in greenhouse gases and press for Senate approval of conventions on biodiversity and the Law of the Sea. Working closely with the Vice President, I have also focused on how we can make greater use of environmental initiatives to promote larger strategic and economic goals. That means, for example, encouraging joint water projects in the Middle East, increasing environmental cooperation with our global partners, and helping our environmental industries capture a larger share of a $400 billion global market.

The third element of our agenda is to build on the economic achievements that will be a lasting legacy of the Clinton Administration. President Clinton's personal leadership on NAFTA, the Urguay Round, APEC and the Summit of the Americas, has made the United States the hub of an increasingly open global trading system. This year, our watchword is implementation—making sure that the trade commitments and agreements we have reached produce concrete opportunities so that American companies and workers can compete abroad on a level playing field. In the Asia-Pacific region through APEC, with the European Union through the Transatlantic Marketplace, and in this Hemisphere through the Miami process, we are removing barriers to trade and investment and opening markets for U.S. exports. We also remain committed to obtaining fast-track authority to negotiate Chile's accession to NAFTA.

As this presidential election year begins, we are hearing once again from those who preach the dangerous gospel of protection and isolation. America and the world went down that road in 1930s—and our mistake fueled the Great Depression and helped set the stage for the Second World War. Shutting America off from the world would be just as reckless today as it was six decades ago. As President Clinton said at the beginning of his Administration, ''we must compete, not retreat.''

Ladies and gentlemen, everywhere I go, I find that the nations of the world look to America as a source of principled and reliable leadership. They see American soldiers bridging rivers and moving mountains to help peace take hold in Bosnia. They see us working for peace in the Middle East and for security in Korea. They see us negotiating trade agreements so that every nation can find reward in emerging markets. They see the most powerful nation on earth standing up for persecuted peoples everywhere, because we believe it is right and because those who struggle for freedom represent the future.

The world sees us as an optimistic people, motivated by a broad view of our interests and driven by a long view of our potential. They follow us because they understand that America's fight for peace and freedom is the world's fight. At the end of the American century, President Clinton is determined that we continue to act in the highest traditions of our nation and our people.

The President's answer to the voices of isolationism is clear. We can no more isolate our nation from the world than we can isolate our families from our neighborhoods, or our neighborhoods from our cities. As a global power with global interests, retreat is not a responsible option for the United States. We must continue to lead. If we do, the end of this millennium can mark the start of a second American century.

## A BILL TO PROVIDE SIMILAR TAX TREATMENT FOR SECTION 501(C)(3) BONDS AS THAT PROVIDED TO GOVERNMENT BONDS

### HON. AMO HOUGHTON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 23, 1996*

Mr. HOUGHTON. Mr. Speaker, I am pleased to join my colleague from California, Mr. MATSUI, as well as a number of other colleagues, in introducing the Nonprofit Organizations Tax-Exempt Bond Reform Act of 1996. This is an important piece of bipartisan legislation that would help solve a problem that has been growing since the law was changed in 1986. Basically, the problem is one where a number of section 501(c)(3) organizations are now at the $150 million limit on outstanding bonds. The limit was established by the 1986 Tax Reform Act. The proposed legislation would remove this cap and allow bonds issued by 501(c)(3) organizations to be treated similarly to those issued to finance direct State or local government activities—as they were permitted to do before the 1986 change. Similar corrective legislation has been considered and/or passed by prior Congresses, although not to the point of being enacted into law.

The concept of an exempt person, that existed under the Code bond provisions before 1986, would be reenacted. An exempt person would be defined as first, a State or local governmental unit or second, a section 501(c)(3) organization, when carrying out its exempt activities under section 501(a). Thus, bonds for section 501(c)(3) organizations would no longer be classified as private activity bonds. Financing for unrelated business activities of such organizations would continue to be treated as a private business use for which tax-exempt financing is not authorized.

As exempt persons, section 501(c)(3) organizations would be subject to the same limits as State and local governments on using their bond proceeds to finance private business activities or to make private loans. Additional restrictions on the bonds issued by such organizations would be repealed. The bill would make no amendments, other than technical conforming amendments, to the present-law arbitrage restrictions, the alternative minimum tax-exempt bond preference, or the provisions generally disallowing interest paid by banks and other financial institutions on amounts used to acquire or carry tax-exempt bonds.

The principal beneficiaries of the bill would be private, nonprofit colleges and universities. These institutions provide substantially identical educational services to those provided by governmental higher education institutions. In order to have a consistent tax policy of providing like treatment for similarly situated persons, the tax-exempt bond rules should provide comparable access to tax-exempt financing for these entities.

The main provision in the proposed legislation is to remove the $150 million per-institution limit on outstanding nonhospital qualified 501(c)(3) tax-exempt bonds. This provision was intended as a limit on tax arbitraging of college and university endowments. Other present-law tax-exempt bond restrictions for example, the arbitrage rebate requirement and public approval, bond maturity, hedge bond, and advance refunding restrictions, adequately address this concern. In addition, the concern that private colleges and universities engage in tax arbitraging of their endowments reflects a misunderstanding of the restrictions governing endowments. Most State laws prohibit depletion of endowment corpus. Further, approximately 65 percent of endowment funds nationally is subject to donor-imposed restrictions on the uses for which even the income may be used.

Finally, the other beneficiary would be nonprofit health care providers who are also subject to the $150 million cap. A growing number of health care providers are delivering medical services in a cost-effective manner outside of the hospital setting. Yet, providers like community health clinics, skilled nursing facilities, and ambulatory care facilities are limited by the $150 million cap per institution in outstanding tax-exempt bonds. Also, as alternative health care facilities and hospitals form integrated health care delivery systems, the cap hinders the consolidation of these entities. The cap actually acts as a barrier to these mergers, because after a merger there would be a single $150 million limit.

The proposed legislation generally would apply to bonds issued after the date of enactment.

We welcome the support of our colleagues in cosponsoring this important legislation.

## INTRODUCTION OF THE NONPROFIT ORGANIZATIONS TAX-EXEMPT BOND ACT OF 1996

### HON. ROBERT T. MATSUI

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 23, 1996*

Mr. MATSUI. Mr. Speaker, I am pleased to join with my good friend from New York, Congressman HOUGHTON, in the reintroduction of this important legislation. This bill will remove the $150 million limit on outstanding bonds that can be issued by 501(c)(3) nonprofit organizations and will allow bonds issued by 501(c)(3) organizations to be treated similarly to those issued to finance direct State or local government activities.

Nonprofit organizations such as colleges and health care providers have traditionally used tax-exempt financing for the construction, renovation, and modernization of facilities used for activities related to the nonprofit's mission. Prior to the 1986 Tax Reform Act, this financing was generally available to all qualified 501(c)(3) organizations in recognition of the public purpose they serve.

Placing a $150 million cap on these nonprofits has had unintended and unforeseen consequences. For example, the restriction on tax-exempt financing has prevented private colleges and universities from improving their educational facilities and research capabilities. Currently, the capital renewal and replacement needs of colleges and universities exceed $60 billion of which one-third is urgently needed for repairs and renovation. The National Science Foundation has reported that for every $1 spent to maintain research facilities, an additional $3.50 was deferred. Our Nation needs to improve its educational and research facilities given that our work force and businesses must compete in an everchanging global economy.