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House of Representatives

The House met at 10 a.m. and was called to order by the Speaker pro tempore (Mr. NEY).

DESIGNATION OF THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
September 24, 1998.

I hereby designate the Honorable ROBERT W. NEY to act as Speaker pro tempore on this day.

NEWT GINGRICH,
Speaker of the House of Representatives.

PRAYER

The Reverend A. David Agro, Capitol Hill United Methodist Church, Washington, D.C., offered the following prayer:

O God of Abraham and Sarah, Hagar and Ishmael, Isaac and Rebekah, Esau and Jacob, Leah and Rachel, Zilpah and Bilhah, we ask for Your faithful presence in this place with these Your people who like our forebears chart the way for many. Enable these servants to follow Your call like Abraham and Sarah to a new land that You will show in order that we too may be a great nation. Hear, O God, the voice of those in the wilderness as You did Hagar and Ishmael and speak Your words of reassurance even as You guide decisions for the sake of those who are outcast and crying for justice. Grant courage that the wrestling in this Chamber will be marked by the fortitude of Rachel and Jacob in their struggle for new life and with familiar issues. May Your face be seen, O God, like Jacob, in the face of our brother and sister as we give thanks for the blessings received from Your hand. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentleman from Illinois (Mr. WELLER) come forward and lead the House in the Pledge of Allegiance.

Mr. WELLER led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate has passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 3150. An act to amend title 11 of the United States Code, and for other purposes.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 3150) ''An Act to amend title 11 of the United States Code, and for other purposes,'' requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. HATCH, Mr. GRASSLEY, Mr. SESSIONS, Mr. LEAHY, and Mr. DURBIN to be the conferees on the part of the Senate.

WELCOME TO REV. A. DAVID AGRO

(Mr. MILLER of Florida asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MILLER of Florida. Mr. Speaker, we welcome this morning the Reverend David Agro, who is the pastor of the Capitol Hill United Methodist Church just four short blocks from the Capitol here. Reverend Jim Ford, who is the House chaplain, is in surgery this morning and will be back with us next week. We wish him well and expect his speedy recovery.

Often on occasions we spend weekends here in Washington, and it is a pleasure to have the opportunity to attend services on Sunday morning. My wife and I have attended the Capitol Hill United Methodist Church on many of those occasions. It is a congregation that makes you feel welcome, has beautiful music and very inspirational sermons, so it is a pleasure to have the Reverend David Agro with us this morning and to have him share those inspirational words with us.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will entertain 15 one-minutes from each side.

OPPOSING ANY DEAL TO SHORT-CIRCUIT THE CONSTITUTIONAL PROCESS REGARDING THE PRESIDENT

(Mr. DELAY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DELAY. Mr. Speaker, let us dispense with the notion that Congress can punish the President, punish either by a so-called censure, a fine, or any other punishment. Such a deal is unconstitutional, and anyone who believes in that kind of deal believes not in the rule of law but the rule of man, and needs to read the Constitution.

Impeachment is a process of deciding whether a President is fit for office.

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The Founding Fathers did not give Congress the authority to punish the President. That is for the judicial system to decide. The question before the House is, is this President fit for office? Has he disqualified himself to continue to lead this Nation?

The decision for the House is whether to impeach or not to impeach. The decision for the Senate is to remove from office or not to remove. Any action to punish this President, any deal cut that short-circuits the constitutional process, is unconstitutional, and I will fight for the Constitution.

Mr. Speaker, this is not the time to abandon our Constitution. I urge my colleagues to read the Constitution, to support the process, and resist the temptation to cut a deal with the President.

TRIBUTE TO THE HONORABLE VIC FAZIO

(Ms. WOOLSEY asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. WOOLSEY. Mr. Speaker, I would like to take this opportunity to pay tribute to the gentleman from California (Mr. VIC FAZIO), who has been a very effective Member of this institution, both as a leader and as a member of the Committee on Appropriations, and as a great Californian.

We have been very lucky in California to work with the gentleman from California (Mr. FAZIO), someone who has always been helpful in securing funding for our State, particularly for water projects. I know, because I have called on him for assistance many times in his role on the Committee on Appropriations. I thank the gentleman from California for being so respectful to all of our needs, for being receptive, hardworking, dedicated and fair in making sure our requests are fulfilled.

I thank him, too, for his hard work in fighting for women's rights. He has been a staunch defender on many fronts, supporting the Equal Rights Amendment, arguing for women's reproductive rights, and opposing discrimination against women in the work force, the military and the courts. As a member of the Democratic leadership, the gentleman's outspoken activism has brought needed attention to these causes.

I do not know what we will do without the gentleman from California (Mr. VIC FAZIO). He will be missed.

THE BEST USE OF THE BUDGET SURPLUS

(Mr. SHIMKUS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SHIMKUS. Mr. Speaker, according to my colleagues, Republicans want to waste the budget surplus on tax cuts. But let us take a closer look.

The President announced in his State of the Union Address that every penny of the surplus is to be dedicated to saving Social Security. But what the President said does not appear to be what he is really doing.

In fact, the President has proposed to spend billions of dollars on more government programs and services with dollars from the budget surplus. He wants our troops in Bosnia paid with surplus dollars. He wants to replenish the IMF and address the Y2K problem with surplus dollars. He also wants to address embassy security with surplus dollars.

Mr. Speaker, I thought when the President pledged ''every penny'' of the surplus to Social Security he meant it. I guess his pledge really depends on his definition of the word ''penny.''

Republicans want to give the American people a tax cut, and we tell them our plan up front. Why cannot the President tell the American people the real funding source of his agenda? For those who think character does not matter, think again.

THE BUDGET SURPLUS SHOULD GO TO SOCIAL SECURITY

(Mr. PALLONE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PALLONE. Mr. Speaker, the Republicans are moving full steam ahead with their plan to raid the budget surplus to pay for tax cuts, instead of putting that money where it rightly belongs, into Social Security.

Make no mistake about it, Mr. Speaker, the Republican tax bill is a direct assault on Social Security. The budget surplus the Republicans want to use to pay for their tax cuts do not exist. The only portion of the Federal budget that is in surplus is the Social Security Trust Fund. In fact, without Social Security, the Federal budget would still be in deficit this year.

Mr. Speaker, hardworking American families deserve tax relief, there is no doubt, but we should not be gambling with the Social Security Trust Fund to pay for it. Let us put every penny of this surplus back where it came from and keep it there until we are sure we have protected Social Security for the long haul.

Let us show seniors and future generations that we will be disciplined with the money Congress has been charged with managing for their retirement years. Let us stop the GOP's $80 billion assault on Social Security dead in its tracks. I would urge all my colleagues to vote no on this irresponsible Republican tax plan.

AN HISTORIC OPPORTUNITY FOR CONGRESS TO ABOLISH THE MARRIAGE TAX PENALTY

(Mr. GIBBONS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GIBBONS. Mr. Speaker, this Congress has an historic and exciting opportunity to do something it should have done a long time ago, abolish the marriage tax penalty. Many young couples are surprised to learn that government actually penalizes people for getting married; yes, an average of $1,400 per year for middle class income earners.

People have long known that government does not do a lot of smart things. In fact, it does a lot of dumb things. Even liberals have to admit that government has thousands of stupid regulations, programs that actually make things worse instead of better, and inefficiencies that seem to be immune from reform.

But the marriage tax penalty is just plain wrong. It stands as an ugly symbol of everything that is wrong about government that has gotten too big, too arrogant, and too out of touch with what it is like for an average person who struggles every day to get ahead, to make ends meet, to build a better life for themselves and their families.

Why does the government make it so much harder for people who want to get married? I urge Members on both sides of the aisle to do what is right to correct this wrong.

SOCIAL SECURITY TRUST FUNDS DIVERTED

(Mr. DOGGETT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DOGGETT. Mr. Speaker, with the national news media focused on ''all Monica all the time,'' any attempt here in Washington to address some of the real problems American families are facing is disdainfully disregarded as a mere diversion.

This week we actually have a diversion underway, a very real diversion. It is the diversion of Social Security trust funds to pay for Republican electioneering. With the Nation distracted, our Republican friends are seizing the moment to seize Social Security trust funds in order to provide election eve tax breaks. When will they learn that the Social Security trust fund is not a slush fund?

Let us keep the faith with the people that paid into the trust fund their payroll taxes and are paying in today, and apply any surplus that is finally generated after almost 30 years to save Social Security first.

Let us act to protect those who have paid into this trust fund, and avoid a Republican campaign ploy.

THE 90–10 PLAN SAVES SOCIAL SECURITY AND ENDS THE MARRIAGE TAX PENALTY

(Mr. WELLER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WELLER. Mr. Speaker, we have an opportunity this week to focus on the people's business. We have an opportunity to adopt what has already

been nicknamed the 90–10 plan, a double win, a win-win for the taxpayers, a plan that sets aside $1.4 trillion for Social Security, twice what the President originally asked for, and sets it aside for a long-term plan to save Social Security.

This plan also works to eliminate the marriage tax penalty. I have often asked, is it right, is it fair that under our tax code, that a married working couple with two incomes pays higher taxes than an identical couple that lives together outside of marriage; that they pay higher taxes just because they are married?

We know that is wrong. We have answered that with this 90–10 plan that saves Social Security, and of course, the centerpiece is an effort which will eliminate the marriage tax penalty for a majority of those who suffer.

Our friends on the other side of the aisle, they talk about the Social Security trust fund. Judith Chesser, deputy commissioner of the Social Security Administration, when asked in the Committee on Ways and Means last week if this tax cut impacts the Social Security trust fund, her answer was simple: No.

Let us pass it. It deserves bipartisan support.

SAVE SOCIAL SECURITY

(Mr. GREEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GREEN. Mr. Speaker, this Congress made a commitment to save and protect Social Security for the future. It is one of the most successful domestic programs that has ever been created, but now, according to my Republican colleagues, we have a surplus, which means that we can then provide a tax cut, while at the same time continue to hide the real deficit with Social Security funds.

To make matters worse, it is estimated that the proposed tax cut would benefit mostly those who earn over $100,000 a year. To spend this illusionary surplus is wrong. We need to remove Social Security from the budget and pay down the national debt.

Let us be honest, we do not have a surplus if we do not include Social Security in the budget. What we have is borrowed money from the Social Security trust fund, and this money will have to be paid back—every penny of it. This surplus should go to the Social Security trust fund and not a tax cut, because there is no surplus.

TIME FOR REFORM FOR THE SAVANNAH DISTRICT OF THE U.S. ARMY CORPS OF ENGINEERS

(Mr. NORWOOD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. NORWOOD. Mr. Speaker, here we go again, a different constituent, but the same old shenanigans, the Savannah District of the U.S. Army Corps of Engineers.

Jim Davis buys a house on Lake Thurman, so he can enjoy the beauty and recreational opportunity that this part of Georgia has to offer. That sounds easy enough, does it not? Yet, when the Corps gets involved, it is never easy, it is a pain in the neck.

The Corps will not approve Dr. Davis's permit for lakeshore use until he replants trees within the underbrush area that was cut down some 25 years ago. It is not even his property, it is public property. That is fine, if Dr. Davis had been the one to cut down the trees, but he was not. He just bought the property. So the Corps, which obviously has nothing better to do than to harass my constituents, hassles a man who is simply trying to mind his own business and follow some commonsense rules.

Mr. Speaker, it is time for the Corps to reform its bully mentality and its ludicrous shoreline management plan. If they cannot manage people, they cannot manage property.

ILLEGAL TRADE PRACTICES BY THE CHINESE BALLOONS THEIR TRADE SURPLUS

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, China's trade surplus has ballooned to over $1 billion a week, and China is doing it illegally: prison labor, slave wages at 17 cents an hour, illegal dumping, trade barriers. When confronted, China thumbs their nose right in our faces.

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In fact, they now say the real trade deficit in America is only pennies on the dollar with China. I ask today, who is teaching those communist accountants? The Internal Revenue Service?

Beam me up.

Mr. Speaker, I say this: Congress should stop coddling China. This is not about trade anymore. It is about national security. And a communist nation is ripping off Uncle Sam.

90–10 TAX RELIEF

(Mr. SAM JOHNSON of Texas asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SAM JOHNSON of Texas. Mr. Speaker, right now, senior citizens are losing their Social Security benefits because they just want to work and earn a living. Right now, seniors can earn only up to $14,500 before they lose some of their benefits. This is an earnings limit that discriminates against senior citizens.

Is it not outrageous to penalize seniors for working? The Taxpayer Relief Act would raise the limits and give essential tax relief to working seniors. It also sets aside $1.4 trillion, which our colleagues fail to understand, to protect Social Security. That is 90 percent of the total surplus.

President Clinton does not want to help working citizens. He calls our plan ''a gimmick to please people.'' I urge my colleagues, do not believe him. The President has proposed to spend billions from the surplus on bigger government. He is the one with the gimmicks.

We can protect Social Security and give tax relief. Let us just do it.

NORTH KOREA'S RECENT TAEPODONG I MISSILE LAUNCH

(Mr. UNDERWOOD asked and was given permission to address the House for 1 minute.)

Mr. UNDERWOOD. Mr. Speaker, on August 31 of this year, the government of North Korea tested its first three-stage missile over Japan. The missile, a modified Taepodong I, which traveled approximately 1,500 kilometers, landed in the Pacific, northwest of Misawa U.S. Air Force base in Japan.

Mr. Speaker, despite horrific famine, devastating floods and economic quarantine, North Korea has demonstrated its ability to strike targets in Japan and beyond. Missile defense experts have cited that this test is a key milestone in North Korea's efforts to develop their long-range ballistic missile that could conceivably place Alaska, Guam, and possibly Hawaii within the cross hairs of North Korean aggression.

Today, the gentleman from Alaska (Mr. YOUNG) and I are introducing a resolution which condemns North Korea for this act of international recklessness. Mr. Speaker, let us being honest here. This resolution will not stop North Korean missiles from being developed or exported. It will not compel an apology from Kim Jong Il. But what it does do is announce to the regime in Pyongyang, in no uncertain terms, that we are watching and we are taking notice of their actions. I urge my colleagues to please support this resolution.

IN SUPPORT OF RELIGIOUS LIBERTY IN THE MALDIVES

(Mr. PITTS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PITTS. Mr. Speaker, I rise today to speak on behalf of the persecuted Christians in the Republic of Maldives. Reports indicate that on June 18, 1998, police searched foreign workers' homes and confiscated passports, correspondence, books and other possessions.

Approximately 19 foreign Christians were forced to sign statements and were expelled for life from the Maldives. In addition, Christian Maldivian citizens have been arrested and put in prison. Authorities have denied these individuals visits from their

families and have subjected some of them to torture.

Despite government statements that, ''The Maldives respects all religion'', reports suggest the contrary.

Mr. Speaker, I urge the government of Maldives to protect the religious liberty of all of its citizens and release the individuals who have been arrested for their religious beliefs. Religious liberty should be a fundamental human right of all peoples of the world.

PROTESTING THE EXCLUSION OF DEMOCRAT MEMBERS OF CONGRESS FROM MEETING WITH COLOMBIAN PRESIDENT

(Mr. ACKERMAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ACKERMAN. Mr. Speaker, I rise today to bring to the attention of the House an event which I think is unwise and unprecedented.

Today, the new President of Colombia is visiting. But unlike previous visits of heads of state, only Republican Members have been invited to meet with him. In my 16 years in the House, I cannot remember a previous time when Members were excluded from such meetings based on party affiliation.

Mr. Speaker, there is no reason for our foreign policy to become so partisan that only one party is invited to meet with a visiting head of State.

We have always had an ''American'' foreign policy, and to indicate that this is starting to change to foreign leaders is certainly unwise and unwarranted and very, very unfortunate.

The issues to be discussed affect the interest of all Americans, not just Republican Americans. I believe, Mr. Speaker, that not allowing Democrats into the meeting today with President Pastrana makes the House look foolish in the eyes of our visitors and foreign leaders and diminishes our ability to be effective as policymakers.

Mr. Speaker, are we for the first time today going to change our policy and make foreign dignitaries choose between meeting with Democrats or Republicans, or having to come back and meet with all of us twice? It is an insult to us as Americans, as Democrats, and as representatives of the people.

AS ELECTION DAY DRAWS NEARER, TAX CUT RHETORIC GROWS

(Mr. HAYWORTH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HAYWORTH. Mr. Speaker, as we can tell from the tone of the remarks and the date on the calendar, the rhetoric grows more and more pointedly partisan in this Chamber, and I guess that is a function again of time and of what transpires.

I have listened with interest this morning to my friends on the left continue to talk as if they are the saviors of Social Security. A couple of historic points might be in order.

First of all, for purposes of full disclosure, we should point out that our friends on the liberal side of the aisle over the 40 years of time when they were in control never set aside one penny to save Social Security. Zero point zero. Zilch. Nada.

On the other hand, the new majority embraces a plan that would take in excess of $1.4 trillion and use it to save Social Security and use a relatively meager $80 billion to allow the people of the United States to keep more of their hard-earned money.

What the left really tells us, Mr. Speaker, is: No tax cuts, no time, no how.

IN TRIBUTE TO VIC FAZIO

(Ms. HARMAN asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. HARMAN. Mr. Speaker, representing the other tough-to-hold seat in California, I know how hard the gentleman from California (Mr. FAZIO) has worked for his constituents.

I know his courage in fighting for responsible gun control; a woman's right to choose; equal treatment for all Californians, regardless of sexual orientation; and responsible campaign finance reform. And I know his incredible personal courage in returning here after the untimely death 2 years ago of his daughter, Anne.

Losing an election, which VIC never did, is hard. Losing a child is infinitely harder. Yet VIC and Judy have rebounded, and I think the perfect tribute this institution could pay to him after 20 years is to behave in a sober, bipartisan and fair fashion as we consider the very difficult matter of the President which is before us.

I am pleased to join my colleagues in commending VIC for his distinguished public career and proud to call him a friend.

VIC, best wishes to you, Judy and your family.

DEMOCRATS ATTEMPT TO SCARE SENIORS

(Mr. TIAHRT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TIAHRT. Mr. Speaker, the liberals are making false and misleading arguments in their opposition to the Republican tax cut proposal. Every time we hear the other side accuse Republicans of raiding the Social Security Trust Fund or stealing from the Social Security Trust Fund, they are deliberately misrepresenting the truth in order to oppose tax cuts.

Just consider this. The liberals never accuse anyone of raiding the Social Security Trust Fund whenever it comes to spending. In fact, they have proposed billions and billions of new spending without a single thought about Social Security.

It is only when Republicans want to pass tax cuts that they use a bogus argument about Social Security in order to scare seniors, just like they did for 2 years about Medicare.

Mr. Speaker, the fact is, liberals simply oppose tax cuts. The American people should know the truth. Under their definition, all spending is a raid on the Social Security Trust Fund: education, welfare, the big bureaucracy here in Washington.

But now we do have a surplus and I think, yes, we do need to save Social Security with 90 percent of the surplus. But any surplus over that should go to hard-working Americans in the form of tax relief.

THANK YOU, VIC

(Mrs. CAPPS asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. CAPPS. Mr. Speaker, I speak today in tribute to Congressman VIC FAZIO, one of the finest individuals I have ever known, a public servant who truly exemplifies the idea of ''citizen representative,'' a close friend and political mentor of mine and of my husband Walter.

Mr. Speaker, I will never forget the support and assistance he gave me and my family and staff after Walter's death. He is successful as a Congressman because, although a proud Democrat, he has the ability to work in a bipartisan manner. He is a wonderful Caucus Chair, because, again, he is a voice for unity and consensus within our party.

Mr. Speaker, he will be missed by his constituents and by us all, and he will always be my friend. I say to the gentleman, ''Thank you, VIC.''

FAST TRACK SHOULD BE PASSED

(Mr. NETHERCUTT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. NETHERCUTT. Mr. Speaker, American farmers are facing a huge challenge of low commodity prices and unfair competition from foreign governments. Tomorrow, Congress will take up the issue of fast track authority for this administration. Even though I have serious questions about giving this administration any authority on trade issues, considering its record, I do support fast track authority because of the very important part of the bill that assures agriculture full participation in trade negotiations.

Mr. Speaker, by this provision, trade agreements reached will be agriculture-sensitive. An ag representative, a trade representative, will monitor and report back to Congress whether such agreements and negotiation will help or hurt agriculture.

The key to agriculture's success is to open foreign markets so we can sell our commodities overseas. The fast track bill provides agriculture a seat at the tariff reduction table, all subject to final congressional approval. It should be passed.

SAVE SOCIAL SECURITY FIRST

(Ms. MCCARTHY of Missouri asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. MCCARTHY of Missouri. Mr. Speaker, the House is considering a Republican tax bill which spends the entire anticipated budget surplus on tax cuts instead of saving it for Social Security. It is a tax bill that violates the budget rules. That is bad public policy.

Mr. Speaker, I have sponsored and voted for specific tax cut proposals in the Taxpayer Relief Act of 1997 and capital gains tax reduction. I will support the Democratic alternative for tax cuts that take effect only when there is a budget surplus that does not include counting Social Security Trust Funds.

Save Social Security first, then offer tax cuts to hard-working people of America.

MEANINGFUL ASSISTANCE REQUIRED FOR AMERICAN AGRICULTURE

(Mr. CHAMBLISS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CHAMBLISS. Mr. Speaker, America is in danger of losing its number one industry, agriculture.

Mr. Speaker, 1998 has been a disastrous year for farmers all across this great country of ours. And after months of pressure from Congress, the answer of the current administration to this problem was to support a $500 million disaster package that originated across the way in the other body.

The Republican response to this has been much more meaningful and much more sensible. It is a plan that puts money in the pockets of farmers immediately to provide short-term relief. There is also a package to provide long-term relief in the form of tax incentives and tax relief to farmers. This is a meaningful solution to the current problem in ag country.

Now, the administration has come back with a plan that puts farmers and this country deeper in debt and will depress prices for the long-term.

Mr. Speaker, I urge the administration to cut out the political rhetoric and provide real, meaningful leadership in the arena of agriculture.

SAVE SOCIAL SECURITY FIRST

(Mr. BERRY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BERRY. Mr. Speaker, over 500,000 retired Arkansans depend on their Social Security monthly check as a necessary source to supplement their retirement income. In fact, the First Congressional District of Arkansas has the largest number of seniors for whom Social Security is their only source of income.

Right now, millions of working Americans are paying into the Social Security system and are counting on it for when they retire. This year, some have suggested that we have a budget surplus. That just simply is not so.

Of course, there is an enormous temptation to use the so-called surplus or the Social Security Trust Fund to cut taxes. I am all for tax cuts, but not on the backs of our children and grandchildren, not on the backs of our retirees who depend on Social Security as their only source of income.

Mr. Speaker, it must be there when we need it. Congress must save Social Security and not rob the Social Security Trust Fund.

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DECEPTION

(Mr. THUNE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. THUNE. Mr. Speaker, when the other side repeated over and over again during the 1996 campaign that the Republicans wanted to cut Medicare, it was a lie. Many people believed it and so they continued to say it.

When the other side repeated over and over again in 1995 that the Republicans wanted to cut the school lunch program, that was a lie. Yet that worked, too, to some degree. Now it is 1998. The other side has already started on another deception that lowering taxes on farmers and ranchers and families would threaten Social Security. That, too, is a lie.

How ironic that the party that did nothing, nothing for 40 years to fix a system they knew was going broke, is now attacking our commitment to use 90 percent of the surplus to fix Social Security while giving the remaining 10 percent back to the American people. How is it that billions of dollars in liberal spending do not threaten Social Security but lower taxes for farmers and ranchers somehow would?

America's farmers and ranchers need a break, and it is time to give them much-needed tax relief.

ON THE BUDGET SURPLUS AND SOCIAL SECURITY

(Mr. BROWN of Ohio asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BROWN of Ohio. Mr. Speaker, this year we have a great opportunity, a once-in-a-generation chance to really save Social Security. We can take our budget surplus and begin to pay back the IOUs into our Social Security system. Unfortunately, though, Republicans are putting politics first and Social Security second. They want to raid the surplus to fund their political agenda. They put fiscal irresponsibility first and Social Security second.

No piggy bank money should be used, Mr. Speaker, for election year giveaways. Instead let us bank all of the surplus to shore up Social Security today.

TAX CUTS

(Mr. KIND asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KIND. Mr. Speaker, the House this week is going to be considering an $80 billion tax cut. As far as tax cuts are concerned, the provisions contained in it would receive wide bipartisan support in this body. Perhaps it is not as pro-growth oriented as much as I would like to see, but as far as tax cuts, it is not bad.

The problem is, it is going to be relying on the so-called surplus to pay for it. The fact is, there is no surplus unless we are willing to borrow and steal from the Social Security trust fund.

I commend the leadership for being up front and honest about it, that they are intending to take the money from that trust fund to pay for this tax cut, but it is the wrong policy. It is the wrong thing to do for our seniors and children, and we should not engage in that election year tax cut in order to satisfy a certain constituency.

Alan Greenspan, Chairman of the Federal Reserve, was on the hill yesterday and when asked what would be the best use of the so-called surplus, he said, I will tell you what not to do. Do not use it for a permanent new spending program and do not use it for tax cuts when the surplus may never materialize in this very volatile international financial crisis which may have a devastating impact on the U.S. economy.

I encourage my colleagues to oppose the tax cut.

SOCIAL SECURITY

(Ms. DELAURO asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. DELAURO. Mr. Speaker, over the past 6 years Democrats have worked extremely hard and pretty much on their own, I might add, to get our fiscal house in order. We have balanced the budget, created a better economy, and we have, in fact, generated the potential, the potential of a surplus to help pay back the debt that we owe to Social Security.

Let me tell my colleagues now about how that is being jeopardized. The Republican leadership in this House wants to take the surplus in the Social

Security system which, in fact, is generating that surplus that we have in our budget, they want to take that money and they want to raid it. They want to use it for tax cuts.

Social Security is one of the great success stories of this Nation. Two-thirds of our retirees depend on Social Security for over half of their income. It is bedrock. It has been there, and it needs to be protected. And it needs to be preserved for the future. It is now under a sneak attack. Make no bones about it. While the country is distracted, they want to take that money.

Are Democrats for tax cuts? You bet. But not at the risk of the Social Security trust fund.

CONFERENCE REPORT ON H.R. 4112, LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 1999

Mr. MCINNIS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 550 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 550

Resolved, That upon adoption of this resolution it shall be in order to consider the conference report to accompany the bill (H.R. 4112) making appropriations for the Legislative Branch for the fiscal year ending September 30, 1999, and for other purposes. All points of order against the conference report and against its consideration are waived. The conference report shall be considered as read.

The SPEAKER pro tempore (Mr. NEY). The gentleman from Colorado (Mr. MCINNIS) is recognized for 1 hour.

(Mr. MCINNIS asked and was given permission to revise and extend his remarks.)

Mr. MCINNIS. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to the gentleman from Ohio (Mr. HALL) pending which I yield myself such time as I might consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Mr. Speaker, the proposed rule for the conference report to accompany H.R. 4112, the legislative branch appropriations for fiscal year 1999, waives all points of order against the conference report and against its consideration. The rule provides that the conference report will be considered as read.

Mr. Speaker, the underlying conference report for the legislative branch appropriations for fiscal year 1999 represents achievements towards a smaller and smarter government. It shows the progress that can be reached when the will and the effort to make necessary reforms are present.

Some of my colleagues Mr. Speaker, may point out that this conference report provides a slight 2.71 percent increase in spending over last year's level. I would like to note that, in fact, the fiscal year 1999 legislative branch appropriations are still $40.6 million less than fiscal year 1995 levels.

Next year Federal employees will receive a 3.6 percent cost of living adjustment. The legislative branch appropriations conference report only provides for a 2.71 percent increase overall. Of the whole legislative branch budget, 80 percent of the funding goes towards salaries. The increase of 2.71 percent in the fiscal year 1999 legislative branch appropriations conference report represents less of an increase in salaries than the Federal salary cost of living adjustments. Moreover, the legislative branch appropriations conference report reduces the employment level by 1.7 percent. In fact, since 1994, over 15 percent of the legislative branch has been downsized.

Mr. Speaker, no other branch of the Federal Government comes close to this amount of downsizing. The fiscal year 1999 legislative branch appropriations conference report does include some important spending increases where necessary. For example, the legislation will increase the level of our Capitol Police salaries and expenses, recognizing the important job the men and women who make up the Capitol Police force perform.

I would like to take this opportunity to commend the gentleman from New York (Mr. WALSH) and the ranking member, the gentleman from New York (Mr. SERRANO) for their bipartisan efforts to create a smaller, smarter government to provide leadership by example.

Mr. Speaker, this is a noncontroversial rule which the Committee on Rules reported by a voice vote.

The underlying legislation and conference report is bipartisan and financially responsible. The conferees did an excellent job of allocating scarce resources while building upon internal reforms we have adopted in recent years to improve congressional operations.

Mr. Speaker, I urge my colleagues to vote yes on this rule as well as to agree to the conference report.

Mr. Speaker, I reserve the balance of my time.

Mr. HALL of Ohio. Mr. Speaker, I yield myself such time as I may consume.

I thank the gentleman from Colorado for yielding me the time. As he has explained, this is a rule that waives all points of order against the conference report on H.R. 4112, which is a bill that makes appropriations for the legislative branch for fiscal year 1999. The bill appropriates a total of $2.3 billion for the operations of Congress and other agencies in the legislative branch.

This amount is less than 3 percent, less than 3 percent higher than last year's appropriation. The measure substantially increases funding for the Capitol Police. This will provide police officers higher pay, especially if they work Sundays, holidays and nights. This is a fair increase for the men and women who are so important to the secure operations of the Capitol complex.

This bill represents the last legislative branch appropriation bill guided by our friend and colleague, the gentleman from California (Mr. FAZIO), who will be retiring at the end of this Congress.

The gentleman from California (Mr. FAZIO) and I both began our service with the 96th Congress back in 1979. Later he became chairman of the appropriations subcommittee on the legislative branch and then the ranking minority member.

In these roles, the gentleman from California (Mr. FAZIO) led passage of the appropriations bills. That was no easy task since anything connected with funding Congress has the potential for controversy.

Throughout his tenure, the gentleman from California (Mr. FAZIO) has been a credit to the residents of California's 3rd district and to the House of Representatives. He has accumulated a great deal of wisdom and experience that will be sorely missed especially in the difficult times ahead.

We need more Members like the gentleman from California (Mr. FAZIO) in the House.

Mr. Speaker, the rule was approved by the Committee on Rules on a voice vote with no objections. I urge adoption of the rule.

Mr. Speaker, I reserve the balance of my time.

Mr. MCINNIS. Mr. Speaker, I yield myself such time as I may consume.

First of all, dittos on the remarks about the gentleman from California (Mr. FAZIO). I have appreciated his work and appreciated the service that he has given to us. Although I have often found myself on the other end of the voting scheme of the gentleman from California, I can say the gentleman from California has always acted with integrity and honor.

Mr. Speaker, I think an important thing about the legislative appropriation we have here is that this year still reflects a significant amount of money less than when we first took the House in 1995. I had heard earlier somebody on the other side of the aisle commenting about how this House had brought this House into fiscal order. In fact, I think Members will find that this House, speaking literally of the House, was brought into fiscal order when the Republicans took control.

We have had cooperation from the other side of the aisle. Clearly this rule indicates that we have cooperation as we put this budget together.

This House really a leaner and meaner machine. We have taken a look at all the different operations contained within the House. We have looked at where we have needs and, where we have needs, we have accommodated those needs. For example, this year in the Capitol Police force, I know that my colleague from Ohio is a big fan of the Capitol Police and has worked very hard for this appropriation. We have made that allocation. We know that we have one of the top police forces, but we know that we are also now providing the resources that they need.

Mr. Speaker, I reserve the balance of my time.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. TRAFICANT).

(Mr. TRAFICANT asked and was given permission to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, I want to pay tribute to the gentleman from California (Mr. FAZIO) who will be leaving us. I did not agree with him all the time, but he is a great Member. He will be sorely missed. I want to thank the gentleman from New York (Mr. WALSH) and the gentleman from California (Mr. FAZIO) for incorporating most of my bill, H.R. 2828, that elevates the pay of the Capitol Police by some 12 percent.

I would also like to say to the Congress that I think we have to go a little further. I think that we have to incorporate in authorizing language some of the other structural changes that I offer in 2828 with my good friend the gentleman from California (Mr. NEY) who is in the chair today. That is, we must increase the size of the force, maybe up to 400, 600 personnel. We should change the mandatory retirement age from 57 to 60, as I had submitted, so we can retain our most experienced officers and handle some of the benefit problems they experience.

And finally, I think we need to give the chief flexibility to stop the erosion of the good, young officers that are being recruited by surrounding agencies, and I think the 12 percent pay increase does that.

I think we have to address some of the other issues. On balance, it is a good conference report. I want to thank the gentleman form New York (Mr. WALSH). I want to thank the gentleman from California (Mr. FAZIO).

I want to thank the gentleman from California (Mr. THOMAS), and I would hope that H.R. 2828, that the gentleman from California (Mr. NEY) and I have brought to the Congress, could in fact be brought out and handle some of those other problems for the Capitol Police, because I think it will serve the Nation well.

□ 1045

Mr. MCINNIS. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. WALSH), and I want to acknowledge all his efforts. We appreciate them very much. It says something when one is able to work on this kind of basis, in a bipartisan way. What the gentleman has done with the legislative appropriation budget, coming into the Committee on Rules where he received a voice vote, not even contested up there, that says a lot.

Mr. WALSH. Mr. Speaker, I thank the gentleman from Colorado for yielding me this time and for his kind words and for the voice vote that we received in the Committee on Rules. It is somewhat unusual. But I think it reflects the approach that my very good friend and colleague, the gentleman from New York (Mr. SERRANO), and I have taken in this bill.

Our staffs work very, very closely together. We share ideas. We try to honor each party's requests. After all, this is the budget that funds the workings of this body and of the Senate. And what is in the interest of the Democratic Party is also in the interest of the Republican Party when it comes to making sure this House runs efficiently.

Bipartisanship is not always possible. In fact, the Founding Fathers set it up so that partisanship would be the catalyst that really makes this country move forward progressively. But in the case of this bill, I think bipartisanship is an important ingredient, and I am very pleased that we have been able to work together.

I would like to thank the Committee on Rules for honoring our request on the rule. I would also like to thank the gentleman from New York (Mr. SOLOMON), who has provided great leadership to the House and to the Committee on Rules over the years. This is the last legislative branch bill to come before him in his chairmanship, and I want to take this opportunity to thank him personally for all the good advice and counsel that he has provided to me over the years. He is one of our New York State leaders and has set a high standard for all of us.

I would also like to take this opportunity, and I will thank the other members of the subcommittee during the discussion of the bill, and the staff, but I would just like to take the opportunity to join with my colleagues in thanking the gentleman from California (Mr. VIC FAZIO) for the leadership that he has provided throughout the years on this sometimes most difficult of bills.

I remember when I first came to the Congress back in 1988, took office in 1989, there was a big to-do about a pay raise. Now, if one is going to go through hell in the legislative process, the pay raise is probably the best way to get there. Because it is never popular, no matter what. And people will say, well, we should have a pay raise when the country has a balanced budget. Well, we have a balanced budget, but I would suspect if we did a poll, most people would say Congress still does not deserve a pay raise. But the fact of the matter is, on occasion, all good workers should be compensated. VIC FAZIO took that challenge.

He also did this subcommittee a favor, by the way, by moving that from this subcommittee to another subcommittee so that the gentleman from New York (Mr. SERRANO) and I do not have to deal with that sticky issue anymore. But the fact of the matter is VIC FAZIO has been a leader, a stand-up guy for the Congress, and it is a tough role for anyone to fill, and it is not always politically popular. But he has never used the subcommittee to do anything but give credit to the Congress.

VIC is a good Democrat. As a Republican, I think I can say that. He is a partisan, but when it comes to the conduct of this office and the conduct of the subcommittee and the protection of this very important and integral body in our government, VIC FAZIO has shown real leadership over the years, and we are deeply indebted to him.

Mr. Speaker, I will save the remainder of my remarks for the bill, and I urge unanimous support of the rule.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. KIND).

Mr. KIND. Mr. Speaker, I rise today to take this moment to pay tribute to my friend, the gentleman from California (Mr. VIC FAZIO), and to congratulate him on a terrific career in public service, and to personally thank him for the leadership he has given our party and to me personally, as a freshman Member of this great democratic institution.

In fact, his retirement is not only a great loss to this House, but it is also a tremendous loss to future freshmen classes who will not benefit from his leadership, his wise counsel and advice, his timely wit, and the force of his example, which has been nothing less than the highest form of integrity and respect for this institution.

I have watched him time and time again unite our caucus and keep us from taking ourselves a little too seriously sometimes and unite this House by working in a bipartisan fashion. I know I have benefitted from his presence here, just from what I have learned from him. He is one of the great examples of why term limits would, on occasion, hurt the function of our democracy.

I know one of the secrets to VIC's effectiveness. It is not just the charm and the wit, the grace and the intelligence, but it is his smile. I have seen that in another great public servant in this country, my former boss, Senator Bill Proxmire, who recently wrote a book, ''The Joyride to Hell,'' in which he advocates smiling more for a healthy life. Well, VIC does not have to read the book. In fact, he could have written the book.

Keep on smiling, VIC. This body is going to miss you. I personally am going to miss you greatly. Have a great retirement.

Mr. HALL of Ohio. Mr. Speaker, I yield 1½ minutes to the gentleman from North Carolina (Mr. ETHERIDGE).

Mr. ETHERIDGE. Mr. Speaker, I thank the gentleman for yielding me this time, and I also rise this morning to pay tribute to a friend of this institution, a friend of the American people, and a dear friend of mine, the gentleman from California (Mr. VIC FAZIO). He is a dedicated public servant and a leader who not only has served as chair of our Democratic Caucus but as a senior member on the Committee on Appropriations in making sure that the people's business was done in an appropriate manner.

This year I had the privilege to serve as co-chair of the Education Task Force for our Caucus. I worked closely with the gentleman on our education reform plans to strengthen public education for our children.

VIC, I want to thank you for your leadership and putting together plans to build new schools for our children, to reduce class sizes, to improve the teacher quality all across this country and to increase academic standards for all children wherever they may happen to live.

As a member of the Juvenile Justice Task Force, the gentleman had the same kind of vision of making sure that we had tough but fair laws, that we had smart approaches to crack down on violent juvenile offenders and prevent juvenile crime before it occurred.

Even on issues that the gentleman and I did not agree on, that affected my State, he had the willingness to listen, which is a hallmark in the tradition he has had. As my colleagues have already heard, that is why he is so effective, not only in our caucus but in this body. His quick smile, his quick wit and his deep understanding of issues.

The American people owe the gentleman from California (Mr. VIC FAZIO) a debt of gratitude for his years of service to this Nation, and I give my deepest personal thanks and profound admiration for his unwavering friendship and outstanding service and leadership.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. GREEN).

(Mr. GREEN asked and was given permission to revise and extend his remarks.)

Mr. GREEN. Mr. Speaker, I want to join my colleagues in expressing my appreciation for my friend, the gentleman from California (Mr. VIC FAZIO). When this session ends, the Democratic Caucus and the House of Representatives will be losing one of our most respected Members. Vic has served with distinction as chairman of our Democratic Caucus, and although the times have not been the best for our Caucus, Vic has kept us focused on the issues that really are important to the American people. Since first coming to Washington in 1979, he earned a reputation as one of Capitol Hill's most effective legislators.

On a personal note, I want to thank the gentleman for his support and leadership as a member of the Subcommittee on Energy and Water Development of the Committee on Appropriations, in the expansion of the Port of Houston project that is so important to deepening and widening the channels. It is important to my community but also to my area.

This is one small effort of hundreds, both big and small, that VIC has worked on in his career here in Congress to make our country a much better place to live.

VIC, I have enjoyed working with you during my three terms and learning from you, and I wish you the best in your retirement.

Mr. MCINNIS. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. PACKARD).

(Mr. PACKARD asked and was given permission to revise and extend his remarks.)

Mr. PACKARD. Mr. Speaker, I appreciate the gentleman yielding me this time. I wish to come and pay tribute also to my dear friend and colleague, the gentleman from California (Mr. VIC FAZIO). VIC was chairman of the subcommittee that I have in the past chaired and is now chaired by the gentleman from New York.

The gentleman kind of broke the ice for me chairing a subcommittee and kind of taught me the ropes, and I just deeply appreciated the advice, the leadership, the example that he showed on quite a bipartisan subcommittee that we served on. It was the first subcommittee I served on as a member of the Committee on Appropriations, and I could not have had a better chairman and a better example, and I personally want to thank him for that.

He served for 2 years, or at least I served with him for 2 years as he chaired the subcommittee. I have always appreciated his friendship, and I will always appreciate the way he directed that committee. I could not have succeeded him in guiding the affairs of that committee had I not had the lessons I learned from him.

People sometimes say there is too much partisanship in Washington, and I am sure at times this is true, but I think that the gentleman from California (Mr. FAZIO) has remained one of the most respected Members of the Congress. His ability to work with everyone is legendary, and he has never let partisanship come before the interest of his constituents and the good of the Nation and I think is an example we could all follow.

I want to personally express my appreciation to his service in the Congress, to the great contribution he has made to California, to his district and to the Nation as a whole. I want to commend to the Members of the Congress for this bill and recommend that it be passed, and I support it.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. BERMAN).

Mr. BERMAN. Mr. Speaker, it is fitting that we take time in this particular appropriations bill to pay a small tribute to our retiring colleague, the gentleman from California (Mr. VIC FAZIO). Because while VIC's imprint is in so many areas of public policy in this institution, his work for this particular institution and this particular subcommittee has made all of our lives better and I believe has made the institution much stronger.

With all of the exhilarations of public office and the trials and tribulations, the reasons one thinks about leaving this place, whether it is the other party ending our entitlement program to control of the institution, whether it is even the kind of situation we are in now, the news that VIC FAZIO had decided to leave this institution, to no longer make the House his home, was perhaps, for me, the most unsettling of all.

I have known the gentleman from California for 25 years. He is a consummate political pro. He is a man of tremendous intelligence, incredible patience, great warmth and, as much as anything else, a man of total dependability. When VIC FAZIO tells you he will take care of something, he takes care of it.

I think the Almanac of American Politics put it well when they said about VIC, ''FAZIO is a consummate political insider. Always personable and articulate. Entirely presentable outside the back rooms and private hallways. Knowledgeable without being cynical. A sharp operator who keeps score and remembers friends. A politician who is anything but an innocent, but who retains an idealism and a willingness to take serious risks for what he believes.''

He is truly one of the great Members of this institution. We are going to miss him very much. I am going to miss him very much; and I wish him well in his pursuits, which I think will be many, as he leaves this institution.

Mr. MCINNIS. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. LEWIS).

(Mr. LEWIS of California asked and was given permission to revise and extend his remarks.)

Mr. LEWIS of California. Mr. Speaker, it is a very special moment for me to come to the floor and express both my appreciation for and my disappointment in VIC FAZIO, for I do not believe we have ever sent from California a finer Member of the House of Representatives: extremely decent, talented guy, who has made a huge difference the policy direction of the House, and in doing so has made a huge difference for our State.

□ 1100

I am disappointed because I never thought I would be here in the well having a discussion about the fact that he has chosen to leave.

VIC and I share a very special background together. We have interns all over this place these days but in the old days there were not such things as interns around. One of the original fellowship programs, the Coro Foundation, attempts to attract and train young people who may go into public affairs, and VIC was one of those Coro fellows some years ago. I first got to know him in the toughest of political arenas, in Sacramento, where he was on the staff during reapportionment in the early 1970s. I have had occasion to get to know him as a very tough and serious politician. But way beyond that, he is a very tough and serious policymaker.

If you will remember, the west steps of the Capitol were held up by 20-by-20 poles for something like 30 or 40 years. VIC FAZIO had the good sense and provided the leadership to produce the funding to put our Capitol back together again. When you go to the Library of Congress and see this fabulous building, an incredible monument, VIC FAZIO provided the leadership to make sure that that building was repaired and restored to the level it is presently.

Of all of the people I have dealt with in public affairs who live by a byline that is important to me, VIC FAZIO does, and, that is, ''If you don't have your word in this business, you don't have anything.'' Among the leaders of the country, VIC FAZIO stands out in my mind. In the future, the entire Congress will appreciate and understand the work that he has done.

Mr. HALL of Ohio. Mr. Speaker, I yield 1½ minutes to the gentleman from California (Mr. DOOLEY).

(Mr. DOOLEY of California asked and was given permission to revise and extend his remarks.)

Mr. DOOLEY of California. Mr. Speaker, it is a great honor for me to rise and pay tribute to my fellow Californian, VIC FAZIO. As Members of this institution, we have occasion to observe many of our colleagues and we learn from our colleagues. I can honestly say that in my tenure in Congress, I have learned from no other Member more than I have learned from VIC FAZIO. He epitomizes to me what it is to be a public servant, he epitomizes what it is to be an effective legislator, because VIC FAZIO understands that you have to have the commitment, you have to have the compassion, and you have to have the drive to move forward in trying to solve many of the challenges which are facing American families.

What VIC FAZIO has also demonstrated is that the way that you get things done is not simply by running out and getting in front of cameras. The way you get things done is by opening up the hood of the car and being one of the mechanics of the institution, understanding that you have got to get your hands dirty and that you have to be able to work with people from all factions of this institution to bring them together, to find those common values and those common threads which will allow us to move forward in addressing the important issues facing this country. VIC FAZIO has demonstrated that, I think, far better than any Member that has served in this institution, and he certainly has provided an excellent model for all of us.

While I have heard some of our colleagues say, VIC FAZIO, they are congratulating you and hoping the best for you on your retirement, what I am saying is that, VIC FAZIO, you are retiring from this institution but I know full well that you are not retiring from public service, and the American people are still going to benefit from your tremendous work in the years to come.

Mr. MCINNIS. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. HERGER).

Mr. HERGER. Mr. Speaker, I rise today to express my sincere best wishes for VIC FAZIO who is departing the Chamber after many years of dedicated service. I have known VIC for over 20 years now, and I can say that I have genuine and the utmost of respect for VIC FAZIO. He is a man of intellect, a man of sincerity, a talented legislator, but above all VIC is a true gentleman. Although we have not always seen eye to eye on all the issues, we both share a bond, our love for northern California, and the recognition that our part of the State is truly a special place.

VIC has always been acutely aware of the relevant issues, whether we were dealing with agriculture, water issues or timber matters. VIC has an amazing insight into the needs and people of California.

I will truly miss you, VIC, and the examples you have set for other Members. Your leadership and dedication for the people of northern California is certainly appreciated. I always knew when I was working with VIC FAZIO that when you gave your word to me, I could trust you completely. I always knew I could count on you to be completely straightforward. That kind of honesty is refreshing.

Mr. Speaker, I am pleased we all have this opportunity today to bid farewell to a man who will be missed more than he knows. It is sometimes easy to forget that regardless of your political stances, we are all here to do the work of the American people.

VIC FAZIO, thank you for reminding us of that, and thank you for your hard work for northern California and for our Nation.

Mr. HALL of Ohio. Mr. Speaker, I yield 1½ minutes to the gentleman from California (Mr. FILNER).

Mr. FILNER. Mr. Speaker, I say to the gentleman from California (Mr. FAZIO), those of us in southern California love you, too.

When anybody ever thinks, as a Democrat certainly, of even the thought of running for Congress, everybody says, ''You've got to talk to VIC,'' because he knows the strategy, he knows the tactics, he knows the politics, he knows the fund-raising. We all have to learn from his wisdom. And we all went to VIC.

But he became our mentor and our friend when we got here not just because of all the politics and the fund-raising and the strategy and the tactics that he is so great at but because that we understood his—your, VIC—your commitment to the working people, the families of California and this Nation. You really care about their jobs and their salaries, their health care, the education of their kids, the environment that they live in, the housing opportunities that they have, and it is because of your integrity and your commitment to the real issues that surround American families that we relied on you.

Yes, you are a great politician, but you are a great human being, you are a great friend. We are going to miss you. Thank you from all of us, especially in California.

Mr. MCINNIS. Mr. Speaker, I yield myself such time as I may consume. Having heard the gentleman from California just speak, I should probably note the first time I met the gentleman from California (Mr. FAZIO) was in the locker room of the gym when I was first elected. He came up, introduced himself, and when I told him where I was from, he said, ''Yes, we've done everything we can to beat you, but welcome.'' Ever since then I have only built my respect for you, despite the warm welcome.

But, Mr. Speaker, I should add to this that it is interesting, my colleagues on this side of the aisle, the level of respect that they do have for you. I really mean it. Your commitment to that project, to the Native Americans of this country and to the word that this Government gave to the Native Americans and you stood up in that storm and you reminded all of us on both sides of this aisle exactly what that commitment was to the Native Americans. I hope that your words live on, that at some point we can complete that as we promised we would. Certainly your integrity is well-known over here and well-respected.

Mr. Speaker, I reserve the balance of my time.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. FARR).

Mr. FARR of California. Mr. Speaker, I thank the gentleman for yielding time. Thank you for this time, Members. I think we are recognizing today one of the finest people in public service in America in our time. I have known VIC for 30 years. I came to Sacramento as a young, ex-Peace Corps volunteer looking for work and one of the first staff members I met was a consultant to the committee, VIC FAZIO. VIC was a leader at that time. This is the activism of the 1960s. VIC was always concerned about how we can portray government in the best light, how can we get people to be participatory in this democracy. At the time he had come out of the Coro Foundation, very involved in this idea of internship and the ability to volunteer in learning how government works and how business works. He was instrumental in founding a magazine that could report about government, the California Journal. It is wonderful when you are a founder of a magazine that writes nice things about you. It describes VIC as one of the California delegation's most respected members. I think he is one of California's most respected politicians, because he is the role model for the youth that are around here today, of bright young kids that come into politics. He is the

role model for elected officials, whether it is at the State level where he rose to leadership positions very rapidly, served in the legislature, and then came to Congress where he rose to leadership positions in this House. VIC is a natural-born leader.

Of that I think in an era when people are questioning government, when there is a lot of cynicism about whether you ought to participate, we ought to turn in this Nation to VIC FAZIO and say, ''This is the kind of people we want in government and life.'' If you meet him, you will be engaged.

So I speak today as a person who has known him a long time and watched him in his early years. He was just as effective in his early years in youth as he is in his senior years here as a Member of Congress. This House, this institution and American politics will truly miss one of the great leaders in America today, VIC FAZIO.

Mr. MCINNIS. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. HORN).

(Mr. HORN asked and was given permission to revise and extend his remarks.)

Mr. HORN. Mr. Speaker, VIC FAZIO is a unique individual. He has had strong support from both Republicans and Democrats in the California delegation. He has tried to be helpful to all Members. He has been in key positions in this Chamber, positions that have showed the respect of his own party in electing him to Chamber-wide responsibilities as one of their leaders. He has certainly been in a great position to carry out the values he believes in, that many of us believe in, a decent and an improved environment, in water resources to help the arid places in the United States, including California. We thank you for your years of congressional service.

He was a highly respected State legislator in our own State. He carried those skills on. As you will notice, he has one of the great smiles in this Chamber. It reminds me about the other body and what was once said about Carl Hayden, who was also a great legislator involved in reclamation. Guy Cordon of Oregon observed, ''Carl Hayden has smiled more money through the United States Senate than any other Senator did in legitimate debate.'' I think we can say that about VIC. We thank you for all you have done.

Mr. HALL of Ohio. Mr. Speaker, I yield 1½ minutes to the gentlewoman from California (Mrs. TAUSCHER).

Mrs. TAUSCHER. Mr. Speaker, I am a new Member of Congress. I came here in January of 1997. Unlike many of my colleagues, I had never been elected before. I came out of the business world.

I have been very blessed in the past. When I had a seat on the New York Stock Exchange, I remember looking around at all the people down there and trying to find an anchor, trying to find some people that I could emulate, some people that I believed were worthy of having followers. Since I was one of the first women on the floor of the New York Stock Exchange, I did not have a lot of women to emulate. I found a very good gentleman that I followed.

When I came here, although I have a lot of wonderful colleagues in California that are women, NANCY PELOSI being one of them, I looked at VIC FAZIO and said, God never blessed me with a big brother. I still have my parents. But if I ever had to pick a big brother, it would be VIC FAZIO. VIC FAZIO's dedication to his constituents, to the State of California and to the golden rule of Congress is legendary, and his dedication to his family I think is even more important.

I want to offer you, VIC, and Judy and the rest of your family all the blessings. I know you are not retiring. I know you are going to be there for us. I thank you for all you have done.

Mr. MCINNIS. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. THOMAS).

(Mr. THOMAS asked and was given permission to revise and extend his remarks.)

Mr. THOMAS. Mr. Speaker, I am tempted to begin this by saying that everything I have heard does not sound very familiar because I know VIC FAZIO, and VIC FAZIO is a friend of mine.

I first got to know VIC FAZIO before he was in elective office. Then when he was first elected in the California Assembly, I served with him as a colleague. We were both a little bit younger then, and we actually could play basketball as an exercise.

He and I have been on the opposite side of a number of issues over the years, and we both came back to Congress in the 96th Congress in 1978, he, as he was in the California Assembly, a member of the majority, and I was a member of the minority. For 16 years, that relationship continued.

□ 1115

During the 16 years, when he was in the majority and I was in the minority, he was always fair. We could always get the straight story. He would tell us what he could and then tell us, sometimes, if he could not tell us. But if he could, he would. In this business that is as good as gold. He was and is a professional.

Then in the 104th Congress something happened that probably neither he, nor I, if you really pushed me, thought would ever occur. He became a member of the minority, and I became a member of the majority. I became the chairman of a committee, and he was the ranking member, and I tried to treat him as fairly as he had treated me, and I hope he believes that in the sharing of information which was fairly volatile at the time when we were the new majority, I indicated to him that I trusted him implicitly, and of course I had no worry about that trust because he continued to carry himself as a professional.

It has been a pleasure, Mr. Speaker. The gentleman from California and I have not been on the same side on too many noninstitutional issues; I think on every institutional issue we have been on the same side. I had not thought that the gentleman would leave at this time. He is a valuable resource to this institution. He has decided to leave and the institution is a lesser place for it.

I look forward to seeing the gentleman from California (Mr. FAZIO) in our different capacities, Mr. Speaker, but I just want to say that, notwithstanding our inability to work together on a number of issues, our ability to work together as professionals in this body has been a very rewarding experience for me.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Oregon (Mr. BLUMENAUER).

Mr. BLUMENAUER. Mr. Speaker, I thank the gentleman for yielding this time to me.

Mr. Speaker, it was my experience to come to this body in the midst of the 104th Congress right after the government shutdown, and passions were high, and I was thrust into an interesting situation. I felt like I was a high school freshman in a body of 435 senior class presidents. The gentleman from California (Mr. FAZIO) was one of the bright spots for me, somebody who helped me understand what was going on, somebody who took the time and patience that was certainly not merited by anything on my part.

Mr. Speaker, I deeply appreciate what the gentleman from California (Mr. FAZIO) represents. I am only starting to understand what he has done for this institution, and I have enjoyed listening today to the testimonies of many of the gentleman's colleagues, and I am sure that I will continue, as time goes on, to understand what he has done to make this a better place.

But it is the gentleman from California (Mr. FAZIO), the man, in which I stand in awe. Despite difficult personal times, one of the more challenging districts in the United States and what I think most would regard as a near impossible task, chairing our caucus, he has always been a beacon of rationality, civility and thoughtfulness.

Life in this institution is not a life sentence. The gentleman from California has earned the right to accept new challenges and opportunities for himself and his family. But I know my constituents got a Congressperson who is a little better because of the gentleman's thoughtfulness and knowledge, and I know that we are all better by dint of his service.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from California, (Mr. WAXMAN).

Mr. WAXMAN. Mr. Speaker, it is with a sense of sadness that I speak today because I am really sorry to see the gentleman from California (Mr.

FAZIO) leave this institution. I also rise with a great deal of appreciation for the work that he has done in his career in public service.

We first met each other when Vic was a staffer and I was a member of the State Assembly in California. Later he was elected to the Assembly, we served as colleagues there and for the past 20 years here.

I think the gentleman from California (Mr. FAZIO) is in the category of being someone who is absolutely indispensable. He is the Member who will always work hard, doing more than his fair share of the work. He will take on issues that others avoid, and he will be more interested in making sure that, at the end of the day, we have an accomplishment than the fact that he might get a moment or two on the national television network coverage.

The gentleman from California (Mr. FAZIO) is the kind of person that reminds us that we should be proud of those who seek a career in public service. He is a politician and he is a legislator, and in both of those areas he is a professional. This institution is going to miss him enormously.

I know that all of us have seen the deterioration of civility in this House, the People's House. We have differences of opinion. But we need Members like the gentleman from California (Mr. FAZIO) who can express the differences in a way that will look for accommodations, ways to build bridges to each other and ways to reach a point where we can have accomplishments.

When we think about the debates that we have had in politics in the last couple of years where people have prided themselves on inexperience, on not knowing how the system worked, on not being insiders, of not being professional politicians, the gentleman from California (Mr. FAZIO) stands out as a reason why they are wrong. He is a leader, he is an insider, he is respected, he is a pro. I want to say to him he has been a great friend to me and Janet, and I want to wish VIC and Judy all the very best.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentlewoman from California (Ms. PELOSI).

Ms. PELOSI. Mr. Speaker, as a friend and admirer of the gentleman from California (Mr. FAZIO), it is with mixed feelings that I rise today to congratulate him and wish him much success in what lies ahead for him and for Judy Fazio, but with some sadness and disappointment, of course, for this body because his departure is a tremendous loss to our Congress and to our country.

Others have talked about the gentleman's record in California, and I certainly, as former chair of the California Democratic Party many years ago, am well aware of that. I remember the gentleman from California (Mr. FAZIO) in the 1970s as a top-notch administrator to the California State Assembly, and then as a member of the Assembly himself, and then very quickly rising to become a Member of this body, all along the way gaining respect for his values and his principles.

It is just something one says in California about any issue: ''Have you spoken to Vic?'' No last name, just, ''Have you spoken to Vic?'', and that meant that that was the touchstone, that was the place we went, that he was the compass, he could give direction to us.

And others have talked about what a great party leader he has been as a Democrat, really with a large ''D'' and a small ''d.'' Certainly we are proud of him as a political leader of our party, but a small ''d'' of bringing people into participation and into leadership, Choral Foundation, talent scouting from the very young people and into his leadership in this body as chair of our caucus.

The sky is the limit for the gentleman from California (Mr. FAZIO). He has chosen to leave us now, but, of course, we all wish him much success.

But I want to talk about just one other phase, and that is the pride I take in the gentleman's service in Congress personally as a member of the Italian-American community. In his service here and in his service to our country he has always represented the values of our community, family values, a commitment to family, to education, to hard work, to commitment, to religion and to making the future brighter for our children. And it was this respect that he had for his own, this pride he had for his own heritage, that led him to respect the diversity in our country and the pride that all of those people took. So he is our all-American, Italian-American, great Democratic leader. We will miss him. Paul and I give our best regards to Judy for her contribution as well and to the gentleman from California (Mr. FAZIO) for much success in the future.

I thank the gentleman from California (Mr. FAZIO) on behalf of my constituents and personally.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from North Carolina (Mr. PRICE).

Mr. PRICE of North Carolina. Mr. Speaker, I am pleased today to join in these tributes to the gentleman from California (Mr. FAZIO), a Member I regard as the model of what a Member of this body ought to be and a wonderful human being.

VIC FAZIO is a man of many facets. He is a fine legislator. He is skilled in the workings of this body. He does not have a match among us in his ability to work through difficult issues, to find a basis for accommodation. He looks out very, very effectively for California's interests, but he also helps all of us do our job for our constituents.

The gentleman from California (Mr. FAZIO) is a guardian of this institution. He is eloquent, as any of us can testify, in rebuking those who would take cheap shots at this institution, attempting to polish their own reputations at the expense of the Congress. But he is not uncritical; he has his own agenda for change. He is a loving critic of this place and has been a leader in finance reform and ethics reform and making the Congress a more responsive, more effective institution. He has been a builder at a time when many were ready to destroy, and history will judge his role as a constructive and important one.

The gentleman from California (Mr. FAZIO) is a man of great personal strength and depth. He has endured a devastating loss in his own family and has, in turn, reached out to many others in this body in times of stress and grief, proving himself a true friend and a source of spiritual strength.

And I know staff feel that way, too. How many times have members of our staffs expressed their admiration for the gentleman from California (Mr. FAZIO) as one who respects them, who treats them as peers, who knows how to work with all kinds of people to make good and important things happen?

And, finally, the gentleman from California (Mr. FAZIO) is a treasured colleague. He has been a mentor for many of us; I have felt that way since the first day I arrived here. He is a source of good advice, a source of encouragement, a friend in good times and bad. I feel personally indebted to him for what he has meant to me and for many of my friends and colleagues.

We bid VIC FAZIO a very reluctant farewell today. We hope we will see a lot more of him, but we will miss the good work and good humor and good colleagueship that have contributed so much to our life in this House.

We bid farewell to the gentleman from California (Mr. FAZIO) with great admiration and affection, great personal indebtedness and all good wishes.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. MATSUI).

Mr. MATSUI. Mr. Speaker, I would like to thank Mr. HALL, the gentleman from Ohio, for yielding this time to me.

I was fortunate and honored to come in in 1979 with the gentleman from California (Mr. FAZIO). We were a class of 77 members, 44 Democrats and 33 Republicans. And last November, November of 1997, when the gentleman from California (Mr. FAZIO) told me, we were at McClelland Air Force Base. He wanted to call me later that night and asked where I was, and we spoke on the phone, and he said that he was retiring and leaving the Congress. I have to say that after I got over my shock it was probably one of the saddest occasions that I have had. And since that time I have had an opportunity to really think of his role in this institution and back home and as a colleague of mine, adjacent are our districts, and I have come to really believe that our constituents in Sacramento, northern California and all of California in January will really come to understand the value of the gentleman from California (Mr. FAZIO).

Mr. Speaker, we will not have his advice, we will not have his counsel, we

will not have his very powerful role in the House Committee on Appropriations. We will not have his ability to glue all of the California delegation, all the very diverse elements of the California delegations together. And I have to say that the gentleman from California (Mr. FAZIO) in my opinion is really one of the true giants and one of the true leaders, the Dick Bollings of the world, those that really gave stature to this institution. He will be remembered in that light.

From a personal level I just have to say that I want to thank the gentleman from California (Mr. FAZIO) very much because, over the 20 years that we have had the opportunity to serve together, through his example he really taught me and I have learned through him the real value of what it is to be a politician.

□ 1130

You, more than any other person, have given me really the kind of understanding what a noble profession it really could be through your example and through your leadership.

Personally, I am just going to really miss you a lot. We have become almost the best of friends. You and Judy, I have to say, are wonderful people, and you mean so much to Doris and myself and to all of us in this country. Thank you for your service.

Mr. HALL of Ohio. Mr. Speaker, I yield two minutes to the gentleman from Texas (Mr. EDWARDS).

Mr. EDWARDS. Mr. Speaker, along with my colleagues, I share the feeling that this is one of those moments where it is awfully difficult to explain our true feelings about a friend of ours and a true public servant.

I would imagine that these speeches will not make the national headlines tomorrow, because there is no controversy, there is nothing but unanimity in this House about the public service and the character of our friend and colleague, VIC FAZIO. I wish his life would be in the headlines tomorrow, because he would be a reminder to young people, from California to Maine to Texas, that it is a noble calling to be in public service.

Winston Churchill once said that we make a living by what we get, but we make a life by what we give. Based on the high standards of that statesman, the life of VIC FAZIO has been a rich life, and I am confident will continue to be a rich life, for what he has given, given to his district, given to the State of California and given to the Nation. There will be other occasions where I am sure we can list all of his many accomplishments.

Having served with him on the Subcommittee on Energy and Water Development of the Committee on Appropriations, I am grateful for what he has done to help save families all across this country from the devastation of future floods and for what he has done to preserve future generations in America by bringing about programs, important programs, to put aside the waste from nuclear power plants. There are millions of families who will benefit from VIC FAZIO'S life, but they will never know that, because their home will not be flooded, or perhaps there will not be a nuclear incident. But just as surely as we are here today to express our gratitude to VIC for his life of accomplishment, there are Americans all across this land of ours that should be and will be deeply grateful and will have benefitted from what he did.

Finally, in a body and in a process that usually rates people by the list of their accomplishments, I must say that while VIC'S list would be lengthy, the fact is that all of us respect him and will remember him even more for the kind of person that he is, for the character, the decency, that we could only dream about and want to have in public service.

So to our friend and colleague, we say God speed and wish you all the best in the years to come. Thank you for your great service to our country.

Mr. HALL of Ohio. Mr. Speaker, I yield one minute to the gentleman from Maryland (Mr. CARDIN).

Mr. CARDIN. Mr. Speaker, I want to thank my friend from Ohio for yielding me this time.

Mr. Speaker, what a great legacy VIC FAZIO will leave when he retires from this institution. I think we all could try to emulate what he has done as a Congressman.

Yes, VIC will be known for what he has done for the people of California, the economic programs he has brought forward and the effectiveness with which he has represented the people of California. He will be known in this Nation as a champion on environmental issues, on family and children issues, on human rights issues. But, Mr. Speaker, I would like to use the little time I have just to point out what a great legacy he has left on the love for this institution and trying to strengthen this institution.

He has served on our Committee on Standards of Official Conduct; he served as chairman of our Caucus, and he has always strengthened this institution and provided the integrity that is expected by the American people. He has strengthened the ability of everyone to have the voices of their constituents heard.

What a great record, what a great individual, what a great friend. He will be sorely missed. I can tell you there are not many like him. I am glad to call him my friend.

Mr. HALL of Ohio. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, before yielding back the balance of my time, I would just simply say that this has been a tremendous tribute to VIC FAZIO, and it has been impromptu. I have not seen anybody come over here with a written speech. It has been very, very bipartisan.

It is almost too bad that we wait until somebody's career is over in the Congress before we say these things. We ought to maybe start to figure out where we are when we have a great person here in the middle of their term and praise them right then. I think it would be so much better to let them know what we think of them.

We think a lot of VIC FAZIO, not only as a professional, as a legislator, but as a wonderful person, a good man. We will miss him, the country will miss him, and we appreciate him very much.

VIC, I know you are going to say a few things later on, so I look forward to listening to them.

Mr. Speaker, I yield back the balance of my time.

Mr. MCINNIS. Mr. Speaker, the gentleman from Ohio (Mr. HALL), my colleague on the Committee on Rules, his words are well spoken.

Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. WALSH. Mr. Speaker, pursuant to H. Res. 550, I call up the conference report on the bill (H.R. 4112) making appropriations for the Legislative Branch for the fiscal year ending September 30, 1999, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. NEY). Pursuant to House Resolution 550, the conference report is considered as having been read.

(For conference report and statement, see proceedings of the House of September 22, 1998, at page H8085.)

The SPEAKER pro tempore. The gentleman from New York (Mr. WALSH) and the gentleman from New York (Mr. SERRANO) each will control 30 minutes.

The Chair recognizes the gentleman from New York (Mr. WALSH).

GENERAL LEAVE

Mr. WALSH. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the conference report to accompany H.R. 4112 and that I may include tabular and extraneous material.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. WALSH. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, today we bring before the House the conference report on the fiscal year 1999 Legislative Branch appropriations bill, H.R. 4112, and ask my colleagues for their support.

This conference report is a bipartisan agreement, worked out with our colleagues in the other body, with a unanimous vote among the conferees. Before I begin to highlight the agreement, I would like to recognize every member of the subcommittee for their contribution to this work product: On the majority side, the gentleman from Florida (Mr. YOUNG), the gentleman from California (Mr. CUNNINGHAM), the

gentleman from Tennessee (Mr. WAMP) and the gentleman from Iowa (Mr. LATHAM); from the minority side, my good friend and colleague, the ranking member, the gentleman from New York (Mr. SERRANO), along with the gentleman from California (Mr. FAZIO) and the gentleman from Maryland (Mr. HOYER). All of these Members worked as a team to produce this final conference report.

Our original bill, H.R. 4112, and now the conference report, reflect the hard work and the dedication of a tireless staff from both sides of the aisle. I would like to again thank Ed Lombard, Art Jutton, Tom Martin, Lucy Hand, Greg Dahlberg, and Johanna Kenny for their daily contributions needed to produce our final product.

Lastly, I believe it is of great importance to also thank every employee who serves here in the People's House, and we see them all around us. Without your dedication, this House simply could not function. On behalf of every Member honored to serve here, I want to say a simple but sincere thank you all for a job well done. We, the Members, deeply appreciate your efforts.

Mr. Speaker, let me begin to summarize the conference report. To summarize, the conference agreement appropriates $2.3 billion in new budget authority to the Congress and the support agencies and offices of the Legislative Branch. This amount is $116.8 million below the amount requested in the President's budget. That is a 4.7 percent reduction.

Compared to the current level, the $2.3 billion is a slight increase over the $2.28 billion appropriated last year. The 2.7 percent increase overall is below the prospective 3.6 percent cost of living allowance that will probably be given to all Federal employees, including the Legislative Branch staff.

This conference agreement appropriation level is $41 million below the amount appropriated for the Legislative Branch in 1995, four years later. So the downsizing program begun under the leadership of the gentleman from California (Chairman PACKARD) and the ranking member, the gentleman from California (Mr. FAZIO), in the 104th Congress, is still intact.

The House conferees were instructed to concur in the Senate amendment on the Capitol Police which restored $4,197,000 in reductions made by the House bill. The conferees did that. In fact, the conference agreement is above both the House and Senate amendment level with respect to the Capitol Police.

The House bill appropriated $76,381,000 for police salaries and expenses, the Senate appropriated $80,578,000 and the conference report is $83,081,000.

So we have complied with the House instructions to the conferees, and in the spirit of the instruction we have added additional amounts to fund the parity pay and longevity increases requested for the men and women of our police force who have served us so courageously.

A few other highlights, Mr. Speaker. The Legislative Branch jobs, the positions in the Legislative Branch have been reduced another 405 FTEs below the current year. The adjustment to the House-passed items agreed to include:

The conferees added $9.4 million above the House bill for the Architect of the Capitol, which will fund several security-related projects. Under the Architect, the funds to design an integrated security program and other security design costs for police activities, $1.5 million; funds to begin replacement of the aging chillers at the Capitol Power Plant, $5 million; and funds to uniform the workers of the Architect for security reasons, $193,000.

The conferees also agreed to language which makes permanent the authorization of the American Folk Life Center at the Library of Congress. The conferees also agreed to provide $1 million to be matched by 1 million private dollars raised by the National Trust for Historic Preservation to maintain in perpetuity the Congressional Cemetery. The Congressional Cemetery was determined to be one of the 11 most endangered historic sites in America. Our subcommittee, working together with the Senate, decided that we would appropriate $1 million of taxpayer funds to be used as matching funds to maintain this by setting up a trust fund.

The cemetery, as I mentioned before, is not a place where we are entitled to go when we pass on to our final reward. Members of Congress are not buried there by entitlement. If we wish to be, we can be, as have other members of the Legislative and Executive Branch, individuals who have worked in all capacity for the government, and private citizens.

It is run as any other cemetery is. It is just that given its historic nature, we felt that a commitment should be made, since it had fallen into disrepair. We are very proud of this, Mr. Speaker, and hopefully this will be a contribution that this subcommittee has made to our posterity.

Again, I thank my good friend and colleague, the gentleman from New York (Mr. SERRANO), who I look forward to working with on a bipartisan basis when the New York Yankees win this year's world series.

Mr. Speaker, it is a pleasure to present the conference report on the FY1999 legislative branch appropriations bill, H.R. 4112.

To summarize, the conference agreement appropriates $2.3 billion ($2,349,937,100) in new budget authority to the Congress and the support agencies and offices of the legislative branch. This amount is $116.8 million ($116,829,500) below the amount requested in the President's budget. That is a 4.7% cutback.

Compared to the current level, the $2.3 billion is a slight increase over the $2.28 billion appropriated for fiscal 1998. The 2.7% increase is below the prospective 3.6% cost of living adjustment that will probably be given to all Federal employees—including the Legislative branch staff.

This conference agreement appropriation level is $41 million below the amount appropriated for the legislative branch in 1995. So, the downsizing program begun in the 104th Congress is still intact.

The House conferees were instructed to concur in the Senate amendment on the Capitol Police which restored $4,197,000 in reductions made by the House bill. The conferees did that. In fact, the conference agreement is above both the House bill and the Senate amendment with respect to the Capitol Police.

The House bill appropriated $76,381,000 for Police Salaries and Expenses, the Senate appropriated $80,578,000, and the conference agreement provides $83,081,000.

So, we have complied with the instruction of the House to the House conferees, and in the spirit of the instruction, we have added additional amounts to fund the parity pay and longevity increases requested for the men and women of our police force.

Highlights of the conference report: Operations of the Senate: $469.4 million ($469,391,000); operations of the House: $734.1 million ($734,107,700); joint items (Joint committees, Capitol police, guide service, etc.): $96.1 million ($96,134,400); Architect of the Capitol: $201.9 million ($201,910,000), including the Botanic Garden and Library buildings; Library of Congress: $363.6 million ($363,640,000), including the Congressional Research Service; Congressional Budget Office: $25.7 million ($26,671,000); Office of Compliance: $2.1 million ($2,086,000); Government Printing Office: $103.7 million ($103,729,000); and General Accounting Office: $354.3 million ($354,268,000), plus a transfer of unexpended balances of FY1998 funds.

I will include a table showing details and a list of the highlights of the conference agreement.

It may be of some interest to compare the conference agreement to the bill that passed the House on June 25. As is customary, that bill did not contain funds for the operations of the Senate.

The House bill, without the Senate, was $1.8 billion. For those same items, the conferees agreed to a level of $1.82 billion. The House came up by $21.7 million, in order to pay for some urgently needed projects. That is an increase of only 1.2%. So, the House conferees did well.

The result is an increase of $61.6 million over the current year for House-considered items. That is 2.7% above the FY1998 level and well within the prospective 3.6% staff cost of living increase that we are told will be granted by the Administration.

In addition, Legislative Branch jobs have been reduced 405 FTE's below the current year.

The adjustments to House-passed items agreed to include:

The conferees added $9.4 million above the House bill for the Architect of the Capitol which will fund several security-related projects.

Under the Architect: Funds to design an integrated security program and other security design costs for Police activities ($1.5 million); funds to begin replacement of the aging chillers at the Capitol Power Plant ($5 million); and funds to uniform the workers of the Architect for security reasons ($193,000).

At the Library: $2.25 million to digitize the collections and commemorate two important aspects of this country's history; and $993,000 for theft detection tags for materials in the Library's collections

Another item of concern to the conferees was the funding for the Capitol Police. The conferees agreed to provide additional funds for pay initiatives requested by the Capitol Police Board. However, the funds remain fenced, pending approval of the appropriate authorities.

Several legislative matters were agreed to in conference. For congressional printing, a longstanding provision (carried in the House bill) on availability of funds to pay printing costs has been retained. The conferees agreed to a modification of Senate language that relates to billing procedures.

There is an administrative provision that provides for investment on National Garden gift funds in Federal securities.

Under title III of the bill, the House agreed to drop a provision for the Architect to use energy savings contracts for capital projects. We understand that the energy savings already in place reduce the appeal of the Capitol campus for such approaches. In addition, the conferees agreed to language for the buyout programs for the Architect and Public Printer. The language requires each agency to pay into the Civil Service Retirement Fund to offset the cost of early retirements. This is similar to other Federal buyout programs. The conferees have retained a provision added as a House Floor amendment requiring the Architect to develop an energy savings strategy.

The conferees agreed to language which makes permanent the authorization of the American Folklife Center at the Library of Congress. The conferees also agreed to an amendment of a Senate provision relating to charges to the Government Printing Office by the Employee's Compensation Fund at the Department of Labor. The amended language removes GPO as an agency responsible for administrative costs of the fund, in accord with an opinion issued by the Comptroller General.

Two House housekeeping provisions were also added, at the request of the House Oversight Committee.

SUMMARY

In summary, the bill provides $2.3 billion ($2,349,937,100). It is 4.7% ($116.8) million below the requests in the President's budget. FTE levels have been reduced by 405.

The bill maintains a smaller legislative branch as established by the policies set in the 104th Congress. And it provides stability to those operations that must support our legislative needs.

I urge the adoption of the conference report.

LEGISLATIVE BRANCH APPROPRIATIONS BILL, 1999 (H.R. 4112)

	FY 1998 Enacted	FY 1999 Estimate	House	Senate	Conference	Conference compared with enacted
TITLE I - CONGRESSIONAL OPERATIONS						
SENATE						
Expense Allowances						
Expense allowances:						
Vice President	10,000	10,000	.....	10,000	10,000	.....
President Pro Tempore of the Senate	10,000	10,000	.....	10,000	10,000	.....
Majority Leader of the Senate	10,000	10,000	.....	10,000	10,000	.....
Minority Leader of the Senate	10,000	10,000	.....	10,000	10,000	.....
Majority Whip of the Senate	5,000	5,000	.....	5,000	5,000	.....
Minority Whip of the Senate	5,000	5,000	.....	5,000	5,000	.....
Chairman of the Majority Conference Committee	3,000	3,000	.....	3,000	3,000	.....
Chairman of the Minority Conference Committee	3,000	3,000	.....	3,000	3,000	.....
Subtotal, expense allowances	56,000	56,000	.....	56,000	56,000	.....
Representation allowances for the Majority and Minority Leaders	30,000	30,000	.....	30,000	30,000	.....
Total, Expense allowances and representation	86,000	86,000	.....	86,000	86,000	.....
Salaries, Officers and Employees						
Office of the Vice President	1,612,000	1,659,000	.....	1,659,000	1,659,000	+47,000
Office of the President Pro Tempore	371,000	402,000	.....	402,000	402,000	+31,000
Offices of the Majority and Minority Leaders	2,388,000	2,436,000	.....	2,436,000	2,436,000	+48,000
Offices of the Majority and Minority Whips	1,221,000	1,416,000	.....	1,416,000	1,416,000	+195,000
Committee on Appropriations	.....	.....	.....	6,050,000	6,050,000	+6,050,000
Conference committees	2,122,000	2,184,000	.....	2,184,000	2,184,000	+62,000
Offices of the Secretaries of the Conference of the Majority and the Conference of the Minority	409,000	570,000	.....	570,000	570,000	+161,000
Policy Committees	2,155,000	2,218,000	.....	2,218,000	2,218,000	+63,000
Office of the Chaplain	260,000	276,000	.....	267,000	267,000	+7,000
Office of the Secretary	13,306,000	13,694,000	.....	13,694,000	13,694,000	+388,000
Office of the Sergeant at Arms and Doorkeeper	33,037,000	34,359,000	.....	33,805,000	33,805,000	+768,000
Offices of the Secretaries for the Majority and Minority	1,165,000	1,200,000	.....	1,200,000	1,200,000	+35,000
Agency contributions and related expenses	19,208,000	19,332,000	.....	21,332,000	21,332,000	+2,124,000
Total, salaries, officers and employees	77,254,000	79,746,000	.....	87,233,000	87,233,000	+9,979,000
Office of the Legislative Counsel of the Senate						
Salaries and expenses	3,605,000	3,753,000	.....	3,753,000	3,753,000	+148,000
Office of Senate Legal Counsel						
Salaries and expenses	966,000	1,004,000	.....	1,004,000	1,004,000	+38,000
Expense Allowances of the Secretary of the Senate, Sergeant at Arms and Doorkeeper of the Senate, and Secretaries for the Majority and Minority of the Senate: Expenses allowances	12,000	12,000	.....	12,000	12,000	.....
Contingent Expenses of the Senate						
Inquiries and investigations	75,600,000	74,649,000	.....	66,800,000	66,800,000	-8,800,000
Expenses of United States Senate Caucus on International Narcotics Control	370,000	370,000	.....	370,000	370,000	.....
Secretary of the Senate	1,511,000	1,511,000	.....	1,511,000	1,511,000	.....
Sergeant at Arms and Doorkeeper of the Senate	64,833,000	63,511,000	.....	60,511,000	60,511,000	-4,322,000
Miscellaneous items	7,905,000	7,905,000	.....	8,655,000	8,655,000	+750,000
Senators' Official Personnel and Office Expense Account	228,600,000	243,881,000	.....	239,156,000	239,156,000	+10,556,000
Stationery (revolving fund)	13,000	.....	.....	.....	.....	-13,000
Official Mail Costs						
Expenses	300,000	300,000	.....	300,000	300,000	.....
Total, contingent expenses of the Senate	379,132,000	392,127,000	.....	377,303,000	377,303,000	-1,829,000
Total, Senate	461,055,000	476,728,000	.....	469,391,000	469,391,000	+8,336,000
HOUSE OF REPRESENTATIVES						
Payments to Widows and Heirs of Deceased Members of Congress						
Gratuities, deceased Members	270,300	133,600	136,700	136,700	136,700	-133,600
Salaries and Expenses						
House Leadership Offices						
Office of the Speaker	1,590,000	1,705,000	1,686,000	1,686,000	1,686,000	+96,000
Office of the Majority Floor Leader	1,626,000	1,669,000	1,652,000	1,652,000	1,652,000	+26,000
Office of the Minority Floor Leader	1,652,000	1,696,000	1,675,000	1,675,000	1,675,000	+23,000
Office of the Majority Whip	1,024,000	1,053,000	1,043,000	1,043,000	1,043,000	+19,000
Office of the Minority Whip	998,000	1,026,000	1,020,000	1,020,000	1,020,000	+22,000
Speaker's Office for Legislative Floor Activities	397,000	406,000	397,000	397,000	397,000	.....
Republican Steering Committee	736,000	753,000	738,000	738,000	738,000	+2,000
Republican Conference	1,172,000	1,205,000	1,199,000	1,199,000	1,199,000	+27,000

LEGISLATIVE BRANCH APPROPRIATIONS BILL, 1999 (H.R. 4112)— continued

	FY 1998 Enacted	FY 1999 Estimate	House	Senate	Conference	Conference compared with enacted
Democratic Steering and Policy Committee	1,277,000	1,310,000	1,295,000	1,295,000	1,295,000	+18,000
Democratic Caucus	631,000	648,000	642,000	642,000	642,000	+11,000
Nine minority employees	1,190,000	1,218,000	1,190,000	1,190,000	1,190,000	.....
Training and Development Program:						
Majority	.....	.....	290,000	290,000	290,000	+290,000
Minority	.....	.....	290,000	290,000	290,000	+290,000
Subtotal, House Leadership Offices	12,293,000	12,689,000	13,117,000	13,117,000	13,117,000	+824,000
Members' Representational Allowances						
Expenses	379,789,000	412,964,000	385,279,000	385,279,000	385,279,000	+5,490,000
Committee Employees						
Standing Committees, Special and Select (except Appropriations)	86,268,000	90,608,000	89,743,000	89,743,000	89,743,000	+3,475,000
Committee on Appropriations (including studies and investigations)	18,276,000	19,731,000	19,373,000	19,373,000	19,373,000	+1,097,000
Subtotal, Committee employees	104,544,000	110,339,000	109,116,000	109,116,000	109,116,000	+4,572,000
Salaries, Officers and Employees						
Office of the Clerk	16,804,000	15,817,000	15,365,000	15,365,000	15,365,000	-1,439,000
Office of the Sergeant at Arms	3,564,000	3,611,000	3,501,000	3,501,000	3,501,000	-63,000
Office of the Chief Administrative Officer	50,727,000	58,829,000	57,211,000	57,211,000	57,211,000	+6,484,000
Office of Inspector General	3,808,000	4,379,000	3,953,000	3,953,000	3,953,000	+145,000
Office of General Counsel	.....	840,000	840,000	840,000	840,000	+840,000
Office of the Chaplain	133,000	136,000	133,000	133,000	133,000	.....
Office of the Parliamentarian	1,101,000	1,106,000	1,106,000	1,106,000	1,106,000	+5,000
Office of the Parliamentarian	(852,000)	(904,000)	(904,000)	(904,000)	(904,000)	(+52,000)
Compilation of precedents of the House of Representatives	(249,000)	(202,000)	(202,000)	(202,000)	(202,000)	(-47,000)
Office of the Law Revision Counsel	1,821,000	1,957,000	1,912,000	1,912,000	1,912,000	+91,000
Office of the Legislative Counsel	4,827,000	4,980,000	4,980,000	4,980,000	4,980,000	+153,000
Corrections Calendar Office	791,000	810,000	799,000	799,000	799,000	+8,000
Other authorized employees	780,000	191,000	191,000	191,000	191,000	-589,000
Former Speakers	(594,000)	.....	.....	.....	.....	(-594,000)
Technical Assistants, Office of the Attending Physician	(186,000)	(191,000)	(191,000)	(191,000)	(191,000)	(+5,000)
Subtotal, Salaries, Officers and Employees	84,356,000	92,656,000	89,991,000	89,991,000	89,991,000	+5,635,000
Allowances and Expenses						
Supplies, materials, administrative costs and Federal tort claims	2,225,000	2,706,000	2,575,000	2,575,000	2,575,000	+350,000
Official mail (committees, leadership, administrative and legislative offices)	500,000	500,000	410,000	410,000	410,000	-90,000
Government contributions	124,390,000	132,949,000	132,832,000	132,832,000	132,832,000	+8,442,000
Miscellaneous items	641,000	651,000	651,000	651,000	651,000	+10,000
Subtotal, Allowances and expenses	127,756,000	136,806,000	136,468,000	136,468,000	136,468,000	+8,712,000
Total, salaries and expenses	708,738,000	765,454,000	733,971,000	733,971,000	733,971,000	+25,233,000
Total, House of Representatives	709,008,300	765,587,600	734,107,700	734,107,700	734,107,700	+25,099,400
JOINT ITEMS						
Joint Economic Committee	2,750,000	2,796,000	2,796,000	2,796,000	3,096,000	+346,000
Joint Committee on Printing	804,000	804,000	352,000	202,000	352,000	-452,000
Joint Committee on Taxation	5,815,500	6,018,000	6,018,000	5,965,400	5,965,400	+149,900
Office of the Attending Physician						
Medical supplies, equipment, expenses, and allowances	1,266,000	1,383,000	1,383,000	1,415,000	1,415,000	+149,000
Capitol Police Board						
Capitol Police						
Salaries:						
Sergeant at Arms of the House of Representatives	34,118,000	36,603,000	35,022,000	35,770,000	37,037,000	+2,919,000
Sergeant at Arms and Doorkeeper of the Senate	36,837,000	39,505,000	37,593,000	38,511,000	39,807,000	+2,970,000
Subtotal, salaries	70,955,000	76,108,000	72,615,000	74,281,000	76,844,000	+5,889,000
General expenses	3,099,000	8,361,000	3,766,000	6,297,000	6,237,000	+3,138,000
(By transfer)	(4,000,000)	.....	.....	.....	.....	(-4,000,000)
Subtotal, Capitol Police	74,054,000	84,469,000	76,381,000	80,578,000	83,081,000	+9,027,000
Capitol Guide Service and Special Services Office	1,991,000	2,195,000	2,110,000	2,195,000	2,195,000	+204,000
Statements of Appropriations	30,000	30,000	30,000	30,000	30,000	.....
Total, Joint items	86,710,500	97,695,000	89,070,000	93,181,400	96,134,400	+9,423,900
OFFICE OF COMPLIANCE						
Salaries and expenses	2,479,000	2,286,000	2,086,000	2,286,000	2,086,000	-393,000

LEGISLATIVE BRANCH APPROPRIATIONS BILL, 1999 (H.R. 4112)— continued

	FY 1998 Enacted	FY 1999 Estimate	House	Senate	Conference	Conference compared with enacted
CONGRESSIONAL BUDGET OFFICE						
Salaries and expenses	24,797,000	25,938,000	25,671,000	25,671,000	25,671,000	+874,000
ARCHITECT OF THE CAPITOL						
Capitol Buildings and Grounds						
Capitol buildings, salaries and expenses	44,477,000	55,342,000	40,347,000	44,641,000	43,683,000	-794,000
Capitol grounds	25,116,000	26,623,000	5,803,000	6,055,000	6,046,000	-19,070,000
Senate office buildings	52,021,000	55,756,000	.....	53,644,000	54,144,000	+2,123,000
House office buildings	36,610,000	43,798,000	42,139,000	42,139,000	42,139,000	+5,529,000
Capitol Power Plant	37,932,000	44,379,000	37,145,000	42,222,000	42,174,000	+4,242,000
Offsetting collections	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	.....
Net subtotal, Capitol Power Plant	33,932,000	40,379,000	33,145,000	38,222,000	38,174,000	+4,242,000
Total, Architect of the Capitol	192,156,000	221,898,000	121,434,000	184,701,000	184,186,000	-7,970,000
LIBRARY OF CONGRESS						
Congressional Research Service						
Salaries and expenses	64,603,000	68,461,000	66,688,000	67,877,483	67,124,000	+2,521,000
GOVERNMENT PRINTING OFFICE						
Congressional printing and binding 1/	81,669,000	84,000,000	74,465,000	75,500,000	74,465,000	-7,204,000
Total, title I, Congressional Operations	1,622,477,800	1,742,593,600	1,113,521,700	1,652,715,583	1,653,165,100	+30,687,300
TITLE II - OTHER AGENCIES						
BOTANIC GARDEN						
Salaries and expenses	3,016,000	3,235,000	3,032,000	3,180,000	3,052,000	+36,000
LIBRARY OF CONGRESS						
Salaries and expenses	227,504,000	239,415,000	234,822,000	239,176,542	238,373,000	+10,869,000
Authority to spend receipts	-7,869,000	-6,500,000	-6,850,000	-6,500,000	-6,850,000	+1,019,000
Net subtotal, Salaries and expenses	219,635,000	232,915,000	227,972,000	232,676,542	231,523,000	+11,888,000
Copyright Office, salaries and expenses	34,361,000	35,269,000	33,897,000	35,269,000	34,891,000	+530,000
Authority to spend receipts	-22,426,000	-21,170,000	-21,170,000	-21,170,000	-21,170,000	+1,256,000
Net subtotal, Copyright Office	11,935,000	14,099,000	12,727,000	14,099,000	13,721,000	+1,786,000
Books for the blind and physically handicapped, salaries and expenses	46,561,000	48,145,000	46,824,000	46,895,000	46,824,000	+263,000
Furniture and furnishings	4,178,000	5,712,000	4,178,000	4,458,000	4,448,000	+270,000
Total, Library of Congress (except CRS)	282,309,000	300,871,000	291,701,000	298,128,542	296,516,000	+14,207,000
ARCHITECT OF THE CAPITOL						
Congressional cemetery	.....	.....	1,000,000	.....	1,000,000	+1,000,000
Library Buildings and Grounds						
Structural and mechanical care	11,573,000	16,139,000	11,933,000	12,566,000	12,672,000	+1,099,000
GOVERNMENT PRINTING OFFICE						
Office of Superintendent of Documents						
Salaries and expenses	29,077,000	30,200,000	29,264,000	29,600,000	29,264,000	+187,000
Government Printing Office Revolving Fund						
GPO revolving fund	.....	6,000,000	.....	.....	.....	.....
Total, Government Printing Office	29,077,000	36,200,000	29,264,000	29,600,000	29,264,000	+187,000
GENERAL ACCOUNTING OFFICE						
Salaries and expenses	346,903,000	369,728,000	356,238,000	365,298,000	356,268,000	+9,365,000
Offsetting collections	-7,404,000	-2,000,000	-2,000,000	-2,000,000	-2,000,000	+5,404,000
Total, General Accounting Office	339,499,000	367,728,000	354,238,000	363,298,000	354,268,000	+14,769,000
Total, title II, Other agencies	665,474,000	724,173,000	691,168,000	706,772,542	696,772,000	+31,298,000
TITLE IV - TRADE DEFICIT REVIEW COMMISSION						
Sec. 409 Trade commission appropriation	.....	.....	.....	2,000,000	.....	.....
Grand total	2,287,951,800	2,466,766,600	1,804,689,700	2,361,488,125	2,349,937,100	+61,985,300
TITLE I - CONGRESSIONAL OPERATIONS						
Senate	461,055,000	476,728,000	.....	469,391,000	469,391,000	+8,336,000
House of Representatives	709,008,300	765,587,600	734,107,700	734,107,700	734,107,700	+25,099,400
Joint Items	86,710,500	97,695,000	89,070,000	93,181,400	96,134,400	+9,423,900

LEGISLATIVE BRANCH APPROPRIATIONS BILL, 1999 (H.R. 4112)— continued

	FY 1998 Enacted	FY 1999 Estimate	House	Senate	Conference	Conference compared with enacted
Office of Compliance	2,479,000	2,286,000	2,086,000	2,286,000	2,086,000	-393,000
Congressional Budget Office	24,797,000	25,938,000	25,671,000	25,671,000	25,671,000	+874,000
Architect of the Capitol	192,156,000	221,898,000	121,434,000	184,701,000	184,186,000	-7,970,000
Library of Congress: Congressional Research Service	64,603,000	68,461,000	66,888,000	67,877,483	67,124,000	+2,521,000
Congressional printing and binding, Government Printing Office	81,669,000	84,000,000	74,465,000	75,500,000	74,465,000	-7,204,000
Total, title I, Congressional operations	1,622,477,800	1,742,583,600	1,113,521,700	1,652,715,583	1,653,165,100	+30,687,300
TITLE II - OTHER AGENCIES						
Botanic Garden	3,016,000	3,235,000	3,032,000	3,180,000	3,052,000	+36,000
Library of Congress (except CRS)	282,309,000	300,871,000	291,701,000	298,128,542	296,516,000	+14,207,000
Architect of the Capitol (Congressional Cemetery and Library buildings and grounds)	11,573,000	16,139,000	12,933,000	12,566,000	13,672,000	+2,099,000
Government Printing Office (except congressional printing and binding)	29,077,000	36,200,000	29,264,000	29,600,000	29,264,000	+187,000
General Accounting Office	339,499,000	367,728,000	354,238,000	363,298,000	354,268,000	+14,769,000
Total, title II, Other agencies	665,474,000	724,173,000	691,168,000	706,772,542	696,772,000	+31,298,000
TITLE IV - TRADE DEFICIT REVIEW COMMISSION						
Sec. 409 Trade commission appropriation	.....	.....	.....	2,000,000	.....	.....
Grand total	2,287,951,800	2,466,766,600	1,804,689,700	2,361,488,125	2,349,937,100	+61,985,300

1/ Includes transfer from revolving fund of $11,017,000.

Mr. WALSH. Mr. Speaker, I reserve the balance of my time.

□ 1145

Mr. SERRANO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, first let me thank my friend, the gentleman from New York (Mr. JIM WALSH) for those kind words about the Yankees. I am just afraid about the Texas Rangers first.

This is a good conference report. It was a good bill to begin with, Mr. Speaker, and more work has been done on it, especially the work concerning the Capitol Police and some other items that were put in here. I want to take very little time discussing the bill, because the gentleman from New York (Mr. WALSH) has made all the statements that are necessary, and secondly, I will be submitting a statement for the RECORD.

To make sure that I do not run into the same problem he did of getting a note about leaving somebody out, let me just say that I also want to thank the staff on both sides, both the committee and subcommittee and personal staff, that have done such a great job in making this bill what it is, and making our lives much easier. Of course, I would single out Lucy Hand, the person who knows more about this bill than I do, which is the case around here most of the time.

The bill I think speaks to something that the gentleman from New York (Mr. JIM WALSH) and I believe in very seriously. That is the fact that in order to be proud of this government, in order to be proud of this democracy, we also have to make sure that we maintain the grounds and the buildings and the institution itself. One is not separate from the other.

Many times I am terrified of the fact, I hear people boast, as we all should, about our great democracy, and then always try to knock down the government and the institutions involved in it, as if a computer or something else ran this democracy.

When I see the work we do in this bill to make sure that we set a good tone and a bipartisan tone, we are setting the right tone, and especially in what we did for the Capitol Police, we know the tragedy we had here, and the statement that we are making in saying that we support them in the work they do, we support them in the future, we support them today in this conference report.

With that, Mr. Speaker, I would hope that all Members would support this conference report.

Let me move on now, Mr. Speaker, and speak about my friend, the gentleman from California (Mr. VIC FAZIO).

I was thinking, as I was hearing all of the comments being made about the gentleman from California (Mr. VIC FAZIO), and I know he is paying attention, because he wants to hear what I have to tell him. I may break into Spanish at any minute, and the gentleman will be terribly confused.

I was thinking, as I was listening to all the tributes, how I know the gentleman from California. It dawned on me that if we were to have taken photographs of the gentleman from New York (Mr. JOSÉ SERRANO) and the gentleman from California (Mr. VIC FAZIO) throughout the 9 years that I have been here, we would find that most of these photographs would be of me leaning over at a subcommittee or committee meeting or on the floor asking him something, and the gentleman from California (Mr. VIC FAZIO) advising me. That probably would be our photo album. I don't know how far he would get showing that to his grandchildren, but that would be the photo album.

The most important thing that I can say, and that that I have found to be the gentleman's strength, is that he fully understands all of the differences that make up not only the Democratic Party, but both parties.

In other words, when we come here, especially as a freshman, we believe we know everything there is to know about our districts, about our States, and certainly about everything that should happen in Congress. What I have found is that there was really one person here, the gentleman from California (Mr. VIC FAZIO), who knew exactly where every Member came from. That is really important. He knew every district, he knew every need, he knew everyone. He knew every desire of the Member.

When we talk about leadership and the ability of talking to newcomers, that ability to say, you are from New York; you are from New York City, you are not from upstate; you are from the Bronx; your district is primarily Hispanic and African American; language is an issue, immigration is an issue, the gentleman from California knows that about just about every single district in the Nation. That I feel is what prepares him, then, to talk to people.

On top of that, he happens to be something which is great, he happens to be a great human being. He happens to be a friendly person who is always ready to talk to someone and to smile.

He also taught me something else, which I am trying to do. That is, how do we pay our dues when we are members of the Committee on Appropriations? We our dues by playing a role in the legislative branch appropriations subcommittee, because what we do here is not popular all the time, and everybody supports it but nobody wants to vote for it.

We are the only subcommittee that has the support of the House, and then has to go around rounding up votes, and he did it year after year after year, with the kind of tone that got people to respect the work and respect the subcommittee.

Now, as the ranking member of this subcommittee, and hopefully chairman of this subcommittee in the future, I take very seriously what he taught me. He taught me by voice, he taught me by advice, but mostly, he taught me by example.

Let me be perhaps the last one today who pays tribute to the gentleman from California (Mr. VIC FAZIO) by just simply doing something that comes easy to me, and that is to quote a phrase in Spanish that we use every so often on this House floor. That is to say, (Member spoke in Spanish); tell me who you walk with, and I will tell you who you are. For 9 years I have walked with the gentleman from California (Mr. VIC FAZIO), and therefore, I am part of him, and that is not too bad. I thank the gentleman for his friendship.

Mr. Speaker, I rise in strong support of the conference report on H.R. 4112, making appropriations for the Legislative Branch for fiscal year 1999.

Chairman WALSH, the other subcommittee Members, and I share a belief in and commitment to Congress as an institution. This is the People's branch of our national government. Thousands of people work here. Constituents come here to petition their government or see how their laws are made. Tourists from all over the Nation and the world, officials of government at all levels, and international leaders, such as President Nelson Mandela yesterday, visit here.

We must, in this bill, ensure that Congress can operate efficiently, preserve and enhance the Capitol complex, and protect the health, safety, and security of all.

Mr. Speaker, I believe this conference agreement improves on a good bill and provides the resources needed to run this enterprise.

Chairman WALSH has explained the agreements in detail, but I will add a couple of comments.

The conference agreement is more than half a billion dollars above the House-passed bill, but this is almost entirely because the House bill, in keeping with the traditional comity between House and Senate, contained no funds for the Senate. Excluding Senate items, the conference agreement is really only about $11 million above the House bill, and part of this is due to the fact that we have provided funds to improve the pay structure for the Capitol Police—weekend, holiday, and night differentials, and an extension of the longevity schedule.

For Congressional operations, the conference agreement includes $1.7 billion, just $31 million, or about two percent above last year.

This covers the operations of House and Senate Member and Committee offices, administrative offices, and the legislative support activities of the Congressional Budget Office, Congressional Research Service, and the Architect of the Capitol.

The agreement also includes $697 million for other agencies, such as the Library of Congress, the General Accounting Office, and the Government Printing Office.

As in the House bill, it provides buyout authority to the Architect and the GPO so they can manage staff reductions and restructuring. Buyouts are less expensive, less disruptive, and less harmful to the affected workers than the alternative, reductions-in-force.

Mr. Speaker, I repeat that this conference agreement is a good one. However, there are a couple of concerns on our side that must be expressed.

First, however modest the increase in total spending over last year is, it is still an increase. In contrast, other appropriations bills contain drastic cuts and even terminations in programs of great importance to the American people, especially the most vulnerable Americans.

Second, the conference agreement, like the House bill, provides funding for only one quarter for the Joint Committee on Printing. This assumes that Title 44 reform, including disposition of JCP's functions, will be completed by the end of 1998. However, there are few legislative days left in this session and there has been no progress on reform since this bill passed the House in June. I believe it is irresponsible to leave oversight of GPO after December 31 unresolved.

To repeat what I have said again and again, it has been a great personal pleasure for me to work on this bill with our Chairman, JIM WALSH. He is an old friend of mine, and I am a long-time fan of his. He is hard-working and knowledgeable, totally fair and bipartisan.

Of course, we have a very able staff. Ed Lombard's experience and knowledge and Greg Dahlberg's skill and expertise are matchless. Tom Martin has provided valuable service, and each Member's staff has contributed to this process.

The other Members of the Subcommittee, too, have worked well together—Mr. YOUNG, Mr. CUNNINGHAM, Mr. WAMP, and Mr. LATHAM, and the Chairman of the full Committee, Mr. LIVINGSTON. On our side, we have the Ranking Democrat of the full Committee, Mr. OBEY, and Mr. HOYER, and Mr. FAZIO, whose combined knowledge of the Legislative Branch is staggering.

This institution and all of us will miss VIC FAZIO very much. Other Members have talked about VIC's many talents and qualities—his experience, his insight, his wisdom, his fairness—but let me add that no one has been more consistently devoted to this place, or had more knowledge of its inner workings than VIC. His retirement will leave an enormous gap that we must struggle to fill.

Mr. Speaker, Chairman WALSH has done a good job and this is a good bill. I will vote for it and I urge my colleagues to do the same.

Mr. Speaker, I yield such time he may consume to the gentleman from California (Mr. FAZIO).

Mr. FAZIO of California. I thank the gentleman very much, Mr. Speaker. It has been a great honor to sit here and listen to my colleagues on both sides of the aisle comment about someone that they have gotten to know in whatever time we have spent together here in this institution.

I guess the first thing I want to do is say that I rise in support of the legislative branch bill. That will be the last time I will have the privilege of doing that, and I certainly owe it to my wonderful successors in this role, the gentleman from New York (Mr. JIM WALSH) and the gentleman from New York (Mr. JOSÉ SERRANO), who have done such a great job of upholding a tradition that a number of us, the gentlemen from California, Mr. JERRY LEWIS and Mr. RON PACKARD, Mr. YOUNG of Florida, and myself, attempted to put in place here, with the able assistance of some great staff, my good friend, Ed Lombard perhaps most prominent.

I will put my remarks in the RECORD that go into great detail as to why the Members should support this bill on this occasion. However, I want to take just a few minutes, if the Members are willing to provide some time, perhaps not as much as I might have taken but just a little, to indicate how much my opportunity for public service in this institution has meant to me.

I suppose I could begin by referring to my father and mother. My mother is a great egalitarian, a person who believes in equality and loves the public arena, while she never served in it, she was always a person interested in current events; and my dad, who came through World War II, having spent most of his youth in military service in the South Pacific, came back to school on the G.I. Bill, not really having his first full job until he was 29 years old, when his children were already 6 and 4; who founded the Little League and served on the school board and ran for the city council, and did all those things that people still do when they believe that they have a role in giving back to the public something that they have received. I think my dad paid back his G.I. Bill a lot earlier than some other people might have done.

That led me to public service. I remember John Kennedy's campaign for Vice President in 1956. I think I caught a little bit of the political bug in my early teen years. The next thing I know, I am in California participating, as my good friend, the gentleman from California (Mr. JERRY LEWIS) said, in the CORO program; and before long in Sacramento, and a member of the Assembly; and before I had even had a chance to really understand that institution I became a member of this body for 20 years.

So for 33 years I have been privileged to be a public servant. Believe me, one of the hardest things about leaving Congress will be to reorient my life for at least a while to something other than the public side of life, because for me, it has meant a great deal.

I am not going to, on this occasion, say some of the things I want to say about service here. Suffice it to say I think we have some work to do. We need to attend to the requirement of building friendship and cohesiveness, and to the extent possible, bipartisanship among ourselves. Perhaps on another occasion I will dig deeper into those issues, because I think we have got to deal with them. We know that over the next several weeks and months it will be even more important that we succeed in the goals that our constituents need us to succeed in, our constitutional responsibilities with regard to impeachment.

Suffice it to say, today an opportunity for me has come along to say thank you. First and foremost, I need to thank my family. My wife Judy, is here and I want to tell her how much I appreciate her being my partner, and how much I love her. Judy, thank you.

I want to tell my children, Anne and Dana and Kevin and Kristie, how much I appreciate their sacrifices on my behalf, letting me do what I have done for so long. Anne's loss has been referenced here today. Those 8 years that she had after being diagnosed with leukemia gave us all a great insight into her courage and the spirit that moved her.

I was just reminded earlier about my good friend, the gentleman from California (Mr. JERRY LEWIS) asking the Pope to pray for her. I am sure that contributed greatly to her having that extra time. It really is an example of the way in which Members here can interact and go beyond partisanship and really be friends. JERRY has been a great one.

I remember one day when he stood here in this well attempting to put a model of the Capitol together while I described it. It was during the debate on the future of the west front. It was one of the more farcical moments in congressional history, but a good example of what we were willing to risk in order to make a point.

I think of my friend, the gentleman from California (Mr. HOWARD BERMAN), who would have been perhaps Speaker in the California Assembly, but some of us, like the gentleman from California (Mr. JULIAN DIXON) and I left and came back here and abandoned him. I think of all those others who have been part of the team, part of the group of people trying to move our common purpose along.

I think of the many people who worked with and for me, people on this floor, people on my District's staff, like Ann and Andy Karperos, who are here today with Judy, people who work in my office in the Capitol. We have so many who have come and contributed and remain friends. Those people have made a difference in issues large and small.

Most of all, I have to thank those people who have given me the privilege of allowing me to represent them. I came from Massachusetts and New Jersey to California at 22, and by 33, a group of people in the Sacramento Valley had let me represent them. It was a great gift they gave me, a gift that I am about to give back to them so they can pass it on to someone else.

These are diverse people, representing perhaps 1 million now; at one point or another over the last 20 years, as my district has moved all over the map, cattlemen and orchardists and farmworkers and State workers, people who teach at the University of California; people who have given me the privilege of, for a brief period in our history, of being their voice, their outlet to the democratic process.

I owe them the ultimate in thanks. I appreciate the gift they have given me, and I know that when I give it back to them, as I will in a few months, it will be intact and in the kind of shape where they can proudly pass it on to the next person who will have, I think, the greatest honor any American politician can ever have. That is being

elected to the people's House, the House of Representatives. I thank them very much and I thank all of my colleagues.

Mr. Speaker, I rise today for the last time in support of a legislative branch appropriations bill.

I have enjoyed working with Chairman JIM WALSH and ranking member JOSÉ SERRANO, as well as the other members of the subcommittee this year. We are charged with a great responsibility, but often an unrecognized one—that of being the keepers of this great House by drafting legislation that insures that we always will have a roof over our head—or at least a dome—and gives our branch of government the tools to run effectively.

I have taken great pride in serving 18 years on this subcommittee and 14 years as the chairman. In fact, the only person who exceeds my current tenure on this subcommittee is Ed Lombard, whose assistance and guidance over my tenure as chairman and as a member of the subcommittee has been invaluable. Ed has served as the subcommittee's clerk since 1977. I hope that every Member of the House recognizes Ed's dedication to the legislative branch and to this process each year. He truly is the one that keeps this bill moving. With him here, I know that in the years after I leave this House that it will still be kept in order.

In 1981, as a new member of the Appropriations Committee, I was thrust in the position of chair of the Legislative Subcommittee. Ed Lombard and other observers may have considered my performance a little uneven those first few years. But I quickly understood, as every member of this subcommittee does, the significance of our work, and I became committed to a bipartisan approach for seeing this bill through the legislative process.

Fortunately, I was assisted in that endeavor for many years by the good humor of my friend, JERRY LEWIS, and then BILL YOUNG and RON PACKARD after him. I never ceased to be amazed at how the defense bill, with its hundreds of billions, would rocket through the House in an afternoon, while we labored—sometimes for two or three days—on sums that amounted to DOD rounding errors.

Yes it was a necessary if time-consuming annual ritual—the many floor amendments and the protracted debate about how to spend money on ourselves. And perhaps, in some years, the occasional unpleasantness of the experience was balanced by realizing that Members were becoming engaged in this important decision-making process.

There have been some victories, and there have been some defeats.

For nearly a decade, I have been working through this subcommittee on the possibility of building a visitors' center on Capitol Hill. Not only would this center add to the experience of visiting our Capitol Building, but it would be a great security enhancement.

We have appropriated funds for a feasibility study. We have appropriated funds for a design, which was unveiled three years ago. We have the cost estimates. All we need now to do is build it.

I am frustrated with the House Republican leadership, which has not been willing to move this needed construction forward for the four years in their charge. In light of the tragic violence that we were witness to on July 24 of this year that left two U.S. Capitol Police officers mortally wounded, we need to act and we need to act now. This tragic event, more than any other reason, speaks volumes toward the need for this facility and the need to move forward quickly.

The Architect of the Capitol, Alan Hantman, testified last year that the center would improve the physical and educational facilities for visitors, enhance the appearance of the East Plaza, and permit the adoption of measures that would "strengthen the security of the Capitol while ensuring the preservation of the feeling of open access."

The House Sergeant at Arms, Bill Livingood, is also a supporter of the construction of the Capitol Visitors Center. He testified in the same hearing that it would resolve many of the sensitive security issues that exist in the current security plan. He further testified that using a visitors center as the primary entrance and exit for the Capitol, would enable the Capitol police to regulate the number of people inside the Capitol building at a given time and allow them to be better prepared for an evacuation should an emergency arise.

In July, we saw why there is a need to improve security around the Capitol. Now is the time to demonstrate that we have responded to this tragedy and have done all we can to prevent it happening again in the future.

There have been some victories, too. Some are mundane, like energy efficient lighting. Some were massive construction projects, like the Hart Senate Office Building and the Madison Building to the Library of Congress. Some are historically significant, like the restoration of the Capitol's West Front and the restoration of the Jefferson Building, the original Library of Congress. I am glad to have played a small roll in all of them.

Now it's time to say goodbye to this bill and this institution. But I leave it in the capable hands of JIM WALSH, JOSÕSERRANO and the next generation of Members who will wrestle with these institutional issues on behalf of all their colleagues and on behalf of all Americans.

I wish them the best—may their efforts meet with every success.

Mr. WALSH. Mr. Speaker, I yield such time as he may consume to my good friend, the distinguished gentleman from California (Mr. JERRY LEWIS), chairman of the subcommittee on VA, HUD, and Independent Agencies of the Committee on Appropriations, and friend of the gentleman from California (Mr. VIC FAZIO).

Mr. LEWIS of California. Mr. Speaker, I appreciate my colleague's yielding time to me. I hope my colleagues who are not on the floor but listening from their offices will make note of this passing, for we have heard today some of those words which will be the last words we hear from a man of the House, the gentleman from California (Mr. VIC FAZIO).

□ 1200

He is a man of the House, because like very few Members, he understands and believes in this institution.

While VIC and Judy are dear friends of Arlene's and mine, I must say that to see him leaving this place is a great blow to all of us who believe in the future of our democracy. For VIC, like very few Members, truly understands that politics is indeed a part of our life, but our work involves this institution and the people's business.

He recognizes that most of the solutions that come forth to this well do not come forth in the form of partisan politics, but that major solutions and public policy are best melded by men and women working together on behalf of their people.

So, Mr. Speaker, we should all recognize today, as the likes of VIC come, very few come with that quality. As they leave the House, the House is lesser because of it. I would hope we would come together then bonded in our commitment to make certain that we do all that we can to preserve the government's work as we preserve this institution.

Mr. SERRANO. Mr. Speaker, I yield 2 minutes to the gentleman from North Carolina (Mr. HEFNER).

Mr. HEFNER. Mr. Speaker, I regret that I was not able to be here to commend our colleague. I would like to say this. Today there are two gentlemen in this House, both of them from California, who in my view epitomize what government is all about: the gentleman from California (Mr. LEWIS), has been a friend for a lot of years. We worked together on the Committee on Appropriations on projects; and, VIC FAZIO, who has been my friend. I do not know if I have been his friend, but he has been my friend for a long while.

Mr. Speaker, these are two of the men that are responsible sometimes when tempers get hot and when the rhetoric gets high; two guys that can cross this aisle and talk to people and get some balance back into the argument.

Mr. Speaker, I would say to the gentleman: VIC, I do not know what you are going to do, but I wish you Godspeed. As a very dear friend of mine always said, I hope you live as long as you want, and you never want as long as you live. I am retiring too, so I want you to come by the home and visit me from time to time.

Mr. Speaker, I would say to the gentleman from California (Mr. LEWIS), Jerry, I want to thank you for being my friend over the years and working with me. I commend people such as yourself and VIC FAZIO for being a calm voice many times when all the storm clouds gather. You are a voice of reason, and that gives us some hope for the future for the body politic and for democracy in our great Nation. I wish the same thing for you.

Mr. SERRANO. Mr. Speaker, I yield 2 minutes to the gentleman from Arkansas (Mr. BERRY).

Mr. BERRY. Mr. Speaker, I rise today to pay tribute also to a remarkable Member of the House, Congressman VIC FAZIO of California.

VIC has announced his retirement after 20 years in the U.S. House of Representatives. When he leaves this body at the end of the year, we will miss his leadership and his friendship tremendously.

I salute one of my party's leaders as the Chair of the Democratic Caucus who has led our party with outstanding leadership and integrity. He has also served as a great leader on the Democratic Health Care Task Force, bringing the caucus together around a terrific bill.

Personally, I came here 2 years ago and VIC has provided me with reliable and friendly mentorship and guidance on how the House of Representatives works and how it should work. He has always been a good listener, someone who always has time for junior Members such as myself, and has been there when a lot of us needed some good advice.

Congressman FAZIO'S insight into the issues and problems we address in this House have made him a valuable and trusted Member of this body. Our leadership, the House, and most of all the Third District of California have greatly benefited from his service.

Mr. Speaker, I believe I speak for all of my colleagues when I say that the departure of VIC FAZIO will leave a void in this institution. As he approaches retirement, I want to thank VIC for the guidance and leadership and congratulate him for his extraordinary career. I wish him excellent health and happiness in his retirement.

Mr. ROMERO-BARCELÓ. Mr. Speaker, it is with profound regret that I am unable to be in the floor of the House of Representatives to extend a fond farewell to and honor VIC FAZIO, our distinguished Democratic Caucus Chairman and Representative of the Third Congressional District in California. However, the will of nature being what it is, I am in Puerto Rico overseeing relief and cleanup actions to ensure our recovery from the devastation caused by Hurricane Georges. I must declare that this is one of the worst storms to hit Puerto Rico this century, similar to Hurricane San Felipe (St. Philip) in 1928. My priority is to get Puerto Rico back on its feet.

VIC, on behalf of the 4 million U.S. citizens in Puerto Rico, I want to express our deeply felt appreciation for your responsiveness and willingness to champion our cause in the Congress. We are proud to call you our friend.

You have done an excellent job in meeting the challenges facing the Congress throughout this past decade. I salute your equanimity under particularly difficult situations and admire your efforts to place the interests of the American people ahead of party and personal ambitions.

I appreciate the support you have provided me as the elected representative of the people of Puerto Rico to the U.S. Congress since November 1992. I am particularly pleased that you were able to be with us during this crucial year when we commemorate a century of United States-Puerto Rico relations.

You have helped Congress face some of the most controversial issues, allowing everyone an opportunity to express their views and opinions, while bringing a healthy dose of common sense to the discussions. I wish you the best as you make your plans for the future and undertake a new course in life. It has been a privilege to serve with you and an honor to call you my friend.

Godspeed and best wishes.

Ms. SANCHEZ. Mr. Speaker, I rise today to honor a dear friend, Congressman VIC FAZIO. Mr. FAZIO is retiring from Congress after 20 years of public service to the constituents of the Third District of California.

Congressman FAZIO leaves a legacy of hard work and dedication to his constituents, as well as the entire country. He provided leadership, guidance, and support to Members of Congress by serving as the Chairman of the Democratic Caucus.

His knowledge and reverence of government has made him a role model for all Members of this House, and those who aspire to be leaders.

Mr. FAZIO is a devoted public servant who has dedicated his life to making a difference in our society and our nation. He truly enjoys coming to work each morning and does each task with great passion. You will often find him working late into the evening hours assisting a constituent, colleague, staff member, or friend.

Mr. FAZIO, thank you for your leadership, guidance, and kind words of wisdom. It has been an honor to serve in Congress with you. I wish you the best of luck in your future endeavors. You will truly be missed.

Mrs. KENNELLY of Connecticut. Mr. Speaker, when Congress adjourns for the year we will be bidding farewell to a number of very fine members who represent the best that this Nation has to offer. Today, we are honoring one of the best of the best, VIC FAZIO.

I have known VIC since I came to Congress in 1982. He has helped me in many ways; in fact, judging from these tributes, there are few in this Chamber who have not been helped by VIC. He has been a superior leader of the Democratic Caucus—always fair, always judicious, always working to bring about a consensus.

We know VIC as someone who loves the people of his district. He has worked exceptionally long hours doing the very best job he could for them. We know VIC as someone who loves his Appropriations Committee work, helping all Members whenever he could, Democrat and Republican alike. And we have all seen him working the House floor during a vote.

But let me tell you that none of that compares to what I have learned about him since he became Chair of the Democratic Caucus and I became Vice Chair—his honor, his gentle character, his warmth, his outstanding personal friendship. I will miss VIC, but more importantly this House will miss VIC, as will his constituents. At least we have the comfort of knowing that whatever he does, he will do it exceptionally well.

Ms. EDDIE BERNICE JOHNSON of Texas. I rise to offer my best wishes of success to the future endeavors of our departing Democratic Caucus chair, VIC FAZIO. More important, I join my colleagues, particularly those of the Democratic Caucus, in thanking Congressman FAZIO for the direction, strategy and guidance that he has lent to us.

That our caucus is more unified and accommodating of different viewpoints is due to Congressman FAZIO's ability to listen to all opinions of the caucus. That our caucus at the same time is focused on the unified Democratic agenda is due to his great working relationship with our Democratic leader and whip.

In addition, we are focused because from the time that he served as chair in 1994, he possessed a clear vision of what we should be doing to help America's working families.

However, it is not just the members of the Democratic Caucus who will miss his work ethic, intelligence, integrity and respect for this institution. I am sure that our colleagues in the Republican Conference will appreciate and miss his pragmatism and ability to forge bipartisanship out of the most partisan matters.

During his tenure as vice-chair of the Democratic Caucus, Congressman FAZIO was also chair of the Democratic Congressional Campaign Committee, helping many of us here today reach Capitol Hill and serve our districts. He has been the true party stalwart and soldier.

Nevertheless, he has shown the same effective dedication to his legislative work to help the Third District of California, serving on the Appropriations Committee, ranking Democrat on its Subcommittee on the Legislative Branch and ranking Democrat on the Appropriations Subcommittee on Energy and Water Development.

It goes without saying that his accomplishments cannot be summarized in two minutes. What I can say to Congressman FAZIO before I conclude is that on behalf of the Democratic Caucus, the entire House and your constituents of third district that you served with such distinction . . . is that we will miss your dedication and wish you all the success.

Ms. LOFGREN. Mr. Speaker, I want to join in the chorus of voices paying tribute to my good friend and colleague, VIC FAZIO. With the end of this session, Congress will lose one of its brightest lights.

Perhaps, the best thing I can say is the simplest—thank you.

When I came to Congress in 1995, it was immediately clear VIC FAZIO was someone to turn to when gridlock seemed inevitable or a solution impossible. VIC stood out as a role model, as an example of how to act effectively, with integrity and with dignity. It's easy to understand why he has commanded so much respect from both sides of the aisle.

I know I share the conviction of many when I say that VIC FAZIO has defined what it means to be a public servant—always keeping the common interest in the forefront. Just to cite one example, in his key role on the Appropriations committee, I don't know how many times he labored quietly to ensure that Northern California was treated fairly.

VIC, I will deeply miss your leadership, and your good counsel. You have left a great legacy for our institution.

Mr. DICKS. Mr. Speaker, I am very pleased to join my colleagues today to bid farewell to my good friend, Congressman VIC FAZIO of California, whose departure from this institution will certainly be a great personal loss for all of us and for the House itself. Having known VIC since his election to Congress in 1978, I have appreciated many things about our service together. But most of all VIC has impressed me as a member who deeply cares about the integrity of this institution, and about the people who serve here. He has been a ''member's member,'' in the sense that he has always tried to represent the very best of Congress and to stand up for the institution against the criticisms that have come our way, particularly in recent years.

VIC FAZIO and I have served on the Appropriations Committee during his time here in the House, and I have appreciated his help and support on the Energy and Water Development Subcommittee, where he has always

taken a balanced approach to the many difficult power and resource issues that affect the Western States most particularly. He has been a valuable ally on several issues of importance to my constituents, and I have counted on his help and his support.

VIC has also been a member who has always had a clear sense of direction for the Democratic Party in the House, serving as the Caucus Chairman and speaking out strongly in support of the causes and positions that form the foundation of our party's political philosophy here in this chamber. He is able to communicate from the very soul of our Democratic Party, and we will all miss his spirit, his leadership, and certainly his friendship.

As he leaves this body and ends a 33-year career in public service, I think it is important for the Members of the House to pay tribute to VIC FAZIO who has represented the very best ideals of our institution and who has truly been a model public servant.

Mr. TORRES. Mr. Speaker, I rise today to honor my colleague and friend, VIC FAZIO.

VIC has decided to retire from this institution to pursue new adventures. Normally, this would be a sad occasion. But from where I stand, this is a time to celebrate. You see, like VIC, I have chosen retirement—not to settle into sedentary retirement or to vacate the public arena, but to explore new opportunities.

So for me, witnessing the end of this phase of VIC's career as a statesman does not make me sad.

But for this institution and for the American people, this is indeed a sad occasion. I know VIC very, very well. We are from the same State and the same party and serve together in our party's leadership structure and on the Appropriations Committee. I know that VIC has served all his constituents with distinction.

And when I refer to his constituents, I speak not only of the people of California's Third District, who have kept VIC in Congress for 20 years. I speak also of his colleagues in this body, because if anyone around here can be considered ''our Congressman,'' it is VIC.

In an era where Congress-bashing has become a national spectator sport, VIC FAZIO has been courageous in his defense of this body and the men and women who comprise it. As ranking Democrat and past chairman of the Legislative Branch Appropriations Subcommittee, VIC has not been shy about saying what is right and good about the United States Congress.

VIC has been tenacious in making sure that the men and women who have chosen public service over personal gain can serve proudly, even in the face of increasing partisan turmoil. He has worked hard to see that the legislative branch receives adequate funding and he has championed pay raises for legislative branch personnel, even when that is not politically popular.

VIC realizes that we are people, we are human, and we work hard to represent real people across America. VIC has never been afraid to stand up and speak the truth, even when the truth is the politically incorrect thing to say.

As VIC begins the next phase of his life, I salute him and know that he will be guided by the principles of fairness and justice that have made him such a respected colleague in this chamber.

Good luck to you, VIC, and thanks for all you have done for me, the people of California, and the American people.

Mr. FROST. Mr. Speaker, I rise today to honor Representative VIC FAZIO, who is leaving us after an exemplary career of service to our country. For 10 terms in Congress, Representative FAZIO has tirelessly served this body with the greatest of honor and dedication. I would like to thank VIC for all the years of hard work and determined effort he has given to the Democratic Party and to the U.S. House of Representatives.

VIC your model behavior in leadership and direction has been an inspiration to all of us. You have guided so many of us through both good and difficult times. We thank you for your loyalty to this institution and the guidance you have bestowed upon us over your many years of service.

The time and energy you have invested throughout the years warrants the utmost respect and regard from this entire body. Congressman FAZIO, thank you for all of the intelligence and integrity you have demonstrated throughout your years in Congress. This Congress will miss you and your devoted commitment to the entire country.

Mr. LEE. Mr. Speaker, I rise today to pay tribute to my California colleague, hall mate/neighbor, friend, roll model, and mentor, VIC FAZIO. Long admired for his legislative and political knowledge and ability, as well his leadership capacity and style, he will be, in my mind, the consensus builder and public servant extraordinaire.

VIC was one of the first people I spoke with upon my arrival on Capitol Hill. His advice, counsel and guidance have made a tremendous impact on the path I now follow in this institution.

Thank you VIC for all you had done for California, especially northern California. Your commitment to our State on the issues that are important to people is commendable because you truly care.

VIC FAZIO has made an indelible mark on this institution and will be sorely missed. Your career has been exemplary and we are privileged to have had benefit of your insight, knowledge and positive energy.

Your distinguished leadership, combined with integrity and hard work, has been an inspiration to many. Those on both sides of the isle seek have sought your counsel on a myriad of issues. Your tireless work as Democratic caucus chair has provided us a vehicle to share concerns, air opinions and develop consensus on a host of issues important to this institution and ultimately to the Nation.

I will miss your warmth and caring, and most of all you smile.

VIC, may you, Judy, and the family enjoy all the happiness and blessings life has to offer. You deserve only the best.

Mr. SERRANO. Mr. Speaker, I yield back the balance of my time.

Mr. WALSH. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore (Mr. NEY). The question is on the conference report.

Pursuant to clause 7 of rule XV, the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 356, nays 65, not voting 13, as follows:

[Roll No 457]

YEAS—356

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barcia
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boswell
Boucher
Brady (PA)
Brown (CA)
Brown (FL)
Brown (OH)
Bryant
Bunning
Burr
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Carson
Castle
Chabot
Chambliss
Clay
Clayton
Clement
Clyburn
Coble
Coburn
Collins
Combest
Cook
Cooksey
Costello
Coyne
Cramer
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
Dickey
Dicks
Dingell
Dixon
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Fawell
Fazio
Foley
Forbes
Ford
Fossella
Fowler
Fox
Franks (NJ)
Frelinghuysen
Frost
Furse
Gallegly
Ganske
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goodling
Gordon
Graham
Granger
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hamilton
Hansen
Harman
Hastert
Hastings (FL)
Hastings (WA)
Hayworth
Hefner
Hill
Hilliard
Hinchey
Hinojosa
Hobson
Hoekstra
Holden
Hooley
Horn
Houghton
Hoyer
Hunter
Hutchinson
Hyde
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Johnson, Sam
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kildee
Kilpatrick
Kim
King (NY)
Kingston
Kleczka
Klug
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Lewis (KY)
Lipinski
Livingston
LoBiondo
Lowey
Lucas
Maloney (CT)
Maloney (NY)
Manton
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McDermott
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McNulty
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Mink
Moakley
Mollohan
Moran (VA)
Morella
Murtha
Myrick
Nadler
Neal
Nethercutt
Ney
Northup
Norwood
Oberstar
Obey
Ortiz
Owens
Oxley
Packard
Pallone
Pappas
Parker
Pascrell
Pastor
Paxon
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Quinn
Radanovich
Rahall
Ramstad
Redmond
Regula
Reyes
Riggs
Riley
Rivers
Rodriguez
Rogan
Rogers
Rohrabacher
Roukema
Roybal-Allard
Rush
Ryun
Sabo
Sanchez
Sanders
Sandlin

Sawyer
Saxton
Schaefer, Dan
Schumer
Scott
Serrano
Sessions
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Snowbarger
Snyder
Solomon
Souder
Spence
Spratt
Stabenow
Stark
Stokes
Strickland
Stupak
Sununu
Talent
Tauscher
Tauzin
Taylor (NC)
Thomas
Thompson
Thornberry
Thune
Thurman
Tiahrt
Torres
Towns
Traficant
Turner
Upton
Visclosky
Walsh
Wamp
Watkins
Watt (NC)
Watts (OK)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
White
Whitfield
Wicker
Wilson
Wise
Wolf
Woolsey
Wynn
Yates
Young (AK)
Young (FL)

NAYS—65

Barr
Barrett (WI)
Blunt
Boyd
Chenoweth
Christensen
Condit
Conyers
Cox
Crane
Crapo
Deutsch
Doggett
Ensign
Filner
Frank (MA)
Gejdenson
Goode
Goodlatte
Green
Hall (TX)
Hefley
Herger
Hilleary
Hostettler
Hulshof
Inglis
Kind (WI)
Klink
Lee
Lewis (GA)
Lofgren
Luther
McGovern
McKinney
Meehan
Miller (CA)
Minge
Moran (KS)
Neumann
Nussle
Olver
Paul
Payne
Petri
Roemer
Rothman
Royce
Salmon
Sanford
Scarborough
Schaffer, Bob
Sensenbrenner
Shadegg
Shays
Smith, Linda
Stearns
Stenholm
Stump
Tanner
Taylor (MS)
Tierney
Velazquez
Vento
Waters

NOT VOTING—13

Brady (TX)
Burton
Cardin
Diaz-Balart
Ehrlich
Goss
Kennelly
Linder
Poshard
Pryce (OH)
Rangel
Ros-Lehtinen
Shaw

☐ 1225

Messrs. ROTHMAN, HALL of Texas, INGLIS of South Carolina, HERGER, and HEFLEY changed their vote from ''yea'' to ''nay.''

Ms. PELOSI changed her vote from ''nay'' to ''yea.''

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. DIAZ-BALART. Mr. Speaker, I was absent on rollcall 453, the LaHood motion to table H. Res. 545, impeaching Kenneth Starr; rollcall 454, H. Res. 144, expressing support for the Bicentennial of the Lewis and Clark Expedition; rollcall 455, H. Res. 505, expressing the sense of the House with respect to Diplomatic Relations with Pacific Island Nations; rollcall 456, H. Con. Res. 315, Condemning Atrocities by Serbian Police against Albanians; and rollcall 457, the Conference Report to accompany H.R. 4112, the Legislative Branch Appropriations for FY 99, due to official business. Had I been present, I would have voted ''Aye'' on all of these votes.

PERSONAL EXPLANATION

Ms. ROS-LEHTINEN. Mr. Speaker, I was unavoidably detained and wish to be recorded as an ''aye'' vote on H.R. 4112, the Legislative Branch Appropriations Conference Report (Roll Call 457).

GENERAL LEAVE

Mr. SERRANO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H. Res. 550, and include extraneous material.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

CONFERENCE REPORT ON H.R. 3616, STROM THURMOND NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1999

Mr. SOLOMON. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 549 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 549

Resolved, That upon adoption of this resolution it shall be in order to consider the conference report to accompany the bill (H.R. 3616) to authorize appropriations for fiscal year 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 1999, and for other purposes. All points of order against the conference report and against its consideration are waived. The conference report shall be considered as read.

The SPEAKER pro tempore (Mr. LATOURETTE). The gentleman from New York (Mr. SOLOMON) is recognized for 1 hour.

Mr. SOLOMON. Mr. Speaker, I yield myself such time as I may consume.

Mr. FROST. Mr. Speaker, will the gentleman yield?

Mr. SOLOMON. I yield to the gentleman from Texas.

Mr. FROST. Mr. Speaker, I would like at this point, before we begin debate, to acknowledge the presence on the floor of our colleague, the dean of the Texas delegation (HENRY GONZALEZ) who has been ill for the last year but who has returned to be with us during these closing days of the session.

Mr. SOLOMON. Mr. Speaker, from this side of the aisle, we would like to say hello to the dean of the Texas delegation and welcome him back. He is one of the most respected Members of this body.

☐ 1230

Mr. Speaker, for purposes of debate only, I yield half our time to the gentleman from Texas (Mr. FROST), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Mr. Speaker, this resolution makes in order the consideration of the conference report to accompany H.R. 3616, the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999. The rule waives all points of order against the conference report and against its consideration, and it provides that the conference report shall be considered as read.

Mr. Speaker, the rule will enable the House to proceed with the expeditious consideration of the conference report for the Defense Authorization Act for Fiscal Year 1999, the most important bill that Congress is called upon to enact each and every year.

I do note right here at the outset, Mr. Speaker, that the conferees have dedicated this legislation to Senator STROM THURMOND. And that, I believe, is something unprecedented, to name a bill after a Member who is still in office.

The preamble to this conference report cites Senator THURMOND's various services to the Nation, and he is certainly deserving of this singular honor. Here is a man who went into Normandy with the 82nd Airborne Division on D-Day, back during World War II, and still, today, 54 years later, he continues to serve our country as chairman of the very important Senate Committee on Armed Services, a committee on which he has been a member for 40 years. Forty years. STROM THURMOND has truly had a unique and influential career in service to the country, and we salute him here today.

Mr. Speaker, I would also like to pay tribute to our colleague from South Carolina (Mr. SPENCE), the chairman of the Committee on National Security, and equally commend the gentleman from Missouri (Mr. SKELTON), the ranking member of the committee. They are truly two of the most respected, outstanding Members of this body. They do, year in and year out, yeoman work on this extremely, extremely important measure. These gentlemen have served our country with distinction. Not for as long as STROM THURMOND has, but nobody else has, but they are certainly no less able and certainly no less dedicated. We appreciate the outstanding work that they and the conferees have done on this report.

And their staffs are to be commended as well. A lot of people do not know how much staff work goes into something as important as this, and on both sides of the aisle they are truly outstanding. They have made the very most of what they were given to work with, the budget ceilings being what they are, which we all object to.

This conference report is the product of a genuine bipartisan effort. It has, I am informed, been signed by every conferee, and that is highly unusual in itself.

Mr. Speaker, I, for one, want to pay particular tribute to what the conferees have done in addressing the readiness problem. I know there are people who question how a $270 billion budget, when we are spending that much money, how it could still leave

us with a hollow military. And hollow it is, and getting worse by the day. Consider this: In a span of 31 years, from 1960 to 1991, the United States military conducted only 10 so-called operational events, deployments that took place outside our normal alliance and training-related obligations. Only 10 in that 31-year period. But in only the last 7 years—and this is what is so, so cogent—since 1991, our military has conducted 26 operational events. The Marine Corps alone has conducted 62 contingency operations in the decade of the 1990s, compared to only 15 such operations in the decade of the 1980s.

The ever-accelerating number of demands placed on our Armed Forces has occurred at a time when the military has been experiencing its most significant reductions since the end of World War II. Ten years ago we had over 2.2 million American men and women in uniform, over 2 million. By the end of 1999, that number will be less than 1.4 million. In the last 10 years, the number of Army divisions and Air Force fighter wings has been reduced by nearly half. The Navy has been reduced in size by more than one-third.

Mr. Speaker, we all recognize that the strategic environment is significantly different today than it was a decade ago. But let us never, never be lulled into complacency or a false sense of security. We must never, ever allow our military to hollow out, as what happened in the 1970s. Many of my colleagues will recall, if they were here then, that we had American hostages being held in a place called Iran, and we attempted to rescue those hostages. To do that, the military equipment being in such bad condition, we had to cannibalize about 10 helicopter gunships to get five that would work. Four of those failed, and so did the mission, and the rescue attempt went down the drain. That is the condition we were in in the 1970s.

This is the third year in a row that the defense bill conferees have had to find additional funds for the important readiness accounts. On top of that, they have had to face enormous pressures in balancing the need between short-term readiness and the critical modernization and procurement requirements for which the administration has consistently requested funding that is well below its own forecast of what is necessary to keep our forces prepared and to give our young men and women the best possible strategic weaponry they can have if, God forbid, they ever have to be put in harm's way again. And we all know that that is inevitable. It always happens.

And, finally, Mr. Speaker, let us never forget that we rely today on an all-voluntary military force. That is not going to change. Morale and quality of life are matters of vital importance to the young men and women in uniform today. Quality of life.

I recall in the Marine Corps, when I served 40 years ago, 90 percent of us were single. We did not have families. Today, that is absolutely reversed. Most of the men and women today in the military are married, and we have to provide decent living quarters and decent standards of living for these young men and women.

And, frankly, my colleagues, the combination of shrinking force structures, declining defense budgets, and the increased pace of operations is taking its toll. If Members will just go to any of the recruiting offices in any of their congressional districts, they will see that today we are having a problem recruiting a real cross-section of America to serve. And the reason is because they cannot depend on the military as a career. When we reduce our overall numbers from over 2 million down to 1.4 million, where is the career for these young men and women? Where are we going to get this real cross-section of America to serve in our military? It is not easy. Go and check with the recruiters.

The conferees are to be congratulated for addressing head-on the issues of health care, of retirement and compensation benefits, and living facilities that are of such concern to the all-voluntary force. Again, with what they were given to work with, with these budget limitations, they have done just an outstanding job. Our forces must be able to keep pace with their counterparts in civilian life if we are ever going to be able to maintain the kind of military that we want.

So, Mr. Speaker, I would urge strong support for the rule and for the conference report. Once again, the conferees are to be thanked for a job well, well done.

Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of this rule and this vital conference report. Providing for our common defense is one of the primary constitutional duties of the Congress, and this conference agreement seeks to fulfill that obligation within the constraints imposed by the balanced budget agreement. But as the ranking member of the Committee on National Security said last night when the Committee on Rules met to grant this rule, the task of trying to address the many issues affecting our Armed Forces was much more difficult this year than it has been in years past.

The gentleman from Missouri (Mr. SKELTON) makes a very good and very important point. Mr. Speaker, last week the Joint Chiefs and the unified combat commanders told the President that their increasing duties at home and abroad have placed enormous strains on each of the branches of the Armed Services and that the readiness and operational capabilities of the Services are suffering.

As it was reported in The New York Times yesterday, the commanders told the President that funding shortfalls have eroded their readiness to fight and win the next war, have led to shortages of spare parts for war planes, cuts in training, and difficulties in recruiting and keeping qualified troops. Mr. Speaker, this bill attempts to address those shortfalls, but it is abundantly clear that defense spending must increase in future years.

I am especially pleased to learn that the administration has taken the warnings of the Joint Chiefs to heart and that the President intends to propose adding $1 billion to the emergency supplemental to address some of the shortfalls outlined to him, and that the President has also indicated his support for a significant increase in military spending in the coming fiscal year.

I would certainly endorse those increases in military spending to ensure that our military might and superiority does not suffer needlessly. I want to congratulate Secretary Cohen and General Shelton for their ongoing commitment to the men and women in uniform who serve our Nation and their commitment to a strong and vital military.

Mr. Speaker, the conference report does a good job within the constraints of the Balanced Budget Act, which has capped spending for the Department of Defense. The conference report addresses pressing needs in improvement in pay and allowances, family and troop housing, improved medical care and education for military dependents. These improvements are key if we are to keep family men and women in our Armed Forces.

This conference report increases funding for several categories of operations and maintenance as well as readiness and recruiting. These funding increases are critical to maintaining our military superiority in all corners of the globe.

This conference report also provides $279.9 million in funding for post-production support of the B–2 bomber fleet, $2.2 billion for research and development, and advance procurement for the F–22 Raptor fighter. The Raptor is the 21st century attack fighter that will ensure the air superiority and maintain the air dominance of the Air Force.

The conference agreement also authorizes $742.8 million for the acquisition of 8 V–22s, which will replace the aging Marine Corps helicopter fleet to ensure our combat troops can be ferried quickly and efficiently to combat situations.

Mr. Speaker, this is a good bill that deserves the support of the House. The men and women who serve their country deserve the best this Congress can give them. While these funding limits may not be able to give the Department of Defense everything it needs, this conference agreement does a great deal to ensure our most critical priorities are addressed. I urge adoption of this rule and the conference report.

Mr. Speaker, I reserve the balance of my time.

Mr. SOLOMON. Mr. Speaker, I yield 5 minutes to the gentleman from San Diego, California (Mr. DUKE CUNNINGHAM).

He is a true patriot. He was a naval aviator fighter pilot in Vietnam, and the movie Top Gun was based on his heroic deeds. I do not mind leaving this Congress at the end of this year because we are going to have people like him here. He is a great American.

Mr. CUNNINGHAM. Mr. Speaker, I thank the gentleman from New York for yielding me this time, my Marine Corps friend, but let me state one thing in correction. The movie Top Gun was not based on my life. There were several of the scenes based on real-life events. We never overstate in this business our qualifications. But I thank the gentleman.

Mr. Speaker, I would like to talk about a few things, and I think 99 9/10 percent is positive. There are some things in here on a bipartisan basis. I left the Committee on National Security, the authorization committee. It is show-me-the-dollars to the Committee on Appropriations, for defense. But the two committees work hand-in-hand. And one of the biggest reasons I hated leaving the Committee on National Security was my friend, the gentleman from Missouri (Mr. IKE SKELTON), and the work we did there.

But let me tell my colleagues a couple of things that we did, and I think things we need to do in the future as well. The gentleman from Oklahoma (Mr. J.C. WATTS), the gentleman from Texas (Mr. MAC THORNBERRY), the gentleman from Virginia (Mr. JIM MORAN), the gentlemen I just spoke of, the gentleman from Missouri (Mr. IKE SKELTON), and myself fought to get FEHBP for our veterans. A worker in the Pentagon that is nonmilitary, after they retire, during Medicare they qualify for FEHBP. Someone we ask to fight our battles does not qualify, and that is wrong, Mr. Speaker, and we need to change that. But the folks I mentioned before fought for that.

And I would also like to give thanks to a gentleman that we lost this year, and that is General Jim Pennington, who passed away, and this was one of his dreams, to bring FEHBP to veterans. He lived long enough to see this come to fruition in a pilot program, and we need to carry on with that as well.

□ 1245

After the Committee on National Security heard the classified briefings on Long Beach Naval Shipyard and the Communist Chinese Shipping Company, COSCO, there was a vote, I believe it was 45–4, to keep the Communist Chinese from taking over Long Beach. Now, I have never been against them staying as a tenant just like they are in other ports, but to give them absolute control when the reason we went into Afghanistan and some of our other sites, it was COSCO that shipped those chemical and biological and in some cases nuclear parts to those things from China, to give them access to Long Beach Naval Shipyard was just wrong, not access but complete control. That is in this bill.

Something we worked on very diligently from a very bipartisan group called the Sportsmen's Caucus was the disabled sportsman. What we found is that a lot of our military bases are now opening up to disabled sportsmen. You can imagine being in a wheelchair and wanting to go fishing and you go out on a dock that does not have a handrail. This was also in the bill, in the disabled sportsman portion of it.

Let me speak and say something to my colleagues. Very bipartisan committees, both the authorization and appropriation. Where we get outside of that is where I would like to speak to my friends that do not believe that we need more defense spending. We could survive under the balanced budget agreement with defense spending. But we cannot survive with that limited budget and then take 300 percent, the overseas deployments, and take those funds out of that already limited bill. The reason that we only have 24 percent of our military, of our enlisted staying in is family separation, and pilots are leaving in droves, the economy is good and they can get jobs on the outside. That experience is going. We are going to lose great numbers of airplanes over the next five years, even if we invest now. Because when you have your experience going out of your enlisted, your pilots are gone, you are having to take cannibalization. Oceana has four up jets, they normally have 45, because they are cannibalizing parts. So your training back here in the United States for your brand new pilots is very limited. All of these are factors in this readiness.

I am happy that the President is going to put a billion dollars into the emergency supplemental. But the Joint Chiefs told him he needs $15 billion over a period of time, and Shalikashvili said that we need to increase procurement spending by up to $60 billion. A billion dollars just will not do it over the long haul. I am thankful that the President and some of my colleagues realize that the Cold War is not totally over. I would like to thank both sides of the aisle for the bipartisan work on this bill.

Mr. FROST. Mr. Speaker, I yield 3 minutes to the gentleman from Missouri (Mr. SKELTON).

Mr. SKELTON. Mr. Speaker, I thank the gentleman from Texas for yielding time. First let me compliment the chairman of the Committee on Rules. This is the last time that the gentleman from South Carolina (Mr. SPENCE) and I will be before the committee with the gentleman from New York as the presiding chairman. We wish him well and we thank him for his many, many efforts on behalf of the young men and women in uniform. We extend our heartfelt thanks to the gentleman from New York.

Regarding the gentleman from California (Mr. CUNNINGHAM), I thank him for his kind words. We know and hope that his work on the Committee on Appropriations will reflect the work that we on the authorization committee will do as it precedes the work on the appropriation efforts.

The gentleman from Texas (Mr. FROST) mentioned the fact that the President has recognized that we need additional funding for our military. I am in receipt yesterday of a letter from the President wherein he stated that there will be the $1 billion in emergency recommendations. He also added that in the long run, there will be additional necessary funds for readiness.

Let me share with this body that I am not a newcomer to this issue. I was concerned about readiness shortfall, concerned about spare part problems and concerned about some research and development and procurement several years ago. I embarked on a major effort to put together a military bill, a defense bill, from scratch. On March 22, 1996, I appeared before the Committee on the Budget recommending additional funds for fiscal years 1997, 1998 and 1999. But of course those figures were not adopted. I am sending that budget to the President, to the Secretary and to the Chairman of the Joint Chiefs, because it might reflect what well is needed now, because there were shortfalls in those years and we find ourselves in a position of young people leaving, and spare parts and readiness is down. We need to do something about it. Now is the time for us to fulfill the pledge. We must take care of the troops. We must let them know we appreciate them, that we back what they are doing in their efforts, we will back their families, and we will allow there to be sufficient funds for training so they can be ready for any contingency that comes along. That is our job. We should not have to wait for the President to make the recommendation. It is good that one is coming forth. I have suggested to him a figure which I hope he will look to.

Mr. SOLOMON. Mr. Speaker, I yield 3 minutes to the gentleman from Colorado Springs, CO (Mr. HEFLEY) another outstanding member of the Committee on National Security who has served on that committee for more than 10 years now.

Mr. HEFLEY. Mr. Speaker, no Member in this House has been more supportive of a strong national defense than the chairman of the Committee on Rules has been since he has been here. We are going to miss him in that role. I am including even those of us who serve on the Committee on National Security. He has been such a stalwart. We appreciate that greatly. I think we should make the gentleman an honorary member of the Committee on National Security, if nothing else.

Mr. Speaker, I rise in support of H.R. 3616, the National Defense Authorization Act for Fiscal Year 1999, and for

this good rule. The legislation is critically important to the defense of the Nation. It contains a needed military pay raise of 3.6 percent, an issue on which I am proud to say the Committee on National Security has been a leader. This legislation supports the readiness of the armed forces by providing an additional $900 million above the President's request to bolster underfunded training and readiness requirements. This bill would also strengthen export controls on extremely sensitive satellite and missile technology. This is a good bill. It is a good rule.

I want to focus some attention on the part of the bill that I have worked the most on, and, that is, the military construction authorizations for the coming year. There is no question that the poor condition of military infrastructure continues to affect readiness and quality of life for military personnel and their families. This bill would authorize $8.4 billion for the military construction and family military housing programs of the Defense Department and the military services. This amount is $666 million more than the President's request and over 52 percent of that funding is dedicated to improving troop housing, military family housing, child development centers, physical fitness and other facilities that significantly affect the quality of life of military personnel and their families. The remainder supports either critical enhancements for training and readiness or to improve basic working conditions. This bill fully supports the MILCON appropriations agreement which passed the House 417–1 and was signed by the President over the weekend.

For too long, military infrastructure has been ignored. It has been far too easy to put off needed investment in infrastructure on the assumption that one more year will not make a difference, that we can get by. The result of years of this neglect is a crumbling infrastructure which undermines readiness and housing that no one in this House would want their son or daughter living in. Over the past four years, Congress has struggled to find ways to fix the problem but from year to year we have been met by administration budget requests that continue to decline. The problem cannot be fixed by wishing it away.

Earlier this week the President indicated a willingness to join those of us in Congress who have argued that defense spending must increase to meet critical shortfalls such as these. I hope we have finally turned the corner on shortfalls in the defense budget.

I urge all Members to support this bipartisan legislation and to vote for a strong defense bill and to support this rule.

Mr. SOLOMON. Mr. Speaker, I yield 3 minutes to the gentleman from San Diego, CA (Mr. HUNTER) another outstanding Member and an 18-year member of the Committee on National Security.

Mr. HUNTER. Mr. Speaker, I want to thank the gentleman from New York (Mr. SOLOMON) for turning the Committee on Rules into an Armed Services Committee and then a National Security Committee. It has always been, I think, reassuring to Members on both sides of the aisle when we have had our bill moving through the process to know that the Committee on Rules was going to take up our bill under the leadership of a Member of Congress who finds that the constitutional duty to protect this country is of primacy. Whether he is in a Republican Conference, in an in-house conference or speaking to the full House or making sure that some important mission of the Committee on National Security works and is successful, the gentleman from New York has been a real fighter for a strong national defense.

Along those lines, I think we are in some danger in this country. We have been telling the President as we boosted his defense budget every year on the Committee on National Security and then in the full body, we have increased President Clinton's budget, we have been telling him every year that we do not have enough, that we are losing people, that we have got pilot shortages, that we have got technical shortages. We now have sailor shortages in the Navy. We are losing people. We are building a navy at a rate which if you consider new construction will give us a 200-ship navy when we had a 600-ship navy just a few years ago. We are seeing the North Koreans now achieving ballistic missile capability that the CIA said they would not have for years, achieving that right now, and we have no defense against it. We have an army that has been cut from 18 to 10 divisions. We see a desperate need for stealthy, tactical aircraft and we do not have them. Yet we are trying to move that program along. I think we have cut defense perilously. Yet the President has rejected our overtures for the last four years.

This year, I notice, if you read the papers now, President Clinton is now writing letters saying defense has been cut too much, that we have to do something about it. Mr. Speaker, we have done something about it in this bill with the very limited dollars that we have. Our great leader the gentleman from South Carolina (Mr. SPENCE) on the Committee on National Security has assigned us all our various areas. I have worked on modernization. We have tried to increase the tactical fighter program. We have tried to put money in the Joint Strike Fighter, the F–22. We have added extra shipbuilding money. We desperately need more. We have moved out on missile defense. We have tried to take steps, although they have been small steps, in a number of areas that are absolutely national priority with respect to national defense. The best thing we can do right now is pass this conference report and then regroup and put an additional 10 or 20 or $30 billion a year in our national defense, do what we have to do to remain the supreme military power in the world and also have the ability to meet the new threat of terrorism.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the gentlewoman from the District of Columbia (Ms. NORTON).

Ms. NORTON. Mr. Speaker, I thank the gentleman for yielding time. I come to the floor with a sense of both relief and concern, relief that this bill, this rule, the bill underlying this rule no longer requires sex segregation in the armed forces; concern that it does express a sense of the House that sex segregation return to the armed forces of the United States.

Mr. Speaker, there is an old saying that says ''if you don't know something, you better ask somebody.'' I hope we will listen to those who do know something about this complicated issue. A report is due in March from military experts. Meanwhile, the armed services have told us that sex-integrated training is safest and best for our country. Perhaps that is to be turned around. We certainly should not move in advance of that. Training, it seems to me, is precisely where women and men should first meet. Delay puts both at risk if for the first time you meet the opposite sex after you have been trained when you may be in a theater of war or elsewhere in danger.

□ 1300

Mr. Speaker, I hope that our country has learned after all these years that there ought to be a profound presumption against segregation based on race or sex. The Armed Services deserves credit for the great success they have made of gender-integrated training. The top enlisted men of all four Armed Services opposed gender-segregated training, and I want to quote the Chief Master Sergeant of the Armed Forces who says, we have done the job and we have done it with men and women serving together. I am confounded as to what the problem is.

I am, too, Mr. Speaker, and I hope we will stick with what we have.

Mr. SOLOMON. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, just briefly let me say that the previous speaker is held in the highest esteem by me. But she and I certainly differ, as my colleagues know, on this issue.

As my colleagues know, our military is there to fight a war, and our military does not come under the laws of the land. They come under the Military Code of Justice, and there is a reason for that.

There are exceptions when men and women can train together. There are those of us that believe that women should never be put in combat under any circumstances, and some of us will never change our mind on that.

But the truth of the matter is we cannot take young men and women, 18 years old, first time away from home and integrate them into training. It just does not work, and I think the bill

speaks to that, although not as much as I would like to see.

And, having said that, I am going to yield to the next speaker, who is someone I deeply admire and respect.

Mr. Speaker, I yield 5½ minutes to the gentleman from Monticello, Indiana (Mr. BUYER), who is young, a relatively new Member of our Congress. He is a subcommittee chairman on the Subcommittee on Military Personnel and has done such an outstanding job in working with the private sector commissions that have been looking into this matter, and he is also a Major in the Army Reserve, and I salute him.

Mr. BUYER. Mr. Speaker, I thank the gentleman for yielding this time to me.

Mr. Speaker, I just would like to share with everyone there is a reason, as chairman of the Subcommittee on Military Personnel, as we have looked into this issue on the separation of gender, whether it is the small unit level or in training, the gentlewoman who just spoke before me used the word ''segregation.'' She used the word ''segregation'' for a reason, to taint the argument and to go back to the issues on segregation, on race.

The issue here is separation of gender at the small unit level. We sought to return the Air Force back to the way they had been doing it for over 20 years. Just this past July when, in fact, those of whom argued for integration of the sexes have held out the Air Force as the model, we sought to take them back to the model, and for some reason now they are overembellishing in their argument on saying we have somehow taken steps back, that this will be a segregation of the sexes just as though it has been segregation of the races. That is ba-looie. I do not even have the word to properly describe that.

We sought the Kassebaum-Baker. This was a bipartisan panel. Individuals of great diversity in their ideology looked at this and said unanimously that we need to separate at the small unit level, which means flights in the Air Force, platoons in the Army, divisions in the Navy, and we sought to follow the Kassebaum panel, and I applaud this is the sense of this House, to follow the Kassebaum panel.

Now there is in law with regard to the separation by a permanent wall of the gender. As my colleagues know, for some reason, it has lost America's attention here all of a sudden. Great Lakes, where they do naval training, just had a conviction, and it was very ugly, no different than what had happened at Aberdeen, where we had a drill sergeant that was preying upon young women. This has to cease in America's Armed Forces.

And I will tell my colleagues I will not, and I am very careful because I know that there are some who are using that as saying, well, that is the reason we need women out of the military, and I will tell my colleagues what. That is false. So long as I chair the Subcommittee on Military Personnel we cannot deploy without women in the ranks. The issue goes to at what level and under what requirements can they serve, whether it is the ground combat function.

Now let me address the issues that are of concern to me. Right now, I applaud the President stepping forward and giving a recommendation about the plus-up of $1 billion, but I would disagree with my good friend, the gentleman from Missouri (Mr. SKELTON), who just said on the House floor that we should not have to wait for the President to recommend. Excuse me. This is the President responding to Congress who is taking the lead, who is alerting America about the depletions of our military readiness and our capabilities to respond to the national military strategy of two nearly simultaneous major regional conflicts. Let us be up front with our allies throughout the world right now.

I just returned from San Diego a couple of weeks ago. My colleagues, we have ships that are being deployed at what is called C–2 readiness levels. It used to be ships would go out as C–1, fully manned. They are C–2 plus one sailor, which means when somebody gets hurt in the workplace they are really under C–3 status.

So what we are doing here is we say we have a problem with regard to recruiting in the Navy. No kidding. We have a problem with recruiting in the Navy. It happens when we are asking our sailors to do more with less, when we have 10 people that may have worked in a particular room, now there are five, and they are working longer hours, and there is a spiral here. Some are saying, well, I am out of here; I am out of the Navy.

Well, I tell my colleagues what. When people are leaving the Navy, those are the best recruiters that we have, and when we lose those quality of individuals, they are returning to their communities, and we want them to tell the good sailor story, not the bad sailor story.

So part of that billion dollars, I say to the gentleman from Missouri (Mr. SKELTON), and I know he will be a strong advocate, will stop this downward spiral to improve recruiting and retention in the Navy.

But now let me share with my colleagues here 3 o'clock this afternoon the gentleman from Mississippi (Mr. TAYLOR) and I have to hold a Subcommittee on Military Personnel hearing. Why? The ink is not even dry on this conference report, and the Surgeon Generals have alerted me that there is a $600 million shortfall in the medical readiness budget. We are about to vote on this, and people are going to claim, well, this is an adequate budget. Now, and I can hardly believe this, my colleagues, now I am being alerted that there is a $600 million shortfall in the medical budget.

Now the DOD, the administration's position is, well, it is not that bad, it is around 200 million, depends on what modeling of budgeting being used. Two hundred million, 600 million, one cannot run a business this way. So I am very distressed.

So when the President says, here is a billion dollars, a billion just is not going to cut it. This readiness shortfall on the hollowing out of the force is much greater, and let us not kid anyone.

So I want to work with the gentleman from Missouri (Mr. SKELTON), and I will work with the chairman with regard to the medical readiness shortfall. I will get to the bottom of this this afternoon, and the gentleman from Mississippi (Mr. TAYLOR) and I both will report to our colleagues on our findings from this hearing.

But there is a good story to tell, and I agree with the gentleman from Missouri (Mr. SKELTON). I love to hear him talk about his warmth and his compassion and his sympathy for those who are burning the night oil, who stand on watch so that we can enjoy our peace and freedoms, and God bless him so long as he is in this position because he tells a great soldier story along with the chairman.

There is something else I have to share with my colleagues. I have had the true pleasure of having a dear friend on the Armed Services Committee, now the Committee on National Security, in the gentleman from Pennsylvania (Mr. MCHALE). He has been my dear friend since I first walked into this institution, perhaps because we are both comrades from the Gulf War experience. He now is a lieutenant colonel as a Marine reservist.

As my colleagues know, the gentleman from Pennsylvania (Mr. MCHALE) has been under attack by the administration. That has been unfortunate. But the gentleman from Pennsylvania, when Sonny Montgomery left, he and I stepped forward into the breach and formed a Reserve Components Caucus, and we were able to make great strides in working with the administration over some disagreements between whether it is the National Guard and the Reservists. There should be a seamless military under these concepts, and we have worked very, very hard, whether it is with regard to the budgeting, whether it is in regard to benefits.

And I just want to share with the body, working with the gentleman from Pennsylvania (Mr. MCHALE) is a distinct honor and it was a distinct privilege because he was always focused in the right direction on what are the requirements of the Marine in the field, the sailor on the ship, whether it is airmen in the air or the soldier on the ground, and I salute him for that. And, hopefully, as he leaves this body, I want him to know that he has served this institution with great distinction, and he has brought honor not only upon himself and his family but this institution by how he served and the manner he conducted himself.

So Godspeed to my colleague, the gentleman from Pennsylvania (Mr. MCHALE).

Mr. FROST. Mr. Speaker, we have no additional speakers, I urge adoption of the rule, and I yield back the balance of our time.

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Claremont, California (Mr. DREIER), the distinguished vice chairman of the committee who will be closing for our side.

Mr. DREIER. Mr. Speaker, I thank my friend for yielding this time to me, and I would like to extend the congratulations that the gentleman from Indiana (Mr. BUYER) did to the gentleman from Pennsylvania (Mr. MCHALE) also to Mr. BUYER, because I believe that carrying that message of Reservists is a very, very important one, and he has done it very well. So congratulations to both Messrs. BUYER and MCHALE, although I know Mr. BUYER will be returning here next year, unlike the unfortunate decision that Mr. MCHALE made.

Mr. Speaker, a week ago today we marked the 211th anniversary of the signing of the U.S. Constitution on September 17, Constitution Day, and I had the thrill of going, one of my constituents had this nationwide program, and I left the Committee on Rules, as the gentleman from New York (Mr. SOLOMON) knows, to recite the preamble of the Constitution on a nationwide hookup. And from my perspective those key words right in the middle of the preamble are so important, and they cannot be forgotten: Provide for the common defense.

To me, as we look at the many things that the Federal Government involves itself in, there really is only one that can only be done by the Federal Government, and that is providing for the common defense. And that is why this measure is so important.

The gentleman from South Carolina (Mr. SPENCE) has done a spectacular job in his position, and I will never, never forget the speech that he gave to our Republican conference several months ago about the importance of our national security.

Now I hope and pray that this $1 billion request that the President has made and his recognition that we need to enhance our defense capability will not, in fact, be too little too late. But the world now knows that the threat that exists is much different than it was during the Cold War, but it is, in many ways, more dangerous because of the disparate uncertainty that exists. If we look at, as my friend from California (Mr. HUNTER) said, the North Korean situation, if we look at the Middle East, if we look at Kosovo, it is very serious.

Mr. Speaker, I strongly support this rule and strongly support the conference report, and, if the chairman wants me to, I will move the previous question.

Mr. SOLOMON. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. SPENCE. Mr. Speaker, pursuant to House Resolution 549, I call up the conference report on the bill (H.R. 3616) to authorize appropriations for fiscal year 1999 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 549, the conference report is considered as having been read.

(For conference report and statement, see proceedings of the House of September 22, 1998 at page H8097.)

The SPEAKER pro tempore. The gentleman from South Carolina (Mr. SPENCE) and the gentleman from Missouri (Mr. SKELTON) each will be recognized for 30 minutes.

The Chair recognizes the gentleman from South Carolina (Mr. SPENCE).

(Mr. SPENCE asked and was given permission to revise and extend his remarks.)

□ 1315

Mr. SPENCE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the National Defense Authorization Act for fiscal year 1999 started the year out on a bipartisan note. It was reported out of the Committee on National Security back in early May on a vote of 50 to 1 and it passed the House on a vote of 357 to 60.

I am glad to inform all of my colleagues that the conference report today also enjoys strong bipartisan support. Even after several weeks of often difficult compromise, all 33 Committee on National Security conferees signed the conference report, something which has not occurred in 17 years, not since 1981. Likewise, all Senate conferees have signed the conference report.

Mr. Speaker, the funding authorized in this conference report is consistent with the spending level set in the Balanced Budget Act, but, unfortunately, represents the 14th consecutive year of real decline in the defense budget.

While the fall of the Berlin Wall brought with it an opportunity to reduce our Cold War defense structure, almost 10 years later I believe that the threats and challenges America confronts and the pressures these threats have placed on a still shrinking United States military have been dramatically underestimated. The mismatch between the Nation's military strategy and the resources required to implement it is growing. As a result, serious quality of life, readiness and modernization shortfalls have developed that, if left unaddressed, threaten the return to the hollow military of the 1970's. Mr. Speaker, it is a very serious problem.

During each of the last three years, Congress has increased the spending over the President's defense budget in order to address a number of these shortfalls. This year, faced with the constraints of the Balanced Budget Act, we have not been able to increase the defense budget, and, instead, we are left with a much more difficult challenge of trying to reprioritize the President's budget request. However, through such careful re-prioritization, we have provided the military services at least some of the tools needed to better recruit and retain quality personnel, better trained personnel, and better equip them with the advanced technology. This conference report is a marked improvement over the President's budget request, as indicated by the unanimous and bipartisan support it has among the House and Senate conferees.

Mr. Speaker, this conference report is before the House today only as a result of the incredible efforts of all of our conferees, as well as the staff. In particular I want to recognize the critical roles played by the Committee on National Security subcommittee and panel chairmen and ranking members. Their efforts made my job easier and their dedication has made today possible.

I would also like to thank the gentleman from Missouri (Mr. SKELTON), the committee's ranking member, for his cooperation and support. I have enjoyed working with the gentleman for many years. He has served as a dedicated member of the committee, and I am honored to be working with him now in his capacity as the committees ranking member.

Mr. Speaker, please allow me to pause at this time and thank the gentleman from New York (Mr. SOLOMON), the chairman of the Committee on Rules, for his invaluable service and support of our committee over these years he has been chairman of the Committee on Rules, and many other valuable ways in which he supported his own efforts in support of our military people throughout this world.

I would also like to pay tribute to my good friend, Senator STROM THURMOND, for whom this conference report has been named. There is no one in this or any other Congress who has done more than Senator THURMOND for our Nation's defense, so presenting this conference report to the House in his name is a special honor for me.

Senator THURMOND will step down as chairman of the Senate Armed Services Committee at the end of this Congress, but I have no doubt that he will continue to work tirelessly and effectively on behalf of the men and women who serve in our military. It is his way. He knows no other. So I look forward to many more productive years of working with my good friend from South Carolina to ensure our military remains second to none.

Finally, Mr. Speaker, I would be remiss if I did not recognize the efforts of the Committee on National Security staff. This is a very large, complex and often controversial bill, yet the staff is instrumental in making it work year after year. In a too often thankless job, the staff remains one of consummate professionals.

Mr. Speaker, this is an important piece of legislation, and I urge my colleagues to support the conference report.

Mr. Speaker, I reserve the balance of my time.

Mr. SKELTON. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise to offer my support on the conference report on H.R. 3616, the National Defense Authorization Act for fiscal year 1999. There were numerous issues which the conference addressed. Many were easy to resolve; others provided more difficulty. Among the latter were funding for Bosnia, gender-integrated training, tritium production, restrictions on base closure, and export controls concerning commercial communication satellites and related items.

With hard work and goodwill, the conferees worked up a report that reflected compromise on these issues between the two bodies. At the same time we took consideration of a number of concerns that Secretary of Defense Cohen expressed to Senators THURMOND and LEVIN and the gentleman from South Carolina (Chairman SPENCE) and to me concerning both bills when we met with him during the conference that we had with him in mid-July. As a result, I believe we have a good conference report, a good conference agreement, with which all of us, the House and the Senate and the administration, can be satisfied.

This year we operated under the restrictions of the Balanced Budget Act of 1997, thus a task of trying to address the many issues affecting the Armed Forces was more difficult to manage than in years past. However, we provided a pay raise, 3.6 percent, which is a half a percent more than the budget request, supported the department's request for a real increase in the procurement budget for modernization for the first time in 13 years, and authorized more than $250 million above the budget request for family housing and troop housing and child development centers.

Members and the staff from both sides worked in a cooperative manner to shape a conference report that enjoys strong bipartisan support. All the conferees, Mr. Speaker, all of the conferees from the Committee on National Security in the House and the Armed Services Committee in the Senate signed the conference report.

As one who believes that we need to provide for a sustained period of real growth in defense spending, I am encouraged by the reports that the Pentagon and the administration will seek to redress these shortfalls in fiscal year 2000 and hopefully in the future years.

Mr. Speaker, I might point out, as I briefly mentioned a moment ago in debate on the rule, that back in March of 1996 I put forward a three-year defense budget before the Committee on the Budget. It added at that time additional funding for each of those three years.

As a result of the limitations that the Committee on the Budget came forth with, we have been working under a constrained figure each of those three years. However, I am encouraged that as a result of our efforts, which really started right here, the gentleman from South Carolina (Mr. SPENCE), bless your heart, helped put together a letter, with most of the top row in our committee, urging the President to consider and also urging other House and Senate leaders to consider increasing the overall defense budget, which is sorely needed.

Although the bill that is before us fails to address all of the readiness and quality of life and modernization shortfalls which exist, it is the best we could do, given the budget constraints, to train the quality of force that is the most important component of the military strength. I hope our colleagues will support this conference report, and I hope that in the days ahead we will find additional funding, and that it starts right here in the Congress.

Let me add, Mr. Speaker, a special congratulations to my friend, the distinguished gentleman from South Carolina (Mr. SPENCE) for his absolute commitment to having the work of the committee carried on in a bipartisan fashion. I personally appreciate it, and those of us on our side appreciate it as well. This bill is a reflection of that bipartisan spirit. It is with this in mind that I can fully support and urge my colleagues on both sides of the aisle to vote in favor of this.

Members of the committee on both sides have worked hard since February to get us here today, many hearings, many briefings, many conferences. This is especially true with the subcommittee panel chairmen and the ranking members. And allow me to thank the staff. My goodness, we could not get along without them. I thank them for so ably assisting us. Their dedication, their expertise, is outstanding, and we appreciate their hard work.

Let me conclude, Mr. Speaker, by saying that I note we will also be on this bill having the gentlewoman from California (Ms. HARMAN) and the gentleman from Pennsylvania (Mr. MCHALE) voting for the last time. They have been truly dedicated members of this committee, the Committee on National Security. I want to thank them for their fine efforts over the years. They are wonderful Americans, outstanding and excellent representatives of the people who elected them. We wish them well in the days and years ahead. Their contributions to the work on this committee will long be remembered and their presence will be missed.

Mr. Speaker, I reserve the balance of my time.

Mr. SPENCE. Mr. Speaker, I yield two minutes to the gentleman from Virginia (Mr. BATEMAN), the chairman of our Subcommittee on Military Readiness.

Mr. BATEMAN. Mr. Speaker, I thank the chairman for yielding me this time.

Mr. Speaker, I rise today in strong support of the conference report on the National Defense Authorization Act for fiscal year 1999. This conference report is essential to the readiness of our military forces.

Through several hearings, here and in the field, and after extensive study by the committee, we of the Subcommittee on Military Readiness have recognized that the military forces are doing much more with less at a time of significant downsizing of our combat and support forces. The best thing that can be said about this report is that it is the best we can do within the budget constraints that have been imposed upon us.

Realistically, it must also be said that the best we can do in this context is not nearly good enough. It address shortfalls in many of the essential readiness accounts. The committee increased readiness funding for training operations and flying hours, maintenance and repair of combat equipment, and facilities renovation and repairs, but we are not catching up with the need. All of these increases are necessary and will improve the quality of life of our service members and their families.

Also included in the conference report is a provision that gets at the problem of timely and accurate reporting on the readiness conditions of the forces. I believe this and several other provisions found in the conference report on H.R. 3616 will provide better information that will help to quickly identify the continued decline in military readiness and place us in a position to act before the system is further degraded.

I would like to thank the ranking member of the readiness subcommittee, the gentleman from Texas (Mr. ORTIZ) for outstanding cooperation, knowledge and leadership throughout the process. The Subcommittee on Military Readiness has had to deal with several difficult issues that have transcended political lines, which would have been more difficult if it were not for his expertise, his assistance and his bipartisanship.

Only the constraints of time would prevent me from mentioning by name the members of the Subcommittee on Military Readiness who have contributed so much to the work product of the committee, and they I am indeed grateful to.

□ 1330

Mr. SKELTON. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from Virginia (Mr. SISISKY), the ranking Democrat on the chairman's subcommittee and a very, very valuable member of our committee.

Mr. SISISKY. Mr. Speaker, I thank my colleague, the gentleman from Missouri, for yielding time to me.

Mr. Speaker, in the House's perspective, this conference agreement on H.R. 3616 does not contain everything we wanted. Nevertheless, the final product deserves our support.

This conference agreement authorizes $49.5 billion for procurement in fiscal year 1999. This represents an increase of $800 million above the President's request, and more importantly, $4 billion, or 8 percent, above last year's level. Even more importantly, it marks the end of a too long procurement holiday. Clearly this is good progress, but more is needed.

Procurement budgets have drifted to artificially low levels in recent years, and went from the Reagan buildup in the eighties and the end of the Cold War in the nineties, but equipment developed and produced in the seventies and eighties is rapidly reaching the end of its useful life. It must be replaced if we are to maintain required equipment levels and technological superiority for our forces. I believe H.R. 3616 represents a good-faith effort to respond to that concern.

Mr. Speaker, during the last year I have been on the Subcommittee on Military Readiness with my colleague, the gentleman from Virginia (Mr. BATEMAN), and I have taken it upon myself to travel to military bases; not glamorous bases. I have visited the 7th Fleet in the farthest, remote stretches of Japan. I have been in the field at Fort Campbell, Kentucky, with the 101st Airborne. I have been to Bosnia. I have been in the Persian Gulf. Three weeks ago, four weeks ago, I visited the 82nd Airborne Division or the 18th Armored Corps at Fort Bragg, North Carolina.

How lucky we are in this country, how lucky we are in this Congress, to have young men and women serving like these young men and women do. Members have heard today from many speakers about the shortfalls in health care, quality of life issues, equipment, retirement, all of these different things. Through this all, God blessed this Republic with young men and women who are serving today on a very, very short leash, ready to do something.

I would tell my colleagues in this body that what they have heard about a $1 billion shortfall, and we are going put it into readiness, is nothing. I told the Members about an increase in procurement, but guess what, we need more than $60 billion a year. When all these new weapons systems come due in a couple of years we are going to need a lot more than that. If not, we are heading for disaster, I am afraid, in our military.

I think it has to be told, and our colleagues have to understand, this Nation, this Nation needs these young people. We have to take care of these young people, because let me tell the Members this, the worst thing in our lives from a political standpoint is one day we may have to vote for selective service again, if we do not recruit people. That is one of the problems that we are having today, recruiting people, and particularly as it relates to pilots.

Having said that, without reservation, I urge my colleagues to vote in favor of this conference agreement.

Mr. Speaker, this conference agreement on H.R. 3616 does not contain everything that we would have wanted for procurement from the House perspective. Nevertheless, it is a final product that is deserving of our support. Let me explain.

This conference agreement authorizes $49.5 billion for military procurement for fiscal year 1999. This represents an increase of $800 million above the President's request and, more importantly, $4 billion or 8 percent above last year's level. More importantly, it signals the end of an overly protracted "procurement holiday." Clearly, good progress—but more is needed.

Procurement budgets have drifted to artificially low levels in recent years because we've benefited from a "procurement holiday" made possible by the Reagan build-up in the eighties, and the end of the Cold War in the nineties. But, cold war equipment developed and produced in the 1970's and 1980's, is rapidly reaching the end of its useful life and must be replaced if we are to maintain the requirement equipment levels and technological superiority for our forces. Recent procurement budgets are proving inadequate for the task—equipment modernization is not keeping up with equipment retirements and threat development. This is particularly worrisome with respect to our naval forces.

Clearly, the time for increased procurement budgets has come. And H.R. 3616 represents a good faith effort to respond to that concern. By signaling the end of an increasingly corrosive "procurement holiday," this conference agreement deserves our unqualified support. Therefore, and without reservation, I urge my colleagues to vote in favor of this conference agreement.

Mr. SPENCE. Mr. Speaker, I am pleased to yield 2 minutes to the gentleman from California (Mr. HUNTER), the chairman of the Subcommittee on Military Procurement.

Mr. HUNTER. Mr. Speaker, I thank the gentleman for yielding time to me. I have already made a statement during the rule debate, but let me just say again that this bill need to be passed. It is a bare minimum. It is a starting point.

Today, after years of our committee telling the President that we are underfunded in defense, he has announced that he believes we are underfunded in defense. With respect to fixed-wing aircraft, rotary aircraft, our shipbuilding program, our missile defense program, and lots of what I would call ham and eggs items, those are the generators and the small trucks and the heavy trucks, and all the things that make our military move, we are shortfunded.

We are building today, once again, to a fleet of 200 ships in the U.S. Navy. I think the stability of the world depends on a strong America and our ability to project military power. We have lost a great deal of that ability over the last 4 years. It is time to rebuild, and the first thing we can do, and every Member can do to contributing to that rebuilding of defense, is to pass this conference report. Everyone should vote for this report.

Mr. SKELTON. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me comment on the words of the gentleman from Virginia (Mr. SISISKY). I especially appreciate his positive comments about the young men and young women that we have in uniform today. They are the finest in the world. It is our job to take care of them, and hopefully in the days and years ahead we can do a better job, because as Harry Truman said, the buck stops with us, in the Constitution.

Mr. Speaker, it is a pleasure to yield 3 minutes to the gentleman from Texas (Mr. ORTIZ).

Mr. ORTIZ. Mr. Speaker, I want to thank my good friend for yielding time to me. I rise in strong support of H.R. 3616, the National Defense Authorization Act for Fiscal Year 1999.

Mr. Speaker, I want to specifically address the provisions in the act relating to military readiness. First, I would like to express my personal appreciation to the Subcommittee on Military Readiness leadership and to my colleagues on both sides of the aisles of the subcommittee and the full committee for the manner in which they conducted the business of the subcommittee this session. I want to express my appreciation to the gentleman from Virginia (Mr. BATEMAN) for his personal involvement, and the extra steps that he took in getting us to where we are today.

We had the opportunity to see readiness through a different set of eyes, the eyes of the brave soldiers, sailors, and airmen who are entrusted with the awesome responsibility of carrying out our national military strategy. We heard them talk about the shortages of repair parts, the extra hours spent trying to maintain old equipment, and the shortage of critical personnel.

While we in this body may differ on some policy and program objectives, we on the subcommittee were able to get a better appreciation of the challenges that these brave souls face in trying to do more with less. For their effort, we can all be proud. I personally remain concerned about how long they will be able to keep up with the pace.

The readiness provisions in the bill reflect some of the steps I believe are necessary, with the dollars available, to make their task easier. It does not provide all that is needed under this bill. While I would be more pleased if the migration of O&M funds to other accounts did not take place, I am optimistic that the recent correspondence I have seen from the President indicates an interest in providing additional funds for the readiness accounts.

Mr. Speaker, we have many, many problems. Retention has become a serious problem. As I talk to the men and

women who serve, the first question they ask me is this: You know, when my father went in the military, he would get 60 percent of his pension. It has gone down to 50, and now to 40 percent.

We have to do more to help our young men and women. The Air Force, they are 700 pilots short. I could go on and on and on. But with what we have to work with, I think that this is a good bill. I ask my colleagues to support it.

Mr. SPENCE. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania (Mr. WELDON), who is the chairman of our Subcommittee on Military Research and Development.

(Mr. WELDON of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WELDON of Pennsylvania. Mr. Speaker, I thank my distinguished friend and chairman for yielding time to me. I want to say what a great honor it is to serve with both the gentleman from South Carolina (Mr. FLOYD SPENCE) and the gentleman from Missouri (Mr. IKE SKELTON), two outstanding Americans, and what a great, refreshing breeze is flowing through this Chamber as Democrats and Republicans stand together in support of our military.

I want to applaud my distinguished ranking member, the gentleman from Virginia (Mr. PICKETT) on the Subcommittee on Military Research and Development, who is a true American who has done a fantastic job, as have all of our colleagues, in an impossible situation.

What Members need to understand, Mr. Speaker, is that we are facing what my good friend, the gentleman from Virginia (Mr. SISISKY) referred to as a major train wreck, because some very divergent things are happening.

We are into our 15th consecutive year of real cuts in defense spending. We are facing a situation now where we have an all volunteer force. Unlike 20 years ago, where we could draft people and pay them next to nothing, today a much larger portion of our defense budget goes for quality of life issues: housing, education, health care costs.

Unlike 20 years ago, in the past 6 years we have deployed our troops 26 times. That is 26 times in 6 years versus 10 times in the previous 40 years, and none of these 26 deployments by our Commander in Chief were budgeted for. None of them were paid for. So the $15 billion in contingency costs to pay for those 26 deployments had to be eaten out of an already decreasing defense budget.

What is the fastest growing part of our defense budget? It is environmental mitigation. We did not even have that category 20 years ago. This year we will spend $11 billion on environmental mitigation. When we add all of those factors together, Mr. Speaker, we are facing an impossible situation.

We have not replaced our equipment that needs to be replaced. We have not done the readiness that needs to be taken care of. We have not provided the R&D funding that is necessary. By the year 2000, as the gentleman from Virginia (Mr. SISISKY) pointed out, we face a major, colossal train wreck. All these new programs that have not been paid for come on line at one time.

This Congress needs to understand that while this bill is important and while we all should vote yes in favor of it, the real tough challenge lies ahead. Hopefully together we can increase the top line number for defense spending.

Mr. SKELTON. Mr. Speaker, I yield 2 minutes to our colleague, the gentleman from Massachusetts (Mr. FRANK).

Mr. FRANK of Massachusetts. Mr. Speaker, I thank the ranking member for yielding time to me and for accommodating me, as I have some other scheduled things.

I want to thank him and the other members of the conference committee particularly on the part of the House for insisting successfully on inclusion in this bill of the amendment we adopted overwhelmingly to put a cap on American contributions for the expansion of NATO. I do not understand why the administration fought us, but we did them a great favor by overcoming their opposition. I thank the gentleman from Virginia (Mr. SISISKY), the gentleman from Missouri, and others for putting it in.

I understand that we have a problem with not enough money for defense. If we take as a given all of the missions we have undertaken and assigned to our defense establishment, then we have a problem in paying for them.

But there are two solutions to that: One is to pay a lot more money, to cut into the surplus, to take money away from other possible uses in the budget by ramping up defense spending. The other is to ramp down what we have undertaken to do.

Yes, we must not ever compromise with our national security. Yes, there are other parts of the world where we want to go and offer assistance. But 50 years after the end of World War II, we continue to overdo it vis-a-vis our allies. We have today around this world wealthy allies capable of doing more.

Part of the problem we have is this unilateral assumption by America of responsibilities beyond which are reasonable. That is why I am delighted to have the committee today bring us a bill which for the first time puts a congressionally mandated binding limit on what we can spend for NATO.

We have to explain this to our Western European allies, and we continue, even with this, to be spending tens of billions of dollars for the defense of Western Europe, unnecessarily. The Russian enemy which called this into question has crumbled as a conventional military power. The Europeans themselves, unlike the end of World War II, are numerous and prosperous. They could do more. I hope this is an example we will follow in the future.

Mr. SPENCE. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. MCHUGH), the chairman of our MWR panel.

Mr. MCHUGH. Mr. Speaker, I thank the gentleman for yielding time to me. Mr. Speaker, I, too, rise in strong support of this conference report for national defense, particularly as it relates to the provisions authorizing the morale, welfare, and recreation activities of the department.

Before I do that, I want to add my words of thanks and praise to both the chairman, the gentleman from South Carolina (Mr. SPENCE), and the ranking member, the gentleman from Missouri (Mr. SKELTON), for their cooperative effort and bipartisanship, and as we have heard time and time again, for the great job they do. They serve as an example to all of us.

Also I want to thank the members of the MWR panel and its ranking member, the gentleman from Massachusetts (Mr. MEEHAN) for his constructive and bipartisan support.

Our biggest challenge was the protection and enhancement of the resale system, the commissaries and exchanges that provide low-cost groceries and other essential items for servicemembers, their families and retirees wherever they serve around the world.

□ 1345

These programs have been under scrutiny recently by those who question the value of that system. In order to find out how important the system is to the military life, the MWR panel held a lengthy and I think we can say balanced hearing on the benefit. And from the standpoint of the military, from the top ranks to the lowest, the view was unanimous and clear. Commissaries and exchanges are a great and invaluable benefit to the men and women in uniform.

For that reason, the House has included several provisions that strengthen the resale system and the quality of life for our soldiers and their families. For example, we were concerned that the pressures on service budgets would lead to the degradation of commissary funding and this bill takes strong action to protect those funds. Given the President's recent admission that the military is indeed underfunded in the fiscal year 1999 and beyond, these measures are even of greater importance, and I am pleased that they were included in this report.

Mr. Speaker, I want to highlight one other provision. Other Members, indeed all Americans, appreciate the dedication of the members of the Reserve and National Guard. They are often called to duty on short notice, whether they be deployed to Bosnia or to help to clean up after some national disaster.

I believe, and my colleagues on the conference committee have agreed, that it is time to increase those privileges. We have done that in this bill. It is a great bill and a great step and I

thank the gentleman from South Carolina (Chairman SPENCE) for allowing me this time.

Mr. SKELTON. Mr. Speaker, I yield 3 minutes to the gentleman from Hawaii (Mr. ABERCROMBIE), who is such a strong supporter of national security, and who is also the ranking member of the Subcommittee on Military Installations and Facilities.

Mr. ABERCROMBIE. Mr. Speaker, I thank the gentleman from Missouri (Mr. SKELTON) and the gentleman from South Carolina (Mr. SPENCE) for their wise counsel and their ready availability to all the Members, including this Member, with respect to any aspect of our Committee on National Security reports and this conference report.

Mr. Speaker, I would like to thank as well to the gentleman from Colorado (Mr. HEFLEY), my subcommittee chairman and my friend. Unfortunately, he is not on the floor at the moment, but I hope that my good wishes and good feelings towards him will be conveyed. I thank him for his leadership and for the fair process by which he has handled the military construction portion of the Defense authorization bill. His collegial and bipartisan approach encourages and in fact has yielded an outcome which shuns parochialism and constantly strives for the good-government solutions that this bill represents to difficult funding issues. It is made even more difficult by the constrained fiscal environment which has been mentioned.

Mr. Speaker, I will not take up the Members' time in repeating the details of the report, only to point out however that the budget adopted by the conferees represents a considerable effort in bettering the quality of life for our military personnel.

A good portion of the $666 million that was added to the President's request for military construction is to be spent on the most intractable problem we face, military housing; $101 million towards improving existing family housing units and $153 million towards new barracks and dormitories. Quality of life of our military personnel will be improved as a result.

Mr. Speaker, I would like to tell my colleagues we are far from our goal of adequate housing. More spending is needed. As this bill goes forward, the condition of the military installation continues to deteriorate. We will be working on it.

Though I support the bill, I want to express my continued concern that we are unable to assure a level playing field for small businesses. I have worked with the gentleman from Missouri (Mr. TALENT) on the CLASS proposal in the House passed authorization, because it improves the quality of life again for our service members and maintains a level playing field for small businesses to compete in the forwarding of household goods. Unfortunately, in the end, we were not able to get agreement on this. I can assure my colleagues we will work to resolve this issue in the best interests of our men and women in the Armed Forces.

Regrettably, also the Charter and Build provision was not included. Mr. Speaker, I want to thank the gentleman from Virginia (Mr. BATEMAN) in particular for his steadfast resolution in this regard. The provision is good for America because it provides a means for the Navy to acquire the ships it needs to meet our strategic requirements and sustain the industrial base needed to produce them. The issue, I assure my colleagues, will be revisited until it is won.

Mr. Speaker, I thank the gentleman from South Carolina (Mr. SPENCE) and the gentleman from Missouri (Mr. SKELTON) for their leadership on this issue. I tell my colleagues that they can rest assured that I will continue to work with them on behalf of the strategic interests of the United States of America.

Mr. SPENCE. Mr. Speaker, I yield 2 minutes to the gentlewoman from Florida (Mrs. FOWLER).

Mrs. FOWLER. Mr. Speaker, I rise in strong support of this conference report, and I want to give a special thanks also to the gentleman from South Carolina (Chairman SPENCE) and the gentleman from Missouri (Mr. SKELTON), ranking member. They have worked innumerable hours to bring this conference report to the floor today.

This year again, our committee faced difficult budget challenges. At the same time we heard witness after witness testify that readiness is suffering and that critical modernization needs are not being met.

Under these circumstances, this bill is an excellent product. The conferees struggled mightily to increase authorization levels for depot and real property maintenance, for training, construction, and key modernization accounts. We also provided a 3.6 percent troop pay raise and took other steps to address the Services' acute retention problems.

However, Mr. Speaker, I must tell my colleagues that this bill does not meet all of our national security needs. This is the fourteenth consecutive year that real defense spending will decline. Meanwhile, we have diverted $10 billion from key investments to Bosnia, even as North Korea tests multistage ballistic missiles over Japan.

We must increase our spending on defense if we hope to assure that our national security priorities are met. I urge support for this conference report.

Mr. SKELTON. Mr. Speaker, I yield 3 minutes to the gentleman from Guam (Mr. UNDERWOOD), who is the ranking member on the Merchant Marine panel.

Mr. UNDERWOOD. Mr. Speaker, I thank the gentleman from Missouri (Mr. SKELTON) for yielding me this time, my ranking member, and I want to extend my congratulations to him and to the gentleman from South Carolina (Chairman SPENCE) of the Committee on National Security for this excellent conference report.

Mr. Speaker, I too stand in strong support of H.R. 3616. Coming from the Island of Guam, which has had great experience with war and is in the middle of any potential contingency in Asia, we full well know that the stability of the world, the stability of our region depends upon a strong America and that a strong America depends upon a strong military. In fact, a strong military depends upon taking care of our young people in the military, and that is why we have so many concerns.

Mr. Speaker, I want to echo some of those concerns about the OPTEMPO and the concerns about readiness and some of the issues which have been brought to the surface under the leadership of the gentleman from Virginia (Mr. BATEMAN), amongst others. I also want to draw a little bit of attention to benefits and quality of life issues for both Reserve and Active Service personnel.

I am happy that we were able to include in this conference report, in the legislation, a provision that would allow National Guardsmen to have commissary privileges when they are called up for duty in a federally declared disaster area, which is experience that the Guam National Guard had an unfortunate experience in with the recent typhoon Paco.

I am also happy to note that we have doubled the number of commissary visits from 12 to 24 under the leadership of MWR Chairman MCHUGH. I am also happy to report that by working very closely with the chairman of the Subcommittee on Military Personnel, the gentleman from Indiana (Mr. BUYER) and ranking member, the gentleman from Mississippi (Mr. TAYLOR) we have authorized a car rental reimbursement program for service people who do not get their cars shipped overseas and get them delivered on time. This quality of life provision, with which especially those of us overseas are greatly familiar, will help reduce the burden that our men and women in uniform face when relocating to a permanent station overseas.

Mr. Speaker, I also want to draw attention to the fact that this legislation has many provisions for the missile defense of our Nation, which sometimes in the course of discussing missile defense, sometimes Alaska and Hawaii were left out and almost all the time Guam was left out.

The Nation must continue to develop robust theater missile defense, such as the Navy Theater Wide, which is especially well-suited to protect an insular area like Guam. And given the current level of missile development in North Korea, this is a matter of grave concern to my people, as it should be to the entire country.

I also want to thank the chairman of the Subcommittee on Military Installations and Facilities, the gentleman from Colorado (Mr. HEFLEY) for accepting an amendment that will require the Department of Defense to report to

Congress their proposed plan for privatization of military electric and water utilities.

Mr. Speaker, I thank again both the gentleman from South Carolina (Chairman SPENCE) and my good friend, the gentleman from Missouri (Mr. SKELTON).

Mr. SPENCE. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. THORNBERRY), a very valuable member of our committee.

Mr. THORNBERRY. Mr. Speaker, I rise in support of this conference report and in admiration of the work of our chairman and the ranking member. This bill is not perfect, but it certainly deserves our support.

Mr. Speaker, I want to highlight two areas. One deals with nuclear weapons. The administration has not asked for enough money, and Congress has not provided enough money, to make sure that our nuclear weapons laboratories and production facilities can do the job that we are asking them to do. This bill does, however, put some extra money into those places and begins to make up some of that deficit. But it is very important that we keep a strong nuclear deterrent. That will be a tough job in the future.

The bill also supports our continuing efforts to dismantle Russian delivery systems and to put tighter security around Russian nuclear weapons and Russian nuclear materials, both of which are very important. With all the terrorism, nuclear proliferation, and instability around the world, we cannot afford to neglect either of these areas at all.

Secondly, this bill helps take some steps toward preparing for the future. Part of that is getting and keeping the best people we can. It has got a pay raise, and thanks to the work of the gentleman from Oklahoma (Mr. WATTS), the gentleman from Florida (Mr. MICA), the gentleman from Virginia (Mr. MORAN) and others, it has a demonstration project for military retiree health care that takes us a step closer to keeping our commitments to military retirees.

There is a study on the organization of the Pentagon to try to make sure that we are the best organized possible to deal with the challenges of the future. And there is a clear expression of the importance of joint experimentation to try to make sure that whatever money we spend on future procurement items is spent on the right things that will help us to meet the challenges of the future.

Mr. Speaker, we are going into a period where the challenges are more difficult than they have ever been in the past. We have a long way to go, but this bill helps take us in the right direction and deserves the support of all our colleagues.

Mr. SKELTON. Mr. Speaker, I yield 3 minutes to the gentlewoman from California (Ms. HARMAN), a strong member of our committee. A few moments ago, I expressed our appreciation for all the work that the gentlewoman has done in the area of national security and we are going to miss her.

(Ms. HARMAN asked and was given permission to revise and extend her remarks.)

Ms. HARMAN. Mr. Speaker, I thank our ranking member, the gentleman from Missouri (Mr. SKELTON) for his generous words. He knows that this is my last defense authorization bill.

I have served on the committee for three terms, 6 years, first under the distinguished chairmanship of Ron Dellums and now under the leadership of the gentleman from South Carolina (Mr. SPENCE) and the gentleman from Missouri (Mr. SKELTON), THE ranking member.

I also want to acknowledge that our former chairman, the late Secretary of Defense Les Aspin, was a mentor of mine, and he is on my mind today, too.

Mr. Speaker, during the past three Congresses, the committee has strengthened our Nation's defense capabilities, but naturally I always hoped we could do more.

I have always believed we need to modernize our military by focusing on tomorrow's battles, not yesterday's. As such, I strongly believe Congress can do more to embrace the revolution in military affairs.

Similarly, we need to modernize our forces and continue development of advanced precision strike capabilities, like the B–2 Stealth bomber, and heavy lift capability, like the Air Force's C–17. In fact, I have always called the C–17 my fifth child.

The committee has started to address the imbalance in the tooth-to-tail ratio, and I commend it for that. In our defense downsizing, we have cut too much of our combat ability, the tooth, and left a disproportionate amount of our support structure, the tail.

As a representative of the district I call the aerospace center of the universe, I know what those cuts mean in human terms and in national security terms.

□ 1400

Mr. Speaker, we also must move to assure safety and opportunity to women without whom we could not field an all-volunteer force. I am pleased that this bill does not resegregate basic training by gender, a move backwards, in my view.

Mr. Speaker, though I will not be in Congress, I plan to continue to help shape our Nation's defense policies. My service to the women and men who build our defense assets and put their lives on the line for our country will not end with Congress's adjournment.

To my friends on the committee, to my friends who have been on the committee, it has been an honor to work with them.

Mr. SPENCE. Mr. Speaker, I yield 2 minutes to the gentlewoman from Texas (Ms. GRANGER), former mayor of Fort Worth, Texas, a very valuable member of our committee.

Ms. GRANGER. Mr. Speaker, I rise today in strong support of the 1999 National Defense Authorization Act conference report. While this legislation does not contain everything many of us would like to have funded, I do want to take a moment to thank the gentleman from South Carolina (Mr. SPENCE), the gentleman from California (Mr. HUNTER), the gentleman from Pennsylvania (Mr. WELDON) and the gentleman from Missouri (Mr. SKELTON) for their very, very hard work to produce a bill that meets the needs of our Armed Services.

A great American general once said, wars are fought with weapons, but they are won with soldiers. I believe our national defense policy should be based on this sound premise. Great weapons and great troops are what make America's military the best. However, I share the gentleman from South Carolina (Mr. SPENCE's) and the defense community's concerns that these funding levels are still inadequate to meet the increasing number of threats to our national security.

We cannot continue to do more with less. We cannot continue to expect to get ahead by just getting by. So while I support this legislation, I urge my colleagues to recommit themselves to the cause of national security. That is why it is so important the committee included funding for the F–16, V–22, F–22 and continued R&D for the multi-service, multi-role joint strike fighter. These weapons make a statement about our commitment to national security, and they will make a difference in preserving our national safety.

I am looking forward to working with the gentleman from South Carolina (Mr. SPENCE) in his commitment to continuing to make national security our number one national priority.

Mr. SKELTON. Mr. Speaker, I yield 3 minutes to the gentleman from Virginia (Mr. PICKETT), ranking member of the Subcommittee on Military Research and Development.

Mr. PICKETT. Mr. Speaker, I commend the gentleman from South Carolina (Mr. SPENCE) and the gentleman from Missouri (Mr. SKELTON) for their constructive work in reaching this conference agreement which I strongly support. I also want to commend all committee members, including our chairman and ranking member, for what they have done to make it possible for us to be here today with an agreement I think meets most of our defense needs.

Given the considerable budget limitations we have had to deal with this year, I am very encouraged with the conference agreement before us. While keeping spending limits within those set by the balanced budget agreement, the conference agreement continues to make progress in resolving several concerns about the Defense Department's proposed future years defense plan. I am pleased to report that the naval aviation and missile defense programs remain on schedule, that Army modernization plans remain intact and

that Air Force priorities have been maintained.

I am also encouraged that the conference agreement includes an honest effort to address each of the above issues. Several provisions provide additional authorization for promising programs, and others invest in what may prove to be leap-ahead technologies. As a result, it is my hope that this agreement will represent the beginning of an increased commitment to research and development.

As a long-standing member of the Committee on National Security, I have repeatedly recognized the virtue of maintaining adequate investment in our Nation's science and technology defense programs. To be sure, without such healthy investment in the 1960s and 1970s, our Nation would not have been able to prevail so decisively during the 1991 Gulf War, nor would our Nation's more recent deployments have proven successful.

As in the Gulf War example, today's force has benefited from planning and commitment. Innovative forethought and steadfast execution 20 and 30 years ago produced a superior and unmatched military in 1990, one founded on advances in stealth, precision targeting, communications, imagery and mobility, just to name a few.

But our challenge remains and continues today. And while it is a challenge, it is also a necessity that we indefinitely sustain the impressive force that we have. This conference agreement authorizes a number of programs designed to meet this challenge. On behalf of our Nation's soldiers, sailors, airmen and Marines, I ask all Members of this body to vote yes on final passage of the fiscal year 1999 defense authorization bill.

Mr. SPENCE. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. COX), for the purpose of a colloquy.

Mr. COX of California. Mr. Speaker, I thank the chairman for yielding me the time.

I rise to applaud the gentleman from South Carolina (Mr. SPENCE) and the conferees for bringing to this House a measure that is vital to our national security. I am especially pleased that the conference report incorporates a number of the bills that made up our policy for freedom in China. These bills passed the House last fall with overwhelming bipartisan support.

One of the ''Policy for Freedom in China'' bills included in the conference report is the legislation written by the gentleman from California (Mr. HUNTER), providing for design of a theater missile defense system for Taiwan. This significant provision was drafted in response to the Taiwan Straits crisis of 1996 in which the PRC fired nuclear-capable missiles surrounding Taiwan's major ports.

However, since the recent North Korean missile launch over Japan, it has become clear that other friends and allies in the region, not just Taiwan, are vulnerable to the threat of missile attacks.

I would like to inquire of the distinguished chairman, the gentleman from South Carolina, whether the conference report will, in fact, require the administration to address the missile defense needs of Taiwan and also our other East Asian allies.

Mr. SPENCE. Mr. Speaker, will the gentleman yield?

Mr. COX of California. I yield to the gentleman from South Carolina.

Mr. SPENCE. Mr. Speaker, I would say to the gentleman that he is correct. In light of the emerging evidence of North Korea's missile threat to the United States and our forces in the region, the conferees expanded the provision to include not just Taiwan but all of our allies in the Asian Pacific region. This is an important provision of the conference report, and I appreciate the gentleman's interest and leadership in this area.

Mr. HUNTER. Mr. Speaker, will the gentleman yield?

Mr. COX of California. I yield to the gentleman from California.

Mr. HUNTER. Mr. Speaker, I want to commend the chairman of the full committee also for working the missile defense issue, especially in light of the fact that the North Koreans are now very close to having an ICBM, that is intercontinental ballistic missile, capability. This provision is absolutely imperative.

Mr. COX of California. Mr. Speaker, I thank the chairman of the committee for his clarification of this matter. I commend the conferees for taking the critical steps to secure peace and stability in East Asia.

Mr. SKELTON. Mr. Speaker, I reserve the balance of my time.

Mr. SPENCE. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. SAXTON).

Mr. SAXTON. Mr. Speaker, in the authorization conference report there is a large increase of $120 million for the Navy Theater Wide Ballistic Missile Defense system that we just spoke of. I believe $50 million of the increase was set aside specifically for improvements.

Mr. HUNTER. Mr. Speaker, will the gentleman yield?

Mr. SAXTON. I yield to the gentleman from California.

Mr. HUNTER. Mr. Speaker, that is correct.

Most of the Navy Theater Wide funding to date has gone to support the new interceptor required to destroy incoming ballistic missiles. Additional funding for radar development is needed to assure that the system is capable of detecting and tracking ballistic missiles in flight.

Mr. SAXTON. Mr. Speaker, I also note that the report discusses the availability of a prototype radar by the year 2001 to support testing of the new interceptor.

Mr. HUNTER. Mr. Speaker, if the gentleman will continue to yield, that is true. In essence, this date is direction to the Navy to get started now on a radar development program in a way that best supports the Navy Theater Wide.

Mr. SAXTON. Mr. Speaker, the Navy has two options to upgrade its radar capabilities. One is an upgrade of the SPY–1 radar. I believe that this option would meet all the Navy Theater Wide system requirements while also meeting the projected cruise missile threat.

The other option is a single-purpose radar system that would be mounted in the superstructure of an Aegis cruiser. The Navy has not taken a formal position on which option they believe is preferable. I believe and I strongly believe this SPY–1 upgrade is the right alternative, and I believe we need to get started on a radar development now to support the NTW mission and the new interceptor.

Mr. HUNTER. Mr. Speaker, I want to thank the gentleman because our conference report, and that is supported by the chairman and the gentleman from Pennsylvania (Mr. WELDON), supports the gentleman's goal of vigorously pursuing the radar improvements that the gentleman has accurately noted are needed. The $50 million increase to the Navy Theater Wide program is specifically dedicated to accelerating these radar improvements and to ensure that the radar can support the full range of Navy requirements, including cruise and ballistic missile threats. And, once again, this is a very imperative program.

Mr. SPENCE. Mr. Speaker I yield 2 minutes to the gentleman from Maryland (Mr. BARTLETT), a very active and knowledgeable member of our committee.

Mr. BARTLETT of Maryland. Mr. Speaker, these are very difficult remarks for me, but I cannot keep faith with hundreds of thousands of Americans without rising to express major concern about a portion of this bill. The Family Research Council, the Christian Coalition, Concerned Women for America and Focus on the Family are all calling for a no vote on this bill. They are doing that because they love this country. They are doing that because they really support a strong military.

Their concern is that this report failed to include language on requiring separate gender training in PT, in small units recommended by the Kassebaum-Baker panel, included in our House bill and endorsed by a letter to the conferees signed by all of senior leadership and by all but one of our full committee chairs.

Not a single woman plays professional football. Not a single woman plays professional baseball. Men and women are different, and they need to be trained separately in PT.

No matter how long we worship at the altar of political correctness, it will not change this fact. We need to send this bill back to conference so we can report out a good bill that we can

pass that is really going to support our military. If we continue with the present policy, it assures continued embarrassing sexual misconduct scandals.

The chaplain at Fort Leonard Wood said what we are trying to do runs contrary to the powers of nature. Secondly, it is contrary to good order and discipline. It puts readiness at risk. It puts the lives of our young military people at risk.

Please send this back to committee. Support these hundreds of thousands of Americans that want a strong military and appropriate training for our young people.

Mr. SKELTON. Mr. Speaker, I yield the balance of my time to the gentleman from Virginia (Mr. MORAN), who has been so active in helping establish the Federal Employees Health Benefits Program demonstration project.

The SPEAKER pro tempore (Mr. LATOURETTE). The gentleman from Virginia (Mr. MORAN) is recognized for 3 minutes.

Mr. MORAN of Virginia. Mr. Speaker, I am very grateful to the ranking member not only for yielding me this time but particularly for his leadership and the leadership of the chairman of our Committee on Armed Services, the gentleman from South Carolina (Mr. SPENCE).

There are so many reasons to rise in support of this bill, but, more than any, the underlying theme of this bill is that our Armed Forces are not just about weapons or strategies or technology, but the heart of our Armed Forces are the people who have to operate the weapons, who have to represent us in this country and abroad.

This bill is primarily designed to ensure that we can recruit, that we can train, that we can sustain our enlisted personnel, the very best that this country has to offer, and we can also treat military retirees with the gratitude and the respect that they deserve.

There is one provision in this bill that I want to underscore, because it does address a situation that has occurred over the years, really since 1956, when the military started to back off what was considered to be a commitment. When people enlisted in the military right up until last year they were told in recruitment literature that they would be entitled to free, quality, lifetime health care.

This bill addresses that. It does so initially in a demonstration project. One of those demonstration projects is designed to extend the Federal Employees Health Benefits Plan, as the gentleman from Missouri (Mr. SKELTON) and other speakers have said, to military retirees. It is the right thing to do.

□ 1415

Two people have died over the past year who spent a great deal of effort, who provided wonderful leadership, particularly for military retirees but also when they were in the military, and specifically over the last few years on this issue: General Pennington, who led the Retired Officers' Association, and Colonel Vince Smith, in my own district. Vince Smith and his wife Edie have worked for 6 years on this provision. These two heroes passed away knowing that this Congress responded to what they knew was a legitimate, and very important, request.

With this legislation, we honor their memory and the memory of millions of people, men and women, who have served this country. They deserve the greatest respect we can afford them. They deserve the commitment that this bill entails. They deserve the kind of treatment that we will be able to eventually provide, which does not end when somebody leaves the service, but continues throughout their retirement years.

Mr. Speaker, this is a bill we should all support.

Mr. SPENCE. Mr. Speaker, I yield 1 minute to the gentleman from New Jersey (Mr. PAPPAS).

Mr. PAPPAS. Mr. Speaker, I thank the gentleman for yielding me this time, and I simply want to stand here and rise in support of this conference report. There may not be everything that is contained within it that every single Member agrees to, but overall, I think, Mr. Speaker, that it moves the defense and the national interests of our country forward, provides some very necessary funds for programs and our personnel, and I thank the chairman and the ranking member and all the members of the committee for working together in a bipartisan fashion to bring this forth.

Mr. EVERETT. Mr. Speaker, I rise in support of this conference report to the FY 99 Defense Authorization Bill (H.R. 3616). While we continue to underfund our national security strategy, this being the fourteenth consecutive year of a declining defense budget, this conference report meets our defense priorities within this constrained budget environment. Last week, the Joint Chiefs of Staff and the Secretary of Defense presented the President with the stark realities of the state of military readiness and weapon systems modernization shortfalls that our military is now experiencing. The President indicated his willingness to address these funding shortfalls in next year's budget request, which is a long time coming.

With regard to a specific land conveyance provision in the bill (section 2833), I am pleased that we were able to make these technical, but necessary changes to the conveyance terms of real property from the Army's Redstone Arsenal to the Alabama Space Science Exhibit Commission. This section ensures that the future development of the U.S. Space & Rocket Center previously conveyed by the Army to the appropriate agency of the State of Alabama will remain consistent with the long-term master plan for the use of that property as agreed upon by the Center, Redstone Arsenal and the Marshall Space Flight Center, Present financing arrangements and mortgages relating to new and existing facilities at the Space and Rocket Center are preserved, and appropriate coordination of further financing initiatives, mortgages and other debt society arrangements in accordance with the agreed-upon master plan is assured.

I urge my colleagues to support this conference report.

Mr. COX of California. Mr. Speaker, I rise to applaud Chairman SPENCE and the Conferees for legislation vital to our country's national security.

I am especially pleased to note that the bill includes a number of key elements of the ''Policy for Freedom in China'' that passed the House last fall with overwhelming bipartisan majorities.

They include: H.R. 2647, Representative TILLIE FOWLER's bill enhancing the President's authority over enterprises in this country controlled by China's People's Liberation Army under the International Emergency Economic Powers Act (Section 1237).

H.R. 2195, Representative CHRIS SMITH's bill strengthening Customs Service interdiction of products made by China's infamous Laogai slave-labor camps (Sections 3701–3703).

H.R. 2232, Representative ED ROYCE's Radio Free Asia Act, increasing the free flow of information in the major dialects of China and Tibet (Sections 3901–3903).

H.R. 2386, Representative DUNCAN HUNTER's bill providing for design of a theatre missile defense system for Taiwan (Section 1533).

This key provision, which passed the House 301–116, was designed initially to respond to the Taiwan Strait Crisis of 1996, in which Beijing conducted missile firings into the international waters adjacent to Taiwan's key ports.

In light of the emerging evidence of North Korea's missile threat to U.S. allies and forces in the region, the Senate and the conference have improved this provision by broadening it to include not just Taiwan but all our other key regional allies in the Asian-Pacific region.

As a result, this important provision will serve to enhance security not just for Taiwan but for other key allies like Japan and the Republic of Korea.

I strongly support this enhancement of the bill.

Mr. Speaker, with approval of this conference report both the House and Senate will have enacted our Policy for Freedom in China, thereby abandoning the Clinton Administration's empty approach and making important progress in ensuring peace and security in East Asia.

I appreciate the consideration the Conference has given to these issues and appreciate the opportunity to speak on behalf of passage of the report.

Mr. BENTSEN. Mr. Speaker. I rise in strong support of the conference report on H.R. 3616, the Defense Authorization for FY 1999.

I am very pleased that the Conferees agreed to strike language included in the Senate-passed bill that would have allowed the Department of Defense (DoD) an unprecedented exemption to existing law to import a very dangerous class of chemicals called Polychlorinated Biphenyls (PCBs). Congress banned the manufacture and importation of PCBs in 1976 as part of the Toxic Substances Control Act (TSCA). PCBs when released into the environment collect in the body and cause a broad range of adverse health effects including cancer, reproductive damage, and birth defects. When incinerated, PCBs release

dioxin—one of the most toxic chemicals known. PCBs accumulate in the environment and move toward the top of the food chain, contaminating fish, birds, and ultimately humans.

The language originally included in Section 321 of the Senate bill, S. 2060, would have nullified over twenty years of sound environmental law and jeopardized the health and safety of Americans by allowing the DoD to import foreign-produced PCBs into the United States. This proposed change was never reviewed by the Commerce Committee, which has jurisdiction over TSCA. It is also important to note that current law already provided an exemption that allows the DoD to return PCB waste to the United States if the PCBs were manufactured in the United States, shipped to a foreign military base, have been continuously under U.S. control, and now need to be returned for disposal. This exemption ensures that any PCBs exported from the United States to one of our foreign military installations can be returned.

Mr. Speaker, I applaud the Chairman and Ranking Member for striking the Senate language and instead directing the DoD to submit a detailed report to Congress on the true size and scope of the PCB problem at our overseas military bases. I look forward to working with the National Security, Commerce, and Transportation & Infrastructure Committees to address this problem and I urge my colleagues to support the legislation.

Mr. SPENCE. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. LATOURETTE). Without objection, the previous question is ordered on the conference report.

There was no objection.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. SPENCE. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 373, nays 50, not voting 11, as follows:

[Roll No. 458]

YEAS—373

Abercrombie
Ackerman
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barcia
Barr
Barrett (NE)
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (CA)
Brown (FL)
Brown (OH)
Bryant
Bunning
Burr
Buyer
Callahan
Calvert
Camp
Canady
Cannon
Capps
Cardin
Carson
Castle
Chabot
Chambliss
Chenoweth
Christensen
Clay
Clayton
Clement
Clyburn
Coble
Coburn
Collins
Combest
Condit
Cook
Cooksey
Costello
Cox
Coyne
Cramer
Crane
Crapo
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (VA)
Deal
DeGette
DeLauro
DeLay
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emerson
Engel
English
Ensign
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Fawell
Fazio
Foley
Forbes
Ford
Fossella
Fowler
Fox
Frank (MA)
Frelinghuysen
Frost
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goodlatte
Goodling
Gordon
Graham
Granger
Green
Greenwood
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (FL)
Hastings (WA)
Hayworth
Hefley
Hefner
Herger
Hill
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Holden
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, E.B.
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kildee
Kilpatrick
Kim
King (NY)
Kingston
Kleczka
Klink
Knollenberg
Kolbe
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
Livingston
LoBiondo
Lucas
Maloney (CT)
Maloney (NY)
Manton
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McNulty
Meehan
Meek (FL)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Mink
Moakley
Mollohan
Moran (KS)
Moran (VA)
Murtha
Myrick
Neal
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Olver
Ortiz
Oxley
Packard
Pallone
Pappas
Parker
Pascrell
Pastor
Paxon
Pease
Peterson (MN)
Peterson (PA)
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Quinn
Radanovich
Rahall
Ramstad
Redmond
Regula
Reyes
Riggs
Rodriguez
Roemer
Rogan
Rogers
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Ryun
Sabo
Salmon
Sanchez
Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Schumer
Scott
Serrano
Sessions
Shadegg
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Solomon
Souder
Spence
Spratt
Stabenow
Stearns
Stenholm
Stokes
Strickland
Stump
Stupak
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thompson
Thornberry
Thune
Thurman
Tiahrt
Tierney
Torres
Towns
Traficant
Turner
Upton
Visclosky
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
White
Whitfield
Wicker
Wilson
Wise
Wolf
Wynn
Young (AK)
Young (FL)

NAYS—50

Barrett (WI)
Bartlett
Blumenauer
Bonior
Campbell
Conyers
Davis (IL)
DeFazio
Delahunt
Filner
Franks (NJ)
Furse
Goode
Gutierrez
Hoekstra
Hooley
Jackson (IL)
Kind (WI)
Klug
Kucinich
Lee
Lofgren
Lowey
Luther
McDermott
McKinney
Meeks (NY)
Miller (CA)
Minge
Morella
Nadler
Oberstar
Obey
Owens
Paul
Payne
Pelosi
Petri
Rangel
Rivers
Rohrabacher
Rush
Sanders
Sensenbrenner
Shays
Stark
Velazquez
Vento
Woolsey
Yates

NOT VOTING—11

Aderholt
Brady (TX)
Burton
Ehrlich
Goss
Johnson, Sam
Kennelly
Poshard
Pryce (OH)
Riley
Shaw

□ 1438

Mrs. LOWEY and Mr. JACKSON of Illinois changed their vote from ''yea'' to ''nay.''

Mr. FRANK of Massachusetts changed his vote from ''nay'' to ''yea.''

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. RILEY. Mr. Speaker, I was unavoidably detained and was not present for rollcall No. 458. Had I been present, I would have voted "yea."

PERSONAL EXPLANATION

Mr. ADERHOLT. Mr. Speaker, on rollcall No. 458, I was unavoidably detained. Had I been present, I would have voted ''yea.''

PERSONAL EXPLANATION

Mr. SAM JOHNSON of Texas. Mr. Speaker, I was unavoidably detained on rollcall No. 458. I ask that the RECORD reflect, that had I been present, I would have voted "yea."

GENERAL LEAVE

Mr. SPENCE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the conference report just agreed to.

The SPEAKER pro tempore (Mr. LATOURETTE). Is there objection to the request of the gentleman from South Carolina?

There was no objection.

WORKFORCE IMPROVEMENT AND PROTECTION ACT OF 1998

Mr. DREIER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 513 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 513

Resolved, That upon the adoption of this resolution it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 3736) to amend the Immigration and Nationality Act to make changes relating to H–1B nonimmigrants. The bill shall be considered as read for amendment. In lieu of the amendment recommended by the Committee on the Judiciary now printed in the bill, the amendment in the nature of a substitute printed in the Congressional Record and numbered 1 pursuant to clause 6 of rule XXIII shall be considered as adopted. The previous question shall be considered as ordered on the bill, as amended, and on any further amendment thereto to final passage without intervening motion except: (1) one hour of debate on the bill, as amended, equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary; (2) the further amendment printed in the Congressional Record and numbered 2 pursuant to clause 6 of rule XXIII, which shall be in order without intervention of any point of order or demand for division of the question, shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

The SPEAKER pro tempore. The gentleman from California (Mr. DREIER) is recognized for 1 hour.

Mr. DREIER. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to my very dear friend, the gentelwoman from Fairport, NY, star of MS-NBC (Ms. SLAUGHTER) pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

(Mr. DREIER asked and was given permission to revise and extend his remarks and include extraneous material.)

Mr. DREIER. Mr. Speaker, this rule makes in order H.R. 3736, the Workforce Improvement and Protection Act under a modified closed rule providing one hour of general debate divided equally between the chairman and ranking minority member of the Committee on the Judiciary. The rule waives all points of order against consideration in the House.

At the close of the debate on the rule, I will be offering an amendment to the rule to consider as adopted in lieu of the amendment recommended by the Committee on the Judiciary printed in the bill the amendment printed in the CONGRESSIONAL RECORD that is numbered 3. This amendment consists of the text of the compromise agreed to last night by the Senator from Michigan (Mr. ABRAHAM) who has worked tirelessly on this issue, the Clinton administration, and the gentleman from Texas (Mr. SMITH) chairman of the Subcommittee on Immigration who has been a great friend and a very sincere champion of immigration reform.

Additionally, Mr. Speaker, the rule makes in order the amendment printed in the CONGRESSIONAL RECORD numbered 2 to be offered by the gentleman from North Carolina (Mr. WATT) which will be in order without the intervention of any point of order and will be debatable for one hour equally divided and controlled by the proponent and an opponent.

□ 1445

Mr. Speaker, America's high tech explosion has been one of the truly inspiring stories of the last 2 decades. Brand names that were barely heard of 2 decades ago are now recognized not only here in the United States but all around the globe. Whole new private sector industries have expanded to the point where millions of American families enjoy their standard of living because of the jobs that they create.

In my State of California, Mr. Speaker, cutting edge industries that develop technology and sell it in every major world market have transformed a depressed, defense-based economy to a vibrant technology- and export-based economy.

The driving force behind these cutting edge industries and job-creating technologies is simple. It is the energy, brain power and perseverance of skilled people. Mr. Speaker, the fundamental concept behind this bill is that skilled people create jobs, they do not take up jobs.

California wins when talented, energetic people come to the State to build companies and create jobs. It does not matter whether those skilled people come from New York, Missouri or Montreal; California wins. This bill will help create more jobs in California and the rest of the country by insuring that more skilled workers can come here to help strong private sector businesses prosper.

Mr. Speaker, the companies that take advantage of skilled workers that temporarily enter the country from abroad do more than just create more good jobs here. The technological advances that they pioneer are felt throughout the country as better and less expensive consumer products, reduced production costs, increased efficiency, better wages and a higher standard of living for all Americans. Everyone loses when the private sector is denied access to skilled people.

Mr. Speaker, the compromise crafted through intense bipartisan negotiations over the past 2 weeks addresses the very legitimate concerns raised about the actions of a tiny minority of companies that abuse the H1B program, using it in a way that was never intended by the proponents of this valuable program. In addition to the current requirement that H1B workers be paid the same as American employees in similar positions, and I underscore that once again, Mr. Speaker, the requirement that H1B workers be paid the same as American employees in similar positions and previously agreed-to changes that would allow the Department of Labor to audit many companies which use H1B workers to ensure that they are recruiting American workers and not replacing them with foreign workers, today's compromise inserts additional requirements as well.

Companies that hire a significant number of H1B workers will be subjected to unprecedented scrutiny by the Department of Labor to ensure that they are making efforts to recruit American workers and that H1Bs are not taking jobs from Americans. Mr. Speaker, a fee of $500 per application will also be charged companies that seek to use H1B workers, with the revenues being used to fund math and science scholarships, to retrain displaced workers and to permit the Department of Labor to police the program.

Now it is an unfortunate reality, Mr. Speaker, but a reality all the same, that our education system is not producing enough skilled workers to meet the needs of many industries. Half of the students graduating from American universities with doctorates in science, math and computer programing are foreign-born students. It is a sad fact that 70 percent of American high tech companies claim a shortage of skilled workers as the leading barrier to their growth. This is a long-term national problem, and nothing we do here reduces the importance of dramatically improving education and training. We have much work to do on that account.

Mr. Speaker, it is always a pleasure to be able to present the House an opportunity to enact bipartisan legislation that will benefit our economy and create jobs. The Workforce Improvement and Protection Act highlights the very best of the role immigration plays in our national economy, injecting the vibrancy of skilled and energetic people. Not only do the vast majority of immigrants work hard, support their families and pay taxes, but some turn out to be like one named Andy Grove. He came to this country and, using his brain and his heart, made the Intel Corporation what it is today, a world leader in technology that has created thousands of jobs for Americans and thousands of products for American families.

Mr. Speaker, this is a very, very good compromise worked out among all the parties, including both the Senate, the House and the administration.

I urge adoption of both the rule and the bill.

Mr. Speaker, I reserve the balance of my time.

Ms. SLAUGHTER. Mr. Speaker, I yield myself such time as I may consume.

(Ms. SLAUGHTER asked and was given permission to revise and extend her remarks.)

Ms. SLAUGHTER. Mr. Speaker, I thank the gentleman from California for yielding me the customary 30 minutes.

Mr. Speaker, I will not actively oppose this rule. The agreement that has

been crafted with the administration addresses some of the concerns my colleagues and I have with the underlying bill, but I do have concerns about how we arrived at this rule.

The process we adopted seems to abolish as irrelevant the committee process in the House of Representatives. This rule throws out the crafted consensus bill reported by the Committee on the Judiciary by a 23 to 4 vote; that is right, a 23 to 4 vote. The Committee on the Judiciary Subcommittee on Immigration and Claims heard from a variety of witnesses at its April hearing, including representatives from affected businesses, academia, labor unions and the Labor Department. At its markup, the subcommittee reported the bill by voice vote.

The full Committee on the Judiciary, working in bipartisan cooperation, fully considered the bill, adopting 11 amendments by voice vote. The committee report included a letter from the White House commending the committee-reported bill as a good basis for fine tuning final legislation that the administration could support. One might have thought that the legislative process had worked, producing a bill that addresses a problem and it could be enacted into law.

But last July, when the Committee on Rules first considered this rule, the Committee on Rules majority decided that the work of the Committee on the Judiciary, reported by a 23 to 4 margin, could be discarded at its whim. The Committee on Rules majority appropriated to itself the right to substitute a wholly different bill, drafted in secret, without the benefit of hearings or the expertise of the authorizing committee.

Unfortunately, this circumvention of the committee process is becoming a bad habit. Last month, we voted on a health care bill which no committee considered, and it had no chance of being enacted into law. Last week, we considered important bills to fight drug use that no committee had considered, marked up or reported.

And why should the American public care? Is this just inside baseball, irrelevant to the final legislative product? No. Far too often, the Congress has hastily passed ill-considered legislation that had many unforeseen consequences.

As I noted, the majority in the Committee on the Judiciary have reached an agreement with the White House that will allow this bill to be signed into law. The agreement was reached last night, although few of us and almost probably none of us have any idea what it is, and none of us have had the opportunity to examine it.

The Committee on the Judiciary-reported bill should have been brought to the House floor in regular order under an open rule. Unfortunately, that is not the circumstances in which we find ourselves. I register my objection.

Mr. Speaker, I reserve the balance of my time.

Mr. DREIER. Mr. Speaker, I yield 2½ minutes to the gentleman from Morris, Illinois (Mr. WELLER), a valued member of the Committee on Ways and Means.

(Mr. WELLER asked and was given permission to revise and extend his remarks.)

Mr. WELLER. Mr. Speaker, I rise in support of this rule, and I rise in support of this compromise.

Mr. Speaker, one thing that I am very proud of, of course, I represent the South Side of Chicago and the south suburbs, and that is the Chicago region ranks fourth today in high tech. We often think of Silicon Valley and the Boston corridor and Seattle, but the Chicago region is home to over 3,000 information and high tech corporations that are growing and, of course, creating new jobs in the Chicago region.

One lesson that we have all learned, though, as high tech jobs grow, as this new industry of the 21st century grows, that we have also learned that there is a shortage of skilled workers who have the computer skills to fill the jobs that are now made available. In fact, there are 340,000 jobs, it is estimated, that went unfilled this past year because of lack of computer skills in the workforce, and that is an issue that we have got to address long term as we work to give computer and Internet access to our schools throughout this Nation. But, short term, we need to solve this problem; and this compromise worked out between the administration and this House of Representatives and the Senate solves the problem; and that is why I stand in support of it.

Think about it. Information technology is our future. It is estimated there is 130,000 information technology jobs created in the past year. Over the next 10 years, we expect to create 1.3 million new jobs, and it is important to my home State of Illinois.

In 1995, information technology created 189,000 jobs for the people of Illinois, generating $8.5 billion in annual wages. The average industry wage is $45,000. The average private sector wage is only $30,000. These are good-paying jobs, and it is a great opportunity for young people to know that there is a future in high technology.

We need to win this fight. If we do not find a way to fill these jobs, we are going to lose out. If we want to compete globally, we have to fill these jobs with qualified workers. This legislation, which provides H–1B visas, raises the caps, will help us fill those positions as we work to prepare more Americans to fill these jobs in the future.

I am also proud this compromise between the White House and this Congress also increases protection for American workers. It is a good compromise. It is common sense. That is how this process should work. We protect workers giving the opportunity for our industry to grow and create new jobs, and I am proud that Chicago and the Chicago region, which ranks fourth in high technology, will be the winner when this legislation passes.

Again, I ask for bipartisan support.

Ms. SLAUGHTER. Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania (Mr. KLINK).

Mr. KLINK. Mr. Speaker, I thank the gentlewoman for yielding this time to me.

I always find it very interesting, the names of the bills that come before us during this Congress. I would venture, if we did not have the kind of protections we have in speech on the floor of the House, that we would be able to sue our colleagues on the other side of the aisle for false advertising.

Workforce Improvement and Protection Act, a bill that allows some of the best jobs in the high tech industry to go to foreign workers who we bring into this country under a special H–1B provision, while those very same companies have spent the last year laying off hundreds of thousands of American workers. And I hope that when we get into the general debate I will have the opportunity to cite specific companies and the number of thousands of American workers in the high tech field that they have been laying off.

Mr. Speaker, this is not about a lack of workers. It is about a lack of workers that are the cheapest to be found. It is about a lack of indentured servants that we can bring in from other nations who cannot complain because there is virtually no enforcement by the Department of Labor.

Now I understand under the bill that we are to take up today that we have increased some of the oversight by the Department of Labor, but the fact of the matter is that only the smallest percentage of companies using H–1B visas will be able to be scrutinized. Those will be the companies that are called H–1B dependents.

When I first began to talk about the problem with H–1Bs and this visa, a lot of people across America were calling my office, Mr. Speaker, and indeed some Members thought H–1B was some experimental aircraft. The fact of the matter is that this was a program that was developed back in 1990. The colleges and the universities and the high tech industries were coming to Congress saying, we are not educating enough people with PhDs and the kind of degrees to take these high tech jobs.

My question still is, if we are not educating them, those same educational institutions, those colleges and universities that are complaining to us, are at fault. They are the schools that are accepting the tuition money that is being earned and paid out by the hard-working people of this country, and then they are not educating those students to take the jobs of tomorrow.

And to my friends on the minority side I will say at the same time that they are attempting to eliminate the Department of Education, eliminate the Department of Commerce, eliminate the Department of Labor who could monitor the needs of the work force and could help us train the workers for those skilled needs. Instead,

they are saying, let us raise the number up, let us raise the number of foreign workers that we are bringing in by 142,500, and that is what this rule does. That is what this bill does.

□ 1500

It says to the hard-working taxpayers across this country, ''Your kids are too stupid, your schools are too bad, and we are not going to do anything about it, except we are going to bring foreign workers in to take those good paying jobs. If you don't like it, we in Congress don't care.''

Because you bring this bill up today, no one has read it, no one knows what the provisions of this bill are. The White House worked this out. They did not talk to those of us in the House, except to advise us what the deal was that they had made. No one consulted us, no one asked us what we thought, what we needed. We were not a part of putting this legislation together.

I would say that the gentlewoman from the Committee on Rules, the gentlewoman from New York (Ms. SLAUGHTER), who yielded time to me, is absolutely right. We come here today blindly, not knowing what it is we are voting for. What are the specific protections in there? I defy one Member on either side to tell us exactly what that language is, because we have not had a chance to scrutinize it.

That is not the way the House of Representatives should work. Over 80 percent of the people in a Harris poll across this country, when asked if they favored the program, when the H–1B program was explained to them, over four out of five workers across this country, voters across this country, said they do not want to see an increase in this program.

We are defying that. We are flying in their face. This is not about building up a high-tech industry. This is about catering to high-tech industries, and a very formidable political voice, right before we have an election. If it is bipartisan, then both parties are guilty of doing it.

This is about giving away American jobs over the next three years. 147,500 additional foreign jobs are being given away. You can take my words and remember them, because two or three years from now, for those of you who vote for this rule, for those of you who vote for this bill, when your constituents by the tens of thousands tell you that they have been denied labor because the companies were waiting for H–1Bs, that their children have been denied, with those giant student loans, the ability to apply for those jobs because the companies want H–1Bs, go back and remember what it is we did today, and remember my words.

Mr. DREIER. Mr. Speaker, I yield myself such time as I may consume to respond to my very good friend from Pennsylvania.

Mr. Speaker, I would like to outline the details of the changes that have been made and say, first of all, in the area of education, 10,000 scholarships are going to be provided under this plan. There were very minor changes made in the compromise bill itself. Let me just go through those, if I may.

First of all, the amendment I am going to be offering, which is the compromise, extends the H–1B program three years, not four years. Companies will pay a $500 fee, as I said in my opening statement, to fund education, training and oversight. The fee had been half that in the original measure. Violators of H–1B rules will be banned for three years from the program, anyone who is violating it.

The compromise tightens up the small business exemption that is in the bill. The Department of Labor is authorized to do spot checks on companies which face any credible charges that have been leveled, and, along with the equivalent pay, which I mentioned again in my opening remarks, H–1B workers must get equivalent benefits.

So those are the changes made in the compromise.

Mr. KLINK. Mr. Speaker, will the gentleman yield?

Mr. DREIER. I yield to the gentleman from Pennsylvania.

Mr. KLINK. Mr. Speaker, we have not seen the specific language. That is my problem. I understand those things are in there. We have not had a chance to debate them.

Mr. DREIER. Mr. Speaker, reclaiming my time, it is in the CONGRESSIONAL RECORD. I have a copy of it right here. I am more than happy to provide it to my friend.

Mr. Speaker, I yield 3½ minutes to my friend, the gentleman from Huntington Beach, California (Mr. ROHRABACHER), who is very well guided in his strong support of the rule, but slightly misguided in his opposition to the compromise.

Mr. ROHRABACHER. Mr. Speaker, I rise today in support of the rule, but in strong opposition to H.R. 3736, a bill which would raise the annual number of high-tech jobs given to foreign workers.

Currently the INS issues 65,000 H–1B visas per year to highly skilled noncitizen technical workers. H.R. 3736, in response to high-tech industry's claim that there is a crisis in the shortage of trained American workers, would increase the H–1B cap to 115,000 jobs in 1999 and 2000, and 107,000 jobs the following year. That is over 200,000 jobs going to foreign workers.

Big business' claim that there is a worker shortage curiously comes at a time when our Nation's high-tech companies have laid off over 200,000 American employees, this year. The question is whether those Americans think there is a worker shortage crisis. And that does not even include, I might add, the tens of thousands of aerospace workers who have been laid off and are in need of training before they can get a job in these high-tech companies.

Mr. Speaker, let us be honest about H–1B and this issue. This is not about a shortage of qualified American workers; it is about pacifying a powerful big business interest who is trying to secure cheap foreign labor.

Mr. Speaker, whom do we represent? Working people who get laid off after having given their service to their industry and to their country are the people we should be most concerned about.

Instead of letting the market forces work and seeing the wages rise and the amount of money put into job training increase because there is a supply and demand issue here, instead of letting that market force work to the benefit of our own people, we are being asked to interfere with this market process so we can flood the market with people from overseas who are willing to work for less money. Whom do we care about? Whom do we represent if we are going to do this?

There are hundreds of thousands of workers from developing countries, indeed, that are willing to work for less. But the fact that they are importing them will take pressure off people to train our own people or to increase the wages of our people so those people will get their own training. The effect of this bill is to bring down the market wage for our high-tech workers.

It is called supply and demand. That is what we believe in. We Republicans especially are supposed to believe in that. It is not just supposed to work for the benefit of big companies; it is supposed to work for the benefit of all of our people. It will also reduce the incentives for companies to reeducate and retrain employees or unemployed Americans. It will provide an incentive for companies to lay off senior employees before they qualify for retirement or if they need health benefits, which people who get older need. Instead, it will bring on people who are from developing countries who are willing to work for a lot less and are a lot younger, and thus will not use the health care or the retirement benefits.

To whom are we loyal? Whom do we care about? We are supposed to care about the American people. American business, if they expect loyalty from their employees, have got to be loyal to their employees.

Mr. Speaker, I oppose H.R. 3736, while supporting the rule, because H–1B was a rotten idea to begin with, and it is a rotten compromise.

Ms. SLAUGHTER. Mr. Speaker, I yield 6½ minutes to the gentleman from New York (Mr. OWENS).

(Mr. OWENS asked and was given permission to revise and extend his remarks.)

Mr. OWENS. Mr. Speaker, I would very much like to associate myself with the remarks of the previous speaker. This is a very important piece of legislation here, and one of the problems with the rule is that it cuts off debate and limits amendments that can be made on a very important job policy bill.

This is all about jobs. To the American people, I say wake up. These are

the jobs of right now and the jobs of the future. This is a problem of growth and prosperity, and we welcome it. We are discussing the jobs of today and the jobs that will be mushrooming in numbers in the future. Lots and lots of them will be created. Information technology workers; they are the workers of the future.

This is the wrong solution to the problem of shortages though. There are shortages. They are very real. But this solution sets the wrong precedent. If we go this way, we are going to find ourselves repeatedly increasing the quota and repeatedly raising the number of foreign workers who can come in from the outside and take jobs that should be here for American workers.

This bill is a negative job bill for American workers. Right now there are 65,000 foreign workers who fill up these kinds of jobs, who are in the country right now. What this bill proposes to do is this year increase it by 25,000 or 30,000 so we could have 90,000 this year. Then it is going to keep increasing, and by the year 2001 you will have 107,000 if they follow the formula that they have here.

But the likelihood is that if you set the precedent, if you start now, they are not going to follow this formula. You are going to have an amendment to increase it more next year, and still another amendment. Instead of doing what has to be done to guarantee that our own workers are trained properly and educated properly, that our own education policies are changed, so that our schools will begin to generate large numbers of people who can become information technology workers we will continue to raise the foreign worker quota.

65,000 now, then 90,000, then 107,000, that is only a small part of the problem. There are going to be many, many more jobs than that.

These numbers tell only a small part of the story. The Information Technology Association has done a survey that shows that right now there are about 300,000 vacancies, 300,000 right now, in information technology workers. The Department of Labor estimates that in five years we will have 1.5 million vacancies. These are vacancies that they compute after they take into consideration the number of youngsters who are in college majoring in computer science, math and other kinds of programs that will allow them to fill up the jobs. Even after you get all of the graduates out of the schools and they take these jobs, you are still going to have at least 1.5 million vacancies in five years, if you do not do anything about it.

What can we do about it? We must find ways to fill these jobs which are more substantial than what we are doing here. What we are doing here is opening the spigot so that massive numbers of foreign workers will keep coming in.

By the way, they pay foreign workers less, so this is highly desirable for industry. The pattern is they generally pay them less.

We need a program and set of policies that train American workers, starting with technology in our own schools. We need a pool, a supply of people to draw from, people who come through the schools and have been exposed to enough computer training to want to go on to junior college.

By the way, you can get some jobs after you come out of high school. You can get an A–1 certification for Microsoft just with a high school diploma and you can go out and earn $35,000 to $40,000 a year just coming out of high school. That is the kind of jobs we are talking about. But those who go on to junior college will get higher paying jobs, those who go to college and get computer programming degrees will get even more, can get $100,000 after they have been working for three or four years.

We are talking about a lucrative field that is likely to keep growing, so we want to have in our schools technology, as the President called for. We want to support the E-rate. There is a direct relationship between the people who are opposing the E-rate right now. E-rate, by the way, guarantees schools will be able to have telecommunications services at a discount. It allows some schools that could not afford to link their computers up with the Internet and have those services, to have them by giving as much as a 90 percent discount to the poorest schools.

The E-rate is being opposed now by some of these same companies. Many of the same companies that are bringing in the foreign workers are opposing the E-rate, which would allow us to have our schools prepared to educate a larger body of people who can take these jobs as American citizens. So we need to support the E-rate. We need to deal with the problem of school construction funding, which does not allow certain schools to be wired because they are too old and you need to renovate them or build new schools.

We need store front computer training centers, not only to allow youngsters from poor neighborhoods to be able to go in at night when the schools are closed down and get some practice, but also all these workers that are being laid off.

I want to say we have proposed, I proposed in the higher education legislation, an amendment which would allow colleges to combine with communities and set up store front training centers which will begin to deal with this problem. We need many innovative approaches.

Why is Bangalore, India, considered the computer programming capital of the world? Why are most of the workers who will be brought in under this program coming from India? Because India decided a long time ago, they had the vision and wisdom, to have first rate computer training programs in their schools. Bangalore in particular, developed first rate computer training programs. So they have large pools of people who are feeding the computer systems of all of the English speaking world. They speak English, so that is another advantage.

So we need policies that revamp our education system in order to produce the workers who can take these jobs. We do not need any more patchwork, easy answers for the big industries. They get lower paid workers and they get an unlimited flood of them without having to contribute to the effort here in America to educate our own citizens.

These are the jobs of the future. Wake up. These are the jobs of the future. If we give them away now, we will never be able to get them back.

□ 1515

Mr. DREIER. Mr. Speaker, I am very pleased to yield 3 minutes to my good friend, the gentleman from Del Mar, California (Mr. CUNNINGHAM), who has a great understanding and grasp of this issue. We are all very, very happy to see him back, healthy and raring to go.

Mr. CUNNINGHAM. Mr. Speaker, I thank the gentleman from California for yielding time to me.

Mr. Speaker, the United States of America is the envy, I think, of the whole world on our high-tech accomplishments and our industries. Take a look at our biotech industry. Look at QualComm all over the world. Look at our health care. Look at our universities in health care. Look at the supercomputers that San Diego and other schools have. We need to keep that going.

My nephew had a full scholarship to MIT. His fiance is finishing up her Ph.D. in biotech at the age of 27. Their future is set because of the shortages that we have in the technology field.

In San Diego we have a program that takes displaced aerospace workers and trains them in these high-tech fields. However, I would like to tell the Members that workers at a beginning entry level do not have the same productivity as someone that has a Ph.D. and experience in the field that could produce the jobs, the biotech, the health care remedies and those kinds of things that we need.

If we look at the aerospace industry, we are in a sine wave with jobs. At times there are high peaks, and right now we happen to be in low peak, and we need people to replace them. What this bill does is takes that valley and levels it off, and at the end of that valley we allow for the American worker to have priority over a foreign worker, and they are out. That is all we are trying to do.

Here is the challenge. Remember Jaime Escalante? He said, just because a child is a minority she is not any ledss capable than other children. I can teach that child math. The community thought he was nuts. The teachers thought he was nuts. The children thought he was crazy. Yet, he taught those kids math. Then the community rallied behind him.

That is what we need to do with the American education system. We need to invest in the public education system, through private and local initiatives. But at the same time, we cannot continue to only get about 50 cents on the dollar out of our Federal programs. That is why our Dollars to the Classrooms Act, getting 90 cents out of the dollar for classrooms, is very, very important. We need to invest in those kinds of things.

This bill is a balance for American workers and American jobs. When we take a look, we, the United States of America, are 15th of the industrialized nations in math and science. That is a crime in itself. Look at the D.C. schools. Children are graduating, and over 60 percent are functionally illiterate.

If we want a long-term solution, it is—and I agree with my friend, the gentleman from New York—it is education, and making sure that we have those effective kinds of programs. We do not do that in this country, to a large degree. Overall, we have a shortage in the field that we need to fill. This bill allows us to do that.

Are there problems with it? Yes. But I think it is a bipartisan agreement in most areas, and I support the rule and the bill.

Mr. Speaker, America's high-tech industry is the envy of the world. It powers our strong economy. And it is making our lives better.

Advanced technology requires people with advanced skills to keep these innovations coming. Our high-tech industry spends far more per worker on training and education than other industries do.

But the Commerce Department, the American Electronics Association, my local San Diego Chamber of Commerce, and many of the employers in my district—like Hewlett-Packard, Qualcomm, UCSD and others—all agree that there are not enough of these high-skill workers to go around.

Moreover, our colleagues and universities are not producing enough science and engineering graduates to meet demand. And of those graduates, a large percentage are non-U.S. nationals.

So what can we do?

First, America's schools must do better than last place among industrialized countries in math and science. Our ''Dollars to the Classrooms Act'' and other local initiatives will help meet that challenge. But it will take time.

Second, we should encourage more young people to pursue the high-tech field. Again, this will take a long time to bear fruit. But we can do it.

Third, we should adopt this legislation, H.R. 3736, the Workforce Improvement Act.

The Workforce Improvement Act temporarily increases the number of high-skill worker visas. It will help American employers address the current high-tech worker shortage, so they can strengthen America's economy, help create American jobs in America, and maintain our global leadership in technology and innovation.

The bill contains a reasonable balance of checks and balances—helping to keep the H-one-B visa program from being abused, while resisting the temptation to have the U.S. Department of Labor involved in every private hiring decision.

And the fees from this program will help pay for advanced American worker training and education.

This bill is not perfect. I would have preferred that the increase in H-one-B high skill worker visas was offset with a reduction in other visa categories. But the measure is a product of compromise. And on balance, it is in the national interest.

For American workers, American jobs, and a strong American future * * * support this important legislation, and oppose the Watt substitute and the motion to recommit.

Ms. SLAUGHTER. Mr. Speaker, I yield 4½ minutes to the gentleman from California (Mr. BROWN).

(Mr. BROWN of California asked and was given permission to revise and extend his remarks.)

Mr. BROWN of California. Mr. Speaker, I thank the gentlewoman for yielding me this time.

Mr. Speaker, I take some pleasure in the fact that I seem to share the same views as my distinguished colleague, the gentleman from California (Mr. ROHRABACHER) on this issue. I want to explain some of the reasons for that.

I want to address the primary argument put forth by supporters of this bill that a shortage exists of the workers needed to maintain American leadership in the information technology industries. As usual, anecdotes far outweigh hard evidence in the debate. I thought it might be useful to examine more closely the data that is available.

Determining a labor shortage is a fiendishly difficult exercise, even for labor economists. Defining the types of workers involved, where they get their education, the tasks employers want them to do, and the overall economic climate are just some of the items that go into the analysis. None of these factors remain static, and it is difficult to track them on a real-time basis. It is no wonder that John Bishop, the Chair of the Department of Human Resource Studies at Cornell, has warned us to be careful in adopting policies to address perceived shortages. This is not a policy that can be easily reversed.

We on the Committee on Science have specific experience about the damage we can do manipulating the labor market. At the beginning of this decade we were concerned about a shortfall of scientists and engineers. We gave new money to the National Science Foundation to get more people into the pipeline. By the time they finished their education and went out to the job market, there were not any jobs for them.

Those of us who have been here for a while may recall the billboard that read, and I quote, ''Will the last person leaving Seattle please turn out the lights,'' during the aerospace slump of the seventies. This is typical in the aerospace industry. Now the National Research Council is recommending that we sharply limit new entrants into the life sciences training programs, because there are so few places for graduates to go.

It has become almost sacred writ that there are 346,000 vacancies for information technology workers. I believe that we should treat this assertion with great skepticism. This number was derived from telephone surveys of companies in the field, but the response rate was just 36 percent of those chosen for sampling.

The gentleman from Michigan (Mr. DINGELL) and I asked the General Accounting Office for their views on the methodology that led to this result. GAO reported to us that they considered the response level too low to permit the results to reflect conditions across the country. GAO further noted that there was not enough information about the vacancies discussed in the study to answer some very important questions: How many of these vacancies are caused by normal turnover, and how long does it take a company to fill a job slot when it becomes empty?

IBM once looked at this particular issue a few years ago and discovered that at any one time it was normal to have some 5 percent of their jobs vacant. The surveys gave us no information on the salary levels of the vacancies, so we cannot know if the companies were offering competitive salaries or merely wishful thinking. The study itself warned that no one should infer that 346,000 jobs would be immediately ready to absorb 346,000 qualified candidates.

At this point, I would like to raise the supply side of the equation, because it is not getting much consideration in the debate. The Computing Research Association tells us that enrollments in computer sciences have grown 40 percent in each of the last 2 years. The Statistical Factbook for the University of California at San Bernadino in my district shows that declared majors in the Information and Decision Management Department have jumped from 22 in 1992 to 219 in 1997. Enrollment leaped from 28 to 143 just between 1993 and 1994. Dr. Walt Stewart, the department chair, told my staff that these numbers are low because they do not capture the students from other departments.

The American Association of Community Colleges reports strong increases in enrollments in programs for computer technology, software, and computer-assisted design. Our children are getting the message that there is an opportunity here. For us to make policy about demand while ignoring supply is guaranteed to get us into trouble.

My last point involves the current economic situation. Reports in the latest issues of The Economist and Business Week indicate that the high-tech sector is feeling strong pressure from the breakdown of Asian economies. There is severe overcapacity in the semiconductor business; Motorola has just decided to postpone building its new chip manufacturing plant in Virginia. Falling prices for PCs, while a boon for consumers, limit the profits their makers can earn. TIME reported this

week that China is contemplating a 30-percent devaluation of its currency early next year, a severe blow to recovery efforts in Japan, Korea, Indonesia, and Malaysia. Prosperity may be just around the corner. Prudence recommends that we do no harm in this volatile situation.

I intend to vote for the Watt-Berman-Klink substitute. I do so because it increases visa limits only through fiscal year 2000, thereby reducing the outyear effects on the labor market. I also believe that all companies who benefit from this public policy should be required to demonstrate that their resort to H–1Bs is driven by genuine need and not convenience. The substitute derives directly from Chairman LAMAR SMITH's bill that earned a bipartisan majority from the members of the Judiciary Committee. Support Watt-Berman-Klink.

Mr. DREIER. Mr. Speaker, I am happy to yield 3 minutes to my friend, the gentleman from Roanoke, Virginia (Mr. GOODLATTE), who is strongly supportive of the bipartisan compromise that has been worked out by the House, the Senate, and the administration.

Mr. GOODLATTE. Mr. Speaker, I thank the gentleman for yielding time to me, and he is quite right.

Mr. Speaker, I rise in support of this rule and the compromise legislation offered by my good friend, the gentleman from Texas (Mr. SMITH), chairman of the Subcommittee on Immigration and Claims. This legislation is the product of extensive work and deliberation between the Committee on the Judiciary, the gentleman from Texas (Chairman SMITH), and the high-tech industry. I believe it represents an effective compromise that addresses the needs of the high-tech industry and also provides important and necessary protections for American workers.

Mr. Speaker, this country has a vested interest in ensuring that our policies encourage the continued growth of the booming high technology industry. The high-tech industry has contributed over 3 million jobs to the United States economy over the last 3 years. It has also accounted for over 27 percent of the growth in the gross national product.

The industry's ability to hire the best and brightest is essential if we are to remain the global leader in this emerging field. Unfortunately, there is currently an insufficient number of American workers available to fill many high technology positions. According to some reports, as many as 300,000 high technology jobs are unfilled due to a lack of qualified American workers in a tight labor market.

The current quota of 65,000 H–1B visas was reached months ago, leaving many companies without the resources they need to effectively operate and expand. If we do not responsively address this problem, we risk placing a strain on the expansion of the industry that could end up costing the American people countless jobs.

I have consistently worked to ensure our immigration policy is firm, fair, and effective. Immigration laws should not be used as a tool to provide sources of cheap labor, nor should they be used to deprive qualified American workers the opportunity to succeed in the marketplace. However, we are currently confronted with a skilled labor shortage.

Our response to this shortage should be targeted yet effective. We should not alter our fundamental commitment to maintain responsible and productive levels of immigration, but we should be willing to permit the necessary number of workers to enter temporarily to respond to the lack of qualified workers.

Mr. Speaker, every effort should be made to ensure that qualified American workers are not being laid off or passed over to hire foreign workers. This bill provides necessary protection for American workers. It also takes important steps to support the training of American workers, so we will remain effective and competitive in the future.

Furthermore, this is only a temporary measure. It will only increase the numbers until 2002, at which point the numbers will return to current levels. This is a temporary fix to address a problem that needs immediate attention.

Mr. Speaker, this is a responsible, reasonable, and necessary piece of legislation that is essential to the continued success of our booming high-tech industry and the millions of American jobs that it creates. I urge my colleagues to support this compromise and oppose the substitute offered by the gentleman from North Carolina.

Ms. SLAUGHTER. Mr. Speaker, I yield 3 minutes to the gentleman from Virginia (Mr. MORAN).

Mr. MORAN of Virginia. Mr. Speaker, I thank the gentlewoman from New York for yielding time to me.

Mr. Speaker, what I would like to focus on is the unparalleled economic growth that we are currently experiencing and why. The principal reason we are doing as well as we are economically is attributable to the high technology sector. U.S. firms dominate the world market in both high-tech products and high-tech services. Over 3.3 million Americans are directly employed in high technology jobs.

But the work force shortage faced by the technology sector threatens our world dominance in the technology sector and our continued economic prosperity. Over the next 10 years the global economy is projected to grow at three times the rate of the U.S. economy. Basic high technology infrastructure needs in just 8 of the fastest growing countries are going to reach $1.6 trillion.

If the U.S. does not seize the opportunity to supply goods and services to these emerging markets, other countries will. But U.S. firms simply cannot compete if they do not have access to a highly-trained work force. There is no doubt that the quantity and even the quality of our current work force is failing to keep pace with the needs of the technology industry.

Some 10 percent of high technology jobs are now vacant. This is nearly 200,000 vacant jobs across the country. U.S. firms who cannot find enough domestic workers are sending more and more contracts overseas. In Northern Virginia, we have a vacancy rate of 19,000. Just pick up the Washington Post any Sunday and Members will see where those vacancies are.

We are in desperate need of more workers, and as a result, because we do not have the workers, we are sending jobs overseas, even to fulfill government contracts. We are going over to India, Ireland, and any number of other countries that are willing to meet our needs.

But does it not make more sense to pay an American worker here $60,000 a year than to send a job overseas, pay them maybe $16,000, but that money is spent in their economy? We are so much better off if these jobs and these salaries are spent in our U.S. economy. That is what we are trying to achieve.

Mr. Speaker, this bill is a substantial improvement. It increases the cap. It is going to enable us to better meet the needs, but it is not adequate. We still need to do more work.

□ 1530

I must say, in terms of the training provision, that we cannot continue job training programs in the way that we have done them in the past. They need to be much more tied to industry. They need, in fact, to be industry driven.

Let the companies in the technology sector, particularly, get together, cooperate, contribute maybe a third of the money. Let the Federal Government contribute a third of the money. Let universities contribute. And with that consortia, let us make sure that the training that we do is going to be immediately met by job placement. We cannot afford to train just for the sake of training. We need to be putting people in the jobs that are available today.

Mr. DREIER. Mr. Speaker, I yield 3 minutes to the gentleman from Glendale, California (Mr. ROGAN), my very good friend who is a hard-working member of both the Committee on Commerce and the Committee on the Judiciary.

Mr. ROGAN. Mr. Speaker, I thank the gentleman from California (Mr. DREIER), my friend and neighbor, for yielding me this time.

Mr. Speaker, first, I want to commend the gentleman from Texas (Mr. SMITH) for his leadership on this issue. Over the past several months, he worked to achieve a compromise measure that will help both American businesses, universities and our workforce.

I also want to recognize the distinguished Senator from Michigan, Mr. ABRAHAM, for leading the negotiations with the administration on behalf of the Senate and the House leadership.

H–1B visas have played a crucial role in America's vibrant economy. During the past 3 years, the high-tech industry has contributed over 3.5 million jobs to the U.S. economy and has accounted for a 27 percent increase in our gross national product.

Human and intellectual capital fuel this industry, and a small but critical element of the high-tech workforce consists of foreign-born workers holding H–1B visas. H.R. 3736 will temporarily raise the annual cap on H–1B visas in order to lessen the shortage of high-tech workers.

As cochairman of the Speaker's High Technology Working Group, I recognize America's strong interest in ensuring that our policies encourage the continued growth of technology while promoting the strength of the national economy as a whole.

This is an issue of international competitiveness. Our ability to hire the best and the brightest is essential if America is to remain the global leader in technology. This compromise strikes an important balance between addressing the workforce needs of this industry and protecting the security of American workers.

This legislation creates a workable system where employers can temporarily obtain immigrant workers to fill high-tech jobs when there is a lack of qualified domestic workers. Further, this protects American workers from abuses such as being laid off or being replaced by a foreign worker, and it achieves this without creating a huge enforcement bureaucracy at the Department of Labor. This legislation also recognizes this as a short-term solution to the high technology worker shortage. The increased number of H–1B visas will sunset in 2002.

This bill provides further protections for American workers by targeting employers who are more likely to abuse the program. Additionally, this legislation supports long-term solutions to worker shortages by providing more job training programs and college scholarships for Americans in areas such as math, engineering and computer science.

Mr. Speaker, I urge my colleagues to support the rule that will bring forth legislation to support America's high-tech industry while securing and offering better jobs for Americans.

Ms. SLAUGHTER. Mr. Speaker, I have no further requests for time. May I ask if my colleague has further requests?

Mr. DREIER. Mr. Speaker, will the gentlewoman yield?

Ms. SLAUGHTER. I yield to the gentleman from California.

Mr. DREIER. Mr. Speaker, I would like to congratulate the gentlewoman and say that we have just completed with our last speaker, just as she has. So, obviously, this could not have been planned any better than it has.

Ms. SLAUGHTER. Mr. Speaker, I yield back the balance of my time.

Mr. DREIER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would close by simply saying that I believe that this is an extraordinarily good compromise for a very, very important issue to address a telling need to ensure that we do not see companies that have been thriving forced to leave the United States of America for their survival, so that we can remain on the competitive edge. I urge support of it.

AMENDMENT OFFERED BY MR. DREIER

Mr. DREIER. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DREIER:

At the end of the resolution add the following new section:

''SEC. 2. Notwithstanding any other provision of this resolution, the amendment in the nature of a substitute printed in the Congressional Record and numbered 3 pursuant to clause 6 of rule XXIII shall be considered as adopted in lieu of the amendment in the nature of a substitute printed in the CONGRESSIONAL RECORD and numbered 1.''

Mr. DREIER. Mr. Speaker, I will briefly take a moment to explain this amendment.

Mr. Speaker, this amendment simply provides that, upon the adoption of the resolution, the text of the administration-endorsed compromise that we have come to with the House and the Senate and the administration shall be considered as adopted.

I urge support of the resolution as well as the amendment.

Mr. Speaker, I yield back the balance of my time, and I move the previous question on the amendment and on the resolution.

The previous question was ordered.

The SPEAKER pro tempore (Mr. SHIMKUS). The question is on the amendment offered by the gentleman from California (Mr. DREIER).

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the resolution, as amended.

The resolution, as amended, was agreed to.

A motion to reconsider was laid on the table.

Mr. SMITH of Texas. Mr. Speaker, pursuant to House Resolution 513, I call up the bill (H.R. 3736) to amend the Immigration and Nationality Act to make changes relating to H–1B nonimmigrants, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 513, the bill is considered as having been read for amendment.

The text of H.R. 3736 is as follows:

H.R. 3736

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 ''Workforce Improvement and Protection Act of 1998''.

SEC. 2. TEMPORARY INCREASE IN SKILLED FOREIGN WORKERS.

Section 214(g) of the Immigration and Nationality Act (8 U.S.C. 1184(g)) is amended—

(1) by amending paragraph (1)(A) to read as follows:

'(A) under section 101(a)(15)(H)(i)(b), subject to paragraph (5), may not exceed—

'(i) 95,000 in fiscal year 1998;

'(ii) 105,000 in fiscal year 1999; and

'(iii) 115,000 in fiscal year 2000; or'; and

(2) by adding at the end the following:

'(5) In each of fiscal years 1999 and 2000, the total number of aliens described in section 212(a)(5)(C) who may be issued visas or otherwise provided nonimmigrant status under section 101(a)(15)(H)(i)(b) may not exceed 7,500.'.

SEC. 3. PROTECTION AGAINST DISPLACEMENT OF UNITED STATES WORKERS.

(a) IN GENERAL.—Section 212(n)(1) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(1)) is amended by inserting after subparagraph (D) the following:

'(E)(i) The employer has not laid off or otherwise displaced and will not lay off or otherwise displace, within the period beginning 6 months before and ending 90 days following the date of filing of the application or during the 90 days immediately preceding and following the date of filing of any visa petition supported by the application, any United States worker (as defined in paragraph (3)) (including a worker whose services are obtained by contract, employee leasing, temporary help agreement, or other similar means) who has substantially equivalent qualifications and experience in the specialty occupation, and in the area of employment, for which H–1B nonimmigrants are sought or in which they are employed.

'(ii) Except as provided in clause (iii), in the case of an employer that employs an H–1B nonimmigrant, the employer shall not place the nonimmigrant with another employer where—

'(i) the nonimmigrant performs his or her duties in whole or in part at one or more worksites owned, operated, or controlled by such other employer; and

'(II) there are indicia of an employment relationship between the nonimmigrant and such other employer.

'(iii) Clause (ii) shall not apply to an employer's placement of an H–1B nonimmigrant with another employer if the other employer has executed an attestation that it satisfies and will satisfy the conditions described in clause (i) during the period described in such clause.'.

(b) DEFINITIONS.—

(1) IN GENERAL.—Section 212(n) of the Immigration and Nationality Act (8 U.S.C. 1182(n)) is amended by adding at the end the following:

'(3) For purposes of this subsection:

'(A) The Term 'H–1B nonimmigrant' means an alien admitted or provided status as a nonimmigrant described in section 101(a)(15)(H)(i)(b).

'(B) The term 'lay off or otherwise displace', with respect to an employee—

'(i) means to cause the employee's loss of employment, other than through a discharge for cause, a voluntary departure, or a voluntary retirement; and

'(ii) does not include any situation in which employment is relocated to a different geographic area and the employee is offered a chance to move to the new location, with wages and benefits that are not less than those at the old location, but elects not to move to the new location.

'(C) The term 'United States worker' means—

'(i) a citizen or national of the United States;

'(ii) an alien lawfully admitted for permanent residence; or

'(iii) an alien authorized to be employed by this Act or by the Attorney General.'.

(2) CONFORMING AMENDMENTS.—Section 212(n)(1) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(1)) is amended by striking 'a nonimmigrant described in section 101(a)(15)(H)(i)(b)' each place such term appears and inserting 'an H–1B nonimmigrant'.

SEC. 4. RECRUITMENT OF UNITED STATES WORKERS PRIOR TO SEEKING NONIMMIGRANT WORKERS.

Section 212(n)(1) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(1)), as

amended by section 3, is further amended by inserting after subparagraph (E) the following:

'(F)(i) The employer, prior to filing the application, has taken, in good faith, timely and significant steps to recruit and retain sufficient United States workers in the specialty occupation for which H–1B nonimmigrants are sought. Such steps shall have included recruitment in the United States, using procedures that meet industry-wide standards and offering compensation that is at least as great as that required to be offered to H–1B nonimmigrants under subparagraph (A), and offering employment to any qualified United States worker who applies.

'(ii) The conditions described in clause (i) shall not apply to an employer with respect to the employment of an H–1B nonimmigrant who is described in subparagraph (A), (B), or (C) of section 203(b)(1).'.

SEC. 5. LIMITATION ON AUTHORITY TO INITIATE COMPLAINTS AND CONDUCT INVESTIGATIONS FOR NON-H–1B-DEPENDENT EMPLOYERS.

(a) IN GENERAL.—Section 212(n)(2)(A) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)(A)) is amended—

(1) in the second sentence, by striking the period at the end and inserting the following: ', except that the Secretary may only file such a complaint respecting an H–1B-dependent employer (as defined in paragraph (3)), and only if there appears to be a violation of an attestation or a misrepresentation of a material fact in an application.'; and

(2) by inserting after the second sentence the following: 'Except as provided in subparagraph (F) (relating to spot investigations during probationary period), no investigation or hearing shall be conducted with respect to an employer except in response to a complaint filed under the previous sentence.'.

(b) DEFINITIONS.—Section 212(n)(3) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)), as added by section 3, is amended—

(1) by redesignating subparagraphs (A), (B), and (C) as subparagraphs (B), (C), and (E), respectively;

(2) by inserting after 'purposes of this subsection:' the following:

'(A) The term 'H–1B-dependent employer' means an employer that—

'(i)(I) has fewer than 21 full-time equivalent employees who are employed in the United States, and (II) employs 4 or more H–1B nonimmigrants; or

'(ii)(I) has at least 21 but not more than 150 full-time equivalent employees who are employed in the United States; and (II) employs H–1B nonimmigrants in a number that is equal to at least 20 percent of the number of such full-time equivalent employees; or

'(iii)(I) has at least 151 full-time equivalent employees who are employed in the United States; and (II) employs H–1B nonimmigrants in a number that is equal to at least 15 percent of the number of such full-time equivalent employees.

In applying this subparagraph, any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986 shall be treated as a single employer. Aliens employed under a petition for H–1B nonimmigrants shall be treated as employees, and counted as nonimmigrants under section 101(a)(15)(H)(i)(b) under this subparagraph.'; and

(3) by inserting after subparagraph (C) (as so redesignated) the following:

SEC. 6. INCREASED ENFORCEMENT AND PENALTIES.

(a) IN GENERAL.—Section 212(n)(2)(C) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)(C)) is amended to read as follows:

'(C)(i) If the Secretary finds, after notice and opportunity for a hearing, a failure to meet a condition of paragraph (1)(B) or (1)(E), a substantial failure to meet a condition of paragraph (1)(C), (1)(D), or (1)(F), or a misrepresentation of material fact in an application—

'(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed ($1,000 per violation) as the Secretary determines to be appropriate; and

'(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of at least 1 year for aliens to be employed by the employer.

'(ii) If the Secretary finds, after notice and opportunity for a hearing, a willful failure to meet a condition of paragraph (1) or a willful misrepresentation of material fact in an application—

'(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $5,000 per violation) as the Secretary determines to be appropriate; and

'(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of at least 1 year for aliens to be employed by the employer.

'(iii) If the Secretary finds, after notice and opportunity for a hearing, a willful failure to meet a condition of paragraph (1) or a willful misrepresentation of material fact in an application, in the course of which failure or misrepresentation the employer also has failed to meet a condition of paragraph (1)(E)—

'(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $25,000 per violation) as the Secretary determines to be appropriate; and

'(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of at least 2 years for aliens to be employed by the employer.

(b) PLACEMENT OF H–1B NONIMMIGRANT WITH OTHER EMPLOYER.—Section 212(n)(2) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)) is amended by adding at the end the following:

'(E) Under regulations of the Secretary, the previous provisions of this paragraph shall apply to a failure of an other employer to comply with an attestation described in paragraph (1)(E)(iii) in the same manner as they apply to a failure to comply with a condition described in paragraph (1)(E)(i).'.

(c) SPOT INVESTIGATIONS DURING PROBATIONARY PERIOD.—Section 212(n)(2) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)), as amended by subsection (b), is further amended by adding at the end the following:

'(F) The Secretary may, on a case-by-case basis, subject an employer to random investigations for a period of up to 5 years, beginning on the date that the employer is found by the Secretary to have committed a willful failure to meet a condition of paragraph (1) or to have made a misrepresentation of material fact in an application. The preceding sentence shall apply to an employer regardless of whether the employer is an H–1B-dependent employer or a non-H–1B-dependent employer. The authority of the Secretary under this subparagraph shall not be construed to be subject to, or limited by, the requirements of subparagraph (A).'.

SEC. 7. EFFECTIVE DATE.

The amendments made by this Act shall take effect on the date of the enactment of this Act and shall apply to applications filed with the Secretary of Labor on or after 30 days after the date of the enactment of this Act, except that the amendments made by section 2 shall apply to applications filed with such Secretary before, on, or after the date of the enactment of this Act.

The SPEAKER pro tempore. In lieu of the amendment printed in the bill, the amendment in the nature of a substitute printed in the CONGRESSIONAL RECORD numbered 3 is adopted.

The text of H.R. 3736, as amended by amendment No. 3 printed in the CONGRESSIONAL RECORD is as follows:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS; AMENDMENTS TO IMMIGRATION AND NATIONALITY ACT.

(a) SHORT TITLE.—This Act may be cited as the ''Temporary Access to Skilled Workers and H–1B Non-immigrant Program Improvement Act of 1998''.

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents, amendments to Immigration and Nationality Act.

TITLE I—PROVISIONS RELATING TO H–1B NONIMMIGRANTS

Sec. 101. Temporary increase in access to temporary skilled personnel under H–1B program.
Sec. 102. Protection against displacement of United States workers in case of H–1B dependent employers.
Sec. 103. Changes in enforcement and penalties.
Sec. 104. Collection and use of H–1B nonimmigrant fees for scholarships for low-income math, engineering, and computer science students and job training of United States workers.
Sec. 105. Computation of prevailing wage level.
Sec. 106. Improving count of H–1B and H–2B nonimmigrants.
Sec. 107. Report on older workers in the information technology field.
Sec. 108. Report on high technology labor market needs, reports on economic impact of incresae in H–1B nonimmigrants.

TITLE II—SPECIAL IMMIGRANT STATUS FOR CERTAIN NATO CIVILIAN EMPLOYEES

Sec. 201. Special immigrant status for certain NATO civilian employees.

TITLE III—MISCELLANEOUS PROVISION

Sec. 301. Academic honoraria.

(c) AMENDMENTS TO IMMIGRATION AND NATIONALITY ACT.—Except as otherwise specifically provided in this Act, whenever in this Act an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to that section or other provision of the Immigration and Nationality Act (8 U.S.C. 1101 et seq.).

TITLE I—PROVISIONS RELATING TO H–1B NONIMMIGRANTS

SEC. 101. TEMPORARY INCREASE IN ACCESS TO TEMPORARY SKILLED PERSONNEL UNDER H–1B PROGRAM.

(a) TEMPORARY INCREASE IN SKILLED NONIMMIGRANT WORKERS.—Paragraph (1)(A) of section 214(g) (8 U.S.C. 1184(g)) is amended to read as follows:

''(A) under section 101(a)(15)(H)(i)(b), may not exceed—

''(i) 65,000 in each fiscal year before fiscal year 1999;

''(ii) 115,000 in fiscal year 1999;

''(iii) 115,000 in fiscal year 2000;

''(iv) 107,500 in fiscal year 2001; and

''(v) 65,000 in each succeeding fiscal year; or''.

(b) EFFECTIVE DATES.—The amendment made by subsection (a) applies beginning with fiscal year 1998.

SEC. 102. PROTECTION AGAINST DISPLACEMENT OF UNITED STATES WORKERS IN CASE OF H–1B-DEPENDENT EMPLOYEES

(a) PROTECTION AGAINST LAYOFF AND REQUIREMENT FOR PRIOR RECRUITMENT OF UNITED STATES WORKERS.—

(1) ADDITIONAL STATEMENTS ON APPLICATION.—Section 212(n)(1) (8 U.S.C. 1182(n)(1)) is amended by inserting after subparagraph (D) the following:

''(E)(i) In the case of an application described in clause (ii), the employer did not displace and will not displace a United States worker (as defined in paragraph (4)) employed by the employer within the period beginning 90 days before and ending 90 days after the date of filing of any visa petition supported by the application.

''(ii) An application described in this clause is an application filed on or after the date final regulations are first promulgated to carry out this subparagraph, and before October 1, 2001, by an H–1B-dependent employer (as defined in paragraph (3)) or by an employer that has been found under paragraph (2)(C) or (5) to have committed a willful failure or misrepresentation on or after the date of the enactment of this subparagraph. An application is not described in this clause of the only H–1B non-immigrants sought in the application are exempt H–1B nonimmigrants.

''(F) In the case of an application described in subparagraph (E)(ii), the employer will not place the nonimmigrant with another employer (regardless of whether or not such other employer is an H–1B-dependent employer) where—

''(i) the nonimmigrant performs duties in whole or in part at one or more worksites owned, operated, or controlled by such other employer; and

''(ii) there are indicia of an employment relationship between the nonimmigrant and such other employer;

unless the employer has inquired of the other employer as to whether, and has no knowledge that, within the period beginning 90 days before and ending 90 days after the date of the placement of the nonimmigrant with the other employer, the other employer has displaced or intends to displace a United States worker employed by the other employer.

''(G)(i) In the case of an application described in subparagraph (E)(ii), subject to clause (ii), the employer, prior to filing the application—

''(I) has taken good faith steps to recruit, in the United States using procedures that meet industry-wide standards and offering compensation that is at least as great as that required to be offered to H–1B nonimmigrants under subparagraph (A), United States workers for the job for which the nonimmigrant or nonimmigrants is or are sought; and

''(II) has offered the job to any United States worker who applies and is equally or better qualified for the job for which the nonimmigrant or nonimmigrants is or are sought.

''(ii) The conditions described in clause (i) shall not apply to an application filed with respect to the employment of an H–1B nonimmigrant who is described in subparagraph (A), (B), or (C) of section 203(b)(1).''.

(2) NOTICE ON APPLICATION OF POTENTIAL LIABILITY OF PLACING EMPLOYERS.—Section 212(n)(1) (8 U.S.C. 1182(n)(1)) is amended by adding at the end the following: ''The application form shall include a clear statement explaining the liability under subparagraph (F) of a placing employer if the other employer described in such subparagraph displaces a United States worker as described in such subparagraph.''.

(3) CONSTRUCTION.—Section 212(n)(1) (8 U.S.C. 1182(n)(1)) is further amended by adding at the end the following: ''Nothing in subparagraph (G) shall be construed to prohibit an employer from using legitimate selection criteria relevant to the job that are normal or customary to the type of job involved, so long as such criteria are not applied in a discriminatory manner.''.

(b) H–1B-DEPENDENT EMPLOYER AND OTHER DEFINITIONS.—

(1) IN GENERAL.—Section 212(n) (8 U.S.C. 1182(n)) is amended by adding at the end the following:

''(3)(A) For purposes of this subsection, the term 'H–1B-dependent employer' means an employer that—

''(i)(I) has 25 or fewer full-time equivalent employees who are employed in the United States; and (II) employs more than 7 H–1B nonimmigrants;

''(ii)(I) has at least 26 but not more than 50 full-time equivalent employees who are employed in the United States; and (II) employs more than 12 H–1B nonimmigrants; or

''(iii)(I) has at least 51 full-time equivalent employees who are employed in the United States; and (II) employs H–1B nonimmigrants in a number that is equal to at least 15 percent of the number of such full-time equivalent employees.

''(B) For purposes of this subsection—

''(i) the term 'exempt H–1B nonimmigrant' means an H–1B nonimmigrant who—

''(I) receives wages (including cash bonuses and similar compensation) at an annual rate equal to at least $60,000; or

''(II) has attained a master's or higher degree (or its equivalent) in a specialty related to the intended employment; and

''(ii) the term 'Nonexempt H–1B nonimmigrant' means an H–1B nonimmigrant who is not an exempt H–1B nonimmigrant.

''(C) For purposes of subparagraph (A)—

''(i) in computing the number of full-time equivalent employees and the number of H–1B nonimmigrants, exempt H–1B nonimmigrants shall not be taken into account during the longer of—

''(I) the 6–month period beginning on the date of the enactment of the Temporary Access to Skilled Workers and H–1B Nonimmigrant Program Improvement Act of 1998; or

''(II) the period beginning on the date of the enactment of the Temporary Access to Skilled Workers and H–1B Nonimmigrant Program Improvement Act of 1998 and ending on the date final regulations are issued to carry out this paragraph; and

''(ii) any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986 shall be treated as a single employer.

''(4) For purposes of this subsection:

''(A) The term 'area of employment' means the area within normal commuting distance of the worksite or physical location where the work of the H–1B nonimmigrant is or will be performed. If such worksite or location is within a Metropolitan Statistical Area, any place within such area is deemed to be within the area of employment.

''(B) In the case of an application with respect to one or more H–1B nonimmigrants by an employer, the employer is considered to 'displace' a United States worker from a job if the employer lays off the worker from a job that is essentially the equivalent of the job for which the nonimmigrant or nonimmigrants is or are sought. A job shall not be considered to be essentially equivalent of another job unless it involves essentially the same responsibilities, was held by a United States worker with substantially equivalent qualifications and experience, and is located in the same area of employment as the other job.

''(C) The term 'H–1B nonimmigrant' means an alien admitted or provided status as a nonimmigrant described in section 101(a)(15)(H)(i)(b).

''(D) The term 'lays off', with respect to a worker—

''(i) means to cause the worker's loss of employment, other than through a discharge for inadequate performance, violation of workplace rules, cause, voluntary departure, voluntary retirement, or the expiration of a grant or contract (other than a temporary employment contract entered into in order to evade a condition described in subparagraph (E) or (F) of paragraph (1)); but

''(ii) does not include any situation in which the worker is offered, as an alternative to such loss of employment, a similar employment opportunity with the same employer (or, in the case of a placement of a worker with another employer under paragraph (1)(F), with either employer described in such paragraph) at equivalent or higher compensation and benefits than the position from which the employee was discharged, regardless of whether or not the employee accepts the offer.

''(E) The term 'United States worker' means an employee who—

''(i) is a citizen or national of the United States; or

''(ii) is an alien who is lawfully admitted for permanent residence, is admitted as a refugee under section 207, is granted asylum under section 208, or is an immigrant otherwise authorized, by this Act or by the Attorney General, to be employed.''.

''(2) CONFORMING AMENDMENTS.—Section 212(n)(1) (8 U.S.C. 1182(n)(1)) is amended by striking ''a nonimmigrant described in section 101(a)(15)(H)(i)(b)'' each place it appears and inserting ''an H–1B nonimmigrant''.

(c) IMPROVED POSTING OF NOTICE OF APPLICATION.—Section 212(n)(1)(C)(ii) (8 U.S.C. 1182(n)(1)(C)(ii)) is amended to read as follows:

''(ii) if there is no such bargaining representative, has provided notice of filing in the occupational classification through such methods as physical posting in conspicuous locations at the place of employment or electronic notification to employees in the occupational classification for which H–1B nonimmigrants are sought.''.

(d) REQUIREMENTS RELATING TO BENEFITS.—

(1) IN GENERAL.—Section 212(n)(1)(A) (8 U.S.C. 1182(n)(1)(A)) is amended—

(A) in clause (i), by striking ''and'' at the end;

(B) in clause (ii), by striking the period at the end and inserting '', and''; and

(C) by adding at the end the following:

''(iii) is offering and will offer to H–1B nonimmigrants, during the period of authorized employment, benefits and eligibility for benefits (including the opportunity to participate in health, life, disability, and other insurance plans; the opportunity to participate in retirement and savings plans; cash bonuses and noncash compensation, such as stock options (whether or not based on performance)) on the same basis, and in accordance with the same criteria, as the employer offers benefits and eligibility for benefits to United States workers.''.

(2) ORDERS TO PROVIDE BENEFITS.—Section 212(n)(2)(D) (8 U.S.C. 1182(n)(2)(D)) is amended—

(A) by inserting ''or has not provided benefits or eligibility for benefits as required under such paragraph,'' after ''required under paragraph (1),''; and

(B) by inserting ''or to provide such benefits or eligibility for benefits'' after ''amounts of back pay''.

(e) EFFECTIVE DATES.—The amendments made by subsections (a) and (c) apply to applications filed under section 212(n)(1) of the Immigration and Nationality Act on or after the date final regulations are issued to carry out such amendments, and the amendments made by subsection (b) take effect on the date of the enactment of this Act.

(f) REDUCTION OF PERIOD FOR PUBLIC COMMENT.—In first promulgating regulations to implement the amendments made by this section in a timely manner, the Secretary of Labor and the Attorney General may reduce to not less than 30 days the period of public comment on proposed regulations.

SEC. 103. CHANGES IN ENFORCEMENT AND PENALTIES.

(a) INCREASED ENFORCEMENT AND PENALTIES.—Section 212(n)(2)(C) (8 U.S.C. 1182(n)(20(C)) is amended to read as follows:

''(C)(i) If the Secretary finds, after notice and opportunity for a hearing, a failure to meet a condition of paragraph (1)(B), (1)(E), or (1)(F), a substantial failure to meet a condition of paragraph (1)(C), (1)(D), or (1)(G)(i)(I), or a misrepresentation of material fact in an application—

''(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $1,000 per violation) as the Secretary determines to be appropriate; and

''(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 of 214(c) during a period of at least 1 year for aliens to be employed by the employer.

''(ii) If the Secretary finds, after notice and opportunity for a hearing, a willful failure to meet a condition of paragraph (1), a willful misrepresentation of material fact in an application, or a violation of clause (iv)—

''(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $5,000 per violation) as the Secretary determines to be appropriate; and

''(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of at least 2 years for aliens to be employed by the employer.

''(iii) If the Secretary finds, after notice and opportunity for a hearing, a willful failure to meet a condition of paragraph (1) or a willful misrepresentation of material fact in an application, in the course of which failure or misrepresentation the employer displaced a United States worker employed by the employer within the period beginning 90 days before and ending 90 days after the date of filing of any visa petition supported by the application—

''(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $35,000 per violation) as the Secretary determines to be appropriate; and

''(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of at least 3 years for aliens to be employed by the employer.

''(iv) It is a violation of this clause for an employer who has filed an application under this subsection to intimidate, threaten, restrain, coerce, blacklist, discharge, or in any other manner discriminate against an employee (which term, for purposes of this clause, includes a former employee and an applicant for employment) because the employee has disclosed information to the employer, or to any other persion, that the employee reasonably believes evidences a violation of this subsection, or any rule or regulation pertaining to this subsection, or because the employee cooperates or seeks to cooperate in an investigation or other proceeding concerning the employer's compliance with the requirements of this subsection or any rule or regulation pertaining to this subsection.

''(v) The Secretary of Labor and the Attorney General shall devise a process under which an H–1B nonimmigrant who files a complaint regarding a violation of clause (iv) and is otherwise eligible to remain and work in the United States may be allowed to seek other appropriate employment in the United States for a period (not to exceed the duration of the alien's authorized admission as such a nonimmigrant).

''(vi) It is a violation of this clause for an employer who has filed an application under this subsection to require an H–1B nonimmigrant to pay a penalty (as determined under State law) for ceasing employment with the employer prior to a date agreed to by the nonimmigrant and the employer. If the Secretary finds, after notice and opportunity for a hearing, that an employer has committed such a violation, the Secretary may impose a civil monetary penalty of $1,000 for each such violation and issue an administrative order requiring the return to the nonimmigrant of any amount required to be paid in violation of this clause, or, if the nonimmigrant cannot be located, requiring payment of any such amount to the general fund of the Treasury.''.

''(b) USE OF ARBITRATION PROCESS FOR DISPUTES INVOLVING QUALIFICATIONS OF UNITED STATES WORKERS NOT HIRED.—

(1) IN GENERAL.—Section 212(n) (8 U.S.C. 1182(n)), as amended by section 102(b), is further amended by adding at the end the following:

''(5)(A) This paragraph shall apply instead of subparagraphs (A) through (E) of paragraph (2) in the case of a violation described in subparagraph (B).

''(B) The Attorney General shall establish a process for the receipt, initial review, and disposition in accordance with this paragraph of complaints respecting an employer's failure to meet the condition of paragraph (1)(G)(i)(II) or a petitioner's misrepresentation of material facts with respect to such condition. Complaints may be filed by an aggrieved individual who has submitted a resume or otherwise applied in a reasonable manner for the job that is the subject of the condition. No proceeding shall be conducted under this paragraph on a complaint concerning such a failure or misrepresentation unless the Attorney General determines that the complaint was filed not later than 12 months after the date of the failure or misrepresentation, respectively.

''(C) If the Attorney General finds that a complaint has been filed in accordance with subparagraph (B) and there is reasonable cause to believe that such a failure or misrepresentation described in such complaint has occurred, the Attorney General shall initiate binding arbitration proceedings by requesting the Federal Mediation and Conciliation Service to appoint an arbitrator from the roster of arbitrators maintained by such Service. The procedure and rules of such Service shall be applicable to the selection of such arbitrator and to such arbitration proceedings. The Attorney General shall pay the fee and expenses of the arbitrator.

''(D)(i) The arbitrator shall make findings respecting whether a failure or misrepresentation described in subparagraph (B) occurred. If the arbitrator concludes that failure or misrepresentation was willful, the arbitrator shall make a finding to that effect. The arbitrator may not find such a failure or misrepresentation (or that such a failure or misrepresentation was willful) unless the complainant demonstrates such a failure or misrepresentation (or its willful character) by clear and convincing evidence. The arbitrator shall transmit the findings in the form of a written opinion to the parties to the arbitration and the Attorney General. Such findings shall be final and conclusive, and, except as provided in this subparagraph, no official or court of the United States shall have power or jurisdiction to review any such findings.

''(ii) The Attorney General may review and reverse or modify the findings of an arbitrator only on the same bases as an award of an arbitrator may be vacated or modified under section 10 or 11 of title 9, United States Code.

''(iii) With respect to the findings of an arbitrator, a court may review only the actions of the Attorney General under clause (ii) and may set aside such actions only on the grounds described in subparagraph (A), (B), or (C) of section 706(a)(2) of title 5, United States Code. Notwithstanding any other provision of law, such judicial review may only be brought in an appropriate United States court of appeals.

''(E) If the Attorney General receives a finding of an arbitrator under this paragraph that an employer has failed to meet the condition of paragraph (1)(G)(i)(II) or has misrepresented a material fact with respect to such condition, unless the Attorney General reverses or modifies the finding under subparagraph (D)(ii)—

''(i) the Attorney General may impose administrative remedies (including civil monetary penalties in an amount not to exceed $1,000 per violation or $5,000 per violation in the case of a willful failure or misrepresentation) as the Attorney General determines to be appropriate; and

''(ii) the Attorney General is authorized to not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of not more than 1 year for aliens to be employed by the employer.

''(F) The Attorney General shall not delegate, to any other employee or official of the Department of Justice, any function of the Attorney General under this paragraph, until 60 days after the Attorney General has submitted a plan for such delegation to the Committees on the Judiciary of the United States House of Representatives and the Senate with respect to such delegation.''.

(2) CONFORMING AMENDMENT.—The first sentence of section 212(n)(2)(A) (8 U.S.C. 1182(n)(2)(A)) is amended by striking ''The Secretary'' and inserting ''Subject to paragraph (5)(A), the Secretary''.

(c) LIABILITY OF PETITIONING EMPLOYER IN CASE OF PLACEMENT OF H–1B NONIMMIGRANT WITH ANOTHER EMPLOYER.—Section 212(n)(2) (8 U.S.C. 1182(n)(2)) is amended by adding at the end the following:

''(E) If an H–1B-dependent employer places a nonexempt H–1B nonimmigrant with another employer as provided under paragraph (1)(F) and the other employer has displaced or displaces a United States worker employed by such other employer during the period described in such paragraph, such displacement shall be considered for purposes of this paragraph a failure, by the placing employer, to meet a condition specified in an application submitted under paragraph (1); except that the Attorney General may impose a sanction described in subclause (II) of subparagraph (C)(i), (C)(ii), or (C)(iii) only if the Secretary of Labor found that such placing employer—

''(i) knew or had reason to know of such displacement at the time of the placement of

the nonimmigrant with the other employer; or

''(ii) has been subject to a sanction under this subparagraph based upon a previous placement of an H–1B nonimmigrant with the same other employer.''.

(d) SPOT INVESTIGATIONS DURING PROBATIONARY PERIOD.—Section 212(n)(2) (8 U.S.C. 1182(n)(2)), as amended by subsection (c), is further amended by adding at the end the following:

''(F) The Secretary may, on a case-by-case basis, subject an employer to random investigations for a period of up to 5 years, beginning on the date that the employer is found by the Secretary to have committed a willful failure to meet a condition of paragraph (1) (or has been found under paragraph (5) to have committed a willful failure to meet the condition of paragraph (1)(G)(i)(II)) or to have made a willful misrepresentation of material fact in an application. The preceding sentence shall apply to an employer regardless of whether or not the employer is an H–1B-dependent employer. The authority of the Secretary under this subparagraph shall not be construed to be subject to, or limited by, the requirements of subparagraph (A).''.

(e) INVESTIGATIVE AUTHORITY.—Section 212(n)(2) (8 U.S.C. §1182(n)(2) is further amended by adding at the end the following:

(G)(i) If the Secretary receives specific, credible information, from a source likely to have knowledge of an employer's practices, employment conditions or compliance with the employer's labor condition application whose identity is known to the Secretary, that provides reasonable cause to believe that an employer has committed a willful failure to meet a condition of paragraph (1)(A), (1)(B), (1)(E), (1)(F), or (1)(G)(i)(I), a pattern and practice of failures to meet the [aforementioned conditions], or a substantial failure to meet the [aforementioned conditions] that affects multiple employees, the Secretary may conduct a 30 day investigation of these allegations, provided that the Secretary personally (or the Acting Secretary in the case of the Secretary's absence or disability) certifies that the requirements for conducting such an investigation have been met and approves commencement of the investigation. At the request of the source, the Secretary may withhold the identity of the source from the employer, and the source's identity shall not be disclosable pursuant to a Freedom of Information Act request.

''(ii) The Secretary shall establish a procedure for any individual who provides the information to DOL that constitutes part of the basis for the commencement of an investigation on the basis described above to provide that information in writing on a form that the Department will provide to be completed by, or on behalf of, the individual.

''(iii) It shall be the policy of the Secretary to provide to the employer notice of the potential initiation of an investigation of an alleged violation under the authority granted in this [] with sufficient specificity to allow the employer to respond before the investigation is actually initiated unless in the Secretary's judgment such notice would interfere with efforts to secure compliance.

''(iv) Nothing in this section shall authorize the Secretary to initiate or approve the initiation of an investigation without the receipt of information from a person or persons not employed by the Department of Labor that provides the reasonable cause required by this section. The receipt of the l.c.a. and other materials the employer is required in order to obtain an H–1B visa shall not constitute ''receipt of information'' for purposes of satisfying this requirement.''.

SEC. 104. COLLECTION AND USE OF H–1B NONIMMIGRANT FEES FOR SCHOLARSHIPS FOR LOW-INCOME MATH, ENGINEERING, AND COMPUTER SCIENCE STUDENTS AND JOB TRAINING OF UNITED STATES WORKERS.

(a) IMPOSITION OF FEE.—Section 214(c) (8 U.S.C. 1184(c)) is amended by adding at the end the following:

''(9)(A) The Attorney General shall impose a fee on an employer (excluding an employer described in subparagraph (A) or (B) of section 212(p)(1) and an employer filing for new concurrent employment) as a condition for the approval of a petition filed on or after October 1, 1998, and before October 1, 2001, under paragraph (1)—

''(i) initially to grant an alien non-immigrant status described in section 101(a)(15)(H)(i)(b); or

''(ii) to extend for the first time the stay of an alien having such status.

''(B) The amount of the fee shall be $500 for each such non-immigrant.

''(C) Fees collected under this paragraph shall be deposited in the Treasury in accordance with section 286(s).

''(D)(i) An employer may not require an alien who is the subject of the petition for which a fee is imposed under this paragraph to reimburse, or otherwise compensate, the employer for part or all of the cost of such fee.

''(ii) Section 274A(g)(2) shall apply to a violation of clause (i) in the same manner as it applies to a violation of section 274A(g)(1).''.

(b) ESTABLISHMENT OF ACCOUNT; USE OF FEES.—Section 286 (8 U.S.C. 1356) is amended by adding at the end the following:

''(s) H–1B NONIMMIGRANT PETITIONER ACCOUNT.—

''(1) IN GENERAL.—There is established in the general fund of the Treasury a separate account, which shall be known as the 'H–1B Nonimmigrant Petitioner Account'. Notwithstanding any other section of this title, there shall be deposited as offsetting receipts into the account all fees collected under section 214(c)(9).

''(2) USE OF FEES FOR JOB TRAINING.—63 percent of amounts deposited into the H–1B nonimmigrant Petitioner Account shall remain available to the Secretary of Labor until expended for demonstration programs and projects described in section 104(c) of the Temporary Access to Skilled Workers and H–1B Nonimmigrant Program Improvement Act of 1998.

''(3) USE OF FEES FOR LOW-INCOME SCHOLARSHIP PROGRAM.—32 percent of the amounts deposited into the H–1B nonimmigrant Petitioner Account shall remain available to the Director of the National Science Foundation until expended for scholarships described in section 104(d) of the Temporary Access to Skilled Workers and H–1B Nonimmigrant Program Improvement Act of 1998 for low-income students enrolled in a program of study leading to a degree in mathematics, engineering, or computer science.

''(4) USE OF FEES FOR APPLICATION PROCESSING AND ENFORCEMENT.—2.5 percent of the amounts deposited into the H–1B non-immigrant Petitioner Account shall remain available to the Secretary of Labor until expended for decreasing the processing time for applications under section 212(n)(1), and 2.5 percent of such amounts shall remain available to such Secretary until expended for carrying out section 212(n)(2). Notwithstanding the preceding sentence, both of the amounts made available for any fiscal year pursuant to the preceding sentence shall be available to such Secretary, and shall remain available until expended, only for carrying out section 212(n)(2) until the Secretary submits to the Congress a report containing a certification that, during the most recently concluded calendar year, the Secretary substantially complied with the requirement in section 212(n)(1) relating to the provision of the certification described in section 101(a)(15)(H)(i)(b) within a 7–day period.''.

(c) DEMONSTRATION PROGRAMS AND PROJECTS TO PROVIDE TECHNICAL SKILLS TRAINING FOR WORKERS.—

(1) IN GENERAL.—Subject to paragraph (3), in establishing demonstration programs under section 452(c) of the Job Training Partnership Act (29 U.S.C. 1732(c)), as in effect on the date of the enactment of this Act, or demonstration programs or projects under section 171(b) of the Workforce Investment Act of 1998, the Secretary of Labor shall establish demonstration programs or projects to provide technical skills training for workers, including both employed and unemployed workers.

(2) GRANTS.—Subject to paragraph (3), the Secretary of Labor shall award grants to carry out the programs and projects described in paragraph (1) to—

(A)(i) private industry councils established under section 102 of the Job Training Partnership Act (29 U.S.C. 1512), as in effect on the date of the enactment of this Act; or

(ii) local boards that will carry out such programs or projects through one-stop delivery systems established under section 121 of the Workforce Investment Act of 1998; or

(B) regional consortia of councils or local boards described in subparagraph (A).

(3) LIMITATION.—The Secretary of Labor shall establish programs and projects under paragraph (1), including awarding grants to carry out such programs and projects under paragraph (2), only with funds made available under section 286(s)(2) of the Immigration and Nationality Act, and not with funds made available under the Job Training Partnership Act or the Workforce Investment Act of 1998.

(d) LOW-INCOME SCHOLARSHIP PROGRAM.—

(1) ESTABLISHMENT.—The Director of the National Science Foundation (referred to in this subsection as the ''Director'') shall award scholarships to low-income individuals to enable such individuals to pursue associate, undergraduate, or graduate level degrees in mathematics, engineering, or computer science.

(2) ELIGIBILITY.—

(A) IN GENERAL.—To be eligible to receive a scholarship under this subsection, an individual—

(i) must be a citizen or national of United States or an alien lawfully admitted to the United States for permanent residence;

(ii) shall prepare and submit to the Director an application at such time, in such manner, and containing such information as the Director may require; and

(iii) shall certify to the Director that the individual intends to use amounts received under the scholarship to enroll or continue enrollment at an institution of higher education (as defined in section 1201(a) of the Higher Education Act of 1965) in order to pursue an associate, undergraduate, or graduate level degree in mathematics, engineering, or computer science.

(B) ABILITY.—Awards of scholarships under this subsection shall be made by the Director solely on the basis of the ability of the applicant, except that in any case in which 2 or more applicants for scholarships are deemed by the Director to be possessed of substantially equal ability, and there are not sufficient scholarships available to grant one to each of such applicants, the available scholarship or scholarships shall be awarded to the applicants in a manner that will tend to result in a geographically wide distribution throughout the United States of recipients' places of permanent residence.

(3) LIMITATION.—The amount of a scholarship awarded under this subsection shall be determined by the Director, except that the Director shall not award a scholarship in an amount exceeding $2,500 per year.

(4) FUNDING.—The Director shall carry out this subsection only with funds made available under section 286(s)(3) of the Immigration and Nationality Act.

SEC. 105. COMPUTATION OF PREVAILING WAGE LEVEL.

(a) IN GENERAL.—Section 212 (8 U.S.C. 1182) is amended by adding at the end the following:

''(p)(1) In computing the prevailing wage level for an occupational classification in an area of employment for purposes of subsections (n)(1)(A)(i)(II) and (a)(5)(A) in the case of an employee of—

''(A) an institution of higher education (as defined in section 1201(a) of the Higher Education Act of 1965), or a related or affiliated nonprofit entity; or

''(B) a nonprofit research organization or a Governmental research organization;

the prevailing wage level shall only take into account employees at such institutions and organizations in the area of employment.

''(2) With respect to a professional athlete (as defined in subsection (a)(5)(A)(iii)(II)) when the job opportunity is covered by professional sports league rules or regulations, the wage set forth in those rules of regulations shall be considered as not adversely affecting the wages of United States workers similarly employed and be considered the prevailing wage.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) supplies to prevailing wage computations made for applications filed on or after the date of the enactment of this Act.

SEC. 106. IMPROVING COUNT OF H–1B AND H–2B NONIMMIGRANTS.

(a) ENSURING ACCURATE COUNT.—The Attorney General shall take such steps as are necessary to maintain an accurate count of the number of aliens subject to the numerical limitations of section 214(g)(1) of the Immigration and Nationality Act (8 U.S.C. 1184(g)(1)) who are issued visas or otherwise provided nonimmigrant status.

(b) REVISION OF PETITION FORMS.—The Attorney General shall take such steps are as necessary to revise the forms used for petitions for visas or nonimmigrant status under clause (i)(b) or (ii)(b) of section 101(a)(15)(H) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)) so as to ensure that the forms provide the Attorney General with sufficient information to permit the Attorney General accurately to count the number of aliens subject to the numerical limitations of section 214(g)(1) of such Act (8 U.S.C. 1184(g)(1)) who are issued visas or otherwise provided nonimmigrant status.

(c) REPORTS.—Beginning with fiscal year 1999, the Attorney General shall provide to the Congress—

(1) on a quarterly basis a report on the numbers of individuals who were issued visas or otherwise provided nonimmigrant status during the preceding 3–month period under section 101(a)(15)(H)(i)(b) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(i)(b)); and

(2) on an annual basis a report on the countries of origin and occupations of, educational levels attained by, and compensation paid to, individuals issued visas or provided nonimmigrant status under such sections during such period.

Each report under paragraph (2) shall include the number of individuals described in paragraph (1) during the year who were issued visas pursuant to petitions filed by institutions or organizations described in section 212(p)(1) of such Act (as added by section 105 of this Act).

SEC. 107. REPORT ON OLDER WORKERS IN THE INFORMATION TECHNOLOGY FIELD.

(a) STUDY.—The Secretary of Commerce shall enter into a contract with the President of the National Academy of Sciences to conduct a study, using the best available data, assessing the status of older workers in the information technology field. The study shall consider the following:

(1) The existence and extent of age discrimination in the information technology workplace.

(2) The extent to which there is a difference, based on age, in—

(A) promotion and advancement;

(B) working hours;

(C) telecommuting;

(D) salary; and

(E) stock options, bonuses, and other benefits.

(3) The relationship between rates of advancement, promotion, and compensation to experience, skill level, education, and age.

(4) Differences in skill level on the basis of age.

(b) REPORT.—Not later than October 1, 2000, the Secretary of Commerce shall submit to the Committees on the Judiciary of the United States House of Representatives and the Senate a report containing the results of the study described in subsection (a).

SEC. 108. REPORT ON HIGH TECHNOLOGY LABOR MARKET NEEDS; REPORTS ON ECONOMIC IMPACT OF INCREASED IN H–1B NONIMMIGRANTS.

(a) NATIONAL SCIENCE FOUNDATION STUDY AND REPORT.—

(1) IN GENERAL.—The Director of the National Science Foundation shall conduct a study to assess labor market needs for workers with high technology skills during the next 10 years. The study shall investigate and analyze the following:

(A) Future training and education needs of companies in the high technology and information technology sectors and future training and education needs of United States students to ensure that students' skills at various levels are matched to the needs in such sectors.

(B) An analysis of progress made by educators, employers, and government entities to improve the teaching and educational level of American students in the fields of math, science, computer science, and engineering since 1998.

(C) An analysis of the number of United States workers currently or projected to work overseas in professional, technical, and management capacities.

(D) The relative achievement rates of United States and foreign students in secondary schools in a variety of subjects, including math, science, computer science, English, and history.

(E) The relative performance, by subject area, of United States and foreign students in postsecondary and graduate schools as compared to secondary schools.

(F) The needs of the high technology sector for foreign workers with specific skills and the potential benefits and costs to United States employers, workers, consumers, postsecondary educational institutions, and the United States economy, from the entry of skilled foreign professionals in the fields of science and engineering.

(G) The needs of the high technology sector to adapt products and services for export to particular local markets in foreign countries.

(H) An examination of the amount and trend of moving the production or performance of products and services now occurring in the United States abroad.

(2) REPORT.—Not later than October 1, 2000, the Director of the National Science Foundation shall submit to the Committees on the Judiciary of the United States House of Representatives and the Senate a report containing the results of the study described in paragraph (1).

(3) INVOLVEMENT.—The study under paragraph (1) shall be conducted in a manner that ensures the participation of individuals representing a variety of points of view.

(b) REPORTING ON STUDIES SHOWING ECONOMIC IMPACT OF H–1B NONIMMIGRANT INCREASE.—The Chairman of the Board of Governors of the Federal Reserve System, the Director of the Office of Management and Budget, the Chair of the Council of Economic Advisers, the Secretary of the Treasury, the Secretary of Commerce, the Secretary of Labor, and any other member of the Cabinet, shall promptly report to the Congress the results of any reliable study that suggests, based on legitimate economic analysis, that the increase effected by section 101(a) of this Act in the number of aliens who may be issued visas or otherwise provided nonimmigrant status under section 101(a)(15)(H)(i)(b) of the Immigration and Nationality Act has had an impact on any national economic indicator, such as the level of inflation or unemployment, that warrants action by the Congress.

TITLE II—SPECIAL IMMIGRANT STATUS FOR CERTAIN NATO CIVILIAN EMPLOYEES

SEC. 201. SPECIAL IMMIGRANT STATUS FOR CERTAIN NATO CIVILIAN EMPLOYEES.

(a) IN GENERAL.—Section 101(a)(27) (8 U.S.C. 1101(a)(27)) is amended)—

(1) by striking ''or'' at the end of subparagraph (J),

(2) by striking the period at the end of subparagraph (K) and inserting ''; or'', and

(3) by adding at the end the following new subparagraph:

''(L) an immigrant who would be described in clause (i), (ii), (iii), or (iv) of subparagraph (I) if any reference in such a clause—

''(i) to an international organization described in paragraph (15)(G)(i) were treated as a reference to the North Atlantic Treaty Organization (NATO);

''(ii) to a nonimmigrant under paragraph (15)(G)(iv) were treated as a reference to a nonimmigrant classifiable under NATO–6 (as a member of a civilian component accompanying a force entering in accordance with the provisions of the NATO Status-of-Forces Agreement, a member of a civilian component attached to or employed by an Allied Headquarters under the 'Protocol on the Status of International Military Headquarters' set up pursuant to the North Atlantic Treaty, or as a dependent); and

''(iii) to the Immigration Technical Corrections Act of 1988 or to the Immigration and Nationality Technical Corrections Act of 1994 were a reference to the Temporary Access to Skilled Workers and H–1B Nonimmigrant Program Improvement Act of 1998.''.

(b) CONFORMING NONIMMIGRANT STATUS FOR CERTAIN PARENTS OF SPECIAL IMMIGRANT CHILDREN.—Section 101(a)(15)(N) (8 U.S.C. 1101(a)(15)(N)) is amended—

(1) by inserting ''(or under analogous authority under paragraph (27)(L))'' after ''(27)(I)(i)'', and

(2) by inserting ''(or under analogous authority under paragraph (27)(L))'' after ''(27)(I)''.

TITLE III—MISCELLANEOUS PROVISION

SEC. 301. ACADEMIC HONORARIA.

(a) IN GENERAL.—Section 212 (8 U.S.C. 1182), as amended by section 105, is further amended by adding at the end the following:

''(q) Any alien admitted under section 101(a)(15)(B) may accept an honorarium payment and associated incidental expenses for

a usual academic activity or activities (lasting not longer than 9 days at any single institution), as defined by the Attorney General in consultation with the Secretary of Education, if such payment is offered by an institution or organization described in subsection (p)(1) and is made for services conducted for the benefit of that institution or entity and if the alien has not accepted such payment or expenses from more than 5 institutions or organizations in the previous 6–month period.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to activities occurring on or after the date of the enactment of this Act.

The SPEAKER pro tempore. After 1 hour of debate on the bill, as amended, it shall be in order to consider the further amendment printed in the CONGRESSIONAL RECORD numbered 2, which shall be considered read and debatable for 1 hour, equally divided and controlled by the proponent and an opponent.

The gentleman from Texas (Mr. SMITH) and the gentleman from North Carolina (Mr. WATT) each will control 30 minutes of debate on the bill.

The Chair recognizes the gentleman from Texas (Mr. SMITH).

GENERAL LEAVE

Mr. SMITH of Texas. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the legislation under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. SMITH of Texas. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 3736.

First, some background: The H–1B bills passed by the Senate and by the House Committee on the Judiciary both propose to increase the quota of H–1B temporary visas for foreign professional workers. Both bills responded to the fact that the demand has exceeded the annual quota of 65,000 in each of the past 2 fiscal years.

The reason for this increased demand is thought to be a shortage in America's information technology workforce. While evidence for this shortage is inconclusive, I believe we should give the industry the benefit of the doubt and grant the additional visas.

The Senate and House Committee on the Judiciary bills had stark differences. The House Committee on the Judiciary bill required that employers comply with two new attestations when petitioning for H–1B workers. Employers would have had to promise not to lay off American workers and replace them with H–1Bs, and to recruit American workers before petitioning for foreign workers.

I felt that these protections for American workers were necessary because of the large number of documented abuses of the H–1B program, instances of companies actually laying off Americans to be replaced by H–1Bs and companies recruiting workers exclusively from overseas. The Senate bill contained no comparable protections.

With the assistance and support of the House leadership, we wrote a workable compromise. And, in negotiations concluded just yesterday, we made further changes that were supported by the administration.

The measure we are considering today embodies those compromises; and, of course, it is a negotiated agreement. That is the nature of any legislative process. What is important is that we have come up with a bill that both responds to the needs of the high-tech industry and adds protections for American workers.

The employers most prone to abusing the H–1B program are called job contractors or job shops. Often, much of their workforce is composed of foreign workers on H–1B visas. These companies make no pretense of looking for American workers. They are in business to contract their H–1Bs out to other companies. The companies to which the H–1Bs are contracted benefit by paying wages to the foreign workers often well below what comparable Americans would receive. Also, they do not have to shoulder the obligations of being the legally recognized employers; the job shops remain the official employers.

Under the compromise we are considering today, the no-layoff and recruitment attestations will apply to H–1B-dependent businesses in those instances where they petition for H–1Bs without masters degrees and where they plan to pay the H–1Bs less than $60,000 a year. The attestations are being targeted to hit the companies most likely to abuse the system. Other employers who use a relatively small number of H–1Bs will not be affected, unless they have been found to have willfully violated the rules of the H–1B program.

Specifically, the no-layoff attestation prohibits an employer from laying off an American worker from a job that is essentially the equivalent of a job for which an H–1B is sought during the period beginning 90 days before and ending 90 days after the date the employer files a visa petition for the foreign worker.

The recruitment attestation requires an employer to have taken good-faith steps to have recruited American workers for the job an H–1B alien will perform and offer the job to an American worker who applies and is equally or better qualified than the foreign worker.

Other features of the compromise are that the H–1B quota will be set at 115,000 in 1999 and 2000 and 107,500 in the year 2001. Then the quota will return to 65,000, at which time the attestations also will sunset.

The Labor Department will enforce all aspects of the program, except in those instances where an American worker claims that a job should have been offered to him or her instead of to a foreign worker. In such cases, an arbiter appointed by the Federal Mediation and Conciliation Service will decide the issue.

Under the compromise, a $500 fee per alien will be charged to all employers except universities and certain other institutions. The funds will go for scholarship assistance for students studying mathematics, computer science, or engineering, for Federal job training services, and for processing and enforcement expenses. The fee will sunset in the year 2001.

Under current law, the Labor Department can only investigate a user of the H–1B program if an aggrieved party files a complaint. The compromise will allow the Department to investigate a company in certain instances where it receives specific, credible information that provides it with reasonable cause to believe that the company has committed a willful violation to abide by the rules of the H–1B program, has shown a pattern or practice of failing to abide by the rules, or has substantially failed to meet the rules.

While current law requires an employer to pay an H–1B alien at least the prevailing wage for the occupation, the compromise will also require the employer to provide benefits equivalent to those given to American workers.

Mr. Speaker, let me conclude with one point of legislative history. The compromise eases requirements on companies when they are petitioning for workers who have advanced degrees. For example, companies who would otherwise have to comply with the two new attestations are relieved of this obligation.

The bill actually uses the phrase ''master's or higher degree (or its equivalent).'' The point I want to make is that the term ''or its equivalent'' refers only to an equivalent foreign degree. Any amount of on-the-job experience does not qualify as the equivalent of an advanced degree.

The bill is a workable compromise that deserves our support.

Mr. Speaker, I reserve the balance of my time.

Mr. WATT of North Carolina. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I find myself in a very interesting position today, one that in the 6 years that I have been in this House is unprecedented. Because I am here defending the work product of the committee of jurisdiction in this case.

On May 20, 1998, the full Committee on the Judiciary took a vote on a bill that I will be offering as a substitute to the bill that we are considering here on the floor, and we passed that bill out of the full Committee on the Judiciary by a vote of 23 to 4.

□ 1545

We got to that bill after going through the subcommittee that the gentleman from Texas (Mr. SMITH)

chairs and on which I am the ranking member, and working out some details in the subcommittee, and we continued to work out further details as we moved from the subcommittee to the full committee. And by the time we got to the full committee, the full Committee on the Judiciary, we had broad bipartisan support for a bill. And that is the bill that I am here offering as a substitute to what is being offered on the floor today.

So instead of me being the minority opposing what the majority of our committee did, I find myself in the very unique position of being on the floor of the House defending what the Committee on the Judiciary did by a 23 to 4 vote, bipartisan, with the chairman of the subcommittee having gone on and being told to support some other bill, which we will be voting on today unless my substitute passes.

Now, why did we get to the bill that I will be offering as a substitute? We got there because we finally concluded that H–1Bs are probably necessary at this point. We have an H–1B program that authorizes 65,000 foreign workers per year to come into our country and work subject to certain specialty provisions. The H–1B, let me make sure everybody understands, the H–1B visas are available for workers coming temporarily to the United States to perform services in specialty occupations.

A specialty occupation is one that requires a theoretical and practical application of a body of highly specialized knowledge and attainment of a bachelor's or higher degree in the specific specialty as a minimum for entry into the occupation in the United States.

Now, that is a fancy way of saying, you have to be in a pretty narrow area that is specialized in order to be eligible to come into the United States on an exceptional basis and take a job that, in effect, we are saying we just do not have the United States workers in our country capable of filling that job.

Now, this H–1B program has been around for a long time. We have 65,000 people a year that we allow to come in. They spend a total of 6 years each, 65 times 6 is almost 400,000 foreign workers that can be in the United States under the current H–1B program.

Now, how did we get here? High tech industries expanded their employment base and concluded that they needed more than the 65,000 a year allocation and, in fact, the Committee on the Judiciary agreed with them.

We will hear arguments all over the place, but the truth of the matter is that we finally concluded, well, we do not really know whether there is a shortage that requires an increase in H–1B slots or not, but we are prepared to give the benefit of the doubt and keep on moving. So let us do this and let us do it in a reasonable way that acknowledges that the high tech industry has a problem that they cannot get enough U.S. workers to fill these highly technical positions, but we did it against a backdrop where some people were really concerned.

In fact, I am going to be reading here a lot, interestingly enough, from the committee's report. This is the full Committee on the Judiciary report that I keep finding myself reading from, one that I would have hoped that my colleague would be reading from in defense of our bill, rather than me having to read from it to defend the bill that we passed.

Let me read what Secretary of Labor Robert Reich, the former Secretary of Labor said. He said, our experience with the practical operation of the H–1B program has raised serious concerns that what was conceived as a means to meet temporary business needs for unique, highly skilled professionals from abroad is, in fact, being used by some employers to bring in relatively large numbers of foreign workers who may well be displacing U.S. workers and eroding employers' commitment to the domestic work force.

So how did we decide to address this in the Committee on the Judiciary on a bipartisan basis? We said, we acknowledge that there is a shortage, but we also acknowledge on the other side that some people say this program is being abused and has been abused. So if we are going to expand the numbers of authorized people who can come in under this program, then we also ought to expand the protections for U.S. workers and the guarantees that employers have to provide that they are neither displacing a U.S. worker, laying off a U.S. worker or having not sought to obtain a U.S. worker. And we need to put in place a mechanism to provide training to U.S. citizens so that we do not make this a permanent H–1B expansion going forward.

And that is exactly what the Committee on the Judiciary set out to do, and it did it masterfully. With one exception, and that was the training component, which is also in my bill, in my substitute and in the committee, in the new bill that we are now considering on the floor.

So how did we do this? We said, you need the workers. You come in, you make an attestation that you have not fired or will not fire an employee or replace that fired employee by a foreign worker. I mean, that is fair enough. You make an attestation that you have sought to find a comparable worker in the United States. That is fair enough.

And yet now we have a bill in front of us that requires that attestation of only a very small group of employers. Here is the exception, so that everybody knows: Employers with fewer than 25 employees and more than 7 H–1B workers would have to make the certification. Employers with 26 to 49 employees and more than 12 H–1B workers would have to make the certification. Employers with more than 50 workers with at least 15 percent, 15 percent of their work force being H–1B employees would have to make the certification. But everybody else in the world can bring in their H–1B employees without making those certifications.

Now, the House is going to have a classic opportunity here today. We have got a bill that does what 23 members of the Committee on the Judiciary said is fair. That is the substitute that I will be offering, along with the gentleman from California (Mr. BERMAN) and the gentleman from Pennsylvania (Mr. KLINK). It is the committee's bill.

And we have got a bill that is the base bill that was written by the Senate, worked out in the back room, agreed on last night on the floor at 5 minutes to 4:00 in the afternoon the next day, without anybody even having seen what the language is, except they printed it in the CONGRESSIONAL RECORD in small print last night. Now they are saying we should accept what the Senators said over here, lock, stock and barrel, abandon the bipartisan agreement that the committee had and go forward with that.

Nobody thinks that is fair, and we have got a better bill, which addresses the issue and protects United States workers.

That is the choice that the House has in front of them today.

Mr. Speaker, I reserve the balance of my time.

Mr. SMITH of Texas. Mr. Speaker, I yield myself such time as I may consume.

I would just like to make the point, again, that this is a bill that is supported by both the Republican leadership and the administration. This is an unusual conjunction of sometimes opposing forces agreeing on a bill, and that is yet another reason why Members should support it.

Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. DREIER), the next chairman of the Committee on Rules.

(Mr. DREIER asked and was given permission to revise and extend his remarks.)

Mr. DREIER. Mr. Speaker, I thank my friend, the distinguished chairman of the subcommittee, for yielding me this time.

Some might say that they had heard enough from me during the debate on the rule which I just managed, but I did feel compelled to state that I believe that the gentleman from Texas (Mr. SMITH) has been very courageous and hard working in pursuing this compromise.

My friend from North Carolina is correct that it is an unusual procedure, but guess what? This H–1B visa bill is not going to become public law until a majority of the House of Representatives casts its vote, until the United States Senate has its compromise, until it goes through the conference process and it gets to the desk of the President of the United States for signing. So guess what? A majority of the Members here will have to direct how this process is going to go ahead.

I happen to think that it is a very reasonable and positive compromise. It

is one which does address concerns that have been raised by virtually everyone on this. Some of my colleagues talk about the problem in the area of education, saying, we need to have a better educated citizenry so that they can, in fact, fulfill these jobs that are out there. I agree, and this bill addresses that, with 10,000 scholarships that go to those lower income individuals. It is done with a $500 fee that is going to be charged that should raise $75 million so that this can annually be funded to address those concerns.

It also tightens up the small business area, the exemption there. I remember having a discussion in the Republican conference with my friend, the gentleman from California (Mr. GALLEGLY) who was concerned, I think he offered an amendment in the committee which talked about shortening the time frame for the program itself.

Well, in fact, in the compromise, the time frame of the program has been reduced. It was going to be ultimately at first, I guess, 5 years, if we included this year, but we have gone so late now we are not doing that, so it has gone from 4 years down to a 3-year program. I hope that within that 3-year time frame we are able as a Nation to educate the best qualified people so that, as we create new technologies, we will have qualified individuals out there to address them.

It is going to be a 3-year program, not a 4- or a 5-year program. Then, obviously, we will have to look at it again.

□ 1600

Those who are violators of this program can be debarred for 3 years, and so there clearly is an incentive to comply with the strictures of the program itself. The Department of Labor is going to be able to participate in spot checks for those companies that have knowingly violated in the past. I think that is a decent provision that was put in there.

And we have had so many people who have stood up and said, oh, there is nothing that has been made available and no one has been able to see it. I am going through this explanation, and I think the modifications that are made are, frankly, quite, quite modest.

But one of the things that I think is important to note is that, while U.S. companies are required to pay the so-called prevailing wage, the same wage, they cannot all of a sudden say we are going to fire an American worker so that we can instead go and start hiring someone from another part of the world at a lower rate. We not only are requiring equivalent pay but equivalent benefits in this compromise.

So as I listen to the criticism that will be leveled by some on both sides of the aisle, it seems to me that it is a very, very balanced measure. It is worthy of our support. It is worthy of our support for a very, very important reason. While we address the concern of American workers, Mr. Speaker, we have to look at the ability of the industries of the United States of America to remain competitive.

Virtually everyone has acknowledged that we are, today, living with a global economic crisis. I have been in a number of meetings today in which I have heard things, in fact, that are very, very troubling about the potential future. Tomorrow, we will be voting on fast track negotiating authority. There is a debate raging on the replenishment of the International Monetary Fund. The question of interest rates, all of these economic questions are out there as far as the future of the global economy, and I believe we need to be very concerned about the U.S. economy, which, obviously, is the world's leader.

Mr. Speaker, if we turn down an attempt to increase the H–1B visas, guess what will happen? We have businesses that are being lured out of the United States by spots like Singapore and Ireland trying to create tax incentives and other incentives to draw our businesses out. Why? They will be able to have the best-qualified, skilled expertise there. Now, for every one of these H–1B visas that will come in creating jobs, there will be four U.S. jobs that are created as a by-product of that.

So this is a win-win. It will help keep U.S. businesses here in the U.S., ensuring that they have an incentive to stay here. And this is a compromise which is positive. It has been one that has, again, been worked out by the Clinton administration, Democrats and Republicans in the United States Congress, in both Houses, the House and the Senate, and it is one that I believe is worthy of bipartisan support here in the House of Representatives.

So, with that, I would again like to congratulate my friend from San Antonio, the very distinguished chairman of the subcommittee, for working long and hard on this. It was a pleasure to work with him on this issue, and we look forward to a spectacular victory in the not-too-distant future.

Mr. SMITH of Texas. Mr. Speaker, I thank my friend from California for his generous words about me and for his accurate words about the bill itself.

Mr. Speaker, I would like to inquire how much time remains for each side?

The SPEAKER pro tempore (Mr. SHIMKUS). The gentleman from Texas (Mr. SMITH) has 17½ minutes remaining, and the gentleman from North Carolina (Mr. WATT) has 17 minutes remaining.

Mr. WATT of North Carolina. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. NADLER).

Mr. NADLER. Mr. Speaker, I would like to enter into a colloquy with the distinguished chairman.

Mr. Speaker, the 1990 amendments to the Immigration and Nationality Act created two new Visa categories, O and P, which provide for the temporary entry of aliens who have extraordinary ability in the sciences, arts, education, business, or athletics, and for the temporary entry of athletes and entertainers with lesser abilities.

Clearly, Mr. Speaker, the O and P visa categories were created to ensure that entertainers, athletes and support personnel would no longer be admitted under the broad H–1 standard of omission but, instead, would come in under the O and P categories. It is my understanding, therefore, that this bill under consideration today does not pertain to the temporary admission of entertainers and their accompanying crews. Is that also the gentleman's understanding?

Mr. SMITH of Texas. Mr. Speaker, will the gentleman yield?

Mr. NADLER. I yield to the gentleman from Texas.

Mr. SMITH of Texas. Mr. Speaker, let me emphasize that that is my understanding, and I thank the gentleman for making that valid point.

Mr. NADLER. Mr. Speaker, I thank the gentleman.

Mr. SMITH of Texas. Mr. Speaker, I yield 3 minutes to the gentleman from North Carolina (Mr. BALLENGER).

Mr. BALLENGER. Mr. Speaker, I urge my colleagues to support this H.R. 3736 so we can ensure a continued supply of highly skilled workers for American companies.

To those of us who are in business, particularly in manufacturing, some of the rhetoric we have heard in connection with this bill just does not make any sense. Whether we like it or not, we are in a world economy. Our competition is just as likely to come from Asia, Europe or Latin America as it is from the town next door. We can only compete if we constantly are adapting to new technologies and new demands, and to do that we have to find employees who have skills that we need. It is not a question of American versus foreign workers. It is a matter of keeping up and, hopefully, ahead of the constant competition. And if we fail at that, there will not be any jobs.

So the question is, in this world economy, how do we best promote the interest of our economy and the American workers? And it seems to me this bill is entirely consistent with doing what is best for our economy and our workers.

Some people argue this bill will hurt American workers. The principal protection for American workers that has been in H–1B programs before, and continues to be a part of the program under this bill, is that an H–1B worker must be paid at least as much as other employees with similar qualifications and experience.

There have been some abuses in the H–1B program, as there have been in many other government programs, and the problems have been particularly in the area of paying the required wage. This bill that we are considering today provides additional enforcement and includes tighter restrictions on H–1B dependent employers.

I would also note that H.R. 3736 has an important provision to generate additional funds for training and education of American workers in technology fields where there is such a demand for workers right now. Hopefully,

as some of the reforms of JTPA that we have recently passed go into effect, these funds will be used to improve retraining programs for Americans so that Americans can fill the technical jobs that are increasingly the jobs available in this economy.

Let me just say that we all have seen polls that have been sent around to our offices asking Americans whether they support allowing 190,000 additional foreign technical workers to come into the United States. To be more accurate, they should instead ask this question: ''Would you prefer these 190,000 technical jobs be filled in the United States or transferred to other countries?'' Then I think the answer would be much different. That is the challenge of the world economy in which we are operating. I think H.R. 3736 provides the right answer to that question.

And, again, I appreciate the work of the Members of the House and the Senate in agreeing on an agreement reached with the administration, and I urge my colleagues to support 3736.

Mr. WATT of North Carolina. Mr. Speaker, I yield myself 30 seconds, just to say to my good friend from North Carolina that this is not about whether we become a global economy. We have acknowledged that we are a global economy. We made findings in the bill that the Committee on the Judiciary passed 23 to 4 that acknowledged there was a need. So this is not about that.

Now, there are some people who believe we ought not be doing any of this, and I am going to yield to one of those people right now. The gentleman from California (Mr. ROHRABACHER), is a colleague of the gentleman from North Carolina (Mr. BALLENGER) on the Republican side, who thinks we should not be doing any of this.

Mr. Speaker, I yield 5 minutes to the gentleman from California (Mr. ROHRABACHER).

Mr. ROHRABACHER. Mr. Speaker, with all due respect to my good friend, the gentleman from North Carolina (Mr. CASS BALLENGER), this is about whether we have 200,000 jobs here for Americans or whether we will have 200,000 jobs given to foreigners who come here. And those jobs will be taken up, yes, but we are taking away, by this law, the incentive for people to retrain people who can fill these jobs if we pass this legislation. So I stand here today to oppose H.R. 3736.

This bill is contrary to the interests of hundreds of thousands of American workers, in fact, millions of American workers. It represents an attempt by high-tech corporations to hire cheaper foreign labor. And we cannot really blame them for that. That will add to their profit. That is who they represent, the interest of their stockholders. But we are not supposed to be representing the interest of their stockholders, we are supposed to be representing the interests of the American people and the United States. And rather than hire laid-off, high-tech employees or retrain other unemployed Americans, now these high-tech companies will just bring in cheaper foreign labor.

So why retrain people? Why hire older Americans, who might have to use health benefits or retirement benefits? Let us bring in these 25-year-old Indians or Pakistanis. This bill, in short, is a windfall to some companies that are making a profit off bringing in cheaper foreign labor, but it is a kick in the teeth to Americans, hard-working Americans, many of whom have been so loyal to their country and their employer but now are unemployed.

Now they need some retraining or they need a job, and Congress is being asked to change the rules so that we can have hundreds of thousands of foreigners to come in here and take those jobs. Because those foreigners will get less money.

Now, we can talk about, well, there is some things in the bill that protect that. In the end, we know that this will suppress any type of momentum in the economy to pay people more because there is, quote, a shortage. Thus, loyal Americans, people who have worked real hard for their employer or real hard for their country are going to be unemployed and untrained because those people that are going to be hired are going to be from outside this country.

H.R. 3736 will bring in hundreds of thousands and flood the job market. If supply and demand were being adhered to, and those of us on our side of the aisle always talk about supply and demand, we believe in it, that is why we oppose many of these other things, well, if it is being adhered to, it has to be adhered to when it pressures wages up and helps the American people at those times as well as when it helps American companies. If we believe in it, let us stand for it now.

Now, what would it mean if we let the supply and demand work at a time like this when they say there is a shortage of labor in the high-tech industries? It means wages would rise or investments would be made for retraining. That is what we are undercutting by passing this bill. We are undercutting increasing wages for our people and retraining. So there are thousands of veterans and aerospace workers, veterans who need jobs and they need retraining, aerospace workers in my area who need retraining, and there are perhaps 200,000 people who have been laid off by high-tech companies themselves, all of these people are the victims of this legislation.

And who are we helping? We are helping hundreds of thousands of foreign workers. Who are we loyal to here?

This is a maneuver to add to the profit margin of these high-tech companies. And, again, it is good for them. They should be out for their profit. But it is a dagger aimed at loyal employees, especially employees who are over 40 who may have to use health benefits and retirement benefits.

We should decide what our standard of immigration is all about, what is best for our country, and it should not be flexible and manipulated and used to subsidize any industry or to keep wages down. What these companies should do is go hire people and train them or get involved in the community but not manipulate the rules in order to keep their profits up and keep wages down. So wages and prices as well should be just like in supply and demand. It should be outside. Wages and prices should not be based on political maneuvers or manipulations.

Finally, this bill reflects an attitude I find pervasive in corporate America, and that is many of our executives think of themselves as citizens of the world. This is a global economy; thus, they are globalists. Well, I have news for everybody that makes that argument. We better be loyal to the American people. The freedom of the world, the prosperity of our country, the whole future of mankind depends on these people who have worked hard for our country. They have worked hard for their employer. They have been loyal to us, and they expect us to be loyal to them. And if we sell them out for the profit margin of a couple of high-tech companies, so it will be a little higher, at a time when they are unemployed and out of work, but we are going to flood the job market with foreigners, who are we loyal to and what does that mean to our future?

Our high-tech companies and their corporate leaders should be loyal to the United States of America. And if they are not, well, we, at least in the United States Congress, have to be loyal to the American people.

Mr. SMITH of Texas. Mr. Speaker, I yield myself such time as I may consume to remind my colleagues this bill does, in fact, target businesses that are called H–1B dependent. Businesses who hire more than 15 percent of these type of foreign workers are targeted, and we do have safeguards for the American worker. We do have safeguards that include the fact that the businesses cannot fire an American worker and hire an overseas worker, and they have to make good-faith efforts to hire American workers first. So the abusers of the program are being targeted by the compromised bill.

Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. PORTER).

□ 1615

Mr. PORTER. Mr. Speaker, I thank the distinguished gentleman from Texas for yielding this time to me, and I commend him for his leadership on this issue.

Mr. Speaker, I rise today in strong support of H.R. 3736. This well-balanced legislation addresses the needs of the business community while protecting the well-being of American workers. It meets a short-term labor demand for our country, and it institutes strong safeguards to protect against a permanent reliance upon alien labor sources,

including a new program of grants to provide technical skills training for workers.

Mr. Speaker, one project that should be supported under this new program is the DePaul University High-Tech Workforce Pilot Program in Chicago. Developed in conjunction with corporate and local entities, this comprehensive program ensures that America's workforce will be better prepared to compete in the dynamic high-tech industry. I am confident that implementation of DePaul's training, retraining and education program will expand America's skilled labor force and enhance our competitive position in the global marketplace.

Mr. Speaker, the technology industry is presently experiencing a labor shortage. The current 65,000 cap on H–1B visas, created by Congress in 1990, has been rendered irrelevant by the technology explosion of the past decade. This arbitrarily chosen quota was met by May of this year and has left American businesses unable to hire new H–1Bs until next January. In the interim, technology firms have been left with thousands of open jobs and few qualified applicants. Employing American workers for these jobs is not, at present time, a feasible solution. Failures in our educational system has created a void of qualified American skilled labor, compelling high tech firms to rely upon foreign born talent to fill these positions. Without an increase of the 65,000 visa ceiling, these vacant jobs will not be filled, thereby weakening a high growth industry that has been at the forefront of this nation's current economic boom.

Many of my colleagues have expressed concerns that increasing the number of H–1B visas will displace American workers and shut them out of future employment opportunities in the high tech industry. This bill institutes numerous measures to ensure that Americans will not be victimized by this legislation. A $500 fee paid by businesses wishing to participate in the H–1B program will raise approximately $75 million annually to be split between a scholarship program for underprivileged high school students studying mathematics, computer science, or engineering and funding for job training programs which focus on information technology. Furthermore, a system of fines and/or a one to three year disqualification for those companies who abuse this law will work to further protect American workers from being shut out of the high-tech industry by H–1B aliens.

Mr. Speaker, H.R. 3736 constitutes a carefully constructed, well-balanced piece of legislation that addresses the needs of the American business community while protecting the well-being of American workers. I urge my colleagues to vote in favor of this bill.

Mr. SMITH of Texas. Mr. Speaker, I yield myself such time as I may consume. The self-executing amendment to H.R. 3736 includes a provision to provide math, engineering and computer science scholarships to needy students and a provision to provide additional worker training programs. There are a number of pilot programs being developed around the country to provide high-tech training to American workers. As the gentleman from Illinois (Mr. PORTER) has just mentioned, DePaul University has developed just such a pilot program to address the shortage of qualified U.S. high-tech workers in conjunction with corporate and local entities that might well serve as a good model for other programs across the country.

Programs like the one developed by DePaul University are what we had in mind when the training provisions were drafted. Again I thank the gentleman from Illinois for helping us make sure that this provision was in the bill.

Mr. Speaker, I reserve the balance of my time.

Mr. WATT of North Carolina. Mr. Speaker, I yield 4 minutes to the gentleman from New York (Mr. OWENS).

(Mr. OWENS asked and was given permission to revise and extend his remarks.)

Mr. OWENS. Mr. Speaker, I cannot emphasize too strongly, and I returned to the floor to state that this is an education problem, not an immigration problem. The immigration band-aid is botching up the whole process. There is a symptom here. We have a problem in terms of a shortage of people to fill information worker jobs. As long as we patch it up with a band-aid, we are not going to deal with the real problem. We need major surgery. Instead of a DePaul University experiment, which is a laudable innovation and I have no problem with that, but it is too small. We need something on the scale of a GI bill which offered education to every GI returning from World War II. We need something that massive to deal with the coming explosion of needs for information workers in our economy and in the economies of all the countries of the world. It is that big.

We are the indispensable nation. If we are going to stay ahead, our education system has to be ahead. We have to have the most educated people on the face of the earth. There is no reason why we cannot do that. We have the resources. We can finance it. We have the policies that have been proposed by the President in terms of school construction so that all of our schools can be wired in a way which allows them to have computers and educational technology in order for them to prepare youngsters at a very early age to enter into the information technology worker field.

We also have an e-rate that has been proposed by the Federal Communications Commission which gives communications services at a discount to schools and libraries. The same companies that are begging for these foreign workers and will utilize foreign workers are opposing the implementation of the e-rate. The e-rate is a permanent arrangement which will lower the cost of telecommunications services for schools. That is part of a comprehensive policy that we need. We need a comprehensive approach which includes school construction and wiring of schools, making more computers available, the e-rate, information and technology training centers at the community level so that youngsters from low-income homes will have an opportunity to go in and practice on the computer like their middle-income counterparts.

But since the low-income youngsters do not own computers, we need some storefront computer centers where we can keep them open late at night and on Saturdays so that not only the students or youngsters but also older workers who are being downsized and misplaced in their present jobs can get some new training. Other workers need to upgrade themselves. They do not have computers at home. There are a number of components that ought to go into meeting this massive need. It is true, we are going to need them. 1.5 million vacancies are predicted over the next 5-year period. Instead of this band-aid which if it were only temporary, I would not be here. It is not temporary when you talk about a three or four-year period. ''Temporary'' is this year or next year. But they are talking about going all the way to the year 2001 and in the process of making that journey from now until the year 2001, they are going to ask to have those quotas raised. I predict that we will be back here next year with an argument being made to increase the quota of foreign workers coming in.

Why can we not be as wise and have as much vision as Bangalore, India? Many years ago they decided they would heavily invest in training their students in computers and computer programming. Now Bangalore, India is considered the computer capital of the world. Most of these foreign workers that are going to come in will be coming from India. I have no problem with them coming from India or anywhere else, but the American students ought to have the opportunity to get the training that they need to fill these jobs. American workers also will keep the standard of pay at the level commensurate with the rest of our economy. They are going to pay these workers who come in as foreigners less. There are many inducements and enticements that are involved here which will make the industries continue to pressure to have more and more of the quota increases of foreign workers. We need to train our own workers with a comprehensive education program.

Mr. SMITH of Texas. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. HORN).

Mr. HORN. I thank the gentleman for yielding time. Mr. Speaker, I have very mixed feelings about this bill. There are some improvements that have been made without question by the gentleman from Texas (Mr. SMITH) and the gentleman from California (Mr. DREIER). I do not like to disagree with them. However, I have some major concerns.

My background is in education, heading a university with numerous computer programs. I come from the State of California where Silicon Valley is most of Santa Clara County.

But there are Silicon Valleys of many and few firms all over the United States of America. They are in Michigan near Ann Arbor. They are across the Potomac in Fairfax County, Virginia. They are in San Diego County and Orange County in California.

But I happen to come from Los Angeles County where 400,000 aerospace workers have been laid off over the last decade. And recently, Boeing, which I am delighted to have in my particular congressional district, they cut back roughly 3,000 workers in Downey, California. Now, that hurts. These workers built the Appollo, the Sky Lab, and the Shuttle.

Many of these 400,000 have either jobs much lower than they had at one point in time or simply have not been placed and have moved out of the field.

I feel very strongly that the Silicon Valleys of the Nation—and let us start with those firms in Santa Clara County. They should sit down with the Presidents of the community colleges of the Nation and work out the type of education program the computer firms need if domestic workers will master the skills to fill these jobs. These are not minimum wage jobs. These are $30,000 a year, $40,000 a year, $50,000 a year, and $60,000 a year jobs! We should have goals for our young people and adults who need to be retrained for the Information Age. Many already have the math and other courses. They just need the opportunity. That is why I am concerned. We have got to have an exchange of improving the quality of the product.

In California we have an excellent community college system. There are 107 two year colleges spread over the State from the Mexican border to the Oregon border. They have outstanding faculty members

We need to have the presidents of the colleges and the computer firms in the same room. The college presidents need to say, ''look, you can help us, Silicon Valley, because State budgets never cover our equipment needs. Our school budget is never able to secure the latest up-to-date generational equipment. We can help you with development of this curriculum. We need your input.''

The chief executives in education and industry must get together. Who will buy the coffee and provide the room. If that is not going to happen, I will tell you that the $75 million and the 10,000 scholarships it will fund is pitiful, When enacted, H.R. 3736 will remove the existing cap off at the 65,000 foreign worker level annually and this legislation would almost double the cap by going to 115,000. The 10,000 scholarships to retrain the American worker is a seemingly big drop in the bucket, but is not when the foreign visas rise from the current level of 65,000 annually to 115,000 in the year 2000. In 2001, 107,500 MIB visas would be issued. So much for 10,000 retrained American workers. There should be 107,500 trained American workers, not just 10,000. In the Second World War many more workers were trained.

I cannot believe that if we set goals and communicate with young and old alike, there will not be people who will seek that training. We should make sure that 7th and 8th grades know about the new and needed jobs that will be available in the twenty-first century.

I think my colleagues have done a wonderful job in some of the differences, but once you go this route with that big a gap between visas and scholarships, then you are in trouble. Industry and education need to get together. That ought to be our goal. Until that time, I am not going to vote for a bill that increases the visa cap,

Mr. SMITH of Texas. Mr. Speaker, I yield myself such time as I may consume. I just want to reassure my colleague from California that we do have that $500 fee in this bill that every business will pay for every H–1B worker that business brings into the country. That is a huge pot of money. It is going to be used largely for job training and also for scholarships, particularly for college students who major in either computer science or math or engineering. I hope that that will reassure the gentleman and answer and address some of his concerns.

Mr. Speaker, I reserve the balance of my time.

Mr. WATT of North Carolina. Mr. Speaker, I yield 1 minute to the gentleman from Oregon (Mr. DEFAZIO).

Mr. DEFAZIO. Mr. Speaker, I thank the gentleman for yielding me this time. Let us get to what we are really debating here today. We are debating the failed trade policy of the United States of America. We are going to run a $200 billion trade deficit this year. That means we are going to export about 4 million jobs. But we were told, ''Don't worry. Those 4 million jobs are those old, dirty, obsolete industrial jobs.'' Even though they were family wages and they paid benefits, not to worry. Those workers will be retrained for the future, the high-tech industry of the United States of America.

So as we export the industrial base jobs, the family wage jobs, the jobs with benefits, what are we going to do now? We are going to import people for those jobs of the future. We are going to export our industrial jobs and we are going to import people into the United States to do the jobs of the future.

What about those 4 million people? What about the people laid off from the aerospace jobs, from the computer companies and everywhere else? Are you telling us the American people are stupid? They know what you are doing here. You are screwing them going and coming. You are going to bring in people to fill the jobs you promised them when you took away their jobs.

Both bills should be rejected, the bill and the substitute.

Mr. WATT of North Carolina. Mr. Speaker, I yield 3 minutes to the gentlewoman from California (Ms. LOFGREN).

Ms. LOFGREN. Mr. Speaker, I rise in support of the measure before us for a number of reasons. As a member of the Subcommittee on Immigration and someone who has experience in immigration law, used to teach immigration law, I have worked through with the White House and leadership on the other side of the aisle on this issue, and I believe that the product before us has many things that merit our support.

First, although much has been said about computer professionals, and I come from Silicon Valley, I represent Santa Clara County, the H–1B program extends beyond computer specialists. I would note that I just received a call from a superintendent of schools in San Jose who said, ''Please be careful. We're getting almost all our bilingual teachers through the H–1B program right now.'' So that is something to keep in mind.

Secondarily there are specialists. This is not just a shortage issue, it is a specialist issue. Like the biotech firm in Silicon Valley that has hired specialists in Great Britain who are on the cutting edge of a particular type of science and has kept them on full salary since last spring in Great Britain waiting for an H–1B visa to become available. That is not a shortage issue. That is a specialist issue. That needs to be kept in mind.

Finally, it is also a shortage issue. For my colleagues who say that we ought to do a better job of training our own people, I could not agree more. We need to get into schools that have been neglected. We need to make sure that poor children who are not achieving have a chance to achieve and become scientists and engineers. And although this bill will not accomplish all of that, this 75 to $100 million a year that will be provided for in the bill by the fees is going to help retrain American workers through the Job Training Partnership Act and also will be made available for math and science instruction.

□ 1630

Now in listening to my colleagues here and in talking to Members on the Republican side of the aisle and also in the Senate I think that we may need in conference to take a look at the allocation of funds in the math and science arena and see if we should not do a little bit more in K–12 education in addition to the scholarships, and I think that there is a willingness to work together on that.

But having said that, Mr. Speaker, and if we could accomplish that, we should also note that in this bill there is the toughest enforcement that has ever been devised that is oriented towards those who are the wrongdoers primarily in abusing American workers, and that is the so-called job shops. Very heavy attestation requirements, very severe penalties and very strong enforcement provisions.

I would just also note that the Department of Labor has additional enforcement authority beyond the complaint system.

So this is a tough bill, it is a balanced bill, and it is a bill that provides

funding for American school kids so they can become the scientists and engineers we need. I hope that my colleagues will support this very sensible approach.

Mr. WATT of North Carolina. Mr. Speaker, I yield the balance of our time to close the general debate to the gentleman from Pennsylvania (Mr. KLINK), and then I will yield him some more time when we start the debate on the substitute.

The SPEAKER pro tempore (Mr. SHIMKUS). The gentleman from Pennsylvania is recognized for 2¼ minutes.

Mr. KLINK. Mr. Speaker, I thank the gentleman from North Carolina for yielding this time to me, for his courteousness during this debate and also his leadership. The gentleman, the ranking member, is someone that, after we have been through this and my other work with him, I would appreciate being in a foxhole with him any day. He has conducted himself very well and very ably in this as he has on many other issues. And even though we have ended up with different conclusions, I would say to the gentleman from Texas (Mr. SMITH) he did good work to get us as far as he has gotten us, but it is not nearly good enough, and I think that the people of the country need to understand what is before us today.

Let me first talk about the macro view. My friend from Oregon touched on the point when we were debating NAFTA back in 1993. He said that we understand that those low-skilled jobs are going to move offshore, but we were promised, as the gentleman said, that the high-tech jobs would be created, our workers would be retrained for those jobs, our sons and daughters would be trained for those jobs; that was the new economy. And now what this bill is saying is that our children are too stupid; our displaced workers are too stupid. We are not putting money into training. We need to bring over those foreigners who can take the jobs and displace America.

The other macro view about this is, what will that do long term to the social fabric of this Nation? What will it do towards the attitudes of Americans when they see foreigners coming here and taking those jobs? It is only natural, if someone has got $60,000 or $70,000 in college loans and they are waiting on tables because the high-tech industry will not hire them, and, by the way, I have testimonial after testimonial from hundreds of people across this country who have been displaced who have not gotten jobs, and the people have told them we are waiting for the H–1B expansion because we can hire these workers cheaper, and when they are here, they are ours. They are nothing more than indentured servants. That is exactly what they are.

As my colleagues know, we have heard stories today about 10,000 scholarships. What good is a scholarship created by this program if the people who have gone to college here now cannot get hired? So we will have 10,000 more people with college educations waiting in the unemployment line and waiting on tables. That is what this debate is about.

I cannot understand why there is this huge deal about $500 a job in the new bill. For $500 we are going to sell each American job. That is what it cost. If my colleagues want a $50,000 or $60,000 a year job, vote for this and get it for $500. What a deal.

Mr. SMITH of Texas. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, once again this compromise bill is supported by both the Republican leadership and the administration because it does two things right. It continues to protect the rights of American workers, and in addition to that it also provides the needed workers for high-tech industry itself.

Mr. Speaker, I yield such time as he may consume to the gentleman from Virginia (Mr. DAVIS), who is both chairman of the Subcommittee on the District of Columbia and, just as importantly, he is a former high-tech executive in the information technology field.

Mr. DAVIS of Virginia. Mr. Speaker, I thank my friend from Texas for yielding this time to me, working with the other body and working with the administration to try to bring a bill with some very complex components and, obviously, some very emotional components to fruition here where we can do what is right for American workers. And to my friend from Pennsylvania who spoke, I know these are sincere words from him, but I take a different macro view of how the world and jobs are being created.

The reality is that high-technology jobs are being created in America faster than we have qualified people to fill them. This was not expected at the time. In my own county, the Northern Virginia Technology Council did a study that showed we have 20,000 available jobs, average salary $42,000 a year, that we cannot fill. Now, what happens if we cannot find the people to fill them?

There is, by the way, a nationwide vacuum in the vacancies in the information technology field, and this is a study by the Information Technology Association of America, the ITAA: 346,000 vacancies for computer programers, systems analysts, software engineers, computer scientists nationwide that we cannot fill. It is building and costing companies more to hire people. We are in a bidding war. Salaries are going up. And with the year 2000 problems and others it is costing our Federal Government billions of dollars more than we originally envisioned because of the scarcity of trained technical workers.

Now what does this bill do? It confronts it. One of the most challenging components of the information age is, as a society, how do we confront these challenges that workers are going to have to be trained and constantly retrained as technologies emerge, as they change rapidly to fill the rapidly developing jobs in this era? H.R. 3736 serves as a short-term remedy to this Nation's long-term need for highly skilled technical workers. If we do not, and let us take these 20,000 jobs in Fairfax that are available right now, if we do not find technical workers that are qualified to do this, what happens to those jobs? I will tell my colleagues exactly what happens:

We have companies right now unable to find trained Americans to do the jobs that are moving the jobs to India, they are moving them to Malaysia, they are moving them offshore. And as they move offshore, we lose those jobs from this country entirely over the long period so that when our sons and daughters and friends and neighbors are trained to be able to provide for this, not only those jobs but the jobs that spill out of that have gone offshore forever. This is a short-term remedy.

And it does something else that I am not hearing from the other side and opponents of this. It addresses the issue of training, something we as a society both on the private sector and government sector have really not focused on in the information age, and that is how you get people to be trained and retrained into where the jobs are, how do we coordinate public education, higher education, community colleges and train people for exactly where the jobs are? Because government traditionally lags a little bit behind the market, and we are finding that now, because of the fee that companies are paying for each worker that is put into a fund is going to fund scholarships for individuals who would otherwise not be trained and to entice people to go into some of these engineering and speciality fields so they can get the training and at the end of the cycle, in the year 2001, we are going to have trained Americans to fill these jobs. Without this legislation, I dare say there is nothing pending before this body that addresses the issue of how we are going to get people into these fields where the jobs are.

In my State of Virginia, we have more students graduating from college each year going into psychology as a major than we do into the computer science area, three times as many last year, and yet the jobs are not there, they are in the technical side. This bill addresses that. This bill makes the companies who are bringing workers in on a temporary basis pay for those jobs. That is the way it ought to be. It should not be the taxpayers at large. We have no other vehicle that does that.

And that is the beauty of this compromise. By creating that $500 fee to be included as a part of every H–1B visa issued, it will support this fund, and it is going to provide scholarship assistance for students studying math, computer science, engineering for Federal job training services.

I think that instead of sitting, complaining and whining about what is happening in different parts we need to take actions, that the result of those actions move jobs out of the United States on a permanent basis. What we need is to take more positive steps to induce qualified Americans to become trained and retrained, and this bill does that. We need to bring students from the inner city right now where a lot of these high technology jobs do not even exist, get them into training and programs. They have the aptitudes. Get them into programs where they can be trained and take advantage of these.

This is the wave of the future, not just in the United States, not just in the Silicone Valley or northern Virginia, but across the world, and this legislation is the first meaningful piece I have seen come out of this Congress that addresses this in a fair way and addresses the future, not just the current cycle.

And I just thank my friend from Texas (Mr. SMITH) for working so hard to bring this compromise about. I am excited about this legislation. I hope my colleagues will support it.

Mr. SMITH of Texas. Mr. Speaker, I yield back the balance of my time.

AMENDMENT NO. 2 IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. WATT OF NORTH CAROLINA

Mr. WATT of North Carolina. Mr. Speaker, I offer an amendment in the nature of a substitute.

The SPEAKER pro tempore. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment No. 2 in the nature of a substitute offered by Mr. WATT of North Carolina:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Workforce Improvement and Protection Act of 1998''.

SEC. 2. TEMPORARY INCREASE IN SKILLED FOREIGN WORKERS; TEMPORARY REDUCTION IN H–2B NONIMMIGRANTS.

Section 214(g) of the Immigration and Nationality Act (8 U.S.C. 1184(g)) is amended—

(1) by amending paragraph (1)(A) to read as follows:

''(A) under section 101(a)(15)(H)(i)(b), subject to paragraph (5), may not exceed—

''(i) 95,000 in fiscal year 1998;

''(ii) 105,000 in fiscal year 1999;

''(iii) 115,000 in fiscal year 2000; and

''(iv) 65,000 in fiscal year 2001 and any subsequent fiscal year; or'';

(2) by amending paragraph (1)(B) to read as follows:

''(B) under section 101(a)(15)(H)(ii)(b) may not exceed—

''(i) 36,000 in fiscal year 1998;

''(ii) 26,000 in fiscal year 1999;

''(iii) 16,000 in fiscal year 2000; and

''(iv) 66,000 in fiscal year 2001 and any subsequent fiscal year.'';

(3) in paragraph (4), by striking ''years.'' and inserting ''years, except that, with respect to each such nonimmigrant issued a visa or otherwise provided nonimmigrant status in each of fiscal years 1998, 1999, and 2000 in excess of 65,000 (per fiscal year), the period of authorized admission as such a nonimmigrant may not exceed 4 years.''; and

(4) by adding at the end the following:

''(5) The total number of aliens described in section 212(a)(5)(C) who may be issued visas or otherwise provided nonimmigrant status during any fiscal year (beginning with fiscal year 1999) under section 101(a)(15)(H)(i)(b) may not exceed 5,000.''.

SEC. 3. PROTECTION AGAINST DISPLACEMENT OF UNITED STATES WORKERS.

(a) IN GENERAL.—Section 212(n)(1) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(1)) is amended by inserting after subparagraph (D) the following:

''(E)(i) Except as provided in clause (iv), the employer has not laid off or otherwise displaced and will not lay off or otherwise displace, within the period beginning 6 months before and ending 90 days following the date of filing of the application or during the 90 days immediately preceding and following the date of filing of any visa petition supported by the application, any United States worker (as defined in paragraph (3)) (including a worker whose services are obtained by contract, employee leasing, temporary help agreement, or other similar means) who has substantially equivalent qualifications and experience in the specialty occupation, and in the area of employment, for which H–1B nonimmigrants are sought or in which they are employed.

''(ii) Except as provided in clause (iii), in the case of an employer that employs an H–1B nonimmigrant, the employer shall not place the nonimmigrant with another employer where—

''(I) the nonimmigrant performs his or her duties in whole or in part at one or more worksites owned, operated, or controlled by such other employer; and

''(II) there are indicia of an employment relationship between the nonimmigrant and such other employer.

''(iii) Clause (ii) shall not apply to an employer's placement of an H–1B nonimmigrant with another employer if the other employer has executed an attestation that it satisfies and will satisfy the conditions described in clause (i) during the period described in such clause.

''(iv) This subparagraph shall not apply to an application filed by an employer that is an institution of higher education (as defined in section 1201(a) of the Higher Education Act of 1965), or a related or affiliated nonprofit entity, if the application relates solely to aliens who—

''(I) the employer seeks to employ—

''(aa) as a researcher on a project for which not less than 50 percent of the funding is provided, for a limited period of time, through a grant or contract with an entity other than the employer; or

''(bb) as a professor or instructor under a contract that expires after a limited period of time; and

''(II) have attained a master's or higher degree (or its equivalent) in a specialty the specific knowledge of which is required for the intended employment.''.

(b) DEFINITIONS.—

(1) IN GENERAL.—Section 212(n) of the Immigration and Nationality Act (8 U.S.C. 1182(n)) is amended by adding at the end the following:

''(3) For purposes of this subsection:

''(A) The term 'H–1B nonimmigrant' means an alien admitted or provided status as a nonimmigrant described in section 101(a)(15)(H)(i)(b).

''(B) The term 'lay off or otherwise displace', with respect to an employee—

''(i) means to cause the employee's loss of employment, other than through a discharge for cause, a voluntary departure, or a voluntary retirement; and

''(ii) does not include any situation in which employment is relocated to a different geographic area and the employee is offered a chance to move to the new location, with wages and benefits that are not less than those at the old location, but elects not to move to the new location.

''(C) The term 'United States worker' means—

''(i) a citizen or national of the United States;

''(ii) an alien lawfully admitted for permanent residence; or

''(iii) an alien authorized to be employed by this Act or by the Attorney General.''.

(2) CONFORMING AMENDMENTS.—Section 212(n)(1) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(1)) is amended by striking ''a nonimmigrant described in section 101(a)(15)(H)(i)(b)'' each place such term appears and inserting ''an H–1B nonimmigrant''.

SEC. 4. RECRUITMENT OF UNITED STATES WORKERS PRIOR TO SEEKING NONIMMIGRANT WORKERS.

Section 212(n)(1) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(1)), as amended by section 3, is further amended by inserting after subparagraph (E) the following:

''(F)(i) The employer, prior to filing the application, has taken, in good faith, timely and significant steps to recruit and retain sufficient United States workers in the specialty occupation for which H–1B nonimmigrants are sought. Such steps shall have included recruitment in the United States, using procedures that meet industry-wide standards and offering compensation that is at least as great as that required to be offered to H–1B nonimmigrants under subparagraph (A), and offering employment to any United States worker who applies and has the same qualifications as, or better qualifications than, any of the H–1B nonimmigrants sought.

''(ii) The conditions described in clause (i) shall not apply to an employer with respect to the employment of an H–1B nonimmigrant who is described in subparagraph (A), (B), or (C) of section 203(b)(1).''.

SEC. 5. LIMITATION ON AUTHORITY TO INITIATE COMPLAINTS AND CONDUCT INVESTIGATIONS FOR NON-H–1B-DEPENDENT EMPLOYERS.

(a) IN GENERAL.—Section 212(n)(2)(A) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)(A)) is amended—

(1) in the second sentence, by striking the period at the end and inserting the following: '', except that the Secretary may only file such a complaint respecting an H–1B-dependent employer (as defined in paragraph (3)), and only if there appears to be a violation of an attestation or a misrepresentation of a material fact in an application.''; and

(2) by inserting after the second sentence the following: ''Except as provided in subparagraph (F) (relating to spot investigations during probationary period), no investigation or hearing shall be conducted with respect to an employer except in response to a complaint filed under the previous sentence.''.

(b) DEFINITIONS.—Section 212(n)(3) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)), as added by section 3, is amended—

(1) by redesignating subparagraphs (A), (B), and (C) as subparagraphs (B), (C), and (E), respectively;

(2) by inserting after ''purposes of this subsection:'' the following:

''(A) The term 'H–1B-dependent employer' means an employer that—

''(i)(I) has fewer than 21 full-time equivalent employees who are employed in the United States; and

(II) employs 4 or more H–1B nonimmigrants; or

''(ii)(I) has at least 21 but not more than 150 full-time equivalent employees who are employed in the United States; and

(II) employs H–1B nonimmigrants in a number that is equal to at least 20 percent of the number of such full-time equivalent employees; or

''(iii)(I) has at least 151 full-time equivalent employees who are employed in the United States; and

(II) employs H–1B nonimmigrants in a number that is equal to at least 15 percent of the number of such full-time equivalent employees.

In applying this subparagraph, any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986 shall be treated as a single employer. Aliens employed under a petition for H–1B nonimmigrants shall be treated as employees, and counted as nonimmigrants under section 101(a)(15)(H)(i)(b) under this subparagraph.''; and

(3) by inserting after subparagraph (C) (as so redesignated) the following:

''(D) The term 'non-H–1B-dependent employer' means an employer that is not an H–1B-dependent employer.''.

SEC. 6. INCREASED ENFORCEMENT AND PENALTIES.

(a) IN GENERAL.—Section 212(n)(2)(C) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)(C)) is amended to read as follows:

''(C)(i) If the Secretary finds, after notice and opportunity for a hearing, a failure to meet a condition of paragraph (1)(B) or (1)(E), a substantial failure to meet a condition of paragraph (1)(C), (1)(D), or (1)(F), or a misrepresentation of material fact in an application—

''(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $1,000 per violation) as the Secretary determines to be appropriate; and

''(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of at least 1 year for aliens to be employed by the employer.

''(ii) If the Secretary finds, after notice and opportunity for a hearing, a willful failure to meet a condition of paragraph (1), a willful misrepresentation of material fact in an application, or a violation of clause (iv)—

''(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $5,000 per violation) as the Secretary determines to be appropriate; and

''(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of at least 1 year for aliens to be employed by the employer.

''(iii) If the Secretary finds, after notice and opportunity for a hearing, a willful failure to meet a condition of paragraph (1) or a willful misrepresentation of material fact in an application, in the course of which failure or misrepresentation the employer also has failed to meet a condition of paragraph (1)(E)—

''(I) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $25,000 per violation) as the Secretary determines to be appropriate; and

''(II) the Attorney General shall not approve petitions filed with respect to that employer under section 204 or 214(c) during a period of at least 2 years for aliens to be employed by the employer.

''(iv) It is a violation of this clause for an employer who has filed an application under this subsection to intimidate, threaten, restrain, coerce, blacklist, discharge, or in any other manner discriminate against an employee (which term, for purposes of this clause, includes a former employee and an applicant for employment) because the employee has disclosed information to the employer, or to any other person, that the employee reasonably believes evidences a violation of this subsection, or any rule or regulation pertaining to this subsection, or because the employee cooperates or seeks to cooperate in an investigation or other proceeding concerning the employer's compliance with the requirements of this subsection or any rule or regulation pertaining to this subsection.''.

(b) PLACEMENT OF H–1B NONIMMIGRANT WITH OTHER EMPLOYER.—Section 212(n)(2) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)) is amended by adding at the end the following:

''(E) Under regulations of the Secretary, the previous provisions of this paragraph shall apply to a failure of an other employer to comply with an attestation described in paragraph (1)(E)(iii) in the same manner as they apply to a failure to comply with a condition described in paragraph (1)(E)(i).''.

(c) SPOT INVESTIGATIONS DURING PROBATIONARY PERIOD.—Section 212(n)(2) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)), as amended by subsection (b), is further amended by adding at the end the following:

''(F) The Secretary may, on a case-by-case basis, subject an employer to random investigations for a period of up to 5 years, beginning on the date that the employer is found by the Secretary to have committed a willful failure to meet a condition of paragraph (1) or to have made a misrepresentation of material fact in an application. The preceding sentence shall apply to an employer regardless of whether the employer is an H–1B-dependent employer or a non-H–1B-dependent employer. The authority of the Secretary under this subparagraph shall not be construed to be subject to, or limited by, the requirements of subparagraph (A).''.

SEC. 7. PROHIBITION ON IMPOSITION BY IMPORTING EMPLOYERS OF EMPLOYMENT CONTRACT PROVISIONS VIOLATING PUBLIC POLICY.

Section 212(n)(2) of the Immigration and Nationality Act (8 U.S.C. 1182(n)(2)), as amended by section (6), is further amended by adding at the end the following:

''(G) If the Secretary finds, after notice and opportunity for a hearing, that an employer who has submitted an application under paragraph (1) has requested or required an alien admitted or provided status as a nonimmigrant pursuant to the application, as a condition of the employment, to execute a contract containing a provision that would be considered void as against public policy in the State of intended employment—

''(i) the Secretary shall notify the Attorney General of such finding and may, in addition, impose such other administrative remedies (including civil monetary penalties in an amount not to exceed $25,000 per violation) as the Secretary determines to be appropriate; and

''(ii) the Attorney General shall not approve petitions filed by the employer under section 214(c) during a period of not more than 10 years for H–1B nonimmigrants to be employed by the employer.''.

SEC. 8. COLLECTION AND USE OF H–1B NONIMMIGRANT FEES FOR STATE STUDENT INCENTIVE GRANT PROGRAMS AND JOB TRAINING OF UNITED STATES WORKERS.

(a) IMPOSITION OF FEE.—Section 214(c) (8 U.S.C. 1184(c)) is amended by adding at the end the following:

''(9)(A) The Attorney General shall impose a fee on an employer (excluding an employer described in subparagraph (A) or (B) of section 212(p)(1)) as a condition for the approval of a petition filed on or after October 1, 1998, and before October 1, 2002, under paragraph (1) to grant an alien nonimmigrant status described in section 101(a)(15)(H)(i)(b). The amount of the fee shall be $500 for each such nonimmigrant.

''(B) Fees collected under this paragraph shall be deposited in the Treasury in accordance with section 286(t).

''(C)(i) An employer may not require an alien who is the subject of the petition for which a fee is imposed under this paragraph to reimburse, or otherwise compensate, the employer for part or all of the cost of such fee.

''(ii) Section 274A(g)(2) shall apply to a violation of clause (i) in the same manner as it applies to a violation of section 274A(g)(1).''.

(b) ESTABLISHMENT OF ACCOUNT; USE OF FEES.—Section 286 (8 U.S.C. 1356) is amended by adding at the end the following:

''(t) H–1B NONIMMIGRANT PETITIONER ACCOUNT.—

''(1) IN GENERAL.—There is established in the general fund of the Treasury a separate account which shall be known as the 'H–1B Nonimmigrant Petitioner Account'. Notwithstanding any other section of this title, there shall be deposited as offsetting receipts into the account all fees collected under section 214(c)(9).

''(2) USE OF HALF OF FEES BY SECRETARY OF EDUCATION FOR HIGHER EDUCATION GRANTS.—Fifty percent of the amounts deposited into the H–1B Nonimmigrant Petitioner Account shall remain available until expended to the Secretary of Education for additional allotments to States under subpart 4 of chapter 8 of title IV of the Higher Education Act of 1965 but only for the purpose of assisting States in providing grants to eligible students enrolled in a program of study leading to a degree in mathematics, computer science, or engineering.

''(3) USE OF HALF OF FEES BY SECRETARY OF LABOR FOR JOB TRAINING.—Fifty percent of amounts deposited into the deposits into such Account shall remain available until expended to the Secretary of Labor for demonstration programs described in section 104(d) of the Temporary Access to Skilled Workers and H–1B Nonimmigrant Program Improvement Act of 1998.''.

(c) CONFORMING MODIFICATION OF APPLICATION REQUIREMENTS FOR STATE STUDENT INCENTIVE GRANT PROGRAM.—Section 415C(b) of the Higher Education Act of 1965 (20 U.S.C. 1070c–2(b)) is amended—

(1) in paragraph (9), by striking ''and'' at the end;

(2) in paragraph (10), by striking the period at the end and inserting ''; and''; and

(3) by adding at the end the following:

''(11) provides that any portion of the allotment to the State for each fiscal year that derives from funds made available under section 286(t)(2) of the Immigration and Nationality Act shall be expended for grants described in paragraph (2)(A) to students enrolled in a program of study leading to a degree in mathematics, computer science, or engineering.''.

(d) DEMONSTRATION PROGRAMS AND PROJECTS TO PROVIDE TECHNICAL SKILLS TRAINING FOR WORKERS.

(1) IN GENERAL.—Subject to paragraph (3), in establishing demonstration programs

under section 452(c) of the Job Training Partnership Act (29 U.S.C. 1732(c)), as in effect on the date of enactment of this Act, or demonstration programs or projects under a successor Federal law, the Secretary of Labor shall establish demonstration programs or projects to provide technical skills training for workers, including both employed and unemployed workers.

(2) GRANTS.—Subject to paragraph (3), the Secretary of Labor shall award grants to carry out the programs and projects described in paragraph (1) to—

(A)(i) private industry councils established under section 102 of the Job Training Partnership Act (29 U.S.C. 1512), as in effect on the date of enactment of this Act; or

(ii) local boards that will carry out such programs or projects through one-stop delivery systems established under a successor Federal law; or

(B) regional consortia of councils or local boards described in subparagraph (A).

(3) LIMITATION.—The Secretary of Labor shall establish programs and projects under paragraph (1), including awarding grants to carry out such programs and projects under paragraph (2), only with funds made available under section 286(t)(3) of the Immigration and Nationality Act, and not with funds made available under the Job Training Partnership Act or a successor Federal law.

SEC. 9. IMPROVING COUNT OF H–1B AND H–2B NONIMMIGRANTS.

(a) ENSURING ACCURATE COUNT.—The Attorney General shall take such steps as are necessary to maintain an accurate count of the number of aliens subject to the numerical limitations of section 214(g)(1) of the Immigration and Nationality Act who are issued visas or otherwise provided nonimmigrant status.

(b) REVISION OF PETITION FORMS.—The Attorney General shall take such steps as are necessary to revise the forms used for petitions for visas or nonimmigrant status under clause (i)(b) or (ii)(b) of section 101(a)(15)(H) of the Immigration and Nationality Act so as to ensure that the forms provide the Attorney General with sufficient information to permit the Attorney General accurately to count the number of aliens subject to the numerical limitations of section 214(g)(1) of such Act who are issued visas or otherwise provided nonimmigrant status.

(c) REPORTS.—Beginning with fiscal year 1999, the Attorney General shall provide to the Congress not less than 4 times per year a report on—

(1) the numbers of individuals who were issued visas or otherwise provided nonimmigrant status during the preceding 3–month period under section 101(a)(15)(H)(i)(b) of the Immigration and Nationality Act;

(2) the numbers of individuals who were issued visas or otherwise provided nonimmigrant status during the preceding 3–month period under section 101(a)(15)(H)(ii)(b) of such Act; and

(3) the countries of origin and occupations of, educational levels attained by, and total compensation (including the value of all wages, salary, bonuses, stock, stock options, and any other similar forms of remuneration) paid to, individuals issued visas or provided nonimmigrant status under such sections during such period.

SEC. 10. GAO STUDY AND REPORT ON AGE DISCRIMINATION IN THE INFORMATION TECHNOLOGY FIELD.

(a) STUDY.—The Comptroller General of the United States shall conduct a study assessing age discrimination in the information technology field. The study shall consider the following:

(1) The prevalence of age discrimination in the information technology workplace.

(2) The extent to which there is a difference, based on age, in promotion and advancement; working hours; telecommuting; salary; and stock options, bonuses, or other benefits.

(3) The relationship between rates of advancement, promotion, and compensation to experience, skill level, education, and age.

(4) Differences in skill level on the basis of age.

(b) REPORT.—Not later than October 1, 2000, the Comptroller General of the United States shall submit to the Committees on the Judiciary of the United States House of Representatives and the Senate a report containing the results of the study described in subsection (a). The report shall include any recommendations of the Comptroller General concerning age discrimination in the information technology field.

SEC. 11. GAO LABOR MARKET STUDY AND REPORT.

(a) STUDY.—The Comptroller General of the United States shall conduct a labor market study. The study shall investigate and analyze the following:

(1) The overall shortage of available workers in the high-technology, rapid-growth industries.

(2) The multiplier effect growth of high-technology industry on low-technology employment.

(3) The relative achievement rates of United States and foreign students in secondary school in a variety of subjects, including math, science, computer science, English, and history.

(4) The relative performance, by subject area, of United States and foreign students in postsecondary and graduate schools as compared to secondary schools.

(5) The labor market need for workers with information technology skills and the extent of the deficit of such workers to fill high-technology jobs during the 10–year period beginning on the date of the enactment of this Act.

(6) Future training and education needs of companies in the high-technology sector.

(7) Future training and education needs of United States students to ensure that their skills at various levels match the needs of the high-technology and information technology sectors.

(8) An analysis of which particular skill sets are in demand.

(9) The needs of the high-technology sector for foreign workers with specific skills.

(10) The potential benefits of postsecondary educational institutions, employers, and the United States economy from the entry of skilled professionals in the fields of engineering and science.

(11) The effect on the high-technology labor market of the downsizing of the defense sector, the increase in productivity in the computer industry, and the deployment of workers dedicated to the Year 2000 Project.

(b) REPORT.—Not later than October 1, 2000, the Comptroller General of the United States shall submit to the Committees on the Judiciary of the United States House of Representatives and the Senate a report containing the results of the study described in subsection (a).

SEC. 12. EFFECTIVE DATE.

The amendments made by this Act shall take effect on the date of the enactment of this Act and shall apply to applications filed with the Secretary of Labor on or after 30 days after the date of the enactment of this Act, except that the amendments made by section 2 shall apply to applications filed with such Secretary before, on, or after the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to House Resolution 513, the gentleman from North Carolina (Mr. WATT) and a Member opposed each will control 30 minutes.

The Chair recognizes the gentleman from North Carolina (Mr. WATT).

Mr. WATT of North Carolina. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I just point out to my colleagues that this has been an interesting debate up to this point, and my colleagues will see, if they have been listening to the debate, how difficult an issue this is. This is not a Republican issue. It is not a Democratic issue. There are some very difficult issues that we have had to address here, and I will just say to my colleagues that, in addressing those issues, the Committee on the Judiciary took every single point that was made in the general debate into account.

There are people in the general debate who are saying we should not have an H–1B program at all because we got enough American workers here in our country to meet the need. There are people who said we ought to increase it a lot more than we increase it in either this bill or in my substitute. There are people who are all over the waterfront on this issue, and we tried to take every single view into account as we went through the process.

Now listen to what the committee report says. This is the committee report in support of the bill which I am offering as my substitute which ought to be on the floor because it passed the Committee on the Judiciary by a vote of 23 to 4. This is what the committee report says. It says, it is in the Nation's interest that the quota for H–1B aliens be temporarily raised. First, unless Congress acts, employers will not be able to employ new H–1B nonimmigrants until the beginning of the next fiscal year.

The committee report then goes on to say, the committee recognizes that the evidence for such a shortage is inconclusive. There are people out there who are saying there is no shortage of high-tech workers. There are people who are saying there is a major shortage of high-tech workers, and we, in our committee report, acknowledge that we could not decide that one way or another.

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Then the committee report says, however, the increase in the H–1B quota should be of relatively brief duration; there will be a bumper crop of American college graduates skilled in computer science beginning in the summer of 2001.

Now, we acknowledge that if there is a shortage, it is a temporary shortage of high skilled workers, and we ought to respond to that shortage by increasing the number on a temporary basis. And that is exactly what the committee's bill does, the one that I am offering instead of my chairman defending the committee's bill, I am here offering on the floor, defending the committee's position.

Now, what does our bill do? What does our bill do? It temporarily increases the number of H–1B visas until the year 2000 under our bill, because we recognize that this was a temporary problem that we were trying to address. So our plan was to increase it from 65,000 to 95,000 workers for fiscal year 1998, to 105,000 for the year 1999, and to 115,000 for the year 2000. And then we were going to go back to the current level of 65,000, because we had evidence that said in 2001 we are going to have a bumper crop of students coming out of school in these fields and we will not need this increase anymore. That is why we passed the bill the way we passed it out of our committee.

So now you have a choice between a bill that we had hearings on, that documented, to some extent, the need for it. We acknowledged that there might be a need for it and increased the numbers until the year 2000, but not to 2001, like the bill we have on the floor today. The bill we have on the floor goes to 115,000 for 1999, 115,000 for 2000 and 107,500 for the year 2001, when we have in our record documentation that there is going to be a bumper crop of American students coming out, and it is in our report.

So, you have got a choice: Do you take our efforts that we worked so hard in the committee on and passed, 23 to 4, to address this issue, or do you take something that somebody pulled out of the sky, where I do not know where the figures came from, I still do not know, and nobody will be able to tell us.

Now, we had evidence before the committee that said this program is being abused, and we took steps in the committee's bill to address the abuse in the process.

Our bill, the substitute which is being offered here today, requires all employers to attest that they have not laid off or otherwise displaced a U.S. worker who has substantially equivalent qualifications, and that they will only place the foreign worker that comes in under the program with another employer who has also attested to this. You cannot either bring in a person for your own benefit or for another employer unless you have attested that you are not going to lay off a U.S. worker. Now, is that unreasonable? There is not a person in this chamber who could say that that is unreasonable, if we are going to fulfill our minimum obligation to U.S. employees.

Yet the bill we are voting on today does not apply that requirement to all employers. What it says is some convoluted formula, if you are under 25,000 employees, then you have to attest; under 25,000 to 50,000, you have to do another kind of attestation. It makes no sense. We had attestation that 23 Members of the Committee on the Judiciary said was a good way to protect against abuses, and we are throwing it in the trash can, unless we adopt the substitute that is on the floor today.

The third thing our bill does is that it requires that all employers attest that they have in good faith taken timely and significant steps to recruit and retain sufficient U.S. workers in the specialty occupation for which the foreign workers are sought.

That is not an unreasonable requirement. All we are saying is do not go and bring a foreign worker into the United States unless you have in good faith taken some steps to try to recruit U.S. workers. That is why all of these people are coming to the floor today and saying to us, well, in my part of the country, people are being laid off.

If there are laid off people in Michigan and there is a need in California, my goodness, we ought to request the employer to go to Michigan before we send them to India. That is all we are saying, and that is all the attestation would do. And it applies to all employers again, just like it should apply to all employers.

Now, there is something in our bill, because we did not have all the facts, that required a study to be done by GAO to determine what impact this is having.

I do not know whether they put that in their new bill or not, but I do not see anything about the GAO in the draft of the bill that I got late last night in the CONGRESSIONAL RECORD in the fine print. So maybe they will tell me that that is in their bill too. But at least we ought to during this three or four year period document whether there is a shortage or is not a shortage, and our substitute does that, the bill that passed the Committee on the Judiciary, which I, a minority member of the committee, has to come to the floor and defend the committee's work product. That ought not be the case.

We had a good bill. We passed it 23 to 4, bipartisan support, broad based support. It addressed the issues. It was not protectionist. It acknowledged that we had a problem. But we have got to do it in a way that is fair to the American workers.

Mr. Speaker, I ask all of my colleagues to search their heart and vote for this bipartisan substitute that came out of the Committee on the Judiciary by a 23 to 4 vote; not a bill that we have been sent over here from the Senate that has nothing in it that really supports the findings that we made as a committee in this House of Representatives.

Mr. Speaker, I reserve the balance of my time.

Mr. SMITH of Texas. Mr. Speaker, I oppose the amendment offered by my colleague, the gentleman from North Carolina (Mr. WATT).

The SPEAKER pro tempore (Mr. SHIMKUS). The gentleman from Texas is recognized for 30 minutes.

Mr. SMITH of Texas. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the bill we are considering on the floor today represents a good faith compromise between differing H–1B measures, one passed by the Senate and one passed by the House Committee on the Judiciary. It is not perfect, but compromises seldom are.

What the bill does do is take a middle role between varying viewpoints as to the H–1B visa program. The H–1B program is being abused by firms known as job shops or job contractors. These companies do not bring in a few H–1B aliens a year to plug skill gaps in their work forces. Instead, many, and sometimes all, of their personnel are in fact H–1B workers.

Job contractors make no pretense of looking for American workers. They are in the business of contracting out their H–1Bs to other companies. The companies to which the H–1Bs are contracted benefit by paying wages to the H–1Bs often well below what comparable Americans would receive. In order to achieve this benefit, they have been known to lay off American workers and replace them with H–1B foreign workers from job contractors.

In order to stem this abuse, H.R. 3736 requires job contractors, defined as companies where 15 percent or more of the workforce is composed of H–1Bs, to make good faith efforts to recruit American workers, to not lay off Americans and replace them with foreign workers, and to not contract H–1Bs to other companies who use them to replace other American workers.

If we are to have an increase in the H–1B quotas and protect American workers at the same time, it will be through H.R. 3736, and not the Watt amendment.

Mr. Speaker, I urge my colleagues to vote against this amendment.

I also want to make a final point: You might get the impression from listening to some of the opponents of the bill and to some of the proponents of the Watts substitute that there is nothing in the bill to protect American workers. The opposite is true. We are going to protect American workers, and, in fact, we are going to target the companies that have in fact been the abusers in the past. So there are lots of protections for the American workers in the bill. That will continue, that is in the compromise.

Mr. Speaker, I yield four minutes to my friend the gentleman from Utah (Mr. CANNON), who is also a member of the Subcommittee on Immigration and Claims.

Mr. CANNON. Mr. Speaker, I thank the subcommittee chairman, for yielding me time.

Mr. Speaker, I rise today in opposition to the Watt amendment in the nature of a substitute to H.R. 3736, the Workforce Improvement and Protection Act. The H–1B program is critical to our Nation, and, in particular, to the state of Utah, which I represent. The engine driving American productivity has performed well beyond anyone's expectations over the past several years, and I am sure we all realize how much of this performance is due to the contribution made by the high-tech sector

and its commitment to research, development, innovation and achievement.

So today we must make a choice that is critical to this engine of American productivity. We must decide whether this engine will continue to have fuel to run on, because that is what we are talking about here. Our high-tech sector cannot function without the high skilled individuals employed to generate that productivity, and voting in favor of this substitute would effectively put a stop to this productivity.

At the same time, I am pleased that a compromise has been reached that safeguards productivity while it, for example, generates additional private sector funds for scholarships for American students in the fields of mathematics, computer science and engineering.

The compromise will build our investment in American students and workers, will sustain our high-tech sector, and will allow America to remain the global economic leader it is today. I voted ''no'' during the markup of an earlier version of this language in the Committee on the Judiciary several months ago, for the same reasons I urge Members to vote against it today.

Mr. WATT of North Carolina. Mr. Speaker, I yield three minutes to the gentleman from California (Mr. BERMAN), a cosponsor of the substitute.

Mr. BERMAN. Mr. Speaker, I rise in support of the substitute sponsored by the ranking member of our subcommittee and the gentleman from Pennsylvania, as well as myself.

Here is where I come from: I buy into a lot of the arguments of the proponents of the bill. One, in a global economy, we want our companies to be competitive. That includes making sure they are able to hire workers with the skills necessary for them to be as competitive as they can be, because it is our competitive edge which will help us in the future.

I come from a very strong background of believing in immigration, believing immigration is good for this country, believing immigration based on family relationships and employer sponsorships are both important and that those immigrants contribute a great deal to our economy and to our social fabric and to our culture.

I also accept the premise that probably at this particular time we need substantial additional visas for H–1B, for temporary nonimmigrant workers who have specific skills. I just think that to say that huge numbers of the employers who will utilize these H–1B workers do not have to go through a basic meaningful process of recruitment and do not have any meaningful constraints on their ability to displace a U.S. worker in order to bring in a temporary nonimmigrant visa is wrong fundamentally, and, moreover, will in the long term undermine America's willingness to accept immigration under these grounds.

□ 1700

So I think the substitute, which provides a meaningful attestation requirement, is a compelling help to this particular legislation.

The way this is written, a company that employs 5,000 people but has only 600 H–1B workers would not be obligated to provide any of the attestation requirements, because it would not meet the definition of an H–1B-dependent company.

That makes no sense to me. This is not an amendment that simply excludes small employers, not that they should not have the same obligations, anyway, but we can talk about the Department of Labor, paperwork burdens, and things like this. We could be talking about some enormous employers with substantial numbers of H–1B employees who will not be required to have enforceable obligations to recruit domestically first, or to agree not to displace U.S. workers with people filling these nonimmigrant visas, these H–1B visas.

I urge support for the substitute. I congratulate our ranking member for his preparing of this amendment, and I urge its adoption.

Mr. WATT of North Carolina. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. MILLER).

Mr. MILLER of California. Mr. Speaker, I thank the gentleman for yielding me the time.

Mr. Speaker, I rise in support of the substitute of the gentleman from North Carolina (Mr. WATT) and the gentleman from California (Mr. BERMAN) to the legislation pending before us.

I do so because of many of the points that the two authors of this substitute have pointed out. When we read the committee report, we see the documented concerns that have been raised both about age discrimination, about displacement, about unemployment in various regions of the country, and the overdefining of some of these jobs, and I think that it is incumbent that we ask employers to make the kinds of efforts necessary to make sure that in fact these jobs cannot be filled from United States citizens before we go overseas to look for them.

I, like the proponents of this legislation, also accept the notion that there are in many instances jobs that cannot be filled from the domestic work force, for one reason or another, and it may be temporary in some cases, or what appears to be permanent when we consider the rapidity of change within these industries.

But not all of these jobs are the narrow band of jobs on the cutting edge where, in many instances, those individuals do not exist within the American work force, and we ought to make sure that, therefore, we can go overseas and recruit those individuals and bring them here to help companies remain in the competitive position.

But many of the other jobs in fact are available, but they may not be available in that immediate geographic region. It ought to be incumbent on people to go out and to see and recruit individuals that can fill those jobs, either because they have been laid off of their jobs in another region of this country, or they can be readily retrained for those jobs that these employers are looking for.

For that reason, I believe that the substitute is a preferable work product in assuring that we make sure that American citizens who are looking for work, who have these skills, are in fact considered first, because that really is the obligation that these companies should have. If they are not available, then we ought to make sure that we also provide a vehicle so those people can be brought into the work force. Again, I support the substitute.

Mr. WATT of North Carolina. Mr. Speaker, I yield 2½ minutes to the gentleman from California (Mr. BROWN).

(Mr. BROWN of California asked and was given permission to revise and extend his remarks.)

Mr. BROWN of California. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I rise to support the substitute to H.R. 3736 prepared by my colleagues from North Carolina, California, and Pennsylvania. I have already expressed my skepticism about the claims of a shortage. I would like to turn here to the protection for U.S. workers.

The Republican proposal is carefully crafted to apply only to companies that we call ''body shops.'' It would allow most American firms who use H–1Bs to avoid scrutiny by the Department of Labor. The Watt substitute requires all companies using H–1Bs to attest that they have sought an American employee, and that they have not laid off an American in order to take on the H–1B employee.

In the Republican bill, the protection against layoffs only applies if the body shop knows or should have known that the ultimate employer was going to lay off the American worker. If I am an American worker, that does not fill me with confidence.

The Department of Labor has been hampered in enforcing the H–1B program because only H–1B visa holders could initiate complaints. The Republicans claim that the Department receives authority to investigate based on specific credible information of violation. What is not said is that the Secretary must first ''* * *provide notice to allow the employer to respond before the investigation is initiated, unless the Secretary determines it would interfere with compliance.''

In practice, we know the Secretary has few resources to investigate violations now, and the Department can expect to find employers objecting to investigations as soon as the Department informs them that one is being considered. It should also be noted that the increased protections provided by the Republican substitute last only as long as the increase in visa numbers continues. The Watt substitute permanently protects U.S. workers.

I noted earlier that the claim of a shortage is not well supported by the evidence. The Republicans think they have made a great concession by shrinking their bill from 5 years to 3 years, but with substantial increases in the numbers. The Watt substitute provides a smaller increase. I prefer this more limited intervention in the labor market.

Our colleague, the gentleman from Texas (Mr. SMITH) worked hard to produce a bipartisan consensus in the Committee on the Judiciary. The Watt substitute embodies the fruits of his labor. I believe the House would do better to vote for the Watt substitute.

Mr. WATT of North Carolina. Mr. Speaker, I yield 3 minutes to the gentlewoman from Texas (Ms. JACKSON-LEE).

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the ranking member for yielding time to me, I thank him for his leadership, and I thank my good friend, the gentleman from Texas, for working on this very difficult issue.

Frankly, in my district I get immigrants who are speaking of those they have left behind, and are certainly concerned that this country might be seen as closing the doors to those who seek to come and work. At the same time, I get many of those who are in this country, who are born in this country, who express a great degree of concern about losing their jobs and opportunities.

Where reasonable men and women can agree, that is what we should be doing in the United States House of Representatives. Adversarial positions, where we can agree, do nothing to help America and to move forward.

I think the gentleman from Texas (Mr. SMITH) is an obviously reasonable person, not only because he comes from the State of Texas, but I know where he went to undergraduate college, so I know where his background leads him, and I know he is a reasonable man.

With that in mind, I think it is extremely appropriate that we support the Watt-Berman-Klink bill. Just look at that, New York, Pennsylvania, and California. Can we get any more American, talking about how can we can resolve this question?

I think it is extremely important that we insist that employers attest to the fact that they have not laid off or otherwise displaced a U.S. worker who has a substantially equivalent qualification, and that they will only place the foreign worker with another employer who has also attested to do this.

Do Members realize that there are thousands of middle-aged, and I know they would not want us to call them that, engineers who are unemployed? Do Members realize that 650,000 Americans get Bachelor's of Science degrees in science and engineering, and 120,000 master's degrees? Do Members recall that Bill Gates never finished college, and organized Microsoft?

Frankly, we need this amendment, because it allows $500 for a training fee on such H–1B visas to be applied to train and retain American workers. The legislation will also provide for a more accurate account of foreign workers and GAO studies of the high technology labor market.

Mr. Speaker, we can do this together. There is no reason why we should leave these chambers and not protect American workers. There is no reason why we should not train those who can be trained. There is no reason why we should not hire our middle-aged, if you will, engineers who need jobs.

Frankly, let me say to the computer industry, there is no reason why they should not be going into the inner city and hiring minorities and women. They have a very poor record of that, of which I look forward to convening a meeting with the computer industry to tell me, who are they hiring in this country? Are they hiring women? Are they promoting people? Are they bringing back engineers who have been displaced?

We can work this out together. This is not an adversarial posture. Yes, America stands for opening its doors of opportunity to those who would come legally. Let us not close the door on them. But at the same time, we owe an obligation to protect Americans who are unemployed, underemployed, and who want an opportunity, 650,000 getting degrees in science and math, and 120,000 with master's degrees.

I think this amendment is the right and fair way to go. I ask for reasonable men and women to join me on this.

Mr. SPEAKER. I thank the gentleman for yielding me time and for the opportunity to speak on this bill. Although it is true that in recent years, the high tech industry has fueled enormous growth in the United States and has benefitted the corporate information technology industry, I have some serious concerns about wholeheartedly supporting H.R. 3736 for several reasons.

H.R. 3736 seems to speak to the need for more skilled workers to move into highly paid jobs in the high tech/information technology industry. Yet, there are more complex issues that should not be overlooked. currently highly skilled foreign workers are unable to obtain a H1–B visa and work for U.S. industry.

The cap on such highly skilled position visas was met in May of this year, and this bill proposes to increase the number of processable visas, by 30,000 for 1998, 40,000 for 1999, and 50,000 for the year 2000. Although on its face, these increases may seem as if they are a positive move for our country's technological industry, there are several issues regarding the provisions of this bill which we must consider.

For example, what about increasing resources for training U.S. workers for these high tech jobs? Currently there are thousands of middle age engineers who are unemployed. There have been recent studies which indicate that the industry only hires about 2% of all of those applying for programmer positions.

Is there really a shortage of high tech workers in America? I am also concerned that although the H1–B visa program was originally designed to bring in highly skilled workers it has been used for other less ethical purposes. A little over two years ago the high technology industry was laying off U.S. computer programmers by the hundreds and replacing them with cheaper foreign workers. High Tech management told us that Americans were being paid too much and that temporary foreign workers should be used to keep wages down, lest companies should move abroad!

Every year, this country produces 650,000 bachelor degrees in science and engineering and 120,000 masters degrees! And let's not forget that even degrees aren't absolutely necessary to train talented and motivated U.S. workers.

Remember, Bill Gates dropped out of College and THEN created Microsoft! Right now, our most highly skilled, sought after, domestic technology workers have realized just how valuable they are to high tech Corporate America, and the industry is unwilling to pay these workers the high wages they are demanding!

Mr. Speaker, I am urging my colleagues to vote for the Watt-Berman-Klink substitute. Although it is true that in recent years, the high tech industry has fueled enormous growth in the United States and has benefitted the corporate information technology industry, I have some serious concerns about wholeheartedly supporting H.R. 3736 for several reasons.

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technology workers have realized just how valuable they are to high tech Corporate America, and the industry is unwilling to pay the workers the high wages they are demanding!

For the above reasons, I am urging my colleagues to vote for the Watt-Berman-Klink substitute. Some of the most important changes in the Watt Berman legislation require employers to attest that they have not laid off or otherwise displaced a U.S. worker who has substantially equivalent qualifications, and that they will only place the foreign worker with another employer who has also attested to this. In addition, the Watt-Berman substitute will provide $500 for a training fee on each H–1B visa applied for to train and retrain American workers. This legislation will also provide for a more accurate count of foreign workers and GAO studies of the high technology labor market.

I believe that the growing workforce of our country and the strength and growth of the high tech industry in particular can be met most effectively by fully developing the skills of our own U.S. workers. In fact, the hidden blessing in the current high demand market for certain technical specialties is that it should encourage us to retrain displaced workers, attract underrepresented women and minorities, better educate our young people and recommission willing and able older workers who have been forced out of their work.

Increased immigration should it be allowed, should be considered a complement to our industries, not a substitute for U.S. workers.

PARLIAMENTARY INQUIRY

Mr. WATT of North Carolina. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore (Mr. SHIMKUS). The gentleman will state it.

Mr. WATT of North Carolina. Mr. Speaker, could the Speaker advise us as to who has the right to close, and why?

The SPEAKER pro tempore. As a member of the committee controlling time in the opposition, the manager of the bill, the gentleman from Texas (Mr. SMITH), has the right to close.

Mr. WATT of North Carolina. The gentleman from Texas (Mr. SMITH) has the right to close?

The SPEAKER pro tempore. That is correct.

Mr. WATT of North Carolina. Mr. Speaker, I yield myself 1½ minutes.

Mr. Speaker, before I yield to the final speaker to close debate, the gentleman from Pennsylvania (Mr. KLINK), I just wanted to spend a minute or two, or less than a minute or two, really, saying that I understand the predicament that the chairman of my subcommittee is in. I suspect he would rather be supporting my substitute than the bill that he is on the floor with, so I do not envy his position.

He has worked hard on this bill, and to kind of show Members how interesting this is, we had to get a special ruling from the Chair to determine who has the right to close this debate, because the bill that came out of our committee, except in one respect, is the same bill that I am offering as a substitute. This is a very unusual process.

The bill that I am offering as a substitute is a bill that passed our committee by a vote of 23 to 4, and here I am, defending the committee's bill. So I want to just empathize with my friend, the gentleman from Texas. He has gotten a bill shoved down his throat, just like we are having a bill shoved down our throats, but we are the House. We have the right to stand up and vote against the Senate's bill and support our own bill. That is what I hope my colleagues will do.

Mr. Speaker, I yield the balance of our time to the gentleman from Pennsylvania (Mr. KLINK), the cosponsor of this substitute.

The SPEAKER pro tempore. The gentleman from Pennsylvania (Mr. KLINK) is recognized for 6 minutes.

Mr. KLINK. Mr. Speaker, I thank the gentleman for yielding time to me. It has been a pleasure to work with him on this. I hope we are successful in our substitute. I also want to again laud the gentleman from Texas (Mr. SMITH) for working with us.

I just want to just draw the attention of the Members to a Dear Colleague that was sent out on June 18 by my friend, the gentleman from Texas (Mr. SMITH) and the gentleman from California (Mr. ELTON GALLEGLY).

They pointed out what I thought was a very important point, and that is that during the time that all of these information technology companies were in fact telling us how much of a shortage there was of workers in the workplace, they were laying off workers by the hundreds of thousands.

Silicon Graphics laid off 1,000; Xerox laid off 9,000; Seagate Technologies, 10,000; Intel 4,000; National Semiconductor, 1,000; Hewlett Packard, 1,000; Boeing, 12,000 workers. Do they mean that they were so so stupid they could not be reeducated or retrained to take other jobs?

Kodak laid off 19,000 workers; AT&T, 18,000 workers laid off; Ameritech, 5,000 workers laid off; Motorola, 16,500 workers laid off; and on and on and on we go. I could read many more. In fact, the final number by the end of August that we have is 208,558 workers, that is that we know about.

If this was on the legitimate, this whole argument about not liking the substitute, our friends in industry would not have disagreed so much with attesting to the fact that they could not find American workers, or that they were not firing American workers.

□ 1715

See, the fact of the matter is that if they really are searching for Americans for these jobs, or if they are not displacing an American worker, then they should not have any difficulty then attesting to that fact in order to get H–1B visas. But the industry has been screaming about the attestation.

The committee's own report says that ''it is imperative that we build into the H–1B program adequate protection for U.S. workers.'' Continuing to quote from the report from the committee in the House, ''the most simple, most basic protection that can be given to any American worker is a guarantee that he or she will not be fired by an employer and replaced by a foreign worker. More broadly stated, an employer should not in the same instance fire an American worker and bring on a foreign worker when the American worker is well-qualified to do the work intended for the foreign worker. The H–1B program currently contains no such guarantee.''

The underlying bill that we are trying to substitute provides protection for only a small percentage, about 1 percent, of the H–1B workers that are going to be brought into this country. This substitute has that attestation provision for all of those workers and that, in fact, is the difference.

Mr. Speaker, I want to get into speaking for some of the workers who are not here to speak for themselves.

Mr. BECERRA. Mr. Speaker, will the gentleman yield?

Mr. KLINK. I yield to the gentleman from California, my friend.

Mr. BECERRA. Mr. Speaker, I thank the gentleman from Pennsylvania (Mr. KLINK) for yielding me a bit of his time.

I just wanted to come down and say that as much as I would love to be able to support the underlying bill, having a large number of firms that are in desperate need of workers to fill high-tech, high-paying jobs, it is difficult to stand here and not be able to support the bill unless we have the Watt amendment, which is the committee's bill.

It is such a frustrating thing to stand here knowing that this committee passed a bill out for House consideration, a full vote of the House, and we cannot get Members who supported it in committee to now support what they voted out of committee. That would be something a number of us would be willing to support. Unfortunately, now we have to try to get it into the bill that is being debated here through an amendment.

The problem I see with the underlying bill without the Watt amendment accepted is that we restrict the application of this visa category to only a small percentage of all the employers who are going to be out there seeking these employees from foreign countries, which means that we are going to have a vast number of companies that will be able to skirt the law, bring in foreign workers, and deny American workers the opportunity to get good-paying jobs. That is not fair, that is not reasonable, and I think most people here know that I am one who is generally pro-immigration that is fair and reasonable.

Mr. Speaker, if we did more to make sure that the workforce of the future that we grow by ourselves in our country could meet the needs of these firms, that would be great. But I understand the need temporarily for these firms immediately.

I wish I could support this; I cannot without the Watt amendment. I hope

everyone here will vote for the Watt amendment, which is in fact the committee's bill. Then we could get good support out of this House and hopefully get it to the President's desk. But without the Watt amendment, I would hope everyone would vote against this bill.

Mr. KLINK. Mr. Speaker, reclaiming my time, that seemed like an adequate 60 seconds. I thank the gentleman from California for what he was able to fit into that time.

Mr. Speaker, let me speak for those workers out there. We have no definitive evidence that there is a shortage. And if those 208,000 people have been laid off, can they not be retrained? I want to talk about a research faculty member from Texas who wrote me to say, ''I train international students to qualify for H–1B and other work visas. I would like to know, however, why these companies show no interest in hiring me.''

How about Linda Killcrese of Dover, New Jersey, who said, ''In my own case, all information technology staff were fired by American International Group and replaced by a body shop.''

Mr. Speaker, we have workers after workers who complain that they have jobs, and at $500 a job we are selling away the future of American workers.

Mr. SMITH of Texas. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, much has been made in the last few minutes about the need to support the Watt substitute because it is the committee bill. I will look forward to the enthusiastic support of my friends on the other side of the aisle on future committee bills commensurate with their support of the Watt substitute tonight.

Mr. Speaker, I want to repeat again that the underlying bill has the support of both the Republican leadership and the administration. And the reason it has garnered such bipartisan support is because it does target companies that have historically been the abusers of the H–1B program. It does target companies who in the past have not hired American workers when they should have, and it targets companies that in the past may have fired American workers and replaced them with foreign workers.

In addition to that, it also provides the needed high-tech employees for our high-tech companies which will generate more jobs in the economy and help our economy continue to expand.

So, Mr. Speaker, I do want to encourage my colleagues to vote against the Watt amendment and vote for the underlying bill.

Mr. Speaker, I yield such time as he may consume to the professor from Stanford Law School, the gentleman from California (Mr. CAMPBELL).

Mr. CAMPBELL. Mr. Speaker, I thank the gentleman from Texas for yielding me this time, and I welcome him to my class any time he pays the tuition.

Mr. Speaker, I wish to note with recognition of the great effort of my friend, the gentleman from North Carolina (Mr. WATT). I do understand what he is offering. I respect him and his thinking. I am impressed by it.

I also wish to recognize what a remarkable job the gentleman from Texas (Mr. SMITH), the subcommittee chairman, has done along the lines very much of the gentleman from North Carolina's comments: I know LAMAR SMITH, LAMAR SMITH is a friend of mine, and he has gone farther than perhaps he wished to go. I know how far he has gone in order to bring a bill to the floor that will meet the approval of a majority of this body and the President of the United States. My credit to both of these fine gentlemen.

Mr. Speaker, there are two differences between the Watt substitute and the underlying Smith version. One has received a lot of attention, the attestation requirement, and I will have a word about that in a second. But the first has not, and that is that there is a difference in the Watt substitute in that the increased H–1Bs come from H–2Bs, so that the net number of temporary immigrant visas will not increase. Whereas, under the Smith bill, the H–1Bs are a net increase.

So, we really have two differences and they are quite significant. If we believe that it is beneficial to our country to have a net increase in the number of temporary visas, then only the Smith bill provides for that.

As to the attestation requirement, the arguments that have been made are in my judgment missing the fundamental point that we are speaking of a temporary position. That is why we do not have an attestation requirement in existing law for an H–1B visa. See, if we are hiring somebody to come to this country on a permanent basis, that is a green card. And for a green card, an attestation requirement is needed and that is in existing law. That is because they are coming to this country and are going to be a member of our economy on a permanent basis.

But the whole idea of the H–1B and the H–2B is that it is a temporary invitation to this country for a task that needs someone now. That is why the attestation requirement runs into such opposition in many industries, because the need now to go through the attestation requirement delays the ability to fill that need now. That is why existing law does not have an attestation requirement for the H–1B visa.

We would, for the first time, be imposing into law an H–1B attestation requirement, and that is quite a move towards those who have expressed, with all good faith, concern for protecting the jobs of the American worker.

Indeed, the best way, it seems to me, to protect it is job of the American worker is to guarantee a vibrant economy with a growing sector that relies upon the H–1B and permanent immigrants and American citizens.

That is my second main point. It is essential that we remain competitive. If as a result of what we do today we have fewer temporary immigrant laborers hired, but we lose the opportunity for the person necessary to the immediate job at hand to come to this country, we will have lost a great deal. For the immediate need is exactly the competitive edge, and then that technology, that opportunity, will very well go to another country which does have the ability to hire the temporary worker without the delay of the attestation requirement.

So, I observe that under existing law we do not have an attestation requirement, and for a very good reason. I observe that we do have an attestation requirement, however, for permanent workers and I observe that the Smith version of the bill has an attestation requirement where there is reason to expect it. Namely, where there is a reliance upon the imported, the H–1B imported laborer above the 15 percent.

Mr. LAZIO of New York. Mr. Chairman, will the gentleman yield?

Mr. CAMPBELL. I yield to the gentleman from California.

Mr. LAZIO of New York. Mr. Speaker, I thank the gentleman from California for yielding, and I thank the gentleman from Texas (Mr. SMITH) for his great work on behalf of high-tech companies and workers throughout this country.

Mr. Speaker, I would just like to offer my support for this bill as well from somebody who represents an area that has transitioned from a particularly defense-laden economy to one that has a much more diversified economy. It is now struggling to continue to break free to add employment to what is increasingly a biotech and high-tech economic base.

This bill strikes the right balance between promoting the growth of the high-tech companies that are so important to the future of this country and the need to keep American workers educated, trained, and fully employed.

Just last month, I would say to the gentleman from California, I met with a large group of high-tech executives from my district. They repeated a concern that I have heard time and time again that Long Island does not have enough workers with the unique skills that they need today. Our schools are not producing enough engineering graduates, they told me, and high schools do not concentrate enough effort on the technological education that will provide the core technological skills our students need.

This is something we all want. We need to address these problems on both a long-term and short-term basis. This compromise reflects this reality.

H–1B visa holders bring unique skills to American companies help U.S. businesses access foreign markets, provide training to American workers about foreign markets, and help fill temporary worker shortages.

Clearly, the long-term answer is to be sure that American students and workers are prepared to fill these good

jobs permanently. But this bill provides 10,000 scholarships a year for low-income students in math, engineering and computer science. Equally important, it provides training for many thousands of American workers through the Jobs Partnership Act. These programs will be paid for by the companies that benefit from the H–1B visa program, and not by taxpayers.

The bill protects our workers today with three types of layoff protections, including requiring those companies most likely to abuse the program to attest that they are not laying off an American employee to hire an H–1B employee. The bill even provides a $35,000 fine for violations.

For the short term, while we are helping to train and educate American workers and students, we provide a temporary 3-year increase in the number of H–1B visas. Mr. Speaker, I urge my colleagues to take advantage of this opportunity to promote our high-tech companies and help our workers now and in the future.

I urge my colleagues to look at this as a two-pronged strategy of looking to the short-term to insure growth in our most promising industries and also insuring a continuing supply of students with the type of technological and educational backgrounds to make that happen.

Mr. Speaker, I thank the gentleman from California (Mr. CAMPBELL) for yielding this time to me, I know it is precious time, to allow me to make these remarks.

Mr. CAMPBELL. Mr. Speaker, reclaiming my time, I thank the gentleman from New York (Mr. LAZIO) for his insightful remarks and courtesy.

Mr. SHAYS. Mr. Speaker, will the gentleman yield?

Mr. CAMPBELL. I yield to the gentleman from Connecticut.

Mr. SHAYS. Mr. Speaker, I thank the gentleman from California (Mr. CAMPBELL) for his helpful and enlightening comments, and to follow the gentleman from New York (Mr. LAZIO), because he really said exactly what I would like to say. In fact, he said in just a few minutes what would probably take me 10 minutes to say.

So, Mr. Speaker, I will simply associate my comments to those of the gentleman from New York and the gentleman from California. I also wish to thank the gentleman from Texas (Mr. SMITH) for his outstanding efforts in bringing this legislation to the floor.

Mr. Speaker, I have been a strong opponent of illegal immigration. I think we need to do a better job of cracking down on illegal immigration. At the same time, I think it is imperative that in certain areas we increase legal immigration, particularly in the areas where other jobs are related. I believe by bringing in people with high-tech skills, we help create more jobs in the United States for American workers.

Mr. CAMPBELL. Mr. Speaker, again reclaiming my time, I have been informed by the subcommittee chairman that the distinguished ranking minority member may wish to speak, and that it would be courteous to allow him to do so.

Mr. Speaker, I yield to the gentleman from North Carolina (Mr. WATT), my good friend.

□ 1730

Mr. WATT of North Carolina. I thank the gentleman for yielding to me.

Mr. Speaker, I think the reason he wanted to yield to me was that he had represented that he was on his final speaker, and he did not want it to look like he had misrepresented. I understand that other Members came to the floor after that. He probably also wants me to speak in favor of my substitute again, but I will not take advantage of his generosity.

Mr. CAMPBELL. Mr. Speaker, it just adds to my admiration for the gentleman from North Carolina, his candor.

I yield to the gentleman from Ohio (Mr. BOEHNER).

Mr. BOEHNER. Mr. Speaker, I want to congratulate our good friend, the gentleman from Texas (Mr. SMITH) who has labored with this bill along with other Members over the course of this year. And although the gentleman from North Carolina has a worthy alternative, I think that the bill we have before us is an agreed-upon bill between the House and the Senate and the administration. It is time to move this issue forward.

There are probably a lot of people in America who wonder why we have guest workers, why we would bring these special H–1B workers in. I think it is important to note that over the last 18 to 20 years, the American economy has grown to be the most competitive economy in the world. If Members will recall, in the late 1970s and early 1980s, we were losing quickly our ability to compete.

What has happened over the last 18 to 20 years is America, because of the information age, because of the advent of new technology, has really become the most competitive Nation on the earth. The only problem is, our workers, a lot of them, we do not have enough to fill these very highly skilled positions. That is why we have this temporary guest worker program.

While I support the program, I support what we are doing here, we also have to keep in mind that we need to do a better job of making sure that we have the educational resources and the options available for U.S. citizens to gain the skills and gain the education to fill these positions long-term. That is why in this bill there is some additional money for training and education. But I think it causes us to take a moment to think about the bigger picture of what has to happen in our country.

Tomorrow, hopefully, we will have the Higher Education Reauthorization Act on the floor of the House that will, again, show the American people our commitment to broadening higher education and the availability of it for all Americans, because long-term we have the skills and the ability to fill these jobs ourselves if, in fact, we make that commitment to them.

In the meantime, we need this to maintain our competitiveness. It is the right thing to do. The gentleman from Texas really does deserve a big pat on the back for laboring through a lot of slings and arrows from a lot of different directions over the course of this year.

Mr. CAMPBELL. Mr. Speaker, in brief recital of where I was before, I was equally surprised at the additional speakers. I had made the point that the Smith version gives us a net increase in temporary worker visas, the Watt substitute does not; that it is important to have temporary visas so that people needed for an immediate job can get into that job without the delay of attestation.

But a very fundamental point has been raised by my friends on the other side saying that there have been layoffs and what sort of compassion do we have for American workers who have been laid off. I have a great degree of compassion. I hear them at every town hall meeting in my district which is a high technology district. But the Smith substitute, I think, cuts the compromise just about right.

It realizes that the people who are laid off in categories are different from the categories where the H–1B visas are being hired. They are simply not the same. In high technology terms, the layoffs tend to be in the fabrication side, and the H–1Bs tend to be in the engineering side. That is exactly where we need to be importing, for temporary engineering purposes, that brainpower that might otherwise go to one of our competitor countries.

The Smith substitute makes that cut perhaps roughly at 15 percent. Nevertheless it makes exactly the cut that we ought to between those are truly job shops and should be subject to an attestation requirement and should be subject to heightened Department of Labor scrutiny, because they are taking jobs away from Americans, and those legitimate American employers who need a temporary visa for someone to come in and provide the technological expertise that otherwise will diminish our competitive position.

I close by observing that the economic benefit is as important as the preservation of the existing jobs. The first being new growth for new jobs; the second being the preservation of existing. Without the H–1B, we will not, I think, be able to guarantee the growth of new jobs. Important as preserving the existing jobs are, we must do both. The Smith substitute recognizes both of those.

A former constituent of mine, Andy Grove, came to this country as an immigrant. He founded Intel Corporation and he was Time magazine's Man of the Year. This is the kind of talent that I

would wish to come to our country rather, in Andy Grove's case, than stay in Europe.

At the end of this debate, this is only the first step. We must do far more to retrain American workers. I strongly support the provision in the Smith alternative that every H–1B visa employer pay $500 that goes into a retraining and education fund for Americans so that they do not lose this opportunity in the long run. But even that is not enough.

Legislation of my own supports a double deduction for retraining an American worker, not just the ordinary and necessary cost of doing business deduction but twice it, so that if you are retraining an American worker, you have an economic incentive from all of us that that person keep the job and keep the job in this country.

Mr. SMITH of Texas. Mr. Speaker, I yield myself the balance of my time.

I thank my friend from California for his very articulate and trenchant remarks. I urge my colleagues to vote against the Watt amendment and for the underlying bill.

Ms. DUNN. Mr. Speaker, I rise today in support of the Workforce Improvement and Protection Act. America's cutting-edge companies depend on the annual admission of a small number of highly-skilled workers under the H–1B visa program in order to maintain a competitive edge in the global marketplace. The H–1B visa program is a timely—and often the only—means for U.S. companies to employ foreign-born professionals on a temporary basis. These workers supplement the domestic labor force where no American worker is available who can perform the job.

In recent years, the high-tech, engineering, pharmaceutical, and other industries that use H–1B workers have enjoyed extraordinary growth. Demand for H–1B workers has increased to a point where the annual cap of H–1B visas was reached in May this year and is expected to be reached even earlier in coming years. This means that indispensable people, who likely have been educated and trained in the United States, will have to return home and work for our foreign competitors instead of staying in the U.S. to advance American companies and generate jobs for American workers.

In my home State of Washington, companies like Boeing and Microsoft, and the hundreds of other high-tech firms just starting up, understand the importance of H–1B visas. I recently received a letter from a constituent detailing her concerns. She employs less than 10 H–1B workers in a company of over 230 employees. These workers are in key leadership roles, where people with international experience and perspective, along with technical expertise, are required. The success of these visa holders enables this company to hire many more American workers. Without the H–1B visa program, this firm would be negatively impacted, to the point where the company could move out of my district, possibly to a foreign country, moving 230 jobs and the ensuing economic benefit out of the United States.

Mr. Speaker, high-tech companies aren't the only ones utilizing the talents of H–1B workers. The Fred Hutchinson Cancer Research Center, also in Washington State, is an excellent example of the specialized abilities of these workers. For example, Dr. Rainier Storb, a German national, joined the bone marrow research team working at the Center. Dr. Storb brought unique knowledge to this team, which subsequently developed the use of bone marrow transplantation. This research resulted in the clinical treatment of a host of blood and immune system diseases. Lymphomas and anemias, which were terminal just 20 years ago, are now successfully treated in 80 percent of cases. This work led to the award of a Nobel Prize in Medicine. Dr. Storb's example is simply one of a number where the contribution of a foreign born scientist led to significant scientific and health care progress, the creation of jobs and economic opportunity, and training to countless other scientists from the U.S.

While our Nation's economic health is strong today, I believe that we must ensure access to the best talent the world has to offer in order to keep this momentum. Temporarily expanding H–1B admissions will help insure that the United States remains the world leader in the development of new technologies.

Mrs. MINK of Hawaii. Mr. Speaker, I rise in opposition to the current version of H.R. 3736, which drastically increases the number of available H–1B visas while severely limiting worker protection clauses that were contained in the version passed out of the House Judiciary Committee on May 20, 1998. I am especially disturbed that the newest compromise achieved by Senate Members and the administration late last night has been brought to the floor today with little time for us to adequately review this newest proposal.

I am not convinced of the need for more temporary workers. Industry alleges there is a great shortage among high-tech companies. The Information Technology Association of America, an industry-funded group claims 340,000 information technology jobs are going unfilled.

In March of this year, the GAO questioned the ''reliability of ITAA's survey findings,'' as not supported by the evidence. It concluded the response rate of the survey was too low (36%) to make an accurate projection.

It is important to note various reports which show that industry has laid off over 142,000 American workers since the beginning of this year. Why were they laid off if there is a shortage?

The August 1997 Computerworld Magazine found over 17 percent of American high-tech workers over the age of 50 are unemployed. If there is a shortage, why aren't these individuals being retrained and rehired?

Foreign high-tech workers generally earn less than their American counterparts, despite laws requiring employers to pay them ''prevailing wages.'' A July 26, 1998 Washington Post article found that foreign computer programmers with masters' degrees earn $50,000 compared to $70,000 that a comparably educated American worker could earn. So what are these industries doing? Hiring cheaper labor? Are H–1B visas being used as a conduit for cheap labor? It sure looks that way. Between 1990 and 1995, computer specialist jobs increased by only 35 percent, while the number of visas requested by employers increased by 352 percent! These companies are more interested in hiring foreign workers than our American workers.

In response to these concerns, the bipartisan bill reported out of committee on May 20, 1998 contained worker protection clauses designed to prevent foreign workers from being hired over American workers because they are cheaper labor. The clause simply required employers petitioning for H–1B foreign workers to show a good faith effort to recruit Americans first.

This simple requirement was read as too burdensome to the industry. They argued that it would cause ''too much red tape'' impeding their ability to hire workers. Well I say to those companies, what about the hardship faced by 142,000 laid off technology workers?

I am appalled that this simple attestation clause has been whittled down to nothing in the current form of H.R. 3736. This attestation clause is now expected to reach only 5 percent of H–1B employers. While the job-shops will be required to attest that no American workers were laid off to create the position for the foreign worker and that workers they provide on a contractual basis to another company do not replace American workers, this is not enough. Ninety-five percent of our workers are left unprotected under this bill. Even with the added authority given to the Department of Labor in the newest compromise between Members of the Senate and the administration, there is no guarantee that our workers will be protected. The Department of Labor is only allowed to investigate and punish once there is a willful violation. What about other violations? I am simply not convinced that our American workers will be sufficiently protected.

Fundamental fairness requires that we take a balanced approach when lifting the cap on H–1B visas. We cannot raise the limit for foreign workers while providing no worker protections for Americans laid off from this very industry. There was a bipartisan measure in the House that could have passed. Now I am forced to oppose passage of this bill unless amended because it still does not provide adequate protections for American job-seekers.

The SPEAKER pro tempore (Mr. SHIMKUS). The question is on the amendment in the nature of a substitute offered by the gentleman from North Carolina (Mr. WATT).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. WATT of North Carolina. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 177, nays 242, not voting 15, as follows:

[Roll No. 459]

YEAS—177

Abercrombie	Berman	Brown (CA)
Ackerman	Berry	Brown (FL)
Allen	Bishop	Brown (OH)
Andrews	Blagojevich	Cardin
Baesler	Boehlert	Carson
Baldacci	Bonior	Clay
Barcia	Borski	Clayton
Barrett (WI)	Boswell	Clyburn
Becerra	Boucher	Coburn
Bereuter	Brady (PA)	Conyers

Costello
Coyne
Cummings
Danner
Davis (IL)
Deal
DeGette
Delahunt
DeLauro
Deutsch
Diaz-Balart
Dingell
Dixon
Doggett
Doyle
Ehlers
Engel
Etheridge
Evans
Farr
Fattah
Filner
Forbes
Ford
Fowler
Frank (MA)
Frost
Furse
Gejdenson
Gephardt
Gilman
Gonzalez
Gordon
Green
Hamilton
Hastings (FL)
Hefner
Hilliard
Hinchey
Hinojosa
Holden
Horn
Hoyer
Hutchinson
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson (WI)
Johnson, E. B.
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kildee
Kilpatrick
Kingston
Kleczka
Klink
Kucinich
LaFalce
Lampson
Lantos
Lee
Levin
Lewis (GA)
Lipinski
Lowey
Luther
Maloney (CT)
Maloney (NY)
Markey
Mascara
McCarthy (MO)
McDade
McDermott
McGovern
McHale
McHugh
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller (CA)
Minge
Mink
Moakley
Mollohan
Nadler
Neal
Ney
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Pomeroy
Price (NC)
Rahall
Rangel
Regula
Reyes
Rivers
Rodriguez
Roemer
Rohrabacher
Ros-Lehtinen
Roybal-Allard
Royce
Rush
Sabo
Sawyer
Schumer
Scott
Sensenbrenner
Serrano
Sisisky
Skaggs
Slaughter
Smith (MI)
Spratt
Stabenow
Stark
Stokes
Strickland
Thompson
Thurman
Tierney
Towns
Velazquez
Vento
Visclosky
Waters
Watt (NC)
Waxman
Weygand
Wise
Woolsey
Wynn

NAYS—242

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bentsen
Bilbray
Bilirakis
Bliley
Blumenauer
Blunt
Boehner
Bonilla
Bono
Boyd
Bryant
Bunning
Burr
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Castle
Chabot
Chambliss
Chenoweth
Christensen
Clement
Coble
Collins
Combest
Condit
Cook
Cooksey
Cox
Cramer
Crane
Crapo
Cubin
Cunningham
Davis (FL)
Davis (VA)
DeFazio
DeLay
Dickey
Dicks
Dooley
Doolittle
Dreier
Duncan
Dunn
Edwards
Ehrlich
Emerson
English
Ensign
Eshoo
Everett
Ewing
Fawell
Fazio
Foley
Fossella
Fox
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Goode
Goodlatte
Goodling
Graham
Granger
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Hefley
Herger
Hill
Hilleary
Hobson
Hoekstra
Hooley
Hostettler
Houghton
Hulshof
Hunter
Hyde
Inglis
Istook
Jenkins
John
Johnson (CT)
Johnson, Sam
Jones
Kasich
Kelly
Kim
Kind (WI)
King (NY)
Klug
Knollenberg
Kolbe
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Livingston
LoBiondo
Lofgren
Lucas
Manzullo
Martinez
Matsui
McCarthy (NY)
McCollum
McCrery
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Moran (KS)
Moran (VA)
Morella
Myrick
Nethercutt
Neumann
Northup
Norwood
Nussle
Oxley
Packard
Pappas
Parker
Paul
Paxon
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pickett
Pitts
Pombo
Porter
Portman
Quinn
Radanovich
Ramstad
Redmond
Riggs
Riley
Rogan
Rogers
Roukema
Ryun
Salmon
Sanders
Sandlin
Sanford
Saxton
Scarborough
Schaffer, Bob
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Skeen
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Solomon
Souder
Spence
Stearns
Stenholm
Stump
Stupak
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Traficant
Turner
Upton
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOT VOTING—15

Brady (TX)
Burton
Goss
Kennelly
Manton
Murtha
Poshard
Pryce (OH)
Rothman
Sanchez
Schaefer, Dan
Skelton
Torres
Wexler
Yates

□ 1758

Messrs. PAPPAS, GIBBONS, HALL of Ohio, SANDERS, WHITFIELD, FOX of Pennsylvania, BILIRAKIS, EVERETT, and DICKS, and Mrs. CAPPS, Mr. CONDIT, and Ms. HARMAN changed their vote from ''yea'' to ''nay.''

Mr. GILMAN, Ms. MCCARTHY of Missouri, Mr. LUTHER, Mr. DIAZ-BALART, and Ms. ROS-LEHTINEN changed their vote from ''nay'' to ''yea.''

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. SHIMKUS). Pursuant to House Resolution 513, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. SMITH of Texas. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 288, noes 133, not voting 14, as follows:

[Roll No. 460]

AYES—288

Ackerman
Aderholt
Allen
Archer
Armey
Baker
Baldacci
Ballenger
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berman
Bilbray
Bilirakis
Bishop
Bliley
Blumenauer
Boehlert
Boehner
Bonilla
Bono
Boswell
Boyd
Bryant
Bunning
Burr
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Cardin
Castle
Chabot
Chambliss
Christensen
Clayton
Clement
Coble
Coburn
Cook
Cooksey
Cox
Cramer
Crane
Crapo
Cubin
Cunningham
Davis (FL)
Davis (VA)
Delahunt
DeLay
Diaz-Balart
Dickey
Dicks
Dixon
Doggett
Dooley
Doolittle
Dreier
Dunn
Edwards
Ehlers
Ehrlich
English
Ensign
Eshoo
Etheridge
Everett
Ewing
Farr
Fawell
Fazio
Foley
Forbes
Ford
Fossella
Fowler
Fox
Frank (MA)
Frelinghuysen
Frost
Furse
Ganske
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gingrich
Goodlatte
Goodling
Gordon
Graham
Granger
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (FL)
Hastings (WA)
Hayworth
Hefner
Herger
Hill
Hinojosa
Hobson
Hoekstra
Hooley
Houghton
Hoyer
Hulshof
Hyde
Inglis
Istook
Jackson-Lee (TX)
Jenkins
John
Johnson (CT)
Johnson, E. B.
Johnson, Sam
Jones
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kim
Kind (WI)
King (NY)
Klug
Knollenberg
Kolbe
LaFalce
LaHood
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Lewis (KY)
Linder
Livingston
Lofgren
Lowey
Lucas
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McDermott
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
Meehan
Menendez
Mica
Miller (CA)
Miller (FL)
Minge
Moran (KS)
Moran (VA)
Morella
Myrick
Nadler
Neal
Nethercutt
Neumann
Northup
Nussle
Ortiz
Oxley
Packard
Pappas
Parker
Pastor
Paul
Paxon
Pease
Pelosi
Peterson (PA)
Petri
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Quinn
Radanovich
Ramstad
Redmond
Regula
Reyes
Riley
Roemer
Rogan
Rogers
Ros-Lehtinen
Roukema
Ryun
Sabo
Salmon
Sanford
Sawyer
Saxton
Scarborough
Schaffer, Bob
Schumer
Scott
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Slaughter
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Souder
Spratt
Stabenow
Stearns
Stenholm
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Tierney
Upton
Vento
Walsh
Watkins
Watt (NC)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Weygand
White
Wicker
Wilson
Wolf
Woolsey
Young (FL)

NOES—133

Abercrombie
Andrews
Bachus
Baesler
Barcia
Barr
Barrett (WI)
Berry
Blagojevich
Blunt
Bonior
Borski
Boucher
Brady (PA)
Brown (CA)
Brown (FL)
Brown (OH)
Carson

Chenoweth	Hutchinson	Rahall
Clay	Jackson (IL)	Rangel
Clyburn	Jefferson	Riggs
Collins	Johnson (WI)	Rivers
Combest	Kanjorski	Rodriguez
Condit	Kaptur	Rohrabacher
Conyers	Kildee	Rothman
Costello	Kilpatrick	Roybal-Allard
Coyne	Kingston	Royce
Cummings	Kleczka	Rush
Danner	Klink	Sanders
Davis (IL)	Kucinich	Sandlin
Deal	Lampson	Serrano
DeFazio	Lee	Sherman
DeGette	Lewis (GA)	Smith (MI)
DeLauro	Lipinski	Smith (NJ)
Deutsch	LoBiondo	Solomon
Dingell	Martinez	Spence
Doyle	Mascara	Stark
Duncan	McKinney	Stokes
Emerson	McNulty	Strickland
Engel	Meek (FL)	Stump
Evans	Meeks (NY)	Stupak
Fattah	Metcalf	Taylor (MS)
Filner	Millender-McDonald	Thompson
Franks (NJ)	Mink	Thurman
Gallegly	Moakley	Towns
Gejdenson	Mollohan	Traficant
Gonzalez	Ney	Turner
Goode	Norwood	Velazquez
Green	Oberstar	Visclosky
Hefley	Obey	Wamp
Hilleary	Olver	Watts (OK)
Hilliard	Owens	Wexler
Hinchey	Pallone	Whitfield
Holden	Pascrell	Wise
Horn	Payne	Wynn
Hostettler	Peterson (MN)	Young (AK)
Hunter		

NOT VOTING—14

Brady (TX)	Murtha	Skelton
Burton	Poshard	Torres
Goss	Pryce (OH)	Waters
Kennelly	Sanchez	Yates
Manton	Schaefer, Dan	

□ 1814

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. BURTON of Indiana. Mr. Speaker, due to a death in my immediate family, I was not present during today's floor proceedings. Had I been here, I would have voted ''Yea'' on rollcall vote number 457; ''Yea'' on rollcall vote number 458; ''No'' on rollcall number 459; and ''Yea'' on rollcall vote 460.

AUTHORIZING THE CLERK TO MAKE CORRECTIONS IN ENGROSSMENT OF H.R. 3736, WORKFORCE IMPROVEMENT AND PROTECTION ACT OF 1998

Mr. SMITH of Texas. Mr. Speaker, I ask unanimous consent that, in the engrossment of the bill, H.R. 3736, the Clerk be authorized to correct section numbers, cross-references and punctuation, and to make such stylistic, clerical, technical, conforming and other changes as may be necessary to reflect the actions of the House in amending the bill.

The SPEAKER pro tempore (Mr. SHIMKUS). Is there objection to the request of the gentleman from Texas?

There was no objection.

APPOINTMENT OF CONFEREES ON S. 2206, HUMAN SERVICES REAUTHORIZATION ACT

Mr. GOODLING. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the Senate bill (S. 2206) to amend the Head Start Act, the Low-Income Home Energy Assistance Act of 1981, and the Community Services Block Grant Act to reauthorize and make improvements to those Acts, to establish demonstration projects that provide an opportunity for persons with limited means to accumulate assets, and for other purposes, with House amendments thereto, insist on the House amendments, and agree to the conference asked by the Senate.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania? The Chair hears none and, without objection, appoints the following conferees:

Messrs. GOODLING, CASTLE, SOUDER, CLAY, and MARTINEZ.

There was no objection.

SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

GOP RESPONSE TO AG CRISIS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. CHAMBLISS) is recognized for 5 minutes.

Mr. CHAMBLISS. Mr. Speaker, 2 years ago, this body made a commitment to the American farmer. Like a majority of my colleagues, I stood on this very floor during that farm bill debate and promised my farmers that the Federal Government would walk hand in hand with them as our Nation began the transition to a 21st-century-based agricultural economy, such an economy that depends less on government and more on letting hard-working American farmers and ranchers do their best in producing the finest crops and produce in the world.

Congress and the President must hold true to our pledge and remain committed to these free market principles. But, at the same time, the Federal Government must recognize that agriculture, more than any other sector of the economy, is constantly subject to conditions beyond its immediate control.

Unfortunately, this has been evident in recent years as unprecedented weather conditions have pummeled America's farmers, and the effect of these conditions upon America's rural communities has been devastating.

In my home State of Georgia, the most recent study done by the University of Georgia places the 1998 crop losses from forces of nature beyond the control of farmers in the State of Georgia alone at $767 million. From flood-soaked cotton last winter to frost-damaged peaches this spring to drought-stricken peanuts this summer, not a single crop has been spared, and the story is the same all across rural America.

The deteriorating state of America's farm economy is a national priority, and I am pleased to see the leadership of this body stepping up to the plate and going to bat for America's farm families. In the absence of presidential leadership in addressing the crisis gripping our rural communities, the Republican majority has taken immediate action to protect our farmers.

Our $4 billion disaster relief measure will place real money into our farmers' hands at a time of great need. This money can now be used to pay off past operating loans and help our family farms prepare for the future crop years, and this relief package accomplishes this without tearing apart the farm bill and its commitments made to farmers.

Included in the Republican relief measure is 2.25 billion in direct payments to farmers whose crops have been damaged by weather-related disasters, including special funds targeted to farmers who have suffered multi-year crop losses and those suffering severe livestock feed losses. The relief package also contains over 1.5 billion in aid to assist farmers in dealing with the loss of markets and the Clinton administration's inability to keep foreign markets open for our farmers.

This assistance will come in the form of one-time increases in the agricultural marketing transition payments under the 1996 farm bill. While the damage done by the administration's neglect of agricultural trade cannot be fully offset, this assistance will help farmers make it through this temporary market turndown. While the House and Senate Republicans have had their nose to the grindstone in putting together an agriculture relief package, our farmers have only received a cold shoulder and hot air from the Clinton administration on this crisis. Now all of a sudden it is the fourth quarter, and the administration wants to get up off the sidelines and into the game.

While I do welcome the administration in getting off the bench and joining Congress on addressing this extremely important issue, I must ask the current administration, where have you been all year long with respect to our farmers? In fact, just where has this administration been on agriculture for the last 6½ years?

When Congress passed the 1996 farm bill and sent it to President Clinton for signature into law, we joined American farmers in expecting more aggressive trade policies, reduced regulation, lower taxes and increased agriculture research funding. Well, what has President Clinton given the American farmer? No viable trade policy, increased regulations, resistance to tax relief and less funding for agricultural research. Furthermore, the President's travels

have spanned the globe in recent months: China, Europe, Africa, Latin America and a number of other countries. But I have yet to see a single policy benefiting American agriculture resulting from his continuous globe trotting while, on the other hand, Chairman BOB SMITH of the House Committee on Agriculture has been successful on several different trips abroad in selling American farm products to the country that he has visited.

Our farmers need strong leadership in both good times and bad, and this administration has failed them miserably. Congress, the President and the Federal Government made a commitment to farmers just over 2 years ago. We can provide our farmers the help we need without turning our backs on that commitment. Only the Republican agricultural relief proposal accomplishes both, and I encourage my colleagues to do the right thing for American farmers and support this relief measure.

A PICTURE OF FREE TRADE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. BROWN) is recognized for 5 minutes.

Mr. BROWN of Ohio. Mr. Speaker, tomorrow Speaker GINGRICH has promised that he would bring the fast track legislation to the floor of the House of Representatives.

Some years ago, this Congress passed the North American Free Trade Agreement, a disastrous trade agreement that has led to more problems on the Mexican border, more unemployment in this country, more problems with food safety, more problems with truck safety, more problems with drug trafficking, and, ultimately, a bill that swelled, that took a trade surplus with Mexico of $2 billion and turned it into a trade deficit of $20 billion.

The so-called fast track legislation which Speaker GINGRICH is presenting to the House tomorrow is basically a procedural issue that will allow the extension of the North American Free Trade Agreement to the other countries of Latin America.

For those of us who voted against the passage of NAFTA in 1993, we are particularly disturbed at the idea of expanding this failed trade agreement, the North American Free Trade Agreement, to another couple of dozen Latin, Central and South American countries.

About 12 months ago at my own expense I traveled to the Mexican border. I flew to McAllen, Texas, rented a car with a couple of friends and drove across to Reynosa, Mexico. I went to the home of two auto workers, two people that worked at a large American auto plant in Mexico. Each of these workers, husband and wife, made 95 cents an hour. They brought home about $40 a week, each of these two workers. They lived in a home with no electricity, no running water and lived in a home with dirt floors. Right behind their shack was a ditch which had some kind of effluent running in it, certainly not clear, clean water, some kind of waste from some industrial plant or some sewage treatment or whatever, and there were children playing nearby in this ditch and nearby this ditch.

On the other side of this ditch was another shack where a young woman worked who was expecting her first child. She was in her early twenties. She and her husband lived in this tiny shack. She was working at another large American company. She was making about 90 cents an hour. She had no electricity, no running water. She had a plywood floor, a little bit better conditions. She had over in the corner of her little shack a stove that you might buy at an American department store for $250 to $300 that was run by a generator. This lady was paying for this stove through her company, through her employer. They were taking $10 a week from her $40 a week paycheck, and she was paying for this stove for 52 weeks which you could have bought in this country for $250 to $300.

Her brother-in-law, who lived in the other half of her shack separated by a cardboard, couple of pieces of cardboard stuck together, worked in another American factory; and he was suffering, his doctor said, at the age of about 25 or 26, from some kind of neurological damage, some kind of brain damage because he every day worked in a solution where he dipped his hands into a lead-based solution, and over time that lead solution caused him damage to his central nervous system. That same company in the United States makes the same product but does not use lead in its process. Why? Because the U.S. Government will not let that company have workers work in that lead-based solution like that.

When you look at NAFTA, you look at fast track, that is the picture of the future, that is the picture of free trade according to Speaker GINGRICH and according to the leaders of the other body. That kind of picture of the future: very low wages, weak environmental laws, nonenforced worker safety laws, problems with truck safety, problems with food safety, problems with more drugs coming across the Mexican border into the United States.

Later that day, we traveled to Laredo, Texas, and stood at the border between Nuevo Laredo and Laredo. That is the port of entry where the most trucks enter the United States, about 2,500 a day.

□ 1830

Governor Bush, the Governor of Texas, has done virtually nothing to guarantee truck safety at that checkpoint. There was one scale there, a set of scales provided by the State of Texas, which had been broken for three months.

There was one Federal truck inspector there who was in charge of inspecting these 2,500 trucks a day. I asked him how many trucks he inspected per day, and he said 10 to 12. I asked him how many of those trucks he took out of service because they were unsafe; he said 9 to 11.

Clearly the problems of truck safety, the problems of food safety at the border, the problems of drug smuggling coming into the United States, with more and more congestion and as more and more traffic is coming into the United States, clearly all those problems have been exacerbated by the passage of the North American Free Trade Agreement. Drug smugglers in Mexico, drug kingpins, have bought up legitimate trucking and shipping and freight operations and warehouse operations along the border, and are using those legitimate operations to bring more and more drugs into the country.

Mr. Speaker, NAFTA has failed miserably; Fast Track will bring more problems. We should tomorrow defeat Fast Track.

REVAMPING THE MONETARY SYSTEM

The SPEAKER pro tempore (Mr. BASS). Under a previous order of the House, the gentleman from Texas (Mr. PAUL) is recognized for 5 minutes.

Mr. PAUL. Mr. Speaker, Mr. Speaker, I would like to call the attention of fellow colleagues to the issue of three things that have happened in the last couple of days.

Today it was recorded in our newspapers and it was a consequence of a meeting held last night having to do with a company that went bankrupt, Long-Term Capital Management. I believe this has a lot of significance and is something that we in the Congress should not ignore.

This is a hedge fund. Their capitalization is less than $100 billion, but, through the derivatives markets, they were able to buy and speculate in over $1 trillion worth of securities, part of the financial bubble that I have expressed concern about over the past several months.

But last night an emergency meeting was called by the Federal Reserve Bank of New York. It was not called by the banks and the security firms that were standing to lose the money, but the Federal Reserve Bank of New York called an emergency meeting late last night. Some of the members of this meeting, the attendees, came back from Europe just to attend this meeting because it was of such a serious nature. They put together a package of $3.5 billion to bail out this company.

Yesterday also Greenspan announced that he would lower interest rates. I do not think this was an accident or not coincidental. It was coincidental that at this very same time they were meeting this crisis, Greenspan had to announce that, yes indeed, he would inflate our currency, he would expand the money supply, he would increase the credit, he would lower interest rates. At least that is what the markets interpreted his statement to

mean. And the stock market responded favorably by going up 257 points.

On September 18th, the New York Times, and this is the third time that that has come about in the last several weeks, the New York Times editorialized about why we needed a worldwide Federal Reserve system to bail out the countries involved in this financial crisis.

Yesterday, on the very same day, there was another op-ed piece in the New York Times by Jeffrey Garten, calling again for a worldwide central bank, that is, a worldwide Federal Reserve system to bail out the ailing economies of the world.

The argument might go, yes, indeed, the financial condition of the world is rather severe and we should do something. But the financial condition of the world is in trouble because we have allowed our Federal Reserve System, in deep secrecy, to create credit out of thin air and contribute to the bubble that exists. Where else could the credit come from for a company like Long-Term Capital Management? Where could they get this credit, other than having it created and encouraged by a monetary system engineered by our own Federal Reserve System?

We will have to do something about what is happening in the world today, but the danger that I see is that the movement is toward this worldwide Federal Reserve System or worldwide central bank. It is more of the same problem. If we have a fiat monetary system, not only in the United States but throughout the world, which has created the financial bubble, what makes anybody think that creating more credit out of thin air will solve these problems? It will make the problems much worse.

We need to have a revamping of the monetary system, but certainly it cannot be saved, it cannot be improved, by more paper money out of thin air, and that is what the Federal Reserve System is doing.

I would like to remind my colleagues that when the Federal Reserve talks about lowering interest rates, like Mr. Greenspan announced yesterday, or alluded to, this means that the Federal Reserve will create new credit. Where do they get new credit and new money? They get it out of thin air. This, of course, will lower interest rates in the short run and this will give a boost to a few people in trouble and it will bail out certain individuals.

When we create credit to bail out other currencies or other economies, yes, this tends to help. But the burden eventually falls on the American taxpayer, and it will fall on the value of the dollar. Already we have seen some signs that the dollar is not quite as strong as it should be if we are the haven of last resort as foreign capital comes into the United States. The dollar in relationship to the Swiss frank has been down 10 percent in the last two months. In a basket of currencies, 15 currencies by J.P. Morgan, it is down 5 percent in one month.

So when we go this next step of saying, yes, we must bail out the system by creating new dollars, it means that we are attacking the value of the money. When we do this, we steal the value of the money from the people who already hold dollars.

If we have an international Federal Reserve System that is permitted to do this without legislation and out of the realms of the legislative bodies around the world, it means that they can steal the value of the strong currencies. So literally an international central bank could undermine the value of the dollar without permission by the U.S. Congress, without an appropriation, but the penalty will fall on the American people by having a devalued dollar.

This is a very dangerous way to go, but the movement is on. As I mentioned, it has already been written up in the New York Times. George Soros not too long ago, last week, came before the Committee on Banking and Financial Services making the same argument. What does he happen to be? A hedge fund operator, the same business as Long-Term Capital Management, coming to us and saying, ''Oh, what you better do is protect the system.''

Well, I do not think the American people can afford it. We do have a financial bubble, but financial bubbles are caused by the creation of new credit from central banks. Under a sound monetary system you have a commodity standard of money where politicians lose total control. Politicians do not have control and they do not instill trust into the paper money system.

But we go one step further. The Congress has reneged on its responsibility and has not maintained the responsibility of maintaining value in the dollar. It has turned it over to a very secretive body, the Federal Reserve System, that has no responsibility to the U.S. Congress. So I argue for the case of watching out for the dollar and argue for sound money, and not to allow this to progress any further.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. CONYERS) is recognized for 5 minutes.

(Mr. CONYERS addressed the House. HIs remarks will appear hereafter in the Extensions of Remarks.)

GLOBAL CREDIT CRUNCH

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. HINCHEY) is recognized for 5 minutes.

Mr. HINCHEY. Mr. Speaker, we have crossed the threshold of uncertainty and we are now entering upon a new economic dimension. In fact, we have been in that dimension for some time now.

Recalling the global economy, it is an area that is fraught with dangers and difficulties for us and other economies around the world. In fact, we have already seen its expression in East Asia, Russia and elsewhere, and the impact of the global economic decline is going to impact on us very soon and we need to prepare ourselves for it.

The Federal Reserve in that regard should have lowered interest rates a year ago when the Asian crisis first became a threat. Chairman Greenspan has told us many times that it takes a year or more for changes in monetary policy to express themselves and become workable in the real world.

In the meantime, things have only gotten worse. Economies all across Asia are depressed. Russia has collapsed, and Latin America looks like it will be the next region on the planet to contract this economic contagion.

The first signs of trouble are showing up on our shores: Lower corporate profits, a rising trade deficit, a decrease in exports, layoffs in the manufacturing sector, sinking commodity prices, and, now, a looming credit crunch.

Banks and securities firms the companies that were the biggest beneficiaries of the emerging market boom, are shaping up to be the biggest losers as these markets go bust.

Our largest financial firms gambled trillions of dollars on these economies in a daisy chain of derivative transactions that were essentially placing highly leveraged bets on everything from exchange rates to interest rates to government bonds in a variety of countries.

When the Russian government devalued its currency and defaulted on its obligations, it set off a global selling frenzy as these financial firms struggled to meet margin calls from their counterparts. Some of our biggest banks have announced losses of $1 billion or more in these transactions.

Just yesterday, the New York Federal Reserve Bank orchestrated a multi-billion dollar bailout of a sophisticated hedge fund. These were not armchair investors who got in over their heads. This fund was run by the former head of a leading investment bank, two Nobel Prize-winning economists, and a former vice-chairman of the Federal Reserve Board. It is amazing to think that losses of this magnitude could happen in a market that is essentially unregulated. It is even more amazing that some of my colleagues in this Congress would tie the hands of the one regulatory agency, the Commodities Futures Trading Commission, that is looking into this situation.

The end result for the American people is that our banks are dipping into their reserves to cover these losses in these speculative derivatives transactions. This is money that will not be loaned to local businesses to financial local growth at home because it will not be there. This is money that will not help entrepreneurs with their start-up ventures. This is money that people will not be able to use to finance new homes, cars or other major purchases, because it will not be available.

It is imperative that the Federal Reserve's Open Market Committee lower short-term interest rates when they meet next Tuesday. Not only will this send a signal to the global marketplace that we are committed to the strength of our economy, but it will also help alleviate the coming credit lunch.

Last night I introduced House Concurrent Resolution 329, calling on the Federal Reserve Board to lower interest rates as soon as possible. I urge all of my colleagues to join me in sending this strong message to the Fed that the health of our economy depends on their expeditious action.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. BILBRAY) is recognized for 5 minutes.

(Mr. BILBRAY addressed the House. His remarks will appear hereafter in the Extension of Remarks.)

BALANCING THE BUDGET ON THE BACK OF THE SOCIAL SECURITY TRUST FUND

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota (Mr. MINGE) is recognized for 5 minutes.

Mr. MINGE. Mr. Speaker, I would like to address this body about the condition of the budget resolution that Congress is supposed to have passed several months ago. Indeed, it was supposed to have been completed on April 15th, and, here we are, we are in the last seven days of September, and we still have no budget.

Now, there are some that say, what is the worry? Is the budget not balanced? Can we not forget about having a Federal budget resolution that sets the spending levels for the various programs that we operate as a government? I submit we cannot.

There is good news. It does appear that if you only look at what is called the unified budget, which includes some surplus in the Social Security program, indeed we will have a surplus. But if you back out this borrowing from the Social Security program rather than the surplus, it now appears that we will have a deficit in the neighborhood of $70 billion.

It does not make sense, Mr. Speaker, for us to continue to borrow from the Social Security Trust Fund, to take those payroll taxes that Americans are paying into the Social Security program and that their employers are matching, and to use part of that to operate the Federal Government.

When we say we have a surplus, we should reserve that phrase for the situation where we are no longer borrowing from the Social Security program.

□ 1845

No, we do not have a surplus. We have a deficit this year. We need a budget resolution. We cannot simply brush this off as a formality that is not important.

There is another reason that we ought to have a budget resolution this year. That is because we are considering a reduction in taxes. I think every Member of this body would like to see us reduce taxes. The question is not should we reduce taxes, but the question is, when should we do it? A budget resolution would help us make this decision in a more rational fashion.

The proposal that we will be considering later this week will require an $80 billion tax cut or provide for an $80 billion tax cut over a period of 5 years. Many of us feel that this tax cut ought to be conditioned on first balancing the budget without using Social Security. We ought to say that we are not going to somehow take money from the payroll tax program and use that to support a tax cut. Instead, let us make sure that we either cut Federal programs to support that tax cut, or we truly have a surplus, and then have the tax cut.

Mr. Speaker, I think it is time for all of us in this body to call upon our leadership to appoint a conference committee so that the House and the Senate can get together and finally adopt a budget resolution.

When we adopt that budget resolution, we will know and this Nation will know that, No. 1, we do not have a surplus yet this year; and No. 2, they will know that if indeed we are going to talk about a tax cut, the only responsible way to discuss that tax cut is with full awareness that it is being financed with payroll taxes that otherwise ought to be set aside and protected for the Social Security program.

The SPEAKER pro tempore (Mr. BASS). Under a previous order of the House, the gentlewoman from the District of Columbia (Ms. NORTON) is recognized for 5 minutes.

(Ms. NORTON addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Hawaii (Mrs. MINK) is recognized for 5 minutes.

(Mrs. MINK of Hawaii addressed the House. Her remarks will appear in the Extensions of Remarks.)

TRIBUTE TO THE LATE REVEREND DR. AMOS WALLER

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. DAVIS) is recognized for 5 minutes.

Mr. DAVIS of Illinois. Mr. Speaker, I rise to pay tribute to a great organizer, a visionary leader, a coalition-builder, a singer, and a preacher of the gospel, the Reverend Dr. Amos Waller, who recently made his transition and passed through this life.

Every once in a while a leader comes along who is gifted with the ability to magnetize people and draw them into his presence, and keep them returning for more of whatever it was that they were receiving. Such has been the life and is the legacy of the Reverend Dr. Amos Waller, founder and pastor of the Mercy Seat Missionary Baptist Church.

Reverend Waller was a graduate of the Selma, Alabama, University of Baptist Faith, and was ordained as a minister in 1956. For the next 42 years he has been a preacher, pastor, revival evangelist, and lecturer, and was a chaplin for the A.R. Leak Funeral Home.

In addition to his work as pastor of Mercy Seat, Dr. Waller organized the WestSide Ministers Alliance, served with the Neighborhood Assistance Program in the city of Chicago's Department of Human Services, was politically active in his neighborhood, and provided food and shelter for the poor and needy members of his community.

As a matter of fact, not only did he provide food for the needy, but he was one who believed in the doctrine that man does not live by bread alone, and so a typical Sunday after services, hundreds of people would gather in his dining room for chicken and dressing and potatoes and turnip greens, and all of the other delights that he was noted for.

The Reverend Waller was a man of great diversity who became a board member of the National Baptist Convention U.S.A., and was a great friend of and worked closely with Reverend Sun Myung Moon. In August of 1995 he participated in an international marriage ceremony where 42 couples from his church united with over 3 million others throughout the world as they took and renewed marriage vows.

Reverend Waller has been a developer of ministers and of churches, and out of Mercy Seat came the New Home Baptist Church, where the Reverend Mac McCullough is the pastor; the Greater St. John Baptist Church, where the Reverend LeRoy Elliot is pastor; the Grace Temple Baptist Church, where Reverend Dennis Will is pastor; the Full Gospel Church, where Evangelist Betty Yancy is pastor; True Light Missionary Baptist Church, where the Reverend Freddie Brooks is pastor; Greater Damascus Missionary Baptist Church, where the Reverend Curley Brooks is pastor; New Christian Center, where the Reverend Greg Macon is pastor, and the Pleasant Valley Baptist Church, where Reverend Sparks is pastor.

Reverend Waller was affectionately known as Daddy by many of the younger ministers in his community and throughout the area, because he embraced them all.

Reverend Waller received awards from the mayor of Chicago, the Governor of Illinois. He and Mrs. Waller, who preceded him in death, were presented the 1996 Parents of the Year award for Illinois, in conjunction with a proclamation by President Clinton declaring July 26, 1996, as Parents Day.

Reverend Waller understood the role of business and economic development activities, and helped to start local businesses; specifically, the A–1 Garfield Exterminating and Janitorial Service, operated by Mr. Garfield Major. He encouraged his parishioners to vote and to shop in the neighborhoods where they lived, a sound and wise economic development strategy.

In the book of Matthew, the fifth Chapter, 14th through 16th verses, we read, ''Ye are the light of the world. A city that is set on a hill cannot be hid. Neither do men light a candle and put it under a bushel, but on a candlestick, and it giveth light onto all that is in the house. Let your light shine before men, that they may see your good works and glorify your father which is in heaven.''

The Lawndale Community of Chicago and the Nation have seen and benefited from the good works of Reverend Dr. Amos Waller, and now may his soul rest in peace.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 4618, AGRICULTURE DISASTER AND MARKET LOSS ASSISTANCE ACT OF 1998

Mr. HASTINGS of Washington (during the special order of the gentleman from Texas, Mr. HUNTER), from the Committee on Rules, submitted a privileged report (Rept. No. 105–743) on the resolution (H. Res. 551) providing for the consideration of the bill (H.R. 4618) to provide emergency assistance to American farmers and ranchers for crop and livestock feed losses due to disasters and to respond to loss of world markets for American agricultural commodities, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 4578, PROTECT SOCIAL SECURITY ACCOUNT, AND H.R. 4579, TAXPAYER RELIEF ACT OF 1998

Mr. HASTINGS of Washington (during the special order of the gentleman from Texas, Mr. HUNTER), from the Committee on Rules, submitted a privileged report (Rept. No. 105–744) on the resolution (H. Res. 552) providing for consideration of the bill (H.R. 4578) to amend the Social Security Act to establish the Protect Social Security Account into which the Secretary of the Treasury shall deposit budget surpluses until a reform measure is enacted to ensure the long-term solvency of the OASDI trust funds, and for consideration of the bill (H.R. 4579) to provide tax relief for individuals, families, and farming and other small businesses, to provide tax incentives for education, to extend certain expiring provisions, and for other purposes, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2621, RECIPROCAL TRADE AGREEMENT AUTHORITIES ACT OF 1997

Mr. HASTINGS of Washington (during the special order of the gentleman from Texas, Mr. HUNTER), from the Committee on Rules, submitted a privileged report (Rept. No. 105–745) on the resolution (H. Res. 553) providing for consideration of the bill (H.R. 2621) to extend trade authorities procedures with respect to reciprocal trade agreements, and for other purposes, which was referred to the House Calendar and ordered to be printed.

NATIONAL SECURITY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from California (Mr. HUNTER) is recognized for 60 minutes as the designee of the majority leader.

Mr. HUNTER. Mr. Speaker, I thought it would be appropriate today to talk a little bit about national security, especially in the wake of the President's remarks. We have had some remarkable statements by the President in the last several days regarding national defense.

They are remarkable not because they display any insight that is unusual, from my perspective, but that they are the first admission by the President that our military is broke and needs fixing. When I say it is broke and it needs fixing, I mean it is dramatically underfunded.

We spent about $100 billion more per year in the 1980s under Ronald Reagan than we are spending today, if we look at real dollars. We do not have the soviet empire to contend with, but we still have fragments of the soviet empire, including Russia, which still has nuclear weapons which are still aimed at the United States.

We have now a number of nations exploding nuclear devices, like India and Pakistan. We have Communist China racing to fill the shoes, the superpower shoes, of the Soviet Union. Also we have a number of terrorist nations, or would-be terrorist nations, around the world, including North Korea, which are now testing missiles and developing missiles much more rapidly than our intelligence service ever thought they would.

Particularly, I think, we were alarmed when we saw just a few days ago, really, the North Korean Taepo Dong-1 missile, a three-stage missile, fired over Japan in a very long flight, or what would have been a very long flight, had they let it go all the way. We realized suddenly that they were years ahead of our intelligence estimates in terms of building and deploying intercontinental ballistic missiles, ICBMs.

ICBMs have an important meaning to the United States because that means to us as Americans, those are the missiles that reach us. Short-range missiles like the Scud missiles that Saddam Hussein used to kill some of our troops in Desert Storm of course can still threaten troops in theater.

That means that if we have American Army personnel, Marine Corps personnel, or Navy personnel around the world, those Russian-made Scud missiles, which are proliferating to a lot of outlaw states like Iran, Iraq, Libya, Syria, and others, can fire on our troop concentrations.

But ICBMs have a special meaning to Americans because those are the missiles that reach us in our cities. That means, to a serviceperson who may be serving in the Middle East, there are lots of little missiles that can reach him in his role as a uniformed serviceman for the United States, but the missiles that are being developed now by the outlaw nations can reach his parents and his family, his city, his community. That has a special meaning to us.

Along with my good friend, the gentleman from Pennsylvania (Mr. CURT WELDON) and the chairman of our committee, the gentleman from South Carolina (Mr. FLOYD SPENCE), I have taken to asking a lot of questions concerning our progress in missile defense to the Secretary of Defense and the chairman of the Joint Chiefs when they appear before us.

My favorite question is, if an intercontinental ballistic missile was fired today at an American city and was coming in, do we have the ability to stop it before it explodes in our community? The answer always is no.

The reason I ask that question is not because I think maybe the Secretary does not know the answer, but because if we ask the average citizen in the United States or a lot of average citizens in the United States whether or not we have a defense against missiles, most will tell us, sure we do.

I remember watching one focus group when they were explaining to the monitor, good American citizens, hardworking, why they thought we had a defense against missiles. The guy that was running the program said, how would we shoot them down? One person said, we would scramble the jets. Of course, we know, a lot of us know, that one cannot possibly catch up with an ICBM that is traveling as fast as a 30–06 bullet or faster with a jet.

Another person said, we would shoot them down with cruise missiles. We know we cannot do that, those on the committee, because cruise missiles are very slow compared to ICBMs.

Another said, I thought Ronald Reagan took care of that program. But he did not take care of the program, President Reagan, that is, because he was stopped by the people who sit in this Chamber, by the U.S. Congress. We derided his warning to us that we were entering the age of missiles and we had to have a defense against missiles; that they would be proliferating around the

world to outlaw states, and that even if the Soviet Union went away, we were living in an age of missiles, we could not get away from that, and we had better start learning how to defend against it.

□ 1900

I think it is kind of interesting, Mr. Speaker, that you are here today, the great gentleman from New Hampshire (Mr. BASS). I want to make sure you are still there, because I remember when I was going on and on in one of our meetings about the need for missile defense and I invoked the name of Billy Mitchell. I reminded my colleagues that Billy Mitchell was warning the United States in the 1920s that we had entered the age of air power, and he so enraged some of our service leaders that when he sunk some ships, some Navy ships, with bombs to show that planes could sink ships, they promptly court-martialed him for his candor.

He criticized, incidentally, the state of national defense. But he was trying to warn the United States that we were entering an age of air power, of air battles for which we were ill-prepared. We learned that. And only by our industrial base roaring back in the 1930s and 1940s to take on the Axis Powers did we finally prevail. But his warning was a righteous warning it was a right warning, it was accurate. That, of course, was the Speaker's great uncle, the great General Billy Mitchell.

Well, today we are living in the age of missiles. Yet we have given short shrift and not enough money to missile defense programs. That means that if a leader in North Korea brings his generals in and says, What if we have a tank war with the Americans? Can we beat them? His generals say, No, they have the best tanks in the world. What if we try to take on their Navy? Can we beat them? No, they have the quietest submarines in the world. We will never beat the Americans at sea. What can we do to the Americans that they cannot stop? His generals will tell that North Korean leader, as I am sure they do on a very regular occasion, They cannot stop ballistic missiles. Why not? I do not know. We were watching television, they might say, watching international television and we saw all these congressmen, I guess they are called, getting up and fighting against the missile defense. They said it was a bad thing to have war in the heavens and to stop an incoming ballistic missile. We cannot figure it out, but the Americans decided to not have any defense. They want to be totally vulnerable to a missile strike.

What is that North Korean or Libyan or Iraqi or Iranian leader going to tell his Department of Defense? He is going to tell them, Go where they are vulnerable. Build missiles. We cannot beat their tanks. We cannot beat General Schwarzkopf's Army on the ground, or what is left of it under the Clinton administration. We cannot beat the Navy, but we can throw missiles at them and they have nothing to stop it.

Mr. Speaker, we need to spend a large chunk of money. And I know there is going to be some waste and I know there is going to be some redundancy, but we better spend a large chunk of money under a national emergency framework. That means get all the regulators out of there, get the guys out of there that say we cannot test at this test range because there are certain mockingbirds that will not sleep when we are testing missiles out here. Or we cannot test here because this is a historic site.

It means that when the bean counters come in and the Pentagon says we cannot go to the system yet because we have not checked off the 30,000 boxes and the small business set-asides on that, it means we have to sweep them out of the way and go on an emergency program that is just as important, I think, to our national survival today as the Manhattan Project was at the end of World War II.

My father was a U.S. Marine who had been in the Leyte Gulf operation in the South Pacific. He was in marine artillery and he was waiting for the call for his unit to deploy and invade the Japanese mainland. He did not have to do that because we came up with the Manhattan Project that built the nuclear weapon that we were forced to use at Hiroshima and Nagasaki.

That precluded what we estimated to be 1 million U.S. casualties in trying to take the Japanese mainland. One of those casualties might have been my father. So, as tough a decision as that was for Mr. Truman to make, I think it was the right one and I think most Americans agree.

Well, today we are in a race. It is almost as important as that race in World War II. This is a race not to throw offensive systems at people and kill a lot of Russians or kill a lot of Iraqis or kill a lot of Iranians. This is a defensive system that will shoot down a missile in flight so that we do not have to kill a lot of our adversaries in a retaliatory strike.

I hope, Mr. Speaker, that this Congress, under the good leadership of our Speaker, Mr. GINGRICH, and the leadership of Mr. LOTT and a lot of right-minded Republicans and Democrats who realize that now missile defense is an emergency, will come to the fore and support a very strong, robust emergency missile defense program.

We need to build on an emergency schedule a defensive system that will handle the missiles that North Korea is just now testing; that will handle the Iranian missile that was tested a short time ago; and, will handle in fact intercontinental ballistic missiles of all shapes and sizes, because we can bet they are going to be coming out us.

Mr. Speaker, let me move to another part of the national security bill that I think is important. Incidentally, this bill was shepherded forward, was passed today with a big vote and it is the result of a lot of hard work by great members on the Committee on National Security, Republicans and Democrats, starting with our good chairman, the gentleman from South Carolina (Mr. FLOYD SPENCE), a very strong advocate for national defense.

I was sorry to see that it was the last time this bill was going to be shepherded through the Committee on Rules by the gentleman from New York (Mr. GERRY SOLOMON), chairman of the committee, one of the best national security Members I have ever seen.

Mr. Speaker, want to talk a little bit about this bill. I am the chairman of the Subcommittee on Military Procurement which helps to authorize our ships and our planes and our tanks and those things. This bill does provide for ships and planes and tanks and a lot of other things like trucks and radios and generators and ammunition. But I can tell my colleagues, although we provided for all those types of things, we did not provide for much in terms of quantity.

For example, we are only going to build this year 1 F–16. We are only going to build 30 F/A–18 tactical aircraft. We have money in for the Joint Strike Fighter, which I think is important. We have money in for the F–22. We are going to build some remanufactured Kiowa Warriors. We are going to build other aircraft that are on the periphery in all three of the services in terms of being support aircraft and combat support aircraft, but we are not going to build a great many of those aircraft.

We are not going to build the B–2 bomber. Remember, Mr. Speaker, we only have 21 B–2 stealth bombers. The great thing about those bombers was that one of those bombers flying into a mission area could evade and avoid enemy air detection with their radars, could avoid enemy SAMs and could knock out the same number of targets as 75 conventional aircraft. So the B–2 bomber was a great multiplier. One B–2 equals 75 conventional aircraft. But we killed that program. President Clinton killed that program last year, and we are only going to have 21 B–2 bombers. So, we built none of them in this particular bill.

We are only building enough ships, just enough to keep up to what I call the 200-ship Navy. President Ronald Reagan had an almost 600-ship Navy just a few years ago. Today, we are building toward the 200-ship Navy, a very small Navy.

In the area of ammunition, we are still billions of dollars short. We are about a billion and a half dollars short of basic Army ammunition. We are still $300 million short of basic Marine Corps ammunition.

Mr. Speaker, let me go to some of the personnel problems. We are going to be short, now we know, over 800 pilots in the U.S. Air Force. We are going to be short also of Navy pilots. We are going to be short lots of sailors, the people that go out and make the ships actually sail and deploy and do their missions.

I am told now by members of the U.S. Navy that when our Navy ships come in we are so short in certain munitions that we have to take the munitions off the decks of some of the incoming ships and put them on the decks of outgoing ships. That means we do not have very many. If we have to expend those ammunitions in a war or conflict, we are going to be short of ammo very, very quickly.

We did something in this bill that I do not think is a good thing, but we did it at the request of the conferees. Something we could not get through the conference, although the House did, I think, the right thing. That is we did not separate men and women in basic training.

Mr. Speaker, I have seen the requirements of infantrymen. I have seen the requirements of being able to carry a buddy who may weigh 220 pounds off the field, while at the same time maybe carrying a weapon and some other things. I have seen the mixed platoons, that is men and women in infantry platoons, and I will simply say that I think we are disserving the parents of America who are counting on having an Army where the guy next to their son is able to carry him off a battlefield, along with equipment, before he is killed.

In many, many other areas, but especially areas involving physical endurance, we are shortchanging not only the young people in the service who have to rely on their buddy, but we are also shortchanging, of course, the parents who invite them and ask them to join the uniformed services.

So, Mr. Speaker, we tried to get that provision through to maintain a separation. We know that there are many, many personal problems that have emanated from the lack of what I would call good, practical, common sense oversight with respect to training and mixing of the genders in training. I do not think we have done a service to either the families of the young women or the young men whom we have thrown together in these very tight environments in basic training.

Nonetheless, it was insisted by some of the conferees that we maintain that experiment in human behavior. But I will tell my colleagues that this committee is going to be watching very closely. The gentleman from Indiana (Mr. BUYER) and the gentleman from Maryland (Mr. BARTLETT) and the gentleman from South Carolina (Mr. SPENCE) and a lot of other folks who are really concerned about that are going to be monitoring it, along with myself. We are going to see to it that if there is not a reversal in the numbers of incidents that are arising from that mixed training, and other problems and disciplinary problems, we are going to come back with the bill that we had this year.

Mr. Speaker, I would be happy to yield to a gentleman who is a great friend of mine, the chairman of the Subcommittee on Military Research and Development, who knows his stuff on defense and has been a champion of ballistic missile defense, the gentleman from Pennsylvania (Mr. WELDON).

Mr. WELDON of Pennsylvania. Mr. Speaker, I was listening to the gentleman's special order and had to come over and first of all praise him for not just a special order, but for the leadership role he has played on defense issues in this Congress and in past Congresses as the chairman of the Subcommittee on Military Procurement.

The gentleman has fought long and hard with his colleagues on the other side to make sure that we had the money to buy the equipment with the very limited budget to meet the needs of our troops. And as he has said time and time again, we are in the midst of a crisis right now.

In fact, I predict that this 10-year period in time, the 1990s, will go down in history as the worst period of time in terms of undermining our national security. In the next century, people are going to realize that the economic savings that were generated during this administration were all done on the backs of our men and women in the military.

While we have been cutting defense, and now we are in the fifteenth consecutive year of real defense cuts, we have a Commander in Chief who has increased our deployment rate to 26 in the past 6 years. That compares to 10 in the previous 40 years. And none of these 26 deployments were budgeted for. None of them were paid for. The $15 billion in contingency costs to pay for those came out of the hide of the men and women who serve in the military, their readiness, their modernization, and the research technology necessary to meet the threats of the 21st century.

My friend and colleague talked about missile defense. This issue is now becoming again a major national issue. It is becoming such an issue not just because of our collective work to raise the issue, but because of what is happening.

We were told by the intelligence community that we would not see these threats emerge. Earlier this year, we saw the Iranians test, and we think deploy right now, a medium-range missile, the Shahab 3, that threatens all of Israel.

□ 1915

Last week we had members of the Israeli Knesset, the chairman of their international affairs and defense committee Uzi Landau here for a week. The Israelis feel their backs are against the wall because they do not have a highly effective system that can defeat that Shahab 3 missile. They are vulnerable, just as our 25,000 troops in that theater are vulnerable.

We saw the North Koreans test the NoDong missile, and we think it has now been deployed, which puts all of our troops in Asia at risk, which includes Japan and South Korea. And we have no highly effective system to take out that NoDong. Then in August, we saw what none of us felt would occur because the intelligence community told us it would not happen for years and that is the North Korean test of a 3-stage rocket, a 3-stage missile that they had the audacity to fly over the territorial land and waters of Japan.

We now have evidence that has been based on intelligence community assessments that says that this Taepo Dong missile may be able to do something that we were told 3 years ago would not happen for 15 years; that is, hit the territorial lands of the United States including all of Guam and parts of Alaska and Hawaii.

This is totally and completely unacceptable to us. And as my friend and colleague knows, members of both parties in this body and the other body have been crying for a response, for systems to protect our troops or allies and our people against the threat that missile proliferation in fact has produced. But to date we have not had success.

I say it is largely because there has been a lack of commitment on the part of this administration to follow through and to set the tone and to do something that the gentleman has repeatedly asked for, and that is to muster all the resources of our country, our national labs, our agencies, as much as President John Kennedy did when he mustered America to land on the moon within 10 years.

My colleague and friend has said that we should muster all the forces that we have in this country to solve this problem and to provide protection. And for those who say that we should not worry about missile defense, that it is something in the future, I would ask them to look those families of those 29 young Americans who were killed 7 years ago in Saudi Arabia when that low complexity Scud missile landed in their barracks and wiped them out, tell those moms and dads and brothers and sisters that this threat is not here, that it is not real.

The single largest loss of life we have had in this decade of our American troops was when that Scud missile was fired into our American barracks, and we could do nothing about it because we had no system in place. What bothers me, and I think my colleague will agree with me, is that this administration talks a good game. In fact, just this week, they had a major press event. They even asked that, they are talking with the Japanese about doing a joint missile defense initiative with Japan. I happen to support that kind of a concept but what bothers me is, they are not even funding the existing systems. Yet they are putting the rhetoric out that they want to fund an entirely new initiative with the Japanese.

Mr. HUNTER. Maybe they think, I would say to my colleague, maybe the Clinton administration thinks that they can talk those missiles down with the Japanese.

Mr. WELDON of Pennsylvania. I tend to agree with my colleague, that if talk

in fact were the answer, we would have had every missile in the entire world, because of the rhetoric and the hot air that has come out of this administration on its commitment to missile defense. But the point is that as they did with the Israelis and the supporters of Israel, understand this very well, when President Clinton went before AIPAC's national convention in Washington 2 years ago, he pounded his fist on the podium and he said, we will never allow the people of Israel to be vulnerable to Russian Katushka rockets. He said to them, we will help you build the Nautilus program.

What he did not tell the friends of Israel was that for the three previous years he had tried to zero out all the funding for the theater high energy laser program, which is what Nautilus is. And what he did not tell the friends of Israel was that in that fiscal year, the administration made no funding request to fund the Nautilus program. To this date, we have not received a funding request.

As my friend knows, I had to go to AIPAC, and I had to say to them, how much money does Israel need to move this program forward? The dollar amount that we put in our defense bill 2 years ago was not requested by this administration, in spite of the President's rhetoric. It was provided by the folks at AIPAC who gave us the number to put in the bill to provide the dollar support for Israel.

Now we have a request, a situation where they are saying we are going to help Japan. What about the $11 billion necessary to fund the Meads program which we have committed to with the Italians and Germans? What about the money necessary to fund Navy Upper Tier, Navy Area Wide? What about the funding necessary to deploy PAC 3, THAAD? What about the funding necessary to help Israel continue the Arrow program? Where is all that funding coming from when this administration has said they are going to take our current missile defense budget from $3.6 billion to $2.6 billion.

You cannot do it. We need to take this message to the American people. The friends of Israel are aware of this rhetoric and they are on our side. But something is happening across America. I wanted to come over and I wanted to enter into the RECORD, if my colleague in fact will allow me, to put in the changing mood of the American people.

Over the past 2 months there have been over 20 national newspapers who have put into the Record endorsements of the need for this country to very quickly deploy national and regional missile defense systems.

I would like to, at this point in time, put into the RECORD comments from those 20 some odd newspapers, from all the major cities, from the Washington Times, the Savannah Morning News, the Wall Street Journal, the Daily Oklahoman, the Kansas City Star, the Boston Herald, the Chicago Sun-Times, the Detroit News, the Wisconsin State Journal, the New Republic, the Cincinnati Enquirer, the Florida Times union, the Pittsburgh Post Gazette, the Las Vegas Review Journal, the San Diego Union Tribune, the Indianapolis Star, the Arizona Republic, Providence Journal, the New York Post, the same arguments that we have been making that America is now beginning to listen to.

It is time this administration stopped the rhetoric and started putting the muscle where it is needed, and that is to deploy very quickly the most highly effective theater and national missile defense systems that our money can buy.

Mr. Speaker, I include for the RECORD the editorial comments to which I referred:

AMERICA'S EDITORIAL BOARDS SUPPORT NATIONAL MISSILE DEFENSE

The irony in all of this is that Israel could have a missile defense years before similar protection is afforded Americans . . . Good for the Israelis that they have a government determined to protect from a real and growing danger from abroad. But could someone please explain why Americans do not deserve as much?

''TO HIT A BULLET WITH AN ARROW,'' THE WASHINGTON TIMES, SEPTEMBER 23, 1998

Unfortunately, it seems some lawmakers would prefer to put their faith—and America's safety—in arms-control agreements. They trust Baghdad and Pyongyang to keep their words more than they trust the ability of American scientists to devise a last-resort shield against hostile attacks.

''INVITATION TO MISSILES,'' SAVANNAH MORNING NEWS, SEPTEMBER 12, 1998

So it's good to see Japanese officials wiping the mud from their eyes to say that while the object that whizzed over Japan was probably a missile, launching a satellite with similar sophisticated rocketry would have sent the same wake-up call: that no country is safe today from the very real threat of attack by missiles carrying weapons of mass destruction.

''THE MISSILE PLOT THICKENS,'' THE WALL STREET JOURNAL, SEPTEMBER 10, 1998

Bold action is needed to counter Clinton's idle approach to defending the U.S. against a grave and growing threat.

''VULNERABLE AND AT RISK,'' THE DAILY OKLAHOMAN, SEPTEMBER 8, 1998

Defenses against missiles for threatened American allies and our troops and installations overseas—and soon perhaps the nation itself—is the most important national security problem today. Everything that Congress can do to prod a head-in-the-sand administration must do so.

''MISSILE DEFENSES NEEDED EVEN MORE,'' BOSTON HERALD, SEPTEMBER 6, 1998

In fact, changing the policy goal from research to deployment—as soon as possible—will change the fundamental dynamics of the research. The threat is closing in faster than the response, and that's what must change.

''MISSILE THREAT CLOSING IN FAST,'' KANSAS CITY STAR, SEPTEMBER 5, 1998

Lawmakers should get the process rolling toward development of this very necessary defensive system. We certainly hope no bin laden type ever gets his hands on a ballistic missile, but it would be grievously wrong to relay on hope alone.

''IN DEFENSE OF DEFENSE,'' CHICAGO SUN-TIMES, SEPTEMBER 3, 1998

But the alternative is to leave America without any defense against enemy missile attack. In view of the Constitution's requirement that the government ''provide for the common defense,'' that wouldn't seem to be an option.

''NORTH KOREA'S WAKE UP CALL,'' DETROIT NEWS, SEPTEMBER 2, 1998

In these days of suicidal attackers, holding American hostages to attack is even less defensible than before. Holding them hostage is, in fact, an invitation to attack.

''NO DEFENSE ALLOWED,'' WASHINGTON TIMES, SEPTEMBER 2, 1998

The North Korean missile launch shows how quickly the world can grow more dangerous. The United States can't protect itself or its friends from threats posed by rogues like North Korea or international terrorists. How many wake-up calls will America's leaders get?

''MISSILE DEFENSE NEEDED,'' DAILY OKLAHOMAN, SEPTEMBER 1, 1998

America, meanwhile, is defenseless against missile attack—whether launched by Iraq, North Korea or another rogue state, or an independent operator like bin Laden. Either way the threat is real.

''MISSILE MADNESS,'' DAILY OKLAHOMAN, AUGUST 31, 1998

If the United States waits until a terrorist state has blackmail capability, it's too late. Congress should update the nation's intelligence system and protect its shore from unexpected attack. The United States won't win ''the war of the future'' by relying on weapons and strategies of the past.

''OLD STRATEGY WON'T WIN NEW WAR,'' WISCONSIN STATE JOURNAL, AUGUST 27, 1998

Mr. Clinton's Administration has repeatedly recommended cuts in missile defense programs both in forward theaters and here at home. One way to clearly signal terrorists of America's new resolve would be to reverse this policy and restore missile defense funding to the level that existed before Mr. Clinton took office.

''A NEW TERRORISM POLICY?'' DETROIT NEWS, AUGUST 25, 1998

As for the religion of deterrence: Who would like to bet the peace of the world and the lives of hundreds of thousands of people on the rationality of Saddam Hussein and Kim Jong II? So far their behavior has not seemed overly influenced by the theories of Thomas Schelling. The point is not that deterrence will not work. The point is that deterrence may not work. and there are now many more places, and inflamed places, where it may fail. . . So, then, are there land-based systems that belong in the security posture of the United States, as one of its many elements of defense and deterrence? In a madly proliferating world, the question must be asked.

''SHIELDS UP,'' THE NEW REPUBLIC, AUGUST 17 AND 24, 1998

It surely hasn't escaped the notice of this country's enemies that the U.S. has absolutely no defense against ballistic missile attack. The fact that the U.S. cannot shoot down a missile heading for an American city is a powerful and dangerous incentive for the bin Ladens of the world to acquire one.

''THE NEXT TERRORISM,'' THE WALL STREET JOURNAL, AUGUST 21, 1998

We may always have terrorists gunning for us. Congress needs to move ahead with a strategic missile defense and hardening U.S. defenses against biochemical weapons of mass destruction.

''EMBASSY BOMBINGS,'' THE CINCINNATI ENQUIRER, AUGUST 13, 1998

Does anybody doubt that the terrorists in Tanzania and Kenya would have bombed a U.S. city, rather than obscure embassies, if they had the weaponry? In time, they may get the weapons. Americans need protection.

''REVIVE STAR WARS,'' THE FLORIDA TIMES-UNION, AUGUST 13, 1998

Missile technology is spreading more rapidly than predicted while the United States still has no missile defense whatever . . . The Iranian missile launch is another sobering warning: It's time to move faster on missile defense.

''DON'T WAIT ON DEFENSE SYSTEM UNTIL IT'S TOO LATE,'' KANSAS CITY STAR, AUGUST 9, 1998

The fact that the United States has absolutely no defenses against ballistic missile attack is an unacceptably large negative incentive to this country's enemies. The way to deter them is not by signing more archaic arms-control agreements but by researching and deploying a national missile defense system as quickly as possible after the next president takes office.

''EARLY WARNING,'' THE WALL STREET JOURNAL, JULY 29, 1998

To be sure, a workable missile defense is better than nothing; it is one more protection, even if it is not total. And in developing such a system, scientists stand to make important technological breakthroughs with spin-offs in other fields.

''A NEW ARGUMENT FOR MISSILE DEFENSE DESERVES SERIOUS STUDY,'' PITTSBURGH POST-GAZETTE, JULY 29, 1998

The Iranian missile test has energized calls from the congressional leadership for immediate attention to building and deploying an anti-missile defense system to protect the United States from incoming warheads . . . President Clinton should heed the calls to develop an ABM system.

''MISSILE THREAT LOOMS,'' LAS VEGAS REVIEW-JOURNAL, JULY 28, 1998

Recent events are challenging the Clinton Administration's relaxed assumptions about the need for a defense against ballistic missiles. And none too soon we think.

''MISSILE DEFENSES DESERVE URGENT PRIORITY,'' SAN DIEGO UNION-TRIBUNE, JULY 27, 1998

It's easier for some to worry about global warming that may or may not be resulting from human activity than it is to recognize the real threat of a missile crisis that could be prevented with a defense system along the lines Ronald Reagan urged on the nation so many years ago.

''REAGAN WAS RIGHT,'' DAILY OKLAHOMAN, JULY 23, 1998

There are indications that the administration will dismiss the Rumsfeld report as politically motivated and continue with its go slow approach. Clinton's 1999 budget request calls for just under $1 billion for national missile defense . . . But Americans should take this report [from the Rumsfeld Commission] seriously and demand action from Congress.

''A VERY REAL THREAT,'' THE INDIANAPOLIS STAR, JULY 23, 1998

The Clinton Administration has used the three-year-old [NIE] assessment by the CIA as an excuse to take its time developing a national missile defense. The new [Rumsfeld] report issued last week indicates that policy is foolhardy. Ronald Reagan was right about the need for this sort of pro-active defense, so that never again would America have to rely on nuclear attack weapons to deter a possible foe.

''FORCING THE ISSUE,'' THE DAILY OKLAHOMAN, JULY 22, 1998

The Clinton Administration has for too long thwarted research and development and delayed deployments of effective defenses against missile attack. The message of the Rumsfeld commission is that there will be consequences to pay continuing the status quo. Dangerous consequences for all of us.

''UNPROTECTED AMERICANS, TIME FOR A CHANGE,'' THE ARIZONA REPUBLIC, JULY 20, 1998

The Rumsfeld panel's report is the latest sign that the United States will have to engage in more serious research, and make heavier investments, in anti-missile defenses that can help protect the public against menacing threats—and possibly even outright attacks—by rogue nations headed by irrational leaders.

''WE STILL NEED A SHIELD,'' PROVIDENCE (RHODE ISLAND) JOURNAL, JULY 20, 1998

Enough is enough. We have in the Rumsfeld Commission report evidence aplenty that we are facing a serious national security threat. To continue to leave Americans vulnerable is unconscionable.

''EVERY ROGUE HIS MISSILE,'' THE WASHINGTON TIMES, JULY 20, 1998

The commission's report should revive debate over development of an anti-ballistic missile system. Perhaps some of the money that Congress now spends on pork-barrel projects the Pentagon neither wants nor requests could be used to enhance the nation's defense against the newest, and most unpredictable, members of the world's nuclear club.

''RENEW ANTI-MISSILE DEBATE,'' WISCONSIN STATE JOURNAL, JULY 20, 1998

The emerging threat from countries like Iran, Iraq, and North Korea makes it irresponsible for America not to do whatever it can as soon as it can to develop a shield against these terrifying weapons.

''THE FINAL FRONTIER,'' NEW YORK POST, JULY 19, 1998

In this new age of emerging, virulently hostile nuclear powers, the United States must expeditiously negotiate with Russia an end to the ABM Treaty and deploy an anti-missile defense system.

''NAKED AMERICA,'' LAS VEGAS REVIEW JOURNAL, JULY 17, 1998

Until this odd Administration, we thought a President's first duty was to the common defense. At least Congress is a co-equal branch of government. And armed with the substance of this [Rumsfeld] report, it has a stronger political case for the more urgent development of missile defenses.

''ZERO WARNING,'' WALL STREET JOURNAL, JULY 16, 1998

North Korea soon will have a missile that can reach Alaska and Hawaii; does anyone think this mad regime will show the military prudence of the Soviet Union? Saddam Hussein would have fired nuclear weapons at the anti-Iraq coalition if he had had them and some of his Scud missiles did get through; does anyone think the world has seen the last of Saddam's ilk? . . . Republicans must lead the nation to act against real danger and abandon the foolish consolation of treaties with nonexistent adversaries.

''IT'S TIME FOR MISSILE DEFENSE,'' THE BOSTON HERALD, JULY 12, 1998.

Mr. HUNTER. I thank my friend for his excellent comments and for his leadership. I remind him that a couple of years ago, I think it was 1987, when the Israelis were building the Lavi fighter or embarking on the Lavi fighter program, which was kind of a mid-range fighter aircraft that they thought they needed, the gentleman from Pennsylvania (Mr. WELDON) and I and several other members on the Committee on National Security sent a letter to the Israeli leadership saying, if you had an attack by aircraft from a neighboring Arab country, and I think then we were thinking of Syria, you would shoot them all down before they got to Tel Aviv. But if you were attacked by ballistic missiles, Russian-made ballistic missiles coming from a neighboring Arab country, you would not be able to stop a single one. That is the essence of our letter.

We urged them to begin the Arrow missile program, the Arrow missile defense program. As a result of that, partly as a result of our letter and the result, I think, of a lot of other factors and also the importance, the realization by the Israeli leadership that they were in the missile age, they realized that even if we do not and they would have to defend against these missiles sooner or later, they began that program, the Arrow missile defense program. And it is going very well. They have had a number of successes. I have often thought that here we have a very small country, and it seems that they have been able to do more with a handful of scientists and a couple of pickup trucks than we have been able to do with this big defense apparatus, big Department of Energy apparatus and this huge bureaucracy. And maybe it is because we have a huge bureaucracy, but I think more important than that, it is because we have an administration in the White House that does not really want to do it.

Mr. WELDON of Pennsylvania. The gentleman raises a very interesting point. In fact, two hours ago I met with the senior leaders of the Israeli company building the Arrow program in my office as well as Israeli officials. They have had the success the gentleman refers to. In fact, this past week they had another success with the Arrow program. But it gets down to a basic philosophical debate in this city where the liberals want to tell us that arms control agreements and arms control regimes will provide the security protection we need.

And many on our side, like myself and my colleague are saying, you need systems because you cannot always trust those other signatories to the arms control regimes. But this administration has failed in three different ways.

First of all, they have not committed themselves to force the deployment of missile defense systems, partly because they want arms control agreements. This administration has the worst record in enforcement of arms control agreements in this century. Two months ago I did a floor speech where I documented 37 instances of arms control violations by Russia and China, where Russia and China sent technology to India, to Pakistan, to Iraq, to Iran, to Syria, Libya and North

Korea. In those 37 instances, the administration imposed sanctions three times and then waived the sanctions in each of those cases. So it should be no surprise to us when India and Pakistan saber rattled each other. We saw China sending 11 missiles to Pakistan. We saw the ring magnets going to Pakistan for their nuclear program. We saw the Russians sending technology to India.

Why should we then be surprised when these two countries are going at each other? We did nothing to stop that proliferation because this administration did not enforce the very arms control agreements that they maintain are the cornerstone of their security arrangements worldwide.

So not only have they not funded missile defense, they have not even enforced the arms control agreements that they maintain are the basis of stability in the world, and they have created the false impression through their rhetoric that they really are concerned about having systems in place to provide protection.

For all of those reasons, I think we are more vulnerable today, our allies are more vulnerable today than at any point in time in my lifetime.

Mr. HUNTER. The gentleman makes an important point. I know he is on the select committee, the special committee that is looking at this administration's transfer of technology to Communist China with respect to satellite technology and missile technology. I saw what I thought was a great cartoon the other day. Some cartoons really hit close to home. It had a truth to it.

The first question in the cartoon was, which country's missile technology has the Clinton administration most improved? And the second part of the cartoon was, Communist China's.

And the gentleman, I would ask him to make any comments that he can make at this time because I know he is on the special committee, but basically this administration allowed the top engineers and scientists in this country, people who can go out and examine a missile and tell what is wrong with it, they allowed them to interchange and meet with and send papers to the Communist Chinese rocket scientists who were having real trouble making the Long March missile work.

The Long March missile is a missile that the Chinese Communists use for two things. One is they put up satellites with them. Some of our satellite companies in the United States hire them to shoot our satellites up on their missiles. But the other use of the Long March is they have nuclear warheads on some of them aimed at cities in the United States.

It is not in our interest for the Long March missile to work. Especially if it is launched at Los Angeles. However, our engineers, under the permissions or the negligence of the Clinton administration, were allowed to engage for months at the request of the Chinese Communists, after they had some failures with the Long March missile launching a satellite, to engage with them and show them what they were doing wrong and after that series of interchanges, their most important type of Long March missile, as I understand it, has not had a failure.

That means we helped them fix whatever was wrong. That reminds me about the joke about the three guys who were caught by Khomeini and they were going to be guillotined, and the first one got under the guillotine and Khomeini ordered pull and the guillotine came halfway down and stuck. Khomeini said, that must be a message from Allah, let this man go. The second guy gets under there and he says, pull, and they pull it, sticks halfway down. Another message. Let him go. The third guy gets under and says, I think I see your problem. That is kind of what we did with the Chinese and the Long March missile.

□ 1930

Here we are, the target of those missiles carrying nuclear warheads, and our engineers are over there in China showing them what is making the missiles crash after they have only gone a few miles. We want those missiles to crash.

Mr. WELDON of Pennsylvania. If the gentleman will continue to yield, obviously, I am not authorized to divulge information from the select committee's investigation, but I can relate one piece of information that is in the public domain that I think points up exactly what the gentleman is referring to very clearly.

Before 1996, China had no high-speed supercomputers. None. The only two countries that manufacture high-speed supercomputers are the U.S. and Japan. Japan's export policy has been very rigid and very tight. Up until 1996, so was ours. In 1996, things began to change. Export waivers began to be issued. Presidential waivers began to be issued. For whatever reason. The bottom line. Today, there is public information, on the record, that China has over 100 high-speed supercomputers, all of which were obtained from the U.S., which gives China, listen to this fact, more high-speed supercomputing capability than our entire Department of Defense, within 2 years. That is on the record, in public documents provided by this administration, in terms of what capability China has.

Now, I am not against engaging China. In fact, I led two delegations there last year. I am for an engagement that is based on candor and strength, much like the engagement I think we should have with Russia. But facts are facts. They do not need over 100 high-speed supercomputers to do computational research. They need that kind of supercomputer research to design nuclear bombs, nuclear weapons, and to be able to do testing of nuclear systems, like we are doing with our ASCII Blue project.

The 100 supercomputers that China has, I would maintain many of them are being used in developing new generations of weapons that China is, in fact, today working on. Prior to 1996, they had none. From 1996 until today they have in excess of 100. Again, more than the entire supercomputing capability of our Defense Department. If that is not an outrage, I do not know what is.

And I thank my colleague for yielding.

Mr. HUNTER. Mr. Speaker, I thank my colleague and thank him for his contribution here today. I think he is one of the great experts in defense in our House and he has done a great job as the R&D subcommittee chairman.

Mr. Speaker, how much time do we have left?

The SPEAKER pro tempore (Mr. BASS). The gentleman from California (Mr. HUNTER) has 24 minutes remaining.

Mr. HUNTER. Mr. Speaker, one other thing I wanted to comment about today, because it is coming up on the House floor, is so-called fast track, and I just want to tell my colleagues why I do not think this President, this administration, should be entrusted with fast track.

Fast track is power. It is a power that we give American presidents, we as Congress, who are vested under the Constitution, or chartered under the Constitution with the obligation of making trade agreements. We give up some of that trade agreement power, power to negotiate the agreement, to the executive branch; to the President. And so the President, instead of all the Congressmen making the deals and the committees being involved in all the details, the executive branch goes out and makes the deals, like NAFTA, and then they bring them back to the House of Representatives and to the Senate and we vote on them.

Now, I would say, first, a couple of things. First, I think that the negotiating team that the President has, that he has utilized for trade deals, has not been a very competent team. And I am thinking of the port entrance treaty that we made, or agreement that we made with Japan where we were going to be able to get some liberalization from Japan for other people coming in and unloading in ports around Japan. In that deal we were totally finessed.

I think of NAFTA, primarily negotiated by another administration but, nonetheless, by a bureaucracy that started with a $3 billion trade surplus in favor of the U.S. and today is in a $15 billion trade loss.

Now, the great thing about being a free trader, and I like free traders, I have a great sense of humor about them, but the great thing about being a free trader is they never have to say they are sorry. If we have a trade surplus with a nation, they say that is great; and if their deal makes a trade loss with a nation, a loss for America, they say that is great, too. Today we have a $15 billion trade loss with Mexico. We went from a surplus of $3 billion to a $15 billion loss.

Mr. WELDON of Pennsylvania. As the gentleman knows, as a Republican and a colleague, I supported the same position he did on NAFTA, which is opposition to NAFTA, because I felt that this administration would not impose the requirements on Mexico in terms of improving wage rates and labor conditions and tougher environmental laws. So in not doing that, our companies would, in fact, fly south to Mexico, which they have done.

But the interesting point that I want to tie in here is organized labor has been so quick to criticize Republicans on issues like NAFTA when, in fact, it was this administration who shoved NAFTA down our throats in the Congress.

And I want to raise one more point.

Mr. HUNTER. President Clinton pushed NAFTA.

Mr. WELDON of Pennsylvania. Absolutely.

Mr. HUNTER. He rammed it through.

Mr. WELDON of Pennsylvania. As he is doing with fast track this week.

I want to raise one more additional point before I leave and let my colleague finish his time. Unlike most of my Republican friends, I get strong support from organized labor, and I am proud of that. I come from a working class family and understand the needs of working class people. My friend, I think, probably has many similar votes. I do not know if he has the support I do, but I get a lot of support from labor.

I had a group of steelworkers in today asking me about what I was going to do on fast track. I asked them this question: Where has the AFL-CIO been on the one million union jobs that have been lost in this country because of this administration's cuts in defense and aerospace?

Now, we have heard Members get up and rale about the loss of decent paying wages and how critical that is. One million U.S. union jobs were lost in the past 6 years from cutbacks in defense and aerospace budgets. The AFL-CIO did not issue a peep. Union workers, steelworkers who were building the ships at Bath Iron Works, UAW workers who were building the C–17, people who were building the F/A–18–Cs and Ds, all of these cutbacks that have occurred across the country were with union plants. IBEW workers, UAW workers, steelworkers, Teamsters. Where was the AFL-CIO? Where was that on the rating card of rating Members of Congress on their votes? Why was no member of either party rated for not voting to provide the funding support to keep those union jobs in place?

And to all those union brothers and sisters out there who are today working at labor positions making one-half or one-third or one-fourth of what they used to make, I ask them, what did their union dues go for? Their union dues did not go to fight for those jobs they now do not have. One million of them are out of work today because the only area we have cut in the Federal budget for the past 6 years has been the defense budget. The only area.

Sure, we can talk about decreasing the level of increase, and we call that a cut. And we all know that is not what we are talking about with defense. Defense is the only area of the budget that has sustained real cuts above the rate of inflation to gut the program itself. And that has resulted in one million American men and women who carry the union card who have lost their jobs.

When we cut the MilCon budget, the gentleman knows the requirements of the Federal Government, even though many on our side oppose it: Davis-Bacon. So who benefits or who loses when we cut the MilCon defense budget? All of those building trades: the steamfitters, the pipefitters, the brick layers. They are the ones who lose because we have cut back on MilCon construction projects, all of which must be done according to Davis-Bacon prevailing wage rates.

Where has the AFL-CIO been? It has been like this: With its fingers in its ears, its hands over its eyes, and its hands over its mouth. It has not spoken one word on behalf of the union members who are today out of work because of those cuts.

Mr. HUNTER. My friend makes a great point, and there is one other thing that we have done for every union worker and every nonunion worker in this country, and it was done by Presidents Reagan and Bush, and that is that we built a military that was strong enough.

Besides providing those millions of jobs, one million of which have been cut by the Clinton administration, but besides providing those jobs, we fielded a force, a military force, which, since 1991, has been cut roughly in half, but which was so strong in 1990 and 1991, that when we took on Saddam Hussein in the sands of the Middle East, even though we sent over, in my understanding, 40,000 body bags, that is where they put the bodies of the dead Americans after they have been killed in battle, we sent over 40,000 empty body bags, only a very few Americans came back in those bags because we were so strong that we won overwhelmingly without many casualties. If we had to fight that war today, having cut the Army from 18 to 10 divisions, our air power from 24 air wings to only 13, and our navy ships from 546 ships to about 333 ships, we could not win overwhelmingly. We would lose more Americans.

The gentleman knows how great it is when we go to a union picnic and we see, like during Desert Storm, all those bumper stickers saying, ''I support our men in Desert Storm'', ''I support our troops,'' ''I support our soldiers.'' The best service we can do for working men and women is to see to it that they come home, when they are of service age; that they come home alive, with all their faculties. And if they are retired and they have a couple of kids out there, to see to it that their kids come home alive, with all their faculties. That is why we need a strong defense. I thank my friend for bringing that point up.

Mr. Speaker, let me just close on this pending fast track, and why I think it is a bad idea. I think we have established that trade deals are business deals. And if we look at the trade lobbyists and some of the proceedings that are now being investigated with respect to this administration, I do not think we can give them a clean bill of health and say that they were not unduly influenced by some bad elements. I think that is putting it charitably.

Secondly, I think they just are not smart enough or good enough to make good deals. After 4 years of making deals with China, we have now a trade deficit with Communist China that is over $40 billion a year. So we have lost in trade with China. The merchandise trading lost this year was a loss to the United States, according to our own statistics from the Clinton administration, of over $240 billion.

So the first rule is, if we have a guy who is a businessman who always loses money, we do not trust him with all our money. That is pretty simple. That is a very basic thing. We have, unfortunately, Mr. Speaker, folks in the Clinton administration who are losers, proven losers with respect to making trade deals, and we should not entrust all of this power to them. So not this President and not this time.

Mr. Speaker, I will be back with the gentleman from Pennsylvania (Mr. WELDON) and other members of the Committee on National Security to talk a little bit more about the need to rebuild national defense over the next several weeks.

SOCIAL SECURITY AND THE REPUBLICAN TAX PROPOSALS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey (Mr. PALLONE) is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, tonight I have a number of my colleagues, Democratic colleagues, who would join me this evening to talk about the issue of Social Security in the context of the tax proposals that the Republicans plan to bring to the House floor tomorrow as well as Saturday of this week.

Mr. Speaker, the Republicans, in my opinion, are moving full steam ahead with this plan to raid the budget surplus to pay for tax cuts instead of putting that money where it rightly belongs, and that is into Social Security. Make no mistake about it, Mr. Speaker, the Republican tax bill is a direct assault on Social Security. The budget surplus that the Republicans want to use to pay for their tax cuts that they are going to be putting before this House tomorrow or Saturday do not

exist. There is no budget surplus. The only portion of the Federal budget that is in surplus is the Social Security Trust Fund. In fact, without Social Security, the Federal budget would still be in a deficit this year.

According to the Congressional Budget Office, Social Security will take in a $101 billion surplus this year. But CBO also projects the total surplus for the Federal budget this year to be $8 billion. If we do the math, Mr. Speaker, we find that without the surplus in the Social Security Trust Fund, the total Federal budget would have a $93 billion deficit in 1998.

□ 1945

The story is the same if we project the numbers out even further. The CBO projects that without the Social Security surplus, the Federal Government would run a $137 billion deficit over the next five years. Over the next 10 years, CBO projects a $1.6 trillion deficit for both the Social Security trust fund and the total Federal budget. In other words, every single penny of surplus the Federal Government is expected to take in over the next 10 years will come from the Social Security trust fund. Because the Federal Government borrows from the Social Security trust fund to pay for other government programs, by the year 2008 the general fund of the Treasury will owe Social Security $2.52 trillion. I do not want to just keep going into these numbers, I would like to yield some time to some of my colleagues this evening, but I want to say that when I talk to my constituents back in the district, regardless of these numbers, they understand the reality. They understand, particularly the senior citizens amongst my constituents, that we have been borrowing from the Social Security trust fund now for a number of years and that that money has to be paid back at some time in the future. So it is very deceptive, I would say, on the part of the Republican leadership to propose a tax cut bill knowing full well that this has to come from the Social Security trust.

I would like to yield some time to some of my colleagues this evening to talk about this. Democrats as a party have joined with President Clinton in pointing out from day one this year, the President actually mentioned it in his State of the Union address back last January, that it is imperative that we do what we can this year, if not now in future Congresses, to correct the problems that we will face with Social Security 10, 20, 30 years from now, because there will not be enough money in the trust fund to pay for that generation of baby boomers that will become 65, that will be senior citizens at the time. And so all we are really saying as Democrats is the time is now to think about what we are doing here. We just got into a situation where we have some extra money being generated from general revenues because the economy is good and we passed this Balanced Budget Act last year, let us not now before we have time to think about it just go hog wild, in effect, and start spending money on a tax cut which essentially is just coming from the Social Security trust fund.

I yield to my colleague the gentleman from Maryland who has been making this point many times to me over the last few weeks.

Mr. WYNN. I thank the gentleman from New Jersey for yielding and I thank him for his leadership on this issue. I am pleased to join with him tonight in talking about the issue of tax cuts, phony tax cuts, and the more important issue of saving Social Security. There is a difference in this evening's debate. The Republicans are here with an election-year gimmick, election-year candy which basically says to the American people, ''I know what you want and I'm going to give you a tax cut.'' We take a longer term view on the Democratic side. We believe that the most responsible thing we can do is not give an election-year gimmick but, rather, to protect and save Social Security first, to look forward 20 years when we really need to address the problem of an insolvent Social Security system and say, ''Let's plan now for that day.'' The way we plan now for that day is quite simply by saving all the money in this projected surplus and putting it toward Social Security and not toward some kind of election-year tax break gimmick.

Let us talk about taxes for a minute because I think there is a certain mythology that has been perpetrated by the Republicans with respect to why we need these tax cuts. One of the first things we will hear will be a phrase that reads something like this: Taxes are a crushing drain on the American economy. The fact of the matter is, Mr. Speaker, that that is not true. The economy is doing very well. There is no crushing drain. There is no overwhelming burden on our economy. Our economy is today the best it has been in 30 years. We have low unemployment. More people are working. We have low and stable interest rates. We have increased business starts. We have fewer bankruptcies. So where is this crushing burden that my colleagues on the other side of the aisle want to talk about? It does not exist. It is a myth. It is a part of their election-year rationale to suggest that they have got the solution for the American public. There is no crushing drain or overwhelming burden on the American taxpayer. They say, ''Oh, yes, there is.''

Item number 2, they will tell you that the tax rates are too high on the average American. That, too, is a myth. It is not true. The tax rates for the average American family with two children are the lowest they have been since 1978. Tax rates for even the folks in the highest brackets are lower than they have been since the 1960s and the 1970s. So when Republicans run down to the well and start talking about the tax rate on the American citizen is too great and somehow government's hand is in their pocket, they are not telling you the truth. What we have given you with the balanced budget and a healthy economy is tax rates that are in fact lower than they have been in many, many years.

Third, they will say, well, what about as a percentage of gross domestic product? The Republicans will try to suggest to you that tax revenues as a percentage of gross domestic product is the highest that it has ever been. Well, yes, tax revenues are high. Why? Because more people are working and more people are paying taxes. So that is not a problem. That is a by-product of a healthy economy. People are working. They pay more taxes. It is not a drain. It is a positive by-product. There is a second by-product that is the result of this healthy economy that impacts on the tax revenue and, that is, millionaires. Yes, millionaires. Our economy has generated numerous millionaires as a result of the stock market. When they take their profits out, they pay capital gains tax. Those capital gains tax from the millionaires go toward the general fund and increase our tax revenues. So we have a healthy revenue picture but it is not because there is an overwhelming or disproportionate burden. It is because people are paying more taxes because they are earning more money, or in the case of the millionaires, they are making more profits. So we see that this mythology that has been developed around the notion of we need massive tax cuts to save this country simply is not true.

Now let us look at the Democrats' proposal. We say that the most significant issue in American politics today is saving Social Security. We know there is a day coming when the baby boom generation will become eligible for Social Security and when that day comes if we do not make some adjustments, we will be facing an insolvent Social Security system in the year 2020. By the year 2030, we will not be able to make our payments on time. That is the problem that we as public officials ought to be dealing with, not some tax gimmick because it is election year but a serious consideration of how we can address the Social Security problem.

Now, this administration, led by President Clinton, has said very simply this. What we ought to do is take any surplus that we get and put it aside to save Social Security, so that it will help us address this insolvency problem when it arrives. We will have to do other things: We will have to have a commission, we will have to come up with hard recommendations but certainly we need to start putting some of this money aside. But the thing we have to keep in mind is we do not even have the money yet. We do not have the surplus yet. It is a projected surplus. Some people say, ''Let's wait at least until the black ink dries before we start spending it.'' We should not start spending. We should not start

giving it away. We should start saving it. That is what the Democrats are proposing. It is long-range thinking. It is thinking that will protect our community, our young people in years to come. I think that this is the way we ought to go. I think this is the sound public policy. That is why when we take up this debate over the weekend we are going to say, no, save Social Security first, then talk about tax cuts after we have a serious proposal to save Social Security.

The gentleman from New Jersey has done a wonderful job leading this issue. I thank him for allowing me to have a few moments this evening.

Mr. PALLONE. I want to thank the gentleman for his input into this. One of the things that the gentleman pointed out which I think is so important is the projections that we are working with now are basically assuming a good economy, or an economy that grows at the rate that we have now, and in fact if the economy slowed down, the problems that he pointed out and the Democrats have been pointing out in terms of the amount of money that is available in Social Security are aggravated considerably.

I will just briefly mention again some of these statistics from the Congressional Budget Office. According to the Congressional Budget Office if the economy were to fall into a recession like the one in 1990 and 1991, the budget would be in deficit within one year. My colleagues on the Committee on Ways and Means, and we are going to have the gentleman from Washington (Mr. MCDERMOTT) next talk to us, but on the Committee on Ways and Means they pointed out that if the recession began in 1999, the $79 billion budget surplus projected for the year 2000 would turn into a $38 billion deficit and the $86 billion surplus in 2001 would become a deficit of $53 billion. So the assault on Social Security that the Republicans are proposing this year would widen these deficits by as much as $18 billion a year. Of course we hope the economy is going to continue to be good and we are going to do whatever we can to make sure that it is, but the problems that the gentleman from Maryland pointed out become aggravated if we do not continue to have an economy that is this good, and frankly the economy has not been this good for most of the last 10 or 20 years. So it is another reason why we have got to be very careful about what we do.

I yield to the gentleman who is on the Committee on Ways and Means and has been very knowledgeable and thoughtful about this whole proposal.

Mr. MCDERMOTT. I thank the gentleman for bringing this issue to the floor tonight. I think the reason I was willing to come down here and talk about this is that tomorrow and the next day the American public is going to be treated to a con game that you might see at a county fair, the pea and the three walnut shells, they move it around, you are not quite sure where it is. I would like to talk about what actually is happening.

There will be two bills that will be brought to the floor. One of them will be the so-called protection of Social Security bill, and the other one will be a tax bill. Now, it is my belief, and I think the figures show, that we do not have the money to give a tax break unless we use money that comes from Social Security.

Now, I put this chart up here. This is the column for the next five years. You can see that the projected, and, remember, this is projected on the basis of the way our economy is going. Now, if you think the economy for the next five years is going to continue to go up and no problems, this is what it looks like, because that is the projection that comes out of the Congressional Budget Office that there will be a surplus over the next five years all told of $657 billion. A lot of money. Now, that is all the extra money that is raised from Social Security. Understand that Social Security, when you pay your FICA taxes, we pay in each year more money than we actually pay out in benefits to old people. So we are building a surplus for the time when we get to the baby boomers in 2010. Next year we will collect $657 billion more Social Security money than we need to pay our debts. That is the check to your mother, your father, my mom is 89, my father is 93, they get their check. We are going to have $657 billion over the next five years more than we actually need to pay those checks. What are we going to do with it? That is what the debate is about.

Now, part of it, $137 billion, has to go to reduce the deficit. We are still borrowing all over the world, and the only way to get rid of that is to pay that off, to pay off that $137 billion in deficit. That leaves $520 billion of Social Security money not spent. Now, tomorrow we will hear people come out here and say, ''Well, we'll save 90 percent of it and we'll use just 10 percent of it for a little tiny tax break.''

Let me show you what happens over the next five years. Over the next five years, we collect more than $1 trillion, $1.27 trillion more in the Social Security fund than we need to pay. So you say, ''Gee, that's a lot of money. We ought to be able to give some of that back.'' Remember, it is for the Social Security of people who are going to get to 65 in 2010, the baby boomers.

Now, at that point, in that second five-year period, we would put $859 billion of it, that is how much that actually goes into Social Security and we would have a surplus of $168 billion. If you add those two, the next 10 years together, we are going to raise $1.5 trillion more than we need for Social Security. But we owe $1.516, that is $1.5 trillion—I have to get my trillions right—we have to put that much in Social Security, and the actual surplus is $31 billion at the end of 10 years. Now, I defy anybody to believe that you can project where we are going to be in the year 2008 and know that we are going to have $31 billion.

What we are going to hear tomorrow is people saying, ''Well, look, we've got all this surplus, let's spend some of it now and we know it will come in, we don't have to worry.'' This is exactly the kind of thinking that the Republicans beat up on the Democrats ever since I came to Congress. They said, ''You're balancing the budget by borrowing from Social Security and putting it into the budget. You are not being honest. You are borrowing from Social Security and you are balancing the budget, you're not raising taxes, you're just hiding from people the fact that you're spending more than you're taking in and you're stealing out of Social Security to pay for it.''

☐ 2000

They yelled at us for 10 years. Now suddenly we have some extra money, and it is like they forgot what they have been saying around here for 10 years that I have been here, and they say:

Well, we have some extra money; let us give it back.

The problem with that is that it is based on assumptions that the economy is going to keep going.

Now you all have seen what happened in the stock market. Nobody can look at the stock market over the last month or so and say to yourself I can project what it is going to be like 10 years from now.

I come from Seattle, and one-third of our economy is based on international trade in this country. Seattle is very heavily dependent on that, so I know what is going on in the port of Seattle, which is the second largest port on the west coast. That port has an increase of 34 percent imports, and the exports have dropped by 32 percent.

So what is happening from all over Asia is that boats come in loaded with stuff and go back empty because the Asians are not buying from us. All those little businesses in Seattle that were exporting chemicals, and they were doing all kinds of business, they are dying on the vine all over the place right now, and the same number of ships are coming in and out, but it is only one-way trade.

People wonder why the farmers got problems in this country. I live in a place in Seattle where I can see the elevators right down on the waterfront. We have got the deepest water port on the whole west coast. They come in there, and they used to put out 40 boats a month. This last 2 months they put out 2 boats. That means we are not exporting grain from Minnesota and North Dakota and South Dakota and Nebraska and Kansas. All these farmers are out there wondering why is the price of wheat the lowest it has been in God knows how many years. It is because there is no market.

And the Congressional Budget Office is making these predictions without taking into account what is actually

happening in Asia. We will not get another revenue estimate until July 1, next year.

Now my view, to believe that we are going to have this kind of money, takes a lot of belief. You have got to believe in the Tooth Fairy, and Santa Claus and the Easter Bunny to actually believe that this is a realistic view for the next 10 years.

But the Republicans want to give money back and say we are not going to take care of what we owe Social Security.

We have borrowed from the Social Security $520 billion. In the next 5 years we are going to keep borrowing, and if we do not put it in there, we are simply not going to have a Social Security system for our kids. My son, who is 30 years old, said to me, Dad, I really do not think there is going to be Social Security when I get to be 65. If we do tomorrow what is planned by the Republicans, there will not be.

Mr. Speaker, the President was absolutely right when he said it right here in this room, right at that podium. He said we are going to save Social Security first. Then, after that is done, after the security of our children is taken care of, then we can talk about tax breaks.

Now you will also hear some interesting things. I want to show just what this really looks like, another way for you to look at it. Again here is the amount of money that we are going to have. We are going to have about $650 billion, and 137 billion of it is going to go to pay for taxes. That is the current law and the democratic plan. We will pay off the budget deficit first in the next 5 years. Then we have $520 billion to go into the trust fund in anticipation of 2010 when the baby boomers hit the system.

The Republican plan tomorrow says, well, I mean we do not have to save all of this. Why do we not just give away $90 billion in a tax break? This is their 90–10 business. They will say we are saving 90 percent of it and we are only spending 10 percent of it, so what is the harm?

Well, if I were sitting out there 30, 35, 40 years old and wondering about whether I could count on Social Security when I was 65, I would say: No, put it in the reserve and do not spend it.

Now the Democrats will offer a bill tomorrow that says we want to take this surplus and put it in the Federal Reserve so that the Congress cannot spend it, the New York bank and the Federal Reserve system, and it can only be spent if we are going to default on some of our debts on our securities. Otherwise it stays there to deal with the future of Social Security.

Now one of the things you will hear out here tomorrow that will also be confusing is people will say, well, Democrats are not for tax breaks, Democrats just want a lot of money, and they want to spend it all the time. That is not true. Many Democrats voted for tax cuts last year. Why? Because they were paid for. They were not using the Social Security surplus.

The first thing that will happen tomorrow, and for people watching this it is going to be difficult to really understand; when we pass the rule, we will pass a rule on the floor here on how this whole process is going to be argued out here, but buried in that rule are provisions that overlook all the rules of balancing the budget that was so important last year. This year they come out on the floor, and right here they are going to waive those rules; say, oh, those are from last year, they are not for this year, because they will create a deficit by giving a tax break, and they are simply waiving all the balanced budget stuff that they are going to go around in this campaign and say we balanced the budget. If they do this, they will have done it by ripping up the rule book and saying that was for last year, now we can just spend whatever we want and we do not have to account for it.

They will also say Democrats have offered some of these. I offered on the Committee on Ways and Means the tax plan. I offered the family, the part of the tax plan that gives the marriage tax penalty, wipes some of it out. I offered it twice in 1997. The entire Republican Caucus on the Committee on Ways and Means voted no. They did not want to do it last year. They were giving money to people at the top of the income scale. They did not want to do anything about people at the bottom. So I offered this marriage tax penalty last year. On two occasions it was turned down.

I also offered that you could deduct the money that you spent to buy your own health insurance if you were a self-employed person. Small businessman or woman buys their own health insurance; they cannot deduct it. The Boeing Corporation in my city or Microsoft or Weyerhauser or any of the big companies, they deduct it all. But if you are a small business person, you cannot deduct it all, and I said that is not fair; why do we not let the small businessman do that? So I offered that last year, but it was paid for. This proposal that you will see tomorrow is not paid for unless you are willing to use money raised through the Social Security tax.

Now the reason we set that tax up, you go back to 1935. Franklin Delano Roosevelt wanted us all to begin preparing for our old age, and he set up these accounts. You know, your number is a 9 digit number, and you have been putting money into that account in expectation that some day you will get to be 65 and draw it out. And we have been operating on that basis now for about 60 years, and many people say that we are going to have a big problem in 2010 because of the baby boomers, a whole bunch of people born immediately after the Second World War come onto Social Security, and we have to save now so that we are ready to pay their benefits in 2010. You can wait. You can say, well, let us not worry about that, that is tomorrow; you know, who knows what will happen? We know how many people there are and how many people that are going to have to have benefits in 2010.

Now some people say the Social Security system is broken, that it is hopeless, it is all done. It is not. That is a myth that some Members would like to say because they want to change this from a government-guaranteed system to give everybody their own individual account. Sounds like a good idea until you look at the stock market over the last month. When you look at that, you say to yourself what if I had put my money in the stock market to retire on and I made the wrong choice?

Tonight I was watching television, and they have a stock fund in the market that last night they had a whole bunch of the big bankers got together and came up with something like $400 million to save one of those mutual funds that everybody is running to put their money in. Now, if we take away the government guarantee, we leave a lot of people in real trouble. In this country today there are 5 million widows living on $8,000 a year. They are counting on this; $8,000 a year is not high living. That is just making it. And if we do not take care of this, we are going to have to reduce the benefits in 2010. If we take care of it, we can continue the benefits going out as they have for the last 60 years. But that is why it is important that we start saving now.

People call me a liberal, but I am very conservative about looking down the road and seeing an enormous problem and knowing that we have to start saving for it now. If we do not, it will be our children who will get the short end of the deal, and for people of my generation and the people who are on this floor to not think about your kids is criminal in my view because what you are saying to them is you work all your life paying for my Social Security, and then when you get there, there is nothing there. That is not the way we ought to do it, and we ought to save the money.

The President, as I said before, was absolutely right, and I think the gentleman's bringing this to the floor is giving us a opportunity to discuss this and lets people understand what is he going to happen tomorrow. They are going to hear a lot of flimflam. Tomorrow they will pass a bill saying we are saving 90 percent of Social Security, and the next day they will say: and we are giving you a tax break. And they are never going to tell you that that tax break came out of the Social Security. They are going to try every way possible to say that there is no problem. But you cannot have a $90 billion tax break tomorrow without taking it from Social Security, and my view is we ought to think to the future.

So, we will raise these same issues again tomorrow, but I think that it is

crucial that people begin to think long term. Sometimes in the Congress we think like one election to the next election, and that is what is going on tomorrow. They are thinking about November 3; can I give people a tax break so on November 3 they will think I am a great person and vote for me? Some of us are going to vote no, not because we do not want to give tax breaks, but because it is not fair and it is not right and we have to think long term.

So thanks for giving me the opportunity to talk about it.

□ 2015

Mr. PALLONE. I want to thank my colleague from Washington. The gentleman really articulates well what we face tomorrow. If I could just develop a couple points you make, because I think they are so important.

First of all, there is no question that this debate over the next two days is totally political and being done by the Republican leadership because they are looking for votes in the November election, because we already know that it is very unlikely that the Senate would even take up this legislation, and the President, of course, has vowed to veto the legislation. So we are not even talking about anything that could possibly happen or be signed into law in time before the Congress adjourns. So the whole debate on the Republican side is totally partisan, totally oriented towards the November election in an effort to garner votes.

The other thing that my colleague from Washington pointed out that I think is so important is that the money that has been generated by the Social Security surplus has been generated because we know that the baby-boom generation a few years from now is going to be very large and there are going to be a lot more seniors that need Social Security benefits.

I believe it was maybe 20 years ago in the seventies that the Congress and the President signed legislation that actually increased the tax, the FICA tax on Social Security, with the anticipation that the baby-boomers would pay this higher level, generate a surplus, and that that money would pay for their benefits because there would be so many more of them in 2010 or 2020.

What happens if that money is not there because it has been borrowed and spent on tax cuts or other things? Well, what happens is that either there will have to be another tax increase, which future generations will have to pay, which is very unfair to them, or, alternatively, they would have to cut back on the benefits.

We have already heard talk about cutting back on the COLA for Social Security, raising the age, and those are the consequences or likely consequences of this irresponsible Republican policy, that ultimately in the future we might have to raise taxes that people pay or their earnings amount in order to pay for Social Security, or cut back on the benefits. So it is a very irresponsible, totally political proposal that we are going to be seeing the next two days.

I would now like to yield to my colleague from Arkansas, who has worked with me on our Health Care Task Force. We put together the proposal, the Patients' Bill of Rights to reform HMOs, and the Kids Health Care Initiative that has been very successful last year, and he has been speaking out on the Social Security issue quite a bit for the last few weeks. I yield to the gentleman.

Mr. BERRY. I appreciate my colleague from New Jersey yielding me. I, too, have enjoyed working with him on a number of issues, particularly health care, and also on this particular issue of Social Security.

Mr. Speaker, I rise today to talk about a program that everyone in America has a vested interest in, and, of course, that is the Social Security system.

But I want to make it perfectly clear: I favor cutting taxes, but I do not favor robbing my children and my grandchildren's future to do it. Right now millions of working Americans are paying into the Social Security system and are counting on it for when they retire.

No one should have to worry that one day Social Security will not be there for them. That is an obligation that our government undertook a long time ago, and we should honor this obligation. I think that is one thing that troubles me a great deal, is the apparent willingness of the majority party here now to disregard the obligations that we have committed ourselves and our government to in the past. I think it is also noteworthy here that when Social Security was enacted, not one Republican voted for it.

In many ways, the Social Security trust fund operates much like a personal bank account. If an individual deposits more than he or she spends, the surplus is reflected as a positive balance in that account. Just as a positive balance sheet for a personal account represents an obligation by the bank to the individual holding the account, a positive balance in the Social Security trust fund represents an obligation of the United States Treasury to that fund. In other words, you put that money in the trust fund as you are working, and, when you need it, when you retire, it is owed to you.

While current retirees have nothing to worry about because Social Security will be there for them, when they need it, the Social Security system will face undeniable problems in the future. The problems need to be addressed now—that is, unless some of the people in this Congress would fulfill a lifelong dream, and that would be to do away with Social Security, and heaven forbid that that would be allowed to happen.

I am a farmer. I have been interested or associated with agriculture all of my life. Farming is a very volatile business; you have good years and bad years. When you have good years, you pay off your debt, you invest in the necessary infrastructure to be successful, and then you put some back for the future.

I think that is what we need to do with the government's so-called surplus, and certainly what we need to do with the Social Security trust fund. This year, the Social Security trust fund will collect $100 billion more in payroll taxes and interest than it pays out to the beneficiaries. However, by 2010, when 76 million baby-boomers begin to retire, the Social Security system's cash flow surplus will begin to decline. By the year 2032, the payroll taxes will only generate approximately 75 percent of the revenues needed to pay for the benefits of those current retirees. In other words, the trust fund will not have the money to pay out to all those who have retired.

The problems with the Social Security program are due to demographics, which include the baby-boom generation, declining birth rates and increasing life expectancies. As a whole, we are creating an older society. The number of people 65 and older is predicted to rise by 75 percent by the year 2025, whereas the number of workers whose payroll taxes finance the Social Security benefits of retirees is projected to grow only by 15 percent.

Social Security is financed by payroll and self-employment taxes on a pay-as-you-go basis, meaning that today's workers are paying for the benefits of today's retirees. The revenue from Social Security payroll taxes is deposited in the U.S. Treasury. The programs, benefits and administrative expenses are paid out of the Treasury. If Social Security's income exceeds the amount it pays out, as it does currently, then the surplus is credited to the trust fund in the form of U.S. securities.

Mr. Speaker, I have come to the floor many times over the last few weeks to talk about Social Security because I am concerned for my children and my grandchildren. Some in Congress have suggested recently that we raid the Social Security trust fund to pay for tax cuts. Some have said that we can pay for these tax cuts because this year we have a budget surplus.

I, like everyone, am for tax cuts, as I have already said, but not on the backs of our children and grandchildren. This surplus simply does not exist. This surplus is the Social Security trust fund.

The Concord Coalition agrees with me. They say over the next 5 years the Congressional Budget Office projects a cumulative budget deficit of $137 billion without dipping into the Social Security trust fund. Obviously, $137 billion in deficit cannot be used to offset $80 billion in tax cuts or anything else.

From this year, through the end of 2008, the Congressional Budget Office predicts a cumulative surplus of $1.6 trillion. Over the same period, the surplus in the Social Security system is

also projected to be $1.6 trillion. In other words, all of the projected budget surplus over the next 11 years is attributable to the Social Security trust fund, which should be off-budget.

By dipping into this so-called surplus, we are dipping into our children's and grandchildren's future. We are taking the money that would have been paid to them by the trust fund and we are saying we will fix it later, we will pay it back, we will do the right thing, maybe. We don't care about the future. We care about how it looks today and how it is going to look on November 3rd.

Is this how we should treat the people of this country? I do not think so. I cannot return to Arkansas and look the thousands of retired Arkansans in the first Congressional District in the eye and say, ''I am sorry, I just wasn't thinking about what would happen down the line. I was thinking of today.''

As I have said, we should cut taxes, but we should not rob the Social Security trust fund to do it. There are millions of people who depend on their monthly Social Security check as a necessary source to supplement their retirement income. Thousands of retired seniors in my district and across the country rely on Social Security as their only source of income. The Social Security System is the most successful government program ever created. All of the Members of this body should stop to think about how important the program is to each one of us, to our children and our grandchildren. We need to save the so-called surplus to be sure that the Social Security System is solvent.

Members of Congress have a responsibility to not only worry about today, but to worry about tomorrow. We must ensure that Social Security will continue to provide the benefits promised to those who have paid into the system. We must save Social Security. Our children and grandchildren deserve to know that Social Security will be there for them when they need it, and we must not rob the Social Security trust fund.

Mr. PALLONE. Mr. Speaker, again I want to thank my colleague from Arkansas. I think that what the point the gentleman makes very effectively is that our position, the Democratic position, is essentially the fiscally conservative position. Our colleague from Washington State (Mr. MCDERMOTT) was making the point that for so many years the Republicans and the leadership on the other side of the aisle kept making the point about how we should not be going further into debt, and now here we are essentially arguing what is the fiscally sound thing to do to save for the future to make sure the money is there, and we are getting opposition from them. So it is amazing to see how, I guess, the ideologies change somewhat.

But I know the gentleman has always stood on the side of fiscal conservatism, and this is obviously a manifestation of that. I am proud to be with the gentleman saying the same thing, because I think it is so important if we are going to have this money available for Social Security in the future.

Mr. Speaker, I just wanted to point out again what the Democrats are proposing. The Democrats have a proposal to save Social Security first, and our proposal would require by law that the entire amount of the Social Security surplus in each fiscal year be transferred to the Federal Reserve Bank of New York to be held in trust for Social Security. If we pass this bill today or tomorrow or Saturday, the President would sign it immediately. It is that simple. But, unfortunately, the Republicans have decided to make this a political issue, and there is no question in my mind about what they are doing.

First of all, the President has stated unambiguously that if the Republicans send him a bill that pays for tax cuts with the Social Security surplus, that he will veto it. So we are not against a tax cut. The Democratic proposal would essentially have the same tax cuts. What the President has been saying, and he just reaffirmed it last week, is that we have been waiting so long, 29 years, for a balanced budget, and it is a mistake for us to basically when we see the ink, so-to-speak, turn from red to black and watch it dry for a minute or two before we get carried away. He is just saying let us not squander the surplus on tax cuts before we save Social Security.

Today the Democrats had a rally in front of the Capitol. Vice President GORE was there with a number of Democratic House Members and Senators. Vice President GORE reiterated this point today when he said that we are not going to basically rip up the Balanced Budget Act. We care about the Balanced Budget Act and we want to make sure that we save Social Security and do not just rip up this Balanced Budget Act by passing this tax cut.

I think that it is important to know that many of the tax cuts included in the Republican bill were proposed and sponsored by Democrats. This is what my colleague from Washington was saying. The marriage penalty relief, the $500 child credit and the Hope Scholarship, expanding the deduction of health insurance for the self-employed, these proposals were actually rejected by the Republicans when they were offered by Democrats at the committee level.

So it is not that the Republicans really are pushing these proposals, because they have had ample opportunity to do it before. The point is that now, just a few weeks before the election, they are suggesting that this be done, but their intention really is not to have it passed here and go to the Senate and be signed by the President. They know that none of that is going to happen in the next few weeks.

The main thing that Democrats are saying tonight and will be saying over the next few days is that we have to have some fiscal discipline. We can show seniors and future generations that Congress will be responsible with the money the American people have entrusted us to manage for their retirement years. What we are saying is that the Republicans should abandon this ill-conceived proposal to undermine Social Security and spare itself the futile exercise of passing a bill that is speeding basically down a road to nowhere.

I can assure my colleagues on the other side of the aisle that if they drop this proposal and really move on to a legislative agenda that has some meaning, addressing HMO reform, addressing environmental and education concerns, the things that the American people want to see addressed, we could actually accomplish something here, rather than wasting our time with this tax proposal, which basically has no chance of passing and only jeopardizes Social Security.

□ 2030

WHO DO YOU TRUST? WHO DO YOU BELIEVE?

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from South Dakota (Mr. THUNE) is recognized for 60 minutes as the designee of the majority leader.

Mr. THUNE. Mr. Speaker, I have been listening with interest this past hour to a number of my colleagues on the other side of the aisle, and it always amazes me to get a glimpse into the mind of a liberal because they really think that it is their money. On the other hand, we think that it is the American people's money.

We listen to them talk about the reasons why we cannot lower taxes on hard-working Americans, on farmers and ranchers and small businesspeople and families, and we are at a loss sometimes as to how possibly they could have arrived at this point in time.

As I listened, there were a number of things that were mentioned. For example, the fact that the economy is performing so well right now; we certainly do not need to lower taxes. It occurred to me as I was listening to that, we think about what makes the economy perform well. Low interest rates. Low inflation. Low taxes. And we look at where we were just a few years ago before the Republicans took control of the Congress and started to get wasteful government spending under control and started to look at ways to systematically lower the tax burden on people in this country and stimulating growth in this economy and stimulating investment and generating additional tax revenues.

As a point of fact, back in 1994 before the Republicans took control of the Congress, we looked as far as the eye could see and we saw deficits 10 years into the future, $3 trillion in deficits

projected into the future. Just this last July, the Congressional Budget Office has revised its estimate and now for the next 10 or 11 years out into the future they are projecting a $1.6 trillion surplus. $3 trillion in deficit in 1994 to a $1.6 trillion surplus in 1998.

Mr. Speaker, think about that. That is almost a $5 trillion turnaround in a matter of 3½ years. And the President would like to take credit for that, but frankly the President taking credit for the good economy is about like the Easter Bunny taking credit for Easter.

What happened is the Republicans got control of the Congress, began to roll back a lot of wasteful discretionary spending, worked with the entitlement programs to make those programs more efficient, and saved the taxpayers billions and billions of dollars on the spending side of the equation.

Couple that last summer with the Balanced Budget Agreement and the tax cut that came with it and we saw a rollback of taxes. Capital gains tax relief, death tax relief, tax relief for families, education credits, and so forth to make it easier for people in this country to make a living and pay their bills and pay their taxes and to try to fulfill all the responsibilities and obligations that they have.

So, the fact that we have an economy that is performing well today is in many ways attributable to the changes that have been made since the 1994 election when this majority got control of the Congress. And to think and to sit and listen to the other side rant and rave about the fact that somehow, some way, the Republicans are going to raid Social Security to give tax cuts to their rich friends is just another lie, like the lie about the Republicans wanting to kill Medicare or wanting to kill school lunches or any of those other things, and the American people are tired of it.

We have been predicting that this would happen, and it is happening because one after another the parade of speakers coming to the floor on the liberal side of the aisle say that these Republicans want to cut Social Security.

Mr. Speaker, I want to tell the American people that that is not the case at all. As a matter of fact, we have made a commitment to save Social Security. Look at what this plan consists of: $1.6 trillion in surplus that is going to be generated over the course of the next 10 years, we are saying that $1.4 trillion, 90 percent, ought to be walled off and used to save Social Security. And not only for the current people, current generation who is receiving Social Security benefits, but for those who are paying in today.

And I can tell my colleagues, personally nobody is more interested in seeing that program survive and be there than I. I have two parents who are about 80 years old who rely on that program as their sole means of existence.

Then look at the young people who are paying in the FICA tax, the payroll tax, and are trying to balance the books in their families and trying to make ends meet and get a little bit ahead in life and they are hit with these taxes. We need to make sure that they have a program that is there for them in the future when it comes time to retire. We have made that commitment.

The question I would ask of the American people as they listen to all that rhetoric on the other side about the Republicans wanting to cut Social Security is ask one question: Who was it that said in 1995 that they were going to reform welfare and did it? Who was it that said they were going to balance the budget in 1996 and 1997 and did it? Who was it that said we were going to lower taxes on American workers across this country and did it?

Who was it that said we were going to save Medicare and make it viable for the next 10 years until we can get some long-range changes and reforms in place to make Medicare a program that will work well into the future and did it? Who was it that said they would reform the Internal Revenue Service and did it?

It was this majority in this Congress. And the American people have to ask themselves a fundamental question as this debate gets underway and that is: ''Who do you trust? Who do you believe?''

Should we believe the people who for 40 years have not put a crying dime into the Social Security trust fund? Or should we believe the people who promised welfare reform, promised a balanced budget, promised lower taxes, promised a Medicare program that worked into the future, promised IRS reform? That is the question that is before the House and before the American people as this debate gets underway.

Mr. Speaker, I just happen to believe that when we look at a $1.7 trillion annual fiscal budget, that the tax relief that is being proposed under the 90–10 plan, and the American people should bear in mind, $1.6 trillion in surplus, $1.4 trillion sealed off, walled off to save Social Security, and $80 billion in the form of tax relief.

Mr. Speaker, $80 billion on a $1.7 trillion budget is less than one-half of 1 percent to go back to the people whose money it is in the first place. But we cannot get that through the minds of people in this town, because if we listen to the debate that is going to occur from the liberals on the other side, they are going to talk about how we have all these reasons why we should not lower taxes.

I heard the discussion tonight about farm prices being low, and I happen to agree. We are in a terrible economic disaster in rural America. And the gentleman from Washington alluded to the fact that some of it happens to do with unfair trading practices. Well, that is attributable to the Clinton administration's failure to enforce trade laws and agreements. But we have a terrible problem with farm prices. What are we going to do about that?

One of the things that is proposed in this tax relief is that of the $80 billion, a bunch of it is going to help farmers and ranchers. I think that is worthwhile. Another proposal included is that by raising the threshold that the death tax applies to, the small farmer, the small rancher and independent producers in my State and other States have the opportunity, if they choose, to pass along their operation to the next generation without having to face both the Internal Revenue Service and the undertaker at the same time. I think that is remarkable, the death tax relief in this bill.

Another thing that we talked about was deductibility of health insurance premiums for self-employed persons, farmers and ranchers, people who have to pay health insurance premiums and yet do not have some employer-provided plan and therefore take it out of their own pocket and do not get to deduct it like if they had an employer or they were employers and used that as an expense. Mr. Speaker, that helps farmers and ranchers.

There is an provision that makes permanent income averaging. For farmers and ranchers there are lots of ups and downs, and unfortunately lately mostly downs. Some day that is going to come around and we are going to see income. We will have an opportunity to give our producers, farmers and ranchers, an opportunity to spread their income over time so that they do not get stuck with a big tax liability in one year.

There is a provision that allows for a loss carryback. If one has had profitable years in the past, go back as far as 5 years and if they have had profitable years, but losses in the current year, they can take the losses, offset them, and use them against their profitable years and get a tax refund this year. Mr. Speaker, that is projected to help 100,000 farmers and ranchers across this country; something that is very critical right now to help with the cash flow problems that our farmers and ranchers are suffering from.

If we want to do something about helping farmers and ranchers, instead of getting up and ranting and raving about how the Republicans, here they go again trying to give tax relief to their rich friends, think about the people that we are helping. The people in South Dakota that I represent, the farmers, the ranchers, the small businesspersons, the families that are trying to make a living and struggling to survive, are not rich. They need some help and need some tax relief.

I heard this evening, ''We have to do this for our children.'' I keep wondering as I listen to that, where were these guys for the last 40 years when we were racking up over $5 trillion in debt because of government spending that was out of control? Where were they then? Now, all the sudden we cannot lower taxes and give something back to the American people? We have to think of our children? And yet for

years and years and years in this institution when the other side controlled, had the majority control of the House of Representatives, we went in a cycle, a period of continual runaway Federal spending, racked up enormous deficits, and added to a debt that is now about $5 trillion.

So, Mr. Speaker, as we listen to this debate, and I hope the American people are tuning in, because frankly there is going to be a lot of rhetoric and hot air that fills this Chamber in the next few days. But I believe if we listen carefully to this debate, that it will not be lost on the American people that this is the same group that year in and year out, and this is an election year, we are going to hear people arguing and talking about how the Republicans want to kill this program or that program. And now they are saying that the Republicans want to kill Social Security.

That in fact is not at all the case. We are here because we want to save that program and that is why we are dedicating this surplus, 90 percent of it, to saving Social Security. Walling it off and giving that other 10 percent back to the American people whose money it is in the first place.

That is what this debate is about. It is about being responsible to the taxpayers of this country. If we leave this surplus in this town, I can assure one thing. That is that it will get spent. There is no way that the Federal Government and the liberals in this institution will allow those dollars to stay here for very long.

So, Mr. Speaker, I thank you for the opportunity to address some of these issues this evening. I wanted to respond to some of the arguments that I heard in the debate earlier from my friends on the other side of the aisle.

I encourage the American people to tune into this debate. It is important. It is about their future and their tax dollars and seeing that they get the best possible return on their dollars.

ISSUES FACING AMERICA AT THE END OF THIS CONGRESSIONAL SESSION

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New York (Mr. OWENS) is recognized for 60 minutes.

Mr. OWENS. Mr. Speaker, I think it is important to note that we are less than 5 weeks away from the end of this session. We will probably adjourn no later than October 15. The date is still basically October 9, but the rumor is that it will be some time after that. It is certainly going to be no later than October 15 or 16. The necessities of this election year dictate that we will have to adjourn.

I think that there is a full plate of unfinished business, and it is most unfortunate that most of that business is not being addressed. We did a few bills today that are significant, I guess, in terms of conference reports. We also did a bill that I think is very harmful relating to education, and I will come back to that.

The rumor is also that a continuing resolution which will carry our budget into next year will be substituted for the passage of individual appropriations bills. The debate and the discussion of critical issues that will take place on appropriations bills will probably not be there unless we have a rule which allows us to have a number of hours of debate on the continuing resolution, the long one. There is a short continuing resolution that is going to take us into October, but a longer continuing resolution is being prepared.

This means that we will not have a chance in the context of appropriations and budget making systematically, we will not have a chance to discuss certain vital issues. They are vital issues that are not getting the kind of exposure that they need.

□ 2045

The American people have common sense that we welcome, we ought to welcome into this process, and we need to let them know what is going on.

I want to commend my colleagues, the gentleman from New Jersey (Mr. PALLONE) and the gentleman from Washington (Mr. MCDERMOTT), for the very thorough discussion of Social Security, what the Social Security trust fund means, how it works, what it is all about. Out of this present conflict between the majority party and the minority party, perhaps we will have a better understanding developed by the lay people in this country, by the voters, by the ordinary common people of what Social Security is all about, how it works.

We may have an honest bookkeeping process developed, because right now they do smoke and mirrors with Social Security funds. They use the funds in various ways that cover deficits in the regular budget. They talk about being off budget at certain times, and they place it in budget at other times. Maybe we can have a separate accounting system for Social Security grow out of this conflict between the two parties as to how Social Security should be administered.

It is a vital issue for all Americans. There are very few families that are not in one way or another touched by what happens with Social Security. Certainly, in the African American community, for some time now there have been studies showing that African Americans in smaller percentages live to be 65. The mainstream community, the white community, the greater proportion of them live to be 65 and over and enjoy their Social Security benefits.

Right now a much smaller percentage of African Americans are living to be 65 and being able to enjoy the Social Security benefits. Therefore, the African American community will be very hard hit by the movement of the retirement age from 65 to 67. That is going to take place within two or three years. You are going to have to wait until you are 67 before you can receive your Social Security benefits. Already the people who need the help the most are going to be penalized by this Band-Aid approach to saving Social Security.

A commission, several years ago, came up with that answer, one thing we should do is move the retirement age from 65 to 67. Now they are proposing to move it to 70 after that. It will keep moving and there will be certain groups of people who will never catch up with it, if we do not find some other way to save and protect Social Security.

I think we ought to declare off limits now and forever more any movement of the age of retirement as a way to protect Social Security. What my colleagues were saying earlier makes much more sense. Let us use the money that has accumulated in these prosperous times to deal with the problem that we project for Social Security down the road.

I am not going to go back and repeat their arguments. I want to congratulate the gentleman from Washington (Mr. MCDERMOTT) in particular, Dr. MCDERMOTT, who was the author of the single payer health plan here in Congress. He is still the author of it; he originated it, the single payer health plan.

Dr. MCDERMOTT gave a brilliant analysis of how the Social Security fund works and how the money is accumulated. And I want to congratulate him for that statement, that presentation.

Saving and protecting Social Security is something we have got to talk about more in the next few days in the context of the proposal of the Republicans that we have a tax cut. There is a surplus. Most people do not realize that that surplus is primarily money in the Social Security fund. The surplus is in the Social Security fund. Anyone who wants to take part of the present surplus and move it somewhere else will be taking it from the Social Security fund.

Our position is that we must protect the Social Security fund first, protect Social Security and guarantee that the difficulties projected will be taken care of before you begin to take money out of this surplus which is mostly Social Security funds.

I previously stated that I think that if there is a surplus, some part of it ought to be dedicated to education and the necessary steps to improve education. A greater investment in education is a worthwhile use of any surplus funds. But not until we are sure that we have the adequate protection for Social Security, that the money stream, the revenue stream, the projections for the future are all in place and we can see where the money is going to be left over after you make the necessary adjustments to secure Social Security.

That is on our plate. We need to really deal with it. We need to broaden and

maximize the discussion over the next few weeks, and everybody should be in on it. It affects us all. It is a very important program. It takes the cash straight to the recipient, to the person. It has a minimum amount of bureaucracy and layers of infrastructure. It is a check to a person who has earned it in terms of his Social Security rights.

Another thing that we must discuss more in the next few weeks is the Federal assistance to education. I regret that a continuing resolution is going to cover this whole question of what are the appropriations for education for this year. Somehow we need to infuse into the discussion of the continuing resolution a discussion of what are you going to do about education this year. The despair that is felt by parents across this Nation must find some relief from the Federal Government.

The Federal Government is responsible for only a small portion of the funding of education. We have gone over that before. Seven percent of the total funding for education is Federal funding. The rest of it is State and local funding. But that 7 percent that comes from the Federal Government is a stimulant. It makes the local government and the State government do certain kinds of things that they normally do not do.

The Federal Government has been accused of interfering, creating a bloated bureaucracy, making red tape, unbearable for teachers. This cannot be true when only a small percentage of the funds for education are Federal funds. If the Federal Government has only a 7 percent funding involvement, then our influence is only 7 percent, and we cannot, we cannot have an authority beyond the funding. We are the scapegoats, the Federal Government is the scapegoat, but it is limited, too limited.

I have always said that 7 percent is not enough. The Federal Government should at least rise to the level of 25 percent of funding for education in America. If we have 25 percent of the funding, if we provided 25 percent of the money responsibility on our schools, we still will only have 25 percent of the authority and influence. The other 75 percent of the authority and influence would still be at the State and local level. So our schools would still be State and locally run.

Federal assistance to education, unfortunately, if we have a continuing resolution, may be held hostage. It is a great excuse to do nothing.

The majority party would like to do nothing. They are aware of the fact that poll after poll and focus group after focus group demonstrate that the American people, the voters place a very high priority on matters related to education. And they think the Federal Government should be more involved in education in a very basic way.

But instead of engaging that involvement or desire to be rescued in an honest way, the majority party chooses to play trickery and pretend it is concerned about education, while it does things like the bill that was on the floor last Friday.

The bill on the floor last Friday was called Dollars to the Classroom. If you look at it very closely, it is not Dollars to the Classroom, it is dollars to the governors of the States, dollars to the governors. And the governors were given great freedom as to how they were going to spend those dollars, so fewer dollars would probably end up in the classrooms where they were needed most. The Dollars to the Classroom is just one more gimmick, part of a smoke screen that the majority Republicans have pursued to make people think that they are concerned with education when they are not.

Dollars to the Classroom would have pulled all of the authority and all of the infrastructure out of the Department of Education, which would be another way to destroy the Department of Education. They do not say that anymore, but that is still the goal.

We must make certain that in the process of developing this continuing resolution, there be a broader discussion of the things that ought to be in there that are not likely to be in there, if you leave it to the majority Republicans. We ought to not go another year without dealing with school construction, class size reduction or technology.

I will come back to a larger discussion of this. But saving and protecting Social Security, Federal assistance to education. Minimum wage increase, it has been defeated in the Senate. It has not even been put on the floor here, but I think that they owe it to the majority, again, of Americans who would like to see a minimum wage increase, they owe it to put it on the floor and let us vote on it. But that is not likely to happen.

HMO reform, greater health care coverage, HMO reform to bring the HMOs back into control. They got off to a bad start, and no one has said we ought to abolish HMOs. You do not hear any discussion of that. I think HMOs were at the center of the plan proposed by Mrs. Clinton. Most people do not realize it, that health maintenance organizations were a critical part of that plan that was ridiculed and withdrawn for no good reason, really, because it was superior to what has been allowed to mushroom and grow spontaneously, sort of. The HMOs are here to stay, so reform of HMOs is a vital discussion that has to take place. And we are in the process of doing that. The problem is we have to have a full discussion of that between both houses.

Coupled with HMO reform there must be the effort to get greater health care coverage. We need to deal with the fact that 10 million, at least 10 million Americans are not covered that ought to be covered by some health care plan. Again, Dr. McDermott, who was explaining the Social Security plan, is the author of a single payer health plan which would result in the coverage of all Americans. Single payer is not popular these days. Those kinds of things are not even discussed that much, but we should keep it in the back of our minds, that Canada has a single payer system. And Canada is able to cover its citizens without going bankrupt. Canada is alive and well. Its economy has not been plunged into any kind of crisis. For years Canada has had a single payer health plan which covers everybody. Whatever we do, regardless of what form it takes, HMO reform or any other adjustments, we ought to move to cover everybody with a health care plan. That ought to be still on our agenda.

There are some larger issues that also may not be legislative issues, but in this time of focus on the personal life and the intimate life of the President, we ought to be reminded that this great Nation cannot take its eye off major problems throughout the world. This great Nation has a duty to keep watching the kinds of developments that are taking place all over the world which may have an impact upon us.

We ought to be concerned about the stall of the peace process in the Middle East. It is a process and a set of combatants there that we have great involvement with, both the Arabs and the Jews of Israel. We have allies and enemies on both sides. And that process can blow up in our face in a short period of time. We need to not focus so on the trivialities of a Ken Starr report and focus back on some of the pressing foreign policy issues like the Middle East peace stalemate.

Yugoslavia, Bosnia, Serbia, Kosovo, those are items that also may blow up in our face. But even if they do not get worse and blow up, we have to be concerned about the fact that they are a drain on the American taxpayers now. The Yugoslavian conflict that we reluctantly entered and provided leadership for meaningful intervention, that conflict now has gone on for quite some time and America, the taxpayers of this country, have gotten bogged down in a process which is draining the Treasury. The amount of money available for these kinds of interventions is all going toward Yugoslavia, Bosnia and Serbia. Now they say we need greater involvement in Kosovo. We are talking about $6 or $7 billion now directed at one part of the world.

I am all in favor of this country exercising its role as the indispensable Nation, providing leadership when nobody else is there to provide the leadership. It is important. But when you go into a conflict like the Yugoslavian conflict and you stay there and expend billions of dollars, then what you are doing is creating a precedent, which I am certain the American people, anybody with common sense would not want followed.

□ 2100

We are ready to intervene, ready to become a part of rescuing people in

emergency situations, but emergencies should not continue forever. We are nation-building in Yugoslavia. We are doing what we said we would not do in Somalia; what we said we would not do in Haiti. We are going to the extreme of staying much too long, and the patience of the taxpayers in terms of the next necessary intervention will be worn thin. I think we should find a way to extricate ourselves from Yugoslavia after an expenditure of $7 billion. It is a lot.

On the one hand, we expend that much money in Yugoslavia, and we totally abandon Haiti. We had promised an aid package to Haiti, and that aid package only consisted of $200 million of United States funds, funds from this country. But it was part of an international package where the French and the Canadians and a number of countries were going to also contribute to the reconstruction of the economy in Haiti. Well, none of these other countries are willing to ante up and pay their portion or give their portion of the aid until the United States moves part of its $200 million to Haiti. So we are stuck. And Haiti is in a crisis now because theirs is an infrastructure that is continually crumbling.

We cannot keep ignoring Haiti. Haiti is a part of the Western Hemisphere. Haiti is a part of a collection of islands and places in this hemisphere where things happen that we cannot ignore, and important developments there impact upon our quality of life here.

For example, as the economies of Haiti or any other of the Caribbean islands crumbles, the drug lords move in. We have some small island countries that are now controlled by drug lords. We may be surrounded if we do not move to look at the problems of this hemisphere in a new way and deal with the problems of Haiti and the problems of the crumbling economies of certain island groups that have been hit very hard with a new set of rules that make it more difficult for them to sell their bananas in the European market.

The economies that were hit hard by the hurricane just yesterday and today, economies that never were that strong and have never had any significant assistance from the United States, those economies now are sitting there as bait and targets for drug lords to prey upon.

We are very concerned about drugs and the continuing in-flow of drugs and the impact that drugs have on our economy. We are going to spend millions of dollars to provide aid for police and military operations in certain countries in order to combat the drug trade. Most of that money is going to go into the hands of the very people who are part of the whole problem. Large amounts of corruption have been discovered in all of the countries that we will be giving this aid to: Mexico, Colombia. Every country.

In the final analysis, when we get down to the bottom line, the law enforcement officials are involved in the drug trade, and that is a consequence of allowing the economies to decline and the standards of government to be corrupted. And we are not going to solve the problem by addressing whatever aid systems we have only to the military and to the police agencies.

Much further across the world there is another problem that we ignore at our peril: The India and Pakistan nuclear testing duels. India and Pakistan both have exploded nuclear weapons. We are so busy watching Monica Lewinsky and following Ken Starr, the fact that these two nations both, in a period of less than a month, exploded nuclear weapons does not seem to bother us.

We have forgotten, I think, that nuclear debris blows in the air, and nuclear debris gets into the water, the oceans, and it moves around the whole world. Every time we have nuclear explosions of any kind, we increase the amount of debris out there in the atmosphere.

I was not a star pupil in physics, but in college biology we did learn about the half-life of radioactive material, how long it stays there, and the fact that radioactive material bombards our genes and our genes suffer from mutations. Some of the new kinds of diseases and microbes and viruses that we have are probably the result of radioactive bombardment and, thus, these mutations.

I remember in the biology class the professor citing some experiment that had been done with fruit flies. Fruit flies breed rapidly, so they can tell from one generation to another what the changes were. And the radioactive bombardment of fruit flies had led to some astounding mutations and changes in those fruit flies.

That was a long time ago, when I was in college biology. The rules are still the same. The principles are still the same. If there are bombs being exploded in India and Pakistan, then we have a problem that we ought to all be looking at.

The Indians and the Pakistanis danced in the street. The ordinary people went out and danced in the street when India exploded their nuclear bomb. They thought it was a great thing. It was like a great celebration that we are now a great power. The party in power, the Hindu party, is now said to have a firm grip on the populace, and that they will probably stay in power for a long time, because they have demonstrated that they are a modern nation and can stand toe-to-toe with the other nuclear powers.

So the people who danced in the street in India and the people who later came behind them and said we need one, too, they applauded their government for matching the government in Pakistan. They are the ones who are most vulnerable in terms of radioactive fallout. They do not know it, but there will be increasing cancer cases and all kinds of strange things happening to them. It is quite sad to see humanity dancing with glee, joyfully celebrating a phenomenon that is likely to have a very cruel and immediate physical impact on them in the next decade.

India and Pakistan represent a very explosive situation. Something is going to have to give there. And instead of waiting until it progresses to the point of Yugoslavia, where we have mayhem and murder and, for humanitarian reasons, all the nations of the world decide they want to do something about it, we ought to try to solve the Pakistan India problem now.

At the heart of it is the Kashmir crisis, the Kashmir situation, which is a long-standing crisis. When I was in high school I remember India received its independence and Pakistan was a breakaway area that, at the last moment, broke away and formed its own independent nation. Kashmir was supposed to become part of Pakistan but a deal was made with the rajah of Kashmir. And although the people who lived there primarily were Muslim, he was Hindu, they decided to go with India. He decided, as an individual.

That may be collapsing too much history too rapidly, but, basically, Kashmir is a place where the greater percentage of the people are Muslims. If they are given a chance to vote, they would vote to become a part of Pakistan. If they became independent, because they are Muslims, they would have a close alliance with Pakistan. India knows this. And instead of acquiescing to the will of the people, allowing a vote to take place and having Kashmir become either independent or quasi-independent, or having Kashmir make the decision to join Pakistan, India refuses to allow a vote. There is armed conflict there. Soldiers are arrayed on different borders and real difficulties may erupt at any time.

The United States has played a major role in several conflicts that have taken place over the years because the United States has basically been an ally of Pakistan. Pakistan deserves a little more help from the whole world, and certainly from the United States, because Pakistan will probably be the loser in any armed conflict with India if nobody else came to their aid. Instead of waiting for some armed conflict to develop, we ought to try to go to the aid of the situation by insisting, having the United Nations use its moral force, appeal to that element in India which still believes in Mahatma Gandhi, and appeal to India's sense of leadership in the world to go ahead and let Kashmir and the people of Kashmir vote. Let them determine where they are going to go in the standoff between armies in Kashmir and move on to a different set of arrangements.

Now, this particular crisis and this particular problem did not just pop into my head. It is one that has been brought to my attention because in my Congressional District, the 11th Congressional District in Brooklyn, there is a large Pakistani community, either

the first or second largest Pakistani community in the country. And like everybody else, they have brought their problems to my attention. And I am appalled at the length of time that the Kashmir-India-Pakistan crisis has gone on.

It is one of the things that we should be concerned with. It is one of the things that we are neglecting, as the indispensable Nation. If there is a real bloody conflict, they are going to call on us. If there is a threat to the stability of the world, or the fishing lanes, there are all kinds of reasons why we will respond, and that is good. Just for humanitarian reasons, we should respond, and I have no problem with that, but we will not unless we are able to take our eyes off the trivial, the endless flow of trivial details about what is happening in the President's private life and what is happening with the Ken Starr Monica Lewinsky case, et cetera.

We need to come back and, before this session of Congress ends, try to get serious about the fact that we are the indispensable Nation, involved in all kinds of activities that are important to the world as well as important to our own economy and our own quality of life.

So I have talked about saving Social Security, the Federal assistance to education, minimum wage increase, HMO reform and greater health care coverage, the stalled peace process in the Mideast, Yugoslavia, Bosnia, Serbia, Kosovo, and those kinds of eruptions in that part of the world, Pakistan, India and Kashmir. These are just some of the kinds of pressing problems and issues that we ought to be addressing.

Finally, I would also like to conclude my little list here by talking about something much closer to home, which arouses a lot of emotions, and that is the President's Commission on Race. Recently, the President's Commission on Race made a report, and 99 percent of the people of this country do not even know they have concluded their activities and made a report. I think that some aspect of the Lewinsky-Starr pornographic drama was unveiled on the same day they made their report. Certainly in the days that followed, the headlines, the media, everything was dominated by the Lewinsky-Starr Peyton Place drama or soap opera.

So the Commission issued a report, and I have not had a chance to read the report yet, but I have read some of the highlights in the press conference or the interviews with members of the Commission. The Commission made a great point of saying that it did not think that we should apologize for slavery. It did not think that the American government should apologize for slavery.

Now, I wonder why, if they were not going to make a positive statement, that we should apologize for slavery, why did they bother to deal with that issue at all? I think the Commission sort of defined itself by rushing to make a statement that was a negative one. Instead of emphasizing that what it did stand for, what it did want, it made a statement which everybody picked up as wonderful. It is wonderful that the Commission on Race, appointed by the President, says that there should be no apology for slavery.

Now, that is something that needs to be discussed and it, of course, is completely off the radar screen. Very little discussion will take place. But the President is to be applauded, still, for appointing that Commission. The existence of that Commission was a very important step forward. However small its budget might have been, or its staff, or however circumscribed its charge was, it was a constructive step forward by a President who did not have to do it. There was no crisis in terms of rioting in the street, there was no crisis of bombing of schools, there was no crisis of a governor standing in the schoolhouse door.

□ 2115

All of these kinds of things were not happening. So the President had no political reason for appointing a commission to review race relations. It was a brilliant stroke to just get people to discuss it. Discussing the issue will not resolve the very serious problems that we face with respect to race relations in the United States, but not discussing it certainly will not get us anywhere and when a President uses his prestige to spark a discussion and move it forward, that is a very positive achievement and the President should be given full credit for that.

The problem is in my opinion that the people on the commission did not take full advantage of the opportunity. I think the commission had some of the best minds in the field. All the people there were quite impressive in terms of their academic credentials, in terms of their experience, et cetera. I think they had very good minds. I regret that the commission, the giant intellect and the giant minds were accompanied by very tiny spirits. I think it is a tiny spirit that makes a point that we will not recommend that there be an apology for slavery and that is the most important thing that they have to lead with. We do not recommend that there be an apology for slavery. They are tiny spirits because they seem to be afraid, intimidated by certain forces that have insisted that apologizing for slavery is ridiculous or it is absurd, it is unfair to ask this generation to apologize for slavery because they cannot do it, they were not here, there were good people in both North and South, et cetera, et cetera. There are a lot of reasons that are given. However, all of these reasons, and everybody who backs away from endorsing an apology for slavery, including the majority of the members in the Black Caucus think it should not be done because it is too little and we do not want to have people have their consciences salved by taking a little step like apologizing for slavery. I disagree. I think it is symbolism and we live by symbolism. Symbolism is very important. There is a galloping symbolism that other nations are adopting. We have an apology every week just about. If you follow the papers, something is there every week apologizing for some atrocities that have been committed in the past, some injustices, et cetera.

This week, today, Thursday, September 24, we have an apology with money. I am going to read from the New York Times International, Thursday, September 24, today. This is on page A–12. Siemens Creates a Fund for Nazi Slave Workers.

''Following the lead of Volkswagen,'' Volkswagen was in the paper last week. Volkswagen apologized for the enslavement of large numbers of people during the war, having them work in their plant and not only apologized, they offered $12 million. I think Siemens is following the lead of Volkswagen.

''Following the lead of Volkswagen, the German electronics giant Siemens announced plans today for a $12 million fund to compensate former slave laborers forced to work for the company by the Nazis during World War II.

''Siemens is one of several German businesses under pressure from lawsuits in the United States and threats of more at home from Nazi-era victims.

''Volkswagen last week became the first of these companies to agree to such payments when it announced its own $12 million fund—a change of heart after arguing for years that it had no legal duty to pay back wages for labor forced on it by the Nazi war machine.

''Siemens had a similar change of heart. Almost a year ago, the company insisted that it could do no more for its former slave laborers than express ''deepest regrets.''

Siemens has gone from apologizing, they did express deep regrets, they apologized. And we are saying large numbers of people are saying that this nation, America, the great nation of America should not even do that. Do not apologize for slavery. Do not have the government apologize for the horror, probably the greatest crime committed against humanity when you add it all up and look at its in its totality. But Siemens is doing that for the laborers who were forced to work as slaves during the war. Volkswagen is doing it. Siemens today, Volkswagen last week. And last week, week before last, quite some time, the Swiss, the Swiss banks and the Swiss government have been apologizing to the Jews who were swindled out of their money in various ways when they deposited it in Swiss banks during World War II. The Swiss are also on the spot in terms of their being the agents of the Nazi government, and they are very apologetic about that. So to have our Commission on Race portray themselves as heroes because they are against apologizing for slavery is most unfortunate.

I think that some good can come out of the commission report. I will certainly look at the report closely and I hope that we move to act on some of

the recommendations that are made by the commission. But the commission in total certainly has left a legacy of spinelessness. The tiny spirits stick out there despite the gigantic minds. An apology for slavery would be very much in order. It is very much consistent with what is being done all over the world. The Japanese apologizing to the Koreans that they forced into prostitution, the Catholics apologizing in France to the Jews for what they did to them, on and on it goes. There are apologies in civilized nations, in civilized cultures, apologies all over. So are we not able to at least take that step of apologizing for slavery, having our government apologize for the fact that slavery was legal, slavery was protected by the government. For 232 years it took place here on our continent under the supervision of legal bodies that protected it. We are not asking for $12 million for a group of slaves that might have worked one place and $10 million for another group. New York City was the third largest slave port in the country. Most people do not know that. They associate slavery with the South. But New York City was the third largest slave port in the country. There are many streets named after the great slave owners, slave holders, in Brooklyn, my own home borough. If you were to have some way to compute the amount of money that is owed in back wages to all the slaves who labored for years and years without any pay, certainly New York would have a big payout. You would have a large number of families that would be eligible for very big payouts. But we are not going to go that far. We are not going to try to do the impossible. But an apology is a good beginning. A recognition of the horrors that were perpetrated with the aid of government is a good beginning. We should have had that beginning.

Now, I have covered a lot of territory, all the way from slavery and protecting Social Security to apologies for slavery. My point tonight is, these are very important items that must be kept on our agenda. These are very important items that we cannot ignore.

A recent book came out about this whole matter of the slave labor in Germany. Each of the factories that were involved, Volkswagen and Siemens, they say the Nazis forced them to use slave labor. But there is a book out which is called ''The Splendid Blond Beast: Money, Law and Genocide in the Twentieth Century'' by Christopher Simpson. In that book the thesis is the companies pursued the cheap slave labor. They wanted it, they went after it, they bid on it. It was not just the government insisting that they utilize the slave labor of prisoners of war and Jews and other people that the Nazis had enslaved. ''The Splendid Blond Beast: Money, Law and Genocide in the Twentieth Century'' by Christopher Simpson. That book has come out recently. There are discussions of it. That is why I think it should be related to the apology for slavery and the commission report. All of these things relate very much to each other. All of them are important.

We are a Nation now that has a leadership role in the world. We are the indispensable nation. The President calls us the indispensable nation. I agree with that term. But we are absorbed with trivialities. One way to smother this Nation and to destroy it is to get so consumed with trivialities that we cannot deal with the major basic issues that confront our economy, our Nation and the world. We are obsessed with ephemeral kinds of things that do not mean very much one way or the other. We are consumed. We are manipulated to be consumed by trivialities. The lives of the movie stars and the lives of the elected officials when they are treated like the lives of the movie stars become far more important than the critical issues of our day. We need to do something about the issues that I have just outlined. We need to do something now. We are at a pivotal period where we do not have certain kinds of pressures on us. We do not have a recession. We have a surplus that we are looking at. We need to have a real, thorough examination of what it means to have a surplus and deal with that. We also need to take a look at the context with which these trivialities keep being pushed to the forefront.

The newspapers and the television stations are obsessed with forcing us to examine the trivialities related to the President's private life, for example. First you have an organ of government, the special prosecutor's office, publishing great details, exploiting trivialities in a way which will guarantee that the report gets a maximum distribution. You have an organ of government paid $40 million, the whole Special Prosecutor's office, which is putting out something which you could call a form of nonfiction pornography. In fact I think it was a statement made by Ken Starr himself that is very interesting where he said that anybody who does that kind of thing certainly deserves to be condemned. Ken Starr on 60 Minutes in an interview with Diane Sawyer in 1987 made the following statement. Quote, from Ken Starr:

> Public media should not contain explicit or implied descriptions of sex acts. Our society should be purged of the perverts who provide the media with pornographic material while pretending it has some redeeming social value under the public's ''right to know.'' End of Ken Starr's quote.

Kenneth Starr, 1987, 60 Minutes, CBS Television interviewed by Diane Sawyer. Let me just read the quote once more. Quote from Ken Starr:

> Public media should not contain explicit or implied descriptions of sex acts. Our society should be purged of the perverts who provide the media with pornographic material while pretending it has some redeeming social value under the public's right to know.

End of quote from Ken Starr.

I agree, Mr. Starr. But you are the one who is guilty. We have your report which has been basically rejected by the majority of the American people. They do not like it. You overreached. Whoever acts in concert with you or that you act in concert with, they have overreached. And we have a situation where all of these publications and exposures of salacious material have not impressed the American people in a positive way. We have the common sense of the American people rising up to challenge and attempt to manipulate their minds. The salacious material, the pornography was all put there in order to distract you with trivialities and not focus on the case that is not there against the President. The President has done nothing which is an impeachable offense. One way to make you forget that is to introduce Peyton Place and soap opera instead and let you get all caught up in discussions of the details of the soap opera, Tobacco Road, Peyton Place and a whole lot of details about intimate activities that should not be published under a government imprimatur, certainly not by a special prosecutor.

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So the American people have rejected it. It has not worked. There has been no automatic response which says throw him out; you know, we do not have that. The polls have not done any gyrations spinning downward, and I want to read from an article that appeared in today's New York Times. Frank Newport, the editor and chief of the Gallup poll writes the following:

> Republicans these days do not seem to think much of public opinion polls. With a strong majority of Americans still opposed to the impeachment of President Clinton, some prominent Republicans are arguing that Congress should do what it thinks is right, not what the polls say.

It is very strange to hear politicians, Republicans or Democrats, saying we should ignore the polls. We live by the polls, and, you know, when we should be ignoring the polls and providing leadership and guidance, that is seldom happens. But suddenly the Republicans have said the polls are not important. I wonder how long that is going to be in effect.

Going back to the article by Mr. Newport, quote:

> Poll taking in an art, not a science, HENRY HYDE, chairman of the House Judiciary Committee said on Tuesday. Representative TOM DELAY of Texas was more direct: I think frankly the polls are a joke. Dan Quayle, the former Vice President, sees a subtext. I think that the people are far more turned off with Bill Clinton and all of his shenanigans than all of these public opinion polls are expressing, he said in August.

So, Dan Quayle, TOM DELAY and HENRY HYDE all think polls are ridiculous, they are superfluous, they do not mean much.

Going back to Mr. Newport's article:

> But Republicans should not shoot the messenger. After all polls do nothing more than summarize the opinions of the people. In a democratic society ignoring the polls demonstrates a considerable arrogance. Why

should we assume that pundits and elected officials know more than the average American or that careful scientific polls do not accurately measure public sentiment?

There is no doubt that Americans want Congress to listen to them. In a Gallup survey conducted this month 63 percent of those surveyed said that on the question of a possible impeachment of President Clinton Members of Congress should stick closer to public opinion rather than doing what they themselves think is best. And to date Americans do not want the President to leave office. Even after the release of the Starr Report and of Mr. Clinton's testimony on videotape the number of Americans who approve of the job Mr. Clinton is doing is 66 percent according to a Gallup poll taken on Monday. Only 32 percent of respondents favored impeaching and removing Mr. Clinton from office. Thirty-nine percent said that he should resign.

The results were similar in other polls. In a NBC news poll, also taken on Monday night, only 26 percent of the respondents believe the President was telling the truth, but 60 percent did not believe the President should resign.

It is certainly possible that the public can still be convinced that impeachment is a correct course. That is what happened during Watergate. In November 1973, just 30 percent of Americans favored impeaching and forcing Richard Nixon from office. By August 1974, just before Nixon resigned, more than 60 percent favored such action.

The job for those who feel Mr. Clinton should leave office is to take these convictions to the public to continue to make that case. Ultimately, however, Congress should listen to the public's response, much of it measured through polling.

That is the end of the quote of Mr. Frank Newport in the New York Times. I think that is today, today's New York Times, September 24 on the op-ed page.

I cite that because, and I read from Ken Starr's statement before 60 Minutes to make the point that we are off into trivialities, and we are being deliberately in many cases led into trivialities, into matters of little consequence, in order to ignore the big issues. And, as a Nation, we are probably going to be subjected to this kind of activity again and again.

The spin is a part of American political life now, the spin. The spin often will spin you into outer space where there is nothing but dust and there is nothing of any consequence.

So I am arguing that we should exercise the common sense out there that they do not appear to have here in the Congress.

Continue to focus on the issues, continue to understand that saving Social Security is an issue that ought to be discussed widely, you ought to have a role in that, you ought to go visit your Congressperson and talk to them about it. You ought to understand that an $80 million tax cut jeopardizes the effort to systematically begin the process of guaranteeing that Social Security will survive and be there fully when it is needed in the future. You ought to not allow yourself to be pulled away from the focus on that very real issue.

Federal assistance to education is a very real issue. Let me just expand for one moment on what happened today. We had on the floor of the Congress today a bill which would increase the immigration quota for professional workers. That immigration quota increase is designed primarily to bring in more information technology workers into this country. Information technology workers are people who work in various ways with computers and the Internet programing and various things related to the computer culture, and there is a great demand for workers. We already have 65,000 of those workers in America. That quota was overrun back in the spring, and now they want to bring in this year another 25,000, and then every year between now and the year 2000 increase the number.

What does that have to do with education in America? It says that we are going to be giving away. We have already given away 65,000 jobs to foreigners. We want to give away another 25,000 to foreigners this year, and we are going to give up to 1,000 in the year 2001; 107,000, I forget. The big problem here is that those figures do not tell the full story. If this is the way the problem is going to be solved when you have vacancies and a need for workers in the high tech area like information technology, if you are going to allow the companies to bring in people from the outside, then they are never going to be willing to fund and develop an adequate education system in America.

You know, first of all there is an advantage in bringing in foreigners from the outside. They always pay them less. They do not pay them as much as they pay information technology workers who are based and trained here. So that is one advantage they are always going to be seeking.

We must insist that the piece of legislation which passed on the floor today is the wrong way to go, that we ought to revamp our education system in order to be able to have a pool, a large pool of people who are in the early grades exposed to computer literacy training, and they go up to high school, and they get more training, and some kids could actually graduate from high school and not go to college and get certified; Microsoft I think certification, A–1 certification; and make between 30 and $40,000 a year. If they want to continue at a junior college or college, you know all of those opportunities are almost guaranteed to be there in the future. That is the way we are going with our economy and the technology. The jobs will be there. The Department of Labor estimates that there will be 1.5 million vacancies in 5 years in the information technology area.

So, we cannot wait until this session is over. We need to do something about federal assistance to education now.

Last Saturday I had a luncheon as part of the Congressional Black Caucus legislative weekend. I had a luncheon and invited 50 school superintendents to come and help us to develop a strategy or let us get together in solidarity in order to make certain that for the remainder of this session of Congress we are not ignored that the education agenda is not pushed on the back burner and left there. Thirty-five school superintendents came; I was surprised at the large number who responded. These are superintendents from what we call America's most challenged districts, the districts that have the largest percentages of poor students, students who receive free school lunches.

So, you know, at that time we addressed the basic issues that they are confronted with. They want the school construction program that is proposed by the President. They want that to pass: $22 billion over a 5-year period to help with school construction. They want class size reduction. They want wiring of the schools for technology. If we do all these things, we will not have to call upon foreign nations to provide us with a work force in the next five to ten years.

We want to deal with HMO reform. You know, we talk a lot about Medicare and the problems that Medicare has. The problems that Medicaid, the poorest people have, are far worse than the problems being experienced by the people who have Medicare. And there are too many problems with HMOs and Medicare already.

The big problem with Medicaid is that the Governors, the States, are squeezing the capitation fees so hard, they are lowering the capitation fees for families and individuals to the point where it is hard for the HMOs to provide the kind of service they should provide. It is the Governors, it is the State apparatus that insists on squeezing more and more, saving more and more, and it has become a situation where the government has endorsed second class health care. Second class health care is deadly health care. You either have first class health care or you have dangerous and deadly health care. And when you cut corners on health care, it means that the health care is likely to do more harm than good. We are being forced into that by States that are greedy and want more and more money.

So that is an important issue.

Save and protect Social Security, provide federal assistance to education now, let us not wait this session. We need to act on the President's proposals. More and more people in the black community, I must confess, parents, are looking to vouchers, 56 percent according to several polls. Fifty-six percent of the parents said they are ready to try vouchers. I know why that phenomenon is taking place. They are desperate. They have given up on the public schools. The way to reverse that desperation is to show there is some reason to have hope, take some action to do meaningful things about the situation in our public schools, take dramatic, highly visible action like school construction, class size reduction and the wiring of schools in order to have a

maximum use of technology. That brings hope for the public schools. It renews all that is there.

We must continue despite the fact that a continuing resolution sort of blocks out a clear discussion of the issues. We must continue the discussion and try to force onto the agenda of the continuing resolution debate all of these priority programs like the saving and protection of Social Security, and the federal assistance to education, HMO reform. They cannot be smothered away by the fact that there will be no individual appropriations bills on each one of these areas.

So I hope that the common sense of the American people will invade these halls in the next few weeks, we will get away from the trivialities and the pornography and return to issues that matter most in this indispensable Nation. We need to continue to make decisions that are going to carry us into the 21st century as a leader of the free world.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. Manton (at the request of Mr. GEPHARDT) for today after 5:00 p.m. on account of personal reasons.

Ms. SANCHEZ (at the request of Mr. GEPHARDT) beginning at 5:00 p.m. today and for the balance of the day on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Ms. KAPTUR) to revise and extend their remarks and include extraneous material:)

Mr. BROWN of Ohio, for 5 minutes, today.

Mr. CONYERS, for 5 minutes, today.

Mr. HINCHEY, for 5 minutes, today.

Ms. NORTON, for 5 minutes, today.

Mr. MINGE, for 5 minutes, today.

Mrs. MINK of Hawaii, for 5 minutes, today.

(The following Members (at the request of Mr. CHAMBLISS) to revise and extend their remarks and include extraneous material:)

Mr. CHAMBLISS, for 5 minutes, today.

Mr. PAUL, for 5 minutes, today.

Mr. BILBRAY, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Ms. KAPTUR) and to include extraneous material:)

Mr. KIND.

Ms. JACKSON LEE of Texas.

Ms. PELOSI.

Mr. CONDIT.

Mrs. CAPPS.

Mr. DOOLEY of California.

Mrs. MALONEY of New York.

Mr. UNDERWOOD.

Mr. KUCINICH.

Mr. MCDERMOTT.

Mrs. MINK of Hawaii.

Mr. OBERSTAR.

Mr. KLECZKA.

Ms. SANCHEZ.

Ms. VELÁZQUEZ.

Ms. MCCARTHY of Missouri.

Ms. LEE.

(The following Members (at the request of Mr. CHAMBLISS) to revise and extend their remarks and include extraneous material:)

Mr. THOMAS.

Mr. EHRLICH.

Mr. RIGGS.

Mrs. NORTHUP.

Mr. BOB SCHAFFER of Colorado.

Mr. BILIRAKIS.

Mr. CASTLE.

Mr. SMITH of Oregon.

(The following Members (at the request of Mr. OWENS) to revise and extend their remarks and include extraneous material:)

Mr. TOWNS.

Mrs. MORELLA.

Mr. RAMSTAD.

Mr. BURTON of Indiana.

Mr. HUTCHINSON.

Mr. ROHRABACHER.

Mr. FRELINGHUYSEN.

Mr. DIXON.

Mr. GREEN.

BILL PRESENTED TO THE PRESIDENT

Mr. THOMAS, from the Committee on House Oversight, reported that that committee did on the following date present to the President, for his approval, a bill of the House of the following title:

On September 23, 1998:

H.R. 1856. To amend the Fish and Wildlife Act of 1956 to promote volunteer programs and community partnerships for the benefit of national wildlife refuges, and for other purposes.

ADJOURNMENT

Mr. OWENS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 9 o'clock and 44 minutes p.m.), under its previous order, the House adjourned until tomorrow, September 25, 1998, at 9 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

11228. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, Department of Agriculture, transmitting the Department's final rule—Brucellosis in Cattle; State and Area Classifications; Florida [Docket No. 98–014–2] received August 17, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

11229. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, Department of Agriculture, transmitting the Department's final rule—Mediterranean Fruit Fly; Addition to Quarantined Areas [Docket No. 98–083–1] received August 17, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

11230. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, Department of Agriculture, transmitting the Department's final rule—Mexican Fruit Fly Regulations; Removal of Regulated Area [Docket No. 98–084–1] received August 17, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

11231. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, Department of Agriculture, transmitting the Department's final rule—Validated Brucellosis-Free States; Alabama [Docket No. 98–086–1] received August 17, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

11232. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, Department of Agriculture, transmitting the Department's final rule—Mediterranean Fruit Fly; Addition to Quarantined Areas [Docket No. 98–083–2] received August 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

11233. A letter from the Director, Office of Legislative Affairs, Federal Deposit Insurance Corporation, transmitting the Corporation's final rule—Risk-Based Capital Standards: Unrealized Holding Gains on Certain Equity Securities [Docket No. 98–12] (RIN: 1557–AB14) received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

11234. A letter from the Director, Office of Legislative Affairs, Federal Deposit Insurance Corporation, transmitting the Corporation's final rule—Capital; Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Capital Maintenance: Servicing Assets [Docket No. 98–10] (RIN: 1557–AB14) received September 10, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

11235. A letter from the General Counsel, Federal Emergency Management Agency, transmitting the Agency's final rule—Final Flood Elevation Determinations [44 CFR Part 67] received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

11236. A letter from the General Counsel, Federal Emergency Management Agency, transmitting the Agency's final rule—Changes in Flood Elevation Determinations [Docket No. FEMA–7261] received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

11237. A letter from the General Counsel, Federal Emergency Management Agency, transmitting the Department's final rule—Suspension of Community Eligibility [Docket No. FEMA–7694] received September 15,1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

11238. A letter from the General Counsel, Federal Emergency Management Agency, transmitting the Department's final rule—List of Communities Eligible for the Sale of Flood Insurance [Docket No. FEMA–7693] received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

11239. A letter from the General Counsel, Federal Emergency Management Agency, transmitting the Agency's final rule—Changes in Flood Elevation Determinations [44 CFR Part 65] received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

11240. A letter from the General Counsel, Federal Emergency Management Agency, transmitting the Agency's final rule—Final Flood Elevation Determination [44 CFR Part 67] received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

11241. A letter from the Deputy Assistant Secretary for Policy, Department of Labor, transmitting the Department's final rule—Interim Rule Amending Summary Plan Description Regulation (RIN: 1210–AA55) received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Education and the Workforce.

11242. A letter from the AMD-Performance Evaluation and Records Management, Federal Communications Commission, transmitting the Department's final rule—Amendment of the Commission's rules to Provide for Operation of Unlicensed NII Devices in the 5 GHz Frequency Range [ET Docket No. 96–102] received August 11, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

11243. A letter from the Assistant Secretary for Export Administration, Department of Commerce, transmitting the Department's final rule—Establishment of 24-month Validity Period for Certain Reexport Authorizations and Revocation of Other Authorizations [Docket No. 980821223–8223–01] (RIN: 0694–AB74) received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on International Relations.

11244. A letter from the Director, Office of Executive Assistance Management, Department of Commerce, transmitting the Department's final rule—Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, Other Non-Profit, and Commercial Organizations (RIN: 0605–AA09) received September 10, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform and Oversight.

11245. A letter from the Executive Director, Federal Labor Relations Authority, transmitting the Authority's final rule—Regulations Implementing Coverage of Federal Sector Labor Relations Laws to the Executive Office of the President [5 CFR Parts 2420,2421,2422,2423, and 2470] received September 8, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform and Oversight.

11246. A letter from the Executive Director, The Presidio Trust, transmitting the Trust's final rule—Management of the Presidio (RIN: 3212–AA01) received September 10, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

11247. A letter from the Acting Deputy Assistant Administrator for Ocean Services and Coastal Zone Management, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Financial Assistance for a National Ocean Service Intern Program [Docket No. 980723189–8189–01] (RIN: 0648–ZA46) received September 10, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Science.

11248. A letter from the Director, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—NOAA Climate and Global Change Program, Program Announcement [Docket No. 980413092–8092–01] (RIN: 0648–ZA39) received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Science.

11249. A letter from the Deputy General Counsel, Small Business Administration, transmitting the Administration's final rule—Disaster Loan Program [13 CFR Part 123] received September 9, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Small Business.

11250. A letter from the Assistant Secretary of Labor, Department of Labor, transmitting the Department's final rule—Unemployment Insurance Program Letter [No. 41–98] received September 16, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

11251. A letter from the Secretary of Health and Human Services, transmitting the Department's final rule—Automated Data Processing Funding Limitation for Child Support Enforcement Systems (RIN: 0970–AB71) received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

11252. A letter from the Secretary of Health and Human Services, transmitting the Department's final rule—Washington: Withdrawal of Immediate Final Rule for Authorization of State Hazardous Waste Management Program Revision [FRL–6147–3] received September 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

11253. A letter from the Secretary of Health and Human Services, transmitting the Department's final rule—Health Care Programs: Fraud and Abuse; Revised OIG Exclusion Authorities Resulting From Public Law 104–191 (RIN: 0991–AA87) received August 15, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); jointly to the Committees on Ways and Means and Commerce.

11254. A letter from the Director, Defense Security Assistance Agency, transmitting notification concerning the Department of the Navy's Proposed Letter(s) of Offer and Acceptance (LOA) to the Netherlands for defense articles and services (Transmittal No. 98–53), pursuant to 22 U.S.C. 2776(b); to the Committee on International Relations.

11255. A letter from the Director, Defense Security Assistance Agency, transmitting notification concerning the Department of the Navy's Proposed Letter(s) of Offer and Acceptance (LOA) to Spain for defense articles and services (Transmittal No. 98–57), pursuant to 22 U.S.C. 2776(b); to the Committee on International Relations.

11256. A letter from the Director, Defense Security Assistance Agency, transmitting notification concerning the Department of the Army's Proposed Letter(s) of Offer and Acceptance (LOA) to Egypt for defense articles and services (Transmittal No. 98–62), pursuant to 22 U.S.C. 2776(b); to the Committee on International Relations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and referred to the proper calendar, as follows:

Mr. YOUNG of Alaska: Committee on Resources. H.R. 2370. A bill to amend the Organic Act of Guam for the purposes of clarifying the local judicial structure and the office of Attorney General; with amendments (Rept. 105–742). Referred to the Committee of the Whole House on the State of the Union.

Mr. HASTINGS of Washington: Committee on Rules. House Resolution 551. Resolution providing for the consideration of the bill (H.R. 4618) to provide emergency assistance to American farmers and ranchers for crop and livestock feed losses due to disasters and to respond to loss of world markets for American agricultural commodities (Rept. 105–743). Referred to the House Calendar.

Mr. SOLOMON: Committee on Rules. House Resolution 552. Resolution providing for consideration of the bill (H.R. 4578) to amend the Social Security Act to establish the Protect Social Security Account into which the Secretary of the Treasury shall deposit budget surpluses until a reform measure is enacted to ensure the long-term solvency of the OASDI trust fund, and for consideration of the bill (H.R. 4579) to provide tax relief for individuals, families, and farming and other small businesses, to provide tax incentives for education, to extend certain expiring provisions, and for other purposes (Rept. 105–744). Referred to the House Calendar.

Mr. DREIER: Committee on Rules. House Resolution 553. Resolution providing for consideration on the bill (H.R. 2621) to extend trade authorities procedures with respect to reciprocal trade agreements, and for other purposes (Rept. 105–745). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of Rule X and clause 4 of Rule XXII, public bills and resolutions were introduced and severally referred, as follows:

By Mr. MENENDEZ (for himself, Mr. BONIOR, Mr. REYES, Mr. SANDLIN, Mr. BORSKI, Ms. FURSE, and Mr. UNDERWOOD):

H.R. 4617. A bill to provide increased funding to combat drug offenses, and for other purposes; to the Committee on the Judiciary, and in addition to the Committees on Education and the Workforce, and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. SMITH of Oregon:

H.R. 4618. A bill to provide emergency assistance to American farmers and ranchers for crop and livestock feed losses due to disasters and to respond to loss of world markets for American agricultural commodities; to the Committee on Agriculture, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mrs. MINK of Hawaii:

H.R. 4619. A bill to modify the requirements under the Immigrant Investor Pilot Program in order to permit an alien who joins a limited partnership after the partnership's creation to qualify for a visa under such program; to the Committee on the Judiciary.

By Mr. HORN:

H.R. 4620. A bill to establish a Federal Commission on Statistical Policy to study the reorganization of the Federal statistical system, to provide uniform safeguards for the confidentiality of information acquired for exclusively statistical purposes, and to improve the efficiency of Federal statistical programs and the quality of Federal statistics by permitting limited sharing of records among designated agencies for statistical purposes under strong safeguards; to the Committee on Government Reform and Oversight, and in addition to the Committees on Education and the Workforce, and Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CASTLE (for himself, Mr. BOEHLERT, Mr. ENGLISH of Pennsylvania, Mr. FOLEY, Mr. FOX of Pennsylvania, Mr. DOOLEY of California, Mr. GILMAN, Mr. HINOJOSA, Mr. LAZIO of New

York, Mr. QUINN, Mr. SAWYER, and Mr. SHAYS):

H.R. 4621. A bill to provide for grants, a national clearinghouse, and a report to improve the quality and availability of after-school programs; to the Committee on Education and the Workforce.

By Ms. DUNN of Washington:

H.R. 4622. A bill to amend the Internal Revenue Code of 1986 to clarify the standards used for determining whether individuals are not employees; to the Committee on Ways and Means.

By Mr. FOSSELLA (for himself, Mrs. KELLY, Mr. MANTON, Mr. ACKERMAN, Mr. KING of New York, Mr. MEEKS of New York, Mr. SOLOMON, Mrs. MALONEY of New York, Mr. ENGEL, and Mr. GILMAN):

H.R. 4623. A bill to amend title 36, United States Code, to grant a Federal charter to the National Lighthouse Center and Museum; to the Committee on the Judiciary.

By Mr. LEACH:

H.R. 4624. A bill to require the Secretary of the Treasury to mint coins in conjunction with the minting of coins by the Republic of Iceland in commemoration of the millennium of the discovery of the New World by Leif Ericsson; to the Committee on Banking and Financial Services.

By Mr. MCDERMOTT (for himself, Mr. DICKS, and Mr. ADAM SMITH of Washington):

H.R. 4625. A bill to designate the United States court house located at West 920 Riverside in Spokane, Washington, as the ''THOMAS S. Foley United States Court House''; to the Committee on Transportation and Infrastructure.

By Mr. THOMAS:

H.R. 4626. A bill to amend the Internal Revenue Code of 1986 to provide individuals a credit against income tax for the purchase of a new energy efficient affordable home and of energy efficiency improvements to an existing home; to the Committee on Ways and Means.

By Mr. UNDERWOOD (for himself and Mr. YOUNG of Alaska):

H. Res. 554. A resolution to condemn North Korea's missile launch over Japan; to the Committee on International Relations.

MEMORIALS

Under clause 4 of rule XXII, memorials were presented and referred as follows:

395. The SPEAKER presented a memorial of the legislature of the territory of Guam, relative to Resolution No. 303 memorializing the Congress of the United States to pass legislation granting an exemption from the maritime cabotage laws of the United States to benefit Guam, Hawaii, Alaska, and Puerto Rico; jointly to the Committees on National Security and Transportation and Infrastructure.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 306: Mr. REGULA.
H.R. 372: Mr. DICKS.
H.R. 457: Mr. ADAM SMITH of Washington.
H.R. 979: Mr. MENENDEZ.
H.R. 1126: Mr. REDMOND.
H.R. 1500: Mr. FORBES and Mr. PETERSON of Minnesota.
H.R. 2094: Mrs. MINK of Hawaii.
H.R. 2593: Mrs. BONO, Mr. KLINK, and Mr. MCGOVERN.
H.R. 2868: Mr. INGLIS of South Carolina.
H.R. 2908: Mr. SAWYER and Ms. MCCARTHY of Missouri.
H.R. 3008: Mr. LAMPSON.
H.R. 3169: Mr. BLAGOJEVICH.
H.R. 3290: Mr. DICKEY.
H.R. 3304: Mr. KUCINICH.
H.R. 3602: Mr. DOOLITTLE.
H.R. 3632: Mr. CAMPBELL.
H.R. 3636: Mr. PASTOR, Mr. CHRISTENSEN, Ms. PELOSI, Mr. DELAHUNT, Mr. OLVER, Mrs. JOHNSON of Connecticut, and Mr. CAMP.
H.R. 3702: Ms. CHRISTIAN-GREEN, Mr. FORBES, and Mr. MURTHA.
H.R. 3704: Mr. TRAFICANT, Ms. DELAURO, Mr. ENSIGN, and Mr. CANADY of Florida.
H.R. 3835: Mr. SOUDER, Mr. KIND of Wisconsin, Mr. SHAW, Mr. MOLLOHAN, Ms. RIVERS, Mr. DEFAZIO, and Mr. DOYLE.
H.R. 3925: Ms. PELOSI.
H.R. 3935: Mr. MARKEY and Mr. GUTIERREZ.
H.R. 3949: Mr. COOK.
H.R. 4019: Mr. KING of New York and Mr. STENHOLM.
H.R. 4027: Ms. CHRISTIAN-GREEN.
H.R. 4172: Mr. SAM JOHNSON of Texas and Mr. NORWOOD.
H.R. 4196: Mr. GOODLATTE.
H.R. 4197: Mr. BLUNT.
H.R. 4213: Mr. LIVINGSTON.
H.R. 4228: Mr. MANZULLO.
H.R. 4291: Ms. FURSE.
H.R. 4299: Mr. BONIOR.
H.R. 4322: Mr. BARRETT of Wisconsin.
H.R. 4368: Mr. SMITH of New Jersey.
H.R. 4370: Mr. COOKSEY and Mr. BOB SCHAFFER.
H.R. 4404: Mr. LAHOOD.
H.R. 4407: Mr. BALDACCI and Mr. PETERSON of Minnesota.
H.R. 4449: Mr. LEWIS of Kentucky, Mr. CHAMBLISS, Mr. BALLENGER, Mr. PRICE of North Carolina, Mrs. MYRICK, Mrs. MORELLA, Mr. ADAM SMITH of Washington, and Mr. HOLDEN.
H.R. 4492: Mrs. CAPPS, Ms. WOOLSEY, Mr. GUTKNECHT, Mr. DICKS, and Mr. CANADY of Florida.
H.R. 4499: Mr. BRADY of Pennsylvania, Mr. SERRANO, and Mr. FROST.
H.R. 4504: Mr. MCGOVERN.
H.R. 4542: Mr. FORBES.
H.R. 4553: Mr. BACHUS, Mr. SESSIONS, Mr. EHRLICH, Mr. PARKER, and Mr. HEFLEY.
H.R. 4563: Mr. PAPPAS, Mrs. KENNELLY of Connecticut, Ms. LEE, Mrs. MYRICK, Mr. YATES, Mr. BROWN of Ohio, Mr. GEJDENSON, Mr. WEXLER, Mr. LANTOS, Mr. BERMAN, Mr. BARRETT of Wisconsin, Mr. WELLER, Mrs. KELLY, and Mr. DEUTSCH.
H.R. 4567: Mr. MEEHAN and Mr. BOB SCHAFFER.
H.R. 4575: Mr. GALLEGLY.
H.R. 4590: Mr. GREENWOOD, Mr. BOEHLERT, and Mr. MCGOVERN.
H.R. 4597: Mr. SKAGGS, Ms. JACKSON-LEE of Texas, Mr. MCGOVERN, Mr. SANDLIN, Ms. RIVERS, Mr. SPRATT, Mr. KLINK, Ms. ROYBAL-ALLARD, Mr. GREEN, Mr. WYNN, Ms. EDDIE BERNICE JOHNSON of Texas, Ms. STABENOW, Mr. GORDON, and Mr. ADAM SMITH of Washington.
H.R. 4600: Mr. ACKERMAN.
H.R. 4611: Mr. RANGEL and Mrs. THURMAN.
H. Con. Res. 166: Mr. PETERSON of Minnesota.
H. Con. Res. 317: Mr. NETHERCUTT and Mr. TORRES.
H. Con. Res. 320: Mrs. KELLY, Mr. MCGOVERN, Mr. PASCRELL, Mr. GUTIERREZ, and Mr. UPTON.
H. Con. Res. 328: Mr. WELDON of Pennsylvania, Mr. GUTIERREZ, and Mr. SANDLIN.
H. Res. 479: Mr. RUSH.
H. Res. 519: Mr. COOK.
H. Res. 532: Mr. ADERHOLT and Mr. BRADY of Texas.
H. Res. 533: Mr. MORAN of Virginia and Mr. LIPINSKI.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the clerk's desk and referred as follows:

78. The SPEAKER presented a petition of The Legislature of Rockland County, relative to Resolution No. 214 of 1998 petitioning Congress to defeat Senate Bill S. 10, because the protection of juveniles who are incarcerated, is a deep concern to it. This Legislature opposes laws that would subject juveniles to contract with adult prisoners in jails or prisons or holding juveniles in adult jails for an unlamented amount of time; to the Committee on Education and the Workforce.

79. Also, a petition of The Legislature of Rockland County, relative to Resolution No. 193 of 1998 petitioning the Congress of the United States, to enact the Ticket to Work and Self-Sufficiency Act of 1998; to the Committee on Ways and Means.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 4578

OFFERED BY: MR. RANGEL

(Amendment in the Nature of a Substitute)

AMENDMENT NO. 1: Strike all after the enacting clause and insert the following:

SECTION 1. RESERVATION OF SOCIAL SECURITY SURPLUSES SOLELY FOR SOCIAL SECURITY SYSTEM.

(a) IN GENERAL.—Section 201 of the Social Security Act (42 U.S.C. 401) is amended by adding at the end the following new subsection:

''(n)(1) The Secretary of the Treasury, before the beginning of each fiscal year, shall estimate the amount of the Social Security surplus for such year. For purposes of this subsection, the term 'Social Security surplus' means the excess of the receipts in the Trust Funds during the fiscal year (including interest on obligations held in such funds) over the outlays from such funds during such year:

''(2) If the Secretary of the Treasury determines that there is a Social Security surplus for any fiscal year, such Secretary shall transfer during such year from the General fund of the Treasury an amount equal to the amount of the surplus to the Federal Reserve Bank of New York. Such transfer shall be made monthly on the basis of estimates by the Secretary of the Treasury of the portion of the surplus attributable to the month, and proper adjustments shall be made in amounts, subsequently transferred to the extent prior estimates were in excess of or less than amounts required to be transferred. Amounts transferred under this paragraph shall substitute for (and be in lieu of) equivalent amounts otherwise required to be transferred to the Trust Funds.

''(3) The Federal Reserve Bank of New York shall hold the amounts transferred under paragraph (2), and all income from investment thereof, in trust for the benefit of the Trust Funds. Amounts so held shall be invested in marketable obligations of the United States with maturities that the Managing Trustee determines are consistent with the requirements of the Trust Funds. Amounts held in trust under this paragraph (and earnings thereon) shall be treated as part of the balance of the Trust Funds.

''(4) If, at any time, any obligation acquired under paragraph (2) has a market value less than its acquisition cost by reason of a change in interest rates, the Federal Reserve Bank of New York may, at any time,

present such obligation to the Secretary of the Treasury for redemption, notwithstanding the maturity date or any other requirement relating to such obligation, and the Secretary of the Treasury shall redeem such obligation for an amount that is not less than such acquisition cost.

''(5) Upon request by the Managing Trustee, the Federal Reserve Bank of New York shall transfer to the appropriate Trust Fund the amount determined by the Managing Trustee to be necessary to meet the obligations of such Fund.

''(6) All transfers to the Federal Reserve Bank of New York under paragraph (2) shall be treated as Federal outlays for all budgetary purposes of the United States Government, except that such transfers shall not be subject to section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 and all transfers to the Trust Funds under paragraph (5) shall be treated as offsetting receipts.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to fiscal years beginning on or after October 1, 1998.

Amend the title so as to read: ''A bill to reserve 100 percent of the social security surpluses solely for the Social Security System.''.

H.R. 4579

OFFERED BY: MR. RANGEL

(Amendment in the Nature of a Substitute)

AMENDMENT NO. 1: Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Taxpayer Relief Act of 1998''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title, etc.

TITLE I—PROVISIONS PRIMARILY AFFECTING INDIVIDUALS AND FAMILIES

Subtitle A—General Provisions

Sec. 101. Elimination of marriage penalty in standard deduction.
Sec. 102. Exemption of certain interest and dividend income from tax.
Sec. 103. Nonrefundable personal credits allowed against alternative minimum tax.
Sec. 104. 100 percent deduction for health insurance costs of self-employed individuals.
Sec. 105. Special rule for members of uniformed services and Foreign Service in determining exclusion of gain from sale of principal residence.
Sec. 106. $1,000,000 exemption from estate and gift taxes.

Subtitle B—Provisions Relating to Education

Sec. 111. Eligible educational institutions permitted to maintain qualified tuition programs.
Sec. 112. Modification of arbitrage rebate rules applicable to public school construction bonds.

Subtitle C—Provisions Relating to Social Security

Sec. 121. Increases in the social security earnings limit for individuals who have attained retirement age.
Sec. 122. Recomputation of benefits after normal retirement age.

TITLE II—PROVISIONS PRIMARILY AFFECTING FARMING AND OTHER BUSINESSES

Subtitle A—Increase in Expense Treatment for Small Businesses

Sec. 201. Increase in expense treatment for small businesses.

Subtitle B—Provisions Relating to Farmers

Sec. 211. Income averaging for farmers made permanent.
Sec. 212. 5-year net operating loss carryback for farming losses.
Sec. 213. Production flexibility contract payments.

Subtitle C—Increase in Volume Cap on Private Activity Bonds

Sec. 221. Increase in volume cap on private activity bonds.

TITLE III—EXTENSION AND MODIFICATION OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Tax Provisions

Sec. 301. Research credit.
Sec. 302. Work opportunity credit.
Sec. 303. Welfare-to-work credit.
Sec. 304. Contributions of stock to private foundations; expanded public inspection of private foundations' annual returns.
Sec. 305. Subpart F exemption for active financing income.

Subtitle B—Generalized System of Preferences

Sec. 311. Extension of Generalized System of Preferences.

TITLE IV—REVENUE OFFSET

Sec. 401. Treatment of certain deductible liquidating distributions of regulated investment companies and real estate investment trusts.

TITLE V—TECHNICAL CORRECTIONS

Sec. 501. Definitions; coordination with other titles.
Sec. 502. Amendments related to Internal Revenue Service Restructuring and Reform Act of 1998.
Sec. 503. Amendments related to Taxpayer Relief Act of 1997.
Sec. 504. Amendments related to Tax Reform Act of 1984.
Sec. 505. Other amendments.

TITLE VI—AMERICAN COMMUNITY RENEWAL ACT OF 1998

Sec. 601. Short title.
Sec. 602. Designation of and tax incentives for renewal communities.
Sec. 603. Extension of expensing of environmental remediation costs to renewal communities.
Sec. 604. Extension of work opportunity tax credit for renewal communities
Sec. 605. Conforming and clerical amendments.
Sec. 606. Evaluation and reporting requirements.

TITLE VII—TAX REDUCTIONS CONTINGENT ON SAVING SOCIAL SECURITY

Sec. 701. Tax reductions contingent on saving social security.

TITLE I—PROVISIONS PRIMARILY AFFECTING INDIVIDUALS AND FAMILIES

Subtitle A—General Provisions

SEC. 101. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(1) by striking ''$5,000'' in subparagraph (A) and inserting ''twice the dollar amount in effect under subparagraph (C) for the taxable year'',

(2) by adding ''or'' at the end of subparagraph (B),

(3) by striking ''in the case of'' and all that follows in subparagraph (C) and inserting ''in any other case.'', and

(4) by striking subparagraph (D).

(b) ADDITIONAL STANDARD DEDUCTION FOR AGED AND BLIND TO BE THE SAME FOR MARRIED AND UNMARRIED INDIVIDUALS.—

(1) Paragraphs (1) and (2) of section 63(f) are each amended by striking ''$600'' and inserting ''$750''.

(2) Subsection (f) of section 63 is amended by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6) is amended by striking ''(other than with'' and all that follows through ''shall be applied'' and inserting ''(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied''.

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 102. EXEMPTION OF CERTAIN INTEREST AND DIVIDEND INCOME FROM TAX.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to amounts specifically excluded from gross income) is amended by inserting after section 115 the following new section:

''SEC. 116. PARTIAL EXCLUSION OF DIVIDENDS AND INTEREST RECEIVED BY INDIVIDUALS.

''(a) EXCLUSION FROM GROSS INCOME.—Gross income does not include dividends and interest received during the taxable year by an individual.

''(b) LIMITATIONS.—

''(1) MAXIMUM AMOUNT.—The aggregate amount excluded under subsection (a) for any taxable year shall not exceed $200 ($400 in the case of a joint return).

''(2) CERTAIN DIVIDENDS EXCLUDED.—Subsection (a) shall not apply to any dividend from a corporation which, for the taxable year of the corporation in which the distribution is made, or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 (relating to certain charitable, etc., organization) or section 521 (relating to farmers' cooperative associations).

''(c) SPECIAL RULES.—For purposes of this section—

''(1) EXCLUSION NOT TO APPLY TO CAPITAL GAIN DIVIDENDS FROM REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

''For treatment of capital gain dividends, see sections 854(a) and 857(c).

''(2) CERTAIN NONRESIDENT ALIENS INELIGIBLE FOR EXCLUSION.—In the case of a nonresident alien individual, subsection (a) shall apply only—

''(A) in determining the tax imposed for the taxable year pursuant to section 871(b)(1) and only in respect of dividends and interest which are effectively connected with the conduct of a trade or business within the United States, or

''(B) in determining the tax imposed for the taxable year pursuant to section 877(b).

''(3) DIVIDENDS FROM EMPLOYEE STOCK OWNERSHIP PLANS.—Subsection (a) shall not apply to any dividend described in section 404(k).''

(b) CONFORMING AMENDMENTS.—

(1)(A) Subparagraph (A) of section 135(c)(4) is amended by inserting ''116,'' before ''137''.

(B) Subsection (d) of section 135 is amended by redesignating paragraph (4) as paragraph

(5) and by inserting after paragraph (3) the following new paragraph:

''(4) COORDINATION WITH SECTION 116.—This section shall be applied before section 116.''

(2) Paragraph (2) of section 265(a) is amended by inserting before the period '', or to purchase or carry obligations or shares, or to make deposits, to the extent the interest thereon is excludable from gross income under section 116''.

(3) Subsection (c) of section 584 is amended by adding at the end thereof the following new flush sentence:

''The proportionate share of each participant in the amount of dividends or interest received by the common trust fund and to which section 116 applies shall be considered for purposes of such section as having been received by such participant.''

(4) Subsection (a) of section 643 is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

''(7) DIVIDENDS OR INTEREST.—There shall be included the amount of any dividends or interest excluded from gross income pursuant to section 116.''

(5) Section 854(a) is amended by inserting ''section 116 (relating to partial exclusion of dividends and interest received by individuals) and'' after ''For purposes of''.

(6) Section 857(c) is amended to read as follows:

''(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

''(1) TREATMENT FOR SECTION 116.—For purposes of section 116 (relating to partial exclusion of dividends and interest received by individuals), a capital gain dividend (as defined in subsection (b)(3)(C)) received from a real estate investment trust which meets the requirements of this part shall not be considered as a dividend.

''(2) TREATMENT FOR SECTION 243.—For purposes of section 243 (relating to deductions for dividends received by corporations), a dividend received from a real estate investment trust which meets the requirements of this part shall not be considered as a dividend.''

(7) The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 115 the following new item:

''Sec. 116. Partial exclusion of dividends and interest received by individuals.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 103. NONREFUNDABLE PERSONAL CREDITS ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Subsection (a) of section 26 is amended to read as follows:

''(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the sum of—

''(1) the taxpayer's regular tax liability for the taxable year, and

''(2) the tax imposed for the taxable year by section 55(a).

For purposes of applying the preceding sentence, paragraph (2) shall be treated as being zero for any taxable year beginning during 1998.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 24 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(2) Section 32 is amended by striking subsection (h).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 104. 100 PERCENT DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to 100 percent of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 105. SPECIAL RULE FOR MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE IN DETERMINING EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

''(9) MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE.—

''(A) IN GENERAL.—The running of the 5-year period described in subsection (a) shall be suspended with respect to an individual during any time that such individual or such individual's spouse is serving on qualified official extended duty as a member of the uniformed services or of the Foreign Service.

''(B) QUALIFIED OFFICIAL EXTENDED DUTY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified official extended duty' means any period of extended duty as a member of the uniformed services or a member of the Foreign Service during which the member serves at a duty station which is at least 50 miles from such property or is under Government orders to reside in Government quarters.

''(ii) UNIFORMED SERVICES.—The term 'uniformed services' has the meaning given such term by section 101(a)(5) of title 10, United States Code, as in effect on the date of the enactment of the Taxpayer Relief Act of 1998.

''(iii) FOREIGN SERVICE OF THE UNITED STATES.—The term 'member of the Foreign Service' has the meaning given the term 'member of the Service' by paragraph (1), (2), (3), (4), or (5) of section 103 of the Foreign Service Act of 1980, as in effect on the date of the enactment of the Taxpayer Relief Act of 1998.

''(iv) EXTENDED DUTY.—The term 'extended duty' means any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and exchanges after the date of the enactment of this Act.

SEC. 106. $1,000,000 EXEMPTION FROM ESTATE AND GIFT TAXES.

(a) IN GENERAL.—Subsection (c) of section 2010 (relating to applicable credit amount) is amended to read as follows:

''(c) APPLICABLE CREDIT AMOUNT.—

''(1) IN GENERAL.—For purposes of this section, the applicable credit amount is $345,800.

''(2) APPLICABLE EXCLUSION AMOUNT.—For purposes of the provisions of this title which refer to this subsection, the applicable exclusion amount is $1,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 1998.

Subtitle B—Provisions Relating to Education

SEC. 111. ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.

(a) IN GENERAL.—Paragraph (1) of section 529(b) (defining qualified State tuition program) is amended by inserting ''or by 1 or more eligible educational institutions'' after ''maintained by a State or agency or instrumentality thereof''.

(b) TECHNICAL AMENDMENTS.—

(1) The texts of sections 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529, 530, and 4973(e)(1)(B) are each amended by striking ''qualified State tuition program'' each place it appears and inserting ''qualified tuition program''.

(2) The paragraph heading for paragraph (9) of section 72(e) and the subparagraph heading for subparagraph (B) of section 530(b)(2) are each amended by striking ''STATE''.

(3) The subparagraph heading for subparagraph (C) of section 135(c)(2) is amended by striking ''QUALIFIED STATE TUITION PROGRAM'' and inserting ''QUALIFIED TUITION PROGRAMS''.

(4) Sections 529(c)(3)(D)(i) and 6693(a)(2)(C) are each amended by striking ''qualified State tuition programs'' and inserting ''qualified tuition programs''.

(5)(A) The section heading of section 529 is amended to read as follows:

''SEC. 529. QUALIFIED TUITION PROGRAMS.''.

(B) The item relating to section 529 in the table of sections for part VIII of subchapter F of chapter 1 is amended by striking ''State''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1999.

SEC. 112. MODIFICATION OF ARBITRAGE REBATE RULES APPLICABLE TO PUBLIC SCHOOL CONSTRUCTION BONDS.

(a) IN GENERAL.—Subparagraph (C) of section 148(f)(4) is amended by adding at the end the following new clause:

''(xviii) 4-YEAR SPENDING REQUIREMENT FOR PUBLIC SCHOOL CONSTRUCTION ISSUE.—

''(I) IN GENERAL.—In the case of a public school construction issue, the spending requirements of clause (ii) shall be treated as met if at least 10 percent of the available construction proceeds of the construction issue are spent for the governmental purposes of the issue within the 1-year period beginning on the date the bonds are issued, 30 percent of such proceeds are spent for such purposes within the 2-year period beginning on such date, 50 percent of such proceeds are spent for such purposes within the 3-year period beginning on such date, and 100 percent of such proceeds are spent for such purposes within the 4-year period beginning on such date.

''(II) PUBLIC SCHOOL CONSTRUCTION ISSUE.—For purposes of this clause, the term 'public school construction issue' means any construction issue if no bond which is part of such issue is a private activity bond and all of the available construction proceeds of such issue are to be used for the construction (as defined in clause (iv)) of public school facilities to provide education or training below the postsecondary level or for the acquisition of land that is functionally related and subordinate to such facilities.

''(III) OTHER RULES TO APPLY.—Rules similar to the rules of the preceding provisions of this subparagraph which apply to clause (ii) also apply to this clause.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after December 31, 1998.

Subtitle C—Provisions Relating to Social Security

SEC. 121. INCREASES IN THE SOCIAL SECURITY EARNINGS LIMIT FOR INDIVIDUALS WHO HAVE ATTAINED RETIREMENT AGE.

(a) IN GENERAL.—Section 203(f)(8)(D) of the Social Security Act (42 U.S.C. 403(f)(8)(D)) is amended by striking clauses (iv) through (vii) and inserting the following new clauses:

''(iv) for each month of any taxable year ending after 1998 and before 2000, $1,416.66⅔,

''(v) for each month of any taxable year ending after 1999 and before 2001, $1,541.66⅔,

''(vi) for each month of any taxable year ending after 2000 and before 2002, $2,166.66⅔,

''(vii) for each month of any taxable year ending after 2001 and before 2003, $2,500.00,

''(viii) for each month of any taxable year ending after 2002 and before 2004, $2,608.33⅓,

''(ix) for each month of any taxable year ending after 2003 and before 2005, $2,833.33⅓,

''(x) for each month of any taxable year ending after 2004 and before 2006, $2,950.00,

''(xi) for each month of any taxable year ending after 2005 and before 2007, $3,066.66⅔,

''(xii) for each month of any taxable year ending after 2006 and before 2008, $3,195.83⅓, and

''(xiii) for each month of any taxable year ending after 2007 and before 2009, $3,312.50.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 203(f)(8)(B)(ii) of such Act (42 U.S.C. 403(f)(8)(B)(ii)) is amended—

(A) by striking ''after 2001 and before 2003'' and inserting ''after 2007 and before 2009''; and

(B) in subclause (II), by striking ''2000'' and inserting ''2006''.

(2) The second sentence of section 223(d)(4)(A) of such Act (42 U.S.C. 423(d)(4)(A)) is amended by inserting ''and section 121 of the Taxpayer Relief Act of 1998'' after ''1996''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years ending after 1998.

SEC. 122. RECOMPUTATION OF BENEFITS AFTER NORMAL RETIREMENT AGE.

(a) IN GENERAL.—Section 215(f)(2)(D)(i) of the Social Security Act (42 U.S.C. 415(f)(2)(D)(i)) is amended to read as follows:

''(i) in the case of an individual who did not die in the year with respect to which the recomputation is made, for monthly benefits beginning with benefits for January of—

''(I) the second year following the year with respect to which the recomputation is made, in any such case in which the individual is entitled to old-age insurance benefits, the individual has attained retirement age (as defined in section 216(l)) as of the end of the year preceding the year with respect to which the recomputation is made, and the year with respect to which the recomputation is made would not be substituted in recomputation under this subsection for a benefit computation year in which no wages or self-employment income have been credited previously to such individual, or

''(II) the first year following the year with respect to which the recomputation is made, in any other such case; or''.

(b) CONFORMING AMENDMENTS.—

(1) Section 215(f)(7) of such Act (42 U.S.C. 415(f)(7)) is amended by inserting '', and as amended by section 122(b)(2) of the Taxpayer Relief Act of 1998,'' after ''This subsection as in effect in December 1978''.

(2) Subparagraph (A) of section 215(f)(2) of the Social Security Act as in effect in December 1978 and applied in certain cases under the provisions of such Act as in effect after December 1978 is amended—

(A) by striking ''in the case of an individual who did not die'' and all that follows and inserting ''in the case of an individual who did not die in the year with respect to which the recomputation is made, for monthly benefits beginning with benefits for January of—''; and

(B) by adding at the end the following:

''(i) the second year following the year with respect to which the recomputation is made, in any such case in which the individual is entitled to old-age insurance benefits, the individual has attained age 65 as of the end of the year preceding the year with respect to which the recomputation is made, and the year with respect to which the recomputation is made would not be substituted in recomputation under this subsection for a benefit computation year in which no wages or self-employment income have been credited previously to such individual, or

''(ii) the first year following the year with respect to which the recomputation is made, in any other such case; or''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to recomputations of primary insurance amounts based on wages paid and self employment income derived after 1997 and with respect to benefits payable after December 31, 1998.

TITLE II—PROVISIONS PRIMARILY AFFECTING FARMING AND OTHER BUSINESSES

Subtitle A—Increase in Expense Treatment for Small Businesses

SEC. 201. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) GENERAL RULE.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $25,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1998.

Subtitle B—Provisions Relating to Farmers

SEC. 211. INCOME AVERAGING FOR FARMERS MADE PERMANENT.

Subsection (c) of section 933 of the Taxpayer Relief Act of 1997 is amended by striking '', and before January 1, 2001''.

SEC. 212. 5-YEAR NET OPERATING LOSS CARRYBACK FOR FARMING LOSSES.

(a) IN GENERAL.—Paragraph (1) of section 172(b) (relating to net operating loss deduction) is amended by adding at the end the following new subparagraph:

''(G) FARMING LOSSES.—In the case of a taxpayer which has a farming loss (as defined in subsection (i)) for a taxable year, such farming loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.''

(b) FARMING LOSS.—Section 172 is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

''(i) RULES RELATING TO FARMING LOSSES.—For purposes of this section—

''(1) IN GENERAL.—The term 'farming loss' means the lesser of—

''(A) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 263A(e)(4)) are taken into account, or

''(B) the amount of the net operating loss for such taxable year.

''(2) COORDINATION WITH SUBSECTION (B)(2).—For purposes of applying subsection (b)(2), a farming loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

''(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(G) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(G). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer's return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.''

(c) COORDINATION WITH FARM DISASTER LOSSES.—Clause (ii) of section 172(b)(1)(F) is amended by adding at the end the following flush sentence:

''Such term shall not include any farming loss (as defined in subsection (i)).''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to net operating losses for taxable years beginning after December 31, 1997.

SEC. 213. PRODUCTION FLEXIBILITY CONTRACT PAYMENTS.

The option under section 112(d)(3) of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7212(d)(3)) shall be disregarded in determining the taxable year for which the payment for fiscal year 1999 under a production flexibility contract under subtitle B of title I of such Act is properly includible in gross income for purposes of the Internal Revenue Code of 1986.

Subtitle C—Increase in Volume Cap on Private Activity Bonds

SEC. 221. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—Subsection (d) of section 146 (relating to volume cap) is amended by striking paragraph (2), by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively, and by striking paragraph (1) and inserting the following new paragraph:

''(1) IN GENERAL.—The State ceiling applicable to any State for any calendar year shall be the greater of—

''(A) an amount equal to $75 multiplied by the State population, or

''(B) $225,000,000.

Subparagraph (B) shall not apply to any possession of the United States.''

(b) CONFORMING AMENDMENT.—Sections 25(f)(3) and 42(h)(3)(E)(iii) are each amended by striking ''section 146(d)(3)(C)'' and inserting ''section 146(d)(2)(C)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 1998.

TITLE III—EXTENSION AND MODIFICATION OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Tax Provisions

SEC. 301. RESEARCH CREDIT.

(a) TEMPORARY EXTENSION.—

(1) IN GENERAL.—Paragraph (1) of section 41(h) (relating to termination) is amended—

(A) by striking ''June 30, 1998'' and inserting ''December 31, 1999'',

(B) by striking ''24-month'' and inserting ''42-month'', and

(C) by striking ''24 months'' and inserting ''42 months''.

(2) TECHNICAL AMENDMENT.—Subparagraph (D) of section 45C(b)(1) is amended by striking ''June 30, 1998'' and inserting ''December 31, 1999''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after June 30, 1998.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(A) by striking ''1.65 percent'' and inserting ''2.65 percent'',

(B) by striking ''2.2 percent'' and inserting ''3.2 percent'', and

(C) by striking ''2.75 percent'' and inserting ''3.75 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1998.

SEC. 302. WORK OPPORTUNITY CREDIT.

(a) TEMPORARY EXTENSION.—Subparagraph (B) of section 51(c)(4) (relating to termination) is amended by striking ''June 30, 1998'' and inserting ''December 31, 1999''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to individuals who begin work for the employer after June 30, 1998.

SEC. 303. WELFARE-TO-WORK CREDIT.

Subsection (f) of section 51A (relating to termination) is amended by striking ''April 30, 1999'' and inserting ''December 31, 1999''.

SEC. 304. CONTRIBUTIONS OF STOCK TO PRIVATE FOUNDATIONS; EXPANDED PUBLIC INSPECTION OF PRIVATE FOUNDATIONS' ANNUAL RETURNS.

(a) SPECIAL RULE FOR CONTRIBUTIONS OF STOCK MADE PERMANENT.—

(1) IN GENERAL.—Paragraph (5) of section 170(e) is amended by striking subparagraph (D) (relating to termination).

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contributions made after June 30, 1998.

(b) EXPANDED PUBLIC INSPECTION OF PRIVATE FOUNDATIONS' ANNUAL RETURNS, ETC.—

(1) IN GENERAL.—Section 6104 (relating to publicity of information required from certain exempt organizations and certain trusts) is amended by striking subsections (d) and (e) and inserting after subsection (c) the following new subsection:

''(d) PUBLIC INSPECTION OF CERTAIN ANNUAL RETURNS AND APPLICATIONS FOR EXEMPTION.—

''(1) IN GENERAL.—In the case of an organization described in subsection (c) or (d) of section 501 and exempt from taxation under section 501(a)—

''(A) a copy of—

''(i) the annual return filed under section 6033 (relating to returns by exempt organizations) by such organization, and

''(ii) if the organization filed an application for recognition of exemption under section 501, the exempt status application materials of such organization,

shall be made available by such organization for inspection during regular business hours by any individual at the principal office of such organization and, if such organization regularly maintains 1 or more regional or district offices having 3 or more employees, at each such regional or district office, and

''(B) upon request of an individual made at such principal office or such a regional or district office, a copy of such annual return and exempt status application materials shall be provided to such individual without charge other than a reasonable fee for any reproduction and mailing costs.

The request described in subparagraph (B) must be made in person or in writing. If such request is made in person, such copy shall be provided immediately and, if made in writing, shall be provided within 30 days.

''(2) 3-YEAR LIMITATION ON INSPECTION OF RETURNS.—Paragraph (1) shall apply to an annual return filed under section 6033 only during the 3-year period beginning on the last day prescribed for filing such return (determined with regard to any extension of time for filing).

''(3) EXCEPTIONS FROM DISCLOSURE REQUIREMENT.—

''(A) NONDISCLOSURE OF CONTRIBUTORS, ETC.—Paragraph (1) shall not require the disclosure of the name or address of any contributor to the organization. In the case of an organization described in section 501(d), subparagraph (A) shall not require the disclosure of the copies referred to in section 6031(b) with respect to such organization.

''(B) NONDISCLOSURE OF CERTAIN OTHER INFORMATION.—Paragraph (1) shall not require the disclosure of any information if the Secretary withheld such information from public inspection under subsection (a)(1)(D).

''(4) LIMITATION ON PROVIDING COPIES.—Paragraph (1)(B) shall not apply to any request if, in accordance with regulations promulgated by the Secretary, the organization has made the requested documents widely available, or the Secretary determines, upon application by an organization, that such request is part of a harassment campaign and that compliance with such request is not in the public interest.

''(5) EXEMPT STATUS APPLICATION MATERIALS.—For purposes of paragraph (1), the term 'exempt status applicable materials' means the application for recognition of exemption under section 501 and any papers submitted in support of such application and any letter or other document issued by the Internal Revenue Service with respect to such application.''

(2) CONFORMING AMENDMENTS.—

(A) Subsection (c) of section 6033 is amended by adding ''and'' at the end of paragraph (1), by striking paragraph (2), and by redesignating paragraph (3) as paragraph (2).

(B) Subparagraph (C) of section 6652(c)(1) is amended by striking ''subsection (d) or (e)(1) of section 6104 (relating to public inspection of annual returns)'' and inserting ''section 6104(d) with respect to any annual return''.

(C) Subparagraph (D) of section 6652(c)(1) is amended by striking ''section 6104(e)(2) (relating to public inspection of applications for exemption)'' and inserting ''section 6104(d) with respect to any exempt status application materials (as defined in such section)''.

(D) Section 6685 is amended by striking ''or (e)''.

(E) Section 7207 is amended by striking ''or (e)''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to requests made after the later of December 31, 1998, or the 60th day after the Secretary of the Treasury first issues the regulations referred to such section 6104(d)(4) of the Internal Revenue Code of 1986, as amended by this section.

(B) PUBLICATION OF ANNUAL RETURNS.—Section 6104(d) of such Code, as in effect before the amendments made by this subsection, shall not apply to any return the due date for which is after the date such amendments take effect under subparagraph (A).

SEC. 305. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.

(a) INCOME DERIVED FROM BANKING, FINANCING OR SIMILAR BUSINESSES.—Section 954(h) (relating to income derived in the active conduct of banking, financing, or similar businesses) is amended to read as follows:

''(h) SPECIAL RULE FOR INCOME DERIVED IN THE ACTIVE CONDUCT OF BANKING, FINANCING, OR SIMILAR BUSINESSES.—

''(1) IN GENERAL.—For purposes of subsection (c)(1), foreign personal holding company income shall not include qualified banking or financing income of an eligible controlled foreign corporation.

''(2) ELIGIBLE CONTROLLED FOREIGN CORPORATION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'eligible controlled foreign corporation' means a controlled foreign corporation which—

''(i) is predominantly engaged in the active conduct of a banking, financing, or similar business, and

''(ii) conducts substantial activity with respect to such business.

''(B) PREDOMINANTLY ENGAGED.—A controlled foreign corporation shall be treated as predominantly engaged in the active conduct of a banking, financing, or similar business if—

''(i) more than 70 percent of the gross income of the controlled foreign corporation is derived directly from the active and regular conduct of a lending or finance business from transactions with customers which are not related persons,

''(ii) it is engaged in the active conduct of a banking business and is an institution licensed to do business as a bank in the United States (or is any other corporation not so licensed which is specified by the Secretary in regulations), or

''(iii) it is engaged in the active conduct of a securities business and is registered as a securities broker or dealer under section 15(a) of the Securities Exchange Act of 1934 or is registered as a Government securities broker or dealer under section 15C(a) of such Act (or is any other corporation not so registered which is specified by the Secretary in regulations).

''(3) QUALIFIED BANKING OR FINANCING INCOME.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified banking or financing income' means income of an eligible controlled foreign corporation which—

''(i) is derived in the active conduct of a banking, financing, or similar business by—

''(I) such eligible controlled foreign corporation, or

''(II) a qualified business unit of such eligible controlled foreign corporation,

''(ii) is derived from 1 or more transactions—

''(I) with customers located in a country other than the United States, and

''(II) substantially all of the activities in connection with which are conducted directly by the corporation or unit in its home country, and

''(iii) is treated as earned by such corporation or unit in its home country for purposes of such country's tax laws.

''(B) LIMITATION ON NONBANKING AND NONSECURITIES BUSINESSES.—No income of an eligible controlled foreign corporation not described in clause (ii) or (iii) of paragraph (2)(B) (or of a qualified business unit of such corporation) shall be treated as qualified banking or financing income unless more than 30 percent of such corporation's or unit's gross income is derived directly from the active and regular conduct of a lending or finance business from transactions with customers which are not related persons and which are located within such corporation's or unit's home country.

''(C) SUBSTANTIAL ACTIVITY REQUIREMENT FOR CROSS BORDER INCOME.—The term 'qualified banking or financing income' shall not include income derived from 1 or more transactions with customers located in a country other than the home country of the eligible controlled foreign corporation or a qualified business unit of such corporation unless such corporation or unit conducts substantial activity with respect to a banking, financing, or similar business in its home country.

''(D) DETERMINATIONS MADE SEPARATELY.—For purposes of this paragraph, the qualified banking or financing income of an eligible controlled foreign corporation and each qualified business unit of such corporation shall be determined separately for such corporation and each such unit by taking into account—

''(i) in the case of the eligible controlled foreign corporation, only items of income, deduction, gain, or loss and activities of such corporation not properly allocable or attributable to any qualified business unit of such corporation, and

''(ii) in the case of a qualified business unit, only items of income, deduction, gain,

or loss and activities properly allocable or attributable to such unit.

''(4) LENDING OR FINANCE BUSINESS.—For purposes of this subsection, the term 'lending or finance business' means the business of—

''(A) making loans,

''(B) purchasing or discounting accounts receivable, notes, or installment obligations,

''(C) engaging in leasing (including entering into leases and purchasing, servicing, and disposing of leases and leased assets),

''(D) issuing letters of credit or providing guarantees,

''(E) providing charge and credit card services, or

''(F) rendering services or making facilities available in connection with activities described in subparagraphs (A) through (E) carried on by—

''(i) the corporation (or qualified business unit) rendering services or making facilities available, or

''(ii) another corporation (or qualified business unit of a corporation) which is a member of the same affiliated group (as defined in section 1504, but determined without regard to section 1504(b)(3)).

''(5) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) CUSTOMER.—The term 'customer' means, with respect to any controlled foreign corporation or qualified business unit, any person which has a customer relationship with such corporation or unit and which is acting in its capacity as such.

''(B) HOME COUNTRY.—Except as provided in regulations—

''(i) CONTROLLED FOREIGN CORPORATION.—The term 'home country' means, with respect to any controlled foreign corporation, the country under the laws of which the corporation was created or organized.

''(ii) QUALIFIED BUSINESS UNIT.—The term 'home country' means, with respect to any qualified business unit, the country in which such unit maintains its principal office.

''(C) LOCATED.—The determination of where a customer is located shall be made under rules prescribed by the Secretary.

''(D) QUALIFIED BUSINESS UNIT.—The term 'qualified business unit' has the meaning given such term by section 989(a).

''(E) RELATED PERSON.—The term 'related person' has the meaning given such term by subsection (d)(3).

''(6) COORDINATION WITH EXCEPTION FOR DEALERS.—Paragraph (1) shall not apply to income described in subsection (c)(2)(C)(ii) of a dealer in securities (within the meaning of section 475) which is an eligible controlled foreign corporation described in paragraph (2)(B)(iii).

''(7) ANTI-ABUSE RULES.—For purposes of applying this subsection and subsection (c)(2)(C)(ii)—

''(A) there shall be disregarded any item of income, gain, loss, or deduction with respect to any transaction or series of transactions one of the principal purposes of which is qualifying income or gain for the exclusion under this section, including any transaction or series of transactions a principal purpose of which is the acceleration or deferral of any item in order to claim the benefits of such exclusion through the application of this subsection,

''(B) there shall be disregarded any item of income, gain, loss, or deduction of an entity which is not engaged in regular and continuous transactions with customers which are not related persons,

''(C) there shall be disregarded any item of income, gain, loss, or deduction with respect to any transaction or series of transactions utilizing, or doing business with—

''(i) one or more entities in order to satisfy any home country requirement under this subsection, or

''(ii) a special purpose entity or arrangement, including a securitization, financing, or similar entity or arrangement,

if one of the principal purposes of such transaction or series of transactions is qualifying income or gain for the exclusion under this subsection, and

''(D) a related person, an officer, a director, or an employee with respect to any controlled foreign corporation (or qualified business unit) which would otherwise be treated as a customer of such corporation or unit with respect to any transaction shall not be so treated if a principal purpose of such transaction is to satisfy any requirement of this subsection.

''(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, subsection (c)(1)(B)(i), subsection (c)(2)(C)(ii), and the last sentence of subsection (e)(2).

''(9) APPLICATION.—This subsection, subsection (c)(2)(C)(ii), and the last sentence of subsection (e)(2) shall apply only to the first taxable year of a foreign corporation beginning after December 31, 1998, and before January 1, 2000, and to taxable years of United States shareholders with or within which such taxable year of such foreign corporation ends.''

(b) INCOME DERIVED FROM INSURANCE BUSINESS.—

(1) INCOME ATTRIBUTABLE TO ISSUANCE OR REINSURANCE.—

(A) IN GENERAL.—Section 953(a) (defining insurance income) is amended to read as follows:

''(a) INSURANCE INCOME.—

''(1) IN GENERAL.—For purposes of section 952(a)(1), the term 'insurance income' means any income which—

''(A) is attributable to the issuing (or reinsuring) of an insurance or annuity contract, and

''(B) would (subject to the modifications provided by subsection (b)) be taxed under subchapter L of this chapter if such income were the income of a domestic insurance company.

''(2) EXCEPTION.—Such term shall not include any exempt insurance income (as defined in subsection (e)).''

(B) EXEMPT INSURANCE INCOME.—Section 953 (relating to insurance income) is amended by adding at the end the following new subsection:

''(e) EXEMPT INSURANCE INCOME.—For purposes of this section—

''(1) EXEMPT INSURANCE INCOME DEFINED.—

''(A) IN GENERAL.—The term 'exempt insurance income' means income derived by a qualifying insurance company which—

''(i) is attributable to the issuing (or reinsuring) of an exempt contract by such company or a qualifying insurance company branch of such company, and

''(ii) is treated as earned by such company or branch in its home country for purposes of such country's tax laws.

''(B) EXCEPTION FOR CERTAIN ARRANGEMENTS.—Such term shall not include income attributable to the issuing (or reinsuring) of an exempt contract as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect of issuing (or reinsuring) a contract which is not an exempt contract.

''(C) DETERMINATIONS MADE SEPARATELY.—For purposes of this subsection and section 954(i), the exempt insurance income and exempt contracts of a qualifying insurance company or any qualifying insurance company branch of such company shall be determined separately for such company and each such branch by taking into account—

''(i) in the case of the qualifying insurance company, only items of income, deduction, gain, or loss, and activities of such company not properly allocable or attributable to any qualifying insurance company branch of such company, and

''(ii) in the case of a qualifying insurance company branch, only items of income, deduction, gain, or loss and activities properly allocable or attributable to such unit.

''(2) EXEMPT CONTRACT.—

''(A) IN GENERAL.—The term 'exempt contract' means an insurance or annuity contract issued or reinsured by a qualifying insurance company or qualifying insurance company branch in connection with property in, liability arising out of activity in, or the lives or health of residents of, a country other than the United States.

''(B) MINIMUM HOME COUNTRY INCOME REQUIRED.—

''(i) IN GENERAL.—No contract of a qualifying insurance company or of a qualifying insurance company branch shall be treated as an exempt contract unless such company or branch derives more than 30 percent of its net written premiums from exempt contracts (determined without regard to this subparagraph)—

''(I) which cover applicable home country risks, and

''(II) with respect to which no policyholder, insured, annuitant, or beneficiary is a related person (as defined in section 954(d)(3)).

''(ii) APPLICABLE HOME COUNTRY RISKS.—The term 'applicable home country risks' means risks in connection with property in, liability arising out of activity in, or the lives or health of residents of, the home country of the qualifying insurance company or qualifying insurance company branch, as the case may be, issuing or reinsuring the contract covering the risks.

''(C) SUBSTANTIAL ACTIVITY REQUIREMENTS FOR CROSS BORDER RISKS.—A contract issued by a qualifying insurance company or qualifying insurance company branch which covers risks other than applicable home country risks (as defined in subparagraph (B)(ii)) shall not be treated as an exempt contract unless such company or branch, as the case may be—

''(i) conducts substantial activity with respect to an insurance business in its home country, and

''(ii) performs in its home country substantially all of the activities necessary to give rise to the income generated by such contract.

''(3) QUALIFYING INSURANCE COMPANY.—The term 'qualifying insurance company' means any controlled foreign corporation which—

''(A) is subject to regulation as an insurance (or reinsurance) company by its home country, and is licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance, or annuity contracts to persons other than related persons (within the meaning of section 954(d)(3)) in such home country,

''(B) derives more than 50 percent of its aggregate net written premiums from the issuance or reinsurance by such controlled foreign corporation and each of its qualifying insurance company branches of contracts—

''(i) covering applicable home country risks (as defined in paragraph (2)) of such corporation or branch, as the case may be, and

''(ii) with respect to which no policyholder, insured, annuitant, or beneficiary is a related person (as defined in section 954(d)(3)),

except that in the case of a branch, such premiums shall only be taken into account to the extent such premiums are treated as earned by such branch in its home country for purposes of such country's tax laws, and

''(C) is engaged in the insurance business and would be subject to tax under subchapter L if it were a domestic corporation.

''(4) QUALIFYING INSURANCE COMPANY BRANCH.—The term 'qualifying insurance company branch' means a qualified business unit (within the meaning of section 989(a)) of a controlled foreign corporation if—

''(A) such unit is licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance, or annuity contracts to persons other than related persons (within the meaning of section 954(d)(3)) in such home country, and

''(B) such controlled foreign corporation is a qualifying insurance company, determined under paragraph (3) as if such unit were a qualifying insurance company branch.

''(5) LIFE INSURANCE OR ANNUITY CONTRACT.—For purposes of this section and section 954, the determination of whether a contract issued by a controlled foreign corporation or a qualified business unit (within the meaning of section 989(a)) is a life insurance contract or an annuity contract shall be made without regard to sections 72(s), 101(f), 817(h), and 7702 if—

''(A) such contract is regulated as a life insurance or annuity contract by the corporation's or unit's home country, and

''(B) no policyholder, insured, annuitant, or beneficiary with respect to the contract is a United States person.

''(6) HOME COUNTRY.—For purposes of this subsection, except as provided in regulations—

''(A) CONTROLLED FOREIGN CORPORATION.—The term 'home country' means, with respect to a controlled foreign corporation, the country in which such corporation is created or organized.

''(B) QUALIFIED BUSINESS UNIT.—The term 'home country' means, with respect to a qualified business unit (as defined in section 989(a)), the country in which the principal office of such unit is located and in which such unit is licensed, authorized, or regulated by the applicable insurance regulatory body to sell insurance, reinsurance, or annuity contracts to persons other than related persons (as defined in section 954(d)(3)) in such country.

''(7) ANTI-ABUSE RULES.—For purposes of applying this subsection and section 954(i)—

''(A) the rules of section 954(h)(7) (other than subparagraph (B) thereof) shall apply,

''(B) there shall be disregarded any item of income, gain, loss, or deduction of, or derived from, an entity which is not engaged in regular and continuous transactions with persons which are not related persons,

''(C) there shall be disregarded any change in the method of computing reserves a principal purpose of which is the acceleration or deferral of any item in order to claim the benefits of this subsection or section 954(i),

''(D) a contract of insurance or reinsurance shall not be treated as an exempt contract (and premiums from such contract shall not be taken into account for purposes of paragraph (2)(B) or (3)) if—

''(i) any policyholder, insured, annuitant, or beneficiary is a resident of the United States and such contract was marketed to such resident and was written to cover a risk outside the United States, or

''(ii) the contract covers risks located within and without the United States and the qualifying insurance company or qualifying insurance company branch does not maintain such contemporaneous records, and file such reports, with respect to such contract as the Secretary may require,

''(E) the Secretary may prescribe rules for the allocation of contracts (and income from contracts) among 2 or more qualifying insurance company branches of a qualifying insurance company in order to clearly reflect the income of such branches, and

''(F) premiums from a contract shall not be taken into account for purposes of paragraph (2)(B) or (3) if such contract reinsures a contract issued or reinsured by a related person (as defined in section 954(d)(3)).

For purposes of subparagraph (D), the determination of where risks are located shall be made under the principles of section 953.

''(8) COORDINATION WITH SUBSECTION (c).—In determining insurance income for purposes of subsection (c), exempt insurance income shall not include income derived from exempt contracts which cover risks other than applicable home country risks.

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection and section 954(i).

''(10) APPLICATION.—This subsection and section 954(i) shall apply only to the first taxable year of a foreign corporation beginning after December 31, 1998, and before January 1, 2000, and to taxable years of United States shareholders with or within which such taxable year of such foreign corporation ends.

''(11) CROSS REFERENCE.—

''For income exempt from foreign personal holding company income, see section 954(i).''

(2) EXEMPTION FROM FOREIGN PERSONAL HOLDING COMPANY INCOME.—Section 954 (defining foreign base company income) is amended by adding at the end the following new subsection:

''(i) SPECIAL RULE FOR INCOME DERIVED IN THE ACTIVE CONDUCT OF INSURANCE BUSINESS.—

''(1) IN GENERAL.—For purposes of subsection (c)(1), foreign personal holding company income shall not include qualified insurance income of a qualifying insurance company.

''(2) QUALIFIED INSURANCE INCOME.—The term 'qualified insurance income' means income of a qualifying insurance company which is—

''(A) received from a person other than a related person (within the meaning of subsection (d)(3)) and derived from the investments made by a qualifying insurance company or a qualifying insurance company branch of its reserves allocable to exempt contracts or of 80 percent of its unearned premiums from exempt contracts (as both are determined in the manner prescribed under paragraph (4)), or

''(B) received from a person other than a related person (within the meaning of subsection (d)(3)) and derived from investments made by a qualifying insurance company or a qualifying insurance company branch of an amount of its assets allocable to exempt contracts equal to—

''(i) in the case of property, casualty, or health insurance contracts, one-third of its premiums earned on such insurance contracts during the taxable year (as defined in section 832(b)(4)), and

''(ii) in the case of life insurance or annuity contracts, 10 percent of the reserves described in subparagraph (A) for such contracts.

''(3) PRINCIPLES FOR DETERMINING INSURANCE INCOME.—Except as provided by the Secretary, for purposes of subparagraphs (A) and (B) of paragraph (2)—

''(A) in the case of any contract which is a separate account-type contract (including any variable contract not meeting the requirements of section 817), income credited under such contract shall be allocable only to such contract, and

''(B) income not allocable under subparagraph (A) shall be allocated ratably among contracts not described in subparagraph (A).

''(4) METHODS FOR DETERMINING UNEARNED PREMIUMS AND RESERVES.—For purposes of paragraph (2)(A)—

''(A) PROPERTY AND CASUALTY CONTRACTS.—The unearned premiums and reserves of a qualifying insurance company or a qualifying insurance company branch with respect to property, casualty, or health insurance contracts shall be determined using the same methods and interest rates which would be used if such company or branch were subject to tax under subchapter L, except that—

''(i) the interest rate determined for the functional currency of the company or branch, and which, except as provided by the Secretary, is calculated in the same manner as the Federal mid-term rate under section 1274(d), shall be substituted for the applicable Federal interest rate, and

''(ii) such company or branch shall use the appropriate foreign loss payment pattern.

''(B) LIFE INSURANCE AND ANNUITY CONTRACTS.—The amount of the reserve of a qualifying insurance company or qualifying insurance company branch for any life insurance or annuity contract shall be equal to the greater of—

''(i) the net surrender value of such contract (as defined in section 807(e)(1)(A)), or

''(ii) the reserve determined under paragraph (5).

''(C) LIMITATION ON RESERVES.—In no event shall the reserve determined under this paragraph for any contract as of any time exceed the amount which would be taken into account with respect to such contract as of such time in determining foreign statement reserves (less any catastrophe, deficiency, equalization, or similar reserves).

''(5) AMOUNT OF RESERVE.—The amount of the reserve determined under this paragraph with respect to any contract shall be determined in the same manner as it would be determined if the qualifying insurance company or qualifying insurance company branch were subject to tax under subchapter L, except that in applying such subchapter—

''(A) the interest rate determined for the functional currency of the company or branch, and which, except as provided by the Secretary, is calculated in the same manner as the Federal mid-term rate under section 1274(d), shall be substituted for the applicable Federal interest rate,

''(B) the highest assumed interest rate permitted to be used in determining foreign statement reserves shall be substituted for the prevailing State assumed interest rate, and

''(C) tables for mortality and morbidity which reasonably reflect the current mortality and morbidity risks in the company's or branch's home country shall be substituted for the mortality and morbidity tables otherwise used for such subchapter.

The Secretary may provide that the interest rate and mortality and morbidity tables of a qualifying insurance company may be used for 1 or more of its qualifying insurance company branches when appropriate.

''(6) DEFINITIONS.—For purposes of this subsection, any term used in this subsection which is also used in section 953(e) shall have the meaning given such term by section 953.''

(3) RESERVES.—Section 953(b) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) Reserves for any insurance or annuity contract shall be determined in the same manner as under section 954(i).''

(c) SPECIAL RULES FOR DEALERS.—Section 954(c)(2)(C) is amended to read as follows:

''(C) EXCEPTION FOR DEALERS.—Except as provided by regulations, in the case of a regular dealer in property which is property described in paragraph (1)(B), forward contracts, option contracts, or similar financial instruments (including notional principal contracts and all instruments referenced to commodities), there shall not be taken into account in computing foreign personal holding company income—

''(i) any item of income, gain, deduction, or loss (other than any item described in subparagraph (A), (E), or (G) of paragraph (1)) from any transaction (including hedging transactions) entered into in the ordinary course of such dealer's trade or business as such a dealer, and

''(ii) if such dealer is a dealer in securities (within the meaning of section 475), any interest or dividend or equivalent amount described in subparagraph (E) or (G) of paragraph (1) from any transaction (including any hedging transaction or transaction described in section 956(c)(2)(J)) entered into in the ordinary course of such dealer's trade or business as such a dealer in securities, but only if the income from the transaction is attributable to activities of the dealer in the country under the laws of which the dealer is created or organized (or in the case of a qualified business unit described in section 989(a), is attributable to activities of the unit in the country in which the unit both maintains its principal office and conducts substantial business activity).''

(d) EXEMPTION FROM FOREIGN BASE COMPANY SERVICES INCOME.—Paragraph (2) of section 954(e) is amended by inserting ''or'' at the end of subparagraph (A), by striking '', or'' at the end of subparagraph (B) and inserting a period, by striking subparagraph (C), and by adding at the end the following new flush sentence:

''Paragraph (1) shall also not apply to income which is exempt insurance income (as defined in section 953(e)) or which is not treated as foreign personal holding income by reason of subsection (c)(2)(C)(ii), (h), or (i).''

(e) EXEMPTION FOR GAIN.—Section 954(c)(1)(B)(i) (relating to net gains from certain property transactions) is amended by inserting ''other than property which gives rise to income not treated as foreign personal holding company income by reason of subsection (h) or (i) for the taxable year'' before the comma at the end.

Subtitle B—Generalized System of Preferences

SEC. 311. EXTENSION OF GENERALIZED SYSTEM OF PREFERENCES.

(a) EXTENSION OF DUTY-FREE TREATMENT UNDER SYSTEM.—Section 505 of the Trade Act of 1974 (29 U.S.C. 2465) is amended by striking ''June 30, 1998'' and inserting ''December 31, 1999''.

(b) RETROACTIVE APPLICATION FOR CERTAIN LIQUIDATIONS AND RELIQUIDATIONS.—

(1) IN GENERAL.—Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, and subject to paragraph (2), any entry—

(A) of an article to which duty-free treatment under title V of the Trade Act of 1974 would have applied if such title had been in effect during the period beginning on July 1, 1998, and ending on the day before the date of the enactment of this Act, and

(B) that was made after June 30, 1998, and before the date of the enactment of this Act,

shall be liquidated or reliquidated as free of duty, and the Secretary of the Treasury shall refund any duty paid with respect to such entry. As used in this subsection, the term ''entry'' includes a withdrawal from warehouse for consumption.

(2) REQUESTS.—Liquidation or reliquidation may be made under paragraph (1) with respect to an entry only if a request therefor is filed with the Customs Service, within 180 days after the date of the enactment of this Act, that contains sufficient information to enable the Customs Service—

(A) to locate the entry; or

(B) to reconstruct the entry if it cannot be located.

TITLE IV—REVENUE OFFSET

SEC. 401. TREATMENT OF CERTAIN DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.

(a) IN GENERAL.—Section 332 (relating to complete liquidations of subsidiaries) is amended by adding at the end the following new subsection:

''(c) DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—If a corporation receives a distribution from a regulated investment company or a real estate investment trust which is considered under subsection (b) as being in complete liquidation of such company or trust, then, notwithstanding any other provision of this chapter, such corporation shall recognize and treat as a dividend from such company or trust an amount equal to the deduction for dividends paid allowable to such company or trust by reason of such distribution.''.

(b) CONFORMING AMENDMENTS.—

(1) The material preceding paragraph (1) of section 332(b) is amended by striking ''subsection (a)'' and inserting ''this section''.

(2) Paragraph (1) of section 334(b) is amended by striking ''section 332(a)'' and inserting ''section 332''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after May 21, 1998.

TITLE V—TECHNICAL CORRECTIONS

SEC. 501. DEFINITIONS; COORDINATION WITH OTHER TITLES.

(a) DEFINITIONS.—For purposes of this title—

(1) 1986 CODE.—The term ''1986 Code'' means the Internal Revenue Code of 1986.

(2) 1998 ACT.—The term ''1998 Act'' means the Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105–206).

(3) 1997 ACT.—The term ''1997 Act'' means the Taxpayer Relief Act of 1997 (Public Law 105–34).

(b) COORDINATION WITH OTHER TITLES.—For purposes of applying the amendments made by any title of this Act other than this title, the provisions of this title shall be treated as having been enacted immediately before the provisions of such other titles.

SEC. 502. AMENDMENTS RELATED TO INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998.

(a) AMENDMENT RELATED TO SECTION 1101 OF 1998 ACT.—Paragraph (5) of section 6103(h) of the 1986 Code, as added by section 1101(b) of the 1998 Act, is redesignated as paragraph (6).

(b) AMENDMENT RELATED TO SECTION 3001 OF 1998 ACT.—Paragraph (2) of section 7491(a) of the 1986 Code is amended by adding at the end the following flush sentence:

''Subparagraph (C) shall not apply to any qualified revocable trust (as defined in section 645(b)(1)) with respect to liability for tax for any taxable year ending after the date of the decedent's death and before the applicable date (as defined in section 645(b)(2)).''.

(c) AMENDMENTS RELATED TO SECTION 3201 OF 1998 ACT.—

(1) Section 7421(a) of the 1986 Code is amended by striking ''6015(d)'' and inserting ''6015(e)''.

(2) Subparagraph (A) of section 6015(e)(3) is amended by striking ''of this section'' and inserting ''of subsection (b) or (f)''.

(d) AMENDMENT RELATED TO SECTION 3301 OF 1998 ACT.—Paragraph (2) of section 3301(c) of the 1998 Act is amended by striking ''The amendments'' and inserting ''Subject to any applicable statute of limitation not having expired with regard to either a tax underpayment or a tax overpayment, the amendments''.

(e) AMENDMENT RELATED TO SECTION 3401 OF 1998 ACT.—Section 3401(c) of the 1998 Act is amended—

(1) in paragraph (1), by striking ''7443(b)'' and inserting ''7443A(b)''; and

(2) in paragraph (2), by striking ''7443(c)'' and inserting ''7443A(c)''.

(f) AMENDMENT RELATED TO SECTION 3433 OF 1998 ACT.—Section 7421(a) of the 1986 Code is amended by inserting ''6331(i),'' after ''6246(b),''.

(g) AMENDMENT RELATED TO SECTION 3708 OF 1998 ACT.—Subparagraph (A) of section 6103(p)(3) of the 1986 Code is amended by inserting ''(f)(5),'' after ''(c), (e),''.

(h) AMENDMENT RELATED TO SECTION 5001 OF 1998 ACT.—

(1) Subparagraph (B) of section 1(h)(13) of the 1986 Code is amended by striking ''paragraph (7)(A)'' and inserting ''paragraph (7)(A)(i)''.

(2)(A) Subparagraphs (A)(i)(II), (A)(ii)(II), and (B)(ii) of section 1(h)(13) of the 1986 Code shall not apply to any distribution after December 31, 1997, by a regulated investment company or a real estate investment trust with respect to—

(i) gains and losses recognized directly by such company or trust, and

(ii) amounts properly taken into account by such company or trust by reason of holding (directly or indirectly) an interest in another such company or trust to the extent that such subparagraphs did not apply to such other company or trust with respect to such amounts.

(B) Subparagraph (A) shall not apply to any distribution which is treated under section 852(b)(7) or 857(b)(8) of the 1986 Code as received on December 31, 1997.

(C) For purposes of subparagraph (A), any amount which is includible in gross income of its shareholders under section 852(b)(3)(D) or 857(b)(3)(D) of the 1986 Code after December 31, 1997, shall be treated as distributed after such date.

(D)(i) For purposes of subparagraph (A), in the case of a qualified partnership with respect to which a regulated investment company meets the holding requirement of clause (iii)—

(I) the subparagraphs referred to in subparagraph (A) shall not apply to gains and losses recognized directly by such partnership for purposes of determining such company's distributive share of such gains and losses, and

(II) such company's distributive share of such gains and losses (as so determined) shall be treated as recognized directly by such company.

The preceding sentence shall apply only if the qualified partnership provides the company with written documentation of such distributive share as so determined.

(ii) For purposes of clause (i), the term ''qualified partnership'' means, with respect to a regulated investment company, any partnership if—

(I) the partnership is an investment company registered under the Investment Company Act of 1940,

(II) the regulated investment company is permitted to invest in such partnership by reason of section 12(d)(1)(E) of such Act or an exemptive order of the Securities and Exchange Commission under such section, and

(III) the regulated investment company and the partnership have the same taxable year.

(iii) A regulated investment company meets the holding requirement of this clause with respect to a qualified partnership if (as of January 1, 1998)—

(I) the value of the interests of the regulated investment company in such partnership is 35 percent or more of the value of such company's total assets, or

(II) the value of the interests of the regulated investment company in such partnership and all other qualified partnerships is 90 percent or more of the value of such company's total assets.

(i) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the 1998 Act to which they relate.

SEC. 503. AMENDMENTS RELATED TO TAXPAYER RELIEF ACT OF 1997.

(a) AMENDMENT RELATED TO SECTION 202 OF 1997 ACT.—Paragraph (2) of section 163(h) of the 1986 Code is amended by striking ''and'' at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting '', and'', and by adding at the end the following new subparagraph:

''(F) any interest allowable as a deduction under section 221 (relating to interest on educational loans).''

(b) PROVISION RELATED TO SECTION 311 OF 1997 ACT.—In the case of any capital gain distribution made after 1997 by a trust to which section 664 of the 1986 Code applies with respect to amounts properly taken into account by such trust during 1997, paragraphs (5)(A)(i)(I), (5)(A)(ii)(I), and (13)(A) of section 1(h) of the 1986 Code (as in effect for taxable years ending on December 31, 1997) shall not apply.

(c) AMENDMENT RELATED TO SECTION 506 OF 1997 ACT.—

(1) Section 2001(f)(2) of the 1986 Code is amended by adding at the end the following:

''For purposes of subparagraph (A), the value of an item shall be treated as shown on a return if the item is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Secretary of the nature of such item.''.

(2) Paragraph (9) of section 6501(c) of the 1986 Code is amended by striking the last sentence.

(d) AMENDMENTS RELATED TO SECTION 904 OF 1997 ACT.—

(1) Paragraph (1) of section 9510(c) of the 1986 Code is amended to read as follows:

''(1) IN GENERAL.—Amounts in the Vaccine Injury Compensation Trust Fund shall be available, as provided in appropriation Acts, only for—

''(A) the payment of compensation under subtitle 2 of title XXI of the Public Health Service Act (as in effect on August 5, 1997) for vaccine-related injury or death with respect to any vaccine—

''(i) which is administered after September 30, 1988, and

''(ii) which is a taxable vaccine (as defined in section 4132(a)(1)) at the time compensation is paid under such subtitle 2, or

''(B) the payment of all expenses of administration (but not in excess of $9,500,000 for any fiscal year) incurred by the Federal Government in administering such subtitle.''.

(2) Section 9510(b) of the 1986 Code is amended by adding at the end the following new paragraph:

''(3) LIMITATION ON TRANSFERS TO VACCINE INJURY COMPENSATION TRUST FUND.—No amount may be appropriated to the Vaccine Injury Compensation Trust Fund on and after the date of any expenditure from the Trust Fund which is not permitted by this section. The determination of whether an expenditure is so permitted shall be made without regard to—

''(A) any provision of law which is not contained or referenced in this title or in a revenue Act, and

''(B) whether such provision of law is a subsequently enacted provision or directly or indirectly seeks to waive the application of this paragraph.''.

(e) AMENDMENTS RELATED TO SECTION 915 OF 1997 ACT.—

(1) Section 915 of the Taxpayer Relief Act of 1997 is amended—

(A) in subsection (b), by inserting ''or 1998'' after ''1997'', and

(B) by amending subsection (d) to read as follows:

''(d) EFFECTIVE DATE.—This section shall apply to taxable years ending with or within calendar year 1997.''.

(2) Paragraph (2) of section 6404(h) of the 1986 Code is amended by inserting ''Robert T. Stafford'' before ''Disaster''.

(f) AMENDMENTS RELATED TO SECTION 1012 OF 1997 ACT.—

(1) Paragraph (2) of section 351(c) of the 1986 Code, as amended by section 6010(c) of the 1998 Act, is amended by inserting '', or the fact that the corporation whose stock was distributed issues additional stock,'' after ''dispose of part or all of the distributed stock''.

(2) Clause (ii) of section 368(a)(2)(H) of the 1986 Code, as amended by section 6010(c) of the 1998 Act, is amended by inserting '', or the fact that the corporation whose stock was distributed issues additional stock,'' after ''dispose of part or all of the distributed stock''.

(g) AMENDMENT RELATED TO SECTION 1082 OF 1997 ACT.—Subparagraph (F) of section 172(b)(1) of the 1986 Code is amended by adding at the end the following new clause:

''(iv) COORDINATION WITH PARAGRAPH (2).—For purposes of applying paragraph (2), an eligible loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.''

(h) AMENDMENT RELATED TO SECTION 1084 OF 1997 ACT.—Paragraph (3) of section 264(f) of the 1986 Code is amended by adding at the end the following flush sentence:

''If the amount described in subparagraph (A) with respect to any policy or contract does not reasonably approximate its actual value, the amount taken into account under subparagraph (A) shall be the greater of the amount of the insurance company liability or the insurance company reserve with respect to such policy or contract (as determined for purposes of the annual statement approved by the National Association of Insurance Commissioners) or shall be such other amount as is determined by the Secretary.''

(i) AMENDMENT RELATED TO SECTION 1205 OF 1997 ACT.—Paragraph (2) of section 6311(d) of the 1986 Code is amended by striking ''under such contracts'' in the last sentence and inserting ''under any such contract for the use of credit or debit cards for the payment of taxes imposed by subtitle A''.

(j) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Taxpayer Relief Act of 1997 to which they relate.

SEC. 504. AMENDMENTS RELATED TO TAX REFORM ACT OF 1984.

(a) IN GENERAL.—Subparagraph (C) of section 172(d)(4) of the 1986 Code is amended to read as follows:

''(C) any deduction for casualty or theft losses allowable under paragraph (2) or (3) of section 165(c) shall be treated as attributable to the trade or business; and''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 67(b) of the 1986 Code is amended by striking ''for losses described in subsection (c)(3) or (d) of section 165'' and inserting ''for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d)''.

(2) Paragraph (3) of section 68(c) of the 1986 Code is amended by striking ''for losses described in subsection (c)(3) or (d) of section 165'' and inserting ''for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d)''.

(3) Paragraph (1) of section 873(b) is amended to read as follows:

''(1) LOSSES.—The deduction allowed by section 165 for casualty or theft losses described in paragraph (2) or (3) of section 165(c), but only if the loss is of property located within the United States.''

(c) EFFECTIVE DATES.—

(1) The amendments made by subsections (a) and (b)(3) shall apply to taxable years beginning after December 31, 1983.

(2) The amendment made by subsection (b)(1) shall apply to taxable years beginning after December 31, 1986.

(3) The amendment made by subsection (b)(2) shall apply to taxable years beginning after December 31, 1990.

SEC. 505. OTHER AMENDMENTS.

(a) AMENDMENTS RELATED TO SECTION 6103 OF 1986 CODE.—

(1) Subsection (j) of section 6103 of the 1986 Code is amended by adding at the end the following new paragraph:

''(5) DEPARTMENT OF AGRICULTURE.—Upon request in writing by the Secretary of Agriculture, the Secretary shall furnish such returns, or return information reflected thereon, as the Secretary may prescribe by regulation to officers and employees of the Department of Agriculture whose official duties require access to such returns or information for the purpose of, but only to the extent necessary in, structuring, preparing, and conducting the census of agriculture pursuant to the Census of Agriculture Act of 1997 (Public Law 105–113).''.

(2) Paragraph (4) of section 6103(p) of the 1986 Code is amended by striking ''(j)(1) or (2)'' in the material preceding subparagraph (A) and in subparagraph (F) and inserting ''(j)(1), (2), or (5)''.

(3) The amendments made by this subsection shall apply to requests made on or after the date of the enactment of this Act.

(b) AMENDMENT RELATED TO SECTION 9004 OF TRANSPORTATION EQUITY ACT FOR THE 21ST CENTURY.—

(1) Paragraph (2) of section 9503(f) of the 1986 Code is amended to read as follows:

''(2) notwithstanding section 9602(b), obligations held by such Fund after September 30, 1998, shall be obligations of the United States which are not interest-bearing.''

(2) The amendment made by paragraph (1) shall take effect on October 1, 1998.

(c) CLERICAL AMENDMENTS.—

(1) Clause (i) of section 51(d)(6)(B) of the 1986 Code is amended by striking ''rehabilitation plan'' and inserting ''plan for employment''. The reference to plan for employment in such clause shall be treated as including a reference to the rehabilitation plans referred to in such clause as in effect before the amendment made by the preceding sentence.

(2) Subparagraphs (C) and (D) of section 6693(a)(2) of the 1986 Code are each amended by striking ''Section'' and inserting ''section''.

TITLE VI—AMERICAN COMMUNITY RENEWAL ACT OF 1998

SEC. 601. SHORT TITLE.

This title may be cited as the ''American Community Renewal Act of 1998''.

SEC. 602. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

"Subchapter X—Renewal Communities

''Part I. Designation.

''Part II. Renewal community capital gain; renewal community business.

''Part III. Family development accounts.

''Part IV. Additional incentives.

"PART I—DESIGNATION

''Sec. 1400E. Designation of renewal communities.

"SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this title, the term 'renewal community' means any area—

''(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a 'nominated area'), and

''(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration, and

''(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 20 nominated areas as renewal communities.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 4 must be areas—

''(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

''(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

''(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

''(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC.—

''(A) IN GENERAL.—Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

''(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

''(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST HALF OF DESIGNATIONS.—With respect to the first 10 designations made under this section—

''(i) 10 shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section), and

''(ii) of such 10, 2 shall be areas described in paragraph (2)(B).

''(4) LIMITATION ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating an area under paragraph (1)(A),

''(ii) the parameters relating to the size and population characteristics of a renewal community, and

''(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

''(i) the local governments and the States in which the nominated area is located have the authority—

''(I) to nominate such area for designation as a renewal community,

''(II) to make the State and local commitments described in subsection (d), and

''(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

''(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe, and

''(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

''(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(1) IN GENERAL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

''(A) December 31, 2006,

''(B) the termination date designated by the State and local governments in their nomination, or

''(C) the date the Secretary of Housing and Urban Development revokes such designation.

''(2) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

''(A) has modified the boundaries of the area, or

''(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

''(c) AREA AND ELIGIBILITY REQUIREMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

''(2) AREA REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

''(A) the area is within the jurisdiction of one or more local governments,

''(B) the boundary of the area is continuous, and

''(C) the area—

''(i) has a population, of at least—

''(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater, or

''(II) 1,000 in any other case, or

''(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

''(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that—

''(A) the area is one of pervasive poverty, unemployment, and general distress,

''(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate,

''(C) the poverty rate for each population census tract within the nominated area is at least 20 percent, and

''(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

''(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

''(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

''(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

''(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area, and

''(B) the economic growth promotion requirements of paragraph (3) are met.

''(2) COURSE OF ACTION.—

''(A) IN GENERAL.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations

and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least five of the following:

''(i) A reduction of tax rates or fees applying within the renewal community.

''(ii) An increase in the level of efficiency of local services within the renewal community.

''(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

''(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

''(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

''(vi) State or local income tax benefits for fees paid for services performed by a nongovernmental entity which were formerly performed by a governmental entity.

''(vii) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

''(B) RECOGNITION OF PAST EFFORTS.—For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

''(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State, respectively, have repealed or otherwise will not enforce within the area, if such area is designated as a renewal community—

''(A) licensing requirements for occupations that do not ordinarily require a professional degree,

''(B) zoning restrictions on home-based businesses which do not create a public nuisance,

''(C) permit requirements for street vendors who do not create a public nuisance,

''(D) zoning or other restrictions that impede the formation of schools or child care centers, and

''(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling,

except to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

''(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—For purposes of this title, if there are in effect with respect to the same area both—

''(1) a designation as a renewal community, and

''(2) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

''(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

''(2) STATE.—The term 'State' includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

''(3) LOCAL GOVERNMENT.—The term 'local government' means—

''(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State,

''(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development, and

''(C) the District of Columbia.

''(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA.—The rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

''PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

''Sec. 1400F. Renewal community capital gain.

''Sec. 1400G. Renewal community business defined.

''SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

''(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

''(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community asset' means—

''(A) any qualified community stock,

''(B) any qualified community partnership interest, and

''(C) any qualified community business property.

''(2) QUALIFIED COMMUNITY STOCK.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified community stock' means any stock in a domestic corporation if—

''(i) such stock is acquired by the taxpayer after December 31, 1999, and before January 1, 2007, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

''(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business), and

''(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

''(B) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

''(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any interest in a partnership if—

''(A) such interest is acquired by the taxpayer after December 31, 1999, and before January 1, 2007,

''(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business), and

''(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

''(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

''(A) IN GENERAL.—The term 'qualified community business property' means tangible property if—

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 1999, and before January 1, 2007,

''(ii) the original use of such property in the renewal community commences with the taxpayer, and

''(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

''(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

''(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2007, and

''(ii) any land on which such property is located.

''(c) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

''SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

''For purposes of this part, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if—

''(1) references to renewal communities were substituted for references to empowerment zones in such section; and

''(2) '80 percent' were substituted for '50 percent' in subsections (b)(2) and (c)(1) of such section.

''PART III—FAMILY DEVELOPMENT ACCOUNTS

''Sec. 1400H. Family development accounts for renewal community EITC recipients.

''Sec. 1400I. Demonstration program to provide matching contributions to family development accounts in certain renewal communities.

''Sec. 1400J. Designation of earned income tax credit payments for deposit to family development account.

''SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—There shall be allowed as a deduction—

''(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such individual to any family development account for such individual's benefit, and

''(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

No deduction shall be allowed under this paragraph for any amount deposited in a family development account under section 1400I (relating to demonstration program to provide matching amounts in renewal communities).

''(2) LIMITATION.—

''(A) IN GENERAL.—The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of—

''(i) $2,000, or

''(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

''(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

''(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to rules of section 219(c) shall apply to the limitation in paragraph (2)(A).

''(4) COORDINATION WITH IRA'S.—No deduction shall be allowed under this section to any person by reason of a payment to an account for the benefit of a qualified individual if any amount is paid into an individual retirement account (including a Roth IRA) for the benefit of such individual.

''(5) ROLLOVERS.—No deduction shall be allowed under this section with respect to any rollover contribution.

''(b) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) INCLUSION OF AMOUNTS IN GROSS INCOME.—Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

''(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS.—Paragraph (1) shall not apply to any qualified family development distribution.

''(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

''(2) QUALIFIED FAMILY DEVELOPMENT EXPENSES.—The term 'qualified family development expenses' means any of the following:

''(A) Qualified higher education expenses.

''(B) Qualified first-time homebuyer costs.

''(C) Qualified business capitalization costs.

''(D) Qualified medical expenses.

''(E) Qualified rollovers.

''(3) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

''(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term 'postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

''(C) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

''(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in such section).

''(5) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

''(A) IN GENERAL.—The term 'qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

''(B) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

''(C) QUALIFIED BUSINESS.—The term 'qualified business' means any business that does not contravene any law.

''(D) QUALIFIED PLAN.—The term 'qualified plan' means a business plan which meets such requirements as the Secretary may specify.

''(6) QUALIFIED MEDICAL EXPENSES.—The term 'qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

''(7) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of—

''(A) such taxpayer, or

''(B) any qualified individual who is—

''(i) the spouse of such taxpayer, or

''(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph.

''(d) TAX TREATMENT OF ACCOUNTS.—

''(1) IN GENERAL.—Any family development account is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding any other provision of this title (including chapters 11 and 12), the basis of any person in such an account is zero.

''(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS.—For purposes of this section, rules similar to the rules of section 408(e) shall apply.

''(3) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

''(e) FAMILY DEVELOPMENT ACCOUNT.—For purposes of this title, the term 'family development account' means a trust created or organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

''(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))—

''(A) no contribution will be accepted unless it is in cash, and

''(B) contributions will not be accepted for the taxable year in excess of $3,000 (determined without regard to any contribution made under section 1400I (relating to demonstration program to provide matching amounts in renewal communities)).

''(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

''(f) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means, for any taxable year, an individual—

''(1) who is a bona fide resident of a renewal community throughout the taxable year, and

''(2) to whom a credit was allowed under section 32 for the preceding taxable year.

''(g) OTHER DEFINITIONS AND SPECIAL RULES.—

''(1) COMPENSATION.—The term 'compensation' has the meaning given such term by section 219(f)(1).

''(2) MARRIED INDIVIDUALS.—The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

''(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

''(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS.—Rules similar to the rules of sections 219(f)(5) and 408(h) shall apply for purposes of this section.

''(5) REPORTS.—The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph—

''(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations, and

''(B) shall be furnished to individuals—

''(i) not later than January 31 of the calendar year following the calendar year to which such reports relate, and

''(ii) in such manner as the Secretary prescribes in such regulations.

''(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS.—Rules similar to the rules of section 408(m) shall apply for purposes of this section.

''(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR QUALIFIED FAMILY DEVELOPMENT EXPENSES.—

''(1) IN GENERAL.—If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by this chapter for the taxable year of such distribution shall be increased by the sum of—

''(A) 100 percent of the portion of such amount which is includible in gross income and is attributable to amounts contributed under section 1400I (relating to demonstration program to provide matching amounts in renewal communities), and

''(B) 10 percent of the portion of such amount which is includible in gross income and is not described in subparagraph (A).

For purposes of this subsection, distributions which are includable in gross income shall be treated as attributable to amounts contributed under section 1400I to the extent thereof. For purposes of the preceding sentence, all family development accounts of an individual shall be treated as one account.

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—Paragraph (1) shall not apply to distributions which are—

''(A) made on or after the date on which the account holder attains age 59½,

''(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder, or

''(C) attributable to the account holder's being disabled within the meaning of section 72(m)(7).

''(i) TERMINATION.—No deduction shall be allowed under this section for any amount

paid to a family development account for any taxable year beginning after December 31, 2006.

"SEC. 1400I. DEMONSTRATION PROGRAM TO PROVIDE MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS IN CERTAIN RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this section, the term 'FDA matching demonstration area' means any renewal community—

''(A) which is nominated under this section by each of the local governments and States which nominated such community for designation as a renewal community under section 1400E(a)(1)(A), and

''(B) which the Secretary of Housing and Urban Development designates as an FDA matching demonstration area after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration, and

''(ii) in the case of a community on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 5 communities as FDA matching demonstration areas.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under subparagraph (A), at least 2 must be areas described in section 1400E(a)(2)(B).

''(3) LIMITATIONS ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating a renewal community under paragraph (1)(A) (including procedures for coordinating such nomination with the nomination of an area for designation as a renewal community under section 1400E), and

''(ii) the manner in which nominated renewal communities will be evaluated for purposes of this section.

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(4) DESIGNATION BASED ON DEGREE OF POVERTY, ETC.—The rules of section 1400E(a)(3) shall apply for purposes of designations of FDA matching demonstration areas under this section.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—Any designation of a renewal community as an FDA matching demonstration area shall remain in effect during the period beginning on the date of such designation and ending on the date on which such area ceases to be a renewal community.

''(c) MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS.—

''(1) IN GENERAL.—Not less than once each taxable year, the Secretary shall deposit (to the extent provided in appropriation Acts) into a family development account of each qualified individual (as defined in section 1400H(f))—

''(A) who is a resident throughout the taxable year of an FDA matching demonstration area, and

''(B) who requests (in such form and manner as the Secretary prescribes) such deposit for the taxable year,

an amount equal to the sum of the amounts deposited into all of the family development accounts of such individual during such taxable year (determined without regard to any amount contributed under this section).

''(2) LIMITATIONS.—

''(A) ANNUAL LIMIT.—The Secretary shall not deposit more than $1000 under paragraph (1) with respect to any individual for any taxable year.

''(B) AGGREGATE LIMIT.—The Secretary shall not deposit more than $2000 under paragraph (1) with respect to any individual for all taxable years.

''(3) EXCLUSION FROM INCOME.—Except as provided in section 1400H, gross income shall not include any amount deposited into a family development account under paragraph (1).

''(d) NOTICE OF PROGRAM.—The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

''(e) TERMINATION.—No amount may be deposited under this section for any taxable year beginning after December 31, 2006.

"SEC. 1400J. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO FAMILY DEVELOPMENT ACCOUNT.

''(a) IN GENERAL.—With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The Secretary shall so deposit such portion designated under this subsection.

''(b) MANNER AND TIME OF DESIGNATION.—A designation under subsection (a) may be made with respect to any taxable year—

''(1) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

''(2) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

''(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit allowed to the taxpayer under section 32 for such taxable year.

''(d) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

''(e) TERMINATION.—This section shall not apply to any taxable year beginning after December 31, 2006.

"PART IV—ADDITIONAL INCENTIVES

''Sec. 1400K. Commercial revitalization credit.

''Sec. 1400L. Increase in expensing under section 179.

"SEC. 1400K. COMMERCIAL REVITALIZATION CREDIT.

''(a) GENERAL RULE.—For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section—

''(1) IN GENERAL.—The term 'applicable percentage' means—

''(A) 20 percent for the taxable year in which a qualified revitalization building is placed in service, or

''(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

The election under subparagraph (B), once made, shall be irrevocable.

''(2) CREDIT PERIOD.—

''(A) IN GENERAL.—The term 'credit period' means, with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

''(B) APPLICABLE RULES.—Rules similar to the rules under paragraphs (2) and (4) of section 42(f) shall apply.

''(c) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

''(1) QUALIFIED REVITALIZATION BUILDING.—The term 'qualified revitalization building' means any building (and its structural components) if—

''(A) such building is located in a renewal community and is placed in service after December 31, 1999,

''(B) a commercial revitalization credit amount is allocated to the building under subsection (e), and

''(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.

''(2) QUALIFIED REVITALIZATION EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account—

''(i) for property for which depreciation is allowable under section 168 and which is—

''(I) nonresidential real property, or

''(II) an addition or improvement to property described in subclause (I), and

''(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation.

''(B) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

''(i) $10,000,000, reduced by

''(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the credit under this section for all preceding taxable years.

''(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term 'qualified revitalization expenditure' does not include—

''(i) STRAIGHT LINE DEPRECIATION MUST BE USED.—Any expenditure (other than with respect to land acquisitions) with respect to which the taxpayer does not use the straight line method over a recovery period determined under subsection (c) or (g) of section 168. The preceding sentence shall not apply to any expenditure to the extent the alternative depreciation system of section 168(g) applies to such expenditure by reason of subparagraph (B) or (C) of section 168(g)(1).

''(ii) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent

of the qualified revitalization expenditures determined without regard to this clause.

''(iii) OTHER CREDITS.—Any expenditure which the taxpayer may take into account in computing any other credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

''(d) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—

''(1) IN GENERAL.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

''(2) PROGRESS EXPENDITURE PAYMENTS.—Rules similar to the rules of subsections (b)(2) and (d) of section 47 shall apply for purposes of this section.

''(e) LIMITATION ON AGGREGATE CREDITS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

''(1) IN GENERAL.—The amount of the credit determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization credit amount (in the case of an amount determined under subsection (b)(1)(B), the present value of such amount as determined under the rules of section 42(b)(2)(C)) allocated to such building under this subsection by the commercial revitalization credit agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

''(2) COMMERCIAL REVITALIZATION CREDIT AMOUNT FOR AGENCIES.—

''(A) IN GENERAL.—The aggregate commercial revitalization credit amount which a commercial revitalization credit agency may allocate for any calendar year is the amount of the State commercial revitalization credit ceiling determined under this paragraph for such calendar year for such agency.

''(B) STATE COMMERCIAL REVITALIZATION CREDIT CEILING.—The State commercial revitalization credit ceiling applicable to any State—

''(i) for each calendar year after 1999 and before 2007 is $2,000,000 for each renewal community in the State, and

''(ii) zero for each calendar year thereafter.

''(C) COMMERCIAL REVITALIZATION CREDIT AGENCY.—For purposes of this section, the term 'commercial revitalization credit agency' means any agency authorized by a State to carry out this section.

''(f) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION CREDIT AGENCIES.—

''(1) PLANS FOR ALLOCATION.—Notwithstanding any other provision of this section, the commercial revitalization credit amount with respect to any building shall be zero unless—

''(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization credit agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part, and

''(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

''(2) QUALIFIED ALLOCATION PLAN.—For purposes of this subsection, the term 'qualified allocation plan' means any plan—

''(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization credit agency which are appropriate to local conditions,

''(B) which considers—

''(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process,

''(ii) the amount of any increase in permanent, full-time employment by reason of any project, and

''(iii) the active involvement of residents and nonprofit groups within the renewal community, and

''(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

''(g) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2006.

"SEC. 1400L. INCREASE IN EXPENSING UNDER SECTION 179.

''(a) GENERAL RULE.—In the case of a renewal community business (as defined in section 1400G), for purposes of section 179—

''(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

''(A) $35,000, or

''(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year, and

''(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

''(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community by a renewal community business.

''(c) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if—

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 1999, and before January 1, 2007, and

''(B) such property would be qualified zone property (as defined in section 1397C) if references to renewal communities were substituted for references to empowerment zones in section 1397C.

''(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.''

SEC. 603. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION.—Paragraph (2) of section 198(c) (defining targeted area) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) RENEWAL COMMUNITIES INCLUDED.—Except as provided in subparagraph (B), such term shall include a renewal community (as defined in section 1400E).''

(b) EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES.—Subsection (h) of section 198 is amended by inserting before the period ''(December 31, 2006, in the case of a renewal community, as defined in section 1400E).''

SEC. 604. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES

(a) EXTENSION.—Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

''(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES.—

''(A) IN GENERAL.—In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 38—

''(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to—

''(I) 15 percent of the qualified first-year wages for such year, and

''(II) 30 percent of the qualified second-year wages for such year,

''(ii) subsection (b)(3) shall be applied by substituting '$10,000' for '$6,000',

''(iii) paragraph (4)(B) shall be applied by substituting for the date contained therein the last day for which the designation under section 1400E of the renewal community referred to in subparagraph (B)(i) is in effect, and

''(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

''(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified wages' means, with respect to each 1-year period referred to in clause (ii) or (iii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if—

''(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period,

''(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period, and

''(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in such renewal community.

''(ii) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(iii) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under clause (ii).''

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS.—

(1) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(2) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv) of section 51(d)(7)(A) is amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(3) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting ''OR COMMUNITY'' in the heading after ''ZONE''.

SEC. 605. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (17) the following new paragraph:

''(18) FAMILY DEVELOPMENT ACCOUNTS.—The deduction allowed by section 1400H(a)(1)(A).''

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) TAX IMPOSED.—Subsection (a) of section 4973 is amended by striking ''or'' at the end of paragraph (3), adding ''or'' at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

''(5) a family development account (within the meaning of section 1400H(e)),''.

(2) EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:

''(g) FAMILY DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of a family development account, the term 'excess contributions' means the sum of—

''(1) the excess (if any) of—

''(A) the amount contributed for the taxable year to the account (other than a qualified rollover, as defined in section 1400H(c)(7), or a contribution under section 1400I), over

''(B) the amount allowable as a deduction under section 1400H for such contributions, and

''(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of—

''(A) the distributions out of the account for the taxable year which were included in the gross income of the payee under section 1400H(b)(1),

''(B) the distributions out of the account for the taxable year to which rules similar to the rules of section 408(d)(5) apply by reason of section 1400H(d)(3), and

''(C) the excess (if any) of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year (other than a contribution under section 1400I).

For purposes of this subsection, any contribution which is distributed from the family development account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 1400H(d)(3) shall be treated as an amount not contributed.''

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

''(6) SPECIAL RULE FOR FAMILY DEVELOPMENT ACCOUNTS.—An individual for whose benefit a family development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a family development account by reason of the application of section 1400H(d)(2) to such account.'', and

(2) in subsection (e)(1), by striking ''or'' at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

''(F) a family development account described in section 1400H(e), or''.

(d) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6047 is amended—

(1) by inserting ''or section 1400H'' after ''section 219'', and

(2) by inserting '', of any family development account described in section 1400H(e),'', after ''section 408(a)''.

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 6104(a)(1)(B) is amended by inserting ''a family development account described in section 1400H(e),'' after ''section 408(a),''.

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS.—Paragraph (2) of section 6693(a) is amended by striking ''and'' at the end of subparagraph (C), by striking the period and inserting '', and'' at the end of subparagraph (D), and by adding at the end the following new subparagraph:

''(E) section 1400H(g)(6) (relating to family development accounts).''

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION CREDIT.—

(1) Section 46 (relating to investment credit) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting '', and'', and by adding at the end the following new paragraph:

''(4) the commercial revitalization credit provided under section 1400K.''

(2) Section 39(d) is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF SECTION 1400K CREDIT BEFORE DATE OF ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to any commercial revitalization credit determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K.''

(3) Subparagraph (B) of section 48(a)(2) is amended by inserting ''or commercial revitalization'' after ''rehabilitation'' each place it appears in the text and heading.

(4) Subparagraph (C) of section 49(a)(1) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding at the end the following new clause:

''(iv) the portion of the basis of any qualified revitalization building attributable to qualified revitalization expenditures.''

(5) Paragraph (2) of section 50(a) is amended by inserting ''or 1400K(d)(2)'' after ''section 47(d)'' each place it appears.

(6) Subparagraph (A) of section 50(a)(2) is amended by inserting ''or qualified revitalization building (respectively)'' after ''qualified rehabilitated building''.

(7) Subparagraph (B) of section 50(a)(2) is amended by adding at the end the following new sentence: ''A similar rule shall apply for purposes of section 1400K.''

(8) Paragraph (2) of section 50(b) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ''; and'', and by adding at the end the following new subparagraph:

''(E) a qualified revitalization building (as defined in section 1400K) to the extent of the portion of the basis which is attributable to qualified revitalization expenditures (as defined in section 1400K).''

(9) The last sentence of section 50(b)(3) is amended to read as follows: ''If any qualified rehabilitated building or qualified revitalization building is used by the tax-exempt organization pursuant to a lease, this paragraph shall not apply for purposes of determining the amount of the rehabilitation credit or the commercial revitalization credit.''

(10) Subparagraph (C) of section 50(b)(4) is amended—

(A) by inserting ''or commercial revitalization'' after ''rehabilitated'' in the text and heading, and

(B) by inserting ''or commercial revitalization'' after ''rehabilitation''.

(11) Subparagraph (C) of section 469(i)(3) is amended—

(A) by inserting ''or section 1400K'' after ''section 42''; and

(B) by striking ''CREDIT'' in the heading and inserting ''AND COMMERCIAL REVITALIZATION CREDITS''.

(h) CLERICAL AMENDMENTS.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter X. Renewal Communities.''

SEC. 606. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of Housing and Urban Development first designates an area as a renewal community under section 1400E of the Internal Revenue Code of 1986, and at the close of each fourth calendar year thereafter, such Secretary shall prepare and submit to the Congress a report on the effects of such designations in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

TITLE VII—TAX REDUCTIONS CONTINGENT ON SAVING SOCIAL SECURITY

SEC. 701. TAX REDUCTIONS CONTINGENT ON SAVING SOCIAL SECURITY.

(a) REQUIREMENT FOR BALANCED BUDGET AND SOCIAL SECURITY SOLVENCY.—Notwithstanding any other provision of this Act, no provision of this Act (or amendment made thereby) shall take effect before the first January 1 after the date of the enactment of this Act that follows a calendar year for which there is a social security solvency certification.

(b) EXEMPTION OF FUNDED PROVISIONS .—The following provisions shall take effect without regard to subsection (a):

(1) Subtitle C of title I (relating to increase in social security earnings limit and recomputation of benefits).

(2) Section 213 (relating to production flexibility contract payments).

(3) Title III (relating to extension and modification of certain expiring provisions).

(4) Title IV (relating to revenue offset).

(5) Title V (relating to technical corrections).

(c) SOCIAL SECURITY SOLVENCY CERTIFICATION.—For purposes of subsection (a), there is a social security solvency certification for a calendar year if, during such year, the Board of Trustees of the Social Security Trust Funds certifies that the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are in actuarial balance for the 75-year period utilized in the most recent annual report of such Board of Trustees pursuant to section 201(c)(2) of the Social Security Act (42 U.S.C. 401(c)(2)).

H.R. 4579

OFFERED BY: MR. STENHOLM

(Amendment in the Nature of a Substitute)

AMENDMENT NO. 2: Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Taxpayer Relief Act of 1998''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title, etc.

TITLE I—PROVISIONS PRIMARILY AFFECTING INDIVIDUALS AND FAMILIES

Subtitle A—General Provisions

Sec. 101. Elimination of marriage penalty in standard deduction.

Sec. 102. Exemption of certain interest and dividend income from tax.

Sec. 103. Nonrefundable personal credits allowed against alternative minimum tax.

Sec. 104. 100 percent deduction for health insurance costs of self-employed individuals.

Sec. 105. Special rule for members of uniformed services and Foreign Service in determining exclusion of gain from sale of principal residence.

Sec. 106. $1,000,000 exemption from estate and gift taxes.

Subtitle B—Provisions Relating to Education

Sec. 111. Eligible educational institutions permitted to maintain qualified tuition programs.

Sec. 112. Modification of arbitrage rebate rules applicable to public school construction bonds.

Subtitle C—Provisions Relating to Social Security

Sec. 121. Increases in the social security earnings limit for individuals who have attained retirement age.

Sec. 122. Recomputation of benefits after normal retirement age.

TITLE II—PROVISIONS PRIMARILY AFFECTING FARMING AND OTHER BUSINESSES

Subtitle A—Increase in Expense Treatment for Small Businesses

Sec. 201. Increase in expense treatment for small businesses.

Subtitle B—Provisions Relating to Farmers

Sec. 211. Income averaging for farmers made permanent.

Sec. 212. 5-year net operating loss carryback for farming losses.

Sec. 213. Production flexibility contract payments.

Subtitle C—Increase in Volume Cap on Private Activity Bonds

Sec. 221. Increase in volume cap on private activity bonds.

TITLE III—EXTENSION AND MODIFICATION OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Tax Provisions

Sec. 301. Research credit.

Sec. 302. Work opportunity credit.

Sec. 303. Welfare-to-work credit.

Sec. 304. Contributions of stock to private foundations; expanded public inspection of private foundations' annual returns.

Sec. 305. Subpart F exemption for active financing income.

Subtitle B—Generalized System of Preferences

Sec. 311. Extension of Generalized System of Preferences.

TITLE IV—REVENUE OFFSET

Sec. 401. Treatment of certain deductible liquidating distributions of regulated investment companies and real estate investment trusts.

TITLE V—TECHNICAL CORRECTIONS

Sec. 501. Definitions; coordination with other titles.

Sec. 502. Amendments related to Internal Revenue Service Restructuring and Reform Act of 1998.

Sec. 503. Amendments related to Taxpayer Relief Act of 1997.

Sec. 504. Amendments related to Tax Reform Act of 1984.

Sec. 505. Other amendments.

TITLE VI—AMERICAN COMMUNITY RENEWAL ACT OF 1998

Sec. 601. Short title.

Sec. 602. Designation of and tax incentives for renewal communities.

Sec. 603. Extension of expensing of environmental remediation costs to renewal communities.

Sec. 604. Extension of work opportunity tax credit for renewal communities

Sec. 605. Conforming and clerical amendments.

Sec. 606. Evaluation and reporting requirements.

TITLE VII—TAX REDUCTIONS CONTINGENT ON BALANCED BUDGET

Sec. 701. Tax reductions contingent on balanced budget.

TITLE I—PROVISIONS PRIMARILY AFFECTING INDIVIDUALS AND FAMILIES

Subtitle A—General Provisions

SEC. 101. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(1) by striking ''$5,000'' in subparagraph (A) and inserting ''twice the dollar amount in effect under subparagraph (C) for the taxable year'',

(2) by adding ''or'' at the end of subparagraph (B),

(3) by striking ''in the case of'' and all that follows in subparagraph (C) and inserting ''in any other case.'', and

(4) by striking subparagraph (D).

(b) ADDITIONAL STANDARD DEDUCTION FOR AGED AND BLIND TO BE THE SAME FOR MARRIED AND UNMARRIED INDIVIDUALS.—

(1) Paragraphs (1) and (2) of section 63(f) are each amended by striking ''$600'' and inserting ''$750''.

(2) Subsection (f) of section 63 is amended by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6) is amended by striking ''(other than with'' and all that follows through ''shall be applied'' and inserting ''(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied''.

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 102. EXEMPTION OF CERTAIN INTEREST AND DIVIDEND INCOME FROM TAX.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to amounts specifically excluded from gross income) is amended by inserting after section 115 the following new section:

''SEC. 116. PARTIAL EXCLUSION OF DIVIDENDS AND INTEREST RECEIVED BY INDIVIDUALS.

''(a) EXCLUSION FROM GROSS INCOME.—Gross income does not include dividends and interest received during the taxable year by an individual.

''(b) LIMITATIONS.—

''(1) MAXIMUM AMOUNT.—The aggregate amount excluded under subsection (a) for any taxable year shall not exceed $200 ($400 in the case of a joint return).

''(2) CERTAIN DIVIDENDS EXCLUDED.—Subsection (a) shall not apply to any dividend from a corporation which, for the taxable year of the corporation in which the distribution is made, or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 (relating to certain charitable, etc., organization) or section 521 (relating to farmers' cooperative associations).

''(c) SPECIAL RULES.—For purposes of this section—

''(1) EXCLUSION NOT TO APPLY TO CAPITAL GAIN DIVIDENDS FROM REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

''For treatment of capital gain dividends, see sections 854(a) and 857(c).

''(2) CERTAIN NONRESIDENT ALIENS INELIGIBLE FOR EXCLUSION.—In the case of a nonresident alien individual, subsection (a) shall apply only—

''(A) in determining the tax imposed for the taxable year pursuant to section 871(b)(1) and only in respect of dividends and interest which are effectively connected with the conduct of a trade or business within the United States, or

''(B) in determining the tax imposed for the taxable year pursuant to section 877(b).

''(3) DIVIDENDS FROM EMPLOYEE STOCK OWNERSHIP PLANS.—Subsection (a) shall not apply to any dividend described in section 404(k).''

(b) CONFORMING AMENDMENTS.—

(1)(A) Subparagraph (A) of section 135(c)(4) is amended by inserting ''116,'' before ''137''.

(B) Subsection (d) of section 135 is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

''(4) COORDINATION WITH SECTION 116.—This section shall be applied before section 116.''

(2) Paragraph (2) of section 265(a) is amended by inserting before the period '', or to purchase or carry obligations or shares, or to make deposits, to the extent the interest thereon is excludable from gross income under section 116''.

(3) Subsection (c) of section 584 is amended by adding at the end thereof the following new flush sentence:

''The proportionate share of each participant in the amount of dividends or interest received by the common trust fund and to which section 116 applies shall be considered for purposes of such section as having been received by such participant.''

(4) Subsection (a) of section 643 is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

''(7) DIVIDENDS OR INTEREST.—There shall be included the amount of any dividends or interest excluded from gross income pursuant to section 116.''

(5) Section 854(a) is amended by inserting ''section 116 (relating to partial exclusion of dividends and interest received by individuals) and'' after ''For purposes of''.

(6) Section 857(c) is amended to read as follows:

''(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

''(1) TREATMENT FOR SECTION 116.—For purposes of section 116 (relating to partial exclusion of dividends and interest received by individuals), a capital gain dividend (as defined in subsection (b)(3)(C)) received from a real estate investment trust which meets the requirements of this part shall not be considered as a dividend.

''(2) TREATMENT FOR SECTION 243.—For purposes of section 243 (relating to deductions for dividends received by corporations), a dividend received from a real estate investment trust which meets the requirements of this part shall not be considered as a dividend.''

(7) The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 115 the following new item:

''Sec. 116. Partial exclusion of dividends and interest received by individuals.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 103. NONREFUNDABLE PERSONAL CREDITS ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Subsection (a) of section 26 is amended to read as follows:

''(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the sum of—

''(1) the taxpayer's regular tax liability for the taxable year, and

''(2) the tax imposed for the taxable year by section 55(a).

For purposes of applying the preceding sentence, paragraph (2) shall be treated as being zero for any taxable year beginning during 1998.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 24 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(2) Section 32 is amended by striking subsection (h).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 104. 100 PERCENT DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to 100 percent of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 105. SPECIAL RULE FOR MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE IN DETERMINING EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

''(9) MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE.—

''(A) IN GENERAL.—The running of the 5-year period described in subsection (a) shall be suspended with respect to an individual during any time that such individual or such individual's spouse is serving on qualified official extended duty as a member of the uniformed services or of the Foreign Service.

''(B) QUALIFIED OFFICIAL EXTENDED DUTY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified official extended duty' means any period of extended duty as a member of the uniformed services or a member of the Foreign Service during which the member serves at a duty station which is at least 50 miles from such property or is under Government orders to reside in Government quarters.

''(ii) UNIFORMED SERVICES.—The term 'uniformed services' has the meaning given such term by section 101(a)(5) of title 10, United States Code, as in effect on the date of the enactment of the Taxpayer Relief Act of 1998.

''(iii) FOREIGN SERVICE OF THE UNITED STATES.—The term 'member of the Foreign Service' has the meaning given the term 'member of the Service' by paragraph (1), (2), (3), (4), or (5) of section 103 of the Foreign Service Act of 1980, as in effect on the date of the enactment of the Taxpayer Relief Act of 1998.

''(iv) EXTENDED DUTY.—The term 'extended duty' means any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and exchanges after the date of the enactment of this Act.

SEC. 106. $1,000,000 EXEMPTION FROM ESTATE AND GIFT TAXES.

(a) IN GENERAL.—Subsection (c) of section 2010 (relating to applicable credit amount) is amended to read as follows:

''(c) APPLICABLE CREDIT AMOUNT.—

''(1) IN GENERAL.—For purposes of this section, the applicable credit amount is $345,800.

''(2) APPLICABLE EXCLUSION AMOUNT.—For purposes of the provisions of this title which refer to this subsection, the applicable exclusion amount is $1,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 1998.

Subtitle B—Provisions Relating to Education

SEC. 111. ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.

(a) IN GENERAL.—Paragraph (1) of section 529(b) (defining qualified State tuition program) is amended by inserting ''or by 1 or more eligible educational institutions'' after ''maintained by a State or agency or instrumentality thereof''.

(b) TECHNICAL AMENDMENTS.—

(1) The texts of sections 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529, 530, and 4973(e)(1)(B) are each amended by striking ''qualified State tuition program'' each place it appears and inserting ''qualified tuition program''.

(2) The paragraph heading for paragraph (9) of section 72(e) and the subparagraph heading for subparagraph (B) of section 530(b)(2) are each amended by striking ''STATE''.

(3) The subparagraph heading for subparagraph (C) of section 135(c)(2) is amended by striking ''QUALIFIED STATE TUITION PROGRAM'' and inserting ''QUALIFIED TUITION PROGRAMS''.

(4) Sections 529(c)(3)(D)(i) and 6693(a)(2)(C) are each amended by striking ''qualified State tuition programs'' and inserting ''qualified tuition programs''.

(5)(A) The section heading of section 529 is amended to read as follows:

''SEC. 529. QUALIFIED TUITION PROGRAMS.''.

(B) The item relating to section 529 in the table of sections for part VIII of subchapter F of chapter 1 is amended by striking ''State''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1999.

SEC. 112. MODIFICATION OF ARBITRAGE REBATE RULES APPLICABLE TO PUBLIC SCHOOL CONSTRUCTION BONDS.

(a) IN GENERAL.—Subparagraph (C) of section 148(f)(4) is amended by adding at the end the following new clause:

''(xviii) 4-YEAR SPENDING REQUIREMENT FOR PUBLIC SCHOOL CONSTRUCTION ISSUE.—

''(I) IN GENERAL.—In the case of a public school construction issue, the spending requirements of clause (ii) shall be treated as met if at least 10 percent of the available construction proceeds of the construction issue are spent for the governmental purposes of the issue within the 1-year period beginning on the date the bonds are issued, 30 percent of such proceeds are spent for such purposes within the 2-year period beginning on such date, 50 percent of such proceeds are spent for such purposes within the 3-year period beginning on such date, and 100 percent of such proceeds are spent for such purposes within the 4-year period beginning on such date.

''(II) PUBLIC SCHOOL CONSTRUCTION ISSUE.—For purposes of this clause, the term 'public school construction issue' means any construction issue if no bond which is part of such issue is a private activity bond and all of the available construction proceeds of such issue are to be used for the construction (as defined in clause (iv)) of public school facilities to provide education or training below the postsecondary level or for the acquisition of land that is functionally related and subordinate to such facilities.

''(III) OTHER RULES TO APPLY.—Rules similar to the rules of the preceding provisions of this subparagraph which apply to clause (ii) also apply to this clause.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after December 31, 1998.

Subtitle C—Provisions Relating to Social Security

SEC. 121. INCREASES IN THE SOCIAL SECURITY EARNINGS LIMIT FOR INDIVIDUALS WHO HAVE ATTAINED RETIREMENT AGE.

(a) IN GENERAL.—Section 203(f)(8)(D) of the Social Security Act (42 U.S.C. 403(f)(8)(D)) is amended by striking clauses (iv) through (vii) and inserting the following new clauses:

''(iv) for each month of any taxable year ending after 1998 and before 2000, $1,416.66⅔,

''(v) for each month of any taxable year ending after 1999 and before 2001, $1,541.66⅔,

''(vi) for each month of any taxable year ending after 2000 and before 2002, $2,166.66⅔,

''(vii) for each month of any taxable year ending after 2001 and before 2003, $2,500.00,

''(viii) for each month of any taxable year ending after 2002 and before 2004, $2,608.33⅓,

''(ix) for each month of any taxable year ending after 2003 and before 2005, $2,833.33⅓,

''(x) for each month of any taxable year ending after 2004 and before 2006, $2,950.00,

''(xi) for each month of any taxable year ending after 2005 and before 2007, $3,066.66⅔,

''(xii) for each month of any taxable year ending after 2006 and before 2008, $3,195.83⅓, and

''(xiii) for each month of any taxable year ending after 2007 and before 2009, $3,312.50.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 203(f)(8)(B)(ii) of such Act (42 U.S.C. 403(f)(8)(B)(ii)) is amended—

(A) by striking ''after 2001 and before 2003'' and inserting ''after 2007 and before 2009''; and

(B) in subclause (II), by striking ''2000'' and inserting ''2006''.

(2) The second sentence of section 223(d)(4)(A) of such Act (42 U.S.C. 423(d)(4)(A)) is amended by inserting ''and section 121 of the Taxpayer Relief Act of 1998'' after ''1996''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years ending after 1998.

SEC. 122. RECOMPUTATION OF BENEFITS AFTER NORMAL RETIREMENT AGE.

(a) IN GENERAL.—Section 215(f)(2)(D)(i) of the Social Security Act (42 U.S.C. 415(f)(2)(D)(i)) is amended to read as follows:

''(i) in the case of an individual who did not die in the year with respect to which the recomputation is made, for monthly benefits beginning with benefits for January of—

''(I) the second year following the year with respect to which the recomputation is made, in any such case in which the individual is entitled to old-age insurance benefits, the individual has attained retirement age (as defined in section 216(l)) as of the end of the year preceding the year with respect to which the recomputation is made, and the year with respect to which the recomputation is made would not be substituted in recomputation under this subsection for a benefit computation year in which no wages or self-employment income have been credited previously to such individual, or

''(II) the first year following the year with respect to which the recomputation is made, in any other such case; or''.

(b) CONFORMING AMENDMENTS.—

(1) Section 215(f)(7) of such Act (42 U.S.C. 415(f)(7)) is amended by inserting '', and as amended by section 122(b)(2) of the Taxpayer Relief Act of 1998,'' after ''This subsection as in effect in December 1978''.

(2) Subparagraph (A) of section 215(f)(2) of the Social Security Act as in effect in December 1978 and applied in certain cases under the provisions of such Act as in effect after December 1978 is amended—

(A) by striking ''in the case of an individual who did not die'' and all that follows and inserting ''in the case of an individual who did not die in the year with respect to which the recomputation is made, for monthly benefits beginning with benefits for January of—''; and

(B) by adding at the end the following:

''(i) the second year following the year with respect to which the recomputation is made, in any such case in which the individual is entitled to old-age insurance benefits, the individual has attained age 65 as of the end of the year preceding the year with respect to which the recomputation is made, and the year with respect to which the recomputation is made would not be substituted in recomputation under this subsection for a benefit computation year in which no wages or self-employment income have been credited previously to such individual, or

''(ii) the first year following the year with respect to which the recomputation is made, in any other such case; or''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to recomputations of primary insurance amounts based on wages paid and self employment income derived after 1997 and with respect to benefits payable after December 31, 1998.

TITLE II—PROVISIONS PRIMARILY AFFECTING FARMING AND OTHER BUSINESSES

Subtitle A—Increase in Expense Treatment for Small Businesses

SEC. 201. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) GENERAL RULE.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $25,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1998.

Subtitle B—Provisions Relating to Farmers

SEC. 211. INCOME AVERAGING FOR FARMERS MADE PERMANENT.

Subsection (c) of section 933 of the Taxpayer Relief Act of 1997 is amended by striking '', and before January 1, 2001''.

SEC. 212. 5-YEAR NET OPERATING LOSS CARRYBACK FOR FARMING LOSSES.

(a) IN GENERAL.—Paragraph (1) of section 172(b) (relating to net operating loss deduction) is amended by adding at the end the following new subparagraph:

''(G) FARMING LOSSES.—In the case of a taxpayer which has a farming loss (as defined in subsection (i)) for a taxable year, such farming loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.''

(b) FARMING LOSS.—Section 172 is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

''(i) RULES RELATING TO FARMING LOSSES.—For purposes of this section—

''(1) IN GENERAL.—The term 'farming loss' means the lesser of—

''(A) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 263A(e)(4)) are taken into account, or

''(B) the amount of the net operating loss for such taxable year.

''(2) COORDINATION WITH SUBSECTION (B)(2).—For purposes of applying subsection (b)(2), a farming loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

''(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(G) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(G). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer's return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.''

(c) COORDINATION WITH FARM DISASTER LOSSES.—Clause (ii) of section 172(b)(1)(F) is amended by adding at the end the following flush sentence:

''Such term shall not include any farming loss (as defined in subsection (i)).''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to net operating losses for taxable years beginning after December 31, 1997.

SEC. 213. PRODUCTION FLEXIBILITY CONTRACT PAYMENTS.

The option under section 112(d)(3) of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7212(d)(3)) shall be disregarded in determining the taxable year for which the payment for fiscal year 1999 under a production flexibility contract under subtitle B of title I of such Act is properly includible in gross income for purposes of the Internal Revenue Code of 1986.

Subtitle C—Increase in Volume Cap on Private Activity Bonds

SEC. 221. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—Subsection (d) of section 146 (relating to volume cap) is amended by striking paragraph (2), by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively, and by striking paragraph (1) and inserting the following new paragraph:

''(1) IN GENERAL.—The State ceiling applicable to any State for any calendar year shall be the greater of—

''(A) an amount equal to $75 multiplied by the State population, or

''(B) $225,000,000.

Subparagraph (B) shall not apply to any possession of the United States.''

(b) CONFORMING AMENDMENT.—Sections 25(f)(3) and 42(h)(3)(E)(iii) are each amended by striking ''section 146(d)(3)(C)'' and inserting ''section 146(d)(2)(C)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 1998.

TITLE III—EXTENSION AND MODIFICATION OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Tax Provisions

SEC. 301. RESEARCH CREDIT.

(a) TEMPORARY EXTENSION.—

(1) IN GENERAL.—Paragraph (1) of section 41(h) (relating to termination) is amended—

(A) by striking ''June 30, 1998'' and inserting ''February 29, 2000'',

(B) by striking ''24-month'' and inserting ''44-month'', and

(C) by striking ''24 months'' and inserting ''44 months''.

(2) TECHNICAL AMENDMENT.—Subparagraph (D) of section 45C(b)(1) is amended by striking ''June 30, 1998'' and inserting ''February 29, 2000''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after June 30, 1998.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(A) by striking ''1.65 percent'' and inserting ''2.65 percent'',

(B) by striking ''2.2 percent'' and inserting ''3.2 percent'', and

(C) by striking ''2.75 percent'' and inserting ''3.75 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1998.

SEC. 302. WORK OPPORTUNITY CREDIT.

(a) TEMPORARY EXTENSION.—Subparagraph (B) of section 51(c)(4) (relating to termination) is amended by striking ''June 30, 1998'' and inserting ''February 29, 2000''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to individuals who begin work for the employer after June 30, 1998.

SEC. 303. WELFARE-TO-WORK CREDIT.

Subsection (f) of section 51A (relating to termination) is amended by striking ''April 30, 1999'' and inserting ''February 29, 2000''.

SEC. 304. CONTRIBUTIONS OF STOCK TO PRIVATE FOUNDATIONS; EXPANDED PUBLIC INSPECTION OF PRIVATE FOUNDATIONS' ANNUAL RETURNS.

(a) SPECIAL RULE FOR CONTRIBUTIONS OF STOCK MADE PERMANENT.—

(1) IN GENERAL.—Paragraph (5) of section 170(e) is amended by striking subparagraph (D) (relating to termination).

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contributions made after June 30, 1998.

(b) EXPANDED PUBLIC INSPECTION OF PRIVATE FOUNDATIONS' ANNUAL RETURNS, ETC.—

(1) IN GENERAL.—Section 6104 (relating to publicity of information required from certain exempt organizations and certain trusts) is amended by striking subsections (d) and (e) and inserting after subsection (c) the following new subsection:

''(d) PUBLIC INSPECTION OF CERTAIN ANNUAL RETURNS AND APPLICATIONS FOR EXEMPTION.—

''(1) IN GENERAL.—In the case of an organization described in subsection (c) or (d) of section 501 and exempt from taxation under section 501(a)—

''(A) a copy of—

''(i) the annual return filed under section 6033 (relating to returns by exempt organizations) by such organization, and

''(ii) if the organization filed an application for recognition of exemption under section 501, the exempt status application materials of such organization,

shall be made available by such organization for inspection during regular business hours by any individual at the principal office of such organization and, if such organization regularly maintains 1 or more regional or district offices having 3 or more employees, at each such regional or district office, and

''(B) upon request of an individual made at such principal office or such a regional or district office, a copy of such annual return and exempt status application materials shall be provided to such individual without charge other than a reasonable fee for any reproduction and mailing costs.

The request described in subparagraph (B) must be made in person or in writing. If such request is made in person, such copy shall be provided immediately and, if made in writing, shall be provided within 30 days.

''(2) 3-YEAR LIMITATION ON INSPECTION OF RETURNS.—Paragraph (1) shall apply to an annual return filed under section 6033 only during the 3-year period beginning on the last day prescribed for filing such return (determined with regard to any extension of time for filing).

''(3) EXCEPTIONS FROM DISCLOSURE REQUIREMENT.—

''(A) NONDISCLOSURE OF CONTRIBUTORS, ETC.—Paragraph (1) shall not require the disclosure of the name or address of any contributor to the organization. In the case of

an organization described in section 501(d), subparagraph (A) shall not require the disclosure of the copies referred to in section 6031(b) with respect to such organization.

''(B) NONDISCLOSURE OF CERTAIN OTHER INFORMATION.—Paragraph (1) shall not require the disclosure of any information if the Secretary withheld such information from public inspection under subsection (a)(1)(D).

''(4) LIMITATION ON PROVIDING COPIES.—Paragraph (1)(B) shall not apply to any request if, in accordance with regulations promulgated by the Secretary, the organization has made the requested documents widely available, or the Secretary determines, upon application by an organization, that such request is part of a harassment campaign and that compliance with such request is not in the public interest.

''(5) EXEMPT STATUS APPLICATION MATERIALS.—For purposes of paragraph (1), the term 'exempt status applicable materials' means the application for recognition of exemption under section 501 and any papers submitted in support of such application and any letter or other document issued by the Internal Revenue Service with respect to such application.''

(2) CONFORMING AMENDMENTS.—

(A) Subsection (c) of section 6033 is amended by adding ''and'' at the end of paragraph (1), by striking paragraph (2), and by redesignating paragraph (3) as paragraph (2).

(B) Subparagraph (C) of section 6652(c)(1) is amended by striking ''subsection (d) or (e)(1) of section 6104 (relating to public inspection of annual returns)'' and inserting ''section 6104(d) with respect to any annual return''.

(C) Subparagraph (D) of section 6652(c)(1) is amended by striking ''section 6104(e)(2) (relating to public inspection of applications for exemption)'' and inserting ''section 6104(d) with respect to any exempt status application materials (as defined in such section)''.

(D) Section 6685 is amended by striking ''or (e)''.

(E) Section 7207 is amended by striking ''or (e)''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to requests made after the later of December 31, 1998, or the 60th day after the Secretary of the Treasury first issues the regulations referred to such section 6104(d)(4) of the Internal Revenue Code of 1986, as amended by this section.

(B) PUBLICATION OF ANNUAL RETURNS.—Section 6104(d) of such Code, as in effect before the amendments made by this subsection, shall not apply to any return the due date for which is after the date such amendments take effect under subparagraph (A).

SEC. 305. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.

(a) INCOME DERIVED FROM BANKING, FINANCING OR SIMILAR BUSINESSES.—Section 954(h) (relating to income derived in the active conduct of banking, financing, or similar businesses) is amended to read as follows:

''(h) SPECIAL RULE FOR INCOME DERIVED IN THE ACTIVE CONDUCT OF BANKING, FINANCING, OR SIMILAR BUSINESSES.—

''(1) IN GENERAL.—For purposes of subsection (c)(1), foreign personal holding company income shall not include qualified banking or financing income of an eligible controlled foreign corporation.

''(2) ELIGIBLE CONTROLLED FOREIGN CORPORATION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'eligible controlled foreign corporation' means a controlled foreign corporation which—

''(i) is predominantly engaged in the active conduct of a banking, financing, or similar business, and

''(ii) conducts substantial activity with respect to such business.

''(B) PREDOMINANTLY ENGAGED.—A controlled foreign corporation shall be treated as predominantly engaged in the active conduct of a banking, financing, or similar business if—

''(i) more than 70 percent of the gross income of the controlled foreign corporation is derived directly from the active and regular conduct of a lending or finance business from transactions with customers which are not related persons,

''(ii) it is engaged in the active conduct of a banking business and is an institution licensed to do business as a bank in the United States (or is any other corporation not so licensed which is specified by the Secretary in regulations), or

''(iii) it is engaged in the active conduct of a securities business and is registered as a securities broker or dealer under section 15(a) of the Securities Exchange Act of 1934 or is registered as a Government securities broker or dealer under section 15C(a) of such Act (or is any other corporation not so registered which is specified by the Secretary in regulations).

''(3) QUALIFIED BANKING OR FINANCING INCOME.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified banking or financing income' means income of an eligible controlled foreign corporation which—

''(i) is derived in the active conduct of a banking, financing, or similar business by—

''(I) such eligible controlled foreign corporation, or

''(II) a qualified business unit of such eligible controlled foreign corporation,

''(ii) is derived from 1 or more transactions—

''(I) with customers located in a country other than the United States, and

''(II) substantially all of the activities in connection with which are conducted directly by the corporation or unit in its home country, and

''(iii) is treated as earned by such corporation or unit in its home country for purposes of such country's tax laws.

''(B) LIMITATION ON NONBANKING AND NONSECURITIES BUSINESSES.—No income of an eligible controlled foreign corporation not described in clause (ii) or (iii) of paragraph (2)(B) (or of a qualified business unit of such corporation) shall be treated as qualified banking or financing income unless more than 30 percent of such corporation's or unit's gross income is derived directly from the active and regular conduct of a lending or finance business from transactions with customers which are not related persons and which are located within such corporation's or unit's home country.

''(C) SUBSTANTIAL ACTIVITY REQUIREMENT FOR CROSS BORDER INCOME.—The term 'qualified banking or financing income' shall not include income derived from 1 or more transactions with customers located in a country other than the home country of the eligible controlled foreign corporation or a qualified business unit of such corporation unless such corporation or unit conducts substantial activity with respect to a banking, financing, or similar business in its home country.

''(D) DETERMINATIONS MADE SEPARATELY.—For purposes of this paragraph, the qualified banking or financing income of an eligible controlled foreign corporation and each qualified business unit of such corporation shall be determined separately for such corporation and each such unit by taking into account—

''(i) in the case of the eligible controlled foreign corporation, only items of income, deduction, gain, or loss and activities of such corporation not properly allocable or attributable to any qualified business unit of such corporation, and

''(ii) in the case of a qualified business unit, only items of income, deduction, gain, or loss and activities properly allocable or attributable to such unit.

''(4) LENDING OR FINANCE BUSINESS.—For purposes of this subsection, the term 'lending or finance business' means the business of—

''(A) making loans,

''(B) purchasing or discounting accounts receivable, notes, or installment obligations,

''(C) engaging in leasing (including entering into leases and purchasing, servicing, and disposing of leases and leased assets),

''(D) issuing letters of credit or providing guarantees,

''(E) providing charge and credit card services, or

''(F) rendering services or making facilities available in connection with activities described in subparagraphs (A) through (E) carried on by—

''(i) the corporation (or qualified business unit) rendering services or making facilities available, or

''(ii) another corporation (or qualified business unit of a corporation) which is a member of the same affiliated group (as defined in section 1504, but determined without regard to section 1504(b)(3)).

''(5) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) CUSTOMER.—The term 'customer' means, with respect to any controlled foreign corporation or qualified business unit, any person which has a customer relationship with such corporation or unit and which is acting in its capacity as such.

''(B) HOME COUNTRY.—Except as provided in regulations—

''(i) CONTROLLED FOREIGN CORPORATION.—The term 'home country' means, with respect to any controlled foreign corporation, the country under the laws of which the corporation was created or organized.

''(ii) QUALIFIED BUSINESS UNIT.—The term 'home country' means, with respect to any qualified business unit, the country in which such unit maintains its principal office.

''(C) LOCATED.—The determination of where a customer is located shall be made under rules prescribed by the Secretary.

''(D) QUALIFIED BUSINESS UNIT.—The term 'qualified business unit' has the meaning given such term by section 989(a).

''(E) RELATED PERSON.—The term 'related person' has the meaning given such term by subsection (d)(3).

''(6) COORDINATION WITH EXCEPTION FOR DEALERS.—Paragraph (1) shall not apply to income described in subsection (c)(2)(C)(ii) of a dealer in securities (within the meaning of section 475) which is an eligible controlled foreign corporation described in paragraph (2)(B)(iii).

''(7) ANTI-ABUSE RULES.—For purposes of applying this subsection and subsection (c)(2)(C)(ii)—

''(A) there shall be disregarded any item of income, gain, loss, or deduction with respect to any transaction or series of transactions one of the principal purposes of which is qualifying income or gain for the exclusion under this section, including any transaction or series of transactions a principal purpose of which is the acceleration or deferral of any item in order to claim the benefits of such exclusion through the application of this subsection,

''(B) there shall be disregarded any item of income, gain, loss, or deduction of an entity which is not engaged in regular and continuous transactions with customers which are not related persons,

''(C) there shall be disregarded any item of income, gain, loss, or deduction with respect

to any transaction or series of transactions utilizing, or doing business with—

''(i) one or more entities in order to satisfy any home country requirement under this subsection, or

''(ii) a special purpose entity or arrangement, including a securitization, financing, or similar entity or arrangement,

if one of the principal purposes of such transaction or series of transactions is qualifying income or gain for the exclusion under this subsection, and

''(D) a related person, an officer, a director, or an employee with respect to any controlled foreign corporation (or qualified business unit) which would otherwise be treated as a customer of such corporation or unit with respect to any transaction shall not be so treated if a principal purpose of such transaction is to satisfy any requirement of this subsection.

''(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, subsection (c)(1)(B)(i), subsection (c)(2)(C)(ii), and the last sentence of subsection (e)(2).

''(9) APPLICATION.—This subsection, subsection (c)(2)(C)(ii), and the last sentence of subsection (e)(2) shall apply only to the first taxable year of a foreign corporation beginning after December 31, 1998, and before January 1, 2000, and to taxable years of United States shareholders with or within which such taxable year of such foreign corporation ends.''

(b) INCOME DERIVED FROM INSURANCE BUSINESS.—

(1) INCOME ATTRIBUTABLE TO ISSUANCE OR REINSURANCE.—

(A) IN GENERAL.—Section 953(a) (defining insurance income) is amended to read as follows:

''(a) INSURANCE INCOME.—

''(1) IN GENERAL.—For purposes of section 952(a)(1), the term 'insurance income' means any income which—

''(A) is attributable to the issuing (or reinsuring) of an insurance or annuity contract, and

''(B) would (subject to the modifications provided by subsection (b)) be taxed under subchapter L of this chapter if such income were the income of a domestic insurance company.

''(2) EXCEPTION.—Such term shall not include any exempt insurance income (as defined in subsection (e)).''

(B) EXEMPT INSURANCE INCOME.—Section 953 (relating to insurance income) is amended by adding at the end the following new subsection:

''(e) EXEMPT INSURANCE INCOME.—For purposes of this section—

''(1) EXEMPT INSURANCE INCOME DEFINED.—

''(A) IN GENERAL.—The term 'exempt insurance income' means income derived by a qualifying insurance company which—

''(i) is attributable to the issuing (or reinsuring) of an exempt contract by such company or a qualifying insurance company branch of such company, and

''(ii) is treated as earned by such company or branch in its home country for purposes of such country's tax laws.

''(B) EXCEPTION FOR CERTAIN ARRANGEMENTS.—Such term shall not include income attributable to the issuing (or reinsuring) of an exempt contract as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect of issuing (or reinsuring) a contract which is not an exempt contract.

''(C) DETERMINATIONS MADE SEPARATELY.—For purposes of this subsection and section 954(i), the exempt insurance income and exempt contracts of a qualifying insurance company or any qualifying insurance company branch of such company shall be determined separately for such company and each such branch by taking into account—

''(i) in the case of the qualifying insurance company, only items of income, deduction, gain, or loss, and activities of such company not properly allocable or attributable to any qualifying insurance company branch of such company, and

''(ii) in the case of a qualifying insurance company branch, only items of income, deduction, gain, or loss and activities properly allocable or attributable to such unit.

''(2) EXEMPT CONTRACT.—

''(A) IN GENERAL.—The term 'exempt contract' means an insurance or annuity contract issued or reinsured by a qualifying insurance company or qualifying insurance company branch in connection with property in, liability arising out of activity in, or the lives or health of residents of, a country other than the United States.

''(B) MINIMUM HOME COUNTRY INCOME REQUIRED.—

''(i) IN GENERAL.—No contract of a qualifying insurance company or of a qualifying insurance company branch shall be treated as an exempt contract unless such company or branch derives more than 30 percent of its net written premiums from exempt contracts (determined without regard to this subparagraph)—

''(I) which cover applicable home country risks, and

''(II) with respect to which no policyholder, insured, annuitant, or beneficiary is a related person (as defined in section 954(d)(3)).

''(ii) APPLICABLE HOME COUNTRY RISKS.—The term 'applicable home country risks' means risks in connection with property in, liability arising out of activity in, or the lives or health of residents of, the home country of the qualifying insurance company or qualifying insurance company branch, as the case may be, issuing or reinsuring the contract covering the risks.

''(C) SUBSTANTIAL ACTIVITY REQUIREMENTS FOR CROSS BORDER RISKS.—A contract issued by a qualifying insurance company or qualifying insurance company branch which covers risks other than applicable home country risks (as defined in subparagraph (B)(ii)) shall not be treated as an exempt contract unless such company or branch, as the case may be—

''(i) conducts substantial activity with respect to an insurance business in its home country, and

''(ii) performs in its home country substantially all of the activities necessary to give rise to the income generated by such contract.

''(3) QUALIFYING INSURANCE COMPANY.—The term 'qualifying insurance company' means any controlled foreign corporation which—

''(A) is subject to regulation as an insurance (or reinsurance) company by its home country, and is licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance, or annuity contracts to persons other than related persons (within the meaning of section 954(d)(3)) in such home country,

''(B) derives more than 50 percent of its aggregate net written premiums from the issuance or reinsurance by such controlled foreign corporation and each of its qualifying insurance company branches of contracts—

''(i) covering applicable home country risks (as defined in paragraph (2)) of such corporation or branch, as the case may be, and

''(ii) with respect to which no policyholder, insured, annuitant, or beneficiary is a related person (as defined in section 954(d)(3)),

except that in the case of a branch, such premiums shall only be taken into account to the extent such premiums are treated as earned by such branch in its home country for purposes of such country's tax laws, and

''(C) is engaged in the insurance business and would be subject to tax under subchapter L if it were a domestic corporation.

''(4) QUALIFYING INSURANCE COMPANY BRANCH.—The term 'qualifying insurance company branch' means a qualified business unit (within the meaning of section 989(a)) of a controlled foreign corporation if—

''(A) such unit is licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance, or annuity contracts to persons other than related persons (within the meaning of section 954(d)(3)) in such home country, and

''(B) such controlled foreign corporation is a qualifying insurance company, determined under paragraph (3) as if such unit were a qualifying insurance company branch.

''(5) LIFE INSURANCE OR ANNUITY CONTRACT.—For purposes of this section and section 954, the determination of whether a contract issued by a controlled foreign corporation or a qualified business unit (within the meaning of section 989(a)) is a life insurance contract or an annuity contract shall be made without regard to sections 72(s), 101(f), 817(h), and 7702 if—

''(A) such contract is regulated as a life insurance or annuity contract by the corporation's or unit's home country, and

''(B) no policyholder, insured, annuitant, or beneficiary with respect to the contract is a United States person.

''(6) HOME COUNTRY.—For purposes of this subsection, except as provided in regulations—

''(A) CONTROLLED FOREIGN CORPORATION.—The term 'home country' means, with respect to a controlled foreign corporation, the country in which such corporation is created or organized.

''(B) QUALIFIED BUSINESS UNIT.—The term 'home country' means, with respect to a qualified business unit (as defined in section 989(a)), the country in which the principal office of such unit is located and in which such unit is licensed, authorized, or regulated by the applicable insurance regulatory body to sell insurance, reinsurance, or annuity contracts to persons other than related persons (as defined in section 954(d)(3)) in such country.

''(7) ANTI-ABUSE RULES.—For purposes of applying this subsection and section 954(i)—

''(A) the rules of section 954(h)(7) (other than subparagraph (B) thereof) shall apply,

''(B) there shall be disregarded any item of income, gain, loss, or deduction of, or derived from, an entity which is not engaged in regular and continuous transactions with persons which are not related persons,

''(C) there shall be disregarded any change in the method of computing reserves a principal purpose of which is the acceleration or deferral of any item in order to claim the benefits of this subsection or section 954(i),

''(D) a contract of insurance or reinsurance shall not be treated as an exempt contract (and premiums from such contract shall not be taken into account for purposes of paragraph (2)(B) or (3)) if—

''(i) any policyholder, insured, annuitant, or beneficiary is a resident of the United States and such contract was marketed to such resident and was written to cover a risk outside the United States, or

''(ii) the contract covers risks located within and without the United States and the qualifying insurance company or qualifying insurance company branch does not maintain such contemporaneous records, and

file such reports, with respect to such contract as the Secretary may require,

''(E) the Secretary may prescribe rules for the allocation of contracts (and income from contracts) among 2 or more qualifying insurance company branches of a qualifying insurance company in order to clearly reflect the income of such branches, and

''(F) premiums from a contract shall not be taken into account for purposes of paragraph (2)(B) or (3) if such contract reinsures a contract issued or reinsured by a related person (as defined in section 954(d)(3)).

For purposes of subparagraph (D), the determination of where risks are located shall be made under the principles of section 953.

''(8) COORDINATION WITH SUBSECTION (c).—In determining insurance income for purposes of subsection (c), exempt insurance income shall not include income derived from exempt contracts which cover risks other than applicable home country risks.

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection and section 954(i).

''(10) APPLICATION.—This subsection and section 954(i) shall apply only to the first taxable year of a foreign corporation beginning after December 31, 1998, and before January 1, 2000, and to taxable years of United States shareholders with or within which such taxable year of such foreign corporation ends.

''(11) CROSS REFERENCE.—

''For income exempt from foreign personal holding company income, see section 954(i).''

(2) EXEMPTION FROM FOREIGN PERSONAL HOLDING COMPANY INCOME.—Section 954 (defining foreign base company income) is amended by adding at the end the following new subsection:

''(i) SPECIAL RULE FOR INCOME DERIVED IN THE ACTIVE CONDUCT OF INSURANCE BUSINESS.—

''(1) IN GENERAL.—For purposes of subsection (c)(1), foreign personal holding company income shall not include qualified insurance income of a qualifying insurance company.

''(2) QUALIFIED INSURANCE INCOME.—The term 'qualified insurance income' means income of a qualifying insurance company which is—

''(A) received from a person other than a related person (within the meaning of subsection (d)(3)) and derived from the investments made by a qualifying insurance company or a qualifying insurance company branch of its reserves allocable to exempt contracts or of 80 percent of its unearned premiums from exempt contracts (as both are determined in the manner prescribed under paragraph (4)), or

''(B) received from a person other than a related person (within the meaning of subsection (d)(3)) and derived from investments made by a qualifying insurance company or a qualifying insurance company branch of an amount of its assets allocable to exempt contracts equal to—

''(i) in the case of property, casualty, or health insurance contracts, one-third of its premiums earned on such insurance contracts during the taxable year (as defined in section 832(b)(4)), and

''(ii) in the case of life insurance or annuity contracts, 10 percent of the reserves described in subparagraph (A) for such contracts.

''(3) PRINCIPLES FOR DETERMINING INSURANCE INCOME.—Except as provided by the Secretary, for purposes of subparagraphs (A) and (B) of paragraph (2)—

''(A) in the case of any contract which is a separate account-type contract (including any variable contract not meeting the requirements of section 817), income credited under such contract shall be allocable only to such contract, and

''(B) income not allocable under subparagraph (A) shall be allocated ratably among contracts not described in subparagraph (A).

''(4) METHODS FOR DETERMINING UNEARNED PREMIUMS AND RESERVES.—For purposes of paragraph (2)(A)—

''(A) PROPERTY AND CASUALTY CONTRACTS.—The unearned premiums and reserves of a qualifying insurance company or a qualifying insurance company branch with respect to property, casualty, or health insurance contracts shall be determined using the same methods and interest rates which would be used if such company or branch were subject to tax under subchapter L, except that—

''(i) the interest rate determined for the functional currency of the company or branch, and which, except as provided by the Secretary, is calculated in the same manner as the Federal mid-term rate under section 1274(d), shall be substituted for the applicable Federal interest rate, and

''(ii) such company or branch shall use the appropriate foreign loss payment pattern.

''(B) LIFE INSURANCE AND ANNUITY CONTRACTS.—The amount of the reserve of a qualifying insurance company or qualifying insurance company branch for any life insurance or annuity contract shall be equal to the greater of—

''(i) the net surrender value of such contract (as defined in section 807(e)(1)(A)), or

''(ii) the reserve determined under paragraph (5).

''(C) LIMITATION ON RESERVES.—In no event shall the reserve determined under this paragraph for any contract as of any time exceed the amount which would be taken into account with respect to such contract as of such time in determining foreign statement reserves (less any catastrophe, deficiency, equalization, or similar reserves).

''(5) AMOUNT OF RESERVE.—The amount of the reserve determined under this paragraph with respect to any contract shall be determined in the same manner as it would be determined if the qualifying insurance company or qualifying insurance company branch were subject to tax under subchapter L, except that in applying such subchapter—

''(A) the interest rate determined for the functional currency of the company or branch, and which, except as provided by the Secretary, is calculated in the same manner as the Federal mid-term rate under section 1274(d), shall be substituted for the applicable Federal interest rate,

''(B) the highest assumed interest rate permitted to be used in determining foreign statement reserves shall be substituted for the prevailing State assumed interest rate, and

''(C) tables for mortality and morbidity which reasonably reflect the current mortality and morbidity risks in the company's or branch's home country shall be substituted for the mortality and morbidity tables otherwise used for such subchapter.

The Secretary may provide that the interest rate and mortality and morbidity tables of a qualifying insurance company may be used for 1 or more of its qualifying insurance company branches when appropriate.

''(6) DEFINITIONS.—For purposes of this subsection, any term used in this subsection which is also used in section 953(e) shall have the meaning given such term by section 953.''

(3) RESERVES.—Section 953(b) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) Reserves for any insurance or annuity contract shall be determined in the same manner as under section 954(i).''

(c) SPECIAL RULES FOR DEALERS.—Section 954(c)(2)(C) is amended to read as follows:

''(C) EXCEPTION FOR DEALERS.—Except as provided by regulations, in the case of a regular dealer in property which is property described in paragraph (1)(B), forward contracts, option contracts, or similar financial instruments (including notional principal contracts and all instruments referenced to commodities), there shall not be taken into account in computing foreign personal holding company income—

''(i) any item of income, gain, deduction, or loss (other than any item described in subparagraph (A), (E), or (G) of paragraph (1)) from any transaction (including hedging transactions) entered into in the ordinary course of such dealer's trade or business as such a dealer, and

''(ii) if such dealer is a dealer in securities (within the meaning of section 475), any interest or dividend or equivalent amount described in subparagraph (E) or (G) of paragraph (1) from any transaction (including any hedging transaction or transaction described in section 956(c)(2)(J)) entered into in the ordinary course of such dealer's trade or business as such a dealer in securities, but only if the income from the transaction is attributable to activities of the dealer in the country under the laws of which the dealer is created or organized (or in the case of a qualified business unit described in section 989(a), is attributable to activities of the unit in the country in which the unit both maintains its principal office and conducts substantial business activity).''

(d) EXEMPTION FROM FOREIGN BASE COMPANY SERVICES INCOME.—Paragraph (2) of section 954(e) is amended by inserting ''or'' at the end of subparagraph (A), by striking '', or'' at the end of subparagraph (B) and inserting a period, by striking subparagraph (C), and by adding at the end the following new flush sentence:

''Paragraph (1) shall also not apply to income which is exempt insurance income (as defined in section 953(e)) or which is not treated as foreign personal holding income by reason of subsection (c)(2)(C)(ii), (h), or (i).''

(e) EXEMPTION FOR GAIN.—Section 954(c)(1)(B)(i) (relating to net gains from certain property transactions) is amended by inserting ''other than property which gives rise to income not treated as foreign personal holding company income by reason of subsection (h) or (i) for the taxable year'' before the comma at the end.

Subtitle B—Generalized System of Preferences

SEC. 311. EXTENSION OF GENERALIZED SYSTEM OF PREFERENCES.

(a) EXTENSION OF DUTY-FREE TREATMENT UNDER SYSTEM.—Section 505 of the Trade Act of 1974 (29 U.S.C. 2465) is amended by striking ''June 30, 1998'' and inserting ''February 29, 2000''.

(b) RETROACTIVE APPLICATION FOR CERTAIN LIQUIDATIONS AND RELIQUIDATIONS.—

(1) IN GENERAL.—Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, and subject to paragraph (2), any entry—

(A) of an article to which duty-free treatment under title V of the Trade Act of 1974 would have applied if such title had been in effect during the period beginning on July 1, 1998, and ending on the day before the date of the enactment of this Act, and

(B) that was made after June 30, 1998, and before the date of the enactment of this Act, shall be liquidated or reliquidated as free of duty, and the Secretary of the Treasury shall refund any duty paid with respect to such entry. As used in this subsection, the term ''entry'' includes a withdrawal from warehouse for consumption.

(2) REQUESTS.—Liquidation or reliquidation may be made under paragraph (1) with respect to an entry only if a request therefor is filed with the Customs Service, within 180 days after the date of the enactment of this Act, that contains sufficient information to enable the Customs Service—

(A) to locate the entry; or

(B) to reconstruct the entry if it cannot be located.

TITLE IV—REVENUE OFFSET

SEC. 401. TREATMENT OF CERTAIN DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.

(a) IN GENERAL.—Section 332 (relating to complete liquidations of subsidiaries) is amended by adding at the end the following new subsection:

''(c) DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—If a corporation receives a distribution from a regulated investment company or a real estate investment trust which is considered under subsection (b) as being in complete liquidation of such company or trust, then, notwithstanding any other provision of this chapter, such corporation shall recognize and treat as a dividend from such company or trust an amount equal to the deduction for dividends paid allowable to such company or trust by reason of such distribution.''.

(b) CONFORMING AMENDMENTS.—

(1) The material preceding paragraph (1) of section 332(b) is amended by striking ''subsection (a)'' and inserting ''this section''.

(2) Paragraph (1) of section 334(b) is amended by striking ''section 332(a)'' and inserting ''section 332''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after May 21, 1998.

TITLE V—TECHNICAL CORRECTIONS

SEC. 501. DEFINITIONS; COORDINATION WITH OTHER TITLES.

(a) DEFINITIONS.—For purposes of this title—

(1) 1986 CODE.—The term ''1986 Code'' means the Internal Revenue Code of 1986.

(2) 1998 ACT.—The term ''1998 Act'' means the Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105–206).

(3) 1997 ACT.—The term ''1997 Act'' means the Taxpayer Relief Act of 1997 (Public Law 105–34).

(b) COORDINATION WITH OTHER TITLES.—For purposes of applying the amendments made by any title of this Act other than this title, the provisions of this title shall be treated as having been enacted immediately before the provisions of such other titles.

SEC. 502. AMENDMENTS RELATED TO INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998.

(a) AMENDMENT RELATED TO SECTION 1101 OF 1998 ACT.—Paragraph (5) of section 6103(h) of the 1986 Code, as added by section 1101(b) of the 1998 Act, is redesignated as paragraph (6).

(b) AMENDMENT RELATED TO SECTION 3001 OF 1998 ACT.—Paragraph (2) of section 7491(a) of the 1986 Code is amended by adding at the end the following flush sentence:

''Subparagraph (C) shall not apply to any qualified revocable trust (as defined in section 645(b)(1)) with respect to liability for tax for any taxable year ending after the date of the decedent's death and before the applicable date (as defined in section 645(b)(2)).''.

(c) AMENDMENTS RELATED TO SECTION 3201 OF 1998 ACT.—

(1) Section 7421(a) of the 1986 Code is amended by striking ''6015(d)'' and inserting ''6015(e)''.

(2) Subparagraph (A) of section 6015(e)(3) is amended by striking ''of this section'' and inserting ''of subsection (b) or (f)''.

(d) AMENDMENT RELATED TO SECTION 3301 OF 1998 ACT.—Paragraph (2) of section 3301(c) of the 1998 Act is amended by striking ''The amendments'' and inserting ''Subject to any applicable statute of limitation not having expired with regard to either a tax underpayment or a tax overpayment, the amendments''.

(e) AMENDMENT RELATED TO SECTION 3401 OF 1998 ACT.—Section 3401(c) of the 1998 Act is amended—

(1) in paragraph (1), by striking ''7443(b)'' and inserting ''7443A(b)''; and

(2) in paragraph (2), by striking ''7443(c)'' and inserting ''7443A(c)''.

(f) AMENDMENT RELATED TO SECTION 3433 OF 1998 ACT.—Section 7421(a) of the 1986 Code is amended by inserting ''6331(i),'' after ''6246(b),''.

(g) AMENDMENT RELATED TO SECTION 3708 OF 1998 ACT.—Subparagraph (A) of section 6103(p)(3) of the 1986 Code is amended by inserting ''(f)(5),'' after ''(c), (e),''.

(h) AMENDMENT RELATED TO SECTION 5001 OF 1998 ACT.—

(1) Subparagraph (B) of section 1(h)(13) of the 1986 Code is amended by striking ''paragraph (7)(A)'' and inserting ''paragraph (7)(A)(i)''.

(2)(A) Subparagraphs (A)(i)(II), (A)(ii)(II), and (B)(ii) of section 1(h)(13) of the 1986 Code shall not apply to any distribution after December 31, 1997, by a regulated investment company or a real estate investment trust with respect to—

(i) gains and losses recognized directly by such company or trust, and

(ii) amounts properly taken into account by such company or trust by reason of holding (directly or indirectly) an interest in another such company or trust to the extent that such subparagraphs did not apply to such other company or trust with respect to such amounts.

(B) Subparagraph (A) shall not apply to any distribution which is treated under section 852(b)(7) or 857(b)(8) of the 1986 Code as received on December 31, 1997.

(C) For purposes of subparagraph (A), any amount which is includible in gross income of its shareholders under section 852(b)(3)(D) or 857(b)(3)(D) of the 1986 Code after December 31, 1997, shall be treated as distributed after such date.

(D)(i) For purposes of subparagraph (A), in the case of a qualified partnership with respect to which a regulated investment company meets the holding requirement of clause (iii)—

(I) the subparagraphs referred to in subparagraph (A) shall not apply to gains and losses recognized directly by such partnership for purposes of determining such company's distributive share of such gains and losses, and

(II) such company's distributive share of such gains and losses (as so determined) shall be treated as recognized directly by such company.

The preceding sentence shall apply only if the qualified partnership provides the company with written documentation of such distributive share as so determined.

(ii) For purposes of clause (i), the term ''qualified partnership'' means, with respect to a regulated investment company, any partnership if—

(I) the partnership is an investment company registered under the Investment Company Act of 1940,

(II) the regulated investment company is permitted to invest in such partnership by reason of section 12(d)(1)(E) of such Act or an exemptive order of the Securities and Exchange Commission under such section, and

(III) the regulated investment company and the partnership have the same taxable year.

(iii) A regulated investment company meets the holding requirement of this clause with respect to a qualified partnership if (as of January 1, 1998)—

(I) the value of the interests of the regulated investment company in such partnership is 35 percent or more of the value of such company's total assets, or

(II) the value of the interests of the regulated investment company in such partnership and all other qualified partnerships is 90 percent or more of the value of such company's total assets.

(i) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the 1998 Act to which they relate.

SEC. 503. AMENDMENTS RELATED TO TAXPAYER RELIEF ACT OF 1997.

(a) AMENDMENT RELATED TO SECTION 202 OF 1997 ACT.—Paragraph (2) of section 163(h) of the 1986 Code is amended by striking ''and'' at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting '', and'', and by adding at the end the following new subparagraph:

''(F) any interest allowable as a deduction under section 221 (relating to interest on educational loans).''

(b) PROVISION RELATED TO SECTION 311 OF 1997 ACT.—In the case of any capital gain distribution made after 1997 by a trust to which section 664 of the 1986 Code applies with respect to amounts properly taken into account by such trust during 1997, paragraphs (5)(A)(i)(I), (5)(A)(ii)(I), and (13)(A) of section 1(h) of the 1986 Code (as in effect for taxable years ending on December 31, 1997) shall not apply.

(c) AMENDMENT RELATED TO SECTION 506 OF 1997 ACT.—

(1) Section 2001(f)(2) of the 1986 Code is amended by adding at the end the following:

''For purposes of subparagraph (A), the value of an item shall be treated as shown on a return if the item is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Secretary of the nature of such item.''.

(2) Paragraph (9) of section 6501(c) of the 1986 Code is amended by striking the last sentence.

(d) AMENDMENTS RELATED TO SECTION 904 OF 1997 ACT.—

(1) Paragraph (1) of section 9510(c) of the 1986 Code is amended to read as follows:

''(1) IN GENERAL.—Amounts in the Vaccine Injury Compensation Trust Fund shall be available, as provided in appropriation Acts, only for—

''(A) the payment of compensation under subtitle 2 of title XXI of the Public Health Service Act (as in effect on August 5, 1997) for vaccine-related injury or death with respect to any vaccine—

''(i) which is administered after September 30, 1988, and

''(ii) which is a taxable vaccine (as defined in section 4132(a)(1)) at the time compensation is paid under such subtitle 2, or

''(B) the payment of all expenses of administration (but not in excess of $9,500,000 for any fiscal year) incurred by the Federal Government in administering such subtitle.''.

(2) Section 9510(b) of the 1986 Code is amended by adding at the end the following new paragraph:

''(3) LIMITATION ON TRANSFERS TO VACCINE INJURY COMPENSATION TRUST FUND.—No amount may be appropriated to the Vaccine Injury Compensation Trust Fund on and after the date of any expenditure from the Trust Fund which is not permitted by this

section. The determination of whether an expenditure is so permitted shall be made without regard to—

''(A) any provision of law which is not contained or referenced in this title or in a revenue Act, and

''(B) whether such provision of law is a subsequently enacted provision or directly or indirectly seeks to waive the application of this paragraph.''.

(e) AMENDMENTS RELATED TO SECTION 915 OF 1997 ACT.—

(1) Section 915 of the Taxpayer Relief Act of 1997 is amended—

(A) in subsection (b), by inserting ''or 1998'' after ''1997'', and

(B) by amending subsection (d) to read as follows:

''(d) EFFECTIVE DATE.—This section shall apply to taxable years ending with or within calendar year 1997.''.

(2) Paragraph (2) of section 6404(h) of the 1986 Code is amended by inserting ''Robert T. Stafford'' before ''Disaster''.

(f) AMENDMENTS RELATED TO SECTION 1012 OF 1997 ACT.—

(1) Paragraph (2) of section 351(c) of the 1986 Code, as amended by section 6010(c) of the 1998 Act, is amended by inserting '', or the fact that the corporation whose stock was distributed issues additional stock,'' after ''dispose of part or all of the distributed stock''.

(2) Clause (ii) of section 368(a)(2)(H) of the 1986 Code, as amended by section 6010(c) of the 1998 Act, is amended by inserting '', or the fact that the corporation whose stock was distributed issues additional stock,'' after ''dispose of part or all of the distributed stock''.

(g) AMENDMENT RELATED TO SECTION 1082 OF 1997 ACT.—Subparagraph (F) of section 172(b)(1) of the 1986 Code is amended by adding at the end the following new clause:

''(iv) COORDINATION WITH PARAGRAPH (2).—For purposes of applying paragraph (2), an eligible loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.''

(h) AMENDMENT RELATED TO SECTION 1084 OF 1997 ACT.—Paragraph (3) of section 264(f) of the 1986 Code is amended by adding at the end the following flush sentence:

''If the amount described in subparagraph (A) with respect to any policy or contract does not reasonably approximate its actual value, the amount taken into account under subparagraph (A) shall be the greater of the amount of the insurance company liability or the insurance company reserve with respect to such policy or contract (as determined for purposes of the annual statement approved by the National Association of Insurance Commissioners) or shall be such other amount as is determined by the Secretary.''

(i) AMENDMENT RELATED TO SECTION 1205 OF 1997 ACT.—Paragraph (2) of section 6311(d) of the 1986 Code is amended by striking ''under such contracts'' in the last sentence and inserting ''under any such contract for the use of credit or debit cards for the payment of taxes imposed by subtitle A''.

(j) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Taxpayer Relief Act of 1997 to which they relate.

SEC. 504. AMENDMENTS RELATED TO TAX REFORM ACT OF 1984.

(a) IN GENERAL.—Subparagraph (C) of section 172(d)(4) of the 1986 Code is amended to read as follows:

''(C) any deduction for casualty or theft losses allowable under paragraph (2) or (3) of section 165(c) shall be treated as attributable to the trade or business; and''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 67(b) of the 1986 Code is amended by striking ''for losses described in subsection (c)(3) or (d) of section 165'' and inserting ''for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d)''.

(2) Paragraph (3) of section 68(c) of the 1986 Code is amended by striking ''for losses described in subsection (c)(3) or (d) of section 165'' and inserting ''for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d)''.

(3) Paragraph (1) of section 873(b) is amended to read as follows:

''(1) LOSSES.—The deduction allowed by section 165 for casualty or theft losses described in paragraph (2) or (3) of section 165(c), but only if the loss is of property located within the United States.''

(c) EFFECTIVE DATES.—

(1) The amendments made by subsections (a) and (b)(3) shall apply to taxable years beginning after December 31, 1983.

(2) The amendment made by subsection (b)(1) shall apply to taxable years beginning after December 31, 1986.

(3) The amendment made by subsection (b)(2) shall apply to taxable years beginning after December 31, 1990.

SEC. 505. OTHER AMENDMENTS.

(a) AMENDMENTS RELATED TO SECTION 6103 OF 1986 CODE.—

(1) Subsection (j) of section 6103 of the 1986 Code is amended by adding at the end the following new paragraph:

''(5) DEPARTMENT OF AGRICULTURE.—Upon request in writing by the Secretary of Agriculture, the Secretary shall furnish such returns, or return information reflected thereon, as the Secretary may prescribe by regulation to officers and employees of the Department of Agriculture whose official duties require access to such returns or information for the purpose of, but only to the extent necessary in, structuring, preparing, and conducting the census of agriculture pursuant to the Census of Agriculture Act of 1997 (Public Law 105–113).''.

(2) Paragraph (4) of section 6103(p) of the 1986 Code is amended by striking ''(j)(1) or (2)'' in the material preceding subparagraph (A) and in subparagraph (F) and inserting ''(j)(1), (2), or (5)''.

(3) The amendments made by this subsection shall apply to requests made on or after the date of the enactment of this Act.

(b) AMENDMENT RELATED TO SECTION 9004 OF TRANSPORTATION EQUITY ACT FOR THE 21ST CENTURY.—

(1) Paragraph (2) of section 9503(f) of the 1986 Code is amended to read as follows:

''(2) notwithstanding section 9602(b), obligations held by such Fund after September 30, 1998, shall be obligations of the United States which are not interest-bearing.''

(2) The amendment made by paragraph (1) shall take effect on October 1, 1998.

(c) CLERICAL AMENDMENTS.—

(1) Clause (i) of section 51(d)(6)(B) of the 1986 Code is amended by striking ''rehabilitation plan'' and inserting ''plan for employment''. The reference to plan for employment in such clause shall be treated as including a reference to the rehabilitation plans referred to in such clause as in effect before the amendment made by the preceding sentence.

(2) Subparagraphs (C) and (D) of section 6693(a)(2) of the 1986 Code are each amended by striking ''Section'' and inserting ''section''.

TITLE VI—AMERICAN COMMUNITY RENEWAL ACT OF 1998

SEC. 601. SHORT TITLE.

This title may be cited as the ''American Community Renewal Act of 1998''.

SEC. 602. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

''Subchapter X—Renewal Communities

''Part I. Designation.

''Part II. Renewal community capital gain; renewal community business.

''Part III. Family development accounts.

''Part IV. Additional incentives.

''PART I—DESIGNATION

''Sec. 1400E. Designation of renewal communities.

''SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this title, the term 'renewal community' means any area—

''(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a 'nominated area'), and

''(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration, and

''(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 20 nominated areas as renewal communities.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 4 must be areas—

''(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

''(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

''(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

''(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC.—

''(A) IN GENERAL.—Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

''(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

''(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST HALF OF DESIGNATIONS.—With respect to the first 10 designations made under this section—

''(i) 10 shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section), and

''(ii) of such 10, 2 shall be areas described in paragraph (2)(B).

''(4) LIMITATION ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating an area under paragraph (1)(A),

''(ii) the parameters relating to the size and population characteristics of a renewal community, and

''(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

''(i) the local governments and the States in which the nominated area is located have the authority—

''(I) to nominate such area for designation as a renewal community,

''(II) to make the State and local commitments described in subsection (d), and

''(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

''(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe, and

''(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

''(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(1) IN GENERAL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

''(A) December 31, 2006,

''(B) the termination date designated by the State and local governments in their nomination, or

''(C) the date the Secretary of Housing and Urban Development revokes such designation.

''(2) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

''(A) has modified the boundaries of the area, or

''(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

''(c) AREA AND ELIGIBILITY REQUIREMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

''(2) AREA REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

''(A) the area is within the jurisdiction of one or more local governments,

''(B) the boundary of the area is continuous, and

''(C) the area—

''(i) has a population, of at least—

''(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater, or

''(II) 1,000 in any other case, or

''(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

''(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that—

''(A) the area is one of pervasive poverty, unemployment, and general distress,

''(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate,

''(C) the poverty rate for each population census tract within the nominated area is at least 20 percent, and

''(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

''(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

''(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

''(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

''(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area, and

''(B) the economic growth promotion requirements of paragraph (3) are met.

''(2) COURSE OF ACTION.—

''(A) IN GENERAL.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least five of the following:

''(i) A reduction of tax rates or fees applying within the renewal community.

''(ii) An increase in the level of efficiency of local services within the renewal community.

''(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

''(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

''(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

''(vi) State or local income tax benefits for fees paid for services performed by a nongovernmental entity which were formerly performed by a governmental entity.

''(vii) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

''(B) RECOGNITION OF PAST EFFORTS.—For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

''(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State, respectively, have repealed or otherwise will not enforce within the area, if such area is designated as a renewal community—

''(A) licensing requirements for occupations that do not ordinarily require a professional degree,

''(B) zoning restrictions on home-based businesses which do not create a public nuisance,

''(C) permit requirements for street vendors who do not create a public nuisance,

''(D) zoning or other restrictions that impede the formation of schools or child care centers, and

''(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling,

except to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

''(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—For purposes of this title, if there are in effect with respect to the same area both—

''(1) a designation as a renewal community, and

''(2) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

''(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

''(2) STATE.—The term 'State' includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

''(3) LOCAL GOVERNMENT.—The term 'local government' means—

''(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State,

''(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development, and

''(C) the District of Columbia.

''(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA.—The rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

''PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

''Sec. 1400F. Renewal community capital gain.

''Sec. 1400G. Renewal community business defined.

''SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

''(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

''(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community asset' means—

''(A) any qualified community stock,

''(B) any qualified community partnership interest, and

''(C) any qualified community business property.

''(2) QUALIFIED COMMUNITY STOCK.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified community stock' means any stock in a domestic corporation if—

''(i) such stock is acquired by the taxpayer after December 31, 1999, and before January 1, 2007, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

''(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business), and

''(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

''(B) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

''(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any interest in a partnership if—

''(A) such interest is acquired by the taxpayer after December 31, 1999, and before January 1, 2007,

''(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business), and

''(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

''(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

''(A) IN GENERAL.—The term 'qualified community business property' means tangible property if—

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 1999, and before January 1, 2007,

''(ii) the original use of such property in the renewal community commences with the taxpayer, and

''(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

''(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

''(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2007, and

''(ii) any land on which such property is located.

''(c) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

''SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

''For purposes of this part, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if—

''(1) references to renewal communities were substituted for references to empowerment zones in such section; and

''(2) '80 percent' were substituted for '50 percent' in subsections (b)(2) and (c)(1) of such section.

''PART III—FAMILY DEVELOPMENT ACCOUNTS

''Sec. 1400H. Family development accounts for renewal community EITC recipients.

''Sec. 1400I. Demonstration program to provide matching contributions to family development accounts in certain renewal communities.

''Sec. 1400J. Designation of earned income tax credit payments for deposit to family development account.

''SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—There shall be allowed as a deduction—

''(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such individual to any family development account for such individual's benefit, and

''(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

No deduction shall be allowed under this paragraph for any amount deposited in a family development account under section 1400I (relating to demonstration program to provide matching amounts in renewal communities).

''(2) LIMITATION.—

''(A) IN GENERAL.—The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of—

''(i) $2,000, or

''(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

''(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

''(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to rules of section 219(c) shall apply to the limitation in paragraph (2)(A).

''(4) COORDINATION WITH IRA'S.—No deduction shall be allowed under this section to any person by reason of a payment to an account for the benefit of a qualified individual if any amount is paid into an individual retirement account (including a Roth IRA) for the benefit of such individual.

''(5) ROLLOVERS.—No deduction shall be allowed under this section with respect to any rollover contribution.

''(b) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) INCLUSION OF AMOUNTS IN GROSS INCOME.—Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

''(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS.—Paragraph (1) shall not apply to any qualified family development distribution.

''(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

''(2) QUALIFIED FAMILY DEVELOPMENT EXPENSES.—The term 'qualified family development expenses' means any of the following:

''(A) Qualified higher education expenses.

''(B) Qualified first-time homebuyer costs.

''(C) Qualified business capitalization costs.

''(D) Qualified medical expenses.

''(E) Qualified rollovers.

''(3) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

''(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term 'postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

''(C) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

''(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in such section).

''(5) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

''(A) IN GENERAL.—The term 'qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

''(B) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

''(C) QUALIFIED BUSINESS.—The term 'qualified business' means any business that does not contravene any law.

''(D) QUALIFIED PLAN.—The term 'qualified plan' means a business plan which meets such requirements as the Secretary may specify.

''(6) QUALIFIED MEDICAL EXPENSES.—The term 'qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

''(7) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of—

''(A) such taxpayer, or

''(B) any qualified individual who is—

''(i) the spouse of such taxpayer, or

''(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph.

''(d) TAX TREATMENT OF ACCOUNTS.—

''(1) IN GENERAL.—Any family development account is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding any other provision of this title (including chapters 11 and 12), the basis of any person in such an account is zero.

''(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS.—For purposes of this section, rules similar to the rules of section 408(e) shall apply.

''(3) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

''(e) FAMILY DEVELOPMENT ACCOUNT.—For purposes of this title, the term 'family development account' means a trust created or organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

''(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))—

''(A) no contribution will be accepted unless it is in cash, and

''(B) contributions will not be accepted for the taxable year in excess of $3,000 (determined without regard to any contribution made under section 1400I (relating to demonstration program to provide matching amounts in renewal communities)).

''(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

''(f) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means, for any taxable year, an individual—

''(1) who is a bona fide resident of a renewal community throughout the taxable year, and

''(2) to whom a credit was allowed under section 32 for the preceding taxable year.

''(g) OTHER DEFINITIONS AND SPECIAL RULES.—

''(1) COMPENSATION.—The term 'compensation' has the meaning given such term by section 219(f)(1).

''(2) MARRIED INDIVIDUALS.—The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

''(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

''(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS.—Rules similar to the rules of sections 219(f)(5) and 408(h) shall apply for purposes of this section.

''(5) REPORTS.—The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph—

''(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations, and

''(B) shall be furnished to individuals—

''(i) not later than January 31 of the calendar year following the calendar year to which such reports relate, and

''(ii) in such manner as the Secretary prescribes in such regulations.

''(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS.—Rules similar to the rules of section 408(m) shall apply for purposes of this section.

''(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR QUALIFIED FAMILY DEVELOPMENT EXPENSES.—

''(1) IN GENERAL.—If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by this chapter for the taxable year of such distribution shall be increased by the sum of—

''(A) 100 percent of the portion of such amount which is includible in gross income and is attributable to amounts contributed under section 1400I (relating to demonstration program to provide matching amounts in renewal communities), and

''(B) 10 percent of the portion of such amount which is includible in gross income and is not described in subparagraph (A).

For purposes of this subsection, distributions which are includable in gross income shall be treated as attributable to amounts contributed under section 1400I to the extent thereof. For purposes of the preceding sentence, all family development accounts of an individual shall be treated as one account.

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—Paragraph (1) shall not apply to distributions which are—

''(A) made on or after the date on which the account holder attains age 59½,

''(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder, or

''(C) attributable to the account holder's being disabled within the meaning of section 72(m)(7).

''(i) TERMINATION.—No deduction shall be allowed under this section for any amount paid to a family development account for any taxable year beginning after December 31, 2006.

''SEC. 1400I. DEMONSTRATION PROGRAM TO PROVIDE MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS IN CERTAIN RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this section, the term 'FDA matching demonstration area' means any renewal community—

''(A) which is nominated under this section by each of the local governments and States which nominated such community for designation as a renewal community under section 1400E(a)(1)(A), and

''(B) which the Secretary of Housing and Urban Development designates as an FDA matching demonstration area after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration, and

''(ii) in the case of a community on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 5 communities as FDA matching demonstration areas.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under subparagraph (A), at least 2 must be areas described in section 1400E(a)(2)(B).

''(3) LIMITATIONS ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating a renewal community under paragraph (1)(A) (including procedures for coordinating such nomination with the nomination of an area for designation as a renewal community under section 1400E), and

''(ii) the manner in which nominated renewal communities will be evaluated for purposes of this section.

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(4) DESIGNATION BASED ON DEGREE OF POVERTY, ETC.—The rules of section 1400E(a)(3) shall apply for purposes of designations of FDA matching demonstration areas under this section.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—Any designation of a renewal community as an FDA matching demonstration area shall remain in effect during the period beginning on the date of such designation and ending on the date on which such area ceases to be a renewal community.

''(c) MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS.—

''(1) IN GENERAL.—Not less than once each taxable year, the Secretary shall deposit (to the extent provided in appropriation Acts) into a family development account of each qualified individual (as defined in section 1400H(f))—

''(A) who is a resident throughout the taxable year of an FDA matching demonstration area, and

''(B) who requests (in such form and manner as the Secretary prescribes) such deposit for the taxable year,

an amount equal to the sum of the amounts deposited into all of the family development

accounts of such individual during such taxable year (determined without regard to any amount contributed under this section).

''(2) LIMITATIONS.—

''(A) ANNUAL LIMIT.—The Secretary shall not deposit more than $1000 under paragraph (1) with respect to any individual for any taxable year.

''(B) AGGREGATE LIMIT.—The Secretary shall not deposit more than $2000 under paragraph (1) with respect to any individual for all taxable years.

''(3) EXCLUSION FROM INCOME.—Except as provided in section 1400H, gross income shall not include any amount deposited into a family development account under paragraph (1).

''(d) NOTICE OF PROGRAM.—The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

''(e) TERMINATION.—No amount may be deposited under this section for any taxable year beginning after December 31, 2006.

''SEC. 1400J. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO FAMILY DEVELOPMENT ACCOUNT.

''(a) IN GENERAL.—With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The Secretary shall so deposit such portion designated under this subsection.

''(b) MANNER AND TIME OF DESIGNATION.—A designation under subsection (a) may be made with respect to any taxable year—

''(1) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

''(2) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

''(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit allowed to the taxpayer under section 32 for such taxable year.

''(d) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

''(e) TERMINATION.—This section shall not apply to any taxable year beginning after December 31, 2006.

''PART IV—ADDITIONAL INCENTIVES

''Sec. 1400K. Commercial revitalization credit.

''Sec. 1400L. Increase in expensing under section 179.

''SEC. 1400K. COMMERCIAL REVITALIZATION CREDIT.

''(a) GENERAL RULE.—For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section—

''(1) IN GENERAL.—The term 'applicable percentage' means—

''(A) 20 percent for the taxable year in which a qualified revitalization building is placed in service, or

''(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

The election under subparagraph (B), once made, shall be irrevocable.

''(2) CREDIT PERIOD.—

''(A) IN GENERAL.—The term 'credit period' means, with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

''(B) APPLICABLE RULES.—Rules similar to the rules under paragraphs (2) and (4) of section 42(f) shall apply.

''(c) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

''(1) QUALIFIED REVITALIZATION BUILDING.—The term 'qualified revitalization building' means any building (and its structural components) if—

''(A) such building is located in a renewal community and is placed in service after December 31, 1999,

''(B) a commercial revitalization credit amount is allocated to the building under subsection (e), and

''(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.

''(2) QUALIFIED REVITALIZATION EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account—

''(i) for property for which depreciation is allowable under section 168 and which is—

''(I) nonresidential real property, or

''(II) an addition or improvement to property described in subclause (I), and

''(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation.

''(B) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

''(i) $10,000,000, reduced by

''(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the credit under this section for all preceding taxable years.

''(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term 'qualified revitalization expenditure' does not include—

''(i) STRAIGHT LINE DEPRECIATION MUST BE USED.—Any expenditure (other than with respect to land acquisitions) with respect to which the taxpayer does not use the straight line method over a recovery period determined under subsection (c) or (g) of section 168. The preceding sentence shall not apply to any expenditure to the extent the alternative depreciation system of section 168(g) applies to such expenditure by reason of subparagraph (B) or (C) of section 168(g)(1).

''(ii) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

''(iii) OTHER CREDITS.—Any expenditure which the taxpayer may take into account in computing any other credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

''(d) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—

''(1) IN GENERAL.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

''(2) PROGRESS EXPENDITURE PAYMENTS.—Rules similar to the rules of subsections (b)(2) and (d) of section 47 shall apply for purposes of this section.

''(e) LIMITATION ON AGGREGATE CREDITS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

''(1) IN GENERAL.—The amount of the credit determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization credit amount (in the case of an amount determined under subsection (b)(1)(B), the present value of such amount as determined under the rules of section 42(b)(2)(C)) allocated to such building under this subsection by the commercial revitalization credit agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

''(2) COMMERCIAL REVITALIZATION CREDIT AMOUNT FOR AGENCIES.—

''(A) IN GENERAL.—The aggregate commercial revitalization credit amount which a commercial revitalization credit agency may allocate for any calendar year is the amount of the State commercial revitalization credit ceiling determined under this paragraph for such calendar year for such agency.

''(B) STATE COMMERCIAL REVITALIZATION CREDIT CEILING.—The State commercial revitalization credit ceiling applicable to any State—

''(i) for each calendar year after 1999 and before 2007 is $2,000,000 for each renewal community in the State, and

''(ii) zero for each calendar year thereafter.

''(C) COMMERCIAL REVITALIZATION CREDIT AGENCY.—For purposes of this section, the term 'commercial revitalization credit agency' means any agency authorized by a State to carry out this section.

''(f) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION CREDIT AGENCIES.—

''(1) PLANS FOR ALLOCATION.—Notwithstanding any other provision of this section, the commercial revitalization credit amount with respect to any building shall be zero unless—

''(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization credit agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part, and

''(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

''(2) QUALIFIED ALLOCATION PLAN.—For purposes of this subsection, the term 'qualified allocation plan' means any plan—

''(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization credit agency which are appropriate to local conditions,

''(B) which considers—

''(i) the degree to which a project contributes to the implementation of a strategic

plan that is devised for a renewal community through a citizen participation process,

''(ii) the amount of any increase in permanent, full-time employment by reason of any project, and

''(iii) the active involvement of residents and nonprofit groups within the renewal community, and

''(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

''(g) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2006.

''SEC. 1400L. INCREASE IN EXPENSING UNDER SECTION 179.

''(a) GENERAL RULE.—In the case of a renewal community business (as defined in section 1400G), for purposes of section 179—

''(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

''(A) $35,000, or

''(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year, and

''(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

''(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community by a renewal community business.

''(c) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if—

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 1999, and before January 1, 2007, and

''(B) such property would be qualified zone property (as defined in section 1397C) if references to renewal communities were substituted for references to empowerment zones in section 1397C.

''(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.''

SEC. 603. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION.—Paragraph (2) of section 198(c) (defining targeted area) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) RENEWAL COMMUNITIES INCLUDED.—Except as provided in subparagraph (B), such term shall include a renewal community (as defined in section 1400E).''

(b) EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES.—Subsection (h) of section 198 is amended by inserting before the period ''(December 31, 2006, in the case of a renewal community, as defined in section 1400E).''

SEC. 604. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES

(a) EXTENSION.—Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

''(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES.—

''(A) IN GENERAL.—In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 38—

''(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to—

''(I) 15 percent of the qualified first-year wages for such year, and

''(II) 30 percent of the qualified second-year wages for such year,

''(ii) subsection (b)(3) shall be applied by substituting '$10,000' for '$6,000',

''(iii) paragraph (4)(B) shall be applied by substituting for the date contained therein the last day for which the designation under section 1400E of the renewal community referred to in subparagraph (B)(i) is in effect, and

''(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

''(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified wages' means, with respect to each 1-year period referred to in clause (ii) or (iii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if—

''(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period,

''(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period, and

''(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in such renewal community.

''(ii) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(iii) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under clause (ii).''

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS.—

(1) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(2) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv) of section 51(d)(7)(A) is amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(3) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting ''OR COMMUNITY'' in the heading after ''ZONE''.

SEC. 605. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (17) the following new paragraph:

''(18) FAMILY DEVELOPMENT ACCOUNTS.—The deduction allowed by section 1400H(a)(1)(A).''

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) TAX IMPOSED.—Subsection (a) of section 4973 is amended by striking ''or'' at the end of paragraph (3), adding ''or'' at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

''(5) a family development account (within the meaning of section 1400H(e)),''.

(2) EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:

''(g) FAMILY DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of a family development account, the term 'excess contributions' means the sum of—

''(1) the excess (if any) of—

''(A) the amount contributed for the taxable year to the account (other than a qualified rollover, as defined in section 1400H(c)(7), or a contribution under section 1400I), over

''(B) the amount allowable as a deduction under section 1400H for such contributions, and

''(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of—

''(A) the distributions out of the account for the taxable year which were included in the gross income of the payee under section 1400H(b)(1),

''(B) the distributions out of the account for the taxable year to which rules similar to the rules of section 408(d)(5) apply by reason of section 1400H(d)(3), and

''(C) the excess (if any) of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year (other than a contribution under section 1400I).

For purposes of this subsection, any contribution which is distributed from the family development account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 1400H(d)(3) shall be treated as an amount not contributed.''

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

''(6) SPECIAL RULE FOR FAMILY DEVELOPMENT ACCOUNTS.—An individual for whose benefit a family development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a family development account by reason of the application of section 1400H(d)(2) to such account.'', and

(2) in subsection (e)(1), by striking ''or'' at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

''(F) a family development account described in section 1400H(e), or''.

(d) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6047 is amended—

(1) by inserting ''or section 1400H'' after ''section 219'', and

(2) by inserting '', of any family development account described in section 1400H(e),'', after ''section 408(a)''.

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 6104(a)(1)(B) is amended by inserting ''a family development account described in section 1400H(e),'' after ''section 408(a),''.

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS.—Paragraph (2) of section 6693(a) is amended by striking ''and'' at the end of subparagraph (C), by striking the period and inserting '', and'' at the end of subparagraph (D), and by adding at the end the following new subparagraph:

''(E) section 1400H(g)(6) (relating to family development accounts).''

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION CREDIT.—

(1) Section 46 (relating to investment credit) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting '', and'', and by adding at the end the following new paragraph:

''(4) the commercial revitalization credit provided under section 1400K.''

(2) Section 39(d) is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF SECTION 1400K CREDIT BEFORE DATE OF ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to any commercial revitalization credit determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K.''

(3) Subparagraph (B) of section 48(a)(2) is amended by inserting ''or commercial revitalization'' after ''rehabilitation'' each place it appears in the text and heading.

(4) Subparagraph (C) of section 49(a)(1) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding at the end the following new clause:

''(iv) the portion of the basis of any qualified revitalization building attributable to qualified revitalization expenditures.''

(5) Paragraph (2) of section 50(a) is amended by inserting ''or 1400K(d)(2)'' after ''section 47(d)'' each place it appears.

(6) Subparagraph (A) of section 50(a)(2) is amended by inserting ''or qualified revitalization building (respectively)'' after ''qualified rehabilitated building''.

(7) Subparagraph (B) of section 50(a)(2) is amended by adding at the end the following new sentence: ''A similar rule shall apply for purposes of section 1400K.''

(8) Paragraph (2) of section 50(b) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ''; and'', and by adding at the end the following new subparagraph:

''(E) a qualified revitalization building (as defined in section 1400K) to the extent of the portion of the basis which is attributable to qualified revitalization expenditures (as defined in section 1400K).''

(9) The last sentence of section 50(b)(3) is amended to read as follows: ''If any qualified rehabilitated building or qualified revitalization building is used by the tax-exempt organization pursuant to a lease, this paragraph shall not apply for purposes of determining the amount of the rehabilitation credit or the commercial revitalization credit.''

(10) Subparagraph (C) of section 50(b)(4) is amended—

(A) by inserting ''or commercial revitalization'' after ''rehabilitated'' in the text and heading, and

(B) by inserting ''or commercial revitalization'' after ''rehabilitation''.

(11) Subparagraph (C) of section 469(i)(3) is amended—

(A) by inserting ''or section 1400K'' after ''section 42''; and

(B) by striking ''CREDIT'' in the heading and inserting ''AND COMMERCIAL REVITALIZATION CREDITS''.

(h) CLERICAL AMENDMENTS.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter X. Renewal Communities.''

SEC. 606. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of Housing and Urban Development first designates an area as a renewal community under section 1400E of the Internal Revenue Code of 1986, and at the close of each fourth calendar year thereafter, such Secretary shall prepare and submit to the Congress a report on the effects of such designations in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

TITLE VII—TAX REDUCTIONS CONTINGENT ON BALANCED BUDGET

SEC. 701. TAX REDUCTIONS CONTINGENT ON BALANCED BUDGET.

(a) IN GENERAL.—Notwithstanding any other provision of this Act, no provision of this Act (or amendment made thereby) shall take effect before the first January 1 after the date of the enactment of this Act that follows a calendar year for which there is a balanced budget certification.

(b) EXEMPTION OF FUNDED PROVISIONS.—The following provisions shall take effect without regard to subsection (a):

(1) Subtitle C of title I (relating to increase in social security earnings limit and recomputation of benefits).

(2) Section 213 (relating to production flexibility contract payments).

(3) Title III (relating to extension and modification of certain expiring provisions).

(4) Title IV (relating to revenue offset).

(5) Title V (relating to technical corrections).

(c) BALANCED BUDGET CERTIFICATION.—There is a balanced budget certification if the Director of the Office of Management and Budget certifies that—

(1) there is a surplus in the budget of the United States for the fiscal year ending in the calendar year (excluding the receipts and disbursements of the Federal Old Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund), and

(2) there will continue to be such a surplus in each of the next 5 fiscal years even if the provisions of this Act were in effect.