacturers whose profits earned overseas can fluctuate with changes in currency values, can minimize this uncertainty through derivatives, allowing them to focus on the business of building cars. Banks significantly lessen their exposure to interest rate movements by entering into derivatives contracts known as swaps, which enable these institutions to hedge their risk by exchanging variable and fixed rates of interests.

Signed into law in 1974, the Commodity Exchange Act, CEA, requires that futures contracts be traded on a regulated exchange. As a result, a futures contract that is traded off an exchange is illegal and unenforceable. When Congress enacted the CEA and authorized the CFTC to enforce it, this was not a concern. The meanings of ''futures'' and ''exchange'' were relatively apparent. Furthermore, the over-the-counter derivatives business was in its infancy. However, in the 26 years since the statute's enactment, the OTC swaps and derivatives market, sparked by innovation and technology, has significantly outpaced the exchange-traded futures markets. Thus the definitions of a swap and a future began to blur.

In 1998, the CFTC issued a document containing a concept release regarding OTC derivatives, which was perceived by many as a precursor to regulating these instruments as futures. Just the threat of reaching this conclusion could have had considerable ramifications, given the size and importance of the OTC market. The legal uncertainty interjected by this dispute jeopardized the entirety of the OTC market and threatened to move significant portions of the business overseas. If we were to lose this market, most likely to London, it would take years to bring it back to U.S. soil. The resulting loss of business and jobs would be immeasurable.

This threat led the Treasury Department, the Federal Reserve, and the SEC to oppose the concept release and request that Congress enact a moratorium on the CFTC's ability to regulate these instruments until after the President's Working Group could complete a study on the issue. As a result, Congress passed a six-month moratorium on the CFTC's ability to regulate over-the-counter derivatives. Despite reservations, I supported this moratorium because it brought legal assurance to this skittish market and it allowed the Working Group time to develop recommendations on the most appropriate legal treatment of OTC derivatives. In November 1999, the President's Working Group completed its unanimous recommendations on OTC derivatives and presented Congress with these findings. These recommendations remain the cornerstone of our bill.

Our bill contains several mechanisms for ensuring that legal certainty is attained and that certain transactions remain outside the Commodity Exchange Act. The first, the electronic trading facility exclusion, would exclude transactions in financial commodities from the Act if conducted: (1) on a principal to principal basis; (2) between institutions or sophisticated persons with high net worth; and (3) on an electronic trading facility. The second would exclude these transactions if (1) they are conducted between institutions or sophisticated persons with high net worth; and (2) they are not on a trading facility.

These exclusions attempt to address the advent of electronic trading and the changing and innovating nature of the financial industry. Indeed, we are keenly aware that there are newly emerging electronic systems that provide for the electronic negotiation of swaps agreements between and among large banks and other sophisticated major financial institutions acting as dealers. We do not intend for these systems to come within the definition of trading facilities.

The third exclusion clarifies the Treasury Amendment language already contained in the CEA. It would exclude all transactions in foreign currency and government securities from the Act unless those transactions are futures contracts and traded on an organized exchange. As recommended by the Working Group, the bill would give the CFTC jurisdiction over non-regulated off-exchange retail transactions in foreign currency. Another important recommendation of the PWG was to authorize futures clearing facilities to clear OTC derivatives in an effort to lessen systemic risk and this bill incorporates this finding.

As part of the legal certainty provisions, this legislation also addresses the concern that excluding OTC derivatives from the futures laws will cause these products to be fully regulated as securities. With Senator GRAMM's leadership, this legislation adopts language that would provide the SEC with limited authority over institutional swaps for fraud, manipulation and insider trading. This language will help to provide the legal certainty that these institutional transactions lack under current law.

Title four of this bill also provides legal certainty for banking products. Senator GRAMM has appropriately raised the concern that traditional banking products should not be subject to the CEA. This language provides an exclusion for traditional banking products as well as hybrid products that are predominantly banking in nature. New products offered by banks that are not in existence on December 5, 2000, or are otherwise not excluded from the CEA would fall under a ''jump ball'' provision of the bill. This section provides a mechanism for the CFTC and the Federal Reserve to determine whether a new non-traditional product offered by a bank should be regulated under the banking laws or the futures laws.

The second major section of this legislation addresses regulatory relief. In February of this year, the CFTC issued a regulatory relief proposal that would provide relief to futures exchanges and their customers. Instead of listing specific requirements for complying with the CEA, the proposal would require exchanges to meet internationally agreed-upon core principals. The CFTC proposal creates tiers of regulation for exchanges based on whether the underlying commodities being traded are susceptible to manipulation or whether the users of the exchange are limited to institutional customers. Unsure of whether this legislation would be enacted, the CFTC went ahead and finalized its regulatory relief proposal on November 20, 2000.

When enacted, this legislation will largely incorporate the CFTC's framework. A board of trade that is designated as a contract market would receive the highest level of regulation due to the fact that these products are susceptible to manipulation or are offered to retail customers. Futures on agricultural commodities would fall into this category. This bill also sets out that in lieu of contract market designation, a board of trade may register as a Derivatives Transaction Execution

Facility, DTEF, if the products being offered are not susceptible to manipulation and are traded among institutional customers or retail customers who use large Futures Commission Merchants, FCMs, who are members of a clearing facility.

Also, a board of trade may choose to be an Exempt Board of Trade, XBOT, and not be subject to the Act (except for the CFTC's anti-manipulation authority) if the products being offered are traded among institutional customers only (absolutely no retail) and the instruments are not susceptible to manipulation. Our bill would allow a board of trade that is a DTEF or an XBOT to opt to trade derivatives that are otherwise excluded from the Act on these facilities and to the extent that these products are traded on these facilities, the CFTC would have exclusive jurisdiction over them. With this provision, the intent is to provide these facilities that trade derivatives with a choice—if regulation is beneficial, the facility may choose to be regulated. If not, the facility may choose to be excluded or exempted from the Act.

By refraining from altering certain sections of the Act, this legislation reaffirms the importance of specific authorities granted the CFTC, including its anti-fraud and anti-manipulation powers. Section 4b is the principal anti-fraud provision of the Act and the Commission has consistently used Section 4b to combat fraudulent conduct by bucket shops and boiler rooms that entered into transactions directly with their customers and thus did not involve a traditional broker-client type of relationship. There have been cases involving the fraudulent sale of illegal precious metals futures contracts marketed as cash-forward transactions (*CFTC* v. *P.I.E., Inc.*, 853 F.2d 721 (9th Cir. 1988)) as well as cases involving boiler room operations fraudulently selling illegal precious metals contracts to members of the general public. (*CFTC* v. *Wellington Precious Metals, Inc.*, 950 F.2d 1525 (11th Cir.), cert. denied, 113 S. Ct. 66 (1992)). This reaffirmation is consistent with both Congress' understanding of and past Congressional amendments to Section 4b that confirmed the applicability of Section 4b to fraudulent boiler rooms and bucket shops that enter into transactions directly with their customers.

It is the intent of Congress in retaining Section 4b of the Act that the provision not be limited to fiduciary, broker/customer or other agency-like relationships. Section 4b provides the Commission with broad authority to police fraudulent conduct within its jurisdiction, whether occurring in boiler rooms and bucket shops, or in the e-commerce markets that will develop under this new statutory framework.

The bill's last section addresses the Shad-Johnson jurisdictional accord. In 1982, SEC Chairman John Shad and CFTC Chairman Phil Johnson reached an agreement on dividing jurisdiction between the agencies for those products that had characteristics of both securities and futures. Known as the Shad-Johnson Accord, this agreement prohibited single stock futures and delineated jurisdiction between the SEC and the CFTC on stock index futures.

Meant as a temporary agreement, many have suggested that the Shad-Johnson accord should be repealed. The President's Working Group unanimously agreed that the Accord should be repealed if regulatory disparities are resolved between the regulation of futures and securities. In March 2000, the General Accounting Office released a report that found that there is no legitimate policy reason for maintaining the ban on single stock futures since these products are being traded in foreign markets, in the OTC market, and synthetically in the options markets. Chairman GRAMM and I sent a letter requesting the CFTC and the SEC to make recommendations on reforming the Shad-Johnson ban. On September 14, 2000, the SEC and CFTC reached an agreement on the proper regulatory treatment of these instruments, and we have incorporated this agreement into our legislation.

Under the legislation, the SEC and the CFTC would jointly regulate the market for single stock futures and narrow-based stock index futures. These products will be allowed to trade on both futures and securities exchanges. Single stock futures and narrow-based stock index futures (i.e., security futures) would be statutorily defined as both securities and futures, allowing the agencies the authority to regulate these instruments. However, to avoid redundancy, our legislation exempts these products from a series of regulations and requirements under both the securities and futures laws.

Margin levels, listing standards, and other key trading practices would be jointly supervised by the SEC and CFTC. At the outset, margin levels for security futures products could not be lower than comparable margin levels required in the options markets. The tax treatment of these products would be comparable to the tax treatment of options on securities to ensure a level playing field between the markets.

Futures on broad-based indices would be under the exclusive jurisdiction of the CFTC. The agreement sets out a ''bright-line'' formula for determining when an index is broad-based using the number and weighting of the securities contained in the index. This formula would allow a broad-based index to contain as few as 9 securities.

The goal of this legislation is to ensure that the United States remains a global leader in the derivatives marketplace and that these markets are appropriately and effectively regulated. I believe that this legislation meets these objectives while ensuring that the public's interest in the financial markets is protected.

This long legislative journey began two years ago when the Senate and House Agriculture Committees held a two day roundtable, in which distinguished individuals from the financial community participated. One of those individuals was Merton H. Miller, the Nobel Prize winning professor of economics from the University of Chicago, who passed away this summer. Professor Miller, known for his disarming sense of humor, his plain-spokenness and his generosity, is dearly missed by his family, friends and colleagues. The impact of his death has been particularly hard felt by the community of friends at the Chicago futures markets. Professor Miller was the primary intellectual force behind the development of the modern financial futures market and a staunch defender of the free market system. His body of work helped bring academic legitimacy to these markets, and he is sorely missed by them. As part of our roundtable discussion, we allowed each of the participants to make one wish for the coming 106th Congress. True to his life's work in this area, Professor Miller told us that Congress needed to lessen the cost of regulation on the futures and other financial markets in order to allow these markets to survive and compete in the global economy. I find it particularly satisfying that we are able to pass this historic legislation at the end of the 106th Congress and provide Professor Miller with his wish. I am confident that his legacy will live on through the success and growth of the markets that are benefitted by this legislation.

Mr. GRAMM. Mr. President, today I join with Senator LUGAR, Chairman of the Senate Agriculture Committee, and several others of our colleagues to introduce the Commodity Futures Modernization Act of 2000. The formal purpose of this legislation is to reauthorize the Commodity Exchange Act, the legal authority for the Commodity Futures Trading Commission. As important as that is, this legislation does far more.

This is a landmark bill that addresses the two major purposes that Senator LUGAR and I set out to achieve when we first began discussing this legislation. First of all, this bill would repeal the so-called Shad-Johnson Accord, the 18-year-old temporary prohibition on the trading of futures based on individual stocks. Second, the bill eliminates the legal uncertainty that today hangs as an ominous cloud over the $60 trillion financial swaps markets.

We are introducing the bill today as the finished product of years of work involving half a dozen committees in both Houses of Congress, and as many agencies of the Federal government. This bill is identical to, and is the Senate companion to, H.R. 5660, introduced yesterday in the House and which will be approved by the House and the Senate today. We introduce this bill in the Senate to demonstrate the bicameral authorship and support for this important legislation.

For legislative history, I would direct my colleagues to statements made

elsewhere in the RECORD in connection with House and Senate action on the House companion, part of the package of legislation approved together with the Labor HHS appropriations bill for fiscal year 2001.

I would take this opportunity to thank Chairman LUGAR and all who had a hand in forming this important legislation. All who had a hand in it deserve to be proud of this product.

Mr. DURBIN:

S. 3284. A bill to amend title 5, United States Code, to establish a national health program administered by the Office of Personal Management to offer Federal employee health benefits plans to individuals who are not Federal employees, and for other purposes; to the Committee on Governmental Affairs.

OPTION ACT OF 2000

Mr. DURBIN. Mr. President, today I am introducing legislation to make available to all of our constituents the same range of private health insurance plans available to Members of Congress and other federal employees through the Federal Employees Health Benefits Program, FEHBP.

The OPTION Act—Offering People True Insurance Options Nationwide—would expand insurance options by allowing individuals to enroll in private health insurance plans nearly identical to the plans federal employees currently choose from. Though the OPTION program would be separate from the federal employees program, it would be modeled after FEHBP and would draw from FEHBP's strengths: plan choice, group purchasing savings, comprehensive benefits, and open enrollment periods.

Too many Americans do not have real insurance options. Many individuals lack insurance because no insurer is willing to cover them at a reasonable price. Others work for employers who do not provide health insurance or offer only one insurance provider. The OPTION Act addresses these issues by giving individuals and businesses access to the group purchasing power that undergirds FEHBP and the wide range of health plans in that program.

Under this legislation, all FEHBP health plans would be required to offer an OPTION health plan to non-federal employees with the same benefits they offer federal employees through FEHBP.

OPTION enrollees would be placed in a separate risk pool, to prevent any effect on current FEHBP employees, and the OPTION Act would not result in any changes in the premiums or benefits of today's FEHBP health plans.

One of the few differences from FEHBP is that OPTION plans would be allowed to vary premiums by age, so that younger enrollees would be more likely to enroll. OPTION plans also would be required to offer rebates or lower premiums for longevity of health coverage. These provisions would act as an incentive for people to sign up when they are young and to maintain continuous coverage.

OPTION health plans would not be allowed to impose any preexisting condition exclusions on new OPTION enrollees who have at least one year of health insurance coverage immediately prior to enrollment in an OPTION plan. To prevent people from waiting until they get sick to enroll, health plans would be allowed to exclude coverage for preexisting conditions for up to one year for people without coverage immediately preceding enrollment.

All employers would have the option of voluntarily participating in the OPTION program and providing OPTION health plans to their employees. To be eligible, a business would have to be willing to pay at least a minimum percentage of the premiums, varying from 30 percent to 50 percent depending on the size of the business. This innovative employer option would encourage employer health coverage rather than shifting coverage away from the private sector. I want to emphasize that employer participation would be entirely voluntary.

Opening up these health plans to employers would give small businesses a new opportunity to provide health coverage to their employees. Premiums in today's market can be especially high for small businesses buying insurance on their own. The OPTION program will allow businesses to tap into the type of group buying power in the federal employees program.

Premiums would not be government-subsidized and would instead be the responsibility of the participating enrollees and those employers who choose to participate.

Mr. President, I support efforts to provide financial assistance to those who cannot afford health insurance and I have offered other pieces of legislation to provide that assistance. We need to address the fact that 42.6 million Americans, including 1.7 million Illinoisans, currently lack health insurance—up nearly 25 percent from the 34.4 million in 1990. However, I am offering this measure on its own to focus specifically on expanding health coverage options and encouraging businesses to provide coverage. No one should be living just a serious accident or major illness away from financial ruin. Making more insurance options available to a greater number of people in this country is a good first step toward universal coverage.

The OPTION program would be administered by the Office of Personnel Management, OPM, which administers the FEHBP program, and would generally follow the rules for FEHBP. OPM has developed considerable expertise in negotiating and working with health plans and has shown that it can run a health program well at a minimum of cost. We can build on OPM's expertise to extend the same health insurance options to all Americans.

Finally, once it is up and running, the program would pay for itself. Administrative costs would be covered from a portion of the OPTION premiums. Those who benefit from the program would pay for its overhead costs.

Mr. President, this legislation could open the door for many Americans to obtain good health insurance coverage. I am introducing it at this late point in the session so that it can stimulate discussion over the next few months. I will reintroduce the measure next year. I welcome the input and support of my colleagues and hope the Senate will work next year to reduce the number of uninsured Americans and expand insurance options.

I ask unanimous consent that a fuller summary of the bill and a copy of the bill itself be printed in the RECORD.

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

S. 3284

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Offering People True Insurance Options Nationwide Act of 2000''.

SEC. 2. OPTION HEALTH INSURANCE.

Subpart G of part III of title 5, United States Code, is amended by adding at the end the following:

''CHAPTER 90A—HEALTH INSURANCE FOR NON-FEDERAL EMPLOYEES

''Sec.
''9051. Definitions.
''9052. Health insurance for non-Federal employees.
''9053. Contract requirement.
''9054. Eligibility.
''9055. Alternative conditions to Federal employee plans.
''9056. Coordination with social security benefits.
''9057. Non-Federal employer participation.

''§ 9051. Definitions

''In this chapter—

''(1) the terms defined under section 8901 shall have the meanings given such terms under that section; and

''(2) the term 'Office' means the Office of Personnel Management.

''§ 9052. Health insurance for non-Federal employees

''(a) The Office of Personnel Management shall administer a health insurance program for non-Federal employees in accordance with this chapter.

''(b) Except as provided under this chapter, the Office shall prescribe regulations to apply the provisions of chapter 89 to the greatest extent practicable to eligible individuals covered under this chapter.

''(c) In no event shall the enactment of this chapter result in—

''(1) any increase in the level of individual or Government contributions required under chapter 89, including copayments or deductibles;

''(2) any decrease in the types of benefits offered under chapter 89; or

''(3) any other change that would adversely affect the coverage afforded under chapter 89 to employees and annuitants and members of family under that chapter.

''§ 9053. Contract requirement

''(a) Each contract entered into under section 8902 shall require a carrier to offer to eligible individuals under this chapter,

throughout each term for which the contract remains effective, the same benefits (subject to the same maximums, limitations, exclusions, and other similar terms or conditions) as would be offered under such contract or applicable health benefits plan to employees, annuitants, and members of family.

''(b)(1) The Office may waive the requirements of this subsection, if the Office determines, based on a petition submitted by a carrier that—

''(A) the carrier is unable to offer the applicable health benefits plan because of a limitation in the capacity of the plan to deliver services or assure financial solvency;

''(B) the applicable health benefits plan is not sponsored by a carrier licensed under applicable State law; or

''(C) bona fide enrollment restrictions make the application of this chapter inappropriate, including restrictions common to plans which are limited to individuals having a past or current employment relationship with a particular agency or other authority of the Government.

''(2) The Office may require a petition under this subsection to include—

''(A) a description of the efforts the carrier proposes to take in order to offer the applicable health benefits plan under this chapter; and

''(B) the proposed date for offering such a health benefits plan.

''(3) A waiver under this subsection may be for any period determined by the Office. The Office may grant subsequent waivers under this section.

''§ 9054. Eligibility

''An individual shall be eligible to enroll in a plan under this chapter, unless the individual is enrolled or eligible to enroll in a plan under chapter 89.

''§ 9055. Alternative conditions to Federal employee plans

''(a) For purposes of enrollment in a health benefits plan under this chapter, an individual who had coverage under a health insurance plan and is not a qualified beneficiary as defined under section 4980B(g)(1) of the Internal Revenue Code of 1986 shall be treated in a similar manner as an individual who begins employment as an employee under chapter 89.

''(b) In the administration of this chapter, covered individuals under this chapter shall be in a risk pool separate from covered individuals under chapter 89.

''(c)(1) Each contract under this chapter may include a preexisting condition exclusion as defined under section 9801(b)(1) of the Internal Revenue Code of 1986.

''(2)(A) The preexisting condition exclusion under this subsection shall provide for coverage of a preexisting condition to begin not more than 1 year after the date of coverage of an individual under a health benefits plan, reduced by 1 month for each month that individual was covered under a health insurance plan immediately preceding the date the individual submitted an application for coverage under this chapter.

''(B) For purposes of this paragraph, a lapse in coverage of not more than 31 days immediately preceding the date of the submission of an application for coverage shall not be considered a lapse in continuous coverage.

''(d)(1) Rates charged and premiums paid for a health benefits plan under this chapter—

''(A) may be adjusted and differ from such rates charged and premiums paid for the same health benefits plan offered under chapter 89;

''(B) shall be negotiated in the same manner as negotiated under chapter 89; and

''(C) shall be adjusted to cover the administrative costs of this chapter.

''(2) In determining rates and premiums under this chapter—

''(A) the age of covered individuals may be considered; and

''(B) rebates or lower rates and premiums shall be set to encourage longevity of coverage.

''(e) No Government contribution shall be made for any covered individual under this chapter.

''(f) If an individual who is enrolled in a health benefits plan under this chapter terminates the enrollment, the individual shall not be eligible for reenrollment until the first open enrollment period following 6 months after the date of such termination.

''§ 9056. Coordination with social security benefits

''Benefits under this chapter shall, with respect to an individual who is entitled to benefits under part A of title XVIII of the Social Security Act, be offered (for use in coordination with those social security benefits) to the same extent and in the same manner as if coverage were under chapter 89.

''§ 9057. Non-Federal employer participation

''(a) In this section the term—

''(1) 'employee', notwithstanding section 9051, means an employee of a non-Federal employer; and

''(2) 'non-Federal employer' means an employer that is not the Federal Government.

''(b)(1) The Office shall prescribe regulations providing for non-Federal employer participation under this chapter, including—

''(A) the offering of health benefits plans under this chapter to employees through participating non-Federal employers; and

''(B) a requirement for participating non-Federal employer contributions to the payment of premiums for employees who enroll in a health benefits plan under this chapter.

''(2) A participating non-Federal employer shall pay an employer contribution for the premiums of an employee or other applicable covered individual as follows:

''(A) A non-Federal employer that employs not more than 2 employees shall not be required to pay an employer contribution.

''(B) A non-Federal employer that employs more than 2 and not more than 25 employees shall pay not less than 30 percent of the total premiums.

''(C) A non-Federal employer that employs more than 25 and not more than 50 employees shall pay not less than 40 percent of the total premiums.

''(D) A non-Federal employer that employs more than 50 employees shall pay not less than 50 percent of the total premiums.

''(3) Notwithstanding paragraph (2) (B), (C), or (D), a non-Federal employer that employs more than 2 employees shall pay not less than 20 percent of the total premiums with respect to the first year in which that employer participates under this chapter.''.

SEC. 3. TECHNICAL AND CONFORMING AMENDMENTS.

(a) CONTRACT REQUIREMENT UNDER CHAPTER 89.—Section 8902 of title 5, United States Code, is amended by adding after subsection (o) the following:

''(p) Each contract under this chapter shall include a provision that the carrier shall offer any health benefits plan as required under chapter 90A.''.

(b) TABLE OF CHAPTERS.—The table of chapters for part III of title 5, United States Code, is amended by inserting after the item relating to chapter 90 the following:

''90A. Health Insurance for Non-Federal Employees ..... 9051''.

SEC. 4. EFFECTIVE DATE.

This Act and the amendments made by this Act shall take effect on the date of enactment of this Act and shall apply to contracts that take effect with respect to calendar year 2002 and each calendar year thereafter.

THE OFFERING PEOPLE TRUE INSURANCE OPTIONS NATIONWIDE (OPTION) ACT OF 2000—SUMMARY

The OPTION Act (Offering People True Insurance Options Nationwide) would expand health insurance options for all Americans by giving them access to the group purchasing power and same range of private health insurance plans available to Members of Congress and other federal employees. Under the OPTION Act:

All Americans would be eligible to enroll in OPTION health plans nearly identical to the health plans from which federal employees currently choose through the Federal Employees Health Benefits Program (FEHBP).

All FEHBP health plans would be required to offer an OPTION health plan to non-federal employees with the same benefits as they offer federal employees through FEHBP (with the exception of plans designated for a specific federal agency such as the foreign service and plans that apply for and receive an exemption due to special circumstances).

OPTION enrollees would be placed in a separate risk pool, to prevent any effect on current FEHBP employees.

The OPTION Act would not result in any changes in the premiums, copayments, deductibles, or benefits of FEHBP health plans, to avoid any adverse effect on the current FEHBP coverage of federal employees and annuitants and their families.

All employers would have the option of voluntarily participating in the OPTION program and providing OPTION health plans to their employees. To be eligible, a business would have to be willing to pay at least a minimum percentage of the premiums for its employees, with the amount varying depending on the size of the business. A small business with 3–25 employees would have to pay at least 30% of the premium for its employees, a larger business with 26–50 employees would have to pay at least 40%, and a business with more than 50 employees would have to pay at least 50%. Employers would be offered an incentive to begin enrolling their employees by allowing them to pay as little as 20% of the premium for the first year only. This innovative employer option would encourage employer health coverage rather than shifting coverage away from the private sector. Employer participation would be entirely voluntary.

Under the OPTION Act, premiums would not be government-subsidized. Enrollees, and those employers who choose to participate, would be responsible for the cost of the premiums. (Senator Durbin supports and has offered separate legislation to provide financial assistance to those who cannot afford health insurance but is offering this measure on its own to focus specifically on expanding health coverage options and encouraging businesses to provide coverage.)

One of the few differences from FEHBP is that OPTION plans would be allowed to vary premiums by age, so that younger enrollees would be more likely to enroll.

OPTION plans also would be required to offer rebates or lower premiums to encourage and reward longevity of health coverage. This would create an incentive for people to sign up when they are young and maintain continuous coverage.

OPTION health plans would not be allowed to impose any preexisting condition exclusions on new OPTION enrollees who have at least one year of health insurance coverage immediately prior to enrollment in an OPTION plan. To prevent people from waiting

until they get sick to enroll, health plans would be allowed to exclude coverage for pre-existing conditions for up to one year for people without coverage immediately prior to enrollment (reduced by one month for each month of immediately previous coverage). OPTION enrollees who terminate their coverage mid-year would have to wait to re-join until the next annual open season that is at least six months after the date of termination.

People who lost their previous health coverage and are not eligible for COBRA would be allowed to enroll in an OPTION plan at the start of the next month, just as newly hired federal employees can enroll in FEHBP.

The benefits provided by OPTION plans would be the same as the benefits in the corresponding FEHBP plans. (Current FEHBP benefits include inpatient/outpatient hospital care; physician services; surgical services; diagnostic tests; and emergency care; as well as child immunizations; certain cancer screening tests, including mammography; prescription drugs, including contraceptives; mental health and substance abuse treatment benefits with parity for mental and physical health; organ transplantation; and a 48-hour minimum inpatient stay for childbirth and mastectomies.)

The OPTION program would be administered by the Office of Personnel Management (OPM), which administers the FEHBP program, and would generally follow the rules for FEHBP. For example, OPM would conduct the same annual open season for enrollment and would negotiate premiums and benefits with OPTION health plans as it does with FEHBP plans. OPM has developed considerable expertise in negotiating and working with health plans and has shown that it can run a health program well at a minimum of cost. Its expenses are currently limited to no more than one percent of the total premiums for the FEHBP program. Rather than reinventing the wheel, we can build on OPM's expertise to extend the same health insurance options to all Americans.

Once it is up and running, the program would pay for itself. Administrative costs would be covered from a portion of the OPTION premiums.

By Mr. DURBIN:

S. 3285. A bill to amend the Internal Revenue Code of 1986 to exclude tobacco products from qualifying foreign trade property in the treatment of extraterritorial income; to the Committee on Finance.

STOP GIVING SPECIAL TAX BREAKS TO TOBACCO

Mr. DURBIN. Mr. President, today I am introducing legislation to exclude tobacco from the Extraterritorial Income Exclusion tax benefit, which has replaced the Foreign Sales Corporation tax benefit.

This tax provision provides tax benefits to a variety of companies, including many in Illinois, and I understand how important it is to them. But one product should be clearly, in law, excluded from this benefit, and it is the one product which kills its user when used according to the manufacturer's directions—tobacco.

The FSC replacement law already contains several exclusions from its benefits. Oil, gas, and other primary products are excluded to help ensure that natural resources in the United States are not depleted.

Unprocessed timber is excluded in order to ensure no displacement of U.S. jobs.

The law also excludes certain products in order to promote congruence with other federal government policies. For example, there are exclusions relating to items subject to the Export Administration Act, which prohibits or severely restricts export of certain civilian goods and technology that have military applications. Similarly, we should not be subsidizing tobacco products that are sold overseas while at the same time trying to cut smoking rates in the U.S. Our trade and health priorities should be on the same page.

The biggest tobacco companies in America currently benefit handsomely from the Foreign Sales Corporation tax break and will benefit from the Extraterritorial Income Exclusion tax break. The latest available data from the Statistics of Income Division at the Internal Revenue Service show tobacco products sold through 10 Foreign Sales Corporations for domestic tobacco manufacturers accounted for about $100 million in lost tax revenue in 1996. There is no justification for compelling American taxpayers to support a $100 million tax subsidy annually for the benefit of U.S. tobacco companies.

Since 1990, while Philip Morris's sales have grown minimally in the U.S., they have grown by 80 percent abroad. Smoking currently causes more than 3.5 million deaths each year throughout the world. Within 20 years, that number is expected to rise to 10 million, with 70 percent of all deaths from smoking occurring in developing countries. Tobacco will soon be the leading cause of disease and premature death worldwide—surpassing communicable diseases such as AIDS, malaria, and tuberculosis.

American taxpayers should not be partners in this export of disease and death where the result is more children around the globe smoking and more people getting sick and dying.

While it is true that tobacco companies are not receiving any special treatment that other corporations don't get under the old FSC law or its recent replacement, we must remember that tobacco companies are not like any other company. Internal tobacco industry documents have established that, starting as early as the 1950s, cigarette companies intentionally withheld information about smoking, including scientific research about its risks; made false and misleading statements about the harm of tobacco products; attacked research findings despite knowing that the research was valid; failed to take steps to make their products safer; and marketed their products to children and youth.

As a matter of fact, Philip Morris recently posted a statement on its website agreeing that smoking is harmful to your health and that there is no such thing as a safe or safer cigarette. The statement says, ''We agree with the overwhelming medical and scientific consensus that cigarette smoking causes lung cancer, heart disease, emphysema and other serious diseases in smokers. Smokers are far more likely to develop serious diseases, like lung cancer, than non-smokers. There is no 'safe' cigarette. These are and have been the messages of public health authorities worldwide. Smokers and potential smokers should rely on these messages in making all smoking-related decisions.''

It is about time that the tobacco companies faced up to the fact that their products are harmful and highly addictive. In the U.S. alone, smoking causes more than 400,000 deaths and costs more than $72 billion in health care costs every year.

We should not be subsidizing such an inherently dangerous product that is being promoted and marketed so irresponsibly here and around the world. With its devastating health effects, tobacco should not enjoy the same taxpayer-subsidized federal assistance as other products.

It's time to take another step toward bringing our nation's tax and trade priorities in line with our clear understanding of the health dangers of tobacco. My legislation simply adds one additional category to the list of products excluded from the special tax treatment in the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, which was recently signed into law by the President. It shifts tobacco from being promoted by this tax benefit to being excluded from this tax benefit.

In my legislation, tobacco is defined as it is defined in Section 5702(c) of the Internal Revenue Code, so it includes cigars, cigarettes, smokeless tobacco, and pipe tobacco. It does not apply to raw tobacco, so this legislation will not affect tobacco farmers' ability to sell their product abroad.

Is it fair to exclude a legal product from this tax benefit? Absolutely! Tobacco companies spend over $5 billion each year—that's nearly $14 million every day—in the U.S. alone to promote their products in order to replace the thousands of customers who either die or quit using tobacco products each day. In other countries, U.S. tobacco companies advertise their products near schools and in video-game arcades. They also use children in other countries to peddle their products. Street lights with the Camel logo have been installed in Bucharest, Romania. Toy cars with the Camel insignia are sold to children in Buenos Aires. Children's tatoos sporting the Salem logo are distributed in Hong Kong. Arcade games in the Philippines are plastered with the Marlboro label.

I urge my colleagues to send a message to U.S. tobacco companies as well as the next Administration to take the logical next step and make changes in the way tobacco products are sold and regulated to reflect the magnitude of the danger.

The tobacco prevention agenda has been stalled in this Congress for far too

long. Let's work together, in a bipartisan fashion, to stop marketing tobacco products to children, to regulate tobacco products in a sensible way, and to adopt larger and clearer warning labels commensurate with the risks of tobacco products. Let's take a close look at all the forms of tobacco, including the new fad of bidis and the resurgent use of cigars. They all have addictive levels of nicotine and deadly levels of carcinogens. It's time to put people's health ahead of tobacco company profits.

Mr. President, I urge my colleagues to join me in cosponsoring this important legislation, to end the contradiction of using the tax code to continue to enrich U.S. tobacco companies, which export products that addict children abroad to nicotine and push them down a path to disease and death.

I ask unanimous consent that a copy of the legislation be printed in the CONGRESSIONAL RECORD.

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

S. 3285

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXCLUSION OF TOBACCO PRODUCTS FROM QUALIFYING FOREIGN TRADE PROPERTY.

(a) IN GENERAL.—Section 943(a)(3) of the Internal Revenue Code of 1986 (relating to excluded property) is amended by striking ''or'' at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting '', and'', and by inserting after subparagraph (E) the following new subparagraph:

''(F) any tobacco products (as defined in section 5702(c)).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendment made by section 3(b) of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000.

Mr. BINGAMAN (for himself, Mr. DASCHLE, and Mr. BAUCUS):

S. 3286. A bill to provide permanent funding for the Bureau of Land Management Payment in Lieu of Taxes program and for other purposes; to the Committee on Energy and Natural Resources.

PILT AND REFUGE REVENUE SHARING PERMANENT FUNDING ACT

Mr. BINGAMAN. Mr. President, the bill I am introducing today, the PILT and Refuge Revenue Sharing Permanent Funding Act, deals with an issue that I believe must be addressed in the next Congress. The bill is a measure to make permanent funding for two important programs managed by the Department of the Interior: the Payment in Lieu of Taxes Program (or PILT) in the Bureau of Land Management and the Refuge Revenue Sharing Program in the Fish and Wildlife Service. These programs provide support to local governments in areas in which these two agencies hold land. Under the authorizations for these programs, the funds are to be provided as an offset to the local property tax base lost by virtue of the Federal ownership of these lands.

Federal ownership of lands in the American West, in states like New Mexico, does not come without its share of burdens for local governments. If there is a fire or other emergency, they must help respond. If there is increased traffic to and from the site, they must maintain the public roads that provide the necessary access to the public. In enacting the original authorizing legislation, Congress decided that, as a matter of policy, it was appropriate for the Federal Government to bear a fair share in paying for these costs, in lieu of the taxes that would be levied on any private landowner in these localities.

But in setting up these programs, Congress decided to make them subject to annual appropriations, either partially (in the case of Refuge Revenue Sharing) or completely (in the case of PILT). In retrospect, this was a mistake. The annual appropriations process has never come even close to providing the funds agreed upon by the underlying authorizing law. Moreover, the amount made available has changed significantly from one year to the next, frustrating the ability of localities to plan effectively for the use of these funds. Many of the burdens they face as a result of Federal land ownership require expenditures and commitments that are long-term. If you want to have a reasonable system of country roads, you need to have a consistent multi-year plan. If you want adequate fire protection, you can't be hiring a dozen new firefighters in one year and firing them the next, as appropriation levels gyrate up and down.

The Federal Government needs to be a better neighbor and a more reliable partner to local governments in the rural West. Since the system of meeting our obligations to these localities through the annual appropriations process has not worked, I am proposing that we start treating our payments in lieu of taxes in the same way that we account for incoming tax revenues to the Federal Government—on the mandatory side of the Federal ledger. By making the funding for these crucial programs full and permanent, we will be keeping the commitments to rural communities throughout the West made in the original PILT and Refuge Revenue Sharing authorizing legislation. It's a matter of simple justice to rural communities. I hope that enacting legislation along the lines of what I am proposing today will receive high priority in the next Congress.

Mr. President, I ask unanimous consent that the text of this bill be printed in the RECORD following this statement.

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

S. 3286

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''PILT and Refuge Revenue Sharing Permanent Funding Act''.

SEC. 2. PERMANENT FUNDING FOR PILT AND REFUGE REVENUE SHARING.

(a) PAYMENTS IN LIEU OF TAXES.—Section 6906 of title 31, United States Code, is amended to read as follows:

''There is authorized to be appropriated such sums as may be necessary to the Secretary of the Interior to carry out this chapter. Beginning in fiscal year 2002 and each year thereafter, amounts authorized under this chapter shall be made available to the Secretary of the Interior, out of any other funds in the Treasury not otherwise appropriated and without further appropriation, for obligation or expenditure in accordance with this chapter.''.

(b) REFUGE REVENUE SHARING.—Section 401(d) of the Act of June 15, 1935, as amended (16 U.S.C. 715s(d)) (relating to refuge revenue sharing), is amended by adding at the end thereof:

''Beginning in fiscal year 2002 and each year thereafter, such amount shall be made available to the Secretary, out of any other funds in the Treasury not otherwise appropriated and without further appropriation, for obligation or expenditure in accordance with this section.''.

ADDITIONAL COSPONSORS

S. 741

At the request of Mr. GRAHAM, the name of the Senator from South Dakota (Mr. JOHNSON) was added as a cosponsor of S. 741, a bill to provide for pension reform, and for other purposes.

S. 2718

At the request of Mr. SMITH of New Hampshire, the name of the Senator from Montana (Mr. BURNS) was added as a cosponsor of S. 2718, a bill to amend the Internal Revenue Code of 1986 to provide incentives to introduce new technologies to reduce energy consumption in buildings.

S. 3250

At the request of Mr. BROWNBACK, the name of the Senator from Mississippi (Mr. COCHRAN) was added as a cosponsor of S. 3250, a bill to provide for a United States response in the event of a unilateral declaration of a Palestinian state.

SENATE CONCURRENT RESOLUTION 162—TO DIRECT THE CLERK OF THE HOUSE OF REPRESENTATIVES TO MAKE A CORRECTION IN THE ENROLLMENT OF H.R. 4577

Mr. STEVENS (for himelf and Mr. BYRD) submitted the following concurrent resolution; which was considered and agreed to:

S. CON. RES. 162

Resolved by the Senate (the House of Representatives concurring), That the Clerk of the House of Representatives, in the enrollment of the bill (H.R. 4577), making appropriations for the Departments of Labor, Health and Human Services, and Education, and related agencies for the fiscal year ending September 2001, and for other purposes, shall make the following correction:

In section 1(a)(4), before the period at the end, insert the following: '', except that the