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House of Representatives

The House was not in session today. Its next meeting will be held on Thursday, July 29, 1999, at 10 a.m.

Senate

WEDNESDAY, JULY 28, 1999

The Senate met at 9:30 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

We praise You, Gracious Father. Your love is constant and never changes. You have promised never to leave nor forsake us. Our confidence is in You and not ourselves. We waiver, fail, and need Your help. We come to You not trusting in our own goodness but solely in Your grace. You are our joy when we get down, our strength when we are weak, our courage when we vacillate. You are our security in a world of change and turmoil.

Thank You for reminding us that we are not left on our own. When we forget You in the rush of life, You give us a wake-up call. And when we feel distant from You, it is we who move, not You. O Lord, You will never let us go. We claim Your ever-replenishing strength.

And now, filled with wonder, love, and gratitude, we commit this day to live for You and by the power of Your indwelling spirit. Control our minds and give us wisdom; give us sensitivity to people and their needs; help us to be servant-leaders; give us boldness to take a stand for Your mandates of righteousness and justice. Thank You for the privilege of living this day to the fullest. In Your all-powerful name. Amen.

PLEDGE OF ALLEGIANCE

The Honorable BOB SMITH, a Senator from the State of New Hampshire, 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.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDING OFFICER (Mr. SANTORUM). The able majority leader is recognized.

O HAPPY DAY

Mr. LOTT. Mr. President, this morning as I came into the Senate Chamber, the words to a song came to mind, ''O Happy Day.'' I almost feel like singing. This is a happy day. This is when the American people finally get to have a little bit more control over their lives, their own lives, based on decisions made in Chester County, PA, or in Pascagoula, MS. This is a day when we are going to be talking about the people being able to keep just a little bit more of their own hard-earned money. Too often in the Senate we are arguing over details; we are trying to figure out how we from Washington can spend more of the people's money; we are thinking about how can we in Washington control more of people's lives.

Well, finally we are going to get to have some fun; the people are going to get to have some fun. They can keep their own money to look after their own children without the Government telling them how to do it, to put them in the school of their choice, to deal with their health needs, or maybe even to have a little fun. O Happy Day. They get to be with their family on their own money.

So I got up this morning feeling good because finally we are going to be doing something that I feel good about, the kind of thing that I came to Washington to do, and that was to try to control and reduce the size of Washington Government, to go with what Thomas Jefferson had in mind, and that was to put those decisions back closest to the people, with the people and the Government closest to the people. This is when we begin to do it. I think back during Jefferson's term after a war, a conflict that the country had been involved in. They terminated the death tax. Yes. Go back and look at history. The only time death taxes were put in place was during wars. When the wars were over, they were ended. But then mistakenly, because he was not in good health, President Wilson, after World War I, did not take it off and we have been stuck with it ever since.

So this is a happy day, and I look forward to having a discussion about the specifics of tax relief for working Americans.

SCHEDULE

Mr. LOTT. Before we get started with that, under a previous order, the Senate will begin a cloture vote on the substitute amendment to the juvenile justice bill at 9:45. Following the vote, Senator SMITH is expected to make

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

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some remarks regarding his concerns with the juvenile justice legislation. If cloture is invoked and following the remarks of Senator SMITH, it is hoped the Senate will proceed to the various motions to send the juvenile justice bill to conference.

I understand completely Senator SMITH's concerns. He has been determined, but he has been reasonable and cooperative within the limits of what he felt he had to do to the maximum degree. I thank him for his approach. I certainly share a lot of his concerns. But I believe, all things considered, this is the right thing to do for the Senate and for the country.

The Senate will then begin consideration of the tax relief bill under the reconciliation procedures. As a reminder, by statute, the reconciliation bill is limited to 20 hours of debate. I really would like to have more time for discussion on this bill so that we could cut out some of the discussion on all these other bills that come up. Therefore, it is hoped that Senators will have their amendments ready and will offer their amendments during the 20 hours. Debate time on amendments is included, but the actual vote time is not included in the 20 hours.

So we can expect to go well into the evening today and again on Thursday in order to finish. If we do not, we will go over until Friday. But we have enough time and we certainly should finish this bill no later than sometime during the day Friday.

We do expect opening statements this morning. It may be that there will be several hours needed for the opening statements, but I hope we can quickly turn to the amendment process and give Senators an opportunity to offer amendments about which they feel strongly.

Mr. President, I yield the floor.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER. Under the previous order, the leadership time is reserved.

JUVENILE JUSTICE REFORM ACT OF 1999

The Senate resumed consideration of the bill.

Pending:

Lott amendment No. 1344, in the nature of a substitute.

Lott amendment No. 1345 (to amendment No. 1344), to provide that the bill will become effective one day after enactment.

Lott amendment No. 1346 (to amendment No. 1345), to provide that the bill will bcome effective two days after enactment.

Lott amendment No. 1347 (to the language proposed to be stricken), to provide that the bill will become effective three days after enactment.

Lott amendment No. 1348 (to amendment No. 1347), to provide that the bill will become effective four days after enactment.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. Mr. President, I see the minority leader coming on the floor. I was just going to try to get about 3 minutes before the vote. Would that be agreeable with the minority leader?

Mr. DASCHLE. Mr. President, it would be entirely agreeable. I would just ask that prior to the time we have a vote, I be able to use some of my leader time for a couple of comments. But I would be happy to yield the floor so that the Senator from New Hampshire can speak.

Mr. SMITH of New Hampshire. I very much appreciate the minority leader's consideration.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. Mr. President, I want to make a point on the legislation before the cloture vote we are going to have shortly because, according to the rules, I am not going to be able to debate this until after the vote, which is really not the best process in the world. But I want my colleagues to know what we will be voting cloture on in a very few moments is the Senate substitute for the underlying House bill. So when we go to cloture on that, what we are doing is substituting gun control for the House bill.

I want all of my colleagues to understand that H.R. 1501 is a return to traditional values.

This bill brings morals back into the school. It brings values back into the school. It focuses on the cultural problems that are facing us. It allows a display of the Ten Commandments. It allows individual religious expression. It allows prayer at school memorial services. It allows faith-based groups to compete for Government juvenile justice grants. That is the underlying provision. That is what I wanted to vote on, and that is what I did not have the opportunity to vote on.

What is being substituted is gun control. It imposes strict limits on gun shows. It requires the sale of trigger locks with guns, and it puts new limits on juvenile gun possession, even juveniles who are law-abiding citizens who might like to have hunting licenses.

The bottom line is, the bill passed by the Senate is a good cultural bill. Gun control is being substituted. If my colleagues vote for cloture, they are voting to substitute gun control for a very good bill that focuses on the cultural and moral problems in our schools.

I will close on this point. There is a fictitious story being circulated on the Internet where a Columbine High School student writes a letter to God and says:

Dear God: I'm very angry with you. I don't understand why you allowed 13 of my fellow students to be killed by two of my fellow students. Please answer me as soon as possible. Columbine High School student.

A letter comes back from God:

Dear student: Let me remind you, I'm not allowed in your high school.

We need to think seriously because this is a major decision we are making. If my colleagues vote for cloture, they are substituting gun control for values, prayer in school, the Ten Commandments, religious expression, and prayers at memorial services. That is what they are substituting, one for the other.

Let's make it clear: If you are for gun control, vote for cloture. If you are for values and prayer and the Ten Commandments in school, vote against cloture.

I yield back the remainder of my time. I thank the minority leader for his courtesy.

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Mr. President, I will use a few minutes of my leader time to comment.

We intend to support the effort to move this legislation to conference. In fact, I endorse the actions taken by the majority leader in this case in so-called filling the tree.

For the purpose of record and drawing a distinction on this bill from other bills where our majority leader has filled the tree prior to the time we have had any debate, this bill, S. 254, has been debated now for 8 days, from May 11 through May 20. We conducted 32 rollcall votes. The Senate considered 38 amendments—18 Democratic amendments, 20 Republican amendments. We had 10 Democratic amendments agreed to, 17 Republican amendments agreed to, and then we had 10 Democratic and Republican amendments that were not agreed to, and 1 Republican amendment was withdrawn.

The point I am making is that we have had a very good debate on S. 254. We had that debate. We brought it to conclusion. We had a final vote. Now it is time to move it on to conference. I fully respect the Senator from New Hampshire and his determination to slow this process down because he objects to some of the aspects in this bill, and that is his right. But I will say I support the effort made by the majority leader to move this bill to conference and the method he has employed to do so.

Again, this is not the same as laying a bill down for the first time, filling the tree and precluding Democratic amendments. We have had a very good debate on this bill. We have had an opportunity to offer amendments. I cite S. 254 as the model I wish we would follow on all bills, a model that we historically and traditionally have always followed, which is to lay a bill down, allow it to be subject to amendments, have a good debate on amendments, have the votes, have the final vote, and then go to conference.

I hope we can do more such of this in the future as we consider other authorizing bills. I urge my Democratic colleagues and my Republican colleagues to support the effort this morning to move this legislation forward to conference so we can resolve what differences there are with the House—and there are many very important differences. I am hopeful we can bring

this bill back from conference in time and that we can be as supportive of it as we were of the bill when it passed on May 20.

Mr. President, I encourage my colleagues to be supportive this morning. I yield the floor.

CLOTURE MOTION

The PRESIDING OFFICER. Under the previous order, pursuant to rule XXII, the Chair lays before the Senate the pending cloture motion, which the clerk will report.

The legislative clerk read as follows:

CLOTURE MOTION

We the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, do hereby move to bring to a close debate on the substitute to Calendar No. 165, H.R. 1501, the juvenile justice bill:

Trent Lott, Frank H. Murkowski, Chuck Hagel, Bill Frist, Jeff Sessions, Rick Santorum, Ben Nighthorse Campbell, C.S. Bond, Orrin G. Hatch, John Ashcroft, R.F. Bennett, Pat Roberts, Jim Jeffords, Arlen Specter, Judd Gregg, Connie Mack.

CALL OF THE ROLL

The PRESIDING OFFICER. By unanimous consent, the mandatory quorum call under the rule has been waived.

VOTE

The PRESIDING OFFICER. The question is, Is it the sense of the Senate that debate on the substitute amendment No. 1344 to H.R. 1501, the juvenile justice bill, shall be brought to a close? The yeas and nays are required under the rule. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Ohio (Mr. VOINOVICH) is necessarily absent.

The PRESIDING OFFICER (Mr. GRAMS). Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 77, nays 22, as follows:

[Rollcall Vote No. 224 Leg.]

YEAS—77

Abraham	Feinstein	McCain
Akaka	Fitzgerald	McConnell
Ashcroft	Frist	Mikulski
Baucus	Gorton	Moynihan
Bayh	Graham	Murkowski
Bennett	Gregg	Murray
Biden	Hagel	Reed
Bingaman	Harkin	Reid
Bond	Hatch	Robb
Boxer	Hollings	Roberts
Breaux	Inouye	Rockefeller
Bryan	Jeffords	Roth
Byrd	Johnson	Sarbanes
Chafee	Kennedy	Schumer
Cleland	Kerrey	Sessions
Cochran	Kerry	Smith (OR)
Collins	Kohl	Snowe
Conrad	Landrieu	Specter
Daschle	Lautenberg	Stevens
DeWine	Leahy	Thompson
Dodd	Levin	Thurmond
Domenici	Lieberman	Torricelli
Dorgan	Lincoln	Warner
Durbin	Lott	Wellstone
Edwards	Lugar	Wyden
Feingold	Mack	

NAYS—22

Allard	Campbell	Enzi
Brownback	Coverdell	Gramm
Bunning	Craig	Grams
Burns	Crapo	Grassley
Helms	Kyl	Smith (NH)
Hutchinson	Nickles	Thomas
Hutchison	Santorum	
Inhofe	Shelby	

NOT VOTING—1

Voinovich

The PRESIDING OFFICER. On this vote the yeas are 77, the nays are 22. Three-fifths of the Senators duly chosen and sworn having voted in the affirmative, the motion is agreed to.

AMENDMENT NO. 1347

The PRESIDING OFFICER. The question is now on amendment 1347. The Senator from New Hampshire is recognized for up to 1 hour.

Mr. SMITH. Mr. President, I yield whatever time he may consume to the Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho is recognized.

Mr. CRAIG. Mr. President, I thank my colleague for yielding. It is obvious from the Senate vote we just had that we could only have delayed this process for several days, but we could not have stopped the ultimate result, which would be sending a flawed Senate bill to a conference with the House. Since that is the case, I see no reason to burn up good will by forcing the Senate to vote again and again with the same result on the various procedural steps that lie before us.

If this is where the Senate will ultimately make its stand, I am willing to let the process move forward.

However, some may be asking why we even made the attempt to stop this action.

Sometimes it can be unclear why a Senator cast the vote he or she did.

That's especially true for procedural votes like the cloture vote we just had.

So let me be clear why I voted the way I did—against cloture, against cutting off the debate on this measure, against moving this version of S. 254 to a conference with the House.

It's not because I oppose the juvenile justice bill. Quite the opposite: it's because I support good juvenile justice reform.

I support the many provisions of this legislation that truly address criminal violence, such as: Making sure violent juveniles are held accountable for their criminal actions; providing resources to states and localities to combat juvenile crime; toughening enforcement of the laws already on the books; helping communities promote school safety; helping parents and the media do more to limit the exposure of children to violence in the entertainment industry.

I support these reforms, and I could support the version of juvenile justice reform passed by the House.

However, the reason I opposed the Senate bill, and why I voted against cloture just now is because this is not a juvenile justice reform measure. It's also a gun control measure.

Gun control has nothing to do with stopping youth violence and crime.

Gun control of the kind proposed in this bill is not just ineffective—it is counterproductive because it would cut off lawful and beneficial uses of firearms.

And what may be the most important thing for anyone watching this debate to understand: gun control is something the House of Representatives has already said—with a bipartisan vote—it will not accept.

This is a set-up, folks. The House has said it will not accept gun control, and the Clinton-Gore Administration, along with its cronies in Congress, have said they won't accept a juvenile justice bill without gun control.

Does anybody else see a problem here? The problem is obvious. I don't see how the conference committee will fashion a version of juvenile justice that both the House and Senate can live with—but I can tell you one thing: whatever comes out of this conference won't have enough gun control in it for the Clinton-Gore administration.

In fact, I'm going to make a prediction here and now that whatever emerges from the conference committee will instantly be criticized—and maybe even threatened with a veto—because it doesn't have enough gun control in it for Bill Clinton and AL GORE, and the folks who work with him. That is because they need gun control as a political issue, and they are not interested in juvenile crime unless they have their political issue along with it.

I said, folks, that is ''politics,'' and I mean it, plain and simple.

Since the day the Senate took its vote, and since the day the House has taken its votes, we have watched the political maneuvering down at the White House and with the Vice President on this issue. Their debate isn't about controlling violence and violent youth. It is about a narrow political agenda of the far left.

It was a campaign kicked off by the President when he blamed the Littleton, Colorado killings on—and I quote from the speech that was later released by the White House and printed on its web page—''the huge hunting and sport shooting culture in America.''

What did the hunting culture and the sport-shooting culture in America have to do with the killings in Littleton, CO? In the mind of this President and this Vice President, it was politics. It was their entry once again into this debate.

That's right—the President wasn't talking about the cultural crisis that distresses all of us on all sides of this issue and the breakdown of families, the powerlessness of communities, the alienation of young people, the violence and brutality promoted by the entertainment industry.

It was all politics narrowly focused. No, what the President chose to blame was American hunters and spot shooters.

According to the Clinton-Gore administration, those who lawfully exercise a right protected by the United States Constitution—those people are responsible for the brutal, senseless killings at Columbine High School.

Shame on you, Mr. President. If you are one of the tens of thousands of adult volunteers who have helped train Boy Scouts and other young people in marksmanship, in one of the most successful youth sporting programs in history—according to the President, you're part of the problem.

If you take your family on an annual hunting trip, a ''bonding experience'' for yourself and your kids—according to the Clinton-Gore administration, you're part of the problem.

If you represented the United States of America in the Olympic shooting events, the gun control community wants you to know that you're part of the problem.

If you hunt for food to put on your table for your family, according to the Clinton and Gore administration, because of Littleton, CO, you are part of the problem.

But it wasn't enough to insult millions of law-abiding Americans by accusing them of responsibility for what happened in Littleton. The President went a step further to suggest that if these law-abiding citizens don't go along with his gun control agenda and give up more of their liberty, then they don't care about the lives of children.

I find that unbelievable. But that is what was implied very clearly by this President—the leader of the free world accusing those who uphold the law of being responsible for those who break the law, accusing those who would passionately defend their civil liberties as being bad citizens, accusing those who may have a firearm for the sole purpose of recreation or defending themselves and their families, accusing these people of not wanting to save children's lives.

And since that kickoff back in April, what have we seen?

We have seen an all-out public relations campaign headed by the White House against lawful firearm use.

We have seen political candidates of the left trying to outdo each other on gun control ideas. It is called have a gun control idea a week and somehow it may elect you in November of 2000.

Maybe this political campaign is scoring points with the gun control community. But I can tell you the people who I have been hearing from—the people outside the Capital Beltway who really have to deal with youth violence in their communities and in their schools—are saying gun control misses the point entirely.

They are saying the solution to youth violence is far more complicated than adding one more layer to the 40,000 gun control laws—40,000, that is right—that are already on the books.

They are saying they need real help and real ideas from Washington, DC, and not a political placebo for the 2000 election.

They are saying it is time to stop pushing political agendas and start pushing a law enforcement crime control agenda.

The Senate had a choice today between a bill that focused on juvenile justice reform and a bill that serves a political agenda.

I think the Senate's vote today has made the job of the conference committee harder and perhaps impossible.

My choice would have been a clean bill that prioritized law enforcement and focused on solving the problem of youth violence.

That is the kind of bill I hope to see coming out of the conference. That is the kind of bill I will work for coming out of the conference—the kind of bill that I could support and I believe that America wants.

They don't want politics in this issue. They want safer schools and safer streets and they want to know their children are safe from violent juveniles who would otherwise make these environments unsafe.

I thank my colleague from New Hampshire for yielding.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. Mr. President, I thank my colleague from Idaho for his remarks.

I say for the RECORD that I agree with everything he said.

Mr. President, we have had a very unusual set of circumstances this morning.

We had a vote on an issue involving gun control, yet we don't get to speak until after the vote. Knowing what the result is, it does take out a little bit of the steam.

As most of my colleagues know, and I think most American people know, I have filibustered this bill now for about a week by asking for this cloture vote. As Senator CRAIG said, to simply have dilatory motions between now and the time this goes to conference makes no sense because the result of this bill going to conference has already been decided by the vote of the Senate.

Under this rule, each Senator, myself now being the one on the floor, has an hour to discuss the reason for their vote on this issue. I think it is important to discuss it, even though the vote has occurred, because the American people need to understand what we did. I tried in a very few brief minutes, thanks to the consideration of the minority leader who was kind enough to allow me 3 minutes of his time to do this prior to 9:45 when we had the vote, to point out what we were about to do. Apparently not too many people were listening. I will point out again what we did.

The House passed H.R. 1501 and sent it here. That is a cultural bill that allows the display of the Ten Commandments in schools. It allows individual religious expression. It allows prayer in school memorial services. It allows faith-based groups to compete for Government juvenile justice grants. A good bill.

The purpose of that bill was to make a statement about juveniles that perhaps the issue is not guns but, rather, a cultural problem in our schools that we need to address. It was a well-thought-out bill. When that bill came to the Senate, I tried to get a vote up or down on it. Because of procedures by those who felt the bill should not be passed, I could not do it. I was shut out by the so-called legislative tree, a parliamentary tree, so I could not offer the bill and get a vote on it.

Next comes gun control, the Senate provisions. We have a House bill and a Senate bill. The Senate bill imposes strict limits on gun shows. It requires the sale of trigger locks with guns. It puts new limits on juvenile gun possession, the kinds of juveniles that Senator CRAIG spoke about, young teenagers who perhaps might go hunting or sports shooting. These are needless restrictions on law-abiding American citizens, young and old.

I think it is important to understand what has happened. This was substituted for this as a result of the vote we just had. This bill will go to conference. Someone said quite some time ago: If you saw how laws and sausage were made, you would probably get sick and wouldn't want a part of either.

There is a lot of truth to that. I have never had a lot of confidence in those who say: We will clean this up in conference, or we will get a good bill out of conference, or let the conferees work their will.

We will see what kind of will is worked when this comes back. This is gun control, a violation of the second amendment. We voted by 77–22 to put more gun control on the American people. Call it what it is. When this comes out of conference, it will have gun control.

During the Senate's consideration of S. 254, I was very upset that the gun control lobby in this country took advantage of a terrible tragedy. They did a good job of it. This was a very emotional time, a horrible tragedy, and the gun control people used it to the hilt and scared off a lot of people.

What happened at Littleton was a terrible tragedy. People used this on the Senate floor and mounted an unprecedented assault on the second amendment rights of law-abiding American gun owners. Not one law-abiding American citizen had anything to do with Columbine, not one. Not one law-abiding American citizen, not one gun owner or juvenile who is a law-abiding citizen had anything to do with Columbine. They were law breakers who did that at Columbine. They cast the blame, though, on the law-abiding gun owner, while leaving the movie moguls and video gamemakers who promote violence to children unscathed, with no mention. The problem is guns, they said, not the culture.

It is interesting that we take prayer and values out of the schools. What comes in? Violence, drugs, condoms. Hello, America, wake up.

It was well done; it was well orchestrated. It scared off enough people. It

scared off the 19 or so votes we needed to block cloture on this bill. The House did the right thing; we did the wrong thing.

We need to take a hard, introspective look at our Nation's culture. That bill did that. This bill does not do that. We see video games designed for young people that glorify violence. I say to the American people taking a few moments to listen, look at those video games your kids are watching. Take a look at what they are watching on the Internet. Take a look at some of the movies they are bringing home from Erol's and watching after you go to bed. Parents might want to take a look and see what is going on in their children's lives.

They glorify violence. They invite children to engage in fantasy killings. They never show the opposite. When somebody is shot in one of the video games, they don't mention the fact that the person who was killed may have a family. They don't talk about that. The only thing shown is the glorification of violence.

We see unconscionably violent movies such as ''The Basketball Diaries'' in which killings bear a striking resemblance to the Littleton massacre. It doesn't mean every kid who watches that kind of a movie would do that. Of course it doesn't. Some kids can handle it, but some can't. Why expose children to this?

We see music such as that of the so-called Marilyn Manson character that glorifies murder, suicide, sodomy. As a matter of fact, Platinum Records has big sales on those records glorifying murder, suicide, and sodomy. Our kids are listening to this in America and we blame guns. We blame guns with this vote.

We see the marketing of violence in many forms over the Internet. As I said, every child is not going to go to school and murder his classmates or his teacher because he watches or plays some video game or listens to violent music. Some will be influenced by that culture.

I had a shotgun next to my bed for as long as I can remember. At 8 or 9 years old, I knew how to use it. I was trained to use it in the proper way. I never thought about going to school and using it on anybody, and neither did my classmates who also had shotguns. I remember hearing it said when I grew up that if you read good books, good things might happen. By the same token, if a young person watches a bad film or plays an evil video game, bad things may happen. Why take a chance? But it is easier to blame the gun. Blame the gun; blame somebody else. Don't look at what is going on in America. Wake up, America, before it is too late.

This is the second amendment to the Constitution that we just violated. It is not guns that caused this violence.

The first gun came over on a ship probably in 1607. Most likely somebody had a gun coming into Jamestown. For 375 years we had no school shootings, not one. Now we have gun control. In America, we have 40,000 laws, according to Senator CRAIG, and now we have school shootings. Hello. Anybody listening? What is going on here? Is it guns? If it is, how come we didn't have school shootings for 375 years when everybody had a gun?

I believe we should take a look at the news media. The news media has a distressing tendency to engage in sensationalism, the mindless pursuit of greater ratings. On April 20 this year when the children came tumbling out of Columbine High School with blood on their clothes, some children wounded and crying, what happened? With microphones in their face, they were asked: What was it like to witness your classmate's death? Did he say anything as he died?

What they needed when they came out of that high school, my fellow Americans, was a hug.

Do you know what would have really made me feel good? If one of those in the news media had laid down the microphone and laid down the camera and walked up to one of those kids and put his arms around them or her arms around them and said, ''I'm sorry. We love you.''

But, oh, no, we cannot do that. We have to get right in the face with the microphone and the camera and sensationalize this kind of violence. And then we blame guns.

When are we going to wake up, America, before it is too late? This bill addressed this—tried to. You cannot address these kinds of things with laws, but you can at least make an attempt. You take these things out of the schools and the kids don't have any choice. They can't pray; they can't talk about values. If somebody gets killed and the teachers try to comfort their kids by saying a prayer, the teacher gets fired. And we take away guns and blame guns.

H.R. 1301 declares that State and local governments have the power to display the Ten Commandments on public property. This would allow the public schools to post those Ten Commandments. Does anyone seriously argue that the display of the Ten Commandments in a public school wouldn't help kids at least think a little bit? They do represent the moral foundation of our entire civilization. Does anybody have a problem with, ''Thou shall not kill?'' Does anybody have a problem with, ''Thou shalt not steal?'' ''Thou shalt not bear false witness?'' ''Honor thy father and mother?'' Does anybody have a problem with those? Is that going to threaten Western civilization, to put those up on the wall of the school? Really? Come on.

H.R. 1501, this bill, declares that the expression of religious faith by individual persons is protected by the Constitution of the United States. This provision would allow greater freedom for individual students to express their religious faith, whatever it is, as well as to organize and participate in student-led religious activities in public school.

Does anyone seriously believe that greater religious freedom in the public schools would not improve the cultural environment in these schools? We spend more time trying to deny religion and values in our schools than we spend with our own kids. Think about it. If we spent as much time with our kids, loving our kids, as we do trying to deny them these kinds of things, we might have a better America. But let's go back and blame guns. That is what we did here; we just blamed guns. We put in gun control and substituted it for this.

Faith-based organizations can compete for Government grants under this bill. Does anyone doubt that involving faith-based organizations in juvenile justice would improve our Nation's juvenile justice system? These cultural approaches to solving the problem of youth violence offer great promise. This bill offers great promise. This bill offers gun control. This is the coward's way out. This is the ostrich vote. Put your head in the sand. Blame the gun. Don't deal with this issue. We wouldn't want to have to do anything as controversial as perhaps posting the Ten Commandments in a school.

I was disappointed during the Senate's consideration of this bill. I was disappointed, frankly, in some of my conservative colleagues in the Senate, some of my pro-gun conservative colleagues in the Senate. I am disappointed. We had a chance to stop this. I spent a great deal of time over the past 2 weeks as we debated S. 254, arguing privately with these colleagues, trying to persuade them to hold the line against this onslaught of more gun control.

Gun shows, do you know what the goal is here? It is not instant background checks. It is the elimination of gun shows—eliminate the shows, don't allow any gun shows. After all, punish the law-abiding American who comes to a gun show, as millions do all across America every year. Punish them. That is the easy thing to do. Do not deal with this. Do not deal with the criminal. Punish the people who go to gun shows, the law-abiding American citizens.

You say, what if somebody, a bad person, gets a gun? Bad people are not going to come and get a gun there; they can get it easier somewhere else. Even if they do, if they commit a crime with it, we put them in jail and put them away as we do anybody else who commits a crime.

I am very disappointed about what the Senate did with respect to these gun shows. It seems evident to me, the practical effect of the Lautenberg amendment, adopted when Vice President GORE sat in the chair and proudly cast the tie-breaking vote: This will ruin the gun shows, put them out of business. That is the aim of the amendment, and that is the aim of this legislation that we just substituted in order

to send it to conference. Everybody says we will get it out in conference. We will see about that. Don't hold your breath.

I am very concerned about the effects of this so-called trigger lock amendment. Even though the amendment appears only to require trigger locks to be sold with guns, the legal effect may well do great damage to the second amendment rights of law-abiding gun owners because courts may construe the amendment as creating a new civil negligence standard under which gun owners will be seen as having a legal obligation to use their trigger locks or face legal liability if their gun is misused by some third party. What are we going to create now, a trigger lock inspector? ''Knock, knock, knock. Hello, I'm the Government trigger lock inspector. I want to see if you have your trigger lock on your weapon.''

Some people say, no, it doesn't require they put it on their weapon; it just requires they buy it. Where is individual and personal accountability and responsibility? If you are dumb enough to leave a weapon without a trigger lock lying around where a kid can reach it, then you ought not own the gun. But that is personal responsibility and accountability. It is not the Government's responsibility. It is certainly not even workable. But maybe it will come to that. We have Government bureaucrats who do just about everything in America. We might as well have 400,000 or 500,000 trigger lock inspectors, and they can knock on the door, ''Mr. SMITH, do you have a gun?'' ''Yes, but I'm not going to give it to you.'' ''Well, I wanted to see whether you have a trigger lock on your gun.'' It may come to that. Don't laugh.

If the law develops such that gun owners have a legal obligation to use these trigger locks, they may be forced to put their safety and that of their families at risk. It is not unreasonable to imagine a single mother of a small child, depending on her gun for safety, panic stricken, struggling unsuccessfully with her trigger lock, at night, after hearing a burglar in the house. If she has no trigger lock, and she has that thing up on a 10-foot shelf, that is her choice. The Government tells her she has to use a trigger lock—or buy a trigger lock she doesn't even need.

What in the world is happening to this country, to the second amendment, to the Constitution? It is amazing how we pick some amendments, such as the first amendment, and say we must protect that amendment at all costs, but when it comes to the second amendment, no, we can skip that one.

These are two examples of the grave harm gun control amendments adopted by the Senate would do to second amendment rights. When the heat of the moment is gone and the passions so shamelessly stirred up by the gun control lobby have subsided, many of those who have supported these amendments will realize they have done the second amendment serious and lasting harm. But I don't want to see any tears; I don't want to hear any whining; I don't want to hear any, ''I'm sorry''; I don't want to hear any, ''My gosh, why did I do that? What happened? Where was I when they took the second amendment rights away? Where was I when they took the Constitution?'' I don't want to hear it. It is too late.

Great experts have repeatedly shown that criminals do not go to gun stores, complete the necessary forms, and leave with legally purchased weapons. ''Hello, I'm a criminal. I am going to use my gun tonight in an armed robbery. I would like to purchase it, please. Where do I fill out the forms?'' Criminals are going to buy their guns on the black market or they are going to steal them. I have had people tell me flat out: I might as well buy the guns on the black market. It is a lot safer to me. The Government doesn't know I have it.

That is pretty scary. Gun control has not been shown to reduce crime. Washington, DC, where we are now, has the most crime in all America. The only people who own guns in Washington are the criminals. They have them. You cannot have one. You are an honest citizen. But they have them. Crime has really gone down dramatically in Washington, hasn't it? Gun control has really worked here. Gun control attacks a serious problem from the wrong angle. Sixty million Americans own 200 million firearms. That is a very interesting statistic. Sixty million Americans own 200 million firearms, including 60 million handguns.

Yet four-tenths of 1 percent of those handguns will be used to commit a crime. So 99.6 percent of all handguns are used legally; 99.6 percent, the good folks; four-tenths of 1 percent, the bad guys. We substituted S. 254 for H.R. 1501, right here on the floor of the Senate.

Some argue the crime problem is the result of too much personal freedom. It is not personal freedom that is the problem. It is moral decadence. This bill tries to at least help us deal with it. It is moral decadence. It is a cultural, moral problem and it is getting worse by the day.

We look, in this body, for any excuse—guns, whatever—to look the other way. Maybe we will have a bill tomorrow to ban knives and then baseball bats, maybe cars. They kill about 45 million people a year. Maybe we ought to ban them.

It is a revolving door criminal system. That is what the problem is, moral decadence and a revolving door criminal justice system that puts the average murderer on the street in 7 years. That is right. The average murderer walks out of prison, if he goes to prison—some like Mr. Simpson never go to prison when they should. Yes, that is right, some like Mr. Simpson never go to prison when they should. But the average murderer in this country, if he goes to jail, serves 7 years for murder. But it is the gun's fault, isn't it? We cannot blame the judges, cannot blame the prosecutors, cannot blame the court system. We have to blame guns; blame the peaceful citizen who has the right to own a gun to protect himself.

I am proud I voted the way I did against cloture. I am proud I voted for H.R. 1501 and against S. 254. I am proud to stand up for the second amendment in the Chamber of the Senate, and I will stand up here again and again, year after year, month after month, whatever it takes to make this case because I know I am right, and I am going to continue to do it.

When this bill comes out of conference, I am going to filibuster it again for as long as I can. I am going to do everything I can to kill it, whatever I can do. I am only one person.

In the movie ''Mr. Smith Goes to Washington,'' another Mr. Smith, Jimmy Stewart, dropped on the floor of the Senate after several hours, 23 I think. I think he even beat STROM THURMOND, if I am not mistaken, in the filibuster. He dropped on the floor of the Senate amongst a pile of newspapers. Maybe that is what I have to do. Maybe I will do that. I don't know.

I know one thing, S. 254 is wrong and H.R. 1501 is right. I am going to fight to preserve, protect, and defend the constitutional right, all of the Constitution and all of the constitutional rights of Americans, including the right to keep and bear arms. Many of us who are veterans in the fight to protect the second amendment know the bold and clear words of the second amendment by heart. We cannot say them often enough if we are to educate our fellow citizens about the unmistakable meaning and intent behind those words of that most besieged provision of the Bill of Rights.

It is pretty clear:

> A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed.

Tell me where there is anything in that amendment that allows us to do this under the Constitution of the United States of America? I stood right there where the pages are sitting and took the oath twice when I came to the Senate to protect and defend the Constitution of the United States, and that is what I am doing now, and that is what I will continue to do.

There is nothing in those words about background checks. There is nothing in there about the people having a right to keep and bear certain kinds of arms. There is nothing in there that says handguns can be kept or not kept where shotguns can. Nothing. I sure do not see anything in there that gives Congress any leeway whatsoever to infringe second amendment rights whenever some group of anti-gun zealots think what they like to call the ''public interest'' requires it. The public interest is to preserve and protect the Constitution of the United

States of America. That is what the public interest is and nothing else. You trample on the Constitution; you trample on the public interest.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from New Hampshire has 30 minutes remaining.

Mr. SMITH of New Hampshire. I thank the Chair. Mr. President, these solemn words that all of us revere in the second amendment could not be more clear. There is no discussion about what those words mean. I am fascinated as the days go by, the more I am in politics, the more I read about constitutional scholars making unconstitutional arguments. Frankly, I am sick of it. The more recognition these constitutional scholars get, the more unconstitutional their arguments get.

How can anybody read the second amendment to the Constitution of the United States and come up with gun control? It is just simply not possible to do in any rational way. Yet many of the self-appointed leading lights of constitutional law continue to try to throw the second amendment into oblivion, to throw it on the trash heap. Boy, they are doing a good job.

There are 40,000 gun laws already. We can pass a few more and stop law-abiding Americans from going to gun shows. Let's just keep sitting back, America, keep sitting back on your hands—I might use another word if I were not on the Senate floor—and let it happen. Don't do anything. Don't stand up.

You need to start voting, my fellow Americans. You need to start looking at who is doing this to you and to the Constitution of the United States of America, and you need to start throwing those people out of here. That is what you need to do. I do not care with what party they are. It is irrelevant.

These are the same legal scholars who find a constitutional right to abortion, to solicitation, to contributions, to expression, to travel, to privacy, and to a wall of separation between church and state, none of which are mentioned anywhere in the text of that hallowed document. Nowhere. But, oh, they find it. Abortion, where is that in the Constitution?

I do not know if the scholars have read what our founders have said, but somehow I think it is reasonable to accept the premise that those who wrote the Constitution might have known what they were talking about; maybe they knew what they intended; maybe they knew what they intended since they wrote the document.

It is interesting to read some of their words on the second amendment. I am not sure the scholars have read them. If they have, they are not listening. I have read them. Let me quote a few.

The father of the Constitution, James Madison, made absolutely clear what the second amendment means. Mr. Madison declared that the Constitution preserves ''the advantage of being armed[,] which Americans possess over the people of almost every other Nation. . . .''

Thomas Jefferson, who wrote the Declaration of Independence, put it this way. Because of the second amendment, Jefferson proclaimed: ''No free man shall ever be debarred the use of arms.''

Another Founding Father, George Mason of Virginia, upon whose Virginia Bill of Rights the Federal Bill of Rights was based, explained that the second amendment means that the militia shall ''consist now of the whole people, except a few public officials.''

The whole people will now have the right in the case of tyranny to go to their homes and pick up their arms and protect themselves. That is the purpose of the second amendment. It is not about sport shooting. It is not about hunting. It is about protection, the right of a person to protect himself or herself from tyranny, from enemies.

Sadly, the modern day enemies of the second amendment choose to ignore what the founders said. I do not think they chose to ignore it. I think they deliberately ignored it. They knew exactly what they were doing.

They are trampling on the Constitution—it is a design—and the American people are going to sit back until it is too late—not if I have anything to do about it; not as long as I have a voice; and as long as I can stand on the Senate floor I am going to stop it.

Today they are unrelenting in their attacks on the second amendment, and they have a big advantage. They have a huge advantage because they have the major news media solidly on their side.

I am not much on polls, but it would be interesting to take a little poll to find out how many of the news media pack a little sidearm somewhere to protect themselves in their homes. Do you want to take any bets?

More than 6 years ago, I was driving to work, coming in here to Washington. I did not have a gun on my person because I am traveling in Washington, DC, where by law I am not allowed to have one. I did not think it would look good for a Senator to break the law. I do not like that law. I witnessed two people murdered in front of my eyes before the CIA.

When I got back to Washington, the press found out I had witnessed the murder, and the first question was not: Is your son OK? I just dropped him off at school 2 minutes before down the road. Not: How is your son? Is he OK? Is he handling it all right? Not: How are you? Are you OK? No. That was not the first question. That was not the second, either.

The first question was: Have you now changed your position on gun control? I witnessed a murder 20 minutes, 30 minutes before. That was the first question: Well, Senator, you're a conservative Republican, pro-gun. Have you now changed your position on the second amendment? I said: No, I have not. I wish I had had a gun. I might have saved two people from being killed by an individual standing in the middle of a highway with an AK–47 weapon, shooting innocent people in their cars.

Time and time again, the media has asked me the same question about that very incident. The obsessive focus of those questions on gun control demonstrates how much the media is in the back pockets of the anti-gun zealots. And they are. They are working together. Frankly, they are winning, if you want my honest opinion. They won here today. They won again. Time and time again—again and again and again—we trample on the Constitution of the United States of America.

You know what I said to the media? We ought to stop worrying about the terrorist's gun and start worrying about tracking him down, trying him, convicting him, and getting rid of him so he can never do it again. Finally, after several years, he was tracked down. He was convicted. He is now on death row.

The man who committed those murders outside the CIA was an alien terrorist who fled overseas. In thinking about the right to keep and bar arms in international terms, I find a certain irony. We live in a time in which nearly all of the totalitarian communist regimes, which kept all of the guns in the hands of the government and out of the hands of the people they tyrannized, have collapsed—almost all but not all. Yet their utterly discredited philosophy of gun control still finds a great number of sympathizers and supporters in the world's oldest democracy.

Two of my close friends escaped Castro's Cuba in the late 1950s, early 1960s. The first thing Castro did when he took over was go door to door, house to house, literally, confiscating every weapon he could get. Because once he did that, his people were defenseless, and he knew it.

It is interesting: Tyrannical governments taking our guns; Members of the Senate and the media taking our guns. A bitter irony, isn't it?

Seen in the light of the second amendment's wording, and the meaning of that provision of the Constitution, as illuminated by the comments of our Nation's founders, it is clear to me that the gun control amendments to S. 254 that were adopted by the Senate are a serious attack on the second amendment rights of all Americans.

The cloture vote we just took bringing debate on this bill to a close—which is what cloture is—shows where the votes are in the Senate. The Senate has sided with gun control, and they went against the cultural approach.

You are not going to cut down a big tree by snipping the leaves off of it. We are not going to solve this problem with gun control. We are going to solve this problem when we understand here in America that we have some severe cultural and moral problems.

We need to put values back in schools. We need to put God back in

schools. We need to allow kids to have the right to pray and the right to talk about these things with their teachers so their teachers do not have to worry about being fired for giving comfort.

A teacher in, I believe, New York was fired. When her children were agonizing over the fact that one of their classmates had died, and she offered to have them say a little prayer to comfort them, she was fired. The same people who advocated her firing support gun control.

I sought an opportunity to offer an amendment. I wanted to have a vote on H.R. 1501. I was not allowed to get it. All I wanted was a vote. I wanted the House bill. I wanted the Senate to be on record as to whether or not they supported this alternative, H.R. 1501, or this alternative, S. 254.

I stand right here at the desk of Daniel Webster. Webster was in many debates at this desk in the Old Senate Chamber. He was born in New Hampshire and represented New Hampshire in the Congress; and in a moment, I guess, when he wasn't thinking properly he moved to Massachusetts, and he represented Massachusetts in the Senate. But this desk now for evermore belongs to the senior Senator from New Hampshire.

I can imagine what Webster would think and say in the great eloquence that he was able to deliver so many times on the floor of the Senate at this desk. I think about it often. But I can imagine what he might have thought had he been here in this debate this morning, after a vote, with a bunch of rules that nobody put in the Constitution, with us getting a chance to say why it was a bad vote. I wonder what Webster would have said. Those are the rules.

I wonder also what he would have said if he knew we took away part of the second amendment rights of law-abiding American citizens—probably the same thing he would have said if we tried to take the first amendment rights away or any other rights away under the Constitution. He would be appalled.

I am devastated by this vote personally because I have traveled all over America these past 2 years, and I know what is in the hearts of most of the American people out there because I have talked to them one-on-one, literally one-on-one, from California to Maine, to Florida, to Alabama. You name it, I have probably been in the State. And they are disgusted with what we do here. I am a Member of this body. I am not criticizing colleagues, but they get so sick and tired of it, watching the Constitution get trampled on, watching their taxes go up, watching their rights being taken away, watching 35 million of their fellow citizens aborted and murdered.

When we talk about culture, what do we tell the shooters in Columbine and the kids who do these terrible things? We say, go to school today, be good kids, and while you are gone, we will abort your brothers and your sisters—35 million of them since 1973. We just can't continue to do this. It will be business as usual. We will kill another 30 million over the next 25 years. It won't stop.

It is not going to stop, and this isn't going to stop, until the American people understand fully what is happening. When they do, hopefully, they are going to change the Government and get us back to the Constitution of the United States. That is what we swore to uphold, that is what we took the oath to defend, and that is what we ought to do: Defend it and support it. Anything less than that, I don't care if it is the 2nd amendment, the 4th amendment, the 16th amendment, the 22nd amendment, or the body of the Constitution itself, we should defend it all, because that is what we are here for.

It is with great sadness and regret that I have to say to the American people, you lost today. The second amendment today took another hit, and it will continue to take more until we finally realize that enough is enough and we are going to change the people who do this to us time and time again. I hope it happens before it is too late because once we lose the Constitution and respect for it, we lose America.

I had a citizen tell me—I will not mention the name, for obvious reasons—just recently, about a week ago, that he talked to a high-ranking Member in the House of Representatives. I will leave it at that. That high-ranking Member said, in a discussion with that individual: ''The Constitution is nothing but a piece of paper.''

If that is true, there is not much hope. The last hope for America is the American people. It is not the Senate; it is not the House; it is not the White House; it is the American people.

Mr. President, I yield back the remainder of my time.

Mrs. FEINSTEIN addressed the Chair.

The PRESIDING OFFICER (Mr. HUTCHINSON). The Senator from California.

Mrs. FEINSTEIN. Mr. President, I rise to claim time to speak on this bill.

The PRESIDING OFFICER. The Senator may speak up to 1 hour.

Mrs. FEINSTEIN. I thank the Chair.

Mr. President, I rise to offer my support to both the majority and the minority leaders in their ongoing efforts to get the juvenile justice bill to conference. I believe it is about time. I was an original cosponsor of the juvenile justice bill and helped write the gang abatement provisions of that bill. These provisions are really designed to provide a helping Federal hand to State and local governments for those gangs, criminal gangs, who are now crossing State lines and illegally conducting criminal activities in various States all across this great country.

Both Houses of Congress passed this legislation weeks ago. There are a few commonsense measures, targeted and precise, that provide some regulation of firearms in this country. They are not sweeping, they are actually rather small, yet they have become the focus of debate and stopped a good bill from moving further. The issue of the bill has remained essentially in legislative purgatory, and the will of the Congress and the American people has so far been denied.

I will speak for a moment about the few so-called gun pieces that are in this bill. The first is a bill by Senator ASHCROFT in the Senate which essentially says that juveniles can't possess or buy an assault weapon, assault weapons which were created for military use to kill large numbers of people in close combat—that is the purpose of these weapons, clearly. They were not made for civilian defensive purposes. It is a no-brainer to say that juveniles shouldn't be able to buy them or possess them.

Secondly, trigger locks should be put on weapons sold to the American public. We know they can be. We know they are not costly, and we know they will save lives in instances such as the one that happened a few weeks ago, when a youngster 8 years old picked up a gun, playing a war game with a 7-year-old, and shot the 7-year-old, not knowing the gun was loaded. Again, a no-brainer. Why not sell a gun with a trigger lock if it is going to save innocent lives?

Thirdly, we would close certain gun show loopholes. Does anyone in America really believe that a juvenile should be able to go to a gun show and, unidentified, surreptitiously, buy a gun and not even have a background check? I don't think so.

Finally, I authored a piece of legislation which to me was another no-brainer. We have in prior legislation prohibited American manufacturers from making the big banana clips, large ammunition-feeding devices, some of them as large as 250 rounds, which are used in the so-called grievance killings, 9 of which have taken place in high schools all across this great country in recent years.

That is the law of the land. You can't make them domestically. You can't sell those that are made domestically, and you can't possess them, if they were made following the assault weapons legislation which became part of the crime bill in 1994.

There is a loophole. The loophole is that they can be imported to this country. Last year alone, from almost 20 different countries, 11.4 million large-capacity, ammunition-feeding devices, over 50,000 of them of more than 250 rounds, came into this country. The President couldn't stop it by executive order; we had to legislate; and, in fact, we did. Twenty Republicans voted for this. We had 59 votes in the Senate. The chairman of the House Judiciary Committee moved it as an amendment on the floor, which was passed by unanimous consent in the House.

I will talk more about that in a moment because something rather dastardly has happened to it.

At Columbine High School earlier this year, 13 innocent children died from gunshot wounds. We were all horrified. Since that time, dozens, if not hundreds, of other children across this Nation have also died from gunshot wounds. Congress has done nothing to solve the problem, no measures to try to prevent this from happening in the future.

On August 16, the children of Columbine will return to the very school that witnessed one of the worst incidents of gun violence this Nation has ever seen. When they return, they are going to be asking themselves, their parents, their teachers, and even us a lot of questions:

What has been done to make our school safer?

Is it harder for kids to get guns today?

What has Congress done to help us?

And who is really trying to make a difference?

Many of those same children came here from Littleton this month, and they asked us those same questions. I believe their questions went largely unanswered.

The children received assurances from leadership on both sides of the aisle that Congress is working hard to reduce or eliminate future school shootings and that Members of Congress sympathized with them and would do anything they could to help. But as one child from Littleton put it bluntly: ''It is one thing for them to say they sympathize with our pain; it is quite another to look down a gun barrel and think that maybe you are going to die.''

This was from a girl just 17 years old, but a girl forced to grow up very quickly after the events of this past year. This is what the issue is all about—the boys and girls out there who fear for their lives every day because of gun violence.

I have asked fourth graders in California schools what is their greatest fear. Do you know what it is? Getting shot on the way to school.

Yet still we wait and we do nothing.

We spent more than a week in this body debating and voting on dozens of provisions to stem the tide of youth violence in this country, and—as much as some would still refuse to accept it—to curb the flood of guns reaching criminals and children.

This debate isn't all about just controlling guns. I think this debate really has three pertinent parts to it: One, improving parenting. Parents need to spend more time with their children. They need to set limits and they need to see that they are observed. They need to spend a lot of time with the young people. This has become less and less in a world that requires two parents to work. That is one thing—better parenting.

There is a second thing. Youngsters left alone are more often more dependent on media than I was when I was raised. In my younger days, there wasn't even television, believe it or not. Today, media is surrounded by a culture of violence—even video games. So youngsters are much more exposed to violence today than I was when I was growing up in this country.

Third, the Nation is awash in guns. These three things make a very combustible mix, and we need to deal with it.

But still we wait and we do nothing.

The delays have come in many forms, as I have said—political maneuvering, parliamentary tactics, and others. Just recently, in a virtually unprecedented move, anti-gun control forces in the House of Representatives raised a last-minute ''blue slip'' challenge to the amendment I just spoke about, which would stop the importation of these big clips—over 11 million of them last year.

It is my understanding this may have been the first time in history that such a challenge was raised to an amendment under Title 18, the criminal code. The first time in history—but that didn't stop the NRA or its supporters in this Congress.

The clear goal of this amendment, and of the overwhelming majority of Members in both Houses of Congress who voted for it, is to keep those foreign-made, high-capacity ammunition clips off our streets and out of the hands of children and criminals. That is the intent. You can't use them for hunting. They are not good for defensive purposes. They are offensive in their use.

For most people, stopping these big clips from flowing into our country and into the hands of children and criminals is simply common sense. But not for the NRA. They have tried to kill this measure for years. They supported the loophole in the first place. This most recent attempt, the blue slip challenge, popped up at the last minute—after the amendment had passed the Senate, after it had passed the House unanimously, and after we had already waited for weeks for a conference to start the juvenile justice bill.

Essentially, the challenge raised to the bill involves the constitutional prerogatives of the House of Representatives to originate all revenue bills. Several Members of the House argue that because the importation of large-capacity, ammunition-feeding devices creates some revenue for the Treasury, the prohibition of such importation would cost us money, and thus the entire juvenile justice bill becomes a revenue bill. Because no similar measure was in the House bill, it was proclaimed that the Senate had illegally originated a revenue bill. After little debate and much misinformation, the House voted to send the juvenile justice bill back to the Senate so that we could remove the clip provision.

I don't believe such action was warranted, and I would have liked an opportunity to make my case before the vote took place, but there wasn't time. In the end, I had little choice, and I picked up the telephone and called the Speaker of the House of Representatives, who was most gracious. He took my call. He said he did not want to kill the clip ban. He did not believe the House of Representatives—the majority—wanted to kill the clip ban, and he would support its reinstitution. I then called the chairman of the Judiciary Committee, the very distinguished Henry Hyde of Illinois, and he had made the clip ban amendment on the floor, which passed unanimously in separate legislation. He said he was supportive of the clip ban. He said he would move to put it back in conference and that he believed a conference committee that he would appoint on the House side would support its reinstitution into the bill.

Put plainly, we were sideswiped, and we were given no time to recover. But make no mistake, the juvenile justice bill is not a revenue bill, and this challenge, I believe, was simply an attempt to further delay the will of the American people.

I want to explain why I don't believe the clip import ban is a revenue measure, as it is meant by the Constitution, despite what the House Parliamentarian has said. I want to put my views on the record in the hope that this type of cynical maneuver won't happen again in the future.

I am not a constitutional scholar, but to me, this is simple common sense. In my view, the mere fact that a small part of a very large bill may incidentally effect some revenue doesn't make the bill a revenue bill. The Constitution states that all bills for raising revenue shall originate in the House. This has been interpreted to mean all bills affecting revenue, I guess, because although the clip ban does not raise revenue, it does affect revenue in a small way by causing the Treasury to lose the proceeds from a 4.2-percent tariff on ammunition clips that are used in certain types of firearms—I believe, handguns.

I don't believe the intent of this constitutional provision was to prevent the Senate from ever passing a bill that somehow affects revenue. After all, almost everything we do, in some way, affects revenue. We constantly pass bills establishing or eliminating fees. We put new requirements on the executive branch that will clearly lead to increased costs. We establish programs that will bring extra money to the Treasury in ways many people find hard to imagine. Our Founding Fathers wanted the House to originate legislation that raises taxes, and that I understand and concur with. But I don't believe they meant for the House to originate every bill in Congress, which would be the logical extension of the arguments made during this very short debate.

The juvenile justice bill was clearly not a bill for raising revenue, and neither was the clip ban amendment

itself. The juvenile justice bill was a bill to stop crime. The clip ban was an amendment to eliminate large-capacity, ammunition-feeding devices from our streets. Any revenue affect was incidental, and any claim to the contrary is simply mistaken.

In fact, the revenue effect of this bill was so incidental that nobody even realized that tariffs would be lost until a few short weeks ago. Not when the amendment came to the Senate floor and passed. Not when the amendment came to the House floor and passed. Not during the days and weeks that the juvenile justice bills sat on the calendar.

Only when the pressure was finally getting too great—only when the Senate Majority leader and the House Speaker promised conferees that week—only then did this issue come up for the first time, at the very last minute, before a rushed vote.

Mr. President, in at least two Supreme Court cases—U.S. versus Munoz in 1990 and another as far back as 1897—the Court has held that ''revenue bills are those that levy taxes in the strict sense of the word, and are not bills for other purposes which may incidentally create revenue.''

Clearly, Mr. President, the juvenile justice bill is not a bill that levies taxes ''in the strict sense of the word,'' but rather it is precisely the type of bill the Supreme Court agrees is not a revenue bill—one that is, and I quote it again, ''for other purposes which may incidentally'' affect revenue.

Unfortunately, the House of Representatives never had a chance to review those Court cases, because this issue came up so quickly.

In the end, whether or not a Senate bill is a revenue bill boils down to the opinion of a majority of House Members, and those Members have spoken by returning the juvenile justice bill to us for correction. But I firmly believe that if the House had been given an opportunity to study the facts and review the precedent, the outcome would have been different. Instead, the issue was rushed, the debate cut off, and the outcome predetermined.

I can only hope that we have now overcome the remaining hurdles and we can quickly move to conference on these bills, because we are running out of time.

With fewer than 8 legislative days left before the children of Columbine High go back to school, the future of this bill rests squarely with the Republican leadership in both the House and Senate. They have said they want to make progress with our gun laws, and they now have it within their power to do so.

I am encouraged that it now appears that the logjam has been broken, but the inventive and imaginative delays we have faced so far leave me wary of future shenanigans.

The question is, Will those who claim to support reasonable gun control finally put their money where their mouths are, or will they continue to use unprecedented parliamentary maneuvering to avoid the issue and give the NRA its very own Christmas in July?

I, for one, certainly hope that the American people win out, and I thank the majority leader for getting this process moving.

I also would like to extend my thanks to the Speaker of the House of Representatives and the chairman of the Judiciary Committee for their support. Chairman HYDE was very supportive of the assault weapons legislation, which was moved as an amendment to the crime bill in 1994, and his integrity has remained strong and unchallenged in that regard.

That is the one confidence that I have that this clip ban has a chance to fly once again. That rests on the integrity of the chairman of the Judiciary Committee, which I believe is unblemished, and also on the Speaker of the House of Representatives, both of whom have given me their firm assurances.

I thank the Chair. I yield the floor.

Mr. LEAHY. Mr. President, today we have another opportunity to proceed to conference on the Hatch-Leahy juvenile justice bill. Or today we can be delayed, again, by those who prefer no action and no conference to moving forward on the issues of juvenile violence and crime.

I came to the floor this Monday and last Wednesday to demonstrate the seriousness with which Senate Democrats take the matters included in S. 254, the Hatch-Leahy juvenile justice bill.

On Monday the majority leader was able to vitiate the cloture vote that had been scheduled and proceed to take up the House juvenile justice bill, H.R. 1501. He then offered amendment number 1344 to insert the text of S. 254, the Hatch-Leahy juvenile justice bill that passed the Senate after two weeks of open debate and after significant improvements on May 20, by a strong bipartisan vote of 73–25. In so doing, he struck Title VII of the Senate bill, which contained the amendment on the import ban for high capacity ammunition clips.

It was this provision that the House used to justify its decision to return S. 254 to the Senate on the ground that it contains what they consider a ''revenue provision'' that did not originate in the House. This, too, is consistent with the unanimous consent request that I first propounded last Wednesday and that the Majority Leader sought last Thursday.

I trust that once we obtain cloture on substituting the Senate bill for the House text, which is standard practice before seeking a conference, that the Majority Leader will move to instruct the conferees to reinsert the language that has been omitted from the Senate text to cure the technical objection of the House. That, too, would be consistent with the unanimous consents previously sought.

We will then be in position to have the Senate request the long-delayed conference and appoint its conferees.

One week ago, I took the extraordinary step of propounding a unanimous consent request to move the Senate to a House-Senate conference. I talked to the Majority Leader and the Chairman of the Judiciary Committee in advance of making the unanimous consent request. I noted the history of this measure and the need to move to conference expeditiously if we are to have these programs in place before school resumes in the fall in the course of my colloquy with the Majority Leader last week.

Two weeks ago, Republican leaders of the House and Senate were talking about appointing conferees by the end of that week. Instead, they took no action to move us toward a House-Senate conference but, instead, were moving us away from one. By propounding the unanimous consent last week, I was trying on behalf of congressional Democrats, to break the logjam. The unanimous consent would have cured the procedural technicality and would have resulted in the Senate requesting a conference and appointing conferees without further delay.

While I regret that Republican objection was made to my request last Wednesday, I thank the majority leader for the steps he is taking. Senate Democrats have been ready to go to conference. Unfortunately, objection from the other side of the aisle has extended the normal process from literally seconds into days and possibly weeks before we can conference this important matter.

Today, the Senate takes the second step outlined in my unanimous request, moving toward substituting the Senate bill for the text sent to us by the House. Senators can cooperate in taking the additional steps outlined in my consent request to get to a conference and the Senate could proceed to appoint its conferees and request a conference without further delay, even today.

Alternatively, Senators can exercise their procedural rights to obstruct each step of the way and require a series of cloture petitions and votes. I hope that in the interests of school safety and enacting the many worthwhile programs in the Hatch-Leahy juvenile justice bill, they will begin to cooperate. The delay is costing us valuable time to get this juvenile justice legislation enacted before school resumes this fall.

I spoke to the Senate before the July 4th recess about the need to press forward without delay on this bill. I regret that it is beginning to look like I will be repeating that speech again as we approach the August recess and maybe even into September.

I have contrasted the inaction on the juvenile justice bill with the swift movement on providing special legal protections to certain business interests. In just a few months, big business

successfully lobbied for the passage of legislation to protect themselves against any accountability for actions or losses their products may cause to consumers. This week the Senate is moving rather briskly on corporate welfare and other proposals.

Some on the other side of the aisle are dragging their feet and now actively obstructing the House and Senate from moving to appoint conferees on the juvenile justice bill that can make a difference in the lives of our children and families. New programs and protections for school children could be in place when school resumes this fall. The Hatch-Leahy juvenile justice bill is a firm and significant step in the right direction. The passage of this bill shows that when this body rolls up its sleeves and gets to work, we can make significant progress. But that progress will amount to naught if the House and Senate do not conference and proceed to final passage on a good bill.

Every parent, teacher and student in this country is concerned this summer about school violence over the last two years and worried about the situation they will confront this fall. Each one of us wants to do something to stop this violence. There is no single cause and no single legislative solution that will cure the ill of youth violence in our schools or in our streets. But we have an opportunity before us to do our part. It is unfortunate that the Senate is not moving full speed ahead to seize this opportunity to act on balanced, effective juvenile justice legislation.

I want to be assured that after the hard work we all put into crafting a good juvenile justice bill, that we can go to a House-Senate conference that is fair, full, and productive. We have worked too hard in the Senate for a strong bipartisan juvenile justice bill to simply shrug our shoulders when a narrow minority in the Senate would rather we do nothing. I urge all Senators to work to make today the day that we finally can request the overdue House-Senate conference on the Hatch-Leahy juvenile justice bill.

Mr. HATCH. Mr. President, I hope and expect that cloture will be invoked shortly. It is my understanding that we will then proceed to the appointment of conferees for the juvenile crime bill, which is something I have been working on with the majority leader for some time. I commend the leader for his commitment to this bill, and I thank my colleague from New Hampshire for allowing the Senate to work its will.

I appreciate the arguments my colleagues have made and agree with much of what they said. But, in the end, the Senate and House have passed different juvenile crime bills, and it is a conference committee's task to reconcile those differences. It will be a difficult challenge since the Senate has an obligation to advocate for its position. Yet—at the same time—we must recognize that the House passed a bill which contains different cultural reform proposals, less spending, and no gun control provisions. In fact, the House defeated a separate gun control bill.

We must do our best to reconcile these bills. In the end, I hope and trust that this conference committee will produce a vehicle that the House, the Senate, and the President can support. If, however, some in positions of leadership and responsibility are unwilling to search for common ground and are content to simply politicize this issue, the change to do something meaningful for our Nation's children may slip through our hands. I hope that does not happen and I hope that we can come together for the sake of our children.

I want to say yet again that this is one of the most important bills that Congress will consider this year. The Judiciary Committee has worked on juvenile crime legislation for more than two years. The committee marked up the predecessor to S. 254 for nearly two months last Congress. And as you are aware, the Senate spend 2 full weeks this spring debating S. 254.

In 1997, juveniles accounted for nearly one-fifth of all criminal arrests in the United States. Juveniles committed 13.5 percent of all murders, more than 17 percent of all rapes, nearly 30 percent of all robberies, and 50 percent of all arsons. In particular, schools are becoming more and more dangerous. Fifteen percent of students have reported being victimized at school. Additionally, more than half of the Nation's public schools have reported that a crime had been committed on the premises.

Sadly, the killings at Columbine High School last Spring are not an isolated event. Similar shootings have occurred in recent years at schools in Pearl, Mississippi, which left two dead, West Paducah, Kentucky, which left three dead, Jonesboro, Arkansas, which left five dead, Edinboro, Pennsylvania, which left one dead, and Springfield, Oregon, which left two dead.

S. 254 provides an infusion of funds to state and local authorities to combat juvenile crime and youth violence. While juvenile crime is largely a state and local issue, the federal government can play a valuable role in assisting the States fight juvenile crime and violence through flexible block grants. S. 254 provides $1 billion a year to the States to fight juvenile crime and prevent juvenile delinquency. Specifically, S. 254 includes a $450 million juvenile accountability incentive block grant to the States. States can use this grant to implement graduated sentencing sanctions; build detention facilities for juvenile offenders; drug test juvenile offenders upon arrest; and require juvenile offenders to complete school or vocational training, among other reforms. S. 254 also includes the ''juvenile Brady'' provision, which prohibits the possession of a firearm by persons who commit a violent felony as a juvenile and $75 million annually to help States upgrade juvenile felony records and provide school officials access to such juvenile felony records in appropriate circumstances. In addition, S. 254 provides more than $500 million annually to the States for prevention programs, some of which are specifically targeted toward gangs in schools, and it extends the Violent Crime Reduction Trust Fund through 2005 to ensure adequate funding of administration of justice programs.

In closing, I hope that we can proceed to the appointment of conferees. This will give us the opportunity to accomplish a great deal over the August recess, and I believe that it will allow us to approve a conference report the week after Labor Day. It would be fitting for Congress to wrap up this historic juvenile crime legislation when America's children are returning to school from the summer recess.

Mr. LOTT. Mr. President, I ask unanimous consent that the pending amendment be agreed to, the remaining amendments be withdrawn, the bill be advanced to third reading and passage occur, all without intervening action or debate.

I further ask consent that the Senate insist on its amendment, request a conference with the House, the conferees be instructed to include the above described amendment No. 343 in the conference report, and the Chair be authorized to appoint conferees on the part of the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Amendment (No. 1344) was agreed to.

The Amendment (Nos. 1345, 1346, 1347, and 1348) were withdrawn.

The Amendment was ordered to be engrossed and the bill to be read a third time.

The bill (H.R. 1501), as amended, was read the third time and passed.

(The text of the amendment No. 1344 was printed in the RECORD of Monday, July 26, 1999.)

The Presiding Officer (Mr. HUTCHINSON) appointed Mr. HATCH, Mr. THURMOND, Mr. SESSIONS, Mr. LEAHY, and Mr. KENNEDY conferees on the part of the Senate.

Mr. LOTT. Before I go to the next unanimous consent request, I again express my appreciation for the patience and for the cooperation of Senator SMITH in working through this process.

Personally, I believe very strongly that we need to have a good juvenile justice bill, which includes a lot of very important provisions with regard to how we try juveniles who commit crime, how we incarcerate them, how we deal with school security, including metal detectors. It also has programs included for alcohol and drug abuse, and it has some values provisions in it.

The House has passed a good bill which did not include the gun provisions. I hope this will be a juvenile justice bill when it comes back from conference.

I do think the right thing to do is to go to conference. I appreciate cooperation in making that happen.

DEPARTMENT OF DEFENSE APPROPRIATIONS, 2000

The PRESIDING OFFICER. Under the order of the Senate of June 8, 1999, the Senate, having received H.R. 2561, will proceed to the bill. All after the enacting clause is stricken and the text of S. 1122 is inserted. H.R. 2561 is read a third time and passed. The Senate insists on its amendment, and requests a conference with the House, and the Chair appoints Mr. STEVENS, Mr. COCHRAN, Mr. SPECTER, Mr. DOMENICI, Mr. BOND, Mr. MCCONNELL, Mr. SHELBY, Mr. GREGG, Mrs. HUTCHISON, Mr. INOUYE, Mr. HOLLINGS, Mr. BYRD, Mr. LEAHY, Mr. LAUTENBERG, Mr. HARKIN, Mr. DORGAN, and Mr. DURBIN conferees on the part of the Senate.

TAXPAYER REFUND ACT OF 1999

Mr. LOTT. I ask unanimous consent the Senate begin consideration of the reconciliation bill, which is the Tax Relief Act, and that the first 3 hours of debate be equally divided in the usual form for purposes of opening statements only.

The PRESIDING OFFICER. The clerk will report the bill by title.

The legislative assistant read as follows:

A bill (S. 1429) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000.

There being no objection, the Senate proceeded to consider the bill.

Mr. ROTH. Mr. President, I yield myself 30 minutes.

Mr. President, I don't think there is any parent who hasn't had the experience of sending a child into a store with a $20 bill to buy a carton of milk, a loaf of bread, or perhaps a dozen eggs, and the child returns with the few essentials. In a demonstration of maturity and responsibility, the child returns the change to his or her parent. There is no question who the change belongs to. After all, the parent earned the money; it is needed to support the family; the family will certainly have important uses for it later. The child understands this. So does the parent. Most often, the change is returned to the household budget to take care of other important needs.

Washington needs to demonstrate the same responsibility when it comes to determining what to do with the change that is left over from running the government. There are surplus revenues in the Treasury. As with a child emerging from the grocery store, there is change—big change—left over after Congress has met the necessities of running government.

In trying to balance the budget in 1997, Congress miscalculated the revenues that would be generated by the economy. At the same time, the hard work, the thrift, investment, and risk-taking of Americans combined to create an unexpected windfall of revenue. Now the question Washington seems to be grappling with concerns who rightly deserves the windfall. It is a question any parent or child can answer. American families, those who created the wealth in the first place, those who need their precious resources to meet future basic needs at home, are rightly entitled to the revenues they have earned, revenues Washington did not plan for to meet the expense of government, from which Washington had budgeted.

Now, as the child returning change for the $20, we must hand back the money. We must do it in a broad-based way that is fair to those who provided the funds to Washington in the first place. We must do it through broad-based tax relief that helps individuals and families at all income levels meet real needs.

The broad-based tax relief plan that passed out of the Finance Committee with bipartisan support will do just that. It will benefit nearly every working American. It will help restore equity to the Tax Code and provide American families with the resources they need to meet pressing concerns. It will help individuals and families save for self-reliance and retirement. It will help parents prepare for educational costs. It will give the self-employed and underinsured the boost they need to pay for health insurance. It will begin to restore fairness to the Tax Code by eliminating the marriage tax penalty.

Let me state exactly how the plan works and why it has received bipartisan support. This tax cut package will provide broad relief by reducing the 15-percent tax bracket that serves as the baseline for all taxpayers to 14 percent. In other words, no matter which tax bracket a family may be in, by cutting the 15-percent bracket, everyone will benefit as they will pay 14 percent on their first portion of taxable income. At the same time, this plan expands the 14 percent bracket, dropping millions of Americans who are now paying taxes at 28 percent down to the lower bracket.

For a middle-income family of four, these two changes will mean a tax savings of over $450 a year. And these provisions have already found bipartisan support.

To restore equity to the Tax Code, this plan targets another bipartisan objective by eliminating the marriage tax penalty. For too long, husbands and wives who have worked and paid taxes have been penalized by their dual incomes. I have heard of some couples who have actually chosen not to marry because of the tax penalties their marriage would incur.

This plan will fix that by giving working married couples the option of filing combined returns, using separate schedules to take advantage of the single filer tax rates and the single filer standard deduction.

This is a change that is long overdue. American families have been suffering under the unfair burden of the marriage tax penalty for too long. A simple example shows us why:

Robert and Diane are two single Americans who have fallen in love and want to marry. They are not considered wealthy. In fact, Robert is a hard-working foreman at an auto factory. Susan, his fiancee, is an experienced nurse. Each makes roughly $50,000 a year. Now, under current law—when the file their separate tax returns—they each take a personal exemption and the standard deduction, giving them a taxable income of $43,000. After applying the tax rates for singles, they each owe tax of about $8,745.

If, however, Robert and Diane follow their hearts—get married and start a family—they realize that their total combined income would be $100,000. Should they marry, they would no longer be considered middle-class individuals, but many would regard them as a wealthy family, and under current law their combined income would be reduced by their two personal exemptions and by the standard deduction for married couples.

And here is where they would hit their first marriage penalty problem, discovering that their new standard deduction is significantly less than the combination of the two standard deductions they receive as singles.

But the marriage penalty does not end there. In fact, it gets worse. With their combined income, Robert and Diane—now considered by many to be wealthy—would have a taxable income of $87,400. This is where they would hit their second marriage penalty problem.

The lowest tax rate bracket for married couples is less than twice as wide as the lowest tax rate bracket for singles. In other words, more of their income would now be taxable at higher rates. The result would be a total tax bill of $18,967, almost $1,500 more than they would have paid as singles. That steep increase would come at a time when they could least afford it, a time when just starting out as a married couple they would be looking to buy a home, raise a family, and save for education.

The legislation we introduce today—this broad-based tax relief—completely eliminates the marriage penalty for Robert and Diane. The Senate Finance Committee bill will allow Robert and Diane to file a joint return, but to calculate their tax liability as if they had remained single. They would each get the benefit of the more generous standard deduction and of the more generous rate brackets. Under this new approach, they would pay a total tax of $17,490 which is the combination of what they had each paid before. This saves them almost $1,500.

But in restoring equity to the tax code, we do not stop with the marriage penalty. Another important measure contained in this broad-based tax relief plan is the elimination of the alternative minimum tax for middle-income families—families like David and Margaret Klaassen. Most of us know their

story. The Tenth Circuit recently affirmed that under the current law, the Klaassens are required to pay the alternative minimum tax despite the fact that it may not have been Congress' intent to impact families like the Klaassens when Congress passed the AMT.

David and Margaret Klaassen are the parents of 10 dependent children. They had an adjusted gross income of $83,000 and roughly $19,000 of itemized deductions relating to state and local taxes, medical expenses, interest, and charitable contributions. Their reported adjusted gross income was $63,500, and with 12 personal exemptions their taxable income was $34,000, resulting in regular tax of $5,100.

That would seem fair. And the Klaassens paid the bill. However, the IRS flagged the return and determined that the family was liable for the alternative minimum tax, a provision in the code that was passed to make sure that wealthy individuals and families do not escape at least some liability through tax shelters and other tools they might use to minimize their liability. The IRS determined an AMT deficiency of $1,100. For AMT purposes, the Klaassens were disallowed a $3,300 deduction for State and local taxes.

In addition, $2,100 in medical expenses were disallowed because of the 10-percent floor for AMT purposes. And finally, the Klaassens' entire $29,000 deduction for personal exemptions was disallowed because of the AMT. These adjustments resulted in alternative minimum taxable income of $68,000—twice the taxable income that the Klaassens had without the AMT.

This simply is not fair. It is not what Congress intended. The Finance Committee bill will help return fairness to the tax code by allowing families to receive the full benefits from their personal exemptions. This will also restore taxpayers' ability to receive their $500 per child tax credits, and other benefits that were intended to be available to middle-income families.

These are changes that are long overdue. Again, they have strong bipartisan support. But our broad-based Taxpayer Refund Act of 1999 does so much more.

This plan will also help individuals and families find self-reliance and security in retirement through expanded individual retirement accounts, as well as through enhanced 401(k) plans, 403(b) plans and 457 plans. These are critical programs—programs that along with Social Security and personal savings help individuals prepare for their golden years.

For savings through the workplace, there are 401(k) plans, 403(b) plans and 457 plans, each of which can be sponsored by different types of employers. For individual savings, there is either the traditional IRA or the Roth IRA. And all these different savings vehicles have different limits on how much individuals can save. However, our current system can do more, and the limitations that we placed on retirement savings in times of budgetary restraints should be reexamined in light of the current surplus. For example, the IRA contribution limit has not changed since 1982.

Had it simply been indexed for inflation, it would be almost $5,000 today. What an opportunity that would present middle-class families to prepare for their futures. And that's exactly who benefits from IRAs—middle- and lower-income Americans.

Fifty-two percent of all IRA owners earn less than $50,000. This same group makes about 65 percent of all IRA contributions, and right now they are limited by the $2,000 cap on contributions. IRS statistics also show that the average contribution level in 1993 for people with less than $20,000 in income was $1,500.

Clearly, if the average contribution of modest-income taxpayers is $1,500, this demonstrates that many of these Americans want to make contributions of more than the $2,000 limit. This tax relief bill will incrementally increase the amount that people can contribute to IRAs from $2,000 to $5,000.

In the area of employer-provided savings vehicles, the current maximum pre-tax contribution to a 401(k) plan or a 403(b) annuity is $10,000.

In addition, the maximum contribution to a 457(b) plan is $8,000. Finally, the maximum contribution to a SIMPLE plan is $6,000. These limits are indexed for cost-of-living increases.

There has traditionally been a differential in contribution limits among the various types of plans: IRAs having the lowest limits; SIMPLE plans having a greater limit, but not as much as a 401(k) plan; and 401(k) and 403(b) plans having the highest limits, but the greatest number of regulations.

Since the IRA limit will be raised to $5,000, the bill will increase limits for 401(k) and 403(b) plans to $15,000 and for SIMPLE plans to $10,000; thereby continuing the differential. The limit for 457(b) plans for government employees will increase to $10,000.

There is no question, with rising concerns about security and self-reliance in retirement, that these changes are needed. They will go a long way toward helping individuals and families achieve their economic goals. But the benefits this legislation has for retirement planning do not stop here.

There are other provisions that will add new retirement vehicles, provide greater ability to transfer retirement savings between plans, promote retirement plans for small businesses, and simplify the retirement plan system for both employers and employees.

One provision will allow employees 50 years old or older to make catch-up contributions to their retirement plans. This will be most important for women, benefiting those who may have started their retirement savings late or who may have taken time off to raise children.

Whatever the reason, once these individuals have reached 50, they will be eligible to make additional contributions to their retirement plans that are equal to 50 percent of their plans' maximum allowable contribution. In other words, their total annual contribution could be 150 percent of the normal contribution.

Beyond restoring equity to the tax code and helping Americans prepare for retirement, the Taxpayer Refund Act of 1999 will also help individuals and families gain access to health care—particularly those who are self-employed, or who are not covered by their employers—this legislation will enhance the tax deductibility of health insurance. It does this by accelerating the full deductibility for health insurance for the self-employed and by providing the same benefit on a phased-in basis to employees who are not covered by their employers.

In detail, the Taxpayer Refund Act of 1999 will provide an above-the-line deduction for health insurance and for long-term care for which the taxpayer pays at least 50 percent of the premium. It will allow long-term care insurance to be offered in cafeteria plans and provide an additional dependency deduction to caretakers of elderly family members. To benefit small businesses, this legislation will accelerate the 100 percent deduction for health insurance of self-employed individuals beginning in 2000.

To help make education more affordable for families and students, the Taxpayer Refund Act of 1999 strengthens educational savings opportunities by making college tuition plans tax-free. In other words, families—including grandparents, aunts, and uncles—can invest their after-tax income into a child's educational future. And when that money is used by the child, it will be tax-free on buildup and withdrawal.

This legislation also increases student loan interest deduction income limits for single taxpayers by $10,000 and adjusts the beginning income limits for married couples filing joint returns to twice that of a single taxpayer. Beyond these important changes, this tax relief plan promotes education by making deductions for employer provided assistance permanent, and by allowing employer assistance to be used for graduate-level courses.

Again, these are necessary changes—changes that will help families meet their priorities.

Another important component of this tax relief package involves its treatment of estate and gift taxes. Here, our objective is to protect families, farmers, and small business men and women who have worked their whole lives to build a future for their posterity. Members of the Senate Finance Committee can recall the heartrending testimony of Lee Ann Goddard Ferris whose 71-year-old father died in a tragic farming accident in Lost River Valley, Idaho. For more than 60 years, her family had worked the land.

They owned over 2,600 acres—2,600 acres that had been purchased through

decades of toil. In Lee Ann's own words, ''My father's death was the most devastating event that any of us has ever gone through. The second most devastating event was sitting down with our estate attorney after his death. I'll never forget his words. The estate attorney said, 'There is no way you can keep this place, absolutely no way.' ''

Still suffering from her father's accidental death, Lee Ann couldn't believe what she was hearing. ''How can this be?'' she asked. ''We own this land. We have no debt! We just lost my father, and now we are going to lose the ranch?'' According to Lee Ann, ''Our attorney proceeded to pencil out the estate taxes . . . and we all sat in total shock.''

Where is the fairness, Mr. President? Here a family works for more than half a century to build a ranch, only to hear that estate taxes would rob them of their legacy, their heritage, their home.

''This tax situation has put a tremendous strain on my mother,'' Lee Ann testified. ''Mother worries constantly and has had many sleepless nights. I don't know if any of you could ever imagine how hard it has been on her. She doesn't have her husband anymore. She worked hard her whole life and gave up a lot of material things to put her after-tax dollars back into the land to pay it off. Now, unless this tax law is changed or abolished, she will have to leave her home, which she loves, and our family will not have a base from which to carry on.''

With this legislation, Congress will do something to protect these families. The Taxpayer Refund Act of 1999 turns the unified estate tax credit into a true exemption, and it increases the exemption from $1 million to $1.5 million. This legislation also significantly reduces the actual estate tax rate, and it increases the annual gift tax exclusion from $10,000 to $20,000 by the year 2006.

Each of the measures I have outlined as part of the Taxpayer Refund Act of 1999 is vitally important to the well-being of all families; each is a key component of this tax relief package. Again, our purpose is to be broad-based—to provide the most meaningful tax relief possible—to do it in a way that families can meet their individual needs—and to present a plan that can receive strong bipartisan support.

With this major tax relief package—$792 billion over 10 years—we meet all of these criteria. And, in the process, we leave over $500 billion to meet pressing concerns here in Washington, such as preserving and strengthening Medicare.

We are able to do all this and to keep the budget balanced for a simple reason: the work, the investment, and the job creation achieved by Americans everywhere have succeeded in creating long-term economic growth.

It is not right that the reward for this success is that today our taxes are the highest percent of our gross national product than at any other time in postwar history. These same Americans—the authors of this success story—are rightful heirs to the wealth they are creating. After paying for the Government programs for which Congress has planned and budgeted, the change must now be returned to the taxpayer.

This legislation not only returns the change by cutting taxes, it increases access to healthcare; it makes education more affordable; it helps taxpayers prepare for self-reliance and retirement; it keeps their home, farm, and family business safe from death taxes. These are objectives that are shared by everyone. They are objectives that can be embraced by Senators and Congressmen on both sides of the political aisle. They are objectives that can be made realities by being passed into law.

Mr. President, I reserve the remainder of my time.

I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER (Mr. BURNS). The Senator from New York.

Mr. MOYNIHAN. First, I congratulate our revered chairman, Senator ROTH, for the manner in which he has presented the Taxpayer Refund Act of 1999, for the manner in which he brought our committee together in consultation and deliberation, and who, indeed, produced a measure which was bipartisan. It has many elements which would commend our support across the aisle—certainly mine. But it is not to that issue that I will speak today, but to the question of the doctrine.

I would like to put this debate in a doctrinal perspective, which is to say, the development in the 1960s which holds that the only way to restrain the growth of Government is to deliberately create a protracted fiscal crisis.

This begins, of course, with a view of Government that is so very different from what traditional conservatism would hold. It is a new and radical idea. I will discuss how it emerged.

But first I will cite an article from this morning's New York Times op-ed page by Gertrude Himmelfarb, one of our preeminent historians and an avowed conservative. She writes so much of what goes on. She says:

> In their eagerness to do away with the nanny state, some conservatives risk belittling, even delegitimizing, the state itself. A delicate balancing act is required: to dismantle or diminish the welfare state while retaining a healthy respect for the state itself. For good government is the precondition of civil society, providing a safe space within which individuals, families, communities, churches and voluntary associations can effectively function.

But, as I say, the debate on this tax bill is not just a debate about tax policy; for it is far less a debate on taxes than a debate on economic and budget policy and the large understanding of the role of Government in our society, the role of Government in an advanced market economy.

At the outset of this debate, we should be mindful of some painful mistakes we have made in the not too distant past and which we evidently mean to repeat.

In August of 1993, just 6 years ago, we began to correct a colossal budget mistake. The President signed into law a deficit reduction act without precedent in size that dramatically changed the budget outlook—turning deficits of $290 billion a year, as far as the eye could see—to anticipate my friend David Stockman—into the surpluses we now project of $200 billion and more—surpluses on budget—leaving aside the Social Security revenue stream.

At the time of its passage, it was estimated that the 1993 legislation, the Omnibus Budget Reconciliation Act of 1993, would reduce the deficit by $505 billion over the 5 years, 1994 through 1998.

The Office of Management and Budget, in its fiscal year 2000 edition of ''Analytical Perspectives,'' estimated that the total deficit reduction has been more than twice this. I quote: ''The total deficit reduction has been more than twice this—$1.2 trillion.''

That suggests the extraordinary quality of that moment when we stood on this floor and waited for the final vote that would allow the Vice President to cast the determining vote, 51–50. The act was passed without one Member of the Republican Party of either House of the Congress.

In 1997, we had a more bipartisan effort in the Balanced Budget Act of 1997. Again, we see larger revenue benefits than were originally anticipated.

As for the fiscal year that ends this September, the OMB projects a budget surplus of $99 billion and the Congressional Budget Office projects a surplus of $120 billion. With the end of the fiscal year just 2 months away, we can expect, with great confidence, a budget surplus for the second consecutive year.

What explains this huge gap, this pleasant surprise between budget expectations and outcomes in recent years? As is often the case in economic analysis, there are interrelated factors which cannot always easily be disentangled but which provide clues.

To begin with, we appear to be in what has been described by our now-Secretary of the Treasury, Lawrence Summers, at his confirmation hearing as a ''virtuous cycle.'' I put a question to him, and he responded:

> Senator, I think it very important that, as you suggest, we do reduce the national debt by the full amount of the Social Security surpluses, which would continue this virtuous cycle by reducing interest rates, which makes possible more growth, which makes more tax collections, which makes larger surpluses, which makes lower debt, which reduces interest rates, which starts the cycle going again. That is an enormously important process.

The Honorable Robert Rubin, who was Mr. Summers' distinguished predecessor, often spoke of a term which is not in ordinary usage, but it is a term

known by Secretaries of State and by persons who deal in securities, in markets. Mr. Rubin would use the term the ''risk premium on interest rates.'' That is to say, the extra charge if a person is lending money, if they are not certain of the fiscal stability of the Federal Government, in this case, and, thence, of the economy at large.

It was, first of all, this risk premium that we broke in 1993, the fear that down the line, if these deficits of $290 billion in the previous year went on and on—the debt had quadrupled over the previous twelve years—that the day would come, again, to use an economist's term, when we would ''monetize'' the debt through inflation. We would get rid of it by wiping out the value of the dollar. That is that premium, that risk premium on interest rates.

We began to see this effect. I was here on the Senate floor on February 10, 1995. I remarked:

> . . . the economy performed better than expected, in part, because Congress adopted a credible deficit reduction plan. In part, also, because, as Secretary of the Treasury Rubin remarked to the Finance Committee this Wednesday [that is, Wednesday, February 8, 1995], the deficit reduction program squeezed the risk premium on interest rates out of real long-term interest rates. If financial markets do not believe the deficit is under control, they will levy a risk premium on capital lending. In 1993 and 1994, we clearly persuaded the markets that we were finally serious.

From a slightly different perspective, the Congressional Budget Office also took note of the importance of reducing interest costs. For most of the post-World War II period, interest costs have been the second or third largest item in the budget, behind Social Security and national defense.

In commenting on this, the CBO said, of the effects of that 1993 legislation:

> Remarkably, the biggest single change lies in . . . interest—now projected at 3.3 percent of GDP in 2003 compared with 4.5 in the earlier report, a testimonial to the efforts to rein-in the debt's growth [which had taken place].

For the record, CBO, in its latest budget update issued earlier this month, now projects interest costs at just 1.7 percent of GDP in the year 2003, a reduction by half from its September 1993 projection when we had just passed that legislation of that year.

Outlays for net interest peaked at $251 billion 2 fiscal years ago. They are now projected to decrease to $222 billion, and if we can just keep from squandering the surplus, we will repay the debt incurred in those years and that interest cost will again go down, almost to disappear.

Now, I do not mean to suggest that the budget outlook is solely due to changes in budget policies. Factors other than deficit reduction are at work, making for a strong, sustained economic expansion. The economy brings higher receipts and lower outlays for unemployment and other such programs that automatically expand in a recession.

Last week, in testimony before the House Committee on Banking and Financial Services, Alan Greenspan, our world-renowned Chairman of the Board of Governors at the Federal Reserve, provided some insights into what is sustaining this period of remarkable growth. Observing the absence of production bottlenecks, shortages, and price pressures that inevitably occur in an expanding economy, he noted a number of the possible explanations for the good fortunes involved; notably, just-in-time inventories and such like; but they have come about fortuitously at a time when the deficit was under control, deficits were declining, and the prospects were much better all around.

The question is, Can we not keep this? Can we not sustain the extraordinary economic expansion on which we have embarked?

Unemployment is now at 4.3 percent. May I say, as someone who in the Kennedy administration was Assistant Secretary of Labor for Policy Planning, we would have said, sir, that a 4.3-percent unemployment rate was unsustainable. It would lead to an outbreak of inflation. Yet here we have it, 4.3 percent, real economic growth at 4 percent. We are in the ninth year of an expansion, and we have no inflation. This is something that is going to require that the economic textbooks be rewritten. But we have done it, and a lot of it comes about from what we did on the Senate floor in August of 1993 and which our great hope on this side of the aisle is that we not undo in this short time that has passed.

Alan Greenspan, in that testimony, was very clear. He said tax cuts are to be reserved for recessions. That will be the most effective means we can have to regenerate the economy and keep the long-term growth path moving high.

The New York Times editorialized this past Sunday, on the Oracle of the Fed:

> Mr. Greenspan is treated reverently on Capitol Hill, but it appears that the Republicans do not want to heed his advice to run a surplus and pay down the national debt, while saving a tax cut for when it is needed.

How come this sudden resurgence just now, when it would seem so clear that a quite opposite policy has had such very desirable effects? Well, sir, I go back, as I said I would earlier, to matters of political doctrine.

We don't talk much of doctrine on the Senate floor, but there are times for it. In 1995, for example, we debated a constitutional amendment requiring a balanced budget. I presented a series of papers in which I tried to describe the idea of ''starving the beast,'' as the term was; that is to say, depriving the Federal Government of the revenues needed, putting it simply, to govern.

The argument is quite simple. It goes back to the 1970s when a number of theorists on the conservative wing of the Republican Party determined that it was not going to be possible for the Federal Government ever to be controlled in its size as long as it had the revenues to sustain, or even to increase, that size. And so it came about that a policy doctrine developed which argued that deficits, if sizable enough, had acquired a new utility—deficits that had presumably been the horror of conservative financial thought now became something attractive because they could be used to reduce the size of Government itself.

E.J. Dionne, Jr., in an op-ed article in yesterday's Washington Post, clearly recognizes this idea is still afoot. He writes:

> The long-term goal, about which Republican leaders are candid, is to put Government in a fiscal straitjacket for years to come.

In fairness, I think this is more to be encountered on the House side than in this body, but it still would be the cumulative effect, in fact, of the tax cuts that have been proposed in both bodies.

I can remember the onset of this. In the late 1970s, it was clear. One could write about it, and one did. Then came the administration of President Reagan in which, in effect, the policies were carried out—or they began to be carried out. In a television address, 16 days before his inauguration, President Reagan said:

> There will always be those who tell us that taxes could not be cut until spending was reduced. Well, you know, we can lecture our children about extravagance until we run out of voice or breath, or we can cut their extravagance by simply reducing their allowance.

There you have President Reagan in his most agreeable and heart-warming quality. He thought this could be done because he thought there would, in fact, be reductions in Government. There were none. Moreover, very shortly, his economic advisers realized the economic analysis they had used to project revenue increases from tax reductions weren't going to work, and they faced a prospect of deficits of, as David Stockman once said, ''$200 billion as far as the eye can see.''

Haynes Johnson, in his superb book, ''Sleepwalking Through History: America Through the Reagan Years,'' writes:

> The Reagan team [not the President] saw the implicit failure of supply side theory as an opportunity, not a problem.

Now, this we have to absorb. They saw the failure of supply side theory—which said that the more you cut taxes, the higher the revenues will be—as an opportunity, not a problem. The secret solution was to let the Federal budget deficits rise, thus leaving Congress no alternative but to cut domestic programs. But in the end, they were not cut. Some grew. There was a view, and certainly a respectable one, that defense had to be increased. We now, incidentally, suggest there be a 20-percent reduction in defense spending over the next 10 years.

The Reagan administration increased defense spending, and they had a perfectly good argument for doing that—

but not simultaneously with huge tax cuts. There, very shortly thereafter, had to be tax increases. But the course was set for the 1980s and the deficit doubled, from under a trillion dollars to about $3.7 trillion now in publicly held debt. So I rise again to say, as I have done before, that what we did in 1981 with that tax cut—for which I voted because the Office of Management and Budget, seeing our huge inflation continuing, projected surpluses in the future—was so ruinously wrong. We now have a debt that will level off at about $6 trillion, while the debt held by the public will fall by $2 trillion, or more, depending on the size of this tax cut.

The other important reason, which I will close on, is that the 1997 balanced budget amendment left us with what the Washington Post this morning calls an ''accounting illusion,'' that we can reduce the spending on domestic programs by 20 percent in real terms over the next 10 years. The illusion is coming apart already. Just the other day, the House of Representatives determined that the money to pay for the decennial census in the year 2000 required an emergency appropriation outside of those limits. We have had that census for many years. That census is provided in the Constitution. It has taken place every decade since 1790. All of a sudden, we have made it into an emergency.

In this morning's Washington Post, our former majority leader, our beloved colleague, ROBERT C. BYRD, has an article called ''Time for Truth In Spending.'' He said:

> What we need to jettison is the political rhetoric. What we need to impose is truth in spending.

And he set down a few principles. He said:

> First, watch our investments carefully and manage them prudently. We should continue our best efforts to manage the economy and watch out for inflation.
>
> Second, do not spend our money before we make it. Before the surplus is spent, whether on tax cuts or continuing important priority programs, wait for the money to be in the bank.

We are proposing to spend a surplus, sir, that does not exist.

> Third, pay our debts. The United States should take advantage of this opportunity to retire the national debt.
>
> Fourth, cover the necessities. Congress should not shortchange the Nation's core programs, such as education, health care, veterans, and the like.
>
> Fifth, put aside what we need for a rainy day. Congress should take steps to reserve the Social Security and Medicare surpluses exclusively for future costs of those programs.
>
> Sixth, don't go on a spending spree. Resist the temptation to create costly new government programs.
>
> Finally, take prosperity in measured doses. Congress should reduce taxes without pulling the rug out from under projected surpluses.

I can think of no wiser counsel.

In that regard, and with great respect for the chairman of the committee, I would suggest that the budget reconciliation process was devised to expedite consideration of deficit reduction measures.

The bill before us uses those same expedited procedures to secure enactment of a deficit-increasing measure.

Section 313(b)(E) of the Byrd rule provides that any provision in any reconciliation bill which would decrease revenues used beyond the budget window—in this case beyond the year 2009—may be automatically stricken from the bill upon a point of order being raised.

Section 1502 of the bill before us provides for permanent continuation of tax cuts in the years beyond 2009, causing revenue losses of hundreds of billions of dollars.

Accordingly, sir, at the appropriate time, I intend to raise the Byrd rule point of order against section 1502 of the bill.

I thank the Chair for his cordial consideration of my remarks.

I see my friend, the chairman of the Budget Committee, is on the floor. I yield the floor.

Mr. DOMENICI. Mr. President, I ask the distinguished chairman of the Finance Committee if he will yield up to 20 minutes.

Mr. ROTH. I am happy to yield to the distinguished chairman of the Budget Committee up to 20 minutes.

The PRESIDING OFFICER. The Senator from New Mexico is recognized for 20 minutes.

Mr. DOMENICI. Mr. President, before my friend, Senator ROTH, leaves the floor, let me say to the Senate that Senator ROTH has come through again for the Senate and for the people of this country.

His tax bill is clearly one that recognizes fairness, that puts the money where it ought to be put, gives back to the American people some of their money, and it does it in a way that clearly is prudent and responsible.

It will be very difficult when we are finally finished explaining this bill for the President of the United States to veto this bill.

We are going to talk about that a little later in the day. Since he has challenged us, we will tell the American people loud and clear what he is going to be doing when he vetoes this bill.

Mr. President, I rise today to discuss the budget blueprint that Congress has passed for the first decade of the 21st century. It embodies three major things: Social Security, first and foremost. Much will be said about it. But nobody can deny that with this refund to the American taxpayers, we have left intact every single penny of surplus that belongs to the Social Security trust fund, and we will even debate on the floor locking it up so it is very hard to spend.

The budget before us and that we adopted demanded that 100 percent of all the funding that Social Security recipients will need will be exclusively set aside for that purpose.

Second, it sets aside enough money to meet the demands of Medicare for the next 10 years. Medicare is fully funded under the budget that was adopted by the Congress this year. That means there are no cuts. The program is fully funded for the decade. As a matter of fact, the President cut Medicare in the first 5 years of his budget. We did not do that. Then we would have a rainy day fund to implement any Medicare reform that Congress might enact. I will allude to that soon.

Third, after all the bills of the decade have been paid, after Social Security recipients have their money set aside, after we have funded every penny anticipated for Medicare, and have an ample rainy day fund available, if we want to do something on prescription drugs, then we would send back the excess to the American taxpayers—to the working families—and those in middle- and low-income brackets will get a very substantial tax reduction.

The budget resolution recognized economic conditions now, and the projected economics including the planning for an inevitable recession that might occur in the future. It outlined a decade-long, phased-in tax cut. Only a very small tax cut was envisioned in the first 2 years of this budget timeframe because the economy is already operating above optimum capacity. We want to keep inflation subdued and interest rates low. The budget expected Congress to pass a tax bill that was very small in the first 2 years and grew as the decade wound its way through into the next millennium.

I congratulate again the chairman of the Finance Committee and the members of that committee for producing the kind of tax cut for our budget for the 21st century. I think it is appropriate, prudent, and fair. Chairman ROTH has produced a tax cut that starts small and ends up larger, reflecting economic conditions. He has produced a tax cut that targets help to those who really need it—those with children in school, those with elderly and ill parents who need long-term care, those who are trying to save for their own retirement instead of Government reliance, and many more items of that nature and of that significance.

Yes. The same old class warfare arguments like tired, defeated soldiers of past wars have begun to stagger across the Senate debate again—and they will be here before us again—that we are only helping the rich. We are told we must spend the surplus. That is essentially the argument against our tax refunds—we must spend the surplus. We must grow Government. It is the same old debate.

One party wants to give money to programs. And we want to give money to the people. That is exactly the way it has been, and that is exactly the way it is on this floor.

I believe there is a degree of arrogance in those who argue against tax cuts. They say to working families: I

know what to do with your money better than you do. Give it to me so I can spend it.

Can you imagine the arrogance of that position? They have grand schemes now with the surpluses.

Republicans, through their dedicated efforts, and Dr. Greenspan and his fantastic ability to manage the money supply in our country, and to control interest rates, have given the Nation this enormous surplus. The President of the United States thinks they have the money to implement new, grand schemes and to grow government. That is the issue.

A government big enough to give you everything is a government that takes everything away in the form of high taxes.

I didn't originate that quote. I can't imagine and I can't fathom anything more frightening to the average taxpayer than the sight of a grand government schemer rushing toward a $1 trillion pile of extra taxpayer dollars.

Republicans say it is the best of times for tax cuts. Democrats say it is the worst of times. Everyone quotes Dr. Alan Greenspan.

The Taxpayers Refund Act before the Senate is the best of plans.

It lowers rates.

It encourages savings.

It eliminates the worst of a bad Tax Code. It eliminates the marriage penalty for many Americans. It begins the death of a death tax. It ends the alternative minimum tax, to rescue the full benefit of child care, foster care, education, and other needed tax credits for families who otherwise unavoidably would end up in the alternative minimum tax brackets. They are sick of this. They are worried about it.

You will get more mail on this issue because it is grossly unfair to give credits and then take them away—to run across the land saying: We are delighted to have given you a credit for your children's education only to find that middle-income Americans by the hundreds of thousands are falling into this alternative minimum tax trap.

I say: Tax cuts, if not now, when?

The Democrats say not now.

I say: If not tax cuts now, then what?

The President's answer is: Spend it all. It does not matter what he says he wants to spend it for; he wants to spend it all.

Can you imagine if we did not have this surplus? What will the President be doing—asking for tax increases to pay for these programs he thinks we need? I doubt that. I doubt that very much.

I support prudent tax relief, and I must say this is prudent tax relief. It is synchronized to our business cycle and the condition of the economy. It improves our tax policy and moves us toward a system that taxes income that is consumed instead of income that is earned. It moves America toward a tax system that allows business to deduct investments in the year they are made. It encourages investment in retirement, education, and health care.

Congress' budget allocates 75 percent of the projected surplus over the next 10 years for paying down the debt and long-term priorities. If the surplus were a dollar, two quarters would go for Social Security, one quarter for high-priority spending—education, research, and defense—and the remaining quarter for tax cuts.

Without tax cuts, who would spend the surplus?

Not the American people. The Government in Washington would spend it. Without tax cuts, we will ''grow'' Government. There can be no denial of that. The President plans to grow Government substantially rather than give back anything to the American people. He now says he would veto a $500 billion tax cut. What about $200, Mr. President? That means giving the American people back about 6 cents of the surplus, at $200. Can we afford that? I believe we can afford 25 cents out of every $1 of surplus.

Democrats say the question is: tax cuts versus Social Security. Tax cuts or Medicare. Tax cuts or domestic spending. Tax cut versus debt reduction.

The right answer: It is not ''this'' versus ''that.'' The correct answer is, we can do all of the above. The size of the surplus lets us do it all. That is the reality. Save Social Security, reform Medicare, provide adequate funding for domestic and defense spending, pay down the debt, and give the American people who earned the money a decent tax cut. Do that in a manner that phases in, which will probably be very complimentary to the American economy.

Even with the tax cuts and refunds we are talking about, our surplus will steadily climb as a share of GDP and our national debt will ultimately be paid off, falling dramatically from 40 percent of GDP this year to only 12 percent in 2009. Under the proposal we make, the external debt—the debt to the public—will go from 40 percent of the gross domestic product to only 12 percent by the end of the decade.

I am amazed the President's political advisers allege this budget is reckless. Nothing is reckless about steadily rising surpluses and paying down our debt by more than 50 percent over the next decade. In fact, our plan lowers the level of debt more than the President's plan. Some may wonder why. That is because the President spends heavily in the first 5 years. We have tiny tax cuts. Thus, he incurs more debt than we do at that time, and he cannot make it up in a decade.

I have been amazed by the administration and other opponents who claim our tax cut will lead to higher interest rates because the economy will overheat. That is just not true. The Fed is most concerned not with the economy as it is today but what it will be in 18 months and thereafter. Our tax cut is slow, a total of $28 billion over the years 2000 and 2001. I repeat, if they are worried about stimulus, it is $28 billion in tax cuts. It is almost unrecognizable in terms of impact one way or the other on the American economy. It saves 92 percent of the projected surplus during these first 2 years. As a result, our budget surpluses will rise sharply from 1.4 percent of the gross domestic product to 2 percent by 2001.

It is clear that the budget plan is not expansionary, which some people now talk about. It truly is not. Ask any economist to look at it in its true sense, phased in as it is, and ask if it is an expansionary budget. I cannot imagine this tax bill would be defeated on such a preposterous economic observation.

In House testimony last week, Chairman Greenspan cautioned against expecting any rapid stimulus as a result of this tax relief package. I can assure the American people that Congress' tax plan will not overheat the economy. As a matter of fact, Chairman Greenspan cautioned against expecting a rapid stimulus as a result of this package, given the long phase-in of the tax cuts.

I can anticipate the response of my Democratic colleagues who are likely to say: If your plan is so ideally suited for the economy, why did Alan Greenspan argue we should let surpluses run for a while before cutting taxes?

Listen carefully. I have two responses. First, I believe the Congress is doing exactly what the Chairman advised. Our budget plan delivers only $28 billion in tax cuts over the next 2 years. Most of that relief is scheduled to arrive only after surpluses have mounted on a consistent basis. Second and more important, Chairman Greenspan is advising what policies would be best in an ideal world. However, he is fully aware that ideal may not be politically feasible.

Let me read a quote he made last week which I think was insightful:

> There is nothing that I can see that would be lost by allowing the process to delay unless, as I have indicated many times, it appears that the surplus is going to become a lightning rod for major increases in outlays. That's the worst of all possible worlds from a fiscal policy point of view. That, under all conditions, should be avoided. I have great sympathy for those who wish to cut taxes now, to preempt the process. And indeed if it turns out they are right, I would say moving on the tax front makes a good deal of sense to me.

The worst of all fiscal policies will materialize if the President gets his way. The President proposes to increase spending by more than $1 trillion over the next 10 years. Most of this new spending would go to create 80 new, often repetitious, often local-government-prerogative-infringing Government programs, with services already being handled at the local or private sector. The President's spending proposals are the worst of all proposals from the standpoint of what is good for America during the next 2 years. That time horizon must concern the Federal Reserve.

The President proposes to use $53 billion of the surplus for new spending. It

is nearly twice as large as our tax cut in the next 2 years. Thus, the President's plan would be far more stimulative than the Congress' measured tax cut. I ask my colleagues on the other side of the aisle if they are worried about interest rates rising because the economy is overheating, why support the President's Government-growing agenda over tax cuts? The money is there. We have a surplus.

The last question is the $792 billion question: Who is going to spend it? When faced with the President, who wants to spend the surplus, Congress has no choice but to cut taxes. However, we have to be careful. While we are still saving the majority of the surplus for shoring up our long-term fiscal health, we must be careful in that regard.

To sum up, I leave two messages today. Our budget is prudent, and it is synchronized for where we are in the business cycle. Be skeptical of the administration's criticism of our tax plan. They want to grow Government well in excess of Congress' tax cut. Most of the spending has nothing to do with Social Security or Medicare. This is what should most concern the American people when faced with the surplus, excluding Social Security funds, and I have already indicated what will happen to them. The Republicans want to give it back to the people who earned it and worked so hard.

The big question then is, Who is going to spend the surplus?

With tax cuts, the answer is you; without tax cuts, the answer is big government.

I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, the minority yields 10 minutes to the Senator from Minnesota.

The PRESIDING OFFICER (Mr. BUNNING). The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, 3 weeks ago, President Clinton visited some of the poorest communities in our country and he spoke eloquently of our obligations to America's most disadvantaged children. Now, with our economy booming and record surpluses, we have a chance to do better for all of our children. This budget fails America's children. I want to speak as loudly and boldly as I can about this reconciliation bill, first about the Republican proposal, and then about what we are proposing as Democrats.

If you look at the non-Social Security surplus, about three-quarters of it really assumes cuts in future domestic spending. The Republican proposal on the floor does not restore any of these cuts. In fact, they add another cut of roughly $200 billion. The Republican plan would require a 38-percent cut in domestic spending in the year 2009, and the Republican tax bills are loaded with corporate welfare for multinational corporations, banks, insurance companies, Wall Street securities firms, and tax giveaways for the wealthy. That is a disappointment. It is a very harsh budget.

But even the Democratic plan fails to fully fund or restore these cuts. Senate Democrats have reserved $290 billion of the surplus to soften the blow on our discretionary priorities like education, but we still allow cuts of several hundred billion dollars. In our plan, with our $300 billion of tax cuts, we do not make up the assumed cuts in our domestic priorities either.

Since defense spending will go up, and there will be spending for transportation which also will go up significantly over the next 10 years, our other domestic priorities will be squeezed even more.

How can we, as Democrats, say we are for addressing the needs of America's children, for fighting poverty, for fully funding Head Start, for equal access to quality education, for helping working families afford the cost of health care and child care, for cleaning up the environment, for community policing, and for veterans' health care, when we are assuming domestic spending cuts of several hundred billion dollars? Something has to give. To use the old Yiddish proverb, you can't dance at two weddings at the same time.

I do not understand this. There are 14 million children who are poor in our country—14 million. There are 6.5 million children who live in households with income of one-half the poverty level. Close to one out of every four children in our country under the age of 3 are growing up poor. Close to 50 percent of children of color under the age of 3 are growing up poor. And now we are being told by both parties—the Republican Party much more so than the Democratic Party—but both parties, that we cannot afford to renew our national vow of equal opportunity for every child? Where in these proposals do we, as a Senate representing the United States of America, live up to our national vow of equal opportunity for every child?

Right now, in Early Head Start, for children age 3 or younger, 1 percent of the children who could be helped and given a head start are able to get this assistance. We are funding this program at a 1 percent level.

For the Republicans, you have $800 billion of tax cuts. You make no investment in any of these areas. Your budget and your proposal will lead to Draconian, really brutal cuts in these programs. Not only will we not be doing anything to make sure poor children have a chance in America, to make sure that there is equal opportunity for every child, but the proposal of the majority party will be making cuts in these programs.

And to the Democratic Party, my party, we have a better proposal. It is less harsh. But there has to be some connection between the convictions we profess and the budgets we propose, and a willingness to fight for them. At some point, the chasm between our words and our actions becomes too wide. If we do not fight hard enough for the things we stand for at some point, we have to recognize we really do not stand for them. We really do not stand for them.

I cannot believe with record economic performance, that the Republican Party can come to the floor of the Senate with a proposal that calls for $800 billion of tax cuts, most of them flowing to our wealthiest citizens, but with a proposed 38-percent cut in Head Start, child care, community policing, and cleanup of the environment.

And to my party, I cannot believe the Democrats come out with a proposal where we, too, are essentially proposing cuts in some of these key domestic priorities. Why did we become involved in politics? What do we believe in? What are our values? Can we not at least make some investment to make sure every child, no matter the color of skin or income of family, urban or rural, or boy or girl, will have a chance to reach her full potential and his full potential?

What ever happened to the Democratic Party's strong commitment to equal opportunity for every citizen? I do not see it in these proposals. We ought not to be talking about tax cuts that benefit the most affluent citizens, when we cannot even live up to our national vow of equal opportunity for every child.

I hope we will do better as we move forward in this debate. I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. The Senator from West Virginia is yielded 45 minutes.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. Mr. President, recently both the Office of Management and Budget and the Congressional Budget Office released their so-called ''Mid-Session Reviews'' on the state of the Federal budget. Both of these new forecasts project even better performance for the nation's economy in the coming ten years than they had predicted just a few months ago. In fact, the Congressional Budget Office projects unified budget surpluses totaling just under $3 trillion over the next ten years. Of the $3 trillion, approximately $2 trillion results from surpluses being paid into the Social Security trust fund. The remaining $1 trillion—or $996 billion to be exact—is what is called the ''on budget'' surplus. That is the non-Social Security trust fund surplus. The question before Congress is what do we do with this good news—our government is about to be awash in money, *if* these projections come true.

Before we get too far along with our grandiose plans for massive tax cuts, a dose of reality is in order. Sometimes a dose of castor oil is in order. We may not like it so much, but it has to be taken. So a dose of reality is in order.

These future budget surpluses are, of course, based on ''pie in the sky'' projections. But I don't think ''pie in the sky'' is quite right. The projections are so far out into the Stratosphere—more than a decade away—that we would need the Hubble Telescope to track them down.

Mr. President, the fact is that they have not yet occurred, the money is not yet in hand—and may well never occur—for a number of reasons. First, one needs to keep in mind that budget projections for even 1 year are likely to be missed by a substantial margin over the normal 5-year period of congressional budgets. Estimates of deficits and surpluses have been off by billions of dollars. This year, for the first time, instead of 5-year budget projections, we have 10-year budget projections upon which all of the surpluses are being forecast, and upon which tax cut proposals by Democrats, Republicans and the administration are being based.

Does anyone really believe that these 10-year projections will be any more accurate than the usual 5-year numbers? In looking at these incredible amounts of surpluses and tax cuts, I would think that one needs more of an astrologer than an economist to read the tea leaves and to come up with these figures.

Mr. President, consider these facts: CBO's estimate of revenues over the period 1980 through 1998 was off by an absolute average of $38 *billion* per year. The estimates were off by an average of $38 billion per year during the period 1980 through 1998. That is a pretty fair piece of change! This isn't just chicken feed. Some years, the estimates were closer to the projection than other years, but, as I say, the average difference one way or the other, was $38 *billion per year.* Similarly, for outlays, the projections over the past two decades were off the mark by an absolute average of $36 billion per year. The resulting deficit projections by the Congressional Budget Office over the period 1980 through 1998 were off by an absolute average of $54 billion per year. Extend that figure over 10 years, and that is what we are doing now in this bill, and we can see that $540 billion of the $1 trillion projected surplus could melt away faster than last year's snowball.

So what about these latest ''rosy'' forecasts of budgetary surpluses for the next 10 years? It is obvious that we need to be very careful when relying on such projections to make decisions about whether and if we can afford a tax cut.

CBO officials would be the first to tell you that they have widely missed the mark in their budgetary forecasts, as would the folks at OMB. No one on the face of God's green Earth can predict accurately for even 1 year, much less for 5 or 10 years, what revenues will come into the Treasury, or what expenditures will go out of the Treasury. That is because no one knows what the unemployment rate will be next year, or the inflation rate, interest rates, whether there will be a recession or the duration or virility of such recession. In virtually every CBO report, the following cautionary footnote can be found: ''Cyclical disturbances could have a significant effect on the budget at any time during the projection period. A recession would temporarily push down taxable incomes, thus reducing federal revenues. A recession would also cause a boost in spending for unemployment insurance and other benefit programs. CBO estimates that a relatively mild recession (similar to the one in the early 1990s) that began this year could reduce the projected surplus by $55 billion in 2000.''

Mr. President, there is no reason to believe that CBO's current forecast of the budgetary picture over the next 10 years will be any more accurate than have been its previous forecasts over the past two decades.

With that dose of reality in mind, let's now turn our attention to the Republican tax cut proposal now before the Senate. Earlier in my remarks, I noted that the Congressional Budget Office projects an on-budget surplus of $996 billion over the coming 10 years FY 2000–2009. The on-budget surplus calculations, it should be noted, are the monies not needed for Social Security or the Postal Service, and not otherwise spent. The Republican tax cut plan proposes to use virtually all of these projected on-budget surpluses for tax cuts of $792 billion and for paying the increased interest on the federal debt of $179 billion. This leaves only $25 billion in projected surpluses for the next 10 years.

What happens if we enact cuts of $792 billion and the CBO projections turn out to be wrong? What happens if they turn out to be wrong, as they have always been? What will Congress do then? The money will by law be leaving the Treasury everyday in the form of tax cuts, but there may be an inadequate surplus to cover them. Will Congress repeal the tax cut? It is easy to vote for a tax cut. Will Congress repeal the tax cut? Will it be able to cut spending even further than the Republican budget—which I will say more about later—already calls for? Will it dip into the Social Security trust fund then? Or, will Congress find it easier to revert back into the bad old days of the 1980s and simply run up massive annual deficits? Those are the four choices we will have. All of them are unacceptable. We must not mislead the American people by promising them massive tax cuts which may well be based only on phantom surpluses which never materialize.

Even if the surpluses do happen, this Republican tax plan could emasculate national security, public investments, and the operations of government. As this chart shows, these areas of the Federal budget could suffer real cuts each year, beginning in fiscal year 2000, drastically below what would be necessary to continue them at the levels provided in fiscal year 1999. In fact, over the whole 10-year period—over the 10-year period—the real reductions would total $775 billion. In other words, the bulk of the $792 billion Republican tax cut is likely, in reality, to be financed by cuts in critical domestic priorities—critical domestic priorities—such as education, health care, infrastructure, child care, the environment, agriculture—that will affect you, the people of this country—old, young, white, black, male, female. They will affect you—you—because they will be financed by cuts in critical domestic priorities.

Mr. President, to give the American people some sense of what I am talking about, let me focus on just three critical areas of the Federal budget that would be thus affected.

First, however, let me point out that the cuts in these programs are based on the assumption that the Republicans will fund defense at the levels requested by President Clinton over the next 10 years. If that is so, and the tax cuts are also enacted, according to the Office of Management and Budget, an across-the-board cut of 38 percent—that is more than a third—in outlays will be required in the other public investments and operations of the Federal Government.

For example, let us take a look at the VA medical care program. That gets close to home. We are already getting lots of mail, lots of telephone calls, e-mails, and so on, from veterans and their families. So let's take a look at the VA medical care program.

What would happen to veterans' health care under the Republican tax cut plan if these cuts are administered in an across-the-board manner? The cuts will rise from $931 million in fiscal year 2000 to over $11.5 billion in fiscal year 2009. In total, the cumulative cuts to the VA medical program—as I say, we are already hearing a lot from veterans because they see these cuts coming—the cumulative cuts to the VA medical program for this 10-year period will be more than $53.5 billion below what it would take to continue current VA medical care services. I might add, as I say, some veterans are already feeling it, and this figure is woefully inadequate.

What do those cuts mean in human terms? As we can see from this chart, OMB projects that 3,252,735 veterans—not talking about dollars now; we are talking about real people, veterans in particular—OMB projects that 3,252,735 veterans will seek treatment at VA medical facilities in fiscal year 2000. That is just over the horizon, fiscal year 2000. Under the Republican tax plan, though, 102,278 of these veterans are going to have to be turned away: Sorry, that program has been reduced, or that program has been cut out; we do not have room for you.

As we can see, over the 10-year period the number of veterans to be turned away—sorry, sorry, we have to turn you away—will increase each year

until fiscal year 2009, when, according to these figures, 1,430,985 veterans will be denied critical health care benefits. Is that how a grateful Nation treats its soldiers, sailors, and airmen?

Now, let's look at national crime-fighting programs.

Mr. President, the budget for the Federal Bureau of Investigation was approximately $3 billion in FY 1999. Paying for the Republican tax cuts would require reductions in the FBI budget below what would be needed to continue current services over each of the next 10 years. Those cuts get progressively worse until in FY 2009, the Republican tax cut would require a cut of almost $1.9 billion below the $4.3 billion that would be necessary just to maintain—just to maintain—the same level of service being provided by the FBI in 1999. Over this 10-year period, total cuts to the FBI's budget would equal almost $9 billion.

That is $9 for every minute since Jesus Christ was born. Nine billion dollars, that is a lot of money!

Again, Mr. President, what does this translate to in services to the American people? Forget the dollars for a moment. As this chart shows, the FBI will need 10,687 agents in each of the next 10 years in order to just continue its current law enforcement efforts. But, that will not be possible if we enact the Republican tax cuts. Instead, we can look forward to progressively—progressively—deeper reductions in the number of FBI agents in each of the next 10 years. In FY 2009, rather than being able to employ 10,687 agents, the FBI will only be able to employ, 5,878. Is that what the American people want? And what does that do to our efforts to prevent another World Trade Center bombing? What does it do to our efforts to prevent another Oklahoma City bombing? What do cuts of that magnitude do to our programs to fight organized crime, or the insidious proliferation of child pornography on the Internet?

Sadly, the picture is no better for the effort to patrol our Nation's borders. Progressively deeper budget cuts will have to be made over the next 10 years totaling more than $3.5 billion because of the massive Republican tax cuts. As a result, as we can see displayed in this next chart, the number of INS agents—Immigration and Naturalization Service agents—protecting the Nation's borders will decline from the needed level of 8,947 to only 4,921 in the year 2009. How does that help address the problem of illegal immigration? And that is a big, big, big problem. How do those kind of cuts help our drug interdiction efforts? What kind of message does that send to the Colombian drug lords?

Mr. President, these are just three—just three—examples of the short-sheeting that will take place throughout the entire Federal Government because of the Republican tax plan. As if this weren't bad enough, the real kicker in the Republican tax cut plan is that not only does it cut taxes by almost a trillion dollars over the next 10 years but—get this—this tax cut package would explode in the following 10 years, costing roughly an additional $1.8 trillion, according to preliminary projections by the Treasury Department. Also, the Treasury Department points out that interest on the national debt in the second 10 years caused by the $1.8 trillion in lost revenues would be roughly $1.1 trillion higher.

Let me say that again. The Treasury Department points out that interest on the national debt in the second 10 years caused by the $1.8 trillion in lost revenues would be roughly $1.1 trillion higher.

That makes a total cost of the Republican tax cut plan in the years 2010 through 2019 of $2.9 trillion. The increased interest due on the national debt of $1.1 trillion caused by the Republican tax cut plan is greater than the total amount of their tax cut for the first ten years, which was $792 billion. These massive drains on the U.S. Treasury would take place at the very time when the baby-boom generation is retiring in huge numbers and placing a great strain on the Social Security and Medicare trust funds. This tax cut plan, in my view, represents the absolute omega of irresponsibility. It passes on to our children and grandchildren in the years 2010 through 2019 a $2.9 trillion drain on the U.S. Treasury. The Republican tax cut would have us spend $2.9 trillion over the decade 2010 through 2019 right now, regardless of whether that drain makes it impossible for the country to meet its Social Security and Medicare obligations for its senior citizens.

Recently the Washington Post carried a political cartoon by Herblock on one of its pages, which I have here on this chart. As one can see, at the top of the cartoon appeared these words: ''Back for an indefinite run!''

Let me say that again: ''Back for an indefinite run!'' ''Rosy Scenario''—whoopee, we have heard of her, haven't we? ''Rosy Scenario—and her long line of stunning surplus sugarplums.''

The cartoon depicts Rosy—there she is, all ready for the show—in a costume with dancing girls and throwing dollar bills in the air. There is a song, ''Pennies from Heaven.'' But Mr. President, these are dollar bills! Holy Smoke! Rosy Scenario is throwing them all about us. In front of the theater in which she is appearing, what do we see? We see two eager customers about to buy their tickets for the show. One appears to be an elephant; one appears to be a donkey. They are both depicted in business attire. The ticket salesman seems to have a cynical smirk on his face, as though he knows something that the elephant and the donkey, who are waiting for their tickets, don't know.

When I saw this cartoon, it brought back memories about Rosy. She first appeared on the scene in 1981 as a major player in the Reagan revolution. When President Reagan took office, that so-called revolution was based on supply-side economic ideology that called for massive tax cuts. That was before more than two-thirds of the Senators here today arrived—almost two-thirds, to be exact. Sixty-three Senators are here today who were not here when I was majority leader the third time, 1987 and 1988. But we are talking about 1981. Even more Senators were not here then.

That so-called revolution was based on supply-side economic ideology that called, again, for massive tax cuts, a large buildup in defense spending, and balancing the Federal budget; all were going to be done. Those were the principal budgetary concepts the Reagan revolution put forth.

There were many skeptics at the time as to whether those policies would actually work. I was one of those skeptics. The Senate majority leader, Howard Baker, called it a ''riverboat gamble.'' Nevertheless, in 1981 Congress did enact a huge tax cut, and it did increase defense spending. Entitlement spending also continued to grow. What was the result? The result was an era of the largest Federal deficits by far in history.

Furthermore, ''Rosy Scenario'' worked her magic numbers in the budget under the direction of President Reagan's chief financial adviser, OMB Director David Stockman. As a result of those policies, rather than ridding the country of Federal deficits, the country saw for the first time in history triple-digit billion dollar deficits in each of Mr. Reagan's eight years in office.

In fact, the national debt stood at $932 billion on January 20, 1981, the date President Reagan took office. Unfortunately, on the day that President Reagan left office on January 20, 1989, the national debt stood at $2,683,000,000,000.

This chart depicts the major causes of increased Federal debt for fiscal years 1981 through 1991. It shows that the 1981 tax cut over that 10-year period, cost the Treasury $2.1 trillion. Those tax cuts were offset by a series of tax increases that became necessary during the Reagan years in an attempt to decrease Federal deficits. Those tax increases equaled $800 billion. Entitlement and defense spending each grew by $600 billion above inflation over this 10-year period. Interest on the climbing national debt increased by $500 billion. The S&L bailout cost $200 billion. And, domestic spending was cut over that 10-year period by $400 billion below inflation. That was a very unfortunate and difficult period in our national history.

The folly of the Reagan Revolution's fiscal policies is set forth in great detail in the book entitled, ''The Triumph of Politics'' by David Stockman. As I previously pointed out, David Stockman was the principal architect of the Reagan budgets until he left the Administration in 1985. Perhaps the

best summary of the conclusions reached by Mr. Stockman is found in the epilogue of the book found on pages 378–379.

The fundamental reality of 1984 was not the advent of a new day, but a lapse into fiscal indiscipline on a scale never before experienced in peacetime. There is no basis in economic history or theory for believing that from this wobbly foundation a lasting era of prosperity can actually emerge.

Will we never learn!

Cicero said, ''To be ignorant of what occurred before you were born is to remain always a child.'' That is the value of history. That is what we are talking about, history, and history is about to repeat itself.

This can be a year of great opportunity for the Nation if Congress and the administration can work together on our budget priorities for the coming decade. I do not think Congress needs to choose an all-or-nothing course of action, but we do need to jettison the political pandering that is going on. This should not be an ''us versus them'' battle; it is not a ''big government versus little people'' battle. So what should Congress do? The same as any wise investor would do:

1, watch our investments carefully and manage them prudently. Manage the economy and watch out for inflation; 2, pay our debt. Pay down the national debt; 3, cover the necessities. Don't short change our Nation's core programs, such as education, health care and the like; 4, put aside what we need to put aside for a rainy day. Reserve the Social Security and Medicare surpluses exclusively for future costs of those programs; 5, take prosperity in measured doses. Ease up on taxes without pulling the rug out from under projected surpluses.

After years of struggling to overcome a sluggish economy and mounting deficits, America is well-launched on an economic renaissance. I hope we in Congress can rise to the challenge and serve as wise stewards of this economic prosperity. I hope we can put aside our political posturing and act in the best interests of the American people and the American Nation.

Before the Congress takes this folly of a plunge, perhaps it is a good time for a bit of a history lesson. It was more than 50 years ago when the Republican-controlled 80th Congress approved a massive $4 billion tax cut. That was a massive tax cut—$4 billion—in those days. President Harry Truman—one of my favorite Presidents—vetoed that tax cut, calling the Republicans ''bloodsuckers with offices on Wall Street.'' I am quoting Mr. Truman as saying that. It took three times, but the Republican majority overturned that veto.

In his nomination speech before the Democratic National Convention, President Truman put forth an idea that we need to recall today. He said that ''everybody likes to have low taxes, but we must reduce the national debt in times of prosperity. And when tax relief can be given, it ought to go to those who need it most and not those who need it least, as this Republican rich man's tax bill did.''

Just as an aside, not only did Mr. Truman upset Mr. Dewey that year, but the Democrats regained control of the Congress. The American people know when the Congress is dealing with them squarely and wisely. They also know when the Congress is playing political games with their futures.

I am reminded, in closing, of the lesson conveyed by Chaucer in ''The Pardoner's Tale.'' Three young men, searching to find and destroy Death, were directed to a tree under which they found bushels of gold coins. They immediately forgot all about their quest to find and murder Death, and they set to plotting how to get the gold safely home. They decided to wait until darkness fell, and they drew lots to see which of the three would be sent into town to buy food and wine for all of them. The youngest was chosen. While he was gone, the other two decided to kill him upon his return so as to keep more of the gold for themselves. In the meanwhile, the youngest, as he went into town, decided to poison the other two so as to keep it all for himself. When he returned to the tree, the two waiting men pounced upon him and killed him. And then they drank the poisoned wine and died.

Let us heed the warning of ''The Pardoner's Tale'' and not allow the glitter of gold to blind us to the common good of the Nation. Congress has the ability, the wisdom, and the means to chart a wise budget course for our Nation's future. Let us hope that Congress can also muster the maturity to put aside election year rhetoric in favor of sound fiscal policy.

Mr. President, I yield the floor.

Mr. ROTH. Mr. President, I yield 10 minutes to the Senator from Nebraska.

The PRESIDING OFFICER (Mr. FITZGERALD). The Senator from Nebraska is recognized.

Mr. KERREY. Mr. President, I thank the distinguished Senator from Delaware, the chairman of the Finance Committee. I rise enthusiastically to speak in favor of the legislation that is before us, the proposal to give Americans a $790 billion increase in our after-tax income. I want to, first of all, address this question about the size, which is one of the things I hear most about when I go home. Can we afford to do it? The distinguished Senator from West Virginia, the ranking Democrat on the Appropriations Committee, has just spoken about that as well.

I believe this is a prudent amount. I do not believe this is going to undo the great progress we have made beginning way back in 1990 and the first balanced budget proposal for which I voted. We had another one in 1993, and another in 1997. Taken together, they have all contributed to the elimination of our deficit and the very strong economic growth which we have to be careful not to undo.

The Congressional Budget Office, though they obviously will from time to time make mistakes, forecasts that there will be $3 trillion more coming in over the next 10 years than we have in obligated expenditures. While I favor significant debt reduction, I think one would have to imagine some pretty unusual economic circumstances to imagine a downturn in the economy that would eliminate a $3 trillion forecast. It is asked: To what level do we have to get? Does it have to be $5 trillion before we can give the American people back some of their money?

This, it seems to me, is a reasonable proposal, a moderate proposal. One could make a case for an even larger cut in taxes, and the best way of illustrating that is if we were to imagine that the budget was balanced and CBO said that over the next 10 years we anticipate exactly the amount of revenue coming in that is needed to meet the expenditures that are forecast, and I walked down here to the floor and offered a piece of legislation to increase taxes $2 trillion, I doubt I would get a single vote.

Well, I would actually have to offer a proposal to increase taxes $2.1 trillion to find myself in a situation where we are today. We are talking about reducing the projected surplus from $2.9 trillion down to $2.1 trillion. This is an increase in the after-tax income for the American household. I calculate that, in Nebraska, it means about $4 billion worth of increased income for households that is not taken into Washington, DC. That is a significant amount of money.

Not only is there broad-based tax relief in here with a reduction in the rate from 15 to 14 percent, but there are a number of other things that will happen that I consider to be good. We have about 130,000 Nebraskans without health insurance. One of the reasons is that our tax policy doesn't favor an individual who makes a purchase of health insurance. This proposal will enable many of those 130,000 people to be able to afford that because there is an above-the-line deduction in this proposal for individuals. There are 400,000 households in Nebraska that I estimate will benefit from the savings section in the proposal of the distinguished chairman of our committee—people who are trying to figure out how do I save for my own retirement. I know Social Security doesn't provide me with everything I need. I know I need some kind of savings or pension.

This has significant reform in our pension laws, making it extremely likely that people right now who don't have pensions for small businesses will have pensions in companies that employ relatively small numbers of people.

So in addition to providing $4 billion worth of additional after-tax income to the people of the State of Nebraska, this proposal will also help them save for their retirement. It will result in an increasing number of Nebraskans who

have health insurance, and, in addition, it is going to make it easier for working-class families to send their children to college.

There is a deduction here for interest on student loans. One of the most alarming things I see today in the State is the amount of debt students are acquiring in order to be able to get a college degree. It will increase the amount of charitable giving in Nebraska. We have a problem with that today. The charitable giving is flat, and we have questions being asked about how we can increase that amount. This proposal will increase the charitable giving.

There are 180,000 Nebraskans who will applaud this piece of legislation because it eliminates the current tax penalty on them as a consequence of their being married.

This is a good proposal.

There is a $3 trillion surplus being forecast over the next 10 years.

This is a moderate proposal. One could have argued for a larger one.

Not only did the chairman of our committee put together a piece of legislation that is moderate in size, but he attempts to, in addition, have broad-based tax relief to solve real problems we have in our country—that is, individuals who are struggling to plan for their own retirement, individuals who are trying to send their children to college, individuals who are trying to purchase health insurance, organizations throughout our State that are trying to solicit charitable contributions, and families who are angry because they pay a penalty once they get married.

This proposal will not result in our undoing the great progress we have made since the first piece of legislation dealing with the deficit was enacted in 1990, followed with the 1993 effort, and followed by the 1997 effort.

This is moderate tax relief. It will be significant for the people of the State of Nebraska. It will not bring back inflation that Mr. Greenspan talked about because of the way the chairman has drawn the bill.

I have been asked by people: How can you possibly do this? It is not even a close call for me. It is not even close.

I feel extremely enthusiastic about this proposal, about both the dollar size and the makeup of the things that are in it.

I think one of the things that would have made this thing very attractive to Senators on this side of the aisle, and I believe many on the Republican side as well, is if we could have found a way to include an increase in the standard deduction—that is in Senator MOYNIHAN's proposal that he will offer later—that would haven taken 3 million people in America completely off the tax rolls. It would take 9 million people that are currently itemizing deductions and put them in a standard deduction category.

The proposal would have made it even better from the standpoint of working families.

In the small amount of time I have remaining, there are three remaining problems this proposal doesn't even pretend to address and should attempt to address. I have heard people talk about it a lot.

No. 1, discretionary spending. This tax cut is not the threat to discretionary spending.

We have tremendous discretionary spending problems right now.

Everybody knows VA-HUD is in trouble.

We have significant cuts to veterans that are not what anybody wants.

We have problems in Labor-HHS as well.

We know we have problems. There is no tax cut that preceded them. What is causing that is the growing cost of mandatory programs that in the budget we passed in 1997 says that between now and 2009, 56 percent of our budget currently going to mandatory programs will grow to 70 percent. The discretionary programs will go from 31 percent to 27 percent, if we are able to reduce the national debt and reduce the net interest figure as well.

That is what is putting pressure on discretionary spending.

I know it is difficult to face it because it means we have to make changes in those mandatory programs to reduce their cost, or you have to come to the floor and propose increased taxes to pay for all of the things we want to pay for.

There is a problem with growing mandatory and declining discretionary program expenditures.

Second, there is a problem with Medicare—not just for the need to modernize the program, not just the need to provide health insurance for prescription benefits, but we should not, with the growing economy—4 percent real growth and 3 percent real growth in quarter after quarter—we should not with growth in the economy see the number of Americans who are uninsured go up.

There are an estimated 41 million Americans without health insurance, and 24 million of them are in the workforce. We tax their wages to pay for health insurance for everybody else, but they don't have it.

That, in my judgment, is the problem with Medicare. It is not just Medicare. It is all health care that needs to be fixed.

Lastly, Social Security. Senator THOMPSON, I, and others intend to offer an amendment at the appropriate time. We know Social Security needs to be fixed.

This is not like youth violence or Medicare or lots of issues that are extremely complicated—global climate change and others. This is a very straightforward, simple, actuarial problem.

I am astonished that we are able to survive around here without answering the question, What do you think ought to be done? The 150 million Americans under the age of 45 should not like a delay because every year of delay means you have a larger cut in your benefits as a consequence. That is the result of not doing anything.

Our proposal will cut payroll taxes by $1 trillion and increase the net worth. It fixes Social Security and increases the net wealth and worth of American households by $1.5 trillion over 10 years.

That is the third remaining problem that needs to be addressed. We do not address it by locking the money in a lockbox. That doesn't do anything to extend the solvency of Social Security, and I hope during the progress of this debate we are able to make that clear to the American people.

I yield the floor.

Mr. ROTH. Mr. President, I yield 14 minutes to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, I thank the Chair. I thank the chairman.

First of all, I want to align myself with the comments of our previous speaker, Senator KERREY. I think he is right on all points.

I think the question really boils down to a very simple one; that is, whether or not with a $3 trillion surplus it is reckless and dangerous to give 25 percent back to the people who created it. Or stated another way, now that we apparently are going to be in surplus, is this a time for a tax cut or a tax increase.

The President actually over the next 10 years proposes a tax increase and $1 trillion more in spending as opposed to the tax cut we have proposed.

So it is really a very basic philosophical difference that we have here.

First of all, I look at the tax burden we have today.

The reason we have this surplus, of course, is because of unprecedented revenues that are flowing into the Federal Treasury.

The primary reason for that is the unprecedented portion of Federal income tax revenues that are flowing into the Treasury.

The income tax portion of the gross domestic product has now reached 10 percent, which is an all-time high in the history of the United States of America.

The average two-earner income family is paying 38 percent in taxes.

Someone reminded me the other day that even the serfs in feudal times only had to pay a third to their masters, and these families are paying 38 percent.

Tax day now is May 11. We are working for the Government until May 11 of every year. Tax revenue has doubled just since 1987. We have this record level of tax revenues as a share of our gross domestic product.

What do we do about that? This bill, first of all, is addressed to the lower and middle-income taxpayer. It is addressed to the small businessperson who is out there working every day to make a living.

It gives some relief to those who want to save. It gives some relief to folks who want to invest. It gives some relief to folks who want to marry. And it gives some relief to folks who maybe after paying taxes all of their lives, when they die, don't want to have the family farm or their business sold just to pay the tax man again.

It gives some relief to all of those folks. It will not hurt the economy, as previous speakers have pointed out. As Chairman Greenspan has pointed out, it is phased in. It is only about $38 billion for tax relief for the first 2 years.

The President has more spending in his proposal—over $50 billion during the same period of time. If you worried about the stimulus effect of the economy, talk to the President. Don't talk to us about this bill. It reduces the Federal debt more than the President's proposal does.

But in response to this kind of tax burden, and in response to this reasonable—as Senator KERREY said ''no brainer,'' really not even a close call—response to a situation like that where we have this unprecedented situation, we have seen an unprecedented amount of inside-the-beltway hyperventilation.

The President, the Vice President, and members of the White House have taken to the airwaves wringing their hands, and a different part of the sky has fallen every day. We are going to pollute the streams, our kids are not going to be educated, our military is going to go in disrepair, and the Republicans are not looking out for the military anymore. And, that old reliable standby, ''We are going to harm Social Security and Medicare if we have tax cuts.'' It is called ''dangerous''—a ''dangerous tax cut.''

I think that assumes a level of ignorance among the American people that does not exist. I don't have time to talk about all of the accusations and charges and points that have been made to do anything but have tax relief this year. I will discuss one or two in the limited amount of time we have. Perhaps we can address the others later.

With regard to Social Security and Medicare, of course we all know it is a problem. Senator KERREY pointed out the nature of the problem a minute ago again. It is not as if we don't understand the problem. It is not as if we will not have to face up to it. The question is when.

We have a demographic time bomb on our hands that will affect Social Security and Medicare. We are an aging society. Some people say that is not a bad problem, that we are living longer. That is right. However, we have to make some changes precisely because of that if we are not going to ruin our kids and grandkids.

In the year 2030, we will have twice as many people over the age of 65 as we have today. Currently, we have almost four workers for every retiree; in 2030 we will have two workers for every retiree. After the baby boomer generation we will have a smaller population, and a smaller and smaller workforce, with a doubling of the people drawing out these funds. It will not work.

We have made some progress, at least in advancing the debate on these issues on a bipartisan basis. It is the first time I have seen issues of this magnitude and of this importance seriously addressed on a bipartisan basis. It is very encouraging.

We had a Medicare commission with Democrats and Republicans, chaired by Senator BREAUX, that addressed this Medicare problem in a serious fashion. The President's response to that was to scuttle the majority will of that Medicare commission trying to make fundamental reforms because they told us something we already knew; that is, we can't just keep pouring money into a broken, worn out, outdated system.

I think as Senator BREAUX once said: You put gasoline into an old, beat up, worn out car and it is still going to be an old, broken down, beat up old car. Instead of pouring more money on top of the system, we need fundamental reform. We tried to do that. The President's response was to scuttle it.

On Social Security, we had bipartisan bills in the Senate, with Democrats and Republicans working together for serious Social Security reform biting the bullet. It is not the easiest thing politically to do but somebody has to do it. The Democrats and Republicans together are doing it.

The President was looked upon to have a little leadership. Perhaps in these last couple of years he will want to exert some leadership when he is not having to run for reelection. His response was not to show leadership, but to back away from serious reform, saying he will put $100 million worth of IOUs into the Social Security trust fund which does nothing to save Social Security, and represents nothing more than a tremendous tax burden down the line when those treasuries are redeemed by our kids and grandkids.

While they are saying you can't have a tax cut, you can't have a tax cut, we have to save all this money for Social Security and Medicare, at the same time they are doing everything in the world over at the White House to prevent any real reform for Social Security and Medicare.

What about the question should we be saving all of the surplus for Social Security and Medicare and others? The short answer is we are taking 75 percent of these surplus dollars and devoting it to those very areas by means of a lockbox, by means of setting aside Social Security, Medicare, other spending priorities. Mr. President, 75 percent goes to those things.

I think the more important point we will hear time and time again is the President and Vice President on the airwaves hoping people will believe we are doing something bad to Social Security and Medicare if we pass a tax cut. The primary point is that these surpluses we are talking about are pretty much irrelevant to Social Security and Medicare. As the Comptroller General pointed out, if we put every penny in savings, if we put every penny of surplus into Social Security and Medicare, it would do nothing to change or rectify the fundamental inherent problems we face with those two programs.

I think we can cite the Comptroller, as well as GAO, in saying the President's proposal actually makes the Social Security and Medicare situation worse by pouring additional water into a leaky bucket with the hole in the bottom getting bigger and bigger and bigger, and all the time having to pour more and more water on top. What we are doing is buying a little time from the day of reckoning and convincing people in the short run all they have to do is concentrate on the short run. Don't think about down the road. Don't think about your kids or grandkids. We will not address serious reform but we will start dipping into general revenues instead of having some control with dedicated tax dollars, FICA tax money, dedicated to these particular programs. Then we can keep up with it and see how we are doing, know when we are in trouble. Forget that. We dip into general revenues. We have an extra amount and we will dip into general revenues without any control, without any way to tell how we are doing.

That is totally, totally irresponsible. Yet after doing everything they can to undermine the Social Security and Medicare long-term problem solution the Democrats and Republicans have been trying to work on, after doing everything they can to work against that, they, in turn, use that as a shield to say: Because we are not willing to address that, you have to go along with us and spend an extra $1 trillion to temporarily buy a few more years. Then they hope somebody will come down the road later on with more political courage to address the problem.

I think that is outrageous. Tax cuts have nothing to do with that problem. We set aside 75 percent of the surplus for those matters to start with, but tax cuts have nothing to do with the fundamental problem we are facing.

The only reason I can see for this kind of overreaction to a tax cut with these unprecedented surpluses is that the administration feels like a person who has been wronged, an injustice has been done to them, on the premise that it is the Government's money to start with and somebody has improperly tried to take that money away from them.

For some folks, there will never be a good time for a tax cut. Over the last few years, the President recommended three tax increases in times of deficits. Now we have a time of surpluses and his response is more tax increases. I think it is a debate not just over tax dollars; it is a debate over power. The folks in Washington don't want to give up power. It is a question of who is going to make decisions with regard to

people's lives. Will Washington collect money and dole it out as we see fit? Or are we going to leave it in the taxpayers' hands, at least 25 percent of the amount of money about which we are talking?

It is not this tax cut that is dangerous. What is dangerous is a government that can never, ever go but in one direction: eating a bigger and bigger percentage of what we produce in this country. What is dangerous is an administration that will use this kind of debate to mask over the fact it is not willing to face up to timely problems. That is what is dangerous. I think the American people see that.

I think the American people support this bill. I support this bill and urge its passage.

The PRESIDING OFFICER. The time of the Senator has expired. Who yields time?

Mr. BAUCUS. Mr. President, how much time is remaining?

The PRESIDING OFFICER. The Senator has 16 minutes.

Mr. BAUCUS. I yield all 16 minutes to the Senator from West Virginia, Senator ROCKEFELLER.

The PRESIDING OFFICER. The Senator is recognized.

Mr. ROCKEFELLER. Mr. President, I am here in the hopes of convincing my colleagues to oppose the $792 billion tax cut, which is based on a premise of a projected surplus of $996 billion. We have just heard a speech which basically attacked everything President Clinton has done and stayed away from the tax cut debate itself, and that is shaping up as somewhat of a pattern.

I am also here in the hopes of convincing my colleagues that the only prudent fiscal course, the only way you can strike a blow for our constituents and for our country and for our place in this world, is by taking advantage of this, what I consider to be almost certainly a once-in-a-lifetime chance to take the projected surplus and use whatever actually accrues from that to pay down the national debt.

It is very odd to me that the Republican Party and Democratic Party almost seem to have switched. The Democratic Party appears to be the party of fiscal responsibility. The Republican Party wants to be the party of political expediency. That is a political statement on my part. I apologize for that, but I have to make note of my understanding of what has happened in the last several years.

I think we should take this money to take down the debt. I think we should use it to save for Medicare and Social Security's future. I think we should position ourselves to be able, as Alan Greenspan has suggested, if we see the surplus coming in the future years in the way that we want, to then do a meaningful tax cut—once we have put our fiscal house in order. Remember all the talk about getting our fiscal house in order? That is all we talked about in 1990, 1991, 1992, 1993. That was the talk—most of it from the other side.

We are almost there. Now we have come to the point where we can actually get over the hump, position America well for the future, and my colleagues, at least some of them, want to blow all of this investment of effort and discipline we have made with a huge tax cut spending spree which the American people are not asking for, nor is American business asking for.

First and foremost, let's recognize the $996 billion surplus only exists—and I hope my colleagues will pay attention to this—only exists if you assume that Congress will cut $775 billion in real dollars over the next 10 years from programs that the American people want and need.

Does that mean we are adding on new programs? No. That is programs that already exist, that are already under the budget caps and already below expenditure levels of where they ought to be. So that surplus exists only if we cut an additional $775 billion from programs, which I will discuss in a minute.

That $775 billion in cuts is itself almost equal to the size of the Republican-proposed tax cut. That should tell you something about the tradeoff here, whether the tax cut numbers really add up. Deep, deep cuts would be required in seniors programs, education, transportation, veterans—just about every area of the Government—an average of over 30 percent if we are to enact a $792 billion tax cut the American people are not asking for.

By deep cuts I mean the kinds of cuts in programs that provide health care to veterans. People talk about veterans and then run away from their obligations to them. Or child nutrition—we all talk about children. They will have to be cut by more than 40 percent in real terms if the Republican tax cut is enacted. This assumption is ludicrous. It is ludicrous. It is a sham that a massive tax cut of either $792 billion or, the so-called more moderate approach, the $500 billion—they are both shams. They both have the same results. They both cause us to reverse course on fiscal discipline and responsibility, not just to the American people today but to future generations.

We should all have the courage to admit that now, before the Senate makes a mistake of historic proportions, we are subsuming our responsibility to the social fabric of America as we cast our votes. That kind of debilitating discretionary cuts cannot happen in an integrated and united America. The American people will not stand for it. I believe the projected $996 billion will not materialize. That is my personal view. I do not believe it will happen. But the tax cuts will kick in and they will be there. I believe once again we will get into the situation of spiraling deficits that we have tried so hard—going back to the structural impediment talks with Japan, and then the discipline the folks on this side of the aisle exercised in 1993—that all of us have tried to exercise.

Fiscal responsibility—corporate America has done it. Now Government is in the process of doing it. We have eliminated the deficits. We have a chance to eliminate the debt, something that has never even been contemplated before. Now we are going to blow it on a Republican tax cut which the people do not ask for.

Well-respected economists estimate that there would be probably cumulative deficits of maybe $821 billion in the non-Social Security budget over the next 10 years if the Senate Finance Committee's tax packets were enacted. It is a lot less than what is projected. That should be reason enough to rethink a vote for this tax cut package, or any tax cut package of such gigantic proportions.

Let me take a minute or two to outline what I think would happen to our economy if a massive tax cut were enacted. Let us consider what would happen if we actually voted to reduce taxes by $792 billion. Forget the inequity of distribution. I can go into that, but I will not now. Forget the cruel, gross, greedy inequity of that distribution of taxes.

No. 1, if you vote for a $500 billion or $792 billion tax cut, which would undoubtedly further stimulate spending, it is inconceivable to me or any rational person in this Chamber that the Federal Reserve would do anything other than raise interest rates. I listened to Alan Greenspan this morning as Republicans tried to pin him into corners, yet he kept coming back to the point that this is not the time to do it. Do not do it now. There will be consequences if you do it now. Do not make the tax cuts now. This is not the time.

The Chairman of the Federal Reserve, Alan Greenspan, clearly says that. It is not the time for massive tax cuts. If you credit him, as I think most of us do, with being a part, along with the fundamental force of the private sector, of our booming economy, then you should consider what he has to say. One listens closely to every word he has to say because he has not missed one yet. Greenspan said just this week:

> The first priority in my judgment should be getting the debt down, letting the surpluses run, and to, as has been suggested here—[I am quoting Greenspan; this is all him]—put in contingency plans so that in the event that all of this is happening, you could move forward later, at a later date, with tax cuts.

No. 2, let's examine what an increase of tax reductions would do, let's say, with a 1-percent increase in the interest rates by the Federal Reserve. In West Virginia it would mean the average home mortgage holder with an adjustable rate mortgage of $60,000 would pay $456 more every year for that mortgage.

The average student loan payment, based upon $11,800 owed, which is typical, would cost the average student $70 more a year. Add those up, and an average person in West Virginia will have

to pay $615 more per year in increased costs due to higher interest rates.

I encourage any Member to do the math for the people they represent. That is the increase they will have to pay. Then you say: But there is a tax reduction out there in the land. In West Virginia, the Republican tax rate reduction proposal will give the average West Virginia family a tax cut of approximately $118 per year versus the $615 more they will have to pay just on college, car, and home.

That is a tax cut? If they have to pay more money, that is not a tax cut. But you say: We have the proposed marriage penalty relief. Maybe that is 100 bucks. Maybe that is a little bit more than 100 bucks, but still that is an enormous tax increase on the burden of average families in West Virginia. I am taking the average family median income of $30,500.

As far as I figure, it does not add up to the cost of what they will have to pay in higher interest rates that are sure to accompany a huge tax cut.

Moreover, many of the people we represent benefit from the programs that will have to be cut. I go back to the 40-percent cut in programs that are now in effect and helping people; not new programs, not new spending, but programs in effect and already underfunded and staying that way through the year 2002. Families with children in Head Start programs will have significant cuts. We all benefit from a range of basic Government services. The air transportation system is grossly underfunded. We all benefit from that. Not all of us, but more and more of the American people are flying.

We benefit from what goes on at NIH in biomedical research. Cures for cancer, Alzheimer's, Parkinson's, and many other things are on their way. Or the assistance that is provided directly to the States—all of these things will be cut under the Republican tax plan. Not just cut, they have already cut, but they will be cut much more.

The NIH increase this year is minute. It will go down substantially. Do people really want to do this? Are my colleagues truly willing to sacrifice those benefits for the American people for a tax cut that disproportionately benefits those who are doing best in our country already?

Three, the Treasury Department just provided us with an analysis of who benefits from the Republican tax cut when it is fully phased in. I point out on the marriage penalty tax cut, there will be no relief for any West Virginians or anybody from any of our States for the first 5 years because it does not kick in. All we do in West Virginia is pay more taxes under a Republican tax cut because of what it inevitably does through the Federal Reserve System.

If my colleagues vote for the Republican tax cut, if they are of such a mind to vote for the Republican tax cut, please understand that Americans in the highest income brackets will get 67 percent of the benefit of this bill. Can anyone call that a middle-income tax cut with a straight face? If one divides up the quintiles—America divided into five different income categories—it is gross, it is embarrassing to see what happens in the distributional tables of who benefits from the Republican tax cut.

How much is there for those in the lower brackets doing the best they can? Very little. In fact, for those in the lowest quintile, which is, in fact, close to 23 million families, they get less than one-half of 1 percent of this generous Republican tax cut bill.

I suggest my colleagues should be able to answer these questions to themselves before they have to answer them to their constituents.

Equally shocking is the fact that more than 45 million families in the lowest brackets get a tiny percentage from this bill. The 23 million American families right in the middle get only 10 percent of the $792 billion Republican proposal. That means, again, that three-fifths, or a little bit more, get only 15.5 percent of the total benefits in this bill. This is wrong; this is dangerous tax policy. Frankly, it is dangerous social policy which will reverberate upon those who vote for it.

Fourth, the Republican tax cut will increase mandatory interest payments on the debt by $141 billion over the next ten years. Mandatory interest payments on the debt are already at about $227 billion. Doesn't that tell you in fairly clear and simple terms why we need to, in fact, pay down the debt to get rid of that obligation, to free up for the capital market this money which is now crowding out private sector investments.

Five, if we spend every dime and more of our available assets in the form of yet unknown surpluses before we preserve Medicare and Social Security for the future, there will be no additional resources left to strengthen those programs that we know the American people do want, do ask for, do insist on, and do look to us to provide.

Medicare is desperately in need of modernization. It is desperately in need of universal outpatient prescription benefits. Social Security needs to meet the needs of the baby boom generation. People on the other side and some on our side talk about we in Washington trying to decide what is good for the people as opposed to the people know what is good for the people. The people out there know. Those whom I represent and my colleagues represent know they are not in it for themselves. They are in it for their children and their grandchildren. It is not just what they think might be best for them. They are thinking, yes, what might be good for them, but what is good for their children and grandchildren. That is the way Americans are. That is the way we have always been.

Six, and finally, for your consideration: If my colleagues cast their vote for a $792 billion tax cut predicated on those deep spending cuts, how will my colleagues be viewed in their States?

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MOYNIHAN. Mr. President, I yield 5 minutes off the bill to the Senator from West Virginia.

The PRESIDING OFFICER. The Senator is recognized.

Mr. ROCKEFELLER. I thank my Democratic chairman of the Senate Finance Committee.

If my colleagues vote for this bill, will they be viewed as a leader? Will they be seen as somebody who is thinking for the long-term good? That is what people want. That is what people yearn for, is leadership. Or will they be looked at as somebody who took the easy course of voting to ''return tax dollars,'' or some part of them? Or will they be viewed as somebody who signed up to an economic plan that will limit our ability to protect Medicare and Social Security? My people point that out. Even if they do not know it, even if they are not sure of it, in their own minds, wouldn't they question whether or not you are exercising leadership responsibilities or political imperatives?

When will these devastating cuts in the important domestic programs affect your constituents? Imagine—how would my colleagues respond to that? What would my colleagues say to them? How would they view you when they discover that these things happened and they happened because of a $792 billion vote that you made? What would you hear from your constituents if you agreed to $775 billion in very important discretionary cuts on programs people care about? These are not new programs but programs already reduced, programs to be further diminished by $775 billion. How would they view you then? Would they view you as a leader or as a follower of public opinion that did not exist in that regard?

Here is one example which is shocking to me, I say to the senior Senator from New York. The House is now considering reclaiming $6 billion from the welfare reform money from the States—from the States, not even from us, but from the States—to make up their shortfall on the Labor-HHS budget. It is kind of ''reverse Robin Hood''—stealing from the poor to make sure we can provide tax breaks for the wealthiest of Americans.

I conclude my remarks simply by urging my colleagues, in the most sincere and intense terms, in one of the most important debates—the most important debate I have been associated with in the 15 years I have been in the Senate—to weigh these considerations against the possibility that exists for this country and for our people if we actually pay down the national debt—to accomplish the impossible—to eliminate the budget deficit, to eliminate the national debt, and then to contemplate what kind of country this could be for all of our citizens.

I thank the senior Senator from New York, and I thank our colleagues and yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 19 minutes to the distinguished Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, I thank the chairman of the committee for yielding me so much time and for letting me speak last on our side as we begin the amendment process.

We have heard some awfully strong language here. Our colleague from West Virginia begs us not to give Americans back some of this money that we have taken from them in taxes.

We are projecting a $3 trillion surplus over the next 10 years. Nobody disputes that. We have before us a bill that would give about 25 cents out of every dollar of the projected surplus back to taxpayers. Our Democrat colleagues say: Please, don't do that. Our President is quoted in AP on July 25 as saying that our effort to give 25 cents out of every dollar of projected surplus over the next 10 years back to working people in tax cuts ''will imperil the future stability of the country.'' In fact, yesterday the President said it would hurt women's health care. Perhaps today it will be that it will bring back the bubonic plague.

But it is clear that the President is against giving back 25 cents out of every dollar of surplus—out of every dollar we are taking in above what the Government needs. He thinks giving back 25 cents out of every dollar is too much.

Our Vice President says that the tax cut before us is a ''huge, gigantic, risky tax scheme.''

This is very extreme language we are hearing. Let me try to explain why it is so shrill. It is shrill for two reasons, really.

No. 1, giving people back their money so they can spend it themselves rather than Government spending it for them hardly seems extreme to the American people. With the projected surplus of $3 trillion, giving about one-fourth of it back in tax cuts hardly seems extreme.

But the other reason the President and his supporters are so shrill is, the President is not telling the truth. Let me explain why.

I have a chart here that has the cover page and one page of text of the analysis of what is called the Mid-Session Review. This is an analysis by the nonpartisan Congressional Budget Office that was just completed of the President's budget; that is, what he proposes we do with the surplus, what the budget adopted by the Congress proposes we do with the surplus; and then it compares the two. The important point being, this is not me talking, this is not Bill Clinton talking, this is the nonpartisan Congressional Budget Office talking.

To listen to the President and to listen to our Democrat colleagues, you get the idea that this is a debate between cutting taxes and paying down debt. The problem is, that is not what the debate is about. This White House has turned misinformation into an art form. Here is the living proof of it.

In the analysis of the Mid-Session Review that was just published by the Congressional Budget Office, the Congressional Budget Office basically has two findings. One, while the President had initially proposed spending some of the Social Security surplus, we have so shamed the administration that they now have agreed with us that the roughly $2 trillion of surplus caused by Social Security should be set aside to either pay down debt or to fix Social Security.

It is interesting that we have voted many times on a lockbox procedure to require that that money not be spent, and we have been unable to get the support of the minority in making that the law of the land. But that is something that at least to this point we have agreed on.

Where the disagreement is—and the Congressional Budget Office shows it very clearly—is, what do you do with the non-Social Security surplus? Basically, what the Congressional Budget Office finds, that the administration desperately does not want anybody to know, is that their answer is, spend it. They are not paying down any debt with the nondefense discretionary surplus. In fact, over a 10-year period they spend every penny of it. And they spend so much money in their budget that in 3 of the years they have to plunder the Social Security trust fund, basically, in contrast to what they have committed to do.

In fact, the Congressional Budget Office concludes, in looking at their own budget—and, again, this is the nonpartisan CBO—that in total, the President, over the next 10 years, would spend $1.033 trillion of the non-Social Security surplus, which is a little more than the entire surplus.

So when our colleagues are saying, don't give money back to taxpayers, pay down the debt, they are not talking about their program. The problem is, and the frustration is, if the President stood up and told the truth and said, don't give this money back to families, let me spend it, don't give this money back to working couples because they can't do as good a job spending it as the Federal Government could, then we could have a meaningful debate. But it is hard to have a meaningful debate because the administration basically is engaged in a concerted effort to mislead people.

But numbers and facts are persistent things. The Congressional Budget Office concludes two things about the Clinton budget that are devastating. No. 1, it would spend an additional $1.033 trillion more than the budget we have adopted and the spending caps to which the President is committed.

Secondly, and equally devastating, despite all this talk about buying down debt, with Chairman ROTH's tax cut, the budget adopted by Congress, which includes this tax cut, still pays down the Federal debt $219 billion more than the President's budget. Why? Because Senator ROTH's tax cut gives $792 billion back to working families. The President's budget spends $1.033 trillion. As a result, even after the tax cut, the Republican budget reduces debt held by the public by $219 billion more than the President's budget.

So his rhetoric is great. His sound bites are flawless. But the point is, he is not telling the truth. The reality is, the President proposes to spend every penny of the discretionary surplus on Government programs and plunders Social Security for additional money in 3 out of the next 10 years.

So the debate is not between reducing debt and cutting taxes. The debate is between letting Government spend the money or letting the taxpayer spend the taxpayer's own money.

But in addition to that, the tax cut that is being called ''huge,'' ''vulgar,'' ''dangerous,'' by President Clinton and his supporters is actually substantially smaller than the massive spending spree the President would take us on with 81 programs.

I ask you, how can it be more dangerous to start to cut taxes by $792 billion with a trillion-dollar surplus than it is to fund 81 programs and spend $1.033 trillion? Obviously, no one can argue that it is even equally dangerous. So what does the President do? He basically does not tell the truth.

Point No. 2, let's talk about: Why a tax cut now?

This chart really shows the highest 7 years in American history, in terms of the tax burden on working American families. The highest tax burden in American history by the Federal Government was in 1945 when Harry Truman was President. By the way, 38 cents out of every dollar earned in America is what we were spending on defense in 1945. That was the highest tax burden in American history.

The second highest tax burden in American history is today. Under President Clinton, in the year 2000—which is the budget year we are considering—the Federal Government will take 20.6 cents out of every dollar earned by every American. That is the second highest Federal tax burden in American history.

The third highest is under President Clinton in 1999.

The fourth highest was under President Clinton in 1998.

The fifth highest was under Franklin D. Roosevelt in 1944, when defense was 37 percent of the economy.

The sixth highest was under Bill Clinton in 1997. Hence, why we have on this chart ''Cause of Record Taxes: War and Clinton.''

The seventh highest tax burden in American history was the day Ronald Reagan became President. What did we promptly do? We cut taxes by 25 percent. So we have never had, except

under President Clinton, tax levels approaching the level we have today.

Now, in terms of this ''dangerous'' tax cut, this is probably the most telling chart of all. The day Bill Clinton became President, the Federal Government was taking 17.8 cents out of every dollar earned by every American in Federal taxes. Today, we are near an all-time record of 20.6 cents out of every dollar earned by every American. Hence, since Bill Clinton has been President, with the 1993 tax increase as people have moved into higher tax brackets, the tax take on the American people has grown from 17.8 to 20.6 percent.

Now, if we took every penny of the non-Social Security surplus, which is $1 trillion, under current services, actually, bigger if you take a spending freeze, but if we took every penny of that, and we are not proposing that here—we are talking about $792 billion, not over $1 trillion—but if we took the entire trillion and gave it back in tax cuts, 10 years from now, when that tax cut is fully implemented, taxes would still be 18.8 percent of the economy, and taxes would still be substantially above where they were the day Bill Clinton became President.

So when he is calling this tax cut ''dangerous and huge,'' it is a tax cut that would not get us back, in terms of tax burden, to where we were the day Bill Clinton became President. It would still mean the tax burden during the Clinton administration, even with this tax cut, would have grown by more than in any modern Presidency.

Let me address the idea that this is a huge, dangerous tax cut. It is very interesting how people make up these things and nobody goes and looks it up. But let me give you some figures.

We are projecting next year, the first year of this tax cut, that revenues are going to be $1.9 trillion. We are going to collect that much in taxes. This tax cut next year is a whopping $4 billion. So out of $1.905 trillion of taxes we are going to collect, this would give $4 billion back. That is .21 percent. Now, that is the ''huge, dangerous'' tax cut about which we are talking. It is implemented over a 10-year period. But over that entire period, what is being called a ''dangerous'' tax cut would reduce taxes on the American people by 3.48 percent. So it is less than a 3.5-percent reduction in taxes, far less than President Clinton would increase government spending, I remind my colleagues, and somehow that is ''dangerous.''

Well, it is dangerous if you are Bill Clinton, because if we give this money back to the American people, he can't spend it. There are 81 programs he would like to have that he won't get. What the President should be asking, rather than misleading people, is: Here are my 81 programs. This is what I am going to do for you. I love you and this is what we are going to do for you. And we ought to be forced to say: We are going to give you this tax cut, and we are going to let you decide how to spend it.

The people could look at the President's 81 programs and look at our tax cut and they can say, ''I would rather President Clinton do it,'' or ''I would rather do it myself.'' That is the legitimate debate we ought to be having. But we are not having it because the White House continues to mislead the American public.

Let me make a few other points. Our colleagues keep talking about tax cuts for the rich. I have noticed there is a code here: Any tax cut is for the rich. Any tax increase is a tax on the rich.

So when the Democrats pushed through the largest tax increase in American history when they last had a majority, in 1993, that was a tax on the rich. Remember? Well, it raised taxes on gasoline for everybody. Do only rich people drive cars and trucks? I don't think so. It defined as ''rich'' anybody who made $25,000 a year or more because that is the tax it put on Social Security. Now, I don't know about some of the States that people may represent, but where I am from, $25,000 a year is not rich. But to our Democrat colleagues, obviously, since the Clinton tax increase was a tax on the rich, $25,000 in income made you rich.

According to them, our tax cut is for rich people. They get very excited about the fact that they have discovered when you cut taxes, people who don't pay income taxes don't get tax cuts. In fact, they will point out, I am sure a hundred times here, that 32 percent of American families pay no income taxes, which I personally think is an outrage. I think everybody ought to pay something. But 32 percent of American families pay no income taxes, and their obvious question is: Well, under your tax cut, 32 percent of families don't get a tax cut; how can that be fair?

Let me explain why it is fair. These taxpayers don't get food stamps, the great majority of them. They don't get Medicaid. And unless they are elderly, they don't get Medicare. They don't qualify for those programs. Our point is that tax cuts are for taxpayers. When we are cutting taxes, if you don't pay income taxes, you should not expect to get a tax cut.

Some of our colleagues would like you to believe the Roth package benefits the rich relative to the poor. Well, the plain truth is that the Roth package makes the tax system more progressive, not less progressive. Now, it is true that when you cut taxes, people who pay taxes get to keep more; people who don't pay taxes don't get a tax cut. But our colleagues have basically discovered that, over the years, we have made the tax code more and more and more progressive. In fact, today, the top 50 percent of income earners in America pay 99 percent of the income taxes. So is anybody surprised that, when the top 50 percent pay 99 percent of the income taxes, that when you cut income taxes, the top 50 percent tend to get more tax cuts? In fact, our colleagues like to rant and rave about across-the-board tax cuts by saying, well, a 10-percent tax cut means that Senator ROCKEFELLER, who pays at least 10 times as much in taxes as I do, would get 10 times as big a tax cut.

I am not offended by that. If he pays 10 times as much, and we have an across-the-board cut, he would get 10 times as big a tax cut.

Let me run over these figures real quickly so people understand.

The top 1 percent of income earners in America earn 16 percent of all the income earned, but they pay 32.3 percent of all the taxes.

The top 5 percent earn 30.4 percent of all the income earned, but they pay 50.8 percent of the taxes.

The top 10 percent earn 41.6 percent of the income earned, but they pay 62.4 percent of the taxes.

Should anybody be shocked when you cut taxes, when the upper 50 percent of American income earners pay 99 percent of the taxes, and they are going to get most of the tax cut?

Only our Democrat colleagues and the President would be outraged about that. Our view is that tax cuts are for taxpayers.

Who is rich? I decided to look at this top 50 percent of income earners and basically ask: Who are these rich people who the Democrats think should not get a tax cut?

Let me go down who they are.

They are the 50 percent of people who pay roughly 99 percent of the income taxes.

They are 62 percent of all homeowners in America. They are 66 percent of all people between the age of 45 and 64. They are 67 percent of all full-time workers in America. They are 68 percent of all workers who went to college. They are 69 percent of all married couples. And they are 80 percent of all two-earner households in America.

These are the people who the Democrats tell us are unworthy and should get no tax cut—that these are rich people and they deserve no tax cut. They pay 99 percent of the income taxes, but they deserve no tax cut.

Let me tell you what the code is. The Democrats are always for a tax increase, and the tax increase, no matter who it is imposed on, is always a tax on the rich. They are always against the tax cut, and the tax cut always goes to the rich, and that is basically the code.

When you break through the code, the code is they are for tax increases. They are not for tax cuts because they believe the Government can do a better job of spending your money than you can.

The final two points: We often hear from our colleagues that this is the worst tax cut since the Reagan tax cut of 1981. This is the worst tax since the Reagan tax cut. Do we want to do it again?

Let me remind my colleagues the day Ronald Reagan became President, an average family in America making

$50,000 a year was paying $12,626 in Federal income taxes. They were paying 25 cents out of every dollar they earned. Thanks to Ronald Reagan, today they are paying $6,242, or 12.5 percent.

The Democrats think that was terrible. This is the worst tax cut since Ronald Reagan. They must have liked the tax burden under Jimmy Carter. They must have liked the 21-percent interest rates under Jimmy Carter. They must have liked the 13 percent inflation rate under Jimmy Carter. But we had sense enough to end that policy and let working people keep more of what they earn.

Final point: Alan Greenspan's statements have become similar to the Bible—nobody reads them very closely, and everybody quotes them. They quote him on both sides of the argument.

I would like to let him speak for himself. I would like to do it in the context of what the President has proposed.

Alan Greenspan said:

> If you find that as a consequence of those surpluses they tend to be spent, then I would be more in the camp of cutting taxes, because the least desirable is using those surpluses for expanding outlays.

When the President is proposing increasing spending by $1 trillion over the next 10 years, don't we find ourselves in a position where the surplus is being spent?

The answer is obviously, yes. It is being spent just as fast as it can be spent.

Then Alan Greenspan is in favor of giving part of it back—in this case a very conservative amount, 25 cents out of every dollar we have in surplus.

I think we should do it. I think it is the responsible thing to do. I believe we will do it.

If this is taking us back to the terrible days of lowering the tax burden, I am ready to go back.

Mrs. MURRAY. Mr. President, I rise today to express my concerns about the tax plan proposed by my Republican colleagues.

When I first came to the Senate in 1993, there were projected deficits as far as the eye could see. The United States had not seen a budget surplus in a quarter century. The American people were demanding change after more than a decade of Republicans in the White House, and Republicans in control of this body from 1980 to 1986. We knew we had to make some unpopular decisions to put our fiscal house in order. And working with the Clinton administration, the 103rd Congress made those tough decisions.

We reduced the tax burden for the middle class and we restored some degree of tax fairness to our system. We put the Federal Government on the road of less spending, while maintaining commitments to core priorities. Some of my colleagues were defeated in 1994 because they did the right thing for the future of America.

In 1997, Congress and the administration reached a bipartisan agreement to balance the budget and provide responsible tax relief to the American people. At that time, we had no idea we would achieve an on-budget surplus so quickly. Wise fiscal and monetary policies and a strong economy have provided a projected surplus that gives us hope we can solve some of the biggest challenges of our time. It is an exciting time to be in the Congress.

But in our excitement about the projected surplus, I am afraid we are acting in haste. And in doing so, we could undermine the hard work we have done to get to this point.

Let me be clear: I support responsible tax relief for the American people.

I support further reform of our nation's estate tax laws so that the small timberland owner in Mason County, Washington, and the small business owner who sells farm equipment in Moses Lake, Washington, can pass their land and livelihoods on to the next generation.

I support deductibility of health insurance costs so the self-employed owner of a technology start-up company in Seattle can afford health care.

I support reducing the so-called ''marriage penalty'' so that a young married couple in Spokane has more money to purchase their first home or begin saving for retirement.

I support expanding the low income housing tax credit so that we increase the availability of affordable housing for low- and middle-income families, especially in rural and urban areas.

I support the creation of Farm and Ranch Risk Management Accounts so the apple grower in the Yakima Valley will have one more tool to manage the risk inherent in agriculture.

I support the extension of the research and experimentation tax credit so Washington state high-tech and biotech companies have the incentive and the ability to invest in their long-term future and the future of our country.

I support reforming the individual alternative minimum tax so that families all across Washington state can continue to enjoy the full benefits of the HOPE scholarship and the per child tax credit that we passed in 1997.

In principle, I support all of these ideas, and many others that have been proposed. However, we cannot afford to make tax cuts without considering and carefully weighing the consequences. The American people deserve a responsible tax cut. They also deserve an honest debate from this Congress about how the Republican tax bill would affect their lives.

The majority's tax plan is based on an assumption. An assumption about what future Presidents and Congresses will do. They assume we will have a projected $964 billion non-Social Security surplus through fiscal year 2009. My colleagues propose to use $792 billion of that projected surplus over the next ten years to reduce taxes. They also assume that three-quarters of the projected surplus will come from unspecified reductions in spending by future Congresses.

To all the citizens watching around the country today, let me explain. The 1997 balanced budget agreement called for strict spending caps in discretionary, nondefense spending in fiscal years 2000, 2001, and 2002. In other words, the 17 percent of the Federal budget that funds all Government activities besides Social Security, Medicare, Medicaid, and interest on the $5.5 trillion national debt is subject to cuts. That 17 percent funds the federal role in improving education, giving greater access to Head Start, preventing crime, protecting the environment, providing health care to veterans, investing in urban and rural communities, maintaining national parks, creating affordable housing, reducing traffic congestion through highways and mass transit, and many other important functions.

The projected surplus uses as its baseline spending targets established for fiscal year 2000. Right now, the Senate Appropriations Committee, of which I am a member, is struggling to move forward with bills. Even some of my Republican colleagues have indicated they cannot write appropriations bills within the current spending caps. For example, both the VA, HUD, and Independent Agencies spending bill and the Labor, Health and Human Services, and Education spending bill have not been reported by their respective subcommittee because of the funding difficulties involved.

The American people need to understand that this tax cut will mean massive, unprecedented cuts in important and popular domestic priorities.

If we assume that Congress will meet the discretionary spending caps outlined in the Republican plan, then nondefense discretionary programs would have to be cut by 23 percent by 2009.

What does this mean for Washington state?

It means 23 percent less for Hanford cleanup. It means 23 percent less for salmon recovery. It means 23 percent less for community police officers. It means 23 percent less for highway improvements and mass transit to meet our growing infrastructure demands. It means 23 percent less for Head Start, which serves more than 9,000 children in Washington state. It means 23 percent less for reducing class size. it means 23 percent less for our VA hospitals. It means 23 percent less for the management of Mt. Rainer National Park. But reductions in discretionary spending is far from the only concern with this tax bill.

This bill jeopardizes our ability to reduce our national debt. All of my colleagues have worked hard to get our fiscal house in order. We have successfully balanced the budget, provided reasonable tax relief, and contributed to the strong economic environment we have today. One of our priorities must be continuing to reduce publicly held debt. By doing so we can decrease the interest payments on the debt that currently claim 15 percent of the federal budget. And reducing the debt will

also help keep our economy moving forward. Federal Reserve Chairman Alan Greenspan has indicated again and again that reducing debt is preferable to a large tax cut.

I have saved the most important issue for last: Social Security and Medicare. Throughout the past year, as it appeared we would have a large projected budget surplus over the next ten years, I have said repeatedly that we should not raid the surplus for tax cuts until we protect Social Security and Medicare for the long term.

I have listened to many of my colleagues talk about the importance of returning money to taxpayers. Let me tell my colleagues there is no better return on the investment for taxpayers than saving Social Security and Medicare. This must be a top priority. If we fail to enact real reform, we will be judged harshly—and rightly so—by our children and grandchildren. Our Nation's future economic security rests in our hands.

Saving Social Security and Medicare is important to all of our Nation's seniors, but let me explain why it is especially critical to women and their families. Women are twice as likely as men to live with a chronic health care condition. Women receive Social Security and Medicare longer than men, and for all women over age 65, 60 percent of their retirement income comes from Social Security. Often, Social Security and Medicare are their only hope for maintaining a reasonable standard of living and some degree of independence and dignity.

If we fail to protect the solvency of both of these important safety net programs, my generation will become a burden on our children. Our grandchildren will not have the same economic opportunities that we had simply because their parents will be taking care of us. More and more older Americans would fail deep into poverty, further straining family and government resources, and most important the emotional and physical health of seniors.

My Republican colleagues claim they have created a lock box for Social Security and Medicare. However, the Republican proposal simply continues to reserve the Social Security trust fund surplus for Social Security. But, they do not provide any additional resources for either Social Security or Medicare and they do nothing to improve their solvency. Their lockbox is an empty promise.

We can argue about the economic threat posed by this package of tax cuts targeted to the more affluent and geared towards increased consumption, but I think we should be talking instead about maintaining the most successful economic stability programs ever implemented by the federal government—Social Security and Medicare. Can you imagine the economic upheaval that the insolvency of Social Security or Medicare would cause? I can assure my colleagues that hard working Americans want economic security in their retirement years, not tax breaks they may never even see or benefit from.

That's an important point, Mr. President. This tax bill, which would do nothing for Federal initiatives—from Social Security to Medicare, from transportation infrastructure to education, from Section 8 housing to clean air and water—that raise the quality of life of low and middle income Americans would then give three-fourths of the benefits in return to the top one-fifth of income earners. The average tax cut for the bottom 60 percent of taxpayers—with incomes of $38,200 and below—would be $139 per year. And in return for that tax cut, that same family will have to worry even more about taking care of elderly parents, about where they will find money to help their kids go to college since there are fewer Pell Grants, and about how they get to spend some time with their kids when they are on congested highways for hours each day. And to top it all off, when the family goes on vacation to see our nation's national parks, the gates will be closed.

I will support the alternative drafted by my Democratic friends on the Finance Committee. The alternative would meet many of our priorities for any tax bill we send to the President.

The Democratic alternative would provide broad-based relief to the more than 70 percent of taxpayers claiming the standard deduction. It would remove three million taxpayers from the tax rolls. It would also provide marriage penalty relief. These are real benefits targeted to precisely the lower and middle Americans that need it the most.

The Democratic alternative would allow 100 percent deductibility of health insurance costs for self-employed individuals and include a 30 percent tax credit for individuals without employer-sponsored plans. Since the Senate failed to pass a strong Patients' Bill of Rights, the least we can do is make health insurance more accessible to all Americans.

The Democratic alternative would make public school modernization a high priority. It would provide $24 billion in modernization bonds. Mr. President, this would send a strong message to students, parents and administrators that this Congress cares about providing the education infrastructure we desperately need.

The Democratic alternative would provide tax relief for our nation's struggling farmers and ranchers. It would establish Farm and Ranch Risk Management FARRM, accounts so that producers could better manage their income to reduce risk. Given that it is unlikely Congress will act to improve the long-term safety net for growers this year, FARRM accounts are the least we can do.

I urge my colleagues to vote for the Democratic alternative. A vote for the Democratic alternative is a vote for responsible tax relief and responsible government. At a time when most Americans do not have much faith in Congress, let us not compound that sentiment with responsible tax politics. We have worked so hard to correct the misguided policies of the past. As we move forward into the next century, let's learn the lessons of the past and reject the Republican tax plan in front of us.

RETIREMENT SECURITY PROVISIONS IN TAXPAYER REFUND ACT OF 1999

Mr. GREGG. Mr. President, I rise to address several important provisions in the tax relief legislation that has been reported out of the Senate Finance Committee.

In the last few years, I have taken an especial interest in reforming our federal entitlement programs and our tax policies so as to recognize and to prepare for the retirement of the Baby Boom generation that will begin in 2008. During the last Congress, I was appointed by Majority Leader Trent LOTT to chair a Senate Republican Task Force on Retirement Security, on which Chairman ROTH served, and provided the benefit of his experience and his enduring commitment to promoting retirement saving. Our task force produced a bill, numbered S. 883 in the last Congress, several provisions of which were included in the 1997 reconciliation bill. I am pleased to see that several more have been included in this year's reconciliation bill.

I would like to review several of these provisions and to discuss their significance.

Chairman ROTH has devoted several years of his career to promoting increased personal saving through individual retirement accounts. His IRA legislation, the Roth-Breaux bill, was included in its entirety as the first title of our comprehensive bill. The Chairman succeeded in passing some of the provisions of this legislation during reconciliation last time around, including the back-loaded IRA that has become known as the ''Roth IRA.'' This time, the Finance Committee mark moves the ball still further forward on expanding the saving in individual retirement accounts. It increases the contributions that can be made to these accounts, as well as expanding the number of individuals who can participate in them. Now more than ever, with the Baby boomers poised on the brink of retirement, ready to move from being earners and investors to being consumers, ''all saving is good saving.'' It is a very propitious time to propose that individual saving be promoted and encouraged.

I stress that we score these provisions, for our own accounting purposes, as ''revenue losers,'' but this is misleading. This is not saving that is ''lost''—it is only ''lost'' to the federal government. This saving and investment will result in much-needed contributions to capital formation and to economic growth. This is a far superior use of this money than collecting it to fuel current government consumption.

I was pleased to join in cosponsoring Senator ROTH's legislation to expand IRAs, and am further pleased that this reconciliation bill incorporates a portion of that expansion.

Senator ROTH's IRA legislation was drafted before the task force began work on S. 883 in the last Congress. But there were several provisions that were original to the task force of which I remain very proud, and I am pleased to see that they have received positive attention from the Finance Committee this year.

First of these is the ''SAFE'' plan for small businesses. This is a new type of defined benefit plan that we worked to devise in concert with others who also perceived the need to make such pension plans more attractive to small business owners. Right now, it is too often the case that it is not in the interest of a small employer to offer such a pension plan. The nondiscrimination rules are too complex, and the small employer may not feel that they can afford the fiscal commitment of such a size, uncertainty, and duration.

The ''SAFE'' plan neatly balances the need of employers to have a simplified pension structure, with the desire to give employees fair treatment and a pension benefit that they can count on. The rules of the ''SAFE'' plan are very simple. Fair treatment is ensured by simply requiring that the employer fund a benefit that is the same percentage of pay for each eligible employee in the shop. If one year's contributions produce a pension benefit equal to 2 percent of pay for the boss, then it's also 2 percent of pay for the employee—extremely simple.

''SAFE'' is a fully portable, fully funded pension plan that will work. It's portable because the contributions are made specifically on behalf of each employee, so it is easy to track how much of a nest egg each has accrued. If that employee moves on, that balance can move on with them with a minimum of difficulty. It's also fully funded—simple rules dictate how much money the employer puts in for each employee in each year. It has to be enough to fund the promised defined benefit. Each year the accumulation in that account is tracked, and if it falls behind the amount that is assumed to be needed using some flexible and reasonable interest rate assumptions, then the employer will have to make additional contributions to make the employee's pension fund ''whole'' again. The employer meets his obligations in a simple and easily understood way, and has no mounting financing problem at the end of the game.

I also note that the ''SAFE'' plan also is an important benefit for longtime employees who have not been covered to date, because it does allow for ''catch-up'' contributions covering an employee's previous 10 years of service. This is a helpful feature because of the assistance it will give to employees who have less time to prepare for retirement.

The Finance Committee proposal also includes several provisions to increase the amount of contributions that can be made to SIMPLE plans or to other pension plans. I am pleased to note that it also includes several provisions championed by our task force that would benefit small businesses and the self-employed in particular. For one, it would equalize the treatment of self-employed and larger businesses with respect to loans taken from pension plans. Right now, the self-employed, subchapter S owners, partners, sole proprietors, cannot take loans from their pension plan as can larger businesses, and this puts them at a competitive disadvantage. Our proposal to correct this inequity is included in the Finance Committee bill.

We also included a proposal that would remove a disincentive for the self-employed to make matching contributions to their pension plans, and no longer counting such matching contributions towards the annual 401(k) contribution limit. I am pleased that a version of this proposal is also included in the Finance Committee package.

I am also pleased to see the number of provisions included in this legislation aimed at addressing the problem of inadequate retirement income for women, who make up the vast majority of our impoverished elderly population. Our task force considered our women's equity provisions to be so important that we introduced them separately in the last Congress as the WISE, Women's Investment and Savings Equity bill.

Some of the provisions of WISE were included in last year's reconciliation package, including the liberalization of rules governing contributions by homemakers to IRAs.

We also included another provision aimed at giving stay-at-home spouses a chance to ''catch-up'' on pension contributions if staying at home to care for a child interrupted their past contributions. We offered a provision allowing ''catch-up'' opportunities for individuals who had taken maternity or paternity leave. The Finance Committee bill also includes a ''catch-up'' provision. Though not specific to the case of families caring for children, the provision providing for larger IRA and pension contributions once the individual reaches the age of 50 is intended to serve the same purpose—to recognize that individuals often do not have as much money to put aside in saving until their children are out of the nest. Giving parents a chance to ''catch up'' for these lost opportunities is a family-friendly reform.

I continue to believe that allowing ''catch-up'' contributions for individuals who missed out on pension contribution opportunities specifically because of child-rearing is an important idea, which I may still wish to pursue. But I am pleased to see the provision in this legislation and to recognize the chairman's effort to serve the same end.

Finally, a number of other reforms that I and the rest of the task force have sponsored in the past also appear in this bill—including important portability provisions that would allow individuals in public sector employment plans to take their pension benefits with them when they join a private employer. The current situation is an artifact of the undue complexity of our pension law, and the incompatibility of public and private pension regulations that has interfered with such portability until now. Public employees are often afraid to leave public positions because they do not know whether their pension benefits will travel with them, especially once it has accumulated to a significant amount that is critical to their retirement plans. Everyone's interest will be served by allowing these accumulations to roll over into other types of plans.

I simply close by again thanking the chairman for the level of attention that he has given to retirement saving in the Finance Committee mark. As the chair of the Republican Task Force on Retirement Security, I find it gratifying to see that the chairman placed such a high priority for these needs among the competing objectives that Senators brought to crafting this tax bill. I hope that indeed ''the time has come'' for many of these provisions on which we have worked so hard in the past, and I hope that they will be supported throughout this reconciliation process.

I thank my colleagues, and I yield the floor.

The PRESIDING OFFICER. The majority leader.

Mr. LOTT. Mr. President, I raise a point of order that section 1502 of the bill violates the Budget Act.

Mr. ROTH. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive section 313(b)(1)(e) of the Budget Act for the consideration of S. 1429, and any conference report thereon, amendments between the Houses, and any amendments reported in disagreement.

I ask for the yeas and nays on the motion.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. ROTH. Mr. President, I yield myself such time as I may use.

Mr. President, the point of order against section 1502 is made necessary by the antiquated provision of the Budget Act where provisions were drawn to function in an era of deficits.

Even though the Senate instructed the Finance Committee to cut taxes, almost everyone understood those instructions to mean the tax cuts would be permanent.

Nevertheless, we must contend with the language of section 313(b)(1)(e) of the Budget Act which forbids any reconciliation bill from achieving a net reduction in revenue beyond the 10 years for which the committee was instructed.

Of course, achieving a net reduction in revenues is our goal, as well as our instructions.

Moreover, the Budget Act provision in question was not written with this situation in mind. It was not written to hinder refunds of a budget surplus. Rather, it was written to bar creative accounting provisions, such as those offered on this floor to delay the timing of expenditures, or to accelerate the timing of revenue.

These were one-time only provisions designed to occur at the end of the window—not for any policy reason but only to achieve compliance for a moment in time with the relevant instructions.

I remember a military pay installment was once moved from the last day of one fiscal year to the first day of the next year, which was outside the window, to achieve budgetary savings in the earlier years. But no provision of that sort is contained in this bill.

Rather, the question here is whether any tax relief can be permanent except for a very small percent of tax provisions.

It is a general rule that tax relief is permanent. This was true with the last tax bill, which provided an actual tax cut—the Tax Relief Act of 1997. But that bill was paired with a balanced budget act of the same year, the savings of which far exceeded the tax cut then provided.

Today, we face a new question under the Budget Act because it is unnecessary to pair this tax cut with another bill to cut spending. It is unnecessary because we have already achieved the goal that such a spending bill would hope to achieve, a surplus to fund a tax cut.

In my opinion, the Budget Act provision makes no sense if applied to the current circumstances.

Everything I have said applies in equal measure to the Democratic alternative, and every other tax cut Members are anxious to propose on the floor this week.

In sum, everyone thought we were instructed to achieve permanent tax relief. That was the commonsense understanding. That is the better tax policy. I urge support for the waiver to protect this legislation against an arcane budget rule never intended to apply to this situation.

The PRESIDING OFFICER (Mr. CRAPO). The Senator from New York.

Mr. MOYNIHAN. As my good friend knows, at the end of my statement this morning I indicated I would raise this point of order against section 1502 of the bill, which takes the 10-year provisions of the bill before the Senate and extends them for an additional 10 years. That is clearly a violation of the Byrd rule which deals with increasing the deficit on a reconciliation bill.

I am surprised to find my friend refer to that provision as ''antiquated'' or ''arcane.'' We have spent 20 years trying to control this deficit. We quadrupled the national debt in 12 years, from 1980 to 1992. We have now reversed that. We have made the point on this floor that we are providing tax reductions from a projected surplus that has not occurred and may not occur. It certainly does not exist.

A few days ago, in a letter to the Democratic Members on our side, our dear friend, the chairman of the Committee on Foreign Relations, with respect to the Comprehensive Test Ban Treaty, used the word ''floccinau cinihilipilification,'' and it was reported in the press this morning. He got that word from the Senator from New York. Floccinau cinihilipilification is now the second longest word in the Oxford Dictionary. It is from a debate in the House of Commons in the 18th century meaning the futility of budgets. They never come out straight.

I had the opportunity to review an autobiography of John Kenneth Galbraith years back in the New Yorker magazine. I added ''ism'' to refer to the institutional nature of this, so it became floccinaucinihilipilificationism. It is no joke. One never gets it right. It is not because one cannot, one does not try.

''Exogenous'': Come in from the outside. Drought, hurricane, Asia goes to pieces. We don't know what will happen. We have this surplus that would match a $792 billion tax cut. However, does anybody believe we know enough about the decade beyond this one to continue these tax cuts, many of which take hold later in the first decade, such that the Treasury Department holds that in the second decade the revenue costs will be $1.9 trillion and the interest and consequence will be $1.1 trillion. So the total costs would be $3 trillion, which is almost four times the cost of the first decade.

Surely we cannot be so irresponsible. It speaks of hubris to suggest we know what is going to happen that far out. It speaks calamity, as well.

I see my friend from North Dakota. I yield to the Senator 5 minutes.

Mr. CONRAD. I thank the distinguished Senator from New York.

I rise to urge my colleagues to resist the move to waive the budget procedures. I think it is important to remember the history. The budget reconciliation process was devised to expedite consideration of deficit reduction measures. That was the purpose.

The bill before the Senate now perverts that process by using expedited procedures to secure enactment of a measure to increase the deficit. Fortunately, Senator BYRD crafted the Byrd rule to prevent abuse of reconciliation's expedited procedures. He did that to protect the fiscal integrity of the United States. This move to waive that rule is a move to undermine the fiscal integrity of the process. It ought to be resisted by every Member, especially those who profess to be conservative.

Section 313(b)(e) of the Byrd rule provides that any provision in the reconciliation bill that would decrease revenue in years beyond the budget window violates the Byrd rule and would be automatically stricken from the bill upon a point of order being waived.

It is clear this measure, this risky tax cut scheme, explodes in the second 10 years.

This chart shows what happens with the tax scheme being proposed. It starts out modestly, but it grows geometrically. In the second 10 years, it absolutely explodes. It goes from being an $800 billion tax cut over the first 10 years to being over a $2 trillion tax cut in the second 10 years.

Mr. MOYNIHAN. Will the Senator yield?

Mr. CONRAD. I am happy to yield to the Senator.

Mr. MOYNIHAN. I believe the Treasury Department estimated the second 10 years is a $1.9 trillion tax cut, but we have to add $1.1 trillion in interest payments, such that the total cost is $3 trillion.

Mr. CONRAD. The Senator is exactly right. The tax cut alone in the second 10 years is nearly $2 trillion. Obviously, there are additional costs. Because of additional interest costs, if you spend the money or run it in tax cuts, you lose the interest earnings. So you add to the interest costs of the United States. That is why Senator BYRD put in place this very wise rule, so we would not undermine the fiscal integrity of the United States. Now there is a move to waive that rule. It ought to be resisted. It ought to be defeated.

This morning a column in the Washington Post by Robert Samuelson addressed this issue in ''The Reagan Tax Myth.'' He pointed out the danger, the riskiness, the radical nature of the tax proposal before the Senate, and pointed out that it is all based on projections that very well may not come true.

In fact, he pointed out:

> . . . there is no case for big tax cuts based merely on paper projections of budget surpluses.

He pointed out:

> The projections, for example, assume a steep drop in both defense spending and domestic discretionary spending that may be unwise, particularly for defense.

He goes on to say:

> Suppose that spending exceeds projections by one percentage point of national income and that tax revenues fall below projections by the same amount. In today's dollars, these errors—not out of line with past mistakes—would total about $170 billion annually. Most of the future surpluses would vanish.

They would vanish.

Mr. President, I think it is very important. We have heard repeatedly from our friends on the other side of the aisle that they are only providing 25 percent of the surplus in tax cuts. They are not telling the whole story. They are being very selective about what they tell the American people. They say we have $3 trillion of projected surpluses—projected. Let's remember they are projected; they may

not happen. And they say they are only providing $800 billion of tax relief.

I ask for 1 additional minute.

Mr. MOYNIHAN. Of course.

Mr. CONRAD. If we check their math, we find the story is quite a bit different from the way they are telling it. Of the total surplus over the next 10 years, $2.9 trillion, nearly $2 trillion of it is Social Security surplus. Are they talking about spending some of this Social Security surplus? Are they talking about once again raiding the Social Security surplus? If they are not, then this should be taken right out of the calculation.

Then we have to take out an additional amount, about $130 billion, because if you provide tax cuts, or you spend the money, interest cost goes up. So now you are down, instead of $3 trillion, to $870 billion. And they are talking about a $800 billion tax cut. They are not using a quarter of the money, unless they intend to use Social Security funds. Fairly described, they are talking about using 94 percent of the non-Social Security surplus for a risky tax cut scheme based entirely on projections, projections that might not come true, and in the second 10 years those tax cuts explode, endangering the fiscal integrity of this Government.

My God, after the progress we have made to eliminate the deficit and create surpluses in the last 6 years, to turn our back on that and take the risk of putting this economic expansion in jeopardy? It is wild. It is risky. It should not happen. And the move to waive the budget rules that protect the fiscal integrity of this country ought to be defeated.

The PRESIDING OFFICER. Who yields time?

The Senator from New York.

Mr. MOYNIHAN. I yield 5 minutes to the Senator from Minnesota who would like to speak on the motion to waive the Byrd rule.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, I thank the Senator from New York. I actually was going to come down here and take a little bit of time to prepare for this, but I will just do this off the top of my head.

I want to say to the Senator from New York, Senator MOYNIHAN, I come to the floor to fully support his initiative, what he is trying to do. I think what the Senator from New York is saying is that we have a proposal on the floor, the Republican proposal, which after the first decade is essentially going to explode the debt, and that really this is the height of folly.

I will not get at all demagogic right now, but I will say this. I do not mean that other times when I speak that I am demagogic. I don't mean that at all. I will say this. When I hear the discussion about how we need to give the surplus back to people, give it back to the taxpayers, I say to myself—and I think this is what Senator MOYNIHAN is trying to say, not just to the Senate but to the country—I say to myself, this is actually not true.

Whatever we have by way of surpluses, assuming that our economic performance will continue to be as good over the decades to come, that surplus belongs to our children and grandchildren. We built up this debt. We saddled this debt on them. We ought to make sure that whatever we do doesn't explode the debt after 2010, that we make sure Medicare and Social Security will be available for them, and we make sure our children and grandchildren will have the same opportunities we have had.

What the Senator from New York is doing with this point of order, his challenge right now to the majority party's plan, is to essentially say this. The people of our country, the vast majority of people in Minnesota, New York, and all across the country, are very intelligent about this. The last thing they want to see us do is explode the debt again. They don't want to see us do it because they don't want to see us go into more debt as a nation. They don't want to see their children saddled with more debt.

There is one other point, which is a political point and also an ideological point. If we pass this proposal, the Republican plan—and I believe the President must veto it—as we look to the second 10 years, we are going to have such an explosion of deficits and debt that will make it impossible for us to move forward on any of the initiatives that do in fact give more opportunities to children, to allow some of the investments we should make—not unwise investments, but investments in education, investments in child care, investments in economic development, investments in our urban communities, investments in our rural communities.

This Republican initiative will explode the debt. It is fiscally irresponsible. It will put us in a straitjacket where we as a country will not be able to make any of the wise investments we should make in education for our children and our grandchildren. This is a critically important initiative, I say to the Senator from New York, and I fully support his action. This vote is probably as important a vote as we are going to have over the next couple of days.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I could not more agree with my friend from Minnesota, who has taught political science superbly well. Earlier today, in opening remarks, I commented on a theory that developed on the conservative side of politics in the 1970s which held that the way to control the size of the Federal Government was to starve it of revenue—''starve the beast'' was the rather graphic term. It was indeed. That was the effort in the early 1980s until they realized it was not working. Just yesterday, E.J. Dionne wrote:

> The long-time goal about which Republican leaders are candid, is to put Government in a fiscal straitjacket for years to come.

This is an idea with which we are dealing, not a bunch of numbers, a grand strategy, and it will work if, in the second decade, we see a cost of this measure. The Treasury estimate is $3 trillion, an incalculable sum, which will paralyze, which will put the Government in a straitjacket. We have no right to do that to another generation of Americans. If they wish to do it, that is their right, but it is not surely our option.

Mr. WELLSTONE. Mr. President, I say to my colleague from New York, the point he just made is profoundly important. We do not have a right to make this decision for our children. The next century belongs to them. We do not have a right to make this decision for other Democrats and Republicans who are in the Senate to serve and represent people. This is fiscally irresponsible. It explodes the debt, and it puts us in an absolute straitjacket whereby we will be incapable of making any of the investments we all say we are for to make this a better country.

I yield the floor.

Mr. ROTH. Mr. President, I yield 10 minutes to the Senator from Missouri.

The PRESIDING OFFICER. The Senator from Missouri is recognized for 10 minutes.

Mr. ASHCROFT. I thank the Chair.

Mr. President, I thank my colleague for this opportunity to address what I consider to be a very important issue. Of all the freedoms we enjoy, I think the freedom to use and to spend and to devote the product of our own hands, the work we do to benefit our own families, is perhaps one of the most cherished freedoms of a free society. In our debates about the theories of government and resources and whether we should have tax cuts or increased taxes, sometimes we forget that it is a fundamental freedom—a cherished opportunity for individuals—to accept the incentive, the opportunity, and the responsibility of providing for themselves.

One of the things we want to provide for ourselves, obviously, is government, so that we have a framework in which to work, which protects our property, protects us, and protects our families. That is an important thing we do.

We have to be careful that we do not think we are working for government rather than for ourselves, or that government should do for us those things we can do for ourselves.

As we think about how we deal with the resources that are generated by the enterprise and the productivity of the American people, we ought to think about the American people and the fact that the fundamental freedom we cherish is being able to work, to produce something, and then to manage that which we produce for our own benefit.

We as a people have been so successful at it that we even are able to be generous with that which we produce. But it is our own generosity. America is the most giving nation in the world. Philanthropy here dwarfs philanthropy in other settings, but it is, in part, because we are allowed to keep that which we produce. Giving is greater here than any place on the planet because we allow people to keep that which they produce, to manage it for their own benefits and for their families, and then to give it according to their desires.

We stand on the threshold of a debate about what happens when a person works hard and creates something, creates resources, earns wages, creates wealth—that is what wages are. People earn that, they create it with work and decide how it will be devoted, what will happen to it.

We have a situation now where our Government has taxed the American people to such an extent that if those taxes are just collected over the next 10 years, we will have collected in that 10-year period about $3.3 trillion that we will not need to spend in that 10-year period. That is why we call it the general surplus, the sort of global surplus, the entirety of the surplus.

A number of us realized it would not be responsible to spend all of that, so we said: Wait a second, there is a part of that surplus which we will not spend, and that is the part that is the surplus related to Social Security. We said there will be no expenditures of the Social Security surplus. It sounds simple and it sounds like something that should always have been the case, but the truth of the matter is, for the first time in recent history, in memorable history, for the first time we had a budget in this body that said we are not going to spend the Social Security surplus.

Frankly, on this side of the aisle, I am very proud of the fact that we have been able to do that. It was not a budget that was voted for by the people on the other side of the aisle. They did not vote for that. That is not something they have ever done with one of their budgets or one of the things they have done with their leadership, but it is something they fought against. We have done it, and it is now an achievement of the Senate that we have a budget which is designed to protect every cent of Social Security, none of it to be spent to cover operating budget demands of this Government. That is a major achievement. That is something for which we can be grateful.

Secondly, we have a plan in place, even with the proposed tax relief for the American people, that will cut the national debt, the publicly held debt of America, in half over the next 10 years. That is pretty responsible. They are talking about lots of things, saying we are not addressing the debt properly.

Never have I seen any budget in a previous setting ever purport to move forward to cut the deficit in half in the next 10 years. Very few families will try to pay off a mortgage in that period of time—very few. We have an opportunity now, very responsibly, to set aside Social Security, which the American people want us to do, to take the budget deficit of publicly held debt in this country, and cut it in half, paying down the publicly held debt by half in the next 10 years. And then we will have some money, some resources that are left over in this vast infusion of Government resource that has come from the people. What are we going to do with the rest of it?

The Republican plan simply says a good part of that, some significant part of it, ought to go back to the American people. They should be able to spend it on their families, to do for themselves what they do not need Government to do for them, because the best department of social services is the family, the best department of education is the family, the best department of health is the family.

Let's let our families operate. Let's fund families, not just bureaucracies. Let's fund people in their homes, not just the bureaucracy in its Government. That is what the Republican plan is.

There is a lot of debate now: If we can afford a tax cut for the next 10 years, we have to make sure we do not promise the American people we can have tax cuts on a permanent basis.

We are making this tax relief on very modest presumptions regarding the prosperity of this country. We are presuming a very modest growth, very limited. This is conservative.

It is not appropriate for us to say we will provide tax relief now and not provide it later. If we repeal the marriage penalty tax now, we should not repenalize you ten years later. That does not make sense.

We simply ought to put the tax rates where we believe they reflect the integrity of the American people and the productivity of the American people and the fact that the American people are now being asked to pay more than it costs to provide the service. And we ought to reduce them, and we ought to reduce them permanently, not on a piecemeal basis, not with an automatic reinstater of a tax which is the highest in history.

Why is it we are asked to have a tax cut and those on the other side of the aisle want to make sure we cannot make it permanent relief for the people, that we have to promise somehow that the highest rates in history will be revisited after a 10-year lapse? I do not believe that is good government. I do not believe that is good judgment.

I believe when we lower taxes, when we lower the burden on the American people, we are beginning to direct the assets of the culture to America's families instead of governmental bureaucracy. It seems to me we ought to do that on a permanent basis.

I do not remember tax increases that have said they only last 10 years. It seems to me that when taxes have been raised in this culture, they are just raised. I think we would be well served to say we are going to provide a tax structure that respects families. We are not going to say we will take the marriage penalty out of the code for 10 years and then reimposed it.

If we are going to provide tax equity for people so that the lowest-rate taxpayers in America have an even lower rate, and more people are paying at that lower rate, we should not say this is a sale which goes off and later on your taxes will automatically be raised by some Congress in the future or at some certain date in the future.

It is time for us to say that the American people have simply paid in more than it takes to provide the services. When you pay in more than it takes to provide what you are buying, you get change.

I go to the grocery store. When I pay in more than it takes to buy the gallon of milk that I want to buy for my family, the grocer does not say to me: I tell you what I'm going to do for you. I'm going to give you a stalk of celery and a bag of broccoli and two boxes of cereal so you use up all the money you paid me. He says: You paid more than is necessary for the services, and you get change. You get a refund. You get relief. You get some of your resource back.

I think that is where we are as a Senate. It is time for us to look at this country, where our cost of government is higher than it has ever been in the history of this Republic, and to say that it is time to give people relief. That relief is appropriate. And it should be permanent, not relief upon which we could not rely, but that it should be relief upon which we can rely, plan, and build for our future.

Mr. President, I reserve the remainder of our time.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. May I observe in passing, the cost of government is not greater than it ever has been. The revenues are. That is why we have a surplus.

To my good friend, the Senator from North Dakota, I yield 4 minutes to respond; and then the remaining 5 minutes I yield to the Senator from Montana.

The PRESIDING OFFICER. The Senator from North Dakota is recognized for 4 minutes.

Mr. CONRAD. I thank the Chair and the ranking member, the Senator from New York.

The Senator from Missouri misspoke. He said that those of us on this side have not supported saving every penny of the Social Security surplus for Social Security. He is simply wrong. The budget we offered on our side not only saves every penny of the Social Security surplus for Social Security; in addition, we proposed saving an additional $300 billion over the next 10 years to strengthen and preserve Medicare.

So not only did we propose saving every penny of the Social Security surplus for Social Security, we also proposed taking another $300 billion and using it to preserve and protect Medicare.

The thing that is really jolting about this discussion is what is in this column that I referred to earlier by Robert Samuelson in the Washington Post today. He says:

> The wonder is that the Republicans are so wedded to a program that is dubious as [to] both policy and politics. As Federal Reserve Chairman Alan Greenspan noted the other day, tax cuts might someday be justified to revive the economy from a recession or to improve the prospects of a sweeping program of tax simplification. But there's no case for big tax cuts based merely on paper projections of budget surpluses.

Members of the Senate, that is what is so radical about this proposal—radical, risky, dangerous. This proposal not only has massive tax cuts—94 percent of all the non-Social Security surplus over the next 10 years—but it absolutely explodes in the outyears. A tax cut that is $800 billion in the first 10 years becomes $2 trillion and costs an additional $1 trillion of interest. That is exactly what the Byrd amendment was designed to prevent. The whole reason there are expedited procedures in budget reconciliation is to reduce deficits.

Our friends on the other side are trying to use those expedited procedures on a measure that would increase deficits—blow a hole in the budget, potentially a hole of over $3 trillion. That is dangerous. That is not conservative. It is radical. It is risky. It is reckless.

When they say they are only using 25 percent of what is available—nonsense, absolute nonsense. Of the $3 trillion that is projected—and, remember, just as Mr. Samuelson points out—if these projections just change a little bit, as they have over and over and over in our history, these projections of surplus could change to projections of deficit, and we will rue the day when we have undermined the dramatic moves we have made toward fiscal responsibility in getting this country back on track.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. CONRAD. I just remind my colleagues, the Democratic plan has more debt reduction in it than the Republican plan. That is a fact. It is indisputable. I hope my colleagues will resist this move to overcome a budget rule to prevent undermining the fiscal integrity of the United States.

Mr. MOYNIHAN. The Senator from Montana is yielded the remaining time we have.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, this debate is almost surreal. We are debating whether to be reckless or not. It comes down to that, whether to be responsible or not. I am astounded that the Senate is having this debate of whether to be responsible or whether to be reckless.

The numbers are clear. They are compelling. The logic is steel-trap logic, with these numbers showing what this Republican majority budget tax proposal will cost—creating recklessness, irresponsibility. The numbers are just black and white clear.

This side has come up with charts, numbers; we have quoted from objective observers, columnists. It all comes out the same. This is extremely irresponsible. Let me remind my colleagues again why.

First of all, this is a column in a recent, very respected paper, the Wall Street Journal, from a day or two ago: ''GOP Uses Two Sets of Books. Double-Counting Surplus Keeps Alive the Notion of Being Within Budget.'' That is from the Wall Street Journal written by David Rogers. No one accuses him of being a biased Democrat. He is a reporter of one of the most respected financial papers in the world, the Wall Street Journal.

This is his conclusion of what is going on: GOP uses two sets of books; double-counting.

I call that reckless. I call that irresponsible. Again, it is surreal.

Let me point this out, again, undisputed. Nobody disputes this. The Republican tax breaks explode, like the atom bomb, in the second 10 years. Nobody disputes that. If you added interest to this, their tax cuts are roughly $1 trillion. There is nothing left over for anything else—Medicare, veterans. If you add in defense, which I am sure the Republican majority is going to do, that amounts to about a 40-percent cut, 40 percent in veterans' benefits, in education, et cetera. That is just the first 10 years.

Then you add it out in the next 10 years and it is over $2 trillion.

Mr. MOYNIHAN. Plus interest.

Mr. BAUCUS. So $2 trillion, plus interest on the national debt, at a time when the baby boomers retire. Why is that so important?

Just one more chart here. It shows when the baby boomers are going to retire, when current younger Americans are going to retire. It is clear. The chart goes way up, beginning here in 2010, and the cost is $250 billion by 2020, at a time when the trust fund, the Medicare trust fund, comes to zero.

So add it all together and the Medicare trust fund comes down to zero in 2015. No dollars are left there. The baby boomer population is exploding and the tax cuts, which push us down into a deeper deficit, will be exploding in the second 10 years. No wonder the majority party wants us to pass this motion waiving all points of order, waiving fiscal responsibility. Again, why are we debating this? Why are we even debating whether to be responsible or irresponsible? It is clear.

One final point. We remember that dreadful day when a conference report was brought back to this body with everything including the kitchen sink in it—everything—bills that were never debated in either the House or Senate, tax bills that were never debated, spending bills that were never debated. They all came back in one gigantic package. That is going to happen if this motion passes. That is very irresponsible. It is irresponsible to us and to the American people.

I am just astounded, frankly, that we as a Democratic Party are in a position of saving the majority party from themselves and, more important, saving the American people. What happened in the 1980s? This is history all over again. In the 1980s, this body, the Republican President and Republican Congress, at the time succumbed to the siren song of huge tax breaks. What happened? Deficits exploded. Then what happened? The Republican Congress was forced to increase taxes. The Republican Congress and the President were forced to increase taxes twice—in 1982 and 1984.

So I say if we, today, lock in these huge tax cuts for the future, they are going to have to come back again to reenact it and put it back in place at a future time. I don't think they want to do that. I urge colleagues to do what is right and not support the majority on this motion.

The PRESIDING OFFICER. The Senator from Delaware controls the remaining time.

Mr. ROTH. Mr. President, I yield such time as the Senator from Texas needs.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. REID. Mr. President, I could not hear the manager. Is the time yielded on this amendment or on the bill?

Mr. ROTH. On this amendment, on the waiver motion.

Mr. GRAMM. Mr. President, I think there are a lot of ways you can argue this point. The Byrd rule, as the distinguished Senator from Montana argued, is to try to protect us from provisions that have not been debated, provisions that have not been considered in committee, but provisions that show up in a reconciliation bill where we have rules that are distinctly different from the Senate rules, principally, that you have limited debate for 20 hours and that, therefore, you can't filibuster it and, therefore, you don't have to have 60 votes to pass it.

I am a supporter of the Byrd rule. I think it is a good rule, and I think it is a rule aimed at exactly the kind of offense that the Senator from Montana is talking about; that is, issues that have not been widely debated, issues that have not been considered in committee, and issues that have not had a full airing of public opinion. But can anybody argue that any one of those points applies to this tax bill? Does anybody here believe this tax bill has not had a full airing of public opinion?

The President, daily, issues some new statement. Yesterday, it was going to be the end of health care for women in America if we cut taxes. For all I know, by this afternoon there could be a new coming of the bubonic plague if we cut

taxes. Daily, the Vice President comments on it.

We have had a running debate now for weeks on this issue. We held extensive hearings in the Finance Committee on the issue. We held a markup. We have had extensive debate. Nobody in America has any doubt as to what we are doing in this bill. So my point is that all the reasons we have the Byrd rule, all the reasons that were adequately explained by the Senator from Montana, are good reasons to strike provisions from a reconciliation bill. And that is, if the provisions have not been widely discussed, if the public is not generally aware of them, if there have not been committee hearings and a markup on them, you don't want to give them the special privilege of being in a reconciliation bill. But surely I don't have to make a lengthy argument to convince people that none of those points apply here.

It is true that our Democrat colleagues, using this technicality, can force us to sunset this tax cut in 10 years. They can do it. And in doing so, we have the tax cut for 10 years. Nobody believes the Congress or the American people will just allow them to fall off the end of the Earth in 10 years. It is not the complete undoing of our tax cut if this point of order should be sustained. I don't know that it would be of great practical importance. But I simply say that on an issue that is the No. 1 issue in the country, on an issue that has been extensively debated, on an issue where we held hearings and a markup, on an issue where every American knows the subject is being debated—it is referred to on a minute-by-minute basis on most of the major outlets for news in America—there is no logic to sustaining this point of order.

I really see this as creating instability in the Tax Code. It wasn't our intention to raise a similar point of order against the Democrats' bill. Basically, it seems to me they have a right to propose a permanent tax cut. We could have raised a point of order against such a tax cut if it had been proposed. We would not have done it—basically believing they ought to have a chance to say to the Nation what their vision is. We know their vision. They want to spend this money and they don't want to give it back. It is perfectly legitimate; I just don't agree with it.

I hope our Democrat colleagues will not take this technicality as an opportunity to create a Tax Code that is in effect for 10 years and, at the end of 10 years, it goes away. I think it is unstable. I think it is an irresponsible way of doing it. I don't object. The minority has the right to do this. If we can't get 60 votes, they have every right under the rule to do it. It doesn't undo our tax cut. It is not the end of the world. It certainly makes what we are doing still of great importance.

I argue to those who have not hardened their hearts to a tax cut to allow us to have a permanent tax cut. If you are not for it, vote against it. We are willing to let you offer a permanent tax cut. So that is really the issue. The Byrd rule technically applies to this provision, but the logic of it does not apply. Therefore, I argue that we should waive the point of order, and that is going to take 60 votes. There are 55 Republicans, so if every Republican voted to waive it, we would have to get five Democrats. My argument is, if you are against the tax cut, great; it is perfectly legitimate to be against it. But don't use a technicality to try to undermine a legitimate proposal, which has been debated extensively, which is known to virtually everybody who hasn't been hiding under a rock for the last 6 months; don't use a provision of law that is really aimed at preventing extraneous material from getting into the bill to undermine basically, at least today and tomorrow, and I think for a long time, the No. 1 issue in the country. I hope our Democrat colleagues who are not just hell-bent against a tax cut will vote to waive this point of order so we don't have the absurdity of adopting a tax cut and have it temporary and have it end in 10 years.

Hopefully, we are going to have an opportunity to improve this during 10 years. I am still for it if it is sunset in 10 years. But I don't think this is good policy, and I urge my colleagues to rise above the politics of the moment and vote for good policy.

I reserve the remainder of our time.

Mr. DASCHLE. Mr. President, I know our side is out of time, so I will use leader time to make a couple of remarks with regard to the vote we are to take.

We all are able to use our rhetorical acrobatics from time to time, but I must say, no one is better at it than the distinguished Senator from Texas as we try to define this set of circumstances.

This is a lot more than a technicality. The Byrd rule is there for a reason. I am glad he subscribes to the Byrd rule, but I must say, this goes way beyond the debate we had in committee and the understanding the American people and even Senators have with regard to what is in the bill. This will give the conference, the Congress, the Senate, everybody, carte blanche all the way through the legislative process until this bill goes to the President's desk. Is that what we want to do?

It would be one thing to waive a point of order and do so on the bill alone. That would be understandable. I might add, in that regard, it wasn't the Democrats who made the point of order; it was the majority leader. The majority leader made his own point of order on this bill. It was the distinguished Chair, the senior Senator from Delaware, who made the motion to waive the point of order. So let's make sure we have our facts straight. No one here made the point of order. They did.

But the point of order is not just on the bill. The point of order is on the conference report as well. I want somebody to come up and tell me what is going to be in that conference report. There is a huge difference between the Senate version and the House version, even on the Republican side. There are major differences that have to be ironed out and worked out.

Is anyone here today prepared to waive the point of order on a conference agreement for which there has not been one word written, for which there has not been one meeting, for which really there is no understanding or comprehension today? How could we possibly waive a point of order on something we haven't done yet? That is what our Republican colleagues are prepared to do.

I hope we would have better sense than that, that we would recognize how ill-founded it would be and what a terrible precedent it would be for us to waive a point of order on actions to be taken at a later date by a conference we haven't even named.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BREAUX. Will the distinguished chairman yield?

Mr. ROTH. I am happy to yield.

Mr. BREAUX. Following up on the Democratic leader's question, when we have passed a bill out of the Finance Committee, the Moynihan bill, the Democratic version, and the Roth version, both for permanent tax cuts, different amounts—ours was $295 billion, the chairman's was $792 billion, but they were both permanent tax cuts—I think the point the Democratic leader makes is a good one. I think I could possibly be for waiving the point of order if it was against this bill that we all know about. But to extend that to a conference report when we do not know what is going to be in that bill I think is probably going further than certainly I would be comfortable going.

If it was limited to the bill that is before the Senate where everybody does know what is in it, I could understand that argument. But to say that all points of order against anything that may come back—and who knows what may come back; I have my ideas about what it should be, and others have different opinions. I don't know that we can waive points of order against something we have not yet seen. I was wondering, why does the point of order waiver cover everything that has not yet even been written?

Mr. ROTH. Mr. President, I say to my distinguished colleague, if we do not waive it with respect to the conference report, then we put the conference in a very difficult position. Should it write a bill for 10 years, or should it write one for a permanent tax cut?

Just let me point out that I don't know of a single tax cut taking place since we have had the Budget Act that was not permanent. I don't think there is a single person in the Finance Committee or on the floor who thought

otherwise—that when you had tax cuts it was necessarily going to be permanent. That is just common sense.

We all know that the point of the Byrd rule in this case was to avoid monkey business. We have all seen that happen, where you shift payment from one fiscal year to the next year by changing it but for 1 day and, by doing that, you assure that you are in compliance with the budget instructions in theory but not in substance.

Now, we are all interested in seeing this economy continue to grow and prosper. One of the purposes of the tax cut is to ensure that it will happen. I am weary of those who are saying, well, this is going to cause inflation, and so forth. That is just plain rubbish. If you look at our tax cut, practically nothing happens the first year—a very small tax cut. For the first 5 years, it is something like $156 billion. So the big tax cut is 5 years off.

Let me make the point: Congress will be in session. People will be here. They will be able to take appropriate action. If it is thought that the tax cut is not desirable, there is nothing to prevent them from changing it. But let me just say, common sense—and that is what the American people want to see displayed here on the Senate floor—common sense is that when you have a tax cut, it is permanent.

Every substitute, every amendment to be offered here is permanent. Even the Democratic substitute is permanent. Every reconciliation before on spending or taxes, whether it was a Republican Congress or a Democratic Congress, has made permanent changes. Every reconciliation bill has depended on projections. There is nothing new about that. This bill is no different. It is not reckless; it is not radical; it is traditional and common sense.

As I said earlier, everyone thought we were instructed to achieve permanent tax relief. That was the commonsense understanding. This is by far and away the better tax policy.

I urge Members to support the waiver to protect this legislation against an arcane budget rule never intended to apply to this situation.

I yield back the remainder of my time and ask for the yeas and nays.

The PRESIDING OFFICER. The yeas and nays have been ordered.

All time having expired, the question is on agreeing to the motion to waive section 313(b)(1)(e) of the Budget Act for the consideration of S. 1429. This vote requires a three-fifths majority. The yeas and nays have been ordered. The clerk will call the roll.

The legislative assistant called the roll.

Mr. NICKLES. I announce that the Senator from Ohio (Mr. VOINOVICH) is necessarily absent.

The PRESIDING OFFICER (Mr. SESSIONS). Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 51, nays 48, as follows:

[Rollcall Vote No. 225 Leg.]

YEAS—51

Abraham	Fitzgerald	Mack
Allard	Frist	McCain
Ashcroft	Gorton	McConnell
Bennett	Gramm	Murkowski
Bond	Grams	Nickles
Brownback	Grassley	Roberts
Bunning	Gregg	Roth
Burns	Hagel	Santorum
Campbell	Hatch	Sessions
Chafee	Helms	Shelby
Cochran	Hutchinson	Smith (NH)
Coverdell	Hutchison	Smith (OR)
Craig	Inhofe	Stevens
Crapo	Jeffords	Thomas
DeWine	Kyl	Thompson
Domenici	Lott	Thurmond
Enzi	Lugar	Warner

NAYS—48

Akaka	Edwards	Lieberman
Baucus	Feingold	Lincoln
Bayh	Feinstein	Mikulski
Biden	Graham	Moynihan
Bingaman	Harkin	Murray
Boxer	Hollings	Reed
Breaux	Inouye	Reid
Bryan	Johnson	Robb
Byrd	Kennedy	Rockefeller
Cleland	Kerrey	Sarbanes
Collins	Kerry	Schumer
Conrad	Kohl	Snowe
Daschle	Landrieu	Specter
Dodd	Lautenberg	Torricelli
Dorgan	Leahy	Wellstone
Durbin	Levin	Wyden

NOT VOTING—1

Voinovich

The PRESIDING OFFICER. On this vote the yeas are 51, the nays are 48. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

The point of order is sustained, and section 1502 is stricken.

The Senator from New York.

Mr. MOYNIHAN. Mr. President, might we have order?

The PRESIDING OFFICER. The Senate will come to order. The Senator from New York.

AMENDMENT NO. 1384

(Purpose: To provide a complete substitute).

Mr. MOYNIHAN. Mr. President, I send to the desk the Democratic alternative to the measure before us. This is an amendment in the nature of a substitute. It is proposed by myself, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. BREAUX, Mr. CONRAD, Mr. GRAHAM, Mr. BRYAN, Mr. KERREY, and Mr. ROBB.

The PRESIDING OFFICER. The clerk will report.

The legislative assistant read as follows:

The Senator from New York [Mr. MOYNIHAN], for himself, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. BREAUX, Mr. CONRAD, Mr. GRAHAM, Mr. BRYAN, Mr. KERREY, and Mr. ROBB, proposes an amendment numbered 1384.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

The PRESIDING OFFICER. There will be order in the Senate. The Senator from New York.

Mr. MOYNIHAN. Mr. President, just in passing, I note page 440 of our substitute provides that all provisions of and amendments made by this act which are in effect on September 30, 2009, shall cease to apply as of the close of September 30, 2009.

Before I discuss the amendment, I yield 20 minutes to my colleague.

Mr. President, we must have order.

The PRESIDING OFFICER. The Senator is correct. The Senate will please come to order.

The Senator from New York.

Mr. MOYNIHAN. Sir, I do not envy your position, but you seem to have had some success.

I yield 20 minutes for a general statement by my associate on the Finance Committee, the distinguished Senator from Louisiana, the senior Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I thank the distinguished Democratic leader of our Finance Committee. It is interesting; I think the action we have taken really means no matter what type of tax bill ultimately comes back to this body after the conference, we cannot make it a permanent tax cut. For those on our side who have argued for permanency in the Tax Code for research and development or tax incentives, that means we cannot do that. It means if we have an increase in the standard deduction and fix the marriage penalty, we can't do that. It means all those things many of us as Democrats have argued should be permanent tax policy, now we are no longer going to be able to make it permanent no matter how good it is. The argument is true for the other side as well. No matter what comes back in the conference report, it cannot be permanent.

I think from a policy standpoint this is terrible policy. We literally are telling all the businesspeople in this country and employees in this country, people who save in this country, no matter what the law is today, it is going to fall off a cliff and go poof in 10 years. What kind of roadmap for economic growth is it, when a country says our tax policy is only going to be good for 10 years no matter how good it is? No matter how good a Democratic policy it is or Republican policy, it is only going to last for 10 years. That in itself is very bad policy in this Senator's opinion.

At the same time, I recognize we are operating with our hands tied behind our back with regard to bringing up a tax bill through budget reconciliation, with all these rather archaic rules. We ought to be able to debate fairly a tax bill, make it permanent. If you do not like what is in it, vote no; if you like what is in it, vote yes. But we should not be restricted from offering tax legislation that is the permanent policy of this land.

We have had meeting after meeting in the Finance Committee, when people have come up and said: You have to make these provisions permanent. I am

not sure whether I am going to expand and grow my company if you are only going to allow it for 10 years, and who knows what is going to happen after 10 years.

That is not good public policy; it is not good tax policy, and it points to the problem: the fact that we are bringing up tax legislation in this reconciliation scenario that requires us to operate as we are operating. I suggest to folks on both sides of the aisle, if we can't make tax laws in this country for more than 10 years, we have done something that is very terrible for this country. I think it is the wrong thing to do.

Let me make a couple of comments on the legislation that is before the Senate. Most countries around the world would love to have the problem we have in this Senate and in this Congress right now. Other countries would look at it as a great opportunity to have the problem we are facing. We cannot seem to come to an agreement on it. That problem is the United States has about a $1 trillion surplus, and all of us are trying to figure out what to do with the surplus. I suggest if we as a Congress, Republicans and Democrats, cannot come to an agreement on what to do with a $1.1 trillion surplus, we, in effect, have said we are not very good at governing; that we cannot simply come together, make our points, seek legitimate compromise, and figure out what to do with a $1 trillion surplus.

I know there are some who want the President to be in a position to have the Republican tax bill of $796 billion pass and send it down to him at the White House and have a great ceremony vetoing it.

His argument will be that it is too large; it is too irresponsible; it is wasteful; it is going to cause the economy to go south; we are going to have an increase in interest rates. He is going to make a lot of good, solid political points when he has that veto ceremony.

There are those on the Republican side who I think would love that to happen, in fact, because they will be able to say: No, the President, when he had the opportunity, chose not to give the American people a legitimate tax cut, and he turned his back on the American people; we are fine with that political argument, and we will take that argument into the election.

The American people outside Washington, in my opinion, have come to the conclusion that they are getting very tired of those types of political positions being taken by Members on both sides of the aisle.

Under the current circumstances, we are headed for a financial train wreck because we are taking positions on both sides of the aisle: It is my way or no way.

I suggest that type of position leads to nothing happening. Sure, we will all at the end of the debate have an argument politically about whose fault it was that nothing was done. Some will say it is the Republicans because they were too greedy. Others will say, no, it was the Democrats' fault because they did not want to give a reasonable tax cut to the American people. We will have good political arguments, but we will have no public policy. We will have good political arguments, but we will be arguing about failure and whose fault it was and whose fault it was that nothing was done. We will not have good public policy, which we were all sent here to craft.

It is clear that in a divided government under which we operate, no party can have their way all the time. If both parties take that position, we will end up getting absolutely nothing done.

There are a number of us who have suggested that somewhere between the $295 billion Democratic proposal and the $796 billion Republican proposal which the President has said he will veto, there has to be some common ground. There has to be a way in which intelligent, hard-working Members are able to come to an agreement somewhere in the middle and come up with a figure that is reasonable and gives a good tax credit to the American people and, at the same time, uses some of the surplus money, the $1 trillion, to address the very serious needs and shortages we have in discretionary programs, such as veterans, health and education, and has some money in it for paying down the national debt, has money in it for Medicare, which is obviously very important.

There should be a way both sides can come together and say: We don't have everything we want but, yes, this is good public policy.

I suggest the American people are crying out for us to move in that direction.

I and others have joined in offering an amendment, which we hope to offer tomorrow, which tries to take the approach of: All right, let's take $500 billion of the $1 trillion and give the American people a good, solid tax cut for those who need it the most, increase the standard deduction for hard-working people, increase the amount that you can earn before you are kicked up into the higher 28-percent bracket so people can keep a little bit more of their dollars. Yes, let's fix the marriage penalty that encourages people, who are two single earners in the same family, not to marry only because of the Tax Code. Yes, let's do something for education and savings, but let's keep it at a reasonable figure of $500 billion, and then we can have the other $500 billion for things that are necessary or are needed.

The President has put some 320-odd billion dollars into Medicare. I was privileged to chair the Medicare Commission for a year. I will tell you that no one can tell this Congress how much money we need to fix Medicare. No one can make that assessment today because we have not yet reformed Medicare. How can we say how much we need to spend on Medicare until we reform it, which everybody agrees we ought to do?

Yes, ultimately the Roth tax bill will pass the Senate. A similar bill with the same size tax cut has passed in the House. I suggest to our leaders on both sides of the aisle, let's hold back trying to go to conference. Pass these two bills and hold them in abeyance and let all Members, Republicans and Democrats alike, those in the House and in the Senate, go back to their respective States and respective districts and listen to our constituents and ask them what their priorities are.

Do not look at the polls that Republican pollsters take and Democratic pollsters take. I can give you the answer when I see the questions they ask. Listen to the people and have town meetings and talk about trying to work together to finish this problem and solve what I think is a real opportunity on what to do with $1 trillion.

I suggest that after we spend that time in August, we then come back to our respective bodies, the House and the Senate, and move quickly, as Senator ROTH has said he will do, on reforming Medicare, real Medicare reform, coming up with good suggestions about what we need to do with a system that was first established in 1965 which no longer works as it should.

When we do Medicare reform, we will then know how much more money we need in order to make that program work. When we find out what that number is, we can then combine it with a reasonable tax cut and have enough money for hard-working Americans and yet have enough money for Medicare reform with a good, solid prescription drug package to go along with it, and then come together, join hands for a very rare moment in bipartisan cooperation to do something which I think is in the national interest, so that at the end of this year we will have more than a political issue about whose fault it was that nothing was done. We will be able to go back to our constituents and say that when we had the opportunity to decide what to do with $1 trillion, we took that opportunity and came up with good public policy.

I hope many of our colleagues can say: I think the Democratic bill is a little too low in the tax cut, but I also think the Republican bill is a little too much of a good thing; therefore, I want to find a legitimate compromise.

I suggest the word ''compromise'' is not a dirty word. It is something we should be seeking as Members of an elected body which is called upon to make Government work for everyone.

I hope when we do offer in a bipartisan fashion the $500 billion tax cut and reserve the other $500 billion for other needs of discretionary spending, to fix Medicare and reform it with prescription drugs, that we will be able to get a strong degree of bipartisan support so we can all work together and hopefully, sometime in September, we

can reach an agreement that makes sense and is good public policy. Good public policy is also good politics. I suggest that is the approach we should be taking.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, I yield the Senator from North Dakota such time as he requires to express himself fully on the matter of the committee substitute.

Mr. CONRAD. May I withhold for the moment?

Mr. MOYNIHAN. By all means. I will take the opportunity to make a brief description of the committee substitute.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, it is our view that the roughly $900 billion in projected surpluses for the coming decade can prudently be allocated in thirds: the first to be reserved for Medicare. We are going to have to get to Medicare. If we do not do it in this session, we may do it in the next or the next Congress, but that time is coming. It will require money. It will require general revenues, there is no mistaking that any longer. We think that keeping a third of a billion dollars for that purpose is prudent. In the meantime, it will retire some debt and there will be some interest savings and we will have that money generally understood to be available.

We think another third has to be used to restore what we have come to call discretionary spending. I wish I knew for sure from where that word came. I think Senator ROTH would not have produced so devious a term. Is the Marine Corps discretionary? Is the Coast Guard? Do we regard the Bureau of the Census as something we can do without? We did for a while, letting the States do it, but since 1860 we have had one. This is our general Government, and it is not discretionary, save on the margins. Most of these functions have been with us a long time, and we need them.

The present arrangement is for drastic reductions in real dollars for these programs over the next decade. It cannot go on. We have just seen the painful scene of the House of Representatives providing an emergency appropriations for the year 2000 census, as if the census came up like a hurricane or a flood. We have had one every 10 years since 1790. It is not an emergency. It is just that it cannot be met under these caps. So we think a third should be preserved for that purpose.

Finally, a third for tax relief, targeted to generally accepted principles that are widely based. We would have $189 billion in broad-based tax relief. That would, most importantly, increase the standard deduction by 60 percent. This would remove more than 3 million taxpayers from the tax rolls and would provide an estimated 9 million more to simply take the standard deduction. It is good tax policy. We believe it certainly is simplification.

We would like to have $27 billion for health care initiatives, including a $1,000 long-term care credit and a 50-percent deduction for long-term health insurance to make health insurance affordable.

We look forward to $17 billion in education initiatives. That would include a large bond program for public school modernization and permanently extending employer-provided tuition assistance for higher education.

If the Senate would indulge me, this latter provision is so important. I have now 23 years in the Finance Committee, and it seems every other year we recommend extending it instead of making it permanent.

But if ever there was a palpable, demonstrably useful program, it is when employers send employees to receive education at various levels, commonly graduate levels, because they want to acquire new skills for which they will be put to work at higher wages, and for which they will pay more taxes, and that virtuous cycle I was talking about this morning will continue. It is unreal we continue to keep it on a short lifespan. But this gives it a much longer period.

Finally, $31 billion in technological and economic development incentives, including an extension of the research credit. These seem, to us, to be widely based. They are equitable, and I hope they will amend themselves to the Senate.

I see my friend from North Dakota is on the floor, is ready, and I yield him 15 minutes.

Mr. CONRAD addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. I thank the Chair and thank the Senator from New York.

I thought it might be helpful to review the record on how we got to where we are today as we put in context the choices that Senators have to make.

I think it is helpful to go back to 1981, the Reagan administration, and look at what happened to deficits and debt during that period, and compare it to the Bush administration and the Clinton administration, so that we understand how we got to where we are today and what the implications are for the proposals before us.

If we go back to the Reagan administration, I think we all recall the economic history. We had, then, a major tax cut. The results were clear. The deficits exploded. The debt exploded.

Then, in the Bush administration, we saw a further explosion of deficits, until in the last year of the Bush administration we reached a budget deficit of $290 billion. The national debt had tripled under the Reagan administration.

In 1993, we passed a plan, on the Democratic side, without a single vote from the Republican side, a 5-year plan to reduce the deficits and restore our economic health.

That plan worked and worked beautifully. We saw reductions in the deficit in every year of this plan. We saw in the first year the deficit go down to $255 billion, and then we saw declines in the deficit until we reach surplus.

That is the record of these three administrations.

In 1993, when we passed a 5-year plan that put us on the path to deficit reduction, we had increased taxes on the wealthiest 1 percent of taxpayers on income taxes and cut spending. That is how we achieved balance.

If we look at it from another vantage point, debt held by the public, we can see during the 1880s the debt held by the public grew dramatically. It was only after we passed the 1993 5-year plan that debt held by the public started coming down.

In fact, here we are today; we have seen significant progress made on debt held by the public being reduced. If we have the wisdom to stay on this course, we will see further declines in the publicly held debt. In fact, we can be on a course to eliminate the publicly held debt in 15 years.

What have been the results of this economic policy? The results have been a resurgence in our national economic lives—the lowest inflation rate in 33 years, the lowest unemployment rate in 41 years, and we have seen the best economic performance since the Johnson administration back in the 1960s.

We can see the rates of growth of various administrations. In the Clinton administration we see an economic growth rate of nearly 4 percent. We compare that to the Bush administration, 1.3 percent; 3 percent under Reagan; the Carter administration, and so on. So we have seen a period of sustained economic growth—in fact, the longest economic expansion in our history.

In addition to the other positive benefits, we have seen a dramatic reduction in the welfare caseload. This is largely a result of the economy. It is also a result of the welfare reform proposal that we passed a number of years ago. The percentage on welfare is the lowest in 29 years.

All of this is jeopardized. All of this is jeopardized by the risky, radical, reckless proposal that is before us from our friends on the other side of the aisle. Interestingly enough, the very people who are advocating this proposal said, about the 1993 plan that has formed the basis of the deficit reduction and the economic resurgence of this country, that that plan would not work.

The distinguished chairman of the Finance Committee said about the 1993 plan:

> It will flatten the economy.

Senator GRAMM of Texas, a member of the Finance Committee, said:

> We are buying a one-way ticket to recession.

The truth: The economy has reached a new milestone—the longest peacetime expansion on record.

We had a former President who said: Facts are stubborn things. Indeed, they are. The fact is the 1993 5-year plan, that passed without a single vote on the Republican side, reduced the deficit and formed the basis for an economic resurgence in this country.

Our friends on the other side of the aisle, the very ones who are here with a radical, risky plan, were the ones who were wrong about the 1993 plan. In fact, Senator GRAMM, who was just speaking, said at the time about the 1993 plan:

> I want to predict here tonight that if we adopt this bill the American economy is going to get weaker and not stronger, the deficit four years from [now] will be higher than it is today and not lower . . . when all is said and done, people will pay more taxes, the economy will create fewer jobs, Government will spend more money, and the American people will be worse off.

Senator GRAMM was wrong on virtually every count.

The fact is, the 1993 plan reduced the deficit and kicked off this extraordinary economic expansion: the lowest unemployment rate in 41 years, the lowest inflation rate in 33 years. The fact is, the very folks who are now advocating this radical, risky plan were wrong in 1993, and not just a little bit wrong; they were dead wrong.

Now, let's check their math. It is fascinating what I have heard on the floor today. Over and over the message is that we have a $3 trillion surplus and we are only using one-quarter of it for tax relief. Let's check that.

The truth is, the total surplus that is projected over the next 10 years is $2.9 trillion, according to the Congressional Budget Office. But what they haven't been saying on the floor is that $1.9 trillion of that, nearly two-thirds, is Social Security surplus. So you have to subtract that. That leaves a surplus of $1 trillion. When you take out the additional interest cost that will accrue, if you are going to give a tax cut of $130 billion, you are left with $870 billion that is available of non-Social Security surplus.

What do our friends on the other side of the aisle want to do with this $870 billion? They say, let's take $800 billion, or nearly that, and give it in a tax cut, a risky tax cut that has the potential to blow a hole in the fiscal discipline we have established—$800 billion of tax cut out of $870 billion that is available. That is not 25 percent, that is 94 percent, 94 percent of the non-Social Security surplus being used for a tax cut—not 25 percent, 94 percent.

It is very interesting, the choices that leaves us with. We have nothing for Medicare under the Republican plan, nothing to strengthen Medicare, nothing for domestic needs over the next 10 years, and they have got unallocated $63 billion.

Compare that to the Democratic plan that saves every penny of the Social Security surplus for Social Security and then, in equal thirds, one-third for tax relief, $290 billion—$500 billion less than our friends on the other side—$290 billion to strengthen and protect Medicare, and $290 billion for high-priority domestic needs.

I think it is critically important that people understand when we talk about domestic needs, what are we talking about for the next 10 years? This chart shows what happens if we just have constant buying power over the 10 years, which is represented by this blue line. That is constant buying power.

Our friends on the other side say the Democrats just want to spend money. Let's look at the Democratic plan.

I have just indicated we want $290 billion for domestic needs. That represents this red line. That is a cut in buying power for the Federal Government from what we now have. If you just take last year's spending and add inflation, that is the blue line, constant buying power.

The Democrats are proposing cutting the buying power of the Federal Government. They are proposing cutting spending.

Here is what our Republican friends are talking about in terms of spending cuts, this green line. This green line means dramatic, radical cuts in education, in defense, in parks, in law enforcement. That is what they are talking about. Does anybody believe this is going to happen? Does anybody believe it? It is not even happening this year.

The Wall Street Journal reported yesterday that they are cooking the books on the Republican side because they want to spend more money and want to act as if they are not breaking the caps. At some point we have to face reality and face facts. Facts are stubborn things.

This blue line is constant buying power. The Democratic plan proposes cutting Federal spending in real terms. The Republican plan proposes dramatic, draconian cuts, cuts that cannot be sustained, will not be sustained. In fact, they won't support them for defense, and they shouldn't. They are living with a fiction, and it is a fiction that is being revealed every day as the committees of Congress do their work.

Not only should we check their math but we should check the whole basis for the projections that are being made to sustain a tax cut. Let's remember, the money is not in the bank. The money is projected to come in.

I used to be in charge of projecting the revenue for my State of North Dakota. I can tell my colleagues, there is no 10-year projection that anybody can have great confidence in.

Robert Samuelson, in today's Washington Post, said:

> The wonder is that the Republicans are so wedded to a program that is dubious as to both policy and politics. As Federal Reserve Chairman Alan Greenspan noted the other day, tax cuts might some day be justified, but there is no case for big tax cuts based merely on paper projections of budget surpluses.

In fact, he went on to indicate, if there was just a 1-percent change in revenue and expenditure from what is projected, these surpluses would vanish. That is very much in line with what mistakes have been in the past.

This tax cut scheme is not conservative; it is radical. It is risky. It is reckless. It poses the threat of undermining all of the work we have done to restore the fiscal integrity of this country that has played such a large role in restoring our fiscal health. This is not conservative. It is radical. It is risky. It is reckless. It ought to be stopped.

Now, our friends on the other side of the aisle say tax revenue is the highest it has been in a long time, but they are not telling the whole story. Here is what the revenue and expenditure line of the Federal Government looks like going back to 1980 and carrying through to today.

The blue line is the outlays of the Federal Government, the spending. The red line is the revenues. What we can see is, it has been pretty constant over time. The reason we had a deficit was that the spending line was above the revenue line—pretty basic stuff.

In 1993, when Democrats, without a single Republican vote, passed a plan to balance the budget, we reduced the spending line and we raised the revenue line. That is how we balanced the budget. We cut spending and, yes, we raised income taxes on the wealthiest 1 percent in this country. That is how we balanced the budget. That is how we got the deficit under control. That is how we got the lowest unemployment in 41 years. That is how we got the lowest inflation in 33 years. That is how we got 18 million jobs created. That is how we restored this country to economic health—by cutting spending and raising the revenue to balance the budget.

There is one thing they don't tell us much about because I don't think they want to deal with these facts. They are saying the taxes are the highest they have ever been. The tax revenue is the highest it has been in a considerable period. That is what helped us balance the budget, along with cutting spending. But what they have not talked about is what has happened to individual taxes. Most individual taxes in this country have gone down. It might surprise you to hear that after all the rhetoric on the other side.

These are not KENT CONRAD's calculations; these are the calculations of the respected accounting firm, Deloitte and Touche. These are the combined tax rates of income tax and Social Security taxes. It is very interesting. This is for a working mother, the tax burden, with a family income of just under $20,000 a year. In 1979, their tax rate——

The PRESIDING OFFICER. The Senator's 15 minutes have expired.

Mr. MOYNIHAN. Would the Senator like another 5 minutes?

Mr. CONRAD. I would. I thank the Senator from New York.

It is very interesting; if we study what has happened to the individual tax

rates and tax burden of people in this country over 20 years, they have gone down. The Republican rhetoric suggests everybody's taxes are at record highs. It is not true. It is not true. This is the accounting firm of Deloitte & Touche. They point out that for a working mother with an income of just under $20,000, in 1979, her combined tax rate was 8.6 percent. That has dropped to 5 percent today. Why? Because when the Democrats passed that budget balancing plan in 1993—it is true we raised taxes on the wealthiest 1 percent, but we cut taxes on the vast majority of Americans by expanding the earned-income tax credit.

Look at what happened to a middle-income family earning $35,000 a year. Their taxes have not gone up. They have gone down. Again, this is according to the respected accounting firm of Deloitte & Touche. In 1979, their combined tax rate—income tax and Social Security taxes—was 11.2 percent. That dropped to 10.5 percent in 1999, again, because when the Democrats passed the plan to balance the budget in 1993, we expanded the earned-income tax credit.

Look at a tax burden of a family of four earning $85,000, and look at the last 20 years. Again, their tax burden has been reduced. In 1979, it was 17 percent; it is 16.3 percent today.

Don't get me wrong. I am not suggesting that people don't deserve further tax relief. I believe they do. The Democratic proposal provides it. It provides it in a fair and balanced way, in a fiscally responsible way.

That is not the case of the risky, radical scheme of our friends on the other side. Their tax break explodes in the second 10-year period. We have just stopped that, at least momentarily. But this program that they have outlined of $800 billion in tax cuts explodes to $2 trillion, with the additional interest costs that would add another trillion to $3 trillion in the second 10-year period. That is risky. At the very time the baby boomers start to retire, they are going to undermine the fiscal stability of the country.

Those aren't the only issues that need to be addressed. We have already seen how their tax cut explodes in the outyears, just as the baby boomers retire. But we should also ask ourselves how fair is the tax cut scheme of our friends on the other side.

This shows the House bill that has already passed. Their idea of fairness is to give the top 1 percent of the people in this country 32 percent of the benefit. The top 1 percent get 32 percent of the benefits of the tax cut proposal of the Republicans in the House of Representatives, which has already passed. So for people earning under $38,000 a year, they would get, on average, $99. If you are earning over $300,000 a year, you get $20,000. That is not fair. That should not be the policy of the United States—a tax cut plan that is skewed to the richest and wealthiest among us, that gives 32 percent of the benefit to the richest 1 percent. That is not fair. It is not wise. It is radical; it is risky; it is reckless.

There is a better way. The Democratic alternative says save Social Security first—every penny of Social Security surplus for Social Security. And then for the non-Social Security surplus, to split it in equal thirds: one-third to protect Medicare, to extend its solvency, and to provide prescription drug coverage; one-third, tax reductions for working families, targeted squarely at the middle-income people in this country, the very ones who need tax relief; and one-third for high-priority domestic needs such as education, agriculture, defense, and law enforcement.

Again, that $290 billion doesn't even keep pace with inflation. We are cutting Federal spending, in real terms, in the Democratic proposal.

I might add that we have more debt reduction than the Republican plan. Let me make that as a final point. The Democratic plan has over $2 trillion of debt reduction. The Republican plan has just under $2 trillion.

I suggest to my colleagues that the Democratic plan is superior in every way—greater debt reduction, preserving the Social Security surplus for Social Security, preserving and protecting Medicare, providing for our high-priority domestic needs, and, yes, tax relief targeted at those who deserve it the most—not the wealthiest among us, but middle- and lower-income people who richly deserve some tax relief.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, as chairman of the Finance Committee, I stood on this floor for 10 long hours 6 years ago and I thank the Senator from North Dakota for recreating what we did that day and what the consequences have been.

It had been our idea that the Senator from Montana would go next, but we can alternate.

Mr. ROTH. Mr. President, I yield 15 minutes to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 15 minutes.

Mr. GRASSLEY. Mr. President, we have a Democrat alternative tax cut that is the weakest, least adventuresome effort to reduce taxes that you could ever expect which will do little good for anybody.

I call upon my colleagues on the other side of the aisle to be bold in trusting the American people with their money, to be bold in letting people keep money in their own pockets to spend. I ask the other side of the aisle to be as bold in tax policy, and to be as bold in reducing taxes as they are bold in wanting to spend the taxpayers' money. I would like to have them be as bold in reducing taxes as they are bold in their budget of this year to increase practically every program that has ever been thought of, and even establishing a lot of new programs to have Washington bureaucrats spend the additional money coming into the Federal Treasury.

They are not very bold when it comes to giving the taxpayers back their money, but they are very bold in saying how Washington can spend that money better than the taxpayers. They are very bold in increasing new programs and very bold, without using the words, but saying, in effect, that we in Washington know better how to spend the taxpayers' money than the taxpayers do.

How they like to quote Chairman Greenspan because of his respect, but also they only like to tell half of what Chairman Greenspan says. We have had an opportunity, as Senators, to hear Chairman Greenspan in so many different forums this year, just since the first of the year, talk about a surplus and what should be done with it. They would like to have you believe the only thing that Chairman Greenspan says is that he is against any tax cuts.

But what he does is give Congress several alternatives. Admittedly, he says that his first choice is to retire debt held by the public;

Next, to give tax reductions, because tax reductions are better than spending the money as the third alternative.

And particularly, Chairman Greenspan says, top priority ought to be given to cutting marginal tax rates.

Appearing just last week before the House Budget Committee, Chairman Greenspan reiterated his position by making clear, and I will give you this quote:

> Only if Congress believes that the surplus will be spent rather than saved is a tax cut wise.

I think given the President's, and his party's, past and present propensity to want to spend all of the surplus—the President's budget not only spends all the surplus, the President's budget would take $30 billion from Social Security, and they have a $100 billion tax increase as well—with their propensity to spend all of it, and more than the surplus, it should be obvious that the congressional budget plan that is before us by the people on this side of the aisle is aligned very much with Chairman Greenspan's position.

I wish our friends on the other side of the aisle would speak in the same way when they say that this money is not in the bank, that it is only projected income—when they use that as an excuse that you can't give people a tax cut—they ought to not project the expenditure of that money as well.

Yet they are willing to be radical. They are willing to be risky when projecting expenditure of this money. But somehow it is wrong to give this money back to the people to spend because if the people keep this money in the first place, they don't send it to Washington, and it is going to create more jobs. It is going to turn many times over in the economy than would

otherwise be turned over in the economy if it were spent by Washington bureaucrats—creating jobs and creating wealth, if the taxpayers spend it, and just being poured down the black, bottomless pit if it is spent in Washington, DC.

We had a chart from the other side of the aisle that said what a great deal has happened since 1993 on reducing the deficit. But what is left out of that equation and that presentation is one of the greatest political revolutions that has come from the grassroots of America in an off-year election in the last 60 years. And that was that the people of this country for the first time in 40 years turned both Houses of Congress over to a Republican majority.

It was only after that Republican majority was elected that there were dramatic changes in budgeting with the caps, and even with a reduction of taxes in 1997 that brought the changes and the discipline to the Hill—even to the White House as well—that brought us to the place where we are today of talking about surpluses, because in the first 2 years of this administration their own budgets were projecting in the outyear deficits for a long, long time. But all of that was turned around when Republicans took over Congress, and started down the road of bringing surpluses and balancing the budget.

We are here to say that the Democrat tax decrease of $300 billion compared to our $792 billion is too puny to do the economic good that ought to be done. It is too puny to return political and economic freedom to the taxpayers of this country because the taxpayers will spend that money more wisely than if it is sent to Washington.

But we are also here to declare victory in the debate over whether we should give tax relief to the American people because they want us to believe with their amendment that they are for a tax cut. They are for a tax cut—a very small, puny tax cut. The President says now he is for a tax cut.

We have won somewhat of a victory in this year's debate. The question now is not whether there should be tax relief, but what kind and how much?

As a Member of the majority party, I can't think of a better problem with which to be confronted. With a tax cut plan before us, we are proposing to finally start sending hard-earned dollars out of Washington and back to the taxpayers.

Most of the provisions of this bill are what the people from the grassroots of America have been telling their Congressmen and Senators they want done—and really want done—because we include those things in our bill: addressing the marriage penalty; providing health care tax relief; more help for education, pensions and savings; long-term care; child care; estate tax relief; and, most importantly, general relief for middle-income taxpayers.

Nearly all of the provisions that I and Senator FEINSTEIN introduced in S. 1160 are included in some form in the bill before us. I commend the chairman for taking the initiative and pushing major tax relief that people really want. And, by the way, even some Democrats supported it out of the Finance Committee. The President has only offered modest tax cuts.

This amendment is an example of it. Of course, in the process, as I indicated, he wants to raise taxes $100 billion in other ways in the process of giving a tax cut, because the President of the United States wants it both ways. He wants to be able to take credit for a tax cut on the one hand while he is raising taxes on the other hand.

Of course, he is sending out all of these frantic, hysterical veto threats. He attacked the House bill, playing the class warfare card that he plays so well, saying that it benefited the rich. Of course, he can't do that with a Senate bill. We saw that was not challenged on this point by people on the other side of the aisle, since 60 percent of the bill before the Senate helps families who are middle class and earning $75,000 or less.

Now the President and his minions are saying $792 billion in tax relief to the American people is too much. He is saying that either they don't need it—meaning they don't need the tax decrease—or he might even be saying they don't deserve it. He says this while asking for billions of dollars in new taxes to pay for even more spending while raiding the Social Security trust fund of $30 billion.

That is right. This President and his budget team raids Social Security to pay for more spending. He does this when taxes as a percentage of the Gross Domestic Product are at an all-time high of around 21 percent. Historically, taxes have been around 18 to 19 percent of the Gross Domestic Product over the last 30- to 40-year-period of time. We restore that historical level.

The public at the grassroots has pretty much consented to pay—not every American would agree with that—but over 30 to 40 years, it has been about 18 to 19 percent. But now it is up to 21 percent. We propose that it be more like that historical rate of taxation, as it has been for a long time.

By contrast, the administration, in addition to providing puny tax relief, would have a debt of $200 billion more than what we will have if our budget is adopted.

We also protect Social Security and Medicare.

The congressional budget plan before the Senate provides a blueprint for savings. We are projecting a cumulative surplus of $3.4 trillion. This includes the surplus in the Social Security trust fund as well as the on-budget general fund surplus. Of the estimated $3.4 trillion surplus, Republicans are advocating in this budget saving $1.9 trillion to save Social Security. These are the funds which are estimated to come into the Social Security trust fund from the payroll tax.

Of course, the President of the United States in attacking our budget is dead wrong in saying we put tax cuts before Social Security, because we plan for Social Security very thoroughly. We have been trying to set up a lockbox so no one will be able to get at that money and spend it. However, we have not met with much cooperation from the other side of the aisle on saving Social Security. I have lost track of the number of times since the first of the year we have had cloture votes on our Republican lockbox proposal. This is truly unfortunate. If we don't create a Social Security lockbox, we are going to end up spending the money for everything else but Social Security. Even the President has said he is in favor of a lockbox, but his actions fall far short of his rhetoric.

The tax cut we are talking about today is $792 billion. This is less than 25 percent of the total cumulative surplus of $3.4 trillion. A lot of our taxpayers say even $792 is not a bold enough tax cut. It is even less than the $1 trillion that will accumulate on the on-budget surplus. There is money left over, $505 billion to be exact, to take care of problems with the Medicare system and provide additional funds for discretionary spending.

In our budget resolution, we provide $180 billion for increased discretionary spending after the budget caps expire in the year 2002. That still leaves $325 billion to help solve Medicare problems and spending for domestic priorities.

Over the next 10 years the Federal Government will take in nearly $23 trillion in all taxes. That is a lot of money. This bill gives $792 billion back to the American taxpayers. That still leaves $22 trillion in revenue that the Government will spend. The tax cut we are talking about is only 3.5 percent, 3.5 pennies out of every $1 coming into the Federal Treasury over the next 10 years. I am a little embarrassed to tell the taxpayers we are only giving a tax cut of 3.5 percent from all the money the Federal Government will take in over the next 10 years. That is three times what the other side of the aisle would return to the taxpayers.

The congressional budget plan will save 75 percent of the surplus projected by the CBO over the next 10 years. In contrast, the President saves only 67 percent. The President is proposing a $95 billion tax increase.

We continually ask the American taxpayers to trust us as legislators. There isn't a day that goes by without us asking for that support from our constituents. Now it seems to me it is time to return trust to the American taxpayers. It is time to trust the American taxpayers with a little bit of their own money—3.5 percent of all the money coming in over the next 10 years.

The latest challenge from the other side of the aisle is reflected in the Democrat substitute before the Senate. I suppose it could be called a tax ''scratch'' instead of calling it a tax cut because it is that puny. Even a number of Democrats are scoffing at

such a weak effort. It is less than $300 billion over 10 years. It does not even have a rate cut for middle-income taxpayers. It does not even get rid of the unfair marriage penalty that affects millions of taxpayers. Compared to our tax bill, it delays the 100-percent deductibility for self-employed health insurance and in the process hurts small business and farmers.

The Democrat plan only provides half of the assistance the Republican plan provides for people who need to purchase their own health insurance. The Clinton-Gore team and their lockstep followers in Congress do not think that the tax rate the average American pays is too much. We all know what their record has been. We all know the Clinton-Gore tax increase of 1993 was the largest ever in the history of the United States. I have heard some Members, in defense of their support of this massive tax increase, try to argue that this is what brought about the current surpluses.

This is a revisionist history that has risen to some sort of art form on the floor of the Senate today. First, the Clinton-Gore tax increase was supposed to raise $240 billion. Of course, this is less than the $290 billion they now say they want to give back in this substitute amendment.

However, the Clinton-Gore tax increase never raised the money it was supposed to raise. The revenue increase that did come in is due to the private sector economic engine and did so despite all of the shackles this administration has placed on business through both tax increases and unprecedented regulation.

In addition, $40 billion of this new revenue can be attributed to the capital gains tax reduction that the Republican Congress passed in 1997. The administration argued this tax reduction would cost revenue, but the Wall Street Journal has said this has brought in $40 billion more. So most of the arguments on the other side of the aisle are just plain wrong.

I yield the floor.

The PRESIDING OFFICER (Mr. ABRAHAM). The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield myself 10 minutes.

I begin by asking Members and the public to review the remarks of the Senator from North Dakota, Mr. CONRAD, given 15 or 20 minutes ago. It was one of the best summations of the facts and choices we now face that I have ever heard.

Senator CONRAD is a former tax commissioner of the State of North Dakota and is intimately familiar with tax matters. He also is a very senior member on the Budget Committee. He is very deeply involved in all of the tax and spending matters that face our Federal budget. I urge Senators to review the comments made by the Senator from North Dakota, Mr. CONRAD. They were very much on target. As I said, it was probably the best factual summary of the choices facing Members that I have heard in the entire debate.

Essentially, we have choices that are quite significant. How are we going to manage this additional surplus? I don't want to say awesome, but it is very unusual for this country to have a budget surplus and be faced with these choices. Not too coincidentally, it is the end of the 1990s that we have the choice, as we face the next century, the millennium. I think the American people sent legislators to the Senate and the Congress to do what is right, to do what is right when we have a big surplus.

It has been stated many times, and I will repeat it: The projections over the next 10 years are for a $3 trillion surplus, $2 trillion out of payroll tax additional revenues because more people are working, the economy is doing so well, the payroll tax revenues increase. We have agreed that that $2 trillion generated from the payroll tax increases will go into the Social Security trust fund. We want to make sure the Social Security trust fund is as secure as we can possibly make it. It seems reasonable those revenues go to the Social Security trust fund. That is agreed to here. That is not a problem.

The question is: With the remaining $1 trillion of the $3 trillion that comes out of general revenue—from income taxes, including corporate and individual income taxes—what do we do with that? Very simply, it comes down to making choices. Under the choices we make, some people are going to be helped and some people are going to be hurt. That is the nature of choices. Or some people are helped more and some people are helped not quite as much because we have to make choices.

So essentially what do we have in front of us? I would like to show a chart that has been presented many times, but it is important to drive this point home. It is a fact. The fact is, our friends on the other side of the aisle do propose a tax cut of about $792 billion over the next 10 years. Because of that tax cut, it means the debt will not be reduced as fast as otherwise might be, which means interest on the debt will be a little more. That additional interest on the debt is about $141 billion. If we add the two together, in effect the tax cut offered by the other side really takes $933 billion out of the roughly $1 trillion surplus. That is a fact. Nobody can deny that. That is a fact.

Then the next question is, does that make sense? Who is helped by that? Who is hurt by that? Given the composition of the tax reduction, those helped tend to be the most wealthy Americans at a period in our American history when our economy is doing very well. Who is hurt? The people hurt by this tend to be people who are necessarily going to face very severe reductions in veterans' benefits. It might be in education provisions, it might be the FBI salaries, Head Start, kids not admitted to the program, and so forth.

Why do I say that? I say that because the budget tax proposal before us, presented by the other side, necessarily assumes we are going to stick with the budget caps on discretionary spending.

My friends around the country watching this ask what in the world are discretionary spending caps? Let me explain to the American public what they are. Essentially, Congress passed a budget, by the other side, entirely by the other side—and by the other side I mean the Republican party—which set very tight budget caps. If those budget caps are projected in the next 10 years, that necessarily means about a $595 billion cut in discretionary spending, which is spending on such things as education, veterans' benefits, Head Start programs, education programs, and so forth. But to make it even worse, that does not take into consideration the probable scheduled increase in defense spending of about $127 billion, which means if you add the two together, this budget means about $775 billion in real discretionary spending cuts. That is necessarily, arithmetically, mathematically, the consequence of this proposal —cuts that deep. That means, if defense is increased $127 billion, all the other discretionary spending will be cut about 43 percent by the year 2009.

That means a 43-percent cut in veterans' benefits. Let me tell you a little more about that. What does that mean? That means about 1.5 million veterans will be turned away—turned away because of those cuts. It means about 375,000 kids will be out of the Head Start Program, gone—375,000 kids. That is necessary because of a 43-percent cut in all these programs because this budget assumes no increase in discretionary spending caps and probably, if we are realistic with ourselves, it means the other side is going to add back in defense. That nets out at a 43-percent cut.

I am not saying we should increase these programs above the baseline, although perhaps in some areas we could. But at the very least, we should not cut them 43 percent across the board. Let's say we are not going to cut them 43 percent across the board. Let's say we are going to keep Head Start funding. That necessarily means you have to cut something else by more than 43 percent. That is where we are. Nobody can dispute those facts —nobody. Those are the facts.

Let me show another chart. To state it differently, take a dollar bill. This is the line—it is hard to see on this chart —of the tax breaks as a consequence of the bill before us. This is the additional interest payment, which is about $63 billion for everything else, and I have already outlined what the consequences of that are.

The proposal before us is the Democratic alternative. What is it? Basically, we think it is a wiser set of choices. Again, with roughly a $1 trillion surplus that we are debating, the question is what choices are we going to make? What should we do about it? The choice made by the other side is essentially all of it in tax cuts—all of

it. Because if you add interest lost, it basically comes to it all going to tax cuts. That is basically what it is.

We say no. First, because that is a projection and we do not know if it will be real; it is so back loaded. You have heard all the arguments. Rather, let's do a little bit here and a little bit there that protects the future. We say let's have about a $300 billion tax cut. Sure, we are for tax cuts. Let's take $300 billion and reduce it.

Mr. President, I yield myself an additional 5 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. So another third, we say, goes to Medicare. Let's give some to Medicare. I heard a Senator a few minutes ago say it is reckless or it is irresponsible to spend money on programs. I ask the Senator, is it reckless, is it radical to save a little bit for Medicare? The Medicare trust fund is in dire straits, even more so than the Social Security trust fund. Right now it is projected that the surplus in the Medicare trust fund is due to reach zero about 2015. What happens if the economy is not doing as well in the next several years? What does that mean? That means the Medicare trust fund is due to reach zero earlier than 2015.

You wonder why the projections for the Medicare trust fund expiration kind of bounce around? It is basically because the economy itself changes. Some years we are doing very well, some years not so well. Right now we are doing well, so that means a 2015 expiration date.

So we are saying in the proposal crafted by our leader, the Senator from New York, let's save about a third of this surplus, this $1 trillion surplus, for Medicare. One-third for tax cuts, one-third for Medicare, and we are also saying come on, men and women around here, let's be realistic.

I mentioned earlier about the discretionary spending caps and how the budget on the other side assumes we are not going to raise the caps, which means in effect if we add some for defense, about a $775 billion cut in spending. We are saying that is unrealistic. We are not going to cut veterans' benefits nearly that amount. We are not going to take young kids out of the Head Start Program. So we are saying take a third of that $1 trillion, roughly, and let's dedicate that to the discretionary spending programs so the reductions are not as great as we note they otherwise might be. The result is the interest cost that will necessarily result from this proposal.

So, again, it comes down to choices. Who is helped? Who is hurt? We say the people who should be helped are seniors on Medicare. We should help shore up the Medicare trust fund, the program. Some of these Medicare dollars could be set aside for drug benefits. We know how many seniors desperately need help with prescription drug benefits. We are saying some could help veterans.

What are we really saying? Many say, give back the tax cut, give it back to the people, give it back now to the people.

It is a very sympathetic argument. We are saying let's be responsible but let's give it back to our children. Let's give it back to our children in greater deficit reduction. Let's give it back to our children to help their parents with Medicare. Let's give it back to the future. Let's be responsible.

I do think we have a moral obligation as representatives of the people to do what we can to leave this country in at least as good a shape, if not better shape, than we found it. That means reducing the debt, it means helping shore up Medicare, it means just meeting people's needs in a very solid, responsible way.

The majority plan hurts people on Medicare, hurts veterans, hurts kids in Head Start, hurts the country. We say let's not hurt the country, let's help the country. Let's help the country with a balanced, responsible alternative, one I think the American people really would prefer if they were fully involved in this debate rather than a reckless, irresponsible—I hate to categorize it that way, but I do think it is, quite honestly—a program that takes all of the surplus, $1 trillion, and sends it all back for tax cuts at a time when Mr. Greenspan, the Chairman of the Federal Reserve, says is not the right time for a tax cut. He says it is not the right time because the economy is already heated up and we are dangerously close to the point where, with more stimulus, a bubble could burst and we could be causing a lot more problems than we can even think of at this point.

I thank the Chair and yield back my time.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield 12 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. GRAMS. Mr. President, as we consider the $792 billion of overpaid taxes we seek to refund in the Taxpayer Refund Act, millions of Americans are deeply concerned about President Clinton's veto threat. We just heard the statement about we cannot have a ''reckless'' tax cut, but they want to give back this money to our children and grandchildren and to the American people.

The truth is, our bill is the bill that wants to return this surplus to the taxpayers of the country; the President's bill wants to spend it. It is very different. Somehow, if we give it back in tax relief, it is reckless because the American people somehow do not know how to spend it, but let us keep it in Washington and let Washington spend it and it is fine. I do not understand that logic.

The President has also threatened to veto a proposal from his own party to provide just $500 billion in tax relief—again, more evidence that they want to spend the money, not give it back, not save it for our children, but spend it on new Washington programs.

The President is hinting at supporting tax relief somewhere in the $250 billion range, but his own budget included only one tax cut, and that could only be used for savings, not to let families decide how to spend their own money, but for Washington, the President, to tell you what you are going to do if he decides to give any of your surplus back.

I take this opportunity to make a few points about why the taxpayers have every right to expect this Congress and the President to return at least $792 billion of overpaid taxes.

First, let me emphasize that this bill is a 10-year $792 billion tax cut plan that benefits all Americans, with a focus on providing major tax relief for middle-class families. It is not a tax cut for the rich. It is not an unrealistic level of relief. It significantly reduces taxes for millions of American families and individuals, and it is the biggest tax relief we have ever had since President Ronald Reagan cut taxes dramatically in the early 1980s. I again commend Chairman ROTH for his leadership and his commitment to providing major tax relief.

We promised to return to American families the non-Social Security tax overcharges they paid to the Government, and we have fulfilled that solemn promise. The proposed tax relief will immediately ease working Americans' tax burden and allow them to keep a little more of their own money and use it on their family priorities—not Washington's, not President Clinton's, but their families' priorities.

This taxpayer relief refund legislation gives middle-class working families at least $450 a year in relief from the tax squeeze. It corrects the injustice of the marriage penalty tax by allowing married couples to file joint returns as if they were single payers of taxes, so 22 million Americans will no longer be penalized simply for the fact they are married.

This legislation also eliminates the alternative minimum tax to permit millions of American families, including farmers, to enjoy the full benefit of tax exemptions and credits such as the $500-per-child tax credit which I championed and the Senate passed back in 1997.

The proposed tax relief includes a reduction in the death tax which will help farmers and small businesses across the country pass on their hard-earned legacies to their children, not to pass it on to the Government but to pass it on to their children and their heirs.

The bill makes health care more affordable for millions of self-employed and uninsured by making their health care costs 100-percent deductible, and it includes my legislation to permit workers without coverage to deduct

their health insurance costs and also allows those purchasing long-term care policies to deduct them as well. These measures will allow more people to obtain health care coverage or improve the coverage they already have.

The bill before us also encourages working Americans to save more for their future by expanding IRAs and providing education tax benefits for parents, for students, and for workers.

There is other tax relief for hard-working Americans as well. While there is still room to improve the legislation, such as to expand the broad-based tax relief and to provide immediate relief of the marriage penalty, this $800 billion package is a clear victory for working Americans.

One of the most important points I have made repeatedly in this Chamber is that the non-Social Security surplus is the working people's money, not Washington's, and the people deserve the refund.

America's strong economy has turned the ink in Washington's accounting book black for the first time in 40 years. The budget surplus above and beyond Social Security will top $1 trillion to $1.4 trillion over the next 10 years. The CBO finds the increased revenue is propelled by personal income tax increases, and the CBO cites four sources for this unexpected revenue:

First, the rapid growth of taxable income, which has raised the tax base for personal income tax receipts.

Second, the CBO says adjusted gross income, which has grown even more rapidly than taxable personal income, mainly through the realization of capital gains. The capital gains tax increased by 150 percent between 1993 and 1997, which is a third of the growth of tax liability relative to GDP.

Third, rising taxes paid on pension and IRA retirement income.

Fourth, and I think the most important, is the increase in the effective tax rate. As Americans are working harder, as they earn more money, as inflation is there, it pushes more and more of them into the higher tax brackets. The tax rate increase accounts for 40 percent of the tax growth in excess of GDP growth. That is an unfair tax. It has pushed people from one tax bracket into another.

By the way, the CBO also points out the revenue windfall did not result from legislative policy changes. In other words, according to the CBO, the legislative initiatives taken by the President and by Congress did not generate this surplus.

Clearly, all four reasons we have a surplus are the result of the productivity of working men and women of this country, and it has little or nothing to do with Washington. So why should the President, why should Congress, be at the front of the line to spend this surplus, and why are we hearing claims that the $792 billion of tax relief will—and these are the scare tactics, we hear them time after time and they are ridiculous, but they say that tax relief will somehow harm Social Security, it will harm Medicare, and similarly impact Federal spending.

Again, my point is, these are overpaid taxes from American workers and they have every right to get it all back. To say we cannot provide this level of relief without hurting Americans is totally inaccurate.

We must recall that Americans have long been overtaxed and millions of middle-class families cannot even make ends meet due to the growing tax burden. Our savings rate in this country this year is a negative because families do not have any money left, especially after paying taxes, to put away. They are desperately in need of this largest possible tax relief.

Americans today, for example, are paying in my State of Minnesota 42 percent of their hard-earned money on taxes to support Government.

It is hard enough to raise one family without having to raise your Uncle Sam at the same time. According to the Government's own data, the average household today pays about $10,000 in Federal income taxes alone. That is twice as much as they paid in Federal taxes in 1985. The total Federal tax will consume 21 percent of the national income. Americans have not paid this much in taxes since World War II.

They say: Oh, Americans aren't overtaxed. But since President Clinton was elected in 1993, the amount that Federal tax consumes of the gross domestic product has gone from 18 percent to 21 percent. So the Government is taking more of what this country produces, and it comes out of the pockets of average working Americans.

In the past few years, Washington's income, in fact, has grown faster than our economy and twice as fast as the income of working Americans. Washington is growing twice as fast as what you are getting in your paychecks. With more middle-income workers being thrown into higher tax brackets, the ''middle class tax squeeze'' has been devastating.

Millions of middle-income Americans, who have worked hard to get ahead, have been pushed from the 15-percent tax bracket up into the 28-percent tax bracket. Hundreds of thousands of others have been pushed from the 28-percent tax bracket into the 31-percent bracket, and so on. More people working explains the surge of the Social Security surplus because payroll taxes are levied against everyone. So part-time, low-income, minimum-wage earners cannot escape the cruel tax bites.

According to the census report, the income of the average American family has grown—get this—the average income of the American family has grown only 6.3 percent, in constant dollars, between 1969 to 1996—6.3 percent, while Federal tax revenues have increased by nearly 800 percent during the same time. Yet I hear my colleagues on the other side of the aisle say Americans aren't overtaxed; somehow, they are doing fine.

As a result, Americans today are working harder and they are working longer, but they are taking home less money because the Federal Government is taking home more. A larger share of the earned income of working Americans is siphoned off here to Washington, and it isn't available for families to spend on their priorities.

A recent Census Bureau report finds that 49 million hard-working Americans, including 8 million middle-class Americans, live in a household that has trouble paying for just their basic needs.

President Clinton himself at one time—this was down in Texas during a campaign swing in 1995—admitted to a group of contributors, by the way, that Americans were taxed too much. He said: I might have raised taxes too much in 1993. He said: You might think I did. Well, I think I raised them too much, too.

But today he still refuses to refund overpaid taxes to Americans, because he does not think working Americans are ''going to spend it right.'' President Clinton believes individuals are not capable of making decisions for themselves and bigger Government is the only solution. Instead, he spends the surplus for Government programs, and he calls meaningful tax relief ''fiscally irresponsible.'' His priority is not to give tax relief at all. It is ''irresponsible'' to ease Americans' tax burdens a little so they can afford basic necessities.

That is the question. Is it irresponsible to even have a family night out once in a while? The family has been, and will continue to be, the bedrock of American society. Strong families make strong communities; strong communities make a very strong America. But 22 million working American couples have been forced to pay $1,400 a year more, on average, in taxes every year simply for choosing to be married. Is it irresponsible to get rid of an unfair tax policy that discourages marriage?

The PRESIDING OFFICER. The Senator has used his 12 minutes.

Mr. GRAMS. I ask unanimous consent for 5 more minutes. Or are we short on time?

The PRESIDING OFFICER. The Senator from Delaware has 28 more minutes.

Mr. ROTH. I yield the Senator 5 more minutes.

Mr. GRAMS. I thank the Senator very much.

So the question I was asking is, Is it irresponsible to get rid of an unfair tax policy that discourages marriage? The President at one time a couple years ago said, yes, this is an unfair tax, but, basically, Washington needs it more than the couple does in order to raise a family.

I have heard many who oppose $792 billion in tax relief support the individual relief included in this package. Just which specific section of the ROTH bill would they throw out? What part

of tax relief do they object to most? I would like to know which part they would like to get rid of to get down to what they are proposing in tax relief.

Let me further address the issue of so-called ''fiscally irresponsible'' tax cuts that we hear of so often. ''Fiscally irresponsible,'' that means, do not give it back to the people who own it, earn it, and should have it, but give it to Washington. That is ''responsible,'' I guess.

But in a recent analysis of President Clinton's midsession proposal, the bipartisan Congressional Budget Office found that our budget plan saves all of the $2 trillion Social Security surplus while the President's revised plan still spends $30 billion of the Social Security surplus. He cannot get by with just spending surplus; he is going to raise taxes by $98 billion, and he is also going to dip into the Social Security trust fund again.

His original plan spent over $150 billion of the Social Security surplus. Yet we still hear claims that our tax relief is at the expense of seniors. It is the President who is spending the money, raising taxes, and dipping into the Social Security trust fund. Yet we are irresponsible because we want to return to the American people the overcharge in taxes?

The CBO estimates that our plan reduces more debt held by the public than the President's plan. That is another thing. We do reduce the debt even more than the President's plan. Ours also produces an additional non-Social Security surplus of nearly $300 billion over the next decade while the President's plan, again, spends almost all of the on-budget surplus. Do you spend it or do you give it back in tax relief? That is the question. Whose money is it?

The CBO also says the President's midsession proposal has no net tax cut but, instead, increases taxes by $95 billion. Again, the surplus isn't enough. He wants to raise taxes another $95 billion. The President commits over $1 trillion in new and additional spending over the next decade by expanding Government programs or creating new programs.

Just quickly, I will show this chart. This is what we are talking about as to what the President plans to do.

We all agree on saving Social Security, putting every dime from the Social Security surplus into the trust fund, into our lockbox, and not spending that. This is our projected $3,371 billion expected surplus. But the President wants to spend all that is remaining and raise taxes by $95 billion more in order to do that.

So contrary to Mr. Clinton's plan, our budget provides $792 billion in tax relief to working Americans. Meanwhile, we save every penny of the Social Security surplus exclusively for Americans' retirement. In addition, we set aside over $505 billion for Medicare and to address spending needs.

Out of this whole projected surplus, we plan on saving for Social Security, for Medicare, for education, other needs, 75 cents on every dollar of this expected surplus. Only 25 cents on the dollar, one-quarter, would go to tax relief. Somehow, they want to spend the whole dollar.

Our tax relief takes only a small portion of the total budget surplus. In fact, only 23 cents of every dollar of the budget surplus goes for tax relief.

There is enough to provide this 23 cent of every surplus dollar for tax relief, to protect Social Security and to reform Medicare, including prescription drug coverage from needy seniors. But what I want to stress today is how we spend this $505 billion is not the question before today. It will come at the end of the year when we look at Medicare reform and the final appropriations bills. Today the issue is, can we provide $792 billion in tax relief, and I think we have proved we can with these charts, and the expert advice us received through the budget process.

In fact, you don't have to be a rocket scientist to figure out who is fiscally responsible and who's fiscally irresponsbile.

Contrary to Mr. Clinton's rhetoric that tax relief will cause recession, cutting taxes will keep our economy strong, will create jobs, increase savings and productivity, forestall a recession and produce more tax revenues.

History has proved that tax cuts work:

In the 1960s, President Kennedy proposed and later President Johnson enacted an individual income tax reduction of an average of 20 percent and reduced the top income tax rate from 91 percent to 70 percent. This tax relief preceded one of the longest economic expansions in U.S. history.

In the 1980s, Ronald Reagan inherited an economy that was deep in recession. Unemployment and inflation sank to double digits and interest rates hit over 20 percent. Reagan implemented an economic plan that dramatically cut taxes, reduced regulations, and got the economy moving again.

What resulted was nothing short of an economic miracle. Our nation experienced the longest peacetime economic expansion in American history. Over 8 years, 20 million new jobs were created, unemployment sank to record lows, all Americans did better, and in spite of lower rates, tax revenues increased.

In the 1990s, many States cut taxes and turned their budget deficits into budget surpluses.

Oklahoma Governor Frank Keating enacted the largest broad-based tax cut in the state's history; Michigan Governor John Engler enacted 24 tax cuts, reducing state personal income taxes to the lowest level in a generation; New Jersey Governor Whittman cut taxes 17 times, reducing state income taxes by 30 percent. In my own state of Minnesota, Governor Carlson cut taxes and generated a record budget surplus. And Governor Ventura returned the surplus to Minnesotans in the form of sales tax rebate and across-the-board income tax cuts.

None of these states broke their budgets; instead they produced a robust economy and generated big budget surpluses which allowed them to provide even more tax cuts.

Our neighbor north of the border, in the Province of Ontario, chose to follow New Jersey and cut their income tax by 30 percent in 1995 instead of increasing spending. It generates a very successful economy. This year, Ontario Premier Mike Harris will cut the income tax by another 20 percent. Here is what he says; ''the debate is over; tax cuts create jobs.''

Finally, I would like to take a moment to talk again about Social Security, Medicare, and debt reduction.

Republicans are pleased that President Clinton agrees with us that shoring up Social Security and Medicare should be our nation's top priority. But the difference is President Clinton talks about it; and Republicans act on it.

We are determined to achieve these goals. We have locked in every penny of the $1.9 trillion Social Security surplus over the next 10 years, not for government programs, not for tax cuts, but exclusively to protect all Americans' retirement.

We have been working hard to reform Medicare to ensure it will be there for seniors. Prescriptions drug coverage for the needy will be part of our commitment to seniors to protect their Medicare benefits. Had the White House and Democrats cooperated with us, we could have fixed Medicare by now.

In any event, we will continue our effort to preserve Medicare as Chairman ROTH reveals his Medicare bill in the near future.

We have reduced the national debt and will continue to dramatically reduce it. Debt held by the public will decrease to $0.9 trillion by 2009. The interest payment to service the debt will drop from $229 billion in 1999 to $71 billion in 2009. We will eliminate the entire debt held by the public by 2012.

As I indicated before, we have not ignored spending needs to focus on tax cuts as has been charged. We not only have funded all the functions of the government, but also significantly increased funding for our budget priorities, such as defense, education, Medicare, agriculture and others.

In fact, as I mentioned earlier, we set aside over $505 billion in non-Social Security surplus to meet these needs and the debate on how these funds is not before us today. But is there to highlight how Republicans can provide $792 billion in tax relief while not ignoring other important priorities.

This major tax relief does not come at the expense of seniors, farmers, women, children or any other deserving group. On the contrary, it benefits all Americans and keeps our economy strong. And most importantly, this tax relief will give every working American more freedom to decide what's best for themselves and their families.

Let me include my remarks by citing President Reagan who once said: ''Every major tax cut in this century has strengthened the economy, generated renewed productivity, and ended up yielding new revenues for the government by creating new investment, new jobs and more commerce among our people.''

President Reagan was right.

I remember vividly that when I first proposed the $500 per child tax cut in 1993, the naysayers called it bad policy, even ''dangerous.'' Democrats accused us of cutting taxes for the rich. Sound familiar? Some in Congress contended it was too costly, and others argued that we should balance the budget first. I argued repeatedly that we could and should do both. And so we did. As a result, now we have a balanced budget, and the largest surplus in U.S. history. Cutting taxes, reducing the national debt, and reforming and protecting Social Security and Medicare at the same time are all possible. We can do it again. We must do it again.

I urge my colleagues to defeat this amendment and support the $792 billion in tax relief in the Taxpayer Refund Act.

I thank the Chair. I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I yield 10 minutes to my colleague from Nevada who is on the Finance Committee.

The PRESIDING OFFICER. The Senator from Nevada is recognized for 10 minutes.

Mr. BRYAN. I thank the Senator from New York and the Chair.

Mr. President, I came to the Senate as a new Member in January 1989, at the end of the decade of the 1980s. The fiscal policies the Federal Government pursued during the 1980s resulted in a Federal budget that was awash in red ink.

At the beginning of the 1980s, the entire national debt—from the time of the ratification of the Constitution up until 1980—was less than $1 trillion. That included the assumption of the Revolutionary War debt, financing a costly and devastating Civil War, two world wars, Korea, Vietnam, and the programs of the Great Depression.

In less than a decade, the national debt tripled to $3 trillion. That is an indictment of the fiscal policies of the 1980s that we ought not to repeat.

Mr. President, we have an opportunity here.

One can debate as to who should take credit for the circumstances which none of us could have foreseen a decade ago. A decade ago it was my fondest hope that somehow we would be able to control the spiraling annual deficits which were hundreds of billions of dollars each year. When asked by my fellow Nevadans, how about the national debt, how are you going to pay that back, my response was: I did not see any realistic likelihood that that would occur in my lifetime, certainly not my lifetime as a Member of the Senate.

So today we are in a fortuitous circumstance. As I said, who gets credit for that, that is an issue we can debate at some length. But we have an opportunity to do the responsible thing, and we have the opportunity to do the irresponsible thing.

I think the responsible course of action is to save Social Security, ensure the solvency of Medicare, pay down the national debt, and then provide for a modest and realistic tax cut. That is the responsible thing to do.

In my judgment, the irresponsible alternative is the Republican tax cut before us.

There have been numbers bandied around, $3 trillion is the projected surplus. With respect to the Social Security surplus, that means the Social Security taxes that exceed the amount of the Social Security payments, it is projected over the next decade that that surplus will amount to $1.9 trillion. With respect to that surplus, there is no disagreement. That should be set aside to protect Social Security.

The debate is about the $1 trillion projected surplus that is referred to as on-budget or non-Social Security surplus.

Earlier this morning, as a member of the Senate Banking Committee, we were privileged to have Alan Greenspan, the distinguished and able Chairman of the Federal Reserve Board. There are many, Democrats and Republicans alike across the land, who give Alan Greenspan a substantial measure of credit for the reversals in our fortunes at the Federal level in terms of the situation we find ourselves in today, where we are talking about projected surpluses and not projected deficits. I was privileged to have an opportunity to ask him a question.

I said: Mr. Chairman—directed to Mr. Greenspan—given our current economic circumstances, if we had three choices, what choice would you make: Choice No. 1, a substantial tax cut; Choice No. 2, additional spending; Choice No. 3, reducing the debt?

His answer, unequivocal: Reduce the debt. That, he said, would be the most important thing this Congress could do in fiscal policy to continue the extension of the longest economic expansion in our Nation's history. That comes from Chairman Greenspan.

Now, under the Republican proposal before us, $964 billion is the on-budget surplus. Their proposal would be to reduce taxes by $792 billion.

I understand the instant gratification and I understand that if in a roomful of good and hard-working Americans you asked, would you like to pay less tax, all of us would say yes. Perhaps it is because my wife and I are entering a new period in our lives—we are blessed with three adult children, two of whom have blessed us with grandchildren and a third to bless us with a grandchild to be in a couple of weeks—that my thoughts are not with respect to instant gratification, not the kind of political rhetoric ''we want to return your money to you.'' What is the responsible thing to do for the country? What about my grandchildren and your grandchildren? Ought we not to think about them? Our generation doesn't have a particularly impressive track record running up a national debt that tripled in less than a decade.

The Republican plan would reduce taxes by $792 billion, would cost $141 billion of additional interest, and would result in a surplus remaining over the 10-year period of $32 billion. This surplus that is projected over 10 years is on a very shaky foundation.

I also was able to ask Mr. Greenspan to talk about projections. I said to him: Is it not true, Mr. Chairman, that not even the most able economists—distinguished graduates of the Wharton School of Finance, the Harvard Business School, the Stanford Business School, the most erudite institutions in America—isn't it true that no one can tell us what the economy is going to be like next year, much less what it is going to be like a decade from now? He opined that that was in fact the case.

So this policy is built upon a house of cards. We are not sure these surpluses will, in fact, materialize. Yet we build in to our legislative actions a $792 billion tax cut.

We have been there before, and we have done that before, in the 1980s. We were told in the 1980s that we could have substantial tax cuts and, at the end of the day, we would still be able to reduce the national debt. That did not occur. The national debt more than tripled.

I know that our friends on the other side of the aisle would say that had nothing to do with tax cuts. That is because you all in Congress spent recklessly, foolishly, and irresponsibly.

I was not a part of the Congress at that time. I will not defend all of the expenditures. But I will tell Senators this: If you add what President Reagan requested the Congress to spend in the 8 years he was President and you add up the appropriations that the Congress approved during those 8 years, some of those with a Republican majority in the Senate, the Congress approved $13 billion less, $13 billion less than President Reagan requested. So whether you went to school, as I did, with the old math or the new math, those kinds of tax cuts left us with deficits in the trillions of dollars.

Mr. President, I ask the distinguished leader if he would extend me another 5 minutes; is that possible?

Mr. MOYNIHAN. Another 5 minutes for my friend from Nevada.

The PRESIDING OFFICER (Mr. HAGEL). The Senator from Nevada is recognized for 5 minutes.

Mr. BRYAN. Mr. President, there are several assumptions that our Republican colleagues make in reaching the conclusion of a $792 billion tax cut, $141 billion in interest, leaving a $32 billion surplus to take care of Medicare, other priorities, including reducing the debt. It is a very shaky assumption. Mr. Greenspan also told us this morning that history teaches us to be cautious. This surplus may never materialize. No one can predict with certainty whether it will occur or not.

Implicit in this are some other assumptions that are totally unrealistic. One of those assumptions is we will be able to reduce discretionary spending by $700 billion over the next 10 years. Now, there are more people in America who believe there will be a sighting of Elvis than believe that we are going to reduce discretionary spending by $700 billion. We are talking about such programs as veterans' health, education, what we need to do for agriculture, and any kind of emergencies that might occur as a result of natural calamities or disasters. So the assumption that we can reduce spending by $700 billion in the discretionary accounts, also including national defense, is not realistic.

Indeed, that is premised also upon the spending caps that are in place—next year and the year after it will be even tighter—that we will be able to adhere to them. The chairman of the Banking Committee, as part of his questioning to Mr. Greenspan, indicated that in the House already this year they are talking about emergency spending, which is a vehicle to avoid the spending caps and, in point of fact, is not emergency spending at all—$3.5 billion or $4.5 billion for the census, $3 billion for veterans' health, $30 billion this year alone. That wipes this out.

The point I am trying to make is this is a highly reckless and irresponsible approach. What we ought to do is protect Social Security with the $1.9 trillion surplus, and there is agreement on that. Next, we need to shore up Social Security solvency, pay down that debt, reduce the amount of money we are paying on interest on the national debt, so that we can do some other things with the additional tax cuts or selective spending in terms of veterans' health, or education, or national defense, whatever we determine the priorities may be, and then a more modest tax cut.

The Democratic alternative, I think, comes pretty close to hitting the mark: Tax cuts of $290 billion, Medicare cuts of $290 billion, domestic needs of $290 billion—that reduces spending in real terms over the next 10 years by about $300 billion—and interest, $126 billion. That is a more responsible approach.

I hope we do not revisit the mistakes of the past. Chairman Greenspan, it seems to me, had a lot of wisdom to offer. History teaches us to be cautious. These surpluses may, indeed, never occur and, indeed, if we can pay down the national debt, would we not be doing something for our children and our grandchildren that is the responsible course of action, something we can all be proud of, and provide a reduction in the interest payments we make each year, which is about $230 billion?

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senate majority leader.

Mr. LOTT. Mr. President, I ask unanimous consent that Senator ABRAHAM be recognized to offer the next amendment regarding the Social Security lockbox, and immediately following the reporting by the clerk, the amendment be temporarily laid aside and Senators BAUCUS or CONRAD be recognized to offer a lockbox amendment.

I further ask unanimous consent that the amendments be debated concurrently for a total of 2 hours to be equally divided between Senators ABRAHAM and BAUCUS, or their designees, and following the conclusion or yielding back of time, the amendments be laid aside.

I further ask unanimous consent that following the debates just described, Senator DASCHLE, or his designee, be recognized to offer an amendment, and following that debate the Senate proceed to a period of morning business.

I further ask unanimous consent that no other amendments be in order prior to the stacked votes and the votes begin in the stacked sequence at 9:30 a.m. on Thursday in the order in which they are offered, with 2 minutes of debate prior to each vote.

Finally, I ask unanimous consent that following those votes, there be 10 hours remaining for the consideration of the bill and Senator GRAMM be immediately recognized to offer his amendment.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. LOTT. I ask also unanimous consent that the next Democratic first-degree amendments be in the following order:

Senator KENNEDY, Senator BINGAMAN, Senator KERRY of Massachusetts, and Senator LAUTENBERG.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LOTT. Therefore, the next vote in regard to the Democratic alternative is scheduled to occur at approximately 6:30 or 6:35 this evening. It will be the last vote of the evening. The lockbox issue and the Baucus amendment will be debated this evening, with those three votes occurring in the stacked sequence at 9:30 on Thursday morning.

As a reminder to Members, a late session is expected Thursday, and votes are expected to occur on Friday, since it appears it may not be possible to finish Thursday night.

I reiterate my commitment that if we find a way to finish the votes on this issue Thursday night, we will not have a session on Friday. If that is not possible, we will go into session Friday and continue voting as is necessary in order to complete this reconciliation tax relief bill.

I yield the floor.

Mr. ROTH. Mr. President, I yield 14 minutes to the Senator from Florida.

The PRESIDING OFFICER. The Senator from Florida is recognized for 14 minutes.

Mr. MACK. Mr. President, although I agree with many of the specific provisions in the Democrat alternative tax package—including a few bills that I have introduced—I must rise in opposition to this amendment. The plain fact is that the tax cut offered is just too small. We have budget instructions to cut taxes by $792 billion over the next 10 years, and we should cut taxes by $792 billion.

I am glad I have this opportunity to talk about tax cuts, one of my favorite subjects.

We are in the midst of what should be a very easy task: reducing the tax burden on our citizens by $792 billion over the next ten years. After all, over the next decade, the federal government is on track to collect over $3 trillion dollars more than we have budgeted for spending.

In other words, we will be overcharging the taxpayers by $3 trillion. You would think that the suggestion to return to the taxpayers a mere 25 percent of these overpayments would not be controversial. But we have heard, over the past few months, the defenders of the status quo, the advocates of big government, raise their voices in criticism of our tax cut goal.

These critics say that tax cuts are not needed, that taxpayers do not deserve to keep more of their hard earned money. It has even been suggested that the tax burden on our families has been falling. Well, the facts could not be any clearer: the federal government will tax away 20.6 percent of our nation's gross domestic product this year. That is an all-time, peacetime record, a level that was only exceeded when we mobilized to win World War II.

But even though the tax burden is a record high, even though we will be overcharging the taxpayers by $3 trillion over the next decade, every excuse under the sun is being raised against tax cuts. Some of these arguments are contradictory, and all are wrong.

Some argue, from a Keynesian demand-side perspective, that tax cuts will overstimulate the economy. But even after a $792 billion tax cut, the federal government will run up over $2 trillion in surpluses over the next ten years—from a Keynesian viewpoint, $2 trillion in surpluses is not considered a stimulus. And with all of the lags, the delays, and the phase-ins, the bulk of the tax cuts will not arrive until years 2007, 2008, and 2009.

Can anyone seriously suggest that, in a $9 trillion economy, a $4 billion net tax cut for fiscal year 2000 will overstimulate consumer demand? Or even a $25 billion tax cut in 2001? Would a $39 billion tax cut in 2002 overheat the economy, when this is only .004 percent of projected GDP?

Clearly, the facts do not support the argument that our tax cuts will overheat the economy. In any event, from the demand-side perspective, the tax cut would be irrelevant. If we do not cut taxes by $792 billion, it is safe to say that spending will increase by $792 billion over the next decade—spending by the government, that is. That is what President Clinton means when he says we cannot afford a tax cut—his bureaucrats are working overtime to dream up new ways to spend the money, as if the government has first claims to the fruits of our citizens' labor.

What kind of spending initiatives can we expect? A few years back, as many of us recall, President Clinton's so-called stimulus package included spending on such urgent needs as building parking garages at the beach, resurfacing tennis courts, researching the sicklefin chub fish, renovating swimming pools, building golf courses, soccer fields, and softball diamonds, and constructing an ice skating warming hut.

Now, the President is not the only source of such wasteful spending ideas—we in Congress are very susceptible to pressures to spend, spend, spend. But no one here doubts for a minute that if the $792 billion in taxes are instead brought to Washington, the money will all be spent. That is one very good reason why we must keep the money out of Washington in the first place.

The argument is also raised that a $792 billion tax cut leaves no money to meet some other important government goals such as debt reduction. But we still have $1.9 trillion in social security surpluses that will be in a ''lockbox'' to retire debt and shore up our citizens' retirement security, and another $505 billion in non-social security surpluses that can be used for Medicare, National Defense, and our other priorities. It is my hope that these surpluses will be used for real priorities, not the ice skating warming huts and beach parking garages. It should be clear that this half-trillion dollars is more than enough to cover our priorities.

The rest of the arguments against our tax relief goal are similarly mistaken. Some people argue that the money is needed to retire publicly-held debt—although, after the tax cut, the remaining 75% of the surplus is available for debt reduction. Even with our tax cut, publicly-held national debt will be reduced from 40% of GDP to just 12% of GDP by 2009.

Other people argue that the Federal Reserve Board would react to the tax cut by tightening the money supply. I have already noted that the very small size of the tax cuts over the next two years—just .0015% of GDP—does not add up to a dramatic increase in consumer demand and, in fact, will not increase demand since government spending would have increased by that same amount were we to collect the taxes. And I will point out that, on many occasion, including today, Fed Chairman Alan Greenspan has stated that he believes that government spending is the worst possible use of the surpluses, and that he would support tax cuts if spending is the alternative. Furthermore, a tax cut that removes government barriers to savings and investment is not an ''artificial stimulus'' that should worry the Fed one bit. Inflation, after all, is caused by too many dollars chasing too few goods, not by too many investors creating wealth and opportunity. An even stronger economy, fueled by the freedom and enthusiasm of our entrepreneurs, is not something to fear.

It is even argued that a sizable tax cut passed now makes a future economic downturn more hazardous, as if the tax cuts needed for an economic rebound will have already been wasted by our efforts this year. Of course, that argument makes the case for tax cuts, as any tax cuts that would succeed in getting us out of a recession should keep us out of one in the first place. That is why former Fed Governor Lawrence Lindsey considers a tax cut a good insurance policy against an economic downturn.

When you consider all of the arguments, there really is no case against cutting taxes by at least $792 billion. Chairman ROTH is to be commended for sticking to his guns and reporting out of Committee a bill that cuts taxes by that full amount, despite all of the pressure exerted by all of the advocates of big government, who would rather spend the money.

One final point I want to make is that these abstract discussions tend to obscure the real reason we are here. Tax cuts are not about numbers, they aren't about aggregate statistics, they aren't about increasing demand by 4 thousandths of a percentage point—tax cuts are about people. We are cutting taxes because of the 67-year-old owner of a family business in Florida's panhandle, who is discouraged from reinvesting his hard-earned profits because the specter of the federal death tax is hovering, waiting to swoop down and scoop up 55% of the increased value of his business. We are cutting taxes because of the two-earner family, struggling to make ends meet, that has to pay over $1,000 extra in taxes just because they are married.

We are cutting taxes so that waitresses, truck drivers, teachers and carpenters can put an extra $1,000 in their IRAs each year, to build a better nest egg for retirement. We are cutting taxes to enable a biomedical company to budget that one additional research project that just might lead to a breakthrough in the treatment of glaucoma or a cure for cancer. And we are cutting taxes to reduce government barriers to saving and investment, so the capital is available for the American entrepreneurs of the 21st Century to develop markets in technologies we cannot even imagine today. We need to cut taxes to get government out of the way and give people the freedom to pursue their own dream—not Washington's.

I thank the Chair.

I yield whatever time I did not use.

The PRESIDING OFFICER. Who seeks recognition?

Mr. MOYNIHAN. Mr. President, we yield any time remaining on our side.

Mr. ROTH. Mr. President, I yield the remainder of our time.

Mr. MOYNIHAN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New York. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative assistant called the roll.

Mr. NICKLES. I announce that the Senator from Ohio (Mr. VOINOVICH) is necessarily absent.

The result was announced—yeas 39, nays 60, as follows:

[Rollcall Vote No. 226 Leg.]

YEAS—39

Akaka	Feingold	Leahy
Baucus	Feinstein	Levin
Biden	Graham	Lincoln
Bingaman	Harkin	Mikulski
Boxer	Hollings	Moynihan
Breaux	Inouye	Murray
Bryan	Johnson	Reed
Cleland	Kennedy	Reid
Conrad	Kerrey	Robb
Daschle	Kerry	Rockefeller
Dodd	Kohl	Sarbanes
Dorgan	Landrieu	Schumer
Durbin	Lautenberg	Wyden

NAYS—60

Abraham	Enzi	McCain
Allard	Fitzgerald	McConnell
Ashcroft	Frist	Murkowski
Bayh	Gorton	Nickles
Bennett	Gramm	Roberts
Bond	Grams	Roth
Brownback	Grassley	Santorum
Bunning	Gregg	Sessions
Burns	Hagel	Shelby
Byrd	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Chafee	Hutchinson	Snowe
Cochran	Hutchison	Specter
Collins	Inhofe	Stevens
Coverdell	Jeffords	Thomas
Craig	Kyl	Thompson
Crapo	Lieberman	Thurmond
DeWine	Lott	Torricelli
Domenici	Lugar	Warner
Edwards	Mack	Wellstone

NOT VOTING—1

Voinovich

The amendment (No. 1384) was rejected.

Mr. ROTH. Mr. President, I move to reconsider the vote and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I ask unanimous consent that a copy of a letter from Dan Crippen, Director of the Congressional Budget Office, dated July 26, 1999, be printed in the RECORD. The letter analyzes the legislation before us, the Taxpayer Refund Act of 1999.

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

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 26, 1999.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for the Taxpayer Refund Act of 1999.

If you wish for further details on this estimate, we will be pleased to provide them. The CBO staff contact is Hester Grippando.

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Taxpayer Refund Act of 1999

Summary: The Taxpayer Refund Act of 1999 would provide for a variety of phased-in tax reduction proposals, including a reduction of the 15 percent income tax rate to 14 percent and an expansion of the proposed 14 percent bracket, a provision for married couples to file single returns, modifications of the individual alternative minimum tax, an increase of the annual contribution limit for individual retirement accounts, a reduction of estate and gift taxes, and a new tax deduction for health insurance expenses. The Congressional Budget Office and the Joint Committee on Taxation (JCT) estimate that the bill would decrease governmental receipts by about $4 billion in fiscal year 2000, by about $155 billion over the 2000–2004 period, and by nearly $792 billion over the 2000–2009 period. In addition, the legislation would increase direct spending by $40 million over the 2000–2004 period, but would decrease direct spending by $83 million over the 2000–2009 period. Because the bill would affect receipts and direct spending, pay-as-you-go procedures would apply.

The bill contains a new intergovernmental mandate, the cost of which would not exceed the threshold for intergovernmental mandates ($50 million in fiscal year 1996, adjusted annually for inflation) established in the Unfunded Mandates Reform Act (UMRA). The bill also contains 16 new private-sector mandates. The costs of those mandates would exceed the threshold established by UMRA for private-sector mandates ($100 million in fiscal year 1996, adjusted annually for inflation) in fiscal years 2000 through 2004.

Estimated cost to the Federal Government: The estimated budgetary impact of the bill is shown in the following table.

	By fiscal years, in millions of dollars—					
	1999	2000	2001	2002	2003	2004
CHANGES IN REVENUES						
Estimated Revenues:						
On-Budget	22	−4,042	−24,391	−39,124	−41,685	−45,043
Off-Budget	0	−97	−224	−274	−292	−312
Total Change in Revenues	22	−4,139	−24,615	−39,398	−41,977	−45,355
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	2	4	6	6	10
Estimated Outlays	0	2	4	9	9	13
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimatd Outlays	0	(1)	(1)	(1)	(1)	(1)

[1] Amounts under $500,000.

Sources: Congressional Budget Office and Joint Committee on Taxation.

Basis of estimate: All estimates, with the exception of the following provisions, were prepared by JCT.

Revenues

Accelerate the Repeal of the FUTA Surtax. The Federal Unemployment Tax Act (FUTA) imposes on employers an effective tax of 0.8 percent on the first $7,000 in wages paid annually to each employee. This 0.8 percent includes a 0.2 percent surtax scheduled to expire on December 31, 2007. The bill would accelerate the expiration date to December 31, 2004.

Revenues from the FUTA tax are deposited into federal unemployment trust funds, which are statutorily capped. Under current law, CBO projects that the amounts in the federal trust funds will exceed the caps beginning in 2003. Amounts above the caps are transferred to state unemployment compensation trust funds. Since the state funds are included in the unified federal budget, this transfer will have no net budgetary effect. However, CBO expects that states would respond to this transfer by lowering their unemployment taxes so that their trust fund balances would remain constant.

The bill would lower the amount of revenues deposited into the federal trust funds and thus would reduce the amounts flowing to the state funds. CBO assumes that in the year following each lowered transfer, states would respond by not lowering their unemployment taxes as much as they would have, thus increasing revenues relative to current law. CBO estimates that the measure would reduce governmental receipts by $1,029 million in fiscal year 2005 and by lesser amounts in 2006 and 2007. We estimate increases in receipts in fiscal years 2008 and 2009. Over the 2005–2009 period, CBO estimates that the measure would have no net impact on governmental receipts.

IRS User Fees. The bill would adjust and extend the authority of the Internal Revenue Service (IRS) to charge taxpayers fees for certain rulings by the Office of the Chief Counsel and by the Office for Employee Plans and Exempt Organizations. The bill would eliminate the fee the IRS currently charges on determination letter requests regarding new small business pension plans beginning on December 31, 2000. The bill also would extend for six years beyond its current expiration date of September 30, 2003, the authority of the IRS to charge taxpayers fees for certain rulings. CBO estimates that the adjustment and extension of IRS fees would increase governmental receipts by $42 million over fiscal years 2001 through 2004 and by $323 million during the 2001–2009 period, net of income and payroll tax offsets. CBO based its estimate on recent collections data and on information from the IRS.

Federal spending

IRS User Fees. The bill would adjust and extend the authority of the IRS to charge taxpayers fees for certain rulings by the Office of the Chief Counsel and by the Office for Employee Plans and Exempt Organizations. The IRS has the authority to retain and spend a small portion of these fees without further appropriation. CBO estimates that the adjustment and extension of fees would increase direct spending by $3 million over the 2001–2004 period and by $18 million over the 2001–2009 period.

National Vaccine Injury Compensation Fund and Medicaid. The bill would add conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines and thus would allow for compensation for injuries related to those vaccines from the National Vaccine Injury Compensation Trust Fund. CBO estimates that this provision would increase outlays by $4 million over the 2000–2004 period. This provision would also increase federal Medicaid outlays by $21 million over the 2000–2004 period because Medicaid would be required to pay the excise tax on purchases of vaccines against streptococcus pneumoniae. The federal government purchases about one-half of all vaccines through its Vaccines for Children program.

In addition, the bill would reduce the tax rate applicable to all taxable vaccines from 75 cents per dose to 25 cents per dose for sales of vaccines after December 31, 2004. This provision would reduce the amount of tax that the Medicaid program would be required to pay for vaccines purchased through its Vaccines for Children program and would decrease federal outlays after the effective date by about $35 million annually.

Also, by adding conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines, the bill would increase the cost of vaccines purchased under section 317 of the Public Health Service Act. Section 317 authorize grants to states for the purchase of vaccines under federal contracts with vaccine manufacturers. The bill would also reduce the cost of vaccines purchased under this program after December 31, 2004, by reducing the excise tax rate. Any changes in spending under this section would be subject to the annual appropriation process. CBO estimates that there would be additional, but insignificant costs from the addition of the streptococcus pneumoniae vaccines and savings of about $9 million annually from the reduction in he excise tax after December 31, 2004.

Reduced PBGC Premiums for New Plans. Under current law, single-employer defined benefit pension plans pay two types of annual premiums to the Pension Benefit Guaranty Corporation (PBGC). All covered plans are subject to a flat-rate premium of $19 per participant. In addition, underfunded plans must also pay a variable premium that depends on the amount by which the plan's liabilities exceed its assets.

The bill would reduce the flat-rate premium from $19 to $5 per participant for plans established by employers with 100 or fewer participants during the first five years of the plan's operation. According to information obtained from the PBGC, approximately 3,000 plans would qualify for this reduction. Those plans contain an average of about 10 participants each. CBO estimates that the premium change would reduce PBGC's premium income, which is classified as an offsetting collection, by about $0.4 million annually beginning in 2002 or by about $1.3 million over the 2000–2004 period.

Reduction of Additional PBGC Premiums for New and Small Plans. The bill would make two changes affecting the variable-rate premium paid by underfunded plans. First, for all new plans that are underfunded, the bill would phase in the variable-rate premium the plans must pay. In the first year, they would pay nothing. In the succeeding four years, they would pay 20 percent, 40 percent, 60 percent, and 80 percent, respectively, of the full amount. In the sixth and later years, they would pay the full variable-rate premium determined by their funding status. On the basis of information on premium payments to the PBGC in 1996–1997, CBO estimates that this change would affect the premiums of approximately 400 plans each year. It would reduce PBGC's total premium receipts by about $4.2 million over the 2000–2004 period.

The bill would also reduce the variable-rate premium paid by all underfunded plans (not just new plans) established by employers with 25 or fewer employees. Under the bill, the variable-rate premium per participant paid by those plans would not exceed $5 multiplied by the number of participants in the plan. CBO estimates that approximately 8,300 plans would have their premium payments to PBGC reduced by this provision beginning in 2002. Premium receipts by the PBGC would decline by $1.5 million in 2002 and by about $4.6 million over the 2002–2004 period.

Missing Plan Participants. The legislation would expand the missing participant program. The Retirement Protection Act of 1994 established a missing participant program at PBGC for terminating defined benefit plans. The bill would expand the program to include terminating multiemployer plans, defined benefit plans not covered by PBGC, and defined contribution plans.

The budgetary impact of this provision would be less than $0.5 million annually. PBGC does not expect a high volume of missing participants as a result of this proposal, and the administrative costs of expanding the program would not be high. The net budgetary effect of increased benefit payments would also be small. Amounts paid by a pension plan to PBGC for missing participants are held in PBGC's trust fund, which is off-budget. Amounts paid out by PBGC to participants at the time they are located are funded in the same manner as benefit payments to participants in plans for which PBGC is the trustee—partially by the trust fund and partially by on-budget revolving funds.

Rules for Substantial Owner Benefits in Terminated Plans. The legislation would simplify the guarantee and asset allocation rules as they relate to terminated plans involving a substantial owner (ownership interest of at least 10 percent). All owners other than majority owners (those with an ownership interest of 50 percent of more) would be treated the same as other participants, thus receiving a more generous guarantee than under current law. Majority owners would be subject to simplified special rules. The guarantee for majority owners would be phased in at the rate of 1/10 for each year that the plan has been in effect, which is faster than the current-law phase-in, but the nonguaranteed benefits of majority owners would be given a lower priority in the allocation of assets. Only about one-third of the plans taken over by PBGC involve substantial owners, and the change in benefits paid out by PBGC to owner-employees under this provision would be less than $0.5 million in each year.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts and outlays that are subject to pay-as-you-go procedures are shown in the following table. Only changes affecting on-budget outlays and receipts affect the pay-as-you-go scorecard. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By fiscal years, in millions of dollars—										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in Receipts	22	−4,042	−24,391	−39,124	−41,685	−45,043	−89,541	−114,318	−129,025	−145,337	−156,219
Changes in Outlays	0	2	4	9	9	13	−16	−26	−26	−26	−27

Estimated impact on State, local, and tribal governments: JCT has determined that the provision that would add streptococcus pneumoniae to the list of taxable vaccines in an intergovernmental mandate. JCT estimates that the cost of the mandate would not exceed the threshold specified in UMRA ($50 million in fiscal year 1996, adjusted for inflation). Sections of the bill reviewed by CBO regarding pension plans and IRS user fees contain no intergovernmental mandates as defined in UMRA. The section that would move the expiration date of the federal unemployment surtax back three years would have implications for state unemployment compensation programs as noted above.

Estimated impact on the private sector: JCT has determined that 16 provisions in the bill contain private sector mandates. The private-sector mandates in the bill would:

Add certain vaccines against streptococcus pneumoniae to the list of taxable vaccines;

Impose a 10 percent vote or value test for real estate investment trusts (REITs);

Change the treatment of income and services provided by taxable subsidiaries of REITs;

Modify foreign tax credit carryover rules;

Require reporting of information regarding cancellation of indebtedness by nonbank financial institutions;

Limit the use of the nonaccrual experience method of accounting to the amounts to be received for the performance of qualified professional services;

Impose a limitation on prefunding of certain employee benefits;

Repeal the installment method for most taxpayers using the accrual basis;

Prevent the conversion of ordinary income or short-term capital gains into income eligible for long-term capital gain rates;

Deny the deduction and impose an excise tax with respect to charitable split-dollar life insurance programs;

Modify the estimated tax rules of closely held REITs;

Change the tax treatment of prohibited allocation of stock in an Employee Stock Ownership Plan of a subchapter S corporation;

Modify anti-abuse rules related to the assumption of liabilities;

Require consistent treatment and provide basis allocation rules for transfers of intangibles in certain nonrecognition transactions;

Modify the treatment of certain closely held REITs; and

Provide for a basis reduction to assets of a corporation, if stock in that corporation is distributed by a partnership to a corporate partner.

JCT estimates that the cost of the private-sector mandates would exceed the threshold established in UMRA ($100 million in fiscal year 1996, adjusted annually for inflation) in each of the fiscal years 2000–2004.

ESTIMATED COST OF PRIVATE-SECTOR MANDATES

	By fiscal years, in millions of dollars—					
	1999	2000	2001	2002	2003	2004
Cost of the Private Sector	22	830	1,611	1,370	1,083	814

Source: Joint Committee on Taxation.

Estimate prepared by: Federal Revenues: Hester Grippando (for IRS fees) and Noah Meyerson (for FUTA). Federal Spending: Tami Ohler (for pensions), Jeanne De Sa (for National Vaccine Injury Compensation Fund and Medicaid), and John Righter (for IRS fees).

Estimated approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis, G. Thomas Woodward, Assistant Director for Tax Analysis.

Mr. ROTH. Mr. President, I yield 5 minutes on the bill to Senator MCCAIN.

The PRESIDING OFFICER. The Senator from Arizona is recognized.

Mr. MCCAIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

Mr. MCCAIN. Mr. President, I ask unanimous consent that the order for the quorum call be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 1397

(Purpose: To provide educational opportunities for disadvantaged children, and for other purposes)

Mr. MCCAIN. Mr. President, I have an amendment at the desk and ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, the clerk will report.

The legislative clerk read as follows:

The Senator from Arizona [Mr. MCCAIN] proposes an amendment numbered 1397.

Mr. MCCAIN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. MCCAIN. Mr. President, as per the agreement with the Senator from Delaware, I will ask unanimous consent that the amendment be laid aside as soon as I use my 5 minutes.

Mr. BAUCUS. Withdrawn.

Mr. MCCAIN. Not withdrawn, set aside.

Mr. BAUCUS. Mr. President, reserving the right to object, this is not what I understood the procedure was going to be. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MCCAIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Arizona.

Mr. MCCAIN. Mr. President, it was made clear by the Senator from Montana and the Senator from Delaware that I will withdraw the amendment after speaking for 5 minutes on it, with the full understanding that there will be a vote on this at the proper time, as amendments are voted on probably tomorrow night.

Mr. BAUCUS. Reserving the right to object, do I understand from the Senator from Arizona that he will offer his amendment then at a later time?

Mr. MCCAIN. I have 5 minutes. I want to use the 5 minutes to talk about it. The Senator from Delaware told me the time tomorrow will be taken up, so I asked to be given 5 minutes to talk tonight. In previous years, I have ended up in the position where at 2 a.m. I can speak for 1 minute and the other person can speak for 1 minute. At least now I have 5 minutes.

Mr. BAUCUS. Will the Senator inform us as to the nature of the amendment?

Mr. MCCAIN. That is why I asked for 5 minutes, so I can tell the Senator the nature of the amendment.

Mr. BAUCUS. No objection.

Mr. MCCAIN. Mr. President, today I am proposing an amendment to authorize a three-year nationwide school choice demonstration program targeted at children from economically disadvantaged families. The program would expand educational opportunities for low-income children by providing parents and students the freedom to choose the best school for their unique academic needs, while encouraging schools to be creative and responsive to the needs of all students.

The amendment authorizes $1.8 billion annually for fiscal years 2001 through 2003 to be used to provide school choice vouchers to economically disadvantaged children through the Nation. The funds would be divided among the States based upon the number of children they have enrolled in public schools. Then, each State would conduct a lottery among low-income children who attend the public schools with the lowest academic performance in their State. Each child selected in the lottery would receive $2,000 per year for three years to be used to pay tuition at any school of their choice in the State, including private or religious schools. The money could also be used to pay for transportation to the school or supplementary educational services to meet the unique needs of the individual student.

In total, the amendment authorizes $5.4 billion for the three-year school choice demonstration program, as well as a GAO evaluation of the program upon its completion. The cost of this important test of school vouchers is fully offset by eliminating more than $5.4 billion in unnecessary and inequitable corporate tax loopholes which benefit the ethanol, sugar, gas, and oil industries.

First, the amendment eliminates tax credits for ethanol producers, eliminating a $1.5 billion subsidy. Ethanol is an inefficient, expensive fuel that has not lived up to claims that it would reduce reliance on foreign oil or reduce impacts on the environment. It takes more energy to produce a gallon of ethanol than the amount of energy that gallon of ethanol contains. Ethanol tax credits are simply a subsidy for corn producers, and the amendment ends the taxpayers' support for this outdated program.

Second, the amendment eliminates three subsidies enjoyed by the oil and gas industry, totaling $3.9 billion. It phases out oil and gas industry's special right to fully deduct capital costs for drilling, exploration and development; eliminates the 15% tax credit for recovering oil using particular methods and ends special right of oil and gas property owners to claim unlimited passive losses under income and alternative minimum tax provisions. Subsidizing the cost of domestic production has not been shown to have reduced reliance on foreign oil or directly contributed to more efficient resource use or domestic productivity. The amendment ends these special tax treatments.

Finally, the amendment eliminates the special loan program for sugar producers and processors, worth $390 million. The Federal Government is burdened with an unnecessary and unprofitable loan program for big sugar producers and enforcing mandated import quotas on foreign sugar. Sugar price supports also force consumers to pay $1.4 billion every year in artificially inflated sugar prices. The amendment simply eliminates the taxpayer-funded loan program in 2003 and immediately requires repayment of existing loans in cash, rather than sugar.

These tax benefits and subsidies were originally intended to serve a limited purpose during times of economic recession and hardship in the 1970s. Our economy has long since recovered and I believe that these subsidies have outlived their purpose. The sunset of these programs will end these corporate welfare programs and return any remaining benefit back to our nation's children.

Mr. President, we all know that one of the most important issues facing our nation is the education of our children. Providing a solid, quality education for each and every child in our Nation is a critical component in their quest for personal success and fulfillment, as well as the success of our nation: economically, intellectually, civically and morally.

We must strive to develop and implement initiatives which strengthen and improve our education system thereby ensuring that our children are provided with the essential academic tools for succeeding professionally, economically and personally. I am sure we all agree that increasing the academic performance and skills of all our Nation's students must be the paramount goal of any education reform we implement.

School vouchers are a viable method of allowing all American children access to high-quality schools, including private and religious schools. Every parent should be able to obtain the highest quality education for their children, not just the wealthy. Tuition vouchers would provide low-income children trapped in mediocre, or worse, schools the same educational choices as children of economic privilege.

Some of my colleagues may argue that vouchers would divert money away from our nation's public schools and instead of instilling competition into our school systems we should be pouring more and more money into poor performing public schools. I respectfully disagree. While I support strengthening financial support for education in our Nation, the solution to what ails our system is not simply pouring more and more money into it. Currently our nation spends significantly more money than most countries and yet our students scored lower than their peers from almost all of the forty countries which participated in the last Third International Mathematics and Science Study TIMMS test. Students in countries which are struggling economically, socially and politically, such as Russia, outscored U.S. children in math and scored far above them in advanced math and physics. Clearly, we must make significant changes beyond simply pouring more money into the current structure in order to improve our children's academic performance in order to remain a viable force in the world economy.

It is shameful that we are failing to provide many of our children with adequate training and quality academic preparation for the real world. The number of college freshmen who require remedial courses in reading, writing and mathematics when they begin their higher education is unacceptably high. In fact, presently, more than 30 percent of entering freshmen need to enroll in one or more remedial course when they start college. It does not bode well for our future economy if the majority of workers are not prepared with the basic skills to engage in a competitive global marketplace.

I concede that school vouchers are not the magic bullet for eradicating all that is wrong with our current educational system, but they are an important opportunity for providing improved academic opportunities for all children, not just the wealthy. Examination of the limited voucher programs scattered around our country reveals high levels of parent and student satisfaction, an increase in parental involvement, and a definite improvement

in attendance and discipline at the participating schools. Vouchers encourage public and private schools, communities and parents to all work together to raise the level of education for all students. Today, we have the opportunity to replicate these important attributes throughout all our Nation's communities.

Thomas Jefferson said, ''The purpose of education is to create young citizens with knowing heads and loving hearts.'' If we fail to give our children the education they need to nurture their heads and hearts, then we threaten their futures and the future of our nation. Each of us is responsible for ensuring that our children have both the love in their hearts and the knowledge in their heads to not only dream, but to make their dreams a reality.

The time has come for us to finally conduct a national demonstration of school choice to determine the benefits or perhaps disadvantages of providing educational choices to all students, not just those who are fortunate enough to be born into a wealthy family. I urge my colleagues to support this amendment and put the needs of America's school children ahead of the financial gluttony of big business.

I hope my colleagues will consider this. It is time we got rid of wasteful and unnecessary subsidies. It is time we had a national test voucher program to find out if vouchers, indeed, will live up to the promise that many of us believe is there as a result of giving parents a choice, the same that wealthy parents have in this country.

AMENDMENT NO. 1397, WITHDRAWN

Mr. President, I thank the Senator from Delaware and the Senator from Montana, and I ask unanimous consent that the amendment be withdrawn.

The PRESIDING OFFICER (Mr. BROWNBACK). Without objection, it is so ordered.

Mr. MCCAIN. I yield the remainder of my time.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

AMENDMENT NO. 1398

(Purpose: To preserve and protect the surpluses of the social security trust funds by reaffirming the exclusion of receipts and disbursement from the budget, by setting a limit on the debt held by the public, and by amending the Congressional Budget Act of 1974 to provide a process to reduce the limit on the debt held by the public)

Mr. ABRAHAM. Mr. President, under the unanimous consent agreement which was agreed to earlier, I now send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Michigan [Mr. ABRAHAM] for himself, Mr. DOMENICI, Mr. ASHCROFT, Mr. CRAPO, Mr. ENZI, Mr. SANTORUM, Mr. GRAMS, Mr. ALLARD, Mr. FRIST and Mr. COVERDELL, proposes an amendment numbered 1398.

Mr. ABRAHAM. I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. ABRAHAM. I believe under the previous order we will now set that amendment aside so that the Senator from Montana may be recognized to offer an amendment.

The PRESIDING OFFICER. The amendment is set aside.

The Senator from Montana is recognized.

MOTION TO RECOMMIT WITH AMENDMENT NO. 1399

Mr. BAUCUS. Mr. President, I send an amendment to the desk and ask unanimous consent that Senators CONRAD and HARKIN be added as cosponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS] moves to recommit S. 1429 to the Committee on Finance, with instructions to report back within 3 days, with an amendment to reduce the tax breaks in the bill by an amount sufficient to allow one hundred percent of the Social Security surplus in each year to be locked away for Social Security, and one-third of the non-Social Security surplus in each year to be locked away for Medicare and with the following amendment No. 1399 for [Mr. BAUCUS], for himself, Mr. HARKIN and Mr. CONRAD.

Mr. BAUCUS. I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

TITLE ____—SOCIAL SECURITY AND MEDICARE SAFE DEPOSIT BOX ACT OF 1999

SEC. ___01. SHORT TITLE.

This title may be cited as the ''Social Security and Medicare Safe Deposit Box Act of 1999''.

Subtitle A—Social Security

SEC. ___11. PROTECTION OF SOCIAL SECURITY SURPLUSES.

(a) POINTS OF ORDER TO PROTECT SOCIAL SECURITY SURPLUSES.—Section 312 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

''(g) POINTS OF ORDER TO PROTECT SOCIAL SECURITY SURPLUSES.—

''(1) CONCURRENT RESOLUTIONS ON THE BUDGET.—It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or conference report thereon or amendment thereto, that would set forth an on-budget deficit for any fiscal year.

''(2) SUBSEQUENT LEGISLATION.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if—

''(A) the enactment of that bill or resolution as reported;

''(B) the adoption and enactment of that amendment; or

''(C) the enactment of that bill or resolution in the form recommended in that conference report,

together with associated interest costs would cause or increase an on-budget deficit for any fiscal year.

''(3) DEFINITION.—In this subsection:

''(A) ON-BUDGET DEFICIT.—The term 'would cause or increase an on-budget deficit', when applied to an on-budget deficit for a fiscal year, means causes or increases an on-budget deficit relative to the baseline budget projection.

''(B) BASELINE BUDGET PROJECTION.—The term 'baseline budget projection' means the projection described in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 of current year levels of outlays, receipts, and the surplus or deficit into the budget year and future years, except that—

''(i) if outlays for programs subject to discretionary appropriations are subject to discretionary statutory spending limits, such outlays shall be projected at the level of any applicable current adjusted statutory discretionary spending limits; and

''(ii) if outlays for programs subject to discretionary appropriations are not subject to discretionary spending limits, such outlays shall be projected as required by section 257 beginning in the first fiscal year following the last fiscal year in which such limits applied.''.

''(C) BUDGET RESOLUTION BASELINE.—A budget resolution would set forth an on-budget deficit for a fiscal year if the resolution sets forth an on-budget deficit and the most recent Congressional Budget Office baseline estimate of the surplus or deficit for such fiscal year projects an on-budget surplus, on-budget balance, or an on-budget deficit that is less than the deficit set forth in the resolution.''.

(b) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—Section 301(a) of the Congressional Budget Act of 1974 is amended by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively, and by inserting after paragraph (5) the following new paragraph:

''(6) the receipts, outlays, and surplus or deficit in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, combined, established by title II of the Social Security Act;''.

Subtitle B—Medicare

SEC. ___21. DEFINITIONS.

Section 3 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

''(11) The term 'Medicare surplus reserve' means the surplus amounts reserved to strengthen and preserve the Medicare program as calculated in accordance with section 316.''.

SEC. ___22. MEDICARE SURPLUS RESERVE POINT OF ORDER.

Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

''(j) MEDICARE SURPLUS RESERVE POINT OF ORDER.—It shall not be in order in the Senate to consider any concurrent resolution on the budget (or amendment, motion, or conference report on the resolution) that would decrease the surplus in any of the fiscal years covered by the concurrent resolution below the levels of the Medicare surplus reserve for those fiscal years calculated in accordance with section 316.''.

SEC. ___23. ENFORCEMENT OF MEDICARE SURPLUS RESERVE.

Section 311(a) of the Congressional Budget Act of 1974 is amended by adding at the end the following:

''(4) ENFORCEMENT OF THE MEDICARE SURPLUS RESERVE.—

''(A) IN GENERAL.—After a concurrent resolution on the budget has been agreed to, it shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report that together with associated interest costs would decrease the surplus or the medicare surplus reserve in any

fiscal year below the level of the medicare surplus reserve for that fiscal year calculated in accordance with section 316.

''(B) INAPPLICABILITY.—This paragraph shall not apply to legislation that —

''(i) appropriates a portion of the medicare reserve for new subsidies for prescription drug benefits under the medicare program as part of or subsequent to legislation significantly extending the solvency of the Medicare Hospital Insurance Trust Fund; or

''(ii) appropriates new subsidies from the general fund to the Medicare Hospital Insurance Trust Fund.

''(C) SCOREKEEPING DIRECTIVE.—In scoring legislation for purposes of enforcing the point of order established by this paragraph, only the costs of the new prescription drug benefits and any associated interest costs shall be exempted from triggering the point of order.''.

SEC. ___24. MEDICARE SURPLUS RESERVE.

Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following:

''SEC. 316. MEDICARE SURPLUS RESERVE.

''The amounts reserved for the Medicare surplus reserve in each year are—

''(1) for fiscal year 2000, 33 percent of any on-budget surplus for fiscal year 2000, as estimated pursuant to section 211 of H. Con. Res. 68 (106th Congress); and

''(2) for each of the fiscal years 2001 through 2014, 33 percent of any on-budget surplus, as estimated by the Congressional Budget Office for that fiscal year in its initial report for that fiscal year pursuant to section 202(e).''.

SEC. ___25. PAY-AS-YOU-GO EXTENSION.

Section 252(a) and section 252(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended by striking ''before October 1, 2002,''.

SEC. ___26. SUPERMAJORITY.

(a) POINT OF ORDER.—Subsections (c)(1) and (d)(2) of section 904 of the Congressional Budget Act of 1974 are amended by inserting after ''310(d)(2),'' the following: ''312(g).''

(b) WAIVER.—Subsections (c)(2) and (d)(3) of section 904 of the Congressional Budget Act of 1974 are amended by inserting after ''301(i),'' the following: ''301(j), 311(a)(4),''.

SEC. ___27. ADJUSTMENT OF BUDGET LEVELS AND REPEAL.

Upon the enactment of this subtitle, the Chairmen of the Committees on the Budget shall file with their Houses appropriately revised budget aggregates, allocations, and levels (including reconciliation levels) under the Congressional Budget Act of 1974 to carry out this subtitle.

SEC. ___28. EFFECTIVE DATE.

This Act shall take effect upon the date of its enactment, and the amendments made by this Act shall apply only to fiscal year 2000 and subsequent fiscal years.

Mr. BAUCUS. Mr. President, this is a motion to recommit the bill and send it back to the Finance Committee with instructions. The instructions would be to change the tax bill to ensure that 100 percent of the off-budget surplus—that is, the Social Security surplus—be set in a lockbox that is in reserve, and it also provides that one-third of the on-budget, or non-Social Security surplus, be set aside for Medicare.

You might remember that although both sides generally agree that of the roughly $3 trillion projected surplus over 10 years, $2 trillion would be reserved for Social Security—that is the Social Security lockbox part of this amendment—we have not reached agreement on the $1 trillion projected on-budget surplus, and this amendment reserves one-third of that for Medicare.

Why is this amendment so important? Plainly, simply, we believe that a portion of the budget surplus should be reserved for Medicare. Americans very much believe in Medicare. Americans want Medicare. Americans want the Medicare program to be in good shape. They want to have the security of knowing that seniors will have a better chance to have a portion of their health care bills provided for, and that means we need Medicare.

There are several problems facing us with Medicare right now. One of them is solvency.

I would like everybody to look at this chart behind me. Very simply, it shows that the Medicare trust fund will become insolvent, under current projections, by the year 2015. That assumes the economy stays as strong in the next 15 years as it is today. That is the assumption.

If for some reason economic growth in America declines slightly, inflation rises slightly, if for some reason there is a reduction in the stock market boom, a reduction in markets, if for some reason interest rates go up, then the insolvency of the trust fund moves back to the left; that is, before 2015.

The Medicare trust fund is in much worse shape than Social Security. Projections are with this lockbox amendment that the Social Security trust fund will be in good shape way off in the future. That is not true for the Medicare trust fund, not true at all.

In fact, this chart shows that, optimally, the trust fund is going to reach a deficit situation—the surplus will be zero—and Medicare payments will therefore have to be decreased under the hospital trust fund, at the very latest by the year 2015, probably earlier.

Why is that doubly important? We are reserving a portion for Medicare, one-third of the on-budget surplus for Medicare, not only because the solvency of the trust fund is in a difficult position, but also because the baby boomers are due to reach retirement age at about 2011 and on through to about 2020.

The baby boomers are going to reach retirement, and that is going to cause much more pressure on the trust fund. We believe it is prudent today to reserve a portion of the on-budget surplus —a third of it—to meet that problem, to meet that demographic condition that is going to occur; namely, more baby boomers. We think it is only prudent to preserve Medicare for that reason.

There is another reason to save for Medicare, and that is very simply to help make it easier for us in the Congress to provide prescription drug coverage for seniors. If we have heard anything lately with respect to Medicare, it is that seniors want and deserve some kind of Medicare prescription drug coverage. Why is that? One reason is that today, essentially, Medicare does not provide for drug coverage out of hospital.

There are some exceptions for that, but as a basic rule Medicare does not provide for prescription drug coverage for seniors except when they are in the hospital. That is a problem. Roughly 30 percent of Americans over age 65 depend entirely on Social Security for their income.

There are a lot of seniors who are not very wealthy. A lot of seniors who desperately look for that Social Security paycheck and who desperately are trying to figure out how to balance their individual or family budget to pay for prescription drugs, to pay for heating bills, to pay for food. This is not some cataclysmic scare tactic. It is not some wild story.

All of us in this Chamber who go to drugstores to get prescription drugs run across an elderly lady or an elderly man talking to the druggist, trying to balance things out, trying to fill a prescription and trying to find enough money to pay for it all, and asking the druggist, ''Well, maybe just half,'' because they don't have enough money. I have seen it. I will bet that most Members of this body have seen either that or something similar to it.

When I first ran for office, I knocked on virtually every door in Missoula County, MT, a lot of doors. One thing that struck me—and I know it gets everybody who does the same thing—there are a lot of people who are really poor, who are really hurting, and most of them are seniors. There are seniors who are having a hard time making ends meet. They are lonely. And we know, too, that drug benefits, drug coverage is more and more important to seniors. Seniors rely much more on drugs today than they did 20, 30 years ago. In part, that is because pharmaceuticals have come out with lots of different drugs that affect people's medical condition, help people's health, especially for seniors, whose health needs more attention in later years. That is clear. We all know that.

When I talk with folks when I am home—it is with some frequency—I see it everywhere. You are reminded just how many people in our country are really in tough shape and they need help. Most of them are seniors. A lot of seniors need a lot of help. Our proposal is simple—a third of the on-budget surplus should be saved for Medicare.

Now the alternative from the other side has no coverage for Medicare—zero, nothing, not a red cent for Medicare, nothing.

Mr. SANTORUM. Will the Senator yield?

Mr. BAUCUS. I will yield at the appropriate point.

We have two amendments before us. One is the Republican alternative, which is the lockbox only for Social Security, that is all and, I might say, in a way which is very dangerous. It will cause train wrecks. It is going to

cause the precipitation of confrontations in government. It is very reckless—very reckless. That is one alternative—only Social Security in a reckless way.

The other alternative before us, of the two amendments, is a lockbox that protects Medicare also, but in a nonreckless way.

Those are the two choices. It is very simple. We say that in these times of tremendous projected surpluses, at least a third of the on-budget surplus should be protected for Medicare—at least a third.

My colleagues on the other side of the aisle says zero—they want to put aside nothing for Medicare. We say a third, and we lock it in. We lock it in to the same degree as both sides want to in some way lock in Social Security protection. We lock it in, and we provide for it. The other side has not one red cent for Medicare, not one red cent, not a penny, not a dime, not a quarter, nothing. If they come back and say, we have some money for Medicare, that is a wish. They don't lock it in. They just say maybe. Because of the big tax cut, it is not going to be there. It is just a hope and a wish and a prayer. We say we lock it in. That is the difference.

I strongly urge my colleagues to take advantage of this situation by locking in a third of the on-budget surplus for Medicare.

Another reason for doing this is, all of us have heard in the last year, roughly, about how we went too far in 1997 with the Balanced Budget Act provisions which cut providers' benefits. We have all heard that, that we have cut hospitals, too, that we cut home health care too much, and so forth.

Let me show my colleagues this chart. If they can see this chart, basically it shows the projected cuts under Medicare were about $100 billion over 5 years. Now it has turned out that the actual cuts are almost twice that, almost $200 billion over 5 years. We have all heard that.

To be a little more specific, look how big the differential is between anticipated cuts under the BBA 1997 and the actual cuts. In the anticipated cuts, the differential is greatest for home health care—big difference. It turns out that the actual cuts for home health care are more than twice what we anticipated. And the actual cut under skilled nursing homes is about 60 percent more than we anticipated.

So I will summarize and say that the choice between us is very simple. We have two amendments we are considering. One is a lockbox with only Social Security, in a very dangerous way because it is tied to projections by the CBO. CBO determines what the debt limit is under their amendment.

The other choice is ours, which is not only to protect Social Security but also to protect to the same degree Medicare, at a time when the American Government faces a surplus, a surplus of about $1 trillion over 10 years. It is very simple: Save a third of the surplus for Medicare, for seniors. Help them pay those health care bills. Help them get those prescription drug benefits. Help us relieve the undue pressure we have caused on home health care agencies, on nursing homes, on hospitals, particularly rural hospitals.

This is a no-brainer, Mr. President. This is pretty simple stuff. It is a matter of choices. Do we want to help people on Medicare or do we not? We say yes, we do want to help people on Medicare. We want to help those seniors. This amendment we are offering enables people who are senior citizens to get the health care protection and the health care benefits that we think are so important.

I reserve the remainder of my time.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, because we had a little bit of confusion in the order of speaking, I propose at this point a unanimous consent agreement which would allow first the Senator from Pennsylvania to speak on our amendment for up to 10 minutes, to be followed by the Senator from Georgia to speak for 5 minutes on the amendment, and then we would go back at that point to the other side. We had thought we would start since we offered the first amendment on this side of the aisle.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ABRAHAM. I yield up to 10 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 10 minutes.

Mr. SANTORUM. Mr. President, I congratulate the Senator from Michigan and Senator DOMENICI for their great work on the Social Security lockbox issue.

Before I get into our amendment, I will address the Senator from Montana. First he says there is no money, not a penny, not a nickel, available for Medicare under the Republican bill. As the chairman of the Budget Committee will show in his big charts—I don't have one of those big charts with me, but I have a smaller one—this yellow area is $505 billion for domestic spending programs.

If we want to—and that is the second point I want to make—use the on-budget surplus to fund Medicare, which is not an on-budget program, it is a separate program like Social Security, by the way—it is a separate program—one of the things I hear from seniors most: Keep Medicare and Social Security separate. That is what the lockbox is trying to do with Social Security. There is money there if we want to take money from the general fund and use it for Medicare.

So the idea that we don't lock it up is ridiculous. The money is there. Then we can decide where we want to spend that money. It is a matter of priorities.

I will make this argument: I don't know if the Senator from Montana has ever voted to spend general fund money on Medicare. I don't think there has been a vote I am aware of in the Finance Committee to actually—there have been resolutions, a sense of the Senate, we should save Medicare—fund a Medicare program out of general fund revenues, Medicare Part A Program.

That, to me, is a dangerous precedent. We have a separate dedicated tax for Medicare—a separate tax. What is now being talked about is that we have to grow Medicare by using the on-budget surplus.

Let me say this: If Medicare was a program that was financially sound, that was doing a very solid job in the sense of providing efficient services, was the kind of coverage that seniors are really looking for, then you might make the argument that it is a well-run program and is doing everything it should be doing, and instead of raising taxes on people to fund Medicare, we should take that money out of the surplus. The problem is, we have a fairly strong bipartisan agreement that there are a lot of problems with Medicare. The Senator from Montana will agree there are serious problems. No. 1, it doesn't cover even half of health care costs of seniors. Here is the major health care program for seniors, and it doesn't even cover half of their costs for health care.

What we are saying is—and we said on a bipartisan basis—let's fix Medicare, make it more efficient, let it meet the needs of seniors, including prescription drug coverage. Why? Because when Medicare was put together 35 years ago, drug therapies weren't that common or well used; they were a very different game. Well, today is different. So we need drug therapy as part of a basic benefit because it is the way we treat people more often. So this idea that, somehow or another, our lockbox is not sufficient because we don't lock up Medicare is ridiculous. We have money to do it, A; and, B, we have to question first whether we should throw more money at Medicare before we fix what is fundamentally flawed with Medicare, in making it a better program. Those are the things I would like to address on Medicare.

With respect to our lockbox, I always find it unbelievable that when we have an issue here with broad consensus—in this case, or in most cases, the issues pushed by our side of the aisle—all of a sudden we have agreement. We have agreement in the House, 416–12. The President says he wants a Social Security lockbox. We come to the Senate and we have agreement. Probably if I talk to seniors around the country, the first thing they will tell me is: If you quit raiding that money out of the Social Security trust fund, Social Security would be OK. We have an agreement.

So we come to the floor with an agreement to fix the Social Security problem. Let's lock that money up so only Social Security money can be used for Social Security. Well, sometimes, as the song in Oklahoma says, a

girl can't say no. These are the girls who can't say yes on the other side of the aisle. These Democrats just can't say yes.

We have an agreement, we have something that we all agree on. America is overwhelmingly agreeing with it, but they can't come around to saying let's get this done. No, they are going to change the subject. Well, that Social Security thing, we agree with you; but you don't do enough and therefore we can't let you do this. We can't let you do your Social Security. They throw up this phony red herring with Medicare. I am trying to say the public is tired of this. They want us to be able to find things we have consensus on and do them, instead of playing political games.

What is going on in the Senate on this issue, for six cloture votes, over a several-month period, is political gamesmanship. We have agreement that Social Security moneys should only be used for Social Security, and we can't get one single Democrat vote to pass that measure. We have 80-plus percent of the American public who want it done. We have their President who said: Send me only a Social Security lockbox—only. We have 416 Members of the House who say ''Social Security lockbox,'' and we have 45 obstructionists—45—who would rather play politics because they think they can win the election on making the Republicans bad guys on Medicare. So they throw the Medicare herring out. We don't have the Social Security herring this time. These are the two red herrings that are chronically thrown at Republicans at election time. We have lost the Social Security card, so let's play the other card to muck things up so we don't get things done.

People are sick of that. I can tell you, as a Republican Member who is working hard to preserve Social Security, I am sick of it. We can get this done tomorrow. We can pass a lockbox that says to every Social Security recipient in America: Your money is not going to be spent on other Government programs. We can make that assurance. The President said he would sign it, and 45 people on the Democratic side of the aisle are saying, no, we are not for getting anybody any political wins because we only think of politics. We don't want to give you this political win. We want you to be the do-nothing Congress, so we are going to throw this red herring out. Medicare. Oh, the bogeyman on the Republican side; they don't have a nickel or a penny or a quarter for Medicare.

Garbage. The issue is not Medicare. This is a Social Security lockbox, which the Democrat President—their President and our President—wants. We are ready to give it to him. What is the response from the other side? The response could be, should be: OK, let's do Social Security. We all agree on it. We have broad bipartisan consensus. We have public approval. Let's do Social Security.

But, no. Let me tell colleagues on the other side of the aisle, the Medicare issue is going to be here a little while longer. I don't know of anybody who thinks Medicare is going to go away, or the problems in Medicare are only temporary. That issue will be here, and it is an important issue, one that should be fully debated. But it should not be used to obstruct something that is desperately needed to protect the Social Security trust fund, and that is the political game that is going on. We should call it what it is; it is an absolute red herring.

Social Security can be—should be—must be—protected from raids by the general government and by the very same people, I might add—we saw the Democratic leader come forward this week and say we need $10 billion more for agriculture. May I ask the Senator from Montana where that money is coming from?

Let me answer that question. The Social Security surplus. So is it really that they want to do the Social Security lockbox as they say? Is it really that they want to put all that money aside to make sure Social Security is solvent for the next generation? Or is it really because they just can't help themselves; they want to spend it?

They don't want a lockbox because a lockbox keeps their fingers out of the Social Security trust fund, which they love to raid. They just can't help themselves. They just love to stick their fingers in there and get that money out that is just sitting there. It is just sitting there. It is similar to a sailor on leave, sitting there with a shot on the bar and he is staring at it and he can't leave it alone.

All I am saying is: Leave Social Security alone. Pass the lockbox.

The PRESIDING OFFICER. Under the previous order, the Senator from Georgia is recognized for up to 5 minutes.

Mr. COVERDELL. Mr. President, I think it might be useful for anybody listening to the debate to put this in some sequence. When the Nation discovered there would be projected surpluses of amounts that had not been anticipated, they changed all the dynamics of our discussions about budgets and Social Security. When the President gave us his budget, he spent about 40 percent of the Social Security receipts.

If there is one complaint you hear as you travel across the country, it is that people are unhappy when the Congress dips into the Social Security taxes that have been sent, purportedly, to prepare for the retirement of all those who participate. So when this Congress began, we got a budget from the President that spent 40 percent of those Social Security receipts.

Our side of the aisle said no. We are going to take the President at his admonishment over the years. We are not going to spend any of the Social Security receipts, and we are not going to use it for tax relief. It is going to be set aside and protected. Over the next 10 years, that is almost $2 trillion.

I might add, that does not solve all the issues that deal with Social Security. But it makes a pretty good downpayment on the problem. Everybody in America agrees that ought to be done.

After this debate was floated around the town for a while, I think the President realized it was not going to fly to propose to spend the Social Security receipts. So he said on June 28. That is just several weeks ago after being pummeled for 5 weeks that he should not be spending those receipts. He said, ''Social Security taxes should be saved for Social Security, period.'' He didn't say, ''and something else,'' or, ''Maybe we ought to talk about Medicare.'' We will talk about that in a minute. He said, ''Social Security taxes should be saved for Social Security, period.'' That was a big change.

We had our side of the aisle saying no Social Security receipts for anything but Social Security, and we had the President.

They brought it up in the House of Representatives. It was virtually unanimous with 415 votes. We are going to protect all the Social Security receipts. All that has to happen is for that to clear the Senate, and we say to America: We have made a monumental breakthrough.

What happened when it got to the Senate? Filibuster.

We have endeavored to go to the measure to debate it and to amend it five different times. I might add it would be subject to amendments to improve it and to have the ideas heard from the other side of the aisle.

But what was the response? Don't let the Senate get to the bill. Block it.

The latest ruse, which is this amendment, is to cloud it because they do not want to be responsible for blocking a sound measure to protect Social Security. They don't want to be responsible for that. They do not want headlines such as the New York Times that says ''Republicans Seize the Banner on Social Security.'' This has been their purview for years. Suddenly, they are in the position of having to cloud the issue because they do not want to be seen as being responsible for leaving all of those receipts out there that could be spent or used for some other issue.

We are prepared to pass a lockbox for Social Security—that none of those receipts would be spent on anything but Social Security, or the pay-down, and that they would not be used for tax relief. It would be a monumental breakthrough.

You can only conclude that, A, they don't want a lockbox because they want those funds to be available; and, B, that the reason they are coming forth with blocking going to the bill or an amendment—that gets into another subject—is to cloud the issue, which is they are blocking the ability of the Senate to concur with the President of the United States and the House of Representatives and give America a

lockbox that protects Social Security. It is not very complicated.

I will say one last thing. When you go to a town hall meeting and you talk to the American people, they do not want these two subjects mixed. They don't want them jumbled up. They want Social Security protected, and then they will consider what we are talking about on Medicare. They do not want the Government in their medicine cabinet. They don't want these two issues mudded.

Mr. President, I yield in accordance with the unanimous consent.

The PRESIDING OFFICER. Who seeks recognition?

The Senator from Michigan is recognized.

Mr. ABRAHAM. Mr. President, at this point, on behalf of myself and the managers of the bill, I yield up to 15 minutes to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for up to 15 minutes.

Mr. THOMPSON. Mr. President, I thank my friend from Michigan. I thank the Presiding Officer.

Stepping back from what we have been talking about for the last few minutes, I will go back and address the issue at hand concerning the lockbox.

I think it is important to keep in mind what we are about here and what the essential question is. The essential question remains whether or not when we are faced with projected substantial surpluses, 25 percent of that amount should be returned to the people who created those surpluses. That is the American taxpayer. I think that question should answer itself.

Another way to put it is whether or not, in view of these surpluses, we need a tax cut or a tax increase. You would think that question would answer itself. You would think that certainly in a surplus situation you would have to seriously consider tax cuts under those circumstances.

We have a tremendous tax burden right now. Taxes are taking a greater and greater share of our economic productivity. Income taxes alone have reached the level of 10 percent of gross domestic product, the highest they have ever been in this country.

A two-earner family nowadays pays 38 percent of their income in taxes. You would think that surely we could reach agreement that now is the time for a decent tax cut for the American people. If not now, when?

Our Democratic colleague, Senator KERREY from Nebraska, put it well earlier today. He said: I don't even think it is a close call—that under these circumstances we should have a tax cut.

But what we are dealing with now, with regard to the Democratic amendment, is another reason why they say we should not have a tax cut.

We have seen time and time again over the last few days almost utter hysteria in this town primarily from the White House, the President, the Vice President, and their spokespeople wringing their hands giving one reason after another after another why we cannot possibly have a tax cut under these circumstances. It is going to destroy the economy; old folks are going to be put out on the street; we are going to pollute the environment; women's health issues are coming into play.

It is substantial overkill, and it is based upon the fact that they are not telling the truth about the elements of what they are trying to do; that is, essentially give us a tax increase instead of a tax cut and spend an additional $1 trillion-plus.

Now what we have as part of the reason why we can't have a tax cut is we want to protect Medicare and Social Security, and, in this particular amendment we are addressing, the question of a Medicare lockbox.

I think one of the essential questions before this Congress is, What is the responsible way to protect Medicare? We all know we have a substantial problem. We all know we are going to have to address it.

What happened in response to that was a bipartisan effort by the Medicare Commission, chaired by Senator BREAUX from Louisiana. They came up with real reform because everybody knows you can't keep pouring money on top of a system that is broken, that is flawed, that is out of date, that is uneconomical, and that everybody says has to be changed. We can disagree on how to do it, but everybody says and recognizes that we have to have fundamental reform.

The difficulty with that is a political difficulty. It is not one of not knowing what to do; it is having the political nerve and wherewithal to sit down and get the job done.

This commission addressed it. This commission did it, Democrats and Republicans together. But the President pulled the rug out from under that effort. That was a real chance to do some Medicare reform. That would be the only thing that was going to save Medicare. It is fundamental reform. The President pulled the rug out from that effort.

He says now, since we have this Medicare problem and essentially since they have pulled the rug out from the reform effort that would do something to solve the problem, that we have to look to general revenues. We can't have a tax cut now so we have to take this surplus and dedicate a huge chunk of it for so-called fixing Medicare.

The fact of the matter is that will not fix Medicare. It will not even help Medicare. It will be counterproductive. There will be some transition costs as we move from a failing system—it still does a lot of good, but it is a failing system—to one of real reform. There will be some transition costs. The Republican proposal has over $500 billion of revenues in our proposal that can be used for Medicare or any other reason.

Pouring more money in, setting it aside, and calling it a lockbox—and by the way, nobody goes to jail if they get inside the lockbox—I don't think fools anybody. We are making a commitment to set the money aside and not mess with it. I take that commitment seriously. There is nothing keeping Congress from coming in the next day and doing something about it.

The fact of the matter is we are not helping the system by saying we are going to set aside some money for Medicare without addressing fundamental reform. A lot of people want prescription drugs as an additional entitlement. At a time when we have a real fiscal problem with the system itself, laying another entitlement on will provide additional challenges we will have to meet. However, there is even a way to do that if it is accompanied with fundamental reform.

Instead of doing that, what we have in a proposal similar to the President's proposal, just another variation, is saying another reason we cannot have a tax cut is because we need to set aside the general revenues, the surplus, to save Medicare. It will not save Medicare. That approach will actually wind up hurting Medicare.

I was looking at testimony of the Comptroller General on this issue. He was talking about the President's proposal. It has to do with the idea of setting aside general fund revenues, general surpluses, and claims we will use that to solve the Medicare problem.

It is fallacious; it is phony. The Comptroller General says even if all future surpluses were saved, we would be saddled with the budget over the longer term and at current tax rates could fund little else but entitlement funds for the elderly population. Reforms reducing the future funds of Medicare and Social Security and Medicaid are vital to restoring fiscal flexibility for future generations of taxpayers.

The Comptroller General says if we took all the money and poured it into the programs, we are really not doing very much other than perhaps buying a little bit of additional time to allow us to pour more money into a leaky bucket, when the hole in the bucket at the bottom is getting bigger and bigger, and we are pouring more general revenues, under the assumption, I suppose, that we can do that forever without ever having to make real reform.

He says:

> I feel that the greatest risk lies in extending the HI [the hospital] trust fund solvency, while doing nothing to improve the program's long-term sustainable. Or worse, in adopting changes that may aggravate the long-term financial outlook for the program and the budgets.

The Comptroller is saying we are aggravating the problem. You are actually doing harm if you think by putting a little more money on top of this program you can forestall real reform and you can fool the American people into thinking they don't have to make some tough choices and have real reform such as the Medicare Commission came up with. It is making you stand

off from the problem and not address the problem.

We are facing a demographic time bomb. In the year 2030 we will have twice as many people over the age of 65. We will have about half as many worker-per-retiree ratio. It will be twice as bad by the year 2030. We know we have to do something.

I am afraid I must conclude that although saving Medicare and Social Security has worked very well for some people who have used it as a way of having to face up to the fundamental problems those two programs present, the real answer to the question that is presented tonight with regard to the Medicare lockbox amendment is that, once again, it is being used as yet another excuse, along with ''it will ruin the economy, it will pollute the atmosphere, it will destroy the military.'' It is being used simply as another excuse as to why we cannot have a tax cut.

For folks who believe the money ought to come to Washington, there is never a good time for a tax cut. There is never a good time for it. It is about power. It is fundamentally about who makes decisions in our society. Anyone believing Washington should have control of this, thinks even in a surplus situation that 25 percent of it can't be returned to the American people.

I say if not now, when in the world could we ever do it? Certainly, we are not doing Medicare any good. We are not doing Medicare any good by standing here and trying to convince the American people that by setting aside a few more general revenue dollars for this system, when we have failed to reach fundamental reform, that we can do that and we will be doing something good for Medicare or the country.

If we can't have a tax cut with a $3 trillion surplus, I don't know when we will ever have one. The President, in three different years, has recommended tax increases in a deficit situation. Now we have a surplus situation. One would think the answer to that would be a tax cut. Now he comes back and suggests another tax increase. It doesn't make sense.

I suggest the Medicare lockbox proposal be defeated.

Mr. ABRAHAM. Mr. President, I yield up to 15 minutes to the Senator from New Mexico.

The PRESIDING OFFICER. The Senator from New Mexico is recognized for up to 15 minutes.

Mr. DOMENICI. I ask the Presiding Officer to tell me when I have used 10 minutes.

I heard the distinguished Senator from Montana, Mr. BAUCUS, say there is not one nickel for Medicare in this Republican budget. That is absolutely wrong. Perhaps the Senator forgot to include the fact that there is $3.1 trillion in this budget for Medicare, fully funded.

What the Senator should have said was: Shame on the President. He is accusing Republicans, and he underfunded Medicare $31.5 billion on purpose. He did such things in his budget as freezing hospital costs for rural America. Senators, including the distinguished Senator from Montana, are worried about that. The President's proposal is that it be frozen for another year. That is where he picked up $31.5 billion. Guess what he did with it. He spent it on other domestic programs. That is the stark reality, unequivocal truth.

Having said that, let me start with a quote from the CBO on July 23 of 1999. It has some real application to the so-called Medicare lockbox that is being proposed today to confuse the issue. The issue is putting a lockbox around Social Security. The other side doesn't want to vote for that for some reason, so they say: Let's do another lockbox, let's do Medicare, and we will get credit for reducing the debt.

Here is what they say about it.

The chief criticism that the President—that is, OMB—has of CBO is that,

> . . . we did not give them credit for $328 billion in transfers from the general fund to the Medicare trust fund.

Then they say,

> That's right, we didn't, and that's because transfers from one part of government to another do not reduce the public debt.

The whole argument the President is taking to the American people is that he reduces the debt more than we do. But one of his big-ticket items is this one right here. The Congressional Budget Office says that $328 billion that he wanted to move out of the general fund, so it could not be used for tax cuts, he puts in the Medicare trust fund and wants credit for reducing the debt.

What does the Congressional Budget Office say? Fundamentally the most simple of all propositions: We did not give them credit for that because transfers from one part of Government to another do not reduce public debt. That is an interesting one.

Then, in addition, we had a very good Senator who does not agree with the Democrats on everything and say—this is BOB KERREY:

> The President also has a great deal of pain in his plan—a hidden pain in the form of income tax increases that will be borne by future generations of Americans.

He is alluding to the $328 billion which are IOUs, and he says:

> I strongly disapprove of a plan that provides a false sense of complacency that Social Security has been saved by this nebulous and vague idea of ''saving the surplus''—

The very same thing applies to Medicare—

> while failing to disclose the real pain that will be imposed on future generations.

When they will have to pay for it, is what he is saying. Their income taxes are going to go up by the amount of $328 billion or whatever amount the Democrats allegedly want to secure for Medicare by putting it in some kind of lockbox in an on-budget trust fund.

I also ask an interesting question: Is there anybody who can stand on the floor of the Senate and suggest that by taking this money away from the taxpayers and shuffling it over into a trust fund extends the date by which we run out of money to pay the Medicare people what they are entitled to? Does it increase any? Not at all. You have to change the payment plan to do that. That is what Medicare reform is all about.

Having said that, I could even quote the President's own OMB budget about it.

Suffice it to say, anybody who wants to read this can. But even they say, ''only in a bookkeeping sense'' does this carry out any real purpose—in a bookkeeping sense, nothing else. We don't need bookkeeping; we need to decide what we are going to do with this surplus.

I believe I understand the nature of this surplus. I am working very hard to convince people that we all ought to agree on one set of facts and then see where we are.

So I would like to suggest to the Senate, if they find fault with this, they can do their own. But I submit that we have, if you start with a freeze on domestic spending for the next 10 years—Do not jump up and say we cannot do that. I know we cannot do that. But if we start with that, we have an accumulated surplus of $3.3 trillion. We ought to then talk about how the Republicans plan to use that. Very simply, we take every penny that belongs to Social Security and we say put it in a lockbox. That is the debate tonight. But put it in a real lockbox, don't put it in a lockbox such as the one that is offered here on the floor tonight. It is unbelievable that the other side would even claim to have a lockbox.

They create another budget point of order on top of at least four that already exist, against a budget resolution that has an on-budget deficit. That is exactly the issue. You can call it Social Security or whatever. There are already four points of order on that. You do not need this new lockbox on Social Security.

But let me suggest, let's continue on. If this is the way you look at a surplus, then set all the Social Security money aside. Then go and say, What do we do with the rest of it? We submitted the proposal that was put in this budget resolution when we designed it and voted on it for a tax cut over a 10-year period.

People are acting as if we are cutting $792 billion worth of taxes next year. Do you know how much we are cutting taxes next year? Four billion dollars. They are worried about whether we have a tax plan that will overstimulate the American economy. That is so small that it is in the range of rounding errors in terms of the tax take of America.

In the next year it is maybe twice that—$8 or $10 or $12 billion. It does not do anything to inflate this economy because we are planning it right. We are planning it to come in piecemeal, as a booming American economy can absorb it. That is $792 billion. If you want

to know the number, that is 23.4 percent of this total surplus.

I have been using a dollar bill. It caught on. The Democrats have used dollar bills, and they got us all confused. They have two different dollar bills, one cut in thirds, one cut some other way. Ours is simple. We have not cut it any way. We say one-quarter of it, 23.4 percent, should go back to the American people. It is tough for Democrats to believe this, but plain old arithmetic says there is $505 billion left over. The other side says there is not a nickel in this for Medicare.

Before they came to the floor, before this idea that we were not doing anything for Medicare became a political issue, the budget resolution had $90 billion in it for Medicare—the one you voted on, Republicans. It had $90 billion in. Now, look here, there is $505 billion worth of domestic priorities. We submit it is up to the Congress and the President to decide how to use it. But would anybody believe we are not going to use part of it for prescription drugs? Of course we are. And, incidentally, is that enough money?

Do you know how much the President said we need for prescription drugs? And he would have sold this to the American people, except it is impossible. He said $48 billion of that is what you need to fix, reform, and pay for prescription drugs. It turns out he totally underestimated it. It is more like $111 billion—$118 billion. But the truth of the matter is, take $90 billion out of it, take $100 billion out of it; that leaves $405 billion to add to discretionary. Just in rough numbers, you could add about $50 billion a year. If you do $100 billion worth of Medicare, you can add $40 billion a year. Is that enough?

Tomorrow I will put up a chart showing how much discretionary spending has gone up in the last decade. I would be surprised if it went up $40 billion, net increase, in very many of the years.

So essentially we have only one issue here: Do we lock up, in an irretrievable manner, as suggested in the Abraham-Ashcroft-Domenici lockbox, which is really a lockbox—such a lockbox that the Secretary of Treasury was even worried that it did not give Government enough flexibility, so we changed it to give them some flexibility. We provide, in the case of a war, in the case of great emergencies, you are not bound by it. We provide some other flexibility.

But the truth of the matter is that this is a prudent way, if you decide you do not want to use the surplus to grow big, big, big, big Government. If you want to grow it, then do it the way the President recommends: Do not have this tax cut in; have a little piece of one.

The PRESIDING OFFICER. The Senator has used 10 minutes and has 5 minutes remaining.

Mr. DOMENICI. In fact, I am prepared to make a guess, if they want us to settle for $300 billion—and $792 billion, rounded to $800 billion, is almost 25 percent—they would like to give the American taxpayers back less than a dime, it looks to me. So if they have a chart up that explains their position and want to use an American dollar, put it up and clip it off at 10 percent and say: That is what we would like to give you back because we need all the rest of it because we want to increase spending.

I do not think this applies to the distinguished Senator who is making the argument in behalf of the Democrats. I do not think he would want to spend all that money. But I do believe the President has snookered us all. He has us believing we are really going to harm the American people by not paying for every new program he has in mind and more. And, frankly, that is just not true.

In fact, tomorrow, if I can, I will put up about five of the President's new programs, I say to Senator ABRAHAM. I will get them on a chart here, and I will ask the American people: Which do you prefer? These five new programs? Or would you prefer to make it easier to pay off student loans? Would you prefer to make it easier to take care of an elderly parent? Would you prefer to stop penalizing marriage? Or would you prefer a new program? It does not matter what new program. New programs are new programs, if they are added to the expenditure of the Federal Government and are making it grow.

We believe it is a pretty good size right now. We believe there is a need for some growth. We believe there is a need in some instances to increase dramatically what we have been spending, and we voted for that in our budget resolution. We said education is one of them, if you will reform the way we give it to the States. Let's put more money in, not less. We said that. We argued it here on the floor. We propose to stick with that.

But the truth of the matter is that our lockbox will make our tax cut reasonable and plausible and will make sure the Social Security people are safe.

I close tonight by suggesting to everybody who is listening to this debate the President continues to raise the issue and Democrats are following him almost in rote marching, and that is, they get cranked up and they say: We want to save Social Security; we want to save Medicare, which simply means you should not have tax cuts.

Here is $1.9 trillion waiting for you to tell us how to fix Social Security. Is it so complicated? No, it is not complicated. He prefers the issue to a solution. That is why we are on the floor. He does not want to submit a Social Security reform program. He wants to continue to hoodwink us into thinking if you give the people a tax cut, you cannot fix Social Security.

I will bet the President would not submit a Social Security program that would cost so much that it would not leave money for a tax cut out of this surplus. That is absolutely incredible that he would do that. I do not believe he would submit a Medicare reform program that would be so big and so costly that there would not be money for a tax cut. As a matter of fact, he kind of shocked me. He submitted a reform Medicare plan that only costs $48 billion, if he was right in his numbers. It turns out he is not right, but had he been right, he would have been submitting one that cost $48 billion. I submit there is plenty of money left over to do that.

My last argument, and it will take a minute, is there are some suggesting we should not do this now. If we do not do this now, we will never do it because, as a matter of fact, as we proceed through, we will obligate all this money one way or another for some American program, and then we will say there is not any money left for tax cuts.

For those who are so frightened about us having a negative impact on the American economy, let me suggest, for the next 3 years, our impact is insignificant, almost negative. It begins to grow a little bit in the outyears, but even the great doctor—as PHIL GRAMM said today—he is like the Bible, everybody quotes him but nobody reads him. That is what PHIL GRAMM said today on the floor. Even he said if you are going to spend it, have a tax cut. He also said the Republican plan is not significant enough in size over a 10-year period or annually to have a negative impact in terms of the American economy.

I think we are on the right track. Will the Senator yield me 1 additional minute?

Mr. ABRAHAM. I yield 1 minute.

Mr. DOMENICI. We are on the right track, and I think the Democrats have missed the boat. They are mixing apples and oranges when they try to confuse us on another lockbox for Medicare. I think tonight we have just about disposed of that as being a ridiculous approach which I call anything but a tax cut approach. Frankly, with that size surplus accumulated over this period of time, I say if you cannot give back a little bit of it to the American people, then what do they elect us for? I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Montana.

Mr. BAUCUS. Mr. President, I have heard a lot of words.

Mr. DOMENICI. Good words.

Mr. BAUCUS. My question is, Where's the beef? There is nothing on the other side about what they want to do to help Medicare—nothing. The Senator from Pennsylvania started out by saying: Gee, there's money for Medicare. Then he shifted his argument to say we should not use general revenue. Then he shifted his argument to say that the amendment we are offering is a charade, a smokescreen. But if you listen to the words, there is not one

word of what he wants to do to help Medicare and help Medicare beneficiaries, to provide money for drug benefits, to help address the balanced budget agreement overcut, and to help the solvency of the trust fund.

I ask again: Where's the beef? Not one word on that side about what they want to do to help Medicare. As a matter of fact, what I hear in the words is, first, we need some kind of structural reform. Let's get structural reform, but let's not use general revenue.

There has been reference to the Breaux commission. Senator BREAUX admits we need resources in addition to structural reform to help solve the Medicare problem. He said that. He is the chairman of the commission. He said we need it. I think he is right. The problems facing Medicare will require both structural reform as well as some additional resources to help solve the problem. At least that is his view, and he is chairman of the Breaux commission. He ought to have some idea of what is necessary.

I also remind my colleagues that structure reform is not easy. I will never forget catastrophic attempts several years ago. That was about $4 on seniors to pay for catastrophic and people went berserk. That thing was repealed faster than a New York minute because of the politics and the difficulty of addressing Medicare reform.

The Breaux commission did not come up with any super-majority recommendation. They could not. It is so difficult, which is not to say we should shirk from structure reform. Of course, we should work on structural reform, but we also need general funds to help with Medicare.

I was very perplexed when I saw the chart put up by the chairman of the Budget Committee. I want to ask him where he got his numbers. I know where he got his numbers. They are his own numbers, not CBO numbers. For example, the CBO baseline projection over the next 10 years is a surplus of about—it is on the chart—of about $2.896 billion. That is CBO.

If you look closely at the chairman's chart, down below in the corner it says: Source. What is the source? It is CBO and the Senate Budget Committee, not just CBO.

We have the Senate Budget Committee—I am trying to avoid the phrase ''cooked the books.'' I will tell you what it did to come up with the chart the chairman was showing. Here is what it did:

The Congressional Budget Office said, OK, we are going to freeze the caps as required under the budget through the year 2002. Then CBO said: We are going to assume a baseline at the rate of inflation for the remainder of the term up to about 2009. That is how they got this number, $2.896 billion.

What did the chairman of the Budget Committee do? He said: I know what I am going to do because the Democrats are really right. What I am going to do is come up with a different number to show there are more savings.

How did he do it? He said: OK, I am going to freeze the baseline after the year 2002 for discretionary spending, and that is going to mean that I get to come up with additional—that is the yellow, domestic priorities.

The fact is, that is very unrealistic and it's not what CBO projects. I think we ought to use the same numbers. A lot of us on our side think CBO is a little tainted; it has become a little political over the years. But I suggest we all start with the same numbers, and the best place to start is CBO. If the Senate Budget Committee majority can come up with its numbers, I suppose the Budget Committee minority can come up with its own numbers. It is no different. That is where we are.

It is important for Senators to know those are not CBO numbers, those are Senate Budget Committee numbers. Those are the majority's numbers, not CBO's numbers.

Mr. DOMENICI. Will the Senator yield?

Mr. BAUCUS. Just say the yellow is an illusion, it is not there, because most of us, if we are realistic, are going to assume we are going to at least keep up with inflation over those years. If we do not keep up with inflation over those years, then we are going to dramatically cut programs.

How much are we going to cut? The figure is about a 54-percent cut in domestic spending.

By saying there is no inflation rate considered past the year 2002, for the rest of the term, these numbers represent, in effect, a 54-percent cut in discretionary spending. That is what it comes out to. That is pretty big. So that is why I say that yellow is an illusion. It is not going to happen.

If I could address another point. My colleagues on the other side of the aisle made two basic charges. First, they say that this is a smokescreen. That we really do not want a lockbox. My good friend, the Senator from New Mexico, said: Well, we have the points of order. It is true, we create an additional point of order, but it is a supermajority point of order—60 votes. It is pretty hard to get more than 60 votes around here.

Witness the waiver on the Byrd rule did not get 60 votes. Oh, that side really wanted to waive the Byrd rule. They could not do it. They could not get 60 votes. Sixty votes is a pretty big hurdle.

Make no mistake, we are very serious about protecting medicare. You can also tell that we are serious because we are proposing a lockbox that is very similar to the House lockbox which passed by an overwhelming margin.

Why is the Senate lockbox not a good idea? I will tell you why. Because it says the debt limit has to go down on a step basis, depending upon what CBO's projections really are for the debt. That is what it says. That is going to force all kinds of votes here to raise the debt limit if it does not work out that way.

We know all the charades around here, all the politics, all the nonsense that goes on around here, because of votes on raising the debt limit, whether or not to pay bills we know we have to pay anyway. It just doesn't make sense. It just does not make sense to tie the debt limit to what CBO says the projections are going to be on the debt. We already have a lockbox which works—at least the House thinks it works. The House approved it. I think only a handful of House Members voted against it.

So we are saying the House lockbox basically works. House Republicans voted for it; House Democrats voted for it. But we want to go one step further. We are also saying, let's reserve some money, a third of the surplus each year, reserve that for Medicare. If it is not used, if structural reform takes care of it and we do not have to use it, it can be used for tax cuts, it can be used for defense spending, it can be used for whatever this body thinks makes the most sense. But only with a supermajority vote.

My good colleagues on the other side of the aisle also made an argument about shifting $328 billion. That is a red herring. That argument has nothing to do with this issue. It is irrelevant.

The only point I am making is that of the $1 trillion on-budget surplus, we ought to at least set aside a third in a reserve fund for medicare.

Congress can decide what it wants to do in helping protect Social Security and Medicare. We can decide to provide for prescription drug benefits. We can address the problems caused by the balanced budget amendment cut backs. We can extend the solvency of the trust fund. That is what this amendment is all about. It is about reserving the funds necessary to help America's seniors. It is actually very simple.

Again, I go back to my basic question, Where is the beef? How do our colleagues on the other side of the aisle assure that are going to provide for Medicare, provide for seniors, provide for drug benefits for our elderly men and women? That is the problem.

I urge Senators, cut through all the rhetoric. Listen carefully to the underlying words. Sometimes, what people don't say is just as telling as what they do say. In this case, our good colleagues make no pretense of guaranteeing funds for medicare. Whereas we say, very simply, let's save a third of the surplus each year in a reserve fund. If we need it, fine. If we do not need it, fine—we can reduce the debt and leave our options open.

We have this opportunity because we have the large projected on-budget surplus in the future. We do not have these opportunities very often. How many Senators can remember times in the past having a $1 trillion on-budget projected surplus? I can't. I do not think anyone else can either.

What is the likelihood that is going to continue? What is the likelihood we are going to have this opportunity 5 years from now? What is the likelihood

we will have it 8, 10 years from now? Pretty slim; not very likely, in my judgment.

So we have an opportunity. We have an opportunity to put aside the funds necessary to extend the solvency of Medicare. We have the opportunity to put aside the funds necessary for structural reforms. We have the opportunity to put aside the funds for a prescription drug benefit. I am saying, let's preserve this surplus—let's keep our options open.

Do you know what else our lockbox does? Deficit reduction. People want deficit and debt reduction. They are tired of being saddled with this debt. They don't want their children similarly constrained. That's why this lockbox is such a good proposal. If we don't need the funds for the next, say, 10 years—because the Medicare trust fund will be solvent at least until 2015—that is a $300 billion reduction in the national debt. That is what it comes down to.

So, again, I do not hear anything from the other side aisle about any guarantees to help Medicare except for words—maybe something in the future about structural reform, but certainly not in the budget tax debate—I repeat again, not one red cent for Medicare.

Helping to provide for Medicare is not a smokescreen because we do have a Social Security lockbox that works. Our lockbox is very similar to the one that the House passed. They passed it. If they passed it by such a large margin, providing a supermajority point of order, it makes sense to me that we should do it. But let's go farther and protect Medicare. Let's have both. Let's protect Social Security. Let's also protect Medicare. It is very simple. They are two parts of the same package, if you will, to help the elderly.

We have a lot of very poor elderly. About a third of the American elderly rely solely on Social Security for income—about a third. There are a lot of people who just do not have any money. Virtually one-third are dependent upon it. There are about 44 million people on Social Security including folks with disabilities. The average payment is about $750 a month. That is all. If a third are relying on only $750 a month, that means, clearly, they really need the help.

So, again: A lockbox for Social Security that works and a lockbox for Medicare that also works.

I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Mr. President, how much time is remaining on both sides?

The PRESIDING OFFICER. The Senator has 33½ minutes; the other side has 17 minutes 20 seconds.

Mr. BAUCUS. Mr. President, I yield 20 minutes to my good friend, the Senator from New Jersey.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Jersey.

Mr. LAUTENBERG. I thank the Senator from Montana. Perhaps I will use less time than that.

Mr. President, I have listened carefully to the debate. I heard comments that I would describe as scornful, derisive, challenging everybody else's honesty.

I know one thing. When we are challenging someone else's honesty, it is a good idea to do it in front of a mirror. That way, one gets to see what perhaps one might be saying, and understanding where one is going, so that when one reviews the argument being made for or against a particular point of view, if they want to talk in terms of dishonesty and in terms of scorn and in terms of derision about what is being said, it invites the same kind of commentary—which gets us nowhere.

It doesn't improve the debate. It doesn't make it clearer to the American people. It doesn't establish a framework for really thinking the problem through.

Mr. President, I am the senior Democrat on the Budget Committee. And I want to suggest that my colleagues take a look at an article in the Wall Street Journal, entitled ''GOP Uses Two Sets of Books.'' The article explains that the GOP is using two sets of books—one from the Office of Management and Budget, the other from the Congressional Budget Office. And, by taking the best of each, it's trying to hide the fact that, and I quote, ''lawmakers are poised again to raid the very same Social Security funds they have promised to lock away.''

Mr. President, I don't accuse our friends on the other side of the aisle of deliberate untruthfulness. But I hope the American people will be able to understand what is really going on.

Mr. President, when it comes to this tax bill, there is no doubt where I stand. I stand for the majority of the American public. The people who are concerned with making a living and providing for their children. The people who are working hard to help their parents and grandparents. The people in families where two people are working, and who are having a hard time meeting their obligations. When mom has to work and dad has to work and they are either on different shifts or the same shifts, it means one of the parents is not home to be with the children at times when that might provide the kind of encouragement and sustenance for development. There is a price to pay for it.

There is physical fatigue. My mother was a widow at age 36. She worked hard. I was old enough to be in the Army. My sister was only 12 when my father died. But there was exhaustion. It was hard to take care of all of the responsibilities.

When I look at tax cuts, I ask, which Americans need them? The guy making $800,000 a year? I don't think he needs a $23,000 tax cut. But that's what he'd get under this bill. And that's money that we could be using to pay off our national debt.

Mr. President, most Americans, if given the opportunity, would love to pay off their loans and their debts. Their mortgages. Their car loans. Well, that's what we want our nation to do.

But the Republicans, instead, want to use the money to provide massive tax breaks for wealthy individuals and special interests. Oil interests, mineral interests, many others. Instead of paying off our debts and leaving our children free from that obligation, the Republican bill would give that money to these special interests.

As you can tell, Mr. President, I object strongly to the Republican tax bill. This legislation raids surpluses that are needed for Social Security, that sacred covenant we have with people who have my color hair that says we want to care of them. It is a commitment we made, a promise we made, as we took the money from their paycheck.

I want to protect Social Security. My conscience calls for it. I have to make sure those who are paying Social Security are going to get the benefits they expected when it comes to retirement time.

Medicare? There are few programs in this country that have the value to people like Medicare, which says that when you reach that age when sickness, when physical problems are not a surprise, you will get the medical care you need. Those are essential, basic things—Social Security solvency, Medicare. These are for people when they are most vulnerable, in their older age. We have made a commitment that we are going to take care of them. Our friends on the Republican side say no, tax breaks; that is more important.

By the way, all of this is more show business than plain business. It is designed to let the American public think they want to be generous and they want to return the money, and we are sinners because we say we are going to help pay off the debt that your kids, Mr. and Mrs. America, won't have to worry about.

They say: Who knows better how to spend the money? Is it those bad guys in Washington—bad guys and women; that is the way we are today—those bad people in Washington who want to just take your money? I heard someone say ''take it and spend it,'' take it and spend it, like that is the principal motive for responsible people serving here. I wouldn't accuse them of that, and I don't think they ought to accuse us of that silly nonsense. Take your money and spend it? That is not what anybody wants to do.

We want to do the right thing. They want to do the right thing. They just haven't learned how yet.

Mr. President, the cost of the tax breaks under their bill would increase dramatically just when the baby boomers begin to retire. The bill would force drastic cuts in education, environmental protection, other priorities. It could lead to a return of higher interest rates. And it is fundamentally unfair.

Mr. President, Democrats strongly support tax cuts for middle-class Americans, ordinary people who are working hard to keep things together. We have proposed almost $300 billion worth of tax cuts. Our cuts were targeted to the middle class, the people who needed them most. But we couldn't get the cooperation of our friends on the other side. We won't take funds needed for Social Security and Medicare like the Republican bill does. They are willing to take it out of this Social Security trust fund, which I will demonstrate later.

Neither Social Security nor Medicare has enough financing to support the baby boomers in their retirement. We need to extend the solvency of both programs. We need to pay off our debt, which now forces taxpayers to pay $225 billion a year in wasted interest payments. I guess they don't want to stop that. They don't want to stop that. They would rather try to dole it out principally to people at the top of the income ladder. They don't want to reduce that debt.

President Clinton has proposed to reserve all Social Security surpluses for debt reduction as well as another $325 billion for Medicare. The Republicans openly oppose reserving non-Social Security surpluses for Medicare, but they claim their bill reserves all Social Security surpluses for Social Security. The claim is untrue.

The bill before us would raid Social Security surpluses in 5 of the next 10 years. This chart shows the numbers.

Here we are, 2005; that is practically around the corner. What does it say? Red. Everybody knows what red ink means. Minus $12 billion. That is out of the Social Security trust fund. We have no place to get it. So instead of protecting Social Security, we are raiding Social Security because of the tax cut they want to give to the fat cats.

Consider what will happen in 2005. The non-Social Security surplus that year will be $88.6 billion. But this bill would cost $89.9 billion. The bill therefore would directly create Social Security surpluses of $1.3 billion in that year. However, the real raid on Social Security would be much deeper. This legislation would increase debt and lead to higher interest costs. In 2005 alone, these additional interest costs would eat up another $10.9 billion of Social Security surpluses. So the total raid on Social Security would be over $12 billion in 2005.

If you consider both the direct revenue losses and the additional interest costs, this bill would raid the Social Security surplus in each of the second 5 years after enactment.

Mr. President, I think I know what the Republicans would say about this. They will promise that even if this bill does spend Social Security surpluses, many years from now, Congress will somehow make huge cuts in programs, such as education and the environment, to offset these costs. Unfortunately, it is an empty promise that is completely unenforceable. No credibility.

Consider the depth of the cuts that would be required. If you assume the Republican Congress funds defense programs at the levels presently proposed by President Clinton, by the end of the 10 year period, domestic needs, everything from education and environmental protection, to the FBI, would have to be cut roughly 40 percent. Is that credible? A 40-percent cut in student aid? A 40-percent cut in health research? A 40-percent cut in veterans' programs?

That is not going to happen. But that is the pretense under which we are operating.

The Republicans are saying we have to reduce and cut programs. But the American people need to understand what that would mean. Head Start—375,000 preschool children would be denied services that help them come to school ready to learn. The FBI—that is a favorite of all of ours because they do very important work—would have to cut 6,300 agents in order to accommodate this. VA medical care—a promise that was made to veterans, and to me when I enlisted in the Army—they would treat 1.4 million fewer patients. Superfund—the wonderful program that helps clean up toxic waste sites in our society—no funding would be provided for any new cleanups, due to begin in 2009. Are summer jobs important? I think so. But 270,000 young people would lose jobs and training opportunities. The list goes on.

Look how the tax breaks in this bill explode in cost. In the first year, they cost $4.2 billion. By the last year, they cost almost $200 billion. In the following 10 years, these costs explode even more. All of this will be happening when the baby boomers start retiring.

In other words, the Republican plan doesn't just raid the Social Security trust fund; it also would undermine the Government's revenue base and dramatically increase the chances that Social Security benefits will be cut.

Similarly, this bill proposes a very real threat to Medicare. The Medicare trust fund is now scheduled to go bankrupt by 2015. President Clinton has proposed a comprehensive reform plan that would extend solvency through 2027, for a dozen years or more. He wants to provide a new prescription drug benefit for older Americans. That is going to come from the surpluses that we enjoy, as long as we don't give them away.

What does this legislation do for Medicare? Zero. There is not a penny to extend the program's solvency, and not one penny for prescription drugs.

Another problem with the bill is that it is fundamentally unfair. It is loaded up with various special interest provisions. Meanwhile, ordinary Americans are left with a few crumbs.

If we look at this chart, the top 1 percent of the income earners, earning $837,000, get a $23,344 cut. If you are in the bottom 60 percent, earning below $38,000, you get $141. That is less than 50 cents a day. I hope those people making $38,000 don't go out and blow that 50 cents a day.

Another problem with this bill, according to an analysis by Citizens for Tax Justice, the top 1 percent of the taxpayers, those with incomes over $300,000—and the average, as we saw, is $837,000—will get those juicy tax breaks that we see here, while the bottom 60 percent will get that $141.

That is not fair. Beyond the threat to Social Security, Medicare, education, and other priorities, and beyond its fundamental unfairness, this bill also poses a significant risk to our economy.

It would be one thing to call for huge tax cuts if our Nation were in the middle of a recession. Sometimes you need a boost, a stimulus, but today our economy is very strong. In this kind of an environment, a large fiscal stimulus is dangerous.

The Federal Reserve just tightened monetary policy, forcing up interest rates to preempt inflation. Chairman Greenspan suggested last week the Fed may raise interest rates again to preserve price stability. A huge tax cut in these conditions would be a serious mistake. It could force up interest rates, which could drag down the investment that is driving our economy. As Chairman Greenspan testified, ''The timing is not right.''

Mr. President, we are doing no favors for middle-class families if we give them a tax break worth less than 50 cents a day and then force them to pay higher interest rates on their mortgages and their car payments.

Mr. President, before I close, I want to take a minute to respond to an analysis released last week by the Congressional Budget Office. That analysis supposedly shows that the GOP budget plan reduces debt more than the President's. But the analysis is highly misleading, largely because it is based on questionable assumptions.

For example, the analysis assumes the Congress will abide by this year's spending cap, even though the chairman of the Appropriations Committee, a distinguished Senator, Senator STEVENS from Alaska, says there is no way he can pass the bills without more money. It then assumes that Congress will abide by the caps in 2001 and 2002, which are both lower than this year's.

Then, to top it off, CBO assumes Congress will cut even further in real terms in each of the following 7 years. Mr. and Mrs. Public, don't you believe that. Congress is not going to make cuts like that in veterans' medical care. We are not going to permit Head Start to be decimated. We are not going to cut out programs that people depend on for their very lives.

Mr. President, people really need many of these programs. Most don't like to depend on government if they can avoid it. My father at the height of the depression was most ashamed of

the fact that he had to go to work for WPA, the public works program. He demanded dignity. He demanded it almost more than his pride would permit. He worked for a government program, and he was ashamed to tell anybody. People like him do not want government programs. I had my GI bill for my education. I took it because I thought that in the final analysis not only would it help me, but it would help me to be a better citizen, to make a contribution to my country.

The Congressional Budget Office is assuming we will not abide by the spending caps. They are assuming we are actually going to cut almost $200 billion below it. That is not credible.

CBO's analysis also contains a variety of questionable statements. For example, it ignores the extra $14 billion in tax breaks that were added to the $778 billion originally assumed in the budget resolution. It also ignores the Budget Committee's directive to CBO that it use different scorekeeping estimates when it scores appropriations bills.

Those mandates for special, ''directed scoring'' will allow the Appropriations Committee to spend more, and will reduce the surplus by at least $18 billion. Yet CBO doesn't even mention this in its analysis.

Mr. President, there are other inaccuracies and distortions in the CBO analysis. But together they undermine the credibility of last week's analysis. And, unfortunately, they've raised many questions on this side of the aisle about CBO's fairness and objectivity.

Mr. President, CBO is supposed to be objective and fair to both sides. They are just supposed to look at the numbers. That is all.

Mr. President, let me close by just recapping the main problems with the Republican tax bill.

It raids Social Security surpluses in several years.

It leaves nothing for Medicare.

Its costs explode in the future, just when the baby boomers will be retiring.

It would force extreme cuts in education, health care, crime fighting, and other priorities.

Its tax breaks are unfair, and give huge benefits to special interests and the wealthiest Americans.

And it's fiscally irresponsible, risking higher interest rates and a return to the days of red ink and large deficits.

In sum, Mr. President, this is extreme legislation. It may appeal to the far right wing of the Republican Party. But by posing such a direct threat to Social Security and Medicare, it's inconsistent with the values of mainstream American families.

That is why this President is determined to veto it the minute it reaches his desk, and he should.

I urge my colleagues to oppose the bill and to support the amendment offered by the distinguished Senator from Montana.

I yield the floor.

Mr. KENNEDY. Mr. President, the principle of the Bancus amendment goes to the heart of this debate. We should not enact tax cuts which will use up virtually the entire surplus before we solve the significant financial problems facing Social Security and Medicare.

Placing Social Security and Medicare on a firm financial footing should be our highest budget priorities. The surplus gives us a unique opportunity to extend the long-term solvency of these two vital programs, without hurting the senior citizens who depend upon them. We should seize that opportunity.

Two-thirds of senior citizens depend on Social Security retirement benefits for more than fifty percent of their annual income. Without it, half of the nation's elderly would fall below the poverty line. These same retirees rely on Medicare for their only access to needed health care. For all of them, the Republican proposal does absolutely nothing. It does not provide one new dollar to support Social Security or Medicare. It squanders the unique opportunity which the surplus has given us.

Social Security and Medicare represent America at its best. They reflect a commitment to every worker that disability and retirement will not mean poverty and untreated illness. They are a compact between the Federal government and its citizens that says: work hard and contribute to the system when you are young, and we will guarantee your financial security and your health security when you are old.

It has been said that the measure of a society is how well it takes care of its most vulnerable citizens—the very young and the very old. By that standard, Social Security and Medicare are among the finest achievements in all of our history. Because of Social Security and Medicare, millions of senior citizens are able to spend their retirement years in security and dignity. A Republican tax cut of the magnitude proposed here today will put their retirement security in serious jeopardy.

In the first ten years, the Republican tax cut of $792 billion—plus the increased interest on the national debt required by it—will consume all but $25 billion of the $996 billion surplus. The cost of the tax cut alone will mushroom to two trillion dollars between 2010 and 2019, plus hundreds of billions more in additional debt service. There will be no surplus left to strengthen Social Security and Medicare for future generations of retirees. The needs of the millions of Americans who depend on these basic programs for their well-being are ignored.

Democrats propose a very different set of priorities for the surplus. We commit one-third of the surplus—$290 billion over the next decade and more thereafter—to Medicare. And beginning in 2011, we would dedicate all of the savings which will result from debt reduction to Social Security.

Today, interest on the debt consumes nearly 13% of the federal budget. Under the President's plan, by 2015, that annual debt interest expense will be completely eliminated. As a result, between 2011 and 2019, more than a trillion additional dollars will be available to pay future Social Security benefits. We will be meeting our responsibility to future generations of retirees.

In addition, the GOP tax cut is fundamentally unfair in additional ways. It distributes the overwhelming majority of its tax breaks to those with the highest incomes. The authors of the Republican plan highlight the reduction of the 15% tax bracket to 14%. They point to this reduction as middle class tax relief. But that relief is only a small part of the overall tax breaks in their plan. It accounts for only $216 billion of the $792 billion in GOP tax cuts. Most of the remaining provisions are heavily tilted toward the highest income taxpayers.

If the Republican plan is enacted and implemented, nearly 50% of the tax benefits would go to the richest 5% of taxpayers—and more than 75% of the benefits would go to the wealthiest 20%. Those with annual incomes exceeding $300,000 would receive tax breaks of $23,000 a year. By contrast, the lowest 60% of wage-earners would share less than 11% of the total tax cuts—they would receive an average tax cut of only $139 a year.

The choice could not be more stark—it is between using the entire surplus for an enormous GOP tax cut which overwhelmingly benefits the wealthiest Americans, or using the surplus for modest tax cuts that leave room to preserve Social Security and Medicare for future generations of retirees.

SOCIAL SECURITY

On Social Security itself, the Republican proposal is misleading. The rhetoric surrounding it conveys the false impression that it is a major step toward protecting Social Security. In truth, it does nothing to strengthen Social Security.

The Republican plan would not provide even one additional dollar to pay benefits to future retirees. It would not extend the life of the Trust Fund by one more day. It merely pledges to give to Social Security the dollars which already belong to Social Security under current law.

By contrast, by drawing on the surplus, President Clinton's proposed budget would contribute more than a trillion new dollars to Social Security over the next twenty years. Beginning in 2011, the Administration's plan would devote all of the savings which will result from debt reduction to the Social Security Trust Fund. That step would extend the life of the Trust Fund by more than a generation, to beyond 2050.

In fact, the Republican plan does not even effectively guarantee that existing payroll tax revenues will be used to pay Social Security benefits. There are trap doors in the Republican

''lockbox.'' A genuine ''lockbox'' would guarantee that those dollars would be in the Trust Fund when they are needed to pay benefits to future recipients. But that is not what the Republican plan does.

Our Republican friends claim that the enormous tax cuts they have proposed will have no impact on Social Security, because they are not using payroll tax revenues. On the contrary, the fact that the Republican budget commits every last dollar of the on-budget surplus to tax cuts does imperil Social Security.

First, revenue estimates projected ten years into the future are notoriously unreliable. As the Director of the Congressional Budget Office candidly acknowledged:

> Ten year budget projections are highly uncertain. In the space of only six months, CBO's estimate of the cumulative surplus has increased by nearly $300 billion. Further changes of that or a greater magnitude are likely—in either direction—as a result of economic fluctuations, administrative and judicial actions, and other developments.

Despite this warning, the Republican tax cut leaves no margin for error. If we commit the entire surplus to tax cuts and the full surplus does not materialize, Social Security revenues will be required to cover the shortfall in tax cuts.

Second, even if the projected surplus does materialize, the cost of the Republican budget exceeds the surplus in five of the next ten years—2005, 2006, 2007, 2008 and 2009. Unless the Republican proposal is restructured, Social Security revenues will be required to cover the shortfall in each of those years.

Third, the Republican tax cut leaves no funds to pay for emergency spending, which has averaged $9 billion a year in recent years. Over the next decade, we are likely to need approximately $90 billion to cover emergency needs. That money has to come from somewhere. With the entire surplus spent on tax cuts, the Social Security Trust Fund will have to fund these emergency costs as well.

These three threats to Social Security that I have described are very real. They expose the fundamental flaws that prevent the Republican ''lockbox'' from being a genuine lockbox for Social Security.

In addition, there is an even greater threat to Social Security in the out-years. Under the President's plan, the Social Security Trust Fund would receive 543 billion new dollars from the surplus between 2011 and 2014, and it would receive an additional $189 billion each year after that. The Republican tax cut will make the President's plan impossible to carry out. The cost of their tax cut proposal mushrooms to over $2 trillion between 2010 and 2019. It will consume all of the surplus dollars which were intended for Social Security. There will be nothing left for Social Security. As a result, no new dollars will flow into the Trust Fund, and the future of Social Security will remain in serious doubt.

MEDICARE

The failures of the Republican plan to preserve and strengthen Medicare is just as serious. Today, Medicare is a lifeline for the 40 million elderly and disabled citizens who depend on it for health care. It is an essential part of our health care system. It allows families to save to send a child to college, instead of saving to send a parent to the hospital. It fulfills its founding promise, in which everyone pays in to Medicare during their working years, and everyone benefits from good health care during retirement.

The Republican budget threatens to destroy Medicare by putting it on a starvation diet. Instead of protecting Medicare in anticipation of the largest demographic challenge in its history, the Republican budget sacrifices Medicare on the altar of tax breaks for the rich. There is not one additional dime for Medicare in the Republican budget, although that budget contains nearly $800 billion in tax breaks that disproportionately benefit the wealthy.

Make no mistake. This budget will determine whether we keep the medical care in Medicare. This budget will determine whether Medicare will continue strong and continue to guarantee the protections that are so essential for senior citizens in the years ahead.

Unfortunately, the pending bill falls unacceptably short of reaching these important goals. It is, in fact, a thinly-veiled assault on Medicare and an affront to every senior citizen who has earned the right to affordable health care by a lifetime of hard work. It is a bill that says $800 billion of new tax breaks for the rich are more important than preserving Medicare for our senior citizens.

The top priority for the American people is to protect both Social Security and Medicare. But this budget puts tax breaks for the rich first, and Medicare and Social Security last.

Our proposal says: save Social Security and Medicare by devoting all of the Social Security surplus to Social Security, and by reserving one-third of the on-budget surplus for Medicare. It says: extend the solvency of the Medicare Trust Fund, not by raiding Social Security but by assuring that some of the benefits of our booming economy are used to preserve, protect, and strengthen Medicare. It says that we should modernize Medicare to ensure that all senior citizens have access to affordable medications.

Some of the other side contend that we should not provide additional funds for Medicare. They say we should look for additional ways to reduce Medicare spending. But Medicare spending growth is at an all-time low. In fact, evidence is mounting that Congress has already cut too much from Medicare in the drive to balance the budget in 1997.

While Democrats and Republicans have different opinions about how best to reform Medicare, one fact remains clear: Starting in 2010, the retirement of the baby boom generation will begin in earnest. Without a significant investment now to prepare Medicare for the financial demands of that era, the only options will be to dramatically cut benefits or raise taxes.

According to the most recent projections of the Medicare Trustees, if we do nothing, keeping Medicare solvent for the next 25 years will require benefit cuts of almost 11%—massive cuts of hundreds of billions of dollars—or double-digit payroll tax increases. Keeping Medicare solvent for the next 50 years will require cuts of 25%—or even larger payroll tax increases.

Under the guise of reform, some argue that we should reduce our obligation to support guaranteed benefits. They favor proposals to privatize Medicare, or turn it into little more than a voucher program—leaving senior citizens to the tender mercy of profiteering private insurance companies. Nothing could be more devastating for America's elderly—today and in the future.

We have a clear opportunity to protect Medicare. All we have to do is reserve a fair share of the surplus for Medicare. But instead of protecting Medicare, the pending bill uses $800 billion of the surplus to pay for new tax breaks. You don't need a degree in higher mathematics to understand what is going on here. This Republican plan is Medicare malpractice.

Every senior citizen knows—and their children and grandchildren know, too—that the elderly cannot afford cuts in Medicare. They are already stretched to the limit—and often beyond the limit—to purchase the health care they need.

Because of gaps in Medicare and rising health cost, Medicare now covers only about 50% of the health bills of senior citizens. On average, senior citizens spend 19% of their limited incomes to purchase the health care they need—almost as large a proportion as they had to pay before Medicare was enacted a generation ago. Many low-income senior citizens have to pay even more as a proportion of their income.

By 2025, if we do nothing, the proportion of out-of-pocket spending devoted to health care expenses will rise to 29%. Too often, even with today's Medicare benefits, senior citizens have to choose between putting food on the table, paying the rent, or purchasing the health care they need.

The typical Medicare beneficiary is a widow, seventy-six years old, with an annual income of $10,000. She has one or more chronic illnesses. She is a mother and a grandmother. Yet this budget would cut her Medicare benefits in order to pay for new tax breaks for the wealthy. These are women who will be unable to see their doctor, who will go without needed prescription drugs, or without meals or heat, so that wealthy Americans earning hundreds of thousands of dollars a year can have tens of thousands of dollars more a year in additional tax breaks.

This is the wrong priority for spending our hard-earned surplus—and the

wrong priority for America. And the American people know it.

As we debate these issues this week, the response of our opponents is predictable. They deny that they have any plans to cut Medicare. But the American people will not be fooled. They know that our plan and the President's plan will put Medicare on a sound financial basis for the next generation—without benefit cuts, without tax increases, without raising the retirement age, and without privatizing Medicare.

In this debate, we intend to offer Senators a chance to vote on whether they are sincere about protecting both Medicare and Social Security.

Our opponents are already trying to confuse the issue. They say that it is wrong to put the surplus into Medicare.

The workers of this country are the ones who have earned this surplus—and they want to use it to preserve and protect Social Security and Medicare, not use it for new tax breaks for the wealthiest Americans.

Our opponents say that our proposal just puts new I.O.U.s into the Trust Fund. Let's be very clear. There are two ways to restore Medicare's financial stability. One way is to cut benefits. The other way is to provide new resources. Our proposal puts new resources in the Medicare Trust Fund. It takes funds that would otherwise be used for a tax cut for the wealthy, and uses them instead to maintain the health protection the elderly need and deserve—and have earned. In terms of its effect on Medicare, it is no different from depositing payroll tax receipts in the Trust Fund, as we do today.

Those on the other side of the aisle have tried to conceal their neglect of Medicare. They say that their plan does not cut Medicare. That may be true in a narrow, legalistic sense—but it is fundamentally false in every way that counts.

Between now and 2025, Medicare has a shortfall of almost $1 trillion. If we do nothing to address that shortfall, we are imposing almost $1 trillion in Medicare cuts, just as surely as if we said so directly in the text of the legislation. No amount of rhetoric can conceal this fundamental fact. The authors of the pending bill had a choice between supporting Medicare or slashing Medicare—and they chose to slash Medicare.

A vote for our alternative is a clear statement that Congress should preserve and protect Medicare for today's elderly and their children and grandchildren. Rejection of our alternative is an equally clear statement—in favor of new tax cuts for the rich, paid for by harsh and unacceptable cuts in Medicare.

In 1935, when President Franklin Delano Roosevelt signed the Social Security Act, he said it was ''a cornerstone in a structure which is being built but is by no means complete.''

The creation of Medicare 30 years later added significantly to that structure. On the threshold of a new century, the time has come to add again to that structure.

We can modernize Medicare and prepare for the 21st century—the century of life sciences. We can prepare for the massive influx of retirees from the baby boom generation, if we devote the resources needed to do so. The surplus was generated in part by Medicare savings, and it is only right that a responsible portion be invested in modernizing and strengthening the Medicare.

We know how the American people want us to vote. Congress should listen to their voice. The opponents of Medicare were wrong in 1965, and they are wrong in 1999.

The PRESIDING OFFICER. Who yields time?

The Senator from Michigan.

Mr. ABRAHAM. Mr. President, I yield 10 minutes to the Senator from Missouri.

The PRESIDING OFFICER. The Chair recognizes the Senator from Missouri.

Mr. ASHCROFT. Mr. President, thank you very much. I thank the Senator from Michigan.

Mr. President, it would be amusing, if it weren't tragic, to hear the representations made by those on the other side of the aisle that the Republicans are indifferent to our senior citizens and to Medicare, or indifferent to Social Security.

Let us not forget the Social Security lockbox is a Republican concept.

They come to us saying how aggressively they are supporting what happened in the House. It is about time they started to support a lockbox of some sort. They filibustered that at least six times previously to keep it from being here. It is time we have a lockbox.

We enacted a credible lockbox to protect Social Security so our seniors won't be jeopardized by a reckless sort of effort to spend.

There is real distress on the part of our colleagues on the Democrat side of this Chamber who are afraid we are not going to leave enough money to spend. Their spending habit is hard to break.

But I think we ought to understand the American people are paying in over the next 10 years $3.3 trillion of surplus, and they don't want to buy that much more government. They want some change to go to the store.

You by a gallon of milk, and you give them 10 bucks. You don't expect them to start adding other items to your order to fill up what you could have bought with your 10 bucks. You expect to get your money back when you pay in a surplus, and the American people should do that.

They suggested we don't have any money to deal with a Medicare problem. It is pretty clear we have $505 billion available to deal with Medicare, if we choose to, over the next 10 years.

Just for example, the President said he could fix it for $48 billion. And $505 billion is 10 times that much. But I don't recommend that we allocate a specific amount to fix Medicare before we have decided how to reform Medicare.

The Senator from Tennessee eloquently stated the position of the Comptroller General of the United States, our sort of auditor, the person who looks at things and asks: How are you doing? Is this reasonable? Does it make sense?

He indicates that just pouring more money into a system that is broken—well, you know, if you just step on the gas in a car that is going in the wrong direction, it doesn't get you to your destination any more quickly. The key is to reform Medicare and have a resource available when you reform it. That is the Republican plan.

Are we being irresponsible by taking 23.8 cents out of every surplus dollar and saying to the American people who earned it that we are going to return it?

There is an old slogan in Washington. ''You send it; we spend it.''

People are a little tired of that.

We have the highest tax rate in the history of the country. Even State and local rates are higher in many cases caused by our mandates on State and local government.

We have a $3.3 trillion surplus, and someone says we should save tax cuts for when it is the right time for tax cuts as if the timing is contingent on the Government.

I tell you. It is the American people's money. Their timing ought to be considered.

I think the American families need resources to do for themselves now, that they should have the money to do it for themselves, and not have to rely on government. We should make that choice.

I rise to say that this business about us not having a regard for Medicare should be dismissed.

We want to reform Medicare. We don't want to pour more resources into a bucket, the bottom of which is like a sieve.

Sure. We will do what we can to sustain the system. It is sustainable, according to the most recent data, until the year 2014. It is good. But we shouldn't decide to just pour money into that system. We should reform it.

There was a bipartisan commission led by Senator BREAUX that would have reformed it. The proposed reform led by Senator BREAUX wasn't to take a lot of money. As a matter of fact, it was to save money.

We are willing to make resources available. But the idea that somehow we have to lock up $300 billion in order to make possible a reform of the system when the $300 billion will keep people from wanting to reform it, and just wanting to spend what is there is not the way to handle the problem.

The chairman of the bipartisan commission, Senator BREAUX, I don't believe supported that provision when it was before the Finance Committee. I don't think we should support it now.

But it is time for us to say to the American people what we said in our budget process, what the Senate voted, I believe, 99–0 to do; and that is to lock up the Social Security surplus.

It is a program which we promised to the American people. It is a program that can go forward. We ought to have that resource available to them. We agreed on that. The House agreed on that.

Talk about the House agreement on the other side of the aisle, yes. This is what the House agreed to—lock up Social Security. I think that is what we ought to do.

We expect to have $2 trillion in Social Security surpluses over the next 10 years. We ought to make sure we don't spend it on anything else. That is the Republican plan. It ought to be the Republican plan. It is the Democrat plan, and the President's plan. The President agreed to it. He said we needed a durable lockbox, ''period.'' He didn't say a lockbox for Social Security and add Medicare. The President didn't say that. He said we need a Social Security lockbox, period. The ''period'' was his language, not mine. It is not some Republican plot. The President said it. The House of Representatives said it. The Republican Senate has been asking for it, filibustered on the other side of the aisle time after time after time after time after time after time, and now trying to keep us from doing it again.

I think we need to make sure we honor and respect the retirement security of individuals who expect us to protect Social Security.

Having done that, and we find out there is roughly half of the next 10 years' surplus that is not earmarked for Social Security and it is not paid in for Social Security, that money could be divided between tax relief and resources for contingencies that come up in this body, or to the United States Congress. That is why we planned $792 billion in tax relief.

Some say: Is that too much? Is it too little? It is 23-plus percent of the total surplus.

The lion's share of the total surplus should go right into this lockbox. This proposal that Senator DOMENICI, Senator ABRAHAM, I, and other Senators have been talking about, taking Social Security money and earmarking it for Social Security benefits alone, and then reserving the $505 billion that is available in addition to that for future contingencies and needs including, if necessary, transitional costs for reform in Medicare. The Senator from Tennessee eloquently related comments by the Comptroller General of the United States.

This is a resource we now have that we do not have a right to keep, in my judgment. The American people have overpaid their taxes. Like a shopkeeper, who has a responsibility to give back change when they are paid too much for an ordered item, rather than trying to foist off an extra gallon of milk, another ham or another box of cereal, another box of nails or hammer if you are at the hardware store, when a person has paid more for the item than requested, they get their money returned.

Return the money to the American people. The American people earned this money. This is not money that came from Government. This is not from the magic of the Congress. This is not from the creativity of the President. This isn't the product of the bureaucracy. This is the product of the hard work of American families. In many families, both parents work. In some families, both parents are working two jobs or extra work. They have sacrificed and sweat. It is their money.

We have to make a decision. Are we going to fund families in this country or are we going to fund bureaucracy? Are we going to let families have an opportunity to spend the resources which they have created? We must. In order for them to be confident about the fact we are not giving away the future, make clear that the President has said we need what the House of Representatives voted 416–12 in favor of, and that is a lockbox to protect Social Security.

With that in mind, I say we have a responsibility to the American people to put the Social Security proceeds in the lockbox, to have a prudent approach to the rest of the expenses. Say to the American people with that $800 billion over the next 10 years: You earned it; we returned it. Let's end this idea of: You send it; we spend it. Our desire and appetite should not be unlimited.

I thank the Chair for this opportunity to support the concept of a lockbox.

I reserve the remainder of my time.

Mr. ENZI. Mr. President, I rise in support of Senator ABRAHAM's Social Security lockbox amendment to the Taxpayer Refund Act. This is the third time the Senate has considered this language and I believe it is appropriate that we take up this matter during the debate on the returning the non-Social Security surplus for tax cuts. This amendment should put an end once and for all to the rhetoric about raiding the Social Security trust fund to provide tax cuts. By passing this amendment, the Social Security surplus will be protected.

Congress has the responsibility to create a firewall between the Social Security surplus and the discretionary surplus to ensure that we can meet the future needs of retirees. The Social Security surplus is spoken for and Congress must take steps to ensure that the money is protected and ready for the future.

The source of the surplus is a rising inflow of Social Security payroll taxes. This is money that comes out of the paycheck of every working American who has been paying into the system and we deserve to give them some assurance that the money will be there when they retire. Under the current budget rules, this revenue is treated like revenue from another source—it is put into the general fund and then spent. The lockbox would capture the difference between the inflows to the Social Security trust fund and the payment of benefits to current retirees—reserving it for the Social Security program and helping to guarantee benefits for future retirees.

The amendment that we are debating tonight also prohibits transfers between the general fund and Social Security. That is an important provision, it prevents the president and Congress from playing hide the ball and shifting money from the Social Security trust fund to the general fund and replacing that money with IOUs. An IOU in the Social Security Trust Fund is an obligation of the United States Government, it is a debt that we must pay back. Where is that money going to come from? We cannot repay an IOU with an IOU. We must hold on the Social Security surplus in a budgetary lockbox and protect it.

The Social Security lockbox will also protect the Social Security surplus from wasteful spending and ensure that the money will be there to fulfill future obligations. Just as corporations are prohibited from spending their pension funds on regular business expenses, Congress should have the same restrictions on the Social Security surplus. If company executives handled pension funds like the current use of Social Security the executives would be in jail. The temptation to go back to the old tax and spending ways is too great if Congress has access to a growing pot of money. Congress must not go back to the old spending rules. Just because we have a surplus does not mean hat the battle has been won. It means that we must continue to be watchful and ensure that the surplus is used wisely.

One of the attacks we have heard from the White House and the Democrats is that the we should not refund American's hard-earned money to them because we still have an enormous federal debt. I find this argument astonishing given the spending appetites of many on the other side of the aisle. There is nothing quite like a good tax cut to turn a tax-and-spender into a deficit hawk. While I fear this interest in retiring the national debt may be short-lived metamorphosis, I welcome the interest of my colleagues from the other side of the aisle in fiscal responsibility. In fact, I would invite them to join me as a cosponsor of Senator ALLDARD's bill to retire the entire national debt over a 30-year period. I believe that debt reduction is consistent with a tax cut. We need to pay off our debt obligations and trim the allowance of the federal government by returning some of the taxpayers overpayment to them.

The lock-box amendment furthers this goal of debt reduction. This amendment includes higher debt reduction provisions than previous lock-box

proposals. As the surplus has continued to grow Senator ABRAHAM has moved the bar higher. The amendment requires more debt reduction as the surplus grows and I believe the American people expect that. Debt reduction creates a ripple effect throughout the economy in the form of lower interest rates for home mortgages or car loans or student loans.

The time has come for the White House and my colleagues on the other side of the aisle to finally provide protection for the Social Security program. Congress must not continue to pay lip service to the concept of preserving the Social Security surplus. We must take the bold steps necessary to ensure that the program is around for the long term. We must not use long term funds to satisfy short term wishes. I urge may colleagues to join me in supporting this important in the Taxpayer Refund Act of 1999.

I thank the Chair and yield the floor.

Mr. BAUCUS. Mr. President, I yield myself 5 minutes.

Mr. President, a couple of points. I heard my good friend, the Senator from Missouri say, as has often been stated, they are using only 23 percent of the surplus for tax reduction.

I think it is important to get the facts out so the American public can decide what the truth is. The fact is, about $3 trillion is projected over the next 10 years. Mr. President, $2 trillion off-budget, Social Security surplus; $1 trillion on-budget surplus. No one disputes that.

We also agree that the roughly $2 trillion generated by the payroll tax, the off-budget surplus, should be reserved for Social Security. We all agree to that. What is in dispute is the $1 trillion remaining on-budget surplus.

The Republican tax cut essentially uses it all, roughly $800 billion, plus the interest expense added on because the tax cut will increase interest, which amounts to a 97-percent tax cut of the on-budget surplus.

So that we have our facts straight, it is roughly 25 percent of the total, if we include the $2 trillion for Social Security that we all agree to protect. What is in dispute is how much of the $1 trillion on budget is used for a tax cut. The answer to that is about 97 percent, including the interest. If interest is not included, maybe about 60 or 70 percent of the surplus is used for a tax cut.

Decide which numbers to use. Those are the facts. I will not stand here and say it is necessarily 97 percent or it is necessarily 23 percent. I think people should recognize what the truth is.

I have a couple of points. This is about choices. Either we choose to set aside one-third of the on-budget surplus for Medicare for seniors, or we don't. That is the choice. That is the choice we have between the two lockbox amendments. One says lockbox Social Security only; the other says lockbox Social Security and Medicare. We believe the proper choice is to protect Medicare.

There is a deeper choice I want to talk about for a moment. It is a choice that many senior citizens in our country make each day. Do they choose to use their income to pay for drugs or do they choose their income for food, to pay the rent, or to pay for the bus? That is the choice that many senior citizens make each day.

About 16 million Americans are faced with that choice a day. That is, 16 million Americans rely solely on Social Security for their income. About 30 percent of American senior citizens rely solely on Social Security for their income, which comes out to about $750 a month. Seniors with a total income of about $750 a month have to make choices. Choose for drugs, choose to pay the rent, choose to pay the food bill, the bus, taxi service—those are the choices. They have to decide which among the choices to make.

We are saying let's help the seniors with that choice. Let's help seniors pay the drug bill. Let's help seniors pay a little more of the doctor bill. If there is anything that obsesses senior citizens, it is their health.

I will never forget when I was walking across Montana campaigning for Congress 24 years ago, I was walking toward Butte, MT, near Elk Park. I was walking down the highway, and I could see perpendicular to me an older fellow hunched up way off in the distance walking toward his mailbox. I could tell we were going to meet at the mailbox. I had my brochure in my pocket in my campaign for Congress. Sure enough, we met at the mailbox. I pulled out my brochure and said: Sir, I am Max BAUCUS. I am running for Congress. Is there anything on your mind you want to talk about? Anything that is really bothering you that you want to talk about?

He said: Oh, nothing except the perplexities of health.

It is certainly true for seniors, and he very much was a senior citizen.

In summation, this is about choices. I think the choice is for Medicare, not against Medicare. The choice is also to help those senior citizens pay for their medical benefits. I hope Senators choose for seniors.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Chair recognizes the Senator from Michigan.

Mr. ABRAHAM. How much time remains?

The PRESIDING OFFICER. Seven minutes twenty-three seconds.

Mr. ABRAHAM. I will not use all that time.

First, I thank the manager of the bill, Senator ROTH, for his patience and the support tonight in this debate. I thank all the Senators who have spoken on our side, to argue, once again, for the Social Security lockbox. We have been doing this now for almost 3 months. I assure our colleagues will continue to do this as long as we have to.

I suspect again tomorrow procedural impediments will be placed in the way of our efforts to try to protect the Social Security surplus, even as everyone in this place makes at least verbal assertions that they want to protect that surplus.

But we will keep trying. Whether or not we have 60 votes tomorrow, we are going to continue this battle until it is won. Every single Member of the Senate, I think, hears from their constituents what this Senator hears when I am back in Michigan; an ongoing and ever increasing level of frustration that our seniors, as well as almost anybody who pays money into the Social Security fund, has with the notion that we spend those dollars on anything other than Social Security.

We have tried to make this a simple issue from the very beginning. We have tried various forms of this lockbox. We have offered different types of amendments to try to address concerns that have been raised. Each time, procedural roadblocks have been placed in our way. My understanding and expectation is that they will be placed in our way again tomorrow. But the bottom line is that—and I agree with the Senator from Montana—that Republicans do want to cut taxes more than Democrats. There is not much disagreement about that around here. That, I believe, reflects a clear distinction between us. And we Republicans want to protect Social Security with a tough lockbox, the very lockbox that has frequently been criticized tonight because it is so tough.

The question is, where is the beef? The answer is in our lockbox. It is so tough that in fact we have been criticized for making it too tough. That is where it is. It is in the teeth we have put in the lockbox.

We are going to try again tomorrow. We are going to try tomorrow to pass this lockbox proposal in a form that will absolutely guarantee that Social Security money sent to Washington by people who pay payroll taxes is protected from any spending of any kind.

The budget that has been offered by the President is a budget that actually spends over one trillion new dollars of that surplus over the next 10 years. We say those choices, as to how that surplus ought to be spent, should reside in the hands of the people who earned the money and paid the taxes and sent them to Washington. We say take all the Social Security money, protect it in a tough lockbox, and then let's return 25 cents out of every surplus dollar to the men and women in our country who earned those dollars in the first place.

As I have tried to indicate tonight, we have endeavored, on six previous occasions, to try to pass this lockbox. In each case procedural impediments have been placed in our way to prevent it from happening. We would just like to have a chance to have an up-or-down vote. If we have 50-plus votes, then we will have a Social Security lockbox. Hopefully we will get that chance.

Mr. BAUCUS. May I ask the Senator a very gentlemanly, civil question?

Mr. ABRAHAM. The Senator from Michigan, the lead sponsor of this, has very little time left.

The PRESIDING OFFICER (Mrs. HUTCHISON). Does the Senator from Michigan yield?

Mr. BAUCUS. I ask the Senator whether he would agree to the lockbox the House passed?

Mr. ABRAHAM. Let me say this. We have offered that to the Senate to be considered. One of the cloture votes which was offered was on the House lockbox when they passed it. And once again, on party lines, we came to the well of the Senate and our effort to pass that bill was prevented.

All I am saying is we would like to have a final up-or-down vote on this. That is what we are asking for.

Mr. BAUCUS. Madam President, one more brief question?

Mr. ABRAHAM. I am going take back my time actually, Madam President. I am the only person who has been on the floor tonight who has not spoken. The Senator from Montana had two opportunities to speak. I refrained because we had so many speakers on our side. I would like to summarize. I have a feeling the debate is not over on this topic and we will have other opportunities.

I just want to say we brought up the House lockbox on the floor. It was prevented from moving forward. We brought up the tougher version, the Senate version we are offering tonight. We have not had a chance, because of procedural impediments, to vote on it. One proposal I hope might be followed up on is a simple one. Tomorrow maybe neither side should impose procedural impediments, and if one or the other version of this gets a majority of votes in the Senate, then let's move it forward. I suspect that will not happen. I am not going to ask anybody to answer that tonight. But tomorrow I may make a pitch and an appeal to our colleagues to let each side have their vote. If one or the other of these lockboxes gets 51 votes, let's move it forward. Let's give the American people what they want. That is a lockbox to protect Social Security.

Madam President, to me that makes sense. To me it certainly is consistent with what voters in our States want, what people who pay payroll taxes want. It is overdue.

This Senator will come back, if he has to, time after time, well into the night if we have to, to make this case. But it is a simple one—are we or are we not going to really protect the Social Security dollars, that are sent to Washington, from being spent on anything other than Social Security? I say we should. I think we should use a tough lockbox to make sure that happens. We have a chance tomorrow to vote on these two lockbox proposals. I say, if one of them gets 50 votes, that ought to be good enough, if it is true we all want a lockbox. If it is not true, then we will be back again as we have been over the last 3 months, endeavoring to find a way to finally get the American people that which they want.

But, in closing, as we examine this issue, as we consider the next 10 years, if we are really going to have, as current projections indicate, almost $2 trillion in Social Security surpluses, and if we do not do something soon to protect this with a lockbox, those dollars are going to start to be spent. There will be great arguments made for cutting into portions of it this year and the same will happen next year, as has been happening for so many years already. This Senator is doing everything he can to try to make sure those efforts to take money out of the Social Security trust funds for other programs do not happen any longer.

All this debate which has gone on for 3 months has done nothing more than delay and keep open the possibility that Social Security money would be spent on other things. I do not believe we should let that happen. I think we should pass a lockbox tomorrow. If somebody gets 50 votes for their proposal, then my recommendation is we should not use any procedural impediments to prevent that proposal from happening. The President says he wants it. Even the House has passed a version, not the one we are offering, but they passed one nonetheless. So let's go forward. If somebody gets 50 percent let's move this issue out of the Senate and on towards final completion.

I gather my time is up, and I appreciate the debate that has happened this evening.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Madam President, I suggest the absence of a quorum, and in so doing state to my colleagues the next amendment will be offered by the Senator from Florida. He will be here momentarily.

The PRESIDING OFFICER. The clerk will call the roll.

The Legislative assistant proceeded to call the roll.

Mr. GRAHAM. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ENZI). Without objection, it is so ordered.

PRIVILEGE OF THE FLOOR

Mr. GRAHAM. Mr. President, I ask unanimous consent that Alison Egan and Patricia Daugherty of the Finance Committee be granted the privilege of the floor during pendency of S. 1429, a bill to provide for reconciliation pursuant to section 104 of the Concurrent Resolution on the Budget for the Fiscal Year 2000.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Chair recognizes the Senator from Virginia.

Mr. ROBB. I thank the Chair.

AMENDMENT NO. 1401

(Purpose: To delay the effective dates of the provisions of, and amendments made by, the Act until the long-term solvency of Social Security and Medicare programs is ensured)

Mr. ROBB. Mr. President, I send an amendment to the desk and ask that we consider it for debate at this time and that the vote occur on this amendment at the time previously designated under the unanimous consent agreement.

The PRESIDING OFFICER. Without objection, the clerk will report.

The legislative clerk read as follows:

The Senator from Virginia [Mr. ROBB], for himself, Mr. GRAHAM, Mr. ROCKEFELLER, Ms. MIKULSKI, Mrs. MURRAY, and Mr. BRYAN, proposes an amendment numbered 1401.

Mr. ROBB. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end add the following:

TITLE XVI—DELAY IN EFFECTIVE DATE

Notwithstanding any other provision of, or amendment made by, this Act, no such provision or amendment shall take effect until legislation has been enacted that extends the solvency of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund under section 201 of the Social Security Act through 2075 and the Federal Hospital Insurance Trust Fund under part A of title XVIII of such Act through 2027.

Mr. ROBB. Mr. President, I am pleased to offer this particular amendment with my long-time friend and colleague from Florida, Senator GRAHAM, and others who join us. Both Senator GRAHAM and I served as Governors before coming to this body, and our views on fiscal matters are frequently very much in sync as they are on the amendment we offer this evening. Having served as executive officers of our States, we share a somewhat unique perspective, and it is from that particular unique perspective that we offer this amendment.

The amendment simply states that if it is the will of a majority of the Members of this body to enact the tax cut before us, let's at least accept responsibility for strengthening Social Security and Medicare first. In short, let's get our priorities straight.

We all understand the allure of tax cuts. I do not know many Americans who would not like to have a few extra dollars to spend on something, and I do not know many Americans who truly enjoy writing a check to the IRS. Most of us work hard to minimize legally what we have to pay to Uncle Sam to run our Government, and most of us can find areas where we would like to see Government spending cut or eliminated altogether. Sure, we like and, indeed, expect many of the services and protections Government offers, but we do not like to have to pay for them.

To enact a tax cut of this magnitude at this time when the economy is not in need of an economic stimulus, when

we have not fixed Social Security, when we have not fixed Medicare, when we backload all of the tough decisions future Congresses will have to make to pay for the cuts, when we frontload only the politically popular promise of more than we are actually delivering, when we know that discretionary spending assumptions are unrealistic and unattainable, when we are already breaking the spending caps we have pledged to adhere to in the Balanced Budget Act we passed just 2 years ago, when we know defense spending is going to have to increase well beyond the current baseline, when we know that correcting a course of action will be far more difficult than anything we are bent on doing with this bill, Mr. President, I submit that to pass this bill at this time without this amendment would be ludicrous. It would be fiscally irresponsible in the extreme. It would be as fiscally irresponsible as anything Congress has contemplated during the 11 years I have served in this body, and we are doing it all in the face of a certain Presidential veto. Is it any wonder people lose faith in their Government?

Enacting massive tax cuts today before addressing the obligations we know we have tomorrow is reckless. Those who propose this approach are, in effect, buying political benefits by using our children's credit cards. We curry favor today and leave the bill for others to pay. A surplus is what is left over after we have met our obligations, and we will not know what our obligations are until we reform Social Security and Medicare.

I am pleased to offer this amendment with my distinguished colleague from Florida and many others who are acting as cosponsors. I say in the spirit of the amendment that we all have enormous respect for the chairman of the committee and the bipartisan effort that has preceded this particular point in the debate. But we are simply—I am simply unwilling—we are simply unwilling to accept the fact that we should move forward with the tax cuts before the surplus upon which those tax cuts are premised has actually materialized.

Mr. President, I yield the floor to my distinguished colleague from Florida.

Mr. GRAHAM addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Florida.

Mr. GRAHAM. Mr. President, the issue before us with this amendment is what is the proper order of consideration of the issues challenging our Nation? In the Bible it talks about the fact that there is a season for all things. There is a season to plant; there is a season to harvest. The question is, What is the season of America here in late July of 1999?

The position Senator ROBB and I and our cosponsors take is that the season is not for a massive tax cut until we have planted and harvested the seeds of a strengthened Social Security program and a strengthened Medicare program.

The bill that was reported by the Senate Finance Committee and its companion, which has already passed the House of Representatives, would cut taxes by approximately $800 billion over the next 10 years.

Some have claimed—and claimed on this floor earlier today —that a tax cut of $800 billion is the ideal way to usher in a new era of budget surpluses and to maintain the economic growth and prosperity through which we are currently living. I could not disagree more.

With all due respect to my colleagues, the tax cut jeopardizes the long-term solvency of two of the critical programs for millions of Americans—Social Security and Medicare—programs for which there is a solemn contract, a contract between the American Government and its people, a contract which is now in question.

There are a series of rather straightforward questions that lie at the heart of this debate: Do we live for today? Do we consume for today's satisfaction? Or do we plan, do we save, do we prepare for tomorrow? Do we support fiscal gluttony or fiscal discipline? The question our children might ask is, do we eat our dessert before or after spinach?

The amendment Senator ROBB offers delays the effective date of any tax cut until after legislation strengthening Social Security and Medicare has been enacted. This proposal, I suggest, is not dissimilar to the approach which has been proposed by the leadership in the House of Representatives. They have agreed that debt reduction, at least as measured by interest expense, should take priority over tax cuts. Under the House proposal, tax cuts are not made if interest payments do not decline.

Similarly, our amendment places the preservation of Social Security and Medicare as higher priorities than tax cuts. The amendment states that before any tax cut proposal can be implemented, Congress must pass, and the President must sign, legislation extending the solvency of Social Security three generations, or to the year 2075. The Congress must also pass, and the President must also sign, legislation that modernizes the Medicare program and extends the solvency of the hospitalization program within Medicare through the year 2027.

Unfortunately, the tax cut proposal on the Senate floor does not just delay our efforts to preserve these important programs for future generations; it brings these efforts to a screeching halt. The $800 billion tax cut in the plan before us represents over 80 percent of the projected non-Social Security surplus over the next 10 years.

I point to this chart, which indicates that through the combination of the tax breaks of $792 billion, and then the interest which we will have to pay—rather than as our budget has been calculated, those $792 billion would have been used to reduce the Federal debt—since that use will now be diverted to tax cuts, that means we will be required to pay out an additional $100 billion in interest during the next 10 years. With the combination of the lost interest savings associated with these tax cuts and the lost revenue from the tax cuts themselves, the surplus disappears completely, leaving no resources to strengthen Social Security or modernize Medicare for our Nation's older citizens.

Although we cannot accurately predict how the economy will perform over the next 10 years, we do know that demographic changes taking place in America will place a tremendous strain on Social Security and Medicare.

Our elderly population is growing quickly. Those seniors are living longer than ever before. As a result, Social Security is projected to run its first ever deficit in the year 2014.

It has been stated that all we have to do to save Social Security is to lock up the $1.9 trillion that will be derived by the Social Security surpluses in a lockbox, that we can wipe our hands of any further responsibility for the solvency of Social Security. As you well know, the fact is that that will only extend the Social Security solvency to approximately the year 2034. Yet our commitment is to preserve Social Security for three generations, not only to those who are the current beneficiaries, not only to those who will soon become beneficiaries but to their children and their grandchildren. A three-generational solvency for Social Security cannot be achieved through the singular step of investing all of the Social Security surplus into strengthening the Social Security trust fund.

Even worse than the challenge faced by Social Security is the challenge faced by Medicare. The twin pillars of security for older Americans—financial security through Social Security, health security through Medicare.

The trustees of the Medicare fund have reported that Part A, the hospital payments, already exceed the program's revenue and will do so in each of the next 15 years.

In addition, not only does the program have a serious financial problem, Medicare is an increasingly out-of-date program and one that fails to take advantage of the benefits of modern medical science. We have a program which is from the model year 1965 when we desperately need one worthy of the 21st century.

For example, we should increase the number of important preventive benefits available to Medicare. We should provide for programs such as hypertension, programs like glaucoma, for smoking cessation, for the management of hormones—all of which would extend the quality and the length of life, all of which are within the current extents of modern medicine. Yet the Medicare program does not provide those or many other of the important, proven preventative measures.

We need to support that preventive effort by extending Medicare to include a prescription drug benefit, which is not only an important part of treating chronic diseases but a critical part of maintaining the health of our older citizens.

Private health care plans long ago recognized that prescription drugs are a vital tool in efforts to save lives, improve health quality, and prevent and treat sickness and disease.

Medicare will not be relevant in the 21st century if it does not cover the treatments physicians use and patients require.

Yet the tax plan before us says nothing about preserving Social Security to the year 2075 or protecting and strengthening Medicare to the year 2027. Instead, it blindly devotes virtually all of the non-Social Security surplus to tax cuts without considering the larger budget issues, issues which hang over us like the sword of Damocles.

Despite a record economy, the best fiscal situation since the late 1960s, this tax bill passes on the hard choices, passes on the choices that are going to be important to our children and our grandchildren.

The deficit may be gone, but we are still operating under the same pass-the-buck-to-the-next-generation mentality that created it. Talk of an $800 billion tax cut versus a $500 billion tax cut versus a $250 billion tax cut, all of those miss the fundamental point. The fundamental point is, Congress should not pass any tax cut until we have strengthened Social Security by making it solvent for three generations. We should not pass any tax cut until we modernize Medicare by increasing the number of preventive benefits, incorporating a prescription drug benefit, and securing the program's fiscal health. Those should be our priorities.

When this amendment was introduced during last week's Finance Committee markup, it was defeated on a strict party-line vote. It is my hope that bipartisanship, common sense, respect for future generations of Americans will prevent a similar outcome on the Senate floor this week. But if it does not, I am very confident and, frankly, very proud that President Clinton has stated he will veto any tax cut proposal that does not put Social Security and Medicare first. He is in the fiscally responsible position, one that values wise preparation over instant gratification.

Now is the time to extend the life of Medicare and Social Security. Later, if our fiscal situation permits, it might be time to enact tax cuts. But my first priority, shared by Senator ROBB, is to my nine grandchildren and the other children of their generation. I hope my colleagues will join me in making this the priority of Congress as well.

I thank the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield to the Senator from Tennessee such time as he may require.

The PRESIDING OFFICER. The Chair recognizes the Senator from Tennessee.

Mr. THOMPSON. I thank the Chair, and I thank Senator ROTH.

It must seem strange to those watching this debate that people on both sides who have the same interest come to such different conclusions about how to get where we both say we are trying to go.

There is no controversy with regard to the need to do something about Medicare and Social Security. We all know that. There is no controversy about the need to do something not just for ourselves but the next generation and the next generation after that. I think that is why many of us came to the Congress and to the Senate. We wanted to give back a little bit. We wanted to look forward. We wanted to do some of those tough things that maybe we thought anybody couldn't do and we could maybe come in for a little while and do that.

Yet here we are, with such diametrically different views as to what will accomplish that. That is what makes good debates, and we have heard a fine presentation with regard to this amendment. But I think it is totally shortsighted and misguided.

In the first place, let's not forget what we are about. We are about the question of whether or not we should have a tax cut with a projected $3 trillion surplus. Some people are suspicious of these projections. I am suspicious of most projections. We know it will not be exactly right. We just don't know which direction or how much. But this Congress gets together quite often and passes tax cuts. If a little farther down the road we have been proven to be incorrect with regard to our projection, it won't take us very long to come in here and raise additional revenues if they are needed. It happens all the time, in my opinion, whether they are needed or not.

On the other hand, if we spend an additional trillion dollars, as the President suggests, that is gone. If we add on additional entitlements without the ability to pay for it when our entitlements are eating us alive in terms of squeezing out spending for everything else, we will never reverse that process.

I fail to see the danger, the treacherous nature of a tax cut, because we can raise taxes anytime we want to. But right now on the table we have a $3 trillion projected surplus. It is really very simple. What do we do with that?

We say that actually less than 25 percent of it, a little over 23 cents on the dollar, should go back to the taxpayers. The rest of it goes to debt reduction, Social Security, whatever we choose to spend with regard to Medicare or any other items of preference on which we believe we need to spend money. And we can't tell that year to year.

Some people say we are cutting money from education and the environment and all that. It is not true. It is absolutely not true. We got together as a Congress with the President a couple of years ago and agreed to abide by some caps. That was the deal. We are trying to stay with that deal. After that deal runs out in 2002, we, as a Congress, can spend the money however we want to.

My personal opinion is, we need to put some more money into some things and we need to take some money out of things on which we are spending money. That is what Congress is all about. So this business that we are going to be cutting this program and cutting that program would lead someone watching us to believe that in our proposal we are slashing this and slashing that. That is what the President is going around and saying, and he is misleading people when he is doing that.

When we increase, we have certain constraints. There is no question about that. I make no apologies for it. I think it is a good thing. It is what we agreed to do. Even past that, we should have certain constraints. But within that framework, we have the ability to spend more money on some things and less money on others. That is as far as discretionary spending is concerned.

Now, with regard to Medicare and Social Security, the proposal before us basically takes our natural sentiment to be very concerned about Medicare and Social Security, because they are in trouble, and says let's hold everything off until we solve that problem. That sounds like a good idea, if this proposal that is before us right now would solve that problem. It would not. It would exacerbate the very problem we say we are trying to solve.

This amendment would say we can't have any tax cuts until we pass legislation that will make Medicare solvent to the year 2027 and make Social Security solvent to the year 2075. What is magic about those dates? What about the year after 2027? We have been talking about what is going to happen in the year 2030. We are going to have twice as many people over the age of 65 at 2030. Why would we want to make it solvent to the year 2027 when we are going to be right in the middle of crunch time?

There is no magic to these dates. Where these dates come from is the President of the United States. These are President Clinton's dates. These are the dates to which he says what he is doing will extend Medicare and Social Security. And they won't.

I think that most economists, most objective observers, the Comptroller General, the CBO, and everyone else who has taken a look at it basically acknowledged that. But it is suggested that we wait before we have any tax cuts until we agree on legislation that will solve these problems by those dates. Can you imagine that process? Can you imagine our agreeing on what legislation in effect accomplishes that?

I can tell my colleagues—and I think most observers I have read who have a job in looking at these things would conclude—that the President's proposal does not do that. What the President basically proposes—and he is able to say this with a straight face because it is so complicated; it is difficult to understand—is saying, okay, we have trouble with Medicare and Social Security. For the most part we have dedicated sources, FICA taxes, to take care of most of all that. But we have trouble with that now. So instead of disciplining ourselves, let's go to the general revenue, because we have some extra now, and instead of reforming Medicare and Social Security and doing those things that the Medicare Commission tried to do, instead of doing those things that some bipartisan Senators—the Senator from Virginia is on one bill that I am on—instead of doing those fundamental things to really solve Medicare and Social Security, let's just transfer some general revenues over into those items to serve as a temporary fix—in Medicare's case, until 2027.

I don't know what the idea is that we are supposed to do. I guess the idea is none of us will be around here to have to answer for it by 2028. But let's look at it individually. Since this amendment is predicated upon the President's proposal, I can only assume that it takes the position that the President's plan works and the President's plan will actually get us solvency by these dates.

But with regard to Social Security, I think both the majority leader and the Speaker of the House have reserved bill No. 1 on both sides for the President's Social Security bill, where he can submit his legislation that he says will effectuate his plan in order to save Social Security. It hasn't come yet because I think most people realize it is not a serious plan. It is a transfer of trillions of dollars of IOUs in the Social Security trust fund, the creation of a new debt that will constitute a burden on future taxpayers.

You talk about looking out for the future. This is not looking out for the future; this is not looking out for our children and our grandchildren, by transferring trillions of dollars in IOUs that will have to be redeemed some day. Then the President, of course, doesn't make these transfers until starting 2011 because that is outside the purview that we are looking at, and CBO and all these other commentators. So nobody is really able to evaluate it very effectively. And then it takes the money he says will come from all of this and he has the Government invest it. He has the U.S. Government invest it.

Chairman Greenspan says that is a terrible idea. When you get right down to it, after all is said and done, there are only three ways to solve this problem, in terms of Social Security: You have to increase taxes, you have to cut benefits, or you have to come up with a way that will produce more off the investments than are being made.

Now we have bipartisan legislation over here—the Senator from Virginia and I—on a bill that we think will do that. That is the only kind of thing that will do that. Transferring more general revenue funds—as I put it earlier, putting more water into a leaky bucket, when the hole in the bottom of the bucket is getting bigger every day—will only carry us so far, they think until 2027 on Medicare and 2075 on Social Security. It might. It might get us that far if we put enough general revenue funds in while we have a surplus. I assume it very well might get us to 2027.

So what. Don't we have an obligation past that? Don't we have an obligation to do something more fundamental? It doesn't take a genius to say you have some extra money, let's just pour it on top of a broken system, or, as one of our Members likes to say, putting more gasoline into an old run down, beat up, decrepit automobile doesn't change the nature of that automobile.

So the President's plan with regard to so-called saving Social Security is not a serious proposal. The President's own budget—the document that he submits, the ''Analytical Perspectives of the Budget of the United States Government, Fiscal Year 2000''—says that:

> Under the proposals in the President's budget, the trust funds balances are estimated to increase by approximately 70 percent by the year 2004, raising to $2.8 trillion.

That is the part of the plan the President says will take Social Security out and keep it solvent until the year 2075. But the President's own folks continue:

> These balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. These funds are not set up to be pension funds, as are the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.

It is a shell game. His own folks, in this thick document, basically tell it like it is. When you hear him talk about it, of course, it is a little bit different. It makes you believe it is real money and you are setting something aside, and so forth. It is not. The only way we can reform this problem, and the only way we are going to get our arms around it, is to increase FICA taxes. We don't want to do that. The working man is overburdened as it is today. Cut benefits. We don't want to do that, or come up with a system that is going to produce more revenue than the investment that our Social Security system has today, which is virtually nil. We can put a little part of it in the stock market, and even if the market crashed, unless we had unprecedented decades of low market, it would produce much more than what the Social Security system is producing today. Those are the only things we can do. I do not believe these other things are serious in the effect they would have.

Of course, again—and I mentioned it several times today—we are dependent upon the President's support, I guess, to pass a bill that will do these things when, on the other hand, he is doing everything he can to prevent reform. We had a bipartisan Medicare commission. We have these bipartisan bills. As far as the commission is concerned, the President did everything he could to defeat the recommendations there. Democrats and Republicans—and Senator BREAUX chaired that commission, a Democrat—worked together and came up with solutions. The President would not support it. He would rather have a temporary political issue than a long-term solution to this problem. That is very disappointing. Many of us who were critical of the President some time ago thought that in his last couple of years in office he might want to step forward and do this and leave that kind of legacy. He could have done that. It is a wasted opportunity, and I regret that.

So that is the Social Security plan, one that doesn't consist of real economic assets and will have to be financed by raising taxes borrowed from the public or reducing benefits.

What about Medicare? As I understand it, the President's proposal there basically transfers $327 billion from the general revenue. CBO takes a look at it and says it will make Medicare more solvent for several more years. It doesn't have a number on it. But this is what the professionals who look at this say about that. This is what CBO says about the President's Medicare financing. Again, is this the solution to the Medicare problems we have? Is this the reason why we can't have tax cuts because this is what we need to do? I don't think so. Listen:

> The President is proposing to augment Medicare's financing by making transfers from the general fund of the U.S. Treasury to the program's trust funds.

That sounds familiar—Social Security and Medicare.

> Consistent with the policy outlined in the President's budget for fiscal year 2000, CBO estimates that $288 billion would be transferred from the general fund to the Hospital Insurance trust funds over the next decade. That transfer would delay by several years the projected date on which the HI [Hospital Insurance] trust fund will become insolvent by committing future general revenues to the program. It would do nothing to address the underlying rapid growth in spending for Medicare that will eventually outrun the revenues dedicated to the program.

Just on borrowed time, headed toward a cliff.

This plan does nothing to fundamentally alter that.

The Comptroller General, talking about the President's proposal—again, this amendment is based upon the numbers, as I understand it—if I am

wrong about that, I can be corrected. But they are the same numbers that the President has been using throughout his plan. The Comptroller General says:

> I feel that the greatest risk lies in extending the HI trust fund solvency while doing nothing to improve the program's long-term sustainability, or worse, in opting for changes that may aggravate the long-term financial outlook for the program.

What he is talking about is something that might not only not do any good in terms of a fundamental sense but will aggravate the problem. If we deceive ourselves into believing that by using general revenue moneys we are really doing something to solve the Social Security/Medicare problem, it will put off real reform and wind up hurting Social Security and Medicare. It encourages us to wait. We can't afford to wait for fundamental reform.

We have in excess of $500 billion in our proposal that can be spent for transition costs, Medicare, any other discretionary spending proposals that we as a Congress decide to spend it on. That is general revenue money, too. There is no question about that.

But, fundamentally, both sides have to come together on an agreement that this is not the sort of thing that is going to solve that problem. It has nothing to do with tax cuts. If we don't fundamentally solve the Social Security problem, a tax cut is going to be irrelevant. If we don't fund it, they are going to be irrelevant to that. It has nothing to do with that basic problem. By keeping the economy strong, cutting taxes for working people, letting them keep a little bit more of their own money, it doesn't directly benefit these programs but it helps the people whom these programs ultimately are designed to benefit.

In conclusion, basically we have no legislation before us and no proposal that would effectuate this amendment in terms of what kind of legislation are we talking about to reach these magic dates.

Second, the President's position, which I think these dates are based upon, is a flawed one for the reason that we have set out.

Lastly, not only is this not reform, but it goes against reform. So, indeed, we come full circle.

I agree with my colleagues that my heart is in the same place as theirs. I want to figure out a way for us to come together and really do something about Medicare and Social Security. I want to find a way to do something about not just ourselves up to 2027, or however long some of us might still be around here—not myself, but the next generation and the generation after that.

Let's look seriously and see whether or not this is the sort of thing that is going to get us there, or whether buckling down and doing the hard work, the hard, politically risky work—because if you use the words, you are running some kind of political risk—and not be diverted with false reasons as to why we shouldn't have a tax cut.

We have had more reasons in one day than you can shake a stick at as to why the world would come to an end if we had a tax cut. There is no good time for a tax cut for some people because a tax cut has more to do with than just dollars and cents; it has to do with the exercise of who is going to make decisions in this society. Money is power. Where the money lies is where the power lies. Is it going to be in the pockets of the American people, or is it going to be in our pockets?

Some say we have been a little bit too reticent ourselves because we say of the surplus dollar that only 25 percent or less should go into the American people's pockets. But to call that dangerous, to call that gluttonous, to call that selfish greatly exceeds the mark.

I urge the defeat of the amendment.

Thank you, Mr. President.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. ROBB. Mr. President, I thank you, and I thank the distinguished Senator from Tennessee for his comments. I think he is absolutely correct in that there is much that we agree upon. I would like to commend him for his effort to reach the bipartisan consensus that is going to be required if we are going to solve either challenge that we are discussing this evening.

Social Security will not be saved without a bipartisan effort, and it is going to require the hard, politically risky work that the Senator from Tennessee just alluded to. The same thing is true with saving Medicare. Those are not easy decisions. That is one of the principal reasons that we are suggesting we ought to address those tough questions first.

Let me suggest I understand in terms of the remarks made by the distinguished Senator from Tennessee that taking on something that is not on the table is effective. But we are not really defending all of the President's plan in this particular instance. We are using a couple of numbers that happen to coincide with the President's. But ours is much simpler and much more specific. We are talking about simply postponing this tax cut.

The Senator from Tennessee made the point that it might be difficult to actually achieve whatever is necessary for some actuary to come to the conclusion that we had in effect saved Social Security or that we had saved Medicare. I would not contest that assertion by the Senator from Tennessee.

But we are not saying you can never have a tax cut. We are saying only that we will not have this tax cut, this tax cut that we believe at this time is excessive. It may be that a time will come when tax cuts, particularly targeted tax cuts, are appropriate. I suggest to my friend from Tennessee that while the time may be difficult to envision in terms of major tax cuts, it seems to me a time that does not cry out for tax cuts is a time when the economy is not in need of the economic stimulus that would come with a tax cut.

The one thing that the Fed seems to suggest to us is that a tax cut could overheat the economy and would have consequences that we are trying to avoid at this particular time. But the bottom line is this: We are not suggesting anything but, hold up. We are saying in effect, What is the hurry? There is no compelling urgency to cut taxes, particularly when we are talking about a tax cut of this magnitude that can be addressed next year, or the year after, or whenever we find that we can afford to make that kind of a tax cut after meeting our obligations, such as protecting Social Security and Medicare.

That is all we are saying. We are only suggesting that, because of the magnitude of this particular bill, we ought to suspend this particular tax cut until we have achieved those objectives. I suggest that is a relatively modest restraint on our activities, but it is a fiscally responsible approach to take.

I have to tell the distinguished Senator from Tennessee that there are many on this side of the aisle at least who are not all that enamored with some of the suggestions that our brethren have made with respect to tax cuts at this time, and indeed we voted for the Democratic alternative only because it would substitute for the bill that is on the floor today.

But we are not against tax cuts altogether for all time. Indeed, there are some areas where we should provide cuts—the extending, for instance, of the R&D tax credits and others that we know we are going to do anyhow—it is something that would provide a sense of realism and would allow some certainty in terms of planning for those companies that are doing the cutting edge work, that make our economy strong, and that make us a leader in the global economy.

But we are just saying this tax cut is so big and so difficult to justify that we ought to at least hold up until we have, again to quote the distinguished Senator, ''done the hard, politically risky work'' to protect Social Security and Medicare.

Again, I commend the Senator because he is willing to engage. He is willing to roll up his sleeves and engage on a bipartisan basis in trying to make those tough decisions. I wish we could find more on both sides of the aisle who were willing to roll up their sleeves and work on these decisions.

The distinguished Senator from Florida and I are saying, let's simply not make this tax cut effective until we have solved those problems facing both Medicare and Social Security. I agree with the Senator from Tennessee, we are not solving these problems just by saving some of the surplus generated by Social Security. That does not bring about the systematic change we are going to need to have if we are going to

solve the long-term solvency question with respect to Social Security. We are not doing that at this point with respect to Medicare. To that extent, I agree with the Senator.

We have the tougher decisions to make. We are saying let's not take advantage of a projected future surplus since that would, indeed, make all of the other decisions more difficult.

Another point where I differ with the Senator from Tennessee, he says it is always easy to come back and, in effect, reverse the decisions; if we cut taxes too deeply, we can turn around and raise taxes. With all due deference and respect, raising taxes is not easy to do. There are very few in this body on either side of the aisle who like to be tagged with either authoring or voting for a tax increase. That is the problem with tax cuts of this magnitude, particularly when they would be so difficult to reverse, and we splurge without making the tough decisions first. In the meantime the current surplus can be used for constructive, long-term debt reduction.

Lastly, I have been concerned about the focus on publicly held debt as opposed to the total debt. We used to be very much concerned about the total debt. I have told my friends from the White House and others who have focused on this, I think what we are doing to reduce the public debt is a good thing. However, the plan promises too much. We are really not reducing the total obligation we have simply by making the IOU a statutory obligation instead of having it part of the publicly held dealt. Reducing the publicly held debt does good things. It makes our financial future better. It means we don't have to go out and borrow on the markets. However, the same obligations we have with respect to Social Security now, with respect to Medicare now, are still there. We are simply transferring them to a different form so our financial picture looks a little better.

I suggest again this is a limited amendment. It is simply saying, what is the hurry with respect to huge tax cuts that may or may not materialize? Let's do the responsible thing. Let's do that hard, politically risky work of extending Social Security and Medicare solvency first. Then we can address the question of whether or not we provide additional tax cuts and what form and what magnitude they might take.

I yield the floor.

Mr. GRAHAM. Mr. President, in 1983 Alan Greenspan chaired a commission to study the state of Social Security. He began the deliberations of that commission with this admonition: Every member of the commission is entitled to their opinion. No member of the commission is entitled to their facts. We are going to work off a common base of facts and then from that common base arrive at an informed set of judgments.

What are some of the facts that drive this amendment? One, there is a tidal wave of Americans who will reach 65 and become beneficiaries under the Medicare program and the Social Security program beginning in the year 2010. That generation, the generation born immediately after World War II, will more than double the number of current beneficiaries in Social Security and Medicare. That is a fact.

Second, it is a fact that under the current financing in the year 2014, 4 years after that tidal wave begins to hit, Social Security will go negative. That is, it will begin to pay out more benefits than it will take in annually in revenues.

Third, it is a fact that even if we do as is suggested, put all of the Social Security surplus into strengthening the Social Security system primarily by paying down the national debt, even that step will only extend the solvency of Social Security to the year 2034. That happens to be a significant date for me because my youngest daughter will become 65 in the year 2034. I hope she might not necessarily be listening to my remarks, she would not be happy for me to remind her of that.

Fourth, it is a fact that Medicare is a program of the 1960s based on 1960s knowledge of medical science, 1960s concepts of how to provide insurance for health care. With a few exceptions, it is still a 1965 program. It is a program in which the trust funded portions—that is, those that relate to hospital services—is already in a negative position. It is a program which will crack under the weight of the beneficiaries who will begin drawing its services in the year 2010.

Finally, it is a fact that the longer we delay dealing with Social Security and Medicare, the more difficult the problem becomes. We may think we have eased our burden by delaying these hard decisions. We may have eased our burden because we may not be here. But the sooner we act for the benefit of all Americans, particularly those Americans who properly are anticipating the contract they have with their Government for the financial security of Social Security and the health security represented by Medicare, their problems, their challenges, grow daily more severe as we delay dealing with these fundamental issues.

I want to join my colleague, Senator ROBB, in saying much of what the Senator from Tennessee said was compelling. However, he asked a question: Why is there a relationship between Social Security solvency, Medicare and its strengthening and solvency, and the tax cut? These are unrelated, disparate policy issues.

I beg to say I could not disagree more. There are two ways in which these issues are inextricably intertwined. One is fiscal. This chart indicates with the tax cut of $792 billion and the foregone interest savings of $141, the total cost to the treasury over the next 10 years of the plan before the Senate is $933 billion. If someone wishes to challenge those numbers, I stand silent and yield for them to do so.

I assume, thus, that we agree those are the right numbers.

With a total surplus from non-Social Security purposes—and we have already agreed we will put all the Social Security surplus into saving Social Security—that is $964 billion over 10 years, meaning the total amount that is left will be $32 billion over 10 years, or a little over $3 billion a year in order to do everything else that we may find needs to be done.

The fact is, once we have committed ourselves to this plan, there are no fiscal resources to either further strengthen Social Security to move beyond the year 2034, or to strengthen Medicare. So there is a fiscal relationship.

But beyond the fiscal Siamese twins of these issues, Social Security and Medicare, and this tax cut, is a political reality. There is nothing easier in politics, there is nothing that is less likely to get you a chapter in ''Profiles In Courage,'' than cutting taxes. Everybody likes to cut taxes. That is the classic case of eating your political desert. The question is, Do you eat your desert before you have had to first eat your vegetables? That is what we are being asked to do by passing this tax cut before we have dealt with the vegetables of Social Security and Medicare.

One of the most responsible groups is a group which is now led by two of our colleagues, former Republican Senator from New Hampshire, Warren Rudman, and Democratic Senator from Georgia, Sam Nunn, the Concord Coalition. The Concord Coalition was one of the driving forces that has given us the opportunity to have this debate tonight about surpluses because they helped focus national attention on the rot we were suffering year after year because of the deficits and the mounting national debt.

What does the Concord Coalition advise us about the issue we face tonight? Mr. President, I ask unanimous consent to have printed in the RECORD immediately after my remarks, a statement released today, July 28, 1999, by the Concord Coalition.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibit 1.)

Mr. GRAHAM. This is the statement of the Concord Coalition. In conclusion it provides:

> The bottom line is that, at the moment, political leaders have no idea how to meet the long-term spending promises that have been made for Social Security and Medicare, and no idea how to meet the tough discretionary spending caps on which the baseline surplus is premised. Major tax cuts should await the resolution of these issues. If the politically hard choices are not made before the easy ones, there is a very real danger that we'll end up spending a surplus we don't really have.

Let me repeat:

> If the politically hard choices are not made before the easy ones, there is a very real danger that we'll end up spending a surplus we don't really have.

So those are why the issues of sequencing—what do we do first, where do we put our primary priorities—are central for the fiscal future of this country and the debate we have this week. I will briefly say why I think the proper order is Social Security and Medicare first.

First, the Social Security taxpayers and the Medicare taxpayers, through their payroll taxes, have created the totality of the surplus we have today. There is no other surplus than the Social Security surplus today, and there will only be a meager surplus beyond Social Security for the foreseeable future. So should not the people who created the surplus have some moral standing to be at the front of the line, not the back of the line, when we decide how to spend the surplus?

Second, a substantial amount of the non-Social Security surplus is going to be the result of the Social Security surplus being invested in paying down the debt held by the public and therefore relieving the National Government of enormous interest payments—that $2 trillion of Social Security surplus when it is fully committed to reducing the debt held by the public. Let us say the average interest on the debt of the Federal Government today is 6 percent. Mr. President, as a certified public accountant, what kind of interest savings do you get at 6 percent on $2 trillion? A very substantial amount of money. And that is a significant part of the non-Social Security surplus. Don't the people who are creating those interest savings deserve to be at the front of the line, not at the back of the line?

Third, we do have a solemn contract between the American Government and its people on these programs. If we think we should not have that contract, then I think someone should stand up and be candid and honest and say: Let's repeal the 1935 Social Security Act, let's repeal the 1965 Medicare Act, so there will not be any false expectations. We are going to abrogate these contracts.

I do not believe there is any Member of this Senate or the House of Representatives who would do so. Therefore, I believe we, as the trustees for the American people in these important programs, have an obligation to see that they can fulfill their expectations.

Finally, we are not suggesting, with the amendment that Senator ROBB and I have offered, what the resolution of this issue should be. There are probably a dozen or more good ideas in this Chamber as to how we should strengthen Social Security, how we should strengthen Medicare. What we are saying is there should be a performance standard. The performance standard, I say to the Senator from Tennessee, my good friend, is not one we stole from somebody else. We have been saying for many years that Social Security should be solvent for three generations.

When you apply that three-generational test to 1999, it happens to come out to the year 2075. If somebody has a different standard they believe Social Security solvency should be judged by, let them come forward and make the case. But I believe we should guarantee this program for current beneficiaries, their children—like my child who, in the year 2034, will start drawing her Social Security benefits and become eligible for Medicare. I am pleased to say that same daughter is now about to make us grandparents, Adele and myself. This will be our 10th grandchild. In November she will have a baby. So we are concerned about the new baby who will soon come into our family. I believe that is a concern all of us share who are or hope soon to be grandparents. So I believe in the three-generational standard, which has been the standard against which Medicare solvency has been historically judged, is a sound one and represents the intergenerational contract.

We are not suggesting how that contract should be fulfilled because there are many ways. But we are saying that is the standard against which all proposals should be judged. Similarly, with Medicare—that is a more difficult proposition because Medicare, unlike Social Security, is not totally funded out of a trust fund but rather a mixture of a trust fund for hospitalization and general revenue, plus premiums by the beneficiaries for the physicians' portion of Medicare. We are saying that, for the hospitalization plan, we should set as a standard the year 2027 for solvency of that trust fund.

Again, if someone wishes to argue for a different standard, that is certainly their prerogative. But we need to have a measurement. We need to have something like an external audit, some standard to which we can submit our proposals and have them evaluated as to whether they meet the test of the American people.

So what we are saying is let's maintain our options. Let us not place ourselves in a position where we are unable to achieve those standards of solvency for Social Security and Medicare. Once we have done that, we can declare hallelujah, and then we can proceed, if there are funds left after we have accomplished those purposes, to tax cuts or whatever else the Congress and the American people believe to be their priorities. But these are the first two priorities. There is both a moral and a legal obligation, and maybe most important, an obligation to our future, as seen in the faces of our children and grandchildren. It is to them that this amendment is directed.

I urge my colleagues to adopt the simple principle: Let's do first things first, and Social Security and Medicare solvency are the first two responsibilities of this Congress. I thank the Chair.

EXHIBIT 1

[From the Concord Coalition, July 28, 1999]

TAX CUTS SHOULD AWAIT HARD CHOICES ON SPENDING

WASHINGTON.—With the House and Senate headed toward passage of a $792 billion, 10-year tax cut, The Concord Coalition today challenged Congress and the President to make the hard choices on discretionary and entitlement spending before enacting a major tax cut.

''Cutting taxes in anticipation of spending cuts that have not been made, and may never be made, is a recipe for the return of chronic annual budget deficits,'' said Policy Director Robert Bixby. The Concord Coalition pointed out that Congress and the President have yet to agree on several key spending issues, including:

Discretionary caps—The Congressional Budget Office (CBO) baseline assumes that the discretionary spending caps will be complied with through 2002. It is increasingly clear, however, that this goal will not be met. Spending will exceed the caps either explicitly or by stealth through the emergency loophole. The projected baseline surplus varies by hundreds of billions of dollars depending upon the path of discretionary spending. Tax cuts should therefore await a more realistic assessment of the non-Social Security surplus, which will be available only after the dust settles on the appropriations bills.

Medicare prescription drug benefit—Congressional leaders and the President seem to agree that a prescription drug benefit should be added to Medicare. According to CBO, the President's plan would cost $111 billion over ten years. Republican leaders have suggested a less expensive approach, but the question remains—how much will the new benefit cost?

Social Security reform—The CBO baseline assumes that the entire surplus will be used for debt reduction. But what about Social Security reform? Many responsible reform plans would use at least the Social Security portion of the surplus as the down payment on a funded system of individually owned Social Security accounts. If combined with appropriate long-term cost savings in the rest of the program, such a reform plan would do more to improve the outlook for future generations than a strategy of debt reduction alone. Enacting a major tax cut now, however, could drain away resources that may well be needed for the costs of transitioning to a more sustainable, generationally equitable Social Security system.

''The bottom line is that, at the moment, political leaders have no idea how to meet the long-term spending promises that have been made for Social Security and Medicare, and no idea how to meet the tough discretionary spending caps on which the baseline surplus is premised. Major tax cuts should await the resolution of these issues. If the politically hard choices are not made before the easy ones, there is a very real danger that we'll end up spending a surplus we don't really have,'' Bixby said.

The PRESIDING OFFICER. The Chair recognizes the Senator from Delaware.

Mr. ROTH. I yield myself 10 minutes.

Mr. President, my good friend and colleague, the Senator from Virginia, raised the question as to why a tax cut now, what is the hurry; the economy is doing well. Let me tell you why I think it is critically important we have a tax cut now. That is because the American family needs it.

In going home and talking to my constituents, talking to many families, whether they are farmers or small businessmen, or whomever, they are finding it hard to face the challenges of today. The cost of sending a child to college is increasing very rapidly and is taxing the typical American family.

We provide relief in this package for the American family who is trying to send their children to college. They are trying to send their children to college today, not 5 or 10 years hence. That is the reason it is important.

I point out there is something like 42 million families without health insurance. There is no hurry to try to address that, as we do in this legislation? We provide that someone who is self-employed or an employee who works for a company that has no health insurance can take a tax deduction for their insurance. That is helping to provide access today. None of us know whether we will be sick today, tomorrow, or in a week. There is a need for that today, not 5, 10 years from now.

What about savings? We all agree as to the critical importance of the two domestic programs—Social Security and Medicare. But to retire today, it is important people have savings, and that is the reason we have stressed so much the importance of pensions, the importance of IRAs, because if people are going to retire with dignity, they must have the opportunity to save not tomorrow, not 5 years from now, but today.

Marriage penalty: How many of my colleagues have gone home and talked to people about that? There is concern that taxwise it pays not to marry but to live in so-called sin. We take care of the marriage penalty. It is long overdue. Why wait? I think there is good reason, if we are going to help the American family, let's help the American family today, not sometime in the distant future.

It intrigues me. People say delay the tax cut, it is not important. But what about spending? My good friend from Wyoming raised that point, and it is a solid one. If we are going to delay tax cuts, why shouldn't we say there can be no increased spending until we solve these two domestic programs? If it is fair for one, why isn't it fair for the other?

Then the point was made this tax cut is inflationary. That is hard to understand. In the year 2000, we are talking about a $4 billion tax cut. That is not very large when you stop and think that our GDP is $9 trillion. It is not very likely our tax cut in the next year or two is going to have a very significant effect on the economy. The larger cuts come down the road in the last 5 years. Sure, we may not like to vote for tax increases, but we have all done it in the past, and we will do it again if it is necessary, but this tax cut is very slow in developing into a major reduction for the American people.

I oppose the legislation for those reasons. I am a strong believer that we can have the tax cut, address the problems of Medicare, as well as Social Security. As I said, the new CBO estimate of the on-budget surplus over the next 10 years is $996 billion, while my bill returns most of this overpayment of taxes back to those who sent it to Washington, while at the same time it leaves enough money on the table for Social Security reform, $1.9 trillion, and Medicare reform, $505 billion.

As I said in the Finance Committee, I am committed to moving a Medicare bill through the committee after we return in September. It is my hope that comprehensive Medicare reform can be achieved, including providing for a prescription drug benefit, but it must be on a bipartisan basis and it must be done with White House cooperation.

The chairman's mark complies with the budget resolution to this committee by reducing on-budget revenues by $792 billion over 10 years. This amount will allow up to $505 billion of the on-budget surplus to be dedicated to Medicare reform. The President's plan costs $118 billion over 10 years. Clearly, the $505 billion left on the table is more than sufficient to reform Medicare with a prescription drug benefit.

The Committee on Finance has held numerous hearings on Social Security over the past few years. Many of the members of the committee have offered comprehensive Social Security reform plans that, I have to say, are quite compelling. I do intend to return to Social Security after this recess and the Senate works its way through Medicare reform.

I oppose this amendment, and I firmly believe we can address all three—a tax cut, Medicare reform, and strengthen Social Security. I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Virginia.

Mr. ROBB. I thank the Chair. Mr. President, I want to respond briefly, if I can, to our distinguished chairman and friend from Delaware with respect to the question of timing.

The distinguished Senator from Delaware mentioned the fact that the tax cut this year is only $4 billion out of some $792 billion that is proposed in the bill. That is about one-half of 1 percent of the total promise that would be incorporated in statutory law if, for any reason, we are wrong. That is what we would have to find a way to change, against all of the forces that are normally arrayed against any tax increase.

Why squander the opportunity to pay down or to begin to pay down the national debt—not just the publicly held debt, the national debt, the national unified debt? This is the first time in well over a generation there has been any opportunity to pay down the debt.

We are not proposing additional spending. I have not checked with my distinguished colleague from Florida for certain, but if the distinguished chairman of the committee were willing to accept an amendment that would suggest some similar restraint on spending which would correspond to the restraint we are attempting to place on cutting taxes, I will suggest to the chairman of the committee, I think we could find a place to make a deal.

We are not suggesting profligate spending. We are suggesting that we put that money in the bank, that we pay down the national debt.

Again, in terms of urgency, one-half of 1 percent is what we would do right now. But the other 99.5 percent would be locked into the law that we would be obligated, by law, to change at the appropriate time. That is the reason we are suggesting that we do not want to rush to judgment with respect to what many of us believe would simply not be a responsible tax cut of this magnitude at this time.

With that, Mr. President, I thank the Chair and yield the floor.

Mr. THOMPSON addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Tennessee.

Mr. THOMPSON. If the chairman will cede me a couple other minutes, just a couple of points.

I have enjoyed this discussion very much. It is a serious discussion about a serious problem. My only real disappointment is to learn that the Senator from Florida has twice as many grandchildren as I have. But all we ask is for an opportunity to catch up.

But I think there are a lot of things we do agree on. We agree that there is a crisis. We agree that we need fundamental reform in Medicare and Social Security. We agree that the longer we delay in doing that, the worse the problem is going to be.

So the question is, Are we doing the right thing by temporarily papering over the problem to extend it a few years, knowing that is not going to fundamentally solve the problem, giving us an excuse not to really address the fundamental problem or should we push and pressure ourselves to go ahead and address the fundamental problem? That is really the issue here today. I think that is where we have a disagreement.

When I said that there is no relationship between this Medicare/Social Security problem on the one hand and tax cuts on the other, I did not mean to say if you keep more of the tax money and pour more of it into Medicare and Social Security, you could not delay it a little longer. That is certainly true, but fundamentally there is no relationship.

The reason I said that was because of what the Comptroller of the United States said. In his testimony in July before the Finance Committee, he said:

> Even if all future surpluses were saved—
>
> Taking every penny of the surplus, not one dime of tax cuts—
>
> we would nonetheless be saddled with a budget over the longer term that the current tax rates could fund little else but entitlement programs for the elderly population. Reforms reducing the future growth of Medicare, as well as Social Security and Medicaid, are vital under any fiscal and economic scenario to restoring fiscal flexibility for future generations of taxpayers.

That is the reason I say that even if we put all this aside —we are throwing a lot of numbers around here—take all of it, pour it into Medicare and Social

Security, so we can tell people we saved it for a few more years, it really would not address the fundamental problems.

Is it incumbent on us to have a temporary solution or to force ourselves to have a longer-term solution? I think it is the latter. That is kind of what it boils down to.

My friends talk about the size of this tax cut. The economy is projected to be $9 trillion next year. The net tax cuts next year alone are $4 billion, so the tax cuts are less than one-twentieth of 1 percent of the economy next year—less than one-twentieth of 1 percent.

I am told that the tax cuts over the 10-year period would be 3.4 percent of total Federal revenues, and it would be under 1 percent of the gross domestic product. So that is not a huge tax cut if you look at it under those terms, in terms of the share of the economy, especially in light of the fact that taxes, especially Federal taxes—especially Federal income taxes—are mushrooming as a share of our total economy. It is eating up more and more and more as a share of our total economy.

We may have good times now, but that is not guaranteed. We are in a world standing as an island, as it were, at the present time while those all around us have problems. Our friends in Asia, our friends in Japan, some of our friends in Europe, some in South America, all have economic problems. So we have to be mindful of that as we go along.

Quite frankly, there are some who say, when we have a deficit, certainly we can't afford to cut taxes; we have a deficit. And listening to the debate today, apparently some of our same friends, when we have a surplus, say we can't cut taxes because we really don't know whether or not we will have the surplus. So that does not leave us much room for a tax cut.

I have enjoyed the debate. I yield the floor and thank the chairman and my good friends from Florida and Virginia for such an interesting discussion.

Mr. ROBB addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Virginia.

Mr. ROBB. I will just respond to one point made by my distinguished friend from Tennessee. He was suggesting, correctly, that if we were to reserve, save, all of the surplus, we would not save Social Security and we would not save Medicare. We do not disagree. We concede.

Indeed, I suggest that that makes the case for why we believe we ought to save this surplus and, at the very least, not squander it, because it might increase the incentive to make those tough political choices we have not made to protect these two programs.

So saving all of the surplus is not going to save Social Security. It is not going to make Social Security solvent in the context that the Senator from Florida and I are discussing, nor is it going to do that for Medicare. We understand that. But it might focus the mind a little bit. As Samuel Johnson said: when a man knows he is to be hanged it concentrates his mind wonderfully. That is not an exact quote, but that is fairly close to it. Delaying the effective date of the tax cuts might give us some incentive, some focus, to conduct that hard, politically risky work that the Senator from Tennessee so accurately described it is going to take if we are to solve the problem with either Social Security or Medicare.

All we are saying is, let's not squander this money. It isn't just a matter of correcting it next year, it exacerbates the problem, because it is going to increase the amount of money we are going to have to carry in terms of the debt. So we are saying: Hang on; $4 billion, one-half of 1 percent; it is not worth locking in the kind of a tax cut some are suggesting until we've done first things first.

It has been a good debate. I am particularly grateful, first of all, to my friend and colleague from Florida for his leadership and cosponsorship, and to the distinguished chairman, who is also good natured—notwithstanding differences we may have which may be fairly significant, but I have never heard a cross word uttered by him—and to the distinguished Senator from Tennessee for engaging in this dialogue which I think does at least illustrate the choice we are going to have to make and the choice that, in fact, we are asking our colleagues to make.

We are simply saying do not squander the surplus by making this kind of humongous tax cut this year when we can wait until next year or the year after and find out exactly where we are going and, hopefully, increase the pressure to actually save Social Security and Medicare. With that, I thank the Chair, and I thank my colleagues.

The Senator from Florida and I happily yield back the remaining time on our side.

Mr. ROTH. Mr. President, I yield back the remainder of my time.

I ask unanimous consent that the pending Baucus motion be considered in order under the provisions of the consent agreement and all other provisions of the consent agreement remain in status quo.

The PRESIDING OFFICER. Without objection, it is so ordered.

MORNING BUSINESS

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate now proceed to a period of morning business.

IN MEMORY OF KING HASSAN OF MOROCCO

Mr. HATCH. Mr. President, I rise to recognize the death of the Arab world's longest-standing leader, King Hassan II of Morocco, who died last Friday at the age of 70. To his family, and to the people of Morocco, I extend my heartfelt condolences.

King Hassan ruled Morocco for 38 years as only the second King of Morocco in that country's modern, independent history, having succeeded to the throne after the death of his father, King Mohammed V, in 1961, only five years after Morocco gained its independence from the French.

Morocco, however, is an ancient country and the country with which the United States has its oldest uninterrupted diplomatic relations. Our two countries signed a Treaty of Peace and Friendship in 1786, which the United States ratified the following year. Thus began a relationship that provided our tall ships a haven in the 18th century and developed into a relationship of geostrategic importance in the 20th century.

This special friendship was cherished in modern times by leaders in both of our countries, particularly King Hassan, and I was pleased to see that President Clinton, along with former President Bush, attended King Hassan's funeral this weekend. America lost a good friend, a wise counsel on the region, and an important and brave promoter for peace in the Middle East.

One of the biggest challenges for the Arab world, as in other parts of the world, has been the challenge of modernization, and how leaders encourage their governments and societies to rise to this challenge.

We have seen several models: secular socialist dictatorships, radical fundamentalist regimes, and traditional authoritarians. King Hassan, whose remarkable career spanned from the era of decolonization to the doorstep of the next century, demonstrated that the traditional model could adapt to the economic and political challenges of modernization. He understood that tradition was not the enemy of the modern, but could ease the transition by providing stability and respect for his people while allowing political and economic reforms to unleash the fundamental strengths and dreams of his people.

For his adept stewardship, he earned the deep and sincere affection of the vast majority of Morocco's nearly 30 million citizens.

Beginning as a traditional authoritarian, the King recognized the importance of constitutional governance early in his reign and expanded political rights through the years. In doing so, he was one of the most successful leaders in the Arab world in reconciling traditional monarchy with the requisites and demands of modernity. King Hassan in recent years had furthered political reform such that, today, the lower house of parliament is elected through universal suffrage from a roster of multiple parties, and the governing coalition, including the Prime Minister, is controlled by the opposition.

Concomitant with these political reforms has been a steady improvement

in the human rights situation, marked, in some significant cases, by reconciliation with and compensation for victims of the past. While power still resides predominantly with the crown, King Hassan, by advancing political democracy and the free market, allowed his people and provided his son, King Mohammed VI, with the fundamental platform on which Morocco will proceed confidently into the next century.

Mr. President, no remarks on the legacy of King Hassan can be complete without recognizing his prescient view of reconciliation between Israel and the Arab world. Many note that some of the initial meetings preparing for the signing of the historic Camp David accords occurred with King Hassan in Morocco. The fact is that the King of Morocco had been providing opportunities for encounters and dialogue for years before then, showing that the King had a wise vision for peace as well as a pragmatist's approach for moving toward this noble goal.

From the 1960s to the late Prime Minister Rabin's visit to Morocco in 1993—which was, by the way, only the second Arab nation visited by an Israeli leader, after Egypt—King Hassan of Morocco demonstrated that he recognized the permanent role that the Jewish state had to play in the affairs of the Middle East. In this, as in many other areas, King Hassan was a leader among leaders.

Morocco's new king, King Mohammed VI, has many challenges before him. He, along with King Abdallah of Jordan, represents the new generation of leaders in the region: highly educated, understanding the West, cognizant of the realities of the region, and faced with enormous domestic economic challenges. Morocco's is a youthful population, straddled with an unacceptably high illiteracy rate and an unyielding demand for economic development. These are extremely tough challenges to burden a new and young king. But let us recall the youth of King Hassan when he assumed the throne in 1961 and the misplaced doubts about his future. We recognize today the legacy of King Hassan to his son and his nation.

The United States should assist in the continuing modernization of Morocco and the continuing cooperation to create a more peaceful Middle East. So should continue a special relationship into the 21st century that began so propitiously in the 18th.

THE DEATH OF KING HASSAN II OF MOROCCO

Mr. ABRAHAM. Mr. President, I rise today to honor the life of King Hassan II and express my deepest sympathy and condolences to the people of Morocco.

It was with a great sense of sadness that I learned of the death of King Hassan, a statesman, a peacemaker, and a visionary. The King was beloved not only by the Moroccan people, but by people committed to peace throughout the Middle East and around the world. He was dedicated to this mission for decades, and it is quite unfortunate that he could not live to see the final outcome of his lengthy efforts.

Many in my home State of Michigan and throughout the United States stand with the people of Morocco in mourning the loss of this great leader. My deepest and heartfelt condolences go out to King Mohammed VI, the King's family and all the people of Morocco in these difficult times.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Tuesday, July 27, 1999, the Federal debt stood at $5,640,525,290,562.24 (Five trillion, six hundred forty billion, five hundred twenty-five million, two hundred ninety thousand, five hundred sixty-two dollars and twenty-four cents).

One year ago, July 27, 1998, the Federal debt stood at $5,539,293,000,000 (Five trillion, five hundred thirty-nine billion, two hundred ninety-three million).

Five years ago, July 27, 1994, the Federal debt stood at $4,634,715,000,000 (Four trillion, six hundred thirty-four billion, seven hundred fifteen million).

Ten years ago, July 27, 1989, the Federal debt stood at $2,802,522,000,000 (Two trillion, eight hundred two billion, five hundred twenty-two million).

Fifteen years ago, July 27, 1984, the Federal debt stood at $1,535,890,000,000 (One trillion, five hundred thirty-five billion, eight hundred ninety million) which reflects a debt increase of more than $4 trillion—$4,104,635,290,562.24 (Four trillion, one hundred four billion, six hundred thirty-five million, two hundred ninety thousand, five hundred sixty-two dollars and twenty-four cents) during the past 15 years.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGES FROM THE HOUSE

At 2:19 p.m., a message from the House of Representatives, delivered by Mr. Hanrahan, one of its reading clerks, announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 2488. An act to provide for reconciliation pursuant to section 105 and 211 of the concurrent resolution on the budget for fiscal year 2000.

H.R. 2605. An act making appropriations for energy and water development for the fiscal year ending September 30, 2000, and for other purposes.

ENROLLED BILLS SIGNED

The message also announced that the Speaker has signed the following enrolled bills:

S. 604. An act to direct the Secretary of Agriculture to complete a land exchange with Georgia Power Company.

S. 1258. An act to authorize funds for the payment of salaries and expenses of the Patent and Trademark Office, and for other purposes.

S. 1259. An act to amend the Trademark Act of 1946 relating to dilution of famous marks, and for other purposes.

S. 1260. An act to make technical corrections in title 7, United States Code, and for other purposes.

The enrolled bills were signed subsequently by the President pro tempore (Mr. THURMOND).

MEASURE PLACED ON THE CALENDAR

The following bill was read twice and placed on the calendar:

H.R. 2488. An act to provide for reconciliation pursuant to section 105 and 211 of the concurrent resolution on the budget for fiscal year 2000.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on July 28, 1999, he had presented to the President of the United States, the following enrolled bills:

S. 604. An act to direct the Secretary of Agriculture to complete a land exchange with Georgia Power Company.

S. 1258. An act to authorize funds for the payment of salaries and expenses of the Patent and Trademark Office, and for other purposes.

S. 1259. An act to amend the Trademark Act of 1946 relating to dilution of famous marks, and for other purposes.

S. 1260. An act to make technical corrections in title 17, United States Code, and for other purposes.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–4400. A communication from the Program Analyst, Office of the Chief Counsel, Federal Aviation Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled ''Revision of Class D and Class E Airspace; Cannon AFS, Clovis NM; Docket No. 99–ASW–02 (7–19/7–22)'' (RIN2120–AA66) (1999–0233), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4401. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Technical Amendments; Organizational Changes; Miscellaneous Editorial Changes and Conforming Amendments (USCG–1999–5832)'' (RIN2115–ZZ02) (1999–0001), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4402. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Safety/Security Zone Regulations; Gloucester Schooner Fest, Gloucester, MA (CGD01–99–104)'' (RIN2115–AA97) (1999–0048), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4403. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Special Anchorage Areas/Anchorage Grounds Regulations; Hudson River, Hyde Park, NY (CGD01–97–086)'' (RIN2115–AA98) (1999–0003), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4404. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Chemical Testing; Management Information System Reporting Requirements (USCG–1998–4469)'' (RIN2115–AF67) (1999–0002), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4405. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Drawbridge Regulations; Columbia River, OR (CGD13–99–007)'' (RIN2115–AE47) (1999–0031), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4406. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Drawbridge Regulations; Harlem River, NY (CGD01–99–093)'' (RIN2115–AE47) (1999–0028), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4407. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Drawbridge Regulations; Mullica River, NJ (CGD05–99–034)'' (RIN2115–AE47) (1999–0030), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4408. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Drawbridge Regulations; Steamboat Operation Regulation (CGD13–99–019)'' (RIN2115–AE47) (1999–0027), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4409. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Drawbridge Regulations; Inner Harbor Navigation Canal, LA (CGD08–99–011)'' (RIN2115–AE47) (1999–0029), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4410. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Drawbridge Regulations; Atlantic Intracoastal Waterway (AIWW), Beaufort, SC (CGD08–99–038)'' (RIN2115–AE47) (1999–0033), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4411. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Drawbridge Regulations; Hackensack River, NJ (CGD01–98–091)'' (RIN2115–AE47) (1999–0032), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4412. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Regatta Regulations; Northern California Annual Marine Events (CGD11–99–007)'' (RIN2115–AE46) (1999–0029), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4413. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled ''Regatta Regulations; SLR; Chesapeake Challenge, Patapsco River, Baltimore, MD (CGD05–99–064)'' (RIN2115–AE46) (1999–0028), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4414. A communication from the General Counsel, Consumer Product Safety Commission, transmitting, pursuant to law, the report of a rule entitled ''Child Resistant Packaging of Consumer Products Containing Methacrylic Acid'' (RIN3041–AB78), received July 22, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4415. A communication from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Closure for Pacific Ocean Perch in the Western Regulatory Area of the Gulf of Alaska'', received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4416. A communication from the Deputy Assistant Administrator for Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Final Rule to Establish Procedures for the Testing and Certification of Bycatch Reduction Devices in the Gulf of Mexico,'' (RIN0648–AK32), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4417. A communication from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Closure for Pacific Ocean Perch in the West Yakutat District of the Gulf of Alaska,'' received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4418. A communication from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Closure for Northern Rockfish in the Central Regulatory Area of the Gulf of Alaska,'' received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. McCAIN, from the Committee on Commerce, Science, and Transportation, without amendment:

S. 655. A bill to establish nationally uniform requirements regarding the titling and registration of salvage, nonrepairable, and rebuilt vehicles (Rept. No. 106–123).

By Mr. MURKOWSKI, from the Committee on Energy and Natural Resources, with an amendment in the nature of a substitute:

S. 711. A bill to allow for the investment of joint Federal and State funds from the civil settlement of damages from the Exxon Valdez oil spill, and for other purposes (Rept. No. 106–124).

By Mr. MURKOWSKI, from the Committee on Energy and Natural Resources, with amendments:

H.R. 149. A bill to make technical corrections to the Omnibus Parks and Public Lands Management Act of 1996 (Rept. No. 106–125).

By Mr. CHAFEE, from the Committee on Environment and Public Works, with an amendment in the nature of a substitute:

S. 1100. A bill to amend the Endangered Species Act of 1973 to provide that the designation of critical habitat for endangered and threatened species be required as part of the development of recovery plans for those species (Rept. No. 106–126).

By Mr. HELMS, from the Committee on Foreign Relations, with an amendment and with a preamble:

S. Res. 166. A resolution relating to the recent elections in the Republic of Indonesia.

By Mr. HELMS, from the Committee on Foreign Relations, without amendment and with a preamble:

S. Con. Res. 48. A concurrent resolution relating to the Asia-Pacific Economic Cooperation Forum.

EXECUTIVE REPORTS OF COMMITTEE

The following executive reports of committees were submitted:

By Mr. WARNER, for the Committee on Armed Services:

The following named officer for appointment in the United States Air Force to the grade indicated under title 10, U.S.C., section 624:

To be brigadier general

Col. Gary H. Murray, 2413

The following named officer for appointment in the United States Air Force to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Lt. Gen. Robert H. Foglesong, 8617

The following named officer for appointment in the United States Air Force to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Lt. Gen. Charles R. Heflebower, 8234

The following named officer for appointment in the United States Air Force to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Lt. Gen. Lansford E. Trapp, Jr., 7799

The following named officer for appointment in the United States Army to the grade indicated under title 10, U.S.C., section 624:

To be major general

Brig. Gen. Zannie O. Smith, 6499

The following named officer for appointment in the United States Army to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Maj. Gen. Lawson W. Magruder, III, 0729

The following named officer for appointment in the United States Army to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Maj. Gen. Johnny M. Riggs, 1680

The following named officer for appointment in the United States Army to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Maj. Gen. Daniel G. Brown, 2522

The following named officer for appointment in the United States Army to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Maj. Gen. Michael W. Ackerman, 6573

The following named officers for appointment in the United States Navy to the grade indicated under title 10, U.S.C., section 624:

To be rear admiral

Rear Adm. (lh) Alberto Diaz, Jr., 0577
Rear Adm. (lh) Bonnie B. Potter, 9786

The following named officer for appointment in the United States Navy to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be vice admiral

Vice Adm. Robert J. Natter, 9953

The following named officer for appointment in the United States Navy to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be vice admiral

Rear Adm. Gregory G. Johnson, 3052

(The above nominations were reported with the recommendation that they be confirmed.)

Mr. WARNER. Mr. President, for the Committee on Armed Services, I report favorably nomination lists which were printed in the RECORDS of June 21, 1999, June 23, 1999, June 28, 1999, June 30, 1999, July 1, 1999, July 14, 1999, July 19, 1999, July 21, 1999, and ask unanimous consent, to save the expense of reprinting on the Executive Calendar, that these nominations lie at the Secretary's desk for the information of Senators.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The nominations ordered to lie on the Secretary's desk were printed in the RECORDS of June 21, 1999, June 23, 1999, June 28, 1999, June 30, 1999, July 1, 1999, July 14, 1999, July 19, 1999 and July 21, 1999, at the end of the Senate proceedings.)

Army nominations beginning Richard F. Ballard, and ending Su T. Kang, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.

Army nominations beginning Donald M. Cinnamond, and ending George R. Silver, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.

Army nominations beginning Kimberly J. Ballantyne, and ending Stephen C. Ulrich, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.

Army nominations beginning *Denise D. Adams, and ending *Tami M. Zalewski, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.

Army nominations beginning George D. Lanning, and ending Gregory J. Zanetti, which nominations were received by the Senate and appeared in the Congressional Record of June 23, 1999.

Marine Corps nominations beginning David J. Abel, and ending Raymon Zapata, Jr., which nominations were received by the Senate and appeared in the Congressional Record of June 23, 1999.

Navy nominations beginning Michael K. Abate, and ending Gregg W. Ziemke, which nominations were received by the Senate and appeared in the Congressional Record of June 23, 1999.

Army nominations beginning Phil C. Alabata, and ending Joseph J. Zubak, which nominations were received by the Senate and appeared in the Congressional Record of June 28, 1999.

Navy nomination of Laurel A. May, which was received by the Senate and appeared in the Congressional Record of June 28, 1999.

Air Force nominations beginning Larita A. Aragon, and ending James J. White, which nominations were received by the Senate and appeared in the Congressional Record of June 30, 1999.

Marine Corps nominations beginning Charles E. Headden, and ending Robert L. Williams, which nominations were received by the Senate and appeared in the Congressional Record of June 30, 1999.

Air Force nominations beginning Milton C. Abbott, and ending Scott J. Zobrist, which nominations were received by the Senate and appeared in the Congressional Record of July 1, 1999.

Marine Corps nomination of James R. Judkins, which was received by the Senate and appeared in the Congressional Record of July 14, 1999.

Navy nominations beginning Dean D. Hager, and ending David F. Sanders, which nominations were received by the Senate and appeared in the Congressional Record of July 14, 1999.

Army nominations beginning Gary W. Ace, and ending X4393, which nominations were received by the Senate and appeared in the Congressional Record of July 19, 1999.

Navy nominations beginning Scott R. Barry, and ending Charles L. Taylor, which nominations were received by the Senate and appeared in the Congressional Record of July 21, 1999.

Navy nominations beginning Lloyd B.J. Callis, and ending Michelle L. Wulff, which nominations were received by the Senate and appeared in the Congressional Record of July 21, 1999.

By Mr. HELMS, for the Committee on Foreign Relations:

A. Peter Burleigh, of California, a Career Member of the Senior Foreign Service, Class of Career Minister, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of the Philippines and to serve concurrently and without additional compensation as Ambassador to the Republic of Palau.

(The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.)

Nominee A. Peter Burleigh.

Post: Manila.

Contributions, Amount, Date, and Donee:

1. Self: $250, 6/98, HRC and $250, 3/97, HRC (Human Rights Compaign).
2. Spouse (n/a).
3. Children and Spouses (n/a).
4. Parents (deceased).
5. Grandparents (deceased).
6. Brothers and Spouses: David P. Burleigh—none.
7. Sisters and Spouses: Ann Burleigh Boucher—none.

J. Brady Anderson, of South Carolina, to be Administrator of the Agency for International Development.

M. Osman Siddique, of Virginia, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Fiji, and to serve concurrently and without additional compensation as Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Nauru, Ambassador Extraordinary and Plenipotentiary of the United States of America to the Kingdom of Tonga, and Ambassador Extraordinary and Plenipotentiary of the United States of America to Tuvalu.

(The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.)

Nominee: Muhammad Osman Siddique.

Post: Fiji, Nauru, Tonga, and Tuvalu.

Contributions, Amount, Date, and Donee.

Self: $1,000.00, 30 Sept '95, Clinton/Gore Primary; $5,000.00, 18 Mar '96, DNC-Non-Federal; $500.00, 27 Jun '96, Friends of Patrick Kennedy; $1,000.00, 10 Sept '96, New Mexicans for Bill Richardson; $20,000.00, 18 Mar '96, DNC; $500.00, 27 Jun '96, Nick Rahal for Congress; $1,000.00, 07 Oct '96, Bonior for Congress; $1,000.00, 04 Dec '96, Friends of Chris Dodd (primary); $1,000.00, 04 Dec '96, Friends of Chris Dodd (general); $1,000.00, 12 Jan '99, Kennedy for Senate.

2. Spouse: Catherine Mary Siddique; $1,000.00, 30 Sept '95, Clinton/Gore Primary; $5,000.00, 29 May '96, DNC-Non-Federal; $20,000.00, 29 May '96, DNC.

3. Children: Omar O. Siddique, none; Julene N. Siddique, none; Leila C. Siddique, none; Zachary O. Siddique, none.

4. Parents: Muhammad Osman Ghani (Father)—Deceased; Shamsun Nahar Ghani (Mother)—none.

5. Grandparents: Muhammad Darbari—Deceased; Maqbool Begum—Deceased.

6. Brothers & Spouses: M. Osman & Rana Farruk, none; M. Osman & Hazcra Khaled, none; M. Osman & Veronique Yousuf, $500.00, 10 Sept '96; New Mexicans for Bill Richardson.

7. Sisters & Spouses: Nahar & Kamal Ahmad, none; Helen & Aminul Islam, none; Zereen & Wahidul Islam, none; Nasreen & Ghulam Suhrawardi, $500.00, Sept '94, Ted Kennedy for Senate; $500.00, Sept '96, New Mexicans for Bill Richardson.

Michael A. Sheehan, of New Jersey, to be Coordinator for Counterterrorism, with the rank and status of Ambassador at Large. (New Position)

(The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.)

Nominee: Michael A. Sheehan.

Post: Coordinator for Counterterrorism.

Contributions, Amount, Date, and Donee.

Self: none.

Spouse: n/a.

Daughter: Alexandra E. Sheehan: none.

Mother: Janet Purcell Sheehan: none.

Father: John M. Sheehan: none.

Grandparents: all deceased.

Brothers and Spouses: Matthew J. Sheehan: none; Dennis P. Sheehan: none; Susan F. Sheehan: none; Terence P. Sheehan: none; Leslie Sheehan: none; Joseph D. Sheehan: none; Patricia P. Sheehan: none.

Sisters and Spouses: MaryAnne Sheehan: none; Kathleen Sheehan Roach: none; Charles Randolf Roach: to Frank Lucas, 6th District, Oklahoma 1994: $20; to Ed Munster, 2nd District, Connecticut 1994: $250; to Ed Munster, 2nd District, Connecticut 1996: $100.

Robert S. Gelbard, of Washington, a Career Member of the Senior Foreign Service, Class of Career Minister, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Indonesia.

(The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.)

Nominee: Robert S. Gelbard.
Post: Ambassador to Indonesia.
Nominated June 21, 1999.
Contributions, Amount, Date, and Donee.
Self: $100.00, 1998, Sen. Paul Coverdell.
Spouse: Alene, none.
Children and Spouses: Alexandra, none.
Parents: Ruth and Charles, deceased.
Grandparents: deceased.
Brothers and Spouses: Nicholas, none.
Sisters and Spouses: N/A.

Evelyn Simonowitz Lieberman, of New York, to be Under Secretary of State for Public Diplomacy. (New Position)

Richard Monroe Miles, of South Carolina, a Career Member of the Senior Foreign Service, Class of Minister-Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to be Republic of Bulgaria.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Richard Monroe Miles.
Post: The Republic of Bulgaria.
Contributions, amount, date, and donee:
1. Self: none.
2. Spouse: none.
3. Children and spouses: Richard Lee and Elizabeth Anne Miles, none.
4. Parents: Iris Mann (deceased) and James Miles, none.
5. Grandparents: Richard and Lillian Fortner (deceased).
6. Brothers and spouses: none.
7. Sisters and spouses: Louise Angell (Richard), step-sister, none. Lois Navarro (Arthur), step-sister, none, Donna Peabody (Kristin), half-sister, none.

Carl Spielvogel, of New York, to be Ambassador Extraorindary and Plenipotentiary of the United States of America to the Slovak Republic.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Carl Spielvogel.
Post: Ambassador to the Solvak Republic.
Contributions, amount, date, and donee:
1. Self: See attached.
2. Spouse: Barbaralee Diamonstein-Spielvogel—see attached.
3. Children and spouses: Rachel Spielvogel, Paul Spielvogel, David and Patricia Spielvogel, none.
4. Parents: Deceased.
5. Grandparents: Deceased.
6. Brothers and spouses: Deceased.
7. Sisters and spouses: None.

Contributions of Carl Spielvogel

Bill Bradley for US Senate '96, 8FEB93, $500.
Lautenberg Committee, 18JUN93, $500.
Lieberman '94 Committee, 31MAR94, $500.
Democratic Congressional Campaign Committee, 8JUN94, $500.
Bill Bradley for US Senate '96, 5APR94, $500.
Friends of Congressman Hochbrueckner, 18AUG94, $500.
Friends of Jane Harman, 30SEP94, $500.
Democratic Senatorial Campaign Committee, 20APR93, $1,000.
Kerrey for US Senate Committee, 15MAR93, $1,000.
Kennedy for Senate, 30APR93, $1,000.
Moynihan Committee, Inc., 3MAY93, $1,000.
Lieberman '94 Committee, 30JUN93, $1,000.
Senate Victory '94, 16DEC93, $1,000.
Moynihan Committee, Inc., 16DEC93, $1,000.
Kerrey for US Senate Committee, 3JUN94, $1,000.
Friends of Bob Carr, 26JUL94, $1,000.
Kennedy for Senate, 27SEP94, $1,000.
Democratic Senatorial Campaign Committee, 19OCT94, $1,000.
Friends of Bob Carr, 28OCT93, $1,000.
DNC Services Corporation/Democratic National Committee, 17MAY93, $5,000.
DNC-Non-Federal Individual, 31AUG94, $25,000.
Time Future, Inc. (FKA Bill Bradley for US Senate), 21FEB95, $500.
Friends of Senator Carl Levin, 23AUG95, $500.
Time Future, Inc. (FKA Bill Bradley for US Senate), 12SEP95, $500.
Friends of Chris Dodd—'98, 4DEC95, $500.
Rangel for Congress '96, 5MAR96, $500.
Kerry Committee, 9FEB96, $500.
Friends of Mark Warner, 15FEB96, $500.
Nadler for Congress, Inc., 18APR96, $500.
Democratic Congressional Campaign Committee, 9JUL96, $500.
Friends of Chris Dodd—'98, 21DEC96, $500.
Friends of Chris Dodd—'98, 21DEC96, $500.
Feingold Senate Committee, 23DEC96, $500.
Rangel for Congress '96, 9JUL96, $500.
Sanders for Senate, 12JUN95, $1,000.
Clinton/Gore '96 Primary Committee, Inc., 30JUN95, $1,000.
Clinton/Gore '96 Primary Committee, Inc., 17NOV95, $1,000.
New York State Democratic Committee, 6JUL95, $1,000.
Wyden for Senate, 20JAN96, $1,000.
Wyden for Senate, 20JAN96, $1,000.
Clinton/Gore '96 Primary Committee, Inc., 19SEP95, $1,000.
Kennedy for Senate 2000, 21FEB96, $1,000.
Charles Rangel Victory Fund, 9JUL96, $1,000.
Friends of Schumer, 31OCT96, $1,000.
A Lot of People Supporting Tom Daschle, 12DEC96, $2,000.
Democratic Congressional Campaign Committee, 29MAR96, $5,000.
Rangel National Leadership PAC FKA National Leadership PAC, 1NOV96, $5,000.
Dealers Election Action Committee of the National Automobile Dealers Association (NADA) Post-General, 25OCT96, $5,000.
DNC Non-Federal Unincorporated Association Account, 24APR96, $25,000.
A Lot of People Supporting Tom Daschle, 3FEB97, $1,000.
98 Friends of Chris Dodd, 15JUN97, $500.
Friends of Byron Dorgan, 24DEC97, $500.
Green for United States Senate, 15MAY97, $1,000.
A lot of People Supporting Tom Daschle, 3FEB97, $1,000.
A lot of People Supporting Tom Daschle, 3FEB97, $1,000.
Nita Lowey for Congress, 6FEB98, $1,000.
South Dakota Democratic Party, 5FEB98, $1,000.
Moynihan Committee, Inc., 24APR98, $1,000.
Victory in New York, 13OCT98, $1,000.
Schumer, '98, 10OCT98, $1,000.
Rangel for the 106th Congress, 4SEP97, $5,000.
Rangel for the 106th Congress, 6NOV97, $5,000.
National Leadership PAC, 9JAN98, $5,000.
Leadership '98 (FKA Friends of Albert Gore, Jr., Inc.), 31JUL98, $5,000.
Democratic Senatorial Campaign Committee, 19 FEB97, $10,000.
Democratic Congressional Campaign Committee, 25 APR97, $10,000.
Democratic Senatorial Campaign Committee, 17APR98, $10,000.

Contributions of Barbaralee Diamonstein-Spielvogel

Moynihan Committee, Inc., 3MAY93, $1,000.
Bill Bradley for US Senate '96, 8FEB93, $500.
Bill Bradley for US Senate '96, 5AP96, $500.
Democratic Congressional Campaign Committee, 29MAR96, $5,000.
Clinton/Gore '96 Primary Committee, Inc., 27OCT95, $1,000.
Clinton/Gore '96 Gen. Election Legal & Accounting Compliance, 27OCT95, $1,000.
Friends of Chris Dodd—'98, 4DEC95, $500.
Kerry Committee, 9FEB96, $500.
Friends of Dick Durbin Committee, 16FEB96, $1,000.
Kennedy for Senate (1994), 21FEB96, $1,000.
A lot of People Supporting Tom Daschle, 12DEC96, $2,000.
DNC-Non-Federal Individual, 6JUN95, $7,000.
DNC Services Corporation Democratic National Committee, 13AUG98, $18,000.
A Lot of People Supporting Tom Daschle, 30JAN97, $1,000.
A Lot of People Supporting Tom Daschle, 30JAN97, $1,000.
Rangel for the 106th Congress, 4SEP97, $1,000.
Rangel for the 106th Congress, 4SEP97, $1,000.
Nita Lowey for Congress, 6FEB98, $1,000.
South Dakota Democratic Party, 5FEB98, $1,000.
New York State Democratic Committee, 27FEB97, $5,000.
South Dakota Democratic Party, 2MAY97, $5,000.

J. Richard Fredericks, of California, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Switzerland, and to serve concurrently and without additional compensation as Ambassador Extraordinary and Plenipotentiary of the United States of America to the Principality of Liechtenstein.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: J. Richard Fredericks.
Post: Ambassador to Switzerland and Liechtenstein.
Contributions, amount, date, and donee:
1. Self, see attachment.
2. Spouse, see attachment.
3. Children and Spouses (NA).
4. Parents, see attachment.
5. Grandparents (NA).
6. Brothers and Spouses, see attachment.
7. Sisters and Spouses, see attachment.

MY FAMILY

Wife: Stephanie Sorensen Fredericks.
Children: Matthew Foley Fredericks, age 13, Colleen Sorensen Fredericks, age 12, and Will Norman Fredericks, age 8.
Mother: Lois F. Fredericks.
Father: Norman J. Fredericks (deceased).
Brothers: Norman J. Fredericks, Jr., and Peter G. Fredericks.
Sisters: Lois F. Thornbury, Marcia F. McGratty, and Anne G. Fredericks.

Grandparents: Deceased.

J. Richard Fredericks Political Contributions

3/12/92—Clinton for President Committee	$1,000
7/24/92—Democratic National	1,000
12/3/93—Kathleen Brown	450
3/11/94—Governor Pete Wilson	1,000
4/6/94—Empower America	5,000
9/26/95—Committee to Re-Elect Frank Jordon	1,000
2/13/96—Fund for Democratic Leadership	1,000
5/15/96—Friends of Senator D'Amato	1,000
6/17/96—Democratic National Committee—Nonfed Acct.	100,000
6/17/96—Florida Democratic Party	50,000
6/17/96—Illinois Democratic Party	50,000
6/17/96—Pennsylvania Democratic Party	50,000
Congressman Bart Gordon	1,000
10/13/96—Texas Victory 96'	2,000
10/21/96—New Hampshire Democratic Party	5,000
10/21/96—Kansas Democratic Party	15,000
10/22/96—Wyoming Democratic Party	20,000
10/22/96—Texas Democratic Party	25,000
10/22/96—WVSDEC Victory 96'	1,000
10/22/96—Oklahoma Democratic Party	1,200
10/22/96—Orton 1990	1,000
3/27/97—Daschle for Senate	1,000
6/7/97—Pelosi for Congress (Primary and General Election)	2,000
6/20/97—DCCC	10,000
6/30/97—California Victory 1998 (Joint Fundraising Comm.)	5,000
DSCC ($3,000)	
Boxer for Senate ($2,000 Primary and General)	
10/1/97—John Breaux 1998 (Primary and General Election)	1,500

Stephanie S. Fredericks (Wife) Political Contributions

9/4/96—Democratic National Committee	50,000
10/30/96—Minnesota Democratic Party	26,000
10/30/96—Texas Democratic Party	10,000
10/30/96—New Jersey Democratic Party	24,000
10/1/97—John Breaux for Senate	1,500
6/30/97—California Victory 1998 (Joint Fundraising Comm.)	5,000
DSCC ($3,000)	
Boxer for Senate ($2,000 Primary and General)	
2/24/98—California Presidential Majority Fund	10,000
3/2/98—Presidential California Majority Fund (Joint Fundraising Comm.	10,000
Lois Capps ($1,000 Run-off)	
Mike Thompson ($1,000 Primary)	
DCCC ($8,000 Primary)	
5/13/98—Committee to Retain Judge Douglas	100
12/2/98—The Mark Hopkins (California Victory Fund—CDP) (In-Kind)	12,500

Lois F. Fredericks (Mother) Political Contributions—None

Norman J. Fredericks, Jr. (Brother) Political Contributions

8/1/94—Concretepac	$250
6/11/96—Concretepac	300
12/28/97—Concretepac	200
10/17/98—Kilpatrick for US Congress	250
12/31/98—Concretepac	200

Lois & Mike Thornbury (Sister and Brother in-law) Political Contributions

1998—Michigan Republican Party	$200
1998—Newt Gingrich	50

Marcia & Edward McGratty (Sister and Brother in-law) Political Contributions

3/26/95—Mullaney for Assembly	$1500
4/7/95—Carroll for Assembly	1000
2/5/97—Mullaney for Assembly	1800

Marcia & Edward McGratty (Sister and Brother in-law) Political Contributions—Continued

5/25/97—Carroll for Assembly	250
8/16/97—Carroll for Assembly	100
11/1/97—Ferguson for Congress	500
5/10/98—Committee to Elect J. Schrier	100
10/19/98—Ferguson for Congress	500
2/5/98—Mullaney for Senate	1800

Anne Fredericks (Sister) Political Contributions—None

Peter and Michelle Fredericks (Brother and Sister in-Law) Political Contributions

1/13/98—Engler for Governor	$1000
1/13/98—Engler for Governor	1000
10/14/98—Kilpatrick for US Congress	250

Stephanie Fredericks, ONC Services Corporation/Democratic National Committee, 30SEP96, $20,000; Democratic Senatorial Campaign Committee, 30JUN97, $3,000; Friends of Barbara Boxer, 30JUN97, $1,000; Friends of Barbara Boxer, 30JUN97, $1,000; John Breaux Committee, 27OCT97, $1,000; John Breaux Committee, 27OCT97, $500; Friends of Lois Capps, 2MAR98, $1,000; President's California Majority Fund, 2MAR98, $10,000; Democratic Congressional Campaign Committee, 2MAR98, $8,000; Mike Thompson for Congress, 2MAR98, $1,000.

Paul J. Fredricks: Marks Boos Benhard for U.S. Congress 1994, 9 MAR 94, $900.

J.W. Fredericks: Citizens for Senator Wofford, 7JAN94, $500; DNC Services Corporation/Democratic National Committee, 2FEB93, $200; Citizens for Senator Wofford, 18OCT94, $250; Haytaian-U.S. Senate '94, 16MAY94, $1,000; Friends of Newt Gingrich—1992, 20OCT94, $250.

Norman J. Federicks, Jr., National Ready Mixed Concrete Association Political Committee, 1AUG94, $250.

Jay Fredericksen: Norm Dicks for Congress Committee, 14OCT94, $250; Friends for Slade Gorton 1994, 22OCT94, $250.

Richard Frederickson: Toby Roth for Congress '94 Committee, 26AUG94, $500.

Rita A. Frederickson: Republican National Committee—RNC, 5AUG93, $250; Republican National Committee—RNC, 19JAN94, $250.

J Fredericks: DNC Services Corporation/Democratic National Committee, 30SEP96, $20,000.

J. Richard Fredericks: Fund for Democratic Leadership FKA SAC PAC, 21FEB96, $1,000; DNC Non-Federal Unincorporated Association Account, 26JUN96, $100,000; Friends of Senator D'Amato (1998 Committee), 20MAY96, $1,000; DNC-Non-Federal Individual, 30SEP96, $10,000; Texas Democratic Party, 21OCT96, $2,000; Orton for Congress, 23OCT96, $1,000; New Hampshire Democratic State Committee, 29OCT96, $5,000.

J.W. Fredericks: Harvey Gantt for Senate Campaign Committee, 13JUN96, $300; Harvey Gantt for Senate Campaign Committee, 3SEP96, $300; Harvey Gantt for Senate Campaign Committee, 18OCT96, $300; Harvey Gantt for Senate Campaign Committee, 8APR96, $300; Citizens for Senator Wofford, 9JAN96, $500; Citizens for Senator Wofford, 13FEB96, $500.

John Fredericks: Phil Gramm for President, Inc., 23FEB95, $500; Republican National Committee—RNC, 13SEP95, $1,000; Martini for Congress, 22DEC95, $200; Friends of Newt Gingrich, 22JAN96, $750; Republican National Committee—RNC, 23JUL96 $1,000; RNC Republican National State Elections Committee, 13SEP95, $275; Frelinghuysen for Congress, 21OCT96, $200.

Ralph A. Fredericks: NRCCC—Nonfederal Account, 8JAN96, $250.

Robert Fredericks: Electrical Construction PAC-National Electrical Contractors Association Inc. (ECPAC), 10APR96, $250.

John C. Frederickson: Hoyer for Congress, 5SEP96, $200.

John D. Frederickson: Clinton/Gore '96 Primary Committee, Inc., 29JUN95, $1,000.

Julie Ann, Frederickson: Dr. John Hagelin for President 1996, 24JUN96, $250.

Robert J. Frederickson: National Restaurant Association Political Action Committee, 19AUG96, $200.

Richard J. Fredericks: Democratic Congressional Campaign Committee, 30JUN97, $10,000; Nancy Pelosi for Congress, 13JUN97, $1,000; Nancy Pelosi for Congress, 13JUN97, $1,000; Friends of Barbara Boxer, 30JUN97, $1,000; Friends of Barbara Boxer, 30JUN97, $1,000; John Breaux Committee, 27OCT97, $500; John Breaux Committee, 27OCT97, $1,000; A lot of People Supporting Tom Daschle, 3FEB98, $1,000.

Jeanne Fredericks: Christopher Shays for Congress Committee, 28OCT97, $500; Christopher Shays for Congress Committee, 20OCT98, $500.

John Fredericks: Committee to Re-Elect Congresswoman Marge Roukema, 1JUN98, $500.

John W. Fredericks: New Jersey Bankers Political Action Committee, 2JY98, $500.

Joseph T. Fredericks: International Association of Firefighters Interested in Registration and Education, 28MR98, $275.

Norman J. Fredericks, Jr.: National Ready Mixed Concrete Association Political Action Committee (Concretepac), 14JA98, $200; Kilpatrick for United States Congress, 10NO98, $250.

Peter G. Fredericks: Kilpatrick for United States Congress, 10NO98, $250.

Richard Fredericks: Democratic Senatorial Campaign Committee, 30JN97, $3,000; Dan Williams for Congress, 30MR98, $200.

James Fredericksen, MD: Society of Thoracic Surgeons Political Action Committee: The (STS PAC), 27FE97, $500.

John D. Frederickson: National Republican Congressional Committee Contributions, 27FE98, $350.

Robert Frederickson: National Restaurant Association Political Action 13AU97, $250.

Edward J. McGratty, III: Mike Ferguson for Congress, 20OCT98, $500; Mike Ferguson for Congress, 4NO97, $500.

Barbara J. Griffiths, of Virginia, a Career Member of the Senior Foreign Service, Class of Minister-Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Iceland.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Barbara J. Griffiths.

Post: Republic of Iceland

Contributions, amount, date, and donee:

1. Self, none.

2. Spouse, David M. Schoonover, none.

3. Children and spouses, not applicable.

4. Parents, Arthur R. Griffiths (deceased); Gloria G. Emmel, none.

5. Grandparents, Arthur Peet (deceased); Mabel Griffiths (deceased); Erich Lehmann (deceased); Marie Lehmann (deceased).

6. Brothers and spouses, Robert E. and Patience Griffiths, none; Gregory L. and Terry Griffiths, none; Randall A. and Abbie Griffiths, none.

7. Sister, Wendy Griffiths Pohanka, $2000, 5/1997, Tom Davis, House of Representatives.

In process of divorce; Spouse contributions, unknown.

Sylvia Gaye Stanfield, of Texas, a Career Member of the Senior Foreign Service, Class of Minister-Counselor, to be Ambassador Extraordinary and Plenipotentiary of the

United States of America to Brunei Darussalam.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Sylvia Gaye Stanfield.

Post: Brunei Darussalam.

Contributions, amount, date, and donee:

1. Self, none beyond $1 check-off on income tax return.
2. Spouse, none.
3. Children and spouses, N/A.
4. Parents, Mrs. J.A. (Nadine Roberts) Stanfield, none; Mr. J.A. Stanfield, deceased for 20 years.
5. Grandparents, deceased for over 20 years.
6. Brothers and spouses, none.
7. Sisters and spouses, Eunice F. Stanfield, M.D., none.

William B. Taylor, Jr., of Virginia, for the Rank of Ambassador during tenure of service as Coordinator of U.S. Assistance for the New Independent States.

(The above nominations were reported with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate).

Mr. HELMS. Mr. President, for the Committee on Foreign Relations, I report favorably a nomination list which was printed in the RECORD of July 1, 1999, and ask unanimous consent, to save the expense of reprinting on the Executive Calendar, that these nominations lie at the Secretary's desk for information of Senators.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The nominations ordered to lie on the Secretary's desk were printed in the RECORD of July 1, 1999, at the end of the Senate proceedings.)

In the Foreign Service nominations beginning Susan Garrison, and ending Richard Tsutomu Yoneoka, which nominations were received by the Senate and appeared in the Congressional Record of July 1, 1999.

By Mr. JEFFORDS, for the Committee on Health, Education, Labor, and Pensions:

A. E. Dick Howard, of Virginia, to be a Member of the Board of Trustees of the James Madison Memorial Fellowship Foundation for a term of six years.

James Roger Angel, of Arizona, to be a Member of the Board of Trustees of the Barry Goldwater Scholarship and Excellence in Education Foundation for a term expiring February 4, 2002.

Edward B. Montgomery, of Maryland, to be an Assistant Secretary of Labor.

Richard M. McGahey, of the District of Columbia, to be an Assistant Secretary of Labor.

Jack E. Hightower, of Texas, to be a Member of the National Commission on Libraries and Information Science for a term expiring July 19, 1999.

Christopher C. Gallagher, of New Hampshire, to be a Member of the Board of Directors of the Corporation for National and Community Service for a term expiring October 6, 2003. (Reappointment)

Jerry D. Florence, of California, to be a Member of the National Museum Services Board for a term expiring December 6, 2002.

(The above nominations were reported with the recommendations that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. WELLSTONE (for himself, Mr. KENNEDY, Mr. INOUYE, Mr. DASCHLE, and Mr. MOYNIHAN):

S. 1447. A bill to amend the Public Health Service Act, Employee Retirement Income Security Act of 1974, and the Internal Revenue Code of 1986 to provide for nondiscriminatory coverage for substance abuse treatment service under private group and individual health coverage; to the Committee on Health, Education, Labor, and Pensions.

By Mr. HUTCHINSON (for himself, Mrs. LINCOLN, Mr. DEWINE, Mr. ASHCROFT, Mr. SESSIONS, Mr. FRIST, Mr. BREAUX, Mr. MOYNIHAN, Mrs. FEINSTEIN, and Mrs. BOXER):

S. 1448. A bill to amend the Food Security Act of 1985 to authorize the annual enrollment of land in the wetlands reserve program, to extend the program through 2005, and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. CONRAD (for himself, Mr. FRIST, Mr. ROBB, Mr. INOUYE, Mr. THOMPSON, Mr. MURKOWSKI, and Mr. DEWINE):

S. 1449. A bill to amend title XVIII of the Social Security Act to increase the payment amount for renal dialysis services furnished under the medicare program; to the Committee on Finance.

By Mr. DODD (for himself and Mr. LIEBERMAN):

S. 1450. A bill to authorize the Secretary of Transportation to convey a National Defense Reserve Fleet vessel to the Glacier Society, Inc., of Bridgeport, Connecticut; to the Committee on Commerce, Science, and Transportation.

By Mr. HARKIN (for himself, Mr. HOLLINGS, Mr. BIDEN, and Mr. GRAHAM):

S. 1451. A bill to amend titles XI and XVIII of the Social Security Act to improve efforts to combat medicare fraud, waste, and abuse; to the Committee on Finance.

By Mr. SHELBY (for himself, Mr. BAYH, Mr. BRYAN, Mr. ROCKEFELLER, and Mr. BINGAMAN):

S. 1452. A bill to modernize the requirements under the National Manufactured Housing Construction and Safety Standards of 1974 and to establish a balanced consensus process for the development, revision, and interpretation of Federal construction and safety standards for manufactured homes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. FRIST (for himself, Mr. FEINGOLD, Mr. BROWNBACK, and Mr. LIEBERMAN):

S. 1453. A bill to facilitate relief efforts and a comprehensive solution to the war in Sudan; to the Committee on Foreign Relations.

By Mr. ROBB (for himself, Mr. LAUTENBERG, Mr. CONRAD, Mr. HARKIN, Mr. KENNEDY, Mr. DASCHLE, Mr. REID, Mrs. MURRAY, Mr. LEVIN, Mr. CLELAND, Mr. DODD, Mr. TORRICELLI, Mr. SCHUMER, Mrs. LINCOLN, Mr. JOHNSON, Mr. WELLSTONE, Mr. KERRY, Mr. KERREY, and Mr. AKAKA):

S. 1454. A bill to amend the Internal Revenue Code of 1986 to expand the incentives for the construction and renovation of public schools and to provide tax incentives for corporations to participate in cooperative agreements with public schools in distressed areas; to the Committee on Finance.

By Mr. ABRAHAM (for himself and Mr. FEINGOLD):

S. 1455. A bill to enhance protections against fraud in the offering of financial assistance for college education, and for other purposes; to the Committee on the Judiciary.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. HELMS (for himself and Mr. BIDEN):

S. Res. 168. A resolution paying a gratuity to Mary Lyda Nance; considered and agreed to.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. WELLSTONE (for himself, Mr. KENNEDY, Mr. INOUYE, Mr. DASCHLE, and Mr. MOYNIHAN):

S. 1447. A bill to amend the Public Health Service Act, Employee Retirement Income Security Act of 1974, and the Internal Revenue Code of 1986 to provide for nondiscriminatory coverage for substance abuse treatment service under private group and individual health coverage; to the Committee on Health, Education, Labor, and Pensions.

FAIRNESS IN TREATMENT—THE DRUG AND ALCOHOL ADDICTION RECOVERY ACT OF 1999

● Mr. WELLSTONE. Mr. President, I rise today to introduce legislation that will ensure that private health insurance companies cover the costs for drug and alcohol addiction treatment services at the same level that they pay for treatment for other diseases. The purpose of this bill is to end discrimination in insurance coverage for drug and alcohol addiction treatment. This bill, entitled Fairness in Treatment: The Drug and Alcohol Addiction Recovery Act of 1999, offers the necessary provisions to provide this assurance.

For too long, the problem of drug and alcohol addiction has been viewed as a moral issue, rather than as a disease. Too often, a cloak of secrecy has surrounded this problem, causing people who have this disease to feel ashamed and afraid to seek treatment for their symptoms for fear that they will be seen as admitting to a moral failure, or a weakness in character. We have all seen portrayals of alcoholics and addicts that are intended to be humorous or derogatory, and only reinforce the biases against people who have problems with drug and alcohol addiction. I cannot imagine this type of portrayal of someone who has another kind of chronic illness, a heart problem, or who happens to carry a gene that predisposes them to diabetes.

It has been shown that some forms of addiction have a genetic basis, and yet we still try to deny the serious medical nature of this disease. We think of those with this disease as somehow different from us. We forget that someone who has a problem with drugs or alcohol can look just like the person we see in the mirror, or the person who is sitting next to us at work or on the subway, or like someone in our own family. In fact, it is likely that most of us know someone who has experienced drug and alcohol addiction, within our families or our circle of friends or coworkers.

Alcoholism and drug addiction are painful, private struggles with staggering public costs. A study prepared by The Lewin Group for the National Institute on Drug Abuse and the National Institute on Alcohol Abuse and Alcoholism, estimated that the total economic cost of alcohol and drug abuse to be $246 billion for 1992. Of this cost, $98 billion was due to drug addiction to illicit drugs and other drugs taken for non-medical purposes. This estimate includes addiction treatment and prevention costs, as well as costs associated with related illnesses, reduced job productivity or lost earnings, and other costs to society such as crime and social welfare programs. The study also determined that these costs are borne primarily by governments (46 percent), followed by those who abuse drugs and members of their households (44 percent). According to this same study, private health and life insurance companies bear only 3.2 percent of the costs of drug abuse and 10.2 percent of the costs of alcohol abuse.

The health effects resulting from alcohol addiction can be very serious, even fatal. A 1996 article in Scientific American estimated that excessive alcohol consumption causes more than 100,000 deaths in the U.S. each year. Of these deaths, twenty-four per cent are due to drunken driving, eleven percent are homicides, and eight percent are suicides. Alcohol contributes to cancers of the esophagus, larynx, and oral cavity, which account for seventeen percent of these deaths. Strokes related to alcohol use account for another nine percent of deaths. Alcohol causes several other ailments, such as cirrhosis of the liver. These ailments account for eighteen percent of the deaths.

We know that addiction to alcohol and other drugs contribute to other problems as well. Addictive substances have the potential for destroying the person who is addicted, their family, and their other relationships. We know, for example, that fetal alcohol syndrome is the leading known cause of mental retardation. If the woman who was addicted to alcohol could receive proper treatment, fetal alcohol syndrome for her baby would be 100 percent preventable, and more than 12,000 infants born in the U.S. each year would not suffer from fetal alcohol syndrome, with its irreversible physical and mental damage. We know too of the devastation caused by addiction when violence between people is one of the consequences. A 1998 SAMHSA report outlined the links between domestic violence and substance abuse. We know from clinical reports that 25–50% of men who commit acts of domestic violence also have substance abuse problems. The report recognized the link between the victim of abuse and use of alcohol and drugs, and recommended that after the woman's safety has been addressed, the next step would be to help with providing treatment for her addiction as a step toward independence and health, and toward the prevention of the consequences for the children who suffer the same abuse either directly, or indirectly by witnessing spousal violence.

People who have the disease of addiction can be found throughout our society. According to the 1997 National Household Survey on Drug Abuse published by SAMHSA, nearly 73 percent of all illegal drug users in the United States are employed. This number represents 6.7 million full-time workers and 1.6 million part-time workers. Although many of these workers could and should have insurance benefits that would cover treatment for this disease, they do not.

In addition to the health problems resulting from the failure to treat the illness, there are other serious consequences affecting the workplace, such as lost productivity, high employee turnover, low employee morale, mistakes, accidents, and increased worker's compensation insurance and health insurance premiums—all results of untreated addiction problems. Whether you are a corporate CEO or a small business owner, there are simple, effective steps that can be taken—including providing insurance coverage for this disease, ready access to treatment, and workplace policies that support treatment—that can reduce these human and economic costs.

We know from the outstanding research conducted at NIH, through the National Institute on Drug Abuse and the National Institute on Alcohol Abuse and Alcoholism, that treatment for drug and alcohol addiction can be effective. That is the major finding from a NIDA-sponsored nationwide study of drug abuse treatment outcomes. The Drug Abuse Treatment Outcome Study (DATOS) tracked 10,000 people in nearly 100 treatment programs in 11 cities who entered treatment for addiction between 1991 and 1993. Results showed that for all four treatment types studied, there were reductions in the use of cocaine, heroin, and marijuana after treatment. Moreover, treatment resulted in other positive changes in behavior, such as fewer psychological symptoms and increased work productivity.

We must do more to prevent this illness and to treat those who are addicted to drugs and alcohol. Over the past few years, the principle of parity in insurance coverage for alcohol and drug rehabilitation and treatment has received the strong support of the White House, ONDCP Director General Barry McCaffrey, Former Surgeon General C. Everett Koop, Former President and Mrs. Gerald Ford, the U.S. Conference of Mayors, Kaiser Permanente Health Plans, and many leading figures in medicine, business, government, journalism, and entertainment who have successfully fought the battle of addiction with the help of treatment. Hearings held last year by the Senate Appropriations Committee and the Committee on Health, Education, Labor, and Pensions highlighted the recent major advances in scientific information about the disease; the biological causes of addiction; the effectiveness and low cost of treatment; and many painful, personal stories of people, including children, who have been denied treatment.

We know that the failure of insurance companies to provide treatment can sometimes have devastating results. The New York Times recently highlighted the tragic suicide of a young man who desperately sought inpatient treatment care for his drug addiction and fought for 8 months to have the plan authorize the treatment that was in fact included in as part of his benefits. The authorization came through—but too late—he had died three weeks earlier from a drug overdose. This kind of denial of care for addiction treatment is not at all unique—the 1998 Hay Group Report on Employer Health Care Dollars Spent on Substance Abuse showed that from 1988 through 1998 the value of substance abuse treatment benefits decreased by 74.5%, as compared to a 11.5% decrease for overall health care benefits.

Addiction to alcohol and drugs is a disease that affects the brain, the body, and the spirit. We must provide adequate opportunities for the treatment of addiction in order to help those who are suffering and to prevent the health and social problems that it causes. This legislation will take an important step in this direction by requiring that health insurance plans eliminate discrimination for addiction treatment. The costs for this are very low. A 1999 study by the Rand Corporation found that the cost to managed care health plans is now only about $5 per person per year for unlimited substance abuse treatment benefits to employees of big companies. A 1997 Milliman and Robertson study found that complete substance abuse treatment parity would increase per capita health insurance premiums by only one half of one percent, or less than $1 per member per month—without even considering any of the obvious savings that will result from treatment. Several studies have shown that for every $1 spent on treatment, more than $7 is saved in other health care expenses, and that these savings are in addition to the financial and other benefits of increased productivity, as well as participation in family and community life. Providing

treatment for addiction also saves millions of dollars in the criminal justice system. But for treatment to be effective and helpful throughout our society all systems of care—including private insurance plans—must share this responsibility.

This legislation does not mandate that health insurers offer substance addiction treatment benefits. What it does is prohibit discrimination by health plans who offer substance addiction treatment from placing unfair and life-threatening limitations on caps, access, or financial requirements for addiction treatment that are different from other medical and surgical services.

We must move forward now to vigorously address the serious and life-threatening problem of drug and alcohol addiction in our country. It is long past time that insurance companies do their fair share in bearing the responsibility for treating this disease.

I ask that the full text of the bill be printed in the RECORD.

The bill follows:

S. 1447

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 ''Fairness in Treatment: The Drug and Alcohol Addiction Recovery Act of 1999''.

SEC. 2. PARITY IN SUBSTANCE ABUSE TREATMENT BENEFITS.

(a) GROUP HEALTH PLANS.—

(1) PUBLIC HEALTH SERVICE ACT AMENDMENTS.—

(A) IN GENERAL.—Subpart 2 of part A of title XXVII of the Public Health Service Act (42 U.S.C. 300gg–4 et seq.) is amended by adding at the end the following:

''SEC. 2707. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE TREATMENT BENEFITS.

''(a) IN GENERAL.—In the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides both medical and surgical benefits and substance abuse treatment benefits, the plan or coverage shall not impose treatment limitations or financial requirements on the substance abuse treatment benefits unless similar limitations or requirements are imposed for medical and surgical benefits.

''(b) CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

''(2) to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

''(c) SMALL EMPLOYER EXEMPTION.—

''(1) IN GENERAL.—This section shall not apply to any group health plan (and group health insurance coverage offered in connection with a group health plan) for any plan year of a small employer.

''(2) SMALL EMPLOYER.—For purposes of paragraph (1), the term 'small employer' means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 25 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

''(3) APPLICATION OF CERTAIN RULES IN DETERMINATION OF EMPLOYER SIZE.—For purposes of this subsection:

''(A) APPLICATION OF AGGREGATION RULE FOR EMPLOYERS.—Rules similar to the rules under subsections (b), (c), (m), and (o) of section 414 of the Internal Revenue Code of 1986 shall apply for purposes of treating persons as a single employer.

''(B) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEAR.—In the case of an employer which was not in existence throughout the preceding calendar year, the determination of whether such employer is a small employer shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

''(C) PREDECESSORS.—Any reference in this subsection to an employer shall include a reference to any predecessor of such employer.

''(d) SEPARATE APPLICATION TO EACH OPTION OFFERED.—In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

''(e) DEFINITIONS.—For purposes of this section—

''(1) TREATMENT LIMITATION.—The term 'treatment limitation' means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.

''(2) FINANCIAL REQUIREMENT.—The term 'financial requirement' means, with respect to benefits under a group health plan or health insurance coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

''(3) MEDICAL OR SURGICAL BENEFITS.—The term 'medical or surgical benefits' means benefits with respect to medical or surgical services, as defined under the terms of the plan or coverage (as the case may be), but does not include substance abuse treatment benefits.

''(4) SUBSTANCE ABUSE TREATMENT BENEFITS.—The term 'substance abuse treatment benefits' means benefits with respect to substance abuse treatment services.

''(5) SUBSTANCE ABUSE TREATMENT SERVICES.—The term 'substance abuse services' means any of the following items and services provided for the treatment of substance abuse:

''(A) Inpatient treatment, including detoxification.

''(B) Non-hospital residential treatment.

''(C) Outpatient treatment, including screening and assessment, medication management, individual, group, and family counseling, and relapse prevention.

''(D) Prevention services, including health education and individual and group counseling to encourage the reduction of risk factors for substance abuse.

''(6) SUBSTANCE ABUSE.—The term 'substance abuse' includes chemical dependency.

''(f) NOTICE.—A group health plan under this part shall comply with the notice requirement under section 713(f) of the Employee Retirement Income Security Act of 1974 with respect to the requirements of this section as if such section applied to such plan.''.

(B) CONFORMING AMENDMENT.—Section 2723(c) of the Public Health Service Act (42 U.S.C. 300gg–23(c)) is amended by striking ''section 2704'' and inserting ''sections 2704 and 2707''.

(2) ERISA AMENDMENTS.—

(A) IN GENERAL.—Subpart B of part 7 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1185 et seq.) is amended by adding at the end the following:

''SEC. 714. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE TREATMENT BENEFITS.

''(a) IN GENERAL.—In the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides both medical and surgical benefits and substance abuse treatment benefits, the plan or coverage shall not impose treatment limitations or financial requirements on the substance abuse treatment benefits unless similar limitations or requirements are imposed for medical and surgical benefits.

''(b) CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

''(2) to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

''(c) SMALL EMPLOYER EXEMPTION.—

''(1) IN GENERAL.—This section shall not apply to any group health plan (and group health insurance coverage offered in connection with a group health plan) for any plan year of a small employer.

''(2) SMALL EMPLOYER.—For purposes of paragraph (1), the term 'small employer' means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 25 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

''(3) APPLICATION OF CERTAIN RULES IN DETERMINATION OF EMPLOYER SIZE.—For purposes of this subsection:

''(A) APPLICATION OF AGGREGATION RULE FOR EMPLOYERS.—Rules similar to the rules under subsections (b), (c), (m), and (o) of section 414 of the Internal Revenue Code of 1986 shall apply for purposes of treating persons as a single employer.

''(B) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEAR.—In the case of an employer which was not in existence throughout the preceding calendar year, the determination of whether such employer is a small employer shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

''(C) PREDECESSORS.—Any reference in this subsection to an employer shall include a reference to any predecessor of such employer.

''(d) SEPARATE APPLICATION TO EACH OPTION OFFERED.—In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

''(e) DEFINITIONS.—For purposes of this section—

''(1) TREATMENT LIMITATION.—The term 'treatment limitation' means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.

''(2) FINANCIAL REQUIREMENT.—The term 'financial requirement' means, with respect to benefits under a group health plan or health insurance coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

''(3) MEDICAL OR SURGICAL BENEFITS.—The term 'medical or surgical benefits' means benefits with respect to medical or surgical services, as defined under the terms of the plan or coverage (as the case may be), but does not include substance abuse treatment benefits.

''(4) SUBSTANCE ABUSE TREATMENT BENEFITS.—The term 'substance abuse treatment benefits' means benefits with respect to substance abuse treatment services.

''(5) SUBSTANCE ABUSE TREATMENT SERVICES.—The term 'substance abuse services' means any of the following items and services provided for the treatment of substance abuse:

''(A) Inpatient treatment, including detoxification.

''(B) Non-hospital residential treatment.

''(C) Outpatient treatment, including screening and assessment, medication management, individual, group, and family counseling, and relapse prevention.

''(D) Prevention services, including health education and individual and group counseling to encourage the reduction of risk factors for substance abuse.

''(6) SUBSTANCE ABUSE.—The term 'substance abuse' includes chemical dependency.

''(f) NOTICE UNDER GROUP HEALTH PLAN.—The imposition of the requirements of this section shall be treated as a material modification in the terms of the plan described in section 102(a)(1), for purposes of assuring notice of such requirements under the plan; except that the summary description required to be provided under the last sentence of section 104(b)(1) with respect to such modification shall be provided by not later than 60 days after the first day of the first plan year in which such requirements apply.''.

(B) CONFORMING AMENDMENTS.—

(i) Section 731(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1191(c)) is amended by striking ''section 711'' and inserting ''sections 711 and 714''.

(ii) Section 732(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1191a(a)) is amended by striking ''section 711'' and inserting ''sections 711 and 714''.

(iii) The table of contents in section 1 of the Employee Retirement Income Security Act of 1974 is amended by inserting after the item relating to section 713 the following new item:

''Sec. 714. Parity in the application of treatment limitations and financial requirements to substance abuse treatment benefits.''.

(3) INTERNAL REVENUE CODE AMENDMENTS.—

(A) IN GENERAL.—Subchapter B of chapter 100 of the Internal Revenue Code of 1986 is amended by inserting after section 9812, the following:

''SEC. 9813. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE TREATMENT BENEFITS.

''(a) IN GENERAL.—In the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides both medical and surgical benefits and substance abuse treatment benefits, the plan or coverage shall not impose treatment limitations or financial requirements on the substance abuse treatment benefits unless similar limitations or requirements are imposed for medical and surgical benefits.

''(b) CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

''(2) to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

''(c) SMALL EMPLOYER EXEMPTION.—

''(1) IN GENERAL.—This section shall not apply to any group health plan (and group health insurance coverage offered in connection with a group health plan) for any plan year of a small employer.

''(2) SMALL EMPLOYER.—For purposes of paragraph (1), the term 'small employer' means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 25 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

''(3) APPLICATION OF CERTAIN RULES IN DETERMINATION OF EMPLOYER SIZE.—For purposes of this subsection:

''(A) APPLICATION OF AGGREGATION RULE FOR EMPLOYERS.—Rules similar to the rules under subsections (b), (c), (m), and (o) of section 414 of the Internal Revenue Code of 1986 shall apply for purposes of treating persons as a single employer.

''(B) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEAR.—In the case of an employer which was not in existence throughout the preceding calendar year, the determination of whether such employer is a small employer shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

''(C) PREDECESSORS.—Any reference in this subsection to an employer shall include a reference to any predecessor of such employer.

''(d) SEPARATE APPLICATION TO EACH OPTION OFFERED.—In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

''(e) DEFINITIONS.—For purposes of this section—

''(1) TREATMENT LIMITATION.—The term 'treatment limitation' means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.

''(2) FINANCIAL REQUIREMENT.—The term 'financial requirement' means, with respect to benefits under a group health plan or health insurance coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

''(3) MEDICAL OR SURGICAL BENEFITS.—The term 'medical or surgical benefits' means benefits with respect to medical or surgical services, as defined under the terms of the plan or coverage (as the case may be), but does not include substance abuse treatment benefits.

''(4) SUBSTANCE ABUSE TREATMENT BENEFITS.—The term 'substance abuse treatment benefits' means benefits with respect to substance abuse treatment services.

''(5) SUBSTANCE ABUSE TREATMENT SERVICES.—The term 'substance abuse services' means any of the following items and services provided for the treatment of substance abuse:

''(A) Inpatient treatment, including detoxification.

''(B) Non-hospital residential treatment.

''(C) Outpatient treatment, including screening and assessment, medication management, individual, group, and family counseling, and relapse prevention.

''(D) Prevention services, including health education and individual and group counseling to encourage the reduction of risk factors for substance abuse.

''(6) SUBSTANCE ABUSE.—The term 'substance abuse' includes chemical dependency.''.

(B) CONFORMING AMENDMENT.—The table of contents for chapter 100 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 9812 the following new item:

''Sec. 9813. Parity in the application of treatment limitations and financial requirements to substance abuse treatment benefits.''.

(b) INDIVIDUAL HEALTH INSURANCE.—

(1) IN GENERAL.—Part B of title XXVII of the Public Health Service Act (42 U.S.C. 300gg-41 et seq.) is amended by inserting after section 2752 the following:

''SEC. 2753. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE BENEFITS.

''(a) IN GENERAL.—The provisions of section 2707 (other than subsection (e)) shall apply to health insurance coverage offered by a health insurance issuer in the individual market in the same manner as it applies to health insurance coverage offered by a health insurance issuer in connection with a group health plan in the small or large group market.

''(b) NOTICE.—A health insurance issuer under this part shall comply with the notice requirement under section 713(f) of the Employee Retirement Income Security Act of 1974 with respect to the requirements referred to in subsection (a) as if such section applied to such issuer and such issuer were a group health plan.''.

(2) CONFORMING AMENDMENT.—Section 2762(b)(2) of the Public Health Service Act (42 U.S.C. 300gg–62(b)(2)) is amended by striking ''section 2751'' and inserting ''sections 2751 and 2753''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Subject to paragraph (3), the amendments made by subsection (a) shall apply with respect to group health plans for plan years beginning on or after January 1, 2000.

(2) INDIVIDUAL MARKET.—The amendments made by subsection (b) shall apply with respect to health insurance coverage offered, sold, issued, renewed, in effect, or operated in the individual market on or after January 1, 2000.

(3) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a group health plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified before the date of enactment of this Act, the amendments made subsection (a) shall not apply to plan years beginning before the later of—

(A) the date on which the last collective bargaining agreements relating to the plan terminates (determined without regard to any extension thereof agreed to after the date of enactment of this Act), or

(B) January 1, 2000.

For purposes of subparagraph (A), any plan amendment made pursuant to a collective bargaining agreement relating to the plan which amends the plan solely to conform to any requirement added by subsection (a) shall not be treated as a termination of such collective bargaining agreement.

(d) COORDINATED REGULATIONS.—Section 104(1) of Health Insurance Portability and

Accountability Act of 1996 is amended by striking ''this subtitle (and the amendments made by this subtitle and section 401)'' and inserting ''the provisions of part 7 of subtitle B of title I of the Employee Retirement Income Security Act of 1974, and the provisions of parts A and C of title XXVII of the Public Health Service Act, and chapter 1000 of the Internal Revenue Code of 1986''.

SEC. 3. PREEMPTION.

Nothing in the amendments made by this Act shall be construed to preempt any provision of State law that provides protections to enrollees that are greater than the protections provided under such amendments.●

By Mr. CONRAD (for himself, Mr. FRIST, Mr. ROBB, Mr. INOUYE, Mr. THOMPSON, Mr. MURKOWSKI, and Mr. DEWINE):

S. 1449. A bill to amend title XVIII of the Social Security Act to increase the payment amount for renal dialysis services furnished under the Medicare program; to the Committee on Finance.

MEDICARE RENAL DIALYSIS FAIR PAYMENT ACT OF 1999

● Mr. CONRAD. Mr. President, today I am pleased to join Senator FRIST to introduce the Medicare Renal Dialysis Fair Payment Act of 1999. This legislation takes important steps to help sustain and improve the quality of care for Medicare beneficiaries suffering from kidney-failure.

Nationwide, more than 280,000 Americans live with end-stage renal disease (ESRD). In my state of North Dakota, the number of patients living with ESRD is relatively small, just over 600 per year. However, for these patients, and others across the country, access to dialysis treatments means the difference between life and death.

In 1972, the Congress took important steps to ensure that elderly and disabled individuals with kidney-failure receive appropriate dialysis care. At that time, Medicare coverage was extended to include dialysis treatments for beneficiaries with ESRD.

Over the last three decades, dialysis facilities have provided services to increasing numbers of kidney-failure patients under increasingly strict quality standards. However, it has come to my attention that reimbursement to dialysis facilities does not reflect the more stringent quality requirements placed upon dialysis providers.

Since 1983, reimbursement to dialysis facilities has actually declined. Today, according to the Medicare Payment Advisory Commission (MedPAC), dialysis facilities receive on average $122 per treatment, compared with $138 per treatment that they received in 1983. Adjusting for inflation, this means that dialysis providers are only receiving about $42 per treatment (in 1983 dollars) to provide nursing, social work and dietitian care, as well as the actual dialysis treatment.

I am concerned that a continued erosion in Medicare payments to dialysis facilities could jeopardize beneficiaries' access to dialysis services. According to MedPAC, ''without an increase in the payment (i.e. composite rate) the quality of dialysis services may decline. Therefore, an update to the composite rate is recommended.'' Further, MedPAC has concluded that the majority of dialysis facilities now lose money on Medicare reimbursement and the problem is especially acute for small, rural, and non-profit dialysis facilities. In my state, we simply cannot afford to lose rural providers—including providers of dialysis services.

This legislation will ensure dialysis facilities have the resources to continue offering critical dialysis services to individuals with kidney failure. I urge my colleagues to support this important legislation.●

By Mr. DODD (for himself and Mr. LIEBERMAN):

S. 1450. A bill to authorize the Secretary of Transportation to convey a National Defense Reserve Fleet vessel to the Glacier Society, Inc., of Bridgeport, Connecticut; to the Committee on Commerce, Science, and Transportation.

CONVEYANCE OF THE SHIP GLACIER

● Mr. DODD. Mr. President, I rise today to introduce legislation that would save a historic vessel from the scrap heap. The Glacier, a 310 foot, 8,600 ton icebreaker was commissioned as a vessel of the U.S. Navy in 1955. It made 39 trips to the North and South poles; made the deepest penetration of the Antarctic by sea in 1961; rescued explorer Sir Vivan Fuchs; and was the largest icebreaker of its time. Currently, the Glacier is part of the reserve fleet awaiting disposition as scrap or transfer to the Glacier Society, a group dedicated to restoring the Glacier.

This bill would simply convey the Glacier from the reserve fleet to the Glacier Society. The Society is mainly composed of active and retired servicemen who served aboard the Glacier and is headed by Ben Koether, one of the ship's former navigators. The group envisions that the Glacier will operate as a museum and scientific laboratory. Both in port and underway, the Glacier Society hopes to provide hands-on training to children and adults while teaching the history of Polar exploration.

By passing the title of the Glacier to the Glacier Society, Congress will save taxpayers roughly $200,000 per year, enable the development of unique educational opportunities, contribute to the nation's maritime heritage and preserve a piece of history. I look forward to the day when the Glacier Society's vision for the Glacier is achieved. Passage of this bill would be the first step towards realization of that vision.●

By Mr. HARKIN (for himself, Mr. HOLLINGS, Mr. BIDEN, and Mr. GRAHAM):

S. 1451. A bill to amend titles XI and XVIII of the Social Security Act to improve efforts to combat Medicare fraud, waste, and abuse; to the Committee on Finance.

MEDICARE WASTE TAX REDUCTION ACT OF 1999

Mr. HARKIN. Mr. President, today I am introducing with Senator HOLLINGS, Senator BIDEN, and Senator GRAHAM an important piece of legislation that will help to protect and preserve Medicare. The bill is entitled the Medicare Waste Tax Reduction Act of 1999.

For over ten years now, I have worked to combat fraud, waste and abuse in the Medicare program. As Chairman and now Ranking Minority Member of the Senate Appropriations Subcommittee with oversight of the administration of Medicare, I've held hearing after hearing and released report after report documenting the extent of this problem. While virtually no one was paying attention to our effort for many years, we've succeeded in bringing greater attention and focus to this problem in recent years.

Part of our effort has been to try to quantify the scope of the problem. Several years ago, the General Accounting Office reported that up to 10 percent of Medicare funds could be lost to fraud, waste and abuse each year. Many questioned that estimate as too large. They said the problem existed, but it wasn't nearly as big as 10 percent. A few years ago, the Inspector General conducted the first-ever detailed audit of Medicare payments. That Chief Financial Officer Act audit found that fully 14 percent of Medicare payments in 1996, or over $23 billion, had been made improperly.

To combat these substantial losses, we have put into place the reforms embodied in the Health Insurance Portability Act and the Balanced Budget Act. HCFA, the Inspector General and the Justice Department also have continued to aggressively use new authority to crack down on Medicare fraud, waste, and abuse. As a result, we have seen a dramatic decrease in these improper payments. According to the most recent Inspector General's report, improper payments had been reduced from $23.2 billion in 1996, to $20.3 billion in 1997, to $12.6 billion in 1998.

While I am very pleased with the successful efforts so far in combating fraud, waste, and abuse, that still amounts to a nearly $13 billion annual ''waste tax'' on the American people. Now is not the time to rest on our laurels. We must now question, what is the best way to move forward and further cut this tax. I know there are no ''magic-wand'' solutions—this is a complex problem with many components. But basically, you need four things: well thought out laws, adequate resources, effective implementation and the help of seniors and health providers. We've made progress on each of these fronts over the last couple of years, but much more remains to be done.

Mr. President, we have many thousands of dedicated health providers who work very hard to improve the quality of life for all people. Through their efforts, Americans have the best quality health care in the world. But, unfortunately, there are a small minority of providers who take advantage of our health care system. This legislation is directly designed to deal with those situations. Further, it is clear that many mispayments to Medicare are the result of a simple lack of understanding of our often complex Medicare payment system. This legislation also addresses this problem by providing increased education and assistance for providers and by reducing the paperwork and administrative hassles that can often lead to innocent, but costly, billing errors.

The primary goal of this legislation is simply this—to ensure that Medicare pays for all that it should pay for—and only what it should pay for.

The Medicare Waste Tax Reduction Act I am introducing today will take a number of important steps to stop the continued ravaging of Medicare.

This Bill for example, would direct HCFA to double and better target audits and reviews to detect and discourage mispayments. Currently only a tiny fraction of Medicare claims are reviewed before being paid and less than 2 percent of providers receive a comprehensive audit annually. We must have the ability to separate needed care from bill padding and abuse.

Our bill would also give Medicare the authority to be a more prudent purchaser. As passed by the Senate, the Balanced Budget Act gave Medicare the authority to quickly reduce Part B payment rates (except those made for physician services) it finds to be grossly excessive when compared to rates paid by other government programs and the private sector. In conference, the provision was limited to reductions of no more than 15 percent. This bill would restore the original Senate language. In addition, to assure that Medicare gets the price it deserves given its status as by far the largest purchaser of medical supplies and equipment, Medicare would pay no more than any other government program for these items. Finally, overpayments for prescription drugs and biologicals would be eliminated by lowering Medicare's rate to the lowest of either the actual acquisition cost or 83% of the wholesale cost.

Our bill would also give the Secretary of Health and Human Services greater flexibility in contracting for claims processing and payment functions on behalf of Medicare beneficiaries and providers. It would update Medicare contracting procedures and bring it more in line with standard contracting procedures already used across the Federal Government and therefore allow Medicare the ability to get much better value for its contracting dollars.

The Medicare Waste Tax reduction Act of 1999 would also ensure that Medicare does not pay for claims owed by other plans. Too often, Medicare pays claims that are owed by private insurers because it has no way of knowing a beneficiary is working and has private insurance that should pay first. This provision would reduce Medicare losses by requiring insurers to report any Medicare beneficiaries they insure. Also, Medicare would be given the authority to recover double the amount owed by insurers who purposely let Medicare pay claims they should have paid.

Additionally, coordination between Medicare and private insurers would be strengthened. Often, those ripping off Medicare are also defrauding private health plans. Yet, too little information on fraud cases is shared between Medicare and private plans. In order to encourage better coordination, health plans and their employees could not be held liable for sharing information with Medicare regarding health care fraud as long as the information is not false, or the person providing the information had no reason to believe the information was false.

Our bill would also expand the Medicare Senior Waste Patrol Nationwide. Seniors are our front line of defense against Medicare fraud, waste and abuse. However, too often, seniors don't have the information they need to detect and report suspected mistakes and fraud. By moving the Waste Patrol nationwide, implementing important BBA provisions and assuring seniors have access to itemized bills we will strike an important blow to Medicare waste.

Another critical component of any successful comprehensive plan to cut the Medicare waste tax is to focus on prevention. Most of our efforts now look at finding and rectifying the problems after they occur. While this is important and we need to do even more of it, we all know that prevention is much more cost effective. The old adage ''A stitch in time saves nine'' was never more true. A major component of an enhanced prevention effort would be the provision of increased assistance and education for providers to comply with Medicare rules.

Further, a great deal of the mis-payments made by Medicare are the result not of fraud or abuse, but of simple misunderstanding of Medicare billing rules by providers. Therefore, this bill provides $10 million a year to fund a major expansion of assistance and education for providers on program integrity requirements. This bill would also ensure the reduction of paperwork and administrative hassle that could prove daunting to providers. Health professionals have to spend too much time completing paperwork and dealing with administrative hassles associated with Medicare and private health plans. In order to reduce this hassle and provide more time for patient care, the Institute of Medicine would be charged with developing a comprehensive plan by no later than June 1, 2000. Their recommendations are to include the streamlining of variations between Medicare and other payers.

Mr. President, while we have made changes to medicare in attempts to extend its solvency thru the next decade, we urgently need to take other steps to protect and preserve the program for the long-term. We should enact the reforms in this bill to weed out waste, fraud and abuse as a first priority in this effort. I urge all my colleagues to review this proposal and hope that they will join me in working to pass it yet this year.

Mr President, I also ask unanimous consent that the bill be printed in the RECORD.

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

S. 1451

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Medicare Waste Tax Reduction Act of 1999''.

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Increased medical reviews and anti-fraud activities.
Sec. 3. Oversight of home health agencies.
Sec. 4. No markup for drugs or biologicals.
Sec. 5. Ensuring that the medicare program does not reimburse claims owed by other payers.
Sec. 6. Extension of subpoena and injunction authority.
Sec. 7. Civil monetary penalties for services ordered or prescribed by an excluded individual or entity.
Sec. 8. Civil monetary penalties for false certification of eligibility to receive partial hospitalization and hospice services.
Sec. 9. Application of certain provisions of the bankruptcy code.
Sec. 10. Improving private sector coordination in combatting health care fraud.
Sec. 11. Fees for agreements with medicare providers and suppliers.
Sec. 12. Increased medicare compliance, education, and assistance for health care providers.
Sec. 13. Paperwork and administrative hassle reduction.
Sec. 14. Clarification of application of sanctions to Federal health care programs.
Sec. 15. Payments for durable medical equipment.
Sec. 16. Implementation of commercial claims auditing systems.
Sec. 17. Partial hospitalization payment reforms.
Sec. 18. Expansion of medicare senior waste patrol nationwide.
Sec. 19. Application of inherent reasonableness to all part B services other than physicians' services.
Sec. 20. Standards regarding payment for certain orthotics and prosthetics.
Sec. 21. Increased flexibility in contracting for medicare claims processing.
Sec. 22. Exemption of Inspectors General from Paperwork Reduction Act requirements.

SEC. 2. INCREASED MEDICAL REVIEWS AND ANTI-FRAUD ACTIVITIES.

(a) IN GENERAL.—Section 1893(d) of the Social Security Act (42 U.S.C. 1395ddd(d)) is

amended by inserting after paragraph (3) the following:

''(4) In the case of fiscal year 2000 and each subsequent fiscal year, procedures to ensure that—

''(A) the number of medical reviews, utilization reviews, and fraud reviews in a fiscal year of providers of services and other individuals and entities furnishing items and services for which payment may be made under this title is equal to at least twice the number of such reviews that were conducted in fiscal year 1999;

''(B) the number of provider cost reports audited in a fiscal year is equal to at least—

''(i) 15 percent of those submitted by a home health agency or a skilled nursing facility; and

''(ii) twice the number of such reports that were audited in fiscal year 1999 for those submitted by any other provider of services or any other individual or entity furnishing items and services for which payment may be made under this title; and

''(C) in determining which providers of services, individuals, entities, or cost reports to review or audit, priority is placed on providers, individuals, entities, and areas that the Secretary determines are subject to abuse and most likely to result in mispayment or overpayment recoveries.''.

(b) INCREASE IN APPROPRIATED AMOUNTS FOR MEDICARE AND MEDICAID ACTIVITIES.—

(1) IN GENERAL.—Section 1817(k)(3)(A)(i) of the Social Security Act (42 U.S.C. 1395i(k)(3)(A)(i)) is amended—

(A) in subclause (II)—

(i) by striking ''through 2003'' and inserting ''and 1999''; and

(ii) by striking ''and'' at the end;

(B) by redesignating subclause (III) as subclause (IV); and

(C) by inserting after subclause (II) the following:

''(III) for each of the fiscal years 2000 through 2003, the limit for the preceding fiscal year, increased by 25 percent; and''.

(2) ACTIVITIES.—Section 1817(k)(3)(A)(ii) of the Social Security Act (42 U.S.C. 1395i(k)(3)(A)(ii)) is amended—

(A) in subclause (IV), by striking ''not less than $110,000,000 and not more than $120,000,000'' and inserting ''$160,000,000'';

(B) in subclause (V), by striking ''not less than $120,000,000 and not more than $130,000,000'' and inserting ''$190,000,000'';

(C) in subclause (VI), by striking ''not less than $140,000,000 and not more than $150,000,000'' and inserting ''$230,000,000''; and

(D) in subclause (VII), by striking ''not less than $150,000,000 and not more than $160,000,000'' and inserting ''$260,000,000''.

(c) INCREASE IN APPROPRIATED AMOUNTS FOR MEDICARE INTEGRITY PROGRAM.—Section 1817(k)(4) of the Social Security Act (42 U.S.C. 1395i(k)(4)(B)) is amended—

(1) in subparagraph (A), by striking ''such amounts as are necessary to carry out the Medicare Integrity Program under section 1893, subject to subparagraph (B) and to'' and inserting ''the amount appropriated under subparagraph (B), and such amount shall''; and

(2) in subparagraph (B)—

(A) in clause (iv), by striking ''such amount shall be not less than $620,000,000 and not more than $630,000,000'' and inserting ''$780,000,000'';

(B) in clause (v), by striking ''such amount shall be not less than $670,000,000 and not more than $680,000,000'' and inserting ''$830,000,000'';

(C) in clause (vi), by striking ''such amount shall be not less than $690,000,000 and not more than $700,000,000'' and inserting ''$850,000,000''; and

(D) in clause (vii), by striking ''such amount shall be not less than $710,000,000 and not more than $720,000,000'' and inserting ''$870,000,000''.

SEC. 3. OVERSIGHT OF HOME HEALTH AGENCIES.

(a) VALIDATION SURVEYS OF HOME HEALTH AGENCIES.—Section 1891(c) of the Social Security Act (42 U.S.C. 1395bbb(c)) is amended by adding at the end the following:

''(3)(A)(i) The Secretary shall conduct onsite surveys of a representative sample of home health agencies in each State, in a sufficient number to allow inferences about the adequacies of each State's surveys conducted under this subsection.

''(ii) A survey described in clause (i) shall be conducted by the Secretary within 2 months of the date of the survey conducted by the State and may be conducted concurrently with the State survey.

''(iii) In conducting a survey described in clause (i), the Secretary shall use the same survey protocols as the State is required to use under this subsection.

''(iv) If, through a State survey, the State has determined that a home health agency is in compliance with the requirements specified in or pursuant to section 1861(o), this section, or this title, but the Secretary determines (after conducting the survey described in clause (i)) that the facility does not meet such requirements, the Secretary's determination as to the facility's noncompliance with such requirements is binding and supersedes that of the State survey.

''(B) With respect to each State, the Secretary shall conduct surveys under subparagraph (A) each year with respect to at least 5 percent of the number of home health agencies surveyed by the State in the year, but in no case less than 5 home health agencies in the State.

''(C) If the Secretary finds, on the basis of such surveys, that a State has failed to perform surveys as required under this subsection or that a State's survey and certification performance otherwise is not adequate, the Secretary shall provide for an appropriate remedy, which may include the training of survey teams in the State.

''(D) If the Secretary has reason to question the compliance of a home health agency with any of the requirements specified in or pursuant to section 1861(o), this section, or this title, the Secretary may conduct a survey of the agency and, on the basis of that survey, make independent and binding determinations concerning the extent to which the home health agency meets such requirements.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of enactment of this Act.

SEC. 4. NO MARKUP FOR DRUGS OR BIOLOGICALS.

(a) IN GENERAL.—Section 1842(o) (42 U.S.C. 1395u(o)) is amended to read as follows:

''(o)(1) If a physician's, supplier's, or any other person's bill or request for payment for services includes a charge for a drug or biological for which payment may be made under this part and the drug or biological is not paid on a cost or prospective payment basis as otherwise provided in this part, the payment amount established in this subsection for the drug or biological shall be the lowest of the following:

''(A) The actual acquisition cost, as defined in paragraph (2), to the person submitting the claim for payment for the drug or biological.

''(B) 83 percent of the average wholesale price of such drug or biological, as determined by the Secretary.

''(C) For payments for any drug or biological furnished on or after January 1, 2001, the median actual acquisition cost of all claims for payment for such drug or biological for the 12-month period beginning July 1, 1999 (and adjusted, as the Secretary determines appropriate, to reflect changes in the cost of such drug or biological due to inflation, and such other factors as the Secretary determines appropriate).

''(D) The amount otherwise determined under this part.

''(2) For purposes of paragraph (1)(A), the term 'actual acquisition cost' means, with respect to such drug or biological, the cost of the drug or biological based on the most economical case size in inventory on the date of dispensing or, if less, the most economical case size purchased within 6 months of the date of dispensing whether or not that specific drug or biological was furnished to an individual whether or not enrolled under this part. Such term includes appropriate adjustments, as determined by the Secretary, for all discounts, rebates, or any other benefit in cash or in kind (including travel, equipment, or free products). The Secretary shall include an additional payment for administrative, storage, and handling costs.

''(3)(A) No payment shall be made under this part for any drug or biological to a person whose bill or request for payment for such drug or biological does not include a statement of the person's actual acquisition cost.

''(B) A person may not bill an individual enrolled under this part—

''(i) any amount other than the payment amount specified in paragraph (1) or (4) (plus any applicable deductible and coinsurance amounts), or

''(ii) any amount for such drug or biological for which payment may not be made pursuant to subparagraph (A).

''(C) If a person knowingly and willfully in repeated cases bills 1 or more individuals in violation of subparagraph (B), the Secretary may apply sanctions against that person in accordance with subsection (j)(2).

''(4) The Secretary may pay a reasonable dispensing fee (less the applicable deductible and coinsurance amounts) for any drug or biological to a licensed pharmacy approved to dispense drugs or biologicals under this part, if payment for such drug or biological is made to the pharmacy.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to drugs or biologicals furnished on or after January 1, 2000.

(c) ELIMINATION OF REPORT ON AVERAGE WHOLESALE PRICE.—Section 4556 of the Balanced Budget Act of 1997 is amended by striking subsection (c).

SEC. 5. ENSURING THAT THE MEDICARE PROGRAM DOES NOT REIMBURSE CLAIMS OWED BY OTHER PAYERS.

(a) INFORMATION FROM GROUP HEALTH PLANS.—Section 1862(b) of the Social Security Act (42 U.S.C. 1395y(b)) is amended by adding at the end the following:

''(7) INFORMATION FROM GROUP HEALTH PLANS.—

''(A) PROVISION OF INFORMATION BY GROUP HEALTH PLANS.—The administrator of a group health plan that is subject to the requirements of paragraph (1) shall provide the Secretary with the information described in subparagraph (C) for each individual covered under the plan who is entitled to any benefits under this title. Such information shall be provided in such manner and at such times as the Secretary may specify (but in no case more frequently than 4 times per year).

''(B) PROVISION OF INFORMATION BY EMPLOYERS AND EMPLOYEE ORGANIZATIONS.—An employer (or employee organization) that maintains or participates in a group health plan that is subject to the requirements of paragraph (1) shall provide to the administrator of the plan the information described in subparagraph (C) for each individual covered

under the plan who is entitled to any benefits under this title. Such information shall be provided in such manner and at such times as the Secretary may specify (but in no case more frequently than 4 times per year).

''(C) INFORMATION.—The information described in this subparagraph is as follows:

''(i) ELEMENTS CONCERNING THE INDIVIDUAL.—

''(I) The individual's name.

''(II) The individual's date of birth.

''(III) The individual's sex.

''(IV) The individual's social security insurance number.

''(V) The number assigned by the Secretary to the individual for claims under this title.

''(VI) The family relationship of the individual to the person who has current or prior employment status with the employer.

''(ii) ELEMENTS CONCERNING THE FAMILY MEMBER WITH CURRENT OR PRIOR EMPLOYMENT STATUS.—

''(I) The name of the person in the individual's family who has current or prior employment status with the employer.

''(II) That person's social security insurance number.

''(III) The number or other identifier assigned by the plan to that person.

''(IV) The periods of coverage for that person under the plan.

''(V) The employment status of that person (current or former employee) during those periods of coverage.

''(VI) The classes (of that person's family members) covered under the plan.

''(iii) PLAN ELEMENTS.—

''(I) The items and services covered under the plan.

''(II) The name and address to which claims under the plan are to be sent.

''(III) The name, address, and tax identification number of the plan sponsor.

''(iv) ELEMENTS CONCERNING THE EMPLOYER.—

''(I) The employer's name.

''(II) The employer's address.

''(III) The employer identification number of the employer.

''(IV) The tax identification number of the employer if different than the number in clause (iii)(III).

''(D) USE OF IDENTIFIERS.—The administrator of a group health plan shall utilize a unique identifier for the plan in providing information under subparagraph (A) and in other transactions, as may be specified by the Secretary, related to the provisions of this subsection. The Secretary may provide to the administrator the unique identifier described in the preceding sentence.

''(E) PENALTY FOR NONCOMPLIANCE.—Any individual or entity that knowingly and willfully fails to comply with a requirement imposed by this paragraph shall be subject to a civil money penalty not to exceed $1,000 for each incident of such failure. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under the previous sentence in the same manner as those provisions apply to a penalty or proceeding under section 1128A(a).

''(F) GROUP HEALTH PLAN DEFINED.—In this paragraph, the term 'group health plan' has the meaning given such term in paragraph (1)(A)(v).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 2000.

SEC. 6. EXTENSION OF SUBPOENA AND INJUNCTION AUTHORITY.

(a) SUBPOENA AUTHORITY.—Section 1128A(j)(1) of the Social Security Act (42 U.S.C. 1320a–7a(j)(1)) is amended by inserting ''and section 1128'' after ''with respect to this section''.

(b) INJUNCTION AUTHORITY.—Section 1128A(k) of the Social Security Act (42 U.S.C. 1320a–7a(k)) is amended by inserting ''or an exclusion under section 1128,'' after ''subject to a civil monetary penalty under this section,''.

(c) CLARIFYING AMENDMENTS.—

(1) IN GENERAL.—Section 1128A(j)(1) of the Social Security Act (42 U.S.C. 1320a–7a(j)(1)) is amended—

(A) by inserting '', except that, in so applying such sections, any reference therein to the Commissioner of Social Security or the Social Security Administration shall be considered a reference to the Secretary or the Department of Health and Human Services, respectively'' after ''with respect to title II''; and

(B) by striking the second sentence.

(2) AUTHORITY.—Section 1128A(j)(2) of the Social Security Act (42 U.S.C. 1320a–7a(j)(2)) is amended to read as follows:

''(2) The Secretary may delegate to the Inspector General of the Department of Health and Human Services any or all authority granted under this section or under section 1128.''.

(d) CONFORMING AMENDMENT.—Section 1128 of the Social Security Act (42 U.S.C. 1320a–7) is amended by adding at the end the following:

''(k) For provisions of law concerning the Secretary's subpoena and injunction authority with respect to activities under this section, see subsections (j) and (k) of section 1128A.''.

SEC. 7. CIVIL MONETARY PENALTIES FOR SERVICES ORDERED OR PRESCRIBED BY AN EXCLUDED INDIVIDUAL OR ENTITY.

(a) IN GENERAL.—Section 1128A(a)(1) of the Social Security Act (42 U.S.C. 1320a–7a(a)(1)) is amended—

(1) in subparagraph (D)—

(A) by inserting '', ordered, or prescribed by such person'' after ''other item or service furnished'';

(B) by inserting ''(pursuant to this title or title XVIII)'' after ''period in which the person was excluded'';

(C) by striking ''pursuant to a determination by the Secretary'' and all that follows through ''the provisions of section 1842(j)(2)''; and

(D) by striking ''or'' at the end;

(2) by redesignating subparagraph (E) as subparagraph (F); and

(3) by adding after subparagraph (D) the following:

''(E) is for a medical or other item or service ordered or prescribed by a person excluded (pursuant to this title or title XVIII) from the program under which the claim was made, and the person furnishing such item or service knows or should know of such exclusion, or''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to claims presented on or after the date of enactment of this Act.

SEC. 8. CIVIL MONETARY PENALTIES FOR FALSE CERTIFICATION OF ELIGIBILITY TO RECEIVE PARTIAL HOSPITALIZATION AND HOSPICE SERVICES.

(a) IN GENERAL.—Section 1128A(b)(3) of the Social Security Act (42 U.S.C. 1320a–7a(b)(3)) is amended—

(1) in subparagraph (A)(ii), by inserting '', hospice care, or partial hospitalization services'' after ''home health services''; and

(2) in subparagraph (B), by inserting '', section 1814(a)(7) in the case of hospice care, or section 1835(a)(2)(F) in the case of partial hospitalization services'' after ''home health services''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to documents executed on or after the date of enactment of this Act.

SEC. 9. APPLICATION OF CERTAIN PROVISIONS OF THE BANKRUPTCY CODE.

(a) RESTRICTED APPLICABILITY OF BANKRUPTCY STAY, DISCHARGE, AND PREFERENTIAL TRANSFER PROVISIONS TO MEDICARE AND MEDICAID DEBTS.—Title XI of the Social Security Act (42 U.S.C. 1301 et seq.) is amended by inserting after section 1143 the following:

''APPLICATION OF CERTAIN PROVISIONS OF THE BANKRUPTCY CODE

''SEC. 1144. (a) MEDICARE- AND MEDICAID-RELATED ACTIONS NOT STAYED BY BANKRUPTCY PROCEEDINGS.—The commencement or continuation of any action against a debtor under this title, title XVIII, or title XIX (other than an action with respect to health care services provided to the debtor under title XVIII), including any action or proceeding to exclude or suspend the debtor from program participation, assess civil money penalties, recoup or set off overpayments, or deny or suspend payment of claims shall not be subject to the provisions of section 362(a) of title 11, United States Code.

''(b) MEDICARE- AND MEDICAID-RELATED DEBT NOT DISCHARGEABLE IN BANKRUPTCY.—A debt owed to the United States or to a State for an overpayment under title XVIII or title XIX (other than an overpayment for health care services provided to the debtor under title XVIII), or for a penalty, fine, or assessment under this title, title XVIII, or title XIX, shall not be dischargeable under any provision of title 11, United States Code.

''(c) REPAYMENT OF CERTAIN DEBTS CONSIDERED FINAL.—Payments made to repay a debt to the United States or to a State with respect to items or services provided, or claims for payment made, under title XVIII or XIX (including repayment of an overpayment (other than an overpayment for health care services provided to the debtor under title XVIII)), or to pay a penalty, fine, or assessment under this title, title XVIII, or title XIX, shall be considered final and not preferential transfers under section 547 of title 11, United States Code.''.

(b) MEDICARE RULES APPLICABLE TO BANKRUPTCY PROCEEDINGS.—Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by adding at the end the following:

''APPLICATION OF PROVISIONS OF THE BANKRUPTCY CODE

''SEC. 1897. (a) USE OF MEDICARE STANDARDS AND PROCEDURES.—Notwithstanding any provision of title 11, United States Code, or any other provision of law, in the case of claims by a debtor in bankruptcy for payment under this title, the determination of whether the claim is allowable, and of the amount payable, shall be made in accordance with the provisions of this title and title XI.

''(b) NOTICE TO CREDITOR OF BANKRUPTCY PETITIONER.—In the case of a debt owed to the United States with respect to items or services provided, or claims for payment made, under this title (including a debt arising from an overpayment or a penalty, fine, or assessment under title XI or this title), the notices to the creditor of bankruptcy petitions, proceedings, and relief required under title 11, United States Code (including under section 342 of that title and section 2002(j) of the Federal Rules of Bankruptcy Procedure), shall be given to the Secretary. Provision of such notice to a fiscal agent of the Secretary shall not be considered to satisfy this requirement.

''(c) TURNOVER OF PROPERTY TO THE BANKRUPTCY ESTATE.—For purposes of section 542(b) of title 11, United States Code, a claim for payment under this title shall not be considered to be a matured debt payable to the estate of a debtor until such claim has been allowed by the Secretary in accordance with procedures under this title.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to petitions

filed on or after the date of enactment of this Act.

SEC. 10. IMPROVING PRIVATE SECTOR COORDINATION IN COMBATTING HEALTH CARE FRAUD.

(a) IN GENERAL.—Title XI of the Social Security Act (42 U.S.C. 1301 et seq.) is amended by inserting after section 1157 the following:

''IMPROVING PRIVATE SECTOR COORDINATION IN COMBATTING HEALTH CARE FRAUD

''SEC. 1157A. (a) IN GENERAL.—Notwithstanding any other provision of law, no health plan (as defined in section 1128C(c)), issuer of a health plan, or employee of a health plan shall be held liable in any civil action with respect to the provision of information regarding suspected health care fraud, including Federal health care offenses (as defined in section 24(a) of title 18, United States Code) to an applicable individual unless such information is false and the person providing it knew, or had reason to believe, that such information was false.

''(b) APPLICABLE INDIVIDUAL.—In subsection (a), the term 'applicable individual' means—

''(1) a Federal, State, or local law enforcement official responsible for the investigation or prosecution of suspected health care fraud offenses; or

''(2) an employee of a health plan or issuer of a health plan.

''(c) ATTORNEY'S FEES.—Any health plan, issuer of a health plan, or employee of a health plan against whom a civil action is brought, and who is found to be entitled to immunity from liability by reason of this section, shall be entitled to recover reasonable attorney's fees and costs from the person who brought the civil action.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of enactment of this Act.

SEC. 11. FEES FOR AGREEMENTS WITH MEDICARE PROVIDERS AND SUPPLIERS.

(a) FEES RELATED TO MEDICARE PROVIDER AND SUPPLIER ENROLLMENT AND REENROLLMENT.—Section 1866 of the Social Security Act (42 U.S.C. 1395cc) is amended by adding at the end the following:

''(j) ENROLLMENT PROCEDURES AND FEES.—

''(1) ENROLLMENT OF INDIVIDUALS AND ENTITIES THAT ARE NOT PROVIDERS OF SERVICES.—The Secretary may establish a procedure for enrollment (and periodic reenrollment) of individuals or entities that are not providers of services subject to the provisions of subsection (a) but that furnish health care items or services under this title.

''(2) FEES.—

''(A) IN GENERAL.—The Secretary may impose fees for initiation and renewal of provider agreements under subsection (a) and for enrollment and periodic reenrollment of other individuals and entities furnishing health care items or services under this title under paragraph (1), in amounts up to the full amount which the Secretary reasonably estimates to be sufficient to cover the Secretary's costs related to the process for initiating and reviewing such agreements and enrollments.

''(B) FEES CREDITED TO SPECIAL FUND IN TREASURY.—Fees collected pursuant to this paragraph shall be credited to a special fund of the United States Treasury, and shall remain available until expended, to the extent and in such amounts as provided in advance in appropriations Acts, for necessary expenses for these purposes, including costs of establishing and maintaining procedures and records systems, processing applications, and conducting background investigations.''.

(b) CLERICAL AMENDMENT.—The heading of section 1866 of the Social Security Act (42 U.S.C. 1395cc) is amended to read as follows:

''AGREEMENTS WITH PROVIDERS OF SERVICES AND ENROLLMENT OF OTHER PERSONS FURNISHING SERVICES''.

SEC. 12. INCREASED MEDICARE COMPLIANCE, EDUCATION, AND ASSISTANCE FOR HEALTH CARE PROVIDERS.

(a) DEVELOPMENT OF PLAN.—Not later than 6 months after the date of enactment of this Act, the Secretary of Health and Human Services shall, in consultation with health care provider representatives, develop and implement a comprehensive plan of activities to—

(1) maximize health care provider knowledge of medicare program integrity requirements, including anti-fraud and abuse laws and administrative actions;

(2) assist health care providers with medicare program integrity compliance, including educating such providers regarding compliance activities and procedures of the Health Care Financing Administration and the Inspector General of the Department of Health and Human Services;

(3) develop improved computer technology for health care providers to both reduce their administrative hassles and facilitate their compliance with medicare program requirements, including physician evaluation and management guidelines; and

(4) otherwise improve compliance among health care providers with rules and regulations under the medicare program.

(b) FUNDING.—Notwithstanding any other provision of law, of the amounts appropriated under section 1817(k)(4) of the Social Security Act (42 U.S.C. 1395i(k)(4)) for a fiscal year, there shall be made available $10,000,000 in fiscal year 2000 and such sums as are necessary in fiscal years 2001 through 2004 to carry out the purposes of this section.

SEC. 13. PAPERWORK AND ADMINISTRATIVE HASSLE REDUCTION.

(a) STUDY BY COMMITTEE.—

(1) ESTABLISHMENT.—Not later than 90 days after the date of enactment of this Act, the Secretary of Health and Human Services shall contract with the Institute of Medicine of the National Academy of Sciences to establish a committee to study medicare program administrative requirements that are applicable to health care providers under such program.

(2) COMMITTEE.—The committee described in paragraph (1) shall be composed of—

(A) at least 9 health care providers who participate in, and have significant experience working with, the medicare program;

(B) experts in paperwork reduction; and

(C) beneficiaries under the medicare program or their representatives.

(b) RECOMMENDATIONS.—The committee described in subsection (a) shall develop recommendations regarding how paperwork and administrative requirements under the medicare program can be minimized in a manner that—

(1) increases the time health care providers that are subject to such requirements have to spend in direct patient care; and

(2) maintains medicare program integrity and compliance with anti-fraud and abuse requirements.

In developing such recommendations, the committee shall seek to streamline variations in administrative and paperwork requirements between the medicare program and other government health programs and private health plans.

(c) REPORT.—

(1) IN GENERAL.—Not later than June 1, 2000, the committee described in subsection (a) shall submit a report to the Secretary of Health and Human Services, the Committees on Finance and Appropriations of the Senate and the Committees on Ways and Means, Commerce, and Appropriations of the House of Representatives.

(2) CONTENTS.—The report required under paragraph (1) shall contain a detailed description of the matters studied pursuant to subsection (a) and the recommendations developed pursuant to subsection (b), including such legislation and administrative actions as the committee considers appropriate.

(d) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated $1,000,000 for fiscal year 2000 to carry out the purposes of this section.

(2) AVAILABILITY.—Any sums appropriated under the authorization contained in this subsection shall remain available, without fiscal year limitation, until expended.

SEC. 14. CLARIFICATION OF APPLICATION OF SANCTIONS TO FEDERAL HEALTH CARE PROGRAMS.

(a) COVERAGE OF EMPLOYMENT.—Section 1128 of the Social Security Act (42 U.S.C. 1320a–7) is amended—

(1) in subsection (a), in the matter preceding paragraph (1), by inserting ''(including employment under)'' after ''participation in''; and

(2) in subsection (b), in the matter preceding paragraph (1), by inserting ''(including employment under)'' after ''participation in''.

(b) APPLICATION UNDER CIVIL MONEY PENALTY AUTHORITY.—Section 1128A of the Social Security Act (42 U.S.C. 1320a–7a) is amended—

(1) in subsection (a)(4), by striking ''program under title XVIII or a State health care program'' and inserting ''Federal health care program'' each place it appears;

(2) in subsection (a)(5)—

(A) by striking ''title XVIII of this Act, or under a State health care program (as defined in section 1128(h))'' and inserting ''a Federal health care program''; and

(B) by striking ''title XVIII, or a State health care program (as so defined)'' and inserting ''such program'';

(3) in the last sentence of subsection (a), by striking ''and to direct the appropriate State agency to exclude the person from participation in any State health care program''; and

(4) in subsection (h), by striking ''State agency or agencies administering or supervising the administration of State health care programs (as defined in section 1128(h))'' and inserting ''Federal or State agency or agencies administering or supervising the administration of any Federal health care program''.

(c) APPLICATION OF WAIVER PROVISIONS TO FEDERAL HEALTH CARE PROGRAMS.—Section 1128 of the Social Security Act (42 U.S.C. 1320a–7) is amended—

(1) in subsection (c)(3)(B), by striking ''upon the request of a State'' and inserting ''upon the request of the director of a Federal health care program'';

(2) in subsection (d)(3)(B)(i)—

(A) by striking ''State health care program'' and inserting ''Federal health care program''; and

(B) by striking ''State agency'' and inserting ''Federal or State agency''; and

(3) in subsection (d)(3)(B)(ii), by striking ''State health care program'' and inserting ''Federal health care program (other than under title XVIII)''.

(d) NOTICE PROVISION REGARDING FEDERAL HEALTH CARE PROGRAMS.—Section 1128 of the Social Security Act (42 U.S.C. 1320a–7) is amended—

(1) in the heading of subsection (d), by striking ''TO STATE AGENCIES AND EXCLUSION UNDER STATE HEALTH CARE PROGRAMS'' and inserting ''AND EXCLUSION UNDER FEDERAL HEALTH CARE PROGRAMS'';

(2) in subsection (d)(1), by striking ''State'' and inserting ''Federal'';

(3) in subsection (d)(2)—

(A) by striking ''State agency'' and inserting ''Federal or State agency'' each place it appears; and

(B) by striking ''State health care program'' and inserting ''Federal health care program'' each place it appears;

(4) in subsection (d)(3)(A), by striking ''State'' and inserting ''Federal''; and

(5) in subsection (g)(3)—

(A) by striking ''State agency'' and inserting ''Federal or State agency''; and

(B) by striking ''State health care program'' and inserting ''Federal health care program''.

(e) USE OF DEFINITION OF FEDERAL HEALTH CARE PROGRAM AND TREATMENT OF FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM AS A FEDERAL HEALTH CARE PROGRAM.—Section 1128B(f) of the Social Security Act (42 U.S.C. 1320a–7b(f)) is amended—

(1) in the matter preceding paragraph (1), by inserting ''and sections 1128 and 1128A'' after ''this section''; and

(2) in paragraph (1), by striking ''(other than the health insurance program under chapter 89 of title 5, United States Code)''.

(f) AUTHORITY TO EXCLUDE FROM FEDERAL HEALTH CARE PROGRAMS BASED ON PRO RECOMMENDATIONS.—Section 1156(b)(1) of the Social Security Act (42 U.S.C. 1320c–5(b)(1)) is amended—

(1) in the second sentence, by striking ''eligibility to provide services under this Act on a reimbursable basis'' and inserting ''participation in any Federal health care program (as defined in section 1128B(f))''; and

(2) in the third sentence, by striking ''eligibility to provide services on a reimbursable basis'' and inserting ''participation in such programs''.

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Subject to paragraph (2), the amendments made by this section shall take effect on the date of enactment of this Act.

(2) CONVICTIONS UNDER FEHBP.—The amendment made by subsection (e)(2) shall apply, with respect to convictions under the health insurance program under chapter 89 of title 5, United States Code, to convictions that occur on or after the date of enactment of this Act.

SEC. 15. PAYMENTS FOR DURABLE MEDICAL EQUIPMENT.

(a) IN GENERAL.—Section 1834(a)(1) of the Social Security Act (42 U.S.C. 1395m(a)(1)) is amended—

(1) in subparagraph (B)—

(A) in clause (i), by striking '', or'' at the end and inserting a semicolon; and

(B) by inserting after clause (ii) the following:

''(iii) the least expensive amount that the supplier of the item is paid by a Medicare+Choice organization for such item; or

''(iv) the least expensive amount that the supplier of the item is paid by any Federal health care program (as defined in section 1128B(f)) for such item;''; and

(2) by adding at the end the following:

''(E) ADMINISTRATIVE COSTS.—

''(i) IN GENERAL.—Except as provided in clause (ii), if—

''(I) the payment amount for an item is covered under clauses (iii) or (iv) of subparagraph (B); and

''(II) the Secretary determines that the administrative costs associated with billing and receiving reimbursement from the Secretary for the item exceeds the administrative costs associated with providing such item to a Medicare+Choice organization or another Federal health care program (as so defined);

then the Secretary shall adjust the payment rate for such item to reflect such excess.

''(ii) LIMITATION.—In no case may the payment rate for an item that is adjusted under clause (i) exceed the payment rate for such item determined in clauses (i) and (ii) of subparagraph (B).

''(iii) COLLECTION OF INFORMATION.—The Secretary shall collect from durable medical equipment suppliers that receive reimbursement under Federal health care programs (as so defined) such information as the Secretary determines is necessary in order to make the determination described in clause (i)(II).''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to items provided on or after January 1, 2000.

SEC. 16. IMPLEMENTATION OF COMMERCIAL CLAIMS AUDITING SYSTEMS.

(a) COMMERCIAL CLAIMS AUDITING SYSTEMS.—

(1) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Secretary shall require medicare carriers to use commercial claims auditing systems in the processing of claims under part B of the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395j et seq.) for the purpose of identifying billing errors and abuses.

(2) SUPPLEMENT TO OTHER TECHNOLOGY.—Commercial claims auditing systems required under paragraph (1) shall be used as a supplement to any other information technology used by medicare carriers in processing claims under the medicare program.

(3) UNIFORMITY.—In order to ensure uniformity in processing claims under the medicare program, the Secretary may require that medicare carriers utilize 1 or more common commercial claims auditing systems, provided that the selection of such system or systems by the Secretary shall be—

(A) after due consideration of competing alternative systems; but

(B) without regard to any provision of law that requires the use of competitive procedures (as defined in section 4 of the Office of Federal Procurement Policy Act (41 U.S.C. 403)) or the publication of notice of proposed procurements.

(4) IMPLEMENTATION.—Commercial claims auditing systems required under paragraph (1) shall be implemented by all medicare carriers by not later than 180 days after the date of enactment of this Act.

(b) MINIMUM SOFTWARE REQUIREMENTS.—Any commercial claims auditing system required to be implemented pursuant to subsection (a) shall, at a minimum—

(1) be a commercial item;

(2) surpass the capability of systems currently used in the processing of claims under part B of the medicare program; and

(3) be modifiable to—

(A) satisfy pertinent statutory requirements of the medicare program; and

(B) conform to policies of the Secretary regarding claims processing under such program.

(c) DISCLOSURE.—

(1) IN GENERAL.—Except as provided in paragraph (2), notwithstanding any other provision of law, any information technology (or data related thereto) utilized by medicare carriers in establishing a commercial claims auditing system pursuant to subsection (a) shall not be subject to public disclosure.

(2) AUTHORIZED DISCLOSURE.—The Secretary may authorize the public disclosure of the information described in paragraph (1) if the Secretary determines that—

(A) release of such information is in the public interest; and

(B) the information to be released is not protected from disclosure under section 552(b) of title 5, United States Code.

(d) DEFINITIONS.—In this section—

(1) COMMERCIAL CLAIMS AUDITING SYSTEM.—The term ''commercial claims auditing system'' means a commercial specialized auditing system that includes edits which identify inappropriately coded health care claims.

(2) COMMERCIAL ITEM.—The term ''commercial item'' has the meaning given such term in section 4 of the Office of Federal Procurement Policy Act (41 U.S.C. 403).

(3) INFORMATION TECHNOLOGY.—The term ''information technology'' has the meaning given such term in subparagraphs (A) and (B) of section 5002(3) of the Information Technology Management Reform Act of 1996 (40 U.S.C. 1401(3)), were such information technology to be acquired by an executive agency.

(4) MEDICARE CARRIER.—The term ''medicare carrier'' means an entity that has a contract with the Secretary pursuant to section 1842(a) of the Social Security Act (42 U.S.C. 1395u(a)).

(5) SECRETARY.—The term ''Secretary'' means the Secretary of Health and Human Services.

SEC. 17. PARTIAL HOSPITALIZATION PAYMENT REFORMS.

(a) LIMITATION ON LOCATION OF PROVISION OF SERVICES.—

(1) IN GENERAL.—Section 1861(ff)(2) of the Social Security Act (42 U.S.C. 1395x(ff)(2)) is amended in the matter following subparagraph (I)—

(A) by striking ''and furnished'' and inserting ''furnished''; and

(B) by inserting '', and furnished other than in a skilled nursing facility or in an individual's personal residence'' before the period.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to partial hospitalization services furnished on or after the first day of the third month beginning after the date of enactment of this Act.

(b) QUALIFICATIONS FOR COMMUNITY MENTAL HEALTH CENTERS.—Section 1861(ff)(3)(B) of the Social Security Act (42 U.S.C. 1395x(ff)(3)(B)) is amended by striking ''entity'' and all that follows and inserting the following: ''entity that—

''(i) provides the mental health services described in paragraph (1) of section 1913(c) of the Public Health Service Act;

''(ii) meets applicable licensing or certification requirements for community mental health centers in the State in which it is located; and

''(iii) meets such additional standards or requirements as the Secretary may specify to ensure—

''(I) the health and safety of individuals being furnished such services;

''(II) the effective or efficient furnishing of such services (including protecting against fraud, waste, and abuse); and

''(III) the compliance of such entity with the criteria described in such section.''.

(c) REENROLLMENT OF PROVIDERS OF CMHC PARTIAL HOSPITALIZATION SERVICES.—

(1) IN GENERAL.—With respect to each community mental health center that furnishes partial hospitalization services for which payment is made under title XVIII of the Social Security Act, the Secretary of Health and Human Services shall provide for periodic recertification to ensure that the provision of such services complies with section 1913(c) of the Public Health Service Act.

(2) DEADLINE FOR FIRST RECERTIFICATION.—The first recertification under paragraph (1) shall be completed not later than 1 year after the date of enactment of this Act.

(d) PROSPECTIVE PAYMENT SYSTEM FOR PARTIAL HOSPITALIZATION SERVICES.—

(1) ESTABLISHMENT OF SYSTEM.—Section 1833 of the Social Security Act (42 U.S.C. 1395l) is amended by inserting after subsection (o) the following:

''(p)(1) The Secretary may establish by regulation a prospective payment system for partial hospitalization services provided by a community mental health center or by a hospital to its outpatients. The system shall provide for appropriate payment levels for efficient centers and hospitals and take into account payment levels for similar services furnished by other efficient entities.

''(2) A prospective payment system established pursuant to paragraph (1) shall provide for payment amounts for—

''(A) the first year in which such system applies, at a level so that, as estimated by the Secretary, the total aggregate payments under this part (including payments attributable to deductibles and coinsurance) for such year are not greater than the total aggregate payments that would have otherwise been made under this part if such system had not been implemented (assuming full implementation of the provisions contained in subsections (a) through (c) of section 17 of the Medicare Waste Tax Reduction Act of 1999); and

''(B) each subsequent year, in an amount equal to the payment amount provided for under this paragraph for the preceding year updated by the percentage increase in the Consumer Price Index for all urban consumers (all items; United States city average) for the 12-month period ending with September of that preceding year.''.

(2) COINSURANCE.—Section 1866(a)(2)(A) of the Social Security Act (42 U.S.C. 1395cc(a)(2)(A)) is amended by adding at the end the following: ''In the case of services described in section 1832(a)(2)(J), clause (ii) of the first sentence of this subparagraph shall be applied by substituting the payment basis established under section 1833(p) for the reasonable charges.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 1832(a)(2) of the Social Security Act (42 U.S.C. 1395k(a)(2)) is amended—

(i) in subparagraph (B), by striking ''or subparagraph (I)'' and inserting '', (I), or (J)''; and

(ii) in subparagraph (J), by striking ''provided by a community mental health center (as described in section 1861(ff)(2)(B))''.

(B) Section 1833(a) of the Social Security Act (42 U.S.C. 1395l(a)) is amended—

(i) in paragraph (2) in the matter preceding subparagraph (A), by striking ''(H), and (I)'' and inserting ''(H), (I), and (J)'';

(ii) in paragraph (8), by striking ''and'' at the end;

(iii) in paragraph (9), by striking the period at the end and inserting ''; and''; and

(iv) by adding at the end the following:

''(10) in the case of partial hospitalization services, 80 percent of the payment basis under the prospective payment system established under section 1833(p).''.

(4) EFFECTIVE DATE.—The amendments made by paragraphs (2) and (3) apply to services furnished on or after January 1 of the first year that begins at least 6 months after the date on which regulations are issued under section 1833(p) of the Social Security Act (42 U.S.C. 1395l(p)) (as inserted by paragraph (1)).

SEC. 18. EXPANSION OF MEDICARE SENIOR WASTE PATROL NATIONWIDE.

There are authorized to be appropriated $25,000,000 in fiscal year 2000, and such sums as are necessary for fiscal years 2001 through 2003, for the purpose of carrying out, and expanding nationwide, the Health Care Anti-Fraud, Waste and Abuse Community Volunteer Demonstration Projects conducted by the Administration on Aging pursuant to the Omnibus Consolidated Appropriations Act, 1997 (Public Law 104–208).

SEC. 19. APPLICATION OF INHERENT REASONABLENESS TO ALL PART B SERVICES OTHER THAN PHYSICIANS' SERVICES.

(a) REPEAL OF CERTAIN PROVISIONS OF THE BALANCED BUDGET ACT OF 1997.—

(1) REPEAL.—Section 4316 of the Balanced Budget Act of 1997 (Public Law 105–33; 111 Stat. 390), and the amendments made by such section, are repealed effective August 5, 1997.

(2) APPLICABILITY.—Effective August 5, 1997, the Social Security Act shall be applied and administered as if section 4316 of the Balanced Budget Act of 1997 (Public Law 105–33; 111 Stat. 390), and the amendments made by such section, had not been enacted.

(b) APPLICATION OF INHERENT REASONABLENESS TO ALL PART B SERVICES OTHER THAN PHYSICIANS' SERVICES.—

(1) IN GENERAL.—Section 1842(b)(8) of the Social Security Act (42 U.S.C. 1395u(b)(8)) is amended to read as follows:

''(8) The Secretary shall describe by regulation the factors to be used in determining the cases (of particular items or services) in which the application of this part (other than to physicians' services paid under section 1848) results in the determination of an amount that, because of its being grossly excessive or grossly deficient, is not inherently reasonable, and provide in those cases for the factors to be considered in establishing an amount that is realistic and equitable.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect August 5, 1997.

SEC. 20. STANDARDS REGARDING PAYMENT FOR CERTAIN ORTHOTICS AND PROSTHETICS.

(a) STANDARDS.—

(1) IN GENERAL.—Section 1834(h)(1) of the Social Security Act (42 U.S.C. 1395m(h)(1)) is amended by adding at the end the following:

''(F) ESTABLISHMENT OF STANDARDS FOR CERTAIN ITEMS.—

''(i) IN GENERAL.—No payment shall be made for an applicable item unless such item is provided by a qualified practitioner or a qualified supplier under the system established by the Secretary under clause (iii). For purposes of the preceding sentence, if a qualified practitioner or a qualified supplier contracts with an entity to provide an applicable item, then no payment shall be made for such item unless the entity is also a qualified supplier.

''(ii) DEFINITIONS.—In this subparagraph—

''(I) APPLICABLE ITEM.—The term 'applicable item' means orthotics and prosthetics that require education, training, and experience to custom fabricate such item. Such term does not include shoes and shoe inserts.

''(II) QUALIFIED PRACTITIONER.—The term 'qualified practitioner' means a physician or health professional who—

''(aa) is specifically trained and educated to provide or manage the provision of custom-designed, fabricated, modified, and fitted orthotics and prosthetics, and is either certified by the American Board for Certification in Orthotics and Prosthetics, Inc., or is credentialed and approved by a program that the Secretary determines, in consultation with appropriate experts in orthotics and prosthetics, has training and education standards that are necessary to provide applicable items;

''(bb) is licensed in orthotics or prosthetics by the State in which the applicable item is supplied; or

''(cc) has completed at least 10 years practice in the provision of applicable items.

''(III) QUALIFIED SUPPLIER.—The term 'qualified supplier' means any entity that is—

''(aa) accredited by the American Board for Certification in Orthotics and Prosthetics, Inc.; or

''(bb) accredited and approved by a program that the Secretary determines has accreditation and approval standards that are essentially equivalent to those of such Board.

''(iii) SYSTEM.—The Secretary, in consultation with appropriate experts in orthotics and prosthetics, shall establish a system under which the Secretary shall—

''(I) determine which items are applicable items and formulate a list of such items;

''(II) review the applicable items billed under the coding system established under this title; and

''(III) limit payment for applicable items pursuant to clause (i).''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to items provided on or after January 1, 2000.

(b) REVISION OF DEFINITION OF ORTHOTICS.—

(1) IN GENERAL.—Section 1861(s)(9) of the Social Security Act (42 U.S.C. 1395x(s)(9)) is amended by inserting ''(including such braces that are used in conjunction with, or as components of, other medical or non-medical equipment when provided by a qualified practitioner (as defined in subclause (II) of section 1834(h)(1)(F))) or a qualified supplier (as defined in subclause (III) of such section)'' after ''braces''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to items provided on or after January 1, 2000.

SEC. 21. INCREASED FLEXIBILITY IN CONTRACTING FOR MEDICARE CLAIMS PROCESSING.

(a) CARRIERS TO INCLUDE ENTITIES THAT ARE NOT INSURANCE COMPANIES.—Section 1842 of the Social Security Act (42 U.S.C. 1395u) is amended—

(1) in subsection (a), in the matter preceding paragraph (1), by striking ''with carriers'' and inserting ''with agencies and organizations (in this section referred to as 'carriers')''; and

(2) by striking subsection (f).

(b) SECRETARIAL FLEXIBILITY IN CONTRACTING FOR AND IN ASSIGNING FISCAL INTERMEDIARY AND CARRIER FUNCTIONS.—

(1) IN GENERAL.—

(A) Section 1816(a) of the Social Security Act (42 U.S.C. 1395h(a)) is amended to read as follows:

''(a)(1) The Secretary may enter into contracts with agencies or organizations to perform any or all of the following functions, or parts of those functions (or, to the extent provided in a contract, to secure performance thereof by other organizations) to—

''(A) determine (subject to the provisions of section 1878 and to such review by the Secretary as may be provided for by the contracts) the amount of the payments required pursuant to this part to be made to providers of services;

''(B) make payments described in subparagraph (A);

''(C) provide consultative services to institutions or agencies to enable them to establish and maintain fiscal records necessary for purposes of this part and otherwise to qualify as providers of services;

''(D) serve as a center for, and communicate to individuals entitled to benefits under this part and to providers of services, any information or instructions furnished to the agency or organization by the Secretary, and serve as a channel of communication from individuals entitled to benefits under this part and from providers of services to the Secretary;

''(E) make such audits of the records of providers of services as may be necessary to ensure that proper payments are made under this part;

''(F) perform the functions described by subsection (d); and

''(G) perform such other functions as are necessary to carry out the purposes of this part.

''(2) As used in this title and title XI, the term 'fiscal intermediary' means an agency or organization with a contract under this section.''.

(B) Section 1816(b)(1)(A) of the Social Security Act (42 U.S.C. 1395h(b)(1)(A)) is amended by striking ''after applying the standards, criteria, and procedures'' and inserting ''after evaluating the ability of the agency or organization to fulfill the contract performance requirements''.

(C) Section 1816(d) of the Social Security Act (42 U.S.C. 1395h(d)) is amended to read as follows:

''(d) Each provider of services shall have a fiscal intermediary that—

''(1) acts as a single point of contact for the provider of services under this part;

''(2) makes its services sufficiently available to meet the needs of the provider of services; and

''(3) is responsible and accountable for arranging the resolution of issues raised under this part by the provider of services.''.

(D) Section 1816(e) of the Social Security Act (42 U.S.C. 1395h(d)) is amended to read as follows:

''(e) The Secretary, in evaluating the performance of a fiscal intermediary, may solicit comments from providers of services.''.

(E) Section 1816(f)(1) of the Social Security Act (42 U.S.C. 1395h(f)(1)) is amended to read as follows:

''(f)(1) With respect to performance requirements under subsection (a), the Secretary may consult with—

''(A) Medicare+Choice organizations under part C of this title;

''(B) providers of services and other persons who furnish items or services for which payment may be made under this title; and

''(C) organizations and agencies performing functions necessary to carry out the purposes of this part.''.

(F) Section 1842(b)(2) of the Social Security Act (42 U.S.C. 1395u(b)(2)) is amended—

(i) in subparagraph (A)—

(I) by inserting ''(i)'' before ''No such contract'';

(II) by striking the second sentence and inserting the following:

''(ii) With respect to performance requirements for contracts under subsection (a), the Secretary may consult with—

''(I) Medicare+Choice organizations under part C of this title;

''(II) providers of services and other persons who furnish items or services for which payment may be made under this title; and

''(III) organizations and agencies performing functions necessary to carry out the purposes of this part.'';

(III) by striking the third sentence; and

(IV) by striking the fourth sentence and inserting the following:

''(iii) The Secretary may not require, as a condition of entering into a contract under this section or under section 1871, that a carrier match data obtained other than in its activities under this part with data used in the administration of this part for purposes of identifying situations in which section 1862(b) may apply.'';

(ii) in subparagraph (B), in the matter preceding clause (i), by striking ''establish standards'' and inserting ''develop contract performance requirements''; and

(iii) in subparagraph (D), by striking ''standards and criteria'' each place it appears and inserting ''contract performance requirements''.

(2) CONFORMING AMENDMENTS.—

(A) Section 1816(b) of the Social Security Act (42 U.S.C. 1395h(b)) is amended—

(i) in the matter preceding paragraph (1), by striking ''an agreement'' and inserting ''a contract'';

(ii) in paragraph (1)(B), by striking ''agreement'' and inserting ''contract''; and

(iii) in paragraph (2)(A), by striking ''agreement'' and inserting ''contract''.

(B) Section 1816(c) of the Social Security Act (42 U.S.C. 1395h(c)) is amended—

(i) in paragraph (1)—

(I) in the first sentence, by striking ''An agreement'' and inserting ''A contract''; and

(II) in the last sentence, by striking ''an agreement'' and inserting ''a contract'';

(ii) in paragraph (2)(A), in the matter preceding clause (i)—

(I) by striking ''agreement'' and inserting ''contract''; and

(II) by inserting ''that provides for making payments under this part'' after ''this section'';

(iii) in paragraph (2)(C), by striking ''hospital, rural primary care hospital, skilled nursing facility, home health agency, hospice program, comprehensive outpatient rehabilitation facility, or rehabilitation agency'' and inserting ''provider of services (as defined in section 1861(u))''; and

(iv) in paragraph (3)(A)—

(I) by striking ''agreement'' and inserting ''contract''; and

(II) by inserting ''that provides for making payments under this part'' after ''this section''.

(C) Section 1816(h) of the Social Security Act (42 U.S.C. 1395h(h)) is amended—

(i) by striking ''An agreement'' and inserting ''A contract''; and

(ii) by striking ''the agreement'' each place it appears and inserting ''the contract''.

(D) Section 1816(i)(1) of the Social Security Act (42 U.S.C. 1395h(i)(1)) is amended by striking ''an agreement'' and inserting ''a contract''.

(E) Section 1816(j) of the Social Security Act (42 U.S.C. 1395h(j)) is amended in the matter preceding paragraph (1)—

(i) by striking ''An agreement'' and inserting ''A contract''; and

(ii) by striking ''for home health services, extended care services, or post-hospital extended care services''.

(F) Section 1816(k) of the Social Security Act (42 U.S.C. 1395h(k)) is amended—

(i) by striking ''An agreement'' and inserting ''A contract''; and

(ii) by inserting ''(as appropriate)'' after ''submit''.

(G) Section 1816(l) of the Social Security Act (42 U.S.C. 1395h(l)) is amended by striking ''an agreement'' and inserting ''a contract''.

(H) Section 1842(a) of the Social Security Act (42 U.S.C. 1395u(a)) is amended—

(i) in the matter preceding paragraph (1) (as amended by subsection (a)(1))—

(I) by striking ''carriers with which agreements'' and inserting ''single contracts under section 1816 and this section together, or separate contracts with eligible agencies and organizations with which contracts''; and

(II) by striking ''some or all of the following functions'' and inserting ''any or all of the following functions, or parts of those functions''; and

(ii) in paragraph (3), by inserting ''(to and from individuals enrolled under this part and to and from physicians and other entities that furnish items and services)'' after ''communication''.

(I) Section 1842(b) of the Social Security Act (42 U.S.C. 1395u(b)(2)(C)) is amended—

(i) in paragraph (2)(C), in the first sentence, by inserting ''(as appropriate)'' after ''carriers'';

(ii) in paragraph (3), in the matter preceding subparagraph (A), by inserting ''(as appropriate)'' after ''contract'';

(iii) in paragraph (7)(A), in the matter preceding clause (i), by striking ''the carrier'' and inserting ''a carrier''; and

(iv) in paragraph (11)(A), in the matter preceding clause (i), by inserting ''(as appropriate)'' after ''each carrier''.

(J) Section 1842(h) of the Social Security Act (42 U.S.C. 1395u(h)) is amended—

(i) in paragraph (2), in the first sentence—

(I) by striking ''an agreement'' and inserting ''a contract''; and

(II) by inserting ''(as appropriate)'' after ''shall'';

(ii) in paragraph (3)(A), by striking ''an agreement'' and inserting ''a contract'';

(iii) in paragraph (3)(B), in the third sentence, by striking ''agreements'' and inserting ''contracts'';

(iv) in paragraph (5)(A), by inserting ''(as appropriate)'' after ''carriers''; and

(v) in paragraph (8)—

(I) by striking ''an agreement'' and inserting ''a contract''; and

(II) by striking ''such agreement'' and inserting ''such contract''.

(c) ELIMINATION OF SPECIAL PROVISIONS FOR TERMINATIONS OF CONTRACTS.—

(1) Section 1816 of the Social Security Act (42 U.S.C. 1395h) is amended—

(A) in subsection (b), in the matter preceding paragraph (1), by striking ''or renew'';

(B) in subsection (c)(1), in the last sentence, by striking ''or renewing''; and

(C) by striking subsection (g).

(2) Section 1842(b) of the Social Security Act (42 U.S.C. 1395u(b)(2)) is amended by striking paragraph (5).

(d) REPEAL OF FISCAL INTERMEDIARY REQUIREMENTS THAT ARE NOT COST-EFFECTIVE.—Section 1816(f)(2) of the Social Security Act (42 U.S.C. 1395h(f)(2)) is amended to read as follows:

''(2) The contract performance requirements described in paragraph (1) shall include—

''(A) with respect to claims for services furnished under this part by any provider of services (as defined in section 1861(u)) other than a hospital, whether such agency or organization is able to process 75 percent of reconsiderations within 60 days and 90 percent of reconsiderations within 90 days; and''.

(e) REPEAL OF COST REIMBURSEMENT REQUIREMENTS.—

(1) Section 1816(c)(1) of the Social Security Act (42 U.S.C. 1395h(c)(1)) is amended—

(A) in the first sentence—

(i) by striking the comma after ''appropriate'' and inserting ''and''; and

(ii) by striking '', and shall provide for payment'' and all that follows before the period; and

(B) by striking the second and third sentences.

(2) Section 1842(c)(1) of the Social Security Act (42 U.S.C. 1395h(c)(1)) is amended—

(A) in the first sentence—

(i) by striking ''section shall provide'' and inserting ''section may provide''; and

(ii) by striking '', and shall provide'' and all that follows before the period; and

(B) by striking the second and third sentences.

(3) Section 2326 of the Deficit Reduction Act of 1984 (42 U.S.C. 1395h note) is amended by striking subsection (a).

(f) SECRETARIAL FLEXIBILITY WITH RESPECT TO RENEWING CONTRACTS AND TRANSFER OF FUNCTIONS.—

(1) Section 1816(c) of the Social Security Act (42 U.S.C. 1395h(c)) is amended by adding at the end the following:

''(4)(A) Except as provided in laws with general applicability to Federal acquisition and procurement or in subparagraph (B), the

Secretary shall use competitive procedures when entering into contracts under this section.

''(B)(i) The Secretary may renew a contract with a fiscal intermediary under this section from term to term without regard to section 5 of title 41, United States Code, or any other provision of law requiring competition, if the fiscal intermediary has met or exceeded the performance requirements established in the current contract.

''(ii) Functions may be transferred among fiscal intermediaries without regard to any provision of law requiring competition. However, the Secretary shall ensure that performance quality is considered in such transfers.''.

(2) Section 1842(b)(1) of the Social Security Act (42 U.S.C. 1395u(b)(1)) is amended to read as follows:

''(b)(1)(A) Except as provided in laws with general applicability to Federal acquisition and procurement or in subparagraph (B), the Secretary shall use competitive procedures when entering into contracts under this section.

''(B)(i) The Secretary may renew a contract with a carrier under subsection (a) from term to term without regard to section 5 of title 41, United States Code, or any other provision of law requiring competition, if the carrier has met or exceeded the performance requirements established in the current contract.

''(ii) Functions may be transferred among carriers without regard to any provision of law requiring competition. However, the Secretary shall ensure that performance quality is considered in such transfers.''.

(g) YEAR 2000 COMPLIANCE.—

(1) Section 1816(f)(2) of the Social Security Act (42 U.S.C. 1395h(f)(2)) (as amended by subsection (d)) is amended by adding at the end the following:

''(B) a requirement that, by such time as the Secretary considers reasonable, the information technology that is used or acquired by the agency or organization to carry out its responsibilities under this title (to the extent that the Secretary finds such information technology is under the control of such agency or organization)—

''(i) meets the definition of 'Year 2000 compliant' under the Federal Acquisition Regulation (concerning accurate processing of date and time data (including calculating, comparing, and sequencing) from, into, and between the 20th and 21st centuries, and the years 1999 and 2000 and leap year calculations) but without regard to whether the information technology is being acquired; and

''(ii) meets such other criteria for Year 2000 compliance as the Secretary considers appropriate.''.

(2) Section 1842(b)(2)(A)(i) of the Social Security Act (42 U.S.C. 1395u(b)(2)(A)(i)) (as amended by subsection (b)(1)(F)) is amended by striking the period and inserting '', including a requirement that, by such time as the Secretary considers reasonable, the information technology that is used or acquired by such carrier to carry out its responsibilities under this title (to the extent that the Secretary finds such information technology is under the control of such carrier) meets—

''(I) the definition of 'Year 2000 compliant' under the Federal Acquisition Regulation (concerning accurate processing of date and time data (including calculating, comparing, and sequencing) from, into, and between the 20th and 21st centuries, and the years 1999 and 2000 and leap year calculations) but without regard to whether the information technology is being acquired; and

''(II) such other criteria for Year 2000 compliance as the Secretary considers appropriate.''.

(h) WAIVER OF COMPETITIVE REQUIREMENTS FOR INITIAL CONTRACTS.—Contracts that have periods that begin before or during the 1-year period that begins on the first day of the fourth calendar month that begins after the date of enactment of this Act may be entered into under section 1816(a) or 1842(a) of the Social Security Act (42 U.S.C. 1395h(a) and 1395u(a)) without regard to any provision of law requiring use of competitive procedures.

(i) EFFECTIVE DATES.—

(1) The amendments made by subsection (c) apply to contracts that have periods ending on or after the end of the third calendar month that begins after the date of enactment of this Act.

(2) The amendments made by subsections (a), (b), (d), and (e) apply to contracts that have periods beginning after the third calendar month that begins after the date of enactment of this Act.

(3) The amendments made by subsection (f) apply to contracts that have periods that begin after the end of the 1-year period specified in paragraph (1) of this subsection.

(4) The amendment made by subsection (g) shall take effect on the date of enactment of this Act.

SEC. 22. EXEMPTION OF INSPECTORS GENERAL FROM PAPERWORK REDUCTION ACT REQUIREMENTS.

(a) IN GENERAL.—Chapter 35 of title 44, United States Code, is amended by inserting after section 3502 the following:

''§ 3502a. Exemption of any Office of Inspector General

''This chapter shall not apply with respect to any Office of Inspector General established within an agency under the Inspector General Act of 1978.''.

(b) TABLE OF CONTENTS AMENDMENT.—The table of contents of chapter 35 of title 44, United States Code, is amended by adding after the item relating to section 3502 the following new item:

''3502a. Exemption of any Office of Inspector General.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act.

By Mr. SHELBY (for himself, Mr. BAYH, Mr. BRYAN, Mr. ROCKEFELLER, and Mr. BINGAMAN):

S. 1452. A bill to modernize the requirements under the National Manufactured Housing Construction and Safety Standards Act of 1974 and to establish a balanced consensus process for the development, revision, and interpretation of Federal construction and safety standards for manufactured homes; to the Committee on Banking, Housing, and Urban Affairs.

MANUFACTURING HOUSING IMPROVEMENT ACT.

● Mr. SHELBY. Mr. President, today I rise to introduce a bipartisan bill with my colleagues, Senators BAYH, BRYAN, ROCKEFELLER and BINGAMAN. Entitled the ''Manufactured Housing Improvement Act,'' (MHIA) this bill is designed to modernize the requirements under the National Manufactured Housing Construction and Safety Standards Act of 1974 and to establish a balanced consensus process for the development, revision, and interpretation of Federal construction and safety standards for manufactured homes.

Many do not realize that the majority of new manufactured homes of today are completely different from those of twenty or even ten years ago, and that this is the fastest growing segment of the housing industry. Today nearly one out of four new single family homes is a manufactured home, and the industry recently set a twenty-year sales record. There are good consumer-oriented reasons for this tremendous growth—manufactured homes offer quality and aesthetically pleasing housing at an average cost of $41,100, excluding the land. Today, manufactured housing has lowered the threshold to the American Dream of home ownership for millions of Americans, including first-time home buyers, senior citizens, young families, and single parents.

With 5.3 million American households in need of affordable housing, I believe it is imperative to update the laws that regulate the private sector solution to affordable housing. In order for the manufactured housing industry to remain competitive, Congress must modernize the National Manufactured Housing Construction and Safety Standards Act of 1974.

My bill would do just that. MHIA would establish a consensus committee that would submit recommendations to the Secretary of Housing and Urban Development (HUD) for developing, amending, and revising the Federal Manufactured Home Construction and Safety Standards. In addition, the committee would be authorized to interpret the standards and recommend appropriate regulations. Consumers will still be protected by HUD because the Secretary will have absolute authority to reject any recommendations, for any reason, submitted by the consensus committee.

The Manufactured Housing Improvement Act would authorize the Secretary of HUD to use industry label fees for the administration of the consensus committee and the hiring of additional HUD staff in order to assure adequate consumer protection. The Secretary of HUD would also be authorized to use industry label fees to facilitate the availability and affordability of manufactured homes.

This legislation is a very significant step forward in that both consumer and industry groups such as the Seniors Coalition, 60 Plus, and the Council for Affordable and Rural Housing, the National Association of Affordable Housing Lenders, the North American Steel Framing Alliance, and the Community Associations Institute, along with the Manufactured Housing Institute and the Manufactured Housing Association for Regulatory Reform, have endorsed this legislation.

The industry participants have modernized the quality and technology of manufactured housing. It's time for Congress to modernize the laws that regulate an industry that provides affordable housing and contributes more than $33 billion annually to our nation's economy.

Similar legislation passed the House at the end of last Congress on a bipartisan basis under suspension of the

rules and has been introduced again this year. I hope this year the Senate will take the lead and send the MHIA to the House as soon as possible.●

● Mr. BAYH. Mr. President, I am pleased to join with my colleague from Alabama, Senator SHELBY, to introduce the Manufactured Housing Improvement Act. This important legislation is designed to ensure that the manufactured housing industry continues to provide safe, affordable housing by modernizing the requirements under the National Manufactured Housing Construction and Safety Standards Act of 1974. The bill also provides the Department of Housing and Urban Development (HUD) with the resources necessary to meet its obligations to manufactured homeowners.

Manufactured housing has evolved significantly in the last twenty-five years; it's no longer the stereotypical mobile home. In fact, the vast majority of manufactured homes installed today are never moved once they have been sited. At an average cost of $40,000 for a new manufactured home, excluding land, manufactured housing is the fastest growing sector of the housing industry. One in every four new single family homes sold in the United States is a manufactured home. Manufactured housing provides many American families with the opportunity to not only own their own homes, but to live in safe, comfortable, and affordable housing. In addition, improvements in construction have led to the development of aesthetically pleasing homes. Most manufactured homes built today are manufactured to resemble traditional site built homes and are enjoyed by an array of Americans, including first time home buyers, senior citizens, and single parent families. Manufactured housing is an industry that not only provides affordable housing but also creates jobs. In my home state of Indiana, the manufactured housing industry employees more than 20,000 Hoosiers and has a total economic impact in my state of nearly $3 billion per year.

The Manufactured Housing Program at HUD, which oversees the industry, has faced many administrative challenges in the last decade. Lack of resources has prevented the program from keeping up with the changing needs of manufactured housing. While the industry has voluntary implemented numerous code changes in recent years, many requests to review standards or regulations currently await action by HUD or have taken numerous years to process, because of inadequate resources at the Department. Ten years ago, the number of HUD employees assigned to this program was 34. Today, only 8 HUD employees are responsible for this program. With the rapid growth in housing technology, it is imperative that HUD not only address these standards but do so in a timely fashion, allowing the industry to remain competitive while providing homeowners with the most advanced housing technology.

Our legislation will remedy this situation by modernizing the program by implementing procedures in which all proposed construction and safety standards are addressed and considered in a reasonable time frame. The Manufactured Housing Improvement Act requires that action on any proposed standard or regulation be taken within one year after it has been proposed to the Secretary. This is an important provision. It requires the Secretary to act, but protects consumers by authorizing the Secretary to reject any proposal which is deemed to be adverse to consumers.

Finally, through the use of industry labeling fees, this legislation provides economic resources to the Secretary for the hiring of additional HUD program staff. The costs of operating this program and the re-staffing of the manufactured housing program will continue to be borne by the manufactured housing industry, not the taxpayer. I note that the industry is willing to bear this expense in order to improve the efficiency of the regulatory system.

As we strive to ensure that all Americans have access to safe, affordable, and quality housing, we need to ensure that best practices are applied to the housing industry and that we support the modernization of housing technology. Manufactured housing is a valuable housing resource and provides access to home ownership for many Americans. I look forward to working with my colleagues to enact this legislation.●

● Mr. ROCKEFELLER. Mr. President, Once again, I am joining Senator SHELBY and other colleagues to introduce legislation intended to strengthen the manufactured housing industry. Manufactured housing provides a major source of affordable housing for American families, including seniors. This industry represents almost thirty percent of new single-family homes sold in the United States. In my state of West Virginia, manufactured housing represents over 60 percent of new homes.

Manufactured housing should play a strong role to increase the availability of affordable housing. This issue will be especially important to seniors who, according to a national survey, forty-five percent of households living in manufactured homes are headed by a person over 50 years old.

Manufactured housing is affordable housing, and it is the fastest growing type of housing nationally. The average cost of a new manufactured home without land in 1997 was $38,400, and even with land and installation fees this cost is well below the typical costs of a newly constructed site-built home.

But this industry faces challenges. Unlike other housing, manufactured housing is regulated by the 1974 National Manufactured Housing Construction and Safety Standards Act by the Department of Housing and Urban Development, (HUD). Because of reform in HUD management, the federal officials overseeing manufactured housing have declined from 34 staff members at its peak to less than a dozen professional staff now. This decline in staff has occurred at the same time that the industry has grown. Unfortunately, due to a lack of staff, HUD cannot keep pace with the need to update the code on a consistent basis and timely manner. In fact, between 1989 and 1996, a consensus committee made 140 suggestions to HUD about changes for the federal codes on manufactured housing, and 80 of these provisions are still pending in the Department. For example, the 1999 National Electrical Code has new, state-of-the-art standards but given staffing shortage, how long will it take to update the electrical standards? Shouldn't we address the staffing shortage, and get action on the lingering recommendations?

In 1990, Congress established a National Commission on Manufactured Housing, and pushed the commission to forge consensus on key issues for this important industry, unfortunately that effort collapsed in 1994.

This legislation is a new effort to address the challenges facing the industry. Introduction of the bill is just a first step. We all understand that the legislative process is designed to seek consensus and improve legislation. I believe that we must work hard to forge consensus among the industry and the consumers. This will be a challenge, but the potential rewards can be great for both sides. The industry can win and prosper with a more effective, streamlined regulatory process that keeps pace with improvements and standards. Consumers will win if safety standards and regulations are adopted more efficiently. Also, if the industry uses new standards to provide better housing, manufactured housing could be designed to meet a wider variety of needs including modules for assisted living.

The current system of regulations and oversight is not working for the industry, nor is it working as well as it should for consumers, according to a survey by seniors. But when there are problems and concerns, all groups need to work together on a strategy for change.

This legislation is intended to promote reform that will help both the industry and the consumers of manufactured housing. My hope is that all sides will work together to forge consensus about reform.

We should use this as an opportunity to come together and develop a new, improved strategy for manufactured housing. Affordable housing is a major issue for families and communities. Manufactured housing is playing a key role in affordable housing, but more could and should be done. To achieve success, we need to develop a bipartisan, consensus approach. We need to help the industry and assure consumers that safety and standards will be retained and improved, not weakened. This is worth our combined effort to provide more affordable housing.●

● Mr. BINGAMAN. Mr. President, I am pleased to rise today as a cosponsor of the Manufactured Housing Improvement Act. This Act has come about as a result of much negotiation between buyers of manufactured housing, the Housing and Urban Development Agency and manufacturers and dealers of manufactured housing. I commend the industry for coming to Congress with its plan to modify the Federal Manufactured Home Construction and Safety Standards Act of 1974. Over twenty years has elapsed since we comprehensively addressed the topic of safety and manufactured housing. Manufactured housing has changed significantly in the past twenty years. With the rise in the number of buyers of manufactured housing, it is time we ensure that safety standards are up-to-date and adequate to address consumers' concerns.

The Senate bill has eleven sections that cover everything from the establishment of a Consensus Committee to a section encouraging secondary market securitization programs for FHA manufactured home loans and other loan programs. The new Consensus Committee will consist of 25 voting members and one non-voting member representing the Secretary of HUD. The Committee will represent a wide spectrum of interested parties, including but not limited to, home producers, retailers, lenders, insurers, consumers, consumer organizations, local public officials, and fire marshals. The Committee will be responsible for recommending amendments to the current safety standards and enforcement regulations to HUD.

Most notably, there is no funding being authorized in this bill. The Secretary of HUD is authorized to use the industry label fees to carry out the responsibilities under the Act and to administer the Consensus Committee.

Not only does manufactured housing provide an affordable housing option for New Mexicans, the overall economic impact of the manufactured housing industry on New Mexico is significant. In 1998, the total economic impact on the state was over $264 million. Although most New Mexicans are familiar with the 157 retailers in the state, many are not aware that we also have two manufacturers located in the state. Last year, these manufacturers produced over 1,000 homes and the entire industry was responsible for employing more than 2,000 people. Anyone driving the highways of New Mexico is familiar with the site of a manufactured home moving across Interstate 40 or Interstate 25. However, many New Mexicans may not know that almost 7,000 homes were shipped into the state in 1998 alone.

Manufactured housing serves an important role in New Mexico. With the rising cost of homes in the metropolitan areas, and even in the smaller northern communities, manufactured housing that have an average cost of only $42,900 enable many more individuals and families to become homeowners. Currently, 41.8% of the housing in New Mexico is manufactured housing.

I think this bill is important not only to New Mexico but to all owners of manufactured housing. With a focus on construction safety standards, consumers will be safer and more secure in their new homes. Both the manufactured Housing Industry and the Congress need to take the concerns raised in the survey conducted by the American Association of Retired Persons seriously. The Consensus Committee created by this bill will play an important role in raising the standards for construction and safety. I hope the Committee thoroughly evaluates the construction concerns and safety issues raised by those responding to AARP's survey. It is critical to the success of this program that the owners, the builders and the regulators work together to achieve a higher level of safety and consumer satisfaction.

I thank Senator SHELBY for introducing this bill and I encourage the Senate to take up this bill and pass this worthwhile legislation.●

By Mr. FRIST (for himself, Mr. FEINGOLD, Mr. BROWNBACK, and Mr. LIEBERMAN):

S. 1453. A bill to facilitate relief efforts and a comprehensive solution to the war in Sudan; to the Committee on Foreign Relations.

SUDAN PEACE ACT

● Mr. FRIST. Mr. President, the United States has a tradition of defining our national interests overseas to reflect our values: freedom from persecution, freedom from religious intolerance, and the inalienable rights of self-determination and economic opportunity. In the twentieth century alone, we have sacrificed so much to defend those interests worldwide, based on the belief that freedom is truly an inalienable right, not simply for Americans, but for all peoples. Even now, in Kosovo and in Bosnia, we have been the world leaders in defending against tyranny and oppression, believing that, although far away, injustice must be met with resolve.

Our response to the tragedy and injustice in Sudan has not been quite so aggressive. The radical Islamic regime in power in Sudan has coordinated a systematic campaign of terror against southern Sudan which includes calculated starvation, slavery, and the killing of innocent women and children. The war of low-level ethnic cleansing in Sudan has ground on for 16 years, claiming the lives of nearly 2 million and displacing over 4 million. That staggering number represents more dead than the wars in Bosnia, Kosovo, Somalia, Afghanistan, and Chechnya combined. In terms of loss of life, it has been the costliest war this century since the Second World War. After 10 years of feeding the starving, with the war no closer to resolution than it was in 1983 when it began, we must change our approach. While we have been very generous as a Nation in terms of humanitarian relief, we have done little to address the causes of the war.

Along with my colleagues, Senator FEINGOLD, Senator BROWNBACK, and Senator LIEBERMAN, I am introducing the ''Sudan Peace Act,'' which aims to strengthen American policy and resolve to end the status quo.

The timing of this initiative is critical. The Government of Sudan has publicly announced that they will use incoming oil revenues to increase the tempo and lethality of the war. An increase in the lethality and tempo of the war would translate into more death and destruction, more shattered lives and more slaves. Thus, time is of the essence in supporting efforts to reach a comprehensive conclusion to the hostilities. Even under such grim circumstances, a glimmer of opportunity to push for a comprehensive solution to the conflict may be at hand. We must take full advantage of that chance, for without the leadership of the United States, the war will certainly drag on for many more years.

International relief operations have been in existence for 10 years with little change. The current arrangement allows Khartoum to manipulate our food donations as a weapon of mass destruction by vetoing United Nations' relief flight plans in areas of rebel activity. Also, at a cost of over $1 million per day, the effort is wrought with the potential for extreme donor fatigue.

We need a new policy using all points of pressure and directing all efforts toward a comprehensive negotiated solution. Reinvigorating and pursuing a peace process based on the Declaration of Principles, signed by the combatants in 1994, is the best means we have to push for a comprehensive solution at this time. So far, the Government of Sudan has refused to negotiate in good faith, choosing instead to continue the brutal war and create political diversions to any credible, binding process.

With a set of new or strengthened political and humanitarian tools, this legislation aims to push all players toward a comprehensive negotiated solution.

The Government of Sudan has long abetted the practice of slavery. Additionally, it has helped organize and coordinate militia, Popular Defense Forces, and paramilitary holy warriors (''muraheleen'') to terrorize and sometimes enslave traditional agricultural and pastoralist tribes in the south and in the Nuba Mountains.

The legislation condemns the gross violations of human rights in Sudan—including slavery, the use of the denial of access to food as a weapon of mass destruction, and targeting of civilians—and increases pressure for action in the United Nations Security Council and for UN human rights monitors to be deployed in contested areas.

The effort to stop the conflict in Sudan has the best chance of success if

it is a multinational effort. The shameful lack of resolve among the international community to pressure the combatants has been a factor in the perpetuation of the conflict.

The legislation does more than simply highlight the shameful lack of resolve internationally, it seeks to change our own policy to address the causes of the famine and the war.

The legislation gives the Secretary of State clear authority to commit all necessary diplomatic efforts toward reinvigorating the Inter-governmental Authority on Development (IGAD) peace process, including any necessary support for implementation of a settlement. It calls upon the leadership of the members of IGAD and the IGAD Partners Forum (IPF—a grouping of donors and multilateral organizations) to give all necessary support.

The combination of a Declaration of Principles on which a peace process should be based and the engagement of the IGAD Partners' Forum bodes well for a reinvigoration of what has been a foundering process. The fact that IGAD is a credible regional organization adds to its potential success. The Declaration of Principles provides a first critical, measurable step to which the combatants can be held accountable.

The legislation supports the President's sanctions against Sudan, codifying them into law and protecting them from piecemeal erosion until Sudan makes substantial and verifiable progress toward peace. The existing sanctions must be used as a pressure point for peace.

The United States must maintain or strengthen every possible point on which to pressure Sudan to engage in a meaningful peace process. Any relaxation of any portion of the sanctions would essentially be a reward to Khartoum.

The legislation also requires the President to report to Congress on the status and means of financing the new oil fields in Sudan and that financing's relationship to the sanctions, the number and circumstances of bombings of civilian targets by the Government of Sudan, the extent to which humanitarian operations are being compromised, and whether progress is being made toward peace by all parties.

The issue of financing oil fields is especially important. The revenues from the new sources of oil will add a new source of hard currency to finance the war. A key player in making that influx of hard currency into Khartoum is a Canadian company that is listed on the New York Stock Exchange. Considering the wording of the sanctions in the President's Executive order of 1997, such a financial instrument would seem to be something the United States would not be able to legally facilitate. It is certainly not something the United States should want to facilitate.

The United Nations-coordinated relief effort in Sudan, known as Operation Lifeline Sudan (OLS), was founded in 1989 in response to the starvation deaths of 250,000 people in southern Sudan. In March and April 1998 the Government of Sudan denied OLS access to much of Bahr el Ghazal in an effort to starve out rebels. The ban caused severe famine.

The ability of the Government of Sudan to veto OLS relief flight plans has allowed Khartoum to use food as a weapon of mass destruction. It indiscriminately targets combatants and noncombatants alike. Only with the cooperation and pressure from the members of the Security Council and those countries which continue normal trade relations with Sudan can we ever hope to achieve success on this point. Having a viable alternative to OLS would not only allow for the distribution of relief should a flight ban be imposed, it will immediately discourage Khartoum's use of flight bans as an instrument of war.

This legislation continues to press for reform of all humanitarian assistance in Sudan. The bill includes measures to press for reform of OLS, for the continued use of relief organizations outside OLS to deliver the United States' relief assistance, and directs the Administration to develop a possible alternative organization to deliver relief, should Khartoum again place bans on relief flights.

The use of non-OLS groups to distribute relief has two primary benefits. First, it fills in holes where OLS is prohibited from operating either by Khartoum or by its own security concerns. It can also strengthen the hand of OLS with respect to flight bans because Khartoum is reluctant to exercise its veto power when it clearly strengthens organizations outside its control.

The legislation provides new and expanded authority for the Sudan Transition Assistance for Rehabilitation (STAR) program, which seeks to build the basic civil and economic institutions in areas devastated by the war.

The move away from providing only disaster assistance toward providing development assistance is critical. STAR seeks to build the basic administrative and social institutions in areas outside of government control essential for a self sustaining Sudan: civil administration, civil society, agricultural extension services, courts, etc. One of the greatest advantages Khartoum enjoys is a destroyed society in the south. Again, a stronger society and economy in the south serves to disabuse Khartoum of the notion that it can win outright on the battlefield and is thus a pressure point to push for commitment to a viable peace process. The reconciliation efforts between the Dinka and Nuer peoples is arguably the most significant development in recent years in terms of strengthening the areas outside of the government's control and putting pressure on Khartoum to come to the table. Support for those efforts are critical. Finally, this position makes no assumption nor policy statement with regard to the eventual political status of the south.

The legislation also provides for an independent assessment of the humanitarian needs of certain regions in Sudan, which are heavily contested and thus excluded from most multilateral humanitarian operations. The Nuba Mountains and its unique and fast-disappearing people and culture is especially vulnerable.

In an effort to reduce the diversion of food assistance to combatants, to strengthen the targeted population's ability to defend themselves, and to provide for separation of combatants from ongoing humanitarian operations and the personnel who run them, the bill gives the President authority to provide direct food assistance to those forces protecting noncombatants from attacks by government or government-sponsored forces. However, such a program may only be conducted completely separate from current or future humanitarian operations and without compromising them.

Currently, the majority of relief agencies, both within and outside OLS, provide assistance only to noncombatants. As a consequence, hungry rebel forces routinely divert food aid away from delivery areas, either by taxation, or by taking the food outright. The result is that normal food distribution is disrupted and any reasonable separation between combatants and noncombatants is breached. Providing a separate mechanism to feed combatants—who will be receiving food aid in one form or another, regardless of the distribution scheme—hOLSs the possibility of reducing diversions, maintaining a clear separation between combatant and noncombatants, and thus helping to minimize risk to relief agency personnel. Additionally, the necessity of pursuing food has seriously undermined the effectiveness of those forces to defend the population in areas outside of government control, as they must often demobilize for long periods of time to exact food from relief supplies or tend to farming or herding responsibilities. The Administration should make a determination on the potential for such a program to meet the goals outlined in the section. This legislation gives the President the authority to do so, with strong provisions to protect current humanitarian operations. Like other capacity building measures in this legislation, enhancing the ability of those in areas outside of government control to defend themselves from government aggression will ultimately help to dissuade the government from continued prosecution of the war and will thus strengthen the push to engage in a comprehensive peace process.

These are all critical measures and opportunities which the United States must seize. Our policy has not done enough to change the status quo. Our generous response, which began in 1989, has grown and continued to feed more of the starving, yet as a response to the war, it has grown tepid. Unless we do all we can to end the conflict in Sudan,

we are part of the problem. For sixteen years we have witnessed the destruction of a nation and the loss of millions of lives, ground into dust as the world misses opportunity after opportunity to stop it.●

By Mr. ROBB (for himself, Mr. LAUTENBERG, Mr. CONRAD, Mr. HARKIN, Mr. KENNEDY, Mr. DASCHLE, Mr. REID, Mrs. MURRAY, Mr. LEVIN, Mr. CLELAND, Mr. DODD, Mr. TORRICELLI, Mr. SCHUMER, Mrs. LINCOLN, Mr. JOHNSON, Mr. WELLSTONE, Mr. KERRY, Mr. KERREY, and Mr. AKAKA):

S. 1454. A bill to amend the Internal Revenue Code of 1986 to expand the incentives for the construction and renovation of public schools and to provide tax incentives for corporations to participate in cooperative agreements with public schools in distressed areas; to the Committee on Finance.

PUBLIC SCHOOL MODERNIZATION AND OVERCROWDING RELIEF ACT OF 1999

Mr. ROBB. Mr. President, I have come before this chamber on numerous occasions to urge our colleagues to find a way to give states and localities the additional resources they so urgently need to build and renovate our nation's schools. In January, Senator LAUTENBERG and I, with several other colleagues, introduced the Public School Modernization Act of 1999. In March, Senators LAUTENBERG, HARKIN, and I were successful in offering an amendment to this year's budget resolution which called for $24.8 billion in zero-interest bonds as well as direct grants for school construction and repair. That amendment passed the Senate unanimously. Regrettably the Senate Finance Committee tax bill includes only minimal school infrastructure assistance, despite the opportunity we had in Committee to include much more substantial infrastructure relief.

Proposals regarding school construction have been offered from both sides of the aisle. Unfortunately, however, the debate about education infrastructure needs and the federal role to address those needs has too often been partisan and has been characterized by an inability or an unwillingness to recognize that there is no one-size-fits-all solution to the school construction dilemma facing many of our nation's school districts.

So today, I am pleased to be joined by Senators LAUTENBERG, CONRAD, HARKIN, KENNEDY, DASCHLE, REID, MURRAY, LEVIN, CLELAND, DODD, TORRICELLI, SCHUMER, LINCOLN, JOHNSON, WELLSTONE, KERRY, KERREY, and AKAKA in introducing legislation designed to combine various bipartisan school construction proposals to create a menu of school construction financing options. The Public School Modernization and Overcrowding Relief Act of 1999 will help school districts build new schools to accommodate the record enrollments of elementary and secondary students we know are coming. It will also help modernize schools to ensure that our children have the benefit of modern technology. And it will help repair old schools which have become outdated and unsafe.

Mr. President, 14 million children attend schools in need of extensive repair or replacement. Twelve million attend schools with leaky roofs, and 7 million attend schools with safety code violations. The President of the Maine Education Association testified before the Health, Education, Labor and Pensions Committee recently and stated that there are schools in Maine that actually turn the lights out when it rains because the electrical wiring is exposed under their leaky roofs.

Compounding the safety problem is the significant overcrowding in the nation's schools. Across the country, there are thousands and thousands of trailers used for instruction—over 3,000 are in use in Virginia alone. So instead of attending science class equipped with the latest technology to conduct biology experiments, our children are going to class in poorly-ventilated portable trailers that can actually be harmful to their health.

Mr. President, Loudon County, Virginia will need to build 22 new schools over the next six years to accommodate its enormous population growth. Despite the help that our own Virginia General Assembly has approved, the state will only provide two to three percent of Virginia's total school infrastructure needs. This isn't just a Virginia phenomenon; it's a national crisis. The National Center for Education Statistics estimates that by 2003, the nation will need to build 2,400 new schools to accommodate record enrollments in our elementary and secondary schools.

In short, school boards should not be forced to choose between hiring an additional teacher or fixing a leaky roof. School superintendents should be installing computer labs, not basic air conditioning. And students should attend schools of the future, not relics of the past.

The legislation we offer today will allow school districts to issue tax-exempt bonds for school construction. Localities will be able to save significant amounts of money on capital improvement projects, as the federal government would give bondholders a tax credit in the amount of the interest that the locality would otherwise be required to pay. The legislation also knocks down a statutory hurdle which currently hinders more private sector involvement in public education by allowing private entities to pool resources with states and localities to build and renovate school buildings. Furthermore, if a state or locality has previously issued bonds at a time when interest rates were high, this legislation would allow them to essentially refinance that debt to take advantage of today's lower interest rates. The legislation will also make it easier for small communities to issue a greater number of bonds without being subject to onerous arbitrage requirements. All of these provisions provide states and localities with choices. Under this legislation, our states and localities will be able to avail themselves of those provisions that best suit their financial needs. The bill creates a menu of options through which states and localities can assemble their own financing packages.

Mr. President, as a former governor, I acknowledge that education is primarily a state and local responsibility. The federal government, however, can be a helpful partner in education by helping to defray the cost of capital improvements without interfering with the substantive decisions that states and localities are struggling to make regarding their academic reform efforts. Providing a variety of financing options to fund capital improvements, therefore, is an imminently constructive role for the federal government to play. For our public education system to be the best in the world, all three levels of government—local, state, and federal—will have to work together.

I thank my colleagues who have cosponsored this legislation, and I look forward to working with them to pass it. It's flexible. It's sensible. And it provides the most financing options of any school construction proposal to date. I hope this legislation brings us one step closer to the compromise I know we can reach.

Mr. President, in the 1930's and again in the 1950's, our grandparents and parents summoned the political will to build the vast majority of our nation's existing school buildings. It is my hope that we can summon that will again. Our nation's students and families deserve no less.●

By Mr. ABRAHAM (for himself and Mr. FEINGOLD):

S. 1455. A bill to enhance protections against fraud in the offering of financial assistance for college education, and for other purposes; to the Committee on the Judiciary.

THE COLLEGE SCHOLARSHIP FRAUD PREVENTION ACT OF 1999

Mr. ABRAHAM. Mr. President, I rise today with my colleague from Wisconsin, Senator FEINGOLD, to introduce the College Scholarship Fraud Prevention Act of 1999. This legislation will prevent unscrupulous businesses from defrauding students seeking to finance a college education.

Students in Michigan and across the nation are targeted by corrupt companies preying on their hopes and dreams of a college education. A college diploma is the key that opens the door to many of today's career opportunities, but the reality is that this diploma is becoming more and more expensive to obtain. A number of organizations have sprung up to address this problem, and many of them perform an invaluable

service in providing student financing, or in providing information to students concerning institutions to which those students may apply for financial assistance. Unfortunately, however, a growing number of individuals are turning student need into a scam opportunity, taking financial advantage of students in need of assistance.

Each year, individuals and businesses send thousands of letters out to hopeful students, offering bogus scholarships. The tactics used by these con-artists vary, but they nearly always involve misrepresentation and fraud. Some exclusively use the mails to conduct their illegal activities, while others, like the National Scholarship Foundation have sent hundreds of thousands of postcards to potential college students, encouraging them to call an ''800'' number for ''free money''. Students calling the NSF number were told that they were guaranteed $1000 or more in scholarships if they would pay a $189 processing fee, to be refunded if they did not receive the scholarship. Students sending $189 to the NSF received only general information about the college application process and the costs of a college education—information readily available for free from other sources. NSF never provided refunds.

The Federal Trade Commission has been aware of this growing problem; and we have sought their input while drafting this legislation. In 1996, the FTC initiated ''Project $cholarship-$cam,'' a nationwide crackdown on fraudulent scholarship search services. But although the FTC is dedicated to stopping these con artists, it can only pursue civil remedies; the Justice Department is responsible for prosecuting these scam-artists criminally upon FTC referral, and unfortunately, such prosecutions are a rare occurrence.

Even when the Justice Department does prosecute scholarship scam-artists, the penalties are so light as to provide little deterrent effect. For example, this past May a federal jury in Maryland convicted Christopher Nwaigwe of defrauding more than 50,000 college students of more than $500,000. Mr. Nwaigwe had mailed letters to students announcing scholarship offers of $2,500 to $7,500, in exchange for which students were requested to send Mr. Nwaigwe a $10 processing fee. In reality, after the students sent the check, they waited in vain for a response.

Nwaigwe was ordered by the U.S. Postal Service to stop sending misleading letters in 1993, yet, he chose to ignore this warning and continue to defraud students. In 1996, Nwaigwe was the subject of a civil action in U.S. District Court, in which he was permanently enjoined from using materials to solicit money from students. Yet it was only in May—six years after the first official action taken against him—that he finally faced a jury. And the maximum penalty he faces for his long course of fraudulent conduct is five years' imprisonment and a fine of $250,000—half the dollar amount we know to be the minimum he gained through his fraud.

Mr. President, the rapid spread of scholarship scams such as Christopher Nwaigwe's makes it imperative that we step up prosecutions and impose tougher sentences. My legislation would encourage the Justice Department of pursue and prosecute more scholarship scam-artists, by providing an additional ten years' imprisonment and additional fines in fraud cases which involve the offering of educational services.

In addition, this legislation would improve the FTC's ability to enforce orders for disgorgement and redress to consumers. Senator FEINGOLD and I have been briefed by the FTC on its current problems enforcing judgments, and one particularly offensive example involves an abuse of consumer bankruptcy protections. Often, scholarship scam-artists use their fraudulent gains to buy expensive homes. When hit with disgorgement and redress orders, they file for bankruptcy. And because most states exempt at least a portion of the value of residential property from bankruptcy estates, these con-artists are able to retain their ill-gotten gains in the form of their trophy homes. After the bankruptcy proceeding clears their debts, the scam-artists may then sell their estates, keeping the money they have defrauded from students.

Our legislation would prevent con-artists from using their technique to avoid paying court judgments in this fashion. Residential property exemptions from bankruptcy estimates are intended to aid law-abiding people who find themselves in financial difficulty; they were not meant to help scam-artists launder and protect ill-gotten gains. This legislation takes a cue from Congress' response to the savings and loan crisis, and amends the bankruptcy code so that debts derived from college financial assistance fraud would be excluded from homestead bankruptcy exemptions. Legitimate homeowners will still be protected by the bankruptcy laws. But con-artists will no longer be able to use these laws for their own, fraudulent ends.

In addition to these punitive and deterrent measurers. Mr. President, this legislation also includes measures to help student and their families obtain financing help from legitimate organizations. We need to make it easier for students and their families to differentiate legitimate companies from con-artists. The FTC currently warns students about fraudulent scholarship services; while this is commendable, however, in my view, the larger number of students who visit the Department of Education web site to find out about financing option makes it the logical choice for an anti-scam public relations initiative. To that end, this legislation would call on the Secretary of Education to maintain a web page on the Department's web site listing legitimate sources of scholarship information. To ensure that this web page is not misused by unscrupulous companies and individuals, and other provision would require the Education Department to consult with the FTC before including any name on its list.

No organization would be listed on the web page if it or its operator has been prosecuted by the FTC and convicted of using unfair or deceptive practices. In addition, a business or organization would not be listed if the Department of Education receives a significant number of complaints from students alleging that the business has not in good faith delivered on its promises, or if it is under investigation by the FTC.

Taken together, Mr. President, these provision discouraging fraud disseminating information concerning legitimate sources of scholarship information will help students find the assistance they need to finance a college education. Through this legislation we can fight scholarship scams, put those who would defraud students out of business and increase our Nation's pool of educated workers.

I ask my colleagues for their support, and ask unanimous consent that the bill and a section-by-section analysis of the bill be printed in the RECORD.

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

S. 1455

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 ''College Scholarship Fraud Prevention Act of 1999''.

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) A substantial amount of fraud occurs in the offering of college education financial assistance services to consumers.

(2) Such fraud includes the following:

(A) Misrepresentations regarding the provision of sources from which consumers may obtain financial assistance (including scholarships, grants, loans, tuition, awards, and other assistance) for purposes of financing a college education.

(B) Misrepresentations regarding the provision of portfolios of such assistance tailored to the needs of specific consumers.

(C) Misrepresentations regarding the preselection of students as eligible to receive such assistance.

(D) Misrepresentations that such assistance will be provided to consumers who purchase specified services from specified entities.

(E) Misrepresentations regarding the business relationships between particular entities and entities that award or may award such assistance.

(F) Misrepresentations regarding refunds of processing fees if consumers are not provided specified amounts of such assistance, and other misrepresentations regarding refunds.

SEC. 3. ENHANCED CRIMINAL PENALTIES FOR COLLEGE EDUCATION FINANCIAL SERVICE ASSISTANCE FRAUD.

(a) ENHANCED PENALTIES.—Chapter 63 of title 18, United States Code, is amended by adding at the end the following:

"§ 1348. Enhanced penalties for college education financial service assistance fraud

''(a) IN GENERAL.—A person who is convicted of an offense under section 1341, 1342, or 1343 of this title in connection with the obtaining or providing of any scholarship, grant, loan, tuition, discount, award, or other financial assistance for purposes of financing an education at an institution of higher education shall be fined under this title, imprisoned not more than 10 years, or both.

''(b) OTHER PENALTIES.—Any penalties imposed under this section shall be in addition to any penalties under any of the sections referred to in subsection (a).

''(c) INSTITUTION OF HIGHER EDUCATION DEFINED.—In this section, the term 'institution of higher education' has the meaning given that term in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001).''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of that chapter is amended by adding at the end the following:

''1348. Enhanced penalties for college education financial service assistance fraud.''.

SEC. 4. EXCLUSION OF DEBTS RELATING TO COLLEGE FINANCIAL ASSISTANCE SERVICES FRAUD FROM PERMISSIBLE EXEMPTIONS OF PROPERTY FROM ESTATES IN BANKRUPTCY.

Section 522(c) of title 11, United States Code, is amended—

(1) by striking ''or'' at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting ''; or''; and

(3) by adding at the end the following:

''(4) a debt in connection with fraud in the obtaining or providing of any scholarship, grant, loan, tuition, discount, award, or other financial assistance for purposes of financing an education at an institution of higher education (as that term is defined in section 101 of the Higher Education Act of 1954 (20 U.S.C. 1001)).''.

SEC. 5. LIST OF BUSINESSES AND ORGANIZATIONS OFFERING COLLEGE EDUCATION FINANCIAL ASSISTANCE SERVICES.

(a) LIST.—The Secretary of Education shall maintain on the Internet web site of the Department of Education a web page that—

(1) lists businesses and organizations that offer financial assistance (including scholarships, grants, loans, tuition, awards, and other assistance) for purposes of financing an education at institutions of higher education; and

(2) provides the Internet web site address of such businesses and organizations.

(b) APPLICATION FOR PLACEMENT ON THE LIST.—A business or organization may apply to the Secretary of Education for placement on the list.

(c) CONSULTATION.—The Secretary of Education shall consult with the Chairman of the Federal Trade Commission in an effort to ensure that a business or organization applying for placement on the list is a legitimate business or organization.

(d) INELIGIBILITY.—A business or organization shall not be listed on the page if—

(1) the business or organization was prosecuted by the Federal Trade Commission and convicted of using an unfair or deceptive act or practice under the Federal Trade Commission Act (15 U.S.C. 41 et seq.) during the 5-year period preceding the submission of an application under subsection (b);

(2) the business or organization is operated by an individual who operated a business or organization that was prosecuted by the Federal Trade Commission and convicted of using an unfair or deceptive act or practice under such Act during the 5-year period preceding the submission of an application under subsection (b);

(3) the Department of Education receives a significant number of complaints, as determined by the Secretary of Education, from students alleging the business or organization has not in good faith delivered on promises made by the business or organization; or

(4) the business or organization is under investigation by the Federal Trade Commission.

THE COLLEGE SCHOLARSHIP FRAUD PREVENTION ACT OF 1999—SECTION-BY-SECTION ANALYSIS

A bill to enhance protections against fraud in the offering of financial assistance for college education, and for other purposes.

SECTION 1: FINDINGS

This section sets out Congressional findings concerning the high level of fraud that occurs in the offering of college education financial assistance services to consumers.

SECTION 2: ENHANCED CRIMINAL PENALTIES FOR COLLEGE EDUCATION FINANCIAL SERVICE DEFINITIONS

This section amends Chapter 63 of Title 18, United States Code by adding a section that provides for a fine, imprisonment for not more than 10 years, or both, for college education financial service assistance fraud.

SECTION 3: EXCLUSION OF DEBTS RELATING TO COLLEGE FINANCIAL ASSISTANCE SERVICES FRAUD FROM PERMISSIBLE EXEMPTIONS OF PROPERTY FROM ESTATES IN BANKRUPTCY

This provision amends Section 522(c) of Title 11 of the United States Code to allow property otherwise exempted in bankruptcy to be subject to disgorgement and redress orders resulting from college financial assistance services fraud.

SECTION 4: LIST OF BUSINESSES AND ORGANIZATIONS OFFERING COLLEGE EDUCATION FINANCIAL ASSISTANCE SERVICES

This section requires the Secretary of Education to maintain a web page listing businesses and organizations offering financial assistance for purposes of financing an education. The section also requires consultation between the Secretary of Education and the Federal Trade Commission to ensure that a listed business is a legitimate offeror of services, and specifies the circumstances under which a business or organization would be ineligible to be listed.

ADDITIONAL COSPONSORS

S. 50

At the request of Mrs. HUTCHISON, the name of the Senator from Montana (Mr. BURNS) was added as a cosponsor of S. 50, a bill to improve options for excellence in education.

S. 193

At the request of Mrs. BOXER, the name of the Senator from California (Mrs. FEINSTEIN) was added as a cosponsor of S. 193, a bill to apply the same quality and safety standards to domestically manufactured handguns that are currently applied to imported handguns.

S. 345

At the request of Mr. ALLARD, the name of the Senator from Ohio (Mr. DEWINE) was added as a cosponsor of S. 345, a bill to amend the Animal Welfare Act to remove the limitation that permits interstate movement of live birds, for the purpose of fighting, to States in which animal fighting is lawful.

S. 391

At the request of Mr. KERREY, the name of the Senator from Utah (Mr. HATCH) was added as a cosponsor of S. 391, a bill to provide for payments to children's hospitals that operate graduate medical education programs.

S. 514

At the request of Mr. COCHRAN, the name of the Senator from Idaho (Mr. CRAIG) was added as a cosponsor of S. 514, a bill to improve the National Writing Project.

S. 676

At the request of Mr. CAMPBELL, the names of the Senator from Tennessee (Mr. FRIST) and the Senator from Oklahoma (Mr. NICKLES) were added as cosponsors of S. 676, a bill to locate and secure the return of Zachary Baumel, a citizen of the United States, and other Israeli soldiers missing in action.

S. 692

At the request of Mr. KYL, the name of the Senator from North Carolina (Mr. HELMS) was added as a cosponsor of S. 692, a bill to prohibit Internet gambling, and for other purposes.

S. 708

At the request of Mr. DEWINE, the name of the Senator from California (Mrs. FEINSTEIN) was added as a cosponsor of S. 708, a bill to improve the administrative efficiency and effectiveness of the Nation's abuse and neglect courts and the quality and availability of training for judges, attorneys, and volunteers working in such courts, and for other purposes consistent with the Adoption and Safe Families Act of 1997.

S. 1035

At the request of Mr. FEINGOLD, the name of the Senator from Arkansas (Mrs. LINCOLN) was added as a cosponsor of S. 1035, a bill to establish a program to provide grants to expand the availability of public health dentistry programs in medically underserved areas, health professional shortage areas, and other Federally-defined areas that lack primary dental services.

S. 1070

At the request of Mr. BOND, the name of the Senator from Virginia (Mr. WARNER) was added as a cosponsor of S. 1070, a bill to require the Secretary of Labor to wait for completion of a National Academy of Sciences study before promulgating a standard, regulation or guideline on ergonomics.

S. 1110

At the request of Mr. LOTT, the name of the Senator from Maine (Ms. COLLINS) was added as a cosponsor of S. 1110, a bill to amend the Public Health Service Act to establish the National Institute of Biomedical Imaging and Engineering.

S. 1144

At the request of Mr. VOINOVICH, the name of the Senator from New Jersey (Mr. TORRICELLI) was added as a cosponsor of S. 1144, a bill to provide increased flexibility in use of highway funding, and for other purposes.

S. 1199

At the request of Mr. ASHCROFT, the name of the Senator from Oklahoma

(Mr. NICKLES) was added as a cosponsor of S. 1199, a bill to require the Secretary of State to report on United States citizens injured or killed by certain terrorist groups.

S. 1200

At the request of Ms. SNOWE, the name of the Senator from Montana (Mr. BAUCUS) was added as a cosponsor of S. 1200, a bill to require equitable coverage of prescription contraceptive drugs and devices, and contraceptive services under health plans.

S. 1207

At the request of Mr. BURNS, the name of the Senator from Indiana (Mr. LUGAR) was added as a cosponsor of S. 1207, a bill to amend the Internal Revenue Code of 1986 to ensure that income averaging for farmers not increase a farmer's liability for the alternative minimum tax.

S. 1293

At the request of Mr. COCHRAN, the name of the Senator from Utah (Mr. BENNETT) was added as a cosponsor of S. 1293, a bill to establish a Congressional Recognition for Excellence in Arts Education Board.

S. 1310

At the request of Ms. COLLINS, the name of the Senator from Kansas (Mr. ROBERTS) was added as a cosponsor of S. 1310, a bill to amend title XVIII of the Social Security Act to modify the interim payment system for home health services, and for other purposes.

S. 1345

At the request of Mr. LAUTENBERG, the name of the Senator from Nevada (Mr. REID) was added as a cosponsor of S. 1345, a bill to amend title 18, United States Code, to prohibit certain interstate conduct relating to exotic animals.

S. 1362

At the request of Mr. BURNS, the name of the Senator from Missouri (Mr. ASHCROFT) was added as a cosponsor of S. 1362, a bill to establish a commission to study the airline industry and to recommend policies to ensure consumer information and choice.

SENATE CONCURRENT RESOLUTION 9

At the request of Ms. SNOWE, the names of the Senator from South Carolina (Mr. THURMOND), the Senator from West Virginia (Mr. ROCKEFELLER), the Senator from Maine (Ms. COLLINS), and the Senator from North Carolina (Mr. EDWARDS) were added as cosponsors of Senate Concurrent Resolution 9, a concurrent resolution calling for a United States effort to end restrictions on the freedoms and human rights of the enclaved people in the occupied area of Cyprus.

SENATE RESOLUTION 95

At the request of Mr. THURMOND, the name of the Senator from New Mexico (Mr. DOMENICI) was added as a cosponsor of Senate Resolution 95, a resolution designating August 16, 1999, as ''National Airborne Day.''

SENATE RESOLUTION 99

At the request of Mr. REID, the name of the Senator from Maryland (Ms. MIKULSKI) was added as a cosponsor of Senate Resolution 99, a resolution designating November 20, 1999, as ''National Survivors for Prevention of Suicide Day.''

AMENDMENT NO. 1069

At the request of Mr. STEVENS, the name of the Senator from Alaska (Mr. MURKOWSKI) was added as a cosponsor of amendment No. 1069 intended to be proposed to S. 1233, an original bill making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2000, and for other purposes.

SENATE RESOLUTION 168—PAYING A GRATUITY TO MARY LYDA NANCE

Mr. HELMS (for himself and Mr. BIDEN) submitted the following resolution; which was considered and agreed to:

S. RES. 168

Resolved, That the Secretary of the Senate is authorized and directed to pay, from the contingent fund of the Senate, to Mary Lyda Nance, widow of Admiral James W. Nance, an employee of the Senate at the time of his death, the sum of $200,000, that sum to be considered inclusive of funeral expenses and all other allowances.

AMENDMENTS SUBMITTED

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

CRAPO (AND OTHERS) AMENDMENT NO. 1372

(Ordered to lie on the table.)

Mr. CRAPO (for himself, Mr. CRAIG, and Mr. BURNS) submitted an amendment to be proposed by them to the bill (H.R. 2466) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 2000, and for other purposes; as follows:

On page 10, line 16, after ''herein,'' insert the following: ''of which not less than $750,000 shall be available for the development of a voluntary enrollment habitat conservation plan for cold water fish in cooperation with the States of Idaho and Montana (of which $150,000 shall be used to fund full-time positions of personnel to assist in the development of the plan and $300,000 shall be made available to each State for data collection, organizational, and related activities), and of which not more than $64,626,000 shall be available for habitat conservation, and''.

TAXPAYER REFUND ACT OF 1999

BROWNBACK AMENDMENT NO. 1373

(Ordered to lie on the table.)

Mr. BROWNBACK submitted an amendment intended to be proposed by him to the bill (S. 1429) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000; as follows:

Beginning on page 11, strike line 18 and all that follows through page 32, line 14, and insert the following:

SEC. 201. ELIMINATION OF MARRIAGE PENALTY IN INDIVIDUAL INCOME TAX RATES.

(a) GENERAL RULE.—Section 1 (relating to tax imposed) is amended by striking subsections (a) through (e) and inserting the following:

''(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of—

''(1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

''(2) every surviving spouse (as defined in section 2(a)),

a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $50,700	15% of taxable income.
Over $50,700 but not over $122,800.	$7,605, plus 28% of the excess over $50,700.
Over $122,800 but not over $256,200.	$27,793, plus 31% of the excess over $122,800.
Over $256,200 but not over $556,900.	$69,147, plus 36% of the excess over $256,200.
Over $556,900	$177,399, plus 39.6% of the excess over $556,900.

''(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $33,950	15% of taxable income.
Over $33,950 but not over $87,700.	$5,092.50, plus 28% of the excess over $33,950.
Over $87,700 but not over $142,000.	$20,142.50, plus 31% of the excess over $87,700.
Over $142,000 but not over $278,450.	$36,975.50, plus 36% of the excess over $142,000.
Over $278,450	$86,097.50, plus 39.6% of the excess over $278,450.

''(c) OTHER INDIVIDUALS.—There is hereby imposed on the taxable income of every individual (other than an individual to whom subsection (a) or (b) applies) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $25,350	15% of taxable income.
Over $25,350 but not over $61,400.	$3,802.50, plus 28% of the excess over $25,350.
Over $61,400 but not over $128,100.	$13,896.50, plus 31% of the excess over $61,400.
Over $128,100 but not over $278,450.	$34,573.50, plus 36% of the excess over $128,100.
Over $278,450	$88,699.50, plus 39.6% of the excess over $278,450.

''(d) ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of—

''(1) every estate, and

''(2) every trust,

taxable under this subsection a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $1,700	15% of taxable income.
Over $1,700 but not over $4,000.	$255, plus 28% of the excess over $1,700.
Over $4,000 but not over $6,100.	$899, plus 31% of the excess over $4,000.
Over $6,100 but not over $8,350.	$1,550, plus 36% of the excess over $6,100.
Over $8,350	$2,360, plus 39.6% of the excess over $8,350.''.

(b) INFLATION ADJUSTMENT TO APPLY IN DETERMINING RATES FOR 2000.—Subsection (f) of section 1 is amended—

(1) by striking ''1993'' in paragraph (1) and inserting ''1999'',

(2) by striking ''1992'' in paragraph (3)(B) and inserting ''1997'', and

(3) by striking paragraph (7).

(c) CONFORMING AMENDMENTS.—

(1) The following provisions are each amended by striking ''1992'' and inserting ''1997'' each place it appears:

(A) Section 25A(h).
(B) Section 32(j)(1)(B).
(C) Section 41(e)(5)(C).
(D) Section 68(b)(2)(B).
(E) Section 135(b)(2)(B)(ii).
(F) Section 151(d)(4).
(G) Section 221(g)(1)(B).
(H) Section 512(d)(2)(B).
(I) Section 513(h)(2)(C)(ii).
(J) Section 877(a)(2).
(K) Section 911(b)(2)(D)(ii)(II).
(L) Section 4001(e)(1)(B).
(M) Section 4261(e)(4)(A)(ii).
(N) Section 6039F(d).
(O) Section 6334(g)(1)(B).
(P) Section 7430(c)(1).

(2) Subclause (II) of section 42(h)(6)(G)(i) is amended by striking ''1987'' and inserting ''1997''.

(3) Subparagraph (B) of section 59(j)(2) is amended by striking '', determined by substituting '1997' for '1992' in subparagraph (B) thereof''.

(4) Subparagraph (B) of section 132(f)(6) is amended by inserting before the period '', determined by substituting 'calendar year 1992' for 'calendar year 1997' in subparagraph (B) thereof''.

(5) Paragraph (2) of section 220(g) of such Code is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(6) Subparagraph (B) of section 685(c)(3) is amended by striking '', by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(7) Subparagraph (B) of section 2032A(a)(3) is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(8) Subparagraph (B) of section 2503(b)(2) is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(9) Paragraph (2) of section 2631(c) is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(10) Subparagraph (B) of section 6601(j)(3) is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(11) Sections 468B(b)(1), 511(b)(1), 641(a), 641(d)(2)(A), and 685(d) are each amended by striking ''section 1(e)'' each place it appears and inserting ''section 1(d)''.

(12) Sections 1(f)(2) and 904(b)(3)(E)(ii) are each amended by striking ''(d), or (e)'' and inserting ''or (d)''.

(13) Paragraph (1) of section 1(f) is amended by striking ''(d), and (e)'' and inserting ''and (d)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 202. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended to read as follows:

''(2) BASIC STANDARD DEDUCTION.—For purposes of paragraph (1), the basic standard deduction is—

''(A) $8,500 in the case of—

''(i) a joint return, or

''(ii) a surviving spouse (as defined in section 2(a)),

''(B) $6,250 in the case of a head of household (as defined in section 2(b)), or

''(C) $4,250 in any other case.''

(b) TECHNICAL AMENDMENTS.—

(1) Paragraph (4) of section 63(c) is amended to read as follows:

''(4) ADJUSTMENTS FOR INFLATION.—In the case of any taxable year beginning in a calendar year after 1999, each dollar amount contained in paragraph (2) or (5) or subsection (f) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins.''

(2) Subparagraph (A) of section 63(c)(5) is amended by striking ''$500'' and inserting ''$700''.

(3) Subsection (f) of section 63 is amended by striking ''$600'' each place it appears and inserting ''$850'' and by striking ''$750'' in paragraph (3) and inserting ''$1,050''.

(4) Subparagraph (B) of section 1(f)(6) is amended by striking ''subsection (c)(4) of section 63 (as it applies to subsections (c)(5)(A) and (f) of such section)'' and inserting ''section 63(c)(4)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

On page 9, line 12, strike ''2000'' and insert ''2002''.

Beginning on page 10, strike line 17 and all that follows through page 11, line 12, and insert the following:

''(i) JOINT RETURNS AND SURVIVING SPOUSES.—In the case of the table contained in subsection (a)—

"Calendar year:	Applicable dollar amount:
2007 or 2008	$4,000
2009 and thereafter	$5,000.

''(ii) OTHER TABLES.—In the case of the table contained in subsection (b), (c), or (d)—

"Calendar year:	Applicable dollar amount:
2007 or 2008	$2,000
2009 and thereafter	$2,500.

''(B) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in any calendar year after 2009, the applicable dollar amount shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of living adjustment determined under paragraph (3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2007' for 'calendar year 1992' in subparagraph (B) thereof.''

GREGG AMENDMENTS NOS. 1374–1375

(Ordered to lie on the table.)

Mr. GREGG submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1374

At the appropriate place in the bill, insert the following:

SEC. ___. ONE-YEAR EXTENSION OF PERIOD OF TAX MORATORIUM UNDER INTERNET TAX FREEDOM ACT.

Section 1101(a) of the Internet Tax Freedom Act (title XI of division C of Public Law 105–277; 112 Stat. 2681–719; 47 U.S.C. 151 note) is amended by striking ''3 years after the date of the enactment of this Act'' and inserting ''4 years after October 21, 1998''.

AMENDMENT NO. 1375

On page 21, before line 1, insert:

(c) MINIMUM DEPENDENT CARE CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

''(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—

''(A) IN GENERAL.—Notwithstanding subsection (d), in the case of any taxpayer with 1 or more qualifying individuals described in subsection (b)(1)(A) under the age of 1, such taxpayer shall be deemed to have employment-related expenses for the taxable year with respect to each such qualifying individual in an amount equal to the sum of—

''(i) $200 for each month in such taxable year during which such qualifying individual is under the age of 1, and

''(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph).

''(B) ELECTION TO NOT APPLY THIS PARAGRAPH.—This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects to not have this paragraph apply to such qualifying individual for such taxable year.''.

On page 21, line 1, strike ''(c)'' and insert ''(d)''.

On page 195, strike lines 4 through 23.

DASCHLE (AND OTHERS) AMENDMENT NO. 1376

(Ordered to lie on the table.)

Mr. DASCHLE (for himself, Mr. BYRD, Mr. BAUCUS, Mr. BINGAMAN, and Mr. KERREY) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of the bill add the following:

DIVISION II—ENERGY SECURITY TAX INCENTIVES

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the ''Energy Security Tax Act of 1999''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this division 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; amendment of 1986 Code; table of contents.

TITLE I—ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

Sec. 101. Credit for certain energy-efficient property used in business.

TITLE II—NONBUSINESS ENERGY SYSTEMS

Sec. 201. Credit for certain nonbusiness energy systems.

TITLE III—ALTERNATIVE FUELS

Sec. 301. Allocation of alcohol fuels credit to patrons of a cooperative.

TITLE IV—AUTOMOBILES

Sec. 401. Credit for purchase of fuel cell, electric, and hybrid electric vehicles.

TITLE V—CLEAN COAL TECHNOLOGIES

Sec. 501. Credit for investment in qualifying clean coal technology.
Sec. 502. Credit for production from qualifying clean coal technology.
Sec. 503. Risk pool for qualifying clean coal technology.

TITLE VI—METHANE RECOVERY

Sec. 601. Expansion of section 29 tax credit.
Sec. 602. Credit for capture of coalbed methane gas.

TITLE VII—OIL AND GAS PRODUCTION

Sec. 701. Credit for production of re-refined lubricating oil.
Sec. 702. Repeal certain adjustments based on adjusted current earnings relating to oil and gas assets.

Sec. 703. 10-year carryback for percentage depletion for oil and gas property.

TITLE VIII—RENEWABLE POWER GENERATION

Sec. 801. Credit for investment in photovoltaic and wind property manufacturing facilities.
Sec. 802. Modifications to credit for electricity produced from renewable resources.
Sec. 803. Proportional credit for producing electricity through co-firing.
Sec. 804. Credit for capital costs of qualified biomass-based generating system.
Sec. 805. Pass-through of renewable energy production incentive payments to end-users.

TITLE IX—STEELMAKING

Sec. 901. Credit for energy-efficient steelmaking capacity.
Sec. 902. Extension of credit for electricity to production from steel cogeneration.

TITLE X—AGRICULTURE

Sec. 1001. Agricultural conservation tax credit.

TITLE I—ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

SEC. 101. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROPERTY USED IN BUSINESS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit) is amended by inserting after section 48 the following:

"SEC. 48A. ENERGY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the energy credit for any taxable year is the sum of—

''(1) the amount equal to the energy percentage of the basis of each energy property placed in service during such taxable year, and

''(2) the credit amount for each qualified hybrid vehicle placed in service during the taxable year.

''(b) ENERGY PERCENTAGE.—

''(1) IN GENERAL.—The energy percentage is—

''(A) except as otherwise provided in this subparagraph, 10 percent,

''(B) in the case of energy property described in clauses (i), (iii), (vi), (vii), and (viii) of subsection (c)(1)(A), 20 percent,

''(C) in the case of energy property described in subsection (c)(1)(A)(v), 15 percent, and

''(D) in the case of energy property described in subsection (c)(1)(A)(ii) relating to a high risk geothermal well, 20 percent.

''(2) COORDINATION WITH REHABILITATION.—The energy percentage shall not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

''(c) ENERGY PROPERTY DEFINED.—

''(1) IN GENERAL.—For purposes of this subpart, the term 'energy property' means any property—

''(A) which is—

''(i) solar energy property,

''(ii) geothermal energy property,

''(iii) energy-efficient building property,

''(iv) combined heat and power system property,

''(v) low core loss distribution transformer property,

''(vi) fuel-efficient farm equipment property,

''(vii) qualified aerobic digester property, or

''(viii) qualified wind energy systems equipment property,

''(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

''(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer,

''(C) which can reasonably be expected to remain in operation for at least 5 years,

''(D) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

''(E) which meets the performance and quality standards (if any) which—

''(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy), and

''(ii) are in effect at the time of the acquisition of the property.

''(2) EXCEPTIONS.—

''(A) PUBLIC UTILITY PROPERTY.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), except for property described in paragraph (1)(A)(iv).

''(B) CERTAIN WIND EQUIPMENT.—Such term shall not include equipment described in paragraph (1)(A)(viii) which is taken into account for purposes of section 45 for the taxable year.

''(d) DEFINITIONS RELATING TO TYPES OF ENERGY PROPERTY.—For purposes of this section—

''(1) SOLAR ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'solar energy property' means general solar energy property, solar water heating property, and photovoltaic property.

''(B) GENERAL SOLAR ENERGY PROPERTY.—The term 'general solar energy property' means equipment which uses solar energy to generate electricity, to heat or cool a structure, or to provide solar process heat.

''(C) SOLAR WATER HEATING PROPERTY.—

''(i) IN GENERAL.—The term 'solar water heating property' means property which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

''(ii) LIMITATION ON AMOUNT OF CREDIT.—The credit under subsection (a)(1) for the taxable year with respect to solar water heating property shall not exceed $1,000.

''(iii) ELECTION TO TREAT PROPERTY AS SOLAR WATER HEATING PROPERTY.—Property that is both general solar energy property and solar water heating property shall be treated as general solar energy property for purposes of this section unless the taxpayer elects to treat such property as being only solar water heating property. If such an election is made the energy percentage under subsection (b)(1) shall be 15 percent in lieu of 10 percent.

''(D) PHOTOVOLTAIC PROPERTY.—

''(i) IN GENERAL.—The term 'photovoltaic property' means property which, when installed in connection with a structure, uses a solar photovoltaic process to generate electricity for use in such dwelling.

''(ii) LIMITATION ON AMOUNT OF CREDIT.—The credit under subsection (a)(1) for the taxable year with respect to photovoltaic property shall not exceed $2,000.

''(E) SWIMMING POOLS, ETC., USED AS STORAGE MEDIUM.—The term 'solar energy property' shall not include property with respect to which expenditures are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage.

''(F) SOLAR PANELS.—No solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as solar energy property solely because it constitutes a structural component of the structure on which it is installed.

''(2) GEOTHERMAL ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'geothermal energy property' means equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(B) HIGH RISK GEOTHERMAL WELL.—The term 'high risk geothermal well' means a geothermal deposit (within the meaning of section 613(e)(2)) which requires high risk drilling techniques. Such deposit may not be located in a State or national park or in an area in which the relevant State park authority or the National Park Service determines the development of such a deposit will negatively impact on a State or national park.

''(3) ENERGY-EFFICIENT BUILDING PROPERTY.—

''(A) IN GENERAL.—The term 'energy-efficient building property' means—

''(i) a fuel cell that—

''(I) generates electricity and heat using an electrochemical process,

''(II) has an electricity-only generation efficiency greater than 35 percent, and

''(III) has a minimum generating capacity of 5 kilowatts,

''(ii) an electric heat pump hot water heater that yields an energy factor of 1.7 or greater under standards prescribed by the Secretary of Energy,

''(iii) an electric heat pump that has a heating system performance factor (HSPF) of 9 or greater and a cooling seasonal energy efficiency ratio (SEER) of 13 or greater,

''(iv) a natural gas heat pump that has a coefficient of performance of not less than 1.25 for heating and not less than 0.60 for cooling,

''(v) a central air conditioner that has a cooling seasonal energy efficiency ratio (SEER) of 13 or greater,

''(vi) an advanced natural gas water heater that—

''(I) increases steady state efficiency and reduces standby and vent losses, and

''(II) has an energy factor of at least 0.65,

''(vii) an advanced natural gas furnace that achieves a 95 percent AFUE, and

''(viii) natural gas cooling equipment—

''(I) that has a coefficient of performance of not less than .60, or

''(II) that uses desiccant technology and has an efficiency rating of 40 percent.

''(B) LIMITATIONS.—The credit under subsection (a)(1) for the taxable year may not exceed—

''(i) $500 in the case of property described in subparagraph (A) other than clauses (i) and (iv) thereof,

''(ii) $500 for each kilowatt of capacity in the case of a fuel cell described in subparagraph (A)(i), and

''(iii) $1,000 in the case of a natural gas heat pump described in subparagraph (A)(iv).

''(4) COMBINED HEAT AND POWER SYSTEM PROPERTY.—

''(A) IN GENERAL.—The term 'combined heat and power system property' means property—

''(i) comprising a system for using the same energy source for the sequential generation of electrical power, mechanical shaft power, or both, in combination with steam, heat, or other forms of useful energy,

''(ii) that has an electrical capacity of more than 50 kilowatts, and

''(iii) that produces at least 20 percent of its total useful energy in the form of both thermal energy and electrical or mechanical power.

''(B) ACCOUNTING RULE FOR PUBLIC UTILITY PROPERTY.—In the case that combined heat and power system property is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the taxpayer may only claim the credit under subsection (a)(1) if, with respect to such property, the taxpayer uses a normalization method of accounting.

''(5) LOW CORE LOSS DISTRIBUTION TRANSFORMER PROPERTY.—The term 'low core loss distribution transformer property' means a distribution transformer which has energy savings from a highly efficient core of at least 20 percent more than the average for power ratings reported by studies required under section 124 of the Energy Policy Act of 1992.

''(6) FUEL-EFFICIENT FARM EQUIPMENT PROPERTY.—The term 'fuel-efficient farm equipment property' means equipment used in a farming business (as defined in section 263A(e)(4)) which achieves a fuel efficiency level equal to or greater than the 90th percentile of that type of equipment for the year in which such equipment is placed in service.

''(7) QUALIFIED AEROBIC DIGESTER PROPERTY.—The term 'qualified aerobic digester property' means an aerobic digester for manure or crop waste that achieves at least 65 percent efficiency measured in terms of the fraction of energy input converted to electricity and useful thermal energy.

''(8) QUALIFIED WIND ENERGY SYSTEMS EQUIPMENT PROPERTY.—The term 'qualified wind energy systems equipment property' means wind energy systems equipment with a turbine size of not more than 50 kilowatts rated capacity.

''(e) QUALIFIED HYBRID VEHICLES.—For purposes of subsection (a)(2)—

''(1) CREDIT AMOUNT.—

''(A) IN GENERAL.—The credit amount for each qualified hybrid vehicle with a rechargeable energy storage system that provides the applicable percentage of the maximum available power shall be the amount specified in the following table:

''Applicable percentage		Credit amount is:
Greater than or equal to—	Less than—	
5 percent	10 percent	$ 500
10 percent	20 percent	$1,000
20 percent	30 percent	$1,500
30 percent		$2,000

''(B) INCREASE IN CREDIT AMOUNT FOR REGENERATIVE BRAKING SYSTEM.—In the case of a qualified hybrid vehicle that actively employs a regenerative braking system which supplies to the rechargeable energy storage system the applicable percentage of the energy available from braking in a typical 60 miles per hour to 0 miles per hour braking event, the credit amount determined under subparagraph (A) shall be increased by the amount specified in the following table:

''Applicable percentage		Credit amount increase is:
Greater than or equal to—	Less than—	
20 percent	40 percent	$ 250
40 percent	60 percent	$ 500
60 percent		$1,000

''(2) QUALIFIED HYBRID VEHICLE.—The term 'qualified hybrid vehicle means an automobile that meets all applicable regulatory requirements and that can draw propulsion energy from both of the following on-board sources of stored energy:

''(A) A consumable fuel.

''(B) A rechargeable energy storage system.

''(3) MAXIMUM AVAILABLE POWER.—The term 'maximum available power' means the maximum value of the sum of the heat engine and electric drive system power or other non-heat energy conversion devices available for a driver's command for maximum acceleration at vehicle speeds under 75 miles per hour.

''(4) AUTOMOBILE.—The term 'automobile' has the meaning given such term by section 4064(b)(1) (without regard to subparagraphs (B) and (C) thereof). A vehicle shall not fail to be treated as an automobile solely by reason of weight if such vehicle is rated at 8,500 pounds gross vehicle weight rating or less.

''(5) DOUBLE BENEFIT; PROPERTY USED OUTSIDE UNITED STATES, ETC., NOT QUALIFIED.—No credit shall be allowed under subsection (a)(2) with respect to—

''(A) any property for which a credit is allowed under section 25B or 30,

''(B) any property referred to in section 50(b), and

''(C) the portion of the cost of any property taken into account under section 179 or 179A.

''(6) REGULATIONS.—

''(A) TREASURY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection.

''(B) ENVIRONMENTAL PROTECTION AGENCY.—The Administrator of the Environmental Protection Agency shall prescribe such regulations as may be necessary or appropriate to specify the testing and calculation procedures that would be used to determine whether a vehicle meets the qualifications for a credit under this subsection.

''(7) TERMINATION.—Paragraph (2) shall not apply with respect to any vehicle placed in service during a calendar year ending before January 1, 2003, or after December 31, 2006.

''(f) SPECIAL RULES.—For purposes of this section—

''(1) SPECIAL RULE FOR PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL DEVELOPMENT BONDS.—

''(A) REDUCTION OF BASIS.—For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by—

''(i) subsidized energy financing, or

''(ii) the proceeds of a private activity bond (within the meaning of section 141) the interest on which is exempt from tax under section 103,

the amount taken into account as the basis of such property shall not exceed the amount which (but for this subparagraph) would be so taken into account multiplied by the fraction determined under subparagraph (B).

''(B) DETERMINATION OF FRACTION.—For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction—

''(i) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

''(ii) the denominator of which is the basis of the property.

''(C) SUBSIDIZED ENERGY FINANCING.—For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

''(2) CERTAIN PROGRESS EXPENDITURE RULES MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this section.

''(g) APPLICATION OF SECTION.—

''(1) IN GENERAL.—Except as provided by paragraph (2) and subsection (e), this section shall apply to property placed in service after December 31, 1999, and before January 1, 2004.

''(2) EXCEPTIONS.—

''(A) SOLAR ENERGY, GEOTHERMAL ENERGY, AND LOW CORE LOSS DISTRIBUTION TRANSFORMER PROPERTY.—Paragraph (1) shall not apply to general solar energy property or geothermal energy property.

''(B) PHOTOVOLTAIC PROPERTY.—In the case of photovoltaic property, this section shall apply to property placed in service after December 31, 1999, and before January 1, 2006.

''(C) FUEL CELL PROPERTY.—In the case of property that is a fuel cell described in subsection (d)(3)(A)(i), this section shall apply to property placed in service after December 31, 1999, and before January 1, 2005.''

(b) ENERGY CREDIT ALLOWABLE AGAINST ENTIRE REGULAR TAX AND ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c) (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following:

''(3) SPECIAL RULES FOR ENERGY CREDIT.—

''(A) IN GENERAL.—In the case of a C corporation, this section and section 39 shall be applied separately—

''(i) first with respect to so much of the credit allowed by subsection (a) as is not attributable to the energy credit, and

''(ii) then with respect to the energy credit.

''(B) RULES FOR APPLICATION OF ENERGY CREDIT.—

''(i) IN GENERAL.—In the case of the energy credit, in lieu of applying the preceding paragraphs of this subsection, the amount of such credit allowed under subsection (a) for any taxable year shall not exceed the net chapter 1 tax for such year.

''(ii) NET CHAPTER 1 TAX.—For purposes of clause (i), the term 'net chapter 1 tax' means the sum of the regular tax liability for the taxable year and the tax imposed by section 55 for the taxable year, reduced by the sum of the credits allowable under this part for the taxable year (other than under section 34 and other than the energy credit).

''(C) ENERGY CREDIT.—For purposes of this paragraph, the term 'energy credit' means the portion of the credit under subsection (a) which is attributable to the credit determined under section 48A and allowable under section 46 (relating to energy credit).''

(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(ii)(II) is amended by striking ''(other than the empowerment zone employment credit)'' and inserting ''(other than the credits described in this paragraph and paragraph (3))''.

(c) CONFORMING AMENDMENTS.—

(1) Section 48 is amended to read as follows:

''SEC. 48. REFORESTATION CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the reforestation credit for any taxable year is 20 percent of the portion of the amortizable basis of any qualified timber property which was acquired during such taxable year and which is taken into account under section 194 (after the application of section 194(b)(1)).

''(b) DEFINITIONS.—For purposes of this subpart, the terms 'amortizable basis' and 'qualified timber property' have the respective meanings given to such terms by section 194.''

(2) Section 39(d) is amended by adding at the end the following:

''(9) NO CARRYBACK OF ENERGY CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the energy credit determined under section 48A may be carried

back to a taxable year ending before the date of the enactment of section 48A.''

(3) Section 280C is amended by adding at the end the following:

''(d) CREDIT FOR ENERGY PROPERTY EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the expenses for energy property (as defined in section 48A(c)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 48A(a).

''(2) SIMILAR RULE WHERE TAXPAYER CAPITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

''(A) the amount of the credit allowable for the taxable year under section 48A (determined without regard to section 38(c)), exceeds

''(B) the amount allowable as a deduction for the taxable year for expenses for energy property (determined without regard to paragraph (1)),

the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

''(3) CONTROLLED GROUPS.—Paragraph (3) of subsection (b) shall apply for purposes of this subsection.''

(4) Section 29(b)(3)(A)(i)(III) is amended by striking ''section 48(a)(4)(C)'' and inserting ''section 48A(f)(1)(C)''.

(5) Section 50(a)(2)(E) is amended by striking ''section 48(a)(5)'' and inserting ''section 48A(f)(2)''.

(6) Section 168(e)(3)(B) is amended—

(A) by striking clause (vi)(I) and inserting the following:

''(I) is described in paragraph (1)(B) or (2) of section 48A(d) (or would be so described if 'solar and wind' were substituted for 'solar' in paragraph (1)(B)),'', and

(B) in the last sentence by striking ''section 48(a)(3)'' and inserting ''section 48A(c)(2)(A)''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart E of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 48 and inserting the following:

''Sec. 48. Reforestation credit.

''Sec. 48A. Energy credit.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

TITLE II—NONBUSINESS ENERGY SYSTEMS

SEC. 201. CREDIT FOR CERTAIN NONBUSINESS ENERGY SYSTEMS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following:

''SEC. 25B. NONBUSINESS ENERGY PROPERTY.

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(A) the applicable percentage of residential energy property expenditures made by the taxpayer during such year,

''(B) the credit amount (determined under section 48A(f)) for each vehicle purchased during the taxable year which is a qualified hybrid vehicle (as defined in section 48A(f)(2)), and

''(C) the credit amount specified in the following table for a new, highly energy-efficient principal residence:

''New, Highly Energy-Efficient Principal Residence:	Credit Amount:
30 percent property	$1,000.
40 percent property	$1,500.
50 percent property	$2,000.

''(2) APPLICABLE PERCENTAGE.—

''(A) IN GENERAL.—The applicable percentage shall be determined in accordance with the following table:

''Column A—Description	Column B— Applicable Percentage	Column C—Period	
		For the period:	
In the case of:	The applicable percentage is:	Beginning on:	Ending on:
20 percent energy-efficient building property	20 percent	1/1/2000	12/31/2003
10 percent energy-efficient building property	10 percent	1/1/2000	12/31/2001
Solar water heating property	15 percent	1/1/2000	12/31/2006
Photovoltaic property	15 percent	1/1/2000	12/31/2006.

''(B) PERIODS FOR WHICH PERCENTAGE NOT SPECIFIED.—In the case of any residential energy property, the applicable percentage shall be zero for any period for which an applicable percentage is not specified for such property under subparagraph (A).

''(b) MAXIMUM CREDIT.—

''(1) IN GENERAL.—In the case of property described in the following table, the amount of the credit allowed under subsection (a)(1)(A) for the taxable year for each item of such property with respect to a dwelling unit shall not exceed the amount specified for such property in such table:

''Description of property item:	Maximum allowable credit amount is:
20 percent energy-efficient building property (other than a fuel cell or natural gas heat pump).	$500.
20 percent energy-efficient building property:	
fuel cell described in section 48A(e)(3)(A).	$ 500 per each kw/hr of capacity.
natural gas heat pump described in section 48A(e)(3)(D).	$1,000.
10 percent energy-efficient building property	$ 250.
Solar water heating property	$1,000.
Photovoltaic property	$2,000.

''(2) COORDINATION OF LIMITATIONS.—If a credit is allowed to the taxpayer for any taxable year by reason of an acquisition of a new, highly energy-efficient principal residence, no other credit shall be allowed under subsection (a)(1)(A) with respect to such residence during the 1-taxable year period beginning with such taxable year.

''(c) DEFINITIONS.—For purposes of this section—

''(1) RESIDENTIAL ENERGY PROPERTY EXPENDITURES.—The term 'residential energy property expenditures' means expenditures made by the taxpayer for qualified energy property installed on or in connection with a dwelling unit which—

''(A) is located in the United States, and

''(B) is used by the taxpayer as a residence.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

''(2) QUALIFIED ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'qualified energy property' means—

''(i) energy-efficient building property,

''(ii) solar water heating property, and

''(iii) photovoltaic property.

''(B) SWIMMING POOL, ETC., USED AS STORAGE MEDIUM; SOLAR PANELS.—For purposes of this paragraph, the provisions of subparagraphs (D) and (E) section 48A(e)(1) shall apply.

''(3) ENERGY-EFFICIENT BUILDING PROPERTY.—The term 'energy-efficient building property' has the meaning given to such term by paragraphs (3) and (4) of section 48A(e).

''(4) SOLAR WATER HEATING PROPERTY.—The term 'solar water heating property' means property which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

''(5) PHOTOVOLTAIC PROPERTY.—The term 'photovoltaic property' has the meaning given to such term by section 48A(e)(1)(C).

''(6) NEW, HIGHLY ENERGY-EFFICIENT PRINCIPAL RESIDENCE.—

''(A) IN GENERAL.—Property is a new, highly energy-efficient principal residence if—

''(i) such property is located in the United States,

''(ii) the original use of such property commences with the taxpayer and is, at the time of such use, the principal residence of the taxpayer, and

''(iii) such property is certified before such use commences as being 50 percent property, 40 percent property, or 30 percent property.

''(B) 50, 40, OR 30 PERCENT PROPERTY.—

''(i) IN GENERAL.—For purposes of subparagraph (A), property is 50 percent property, 40 percent property, or 30 percent property if the projected energy usage of such property is reduced by 50 percent, 40 percent, or 30 percent, respectively, compared to the energy usage of a reference house that complies with minimum standard practice, such as the 1998 International Energy Conservation Code of the International Code Council, as determined according to the requirements specified in clause (ii).

''(ii) PROCEDURES.—

''(I) IN GENERAL.—For purposes of clause (i), energy usage shall be demonstrated either by a component-based approach or a performance-based approach.

''(II) COMPONENT APPROACH.—Compliance by the component approach is achieved when all of the components of the house comply with the requirements of prescriptive packages established by the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency, such that they are equivalent to the results of using the performance-based approach of subclause (III) to achieve the required reduction in energy usage.

''(III) PERFORMANCE-BASED APPROACH.—Performance-based compliance shall be demonstrated in terms of the required percentage reductions in projected energy use. Computer software used in support of performance-based compliance must meet all of the procedures and methods for calculating energy savings reductions that are promulgated by the Secretary of Energy. Such regulations on the specifications for software shall be based in the 1998 California Residential Alternative Calculation Method Approval Manual, except that the calculation procedures shall be developed such that the same energy efficiency measures qualify a home for tax credits regardless of whether the home uses a gas or oil furnace or boiler, or an electric heat pump.

''(IV) APPROVAL OF SOFTWARE SUBMISSIONS.—The Secretary of Energy shall approve software submissions that comply with the calculation requirements of subclause (III).

''(C) DETERMINATIONS OF COMPLIANCE.—A determination of compliance made for the purposes of this paragraph shall be filed with the Secretary of Energy within 1 year of the date of such determination and shall include

the TIN of the certifier, the address of the building in compliance, and the identity of the person for whom such determination was performed. Determinations of compliance filed with the Secretary of Energy shall be available for inspection by the Secretary.

''(D) COMPLIANCE.—

''(i) IN GENERAL.—The Secretary of Energy in consultation with the Secretary of the Treasury shall establish requirements for certification and compliance procedures after examining the requirements for energy consultants and home energy ratings providers specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

''(ii) INDIVIDUALS QUALIFIED TO DETERMINE COMPLIANCE.—Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary of Energy for such purposes.

''(D) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121, except that the period for which a building is treated as the principal residence of the taxpayer shall also include the 60-day period ending on the 1st day on which it would (but for this subparagraph) first be treated as his principal residence.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which if jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) JOINT OWNERSHIP OF ENERGY ITEMS.—

''(A) IN GENERAL.—Any expenditure otherwise qualifying as a residential energy property expenditure shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

''(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

''(5) ALLOCATION IN CERTAIN CASES.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), if less than 80 percent of the use of an item is for nonbusiness purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness purposes shall be taken into account. For purposes of this paragraph, use for a swimming pool shall be treated as use which is not for nonbusiness purposes.

''(B) SPECIAL RULE FOR VEHICLES.—For purposes of this section and section 48A, a vehicle shall be treated as used entirely for business or nonbusiness purposes if the majority of the use of such vehicle is for business or nonbusiness purposes, as the case may be.

''(6) DOUBLE BENEFIT; PROPERTY USED OUTSIDE UNITED STATES, ETC., NOT QUALIFIED.—No credit shall be allowed under subsection (a)(1)(B) with respect to—

''(A) any property for which a credit is allowed under section 30 or 48A,

''(B) any property referred to in section 50(b), and

''(C) the portion of the cost of any property taken into account under section 179 or 179A.

''(7) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

''(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.—In the case of an expenditure in connection with the construction of a structure, such expenditure shall be treated as made when the original use of the constructed structure by the taxpayer begins.

''(C) AMOUNT.—The amount of any expenditure shall be the cost thereof.

''(8) PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING.—

''(A) REDUCTION OF EXPENDITURES.—For purposes of determining the amount of residential energy property expenditures made by any individual with respect to any dwelling unit, there shall not be taken in to account expenditures which are made from subsidized energy financing (as defined in section 48A(g)(1)).

''(B) DOLLAR LIMITS REDUCED.—The dollar amounts in the table contained in subsection (b)(1) with respect to each property purchased for such dwelling unit for any taxable year of such taxpayer shall be reduced proportionately by an amount equal to the sum of—

''(i) the amount of the expenditures made by the taxpayer during such taxable year with respect to such dwelling unit and not taken into account by reason of subparagraph (A), and

''(ii) the amount of any Federal, State, or local grant received by the taxpayer during such taxable year which is used to make residential energy property expenditures with respect to the dwelling unit and is not included in the gross income of such taxpayer.

''(e) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1016(a) is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting ''; and'', and by adding at the end the following:

''(28) to the extent provided in section 25B(e), in the case of amounts with respect to which a credit has been allowed under section 25B.''

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following:

''Sec. 25B. Nonbusiness energy property.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures after December 31, 1999.

TITLE III—ALTERNATIVE FUELS

SEC. 301. ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.

(a) IN GENERAL.—Section 40(d) (relating to alcohol used as fuel) is amended by adding at the end the following:

''(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

''(A) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization made on a timely filed return (including extensions) for such year, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year. Such an election, once made, shall be irrevocable for such taxable year.

''(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons pursuant to subparagraph (A)—

''(i) shall not be included in the amount determined under subsection (a) for the taxable year of the organization, and

''(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron in which the patronage dividend for the taxable year referred to in subparagraph (A) is includible in gross income.

''(C) SPECIAL RULE FOR DECREASING CREDIT FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the cooperative organization's return for such year, an amount equal to the excess of such reduction over the amount not apportioned to the patrons under subparagraph (A) for the taxable year shall be treated as an increase in tax imposed by this chapter on the organization. Any such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G of this part.''

(b) TECHNICAL AMENDMENT.—Section 1388 (relating to definitions and special rules for cooperative organizations) is amended by adding at the end the following:

''(k) CROSS REFERENCE.—

''For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(d)(6).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

TITLE IV—AUTOMOBILES

SEC. 401. EXTENSION OF CREDIT FOR QUALIFIED ELECTRIC VEHICLES.

(a) EXTENSION OF CREDIT FOR QUALIFIED ELECTRIC VEHICLES.—Subsection (f) of section 30 (relating to termination) is amended by striking ''December 31, 2004'' and inserting ''December 31, 2006''.

(b) REPEAL OF PHASEOUT.—Subsection (b) of section 30 (relating to limitations) is amended by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(c) NO DOUBLE BENEFIT.—

(1) Subsection (d) of section 30 (relating to special rules) is amended by adding at the end the following:

''(5) NO DOUBLE BENEFIT.—No credit shall be allowed under subsection (a) with respect to any vehicle if the taxpayer claims a credit for such vehicle under section 25B(a)(1)(B) or 48A(e).''

(2) Paragraph (3) of section 30(d) (relating to property used outside United States, etc., not qualified) is amended by striking ''section 50(b)'' and inserting ''section 25B, 48A, or 50(b)''.

(3) Paragraph (5) of section 179A(e) (relating to property used outside United States, etc., not qualified) is amended by striking ''section 50(b)'' and inserting ''section 25B, 48A, or 50(b)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

TITLE V—CLEAN COAL TECHNOLOGIES

SEC. 501. CREDIT FOR INVESTMENT IN QUALIFYING CLEAN COAL TECHNOLOGY.

(a) ALLOWANCE OF QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.—Section 46 (relating to amount of 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:

''(4) the qualifying clean coal technology facility credit.''

(b) AMOUNT OF QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 101(a), is amended by inserting after section 48A the following:

''SEC. 48B. QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the qualifying clean coal technology facility credit for any taxable year is an amount equal to 10 percent of the qualified investment in a qualifying clean coal technology facility for such taxable year.

''(b) QUALIFYING CLEAN COAL TECHNOLOGY FACILITY.—

''(1) IN GENERAL.—For purposes of subsection (a), the term 'qualifying clean coal technology facility' means a facility of the taxpayer—

''(A)(i) the original use of which commences with the taxpayer or the reconstruction of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such reconstruction), or

''(ii) that is acquired through purchase (as defined by section 179(d)(2)),

''(B) that is depreciable under section 167,

''(C) that has a useful life of not less than 4 years, and

''(D) that is used for qualifying clean coal technology.

''(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility that—

''(A) is originally placed in service by a person, and

''(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and lessor of such property make an election under this sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(3) QUALIFYING CLEAN COAL TECHNOLOGY.—For purposes of paragraph (1)(D)—

''(A) IN GENERAL.—The term 'qualifying clean coal technology' means, with respect to clean coal technology—

''(i) applications totaling 1,000 megawatts of advanced pulverized coal or atmospheric fluidized bed combustion technology installed as a new, retrofit, or repowering application and operated between 2000 and 2013 that has a design average net heat rate of not more than 8,750 Btu's per kilowatt hour,

''(ii) applications totaling 1,500 megawatts of pressurized fluidized bed combustion technology installed as a new, retrofit, or repowering application and operated between 2000 and 2013 that has a design average net heat rate of not more than 8,400 Btu's per kilowatt hour,

''(iii) applications totaling 1,500 megawatts of integrated gasification combined cycle technology installed as a new, retrofit, or repowering application and operated between 2000 and 2013 that has a design average net heat rate of not more than 8,550 Btu's per kilowatt hour, and

''(iv) applications totaling 2,000 megawatts or equivalent of technology for the production of electricity installed as a new, retrofit, or repowering application and operated between 2000 and 2013 that has a carbon emission rate that is not more than 85 percent of conventional technology.

''(B) EXCEPTIONS.—Such term shall not include clean coal technology projects receiving or scheduled to receive funding under the Clean Coal Technology Program of the Department of Energy.

''(C) CLEAN COAL TECHNOLOGY.—The term 'clean coal technology' means advanced technology that utilizes coal to produce 50 percent or more of its thermal output as electricity including advanced pulverized coal or atmospheric fluidized bed combustion, pressurized fluidized bed combustion, integrated gasification combined cycle, and any other technology for the production of electricity that exceeds the performance of conventional technology.

''(D) CONVENTIONAL TECHNOLOGY.—The term 'conventional technology' means—

''(i) coal-fired combustion technology with a design average net heat rate of not less than 9,300 Btu's per kilowatt hour (HHV) and a carbon equivalents emission rate of not more than 0.53 pounds of carbon per kilowatt hour; or

''(ii) natural gas-fired combustion technology with a design average net heat rate of not less than 7,500 Btu's per kilowatt hour (HHV) and a carbon equivalents emission rate of not more than 0.24 pounds of carbon per kilowatt hour.

''(E) DESIGN AVERAGE NET HEAT RATE.—The term 'design average net heat rate' shall be based on the design average annual heat input to and the design average annual net electrical output from the qualifying clean coal technology (determined without regard to such technology's co-generation of steam).

''(F) SELECTION CRITERIA.—Selection criteria for clean coal technology facilities—

''(i) shall be established by the Secretary of Energy as part of a competitive solicitation,

''(ii) shall include primary criteria of minimum design average net heat rate, maximum design average thermal efficiency, and lowest cost to the government, and

''(iii) shall include supplemental criteria as determined appropriate by the Secretary of Energy.

''(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of a qualifying clean coal technology facility placed in service by the taxpayer during such taxable year.

''(d) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which it is reasonable to believe will qualify as a qualifying clean coal technology facility which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term 'qualified progress expenditures' means the amount paid during the taxable year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—The term 'non-self-constructed property' means property which is not self-constructed property.

''(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

''(D) ONLY CONSTRUCTION OF QUALIFYING CLEAN COAL TECHNOLOGY FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

''(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(e) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the rehabilitation credit under section 47 or the energy credit under section 48A is allowed unless the taxpayer elects to waive the application of such credit to such property.''

(c) RECAPTURE.—Section 50(a) (relating to other special rules) is amended by adding at the end the following:

''(6) SPECIAL RULES RELATING TO QUALIFYING CLEAN COAL TECHNOLOGY FACILITY.—For purposes of applying this subsection in the case of any credit allowable by reason of section 48B, the following shall apply:

''(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 for all prior taxable years with respect to a qualifying clean coal technology facility (as defined by section 48B(b)) multiplied by a fraction whose numerator is the number of years remaining to fully depreciate under this title the qualifying clean coal technology facility disposed of, and whose denominator is the total number of years over which such facility would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the qualifying clean coal technology facility property shall be treated as a year of remaining depreciation.

''(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a qualifying clean coal technology facility under section 48B, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a qualifying clean coal technology facility.''

(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional rules), as amended by section 101(c)(2), is amended by adding at the end the following:

''(10) NO CARRYBACK OF SECTION 48B CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the qualifying clean coal technology facility credit determined under section 48B may be carried back to a taxable year ending before the date of the enactment of section 48B.''

(e) CREDIT ALLOWED AGAINST MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c) of the Internal Revenue Code of 1986 (relating to limitation based on amount of tax), as amended by section 101(b)(1), is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following:

''(4) SPECIAL RULES FOR CLEAN COAL TECHNOLOGY CREDIT.—

''(A) IN GENERAL.—In the case of the qualifying clean coal technology facility credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraph (A) shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2) and (3)).

''(B) QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.—For purposes of this paragraph, the term 'qualifying clean coal technology facility credit' means the portion of the credit under subsection (a) which is attributable to the credit determined under section 48B.''

(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(ii)(II) of such Code, as amended by section 101(b)(2), is amended by striking ''(other than the credits described in this paragraph and paragraph (3))'' and inserting ''(other than the credits described in this paragraph and paragraphs (3) and (4))''.

(f) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(1)(C) 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:

''(iv) the portion of the basis of any qualifying clean coal technology facility attributable to any qualified investment (as defined by section 48B(c)).''

(2) Section 50(a)(4) is amended by striking ''and (2)'' and inserting '', (2), and (6)''.

(3) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by section 101(e), is amended by inserting after the item relating to section 48A the following:

''Sec. 48B. Qualifying clean coal technology facility credit.''

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, and before January 1, 2013, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 502. CREDIT FOR PRODUCTION FROM QUALIFYING CLEAN COAL TECHNOLOGY.

(a) CREDIT FOR PRODUCTION FROM QUALIFYING CLEAN COAL TECHNOLOGY.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following:

''SEC. 45D. CREDIT FOR PRODUCTION FROM QUALIFYING CLEAN COAL TECHNOLOGY.

''(a) GENERAL RULE.—For purposes of section 38, the qualifying clean coal technology production credit of any taxpayer for any taxable year is equal to the applicable amount for each kilowatt hour—

''(1) produced by the taxpayer at a qualifying clean coal technology facility during the 10-year period beginning on the date the facility was originally placed in service, and

''(2) sold by the taxpayer to an unrelated person during such taxable year.

''(b) APPLICABLE AMOUNT.—For purposes of this section, the applicable amount with respect to production from a qualifying clean coal technology facility shall be determined as follows:

''(1) In the case of a facility originally placed in service before 2006, if—

''The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 8400	$.0130	$.0110
More than 8400 but not more than 8550.	$.0100	$.0085
More than 8550 but not more than 8750.	$.0090	$.0070.

''(2) In the case of a facility originally placed in service after 2005 and before 2010, if—

''The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7770	$.0100	$.0080
More than 7770 but not more than 8125.	$.0080	$.0065
More than 8125 but not more than 8350.	$.0070	$.0055.

''(3) In the case of a facility originally placed in service after 2009 and before 2014, if—

''The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7720	$.0085	$.0070
More than 7720 but not more than 7380.	$.0070	$.0045.

''(c) INFLATION ADJUSTMENT FACTOR.—Each amount in paragraphs (1), (2), and (3) shall each be adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the amount is applied. If any amount as increased under the preceding sentence is not a multiple of 0.01 cent, such amount shall be rounded to the nearest multiple of 0.01 cent.

''(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) any term used in this section which is also used in section 48B shall have the meaning given such term in section 48B,

''(2) the rules of paragraphs (3), (4), and (5) of section 45 shall apply,

''(3) the term 'inflation adjustment factor' means, with respect to a calendar year, a fraction the numerator of which is the GDP implicit price deflator for the preceding calendar year and the denominator of which is the GDP implicit price deflator for the calendar year 1998, and

''(4) the term 'GDP implicit price deflator' means the most recent revision of the implicit price deflator for the gross domestic product as computed by the Department of Commerce before March 15 of the calendar year.''

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following:

''(13) the qualifying clean coal technology production credit determined under section 45D(a).''

(c) TRANSITIONAL RULE.—Section 39(d) (relating to transitional rules), as amended by section 501(d), is amended by adding at the end the following:

''(11) NO CARRYBACK OF CERTAIN CREDITS BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credits allowable under any section added to this subpart by the amendments made by the Energy Security Tax Act of 1999 may be carried back to a taxable year ending before the date of the enactment of such Act.''

(d) CREDIT ALLOWED AGAINST MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c) (relating to limitation based on amount of tax), as amended by section 501(e)(1), is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following:

''(5) SPECIAL RULES FOR CLEAN COAL PRODUCTION CREDIT.—

''(A) IN GENERAL.—In the case of the qualifying clean coal technology production credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraph (A) shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2), (3), and (4)).

''(B) QUALIFYING CLEAN COAL TECHNOLOGY PRODUCTION CREDIT.—For purposes of this paragraph, the term 'qualifying clean coal technology production credit' means the portion of the credit under subsection (a) which

is attributable to the credit determined under section 45D.''

(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(ii)(II), as amended by section 501(e)(2), is amended by striking ''(other than the credits described in this paragraph and paragraphs (3) and (4))'' and inserting ''(other than the credits described in this paragraph and paragraphs (3), (4), and (5))''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following:

''Sec. 45D. Credit for production from qualifying clean coal technology.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 503. RISK POOL FOR QUALIFYING CLEAN COAL TECHNOLOGY.

(a) ESTABLISHMENT.—The Secretary of the Treasury shall establish a financial risk pool which shall be available to any United States owner of qualifying clean coal technology (as defined in section 48B(b)(3) of the Internal Revenue Code of 1986) to offset for the first 3 three years of the operation of such technology the costs (not to exceed 5 percent of the total cost of installation) for modifications resulting from the technology's failure to achieve its design performance.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated such sums as are necessary to carry out the purposes of this section.

TITLE VI—METHANE RECOVERY

SEC. 601. EXPANSION OF SECTION 29 TAX CREDIT.

(a) 10-YEAR EXTENSION.—Section 29(f) (relating to application of section) is amended—

(1) by inserting ''and after December 31, 1999, and before January 1, 2009,'' after ''1993,'' in paragraphs (1)(A) and (1)(B), and

(2) by striking ''2003'' in paragraph (2) and inserting ''2013''.

(b) EXPANSION OF DEFINITION OF BIOMASS.—

(1) IN GENERAL.—Section 29(c)(3) is amended to read as follows:

''(3) BIOMASS.—The term 'biomass' means—

''(A) any organic material other than—

''(i) oil and natural gas (or any product thereof), and

''(ii) coal (including lignite) or any product thereof, and

''(B) any solid, nonhazardous, cellulosic waste material, which is segregated from other waste materials, and which is derived from—

''(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

''(ii) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage), or

''(iii) agriculture sources, including orchard tree crops, vineyard, grain, legumes, poultry litter, animal manure, sugar, and other crop by-products or residues.''

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to production after the date of the enactment of this Act.

SEC. 602. CREDIT FOR CAPTURE OF COALBED METHANE GAS.

(a) CREDIT FOR CAPTURE OF COALBED METHANE GAS.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 502(a), is amended by adding at the end the following:

''SEC. 45E. CREDIT FOR CAPTURE OF COALBED METHANE GAS.

''For purposes of section 38, the coalbed methane gas capture credit of any taxpayer for any taxable year is $10 for each ton of carbon-equivalent coalbed methane gas captured by the taxpayer during such taxable year.''

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b), as amended by section 502(b), is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following:

''(14) the coalbed methane gas capture credit determined under section 45E(a).''

(c) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 502(e), is amended by adding at the end the following:

''Sec. 45E. Credit for capture of coalbed methane gas.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

TITLE VII—OIL AND GAS PRODUCTION

SEC. 701. CREDIT FOR PRODUCTION OF RE-REFINED LUBRICATING OIL.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 602(a), is amended by adding at the end the following:

''SEC. 45F. CREDIT FOR PRODUCING RE-REFINED LUBRICATING OIL.

''(a) GENERAL RULE.—For purposes of section 38, the re-refined lubricating oil production credit of any taxpayer for any taxable year is equal to $4.05 per barrel of qualified re-refined lubricating oil production which is attributable to the taxpayer (within the meaning of section 29(d)(3)).

''(b) QUALIFIED RE-REFINED LUBRICATING OIL PRODUCTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified re-refined lubricating oil production' means a base oil manufactured from at least 95 percent used oil and not more than 2 percent of previously unused oil by a re-refining process which effectively removes physical and chemical impurities and spent and unspent additives to the extent that such base oil meets industry standards for engine oil as defined by the American Petroleum Institute document API 1509 as in effect on the date of the enactment of this section.

''(2) LIMITATION ON AMOUNT OF PRODUCTION WHICH MAY QUALIFY.—Re-refined lubricating oil produced during any taxable year shall not be treated as qualified re-refined lubricating oil production but only to the extent average daily production during the taxable year exceeds 7,000 barrels.

''(3) BARREL.—The term 'barrel' has the meaning given such term by section 613A(e)(4).

''(c) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 1999, the dollar amount contained in subsection (a) shall be increased to an amount equal to such dollar amount multiplied by the inflation adjustment factor for such calendar year (determined under section 29(d)(2)(B) by substituting '1998' for '1979').''

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) (relating to current year business credit), as amended by section 602(b), is amended by striking ''plus'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting '', plus'', and by adding at the end the following:

''(15) the re-refined lubricating oil production credit determined under section 45F(a).''

(c) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 602(c), is amended by adding at the end the following:

''Sec. 45F. Credit for producing re-refined lubricating oil.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 702. REPEAL CERTAIN ADJUSTMENTS BASED ON ADJUSTED CURRENT EARNINGS RELATING TO OIL AND GAS ASSETS.

(a) INTANGIBLE DRILLING COSTS.—Clause (i) of section 56(g)(4)(D) (relating to certain other earnings and profits adjustments) is amended by striking the second sentence and inserting the following: ''In the case of any oil or gas well, this clause shall not apply to amounts paid or incurred in taxable years beginning after December 31, 1999.''

(b) DEPLETION.—Clause (ii) of section 56(g)(4)(F) (relating to depletion) is amended to read as follows:

''(ii) EXCEPTION FOR OIL AND GAS WELLS.—In the case of any taxable year beginning after December 31, 1999, clause (i) (and subparagraph (C)(i)) shall not apply to any deduction for depletion computed in accordance with section 613A.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 202. 10-YEAR CARRYBACK FOR PERCENTAGE DEPLETION FOR OIL AND GAS PROPERTY.

(a) IN GENERAL.—Subsection (d)(1) of section 613A (relating to limitations on percentage depletion in case of oil and gas wells) is amended to read as follows:

''(1) LIMITATION BASED ON TAXABLE INCOME.—

''(A) IN GENERAL.—The deduction for the taxable year attributable to the application of subsection (c) shall not exceed so much of the taxpayer's taxable income for the year as the taxpayer elects under subparagraph (B)(iii) computed without regard to—

''(i) any depletion on production from an oil or gas property which is subject to the provisions of subsection (c),

''(ii) any net operating loss carryback to the taxable year under section 172,

''(iii) any capital loss carryback to the taxable year under section 1212, and

''(iv) in the case of a trust, any distributions to its beneficiary, except in the case of any trust where any beneficiary of such trust is a member of the family (as defined in section 267(c)(4)) of a settlor who created inter vivos and testamentary trusts for members of the family and such settlor died within the last six days of the fifth month in 1970, and the law in the jurisdiction in which such trust was created requires all or a portion of the gross or net proceeds of any royalty or other interest in oil, gas, or other mineral representing any percentage depletion allowance to be allocated to the principal of the trust.

''(B) CARRYBACKS AND CARRYFORWARDS.—

''(i) IN GENERAL.—If any amount is disallowed as a deduction for the taxable year (in this subparagraph referred to as the 'unused depletion year') by reason of the application of subparagraph (A), the disallowed amount shall be treated as an amount allowable as a deduction under subsection (c) for—

''(I) each of the 10 taxable years preceding the unused depletion year, and

''(II) the taxable year following the unused depletion year,

subject to the application of subparagraph (A) to such taxable year.

''(ii) APPLICABLE RULES.—Rules similar to the rules of section 39 shall apply for purposes of this subparagraph.

''(iii) ELECTION TO WAIVE CARRYBACK.—Any taxpayer entitled to a carryback period under this subparagraph may elect to waive such carryback for any of the taxable years to which such carryback would apply. Such election made in any taxable year may be revised in the next succeeding taxable year in such manner as the Secretary may prescribe.

''(C) ALLOCATION OF DISALLOWED AMOUNTS.—For purposes of basis adjustments and determining whether cost depletion exceeds percentage depletion with respect to the production from a property, any amount disallowed as a deduction on the application of this paragraph shall be allocated to the respective properties from which the oil or gas was produced in proportion to the percentage depletion otherwise allowable to such properties under subsection (c).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999, and to any taxable year beginning on or before such date to the extent necessary to apply section 613A(d)(1)(B) of the Internal Revenue Code of 1986 (as added by subsection (a)).

TITLE VIII—RENEWABLE POWER GENERATION

SEC. 801. CREDIT FOR INVESTMENT IN PHOTOVOLTAIC AND WIND PROPERTY MANUFACTURING FACILITIES.

(a) ALLOWANCE OF PHOTOVOLTAIC OR WIND PROPERTY MANUFACTURING FACILITY CREDIT.—Section 46 (relating to amount of credit), as amended by section 501(a), is amended by striking ''and'' at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting '', and'', and by adding at the end the following:

''(5) the photovoltaic or wind property manufacturing facility credit.''

(b) AMOUNT OF CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 501(b), is amended by inserting after section 48B the following:

''SEC. 48C. PHOTOVOLTAIC OR WIND PROPERTY MANUFACTURING FACILITY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the photovoltaic or wind property manufacturing facility credit for any taxable year is an amount equal to 10 percent of the qualified investment in a photovoltaic or wind property manufacturing facility for such taxable year.

''(b) PHOTOVOLTAIC OR WIND PROPERTY MANUFACTURING FACILITY.—

''(1) IN GENERAL.—For purposes of subsection (a), the term 'photovoltaic or wind property manufacturing facility' means a facility of the taxpayer—

''(A)(i) the original use of which commences with the taxpayer or the reconstruction of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such reconstruction), or

''(ii) that is acquired through purchase (as defined by section 179(d)(2)),

''(B) that is depreciable under section 167,

''(C) that has a useful life of not less than 4 years, and

''(D) that is used to manufacture photovoltaic or wind property.

''(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility that—

''(A) is originally placed in service by a person, and

''(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and lessor of such property make an election under this sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(3) PHOTOVOLTAIC OR WIND PROPERTY.—For purposes of paragraph (1)(D)—

''(A) PHOTOVOLTAIC PROPERTY.—The term 'photovoltaic property' has the meaning given to such term by section 48A(d)(1)(D).

''(B) WIND PROPERTY.—The term 'wind property' has the meaning given to the term 'qualified wind energy systems equipment property' by section 48A(d)(8).

''(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of a photovoltaic or wind property manufacturing facility placed in service by the taxpayer during such taxable year in an aggregate amount of not less than $5,000,000.

''(d) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which—

''(A) cannot reasonably be expected to be completed in less than 18 months, and

''(B) it is reasonable to believe will qualify as a photovoltaic or wind property manufacturing facility which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term 'qualified progress expenditures' means the amount paid during the taxable year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—The term 'non-self-constructed property' means property which is not self-constructed property.

''(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

''(D) ONLY CONSTRUCTION OF PHOTOVOLTAIC OR WIND PROPERTY MANUFACTURING FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

''(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(e) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the energy credit under section 48A or the rehabilitation credit under section 47 is allowed unless the taxpayer elects to waive the application of such credits to such property.''

(c) RECAPTURE.—Section 50(a) (relating to other special rules), as amended by section 501(c), is amended by adding at the end the following:

''(7) SPECIAL RULES RELATING TO PHOTOVOLTAIC OR WIND PROPERTY MANUFACTURING FACILITY.—For purposes of applying this subsection in the case of any credit allowable by reason of section 48C, the following shall apply:

''(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 for all prior taxable years with respect to a photovoltaic or wind property manufacturing facility (as defined by section 48C(b)) multiplied by a fraction whose numerator is the number of years remaining to fully depreciate under this title the photovoltaic or wind property manufacturing facility disposed of, and whose denominator is the total number of years over which such facility would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the photovoltaic or wind property manufacturing facility shall be treated as a year of remaining depreciation.

''(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a photovoltaic or wind property manufacturing facility under section 48C, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a photovoltaic or wind property manufacturing facility.''

(d) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(1)(C), as amended by section 501(f), is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by adding at the end the following:

''(v) the portion of the basis of any photovoltaic or wind property manufacturing facility attributable to any qualified investment (as defined by section 48C(c)).''

(2) Section 50(a)(4), as amended by section 504(f), is amended by striking ''and (6)'' and inserting '', (6), and (7)''.

(3) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by section 501(f), is amended by inserting after the item relating to section 48B the following:

''Sec. 48C. Photovoltaic or wind property manufacturing facility credit.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 802. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES.

(a) QUALIFIED FACILITIES INCLUDE ALL BIOMASS FACILITIES.—

(1) IN GENERAL.—Subparagraph (B) of section 45(c)(1) (relating to credit for electricity produced from certain renewable resources) is amended to read as follows:

''(B) biomass.''

(2) BIOMASS DEFINED.—Paragraph (2) of section 45(c) is amended to read as follows:

''(2) BIOMASS.—The term 'biomass' means—

''(A) any organic material from a plant which is planted exclusively for purposes of being used at a qualified facility to produce electricity, and

''(B) any solid, nonhazardous, cellulosic waste material which is segregated from other waste materials and which is derived from—

''(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

''(ii) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage),

''(iii) agriculture sources, including orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues, or

''(iv) poultry waste.''

(b) EXTENSION AND MODIFICATION OF PLACED IN SERVICE RULES.—Paragraph (3) of section 45(c) is amended to read as follows:

''(3) QUALIFIED FACILITY.—

''(A) WIND FACILITIES.—In the case of a facility using wind to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1993, and before July 1, 2004.

''(B) BIOMASS FACILITIES.—

''(i) IN GENERAL.—In the case of a facility using biomass to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service before July 1, 2004.

''(ii) COMBINED PRODUCTION FACILITIES INCLUDED.—For purposes of clause (i), the term 'qualified facility' shall include a facility using biomass to produce electricity and ethanol.

''(iii) SPECIAL RULES.—In the case of a qualified facility described in this subparagraph—

''(I) the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph, and

''(II) subsection (b)(3) shall not apply to any such facility originally placed in service before January 1, 1997.''

(c) COORDINATION WITH OTHER CREDITS.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following:

''(6) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any production with respect to which the clean coal technology production credit under section 45B is allowed unless the taxpayer elects to waive the application of such credit to such production.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity produced after the date of the enactment of this Act.

SEC. 803. PROPORTIONAL CREDIT FOR PRODUCING ELECTRICITY THROUGH CO-FIRING.

(a) IN GENERAL.—Section 45(b) (relating to limitations and adjustments) is amended by adding at the end the following:

''(4) PROPORTIONAL CREDIT FOR CO-FIRING.—In the case of a qualified facility as defined in subsection (c)(3)(B) using coal to co-fire with biomass, the amount of the credit determined under subsection (a) for the taxable year shall be reduced by the percentage coal comprises (on a Btu basis) of the average fuel input of the facility for the taxable year.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to electricity produced after the date of the enactment of this Act.

SEC. 804. CREDIT FOR CAPITAL COSTS OF QUALIFIED BIOMASS-BASED GENERATING SYSTEM.

(a) ALLOWANCE OF QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY CREDIT.—Section 46 (relating to amount of credit), as amended by section 801(a), is amended by striking ''and'' at the end of paragraph (5), by striking the period at the end of paragraph (5) and inserting '', and'', and by adding at the end the following:

''(6) the qualified biomass-based generating system facility credit.''

(b) AMOUNT OF CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 801(b), is amended by inserting after section 48C the following:

''SEC. 48D. QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the qualified biomass-based generating system facility credit for any taxable year is an amount equal to 20 percent of the qualified investment in a qualified biomass-based generating system facility for such taxable year.

''(b) QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY.—

''(1) IN GENERAL.—For purposes of subsection (a), the term 'qualified biomass-based generating system facility' means a facility of the taxpayer—

''(A)(i) the original use of which commences with the taxpayer or the reconstruction of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such reconstruction), or

''(ii) that is acquired through purchase (as defined by section 179(d)(2)),

''(B) that is depreciable under section 167,

''(C) that has a useful life of not less than 4 years, and

''(D) that uses a qualified biomass-based generating system.

''(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility that—

''(A) is originally placed in service by a person, and

''(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and lessor of such property make an election under this sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(3) QUALIFIED BIOMASS-BASED GENERATING SYSTEM.—For purposes of paragraph (1)(D), the term 'qualified biomass-based generating system' means a biomass-based integrated gasification combined cycle (IGCC) generating system which has an electricity-only generation efficiency greater than 40 percent.

''(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of a qualified biomass-based generating system facility placed in service by the taxpayer during such taxable year.

''(d) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which—

''(A) cannot reasonably be expected to be completed in less than 18 months, and

''(B) it is reasonable to believe will qualify as a qualified biomass-based generating system facility which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term 'qualified progress expenditures' means the amount paid during the taxable year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—The term 'non-self-constructed property' means property which is not self-constructed property.

''(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

''(D) ONLY CONSTRUCTION OF QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

''(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(e) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the energy credit under section 48A or the rehabilitation credit under section 47 is allowed unless the taxpayer elects to waive the application of such credits to such property.''

(c) RECAPTURE.—Section 50(a) (relating to other special rules), as amended by section 801(c), is amended by adding at the end the following:

''(8) SPECIAL RULES RELATING TO QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY.—For purposes of applying this subsection in the case of any credit allowable by

reason of section 48D, the following shall apply:

''(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 for all prior taxable years with respect to a qualified biomass-based generating system facility (as defined by section 48D(b)) multiplied by a fraction whose numerator is the number of years remaining to fully depreciate under this title the qualified biomass-based generating system facility disposed of, and whose denominator is the total number of years over which such facility would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the qualified biomass-based generating system facility shall be treated as a year of remaining depreciation.

''(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a qualified biomass-based generating system facility under section 48D, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a qualified biomass-based generating system facility.''

(d) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(1)(C), as amended by section 801(d), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by adding at the end the following:

''(vi) the portion of the basis of any qualified biomass-based generating system facility attributable to any qualified investment (as defined by section 48D(c)).''

(2) Section 50(a)(4), as amended by section 801(d), is amended by striking ''and (7)'' and inserting '', (7), and (8)''.

(3) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by section 801(d), is amended by inserting after the item relating to section 48C the following:

''Sec. 48D. Qualified biomass-based generating system facility credit.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 805. PASS-THROUGH OF RENEWABLE ENERGY PRODUCTION INCENTIVE PAYMENTS TO END-USERS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by section 201(a), is amended by inserting after section 25B the following new section:

''SEC. 25C. PURCHASE OF RENEWABLE ENERGY PUBLIC POWER PRODUCTION.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this chapter for the 1st taxable year beginning after the 10-year period described in subsection (b) an amount equal to—

''(1) the renewable energy production percentage for such year, times

''(2) the taxpayer's renewable energy public power production amount.

''(b) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term 'eligible individual' means an individual who, pursuant to a written agreement, has purchased electricity from a renewable energy public power facility under a separate rate schedule for a single 10-year period.

''(c) RENEWABLE ENERGY PUBLIC POWER FACILITY.—For purposes of this section, the term 'renewable energy public power facility' means, with respect to any taxable year, a facility which would have been eligible for a credit under section 45 for electricity produced during such year if such facility had been privately owned.

''(d) RENEWABLE ENERGY PRODUCTION PERCENTAGE.—For purposes of this section, the renewable energy production percentage for any taxable year is equal to ____.

''(e) RENEWABLE ENERGY PUBLIC POWER PRODUCTION AMOUNT.—For purposes of this section, the renewable energy public power production amount for any taxpayer is equal to the amount of kilowatt hours of electricity purchased during the 10-year period described in subsection (b) and reported to the taxpayer by the renewable energy public power facility under the agreement described in such subsection.

''(f) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section), such excess shall be carried to each succeeding taxable year.''

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 23 is amended by inserting '', section 25C, and section 1400C'' after ''other than this section''.

(2) Subparagraph (C) of section 25(e)(1) is amended by striking ''section 23'' and inserting ''sections 23, 25C, and 1400C''.

(3) Subsection (d) of section 1400C is amended by inserting ''and section 25C'' after ''other than this section''.

(4) The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by section 201(b), is amended by inserting after the item relating to section 25B the following new item:

''Sec. 25C. Purchase of renewable energy public power production.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into after December 31, 1999.

TITLE IX—STEELMAKING

SEC. 901. CREDIT FOR ENERGY-EFFICIENT STEELMAKING CAPACITY.

(a) ALLOWANCE OF ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 701(a), is amended by adding at the end the following:

''SEC. 45G. ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.

''(a) IN GENERAL.—For purposes of section 38, the energy-efficient steelmaking capacity credit for any taxable year is an amount equal to the product of—

''(1) $50, multiplied by

''(2) the metric tons of steel produced during such taxable year from a qualified steelmaking system placed in service by the taxpayer or that is acquired through purchase (as defined by section 179(d)(2)) by such taxpayer.

''(b) QUALIFIED STEELMAKING SYSTEM.—For purposes of this section, the term 'qualified steelmaking system' means a system which produces steel at a maximum net specific energy consumption of 17 GJ per metric ton.''

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b), as amended by section 701(b), is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '', plus'', and by adding at the end the following:

''(16) the energy-efficient steelmaking capacity credit determined under section 45G(a).''

(c) CREDIT ALLOWED AGAINST MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c) (relating to limitation based on amount of tax), as amended by section 502(c)(1), is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) the following:

''(6) SPECIAL RULES FOR ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.—

''(A) IN GENERAL.—In the case of the energy-efficient steelmaking capacity credit—

''(i) this section and section 39 shall be applied separately with respect to such credits, and

''(ii) in applying paragraph (1) to such credits—

''(I) subparagraph (A) shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2), (3), (4), and (5)).

''(B) ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.—For purposes of this paragraph, the term 'energy-efficient steelmaking capacity credit' means the portion of the credit under subsection (a) which is attributable to the credit determined under section 45G(a).''

(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(ii)(II), as amended by section 502(c)(2), is amended by striking ''(other than the credits described in this paragraph and paragraphs (3), (4), and (5))'' and inserting ''(other than the credits described in this paragraph and paragraphs (3), (4), (5), and (6))''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 701(c), is amended by adding at the end the following:

''Sec. 45G. Energy-efficient steelmaking capacity credit.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 902. EXTENSION OF CREDIT FOR ELECTRICITY TO PRODUCTION FROM STEEL COGENERATION.

(a) EXTENSION OF CREDIT FOR COKE PRODUCTION AND STEEL MANUFACTURING FACILITIES.—Section 45(c)(1) (defining qualified energy resources), as amended by section 802(a)(1), is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following:

''(C) steel cogeneration.''

(b) STEEL COGENERATION.—Section 45(c) is amended by adding at the end the following:

''(4) STEEL COGENERATION.—The term 'steel cogeneration' means the production of steam or other form of thermal energy of at least 20 percent of total production and the production of electricity or mechanical energy (or both) of at least 20 percent of total production which meet regulatory energy-efficiency standards established by the Secretary, to the extent that such energy is produced from—

''(A) gases or heat generated during the production of coke,

''(B) blast furnace gases or heat generated during the production of iron, or

''(C) waste gases or heat generated from the manufacture of steel that uses at least 20 percent recycled material.''

(c) MODIFICATION OF PLACED IN SERVICE RULES FOR STEEL COGENERATION FACILITIES.—Section 45(c)(3) (defining qualified facility), as amended by section 802(b), is amended by adding at the end the following:

''(C) STEEL COGENERATION FACILITIES.—In the case of a facility using steel cogeneration to produce electricity, the term 'qualified facility' means any facility meeting the environmental requirements of the Clean Air Act Amendments of 1990 which is owned by the taxpayer and originally placed in service after December 31, 1999, and before January 1, 2005. Such a facility may be treated as originally placed in service when such facility was last upgraded to increase efficiency or generation capability.''

(d) CONFORMING AMENDMENTS.—

(1) The heading for section 45 is amended by inserting ''and waste energy'' after ''renewable''.

(2) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of chapter 1 is amended by inserting ''and waste energy'' after ''renewable''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity produced in taxable years beginning after December 31, 2001, and before January 1, 2005.

TITLE X—AGRICULTURE

SEC. 1001. AGRICULTURAL CONSERVATION TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 901(a), is amended by adding at the end the following:

''SEC. 45H. AGRICULTURAL CONSERVATION CREDIT.

''(a) IN GENERAL.—For purposes of section 38, in the case of an eligible person, the agricultural conservation credit determined under this section for the taxable year is an amount equal to—

''(1) 25 percent of the eligible conservation tillage equipment expenses, and

''(2) 25 percent of the eligible irrigation equipment expenses,

paid or incurred by such person in connection with the active conduct of the trade or business of farming for the taxable year.

''(b) ELIGIBLE PERSON.—For purposes of this section, the term 'eligible person' means, with respect to any taxable year, any person if the average annual gross receipts of such person for the 3 preceding taxable years do not exceed $1,000,000. For purposes of the preceding sentence, rules similar to the rules of section 448(c)(3) shall apply.

''(c) LIMITATION.—The amount of the credit allowed under subsection (a) for any taxable year shall not exceed $2,500 for each credit determined under paragraph (1) or (2) of such subsection.

''(d) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE CONSERVATION TILLAGE EQUIPMENT EXPENSES.—

''(A) IN GENERAL.—The term 'eligible conservation tillage equipment expenses' means amounts paid or incurred by a taxpayer to purchase and install conservation tillage equipment for use in the trade or business of the taxpayer.

''(B) CONSERVATION TILLAGE EQUIPMENT.—The term 'conservation tillage equipment' means a no-till planter or drill designed to minimize the disturbance of the soil in planting crops, including such planters or drills which may be attached to equipment already owned by the taxpayer.

''(2) ELIGIBLE IRRIGATION EQUIPMENT EXPENSES.—The term 'eligible irrigation equipment expenses' means amounts paid or incurred by a taxpayer—

''(A) to purchase and install on currently irrigated lands new or upgraded equipment which will improve the efficiency of existing irrigation systems used in the trade or business of the taxpayer, including—

''(i) spray jets or nozzles which improve water distribution efficiency,

''(ii) irrigation well meters,

''(iii) surge valves and surge irrigation systems, and

''(iv) conversion of equipment from gravity irrigation to sprinkler or drip irrigation, including center pivot systems, and

''(B) for service required to schedule the use of such irrigation equipment as necessary to manage water application to the crop requirement based on local evaporation and transpiration rates or soil moisture.

''(e) SPECIAL RULES.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle, if a credit is determined under this section with respect to any property, the basis of such property shall be reduced by the amount of the credit so determined.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—For purposes of this section, under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—For purposes of this section, in the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(4) DENIAL OF DOUBLE BENEFIT.—No other deduction or credit shall be allowed to the taxpayer under this chapter for any amount taken into account in determining the credit under this section.''

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b), as amended by section 901(b), is amended by striking ''plus'' at the end of paragraph (15), by striking the period at the end of paragraph (16), and inserting '', plus'', and by adding at the end the following:

''(17) the agricultural conservation credit determined under section 45H.''

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 901(d), is amended by adding at the end the following:

''Sec. 45H. Agricultural conservation credit.''

(3) Section 1016(a), as amended by section 201(b)(1), is amended by striking ''and'' at the end of paragraph (27), striking the period at the end of paragraph (28) and inserting ''; and'', and adding at the end the following:

''(29) in the case of property with respect to which a credit was allowed under section 45H, to the extent provided in section 45H(d)(1).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

BUNNING AMENDMENT NO. 1377

(Ordered to lie on the table.)

Mr. BUNNING submitted an amendment to be proposed by him to the bill, S. 1429, supra; as follows:

On page 268, between lines 3 and 4, insert the following:

SEC. ___ CERTAIN COSTS OF PRIVATE FOUNDATION IN REMOVING HAZARDOUS SUBSTANCES TREATED AS QUALIFYING DISTRIBUTION.

(a) IN GENERAL.—In the case of any taxable year beginning after December 31, 1999, the distributable amount of a private foundation for such taxable year for purposes of section 4942 of the Internal Revenue Code of 1986 shall be reduced (but not below zero) by any amount paid or incurred (or set aside) by such private foundation for the investigatory costs and direct costs of removal or taking remedial action with respect to a hazardous substance released at a facility which was owned or operated by such private foundation.

(b) LIMITATIONS.—Subsection (a) shall only apply to costs—

(1) incurred with respect to hazardous substances disposed of at a facility owned or operated by the private foundation but only if—

(A) such facility was transferred to such foundation by bequest before December 11, 1980, and

(B) the active operation of such facility by such foundation was terminated before December 12, 1980, and

(2) which were not incurred pursuant to a pending order issued to the private foundation unilaterally by the President or the President's assignee under section 106 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9606), or pursuant to a nonconsensual judgment against the private foundation issued in a governmental cost recovery action under section 107 of such Act (42 U.S.C. 9607).

(c) HAZARDOUS SUBSTANCE.—For purposes of this section, the term ''hazardous substance'' has the meaning given such term by section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601(14)).

ALLARD (AND ROBB) AMENDMENT NO. 1378

(Ordered to lie on the table.)

Mr. ALLARD (for himself and Mr. ROBB) submitted an amendment to be proposed by them to the bill, S. 1429, supra; as follows:

At the end, add the following:

TITLE ____—SMALL BUSINESS AND FINANCIAL INSTITUTIONS TAX RELIEF

SEC. ___0. SHORT TITLE.

This title may be cited as the ''Small Business and Financial Institutions Tax Relief Act of 1999''.

Subtitle A—Tax Relief

SEC. ___1. EXPANSION OF S CORPORATION ELIGIBLE SHAREHOLDERS TO INCLUDE IRAS.

(a) IN GENERAL.—Section 1361(c)(2)(A) (relating to certain trusts permitted as shareholders) is amended by inserting after clause (v) the following:

''(vi) A trust which constitutes an individual retirement account under section 408(a), including one designated as a Roth IRA under section 408A.''

(b) TREATMENT AS SHAREHOLDER.—Section 1361(c)(2)(B) (relating to treatment as shareholders) is amended by adding at the end the following:

''(vi) In the case of a trust described in clause (vi) of subparagraph (A), the individual for whose benefit the trust was created shall be treated as a shareholder.''

(c) SALE OF STOCK IN IRA RELATING TO S CORPORATION ELECTION EXEMPT FROM PROHIBITED TRANSACTION RULES.—Section 4975(d) (relating to exemptions) is amended by striking ''or'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting ''; or'', and by adding at the end the following:

''(16) a sale of stock held by a trust which constitutes an individual retirement account under section 408(a) to the individual for whose benefit such account is established if such sale is pursuant to an election under section 1362(a).''

(d) CONFORMING AMENDMENT.—Section 512(e)(1) is amended by inserting ''1361(c)(2)(A)(vi) or'' before ''1361(c)(6)''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to trusts

which constitute individual retirement accounts on the date of the enactment of this Act in taxable years beginning after December 31, 2000.

SEC. ___2. EXCLUSION OF INVESTMENT SECURITIES INCOME FROM PASSIVE INCOME TEST FOR BANK S CORPORATIONS.

(a) IN GENERAL.—Section 1362(d)(3)(C) (defining passive investment income) is amended by adding at the end the following:

''(v) EXCEPTION FOR BANKS; ETC.—In the case of a bank (as defined in section 581), a bank holding company (as defined in section 246A(c)(3)(B)(ii)), or a qualified subchapter S subsidiary bank, the term 'passive investment income' shall not include—

''(I) interest income earned by such bank, bank holding company, or qualified subchapter S subsidiary bank, or

''(II) dividends on assets required to be held by such bank, bank holding company, or qualified subchapter S subsidiary bank to conduct a banking business, including stock in the Federal Reserve Bank, the Federal Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. ___3. TREATMENT OF QUALIFYING DIRECTOR SHARES.

(a) IN GENERAL.—Section 1361 is amended by adding at the end the following:

''(f) TREATMENT OF QUALIFYING DIRECTOR SHARES.—

''(1) IN GENERAL.—For purposes of this subchapter—

''(A) qualifying director shares shall not be treated as a second class of stock, and

''(B) no person shall be treated as a shareholder of the corporation by reason of holding qualifying director shares.

''(2) QUALIFYING DIRECTOR SHARES DEFINED.—For purposes of this subsection, the term 'qualifying director shares' means any shares of stock in a bank (as defined in section 581) or in a bank holding company registered as such with the Federal Reserve System—

''(i) which are held by an individual solely by reason of status as a director of such bank or company or its controlled subsidiary; and

''(ii) which are subject to an agreement pursuant to which the holder is required to dispose of the shares of stock upon termination of the holder's status as a director at the same price as the individual acquired such shares of stock.

''(3) DISTRIBUTIONS.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to qualifying director shares shall be includible as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.''

(b) CONFORMING AMENDMENTS.—

(1) Section 1361(b)(1) is amended by inserting '', except as provided in subsection (f),'' before ''which does not''.

(2) Section 1366(a) is amended by adding at the end the following:

''(3) ALLOCATION WITH RESPECT TO QUALIFYING DIRECTOR SHARES.—The holders of qualifying director shares (as defined in section 1361(f)) shall not, with respect to such shares of stock, be allocated any of the items described in paragraph (1).''

(3) Section 1373(a) is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and'', and adding at the end the following:

''(3) no amount of an expense deductible under this subchapter by reason of section 1361(f)(3) shall be apportioned or allocated to such income.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. ___4. ISSUANCE OF PREFERRED STOCK PERMITTED.

(a) IN GENERAL.—Section 1361, as amended by section ___6(a), is amended by adding at the end the following:

''(g) TREATMENT OF QUALIFIED PREFERRED STOCK.—

''(1) IN GENERAL.—For purposes of this subchapter—

''(A) qualified preferred stock shall not be treated as a second class of stock, and

''(B) no person shall be treated as a shareholder of the corporation by reason of holding qualified preferred stock.

''(2) QUALIFIED PREFERRED STOCK DEFINED.—For purposes of this subsection, the term 'qualified preferred stock' means stock which meets the requirements of subparagraphs (A), (B), and (C) of section 1504(a)(4). Stock shall not fail to be treated as qualified preferred stock solely because it is convertible into other stock.

''(3) DISTRIBUTIONS.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to qualified preferred stock shall be includible as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.''

(b) CONFORMING AMENDMENTS.—

(1) Section 1361(b)(1), as amended by section ___6(b)(1), is amended by striking ''subsection (f)'' and inserting ''subsections (f) and (g)''.

(2) Section 1366(a), as amended by section ___6(b)(2), is amended by adding at the end the following:

''(4) ALLOCATION WITH RESPECT TO QUALIFIED PREFERRED STOCK.—The holders of qualified preferred stock (as defined in section 1361(g)) shall not, with respect to such stock, be allocated any of the items described in paragraph (1).''

(3) Section 1373(a)(3), as added by section ___6(b)(3), is amended by inserting ''or 1361(g)(3)'' after ''section 1361(f)(3)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

Subtitle B—Revenue Offsets

SEC. ___11. PREVENTION OF MISMATCHING OF DEDUCTIONS AND INCOME IN TRANSACTIONS WITH RELATED FOREIGN PERSONS.

(a) IN GENERAL.—Paragraph (3) of section 267(a) (relating to losses, expenses, and interest with respect to transactions between related taxpayers) is amended to read as follows:

''(3) PAYMENTS TO FOREIGN PERSONS.—

''(A) IN GENERAL.—If—

''(i) a payment is to be made by a taxpayer using an accrual method of accounting to a foreign person,

''(ii) such payment is not, as of the date accrued by the taxpayer, currently subject to tax under this chapter, and

''(iii) at the close of the taxable year of the taxpayer for which (but for this paragraph) the amount would be deductible under this chapter, both the taxpayer and the person to whom the payment is to be made are persons specified in any of the paragraphs of subsection (b),

then any deduction allowable under this chapter in respect of such amount shall be allowable as of the day as of which such amount is paid (or, if earlier, the day on which includible in the gross income of any United States person).

''(B) CURRENTLY SUBJECT TO TAX.—For purposes of subparagraph (A)(ii), a payment is currently subject to tax under this chapter as of the date accrued by the taxpayer if such payment—

''(i) is includible in the gross income of the foreign person as of such date, and

''(ii)(I) is effectively connected with the conduct by the foreign person of a trade or business within the United States, or

''(II) is includible in the gross income of any citizen or resident of the United States or any domestic corporation for the taxable year of such citizen, resident, or corporation in which the taxable year of the foreign person ends.

The preceding sentence shall not apply if the payment is exempt from taxation (or is subject to a reduced rate of tax) pursuant to a treaty obligation of the United States.

''(C) EXCEPTION FOR PAYMENTS IN ORDINARY COURSE OF BUSINESS.—Subparagraph (A) shall not apply to any payment made in the ordinary course of the trade or business in which the payor is predominantly engaged if such payment is made within a reasonable period after the day on which such payment would be allowable as a deduction but for this paragraph.

''(D) OTHER EXCEPTIONS.—The Secretary may by regulation provide exceptions (consistent with the purposes of this paragraph) to the application of subparagraph (A).''

(b) CONFORMING AMENDMENTS.—

(1) Subsection (e) of section 163 is amended by striking paragraph (3) and by redesignating paragraphs (4), (5), and (6) as paragraphs (3), (4), and (5), respectively.

(2) Paragraph (5) of section 163(e) (as redesignated by paragraph (1)) is amended by adding at the end the following:

''For treatment of original issue discount on obligations held by related foreign persons, see section 267(a)(3).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments accrued after the date of enactment of this Act.

MCCONNELL AMENDMENT NO. 1379

(Ordered to lie on the table.)

Mr. MCCONNELL. submitted an amendment intended to be proposed by him to the bill. S. 1429, supra; as follows:

On page 268, between lines 3 and 4, insert the following:

SEC. . HOLDING PERIOD REDUCED TO 12 MONTHS FOR PURPOSES OF DETERMINING WHETHER HORSES ARE SECTION 1231 ASSETS.

(a) IN GENERAL.—Subparagraph (A) of section 1231(b)(3) (relating to definition of property used in the trade or business) is amended by striking ''and horses''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

On page 286, line 6, strike ''1999'' and inserting ''2000''.

ABRAHAM AMENDMENT NO. 1380

(Ordered to lie on the table.)

Mr. ABRAHAM submitted an amendment intended to be proposed by him to the bill. S. 1429, supra; as follows:

At the appropriate place in title XI, insert the following:

SECTON 11 . THE CADDIE RELIEF ACT.

(a) SHORT TITLE.—This section may be cited as the ''Caddie Relief Act of 1999''.

(b) TREATMENT OF GOLF CADDIES.

(1) IN GENERAL.—Subsection (a) of section 3508 of the Internal Revenue Code of 1986 (relating to treatment of real estate agents and direct sellers) is amended by striking ''qualified real estate agent or as a direct seller''

and insert ''qualified real estate agent, direct seller, or golf caddie''.

(2) DEFINITION.—Subsection (b) of section 3508 of such Code is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) GOLF CADDIE.—The term ''golf caddie'' means an individual who performs the service of carrying golf clubs for, or otherwise assisting, a non-professional golfer and, with respect to whom, substantially all the remuneration (whether or not paid in cash) for the performance of such service is—

''(A) directly related to performing such services rather than to the number of hours worked, and

''(B) paid to such individual directly by the golfer or by a third party as an agent of the golfer where the third party incurs no obligation itself to pay such remuneration.''.

(3) CLERICAL AMENDMENTS.—

(A) The heading of section 3508 of such Code is amended to read as follows:

''SEC. 3508. TREATMENT OF REAL ESTATE AGENTS, DIRECT SELLERS, AND GOLF CADDIES.''.

(B) The item relating to section 3508 in the table of sections for chapter 25 of such Code is amended to read as follows:

''Sec. 3508. Treatment of real estate agents, direct sellers, and golf caddies.''.

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid for services performed in taxable years ending after the date of the enactment of this Act.

HELMS AMENDMENTS NOS. 1381–1382

(Ordered to lie on the table.)

Mr. HELMS submitted an amendment intended to be proposed by him to the bill. S. 1429, supra; as follows:

AMENDMENT NO. 1381

On page 371, between lines 16 and 17, insert the following:

SEC. ___. TAX TREATMENT OF STATE ACQUISITION OF RAILROAD REAL ESTATE INVESTMENT TRUST.

(a) IN GENERAL.—If a State acquires all of the outstanding stock of a real estate investment trust which is a non-operating class III railroad and substantially all of the activities of which consist of the ownership, leasing, and operation by such trust of facilities, equipment, and other property used by the trust or other persons in railroad transportation, then, for purposes of section 115 of the Internal Revenue Code of 1986—

(1) such activities shall be treated as the exercise of an essential governmental function, and

(2) income derived from such activities shall be treated as accruing to the State.

(b) GAIN OR LOSS NOT RECOGNIZED ON CONVERSION.—Notwithstanding section 337(d) of the Internal Revenue Code of 1986, no gain or loss shall be recognized under section 336 or 337 of such Code because of the change of status of the real estate investment trust to a tax-exempt entity by reason of the application of subsection (a).

(c) TAX-EXEMPT FINANCING.—Any obligation issued by the entity described in subsection (a) shall be treated as an obligation of the State for purposes of applying section 103 and part IV of subchapter B of chapter 1 of the Internal Revenue Code of 1986.

(d) DEFINITIONS.—For purposes of this section—

(1) REAL ESTATE INVESTMENT TRUST.—The term ''real estate investment trust'' has the meaning given such term by section 856(a) of the Internal Revenue Code of 1986.

(2) NON-OPERATING CLASS III RAILROAD.—The term ''non-operating class III railroad'' has the meaning given such term by part A of subtitle IV of title 49, United States Code (49 U.S.C. 10101 et seq.) and the regulations thereunder.

(3) STATE.—The term ''State'' includes—

(A) the District of Columbia and any possession of the United States, and

(B) any authority, agency, or public corporation of a State.

(e) APPLICABILITY.—This section shall apply on and after the date of any acquisition described in subsection (a).

AMENDMENT NO. 1382

At the end of title XI, insert:

SEC. ___. CREDIT FOR DRY CLEANING EQUIPMENT USING REDUCED AMOUNTS OF HAZARDOUS SUBSTANCES; REVENUE OFFSET.

(a) CREDIT.—

(1) IN GENERAL.—Section 46 (relating to amount of 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 thereof the following paragraph:

''(4) the dry cleaning equipment credit.''

(2) DRY CLEANING EQUIPMENT CREDIT.—Section 48 is amended by adding at the end the following new subsection:

''(c) DRY CLEANING EQUIPMENT USING REDUCED AMOUNTS OF HAZARDOUS SUBSTANCES.—

''(1) IN GENERAL.—For purposes of section 46, the dry cleaning equipment credit for any taxable year is 20 percent of the basis of each qualified dry cleaning property placed in service during the taxable year.

''(2) LIMITATION.—The credit under this subsection for the taxable year shall apply to only one qualified dry cleaning property placed in service during such year at each business premise of the taxpayer.

''(3) QUALIFIED DRY CLEANING PROPERTY.—For purposes of this subsection, the term 'qualified dry cleaning property' means equipment designed primarily to dry clean clothing and other fabric if—

''(A) such equipment does not use any hazardous solvent as the primary process solvent,

''(B) the original use of such property commences with the taxpayer, and

''(C) with respect to which depreciation (or amortization in lieu of depreciation) is allowable.

''(4) HAZARDOUS SOLVENT.—For purposes of paragraph (3)—

''(A) IN GENERAL.—The term 'hazardous solvent' means any solvent any portion of which consists of a chlorinated solvent, a petroleum-based solvent, or any other hazardous or regulated substance.

''(B) EXCEPTION.—Such term shall not include any solvent—

''(i) not more than 10 percent of which consists of petroleum or petroleum derivatives, and

''(ii) which does not contain any substance determined by the Administrator of the Environmental Protection Agency, the Director of the National Institute for Occupational Safety and Health, the Director of the International Agency for Research on Cancer, the Director of the National Institute of Environmental Health Sciences' National Toxicology Program, or the director of any other appropriate Federal agency to possess—

''(I) carcinogenic potential in humans, or

''(II) bioaccumulative properties.''

(3) CLERICAL AMENDMENTS.—

(A) The section heading for section 48 is amended to read as follows:

''SEC. 48. ENERGY CREDIT; REFORESTATION CREDIT; DRY CLEANING EQUIPMENT CREDIT.''

(B) The item relating to section 48 in the table of sections for subpart E of part IV of subchapter A of chapter 1 is amended to read as follows:

''Sec. 48. Energy credit; reforestation credit; dry cleaning equipment credit.''

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service on or after January 1, 1999.

(b) CLARIFICATION OF COORDINATION OF EXPENSE ALLOCATION REGULATIONS AND TREATIES OF THE UNITED STATES.—

(1) IN GENERAL.—In the case of any nonresident alien individual or foreign corporation having a permanent establishment in the United States, the allocation of items with respect to the permanent establishment in accordance with Treasury Regulation §1.861–8 or §1.882–5 shall not be treated as inconsistent with any treaty of the United States.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—This subsection shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

(B) EXCEPTION.—This subsection shall not apply to any taxpayer for any taxable year beginning on or before such date of enactment if—

(i) there has been a decision by a Federal court on or before such date reaching a result inconsistent with the provisions of this subsection, and

(ii) such decision is not overturned on appeal.

KENNEDY AMENDMENT NO. 1383

(Ordered to lie on the table.)

Mr. KENNEDY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. ___. FAIR MINIMUM WAGE.

(a) SHORT TITLE.—This section may be cited as the ''Fair Minimum Wage Act of 1999''.

(b) MINIMUM WAGE INCREASE.—

(1) WAGE.—Paragraph (1) of section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

''(1) except as otherwise provided in this section, not less than—

''(A) $5.65 an hour during the year beginning on September 1, 1999; and

''(B) $6.15 an hour beginning on September 1, 2000;''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) takes effect on September 1, 1999.

(c) APPLICABILITY OF MINIMUM WAGE TO THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.—The provisions of section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to the Commonwealth of the Northern Mariana Islands.

MOYNIHAN (AND OTHERS) AMENDMENT NO. 1384

Mr. MOYNIHAN (for himself, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. BREAUX, Mr. CONRAD, Mr. GRAHAM, Mr. BRYAN, Mr. KERREY, and Mr. ROBB) proposed an amendment to the bill, S. 1429, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Tax and Public Debt Reduction Act of 1999''.

(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) SECTION 15 NOT TO APPLY.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—TAX RELIEF FOR WORKING FAMILIES

Sec. 101. Increase in standard deduction.
Sec. 102. Deduction for two-earner married couples.

TITLE II—HEALTH CARE AFFORDABILITY AND ACCESSIBILITY

Sec. 201. Deduction for 100 percent of health insurance costs of self-employed individuals.
Sec. 202. Refundable credit for health insurance costs of employees.
Sec. 203. Deduction for premiums for long-term care insurance.
Sec. 204. Long-term care tax credit.
Sec. 205. Credit for clinical testing research expenses attributable to certain qualified academic institutions including teaching hospitals.
Sec. 206. Treatment of certain hospital support organizations as qualified organizations for purposes of determining acquisition indebtedness.
Sec. 207. Technical amendments related to Vaccine Injury Compensation Trust Fund.

TITLE III—ESTATE TAX PROVISIONS

Sec. 301. Increase in unified estate and gift tax credit.
Sec. 302. Increase in estate tax deduction for family-owned business interest.

TITLE IV—ALTERNATIVE MINIMUM TAX REFORMS

Sec. 401. Allowance of nonrefundable personal credits fully against regular tax liability.
Sec. 402. Repeal of foreign tax credit limitation under alternative minimum tax.
Sec. 403. Income averaging for farmers not to increase alternative minimum tax liability.
Sec. 404. Long-term unused credits allowed against minimum tax.

TITLE V—EXTENSION OF EXPIRING INCENTIVES

Sec. 501. Work opportunity credit and welfare-to-work credit.
Sec. 502. Electricity produced from certain nonrenewable resources credit.
Sec. 503. Subpart F exemption for active financing income.
Sec. 504. Extension of expensing of environmental remediation costs.
Sec. 505. Virgin Islands and Puerto Rico rum cover over.
Sec. 506. Modifications of Puerto Rican economic activity credit.

TITLE VI—QUALITY EDUCATION INITIATIVES

Sec. 601. Expansion of incentives for public schools.
Sec. 602. Modifications to qualified tuition programs.
Sec. 603. Elimination of 60-month limit on student loan interest deduction.
Sec. 604. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.
Sec. 605. Treatment of qualified public educational facility bonds as exempt facility bonds.
Sec. 606. Permanent extension of exclusion for employer-provided educational assistance.
Sec. 607. Expansion of deduction for computer donations to schools.
Sec. 608. Credit for information technology training program expenses.
Sec. 609. Charitable contributions to certain low income schools may be made in next taxable year.
Sec. 610. Exclusion of National Service Educational Awards.

TITLE VII—ENVIRONMENTAL CONSERVATION AND PROTECTION

Subtitle A—Better America Bonds

Sec. 701. Credit for holders of Better America bonds.
Sec. 702. Better America Bonds Board.

Subtitle B—Conservation Incentives

Sec. 711. Tax exclusion for cost-sharing payments under Partners for Wildlife Program.
Sec. 712. Enhanced deduction for the donation of a conservation easement.
Sec. 713. National wildlife refuge conservation easements.
Sec. 714. Exclusion of 50 percent of gain on sales of land or interests in land or water to eligible entities for conservation purposes.

Subtitle C—Alternative Fuels Incentives

Sec. 721. Extension and expansion of credit for purchase of electric vehicles.
Sec. 722. Additional deduction for cost of installation of alternative fueling stations.
Sec. 723. Credit for retail sale of clean burning fuels as motor vehicle fuel.

Subtitle C—Other Provisions

Sec. 731. Expansion of section 29 tax credit.
Sec. 732. Uniform dollar limitation for all types of transportation fringe benefits.

TITLE VIII—SAVINGS AND PENSION PROVISIONS

Subtitle A—Expanding Coverage for Small Business

Sec. 801. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 802. Contributions to IRAs through payroll deductions.
Sec. 803. Modification of top-heavy rules.
Sec. 804. Credit for small employer pension plan contributions and start-up costs.
Sec. 805. Increasing limits for deferrals to simple plans.
Sec. 806. Elective deferrals not taken into account for purposes of limits.

Subtitle B—Increasing Pension Access and Fairness for Women

Sec. 811. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 812. Faster vesting of certain employer matching contributions.
Sec. 813. Deferred annuities for surviving spouses of Federal employees.
Sec. 814. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 815. Spouses' right to know proposal.

Subtitle C—Increasing Portability of Pension Plans

Sec. 821. Rollovers allowed among various types of plans.
Sec. 822. Rollovers of IRAs into workplace retirement plans.
Sec. 823. Rollovers of after-tax contributions.
Sec. 824. Hardship exception to 60-day rule.
Sec. 825. Treatment of forms of distribution.
Sec. 826. Rationalization of restrictions on distributions.
Sec. 827. Purchase of service credit in governmental defined benefit plans.
Sec. 828. Employers may disregard rollovers for purposes of cash-out amounts.

Subtitle D—Strengthening Pension Security and Enforcement

Sec. 831. Treatment of multiemployer plans under section 415.
Sec. 832. Extension of missing participants program to multiemployer plans.
Sec. 833. Civil penalties for breach of fiduciary responsibility.
Sec. 834. Failure to provide notice by defined benefit plans significantly reducing future benefit accruals.

Subtitle E—Encouraging Retirement Education

Sec. 841. Periodic pension benefits Statements.
Sec. 842. Clarification of treatment of employer-provided retirement advice.

Subtitle F—Reducing Red Tape

Sec. 851. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 852. Reduced PBGC premium for new plans of small employers.
Sec. 853. Reduction of additional PBGC premium for new plans.
Sec. 854. Elimination of user fee for requests to IRS regarding new pension plans.
Sec. 855. Distributional analysis of pension tax benefits.

Subtitle G—Other Provisions

Sec. 303. Tax credit for matching contributions to Individual Development Accounts.
Sec. 862. Federal employee retirement contributions.
Sec. 863. Exclusion from income of severance payment amounts

Subtitle H—Plan Amendments

Sec. 871. Provisions relating to plan amendments.

TITLE IX—FARM RELIEF AND ECONOMIC DEVELOPMENT

Sec. 901. Farm and ranch risk management accounts.
Sec. 902. Lease agreement relating to exclusion of certain farm rental income from net earnings from self-employment.
Sec. 903. Exclusion of gain from sale of certain farmland.
Sec. 904. Exemption of small issue agriculture bonds from State volume cap.
Sec. 905. Capital gain realized from transfer of farm property in complete or partial satisfaction of qualified farm indebtedness excluded from gross income.
Sec. 906. Exclusion of discharge of qualified farm indebtedness from gross income increased for certain solvent farmers.
Sec. 907. Net operating loss of farmers.
Sec. 908. Certain cash rentals of farmland not to cause recapture of special estate tax valuation.
Sec. 909. Declaratory judgment remedy relating to status and classification of farmers' cooperatives.

TITLE X—TECHNOLOGY AND ECONOMIC DEVELOPMENT

Sec. 1001. Permanent extension and modification of research credit.

Sec. 1002. New markets tax credit.
Sec. 1003. Increase in State ceiling on low-income housing credit.
Sec. 1004. Increase in volume cap on private activity bonds.
Sec. 1005. Spaceports treated like airports under exempt facility bond rules.
Sec. 1006. Increase in expense treatment for small businesses.

TITLE XI—MISCELLANEOUS INCENTIVES

Subtitle A—Miscellaneous Provisions

Sec. 1101. Oil and gas incentives.
Sec. 1102. Treatment of certain revenues of electric cooperatives.
Sec. 1103. Tax-exempt bond financing of certain electric facilities.
Sec. 1104. Modifications to special rules for nuclear decommissioning costs.
Sec. 1105. Modification of dependent care credit.
Sec. 1106. Allowance of credit for employer expenses for child care assistance.
Sec. 1107. Recovery period for depreciation of certain leasehold improvements.
Sec. 1108. Exemption from income tax for State-created organizations providing property and casualty insurance for property for which such coverage is otherwise unavailable.
Sec. 1109. Disclosure of tax information to facilitate combined employment tax reporting.
Sec. 1110. Increase in limit on certain charitable contributions as percentage of AGI.
Sec. 1111. Low-income second mortgage tax credit.
Sec. 1112. Coordination of child tax credit and earned income credit with certain means-tested programs.
Sec. 1113. No Federal income tax on amounts received by Holocaust victims or their heirs.
Sec. 1114. Tax treatment of special pay for members of the Armed Forces.

Subtitle B—Provisions Relating to Real Estate Investment Trusts

PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES

Sec. 1121. Modifications to asset diversification test.
Sec. 1122. Treatment of income and services provided by taxable REIT subsidiaries.
Sec. 1123. Taxable REIT subsidiary.
Sec. 1124. Limitation on earnings stripping.
Sec. 1125. 100 percent tax on improperly allocated amounts.
Sec. 1126. Effective date.

PART II—HEALTH CARE REITS

Sec. 1131. Health care REITs.

PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES

Sec. 1141. Conformity with regulated investment company rules.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICE INCOME

Sec. 1151. Clarification of exception for independent operators.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

Sec. 1161. Modification of earnings and profits rules.

TITLE XII—REVENUE OFFSETS

Subtitle A—General Provisions

Sec. 1201. Modification to foreign tax credit carryback and carryover periods.
Sec. 1202. Limitation on use of non-accrual experience method of accounting.
Sec. 1203. Returns relating to cancellations of indebtedness by organizations lending money.
Sec. 1204. Extension of Internal Revenue Service user fees.
Sec. 1205. Charitable split-dollar life insurance, annuity, and endowment contracts.
Sec. 1206. Transfer of excess defined benefit plan assets for retiree health benefits.
Sec. 1207. Limitations on welfare benefit funds of 10 or more employer plans.
Sec. 1208. Modification of installment method and repeal of installment method for accrual method taxpayers.
Sec. 1209. Inclusion of certain vaccines against streptococcus pneumoniae to list of taxable vaccines.
Sec. 1210. Restoration of phase-out of unified credit.
Sec. 1211. Repeal of lower-of-cost-or-market method of accounting for inventories.
Sec. 1212. Consistent amortization periods for intangibles.
Sec. 1213. Extension of hazardous substance Superfund taxes.
Sec. 1214. Controlled entities ineligible for REIT status.
Sec. 1215. Increase in elective withholding rate for nonperiodic distributions from deferred compensation plans.
Sec. 1216. Treatment of gain from constructive ownership transactions.
Sec. 1217. Restriction on use of real estate investment trusts to avoid estimated tax payment requirements.
Sec. 1218. Prohibited allocations of S corporation stock held by an ESOP.
Sec. 1219. Modification of anti-abuse rules related to assumption of liability.
Sec. 1220. Allocation of basis on transfers of intangibles in certain nonrecognition transactions.
Sec. 1221. Distributions to a corporate partner of stock in another corporation.

TITLE I—TAX RELIEF FOR WORKING FAMILIES

SEC. 101. INCREASE IN STANDARD DEDUCTION.

Subsection (c) of section 63 (relating to standard deduction) is amended by adding at the end the following new paragraph:

''(7) INCREASE IN AMOUNT.—

''(A) IN GENERAL.—In the case of taxable years beginning in any calendar year beginning after 2000, the dollar amounts determined under paragraph (2) (after any increase under paragraph (4)) shall be increased by the applicable dollar amount for such calendar year.

''(B) APPLICABLE DOLLAR AMOUNT.—

''(i) AMOUNT.—The applicable dollar amount for any calendar year shall be determined as follows:

''(I) JOINT RETURNS AND SURVIVING SPOUSES.—In the case of the $5,000 amount under paragraph (2)(A)—

''Calendar year:	Applicable dollar amount:
2001 or 2002	$1,000
2003 or 2004	$2,000
2005 or 2006	$3,000
2007 and thereafter	$4,350.

''(II) HEAD OF HOUSEHOLD.—In the case of the $4,400 amount under paragraph (2)(B)—

''Calendar year:	Applicable dollar amount:
2001 or 2002	$500
2003 or 2004	$1,000
2005 or 2006	$1,500
2007 and thereafter	$2,150.

''(III) INDIVIDUAL.—In the case of the $3,000 amount under paragraph (2)(C)—

''Calendar year:	Applicable dollar amount:
2001 or 2002	$300
2003 or 2004	$600
2005 or 2006	$900
2007 and thereafter	$1,300.

''(IV) MARRIED FILING SEPARATELY.—In the case of the $2,500 amount under paragraph (2)(D)—

''Calendar year:	Applicable dollar amount:
2001 or 2002	$500
2003 or 2004	$1,000
2005 or 2006	$1,500
2007 and thereafter	$2,175.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar amount under clause (i) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (B) thereof shall be applied by substituting 'calendar year 2006' for 'calendar year 1992'. If any amount as adjusted under this subparagraph is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''

SEC. 102. DEDUCTION FOR TWO-EARNER MARRIED COUPLES.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

''SEC. 222. DEDUCTION FOR MARRIED COUPLES TO ELIMINATE THE MARRIAGE PENALTY.

''(a) IN GENERAL.—In the case of a joint return under section 6013 for the taxable year, there shall be allowed as a deduction an amount equal to the lesser of—

''(1) the applicable dollar amount, or

''(2) the applicable percentage of the qualified earned income of the spouse with the lower qualified earned income for the taxable year.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section—

''(1) IN GENERAL.—The term 'applicable percentage' means 20 percent, reduced (but not below zero) by 1 percentage point for each $1,000 (or fraction thereof) by which the taxpayer's modified adjusted gross income for the taxable year exceeds $75,000.

''(2) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means adjusted gross income determined—

''(A) after application of sections 86, 219, and 469, and

''(B) without regard to sections 135, 137, 221, and 911 or the deduction allowable under this section.

''(c) APPLICABLE DOLLAR AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The applicable dollar amount shall be determined in accordance with the following table:

''Taxable year beginning in calendar year:	Applicable dollar amount:
2001 or 2002	$1,000
2003 or 2004	$2,000
2005 or 2006	$3,000
2007 and thereafter	$4,350.

''(2) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar

amount under paragraph (1) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (B) thereof shall be applied by substituting 'calendar year 2006' for 'calendar year 1992'. If any amount as adjusted under this paragraph is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

''(d) QUALIFIED EARNED INCOME DEFINED.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified earned income' means an amount equal to the excess of—

''(A) the earned income of the spouse for the taxable year, over

''(B) an amount equal to the sum of the deductions described in paragraphs (1), (2), (7), and (15) of section 62(a) to the extent such deductions are properly allocable to or chargeable against earned income described in subparagraph (A).

The amount of qualified earned income shall be determined without regard to any community property laws.

''(2) EARNED INCOME.—For purposes of paragraph (1), the term 'earned income' means income which is earned income within the meaning of section 911(d)(2) or 401(c)(2)(C), except that—

''(A) such term shall not include any amount—

''(i) not includible in gross income,

''(ii) received as a pension or annuity,

''(iii) paid or distributed out of an individual retirement plan (within the meaning of section 7701(a)(37)),

''(iv) received as deferred compensation, or

''(v) received for services performed by an individual in the employ of his spouse (within the meaning of section 3121(b)(3)(A)), and

''(B) section 911(d)(2)(B) shall be applied without regard to the phrase 'not in excess of 30 percent of his share of net profits of such trade or business'.''

(b) DEDUCTION TO BE ABOVE-THE-LINE.—Section 62(a) (defining adjusted gross income) is amended by adding after paragraph (17) the following:

''(18) DEDUCTION FOR TWO-EARNER MARRIED COUPLES.—The deduction allowed by section 222.''

(c) EARNED INCOME CREDIT PHASEOUT TO REFLECT DEDUCTION.—Section 32(c)(2) (defining earned income) is amended by adding at the end the following:

''(C) MARRIAGE PENALTY REDUCTION.—Solely for purposes of applying subsection (a)(2)(B), earned income for any taxable year shall be reduced by an amount equal to the amount of the deduction allowed to the taxpayer for such taxable year under section 222.''

(d) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

''Sec. 222. Deduction for married couples to eliminate the marriage penalty.

''Sec. 223. Cross reference.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE II—HEALTH CARE AFFORDABILITY AND ACCESSIBILITY

SEC. 201. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) 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 and the taxpayer's spouse and dependents.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 202. REFUNDABLE CREDIT FOR HEALTH INSURANCE COSTS OF EMPLOYEES.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable personal credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. HEALTH INSURANCE COSTS OF EMPLOYEES.

''(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle an amount equal to 30 percent of the amount paid during the taxable year for qualified health insurance.

''(b) QUALIFIED HEALTH INSURANCE.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified health insurance' means health insurance which constitutes medical care for the taxpayer, his spouse, and dependents, and which meet the requirements of paragraphs (2), (3), and (4).

''(2) BENEFITS PACKAGE.—Health insurance meets the requirement of this paragraph if such insurance provides coverage equivalent to the standard Blue Cross/Blue Shield preferred provider option service benefit plan, described in and offered under section 8903(1) of title 5, United States Code.

''(3) HIPAA STANDARDS.—Health insurance meets the requirement of this paragraph if such insurance meets standards similar to the standards under chapter 100.

''(4) PREMIUM STANDARDS.—Health insurance meets the requirement of this paragraph if the premium rate for such insurance for any calendar year does not exceed by more than 100 percent the average base premium rate for the same or similar health insurance offered by the 5 insurers with the highest premium volume during the preceding calendar year.

''(c) LIMITATIONS.—

''(1) POLICY LIMITATIONS.—The amount which may be taken into account under subsection (a) shall not exceed—

''(A) in the case of self-only coverage, $1,000, and

''(B) in the case of family coverage, $2,000.

''(2) LIMITATION BASED ON EMPLOYEE COMPENSATION.—The payments taken into account under subsection (a) for any taxable year shall not exceed the taxpayer's wages, salaries, tips, and other employee compensation includible in gross income for such taxable year.

''(3) LIMITATION BASED ON OTHER COVERAGE.—Subsection (a) shall not apply to—

''(A) any taxpayer for any calendar month for which the taxpayer is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer, or

''(B) amounts paid for coverage under any medical care program described in—

''(i) title XVIII, XIX, or XXI of the Social Security Act,

''(ii) chapter 55 of title 10, United States Code,

''(iii) chapter 17 of title 38, United States Code,

''(iv) chapter 89 of title 5, United States Code, or

''(v) the Indian Health Care Improvement Act.

Subparagraph (B)(iv) shall not apply to coverage which is comparable to continuation coverage under section 4980B.

''(d) LIMITATION BASED ON ADJUSTED GROSS INCOME.—

''(1) IN GENERAL.—No credit shall be allowed under subsection (a) for any taxable year for which the taxpayer's adjusted gross income exceeds the applicable dollar amount.

''(2) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means—

''(A) in the case of a taxpayer filing a joint return, $40,000,

''(B) in the case of any other taxpayer, $20,000.

''(3) COST-OF-LIVING ADJUSTMENT.—

''(A) IN GENERAL.—In the case of a taxable year beginning after 2003, each dollar amount under paragraph (2) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lower multiple of $50.

''(4) SPECIAL RULE FOR MARRIED INDIVIDUALS FILING SEPARATELY AND LIVING APART.—A husband and wife who—

''(A) file separate returns for any taxable year, and

''(B) live apart at all times during such taxable year,

shall not be treated as married individuals for purposes of this paragraph.

''(e) LIMITATION BASED ON AMOUNT OF TAX.—

''(1) IN GENERAL.—The credit allowed by subsection (a) for the taxable year (determined after the application of subsections (c) and (d)) shall not exceed the sum of—

''(A) the tax imposed by this chapter for the taxable year (reduced by the credits allowable against such tax other than the credits allowable under this subpart), and

''(B) the taxpayer's social security taxes for such taxable year.

''(2) SOCIAL SECURITY TAXES.—For purposes of paragraph (1)—

''(A) IN GENERAL.—The term 'social security taxes' means, with respect to any taxpayer for any taxable year—

''(i) the amount of the taxes imposed by sections 3101, 3111, 3201(a), and 3221(a) on amounts received by the taxpayer during the calendar year in which the taxable year begins,

''(ii) the taxes imposed by section 1401 on the self-employment income of the taxpayer for the taxable year, and

''(iii) the taxes imposed by section 3211(a)(1) on amounts received by the taxpayer during the calendar year in which the taxable year begins.

''(B) COORDINATION WITH SPECIAL REFUND OF SOCIAL SECURITY TAXES.—The term 'social security taxes' shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 6413(c).

''(C) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the taxes referred to in subparagraph (A)(i) shall be treated as taxes referred to in such subparagraph.

''(f) COORDINATION WITH OTHER PROVISIONS.—

''(1) DEDUCTION FOR MEDICAL EXPENSES.—The amount taken into account in computing the credit under subsection (a) shall not be taken into account in computing the

amount allowable to the taxpayer as a deduction under section 213(a).

''(2) DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.—No amount taken into account under section 162(l) may be taken into account under this section.

''(g) EXPENSES MUST BE SUBSTANTIATED.—A payment for insurance to which subsection (a) applies may be taken into account under this section only if the taxpayer substantiates such payment in such form as the Secretary may prescribe.

''(h) SECTION NOT TO APPLY TO LONG-TERM CARE INSURANCE.—This section shall not apply to insurance which constitutes medical care by reason of section 213(d)(1)(C).''

(b) CLERICAL AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the last item and inserting the following new items:

''Sec. 35. Health insurance costs of employees.

''Sec. 36. Overpayments of tax.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 203. DEDUCTION FOR PREMIUMS FOR LONG-TERM CARE INSURANCE.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 is amended by redesignating section 222 as section 223 and by inserting after section 221 the following new section:

''SEC. 222. PREMIUMS FOR LONG-TERM CARE INSURANCE.

''(a) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable percentage of the amount paid during the taxable year for any qualified long-term care insurance contract (as defined in section 7702B(b)) which constitutes medical care for the taxpayer, his spouse, and dependents.

''(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in calendar year—	The applicable percentage is—
2001 and 2002	10
2003 and 2004	25
2005 and 2006	35
2007 and thereafter	50.

''(c) LIMITATION BASED ON COVERAGE UNDER CERTAIN SUBSIDIZED EMPLOYER PLANS.—

''(1) IN GENERAL.—Subsection (a) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any plan which includes coverage for qualified long-term care services (as so defined) or is a qualified long-term care insurance contract (as so defined) maintained by any employer of the taxpayer or of the spouse of the taxpayer if 50 percent or more of the cost of coverage under such plan (determined under section 4980B) is paid or incurred by the employer.

''(2) EMPLOYER CONTRIBUTIONS TO CAFETERIA PLANS OR FLEXIBLE SPENDING ARRANGEMENTS.—Employer contributions to a cafeteria plan or a flexible spending or similar arrangement which are excluded from gross income under section 106 shall be treated for purposes of paragraph (1) as paid by the employer.

''(3) AGGREGATION OF PLANS OF EMPLOYER.—A plan which is not otherwise described in paragraph (1) shall be treated as described in such paragraph if such plan would be so described if all such plans of persons treated as a single employer under subsections (b), (c), (m), or (o) of section 414 were treated as one plan.

''(d) DEDUCTION LIMITED TO QUALIFIED LONG-TERM CARE INSURANCE CONTRACTS.—In the case of a qualified long-term care insurance contract (as so defined), only eligible long-term care premiums (as defined in section 213(d)(10)) may be taken into account under subsection (a).

''(e) SPECIAL RULES.—For purposes of this section—

''(1) COORDINATION WITH DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.—The amount taken into account by the taxpayer in computing the deduction under section 162(l) shall not be taken into account under this section.

''(2) COORDINATION WITH MEDICAL EXPENSE DEDUCTION.—The amount taken into account by the taxpayer in computing the deduction under this section shall not be taken into account under section 213.

''(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations requiring employers to report to their employees and the Secretary such information as the Secretary determines to be appropriate.''

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62 is amended by inserting after paragraph (17) the following new item:

''(18) LONG-TERM CARE INSURANCE COSTS.—The deduction allowed by section 222.''

(c) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the last item and inserting the following new items:

''Sec. 222. Long-term care insurance costs.

''Sec. 223. Cross reference.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 204. LONG-TERM CARE TAX CREDIT.

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Section 24(a) (relating to allowance of child tax credit) is amended to read as follows:

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(A) $500 multiplied by the number of qualifying children of the taxpayer, plus

''(B) the applicable dollar amount multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year.''

''(2) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (1)(B), the applicable dollar amount for taxable years beginning in any calendar year shall be determined in accordance with the following table:

''Calendar year:	Applicable dollar amount:
2003, 2004, or 2005	$250
2006 or 2007	$500
2008 and thereafter	$1,000.''

(2) ADDITIONAL CREDIT FOR TAXPAYER WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—So much of section 24(d) as precedes paragraph (1)(A) thereof is amended to read as follows:

''(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—

''(1) IN GENERAL.—If the sum of the number of qualifying children of the taxpayer and the number of applicable individuals with respect to which the taxpayer is an eligible caregiver is 3 or more for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—''.

(3) CONFORMING AMENDMENTS.—

(A) The heading for section 32(n) is amended by striking ''CHILD'' and inserting ''FAMILY CARE''.

(B) The heading for section 24 is amended to read as follows:

''SEC. 24. FAMILY CARE CREDIT.''

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

''Sec. 24. Family care credit.''.

(b) DEFINITIONS.—Section 24(c) (defining qualifying child) is amended to read as follows:

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFYING CHILD.—

''(A) IN GENERAL.—The term 'qualifying child' means any individual if—

''(i) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

''(ii) such individual has not attained the age of 17 as of the close of the calendar year in which the taxable year of the taxpayer begins, and

''(iii) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

''(B) EXCEPTION FOR CERTAIN NONCITIZENS.—The term 'qualifying child' shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

''(2) APPLICABLE INDIVIDUAL.—

''(A) IN GENERAL.—The term 'applicable individual' means, with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period—

''(i) which is at least 180 consecutive days, and

''(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39-½ month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

''(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements:

''(i) The individual is at least 6 years of age and—

''(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

''(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

''(ii) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

''(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual's condition to be available if the individual's parents or guardians are absent.

''(3) ELIGIBLE CAREGIVER.—

''(A) IN GENERAL.—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals:

''(i) The taxpayer.

''(ii) The taxpayer's spouse.

''(iii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

''(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the exemption amount an amount equal to the sum of the exemption amount, the standard deduction under section 63(c)(2)(C), and any additional standard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

''(v) An individual who would be described in clause (iii) for the taxable year if—

''(I) the requirements of clause (iv) are met with respect to the individual, and

''(II) the requirements of subparagraph (B) are met with respect to the individual in lieu of the support test of section 152(a).

''(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

''(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer's spouse, is a member of the taxpayer's household for over half the taxable year, or

''(ii) in the case of any other individual, is a member of the taxpayer's household for the entire taxable year.

''(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—

''(i) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

''(ii) NO AGREEMENT.—If each individual required under clause (i) to file a written declaration under clause (i) does not do so, the individual with the highest modified adjusted gross income (as defined in section 32(c)(5)) shall be treated as the eligible caregiver.

''(iii) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of married individuals filing separately, the determination under this subparagraph as to whether the husband or wife is the eligible caregiver shall be made under the rules of clause (ii) (whether or not one of them has filed a written declaration under clause (i)).''

(c) IDENTIFICATION REQUIREMENTS.—

(1) IN GENERAL.—Section 24(e) is amended by adding at the end the following new sentence: ''No credit shall be allowed under this section to a taxpayer with respect to any applicable individual unless the taxpayer includes the name and taxpayer identification number of such individual, and the identification number of the physician certifying such individual, on the return of tax for the taxable year.''

(2) ASSESSMENT.—Section 6213(g)(2)(I) is amended—

(A) by inserting ''or physician identification'' after ''correct TIN'', and

(B) by striking ''child'' and inserting ''family care''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 205. CREDIT FOR CLINICAL TESTING RESEARCH EXPENSES ATTRIBUTABLE TO CERTAIN QUALIFIED ACADEMIC INSTITUTIONS INCLUDING TEACHING HOSPITALS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by inserting after section 41 the following:

''SEC. 41A. CREDIT FOR MEDICAL INNOVATION EXPENSES.

''(a) GENERAL RULE.—For purposes of section 38, the medical innovation credit determined under this section for the taxable year shall be an amount equal to 40 percent of the excess (if any) of—

''(1) the qualified medical innovation expenses for the taxable year, over

''(2) the medical innovation base period amount.

''(b) QUALIFIED MEDICAL INNOVATION EXPENSES.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified medical innovation expenses' means the amounts which are paid or incurred by the taxpayer during the taxable year directly or indirectly to any qualified academic institution for clinical testing research activities.

''(2) CLINICAL TESTING RESEARCH ACTIVITIES.—

''(A) IN GENERAL.—The term 'clinical testing research activities' means human clinical testing conducted at any qualified academic institution in the development of any product, which occurs before—

''(i) the date on which an application with respect to such product is approved under section 505(b), 506, or 507 of the Federal Food, Drug, and Cosmetic Act,

''(ii) the date on which a license for such product is issued under section 351 of the Public Health Service Act, or

''(iii) the date classification or approval of such product which is a device intended for human use is given under section 513, 514, or 515 of the Federal Food, Drug, and Cosmetic Act.

''(B) PRODUCT.—The term 'product' means any drug, biologic, or medical device.

''(3) QUALIFIED ACADEMIC INSTITUTION.—The term 'qualified academic institution' means any of the following institutions:

''(A) EDUCATIONAL INSTITUTION.—A qualified organization described in section 170(b)(1)(A)(iii) which is owned or affiliated with an institution of higher education as described in section 3304(f).

''(B) TEACHING HOSPITAL.—A teaching hospital which—

''(i) is publicly supported or owned by an organization described in section 501(c)(3), and

''(ii) is affiliated with an organization meeting the requirements of subparagraph (A).

''(C) FOUNDATION.—A medical research organization described in section 501(c)(3) (other than a private foundation) which is affiliated with, or owned by—

''(i) an organization meeting the requirements of subparagraph (A), or

''(ii) a teaching hospital meeting the requirements of subparagraph (B).

''(D) CHARITABLE RESEARCH HOSPITAL.—A hospital that is designated as a cancer center by the National Cancer Institute.

''(4) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified medical innovation expenses' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(c) MEDICAL INNOVATION BASE PERIOD AMOUNT.—For purposes of this section, the term 'medical innovation base period amount' means the average annual qualified medical innovation expenses paid by the taxpayer during the 3-taxable year period ending with the taxable year immediately preceding the first taxable year of the taxpayer beginning after December 31, 2000.

''(d) SPECIAL RULES.—

''(1) LIMITATION ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any clinical testing research activities conducted outside the United States.

''(2) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of subsections (f) and (g) of section 41 shall apply for purposes of this section.

''(3) ELECTION.—This section shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

''(4) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES AND WITH CREDIT FOR CLINICAL TESTING EXPENSES FOR CERTAIN DRUGS FOR RARE DISEASES.—Any qualified medical innovation expense for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit allowable under section 41 or 45C for such taxable year.

''(e) TERMINATION.—This section shall not apply to any expense paid or incurred after the date specified in section 41(h)(1)(B).''

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b) (relating to current year business credits) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following:

''(13) the medical innovation expenses credit determined under section 41A(a).''

(2) TRANSITION RULE.—Section 39(d) is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF SECTION 41A CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the medical innovation credit determined under section 41A may be carried back to a taxable year beginning before January 1, 1999.''

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

''(d) CREDIT FOR INCREASING MEDICAL INNOVATION EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified medical innovation expenses (as defined in section 41A(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 41A(a).

''(2) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.''

(d) DEDUCTION FOR UNUSED PORTION OF CREDIT.—Section 196(c) (defining qualified business credits) is amended by redesignating paragraphs (5) through (8) as paragraphs (6) through (9), respectively, and by inserting after paragraph (4) the following new paragraph:

''(5) the medical innovation expenses credit determined under section 41A(a) (other than such credit determined under the rules of section 280C(d)(2)),''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding after the item relating to section 41 the following:

''Sec. 41A. Credit for medical innovation expenses.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 206. TREATMENT OF CERTAIN HOSPITAL SUPPORT ORGANIZATIONS AS QUALIFIED ORGANIZATIONS FOR PURPOSES OF DETERMINING ACQUISITION INDEBTEDNESS.

(a) IN GENERAL.—Subparagraph (C) of section 514(c)(9) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting ''; or'', and by adding at the end the following new clause:

''(iv) a qualified hospital support organization (as defined in subparagraph (I)).''

(b) QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.—Paragraph (9) of section 514(c) is amended by adding at the end the following new subparagraph:

''(I) QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.—For purposes of subparagraph (C)(iv), the term 'qualified hospital support organization' means, with respect to any indebtedness, a support organization (as defined in section 509(a)(3)) which supports a hospital described in section 170(b)(1)(A)(iii) and with respect to which—

''(i) more than half of its assets (by value) at any time since its organization—

''(I) were acquired, directly or indirectly, by gift or devise, and

''(II) consisted of real property,

''(ii) the fair market value of the organization's unimproved real estate acquired, directly or indirectly, by gift or devise, exceeded 10 percent of the fair market value of all investment assets held by the organization immediately prior to the time that the indebtedness was incurred, and

''(iii) no member of the organization's governing body was a disqualified person (as defined in section 4946 but not including any foundation manager) at any time during the taxable year in which the indebtedness was incurred.

In the case of any refinancing not in excess of the indebtedness being refinanced, the determinations under clauses (ii) and (iii) shall be made by reference to the earliest date indebtedness meeting the requirements of this subparagraph (and involved in the chain of indebtedness being refinanced) was incurred.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to indebtedness incurred in taxable years beginning after December 31, 2000.

SECTION 207. TECHNICAL AMENDMENTS RELATED TO VACCINE INJURY COMPENSATION TRUST FUND.

(a) REPEAL OF MUTUALLY CONFLICTING AMENDMENTS.—

(1) IN GENERAL.—Section 1504 of Division C of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (relating to Vaccine Injury Compensation Trust Fund) is repealed.

(2) EFFECT OF REPEAL.—The Internal Revenue Code of 1986 shall be applied and administered as if the section repealed by paragraph (1) had never been enacted.

(b) CONFORMING AMENDMENTS.—Section 9510(c)(1) (relating to expenditures from Trust Fund) is amended—

(1) by striking ''August 5, 1997'' in subparagraph (A) and inserting ''October 21, 1998'', and

(2) by striking ''$9,500,000'' in subparagraph (B) and inserting ''$10,000,000''.

(c) EFFECTIVE DATE.—The amendments made by subsection (b) shall take effect as if included in the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999.

TITLE III—ESTATE TAX PROVISIONS

SEC. 301. INCREASE IN UNIFIED ESTATE AND GIFT TAX CREDIT.

(a) IN GENERAL.—The table in section 2010(c) of the Internal Revenue Code (relating to applicable credit amount) is amended to read as follows:

''In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2000 and 2001	$675,000
2002	$700,000
2003	$740,000
2004 and thereafter ...	$1,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 1999.

SEC. 302. INCREASE IN ESTATE TAX DEDUCTION FOR FAMILY-OWNED BUSINESS INTEREST.

(a) IN GENERAL.—Section 2057(a)(2) (relating to maximum deduction) is amended by striking ''$675,000'' and inserting ''$1,125,000''.

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) (relating to coordination with unified credit) is amended by striking ''$675,000'' each place it appears in the text and heading and inserting ''$1,125,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2002.

TITLE IV—ALTERNATIVE MINIMUM TAX REFORMS

SEC. 401. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS FULLY AGAINST REGULAR TAX LIABILITY.

The second sentence of section 26(a) (relating to limitations based on amount of tax) is amended by striking ''1998'' and inserting ''calendar years 1998 through 2003''.

SEC. 402. REPEAL OF FOREIGN TAX CREDIT LIMITATION UNDER ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Section 59(a) (relating to alternative minimum tax foreign tax credit) is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(b) CONFORMING AMENDMENT.—Section 53(d)(1)(B)(i)(II) is amended by striking ''and if section 59(a)(2) did not apply''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 403. INCOME AVERAGING FOR FARMERS NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 55(c) of the Internal Revenue Code of 1986 (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

''(2) COORDINATION WITH INCOME AVERAGING FOR FARMERS.—Solely for purposes of this section, section 1301 (relating to averaging of farm income) shall not apply in computing the regular tax.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 404. LONG-TERM UNUSED CREDITS ALLOWED AGAINST MINIMUM TAX.

(a) IN GENERAL.—Subsection (c) of section 53 (relating to limitation) is amended by adding at the end the following:

''(2) SPECIAL RULE FOR CORPORATIONS WITH LONG-TERM UNUSED CREDITS.—

''(A) IN GENERAL.—If—

''(i) a corporation to which section 56(g) applies has a long-term unused minimum tax credit for a taxable year, and

''(ii) no credit would be allowable under this section for the taxable year by reason of paragraph (1),

then there shall be allowed a credit under subsection (a) for the taxable year in the amount determined under subparagraph (B).

''(B) AMOUNT OF CREDIT.—For purposes of subparagraph (A), the amount of the credit shall be equal to the least of the following for the taxable year:

''(i) The long-term unused minimum tax credit.

''(ii) 20 percent of the taxpayer's tentative minimum tax.

''(iii) The excess (if any) of the amount under paragraph (1)(B) over the amount under paragraph (1)(A).

''(C) LONG-TERM UNUSED MINIMUM TAX CREDIT.—For purposes of this paragraph—

''(i) IN GENERAL.—The long-term unused minimum tax credit for any taxable year is the portion of the minimum tax credit determined under subsection (b) attributable to the adjusted net minimum tax for taxable years beginning after 1986 and before 2000 and which ended before the 5th taxable year immediately preceding the taxable year for which the determination is being made.

''(ii) FIRST-IN, FIRST-OUT ORDERING RULE.—For purposes of clause (i), credits shall be treated as allowed under subsection (a) on a first-in, first-out basis.''

(b) CONFORMING AMENDMENTS.—Section 53(c) (as in effect before the amendment made by subsection (a)) is amended—

(1) by striking ''The'' and inserting the following:

''(1) IN GENERAL.—The''; and

(2) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE V—EXTENSION OF EXPIRING INCENTIVES

SEC. 501. WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT.

(a) TEMPORARY EXTENSION.—Sections 51(c)(4)(B) and 51A(f) (relating to termination) are each amended by striking ''June 30, 1999'' and inserting ''June 30, 2001''.

(b) CLARIFICATION OF FIRST YEAR OF EMPLOYMENT.—Paragraph (2) of section 51(i) is amended by striking ''during which he was not a member of a targeted group''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after June 30, 1999.

SEC. 502. ELECTRICITY PRODUCED FROM CERTAIN NONRENEWABLE RESOURCES CREDIT.

(a) TEMPORARY EXTENSION.—Section 45(c)(3) (relating to qualified facility) is amended by striking ''1999'' and inserting ''2001''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to facilities placed in service after June 30, 1999.

SEC. 503. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.

(a) IN GENERAL.—Sections 953(e)(10) and 954(h)(9) are each amended—

(1) by striking ''the first taxable year'' and inserting ''taxable years'', and

(2) by striking ''January 1, 2000'' and inserting ''January 1, 2002''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 504. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

Section 198(h) (relating to termination) is amended by striking ''December 31, 2000'' and inserting ''June 30, 2001''.

SEC. 505. VIRGIN ISLANDS AND PUERTO RICO RUM COVER OVER.

(a) IN GENERAL.—Section 7652(f)(1) (relating to limitation on cover over of tax on distilled spirits) is amended to read as follows:

''(1) $10.50 ($13.50 in the case of distilled spirits brought into the United States after June 30, 1999, and before July 1, 2001), or''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on July 1, 1999.

SEC. 506. MODIFICATIONS OF PUERTO RICAN ECONOMIC ACTIVITY CREDIT.

(a) TAXPAYERS OTHER THAN EXISTING CLAIMANTS ELIGIBLE FOR CREDIT.—Section

30A(a)(2) (defining qualified domestic corporation) is amended to read as follows:

''(2) QUALIFIED DOMESTIC CORPORATION.—For purposes of paragraph (1), the term 'qualified domestic corporation' means a domestic corporation with respect to which section 936(a)(4)(B) does not apply for the taxable year.''

(b) REPEAL OF BASE PERIOD CAP.—Section 30A(a)(1) is amended by striking the last sentence.

(c) CONFORMING AMENDMENTS.—

(1) Section 30A(a)(3) is amended to read as follows:

''(3) SEPARATE APPLICATION.—For purposes of determining the amount of the credit allowed under this section, this section (and so much of section 936 as relates to this section) shall be applied separately with respect to Puerto Rico.''

(2) Section 30A(e)(1) is amended by inserting ''but not including subsection (j) thereof'' after ''thereunder''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999, and before January 1, 2003.

TITLE VI—QUALITY EDUCATION INITIATIVES

SEC. 601. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

"Subchapter X—Public School Modernization Provisions

''Part I. Credit to holders of qualified public school modernization bonds.

''Part II. Qualified school construction bonds.

''Part III. Incentives for education zones.

"PART I—CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS

''Sec. 1400F. Credit to holders of qualified public school modernization bonds.

"SEC. 1400F. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified public school modernization bond on a credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

''(b) AMOUNT OF CREDIT.—

''(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a qualified public school modernization bond is 25 percent of the annual credit determined with respect to such bond.

''(2) ANNUAL CREDIT.—The annual credit determined with respect to any qualified public school modernization bond is the product of—

''(A) the applicable credit rate, multiplied by

''(B) the outstanding face amount of the bond.

''(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of issuance of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

''(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

''(c) LIMITATION BASED ON AMOUNT OF TAX.—

''(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

''(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(B) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

''(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

''(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND; CREDIT ALLOWANCE DATE.—For purposes of this section—

''(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—The term 'qualified public school modernization bond' means—

''(A) a qualified school construction bond, and

''(B) a qualified zone academy bond.

''(2) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means—

''(A) March 15,

''(B) June 15,

''(C) September 15, and

''(D) December 15.

Such term includes the last day on which the bond is outstanding.

''(e) OTHER DEFINITIONS.—For purposes of this subchapter—

''(1) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

''(2) BOND.—The term 'bond' includes any obligation.

''(3) STATE.—The term 'State' includes the District of Columbia and any possession of the United States.

''(4) PUBLIC SCHOOL FACILITY.—The term 'public school facility' shall not include any facility which is not owned by a State or local government or any agency or instrumentality of a State or local government.

''(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (c)) and the amount so included shall be treated as interest income.

''(g) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified public school modernization bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

''(h) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified public school modernization bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

''(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified public school modernization bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a qualified public school modernization bonds on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(j) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

''(k) REPORTING.—Issuers of qualified public school modernization bonds shall submit reports similar to the reports required under section 149(e).

"PART II—QUALIFIED SCHOOL CONSTRUCTION BONDS

''Sec. 1400G. Qualified school construction bonds.

"SEC. 1400G. QUALIFIED SCHOOL CONSTRUCTION BONDS.

''(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this subchapter, the term 'qualified school construction bond' means any bond issued as part of an issue if—

''(1) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

''(2) the bond is issued by a State or local government within the jurisdiction of which such school is located,

''(3) the issuer designates such bond for purposes of this section, and

''(4) the term of each bond which is part of such issue does not exceed 15 years.

''(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer shall not exceed the sum of—

''(1) the limitation amount allocated under subsection (d) for such calendar year to such issuer, and

''(2) if such issuer is a large local educational agency (as defined in subsection (e)(4)) or is issuing on behalf of such an agency, the limitation amount allocated under subsection (e) for such calendar year to such agency.

''(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

''(1) $11,800,000,000 for 2001,

''(2) $11,800,000,000 for 2005, and

''(3) except as provided in subsection (f), zero after 2001 and before 2005, and after 2005.

''(d) SIXTY-FIVE PERCENT OF LIMITATION ALLOCATED AMONG STATES.—

''(1) IN GENERAL.—Sixty-five percent of the limitation applicable under subsection (c) for any calendar year shall be allocated among the States under paragraph (2) by the Secretary. The limitation amount allocated to a State under the preceding sentence shall be allocated by the State to issuers within such State and such allocations may be made only if there is an approved State application.

''(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among the States in proportion to the respective

amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year. For purposes of the preceding sentence, Basic Grants attributable to large local educational agencies (as defined in subsection (e)) shall be disregarded.

''(3) MINIMUM ALLOCATIONS TO STATES.—

''(A) IN GENERAL.—The Secretary shall adjust the allocations under this subsection for any calendar year for each State to the extent necessary to ensure that the sum of—

''(i) the amount allocated to such State under this subsection for such year, and

''(ii) the aggregate amounts allocated under subsection (e) to large local educational agencies in such State for such year,

is not less than an amount equal to such State's minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

''(B) MINIMUM PERCENTAGE.—A State's minimum percentage for any calendar year is the minimum percentage described in section 1124(d) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334(d)) for such State for the most recent fiscal year ending before such calendar year.

''(4) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

''(5) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under this subsection, $200,000,000 for calendar year 2001, and $200,000,000 for calendar year 2005, shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair of schools funded by the Bureau of Indian Affairs. In the case of amounts allocated under the preceding sentence, Indian tribal governments (as defined in section 7871) shall be treated as qualified issuers for purposes of this subchapter.

''(6) APPROVED STATE APPLICATION.—For purposes of paragraph (1), the term 'approved State application' means an application which is approved by the Secretary of Education and which includes—

''(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, including descriptions of—

''(i) health and safety problems at such facilities,

''(ii) the capacity of public schools in the State to house projected enrollments, and

''(iii) the extent to which the public schools in the State offer the physical infrastructure needed to provide a high-quality education to all students, and

''(B) a description of how the State will allocate to local educational agencies, or otherwise use, its allocation under this subsection to address the needs identified under subparagraph (A), including a description of how it will—

''(i) give highest priority to localities with the greatest needs, as demonstrated by inadequate school facilities coupled with a low level of resources to meet those needs,

''(ii) use its allocation under this subsection to assist localities that lack the fiscal capacity to issue bonds on their own, and

''(iii) ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, and repair in the State that would have occurred in the absence of such allocation.

Any allocation under paragraph (1) by a State shall be binding if such State reasonably determined that the allocation was in accordance with the plan approved under this paragraph.

''(e) THIRTY-FIVE PERCENT OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

''(1) IN GENERAL.—Thirty-five percent of the limitation applicable under subsection (c) for any calendar year shall be allocated under paragraph (2) by the Secretary among local educational agencies which are large local educational agencies for such year. No qualified school construction bond may be issued by reason of an allocation to a large local educational agency under the preceding sentence unless such agency has an approved local application.

''(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among large local educational agencies in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

''(3) ALLOCATION OF UNUSED LIMITATION TO STATE.—The amount allocated under this subsection to a large local educational agency for any calendar year may be reallocated by such agency to the State in which such agency is located for such calendar year. Any amount reallocated to a State under the preceding sentence may be allocated as provided in subsection (d)(1).

''(4) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this section, the term 'large local educational agency' means, with respect to a calendar year, any local educational agency if such agency is—

''(A) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

''(B) 1 of not more than 25 local educational agencies (other than those described in subparagraph (A)) that the Secretary of Education determines (based on the most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

''(5) APPROVED LOCAL APPLICATION.—For purposes of paragraph (1), the term 'approved local application' means an application which is approved by the Secretary of Education and which includes—

''(A) the results of a recent publicly-available survey (undertaken by the local educational agency or the State with the involvement of school officials, members of the public, and experts in school construction and management) of such agency's needs for public school facilities, including descriptions of—

''(i) the overall condition of the local educational agency's school facilities, including health and safety problems,

''(ii) the overcrowded conditions of the agency's schools and the capacity of such schools to house projected enrollments, and

''(iii) the extent to which the agency's schools offer the physical infrastructure needed to provide a high-quality education to all students,

''(B) a description of how the local educational agency will use its allocation under this subsection to address the needs identified under subparagraph (A), including a description of how the agency will—

''(i) give high priority to localities with the greatest needs, as demonstrated by inadequate school facilities coupled with a low level of resources to meet those needs,

''(ii) use its allocation under this subsection to assist localities that lack the fiscal capacity to issue bonds on their own,

''(iii) ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, and repair in the State that would have occurred in the absence of such allocation, and

''(iv) ensure that the needs of both rural and urban areas are recognized, and

''(C) a description of how the local educational agency will ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, or repair in the locality that would have occurred in the absence of such allocation.

A rule similar to the rule of the last sentence of subsection (d)(6) shall apply for purposes of this paragraph.

''(f) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(1) the amount allocated under subsection (d) to any State, exceeds

''(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation,

the limitation amount under such subsection for such State for the following calendar year shall be increased by the amount of such excess. A similar rule shall apply to the amounts allocated under subsection (d)(5) or (e).

''(g) SPECIAL RULES RELATING TO ARBITRAGE.—

''(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of subsection (a)(1) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued.

''(2) BINDING COMMITMENT REQUIREMENT.—Paragraph (1) shall apply to an issue only if, as of the date of issuance, there is a reasonable expectation that—

''(A) at least 10 percent of the proceeds of the issue will be spent within the 6-month period beginning on such date for the purpose for which such issue was issued, and

''(B) the remaining proceeds of the issue will be spent with due diligence for such purpose.

''(3) EARNINGS ON PROCEEDS.—Any earnings on proceeds during the temporary period shall be treated as proceeds of the issue for purposes of applying subsection (a)(1) and paragraph (1) of this subsection.

''PART III—INCENTIVES FOR EDUCATION ZONES

''Sec. 1400H. Qualified zone academy bonds.

''SEC. 1400H. QUALIFIED ZONE ACADEMY BONDS.

''(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of this subchapter—

''(1) IN GENERAL.—The term 'qualified zone academy bond' means any bond issued as part of an issue if—

''(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by a local educational agency,

''(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

''(C) the issuer—

''(i) designates such bond for purposes of this section,

''(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

''(iii) certifies that it has the written approval of the local educational agency for such bond issuance, and

''(D) the term of each bond which is part of such issue does not exceed 15 years.

Rules similar to the rules of section 1400G(g) shall apply for purposes of paragraph (1).

''(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

''(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

''(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term 'qualified contribution' means any contribution (of a type and quality acceptable to the local educational agency) of—

''(i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

''(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

''(iii) services of employees as volunteer mentors,

''(iv) internships, field trips, or other educational opportunities outside the academy for students, or

''(v) any other property or service specified by the local educational agency.

''(3) QUALIFIED ZONE ACADEMY.—The term 'qualified zone academy' means any public school (or academic program within a public school) which is established by and operated under the supervision of a local educational agency to provide education or training below the postsecondary level if—

''(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

''(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

''(C) the comprehensive education plan of such public school or program is approved by the local educational agency, and

''(D)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

''(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

''(4) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified zone academy—

''(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,

''(B) acquiring the land on which such facility is to be constructed with part of the proceeds of such issue,

''(C) providing equipment for use at such academy,

''(D) developing course materials for education to be provided at such academy, and

''(E) training teachers and other school personnel in such academy.

''(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

''(1) IN GENERAL.—There is a national zone academy bond limitation for each calendar year. Such limitation is—

''(A) $400,000,000 for 1998,

''(B) $400,000,000 for 1999,

''(C) $400,000,000 for 2001,

''(D) $400,000,000 for 2005, and

''(E) except as provided in paragraph (3), zero after 1999 and before 2001, zero after 2001 and before 2005, and zero after 2005.

''(2) ALLOCATION OF LIMITATION.—

''(A) ALLOCATION AMONG STATES.—

''(i) 1998 and 1999 LIMITATIONS.—The national zone academy bond limitations for calendar years 1998 and 1999 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget).

''(ii) LIMITATION AFTER 1999.—The national zone academy bond limitation for any calendar year after 1999 shall be allocated by the Secretary among the States in the manner prescribed by section 1400G(d); except that in making the allocation under this clause, the Secretary shall take into account—

''(I) Basic Grants attributable to large local educational agencies (as defined in section 1400G(e)(4)).

''(II) the national zone academy bond limitation.

''(B) ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.—The limitation amount allocated to a State under subparagraph (A) shall be allocated by the State education agency to qualified zone academies within such State.

''(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year.

''(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(A) the limitation amount under this subsection for any State, exceeds

''(B) the amount of bonds issued during such year which are designated under subsection (a) (or the corresponding provisions of prior law) with respect to qualified zone academies within such State,

the limitation amount under this subsection for such State for the following calendar year shall be increased by the amount of such excess.''

(b) REPORTING.—Subsection (d) of section 6049 of the Internal Revenue Code of 1986 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

''(8) REPORTING OF CREDIT ON QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 1400F(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1400F(d)(2)).

''(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

''(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.''

(c) CONFORMING AMENDMENTS.—

(1) Subchapter U of chapter 1 of the Internal Revenue Code of 1986 is amended by striking part IV, by redesignating part V as part IV, and by redesignating section 1397F as section 1397E.

(2) The table of subchapters for chapter 1 of such Code is amended by adding at the end the following new item:

''Subchapter X. Public school modernization provisions.''

(3) The table of parts of subchapter U of chapter 1 of such Code is amended by striking the last 2 items and inserting the following item:

''Part IV. Regulations.''

(d) USE OF NET PROCEEDS.—Notwithstanding any other provision of law—

(1) section 439(a) of the General Education Provisions Act shall apply with respect to the construction, reconstruction, rehabilitation, or repair of any school facility to the extent funded by net proceeds obtained through any provision enacted or amended by this Act, and

(2) such net proceeds may not be used to fund the construction, reconstruction, rehabilitation, or repair of any stadium or other facility primarily used for athletic or nonacademic events.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to obligations issued after December 31, 1999.

(2) REPEAL OF RESTRICTION ON ZONE ACADEMY BOND HOLDERS.—In the case of bonds to which section 1397E of the Internal Revenue Code of 1986 (as in effect before the date of the enactment of this Act) applies, the limitation of such section to eligible taxpayers (as defined in subsection (d)(6) of such section) shall not apply after the date of the enactment of this Act.

SEC. 602. MODIFICATIONS TO QUALIFIED TUITION PROGRAMS.

(a) ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 529(b)(1) (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''.

(2) PRIVATE QUALIFIED TUITION PROGRAMS LIMITED TO BENEFIT PLANS.—Clause (ii) of section 529(b)(1)(A) is amended by inserting ''in the case of a program established and maintained by a State or agency or instrumentality thereof,'' before ''may make''.

(3) CONFORMING AMENDMENTS.—

(A) Sections 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and 6693(a)(2)(C) are each amended by striking ''qualified State tuition'' each place it appears and inserting ''qualified tuition''.

(B) The headings for sections 72(e)(9) and 135(c)(2)(C) are each amended by striking ''QUALIFIED STATE TUITION'' and inserting ''QUALIFIED TUITION''.

(C) The headings for sections 529(b) and 530(b)(2)(B) are each amended by striking ''QUALIFIED STATE TUITION'' and inserting ''QUALIFIED TUITION''.

(D) The heading for section 529 is amended by striking ''state''.

(E) 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''.

(b) EXCLUSION FROM GROSS INCOME OF EDUCATION DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 529(c)(3)(B) (relating to distributions) is amended to read as follows:

''(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this paragraph—

''(i) IN-KIND DISTRIBUTIONS.—No amount shall be includible in gross income under subparagraph (A) by reason of a distribution which consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense.

''(ii) CASH DISTRIBUTIONS.—In the case of distributions not described in clause (i), if—

''(I) such distributions do not exceed the qualified higher education expenses (reduced by expenses described in clause (i)), no amount shall be includible in gross income, and

''(II) in any other case, the amount otherwise includible in gross income shall be reduced by an amount which bears the same ratio to such amount as such expenses bear to such distributions.

''(iii) EXCEPTION FOR INSTITUTIONAL PROGRAMS.—In the case of any taxable year beginning before January 1, 2004, clauses (i) and (ii) shall not apply with respect to any distribution during such taxable year under a qualified tuition program established and maintained by 1 or more eligible educational institutions.

''(iv) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

''(v) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

''(I) as provided in section 25A(g)(2), and

''(II) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A.

''(vi) COORDINATION WITH EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.—If, with respect to an individual for any taxable year—

''(I) the aggregate distributions to which clauses (i) and (ii) and section 530(d)(2)(A) apply, exceed

''(II) the total amount of qualified higher education expenses otherwise taken into account under clauses (i) and (ii) (after the application of clause (v)) for such year,

the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under clauses (i) and (ii) and section 530(d)(2)(A).''

(2) CONFORMING AMENDMENTS.—

(A) Section 135(d)(2)(B) is amended by striking ''the exclusion under section 530(d)(2)'' and inserting ''the exclusions under sections 529(c)(3)(B)(i) and 530(d)(2)''.

(B) Section 221(e)(2)(A) is amended by inserting ''529,'' after ''135,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 603. ELIMINATION OF 60-MONTH LIMIT ON STUDENT LOAN INTEREST DEDUCTION.

(a) ELIMINATION OF 60-MONTH LIMIT.—Section 221 (relating to interest on education loans) is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(b) CONFORMING AMENDMENT.—Section 6050S(e) is amended by striking ''section 221(e)(1)'' and inserting ''section 221(d)(1)''.

(c) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to any loan interest paid after December 31, 1999, in taxable years ending after such date.

SEC. 604. ADDITIONAL INCREASE IN ARBITRAGE REBATE EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATIONAL FACILITIES.

(a) IN GENERAL.—Section 148(f)(4)(D)(vii) (relating to increase in exception for bonds financing public school capital expenditures) is amended by striking ''$5,000,000'' the second place it appears and inserting ''$10,000,000''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued in calendar years beginning after December 31, 2000.

SEC. 605. TREATMENT OF QUALIFIED PUBLIC EDUCATIONAL FACILITY BONDS AS EXEMPT FACILITY BONDS.

(a) TREATMENT AS EXEMPT FACILITY BOND.—Subsection (a) of section 142 (relating to exempt facility bond) is amended by striking ''or'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', or'', and by adding at the end the following new paragraph:

''(13) qualified public educational facilities.''

(b) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—Section 142 (relating to exempt facility bond) is amended by adding at the end the following new subsection:

''(k) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—

''(1) IN GENERAL.—For purposes of subsection (a)(13), the term 'qualified public educational facility' means any school facility which is—

''(A) part of a public elementary school or a public secondary school, and

''(B) owned by a private, for-profit corporation pursuant to a public-private partnership agreement with a State or local educational agency described in paragraph (2).

''(2) PUBLIC-PRIVATE PARTNERSHIP AGREEMENT DESCRIBED.—A public-private partnership agreement is described in this paragraph if it is an agreement—

''(A) under which the corporation agrees—

''(i) to do 1 or more of the following: construct, rehabilitate, refurbish, or equip a school facility, and

''(ii) at the end of the term of the agreement, to transfer the school facility to such agency for no additional consideration, and

''(B) the term of which does not exceed the last maturity date of any bond which is a part of the issue to be used to finance the activities described in subparagraph (A)(i).

''(3) SCHOOL FACILITY.—For purposes of this subsection, the term 'school facility' means—

''(A) school buildings,

''(B) functionally related and subordinate facilities and land with respect to such buildings, including any stadium or other facility primarily used for school events, and

''(C) any property, to which section 168 applies (or would apply but for section 179), for use in the facility.

''(4) PUBLIC SCHOOLS.—For purposes of this subsection, the terms 'elementary school' and 'secondary school' have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as in effect on the date of the enactment of this subsection.

''(5) ANNUAL AGGREGATE FACE AMOUNT OF TAX-EXEMPT FINANCING.—

''(A) IN GENERAL.—An issue shall not be treated as an issue described in subsection (a)(13) if the aggregate face amount of bonds issued by the State pursuant thereto (when added to the aggregate face amount of bonds previously so issued during the calendar year) exceeds an amount equal to the greater of—

''(i) $10 multiplied by the State population, or

''(ii) $5,000,000.

''(B) ALLOCATION RULES.—

''(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the State may allocate the amount described in subparagraph (A) for any calendar year in such manner as the State determines appropriate.

''(ii) RULES FOR CARRYFORWARD OF UNUSED LIMITATION.—A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section 146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a)(13).''

(c) EXEMPTION FROM GENERAL STATE VOLUME CAPS.—Paragraph (3) of section 146(g) (relating to exception for certain bonds) is amended—

(1) by striking ''or (12)'' and inserting ''(12), or (13)'', and

(2) by striking ''and environmental enhancements of hydroelectric generating facilities'' and inserting ''environmental enhancements of hydroelectric generating facilities, and qualified public educational facilities''.

(d) EXEMPTION FROM LIMITATION ON USE FOR LAND ACQUISITION.—Section 147(h) (relating to certain rules not to apply to mortgage revenue bonds, qualified student loan bonds, and qualified 501(c)(3) bonds) is amended by adding at the end the following new paragraph:

''(3) EXEMPT FACILITY BONDS FOR QUALIFIED PUBLIC-PRIVATE SCHOOLS.—Subsection (c) shall not apply to any exempt facility bond issued as part of an issue described in section 142(a)(13) (relating to qualified public educational facilities).''

(e) CONFORMING AMENDMENT.—The heading for section 147(h) is amended by striking ''MORTGAGE REVENUE BONDS, QUALIFIED STUDENT LOAN BONDS, AND QUALIFIED 501(c)(3) BONDS'' and inserting ''CERTAIN BONDS''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after December 31, 2000.

SEC. 606. PERMANENT EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) IN GENERAL.—Section 127 (relating to exclusion for educational assistance programs) is amended by striking subsection (d).

(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—

(1) IN GENERAL.—The last sentence of section 127(c)(1) is amended by striking '', and such term also does not include any payment for, or the provision of any benefits with respect to, any graduate level course of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced academic or professional degree''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to expenses relating to courses beginning after December 31, 1999.

SEC. 607. EXPANSION OF DEDUCTION FOR COMPUTER DONATIONS TO SCHOOLS.

(a) IN GENERAL.—Section 170(e)(6)(A) (relating to limit on reduction) is amended by inserting ''(determined by substituting '90 percent' for 'one-half'' in clause (i) and without regard to clause (ii) thereof)'' after ''paragraph (3)(B)''.

(b) REACQUIRED COMPUTERS ELIGIBLE FOR DONATION.—

(1) IN GENERAL.—Section 170(e)(6)(B)(iii) (defining qualified elementary or secondary educational contribution) is amended by inserting '', the person from whom the donor reacquires the property,'' after ''the donor''.

(2) REACQUIRED COMPUTER EQUIVALENT TO NEW COMPUTER.—Section 170(e)(6)(B) is amended by striking ''and'' at the end of clause (vi), by redesignating clause (vii) as clause (viii), and by inserting after clause (vi) the following:

''(vii) the contribution of any reacquired computer technology or equipment is made only after such computer technology or equipment is refurbished to a standard equivalent to newly constructed computer technology or equipment, and''.

(3) CONFORMING AMENDMENT.—Section 170(e)(6)(B)(ii) is amended by inserting ''or reaquired'' after ''acquired''.

(c) EXTENSION OF DEDUCTION.—Section 170(e)(6)(F) (relating to termination) is amended by striking ''2000'' and inserting ''2001''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after December 31, 1999.

SEC. 608. CREDIT FOR INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits) is amended by adding at the end the following:

''SEC. 45D. INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an employer, the information technology training program credit determined under this section is an amount equal to 20 percent of information technology training program expenses paid or incurred by the taxpayer during the taxable year.

''(b) ADDITIONAL CREDIT PERCENTAGE FOR CERTAIN PROGRAMS.—The percentage under subsection (a) shall be increased by 5 percentage points for information technology training program expenses paid or incurred—

''(1) by the taxpayer with respect to a program operated in—

''(A) an empowerment zone or enterprise community designated under part I of subchapter U,

''(B) a school district in which at least 50 percent of the students attending schools in such district are eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act,

''(C) an area designated as a disaster area by the Secretary of Agriculture or by the President under the Disaster Relief and Emergency Assistance Act in the taxable year or the 4 preceding taxable years,

''(D) a rural enterprise community designated under section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999,

''(E) an area designated by the Secretary of Agriculture as a Rural Economic Area Partnership Zone, or

''(F) an area designated by the Secretary of Agriculture as a Champion Community, or

''(2) by a small employer.

''(c) LIMITATION.—The amount of information technology training program expenses with respect to an individual which may be taken into account under subsection (a) for the taxable year shall not exceed $6,000.

''(d) INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.—For purposes of this section—

''(1) IN GENERAL.—The term 'information technology training program expenses' means expenses paid or incurred by reason of the participation of the employer in any information technology training program.

''(2) INFORMATION TECHNOLOGY TRAINING PROGRAM.—The term 'information technology training program' means a program—

''(A) for the training of—

''(i) computer programmers, systems analysts, and computer scientists or engineers (as such occupations are defined by the Bureau of Labor Statistics), and

''(ii) such other occupations as determined by the Secretary, after consultation with a working group broadly solicited by the Secretary and open to all interested information technology entities and trade and professional associations,

''(B) involving a partnership of—

''(i) employers, and

''(ii) State training programs, school districts, university systems, tribal colleges, or certified commercial information technology training providers, and

''(C) at least 50 percent of the costs of which is paid or incurred by the employers.

''(3) CERTIFIED COMMERCIAL INFORMATION TECHNOLOGY TRAINING PROVIDER.—The term 'certified commercial information technology training providers' means a private sector provider of educational products and services utilized for training in information technology which is certified with respect to—

''(A) the curriculum that is used for the training, or

''(B) the technical knowledge of the instructors of such provider,

by 1 or more software publishers or hardware manufacturers the products of which are a subject of the training.

''(e) SMALL EMPLOYER.—For purposes of this section, the term 'small employer' means, with respect to any calendar year, any employer if such employer employed 200 or fewer employees on each business day in each of 20 or more calendar weeks in such year or the preceding calendar year.

''(f) DENIAL OF DOUBLE BENEFIT.—No deduction or credit under any other provision of this chapter shall be allowed with respect to information technology training program expenses (determined without regard to the limitation under subsection (c)).

''(g) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of section 45A(e)(2) and subsections (c), (d), and (e) of section 52 shall apply.''

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (relating to current year business credit), as amended by section 205(b)(1), is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following:

''(14) the information technology training program credit determined under section 45D.''

(c) NO CARRYBACKS.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits), as amended by section 205(c), is amended by adding at the end the following:

''(10) NO CARRYBACK OF SECTION 45D CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the information technology training program credit determined under section 45D may be carried back to a taxable year ending before the date of the enactment of section 45D.''

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following:

''Sec. 45D. Information technology training program expenses.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 609. CHARITABLE CONTRIBUTIONS TO CERTAIN LOW INCOME SCHOOLS MAY BE MADE IN NEXT TAXABLE YEAR.

(a) IN GENERAL.—Section 170(f) (relating to disallowance of deduction in certain cases and special rules) is amended by adding at the end the following new paragraph:

''(10) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—

''(A) IN GENERAL.—At the election of the taxpayer, a qualified low-income school contribution shall be deemed to be made 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). The election may be made at the time of the filing of the return for such table year, and shall be made and substantiated in such manner as the Secretary shall by regulations prescribe.

''(B) QUALIFIED LOW-INCOME SCHOOL CONTRIBUTION.—For purposes of subparagraph (A), the term 'qualified low-income school contribution' means a charitable contribution to an educational organization described in subsection (b)(1)(A)(ii)—

''(i) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), as determined under State law, and

''(ii) with respect to which at least 50 percent of the students attending such school are eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 610. EXCLUSION OF NATIONAL SERVICE EDUCATIONAL AWARDS.

(a) IN GENERAL.—Section 117 (relating to qualified scholarships) is amended by adding at the end the following:

''(e) QUALIFIED NATIONAL SERVICE EDUCATIONAL AWARDS.—

''(1) IN GENERAL.—Gross income for any taxable year shall not include any qualified national service educational award.

''(2) QUALIFIED NATIONAL SERVICE EDUCATIONAL AWARD.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified national service educational award' means any amount received by an individual in a taxable year as a national service educational award or other amount under section 148 of the National and Community Service Act of 1990 (42 U.S.C. 12604) to the extent the individual establishes that, in accordance with the conditions of such award or other amount, such award or other amount was used for qualified tuition and related expenses (as defined in subsection (b)(2)) of the individual.

''(B) LIMITATION.—The total amount of the qualified tuition and related expenses (as so defined) which may be taken into account under subparagraph (A) with respect to an individual shall be reduced by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A with respect to such expenses in any taxable year.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts received in taxable years beginning after December 31, 1999.

TITLE VII—ENVIRONMENTAL CONSERVATION AND PROTECTION

Subtitle A—Better America Bonds

SEC. 701. CREDIT FOR HOLDERS OF BETTER AMERICA BONDS.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to credits against tax) is amended by adding at the end the following new subpart:

"Subpart H—Nonrefundable Credit for Holders of Better America Bonds

''Sec. 54. Credit to holders of Better America bonds.

"SEC. 54. CREDIT TO HOLDERS OF BETTER AMERICA BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a Better America bond on a credit allowance date which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bonds.

''(b) AMOUNT OF CREDIT.—

''(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a Better America bond is an amount equal to the product of—

''(A) the credit rate determined by the Secretary under paragraph (2), multiplied by

''(B) the face amount of the bond held by the taxpayer on the credit allowance date.

''(2) DETERMINATION.—During each calendar month, the Secretary shall determine a credit rate which shall apply to bonds issued during the following calendar month. The credit rate for any 3-month period ending on a credit allowance date is the percentage which the Secretary estimates will on average equal the yield on corporate bonds outstanding on the day before the date of such determination.

''(3) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

''(c) LIMITATION BASED ON AMOUNT OF TAX.—

''(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

''(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(B) the sum of the credits allowable under this part (other than this subpart and subpart C).

''(2) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to each of the 5 taxable years following the unused credit year and added to the credit allowable under subsection (a) for each such taxable year, subject to the application of paragraph (1) to such taxable year.

''(d) BETTER AMERICA BOND.—For purposes of this section—

''(1) IN GENERAL.—The term 'Better America bond' means any bond issued as part of an issue if—

''(A) 95 percent or more of the proceeds of such issue are to be used for a qualified environmental infrastructure project,

''(B) the bond is issued by a State or local government,

''(C) the issuer—

''(i) designates such bond for purposes of this section,

''(ii) has a reasonable expectation that at least 10 percent of the proceeds of such issue will be spent for qualifying environmental infrastructure projects within 6 months of the date such bonds are issued,

''(iii) certifies such proceeds will be used with due diligence for qualified environmental infrastructure projects, and

''(iv) has a reasonable expectation that any property acquired or improved in connection with the proceeds of such issue, other than property improved in connection with a qualified environmental infrastructure project described in paragraph (2)(A)(v), shall continue to be dedicated to a qualified use for a period of not less than 15 years from the date of such issue,

''(D) such bond satisfies public approval requirements similar to the requirements of section 147(f)(2),

''(E) except as provided in paragraph (4)(B), the payment of the principal of such issue is secured by taxes of general applicability imposed by a general purpose governmental unit, and

''(F) the term of each bond which is part of such issue does not exceed 15 years.

''(2) QUALIFIED ENVIRONMENTAL INFRASTRUCTURE PROJECT.—

''(A) IN GENERAL.—The term 'qualified environmental infrastructure project' means—

''(i) acquisition of qualified property for use as open space, wetlands, public parks, or greenways, or to improve access to public lands by non-motorized means,

''(ii) construction, rehabilitation, or repair of a visitor facility in connection with qualified property, including nature centers, campgrounds, and hiking or biking trails,

''(iii) remediation of qualified property to enhance water quality by—

''(I) restoring natural hydrology or planting trees and streamside vegetation,

''(II) controlling erosion,

''(III) restoring wetlands, or

''(IV) treating conditions caused by the prior disposal of toxic or other waste,

''(iv) acquisition of a qualified easement in order to maintain the use and character of the property in connection to which such easement is granted as open space, including an easement to allow access to public land by non-motorized means, and

''(v) environmental assessment and remediation of real property and public infrastructure owned by a governmental unit and located in an area where or on which there has been a release (or threat of release) or disposal of any hazardous substance (within the meaning of section 198), not including any property described in subparagraph (D).

''(B) QUALIFIED PROPERTY.—The term 'qualified property' means real property—

''(i) which is, or is to be, owned by—

''(I) a governmental unit, or

''(II) an organization described in section 501(c)(3) and exempt from taxation under section 501(a) and which has as one if its purposes environmental preservation, and

''(ii) which is reasonably anticipated to be available for use by members of the general public, unless such use would change the character of the property and be contrary to the qualified use of the property.

''(C) SAFE HARBOR FOR MANAGEMENT CONTRACTS.—For purposes of subparagraph (B), property shall not be treated as qualified property if any rights or benefits of such property inure to a private person other than rights or benefits under a management contract or similar type of operating agreement to which rules similar to the rules applicable to tax-exempt bonds apply.

''(D) CERCLA PROPERTY.—Property is described in this subparagraph if any portion of such property is included, or proposed to be included, in the national priorities list under section 105(a)(8)(B) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9605(a)(8)(B)).

''(E) LIMIT ON DISPOSITION OF PROPERTY.—Any disposition of any interest in property acquired or improved in connection with a qualified environmental project described in this paragraph (except a project described in subparagraph (A)(v)) shall contain an option (recorded pursuant to applicable State or local law) to purchase such property for an amount equal to the original acquisition price of such property for any interested organizations described in subparagraph (B)(i)(II) if such organization purchases such property subject to a restrictive covenant requiring a continued qualified use of such property.

''(3) TEMPORARY PERIOD EXCEPTION.—

''(A) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of paragraph (1)(A) solely by reason of the fact that the proceeds of the issue of which such bond is a part—

''(i) are invested for a reasonable temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued, or

''(ii) are used within 90 days of the close of such temporary period to redeem bonds which are a part of such issue.

Any earnings on such proceeds during the period under clause (i) shall be treated as proceeds of the issue for purposes of applying paragraph (1)(A).

''(B) INVESTMENT OF PROCEEDS.—For purposes of subparagraph (A), proceeds shall only be invested in—

''(i) Government securities, and

''(ii) in the case of a sinking fund established by the issuer, State and local government securities issued by the Treasury.

''(4) SPECIAL RULES FOR PROJECTS DESCRIBED IN PARAGRAPH (2)(A)(v).—

''(A) LIMIT ON USE OF PROCEEDS FOR PROJECT.—This subsection shall not apply to any bond issued as part of an issue if an amount of the proceeds from such issue are used for a qualified environmental infrastructure project described in paragraph (2)(A)(v) and involving public infrastructure in excess of an amount equal to 5 percent of the total amount of such proceeds used for all projects described in such paragraph (2)(A)(v).

''(B) PRIVATE USE AND REPAYMENT OF PROCEEDS.—In the case of proceeds of an issue which are used for a qualified environmental infrastructure project described in paragraph (2)(A)(v), the issue of which such bonds are a part shall not fail to meet the requirements of this subsection solely because the proceeds of a disposition of any interest in such property are used to redeem such bonds as long as the purchaser of such property makes an irrevocable election not to claim any deduction with respect to such project under section 198.

''(5) RECAPTURE OF CREDIT AMOUNT.—

''(A) IN GENERAL.—If, during the taxable year, any bond that is part of an issue under this section fails to meet the requirements of this subsection—

''(i) such bond shall not be treated as a Better America bond for such taxable year and any succeeding taxable year, and

''(ii) the issuer of such bond shall be liable for payment to the United States of the credit recapture amount.

Such payment shall be made at such time and in such manner as determined by the Secretary.

''(B) CREDIT RECAPTURE AMOUNT.—For purposes of subparagraph (A), the credit recapture amount is an amount equal to the sum of—

''(i) the aggregate amount of credit allowed with respect to such bond for the 3 preceding taxable years, plus

''(ii) interest (at the underpayment rate established under section 6621) on the credit amount from the date such credit was allowed to the payment date under subparagraph (A).

''(e) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

''(1) IN GENERAL.—There is a Better America bond limitation for each calendar year equal to—

''(A) $1,900,000,000 for each of years 2001 through 2005, and

''(B) except as provided in paragraph (3), zero after 2005.

''(2) ALLOCATION OF LIMITATION AMONG STATES AND LOCAL GOVERNMENTS.—

''(A) IN GENERAL.—The limitation amount to be allocated under paragraph (1) for any calendar year shall be allocated among States and local governments with an approved application on a competitive basis by the Better America Bonds Board (referred to in this subsection as the 'Board') established under section 702 of the Tax and Public Debt Reduction Act of 1999.

''(B) APPROVED APPLICATION.—For purposes of subparagraph (A), the term 'approved application' means an application which is approved by the Board, and which includes such information as the Board requires.

''(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(A) the limitation amount under paragraph (1), exceeds

''(B) the aggregate limitation amount allocated to States and local governments under this section,

the limitation amount under paragraph (1) for the following calendar year shall be increased by the amount of such excess. No limitation amount shall be carried forward under this paragraph more than 3 years.

''(f) OTHER DEFINITIONS; SPECIAL RULES.—For purposes of this subpart—

''(1) BOND.—The term 'bond' includes any obligation.

''(2) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means—

''(A) March 15,

''(B) June 15,

''(C) September 15, and

''(D) December 15.

Such term includes the last day on which the bond is outstanding.

''(3) QUALIFIED EASEMENT.—The term 'qualified easement' means a perpetual easement—

''(A) which would be a qualified conservation contribution under section 170(h) if such easement were a contribution under such section, and

''(B) which is to be held by an entity described in subclause (I) or (II) of subsection (d)(2)(B)(i).

''(4) QUALIFIED USE.—The term 'qualified use' means, with respect to property, a use which is consistent with the purpose of the qualified environmental infrastructure project related to such property.

''(5) STATE.—The term 'State' includes the District of Columbia, any possession of the United States, and any Indian tribe (as defined in section 45A(c)(6)).

''(6) PARTNERSHIP; S CORPORATION; AND OTHER PASS-THRU ENTITIES.—Under regulations prescribed by the Secretary, in the case of a partnership, trust, S corporation, or other pass-thru entity, rules similar to the rules of section 41(g) shall apply with respect to the credit allowable under subsection (a).

''(g) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section and the amount so included shall be treated as interest income.

''(h) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any Better America bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

''(i) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a Better America bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person which, on the credit allowance date, holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

''(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the Better America bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(j) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a Better America bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(k) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

''(l) REPORTING.—Issuers of Better America bonds shall submit reports similar to the reports required under section 149(e).''

(b) REPORTING.—Subsection (d) of section 6049 of the Internal Revenue Code of 1986 (relating to returns regarding payments of interest) is amended by adding at the end the following:

''(8) REPORTING OF CREDIT ON BETTER AMERICA BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 54(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 54(f)(2)).

''(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

''(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.''

(c) CLERICAL AMENDMENTS.—

(1) The table of subparts for part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''Subpart H. Nonrefundable Credit for Holders of Better America Bonds.''

(2) Section 6401(b)(1) of such Code is amended by striking ''and G'' and inserting ''G, and H''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2000.

SEC. 702. BETTER AMERICA BONDS BOARD.

(a) ESTABLISHMENT.—There is established a board to be known as the Better America Bonds Board (in this section referred to as the ''Board'').

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Board shall be composed of 12 members, as follows:

(A) 3 members shall be individuals who are not otherwise Federal officers or employees and who are appointed by the President, by and with the advice and consent of the Senate.

(B) 2 members, not be affiliated with the same political party, shall be individuals who represent Governors, or other chief executive officers, of a State, mayors, and county commissioners and who are appointed by the President, by and with the advice and consent of the Senate.

(C) 1 member shall be the Administrator of the Environmental Protection Agency or the Administrator's designee.

(D) 1 member shall be the Secretary of Agriculture or the Secretary's designee.

(E) 1 member shall be the Secretary of Housing and Urban Development or the Secretary's designee.

(F) 1 member shall be the Secretary of Interior or the Secretary's designee.

(G) 1 member shall be the Secretary of Transportation or the Secretary's designee.

(H) 1 member shall be the Secretary of the Treasury or the Secretary's designee.

(I) 1 member shall be the Director of the Federal Emergency Management Agency or the Director's designee.

(2) QUALIFICATIONS AND TERMS.—

(A) QUALIFICATIONS.—Members of the Board described in paragraph (1)(A) shall be appointed without regard to political affiliation and solely on the basis of their professional experience and expertise in 1 or more of the following areas:

(i) Tax-exempt organizations which have as a principal purpose environmental protection and land conservation.

(ii) Community planning.

(iii) Real estate investment and bond financing.

In the aggregate, the members of the Board described in paragraph (1)(A) should collectively bring to bear expertise in all of the areas described in the preceding sentence.

(B) TERMS.—Each member who is described in subparagraph (A) or (B) of paragraph (1) shall be appointed for a term of 3 years, except that of the members first appointed—

(i) 1 member shall be appointed for a term of 1 year,

(ii) 2 members shall be appointed for a term of 2 years, and

(iii) 2 members shall be appointed for a term of 3 years.

(C) REAPPOINTMENT.—An individual who is described in subparagraph (A) or (B) of paragraph (1) may be appointed to no more than one 3-year term on the Board.

(D) VACANCY.—Any vacancy on the Board shall be filled in the same manner as the original appointment. Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed for the remainder of that term.

(3) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Board have been appointed, the Board shall hold its first meeting. Subsequent meetings shall be determined by the Board by majority vote.

(4) QUORUM.—A majority of the members of the Board shall constitute a quorum, but a lesser number of members may hold hearings.

(5) CHAIRPERSON.—The member described in paragraph (1)(C) shall serve as the Chairperson of the Board and shall have the sole power to call a meeting of the Board.

(6) REMOVAL.—

(A) IN GENERAL.—Any member of the Board appointed under subparagraph (A) or (B) of paragraph (1) may be removed at the will of the President.

(B) SECRETARIES; DIRECTOR; ADMINISTRATOR.—An individual described in subparagraphs (C) through (I) of paragraph (1) shall be removed upon termination of service in the office described in each such subparagraph.

(c) DUTIES OF THE BOARD.—

(1) IN GENERAL.—The Board shall review applications for allocation of the Better America bond limitation amounts under section 54(e)(2) of the Internal Revenue Code of 1986 and approve applications in accordance with published criteria.

(2) CRITERIA FOR APPROVAL.—The Board shall consider the following criteria in approving an application under paragraph (1):

(A) A distribution pattern of the overall limitation amount available for the year which results in the financing of each category of qualified environmental infrastructure project and results in an even distribution among different regions of the country and sizes of communities.

(B) State or local government support of proposed projects.

(C) Proposed projects which meet local and regional environmental protection or planning goals and leverage or make more efficient or innovative the use of other public or private resources.

(D) Proposed projects which are intended to maintain the viability of existing central business districts, preserve the community's distinct character and values, and encourage the reuse of property already served by public infrastructure.

(E) The extent of expected improvement in environmental quality, outdoor recreation opportunities, and access to public lands.

(3) ANNUAL REPORT.—The Board shall annually report with respect to the conduct of its responsibilities under this section to the President and Congress and such report shall include—

(A) the overall progress of the Better America bond program, and

(B) the overall limitation amount allocated during the year and a description of the amount, region, and qualified environmental infrastructure project financed by each allocation.

(4) CONFLICT OF INTEREST.—The Board shall carry out its duties under this subsection in such a way to ensure that all conflicts of interest of its members are avoided.

(d) POWERS OF THE BOARD.—

(1) HEARINGS.—The Board may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Board considers advisable to carry out the purposes of this section.

(2) INFORMATION FROM FEDERAL AGENCIES.—The Board may secure directly from any Federal department or agency such information as the Board considers necessary to carry out the provisions of this section, including the published and unpublished data and analytical products of the Bureau of Labor Statistics. Upon request of the Chairperson of the Board, the head of such department or agency shall furnish such information to the Board.

(3) POSTAL SERVICES.—The Board may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(e) BOARD PERSONNEL MATTERS.—

(1) COMPENSATION OF MEMBERS.—Each member of the Board who is not otherwise an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level III of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Board. All members of the Board who otherwise are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(2) TRAVEL EXPENSES.—The members of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Board.

(3) STAFF.—

(A) IN GENERAL.—The Chairperson of the Board may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Board to perform its duties. The employment of an executive director shall be subject to confirmation by the Board.

(B) COMPENSATION.—The Chairperson of the Board may fix the compensation of the executive director and other personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level IV of the Executive Schedule under section 5316 of such title.

(4) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee may be detailed to the Board without additional reimbursement (other than the employee's regular compensation), and such detail shall be without interruption or loss of civil service status or privilege.

(5) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chairperson of the Board may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

(f) DEFINITIONS.—For purposes of this section—

(1) STATE.—The term 'State' includes the District of Columbia, any possession of the United States, and any Indian tribe (as defined in section 45A(c)(6)).

(2) QUALIFIED ENVIRONMENTAL INFRASTRUCTURE PROJECT.—The term 'qualified environmental infrastructure project' has the same meaning given that term in section 54(d)(2) of the Internal Revenue Code of 1986.

(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Board such sums as are necessary to carry out the purposes of this section.

(h) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(2) INITIAL NOMINATIONS.—The President shall submit the initial nominations under subparagraphs (A) and (B) of subsection (b)(1) to the Senate not later than 90 days after the date of the enactment of this Act.

(3) REGULATIONS.—Not later than January 1, 2001, the Board shall publish in the Federal Register the guidelines and criteria for submission and approval of applications under subsection (c).

Subtitle B—Conservation Incentives

SEC. 711. TAX EXCLUSION FOR COST-SHARING PAYMENTS UNDER PARTNERS FOR WILDLIFE PROGRAM.

(a) IN GENERAL.—Section 126(a) (relating to certain cost-sharing payments) is amended by redesignating paragraph (10) as paragraph (11) and by inserting after paragraph (9) the following:

''(10) The Partners for Wildlife Program authorized by the Fish and Wildlife Act of 1956 (16 U.S.C. 742a et seq.).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 712. ENHANCED DEDUCTION FOR THE DONATION OF A CONSERVATION EASEMENT.

(a) IN GENERAL.—Paragraph (1) of section 170(b) of the Internal Revenue Code of 1986 (relating to percentage limitations) is amended by adding at the end the following:

''(G) SPECIAL RULES FOR QUALIFIED CONSERVATION CONTRIBUTIONS.—In the case of a qualified conservation contribution by an individual (as defined in subsection (h)(1), except that the phrase 'or a certified historic structure' in clause (iv) of subsection (h)(4)(A) shall not apply):

''(i) 50 PERCENT LIMITATION TO APPLY.—Such a contribution shall be treated for purposes of this section as described in subparagraph (A).

''(ii) 20 -YEAR CARRY FORWARD.—Subsection (d)(1) shall be applied by substituting '20 years' for '5 years' each place it appears and with appropriate adjustments in the application of subparagraph (A)(ii) thereof.

''(iii) UNUSED DEDUCTION CARRYOVER ALLOWED ON TAXPAYER'S LAST RETURN.—If the taxpayer dies before the close of the last taxable year for which a deduction could have been allowed under subsection (d)(1), any portion of the deduction for such contribution which has not been allowed shall be allowed as a deduction under subsection (a) (without regard to this subsection) for the taxable year in which such death occurs or such portion may be used as a deduction against the gross estate of the taxpayer.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 713. NATIONAL WILDLIFE REFUGE CONSERVATION EASEMENTS.

(a) LAND SUBJECT TO A QUALIFIED CONSERVATION EASEMENT TO INCLUDE LAND NEAR A NATIONAL WILDLIFE REFUGE.—Section 2031(c)(8)(A)(i)(II) (defining land subject to a qualified conservation easement) is amended—

(1) by inserting '', national wildlife refuge,'' after ''national park'', and

(2) by inserting '', refuge,'' after ''such a park''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

SEC. 714. EXCLUSION OF 50 PERCENT OF GAIN ON SALES OF LAND OR INTERESTS IN LAND OR WATER TO ELIGIBLE ENTITIES FOR CONSERVATION PURPOSES.

(a) IN GENERAL.—Part I of subchapter P of chapter 1 (relating to treatment of capital gains) is amended by adding at the end the following new section:

''SEC. 1203. 50-PERCENT EXCLUSION OF GAIN ON SALES OF LAND OR INTERESTS IN LAND OR WATER TO ELIGIBLE ENTITIES FOR CONSERVATION PURPOSES.

''(a) EXCLUSION.—Gross income shall not include 50 percent of any gain from the sale of land or an interest in land or water (determined without regard to any improvements) to an eligible entity if—

''(1) such land or interest in land or water was owned by the taxpayer or a member of

the taxpayer's family (as defined in section 2032A(e)(2)) at all times during the 3-year period ending on the date of the sale, and

''(2) such land or interest in land or water is being acquired by an eligible entity which provides the taxpayer, at the time of acquisition, a written letter of intent which shall include the following statement: 'The purchaser's intent is that this acquisition will serve 1 or more of the conservation purposes specified in clause (i), (ii), or (iii) of section 170(h)(4)(A).'

''(b) ELIGIBLE ENTITY.—For purposes of this section, the term 'eligible entity' means—

''(1) any agency of the United States or of any State or local government, or

''(2) any other organization that—

''(A) is organized and at all times operated principally for 1 or more of the conservation purposes specified in clause (i), (ii), or (iii) of section 170(h)(4)(A),

''(B) is described in section 501(c)(3) and exempt from tax under section 501(a), and

''(C)(i) meets the requirements of section 509(a)(2), or

''(ii) meets the requirements of section 509(a)(3) and is controlled by an organization described in section 509(a)(2).

''(c) STOCK IN HOLDING CORPORATIONS.—For purposes of this section, the term 'land or an interest in land or water' shall include stock in any corporation, if the fair market value of the corporation's land or interests in land or water equals or exceeds 90 percent of the fair market value of all of such corporation's assets at all times during the 3-year period ending on the date of the sale.''

(b) CLERICAL AMENDMENT.—The table of sections for part I of subchapter P of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Sec. 1203. 50-percent exclusion of gain on sales of land or interests in land or water to eligible entities for conservation purposes.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales occurring in taxable years beginning after December 31, 2000.

Subtitle C—Alternative Fuels Incentives

SEC. 721. EXTENSION AND EXPANSION OF CREDIT FOR PURCHASE OF ELECTRIC VEHICLES.

(a) MODIFIED CREDIT FOR VEHICLES WHICH MEET CERTAIN RANGE REQUIREMENTS.—Section 30(a) (relating to allowance of credit) is amended to read as follows:

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(A) 10 percent of the cost of any qualified electric vehicle placed in service by the taxpayer during the taxable year, plus

''(B) in the case of any such vehicle also meeting the requirement described in paragraph (2), $5,000.

''(2) RANGE REQUIREMENT.—The requirement described in this paragraph is a driving range of at least 100 miles—

''(A) on a single charge of the vehicle's rechargeable batteries, fuel cells, or other portable source of electrical current, and

''(B) measured pursuant to the urban dynamometer schedules under appendix I to part 86 of title 40, Code of Federal Regulations.''

(b) CREDIT EXTENDED THROUGH 2010.—

(1) IN GENERAL.—Section 30(e) (relating to termination) is amended to read as follows:

''(e) TERMINATION.—This section shall not apply to any property placed in service after December 31, 2010.''

(2) CONFORMING AMENDMENTS.—Section 30(b)(2) (relating to phaseout) is amended—

(A) by striking ''2002'' in subparagraph (A) and inserting ''2008'',

(B) by striking ''2003'' in subparagraph (B) and inserting ''2009'', and

(C) by striking ''2004'' in subparagraph (C) and inserting ''2010''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service in taxable years beginning after December 31, 2000.

SEC. 722. ADDITIONAL DEDUCTION FOR COST OF INSTALLATION OF ALTERNATIVE FUELING STATIONS.

(a) IN GENERAL.—Subparagraph (A) of section 179A(b)(2) (relating to qualified clean-fuel vehicle refueling property) is amended to read as follows:

''(A) IN GENERAL.—The aggregate cost which may be taken into account under subsection (a)(1)(B) with respect to qualified clean-fuel vehicle refueling property placed in service during the taxable year at a location shall not exceed the sum of—

''(i) with respect to costs not described in clause (ii), the excess (if any) of—

''(I) $100,000, over

''(II) the aggregate amount of such costs taken into account under subsection (a)(1)(B) by the taxpayer (or any related person or predecessor) with respect to property placed in service at such location for all preceding taxable years, plus

''(ii) the lesser of—

''(I) the cost of the installation of such property, or

''(II) $30,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service in taxable years beginning after December 31, 2000.

SEC. 723. CREDIT FOR RETAIL SALE OF CLEAN BURNING FUELS AS MOTOR VEHICLE FUEL.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by inserting after section 40 the following:

''SEC. 40A. CREDIT FOR RETAIL SALE OF CLEAN BURNING FUELS AS MOTOR VEHICLE FUEL.

''(a) GENERAL RULE.—For purposes of section 38, the clean burning fuel retail sales credit of any taxpayer for any taxable year is 15 cents for each gasoline gallon equivalent of clean burning fuel sold at retail by the taxpayer during such year as a fuel to propel any qualified motor vehicle.

''(b) DEFINITIONS.—For purposes of this section—

''(1) CLEAN BURNING FUEL.—The term 'clean burning fuel' means natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, and any liquid at least 85 percent of which consists of methanol.

''(2) GASOLINE GALLON EQUIVALENT.—The term 'gasoline gallon equivalent' means, with respect to any clean burning fuel, the amount (determined by the Secretary) of such fuel having a Btu content of 114,000.

''(3) QUALIFIED MOTOR VEHICLE.—The term 'qualified motor vehicle' means any motor vehicle (as defined in section 179A(e)) which meets any applicable Federal or State emissions standards with respect to each fuel by which such vehicle is designed to be propelled.

''(4) SOLD AT RETAIL.—

''(A) IN GENERAL.—The term 'sold at retail' means the sale, for a purpose other than resale, after manufacture, production, or importation.

''(B) USE TREATED AS SALE.—If any person uses clean burning fuel as a fuel to propel any qualified motor vehicle (including any use after importation) before such fuel is sold at retail, then such use shall be treated in the same manner as if such fuel were sold at retail as a fuel to propel such a vehicle by such person.

''(c) NO DOUBLE BENEFIT.—The amount of the credit determined under subsection (a) shall be reduced by the amount of any deduction or credit allowable under this chapter for fuel taken into account in computing the amount of such credit.

''(d) TERMINATION.—This section shall not apply to any fuel sold at retail after December 31, 2007.''.

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) (relating to current year business credit) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following:

''(13) the clean burning fuel retail sales credit determined under section 40A(a).''.

(c) TRANSITIONAL RULE.—Section 39(d) (relating to transitional rules) is amended by adding at the end the following:

''(9) NO CARRYBACK OF SECTION 40A CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the clean burning fuel retail sales credit determined under section 40A(a) may be carried back to a taxable year ending before January 1, 1999.''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 40 the following:

''Sec. 40A. Credit for retail sale of clean burning fuels as motor vehicle fuel.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold at retail in taxable years beginning after December 31, 2000.

Subtitle C—Other Provisions

SEC. 731. EXPANSION OF SECTION 29 TAX CREDIT.

(a) PLACED-IN-SERVICE DATE.—Section 29(g)(1)(A) is amended by striking ''July 1, 1998'' and inserting ''the date which is 8 months after the date of the enactment of the Tax and Public Debt Reduction Act of 1999''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to production after the date of the enactment of this Act.

SEC. 732. UNIFORM DOLLAR LIMITATION FOR ALL TYPES OF TRANSPORTATION FRINGE BENEFITS.

(a) IN GENERAL.—Paragraph (2) of section 132(f) (relating to qualified transportation fringe) is amended to read as follows:

''(2) LIMITATION ON EXCLUSION.—The aggregate amount of the fringe benefits which are provided by an employer to any employee and which may be excluded from gross income under subsection (a)(5) shall not exceed $175 per month.''

(b) CONFORMING AMENDMENT TO INFLATION ADJUSTMENT.—Section 132(f)(6)(A) (relating to inflation adjustment) is amended by striking ''the dollar amounts contained in subparagraphs (A) and (B) of paragraph (2)'' and inserting ''the dollar amount contained in paragraph (2)''.

(c) ADDITIONAL CONFORMING AMENDMENT.—Section 9010 of the Transportation Equity Act for the 21st Century is amended by striking subsection (c).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

TITLE VIII—SAVINGS AND PENSION PROVISIONS

Subtitle A—Expanding Coverage for Small Business

SEC. 801. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''

(b) AMENDMENT TO ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to loans made after December 31, 2000.

SEC. 802. CONTRIBUTIONS TO IRAS THROUGH PAYROLL DEDUCTIONS.

(a) DEFINITIONS.—For purposes of this section—

(1) CONTRIBUTION CERTIFICATE.—The term ''contribution certificate'' means a certificate submitted by an employee to the employee's employer which—

(A) identifies the employee by name, address, and social security number,

(B) identifies the individual retirement plan to which the employee wishes to make contributions through payroll deductions, and

(C) identifies the amount of such contributions, not to exceed the amount allowed under section 408 of the Internal Revenue Code of 1986 to an individual retirement plan for such year.

(2) EMPLOYEE.—The term ''employee'' does not include an employee as defined in section 401(c)(1) of such Code.

(3) INDIVIDUAL RETIREMENT PLANS.—The term ''individual retirement plan'' has the meaning given the term by section 7701(a)(37) of the Internal Revenue Code of 1986.

(4) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(b) ESTABLISHMENT OF PAYROLL DEDUCTION SYSTEM.—An employer may establish a system under which employees, through employer payroll deductions, may make contributions to individual retirement plans. An employer shall not incur any liability under title I of the Employee Retirement Income Security Act of 1974 in providing for such a system.

(c) CONTRIBUTIONS TO INDIVIDUAL RETIREMENT PLANS.—

(1) IN GENERAL.—The system established under subsection (b) shall provide that contributions made to an individual retirement plan for any taxable year are—

(A) contributions through employer payroll deductions, and

(B) if the employer so elects, additional contributions by the employee which, when added to contributions under subparagraph (A), do not exceed the amount allowed under section 408 of the Internal Revenue Code of 1986 for the taxable year.

(2) EMPLOYER PAYROLL DEDUCTIONS.—

(A) IN GENERAL.—The system established under subsection (b) shall provide that an employee may establish and maintain an individual retirement plan simply by—

(i) completing a contribution certificate, and

(ii) submitting such certificate to the employee's employer in the manner provided under subparagraph (D).

(B) CHANGE OF AMOUNTS.—An employee establishing and maintaining an individual retirement plan under subparagraph (A) may change the amount of an employer payroll deduction in the same manner as under subparagraph (A).

(C) SIMPLIFIED FORMS.—

(i) CONTRIBUTION CERTIFICATE.—The Secretary shall develop a model contribution certificate for purposes of this paragraph—

(I) which is written in a clear and easily understandable manner, and

(II) the completion of which by an employee will constitute the establishment of an individual retirement plan and the request for employer payroll deductions or changes in such deductions.

(ii) AVAILABILITY.—The Secretary shall make available to all employees and employers the forms developed under this subparagraph, and shall include with such forms easy to understand explanatory materials.

(D) USE OF CERTIFICATE.—Each employer electing to adopt a system under subsection (b) shall, upon receipt of a contribution certificate from an employee, deduct the appropriate contribution as determined by such certificate from the employee's wages in equal amounts during the remaining payroll periods for the taxable year and shall remit such amounts for investment in the employee's individual retirement plan not later than the close of the 30-day period following the last day of the month in which such payroll period occurs.

(E) FAILURE TO REMIT PAYROLL DEDUCTIONS.—For purposes of the Internal Revenue Code of 1986, any amount which an employer fails to remit on behalf of an employee pursuant to a contribution certificate of such employee shall not be allowed as a deduction to the employer under such Code.

(d) ADDITIONAL INFORMATION.—

(1) IN GENERAL.—The system established under subsection (b) shall provide for the furnishing of information to employees of the opportunity of establishing individual retirement plans and of transferring amounts to such plans.

(2) INVESTMENT INFORMATION.—The employer shall also make available to employees information on how to make informed investment decisions and how to achieve retirement objectives.

(3) INFORMATION NOT INVESTMENT ADVICE.—Information provided under this subsection shall not be treated as investment advice for purposes of any Federal or State law.

SEC. 803. MODIFICATION OF TOP-HEAVY RULES.

(a) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—Section 416(g) is amended—

(1) in paragraph (3)—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE'', and

(B) in the matter following subparagraph (B), by striking ''5-year period'' and inserting ''1-year period'', and

(2) in paragraph (4)(E)—

(b) REQUIREMENTS FOR QUALIFICATION.—Clause (ii) of section 401(a)(10)(B) (relating to requirements for qualifications for top-heavy plans) is amended by adding at the end the following new flush sentence:

''The preceding sentence shall not apply to a plan if the plan is not top-heavy and if it is not reasonable to expect that the plan will become a top-heavy plan.''

(c) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—

(1) IN GENERAL.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) in clause (i), by striking ''clause (ii)'' and inserting ''clause (ii) or (iii)'', and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no employee or former employee.''

(2) CONFORMING AMENDMENT.—Subparagraph (A) of section 415(b)(5) is amended by adding at the end the following: ''An employee shall not be credited with a year of participation in a defined benefit plan for any year in which the plan does not benefit (within the meaning of section 410(b)) such employee.''

SEC. 804. CREDIT FOR SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS AND START-UP COSTS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45D. SMALL EMPLOYER PENSION PLAN CREDIT.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan credit determined under this section for any taxable year is an amount equal to the sum of—

''(1) 25 percent of the qualified employer contributions of the taxpayer for the taxable year, and

''(2) 50 percent of the qualified start-up costs paid or incurred by the taxpayer during the taxable year.

''(b) LIMITATIONS.—

''(1) LIMITS ON CONTRIBUTIONS.—For purposes of subsection (a)(1)—

''(A) qualified employer contributions may only be taken into account for each of the first 3 taxable years ending after the date the employer establishes the qualified employer plan to which the contribution is made, and

''(B) the amount of the qualified employer contributions taken into account with respect to any qualified employee for any such taxable year shall not exceed 3 percent of the compensation (as defined in section 414(s)) of the qualified employee for such taxable year.

''(2) LIMITS ON START-UP COSTS.—The amount of the credit determined under subsection (a)(2) for any taxable year shall not exceed—

''(A) $2,000 for the first taxable year ending after the date the employer established the qualified employer plan to which such costs relate,

''(B) $1,000 for each of the second and third such taxable years, and

''(C) zero for each taxable year thereafter.

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—

''(A) IN GENERAL.—The term 'eligible employer' means, with respect to any year, an employer which has no more than—

''(i) for purposes of subsection (a)(1), 25 employees, and

''(ii) for purposes of subsection (a)(2), 100 employees,

who received at least $5,000 of compensation from the employer for the preceding year.

''(B) 2-YEAR GRACE PERIOD.—An eligible employer who establishes and maintains a qualified employer plan for 1 or more years and who fails to be an eligible employer for any subsequent year shall be treated as an eligible employer for the 2 years following the last year the employer was an eligible employer.

''(C) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if, during the 3-taxable year period immediately preceding the 1st taxable year for which the credit under this section

is otherwise allowable for a qualified employer plan of the employer, the employer and each member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued, for substantially the same employees as are in the qualified employer plan.

''(2) QUALIFIED EMPLOYER CONTRIBUTIONS.—

''(A) IN GENERAL.—The term 'qualified employer contributions' means, with respect to any taxable year, any employer contributions made on behalf of a qualified employee to a qualified employer plan for a plan year ending with or within the taxable year.

''(B) EMPLOYER CONTRIBUTIONS.—The term 'employer contributions' shall not include any elective deferral (within the meaning of section 402(g)(3)).

''(3) QUALIFIED EMPLOYEE.—The term 'qualified employee' means an individual who—

''(A) is eligible to participate in the qualified employer plan to which the employer contributions are made, and

''(B) is not a highly compensated employee (within the meaning of section 414(q)) for the year for which the contribution is made.

''(4) QUALIFIED START-UP COSTS.—The term 'qualified start-up costs' means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

''(A) the establishment or maintenance of a qualified employer plan in which qualified employees are eligible to participate, and

''(B) providing educational information to employees regarding participation in such plan and the benefits of establishing an investment plan.

''(5) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' has the meaning given such term in section 4972(d).

''(d) SPECIAL RULES.—

''(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All qualified employer plans of an employer shall be treated as a single qualified employer plan.

''(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowable under this chapter for any qualified start-up costs or qualified contributions for which a credit is determined under subsection (a).

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following new paragraph:

''(13) in the case of an eligible employer (as defined in section 45D(c)), the small employer pension plan credit determined under section 45D(a).''

(c) PORTION OF CREDIT REFUNDABLE.—Section 38(c) (relating to limitation based on amount of tax) is amended by adding at the end the following new paragraph:

''(4) PORTION OF SMALL EMPLOYER PENSION PLAN CREDIT REFUNDABLE.—

''(A) IN GENERAL.—In the case of the small employer pension plan credit under subsection (b)(13), the aggregate credits allowed under subpart C shall be increased by the lesser of—

''(i) the credit which would be allowed without regard to this paragraph and the limitation under paragraph (1), or

''(ii) the amount by which the aggregate amount of credits allowed by this section (without regard to this paragraph) would increase if the limitation under paragraph (1) were increased by the taxpayer's applicable payroll taxes for the taxable year.

''(B) TREATMENT OF CREDIT.—The amount of the credit allowed under this paragraph shall not be treated as a credit allowed under this subpart and shall reduce the amount of the credit allowed under this section for the taxable year.

''(C) APPLICABLE PAYROLL TAXES.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'applicable payroll taxes' means, with respect to any taxpayer for any taxable year—

''(I) the amount of the taxes imposed by sections 3111 and 3221(a) on compensation paid by the taxpayer during the taxable year,

''(II) 50 percent of the taxes imposed by section 1401 on the self-employment income of the taxpayer during the taxable year, and

''(III) 50 percent of the taxes imposed by section 3211(a)(1) on amounts received by the taxpayer during the calendar year in which the taxable year begins.

''(ii) AGREEMENTS REGARDING FOREIGN AFFILIATES.—Section 24(d)(5)(C) shall apply for purposes of clause (i).''

(d) CONFORMING AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45D. Small employer pension plan credit.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred or contributions made in connection with qualified employer plans established after December 31, 2000.

SEC. 805. INCREASING LIMITS FOR DEFERRALS TO SIMPLE PLANS.

(a) SIMPLE RETIREMENT ACCOUNTS.—Paragraph (2)(A)(ii) of section 408(p) (relating to simple retirement accounts) is amended by striking ''$6,000'' and inserting ''$8,000''.

(b) NONDISCRIMINATION TESTS.—Section 401(k)(11)(B)(i)(I) is amended by striking ''$6,000'' and inserting ''$8,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 806. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.

(a) IN GENERAL.—Section 404, as amended by section 803, is amended by adding at the end the following new subsection:

''(o) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitations described in this section (other than subsection (a)), and such elective deferrals shall not be taken into account in applying such limitations to any other contributions.''

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

Subtitle B—Increasing Pension Access and Fairness for Women

SEC. 811. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended to read as follows:

''(B) the greater of 50 percent of the participant's compensation or $10,000.''

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'', and

(B) by striking paragraph (2).

(3) NONDISCRIMINATION TESTING.—

(A) Section 401(k)(3)(A) is amended by adding at the end the following: ''The actual deferral percentage of eligible employees other than highly compensated employees shall be computed without regard to contributions in excess of 25 percent of compensation.''

(B) Section 401(m)(3) is amended by adding at the end the following: ''The contribution percentage of eligible employees other than highly compensated employees shall be computed without regard to contributions in excess of 25 percent of compensation.''

(4) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect on December 31, 2000)''.

(B) Section 403(b)(3) is amended by inserting ''or any amount received by a former employee after the 5th taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence.

(C) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(D) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(E) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''

(F) Section 415(c) is amended by striking paragraph (4) and by redesignating paragraph (6) as paragraph (4).

(G) Section 415(c) is amended by striking paragraph (7) and inserting the following new paragraph:

''(5) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church, a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''

(H) Section 415(e)(3)(B) is amended—

(i) by striking ''subsection (c)(6)'' in clause (i) and inserting ''subsection (c)(4)'', and

(ii) by striking ''subsection (c)(7)'' in clause (ii)(II) and inserting ''subsection (c)(5)''.

(I) Section 415(e)(5) is amended—

(i) by striking ''(except in the case of a participant who has elected under subsection (c)(4)(D) to have the provisions of subsection (c)(4)(C) apply)'', and

(ii) by striking the last sentence.

(J) Section 415(n)(2)(B) is amended by striking ''percentage''.

(K) Subparagraph (B) of section 402(g)(7) is amended by inserting before the period at the end the following: ''(as in effect on the date of the enactment of the Pension Coverage and Portability Act)''.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR ANNUITY CONTRACTS AND SIMPLIFIED PENSIONS.—For purposes of this section—

''(A) ANNUITY CONTRACTS.—Any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)).

''(B) SIMPLIFIED PLANS.—Any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 812. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENTS TO 1986 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan'', and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''

(b) AMENDMENTS TO ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2000.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), or

(ii) January 1, 2001, or

(B) January 1, 2005.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 813. DEFERRED ANNUITIES FOR SURVIVING SPOUSES OF FEDERAL EMPLOYEES.

(a) IN GENERAL.—Section 8341 of title 5, United States Code, is amended—

(1) in subsection (h)(1), by striking ''section 8338(b) of this title'' and inserting ''section 8338(b), and a former spouse of a deceased former employee who separated from the service with title to a deferred annuity under section 8338 (if they were married to one another prior to the date of separation),''; and

(2) by adding at the end the following:

''(j)(1) If a former employee dies after having separated from the service with title to a deferred annuity under section 8338 but before having established a valid claim for annuity, and is survived by a spouse to whom married on the date of separation, the surviving spouse may elect to receive—

''(A) an annuity, commencing on what would have been the former employee's 62d birthday, equal to 55 percent of the former employee's deferred annuity;

''(B) an annuity, commencing on the day after the date of death of the former employee, such that, to the extent practicable, the present value of the future payments of the annuity would be actuarially equivalent to the present value of the future payments under subparagraph (A) as of the day after the former employee's death; or

''(C) the lump-sum credit, if the surviving spouse is the individual who would be entitled to the lump-sum credit and if such surviving spouse files application therefor.

''(2) An annuity under this subsection and the right thereto terminate on the last day of the month before the surviving spouse remarries before becoming 55 years of age, or dies.''

(b) CORRESPONDING AMENDMENT FOR FERS.—Section 8445(a) of title 5, United States Code, is amended—

(1) by striking ''(or of a former employee or'' and inserting ''(or of a former''; and

(2) by striking ''annuity)'' and inserting ''annuity, or of a former employee who dies after having separated from the service with title to a deferred annuity under section 8413 but before having established a valid claim for annuity (if such former spouse was married to such former employee prior to the date of separation))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to surviving spouses and former spouses (whose marriage, in the case of the amendments made by subsection (a), terminated after May 6, 1985) of former employees who die after December 31, 2000.

SEC. 814. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))'', and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 815. SPOUSES' RIGHT TO KNOW PROPOSAL.

(a) SPOUSE'S RIGHT TO KNOW DISTRIBUTION INFORMATION.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 417(a)(3) (relating to plan to provide written explanations) is amended by adding at the end the following new subparagraph:

''(C) EXPLANATION TO SPOUSE.—At the time a plan provides a participant with a written explanation under subparagraph (A) or (B), such plan shall provide a copy of such explanation to such participant's spouse. If the last known address of the spouse is the same as the last known address of the participant, the requirement of the preceding sentence shall be treated as met if the copy referred to in the preceding sentence is included in a single mailing made to such address and addressed to both such participant and spouse.''

(2) AMENDMENT OF ERISA.—Paragraph (3) of section 205(c) of Employee Retirement Income Security Act of 1974 is amended by adding at the end the following new subparagraph:

''(C) EXPLANATION TO SPOUSE.—At the time a plan provides a participant with a written explanation under subparagraph (A) or (B), such plan shall provide a copy of such explanation to such participant's spouse. If the last known address of the spouse is the same as the last known address of the participant, the requirement of the preceding sentence shall be treated as met if the copy referred to in the preceding sentence is included in a single mailing made to such address and addressed to both such participant and spouse.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

Subtitle C—Increasing Portability of Pension Plans

SEC. 821. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b).''

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).''

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) 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) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8)'' and inserting '', 403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 822. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B) the trustee of which is a person which may be a trustee of an individual retirement plan under section 408.''

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to

such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 823. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in the contract, to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2000.

SEC. 824. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 333, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 825. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election,

''(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2), and

''(VI) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(iii) Clause (i) shall not apply to a transfer unless it is in connection with a bona fide transaction or change in employer.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''

(2) AMENDMENT TO ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election;

''(v) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2); and

''(vi) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(C) Subparagraph (A) shall not apply to a transfer unless it is in connection with a bona fide transaction or change in employer.

''(5) Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(b) REGULATIONS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary may by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''

(2) AMENDMENT TO ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended to read as follows: ''The Secretary of the Treasury may by regulations provide that this paragraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''

(3) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g)(2) of the Employee Retirement Income Security Act of 1974. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 826. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination'', and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'',

(ii) by striking subparagraph (C), and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 827. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''

(b) 457 PLANS.—

(1) Subsection (e) of section 457 is amended by adding after paragraph (17) the following new paragraph:

''(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''

(2) Section 457(b)(2) is amended by striking ''(other than rollover amounts)'' and inserting ''(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(16))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2000.

SEC. 828. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''

(2) AMENDMENT TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

Subtitle D—Strengthening Pension Security and Enforcement

SEC. 831. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section. The preceding sentence shall not apply for purposes of applying subsection (b)(1)(A) to a plan which is not a multiemployer plan.''

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 832. EXTENSION OF MISSING PARTICIPANTS PROGRAM TO MULTIEMPLOYER PLANS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.''

(b) CONFORMING AMENDMENT.—Section 206(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(f)) is amended by striking ''the plan shall provide that,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after final regulations implementing subsection (c) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)) are prescribed.

SEC. 833. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(*l*)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(*l*)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(*l*)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(*l*)(2)) is amended to read as follows:

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from (or on behalf of) any fiduciary or other person with respect to a breach or violation described in paragraph (1) on or after the 90th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or

by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(2) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 90-day period described in the preceding sentence.''

(c) OTHER RULES.—Section 502(*l*) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(*l*)) is amended by adding at the end the following:

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to any action or claim, including any action or claim commenced by the Secretary of Labor, pending on or after the date of enactment of this Act.

SEC. 834. FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) EXCISE TAX.—

(1) IN GENERAL.—Chapter 43 of subtitle D (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF DEFINED BENEFIT PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of a large defined benefit plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(3) MINIMUM TAX FOR NONCOMPLIANCE PERIOD WHERE FAILURE DISCOVERED AFTER NOTICE OF EXAMINATION.—Notwithstanding paragraphs (1) and (2) of subsection (c)—

''(A) IN GENERAL.—In the case of 1 or more failures with respect to an applicable individual—

''(i) which are not corrected before the date a notice of examination of income tax liability is sent to the employer, and

''(ii) which occurred or continued during the period under examination,

the amount of tax imposed by subsection (a) by reason of such failures with respect to such beneficiary shall not be less than the lesser of $2,500 or the amount of tax which would be imposed by subsection (a) without regard to such paragraphs.

''(B) HIGHER MINIMUM TAX WHERE VIOLATIONS ARE MORE THAN DE MINIMIS.—To the extent violations by the employer (or the plan in the case of a multiemployer plan) for any year are more than de minimis, subparagraph (A) shall be applied by substituting '$15,000' for '$2,500' with respect to the employer (or such plan).

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED EXERCISING REASONABLE DILIGENCE.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that none of the persons referred to in subsection (d) knew, or exercising reasonable diligence would have known, that the failure existed.

''(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

''(A) such failure was due to reasonable cause and not to willful neglect, and

''(B) such failure is corrected during the 30-day period beginning on the first date any of the persons referred to in subsection (d) knew, or exercising reasonable diligence would have known, that such failure existed.

''(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

''(A) IN GENERAL.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

''(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If a large defined benefit plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, a trust which is part of such plan shall not constitute a qualified trust under this section unless, after adoption of such amendment and not less than 15 days before its effective date, the plan administrator provides—

''(A) a written statement of benefit change described in paragraph (2) to each applicable individual, and

''(B) a written notice setting forth the plan amendment and its effective date to each employee organization representing participants in the plan.

Any such notice may be provided to a person designated, in writing, by the person to which it would otherwise be provided. The plan administrator shall not be treated as failing to meet the requirements of this paragraph merely because the statement or notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(2) STATEMENT OF BENEFIT CHANGE.—A statement of benefit change described in this subparagraph shall—

''(A) be written in a manner calculated to be understood by the average plan participant, and

''(B) include the information described in paragraph (3).

''(3) INFORMATION CONTAINED IN STATEMENT OF BENEFIT CHANGE.—The information described in this paragraph includes the following:

''(A) Notice setting forth the plan amendment and its effective date.

''(B) A comparison of the following amounts under the plan with respect to an applicable individual, determined both with and without regard to the plan amendment:

''(i) The accrued benefit and the present value of the accrued benefit as of the effective date.

''(ii) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

Such comparison may include a statement that 'The projected benefits were computed using assumptions required under Federal law and may not prove accurate over time.'

''(C) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 and the regulations thereunder.

Benefits described in subparagraph (B) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A). The Secretary may prescribe regulations under which information other than that described in this paragraph may be provided in cases where the comparative benefits are not needed.

''(4) EMPLOYERS HELD HARMLESS.—A plan (and any employer maintaining the plan) shall not be treated as failing to meet the requirements of this subsection (or as being liable to any applicable individual) by reason of any projected amounts under paragraph (3) being wrong if such amounts were computed in accordance with such paragraph.

''(5) LARGE DEFINED BENEFIT PLAN; APPLICABLE INDIVIDUAL.—For purposes of this subsection—

''(A) LARGE DEFINED BENEFIT PLAN.—The term 'large defined benefit plan' means any defined benefit plan which had 1,000 or more participants who had accrued a benefit under the plan (whether or not nonforfeitable) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)).

''(B) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means—

''(i) each participant in the plan, and

''(ii) each beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

who has a nonforfeitable benefit under the plan as of the effective date of the plan amendment and who may reasonably be expected to be affected by the plan amendment.

''(6) ACCRUED BENEFIT; PROJECTED RETIREMENT BENEFIT.—For purposes of this subsection—

''(A) PRESENT VALUE OF ACCRUED BENEFIT.—The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(B) PROJECTED ACCRUED BENEFIT.—

''(i) IN GENERAL.—The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(ii) COMPENSATION AND OTHER ASSUMPTIONS.—Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year beginning after the effective date of the plan amendment at a rate equal to the median average of the CPI increase percentage (as defined in section 215(i) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year before the calendar year in which such effective date occurs.

''(iii) BENEFIT FACTORS.—For purposes of clause (ii), the term 'benefit factors' means social security benefits and all other relevant factors under section 411(b)(1)(A) used to compute benefits under the plan which had increased from the 2d plan year preceding the plan year in which the effective date of the plan amendment occurs to the 1st such preceding plan year.

''(C) NORMAL RETIREMENT AGE.—The term 'normal retirement age' means the later of—

''(i) the date determined under section 411(a)(8), or

''(ii) the date a plan participant attains age 62.''

(2) CONFORMING AMENDMENT.—The table of sections for chapter 43 of subtitle D is amended by adding at the end the following new item:

''Sec. 4980F. Failure of defined benefit plans reducing benefit accruals to satisfy notice requirements.''

(b) AMENDMENTS TO ERISA.—

(1) BENEFIT STATEMENT REQUIREMENT.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) If paragraph (1) applies to the adoption of a plan amendment by a large defined benefit plan, the plan administrator shall, after adoption of such amendment and not less than 15 days before its effective date, provide with the notice under paragraph (1) a written statement of benefit change described in subparagraph (B) to each applicable individual. The Secretary may provide that paragraph (1) shall not apply to an amendment by reason of a failure under this paragraph if such application would be an excessive penalty relative to the failure involved.

''(B) A statement of benefit change described in this subparagraph shall—

''(i) be written in a manner calculated to be understood by the average plan participant, and

''(ii) include the information described in subparagraph (C).

''(C) The information described in this subparagraph includes the following:

''(i) A comparison of the following amounts under the plan with respect to an applicable individual, determined both with and without regard to the plan amendment:

''(I) The accrued benefit and the present value of the accrued benefit as of the effective date.

''(II) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

Such comparison shall include a statement that 'The projected benefits were computed using assumptions required under Federal law and may not prove accurate over time.'

''(ii) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 of the Internal Revenue Code of 1986 and the regulations thereunder.

Benefits described in clause (i) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A) of such Code. The Secretary may prescribe regulations under which information other than that described in this subparagraph may be provided in cases where the comparative benefits are not needed.

''(D) A plan (and any employer maintaining the plan) shall not be treated as failing to meet the requirements of this paragraph (or as being liable to any applicable individual) by reason of any projected amounts under subparagraph (C) being wrong if such amounts were computed in accordance with such subparagraph.

''(E) For purposes of this paragraph—

''(i) The term 'large defined benefit plan' means any defined benefit plan which had 1,000 or more participants who had accrued a benefit under the plan (whether or not nonforfeitable) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 3(32)) or a church plan (within the meaning of section 3(33)).

''(ii) The term 'applicable individual' means an individual described in subparagraph (A) or (B) of paragraph (1) who has a nonforfeitable benefit under the plan as of the effective date of the plan amendment and who may reasonably be expected to be affected by the plan amendment.

''(F) For purposes of this paragraph—

''(i) The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(ii)(I) The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(II) Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year beginning after the effective date of the plan amendment at a rate equal to the median average of the CPI increase percentage (as defined in section 215(i) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year before the calendar year in which such effective date occurs.

''(III) For purposes of subclause (II), the term 'benefit factors' means social security benefits and all other relevant factors under section 204(b)(1)(A) used to compute benefits under the plan which had increased from the 2d plan year preceding the plan year in which the effective date of the plan amendment occurs to the 1st such preceding plan year.

''(iii) The term 'normal retirement age' means the later of—

''(I) the date determined under section 3(24), or

''(II) the date a plan participant attains age 62.

''(4) A plan administrator shall not be treated as failing to meet the requirements of this subsection merely because the notice or statement is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.''

(2) CONFORMING AMENDMENT.—Section 204(h)(1) of such Act (29 U.S.C. 1054(h)(1)) is amended by inserting ''(including any written statement of benefit change if required by paragraph (3))'' after ''written notice''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect in plan years beginning on or after the earlier of—

(A) the later of—

(i) January 1, 1999, or

(ii) the date on which the last of the collective bargaining agreements pursuant to which the plan is maintained terminates (determined without regard to any extension thereof after the date of the enactment of this Act), or

(B) January 1, 2001.

(2) EXCEPTION WHERE NOTICE GIVEN.—The amendments made by this section shall not apply to any plan amendment for which written notice was given to participants or their representatives before March 17, 1999, without regard to whether the amendment was adopted before such date.

(3) SPECIAL RULE.—The period for providing any notice required by, or any notice the contents of which are changed by, the amendments made by this Act shall not end before the date which is 6 months after the date of the enactment of this Act.

Subtitle E—Encouraging Retirement Education

SEC. 841. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(a)) is amended by striking ''shall furnish to any plan participant or beneficiary who so requests in writing, a statement'' and inserting ''shall furnish to each plan participant at least once each year (3 years in the case of a defined benefit plan) or upon written request of a plan participant or beneficiary, a statement in written or electronic form''.

(b) RULE FOR MULTIEMPLOYER PLANS.—Section 105(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(d)) is amended to read as follows:

''(d) Upon written request of a plan participant or beneficiary, each administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall furnish a statement described in subsection (a) in written or electronic form.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after the earlier of—

(1) the date of issuance by the Secretary of Labor of regulations providing guidance for simplifying defined benefit plan calculations with respect to the information required under section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025), or

(2) December 31, 1998.

SEC. 842. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning advice.''

(b) QUALIFIED RETIREMENT PLANNING ADVICE DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING ADVICE.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning advice' means any retirement planning advice provided to an employee and his spouse by an employer maintaining a qualified employer plan. Such term shall not include the providing of tax preparation, accounting, legal, brokerage, or other similar services.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such advice is available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

Subtitle F—Reducing Red Tape

SEC. 851. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 852. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) had not established or maintained a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by 2 or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2000.

SEC. 853. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW PLANS.

(a) IN GENERAL.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

''(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2000.

SEC. 854. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING NEW PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new pension benefit plan or any trust which is part of the plan.

(b) NEW PENSION BENEFIT PLAN.—For purposes of this section—

(1) IN GENERAL.—The term ''new pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan which is maintained by one or more eligible employers if such employer (or any predecessor employer) has not made a prior request described in subsection (a) for such plan (or any predecessor plan).

(2) ELIGIBLE EMPLOYER.—The term ''eligible employer'' means an employer (or any predecessor employer) which has not established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued for service, in the 3 most recent taxable years ending prior to the first taxable year in which the request is made.

(c) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2000.

SEC. 855. DISTRIBUTIONAL ANALYSIS OF PENSION TAX BENEFITS.

(a) ANALYSIS.—The Secretary of the Treasury shall, not later than June 30, 2000 conduct a distributional analysis of the tax benefits of major pension and retirement savings arrangements by income group.

(b) REPORT.—The Secretary shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives the results of the analysis under subsection (a). To the extent feasible, the Secretary shall report preliminary results of such analysis within 60 days of the date of the enactment of this Act.

Subtitle G—Other Provisions

SEC. 303. TAX CREDIT FOR MATCHING CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Subchapter F of chapter 1 (relating to exempt organizations) is amended by adding at the end the following new part:

''PART IX—INDIVIDUAL DEVELOPMENT ACCOUNTS

''Sec. 530A. Individual development accounts.

''SEC. 530A. INDIVIDUAL DEVELOPMENT ACCOUNTS.

''(a) INDIVIDUAL DEVELOPMENT ACCOUNT.—For purposes of this section, the term 'Individual Development Account' means a custodial account established for the exclusive benefit of an eligible individual or such individual's beneficiaries, but only if the written governing instrument creating the account meets the following requirements:

''(1) Except in the case of a qualified rollover (as defined in subsection (c)(2)(E))—

''(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 the lesser of—

''(i) $350, or

''(ii) an amount equal to the compensation includible in the eligible individual's gross income for such taxable year.

''(2) The custodian of the account is a qualified financial institution.

''(3) The interest of an eligible individual in the balance of the account (determined without regard to any such matching contribution or earnings thereon) is nonforfeitable.

''(4) The assets of the account will not be commingled with other property except in a common trust fund or common investment fund.

''(5) Except as provided in subsection (c), any amount in the account may be paid out only for qualified expense distributions.

''(b) MATCHING CONTRIBUTIONS WITH RESPECT TO INDIVIDUAL DEVELOPMENT ACCOUNTS.—

''(1) IN GENERAL.—If an eligible individual establishes an Individual Development Account with a qualified financial institution, the qualified financial institution may deposit into a separate, parallel, individual or pooled matching account an eligible matching contribution for the taxable year. The qualified financial institution shall maintain a separate accounting of matching contributions and earnings thereon.

''(2) ELIGIBLE MATCHING CONTRIBUTION.—For purposes of this section, the term 'eligible matching contribution' means a dollar-for-dollar match of the contributions made by the eligible individual into the Individual Development Account described in paragraph (1) with respect to any taxable year.

''(3) ALLOWANCE OF CREDIT FOR ELIGIBLE MATCHING CONTRIBUTIONS.—

''(A) IN GENERAL.—In the case of a qualified financial institution, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 85 percent of the eligible matching contributions made by such institution with respect to an eligible individual under this subsection for such taxable year (determined without regard to any amount described in paragraph (4)(B)). If any amount determined under the preceding sentence is not a multiple of $10, such amount shall be rounded to the next highest multiple of $10.

''(B) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subparagraph (A) for any taxable year shall not exceed the excess of—

''(i) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(ii) the sum of the credits allowable under part IV of subchapter A of this chapter.

''(C) CREDIT TREATED AS ALLOWED UNDER PART IV OF SUBCHAPTER A.—For purposes of subtitle F, the credit allowed under subparagraph (A) shall be treated as a credit allowable under part IV of subchapter A of this chapter.

''(4) FORFEITURE OF MATCHING FUNDS.—

''(A) IN GENERAL.—Amounts in the matching account established under this subsection for an eligible individual shall be reduced by the amount of any distribution from an Individual Development Account of such individual which is not a qualified expense distribution and which is not recontributed as part of a qualified rollover (as defined in subsection (c)(2)(E)).

''(B) USE OF FORFEITED FUNDS.—Eligible matching contributions which are forfeited by an eligible individual under subparagraph (A) shall be used by the qualified financial institution to make eligible matching contributions for other Individual Development Account contributions by eligible individuals.

''(5) EXCLUSION FROM INCOME.—Gross income of an eligible individual shall not include any eligible matching contribution and the earnings thereon deposited into a matching account under paragraph (1) on behalf of such individual.

''(6) REGULAR REPORTING OF MATCHING CONTRIBUTIONS.—Any qualified financial institution shall report eligible matching contributions to eligible individuals with Individual Development Accounts on not less than a quarterly basis.

''(7) TERMINATION.—No eligible matching contribution may be made for any taxable year beginning after December 31, 2005.

''(c) QUALIFIED EXPENSE DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified expense distribution' means any amount paid or distributed out of an Individual Development Account and the matching account established under subsection (b) for an eligible individual if such amount—

''(A) is used exclusively to pay the qualified expenses of such individual or such individual's spouse or dependents,

''(B) is paid by the qualified financial institution directly to the person to whom the amount is due or to another Individual Development Account, and

''(C) is paid after the holder of the Individual Development Account has completed an economic literacy course offered by the qualified financial institution, a nonprofit organization, or a government entity.

''(2) QUALIFIED EXPENSES.—

''(A) IN GENERAL.—The term 'qualified expenses' means any of the following:

''(i) Qualified higher education expenses.

''(ii) Qualified first-time homebuyer costs.

''(iii) Qualified business capitalization costs.

''(iv) Qualified rollovers.

''(B) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(i) 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.

''(ii) 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.

''(iii) 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) and by the amount of such expenses for which a credit or exclusion is allowed under this chapter for such taxable year.

''(C) 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 section 72(t)(8)).

''(D) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

''(i) IN GENERAL.—The term 'qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified business plan.

''(ii) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified business plan, including capital, plant, equipment, working capital and inventory expenses.

''(iii) QUALIFIED BUSINESS.—The term 'qualified business' means any business that does not contravene any law.

''(iv) QUALIFIED BUSINESS PLAN.—The term 'qualified business plan' means a business plan which meets such requirements as the Secretary of Housing and Urban Development may specify.

''(E) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means, with respect to any distribution from an Individual Development Account, the payment, within 120 days of such distribution, of all or a portion of such distribution to such account or to another Individual Development Account established in another qualified financial institution for the benefit of the eligible individual. Rules similar to the rules of section 408(d)(3) (other than subparagraph (C) thereof) shall apply for purposes of this subparagraph.

''(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) ELIGIBLE INDIVIDUAL.—

''(A) IN GENERAL.—The term 'eligible individual' means an individual who—

''(i) has attained the age of 18 years,

''(ii) is a citizen or legal resident of the United States, and

''(iii) is a member of a household—

''(I) which is eligible for the earned income tax credit under section 32,

''(II) which is eligible for assistance under a State program funded under part A of title IV of the Social Security Act, or

''(III) the gross income of which does not exceed 60 percent of the area median income (as determined by the Department of Housing and Urban Affairs) and the net worth of which does not exceed $10,000.

''(B) HOUSEHOLD.—The term 'household' means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

''(C) DETERMINATION OF NET WORTH.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(iii)(III), the net worth of a household is the amount equal to—

''(I) the aggregate fair market value of all assets that are owned in whole or in part by any member of a household, minus

''(II) the obligations or debts of any member of the household.

''(ii) CERTAIN ASSETS DISREGARDED.—For purposes of determining the net worth of a household, a household's assets shall not be considered to include the primary dwelling unit and 1 motor vehicle owned by the household.

''(D) PROOF OF COMPENSATION AND STATUS AS AN ELIGIBLE INDIVIDUAL.—Statements under section 6051 and other forms specified by the Secretary proving the eligible individual's wages and other compensation and the status of the individual as an eligible individual shall be presented to the custodian at the time of the establishment of the Individual Development Account and at least once annually thereafter.

''(2) QUALIFIED FINANCIAL INSTITUTION.—The term 'qualified financial institution' means any person authorized to be a trustee of any individual retirement account under section 408(a)(2).

''(3) TREATMENT OF MORE THAN ONE ACCOUNT.—All Individual Development Accounts of an individual shall be treated as one account.

''(4) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (1), (2), and (3) of section 219(f), section 220(f)(8), paragraphs (4) and (6) of section 408(d), and section 408(m) shall apply for purposes of this section.

''(5) REPORTS.—The custodian of an Individual 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.

''(e) APPLICATION OF SECTION.—This section shall apply to amounts paid to an Individual Development Account for any taxable year beginning after December 31, 2000, and before January 1, 2006.''

(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) an Individual Development Account (within the meaning of section 530A(a)),''.

(2) EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:

''(g) INDIVIDUAL DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of Individual Development Accounts, the term 'excess contributions' means the excess (if any) of—

''(1) the amount contributed for the taxable year to the accounts (other than a qualified rollover, as defined in section 530A(c)(2)(E)), over

''(2) the amount allowable as a contribution under section 530A.

For purposes of this subsection, any contribution which is distributed from the Individual Development Account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 530A(d)(4) shall be treated as an amount not contributed.''

(c) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6047 is amended—

(1) by inserting ''or section 530A'' after ''section 219''; and

(2) by inserting '', of any Individual Development Account described in section 530A(a),'', after ''section 408(a)''.

(d) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL 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 530(d)(5) (relating to Individual Development Accounts).''

(e) CLERICAL AMENDMENT.—The table of parts for subchapter F of chapter 1 is amended by adding at the end the following new item:

''Part IX. Individual development accounts.''

(f) FUNDS IN ACCOUNTS DISREGARDED FOR PURPOSES OF CERTAIN MEANS-TESTED FEDERAL PROGRAMS.—Notwithstanding any other provision of the Internal Revenue Code of 1986 or the Social Security Act that requires consideration of 1 or more financial circumstances of an individual, for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, contributions (including earnings thereon) in any Individual Development Account and applicable matching account under section 530A of such Code shall be disregarded for such purpose.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 862. FEDERAL EMPLOYEE RETIREMENT CONTRIBUTIONS.

(a) DEDUCTIONS, CONTRIBUTIONS, AND DEPOSITS.—

(1) CIVIL SERVICE RETIREMENT SYSTEM.—The table under section 8334(c) of title 5, United States Code, is amended—

(A) in the matter relating to an employee by striking:

''7.4 January 1, 2000, to December 31, 2000.
7.5 January 1, 2001, to December 31, 2002.
7 After December 31, 2002.'';

and inserting the following:

''7 After December 31, 1999.'';

(B) in the matter relating to a Member or employee for Congressional employee service by striking:

''7.9 January 1, 2000, to December 31, 2000.
8 January 1, 2001, to December 31, 2002.
7.5 After December 31, 2002.'';

and inserting the following:

''7 After December 31, 1999.'';

(C) in the matter relating to a Member for Member service by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(D) in the matter relating to a law enforcement officer for law enforcement service and firefighter for firefighter service by striking:

''7.9 January 1, 2000, to December 31, 2000.
8 January 1, 2001, to December 31, 2002.
7.5 After December 31, 2002.'';

and inserting the following:

''7.5 After December 31, 1999.'';

(E) in the matter relating to a bankruptcy judge by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(F) in the matter relating to a judge of the United States Court of Appeals for the Armed Forces for service as a judge of that court by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(G) in the matter relating to a United States magistrate by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(H) in the matter relating to a Court of Federal Claims judge by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(I) in the matter relating to the Capitol Police by striking:

''7.9 January 1, 2000, to December 31, 2000.
8 January 1, 2001, to December 31, 2002.
7.5 After December 31, 2002.''.

and inserting the following:

''7.5 After December 31, 1999.'';

and

(J) in the matter relating to a nuclear material courier by striking:

''7.9 January 1, 2000, to December 31, 2000.
8 January 1, 2001, to December 31, 2002.
7.5 After December 31, 2002.''.

and inserting the following:

''7.5 After December 31, 1999.''.

(2) FEDERAL EMPLOYEES' RETIREMENT SYSTEM.—Section 8422(a) of title 5, United States Code, is amended by striking paragraph (3) and inserting the following:

''(3) The applicable percentage under this paragraph for civilian service shall be as follows:

''Employee	7	January 1, 1987, to December 31, 1998.
	7.25	January 1, 1999, to December 31, 1999.
	7	After December 31, 1999.
Congressional employee	7.5	January 1, 1987, to December 31, 1998.
	7.75	January 1, 1999, to December 31, 1999.
	7.5	After December 31, 1999.
Member	7.5	January 1, 1987, to December 31, 1998.
	7.75	January 1, 1999, to December 31, 1999.
	7.5	After December 31, 1999.
Law enforcement officer, firefighter, member of the Capitol Police, or air traffic controller	7.5	January 1, 1987, to December 31, 1998.
	7.75	January 1, 1999, to December 31, 1999.
	7.5	After December 31, 1999.
Nuclear materials courier	7	January 1, 1987, to the day before the date of enactment of the strom Thurmond National Defense Authorization Act for Fiscal Year 1999.
	7.75	The date of enactment of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 to December 31, 1998.
	7.75	January 1, 1999, to December 31, 1999.
	7.5	After December 31, 1999.''.

(b) CONFORMING AMENDMENTS RELATING TO MILITARY AND VOLUNTEER SERVICE UNDER FERS.—

(1) MILITARY SERVICE.—Section 8422(e)(6) of title 5, United States Code, is amended to read as follows:

''(6) The percentage of basic pay under section 204 of title 37 payable under paragraph (1), with respect to any period of military service performed during January 1, 1999, through December 31, 1999, shall be 3.25 percent.''.

(2) VOLUNTEER SERVICE.—Section 8422(f)(4) of title 5, United States Code, is amended to read as follows:

''(4) The percentage of the readjustment allowance or stipend (as the case may be) payable under paragraph (1), with respect to any period of volunteer service performed during January 1, 1999, through December 31, 1999, shall be 3.25 percent.''.

(c) OTHER FEDERAL RETIREMENT SYSTEMS.—

(1) CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM.—

(A) DEDUCTIONS, WITHHOLDINGS, AND DEPOSITS.—Section 7001(c)(2) of the Balanced Budget Act of 1997 (Public Law 105–33; 111 Stat. 659) is amended to read as follows:

''(2) INDIVIDUAL DEDUCTIONS, WITHHOLDINGS, AND DEPOSITS.—Notwithstanding section 211(a)(1) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2021(a)(1)) beginning on January 1, 1999, through December 31, 1999, the percentage deducted and withheld from the basic pay of an employee participating in the Central Intelligence Agency Retirement and Disability System shall be 7.25 percent.''.

(B) MILITARY SERVICE.—Section 252(h)(1)(A) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2082(h)(1)(A)), is amended to read as follows:

''(h)(1)(A) Each participant who has performed military service before the date of separation on which entitlement to an annuity under this title is based may pay to the Agency an amount equal to 7 percent of the amount of basic pay paid under section 204 of title 37, United States Code, to the participant for each period of military service after December 1956; except, the amount to be paid for military service performed beginning on January 1, 1999, through December 31, 1999, shall be 7.25 percent of basic pay.''.

(2) FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.—

(A) IN GENERAL.—Section 7001(d)(2) of the Balanced Budget Act of 1997 (Public Law 105–

33; 111 Stat. 660) is amended by striking subparagraphs (A) and (B) and inserting the following:

''(A) IN GENERAL.—Notwithstanding section 805(a)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4045(a)(1)), beginning on January 1, 1999, through December 31, 1999, the amount withheld and deducted from the basic pay of a participant in the Foreign Service Retirement and Disability System shall be 7.25 percent.

''(B) FOREIGN SERVICE CRIMINAL INVESTIGATORS/INSPECTORS OF THE OFFICE OF THE INSPECTOR GENERAL, AGENCY FOR INTERNATIONAL DEVELOPMENT.—Notwithstanding section 805(a)(2) of the Foreign Service Act of 1980 (22 U.S.C. 4045(a)(2)), beginning on January 1, 1999, through December 31, 1999, the amount withheld and deducted from the basic pay of an eligible Foreign Service criminal investigator/inspector of the Office of the Inspector General, Agency for International Development participating in the Foreign Service Retirement and Disability System shall be 7.75 percent.''.

(B) CONFORMING AMENDMENT.—Section 805(d)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4045(d)(1)) is amended in the table in the matter following subparagraph (B) by striking:

''January 1, 1970, through December 31, 1998, inclusive	7
January 1, 1999, through December 31, 1999, inclusive	7.25
January 1, 2000, through December 31, 2000, inclusive	7.4
January 1, 2001, through December 31, 2002, inclusive	7.5
After December 31, 2002	7''.

and inserting the following:

''January 1, 1970, through December 31, 1998, inclusive	7
January 1, 1999, through December 31, 1999, inclusive	7.25
After December 31, 1999	7.''.

(3) FOREIGN SERVICE PENSION SYSTEM.—

(A) IN GENERAL.—Section 856(a)(2) of the Foreign Service Act of 1980 (22 U.S.C. 4071e(a)(2)) is amended to read as follows:

''(2) The applicable percentage under this subsection shall be as follows:

''7.5	Before January 1, 1999.
7.75	January 1, 1999, to December 31, 1999.
7.5	After December 31, 1999.''.

(B) VOLUNTEER SERVICE.—Section 854(c)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4071c(c)(1)) is amended by striking all after ''volunteer service;'' and inserting ''except, the amount to be paid for volunteer service beginning on January 1, 1999, through December 31, 1999, shall be 3.25 percent.''.

(e) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on December 31, 1999.

SEC. 863. EXCLUSION FROM INCOME OF SEVERANCE PAYMENT AMOUNTS

(a) EXCLUSION FROM INCOME OF SEVERANCE PAYMENT AMOUNTS.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and by inserting after section 138 the following new section:

''SEC. 139. SEVERANCE PAYMENTS.

''(a) IN GENERAL.—In the case of an individual, gross income shall not include any qualified severance payment.

''(b) LIMITATION.—The amount to which the exclusion under subsection (a) applies shall not exceed $2,000 with respect to any separation from employment.

''(c) QUALIFIED SEVERANCE PAYMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified severance payment' means any payment received by an individual if—

''(A) such payment was paid by such individual's employer on account of such individual's separation from employment,

''(B) such separation was in connection with a reduction in the work force of the employer, and

''(C) such individual does not attain employment within 6 months of the date of such separation in which the amount of compensation is equal to or greater than 95 percent of the amount of compensation for the employment that is related to such payment.

''(2) LIMITATION.—Such term shall not include any payment received by an individual if the aggregate payments received with respect to the separation from employment exceed $75,000.''

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

''Sec. 139. Severance payments.
''Sec. 140. Cross references to other Acts.''

(c) EFFECTIVE DATES.—The amendments made by subsections (a) and (c) shall apply to taxable years beginning after December 31, 2000, and before January 1, 2003.

Subtitle H—Plan Amendments

SEC. 871. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this title, or pursuant to any regulation issued under this title, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2004.

In the case of a government plan (as defined in section 414(d) of the Internal Revenue Code of 1986 and section 3(32) of the Employee Retirement Income Security Act of 1974), this paragraph shall be applied by substituting ''2005'' for ''2004''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

(B) such plan or contract amendment applies retroactively for such period.

TITLE IX—FARM RELIEF AND ECONOMIC DEVELOPMENT

SEC. 901. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by inserting after section 468B the following:

''SEC. 468C. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

''(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm and Ranch Risk Management Account (hereinafter referred to as the 'FARRM Account').

''(b) LIMITATION.—The amount which a taxpayer may pay into the FARRM Account for any taxable year shall not exceed 20 percent of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business.

''(c) ELIGIBLE FARMING BUSINESS.—For purposes of this section, the term 'eligible farming business' means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(d) FARRM ACCOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'FARRM Account' means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:

''(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.

''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

''(C) The assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.

''(D) All income of the trust is distributed currently to the grantor.

''(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

''(2) ACCOUNT TAXED AS GRANTOR TRUST.—The grantor of a FARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

''(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

''(1) IN GENERAL.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

''(A) any amount distributed from a FARRM Account of the taxpayer during such taxable year, and

''(B) any deemed distribution under—

''(i) subsection (f)(1) (relating to deposits not distributed within 5 years),

''(ii) subsection (f)(2) (relating to cessation in eligible farming business), and

''(iii) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging account as security).

''(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—

''(A) any distribution to the extent attributable to income of the Account, and

''(B) the distribution of any contribution paid during a taxable year to a FARRM Account to the extent that such contribution

exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

''(f) SPECIAL RULES.—

''(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

''(A) IN GENERAL.—If, at the close of any taxable year, there is a nonqualified balance in any FARRM Account—

''(i) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

''(ii) the taxpayer's tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

''(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term 'nonqualified balance' means any balance in the Account on the last day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.

''(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.

''(2) CESSATION IN ELIGIBLE FARMING BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business, there shall be deemed distributed from the FARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term 'disqualification period' means any period of 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business.

''(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

''(A) Section 220(f)(8) (relating to treatment on death).

''(B) Section 408(e)(2) (relating to loss of exemption of account where individual engages in prohibited transaction).

''(C) Section 408(e)(4) (relating to effect of pledging account as security).

''(D) Section 408(g) (relating to community property laws).

''(E) Section 408(h) (relating to custodial accounts).

''(4) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FARRM Account on the last day of a taxable year if such payment is made on account of such taxable year and is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.

''(5) INDIVIDUAL.—For purposes of this section, the term 'individual' shall not include an estate or trust.

''(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

''(g) REPORTS.—The trustee of a FARRM Account shall make such reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in such manner as may be required by such regulations.''

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) Subsection (a) of section 4973 (relating to tax on excess contributions to certain tax-favored accounts and annuities), as amended by section 303(b)(1), is amended by striking ''or'' at the end of paragraph (4), by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively, and by inserting after paragraph (3) the following:

''(4) a FARRM Account (within the meaning of section 468C(d)), or''.

(2) Section 4973, as amended by section 303(b)(2), is amended by adding at the end the following:

''(h) EXCESS CONTRIBUTIONS TO FARRM ACCOUNTS.—For purposes of this section, in the case of a FARRM Account (within the meaning of section 468C(d)), the term 'excess contributions' means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FARRM Account in a distribution to which section 468C(e)(2)(B) applies shall be treated as an amount not contributed.''

(3) The section heading for section 4973 is amended to read as follows:

''SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC.''

(4) The table of sections for chapter 43 is amended by striking the item relating to section 4973 and inserting the following:

''Sec. 4973. Excess contributions to certain accounts, annuities, etc.''

(c) TAX ON PROHIBITED TRANSACTIONS.—

(1) Subsection (c) of section 4975 (relating to tax on prohibited transactions) is amended by adding at the end the following:

''(6) SPECIAL RULE FOR FARRM ACCOUNTS.—A person for whose benefit a FARRM Account (within the meaning of section 468C(d)) is established 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 FARRM Account by reason of the application of section 468C(f)(3)(A) to such account.''

(2) Paragraph (1) of section 4975(e) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following:

''(E) a FARRM Account described in section 468C(d),''.

(d) FAILURE TO PROVIDE REPORTS ON FARRM ACCOUNTS.—Paragraph (2) of section 6693(a) (relating to failure to provide reports on certain tax-favored accounts or annuities), as amended by section 303(d), is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B) the following:

''(C) section 468C(g) (relating to FARRM Accounts),''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following:

''Sec. 468C. Farm and Ranch Risk Management Accounts.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 902. LEASE AGREEMENT RELATING TO EXCLUSION OF CERTAIN FARM RENTAL INCOME FROM NET EARNINGS FROM SELF-EMPLOYMENT.

(a) INTERNAL REVENUE CODE.—Section 1402(a)(1)(A) (relating to net earnings from self-employment) is amended by striking ''an arrangement'' and inserting ''a lease agreement''.

(b) SOCIAL SECURITY ACT.—Section 211(a)(1)(A) of the Social Security Act is amended by striking ''an arrangement'' and inserting ''a lease agreement''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 903. EXCLUSION OF GAIN FROM SALE OF CERTAIN FARMLAND.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by adding after section 121 the following new section:

''SEC. 121A. EXCLUSION OF GAIN FROM SALE OF QUALIFIED FARM PROPERTY.

''(a) EXCLUSION.—In the case of a natural person, gross income shall not include gain from the sale or exchange of qualified farm property, to the extent such property does not exceed 160 acres.

''(b) LIMITATION ON AMOUNT OF EXCLUSION.—

''(1) IN GENERAL.—The amount of gain excluded from gross income under subsection (a) with respect to any taxable year shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return), reduced by the aggregate amount of gain excluded under subsection (a) for all preceding taxable years.

''(2) SPECIAL RULE FOR JOINT RETURNS.—The amount of the exclusion under subsection (a) on a joint return for any taxable year shall be allocated equally between the spouses for purposes of applying the limitation under paragraph (1) for any succeeding taxable year.

''(c) QUALIFIED FARM PROPERTY.—

''(1) QUALIFIED FARM PROPERTY.—For purposes of this section, the term 'qualified farm property' means real property located in the United States if—

''(A) during periods aggregating 3 years or more of the 5-year period ending on the date of the sale or exchange of such real property—

''(i) such real property was used as a farm for farming purposes by the taxpayer or a member of the family of the taxpayer, and

''(ii) there was material participation by the taxpayer (or such a member) in the operation of the farm, and

''(B) such real property is located contiguous to the principal residence of the taxpayer which is sold or exchanged in the same taxable year as such real property.

''(2) DEFINITIONS.—For purposes of this subsection, the terms 'member of the family', 'farm', and 'farming purposes' have the respective meanings given such terms by paragraphs (2), (4), and (5) of section 2032A(e).

''(3) SPECIAL RULES.—For purposes of this section, rules similar to the rules of paragraphs (4) and (5) of section 2032A(b) and paragraphs (3) and (6) of section 2032A(e) shall apply.

''(d) OTHER RULES.—For purposes of this section, rules similar to the rules of subsection (e) and subsection (f) of section 121 shall apply.''

(b) CONFORMING AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by adding after the item relating to section 121 the following new item:

''Sec. 121A. Exclusion of gain from sale of qualified farm property.''

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to any sale or exchange after December 31, 2000, in taxable years ending after such date.

SEC. 904. EXEMPTION OF SMALL ISSUE AGRICULTURE BONDS FROM STATE VOLUME CAP.

(a) IN GENERAL.—Section 146(g) (relating to exception for certain bonds) is amended by striking ''and'' at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting '', and'', and by inserting after paragraph (4) the following:

''(5) any small issue bond described in section 144(a)(12)(B)(ii).''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after December 31, 2000.

SEC. 905. CAPITAL GAIN REALIZED FROM TRANSFER OF FARM PROPERTY IN COMPLETE OR PARTIAL SATISFACTION OF QUALIFIED FARM INDEBTEDNESS EXCLUDED FROM GROSS INCOME.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and by inserting after section 138 the following new section:

''SEC. 139. CAPITAL GAIN REALIZED FROM TRANSFER OF FARM PROPERTY IN COMPLETE OR PARTIAL SATISFACTION OF QUALIFIED FARM INDEBTEDNESS.

''(a) IN GENERAL.—Gross income of any taxpayer described in subsection (d) does not include so much of the gain from the transfer of farm property in complete or partial satisfaction of qualified farm indebtedness as does not exceed $300,000.

''(b) PRIOR GAINS AND DISCHARGES OF INDEBTEDNESS TAKEN INTO ACCOUNT.—

''(1) IN GENERAL.—If for any prior year—

''(A) gain from the transfer of farm property in complete or partial satisfaction of qualified farm indebtedness, or

''(B) a discharge of such indebtedness,

is excluded from the taxpayer's gross income under subsection (a) of this section or section 108(g), respectively, subsection (a) of this section shall be applied for the taxable year with respect to such gain by reducing the dollar amount contained in such subsection by the such excluded prior year gains and discharges.

''(2) CURRENT YEAR COORDINATION WITH SECTION 108.—Subsection (a) of this section shall be applied for the taxable year with respect to any gain by reducing the dollar amount contained in such subsection (after any reduction under paragraph (1)) by any amount excluded from gross income under section 108 for such year.

''(c) REDUCTION OF TAX ATTRIBUTES.—

''(1) IN GENERAL.—The amount excluded from gross income under subsection (a) shall be applied to reduce the tax attributes described under section 108(b)(2).

''(2) COORDINATION WITH SECTION 108.—For purposes of this subsection, the amount of tax attributes shall be determined after any reduction under section 108(b) by reason of amounts excluded from gross income under section 108(a)(1).

''(d) TAXPAYER DESCRIBED IN THIS SUBSECTION.—

''(1) IN GENERAL.—A taxpayer is described in this subsection if—

''(A) more than 50 percent of the gross receipts of the taxpayer for 6 of the 10 taxable years preceding such taxable year are attributable to—

''(i) the trade or business of farming (within the meaning of section 2032A(e)(5)), or

''(ii) the sale or lease of assets used in such trade or business, or

''(iii) both, and

''(B) equity in all property held by the taxpayer after such transfer is less than the greater of —

''(i) $25,000, or

''(ii) 150 percent of the excess (if any) of—

''(I) the tax imposed by this chapter determined as if this section and section 108 did not apply to the transfer, over

''(II) the tax imposed by this chapter determined with regard to this section and section 108 (if applicable).

''(2) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means adjusted gross income—

''(A) determined with regard to this section and section 108, and

''(B) increased by the amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.

''(3) EQUITY.—For purposes of this subsection, the term 'equity' means, with respect to all property held by the taxpayer, an amount equal to—

''(A) the fair market value of such property, minus

''(B) any indebtedness relating to such property.

''(e) FARM PROPERTY.—For purposes of this section, the term 'farm property' means real and personal property used by the taxpayer in the trade or business of farming (within the meaning of section 2032A(e)(5)).

''(f) QUALIFIED FARM INDEBTEDNESS.—For purposes of this section, indebtedness of a taxpayer shall be treated as qualified farm indebtedness if such indebtedness was incurred directly in connection with the operation by the taxpayer of the trade or business of farming (within the meaning of section 2032A(e)(5)) and when such taxpayer materially participated in such trade or business (within the meaning of section 2032A(e)(6)).

''(g) APPLICATION WITH RECAPTURE PROVISIONS.—In the case of any gain from the transfer of farm property in complete or partial satisfaction of qualified farm indebtedness which is treated as ordinary income under section 1245, 1250, 1252, or 1255, subsection (a) shall be applied for the taxable year by first reducing the dollar amount contained in such subsection by such gain.''.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by striking out the item relating to section 139 and inserting in lieu thereof the following new items:

''Sec. 139. Capital gain realized from transfer of farm property in complete or partial satisfaction of qualified farm indebtedness.

''Sec. 140. Cross references to other Acts.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers occurring after December 31, 2000, in taxable years ending after such date.

SEC. 906. EXCLUSION OF DISCHARGE OF QUALIFIED FARM INDEBTEDNESS FROM GROSS INCOME INCREASED FOR CERTAIN SOLVENT FARMERS.

(a) IN GENERAL.—Section 108(g) (relating to special rules for discharge of qualified farm indebtedness) is amended by adding at the end thereof the following new paragraph:

''(4) SPECIAL LIMITATIONS FOR CERTAIN FARMERS.—

''(A) IN GENERAL.—With respect to a taxpayer who is described in subparagraph (C) of this paragraph and who elects the application of this paragraph—

''(i) the amount excluded under subparagraph (C) of subsection (a)(1) shall not exceed $300,000, and

''(ii) paragraph (2) of this subsection shall be applied by amending such paragraph to read as follows: 'For purposes of this section, indebtedness of a taxpayer shall be treated as qualified farm indebtedness if such indebtedness was incurred directly in connection with the operation by the taxpayer of the trade or business of farming and when such taxpayer materially participated in such trade or business (within the meaning of section 2032A(e)(6)).'

''(B) PRIOR DISCHARGES OF INDEBTEDNESS AND GAINS TAKEN INTO ACCOUNT.—If for any prior year—

''(i) a discharge of qualified farm indebtedness, or

''(ii) gain from the transfer of farm property in complete or partial satisfaction of such indebtedness,

is excluded from the taxpayer's gross income under this subsection or section 139, respectively, subparagraph (A) shall be applied for the taxable year with respect to such discharge by reducing the dollar amount contained in such subparagraph by the such excluded prior year discharges and gains.

''(C) TAXPAYER DESCRIBED IN THIS SUBPARAGRAPH.—A taxpayer is described in this subparagraph if—

''(i) more than 50 percent of the gross receipts of the taxpayer for 6 of the 10 taxable years preceding such taxable year are attributable to—

''(I) the trade or business of farming (within the meaning of section 2032A(e)(5)), or

''(II) the sale or lease of assets used in such trade or business, or

''(III) both,

''(ii) the indebtedness of the taxpayer both before and after such discharge is equal to 70 percent or more of the fair market value in all property held by such taxpayer, and

''(iii) equity in all property held by the taxpayer after such discharge is less than the greater of—

''(I) $25,000, or

''(II) 150 percent of the excess (if any) of the tax imposed by this chapter determined as if this section and section 139 did not apply to the transfer, over the tax imposed by this chapter determined with regard to this section and section 139 (if applicable).

''(D) DEFINITIONS.—For purposes of this paragraph—

''(i) FARM PROPERTY.—The term 'farm property' means real and personal property used by the taxpayer in the trade or business of farming (within the meaning of section 2032A(e)(5)).

''(ii) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income—

''(I) determined with regard to this section and section 139, and

''(II) increased by the amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.

''(iii) EQUITY.—The term 'equity' means, with respect to any property, an amount equal to—

''(I) the fair market value of such property, minus

''(II) any indebtedness relating to such property.''.

(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 108(g)(3) is amended by striking out ''The amount'' and inserting in lieu thereof ''Except as provided in paragraph (4), the amount''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any sale or exchange occurring after December 31, 2000, in taxable years ending after such date.

SEC. 907. NET OPERATING LOSS OF FARMERS.

(a) INCREASE IN CARRYBACK YEARS.—Paragraph (1) of section 172(b) (relating to net operating loss carrybacks and carryforwards) is amended by adding at the end the following new subparagraph:

''(G) FARMING LOSSES.—Subparagraph (A) shall be applied—

''(i) in the matter preceding clause (i), by substituting 'any taxable year beginning with the 3rd taxable year after the taxable year of such loss' for 'any taxable year', and

''(ii) in clause (i), by substituting '10 years' for '2 years',

with respect to the portion of the net operating loss of an eligible taxpayer (as defined in subsection (i)) for any taxable year beginning after December 31, 1997, and ending before January 1, 2000, which is a farming loss (as so defined) with respect to the taxpayer.''

(b) DEFINITIONS AND RULES RELATING TO FARMING LOSSES.—Section 172 is amended by redesignating subsection (i) as subsection (j) and inserting after subsection (h) the following new subsection:

''(i) DEFINITIONS AND RULES RELATING TO FARMING LOSSES.—For purposes of this section—

''(1) FARMING LOSS.—

''(A) IN GENERAL.—The term 'farming loss' means the lesser of—

''(i) the net operating loss of the taxpayer for the taxable year, or

''(ii) the net operating loss of the taxpayer for the taxable year determined by only taking into account items of income and deduction attributable to 1 or more qualified farming business of the taxpayer.

''(B) DOLLAR LIMITATION.—

''(i) IN GENERAL.—The farming loss of taxpayer for any taxable year shall not exceed $200,000.

''(ii) AGGREGATION RULES.—

''(I) IN GENERAL.—All persons treated as 1 employer under subsections (a) or (b) of section 52 shall be treated as 1 person.

''(II) PASS-THRU ENTITY.—In the case of a partnership, trust, or other pass-thru entity, the limitation shall be applied at both the entity and the owner level.

''(III) OWNER.—The limitation shall be reduced by the amount of farming loss determined for a corporation for which the taxpayer is a 50 percent owner in the taxable year of the corporation ending in the taxable year of the taxpayer owner.

''(2) ELIGIBLE TAXPAYER.—

''(A) IN GENERAL.—The term 'eligible taxpayer' means a taxpayer which derives more than 50 percent of its gross income for the 3-year period beginning 2 years prior to the current taxable year from qualified farming businesses.

''(B) QUALIFIED FARMING BUSINESS.—The term 'qualified farming business' means a trade or business of farming (within the meaning of section 2032A)—

''(i) with respect to which—

''(I) the taxpayer or a member of the family of the taxpayer materially participates (within the meaning of section 2032A(e)(6)), or

''(II) in the case of a taxpayer other than an individual, a 20 percent owner of the taxpayer or a member of the owner's family materially participates (as so defined), and

''(ii) which does not receive in excess of $7,000,000 for sales in a taxable year.

For purposes of clause (i)(II), owners which are members of a single family shall be treated as a single owner.

''(3) OWNER.—

''(A) 20 PERCENT OWNER.—The term '20 percent owner' means any person who would be described in section 416(i)(1)(B)(i) if '20 percent' were substituted for '5 percent' each place it appears in such section.

''(B) 50 PERCENT OWNER.—The term '50 percent owner' means any person who would be described in section 416(i)(1)(B)(i) if '50 percent' were substituted for '5 percent' each place it appears in such section.

''(4) COORDINATION WITH SUBSECTION (b)(2).—For purposes of applying subsection (b)(2), a farming loss for any taxable year shall be treated as a separate net operating loss for such taxable year to be taken into account for the remaining portion of the net operating loss for such taxable year.

''(5) ELECTION.—Any taxpayer entitled to a 10-year carryback under subsection (b)(1)(G) from any loss year may elect to have the carryback period with respect to such loss year, and any portion of the farming loss for such 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 the taxable year.''

SEC. 908. CERTAIN CASH RENTALS OF FARMLAND NOT TO CAUSE RECAPTURE OF SPECIAL ESTATE TAX VALUATION.

(a) IN GENERAL.—Subsection (c) of section 2032A (relating to tax treatment of dispositions and failures to use for qualified use) is amended by adding at the end the following new paragraph:

''(8) CERTAIN CASH RENTAL NOT TO CAUSE RECAPTURE.—For purposes of this subsection, a qualified heir shall not be treated as failing to use property in a qualified use solely because such heir rents such property on a net cash basis to a member of the decedent's family, but only if, during the period of the lease, such member of the decedent's family uses such property in a qualified use.''

(b) CONFORMING AMENDMENT.—Section 2032A (b)(5)(A) is amended by striking the last sentence.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to rentals occurring after December 31, 1976.

SEC. 909. DECLARATORY JUDGMENT REMEDY RELATING TO STATUS AND CLASSIFICATION OF FARMERS' COOPERATIVES.

(a) IN GENERAL.—Paragraph (1) of section 7428(a) (relating to creation of remedy) is amended by striking ''or'' at the end of subparagraph (B), and by inserting after subparagraph (C) the following new subparagraph:

''(D) with respect to the initial qualification or continuing qualification of an organization as a cooperative described in section 521(b) which is exempt from tax under section 521(a), or''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to pleadings filed with the United States Tax Court, the district court of the United States for the District of Columbia, or the United States Court of Federal Claims after the date of enactment of this Act but only with respect to determinations (or requests for determinations) made after January 1, 1998.

TITLE X—TECHNOLOGY AND ECONOMIC DEVELOPMENT

SEC. 1001. PERMANENT EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after June 30, 1999.

(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, 1999.

(c) EXTENSION OF RESEARCH CREDIT TO RESEARCH IN PUERTO RICO AND THE POSSESSIONS OF THE UNITED STATES.—

(1) IN GENERAL.—Section 41(d)(4)(F) (relating to foreign research) is amended by inserting '', the Commonwealth of Puerto Rico, or any possession of the United States'' after ''United States''.

(2) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after June 30, 1999.

SEC. 1002. NEW MARKETS TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by section 608(a), is amended by adding at the end the following new section:

''SEC. 45E. NEW MARKETS TAX CREDIT.

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—For purposes of section 38, in the case of a taxpayer who holds a qualified equity investment on a credit allowance date of such investment which occurs during the taxable year, the new markets tax credit determined under this section for such taxable year is an amount equal to 6 percent of the amount paid to the qualified community development entity for such investment at its original issue.

''(2) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means, with respect to any qualified equity investment—

''(A) the date on which such investment is initially made, and

''(B) each of the 4 anniversary dates of such date thereafter.

''(b) QUALIFIED EQUITY INVESTMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified equity investment' means any equity investment in a qualified community development entity if—

''(A) such investment is acquired by the taxpayer at its original issue (directly or through an underwriter) solely in exchange for cash,

''(B) substantially all of such cash is used by the qualified community development entity to make qualified low-income community investments, and

''(C) such investment is designated for purposes of this section by the qualified community development entity.

Such term shall not include any equity investment issued by a qualified community development entity more than 5 years after the date that such entity receives an allocation under subsection (f). Any allocation not used within such 5-year period may be reallocated by the Secretary under subsection (f).

''(2) LIMITATION.—The maximum amount of equity investments issued by a qualified community development entity which may be designated under paragraph (1)(C) by such entity shall not exceed the portion of the limitation amount allocated under subsection (f) to such entity.

''(3) SAFE HARBOR FOR DETERMINING USE OF CASH.—The requirement of paragraph (1)(B) shall be treated as met if at least 85 percent of the aggregate gross assets of the qualified community development entity are invested in qualified low-income community investments.

''(4) TREATMENT OF SUBSEQUENT PURCHASERS.—The term 'qualified equity investment' includes any equity investment which would (but for paragraph (1)(A)) be a qualified equity investment in the hands of the taxpayer if such investment was a qualified equity investment in the hands of a prior holder.

''(5) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this subsection.

''(6) EQUITY INVESTMENT.—The term 'equity investment' means—

''(A) any stock in a qualified community development entity which is a corporation, and

''(B) any capital interest in a qualified community development entity which is a partnership.

''(c) QUALIFIED COMMUNITY DEVELOPMENT ENTITY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community development entity' means any domestic corporation or partnership if—

''(A) the primary mission of the entity is serving, or providing investment capital for, low-income communities or low-income persons,

''(B) the entity maintains accountability to residents of low-income communities through representation on governing or advisory boards or otherwise, and

''(C) the entity is certified by the Secretary for purposes of this section as being a qualified community development entity.

''(2) SPECIAL RULES FOR CERTAIN ORGANIZATIONS.—The requirements of paragraph (1) shall be treated as met by—

''(A) any specialized small business investment company (as defined in section 1044(c)(3)), and

''(B) any community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702)).

''(d) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified low-income community investment' means—

''(A) any equity investment in, or loan to, any qualified active low-income community business,

''(B) the purchase from another community development entity of any loan made by such entity which is a qualified low-income community investment if the amount received by such other entity from such purchase is used by such other entity to make qualified low-income community investments,

''(C) financial counseling and other services specified in regulations prescribed by the Secretary to businesses located in, and residents of, low-income communities, and

''(D) any equity investment in, or loan to, any qualified community development entity if substantially all of the investment or loan is used by such entity to make qualified low-income community investments described in subparagraphs (A), (B), and (C).

''(2) QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the term 'qualified active low-income community business' means, with respect to any taxable year, any corporation or partnership if for such year—

''(i) at least 50 percent of the total gross income of such entity is derived from the active conduct of a qualified business within any low-income community,

''(ii) a substantial portion of the use of the tangible property of such entity (whether owned or leased) is within any low-income community,

''(iii) a substantial portion of the services performed for such entity by its employees are performed in any low-income community,

''(iv) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles (as defined in section 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business, and

''(v) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to nonqualified financial property (as defined in section 1397B(e)).

''(B) PROPRIETORSHIP.—Such term shall include any business carried on by an individual as a proprietor if such business would meet the requirements of subparagraph (A) were it incorporated.

''(C) PORTIONS OF BUSINESS MAY BE QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—The term 'qualified active low-income community business' includes any trades or businesses which would qualify as a qualified active low-income community business if such trades or businesses were separately incorporated.

''(3) QUALIFIED BUSINESS.—For purposes of this subsection, the term 'qualified business' has the meaning given to such term by section 1397B(d); except that—

''(A) in lieu of applying paragraph (2)(B) thereof, the rental to others of real property located in any low-income community shall be treated as a qualified business if there are substantial improvements located on such property,

''(B) paragraph (3) thereof shall not apply, and

''(C) such term shall not include any business if a significant portion of the equity interests in such business are held by any person who holds a significant portion of the equity investments in the community development entity.

''(e) LOW-INCOME COMMUNITY.—For purposes of this section—

''(1) IN GENERAL.—The term 'low-income community' means any population census tract if—

''(A) the poverty rate for such tract is at least 20 percent, or

''(B)(i) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

''(ii) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.

''(2) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates and median family income.

''(f) NATIONAL LIMITATION ON AMOUNT OF INVESTMENTS DESIGNATED.—

''(1) IN GENERAL.—There is a new markets tax credit limitation of $750,000,000 for each of calendar years 2000 through 2004 and zero for any succeeding calendar year.

''(2) ALLOCATION OF LIMITATION.—The limitation under paragraph (1) shall be allocated by the Secretary among qualified community development entities selected by the Secretary. In making allocations under the preceding sentence, the Secretary shall give priority to entities with records of having successfully provided capital or technical assistance to disadvantaged businesses or communities.

''(3) CARRYOVER OF UNUSED LIMITATION.—If the new markets tax credit limitation for any calendar year exceeds the aggregate amount allocated under paragraph (2) for such year, such limitation for the succeeding calendar year shall be increased by the amount of such excess.

''(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

''(1) IN GENERAL.—If, at any time during the 5-year period beginning on the date of the original issue of a qualified equity investment in a qualified community development entity, there is a recapture event with respect to such investment, then the tax imposed by this chapter for the taxable year in which such event occurs shall be increased by the credit recapture amount.

''(2) CREDIT RECAPTURE AMOUNT.—For purposes of paragraph (1), the credit recapture amount is an amount equal to the sum of—

''(A) the aggregate decrease in the credits allowed to the taxpayer under section 38 for all prior taxable years which would have resulted if no credit had been determined under this section with respect to such investment, plus

''(B) interest at the overpayment rate established under section 6621 on the amount determined under subparagraph (A) for each prior taxable year for the period beginning on the due date for filing the return for the prior taxable year involved.

No deduction shall be allowed under this chapter for interest described in subparagraph (B).

''(3) RECAPTURE EVENT.—For purposes of paragraph (1), there is a recapture event with respect to an equity investment in a qualified community development entity if—

''(A) such entity ceases to be a qualified community development entity,

''(B) the proceeds of the investment cease to be used as required of subsection (b)(1)(B), or

''(C) such investment is redeemed by such entity.

''(4) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under this chapter or for purposes of section 55.

''(h) BASIS REDUCTION.—The basis of any qualified equity investment shall be reduced by the amount of any credit determined under this section with respect to such investment.

''(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations—

''(1) which limit the credit for investments which are directly or indirectly subsidized by other Federal benefits (including the credit under section 42 and the exclusion from gross income under section 103),

''(2) which prevent the abuse of the provisions of this section through the use of related parties,

''(3) which impose appropriate reporting requirements

''(4) which apply the provisions of this section to newly formed entities.''

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Subsection (b) of section 38, as amended by section 608(b), is amended by striking ''plus'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting '', plus'', and by adding at the end the following new paragraph:

''(15) the new markets tax credit determined under section 45E(a).''

(2) LIMITATION ON CARRYBACK.—Subsection (d) of section 39, as amended by section 608(c) is amended by adding at the end the following new paragraph:

''(11) NO CARRYBACK OF NEW MARKETS TAX CREDIT BEFORE JANUARY 1, 2000.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45E may be carried back to a taxable year ending before January 1, 2000.''

(c) DEDUCTION FOR UNUSED CREDIT.—Subsection (c) of section 196, as amended by section 205(d), is amended by striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the new markets tax credit determined under section 45E(a).''

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 608(d), is amended by adding at the end the following new item:

''Sec. 45E. New markets tax credit.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to investments made after December 31, 1999.

SEC. 1003. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDIT.

(a) IN GENERAL.—Clause (i) of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended to read as follows:

''(i) the applicable amount under subparagraph (H) multiplied by the State population,''.

(b) APPLICABLE AMOUNT.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

''(H) APPLICABLE AMOUNT OF STATE CEILING.—For purposes of subparagraph (C)(i), the applicable amount shall be determined under the following table:

''For calendar year—	**The applicable amount is—**
2001, 2002, and 2003	$1.30
2004 and 2005	1.40
2006 and thereafter	1.50.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

SEC. 1004. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—The table contained in section 146(d)(2) (relating to per capita limit; aggregate limit) is amended by striking ''2002'', ''2003'', ''2004'', ''2005'', ''2006'', and ''2007'' and inserting ''2000'', ''2001'', ''2002'', ''2003'', ''2004'', and ''2005'', respectively.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

SEC. 1005. SPACEPORTS TREATED LIKE AIRPORTS UNDER EXEMPT FACILITY BOND RULES.

(a) IN GENERAL.—Paragraph (1) of section 142(a) (relating to exempt facility bond) is amended to read as follows:

''(1) airports and spaceports,''.

(b) TREATMENT OF GROUND LEASES.—Paragraph (1) of section 142(b) (relating to certain facilities must be governmentally owned) is amended by adding at the end the following new subparagraph:

''(C) SPECIAL RULE FOR SPACEPORT GROUND LEASES.—For purposes of subparagraph (A), spaceport property which is located on land owned by the United States and which is used by a governmental unit pursuant to a lease (as defined in section 168(h)(7)) from the United States shall be treated as owned by such unit if—

''(i) the lease term (within the meaning of section 168(i)(3)) is at least 15 years, and

''(ii) such unit would be treated as owning such property if such lease term were equal to the useful life of such property.''.

(c) BOND MAY BE FEDERALLY GUARANTEED.—Paragraph (3) of section 149(b) (relating to exceptions) is amended by adding at the end the following new subparagraph:

''(E) EXCEPTION FOR SPACEPORTS.—Paragraph (1) shall not apply to any exempt facility bond issued as part of an issue described in paragraph (1) of section 142(a) to provide a spaceport in situations where—

''(i) the guarantee of the United States (or an agency or instrumentality thereof) is the result of payment of rent, user fees, or other charges by the United States (or any agency or instrumentality thereof), and

''(ii) the payment of the rent, user fees, or other charges is for, and conditioned upon, the use of the spaceport by the United States (or any agency or instrumentality thereof).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2000.

SEC. 1006. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) IN GENERAL.—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, 2000.

TITLE XI—MISCELLANEOUS INCENTIVES

Subtitle A—Miscellaneous Provisions

SEC. 1101. OIL AND GAS INCENTIVES.

(a) ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENDITURES.—

(1) IN GENERAL.—Section 263 (relating to capital expenditures) is amended by adding at the end the following new paragraph:

''(j) GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR DOMESTIC OIL AND GAS WELLS.—Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenses incurred in connection with the exploration for, or development of, oil or gas within the United States (as defined in section 638) as expenses which are not chargeable to capital account. Any expenses so treated shall be allowed as a deduction in the taxable year in which paid or incurred.''

(2) CONFORMING AMENDMENT.—Section 263A(c)(3) is amended by inserting ''263(j),'' after ''263(i),''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to expenses paid or incurred in taxable years beginning after December 31, 2000.

(b) ELECTION TO EXPENSE DELAY RENTAL PAYMENTS.—

(1) IN GENERAL.—Section 263 (relating to capital expenditures), as amended by subsection (a)(1), is amended by adding at the end the following new paragraph:

''(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL AND GAS WELLS.—

''(1) IN GENERAL.—Notwithstanding subsection (a), a taxpayer may elect to treat delay rental payments incurred in connection with the development of oil or gas within the United States (as defined in section 638) as payments which are not chargeable to capital account. Any payments so treated shall be allowed as a deduction in the taxable year in which paid or incurred.

''(2) DELAY RENTAL PAYMENTS.—For purposes of paragraph (1), the term 'delay rental payment' means an amount paid for the privilege of deferring development of an oil or gas well.''

(2) CONFORMING AMENDMENT.—Section 263A(c)(3), as amended by subsection (a)(2), is amended by inserting ''263(k),'' after ''263(j),''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to payments made or incurred in taxable years beginning after December 31, 2000.

(c) SUSPENSION OF GROSS INCOME LIMIT FOR PERCENTAGE DEPLETION.—Section 613A(d)(1) (relating to limitation based on taxable income) is amended by adding at the end the following: ''This paragraph shall not apply to any taxpayer in taxable years beginning after December 31, 2000, and ending before January 1, 2006.''

SEC. 1102. TREATMENT OF CERTAIN REVENUES OF ELECTRIC COOPERATIVES.

(a) IN GENERAL.—Section 501(c)(12)(C) is amended by striking ''or'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting '', or'', and by adding at the end the following new clause:

''(iii) from revenues received from nonmembers solely as a result of conforming operations to meet provisions of an applicable Federal or State plan designed to provide customer choice in electric power supply, including wheeling revenue, revenue from replacement of lost member sales with nonmember sales, revenue from unbundled electric activities (including metering, billing, and service charges), revenue from member sales at below cost in order to meet market rates, revenue from asset sales, and revenue from diversified businesses if such a business is conducted on a cooperative basis.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 1999.

SEC. 1103. TAX-EXEMPT BOND FINANCING OF CERTAIN ELECTRIC FACILITIES.

(a) PERMITTED OPEN ACCESS TRANSACTIONS NOT A PRIVATE BUSINESS USE.—Section 141(b)(6) of the Internal Revenue Code of 1986 (defining private business use) is amended by adding at the end the following:

''(C) PERMITTED OPEN ACCESS TRANSACTIONS NOT A PRIVATE BUSINESS USE.—

''(i) IN GENERAL.—For purposes of this subsection, the term 'private business use' shall not include a permitted open access transaction.

''(ii) PERMITTED OPEN ACCESS TRANSACTION DEFINED.—For purposes of clause (i), the term 'permitted open access transaction' means any of the following transactions or activities with respect to an electric output facility (as defined in subsection (f)(4)(A)) owned by a governmental unit:

''(I) Providing open access transmission services and ancillary services which meet the reciprocity requirements of Federal Energy Regulatory Commission Order No. 888, which are ordered by the Federal Energy Regulatory Commission, which are provided in accordance with a transmission tariff of an independent system operator approved by such Commission, or which are consistent with State administered laws, rules, or orders providing for open transmission access.

''(II) Participation in an independent system operator agreement (including the relinquishment of control of transmission facilities to an independent system operator), in a regional transmission group, or in a power exchange agreement approved by such Commission.

''(III) Delivery on an open access basis of electric energy sold by other entities to end-users served by such governmental unit's distribution facilities.

''(IV) If open access service is provided under subclauses (I) and (III), the sale of electric output of electric output facilities on terms other than those available to the general public if such sale is to an on-system purchaser or is an existing off-system sale.

''(V) Such other transactions or activities as may be provided in regulations prescribed by the Secretary.

''(iii) DEFINITIONS; SPECIAL RULES.—For purposes of this subparagraph—

''(I) ON-SYSTEM PURCHASER.—The term 'on-system purchaser' means a person who purchases electric energy from a governmental unit and whose electric facilities or equipment are directly connected with transmission or distribution facilities that are owned by such governmental unit.

''(II) OFF-SYSTEM PURCHASER.—The term 'off-system purchaser' means a purchaser of electric energy from a governmental unit other than an on-system purchaser.

''(III) EXISTING OFF-SYSTEM SALE.—The term 'existing off-system sale' means a sale of electric energy to a person that was an off-system purchaser of electric energy in the base year, but not in excess of the kilowatt hours purchased by such person in such year.

''(IV) BASE YEAR.—The term 'base year' means 1998 (or, at the election of such unit, in 1996 or 1997).

''(V) JOINT ACTION AGENCIES.—A member of a joint action agency that is entitled to make a sale described in clause (ii)(IV) in a year may transfer that entitlement to the joint action agency in accordance with rules of the Secretary.

''(VI) GOVERNMENT-OWNED FACILITY.—An electric output facility (as defined in subsection (f)(4)(A)) which is leased by a governmental unit or in which a governmental unit has capacity rights acquired with the proceeds of tax-exempt bonds issued before the date of the enactment of this subparagraph shall be treated as owned by such governmental unit.''.

(b) ELECTION TO TERMINATE TAX EXEMPT FINANCING.—Section 141 of the Internal Revenue Code of 1986 (relating to private activity bond; qualified bond) is amended by adding at the end the following:

''(f) ELECTION TO TERMINATE TAX-EXEMPT BOND FINANCING FOR CERTAIN ELECTRIC OUTPUT FACILITIES.—

''(1) IN GENERAL.—An issuer may make an irrevocable election under this paragraph to terminate certain tax-exempt financing for electric output facilities. If the issuer makes such election, then—

''(A) except as provided in paragraph (2), no bond the interest on which is exempt from tax under section 103 may be issued on or after the date of such election with respect to an electric output facility; and

''(B) notwithstanding paragraph (1) or (2) of subsection (a) or paragraph (5) of subsection (b), with respect to an electric output facility no bond that was issued before the date of the enactment of this subsection, the interest on which was exempt from tax on such date, shall be treated as a private activity bond, for so long as such facility continues to be owned by a governmental unit.

''(2) EXCEPTIONS.—An election under paragraph (1) does not apply to—

''(A) any qualified bond (as defined in subsection (e)),

''(B) any eligible refunding bond,

''(C) any bond issued to finance a qualifying T&D facility, or

''(D) any bond issued to finance—

''(i) equipment necessary to meet Federal or State environmental requirements applicable to electric output facilities, or

''(ii) repair of electric output facilities in service on the date of the enactment of this subsection.

Any repair under subparagraph (D)(ii) may not increase by more than a de minimis degree the capacity of the facility beyond its original design.

''(3) FORM AND EFFECT OF ELECTIONS.—An election under paragraph (1) shall be made in such a manner as the Secretary prescribes and shall be binding on any successor in interest to the electing issuer.

''(4) DEFINITIONS.—For purposes of this subsection—

''(A) ELECTRIC OUTPUT FACILITY.—The term 'electric output facility' means an output facility that is an electric generation, transmission, or distribution facility.

''(B) ELIGIBLE REFUNDING BOND.—The term 'eligible refunding bond' means any bond (or series of bonds) issued after an election described in paragraph (1) to directly or indirectly refund a bond issued before such election, if—

''(i) the average maturity date of the issue of which the refunding bond is a part is not later than the average maturity date of the bonds to be refunded by such issue, and

''(ii) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond.

For purposes of clause (i), average maturity shall be determined in accordance with section 147(b)(2)(A).

''(C) QUALIFYING T&D FACILITY.—The term 'qualifying T&D facility' means—

''(i) transmission facilities over which services described in subsection (b)(6)(C)(ii)(I) are provided, or

''(ii) distribution facilities over which services described in subsection (b)(6)(C)(ii)(III) are provided.''

(c) EFFECTIVE DATE AND TRANSITION RULES.—

(1) EFFECTIVE DATE.—The amendments made by this section take effect on the date of enactment of this Act, except that a governmental unit may elect to apply section 141(b)(6)(C) of the Internal Revenue Code of 1986, as added by subsection (a), with respect to permitted open access transactions on or after July 9, 1996.

(3) TRANSITION RULES.—

(A) PRIVATE BUSINESS USE.—Any activity that was not a private business use prior to the effective date of the amendment made by subsection (a) shall not be deemed to be a private business use by reason of the enactment of such amendment.

(B) ELECTION.—An issuer making the election under section 141(f) of the Internal Revenue Code of 1986, as added by subsection (b), shall not be liable under any contract in effect on the date of enactment of this Act for any claim arising from having made the election.

SEC. 1104. MODIFICATIONS TO SPECIAL RULES FOR NUCLEAR DECOMMISSIONING COSTS.

(a) REPEAL OF LIMITATION ON DEPOSITS INTO FUND BASED ON COST OF SERVICE.—Subsection (b) of section 468A is amended to read as follows:

''(b) LIMITATION ON AMOUNTS PAID INTO FUND.—The amount which a taxpayer may pay into the Fund for any taxable year shall not exceed the ruling amount applicable to such taxable year.''

(b) CLARIFICATION OF TREATMENT OF FUND TRANSFERS.—Subsection (e) of section 468A is amended by adding at the end the following new paragraph:

''(8) TREATMENT OF FUND TRANSFERS.—If, in connection with the transfer of the taxpayer's interest in a nuclear powerplant, the taxpayer transfers the Fund with respect to such powerplant to the transferee of such interest and the transferee elects to continue the application of this section to such Fund—

''(A) the transfer of such Fund shall not cause such Fund to be disqualified from the application of this section, and

''(B) no amount shall be treated as distributed from such Fund, or be includible in gross income, by reason of such transfer.''

(c) TRANSFERS OF BALANCES IN NONQUALIFIED FUNDS.—Section 468A is amended by redesignating subsections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:

''(f) TRANSFERS OF BALANCES IN NONQUALIFIED FUNDS INTO QUALIFIED FUNDS.—

''(1) IN GENERAL.—Notwithstanding subsection (b), any taxpayer maintaining a Fund to which this section applies with respect to a nuclear powerplant may transfer into such Fund amounts held in any nonqualified fund of such taxpayer with respect to such powerplant.

''(2) MAXIMUM AMOUNT PERMITTED TO BE TRANSFERRED.—The amount permitted to be transferred under paragraph (1) shall not exceed the balance in the nonqualified fund as of December 31, 1998.

''(3) DEDUCTION FOR AMOUNTS TRANSFERRED.—

''(A) IN GENERAL.—The deduction allowed by subsection (a) for any transfer permitted by this subsection shall be allowed ratably over the remaining estimated useful life (within the meaning of subsection (d)(2)(A)) of the nuclear powerplant, beginning with the later of the taxable year during which the transfer is made or the taxpayer's first taxable year beginning after December 31, 2001.

''(B) DENIAL OF DEDUCTION FOR PREVIOUSLY DEDUCTED AMOUNTS.—No deduction shall be allowed for any transfer under this subsection of an amount for which a deduction was allowed when such amount was paid into the nonqualified fund. For purposes of the preceding sentence, a ratable portion of each transfer shall be treated as being from previously deducted amounts to the extent thereof.

''(C) TRANSFERS OF QUALIFIED FUNDS.—If—

''(i) any transfer permitted by this subsection is made to any Fund to which this section applies, and

''(ii) such Fund is transferred thereafter,

any deduction under this subsection for taxable years ending after the date that such Fund is transferred shall be allowed to the transferee and not to the transferor. The preceding sentence shall not apply if the transferor is an organization exempt from tax imposed by this chapter.

''(4) NEW RULING AMOUNT REQUIRED.—Paragraph (1) shall not apply to any transfer unless the taxpayer requests from the Secretary a new schedule of ruling amounts in connection with such transfer.

''(5) NONQUALIFIED FUND.—For purposes of this subsection, the term 'nonqualified fund' means, with respect to any nuclear powerplant, any fund in which amounts are irrevocably set aside pursuant to the requirements of any State or Federal agency exclusively for the purpose of funding the decommissioning of such powerplant.

''(6) NO BASIS IN QUALIFIED FUNDS.—Notwithstanding any other provision of law, the basis of any Fund to which this section applies shall not be increased by reason of any transfer permitted by this subsection.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1105. MODIFICATION OF DEPENDENT CARE CREDIT.

(b) INCREASE IN LIMIT ON EMPLOYMENT-RELATED EXPENSES.—Section 21(c) (relating to dollar limit on amount creditable) is amended—

(1) by striking ''$2,400'' in paragraph (1) and inserting ''$2,700'', and

(2) by striking ''$4,800'' in paragraph (2) and inserting ''$5,400''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1106. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section

1002(a), is amended by adding at the end the following:

"SEC. 45F. EMPLOYER-PROVIDED CHILD CARE CREDIT.

''(a) IN GENERAL.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to 25 percent of the qualified child care expenditures of the eligible taxpayer for such taxable year.

''(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $90,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED CHILD CARE EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) to acquire, construct, rehabilitate, or expand property—

''(I) which is to be used as part of a qualified child care facility of the taxpayer,

''(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

''(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

''(ii) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees, to scholarship programs, and to the providing of increased compensation to employees with higher levels of child care training,

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer, or

''(iv) to reimburse an employee for expenses for child care which enables the employee to be gainfully employed including expenses related to—

''(I) day care and before and after school care,

''(II) transportation associated with such care, and

''(III) before and after school and holiday programs including educational and recreational programs and camp programs.

''(B) FAIR MARKET VALUE.—The term 'qualified child care expenditures' shall not include expenses in excess of the fair market value of such care.

''(2) QUALIFIED CHILD CARE FACILITY.—

''(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

''(i) the principal use of which is to provide child care assistance, and

''(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

''(B) SPECIAL RULES WITH RESPECT TO A TAXPAYER.—A facility shall not be treated as a qualified child care facility with respect to a taxpayer unless—

''(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

''(ii) if the facility is the principal trade or business of the taxpayer, at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer, and

''(iii) the use of such facility (or the eligibility to use such facility) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

''(3) ELIGIBLE TAXPAYER.—The term 'eligible taxpayer' means for any taxable year a taxpayer with gross receipts of less than $50,000,000 for such year.

''(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

''(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

''(A) the applicable recapture percentage, and

''(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

''(2) APPLICABLE RECAPTURE PERCENTAGE.—

''(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

"If the recapture event occurs in:	**The applicable recapture percentage is:**
Years 1–3	100
Year 4	85
Year 5	70
Year 6	55
Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0.

''(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the qualified child care facility is placed in service by the taxpayer.

''(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

''(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

''(B) CHANGE IN OWNERSHIP.—

''(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

''(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

''(4) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

''(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(f) NO DOUBLE BENEFIT.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle—

''(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

''(B) CERTAIN DISPOSITIONS.—If, during any taxable year, there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

''(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.''

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b), as amended by section 1002(b)(1), is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following new paragraph:

''(14) the employer-provided child care credit determined under section 45F.''

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 1002(d), is amended by adding at the end the following:

''Sec. 45F. Employer-provided child care credit.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1107. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.

(a) 15-YEAR RECOVERY PERIOD.—Subparagraph (E) of section 168(e)(3) (relating to 15-year property) 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) any qualified leasehold improvement property.''

(b) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—Subsection (e) of section 168 is amended by adding at the end the following new paragraph:

''(6) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—

''(A) IN GENERAL.—The term 'qualified leasehold improvement property' means any improvement to an interior portion of a building which is nonresidential real property if—

''(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

''(I) by the lessee (or any sublessee) of such portion, or

''(II) by the lessor of such portion,

''(ii) the original use of such improvement begins with the lessee and after December 31, 2000,

''(iii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

''(iv) such improvement is placed in service more than 3 years after the date the building was first placed in service.

''(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

''(i) the enlargement of the building,

''(ii) any elevator or escalator,

''(iii) any structural component benefiting a common area, and

''(iv) the internal structural framework of the building.

''(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

''(i) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively, if the lease is in effect at the time the property is placed in service.

''(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term 'related persons' means—

''(I) members of an affiliated group (as defined in section 1504), and

''(II) persons having a relationship described in subsection (b) of section 267(b) or 707(b)(1); except that, for purposes of this clause, the phrase '80 percent or more' shall be substituted for the phrase 'more than 50 percent' each place it appears in such subsections.''

(c) REQUIREMENT TO USE STRAIGHT LINE METHOD.—Paragraph (3) of section 168(b) is amended by adding at the end the following new subparagraph:

''(G) Qualified leasehold improvement property described in subsection (e)(6).''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified leasehold improvement property placed in service after December 31, 2000.

SEC. 1108. EXEMPTION FROM INCOME TAX FOR STATE-CREATED ORGANIZATIONS PROVIDING PROPERTY AND CASUALTY INSURANCE FOR PROPERTY FOR WHICH SUCH COVERAGE IS OTHERWISE UNAVAILABLE.

(a) IN GENERAL.—Subsection (c) of section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by adding at the end the following new paragraph:

''(28)(A) Any association created before January 1, 1999, by State law and organized and operated exclusively to provide property and casualty insurance coverage for property located within the State for which the State has determined that coverage in the authorized insurance market is limited or unavailable at reasonable rates, if—

''(i) no part of the net earnings of which inures to the benefit of any private shareholder or individual,

''(ii) except as provided in clause (v), no part of the assets of which may be used for, or diverted to, any purpose other than—

''(I) to satisfy, in whole or in part, the liability of the association for, or with respect to, claims made on policies written by the association,

''(II) to invest in investments authorized by applicable law,

''(III) to pay reasonable and necessary administration expenses in connection with the establishment and operation of the association and the processing of claims against the association, or

''(IV) to make remittances pursuant to State law to be used by the State to provide for the payment of claims on policies written by the association, purchase reinsurance covering losses under such policies, or to support governmental programs to prepare for or mitigate the effects of natural catastrophic events,

''(iii) the State law governing the association permits the association to levy assessments on insurance companies authorized to sell property and casualty insurance in the State, or on property and casualty insurance policyholders with insurable interests in property located in the State to fund deficits of the association, including the creation of reserves,

''(iv) the plan of operation of the association is subject to approval by the chief executive officer or other executive branch official of the State, by the State legislature, or both, and

''(v) the assets of the association revert upon dissolution to the State, the State's designee, or an entity designated by the State law governing the association, or State law does not permit the dissolution of the association.

''(B)(i) An entity described in clause (ii) shall be disregarded as a separate entity and treated as part of the association described in subparagraph (A) from which it receives remittances described in clause (ii) if an election is made within 30 days after the date that such association is determined to be exempt from tax.

''(ii) An entity is described in this clause if it is an entity or fund created before January 1, 1999, pursuant to State law and organized and operated exclusively to receive, hold, and invest remittances from an association described in subparagraph (A) and exempt from tax under subsection (a) and to make disbursements to pay claims on insurance contracts issued by such association, and to make disbursements to support governmental programs to prepare for or mitigate the effects of natural catastrophic events.''

(b) UNRELATED BUSINESS TAXABLE INCOME.—Subsection (a) of section 512 (relating to unrelated business taxable income) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE APPLICABLE TO ORGANIZATIONS DESCRIBED IN SECTION 501(C)(28).—In the case of an organization described in section 501(c)(28), the term 'unrelated business taxable income' means taxable income for a taxable year computed without the application of section 501(c)(28) if, at the end of the immediately preceding taxable year, the organization's net equity exceeded 15 percent of the total coverage in force under insurance contracts issued by the organization and outstanding at the end of such preceding year.''

(c) TRANSITIONAL RULE.—No income or gain shall be recognized by an association as a result of a change in status to that of an association described by section 501(c)(28) of the Internal Revenue Code of 1986, as amended by subsection (a).

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 1109. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.

Section 6103(d)(5) is amended to read as follows:

''(5) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission a combined Federal and State employment tax reporting program approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.''

SEC. 1110. INCREASE IN LIMIT ON CERTAIN CHARITABLE CONTRIBUTIONS AS PERCENTAGE OF AGI.

(a) IN GENERAL.—Section 170(b)(1) (relating to percentage limitations) is amended by striking ''30 percent'' each place it appears in subparagraphs (B) and (C) and inserting ''50 percent''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1111. LOW-INCOME SECOND MORTGAGE TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 1002(a), is amended by adding at the end the following:

''SEC. 45F. LOW-INCOME SECOND MORTGAGE TAX CREDIT.

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—For purposes of section 38, the amount of the low-income second mortgage tax credit determined under this section for any taxable year in the credit period shall be an amount equal to the applicable percentage of the low-income second mortgage tax credit amount allocated such taxpayer by a State housing finance agency in the credit allocation year under subsection (b).

''(2) APPLICABLE PERCENTAGE.—For purposes of this section, the Secretary shall prescribe the applicable percentage for any year in which the taxpayer is a qualified lender. Such percentage with respect to any month in the credit period with respect to such taxpayer shall be percentages which will yield over such period amounts of credit under paragraph (1) which have a present value equal to 100 percent of the low-income second mortgage tax credit amount allocated such taxpayer under subsection (b).

''(3) METHOD OF DISCOUNTING.—The present value under paragraph (2) shall be determined in the same manner as the low-income housing credit under section 42(b)(2)(C).

''(b) ALLOCATION OF LOW-INCOME SECOND MORTGAGE TAX CREDIT AMOUNTS.—

''(1) AMOUNT OF CREDIT.—Each qualified State shall receive a low-income second mortgage tax credit dollar amount for each calendar year in an amount equal to the sum of—

''(A) an amount equal to—

''(i) 10 cents multiplied by the State population, multiplied by

''(ii) 10, plus

''(B) the unused low-income second mortgage tax credit dollar amount (if any) of such State for the preceding year.

''(2) QUALIFIED STATE.—For purposes of this section—

''(A) IN GENERAL.—The term 'qualified State' means a State with an approved allocation plan to allocate low-income second mortgage tax credits to qualified lenders through the State housing finance agency.

''(B) APPROVED ALLOCATION PLAN.—For purposes of this paragraph, the term 'approved allocation plan' means a written plan, certified by the Secretary, which includes—

''(i) selection criteria for the allocation of credits to qualified lenders—

''(I) based on a process in which lenders submit bids for the value of the credit, and

''(II) which gives priority to qualified lenders with qualified low-income second mortgage tax credit loans which are prepaid during a calendar year, for credit allocations in the succeeding calendar year,

''(ii) an assurance that the State will not allocate in excess of 10 percent of the low-income second mortgage tax credit amount for the calendar year for qualified low-income

second mortgage tax credit loans which are neighborhood revitalization project loans,

''(iii) a procedure that the agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of this section and in notifying the Internal Revenue Service of such noncompliance with respect to which such agency becomes aware, and

''(iv) such other assurances as the Secretary may require.

''(3) QUALIFIED LENDER.—For purposes of this section, the term 'qualified lender' means a lender which—

''(A) is an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act), insured credit union (as defined in section 101 of the Federal Credit Union Act), community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702)), or nonprofit community development corporation (as defined in section 613 of the Community Economic Development Act of 1981 (42 U.S.C. 9802)),

''(B) makes available, through such lender or the lender's designee, pre-purchase homeownership counseling for mortgagors, and

''(C) during the 1-year period beginning on the date of the credit allocation, originates not less than 100 qualified low-income second mortgage tax credit loans in an aggregate amount not less than the amount of the bid of such lender for such credit allocation.

''(4) CARRYOVER OF CREDIT.—A low-income second mortgage tax credit amount received by a State for any calendar year and not allocated in such year shall remain available to be allocated in the succeeding calendar year.

''(5) POPULATION.—For purposes of this section, population shall be determined in accordance with section 146(j).

''(6) COST-OF-LIVING ADJUSTMENT.—In the case of a calendar year after 2001, the 10 cent amount contained in paragraph (1)(A)(i) shall be increased by an amount equal to—

''(A) such amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

''(c) QUALIFIED LOW-INCOME SECOND MORTGAGE TAX CREDIT LOAN DEFINED.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified low-income second mortgage tax credit loan' means a loan originated and funded by a qualified lender which is secured by a second lien on a residence, but only if—

''(A) the requirements of subsections (d), (e), and (f) are met,

''(B) subject to subparagraphs (F), (H), and (I), the proceeds from such loan are applied exclusively—

''(i) to acquire such residence, or

''(ii) to substantially improve such residence in connection with a neighborhood revitalization project,

''(C) the principal amount of the loan is equal to an amount which is—

''(i) not less than 18 percent of the purchase price of the residence securing the loan, and

''(ii) not more than the lesser of—

''(I) 22 percent of such purchase price, or

''(II) $25,000,

''(D) in the case of a neighborhood revitalization project loan, subparagraph (C) is applied by substituting—

''(i) 'purchase price or appraised value' for 'purchase price', and

''(ii) '$40,000' for '$25,000',

''(E) the loan is—

''(i) amortized over a period of not more than 30 years (or any lesser period of time as determined by the lender or the State housing finance agency (as applicable)), or

''(ii) described in paragraph (2),

''(F) the proceeds of such loan are not used for settlement or other closing costs of the transaction in an amount in excess of 4 percent of the purchase price of the residence securing the loan,

''(G) the rate of interest of the loan does not exceed the greater of—

''(i) the excess of—

''(I) the prime lending rate in effect as of the date on which the loan is originated, over

''(II) 5.5 percent, or

''(ii) 3 percent,

''(H) the origination fee paid with respect to the loan does not cause the aggregate amount of origination fees paid with respect to any loans secured by the residence—

''(i) in the case of a neighborhood revitalization project loan, to exceed 1 percent of the appraised value of the residence which secures the loan, and

''(ii) in the case of any other loan, to exceed 2 percent of the appraised value of such residence, and

''(I) the servicing fees of such loan—

''(i) are allocated from interest payments made with respect to the loan, and

''(ii) may not—

''(I) in the case of a neighborhood revitalization project loan, exceed a total of 38 basis points, and

''(II) in the case of any other loan, when added to such fees of any other loan secured by the residence, exceed a total of 63 basis points.

''(2) BALLOON PAYMENT LOAN.—

''(A) IN GENERAL.—A loan is described in this paragraph if such loan—

''(i) meets the requirements of subparagraphs (B) and (C),

''(ii) is for a period of 25 years and, except as provided in clause (iv), no payment is due on such loan until the sooner of—

''(I) the end of such period, or

''(II) the date on which the residence which secures the loan is disposed of,

''(iii) does not prohibit early repayment of such loan, and

''(iv) requires payment on such loan if the mortgagor receives any portion of the equity of such residence as part of a refinancing of any loan secured by such residence.

''(B) INTEREST.—Notwithstanding paragraph (1)(G), the rate of interest of the loan is zero percent.

''(C) SERVICING FEES.—Notwithstanding paragraph (1)(I), there shall be no servicing fees in connection with the loan.

''(3) INDEX OF AMOUNT.—

''(A) IN GENERAL.—In the case of a calendar year after 2001, the amounts under subparagraphs (C) and (D) of paragraph (1) shall be increased by an amount equal to—

''(i) such amount, multiplied by

''(ii) the housing price adjustment for such calendar year.

''(B) HOUSING PRICE ADJUSTMENT.—For purposes of subparagraph (A), the housing price adjustment for any calendar year is the percentage (if any) by which—

''(i) the housing price index for the preceding calendar year, exceeds

''(ii) the housing price index for calendar year 2001.

''(C) HOUSING PRICE INDEX.—For purposes of subparagraph (B), the housing price index means the housing price index published by the Federal Housing Finance Board (as established in section 2A of the Federal Home Loan Bank Act (12 U.S.C. 1422a)) for the calendar year.

''(d) MORTGAGOR.—

''(1) IN GENERAL.—A loan meets the requirements of this subsection if it is made to a mortgagor—

''(A) whose family income for the year in which the mortgagor applies for the loan is 80 percent or less of the area median gross income for the area in which the residence which secures the mortgage is located,

''(B) for whom the loan would not result in a housing debt-to-income ratio, with respect to the residence securing the loan, or total debt-to-income ratio which is greater than the guidelines set by the Federal Housing Administration (or any other ratio as determined by the State housing finance agency or lender if such ratio is less than such guidelines), and

''(C) who attends pre-purchase homeownership counseling provided by the qualified lender or the lender's designee.

''(2) DETERMINATION OF FAMILY INCOME.—For purposes of this subsection and subsection (h), the family income of a mortgagor and area median gross income shall be determined in accordance with section 143(f)(2).

''(e) RESIDENCE REQUIREMENTS.—A loan meets the requirements of this subsection if it is secured by a residence that is—

''(1) a single-family residence (including a manufactured home (within the meaning of section 25(e)(10))) which is the principal residence (within the meaning of section 121) of the mortgagor, or can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided,

''(2) purchased by the mortgagor with a down payment in an amount not less than the lesser of—

''(A) 2 percent of the purchase price, or

''(B) $1,000, and

''(3) in the case of a mortgagor with a family income greater than 50 percent of the area median gross income, as determined under subsection (d)(1)(A), not financed in connection with a qualified mortgage issued under section 143.

''(f) DEFINITION AND SPECIAL RULES RELATING TO CREDIT PERIOD.—

''(1) CREDIT PERIOD DEFINED.—For purposes of this section, the term 'credit period' means the period of 10 taxable years beginning with the taxable year in which a low-income second mortgage tax credit amount is allocated to the taxpayer.

''(2) SPECIAL RULE FOR 1ST YEAR OF CREDIT PERIOD.—

''(A) IN GENERAL.—The credit allowable under subsection (a) with respect to any taxpayer for the 1st taxable year of the credit period shall be determined by substituting for the applicable percentage under subsection (a)(2) the fraction—

''(i) the numerator of which is the sum of the applicable percentages determined under subsection (a)(2) as of the close of each full month of such year, during which the taxpayer was a qualified lender, and

''(ii) the denominator of which is 12.

''(B) DISALLOWED 1ST YEAR CREDIT ALLOWED IN 11TH YEAR.—Any reduction by reason of subparagraph (A) in the credit allowable (without regard to subparagraph (A)) for the 1st taxable year of the credit period shall be allowable under subsection (a) for the 1st taxable year following the credit period.

''(3) DISPOSITION OF LOW-INCOME SECOND MORTGAGE TAX CREDIT LOANS.—If a qualified low-income second mortgage tax credit loan is disposed of during any year for which a credit is allowable under subsection (a), such credit shall be allocated between the parties on the basis of the number of days during such year the mortgage was held by each and the portion of the total credit allocated to the qualified lender which is attributable to such mortgage.

''(g) LOSS OF CREDIT.—If, during the taxable year, a qualified low-income second mortgage tax credit loan is repaid prior to

the expiration of the credit period with respect to such loan, the amount of the low-income second mortgage tax credit attributable to such loan is no longer available under subsection (a). For purposes of the preceding sentence, the tax credit is allowable for the portion of the year in which such repayment occurs for which the loan is outstanding, determined in the same manner as provided in subsection (f)(2)(A).

''(h) RECAPTURE OF PORTION OF FEDERAL SUBSIDY FROM HOME-OWNER.—

''(1) IN GENERAL.—If, during the taxable year, any taxpayer described in paragraph (3) disposes of an interest in a residence with respect to which a low-income second mortgage tax credit amount applies, then the taxpayer's tax imposed by this chapter for such taxable year shall be increased by 50 percent of the gain (if any) on the disposition of such interest.

''(2) EXCEPTIONS.—Paragraph (1) shall not apply to any disposition—

''(A) by reason of death,

''(B) which is made on a date that is more than 10 years after the date on which the qualified low-income second mortgage tax credit loan secured by such residence was made, or

''(C) in which the purchaser of the residence assumes the qualified low-income second mortgage tax credit loan secured by the residence.

''(3) INCOME LIMITATION.—A taxpayer is described in this paragraph if, on the date of the disposition, the family income of the mortgagor is 115 percent or more of the area median gross income as determined under subsection (d)(1)(A) for the year in which the disposition occurs.

''(4) SPECIAL RULES RELATING TO LIMITATION ON RECAPTURE AMOUNT BASED ON GAIN REALIZED.—For purposes of this subsection, rules similar to the rules of section 143(m)(6) shall apply.

''(5) LENDER TO INFORM MORTGAGOR OF POTENTIAL RECAPTURE.—The qualified lender which makes a qualified low-income second mortgage tax credit loan to a mortgagor shall, at the time of settlement, provide a written statement informing the mortgagor of the potential recapture under this subsection.

''(6) SPECIAL RULES.—For purposes of this subsection, rules similar to the rules of section 143(m)(8) shall apply.

''(i) OTHER DEFINITIONS.—

''(1) NEIGHBORHOOD REVITALIZATION PROJECT LOAN.—

''(A) IN GENERAL.—The term 'neighborhood revitalization project loan' means a loan secured by a second lien on a residence, the proceeds of which are used to substantially improve such residence in connection with a neighborhood revitalization project.

''(B) NEIGHBORHOOD REVITALIZATION PROJECT.—The term 'neighborhood revitalization project' means a project of sufficient size and scope to alleviate physical deterioration and stimulate investment in—

''(i) a geographic location within the jurisdiction of a unit of local government (but not the entire jurisdiction) designated in comprehensive plans, ordinances, or other documents as a neighborhood, village, or similar geographic designation, or

''(ii) the entire jurisdiction of a unit of local government if the population of such jurisdiction is not in excess of 25,000.

''(2) STATE.—The term 'State' includes a possession of the United States.

''(3) STATE HOUSING FINANCE AGENCY.—The term 'State housing finance agency' means the public agency, authority, corporation, or other instrumentality of a State that has the authority to provide residential mortgage loan financing throughout the State.

''(j) CERTIFICATION AND OTHER REPORTS TO THE SECRETARY.—

''(1) CERTIFICATION WITH RESPECT TO STATE ALLOCATION OF LOW-INCOME SECOND MORTGAGE TAX CREDITS.—The Secretary may, upon a finding of noncompliance, revoke the certification of a qualified State and revoke any qualified low-income second mortgage tax credit amounts allocated to such State or allocated by such State to a qualified lender.

''(2) ANNUAL REPORT FROM HOUSING FINANCE AGENCIES.—Each State housing finance agency which allocates any low-income second mortgage tax credit amount to any qualified lender for any calendar year shall submit to the Secretary (at such time and in such manner as the Secretary shall prescribe) an annual report specifying—

''(A) the low-income second mortgage tax credit amount allocated to each qualified lender for such year, and

''(B) with respect to each qualified lender—

''(i) the principal amount of the aggregate qualified low-income second mortgage tax credit loans made by such lender in such year and the outstanding amount of such loans in such year, and

''(ii) the number of qualified low-income second mortgage tax credit loans made by such lender in such year.

The penalty under section 6652(j) shall apply to any failure to submit the report required by this paragraph on the date prescribed therefore.

''(k) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.''

(b) LIMITATION ON CARRYBACK OF UNUSED CREDIT.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits), as amended by section 1002(b)(2), is amended by adding at the end the following:

''(12) NO CARRYBACK OF LOW-INCOME SECOND MORTGAGE TAX CREDITS BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the low-income second mortgage tax credit determined under section 45F may be carried back to a taxable year ending before the date of the enactment of section 45F.''

(c) CONFORMING AMENDMENTS.—

(1) Section 38(b), as amended by section 1002(b)(1), is amended—

(A) by striking ''plus'' at the end of paragraph (14),

(B) by striking the period at the end of paragraph (15), and inserting '', plus'', and

(C) by adding at the end the following:

''(16) the low-income second mortgage tax credit determined under section 45F.''

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 1002(d), is amended by adding at the end the following:

''Sec. 45F. Low-income second mortgage tax credit.''

(d) REGULATIONS.—The Secretary of the Treasury shall, by regulation, make any necessary adjustments to the amount of credit allocated under section 45F(b)(1) of the Internal Revenue Code of 1986, as added by subsection (a), to ensure that the decrease in revenues in the Treasury, resulting from the amendments made by this section, in calendar years before 2011 does not exceed $1,000,000,000.

(e) EFFECTIVE DATE.—The amendments made by this section apply to calendar years after 2000.

SEC. 1112. COORDINATION OF CHILD TAX CREDIT AND EARNED INCOME CREDIT WITH CERTAIN MEANS-TESTED PROGRAMS.

(a) CHILD TAX CREDIT.—Section 24 (relating to child tax credit) is amended by adding at the end the following new subsection:

''(g) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—Any refund or credit made to an individual by reason of this section shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—

''(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or

''(2) the amount or extent of such benefits or assistance.''

(b) EARNED INCOME CREDIT.—Subsection (l) of section 32 (relating to coordination with certain means-tested programs) is amended to read as follows:

''(l) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—Any refund or credit made to an individual by reason of this section, and any payment made to such individual by an employer under section 3507, shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—

''(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or

''(2) the amount or extent of such benefits or assistance.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1113. NO FEDERAL INCOME TAX ON AMOUNTS RECEIVED BY HOLOCAUST VICTIMS OR THEIR HEIRS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, gross income shall not include any amount received by an individual (or any heir of the individual)—

(1) from the Swiss Humanitarian Fund established by the Government of Switzerland or from any similar fund established by any foreign country, or

(2) as a result of the settlement of the action entitled ''In re Holocaust Victims' Asset Litigation'', (E.D. NY), C.A. No. 96–4849, or as a result of any similar action.

(b) EFFECTIVE DATE.—This section shall apply to any amount received before, on, or after the date of the enactment of this Act.

SEC. 1114. TAX TREATMENT OF SPECIAL PAY FOR MEMBERS OF THE ARMED FORCES.

(a) IN GENERAL.—Subchapter C of chapter 80 (relating to provisions affecting more than one subtitle) is amended by adding at the end the following:

''SEC. 7874. TREATMENT OF SPECIAL PAY FOR MEMBERS OF THE ARMED FORCES.

''(a) GENERAL RULE.—For purposes of the following provisions, a special pay area shall be treated in the same manner as if it were a combat zone (as determined under section 112):

''(1) Section 2(a)(3) (relating to special rule where deceased spouse was in missing status).

''(2) Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces).

''(3) Section 692 (relating to income taxes of members of Armed Forces on death).

''(4) Section 2201 (relating to members of the Armed Forces dying in combat zone or by reason of combat-zone-incurred wounds, etc.).

''(5) Section 3401(a)(1) (defining wages relating to combat pay for members of the Armed Forces).

''(6) Section 4253(d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces).

''(7) Section 6013(f)(1) (relating to joint return where individual is in missing status).

''(8) Section 7508 (relating to time for performing certain acts postponed by reason of service in combat zone).

''(b) SPECIAL PAY AREA.—For purposes of this section, the term 'special pay area' means any area in which an individual receives special pay under section 310 of title 37, United States Code, for services performed in such area.''

(b) CONFORMING AMENDMENT.—The table of sections for subchapter C of chapter 80 is amended by adding at the end the following:

''Sec. 7874. Treatment of special pay.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid in taxable years ending after the date of the enactment of this Act.

Subtitle B—Provisions Relating to Real Estate Investment Trusts

PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES

SEC. 1121. MODIFICATIONS TO ASSET DIVERSIFICATION TEST.

(a) IN GENERAL.—Subparagraph (B) of section 856(c)(4) is amended to read as follows:

''(B)(i) not more than 25 percent of the value of its total assets is represented by securities (other than those includible under subparagraph (A)), and

''(ii) except with respect to a taxable REIT subsidiary and securities includible under subparagraph (A)—

''(I) not more than 5 percent of the value of its total assets is represented by securities of any 1 issuer,

''(II) the trust does not hold securities possessing more than 10 percent of the total voting power of the outstanding securities of any 1 issuer, and

''(III) the trust does not hold securities having a value of more than 10 percent of the total value of the outstanding securities of any 1 issuer.''

(b) EXCEPTION FOR STRAIGHT DEBT SECURITIES.—Subsection (c) of section 856 is amended by adding at the end the following new paragraph:

''(7) STRAIGHT DEBT SAFE HARBOR IN APPLYING PARAGRAPH (4).—Securities of an issuer which are straight debt (as defined in section 1361(c)(5) without regard to subparagraph (B)(iii) thereof) shall not be taken into account in applying paragraph (4)(B)(ii)(III) if—

''(A) the issuer is an individual, or

''(B) the only securities of such issuer which are held by the trust or a taxable REIT subsidiary of the trust are straight debt (as so defined), or

''(C) the issuer is a partnership and the trust holds at least a 20 percent profits interest in the partnership.''

SEC. 1122. TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES.

(a) INCOME FROM TAXABLE REIT SUBSIDIARIES NOT TREATED AS IMPERMISSIBLE TENANT SERVICE INCOME.—Clause (i) of section 856(d)(7)(C) (relating to exceptions to impermissible tenant service income) is amended by inserting ''or through a taxable REIT subsidiary of such trust'' after ''income''.

(b) CERTAIN INCOME FROM TAXABLE REIT SUBSIDIARIES NOT EXCLUDED FROM RENTS FROM REAL PROPERTY.—

(1) IN GENERAL.—Subsection (d) of section 856 (relating to rents from real property defined) is amended by adding at the end the following new paragraphs:

''(8) SPECIAL RULE FOR TAXABLE REIT SUBSIDIARIES.—For purposes of this subsection, amounts paid to a real estate investment trust by a taxable REIT subsidiary of such trust shall not be excluded from rents from real property by reason of paragraph (2)(B) if the requirements of subparagraph (A) or (B) are met.

''(A) LIMITED RENTAL EXCEPTION.—The requirements of this subparagraph are met with respect to any property if at least 90 percent of the leased space of the property is rented to persons other than taxable REIT subsidiaries of such trust and other than persons described in section 856(d)(2)(B). The preceding sentence shall apply only to the extent that the amounts paid to the trust as rents from real property (as defined in paragraph (1) without regard to paragraph (2)(B)) from such property are substantially comparable to such rents made by the other tenants of the trust's property for comparable space.

''(B) EXCEPTION FOR CERTAIN LODGING FACILITIES.—The requirements of this subparagraph are met with respect to an interest in real property which is a qualified lodging facility leased by the trust to a taxable REIT subsidiary of the trust if the property is operated on behalf of such subsidiary by a person who is an eligible independent contractor.

''(9) ELIGIBLE INDEPENDENT CONTRACTOR.—For purposes of paragraph (8)(B)—

''(A) IN GENERAL.—The term 'eligible independent contractor' means, with respect to any qualified lodging facility, any independent contractor if, at the time such contractor enters into a management agreement or other similar service contract with the taxable REIT subsidiary to operate the facility, such contractor (or any related person) is actively engaged in the trade or business of operating qualified lodging facilities for any person who is not a related person with respect to the real estate investment trust or the taxable REIT subsidiary.

''(B) SPECIAL RULES.—Solely for purposes of this paragraph and paragraph (8)(B), a person shall not fail to be treated as an independent contractor with respect to any qualified lodging facility by reason of any of the following:

''(i) The taxable REIT subsidiary bears the expenses for the operation of the facility pursuant to the management agreement or other similar service contract.

''(ii) The taxable REIT subsidiary receives the revenues from the operation of such facility, net of expenses for such operation and fees payable to the operator pursuant to such agreement or contract.

''(iii) The real estate investment trust receives income from such person with respect to another property that is attributable to a lease of such other property to such person that was in effect as on the later of—

''(I) January 1, 1999, or

''(II) the earliest date that any taxable REIT subsidiary of such trust entered into a management agreement or other similar service contract with such person with respect to such qualified lodging facility.

''(C) RENEWALS, ETC., OF EXISTING LEASES.—For purposes of subparagraph (B)(iii)—

''(i) a lease shall be treated as in effect on January 1, 1999, without regard to its renewal after such date, so long as such renewal is pursuant to the terms of such lease as in effect on whichever of the dates under subparagraph (B)(iii) is the latest, and

''(ii) a lease of a property entered into after whichever of the dates under subparagraph (B)(iii) is the latest shall be treated as in effect on such date if—

''(I) on such date, a lease of such property from the trust was in effect, and

''(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).

''(D) QUALIFIED LODGING FACILITY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified lodging facility' means any lodging facility unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility.

''(ii) LODGING FACILITY.—The term 'lodging facility' means a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis.

''(iii) CUSTOMARY AMENITIES AND FACILITIES.—The term 'lodging facility' includes customary amenities and facilities operated as part of, or associated with, the lodging facility so long as such amenities and facilities are customary for other properties of a comparable size and class owned by other owners unrelated to such real estate investment trust.

''(E) OPERATE INCLUDES MANAGE.—References in this paragraph to operating a property shall be treated as including a reference to managing the property.

''(F) RELATED PERSON.—Persons shall be treated as related to each other if such persons are treated as a single employer under subsection (a) or (b) of section 52.''

(2) CONFORMING AMENDMENT.—Subparagraph (B) of section 856(d)(2) is amended by inserting ''except as provided in paragraph (8),'' after ''(B)''.

SEC. 1123. TAXABLE REIT SUBSIDIARY.

(a) IN GENERAL.—Section 856 is amended by adding at the end the following new subsection:

''(l) TAXABLE REIT SUBSIDIARY.—For purposes of this part—

''(1) IN GENERAL.—The term 'taxable REIT subsidiary' means, with respect to a real estate investment trust, a corporation (other than a real estate investment trust) if—

''(A) such trust directly or indirectly owns stock in such corporation, and

''(B) such trust and such corporation jointly elect that such corporation shall be treated as a taxable REIT subsidiary of such trust for purposes of this part.

Such an election, once made, shall be irrevocable unless both such trust and corporation consent to its revocation. Such election, and any revocation thereof, may be made without the consent of the Secretary.

''(2) 35 PERCENT OWNERSHIP IN ANOTHER TAXABLE REIT SUBSIDIARY.—The term 'taxable REIT subsidiary' includes, with respect to any real estate investment trust, any corporation (other than a real estate investment trust) with respect to which a taxable REIT subsidiary of such trust owns directly or indirectly—

''(A) securities possessing more than 35 percent of the total voting power of the outstanding securities of such corporation, or

''(B) securities having a value of more than 35 percent of the total value of the outstanding securities of such corporation.

The preceding sentence shall not apply to a qualified REIT subsidiary (as defined in subsection (i)(2)). The rule of section 856(c)(7) shall apply for purposes of subparagraph (B).

''(3) EXCEPTIONS.—The term 'taxable REIT subsidiary' shall not include—

''(A) any corporation which directly or indirectly operates or manages a lodging facility or a health care facility, and

''(B) any corporation which directly or indirectly provides to any other person (under a franchise, license, or otherwise) rights to any brand name under which any lodging facility or health care facility is operated.

Subparagraph (B) shall not apply to rights provided to an eligible independent contractor to operate or manage a lodging facility if such rights are held by such corporation as a franchisee, licensee, or in a similar capacity and such lodging facility is either owned by such corporation or is leased to such corporation from the real estate investment trust.

''(4) DEFINITIONS.—For purposes of paragraph (3)—

''(A) LODGING FACILITY.—The term 'lodging facility' has the meaning given to such term by paragraph (9)(D)(ii).

''(B) HEALTH CARE FACILITY.—The term 'health care facility' has the meaning given to such term by subsection (e)(6)(D)(ii).''

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 856(i) is amended by adding at the end the following new sentence: ''Such term shall not include a taxable REIT subsidiary.''

SEC. 1124. LIMITATION ON EARNINGS STRIPPING.

Paragraph (3) of section 163(j) (relating to limitation on deduction for interest on certain indebtedness) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following new subparagraph:

''(C) any interest paid or accrued (directly or indirectly) by a taxable REIT subsidiary (as defined in section 856(l)) of a real estate investment trust to such trust.''

SEC. 1125. 100 PERCENT TAX ON IMPROPERLY ALLOCATED AMOUNTS.

(a) IN GENERAL.—Subsection (b) of section 857 (relating to method of taxation of real estate investment trusts and holders of shares or certificates of beneficial interest) is amended by redesignating paragraphs (7) and (8) as paragraphs (8) and (9), respectively, and by inserting after paragraph (6) the following new paragraph:

''(7) INCOME FROM REDETERMINED RENTS, REDETERMINED DEDUCTIONS, AND EXCESS INTEREST.—

''(A) IMPOSITION OF TAX.—There is hereby imposed for each taxable year of the real estate investment trust a tax equal to 100 percent of redetermined rents, redetermined deductions, and excess interest.

''(B) REDETERMINED RENTS.—

''(i) IN GENERAL.—The term 'redetermined rents' means rents from real property (as defined in subsection 856(d)) the amount of which would (but for subparagraph (E)) be reduced on distribution, apportionment, or allocation under section 482 to clearly reflect income as a result of services furnished or rendered by a taxable REIT subsidiary of the real estate investment trust to a tenant of such trust.

''(ii) EXCEPTION FOR CERTAIN SERVICES.—Clause (i) shall not apply to amounts received directly or indirectly by a real estate investment trust for services described in paragraph (1)(B) or (7)(C)(i) of section 856(d).

''(iii) EXCEPTION FOR DE MINIMIS AMOUNTS.—Clause (i) shall not apply to amounts described in section 856(d)(7)(A) with respect to a property to the extent such amounts do not exceed the one percent threshold described in section 856(d)(7)(B) with respect to such property.

''(iv) EXCEPTION FOR COMPARABLY PRICED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

''(I) such subsidiary renders a significant amount of similar services to persons other than such trust and tenants of such trust who are unrelated (within the meaning of section 856(d)(8)(F)) to such subsidiary, trust, and tenants, but

''(II) only to the extent the charge for such service so rendered is substantially comparable to the charge for the similar services rendered to persons referred to in subclause (I).

''(v) EXCEPTION FOR CERTAIN SEPARATELY CHARGED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

''(I) the rents paid to the trust by tenants (leasing at least 25 percent of the net leasable space in the trust's property) who are not receiving such service from such subsidiary are substantially comparable to the rents paid by tenants leasing comparable space who are receiving such service from such subsidiary, and

''(II) the charge for such service from such subsidiary is separately stated.

''(vi) EXCEPTION FOR CERTAIN SERVICES BASED ON SUBSIDIARY'S INCOME FROM THE SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if the gross income of such subsidiary from such service is not less than 150 percent of such subsidiary's direct cost in furnishing or rendering the service.

''(vii) EXCEPTIONS GRANTED BY SECRETARY.—The Secretary may waive the tax otherwise imposed by subparagraph (A) if the trust establishes to the satisfaction of the Secretary that rents charged to tenants were established on an arms' length basis even though a taxable REIT subsidiary of the trust provided services to such tenants.

''(C) REDETERMINED DEDUCTIONS.—The term 'redetermined deductions' means deductions (other than redetermined rents) of a taxable REIT subsidiary of a real estate investment trust if the amount of such deductions would (but for subparagraph (E)) be increased on distribution, apportionment, or allocation under section 482 to clearly reflect income as between such subsidiary and such trust.

''(D) EXCESS INTEREST.—The term 'excess interest' means any deductions for interest payments by a taxable REIT subsidiary of a real estate investment trust to such trust to the extent that the interest payments are in excess of a rate that is commercially reasonable.

''(E) COORDINATION WITH SECTION 482.—The imposition of tax under subparagraph (A) shall be in lieu of any distribution, apportionment, or allocation under section 482.

''(F) REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph. Until the Secretary prescribes such regulations, real estate investment trusts and their taxable REIT subsidiaries may base their allocations on any reasonable method.''

(b) AMOUNT SUBJECT TO TAX NOT REQUIRED TO BE DISTRIBUTED.—Subparagraph (E) of section 857(b)(2) (relating to real estate investment trust taxable income) is amended by striking ''paragraph (5)'' and inserting ''paragraphs (5) and (7)''.

SEC. 1126. EFFECTIVE DATE.

(a) IN GENERAL.—The amendments made by this part shall apply to taxable years beginning after December 31, 2000.

(b) TRANSITIONAL RULES RELATED TO SECTION 1121.—

(1) EXISTING ARRANGEMENTS.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendment made by section 1121 shall not apply to a real estate investment trust with respect to—

(i) securities of a corporation held directly or indirectly by such trust on July 12, 1999,

(ii) securities of a corporation held by an entity on July 12, 1999, if such trust acquires control of such entity pursuant to a written binding contract in effect on such date and at all times thereafter before such acquisition,

(iii) securities received by such trust (or a successor) in exchange for, or with respect to, securities described in clause (i) or (ii) in a transaction in which gain or loss is not recognized, and

(iv) securities acquired directly or indirectly by such trust as part of a reorganization (as defined in section 368(a)(1) of the Internal Revenue Code of 1986) with respect to such trust if such securities are described in clause (i), (ii), or (iii) with respect to any other real estate investment trust.

(B) NEW TRADE OR BUSINESS OR SUBSTANTIAL NEW ASSETS.—Subparagraph (A) shall cease to apply to securities of a corporation as of the first day after July 12, 1999, on which such corporation engages in a substantial new line of business, or acquires any substantial asset, other than—

(i) pursuant to a binding contract in effect on such date and at all times thereafter before the acquisition of such asset,

(ii) in a transaction in which gain or loss is not recognized by reason of section 1031 or 1033 of the Internal Revenue Code of 1986, or

(iii) in a reorganization (as so defined) with another corporation the securities of which are described in paragraph (1)(A) of this subsection.

(2) TAX-FREE CONVERSION.—If—

(A) at the time of an election for a corporation to become a taxable REIT subsidiary, the amendment made by section 1121 does not apply to such corporation by reason of paragraph (1), and

(B) such election first takes effect before January 1, 2004,

such election shall be treated as a reorganization qualifying under section 368(a)(1)(A) of such Code.

PART II—HEALTH CARE REITS

SEC. 1131. HEALTH CARE REITS.

(a) SPECIAL FORECLOSURE RULE FOR HEALTH CARE PROPERTIES.—Subsection (e) of section 856 (relating to special rules for foreclosure property) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE FOR QUALIFIED HEALTH CARE PROPERTIES.—For purposes of this subsection—

''(A) ACQUISITION AT EXPIRATION OF LEASE.—The term 'foreclosure property' shall include any qualified health care property acquired by a real estate investment trust as the result of the termination of a lease of such property (other than a termination by reason of a default, or the imminence of a default, on the lease).

''(B) GRACE PERIOD.—In the case of a qualified health care property which is foreclosure property solely by reason of subparagraph (A), in lieu of applying paragraphs (2) and (3)—

''(i) the qualified health care property shall cease to be foreclosure property as of the close of the second taxable year after the taxable year in which such trust acquired such property, and

''(ii) if the real estate investment trust establishes to the satisfaction of the Secretary that an extension of the grace period in clause (i) is necessary to the orderly leasing or liquidation of the trust's interest in such qualified health care property, the Secretary may grant 1 or more extensions of the grace period for such qualified health care property.

Any such extension shall not extend the grace period beyond the close of the 6th year after the taxable year in which such trust acquired such qualified health care property.

''(C) INCOME FROM INDEPENDENT CONTRACTORS.—For purposes of applying paragraph (4)(C) with respect to qualified health care

property which is foreclosure property by reason of subparagraph (A) or paragraph (1), income derived or received by the trust from an independent contractor shall be disregarded to the extent such income is attributable to—

''(i) any lease of property in effect on the date the real estate investment trust acquired the qualified health care property (without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date), or

''(ii) any lease of property entered into after such date if—

''(I) on such date, a lease of such property from the trust was in effect, and

''(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).

''(D) QUALIFIED HEALTH CARE PROPERTY.—

''(i) IN GENERAL.—The term 'qualified health care property' means any real property (including interests therein), and any personal property incident to such real property, which—

''(I) is a health care facility, or

''(II) is necessary or incidental to the use of a health care facility.

''(ii) HEALTH CARE FACILITY.—For purposes of clause (i), the term 'health care facility' means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility (as defined in section 7872(g)(4)), or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease of or mortgage secured by such facility, was operated by a provider of such services which was eligible for participation in the medicare program under title XVIII of the Social Security Act with respect to such facility.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES

SEC. 1141. CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES.

(a) DISTRIBUTION REQUIREMENT.—Clauses (i) and (ii) of section 857(a)(1)(A) (relating to requirements applicable to real estate investment trusts) are each amended by striking ''95 percent (90 percent for taxable years beginning before January 1, 1980)'' and inserting ''90 percent''.

(b) IMPOSITION OF TAX.—Clause (i) of section 857(b)(5)(A) (relating to imposition of tax in case of failure to meet certain requirements) is amended by striking ''95 percent (90 percent in the case of taxable years beginning before January 1, 1980)'' and inserting ''90 percent''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICE INCOME

SEC. 1151. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) is amended by adding at the end the following flush sentence:

''In the event that any class of stock of either the real estate investment trust or such person is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5 percent of such class of stock shall be taken into account as owning any of the stock of such class for purposes of applying the 35 percent limitation set forth in subparagraph (B) (but all of the outstanding stock of such class shall be considered outstanding in order to compute the denominator for purpose of determining the applicable percentage of ownership).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

SEC. 1161. MODIFICATION OF EARNINGS AND PROFITS RULES.

(a) RULES FOR DETERMINING WHETHER REGULATED INVESTMENT COMPANY HAS EARNINGS AND PROFITS FROM NON-RIC YEAR.—Subsection (c) of section 852 is amended by adding at the end the following new paragraph:

''(3) DISTRIBUTIONS TO MEET REQUIREMENTS OF SUBSECTION (a)(2)(B).—Any distribution which is made in order to comply with the requirements of subsection (a)(2)(B)—

''(A) shall be treated for purposes of this subsection and subsection (a)(2)(B) as made from the earliest earnings and profits accumulated in any taxable year to which the provisions of this part did not apply rather than the most recently accumulated earnings and profits, and

''(B) to the extent treated under subparagraph (A) as made from accumulated earnings and profits, shall not be treated as a distribution for purposes of subsection (b)(2)(D) and section 855.''

(b) CLARIFICATION OF APPLICATION OF REIT SPILLOVER DIVIDEND RULES TO DISTRIBUTIONS TO MEET QUALIFICATION REQUIREMENT.—Subparagraph (B) of section 857(d)(3) is amended by inserting before the period ''and section 858''.

(c) APPLICATION OF DEFICIENCY DIVIDEND PROCEDURES.—Paragraph (1) of section 852(e) is amended by adding at the end the following new sentence: ''If the determination under subparagraph (A) is solely as a result of the failure to meet the requirements of subsection (a)(2), the preceding sentence shall also apply for purposes of applying subsection (a)(2) to the non-RIC year.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

TITLE XII—REVENUE OFFSETS

Subtitle A—General Provisions

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking ''in the second preceding taxable year,'', and

(2) by striking ''or fifth'' and inserting ''fifth, sixth, or seventh''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 1999.

SEC. 1202. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 448(d)(5) (relating to special rule for services) is amended—

(1) by inserting ''in fields described in paragraph (2)(A)'' after ''services by such person'', and

(2) by inserting ''CERTAIN PERSONAL'' before ''SERVICES'' in the heading.

(b) EFFECTIVE DATE.—g before the period ''and section 858''.

(c) APPLICATION OF DEFICIENCY DIVIDEND PROCEDURES.—Paragraph (1) of section 852(e) is amended by adding at the end the following new sentence: ''If the determination under subparagraph (A) is solely as a result of the failure to meet the requirement of subsection (a)(2), the preceding sentence shall also apply for purposes of applying subsection (a)(2) to the non-RIC year.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

(c) EFFECTIVE DATE.—This section shall apply to taxable years beginning after December 31, 2000.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICE INCOME

SEC. 1151. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) is amended by adding at the end the following flush sentence:

''In the event that any class of stock of either the real estate investment trust or such person is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5 percent of such class of stock shall be taken into account as owning any of the stock of such class for purposes of applying the 35 percent limitation set forth in subparagraph (B) (but all of the outstanding stock of such class shall be considered outstanding in order to compute the denominator for purpose of determining the applicable percentage of ownership).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

SEC. 1161. MODIFICATION OF EARNINGS AND PROFITS RULES.

(a) RULES FOR DETERMINING WHETHER REGULATED INVESTMENT COMPANY HAS EARNINGS AND PROFITS FROM NON-RIC YEAR.—Subsection (c) of section 852 is amended by adding at the end the following new paragraph:

''(3) DISTRIBUTIONS TO MEET REQUIREMENTS OF SUBSECTION (a)(2)(B).—Any distribution which is made in order to comply with the requirements of subsection (a)(2)(B)—

''(A) shall be treated for purposes of this subsection and subsection (a)(2)(B) as made from the earliest earnings and profits accumulated in any taxable year to which the provisions of this part did not apply rather than the most recently accumulated earnings and profits, and

''(B) to the extent treated under subparagraph (A) as made from accumulated earnings and profits, shall not be treated as a distribution for purposes of subsection (b)(2)(D) and section 855.''

(b) CLARIFICATION OF APPLICATION OF REIT SPILLOVER DIVIDEND RULES TO DISTRIBUTIONS TO MEET QUALIFICATION REQUIREMENT.—Subparagraph (B) of section 857(d)(3) is amended by inserting before the period ''and section 858''.

(c) APPLICATION OF DEFICIENCY DIVIDEND PROCEDURES.—Paragraph (1) of section 852(e) is amended by adding at the end the following new sentence: ''If the determination under subparagraph (A) is solely as a result of the failure to meet the requirements of subsection (a)(2), the preceding sentence shall also apply for purposes of applying subsection (a)(2) to the non-RIC year.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

TITLE XII—REVENUE OFFSETS

Subtitle A—General Provisions

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking ''in the second preceding taxable year,'', and

(2) by striking ''or fifth'' and inserting ''fifth, sixth, or seventh''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 1999.

SEC. 1202. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 448(d)(5) (relating to special rule for services) is amended—

(1) by inserting ''in fields described in paragraph (2)(A)'' after ''services by such person'', and

(2) by inserting ''CERTAIN PERSONAL'' before ''SERVICES'' in the heading.

(b) EFFECTIVE DATE.—To reduce the basis of the property of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controls.

''(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after July 14, 1999.

(C) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(D) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(E) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''

(F) Section 415(c) is amended by striking paragraph (4) and by redesignating paragraph (6) as paragraph (4).

(G) Section 415(c) is amended by striking paragraph (7) and inserting the following new paragraph:

''(5) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church, a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such al of deduction for previously deducted amounts.—No deduction shall be allowed for any transfer under this subsection of an amount for which a deduction was allowed when such amount was paid into the nonqualified fund. For purposes of the preceding sentence, a ratable portion of each transfer shall be treated as being from previously deducted amounts to the extent thereof.

''(C) TRANSFERS OF QUALIFIED FUNDS.—If—

''(i) any transfer permitted by this subsection is made to any Fund to which this section applies, and

''(ii) such Fund is transferred thereafter, any deduction under this subsection for taxable years ending after the date that such Fund is transferred shall be allowed to the transferee and not to the transferor. The preceding sentence shall not apply if the transferor is an organization exempt from tax imposed by this chapter.

(4) NEW RULING AMOUNT REQUIRED.—Paragraph (1) shall not apply to d not to the transferor. The preceding se

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendments made by this section to change its method of accounting for its first taxable year ending after the date of the enactment of this Act—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period (not greater than 4 taxable years) beginning with such first taxable year.

SEC. 1203. RETURNS RELATING TO CANCELLATIONS OF INDEBTEDNESS BY ORGANIZATIONS LENDING MONEY.

(a) IN GENERAL.—Paragraph (2) of section 6050P(c) (relating to definitions and special rules) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by inserting after subparagraph (C) the following new subparagraph:

''(D) any organization a significant trade or business of which is the lending of money.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to discharges of indebtedness after December 31, 1999.

SEC. 1204. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

''SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.

''(a) GENERAL RULE.—The Secretary shall establish a program requiring the payment of user fees for—

''(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

''(2) other similar requests.

''(b) PROGRAM CRITERIA.—

''(1) IN GENERAL.—The fees charged under the program required by subsection (a)—

''(A) shall vary according to categories (or subcategories) established by the Secretary,

''(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

''(C) shall be payable in advance.

''(2) EXEMPTIONS, ETC.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

''(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

''Category	**Average Fee**
Employee plan ruling and opinion	$250
Exempt organization ruling	350
Employee plan determination	300
Exempt organization determination	275
Chief counsel ruling	200.

''(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2009.''

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for chapter 77 is amended by adding at the end the following new item:

''Sec. 7527. Internal Revenue Service user fees.''

(2) Section 10511 of the Revenue Act of 1987 is repealed.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 1205. CHARITABLE SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.

(a) IN GENERAL.—Subsection (f) of section 170 (relating to disallowance of deduction in certain cases and special rules), as amended by section 807, is amended by adding at the end the following new paragraph:

''(11) SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.—

''(A) IN GENERAL.—Nothing in this section or in section 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 shall be construed to allow a deduction, and no deduction shall be allowed, for any transfer to or for the use of an organization described in subsection (c) if in connection with such transfer—

''(i) the organization directly or indirectly pays, or has previously paid, any premium on any personal benefit contract with respect to the transferor, or

''(ii) there is an understanding or expectation that any person will directly or indirectly pay any premium on any personal benefit contract with respect to the transferor.

''(B) PERSONAL BENEFIT CONTRACT.—For purposes of subparagraph (A), the term 'personal benefit contract' means, with respect to the transferor, any life insurance, annuity, or endowment contract if any direct or indirect beneficiary under such contract is the transferor, any member of the transferor's family, or any other person (other than an organization described in subsection (c)) designated by the transferor.

''(C) APPLICATION TO CHARITABLE REMAINDER TRUSTS.—In the case of a transfer to a trust referred to in subparagraph (E), references in subparagraphs (A) and (B) to an organization described in subsection (c) shall be treated as a reference to such trust.

''(D) EXCEPTION FOR CERTAIN ANNUITY CONTRACTS.—If, in connection with a transfer to or for the use of an organization described in subsection (c), such organization incurs an obligation to pay a charitable gift annuity (as defined in section 501(m)) and such organization purchases any annuity contract to fund such obligation, persons receiving payments under the charitable gift annuity shall not be treated for purposes of subparagraph (B) as in direct beneficiaries under such contract if—

''(i) such organization possesses all of the incidents of ownership under such contract,

''(ii) such organization is entitled to all the payments under such contract, and

''(iii) the timing and amount of payments under such contract are substantially the same as the timing and amount of payments to each such person under such obligation (as such obligation is in effect at the time of such transfer.)

''(E) EXCEPTION FOR CERTAIN CONTRACTS HELD BY CHARITABLE REMAINDER TRUSTS.—A person shall not be treated for purposes of subparagraph (B) as an indirect beneficiary under any life insurance, annuity, or endowment contract held by a charitable remainder annuity trust or a charitable remainder unitrust (as defined in section 664(d)) solely by reason of being entitled to any payment referred to in paragraph (1)(A) or (2)(A) of section 664(d) if—

''(i) such trust possesses all of the incidents of ownership under such contract, and

(ii) such trust is entitled to all the payments under such contract.

''(F) EXCISE TAX ON PREMIUMS PAID.—

''(i) IN GENERAL.—There is hereby imposed on any organization described in subsection

(c) an excise tax equal to the premiums paid by such organization on any life insurance, annuity; or endowment contract if the payment of premiums on such contract is in connection with a transfer for which a deduction is not allowable under subparagraph (A), determined with out regard to when such transfer is made.

''(ii) PAYMENTS BY OTHER PERSONS.—For purposes of clause (i), payments made by any other person pursuant to an understanding or expectation referred to in subparagraph (A) shall be treated as made by the organization.

''(iii) REPORTING.—Any organization on which tax is imposed by clause (i) with to any premium shall file an annual return which includes—

''(I) the amount of such premium paid during the year and the name and TIN of each beneficiary under the contract to which the premium relates, and

''(II) such other information as Secretary may require.

The penalties applicable to returns required under section 6033 shall apply to returns required under this clause. Returns required under this clause shall be furnished at such time and in such manner as the Secretary shall by forms or regulations require.

''(iv) CERTAIN RULES TO APPLY.—The tax imposed by this subparagraph shall be treated as imposed by chapter 42 for purposes of this title other than subchapter B of chapter 42.

''(G) SPECIAL RULE WHERE STATE REQUIRES SPECIFICATION OF CHARITABLE GIFT ANNUITANT IN CONTRACT.—In the case of an obligation to pay a charitable gift annuity referred to in subparagraph (D) which is entered into under the laws of the State which requires, in order for the charitable gift annuity to be exempt from insurance regulation by such State, that each beneficiary under the charitable gift annuity be named as a beneficiary under an annuity contract issued by an insurance company authorized to transact business in such State, the requirements of clauses (i) and (ii) of subparagraph (D) shall be treated as met if—

''(i) such State law requirement was in effect on February 8, 1999,

''(ii) each such beneficiary under the charitable gift annuity is a bona fide resident of such State at the time the obligation to pay a charitable gift annuity is entered into, and

''(iii) the only persons entitled to payments under such contract are persons entitled to payments as beneficiaries under such obligation on the date such obligation is entered into.

''(H) MEMBER OF FAMILY.—For purposes of this paragraph, an individual's family consists of the individual's grandparents, the grandparents of such individual's spouse, the lineal descendants of such grandparents, and any spouse of such a lineal descendant.

''(I) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations to prevent the avoidance of such purposes.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this section, the amendment made by this section shall apply to transfer made after February 8, 1999.

(2) EXCISE TAX.—Except as provided in paragraph (3) of this subsection, section 170(f)(11)(F) of the Internal Revenue Code of 1986 (as added by this section) shall apply to premiums paid after the date of the enactment of this Act.

(3) REPORTING.—Clause (iii) of such section 170(f)(11)(F) shall apply to premiums paid after February 8, 1999 (determined as if the tax imposed by such section applies to premiums paid after such date).

SEC. 1206. TRANSFER OF EXCESS DEFINED BENEFIT PLAN ASSETS FOR RETIREE HEALTH BENEFITS.

(a) EXTENSION.—

(1) IN GENERAL.—Paragraph (5) of section 420(b) (relating to expiration) is amended by striking ''in any taxable year beginning after December 31, 2000'' and inserting ''made after September 30, 2009''.

(2) CONFORMING AMENDMENTS.—

(A) Section 101(e)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1021(e)(3)) is amended by striking ''1995'' and inserting ''2001''.

(B) Section 403(c)(1) of such Act (29 U.S.C. 1103(c)(1)) is amended by striking ''1995'' and inserting ''2001''.

(C) Paragraph (13) of section 408(b) of such Act (29 U.S.C. 1108(b)(13)) is amended—

(i) by striking ''in a taxable year beginning before January 1, 2001'' and inserting ''made before October 1, 2009'', and

(ii) by striking ''1995'' and inserting ''2001''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified transfers occurring after December 31, 2000.

SEC. 1207. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.

(a) BENEFITS TO WHICH EXCEPTION APPLIES.—Section 419A(f)(6)(A) (relating to exception for 10 or more employer plans) is amended to read as follows:

''(A) IN GENERAL.—This subpart shall not apply to a welfare benefit fund which is part of a 10 or more employer plan if the only benefits provided through the fund are 1 or more of the following:

''(i) Medical benefits.

''(ii) Disability benefits.

''(iii) Group term life insurance benefits which do not provide directly or indirectly for any cash surrender value of other money that can be paid, assigned, borrowed, or pledged for collateral for a loan.

The preceding sentence shall not apply to any plan which maintains experience-rating arrangements with respect to individual employers.''.

(b) LIMITATION ON USE OF AMOUNTS FOR OTHER PURPOSES.—Section 4976(b) (defining disqualified benefit) is amended by adding at the end the following new paragraph:

''(5) SPECIAL RULE FOR 10 OR MORE EMPLOYER PLANS EXEMPTED FROM PREFUNDING LIMITS.—For purposes of paragraph (1)(C), if—

''(A) subpart D of part I of subchapter D of chapter 1 does not apply by reason of section 419A(f)(6) to contributions to provide 1 or more welfare benefits through a welfare benefit fund under a 10 or more employer plan, and

''(B) any portion of the welfare benefit fund attributable to such conditions is used for a purpose other than that for which the contributions were made,

then such portion shall be treated as reverting to the benefit of the employers maintaining the fund.''

''(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or accrued after June 9, 1999, in taxable years ending after such date.

SEC. 1208. MODIFICATION OF INSTALLMENT METHOD AND REPEAL OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS.

(a) REPEAL OF INSTALLMENT METHOD FOR ACCRUAL BASIS TAXPAYERS.—

(1) IN GENERAL.—Subsection (a) of section 453 (relating to installment method) is amended to read as follows:

''(a) USE OF INSTALLMENT METHOD.—

''(1) IN GENERAL.—Except as otherwise provided in this section, income from an installment sale shall be taken into account for purposes of this title under the installment method.

''(2) ACCURUAL METHOD TAXPAYER.—The installment method shall not apply to income from an installment sale if such income would be reported under an accrual method of accounting without regard to this section. The preceding sentence shall not apply to a disposition described in subparagraph (A) or (B) of subsection (1)(2).''

(2) CONFORMING AMENDMENTS.—Sections 453(d)(1), 453(i)(1), and 453(k) are each amended by striking ''(a)'' each place it appears and inserting (((a)(1)''.

(b) MODIFICATION OF PLEDGE RULES.—Paragraph (4) of section 453A(d) (relating to pledges, etc., of installment obligations) is amended by adding at the end the following: ''A payment shall be treated as directly secured by an interest in an installment obligation to the extent an arrangement allows the taxpayer to satisfy all or a portion of the indebtedness with the installment obligation.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales or other dispositions occurring on or after the date of the enactment of this Act.

SEC. 1209. INCLUSION OF CERTAIN VACCINES AGAINST STREPTOCOCCUS PENUMONLAE TO LIST OF TAXABLE VACCINES.

(a) IN GENERAL.—Section 4132(a)(1) (defining taxable vaccine) is amended by adding at the end the following new subparagraph:

''(L) Any conjugate vaccine against streptococcus pneunmoniae.''

(b) EFFECTIVE DATE.—

(1) SALES.—The amendment made by this section shall apply to vaccine sales beginning on the day after the date on which the Centers for Disease Control makes a final recommendation for routine administration to children of any conjugate vaccine against streptococcus pneumoniae.

(2) DELIVERIES.—For purposes of paragraph (1), in the case of sales on or before the date described in such paragraph for which delivery is made after such date, the delivery date shall be considered the sale date.

SEC. 1210. RESTORATION OF PHASE-OUT OF UNIFIED CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 2001(c) is amended by striking ''$10,000,000'' and all that follows and inserting ''$10,000,000. The amount of the increase under the preceding sentence shall not exceed the sum of the applicable credit amount under section 2010(c) (determined without regard to section 2057(a)(3)) and $359,200.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying after the date of enactment of this Act.

SEC. 1211. REPEAL OF LOWER-OF-COST-OR-MARKET METHOD OF ACCOUNTING FOR INVENTORIES.

(a) IN GENERAL.—Section 471 (relating to general rule for inventories) is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

(b) CERTAIN WRITE-DOWNS NOT PERMITTED; USE OR MARK-DOWNS REQUIRED UNDER RETAIL METHOD.—

(1) IN GENERAL.—A taxpayer—

(A) may not use the lower-of-cost-or-market method of accounting for inventories, and

''(B) may not write-down items by reason of being unsalable at normal prices or unusable in the normal way because of damage, imperfections, shop wear, chances of style, odd or broken lots, or other similar causes.

Subparagraph (B) shall not apply to a taxpayer using a mark-to-market method of accounting for both gains and losses in inventory values.

''(2) MARK-DOWNS REQUIRED TO BE TAKEN INTO ACCOUNT UNDER RETAIL METHOD.—The retail method of accounting for inventories

shall be applied by taking into account mark-downs in determining the approximate cost of the inventories.

''(3) EXCEPTION FOR CERTAIN SMALL BUSINESSES.—Paragraph (1) shall not apply to any taxpayer for any taxable year if, for all prior taxable years ending on or after the date of the enactment of this subsection, the taxpayer (or any predecessor) met the $5,000,000 gross receipts test of section 448(c).

''(4) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this subsection, including regulations relating to wash-sale-type transaction.''

(b) CONFORMING AMENDMENTS.—

(1) Clause (iii) of section 312(n)(4)(C) is amended to read as follows:

''(iii) INVENTORY AMOUNT.—The inventory among of assets under the first-in, first-out method authorized by section 471 shall be determined using the method authorized to be used by the taxpayer under such section.''

(2) Subparagraph (C) of section 1363(d)(4) is amended to read as follows:

''(C) INVENTORY AMOUNT.—The inventory amount of assets under a method authorized by section 471 shall be determined using the method authorized to be used by the corporation under such section.''

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this subsection.

(2) CHANGES IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by this section to change its method of accounting for its first taxable year beginning after the date of the enactment of this subsection—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 4-taxable year period beginning with the first taxable year beginning after such date.

SEC. 1212. CONSISTENT AMORTIZATION PERIODS FOR INTANGIBLES.

(a) START-UP EXPENDITURES.—

(1) ALLOWANCE OF DEDUCTION.—Subsection (b) of section 195 (relating to start-up expenditures) is amended by striking paragraph (1), by redesignating paragraph (2) as paragraph (3), and by inserting before paragraph (3), as so redesignated, the following new paragraphs:

''(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection with respect to any start-up expenditures—

''(A) the taxpayer shall be allowed a deduction for the taxable year in which the active trade or business begins in an amount equal to the lesser of—

''(i) the amount of start-up expenditures with respect to the active trade or business, or

''(ii) $5,000, reduced (but not below zero) by the amount by which such start-up expenditures exceed $50,000, and

''(B) the remainder of such start-up expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the active trade or business begins.

''(2) AGGREGATION RULE.—For purposes of paragraph (1), all persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single person.''

(2) CONFORMING AMENDMENT.—Subsection (b) of section 195 is amended by striking ''AMORTIZE'' and inserting ''DEDUCT'' in the heading.

(b) ORGANIZATIONAL EXPENDITURES.—Subsection (a) of section 248 (relating to organizational expenditures) is amended to read as follows:

''(a) ELECTION TO DEDUCT.—

''(1) IN GENERAL.—If a corporation elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenditures—

''(A) the corporation shall be allowed a deduction for the taxable year in which the corporation begins business in an amount equal to the lesser of—

''(i) the amount of organizational expenditures with respect to the taxpayer, or

''(ii) $5,000, reduced (but not below zero) by the amount by which such organizational expenditures exceed $50,000, and

''(B) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business.

''(2) AGGEGATION RULE.—For purposes of paragraph (1), all persons which are treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single person.''

(c) TREATMENT OF ORGANIZATIONAL AND SYNDICATION FEES OR PARTNERSHIPS.—Section 709(b) (relating to amortization of organization fees) is amended by redesignating paragraph (2) as paragraph (4) and by amending paragraph (1) to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenses—

''(A) the taxpayer shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of—

''(i) the amount of organizational expenses with respect to the partnership, or

''(ii) $5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed $50,000, and

''(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business.

''(2) DISPOSITIONS BEFORE CLOSE OF AMORTIZATION PERIOD.—In any case in which a partnership is liquidated before the end of the period to which paragraph (1)(B) applies, any deferred expenses attributable to the partnership which were not allowed as a deduction by reasons of this section may be deducted to the extent allowable under section 165.

''(3) AGGREGATION RULE.—For purposes of paragraph (1), all persons which are treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single person.''

(d) CONFORMING AMENDMENT.—Subsection (b) of section 709 is amended by striking ''AMORTIZATION'' and inserting ''DEDUCTION'' in the heading.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 1213. EXTENSION OF HAZARDOUS SUBSTANCE SUPERFUND TAXES.

(a) EXTENSION OF TAXES.—

(1) ENVIRONMENTAL TAX.—Section 59A(e) is amended to read as follows:

''(e) APPLICATION OF TAX.—The tax imposed by this section shall apply to taxable years beginning after December 31, 1986, and before January 1, 1996, and to taxable years beginning after December 31, 1999, and before January 1, 2010.''

(2) EXCISE TAXES.—Section 4611(e) is amended to read as follows:

''(e) APPLICATION OF HAZARDOUS SUBSTANCE SUPERFUND FINANCING RATE.—The Hazardous Substance Superfund Financing rate under this section shall apply after December 31, 1986 and before January 1, 1996, and after the date of the enactment of the Taxpayer Refund Act of 1999, and before October 1, 2009.''

(b) EFFECTIVE DATES.—

(1) INCOME TAX.—The amendment made by subsection (a)(1) shall apply to taxable years beginning after December 31, 1999.

(2) EXCISE TAX.—The amendment made by subsection (a)(2) shall take effect on the date of the enactment of this Act.

SEC. 1214. CONTROLLED ENTITIES INELIGIBLE FOR REIT STATUS.

(a) IN GENERAL.—Subsection (a) of section 856 (relating to definition of real estate investment trust) is amended by striking ''and'' at the end of paragraph (6), by redesignating paragraph (7) as paragraph (8), and by inserting after paragraph (6) the following new paragraph:

''(7) which is not a controlled entity (as defined in subsection (1)); and''.

(b) CONTROLLED ENTITY.—Section 856 is amended by adding at the end the following new subsection:

''(l) CONTROLLED ENTITY.—

''(1) IN GENERAL.—For purposes of subsection (a)(7), an entity is a controlled entity if, at any time during the taxable year, one person (other than a qualified entity)—

''(A) in the case of a corporation, owns stock—

''(i) possessing at least 50 percent of the total voting power of the stock of such corporation, or

''(ii) having a value equal to at least 50 percent of the total value of the stock of such corporation, or

''(B) in the case of a trust, owns beneficial interests in the trust which would meet the requirements of subparagraph (A) if such interests were stock.

''(2) QUALIFIED ENTITY.—For purposes of paragraph (1), the term 'qualified entity' means—

''(A) any real estate investment trust, and

''(B) any partnership in which one real estate investment trust owns at least 50 percent of the capital and profits interests in the partnership.

''(3) ATTRIBUTION RULES.—For purposes of this paragraphs (1) and (2)—

''(A) IN GENERAL.—Rules similar to the rules of subsections (d)(5) and (h)(3) shall apply.

''(B) STAPLED ENTITIES.—A group of entities which are stapled entities (as defined in section 269(c)(2)) shall be treated as 1 person.''

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 856(h) is amended by striking ''and (6)'' each place it appears and inserting '', (6), and (7)''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after July 14, 1999.

(2) EXCEPTIONS FOR EXISTING CONTROLLED ENTITIES.—The amendments made by this section shall not apply to any entity which is a controlled entity (as defined in section 856(l) of the Internal Revenue Code of 1986, as added by this section) as of July 14, 1999, which is a real estate investment trust for the taxable year which includes such date, and which has significant business assets or activities as of such date.

SEC. 1215. INCREASE IN ELECTIVE WITHHOLDING RATE FOR NONPERIODIC DISTRIBUTIONS FROM DEFERRED COMPENSATION PLANS.

(a) IN GENERAL.—Section 3405(b)(1) (relating to withholding) is amended by striking ''10 percent'' and inserting ''15 percent''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after December 31, 2000.

SEC. 1216. TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by inserting after section 1259 the following section:

''SEC. 1260. GAINS FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

''(a) IN GENERAL.—If the taxpayer has gain from a constructive ownership transaction with respect to any financial asset and such gain would (without regard to this section) be treated as a long-term capital gain—

''(1) such gain shall be treated as ordinary income to the extent that such gain exceeds the net underlying long-term capital gain, and

''(2) to the extent such gain is treated as a long-term capital gain after the application of paragraph (1), the determination of the capital gain rate (or rates) applicable to such

gain under section 1(h) shall be determined on the basis of the respective rate (or rates) that would have been applicable to the net underlying long-term capital gain.

''(b) INTEREST CHARGE ON DEFERRAL OF GAIN RECOGNITION.—

''(1) IN GENERAL.—If any gain is treated as ordinary income for any taxable year by reason of subsection (a)(1), the tax imposed by this chapter for such taxable year shall be increased by the amount of interest determined under paragraph (2) with respect to each prior taxable year during any portion of which the constructive ownership transaction was open. Any amount payable under this paragraph shall be taken into account in computing the amount of any deduction allowable to the taxpayer for interest paid or accrued during such taxable year.

''(2) AMOUNT OF INTEREST.—The amount of interest determined under this paragraph with respect to a prior taxable year is the amount of interest which would have been imposed under section 6601 on the underpayment of tax for such year which would have resulted if the gain (which is treated as ordinary income by reason of subsection (a)(1)) had been included in gross income in the taxable years in which it accrued (determined by treating the income as accruing at a constant rate equal to the applicable Federal rate as in effect on the day the transaction closed). The period during which such interest shall accrue shall end on the due date (without extensions) for the return of tax imposed by this chapter for the taxable year in which such transaction closed

''(3) APPLICABLE FEDERAL RATE.—For purposes of paragraph (2), the applicable Federal rate is the applicable Federal rate determined under 1274(d) (compound semiannually) which would apply to a debt instrument with a term equal to the period the transaction was open.

''(4) NO CREDITS AGAINST INCREASE IN TAX.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter of purposes of determining—

''(A) the amount of any credit allowable under this chapter, or

''(B) the amount of the tax imposed by section 55.

''(c) Financial Asset.—For purposed of ration

''(1) IN GENERAL.—The term 'financial asset' means—

''(A) any equity interest in any pass-thou entity, and

''(B) to the extent provided in regulations—

''(i) any debt instrument, and

(ii) any stock in a corporation which in not a pass-thru entity.

''(2) PASS-THRU ENTITY.—For purposes of paragraph (1), the term 'pass-thru entity' means—

''(A) a regulated investment company,

''(B) a real estate investment trust,

''(C) an S corporation,

''(D) a partnership,

''(E) a trust,

''(F) a common trust fund,

''(G) a passive foreign investment company (as defined in section 1297 without regard to subsection (e) thereof).

''(H) a foreign personal holding company,

''(I) a foreign investment company (as defined in section 1246(b)), and

''(J) a REMIC.

''(d) CONSTRUCTIVE OWNERSHIP TRANSACTION.—For purposes of this section—

''(1) IN GENERAL.—The taxpayer shall be treated as having entered into a constructive ownership transaction with respect to any financial asset if the taxpayer—

''(A) holds a long position under a notional principal contract with respect to the financial asset,

''(B) enters into a forward or futures contract to acquire the financial asset,

''(C) is the holder of a call option, and is the grantor of a put option, with respect to the financial asset and such options have substantially equal strike prices and substantially contemporaneous maturity dates, or

''(D) to the extent provided in regulations prescribed by the Secretary, enters into 1 or more other transactions (or acquires 1 or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.

''(2) EXCEPTION FOR POSITIONS WHICH ARE MARKED TO MARKET.—This section shall not apply to any constructive ownership transaction if all of the positions which are part of such transaction are marked to market under any provision of this title or the regulations thereunder.

''(3) LONG POSITION UNDER NOTIONAL PRINCIPAL CONTRACT.—A person shall be treated as holding a long position under a notional principal contract with respect to any financial asset if such person—

''(A) has the right to be paid (or receive credit for) all or substantially all of the investment yield (including appreciation) on such financial asset for a specified period, and

''(B) is obligated to reimburse (or provide credit for) all or substantially all of any decline in the value of such financial asset.

''(4) FORWARD CONTRACT.—The term 'forward contract' means any contract to acquire in the future (or provide or receive credit for the future value of) any financial asset.

''(e) NET UNDERLYING LONG-TERM CAPITAL GAIN.—For purposes of this section, in the case of any constructive ownership transaction with respect to any financial asset, the term 'net underlying long-term capital gain' means the aggregate net capital gain that the tax-payer would have had if—

''(1) the financial asset had been acquired for fair market value on the date such transaction was opened and sold for fair market value on the date such transaction was closed, and

''(2) only gains and losses that would have resulted from the deemed ownership under paragraph (1) were taken into account.

The amount of the net underlying long-term capital gain with respect to any financial asset shall be treated as zero unless the amount thereof is established by clear and convincing evidence.

''(f) SPECIAL RULE WHERE TAXPAYER TAKES DELIVERY.—Except as provided in regulations prescribed by the Secretary, if a constructive ownership transaction is closed by reason of taking delivery, this section shall be applied as if the taxpayer had sold all the contracts, options, or other positions which are part of such transaction for fair market value on the closing date. The amount of gain recognized under the preceding sentence shall not exceed the amount of gain treated as ordinary income under subsection (a). Proper adjustments shall be made in the amount of any gain or loss subsequently realized for gain recognized and treated as ordinary income under this subsection.

''(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations—

''(1) to permit taxpayers to mark to market constructive ownership transactions in lieu of applying this section, and

''(2) to exclude certain forward contracts which do not convey substantially all of the economic return with respect to a financial asset.''

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end the following new item:

''Sec. 1260. Gains from constructive ownership transactions.''

(c) EFFECTIVE DATE.–The amendments made by this section shall apply to transactions entered into after July 11, 1999.

SEC. 1217. RESTRICTION ON USE OF REAL ESTATE INVESTMENT TRUSTS TO AVOID ESTIMATED TAX PAYMENT REQUIREMENTS.

(a) IN GENERAL.—Subsection (c) of section 6655 (relating to estimated tax by corporations) is amended by adding at the end the following new paragraph:

''(5) TREATMENT OF CERTAIN REIT DIVIDENDS.—

''(A) IN GENERAL.—Any dividend received from a closely held real estate investment trust by any person which owns (after application of subsections (d)(5) and (1)(3)(B) of section 856) 10 percent or more (by vote or value) of the stock or beneficial interests in the trust shall be taken into account in computing annualized income installments under paragraph (2) in a manner similar to the manner under which partnership income inclusions are taken into account.

''(B) CLOSELY HELD REIT.—For purposes of subparagraph (A), the term 'closely held real estate investment trust' means a real estate investment trust with respect to which 5 or fewer persons own (after application of subsections (d)(5) and (1)(3)(B) of section 856) 50 percent or more (by vote or value) of the stock or beneficial interests in the trust.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to estimated tax payments due on or after September 15, 1999.

SEC. 1218. PROHIBITED ALLOCATIONS OF S CORPORATION STOCK HELD BY AN ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATION OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified individual.

''(2) FAILURE TO MEET REQUIREMENTS.—If a plan fails to meet the requirements of paragraph (1)—

''(A) the plan shall be treated as having distributed to any disqualified individual the amount allocated to the account of such individual in violation of paragraph (1) at the time of such allocation,

''(B) the provisions of section 4979A shall apply, and

''(C) the statutory period for the assessment of any tax imposed by section 4979A shall not expire before the date which is 3 years from the later of—

''(i) the allocation of employer securities resulting in the failure under paragraph (1) giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such failure.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified individuals own at least 50 percent of the number of outstanding shares of stock in such S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), disqualified individuals shall be treated as owning deemed-owned shares.

''(4) DISQUALIFIED INDIVIDUAL.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified individual' means any individual who is a participant or beneficiary under the employee stock ownership plan if—

''(i) the aggregate number of deemed-owned shares of such individual and the members of the individual's family is at least 20 percent of the number of outstanding shares of stock in the S corporation constituting employer securities of such plan, or

''(ii) if such individual is not described in clause (i), the number of deemed-owned shares of such individual is at least 10 percent of the number of outstanding shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified individual described in subparagraph (A)(i), any member of the individual's family with deemed-owned shares shall be treated as a disqualified individual if not otherwise a disqualified individual under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to ay participant or beneficiary under the employee stock ownership plan—

''(I) the stock in the S corporation constituting employer securities of such plan which is allocated to such participant or beneficiary under the plan, and

''(II) such participants or beneficiary's share of the stock in such corporation which is held by such trust but which is not allocated under the plan to employees.

''(ii) INDIVIDIAUALS SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), an individual's share of unallocated S corporation stock held by the trust in the amount of the unallocated stock which would be allocated to such individual if the unallocated stock were allocated to individuals in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBERS OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect of any individual—

''(i) the spouse of the individual.

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any person described in clause (ii) or (iii).

''(5) DEFINTIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations providing for the treatment of any stock option, restricted stock, sock appreciation right, phantom stock unit, performance unit, or similar instrumental granted by an S corporation as stock or not stock.''

(b) EXCISE TAX.—

(1) IN GENERAL.—Section 4979A(b) (defining prohibited allocation) is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and '', and by adding at the end the following new paragraph:

''(3) any allocation of employer securities which violate the provisions of section 409(p).''

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended by adding at the end the following new sentence: ''in the case of a prohibited allocation described in subsection (b)(3), such tax shall be paid by the S corporation the stock in which was allocated in violation of section 409(p).''

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

(2) EXCEPTION FOR CERTAIN PLANS.—In the ease of any—

(A) employee stock ownership plan established after July 14, 1999, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the internal Revenue Code of 1986 is not in effect on such date.

the amendments made by this section shall apply to plan years ending after July 14, 1999.

SEC. 1219. MODIFICATION OF ANTI-ABUSE RULES RELATED TO ASSUMPTION OF LIABILITY.

(a) IN GENERAL.—Section 357(b)(1) (relating to tax avoidance purpose) is amended—

(1) by striking ''the principal purpose'' and inserting ''a principal purpose'', and

(2) by striking ''on the exchange'' in subparagraph (A).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to assumptions of liability after July 14, 1999.

SEC. 1220. ALLOCATION OF BASIS ON TRANSFERS OF INTANGIBLES IN CERTAIN NONRECOGNITION TRNSACTIONS

(a) TRANSFERS TO CORPORATIONS.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by redesignating subsection (h) or subsection (i) and by inserting after subsection (g) the following new subsection:

''(h) TREATMENT OF TRANSFERS OF INTANGIBLE PROPERTY.—

''(1) TRANSFERS OF LESS THAN ALL SUBSTANTIAL RIGHTS.

''(A) IN GENERAL.—A transfer of an interest in intangible property (as defined in section 936(h)(3)(B)) shall be treated under this section as a transfer of property even if the transfer is of less than all of the substantial rights of the transferor in the property.

''(B) ALLOCATION OF BASIS.—In the case of a transfer of less than all of the substantial rights of the transferor in the intangible property, the transferor's basis immediately before the transfer shall be allocated among the rights retained by the transferor and the rights transferred on the basis of their respective fair market values.

''(2) NONRECOGNITION NOT TO APPLY TO INTANGIBLE PROPERTY DEVELOPED FOR TRANSFEREE.—This section shall not apply to a transfer of intangible property developed by the transferor or any related person if such development was pursuant to an arrangement with the transferee.''

(b) TRANSFERS TO PARTNERSHIPS.—Subsection (d) of section 721 is amended to read as follows:

''(d) TRANSFERS OF INTANGIBLE PROPERTY.—

''(1) IN GENERAL.—Rules similar to the rules of section 351(h) shall apply for purposes of this section.

''(2) TRANSFERS TO FOREIGN PARTNERSHIPS.—For regulatory authority to treat intangibles transferred to a partnership as sold, see section 367(d)(3).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers on or after the date of the enactment of this Act.

SEC. 1221. DISTRIBUTIONS TO A CORPORATE PARTNER OF STOCK IN ANOTHER CORPORATION.

(c) IN GENERAL.—Section 732 (relating to basis of distributed property other than money) is amended by adding at the end the following new subsection:

''(f) CORRESPONDING ADJUSTMENT TO BASIS OF ASSETS OF A DISTRIBUTED CORPORATION CONTROLLED BY A CORPORATE PARTNER.—

''(1) IN GENERAL.—If—

''(A) a corporation (hereafter in this subsection referred to as the 'corporate partner') receives a distribution from a partnership of stock in another corporation (hereafter in this subsection referred to as the 'distributed corporation').

''(B) the corporate partner has control of the distributed corporation immediately after the distribution or at any time thereafter, and

''(C) the partnership's adjusted basis in such stock immediately before the distribution exceeded the corporate partner's adjusted basis in such stock immediately after the distribution,

then an amount equal to such excess shall be applied to reduce (in accordance with subsection (c) the basis of property held by the distributed corporation at such time (or, if the corporate partner does not control the distributed corporation at such time, at the time the corporation partner first has such control).

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS BEFORE CONTROL ACQUIRED.—Paragraph (1) shall not apply to any distribution of stock in the distributed corporation if—

''(A) the corporate partner does not have control of such corporation immediately after such distribution, and

''(B) the corporate partner establishes to the satisfaction of the Secretary that such distribution was not part of a plan or arrangement to acquire control of the distributed corporation.

''(3) LIMITATIONS ON BASIS REDUCTION.—

''(A) IN GENERAL.—The amount of the reduction under paragraph (1) shall not exceed the amount by which the sum of the aggregate adjusted bases of the property and the amount of money of the distributed corporation exceeds the corporate partner's adjusted basis in the stock of the distributed corporation.

''(B) REDUCTION NOT TO EXCEED ADJUSTED BASIS OF PROPERTY.—No reduction under paragraph (1) in the basis of any property shall exceed the adjusted basis of such property (determined without regard to such reduction).

''(4) GAIN RECOGNITION WHERE REDUCTION LIMITED.—If the amount of any reduction under paragraph (1) (determined after the application of paragraph (3)(A)) exceeds the aggregate adjusted bases of the property of the distributed corporation—

''(A) such excess shall be recognized by the corporate partner as long-term capital gain, and

''(B) the corporate partner's adjusted basis in the stock of the distributed corporation shall be increased by such excess.

''(5) CONTROL.—For purposes of this subsection, the term 'control' means ownership of a stock meeting the requirements of section 1504(a)(2).

''(6) INDIRECT DISTRIBUTIONS.—For purposes of paragraph (1), if a corporation acquires (other than in a distribution from a partnership) stock the basis of which is determined in whole or in part by reference to subsection (a)(2) or (b), the corporation shall be treated as receiving a distribution of such stock from a partnership.

''(7) SPECIAL RULE FOR STOCK IN CONTROLLED CORPORATION.—If the property held by a distributed corporation is stock in a corporation which the distributed corporation controls, this subsection shall be applied to reduce the basis of the property of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controls.

''(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.''

''(b) EFFECTIVE DATE.—the amendment made by this section shall apply to distributions made after July 14, 1999.

TITLE XIII—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT

SEC. 1301. SUNSET OF PROVISIONS OF ACT.

All provisions of, and amendments made by, this Act which are in effect on September 30, 2009, shall cease to apply as of the close of September 30, 2009.

LINCOLN AMENDMENT NO. 1385

(Ordered to lie on the table.)

Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill, S. 1429, supra; as follows:

At the appropriate place add the following:

To amend the Internal Revenue Code of 1986 to clarify that any amount allowable as a child tax credit under section 24 or an earned income credit under section 32 shall not be treated as income for purposes of any means-tested Federal program.

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

SECTION 1. COORDINATION OF CHILD TAX CREDIT WITH CERTAIN MEANS-TESTED PROGRAMS.

Section 24 of the Internal Revenue Code of 1986 (relating to child tax credit) is amended by adding at the end the following new subsection:

(g) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—Any refund or credit made to an individual by reason of this section shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—

(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or

(2) the amount or extent of such benefits or assistance.

SEC. 2. COORDINATION OF EARNED INCOME CREDIT WITH CERTAIN MEANS-TESTED PROGRAMS.

Subsection (l) of section 32 of the Internal Revenue Code of 1986 (relating to coordination with certain means-tested programs) is amended to read as follows:

(l) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—Any refund or credit made to an individual by reason of this section, and any payment made to such individual by an employer under section 3507, shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—

(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or

(2) the amount or extent of such benefits or assistance.

SPECTER AMENDMENT NO. 1386

(Ordered to lie on the table.)

Mr. SPECTER submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE; TABLE OF CONTENTS; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the ''Flat Tax Act of 1999''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents; amendment of 1986 Code.
Sec. 2. Flat tax on individual taxable earned income and business taxable income.
Sec. 3. Repeal of estate and gift taxes.
Sec. 4. Additional repeals.
Sec. 5. Effective dates.

(c) 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.

SEC. 2. FLAT TAX ON INDIVIDUAL TAXABLE EARNED INCOME AND BUSINESS TAXABLE INCOME.

(a) IN GENERAL.—Subchapter A of chapter 1 of subtitle A is amended to read as follows:

''Subchapter A—Determination of Tax Liability

''Part I. Tax on individuals.
''Part II. Tax on business activities.

''PART I—TAX ON INDIVIDUALS

''Sec. 1. Tax imposed.
''Sec. 2. Standard deduction.
''Sec. 3. Deduction for cash charitable contributions.
''Sec. 4. Deduction for home acquisition indebtedness.
''Sec. 5. Definitions and special rules.

''SECTION 1. TAX IMPOSED.

''(a) IMPOSITION OF TAX.—There is hereby imposed on every individual a tax equal to 20 percent of the taxable earned income of such individual.

''(b) TAXABLE EARNED INCOME.—For purposes of this section, the term 'taxable earned income' means the excess (if any) of—

''(1) the earned income received or accrued during the taxable year, over

''(2) the sum of—

''(A) the standard deduction,

''(B) the deduction for cash charitable contributions, and

''(C) the deduction for home acquisition indebtedness,

for such taxable year.

''(c) EARNED INCOME.—For purposes of this section—

''(1) IN GENERAL.—The term 'earned income' means wages, salaries, or professional fees, and other amounts received from sources within the United States as compensation for personal services actually rendered, but does not include that part of compensation derived by the taxpayer for personal services rendered by the taxpayer to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

''(2) TAXPAYER ENGAGED IN TRADE OR BUSINESS.—In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income-producing factors, under regulations prescribed by the Secretary, a reasonable allowance as compensation for the personal services rendered by the taxpayer, not in excess of 30 percent of the taxpayer's share of the net profits of such trade or business, shall be considered as earned income.

''SEC. 2. STANDARD DEDUCTION.

''(a) IN GENERAL.—For purposes of this subtitle, the term 'standard deduction' means the sum of—

''(1) the basic standard deduction, plus

''(2) the additional standard deduction.

''(b) BASIC STANDARD DEDUCTION.—For purposes of subsection (a), the basic standard deduction is—

''(1) $17,500 in the case of—

''(A) a joint return, and

''(B) a surviving spouse (as defined in section 5(a)),

''(2) $15,000 in the case of a head of household (as defined in section 5(b)), and

''(3) $10,000 in the case of an individual—

''(A) who is not married and who is not a surviving spouse or head of household, or

''(B) who is a married individual filing a separate return.

''(c) ADDITIONAL STANDARD DEDUCTION.—For purposes of subsection (a), the additional standard deduction is $5,000 for each dependent (as defined in section 5(d))—

''(1) whose earned income for the calendar year in which the taxable year of the taxpayer begins is less than the basic standard deduction specified in subsection (b)(3), or

''(2) who is a child of the taxpayer and who—

''(A) has not attained the age of 19 at the close of the calendar year in which the taxable year of the taxpayer begins, or

''(B) is a student who has not attained the age of 24 at the close of such calendar year.

''(d) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 1999, each dollar amount contained in subsections (b) and (c) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1998' for 'calendar year 1992' in subparagraph (B) of such section.

''(2) ROUNDING.—If any increase determined under paragraph (1) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

''SEC. 3. DEDUCTION FOR CASH CHARITABLE CONTRIBUTIONS.

''(a) GENERAL RULE.—For purposes of this part, there shall be allowed as a deduction any charitable contribution (as defined in subsection (b)) not to exceed $2,500 ($1,250, in the case of a married individual filing a separate return), payment of which is made within the taxable year.

''(b) CHARITABLE CONTRIBUTION DEFINED.—For purposes of this section, the term 'charitable contribution' means a contribution or gift of cash or its equivalent to or for the use of the following:

''(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

''(2) A corporation, trust, or community chest, fund, or foundation—

''(A) created or organized in the United States or in any possession thereof, or under the law of the United States, any State, the District of Columbia, or any possession of the United States,

''(B) organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals,

''(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual, and

''(D) which is not disqualified for tax exemption under section 501(c)(3) by reason of attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B). Rules similar to the rules of section 501(j) shall apply for purposes of this paragraph.

''(3) A post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any such post or organization—

''(A) organized in the United States or any of its possessions, and

''(B) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

''(4) In the case of a contribution or gift by an individual, a domestic fraternal society, order, or association, operating under the lodge system, but only if such contribution or gift is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

''(5) A cemetery company owned and operated exclusively for the benefit of its members, or any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, if such company or corporation is not operated for profit and no part of the net earnings of such company or corporation inures to the benefit of any private shareholder or individual.

For purposes of this section, the term 'charitable contribution' also means an amount treated under subsection (d) as paid for the use of an organization described in paragraph (2), (3), or (4).

''(c) DISALLOWANCE OF DEDUCTION IN CERTAIN CASES AND SPECIAL RULES.—

''(1) SUBSTANTIATION REQUIREMENT FOR CERTAIN CONTRIBUTIONS.—

''(A) GENERAL RULE.—No deduction shall be allowed under subsection (a) for any contribution of $250 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

''(B) CONTENT OF ACKNOWLEDGMENT.—An acknowledgment meets the requirements of this subparagraph if it includes the following information:

''(i) The amount of cash contributed.

''(ii) Whether the donee organization provided any goods or services in consideration, in whole or in part, for any contribution described in clause (i).

''(iii) A description and good faith estimate of the value of any goods or services referred to in clause (ii) or, if such goods or services consist solely of intangible religious benefits, a statement to that effect.

For purposes of this subparagraph, the term 'intangible religious benefit' means any intangible religious benefit which is provided by an organization organized exclusively for religious purposes and which generally is not sold in a commercial transaction outside the donative context.

''(C) CONTEMPORANEOUS.—For purposes of subparagraph (A), an acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of—

''(i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or

''(ii) the due date (including extensions) for filing such return.

''(D) SUBSTANTIATION NOT REQUIRED FOR CONTRIBUTIONS REPORTED BY THE DONEE ORGANIZATION.—Subparagraph (A) shall not apply to a contribution if the donee organization files a return, on such form and in accordance with such regulations as the Secretary may prescribe, which includes the information described in subparagraph (B) with respect to the contribution.

''(E) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations that may provide that some or all of the requirements of this paragraph do not apply in appropriate cases.

''(2) DENIAL OF DEDUCTION WHERE CONTRIBUTION FOR LOBBYING ACTIVITIES.—No deduction shall be allowed under this section for a contribution to an organization which conducts activities to which section 11(d)(2)(C)(i) applies on matters of direct financial interest to the donor's trade or business, if a principal purpose of the contribution was to avoid Federal income tax by securing a deduction for such activities under this section which would be disallowed by reason of section 11(d)(2)(C) if the donor had conducted such activities directly. No deduction shall be allowed under section 11(d) for any amount for which a deduction is disallowed under the preceding sentence.

''(d) AMOUNTS PAID TO MAINTAIN CERTAIN STUDENTS AS MEMBERS OF TAXPAYER'S HOUSEHOLD.—

''(1) IN GENERAL.—Subject to the limitations provided by paragraph (2), amounts paid by the taxpayer to maintain an individual (other than a dependent, as defined in section 5(d), or a relative of the taxpayer) as a member of such taxpayer's household during the period that such individual is—

''(A) a member of the taxpayer's household under a written agreement between the taxpayer and an organization described in paragraph (2), (3), or (4) of subsection (b) to implement a program of the organization to provide educational opportunities for pupils or students in private homes, and

''(B) a full-time pupil or student in the twelfth or any lower grade at an educational organization located in the United States which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on,

shall be treated as amounts paid for the use of the organization.

''(2) LIMITATIONS.—

''(A) AMOUNT.—Paragraph (1) shall apply to amounts paid within the taxable year only to the extent that such amounts do not exceed $50 multiplied by the number of full calendar months during the taxable year which fall within the period described in paragraph (1). For purposes of the preceding sentence, if 15 or more days of a calendar month fall within such period such month shall be considered as a full calendar month.

''(B) COMPENSATION OR REIMBURSEMENT.—Paragraph (1) shall not apply to any amount paid by the taxpayer within the taxable year if the taxpayer receives any money or other property as compensation or reimbursement for maintaining the individual in the taxpayer's household during the period described in paragraph (1).

''(3) RELATIVE DEFINED.—For purposes of paragraph (1), the term 'relative of the taxpayer' means an individual who, with respect to the taxpayer, bears any of the relationships described in subparagraphs (A) through (H) of section 5(d)(1).

''(4) NO OTHER AMOUNT ALLOWED AS DEDUCTION.—No deduction shall be allowed under subsection (a) for any amount paid by a taxpayer to maintain an individual as a member of the taxpayer's household under a program described in paragraph (1)(A) except as provided in this subsection.

''(e) DENIAL OF DEDUCTION FOR CERTAIN TRAVEL EXPENSES.—No deduction shall be allowed under this section for traveling expenses (including amounts expended for meals and lodging) while away from home, whether paid directly or by reimbursement, unless there is no significant element of personal pleasure, recreation, or vacation in such travel.

''(f) DISALLOWANCE OF DEDUCTIONS IN CERTAIN CASES.—For disallowance of deductions for contributions to or for the use of Communist controlled organizations, see section 11(a) of the Internal Security Act of 1950 (50 U.S.C. 790).

''(g) TREATMENT OF CERTAIN AMOUNTS PAID TO OR FOR THE BENEFIT OF INSTITUTIONS OF HIGHER EDUCATION.—

''(1) IN GENERAL.—For purposes of this section, 80 percent of any amount described in paragraph (2) shall be treated as a charitable contribution.

''(2) AMOUNT DESCRIBED.—For purposes of paragraph (1), an amount is described in this paragraph if—

''(A) the amount is paid by the taxpayer to or for the benefit of an educational organization—

''(i) which is described in subsection (d)(1)(B), and

''(ii) which is an institution of higher education (as defined in section 3304(f)), and

''(B) such amount would be allowable as a deduction under this section but for the fact that the taxpayer receives (directly or indirectly) as a result of paying such amount the right to purchase tickets for seating at an athletic event in an athletic stadium of such institution.

If any portion of a payment is for the purchase of such tickets, such portion and the remaining portion (if any) of such payment shall be treated as separate amounts for purposes of this subsection.

''(h) OTHER CROSS REFERENCES.—

''(1) For treatment of certain organizations providing child care, see section 501(k).

''(2) For charitable contributions of partners, see section 702.

''(3) For treatment of gifts for benefit of or use in connection with the Naval Academy as gifts to or for the use of the United States, see section 6973 of title 10, United States Code.

''(4) For treatment of gifts accepted by the Secretary of State, the Director of the International Communication Agency, or the Director of the United States International Development Cooperation Agency, as gifts to or for the use of the United States, see section 25 of the State Department Basic Authorities Act of 1956.

''(5) For treatment of gifts of money accepted by the Attorney General for credit to the 'Commissary Funds, Federal Prisons' as gifts to or for the use of the United States, see section 4043 of title 18, United States Code.

''(6) For charitable contributions to or for the use of Indian tribal governments (or subdivisions of such governments), see section 7871.

''SEC. 4. DEDUCTION FOR HOME ACQUISITION INDEBTEDNESS.

''(a) GENERAL RULE.—For purposes of this part, there shall be allowed as a deduction all qualified residence interest paid or accrued within the taxable year.

''(b) QUALIFIED RESIDENCE INTEREST DEFINED.—The term 'qualified residence interest' means any interest which is paid or accrued during the taxable year on acquisition indebtedness with respect to any qualified residence of the taxpayer. For purposes of the preceding sentence, the determination of whether any property is a qualified residence of the taxpayer shall be made as of the time the interest is accrued.

''(c) ACQUISITION INDEBTEDNESS.—

''(1) IN GENERAL.—The term 'acquisition indebtedness' means any indebtedness which—

''(A) is incurred in acquiring, constructing, or substantially improving any qualified residence of the taxpayer, and

''(B) is secured by such residence.

Such term also includes any indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence); but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

''(2) $100,000 LIMITATION.—The aggregate amount treated as acquisition indebtedness for any period shall not exceed $100,000 ($50,000 in the case of a married individual filing a separate return).

''(d) TREATMENT OF INDEBTEDNESS INCURRED ON OR BEFORE OCTOBER 13, 1987.—

''(1) IN GENERAL.—In the case of any pre-October 13, 1987, indebtedness—

''(A) such indebtedness shall be treated as acquisition indebtedness, and

''(B) the limitation of subsection (c)(2) shall not apply.

''(2) REDUCTION IN $100,000 LIMITATION.—The limitation of subsection (c)(2) shall be reduced (but not below zero) by the aggregate amount of outstanding pre-October 13, 1987, indebtedness.

''(3) PRE-OCTOBER 13, 1987, INDEBTEDNESS.—The term 'pre-October 13, 1987, indebtedness' means—

''(A) any indebtedness which was incurred on or before October 13, 1987, and which was secured by a qualified residence on October 13, 1987, and at all times thereafter before the interest is paid or accrued, or

''(B) any indebtedness which is secured by the qualified residence and was incurred after October 13, 1987, to refinance indebtedness described in subparagraph (A) (or refinanced indebtedness meeting the requirements of this subparagraph) to the extent (immediately after the refinancing) the principal amount of the indebtedness resulting from the refinancing does not exceed the principal amount of the refinanced indebtedness (immediately before the refinancing).

''(4) LIMITATION ON PERIOD OF REFINANCING.—Subparagraph (B) of paragraph (3) shall not apply to any indebtedness after—

''(A) the expiration of the term of the indebtedness described in paragraph (3)(A), or

''(B) if the principal of the indebtedness described in paragraph (3)(A) is not amortized over its term, the expiration of the term of the first refinancing of such indebtedness (or if earlier, the date which is 30 years after the date of such first refinancing).

''(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED RESIDENCE.—For purposes of this subsection—

''(A) IN GENERAL.—Except as provided in subparagraph (C), the term 'qualified residence' means the principal residence of the taxpayer.

''(B) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If a married couple does not file a joint return for the taxable year—

''(i) such couple shall be treated as 1 taxpayer for purposes of subparagraph (A), and

''(ii) each individual shall be entitled to take into account ½ of the principal residence unless both individuals consent in writing to 1 individual taking into account the principal residence.

''(C) PRE-OCTOBER 13, 1987, INDEBTEDNESS.—In the case of any pre-October 13, 1987, indebtedness, the term 'qualified residence' has the meaning given that term in section 163(h)(4), as in effect on the day before the date of enactment of this subparagraph.

''(2) SPECIAL RULE FOR COOPERATIVE HOUSING CORPORATIONS.—Any indebtedness secured by stock held by the taxpayer as a tenant-stockholder in a cooperative housing corporation shall be treated as secured by the house or apartment which the taxpayer is entitled to occupy as such a tenant-stockholder. If stock described in the preceding sentence may not be used to secure indebtedness, indebtedness shall be treated as so secured if the taxpayer establishes to the satisfaction of the Secretary that such indebtedness was incurred to acquire such stock.

''(3) UNENFORCEABLE SECURITY INTERESTS.—Indebtedness shall not fail to be treated as secured by any property solely because, under any applicable State or local homestead or other debtor protection law in effect on August 16, 1986, the security interest is ineffective or the enforceability of the security interest is restricted.

''(4) SPECIAL RULES FOR ESTATES AND TRUSTS.—For purposes of determining whether any interest paid or accrued by an estate or trust is qualified residence interest, any residence held by such estate or trust shall be treated as a qualified residence of such estate or trust if such estate or trust establishes that such residence is a qualified residence of a beneficiary who has a present interest in such estate or trust or an interest in the residuary of such estate or trust.

''SEC. 5. DEFINITIONS AND SPECIAL RULES.

''(a) DEFINITION OF SURVIVING SPOUSE.—

''(1) IN GENERAL.—For purposes of this part, the term 'surviving spouse' means a taxpayer—

''(A) whose spouse died during either of the taxpayer's 2 taxable years immediately preceding the taxable year, and

''(B) who maintains as the taxpayer's home a household which constitutes for the taxable year the principal place of abode (as a member of such household) of a dependent—

''(i) who (within the meaning of subsection (d)) is a son, stepson, daughter, or stepdaughter of the taxpayer, and

''(ii) with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 2.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over one-half of the cost of maintaining the household during the taxable year is furnished by such individual.

''(2) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of this part a taxpayer shall not be considered to be a surviving spouse—

''(A) if the taxpayer has remarried at any time before the close of the taxable year, or

''(B) unless, for the taxpayer's taxable year during which the taxpayer's spouse died, a joint return could have been made under the provisions of section 6013 (without regard to subsection (a)(3) thereof).

''(3) SPECIAL RULE WHERE DECEASED SPOUSE WAS IN MISSING STATUS.—If an individual was in a missing status (within the meaning of section 6013(f)(3)) as a result of service in a combat zone and if such individual remains in such status until the date referred to in subparagraph (A) or (B), then, for purposes of paragraph (1)(A), the date on which such individual dies shall be treated as the earlier of the date determined under subparagraph (A) or the date determined under subparagraph (B):

''(A) The date on which the determination is made under section 556 of title 37 of the United States Code or under section 5566 of title 5 of such Code (whichever is applicable) that such individual died while in such missing status.

''(B) Except in the case of the combat zone designated for purposes of the Vietnam conflict, the date which is 2 years after the date designated as the date of termination of combatant activities in that zone.

''(b) DEFINITION OF HEAD OF HOUSEHOLD.—

''(1) IN GENERAL.—For purposes of this part, an individual shall be considered a head of a household if, and only if, such individual is not married at the close of such individual's taxable year, is not a surviving spouse (as defined in subsection (a)), and either—

''(A) maintains as such individual's home a household which constitutes for more than one-half of such taxable year the principal place of abode, as a member of such household, of—

''(i) a son, stepson, daughter, or stepdaughter of the taxpayer, or a descendant of a son or daughter of the taxpayer, but if such son, stepson, daughter, stepdaughter, or descendant is married at the close of the taxpayer's taxable year, only if the taxpayer is entitled to a deduction for the taxable year for such person under section 2 (or would be so entitled but for subparagraph (B) or (D) of subsection (d)(5)), or

''(ii) any other person who is a dependent of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such person under section 2, or

''(B) maintains a household which constitutes for such taxable year the principal place of abode of the father or mother of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such father or mother under section 2.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over one-half of the cost of maintaining the household during the taxable year is furnished by such individual.

''(2) DETERMINATION OF STATUS.—For purposes of this subsection—

''(A) a legally adopted child of a person shall be considered a child of such person by blood,

''(B) an individual who is legally separated from such individual's spouse under a decree of divorce or of separate maintenance shall not be considered as married,

''(C) a taxpayer shall be considered as not married at the close of such taxpayer's taxable year if at any time during the taxable year such taxpayer's spouse is a nonresident alien, and

''(D) a taxpayer shall be considered as married at the close of such taxpayer's taxable year if such taxpayer's spouse (other than a spouse described in subparagraph (C)) died during the taxable year.

''(3) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of this part, a taxpayer shall not be considered to be a head of a household—

''(A) if at any time during the taxable year the taxpayer is a nonresident alien, or

''(B) by reason of an individual who would not be a dependent for the taxable year but for—

''(i) subparagraph (I) of subsection (d)(1), or

''(ii) paragraph (3) of subsection (d).

''(c) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of this part, an individual shall be treated as not married at the close of the taxable year if such individual is so treated under the provisions of section 7703(b).

''(d) DEPENDENT DEFINED.—

''(1) GENERAL DEFINITION.—For purposes of this part, the term 'dependent' means any of the following individuals over one-half of whose support, for the calendar year in which the taxable year of the taxpayer begins, was received from the taxpayer (or is treated under paragraph (3) or (5) as received from the taxpayer):

''(A) A son or daughter of the taxpayer, or a descendant of either.

''(B) A stepson or stepdaughter of the taxpayer.

''(C) A brother, sister, stepbrother, or stepsister of the taxpayer.

''(D) The father or mother of the taxpayer, or an ancestor of either.

''(E) A stepfather or stepmother of the taxpayer.

''(F) A son or daughter of a brother or sister of the taxpayer.

''(G) A brother or sister of the father or mother of the taxpayer.

''(H) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the taxpayer.

''(I) An individual (other than an individual who at any time during the taxable year was the spouse, determined without regard to section 7703, of the taxpayer) who, for the taxable year of the taxpayer, has as such individual's principal place of abode the home of the taxpayer and is a member of the taxpayer's household.

''(2) RULES RELATING TO GENERAL DEFINITION.—For purposes of this section—

''(A) BROTHER; SISTER.—The terms 'brother' and 'sister' include a brother or sister by the halfblood.

''(B) CHILD.—In determining whether any of the relationships specified in paragraph (1) or subparagraph (A) of this paragraph exists, a legally adopted child of an individual (and a child who is a member of an individual's household, if placed with such individual by an authorized placement agency for legal adoption by such individual), or a foster child of an individual (if such child satisfies the requirements of paragraph (1)(I) with respect to such individual), shall be treated as a child of such individual by blood.

''(C) CITIZENSHIP.—The term 'dependent' does not include any individual who is not a citizen or national of the United States unless such individual is a resident of the United States or of a country contiguous to the United States. The preceding sentence shall not exclude from the definition of 'dependent' any child of the taxpayer legally adopted by such taxpayer, if, for the taxable year of the taxpayer, the child has as such child's principal place of abode the home of the taxpayer and is a member of the taxpayer's household, and if the taxpayer is a citizen or national of the United States.

''(D) ALIMONY, ETC.—A payment to a wife which is alimony or separate maintenance shall not be treated as a payment by the wife's husband for the support of any dependent.

''(E) UNLAWFUL ARRANGEMENTS.—An individual is not a member of the taxpayer's household if at any time during the taxable year of the taxpayer the relationship between such individual and the taxpayer is in violation of local law.

''(3) MULTIPLE SUPPORT AGREEMENTS.—For purposes of paragraph (1), over one-half of the support of an individual for a calendar year shall be treated as received from the taxpayer if—

''(A) no one person contributed over one-half of such support,

''(B) over one-half of such support was received from persons each of whom, but for the fact that such person did not contribute over one-half of such support, would have been entitled to claim such individual as a dependent for a taxable year beginning in such calendar year,

''(C) the taxpayer contributed over 10 percent of such support, and

''(D) each person described in subparagraph (B) (other than the taxpayer) who contributed over 10 percent of such support files a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such person will not claim such individual as a dependent for any taxable year beginning in such calendar year.

''(4) SPECIAL SUPPORT TEST IN CASE OF STUDENTS.—For purposes of paragraph (1), in the case of any individual who is—

''(A) a son, stepson, daughter, or stepdaughter of the taxpayer (within the meaning of this subsection), and

''(B) a student,

amounts received as scholarships for study at an educational organization described in section 3(d)(1)(B) shall not be taken into account in determining whether such individual received more than one-half of such individual's support from the taxpayer.

''(5) SUPPORT TEST IN CASE OF CHILD OF DIVORCED PARENTS, ETC.—

''(A) CUSTODIAL PARENT GETS EXEMPTION.—Except as otherwise provided in this paragraph, if—

''(i) a child receives over one-half of such child's support during the calendar year from such child's parents—

''(I) who are divorced or legally separated under a decree of divorce or separate maintenance,

''(II) who are separated under a written separation agreement, or

''(III) who live apart at all times during the last 6 months of the calendar year, and

''(ii) such child is in the custody of 1 or both of such child's parents for more than one-half of the calendar year,

such child shall be treated, for purposes of paragraph (1), as receiving over one-half of such child's support during the calendar year from the parent having custody for a greater portion of the calendar year (hereafter in this paragraph referred to as the 'custodial parent').

''(B) EXCEPTION WHERE CUSTODIAL PARENT RELEASES CLAIM TO EXEMPTION FOR THE YEAR.—A child of parents described in subparagraph (A) shall be treated as having received over one-half of such child's support during a calendar year from the noncustodial parent if—

''(i) the custodial parent signs a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such custodial parent will not claim such child as a dependent for any taxable year beginning in such calendar year, and

''(ii) the noncustodial parent attaches such written declaration to the noncustodial parent's return for the taxable year beginning during such calendar year.

For purposes of this paragraph, the term 'noncustodial parent' means the parent who is not the custodial parent.

''(C) EXCEPTION FOR MULTIPLE-SUPPORT AGREEMENT.—This paragraph shall not apply in any case where over one-half of the support of the child is treated as having been received from a taxpayer under the provisions of paragraph (3).

''(D) EXCEPTION FOR CERTAIN PRE-1985 INSTRUMENTS.—

''(i) IN GENERAL.—A child of parents described in subparagraph (A) shall be treated as having received over one-half such child's support during a calendar year from the noncustodial parent if—

''(I) a qualified pre-1985 instrument between the parents applicable to the taxable year beginning in such calendar year provides that the noncustodial parent shall be entitled to any deduction allowable under section 2 for such child, and

''(II) the noncustodial parent provides at least $600 for the support of such child during such calendar year.

For purposes of this clause, amounts expended for the support of a child or children shall be treated as received from the noncustodial parent to the extent that such parent provided amounts for such support.

''(ii) QUALIFIED PRE-1985 INSTRUMENT.—For purposes of this subparagraph, the term 'qualified pre-1985 instrument' means any decree of divorce or separate maintenance or written agreement—

''(I) which is executed before January 1, 1985,

''(II) which on such date contains the provision described in clause (i)(I), and

''(III) which is not modified on or after such date in a modification which expressly provides that this subparagraph shall not apply to such decree or agreement.

''(E) SPECIAL RULE FOR SUPPORT RECEIVED FROM NEW SPOUSE OF PARENT.—For purposes of this paragraph, in the case of the remarriage of a parent, support of a child received from the parent's spouse shall be treated as received from the parent.

''PART II—TAX ON BUSINESS ACTIVITIES

''Sec. 11. Tax imposed on business activities.

''SEC. 11. TAX IMPOSED ON BUSINESS ACTIVITIES.

''(a) TAX IMPOSED.—There is hereby imposed on every person engaged in a business activity located in the United States a tax equal to 20 percent of the business taxable income of such person.

''(b) LIABILITY FOR TAX.—The tax imposed by this section shall be paid by the person engaged in the business activity, whether such person is an individual, partnership, corporation, or otherwise.

''(c) BUSINESS TAXABLE INCOME.—

''(1) IN GENERAL.—For purposes of this section, the term 'business taxable income' means gross active income reduced by the deductions specified in subsection (d).

''(2) GROSS ACTIVE INCOME.—For purposes of paragraph (1), the term 'gross active income' means gross income other than investment income.

''(d) DEDUCTIONS.—

''(1) IN GENERAL.—The deductions specified in this subsection are—

''(A) the cost of business inputs for the business activity,

''(B) the compensation (including contributions to qualified retirement plans but not including other fringe benefits) paid for employees performing services in such activity, and

''(C) the cost of personal and real property used in such activity.

''(2) BUSINESS INPUTS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(A), the term 'cost of business inputs' means—

''(i) the actual cost of goods, services, and materials, whether or not resold during the taxable year, and

''(ii) the actual cost, if reasonable, of travel and entertainment expenses for business purposes.

''(B) PURCHASES OF GOODS AND SERVICES EXCLUDED.—Such term shall not include purchases of goods and services provided to employees or owners.

''(C) CERTAIN LOBBYING AND POLITICAL EXPENDITURES EXCLUDED.—

''(i) IN GENERAL.—Such term shall not include any amount paid or incurred in connection with—

''(I) influencing legislation,

''(II) participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office,

''(III) any attempt to influence the general public, or segments thereof, with respect to elections, legislative matters, or referendums, or

''(IV) any direct communication with a covered executive branch official in an attempt to influence the official actions or positions of such official.

''(ii) EXCEPTION FOR LOCAL LEGISLATION.—In the case of any legislation of any local council or similar governing body—

''(I) clause (i)(I) shall not apply, and

''(II) such term shall include all ordinary and necessary expenses (including, but not limited to, traveling expenses described in subparagraph (A)(iii) and the cost of preparing testimony) paid or incurred during the taxable year in carrying on any trade or business—

''(aa) in direct connection with appearances before, submission of statements to, or sending communications to the committees, or individual members, of such council or body with respect to legislation or proposed legislation of direct interest to the taxpayer, or

''(bb) in direct connection with communication of information between the taxpayer and an organization of which the taxpayer is a member with respect to any such legislation or proposed legislation which is of direct interest to the taxpayer and to such organization, and that portion of the dues so paid or incurred with respect to any organization of which the taxpayer is a member which is attributable to the expenses of the activities carried on by such organization.

''(iii) APPLICATION TO DUES OF TAX-EXEMPT ORGANIZATIONS.—Such term shall include the portion of dues or other similar amounts paid by the taxpayer to an organization which is exempt from tax under this subtitle which the organization notifies the taxpayer under section 6033(e)(1)(A)(ii) is allocable to expenditures to which clause (i) applies.

''(iv) INFLUENCING LEGISLATION.—For purposes of this subparagraph—

''(I) IN GENERAL.—The term 'influencing legislation' means any attempt to influence any legislation through communication with any member or employee of a legislative body, or with any government official or employee who may participate in the formulation of legislation.

''(II) LEGISLATION.—The term 'legislation' has the meaning given that term in section 4911(e)(2).

''(v) OTHER SPECIAL RULES.—

''(I) EXCEPTION FOR CERTAIN TAXPAYERS.—In the case of any taxpayer engaged in the trade or business of conducting activities described in clause (i), clause (i) shall not apply to expenditures of the taxpayer in conducting such activities directly on behalf of another person (but shall apply to payments by such other person to the taxpayer for conducting such activities).

''(II) DE MINIMIS EXCEPTION.—

''(aa) IN GENERAL.—Clause (i) shall not apply to any in-house expenditures for any taxable year if such expenditures do not exceed $2,000. In determining whether a taxpayer exceeds the $2,000 limit, there shall not be taken into account overhead costs otherwise allocable to activities described in subclauses (I) and (IV) of clause (i).

''(bb) IN-HOUSE EXPENDITURES.—For purposes of provision (aa), the term 'in-house expenditures' means expenditures described in subclauses (I) and (IV) of clause (i) other than payments by the taxpayer to a person engaged in the trade or business of conducting activities described in clause (i) for the conduct of such activities on behalf of the taxpayer, or dues or other similar amounts paid or incurred by the taxpayer which are allocable to activities described in clause (i).

''(III) EXPENSES INCURRED IN CONNECTION WITH LOBBYING AND POLITICAL ACTIVITIES.—Any amount paid or incurred for research for, or preparation, planning, or coordination of, any activity described in clause (i) shall be treated as paid or incurred in connection with such activity.

''(vi) COVERED EXECUTIVE BRANCH OFFICIAL.—For purposes of this subparagraph, the term 'covered executive branch official' means—

''(I) the President,

''(II) the Vice President,

''(III) any officer or employee of the White House Office of the Executive Office of the President, and the 2 most senior level officers of each of the other agencies in such Executive Office, and

''(IV) any individual serving in a position in level I of the Executive Schedule under section 5312 of title 5, United States Code, any other individual designated by the President as having Cabinet level status, and any immediate deputy of such an individual.

''(vii) SPECIAL RULE FOR INDIAN TRIBAL GOVERNMENTS.—For purposes of this subparagraph, an Indian tribal government shall be treated in the same manner as a local council or similar governing body.

''(viii) CROSS REFERENCE.—

''For reporting requirements and alternative taxes related to this subsection, see section 6033(e).

''(e) CARRYOVER OF EXCESS DEDUCTIONS.—

''(1) IN GENERAL.—If the aggregate deductions for any taxable year exceed the gross active income for such taxable year, the amount of the deductions specified in subsection (d) for the succeeding taxable year (determined without regard to this subsection) shall be increased by the sum of—

''(A) such excess, plus

''(B) the product of such excess and the 3-month Treasury rate for the last month of such taxable year.

''(2) 3-MONTH TREASURY RATE.—For purposes of paragraph (1), the 3-month Treasury rate is the rate determined by the Secretary based on the average market yield (during any 1-month period selected by the Secretary and ending in the calendar month in which the determination is made) on outstanding marketable obligations of the United States with remaining periods to maturity of 3 months or less.''

(b) CONFORMING REPEALS AND REDESIGNATIONS.—

(1) REPEALS.—The following subchapters of chapter 1 of subtitle A and the items relating to such subchapters in the table of subchapters for such chapter 1 are repealed:

(A) Subchapter B (relating to computation of taxable income).

(B) Subchapter C (relating to corporate distributions and adjustments).

(C) Subchapter D (relating to deferred compensation, etc.).

(D) Subchapter G (relating to corporations used to avoid income tax on shareholders).

(E) Subchapter H (relating to banking institutions).

(F) Subchapter I (relating to natural resources).

(G) Subchapter J (relating to estates, trusts, beneficiaries, and decedents).

(H) Subchapter L (relating to insurance companies).

(I) Subchapter M (relating to regulated investment companies and real estate investment trusts).

(J) Subchapter N (relating to tax based on income from sources within or without the United States).

(K) Subchapter O (relating to gain or loss on disposition of property).

(L) Subchapter P (relating to capital gains and losses).

(M) Subchapter Q (relating to readjustment of tax between years and special limitations).

(N) Subchapter S (relating to tax treatment of S corporations and their shareholders).

(O) Subchapter T (relating to cooperatives and their patrons).

(P) Subchapter U (relating to designation and treatment of empowerment zones, enterprise communities, and rural development investment areas).

(Q) Subchapter V (relating to title 11 cases).

(R) Subchapter W (relating to District of Columbia Enterprise Zone).

(2) REDESIGNATIONS.—The following subchapters of chapter 1 of subtitle A and the items relating to such subchapters in the table of subchapters for such chapter 1 are redesignated:

(A) Subchapter E (relating to accounting periods and methods of accounting) as subchapter B.

(B) Subchapter F (relating to exempt organizations) as subchapter C.

(C) Subchapter K (relating to partners and partnerships) as subchapter D.

SEC. 3. REPEAL OF ESTATE AND GIFT TAXES.

Subtitle B (relating to estate, gift, and generation-skipping taxes) and the item relating to such subtitle in the table of subtitles is repealed.

SEC. 4. ADDITIONAL REPEALS.

Subtitles H (relating to financing of presidential election campaigns) and J (relating to coal industry health benefits) and the items relating to such subtitles in the table of subtitles are repealed.

SEC. 5. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this Act apply to taxable years beginning after December 31, 1999.

(b) REPEAL OF ESTATE AND GIFT TAXES.—The repeal made by section 3 applies to estates of decedents dying, and transfers made, after December 31, 1999.

(c) TECHNICAL AND CONFORMING CHANGES.—The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable but in any event not later than 90 days after the date of enactment of this Act, submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a draft of any technical and conforming changes in the Internal Revenue Code of 1986 which are necessary to reflect throughout such Code the changes in the substantive provisions of law made by this Act.

GRASSLEY AMENDMENTS NOS. 1387–1388

(Ordered to be lie on the table.)

Mr. GRASSLEY submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1387

On page 38, after line 24, add the following:

SEC. ___. DEEMED IRAS UNDER EMPLOYER PLANS.

(a) IN GENERAL.—Section 408 (relating to individual retirement accounts) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

''(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER PLANS.—

''(1) GENERAL RULE.—If—

''(A) a qualified employer plan elects to allow employees to make voluntary employee contributions to a separate account or annuity established under the plan, and

''(B) under the terms of the qualified employer plan, such account or annuity meets the applicable requirements of this section or section 408A for an individual retirement account or annuity,

then such account or annuity shall be treated for purposes of this title in the same manner as an individual retirement plan (and contributions to such account or annuity as contributions to an individual retirement plan). For purposes of subparagraph (B), the requirements of subsection (a)(5) shall not apply.

''(2) SPECIAL RULES FOR QUALIFIED EMPLOYER PLANS.—For purposes of this title—

''(A) a qualified employer plan shall not fail to meet any requirement of this title solely by reason of establishing and maintaining a program described in paragraph (1), and

''(B) any account or annuity described in paragraph (1), and any contribution to the account or annuity, shall not be subject to any requirement of this title applicable to a qualified employer plan or taken into account in applying any such requirement to any other contributions under the plan.

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' has the meaning given such term by section 72(p)(4).

''(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—The term 'voluntary employee contribution' means any contribution (other than a mandatory contribution within the meaning of section 411(c)(2)(C))—

''(i) which is made by an individual as an employee under a qualified employer plan which allows employees to elect to make contributions described in paragraph (1), and

''(ii) with respect to which the individual has designated the contribution as a contribution to which this subsection applies.''

(b) AMENDMENT OF ERISA.—

(1) IN GENERAL.—Section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003) is amended by adding at the end the following new subsection:

''(c) If a pension plan allows an employee to elect to make voluntary employee contributions to accounts and annuities as provided in section 408(q) of the Internal Revenue Code of 1986, such accounts and annuities (and contributions thereto) shall not be treated as part of such plan (or as a separate pension plan) for purposes of any provision of this title other than section 403(c), 404, or 405 (relating to exclusive benefit, and fiduciary and co-fiduciary responsibilities).''

(2) CONFORMING AMENDMENT.—Section 4(a) of such Act (29 U.S.C. 1003(a)) is amended by inserting ''or (c)'' after ''subsection (b)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 1999.

AMENDMENT NO. 1388

At the end of title XIV, insert:

SEC. ___. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.'';

(3) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (B) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (D) and inserting the following:

''(D) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and''; and

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(B), by striking ''January 31, 1998'' in subparagraph (B) and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions received in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

THOMAS (AND ENZI) AMENDMENT NO. 1389

Mr. THOMAS (for himself and Mr. ENZI) submitted an amendment intended to be proposed by them to the bill, H.R. 2466, supra; as follows:

On page 5, line 13, strike the number ''130,000,000'' and insert in lieu thereof the number ''140,000,000'';

On page 5, line 22, strike the number ''17,400,000'' and insert in lieu thereof ''12,400,000'';

On page 13, line 8, strike the number ''55,244,000'' and insert in lieu thereof ''50,244,000''.

TAXPAYER REFUND ACT OF 1999

ABRAHAM (AND OTHERS) AMENDMENT NO. 1390

(Ordered to lie on the table.)

Mr. ABRAHAM (for himself and Mr. HATCH, Mr. SHELBY, Mr. DEWINE, Mr. ROBB, and Mr. SESSIONS) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

At the appropriate place in title XI, insert the following:

SECTION 11. PLACED-IN-SERVICE DEFINITION.

(a) Section 1205 is amended by redesignating subsection (d) as subsection (e) and inserting the following:

(d) Section 29(g) is amended by adding new paragraph (3):

''(3) COAL BASED SYNTHETIC FUEL FACILITIES.—For purposes of subparagraph (A) of paragraph (1) a facility producing a qualified fuel described in subparagraph (C) of subsection (c)(1) shall be treated as placed in service before July 1, 1998, if such facility produced such qualified fuel on or before such date.''

BINGAMAN AMENDMENT NO. 1391

(Ordered to lie on the table.)

Mr. BINGAMAN submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of the bill add the following:

DIVISION II—ENERGY SECURITY TAX INCENTIVES

SECTION 1. DEPRECIATION TREATMENT OF DISTRIBUTED POWER PROPERTY.

(a) IN GENERAL.—Section 168(e)(3)(E) of the Internal Revenue Code (classifying certain property as 15-year property) is amended by striking 'and' at the end of clause (ii), striking the period at the end of clause (iii) and inserting, ', and', and by adding the following new clause:

''(iv) any distributed power property.''

(b) CONFORMING AMENDMENTS.—(1) Section 168(i) is amended by adding at the end the following new paragraph:

''(15) DISTRIBUTED POWER PROPERTY.—the term 'distributed power property' means property—

''(A) which is used in the generation of electricity for primary use—

''(i) in nonresidential real or residential rental property used in the taxpayer's trade or business, or

''(ii) in the taxpayer's industrial manufacturing process or plant activity, with a rated total capacity in excess of 500 kilowatts,

''(B) which also may produce usable thermal energy or mechanical power for use in a heating or cooling application, as long as at least 40 percent of the total useful energy produced consists of—

''(i) with respect to assets described in subparagraph (A)(i), electrical power (whether sold or used by the taxpayer), or

''(ii) with respect to assets described in subparagraph (A)(ii), electrical power (whether sold or used by the taxpayer) and thermal or mechanical energy used in the taxpayer's industrial manufacturing process or plant activity,

''(C) which is not used to transport primary fuel to the generating facility or to distribute energy within or outside of the facility, and

''(D) where it is reasonably expected that not more than 50 percent of the produced electricity will be sold to, or used by, unrelated persons.

For purposes of subparagraph (B), energy output is determined on the basis of expected annual output levels, measured in British thermal units (Btu), using standard conversion factors established by the Secretary.''.

(2) Subparagraph (B) of section 168(g)(3) is amended by inserting after the item relating to subparagraph (E)(iii) in the table contained therein the following new line:

''(E)(iv) 22''.

(c) EFFECTIVE DATE.—The amendments made by this section are effective for property placed in service on or after the date of enactment.

SEC. 2. TAX CREDIT FOR COMBINED HEAT AND POWER SYSTEM PROPERTY.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 48 the following new section:

''SEC. 48A. ENERGY CREDIT

''(a) IN GENERAL.—For purposes of section 46, the energy credit for any taxable year is the amount equal to the energy percentage of the basis of each energy property placed in service during such taxable year.

''(b) ENERGY PERCENTAGE.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the energy percentage is 10 percent.

''(2) COMBINED HEAT AND POWER PROPERTY.—The energy percentage is 8 percent in the case of combined heat and power property.

''(3) PERIOD FOR WHICH CREDIT IS ALLOWED FOR COMBINED HEAT AND POWER PROPERTY.—In the case of combined heat and power property, the credit under subsection (a) shall be allowed only for the period beginning on January 1, 2000 and ending on December 31, 2002.

''(4) COORDINATION WITH REHABILITATION.—The energy percentage does not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

''(5) TRANSITION RULES.—Rules similar to the rule of section 48(m) (as in effect on the day before the date of the enactment of the Revenue reconciliation Act of 1990) shall apply for purposes of this subsection

''(c) ENERGY PROPERTY DEFINED.—

''(1) IN GENERAL.—For purposes of this subpart, the term 'energy property' means any property—

''(A) which is—

''(i) solar energy property,

''(ii) geothermal energy property, or

''(iii) combined heat and power system property,

''(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

''(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer,

''(C) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

''(D) which meets—

''(i) the performance and quality standards (if any), and the certification requirements (if any), which have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy or the EPA Administrator, as appropriate), and

''(ii) are in effect at the time the property is placed in service.

''(2) EXCEPTION.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990). The preceding sentence shall not apply to combined heat and power system property.

''(d) DEFINITIONS RELATING TO TYPES OF ENERGY PROPERTY.—For purposes of this section—

''(1) SOLAR ENERGY PROPERTY.—The term 'solar energy property' means equipment which uses solar energy—

''(A) to generate electricity,

''(B) to heat or cool (or provide hot water for use in) a structure, or

''(C) to provide solar process heat.

''(2) GEOTHERMAL ENERGY PROPERTY.—The term 'geothermal energy property' means equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(3) COMBINED HEAT AND POWER SYSTEM PROPERTY—

''(A) IN GENERAL.—The term 'combined heat and power system property' means property comprising a system—

''(i) which uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications),

''(ii) which has an electrical capacity of more than 50 kilowatts or a mechanical energy capacity of more than 67 horsepower or an equivalent combination of electrical and mechanical energy capacities,

''(iii) which produces—

''(I) at least 20 percent of its total useful energy in the form of thermal energy, and

''(II) at least 20 percent of its total energy in the form of electrical or mechanical power (or a combination thereof), and

''(iv) the energy efficiency percentage of which exceeds 60 percent (70 percent in the case of a system with an electrical capacity in excess of 67,000 horsepower (or a combination thereof)).

''(B) SPECIAL RULES.—

''(i) ENERGY EFFICIENCY PERCENTAGE.—For purpose of subparagraph (A)(iv), the energy efficiency percentage of a system is the fraction—

''(I) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and

''(II) the denominator of which is the lower heating value of the primary fuel source for the system.

''(ii) DETERMINATIONS MADE ON BTU BASIS.—The energy efficiency percentage and the percentages under subparagraph (A)(iii) shall be determined on a Btu basis.

''(iii) INPUT AND OUTPUT PROPERTY NOT INCLUDED.—The term 'combined heat and power system property' does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

''(iv) ACCOUNTING RULE FOR PUBLIC UTILITY PROPERTY.—In the case that combined heat and power system property is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the taxpayer may claim the credit under subsection (a)(1) only, if with resect to such property, the taxpayer uses a normalization method of accounting.

''(v) DEPRECIATION.—No credit shall be allowed for any combined heat and power system property unless the taxpayer elects to treat such property for purposes of section 168 as having a class life of not less than 22 years.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) Special rule for property financed by subsidized energy financing or industrial development bonds—

''(A) REDUCTION OF BASIS.—For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by—

''(i) subsidized energy financing, or

''(ii) the proceeds of a private activity bond (within the meaning of section 141) the interest on which is exempt from tax under section 103, the amount taken into account as the basis of such property shall not exceed the amount which (but for this subparagraph (B).

''(B) DETERMINATION OF FRACTION.—For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction—

''(ii) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

''(ii) the denominator of which is the basis of the property.

''(C) SUBSIDIZED ENERGY FINANCING.—For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

''(2) CERTAIN PROGRESS EXPENDITURES RULE MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and(d) section 46 (as in

effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this section.'.

''(b) Conforming Amendments—

''(1) Section 48 of such Code is amended to read as follows:

''SEC. 48. REFORESTATION CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the reforestation a credit for any taxable year is 10 percent of the portion of the amortizable

basis of any qualified timber property which was acquired during such taxable year and which is taken into account under section 194 (after the application of section 194(b)(1)).

''(b) DEFINITIONS.—For purposes of this subpart the terms 'amortizable basis' and 'qualified timber property' have the respective meanings given to such terms by section 194.''.

(2) Subsection (d) section 39 of such Code is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF ENERGY CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the energy credit determined under section 48A, except for the credit determined with respect to solar energy property and geothermal energy property, may be carried back to a taxable year ending before the date of the enactment of section 48A.''.

(3) Paragraph (3) of section 50(c) of such Code is amended by adding at the end the following flush sentence:

''In the case of the energy credit, the preceding sentence shall apply only to so much of such credit as relates to solar energy property and geothermal property (as such terms as defined in section 48A(e)).''.

(4) Subclause (III) of section 29(b)(3)(A)(i) of such Code is amended by striking ''section 48(a)(4)(C)'' and inserting ''section 48A(g)(1)(C)''.

(5) Subparagraph (E) of section 50(a)(2) of such Code is amended by striking ''section 48(a)(5)'' and inserting ''section 48A(g)(2)''.

(6) Subparagraph (B) of section 168(e)(3) of such Code is amended—

(A) in clause (vi)(I) by striking ''section 48(a)(3)'' and inserting ''paragraphs (1) and (2) of section 48A(d)'', and

(B) in the last sentence by striking ''section 48(a)(3)'' and inserting ''section 48A(c)(2)''.

(7) Subparagraph (E) of section 168(e)(3) of such Code, as amended by section 803(a), is further amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) any combined heat and power system property (as defined in section 48A(d)(4)) for which a credit is followed under section 48A and which, but for this clause, would have a recovery period of less than 15 years.''.

(8) The table contained in subparagraph (B) of section 168(g)(3) of such Code, as amended by section 803(b)(2), is further amended by adding at end the following ''(E)(v) 11.''

(c) CLERICAL AMENDMENT.—The table of sections for subpart E of part IV of subchapter A of chapter 1 of such Code is amended by striking the item relating to section 48 and inserting the following new items:

''Sec. 48. Reforestation credit.

''Sec. 48A Energy credit.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SPECTER AMENDMENT NO. 1392

(Order to lie on the table.)

Mr. SPECTER submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of title XI, insert the following:

SEC. ___. BIOTECHNOLOGY INVESTMENT TAX CREDIT.

(a) ALLOWANCE OF CREDIT.—Section 46(a) (relating to amount of 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 biotechnology investment credit.''

(b) AMOUNT OF CREDIT.—Section 48 is amended by adding at the end the following new subsection:

''(c) BIOTECHNOLOGY INVESTMENT CREDIT.—

''(1) IN GENERAL.—For purposes of section 46, the biotechnology investment credit for any taxable year is an amount equal to 10 percent of the qualified investment for such taxable year.

''(2) QUALIFIED INVESTMENT.—

''(A) IN GENERAL.—For purposes of paragraph (1), the qualified investment for any taxable year is the aggregate of—

''(i) the applicable percentage of the basis of each new biotechnology property placed in service by the taxpayer during such taxable year, plus

''(ii) the applicable percentage of the cost of each used biotechnology property placed in service by the taxpayer during such taxable year.

''(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage for any property shall be determined under paragraphs (2) and (7) of section 46(c) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

''(C) CERTAIN RULES MADE APPLICABLE.—The provisions of subsections (b) and (c) of section 48 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this paragraph.

''(3) BIOTECHNOLOGY PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'biotechnology property' means any property—

''(i) which is used in connection with applicable biotechnology research, and

''(ii) with respect to which depreciation (or amortization in lieu of depreciation) is allowable.

''(B) APPLICABLE BIOTECHNOLOGY RESEARCH.—The term 'applicable biotechnology research' means the use of applicable technologies to benefit society by improving human healthcare through—

''(i) producing or modifying products, and developing microorganisms, for specific uses,

''(ii) identifying targets for small molecule pharmaceutical development, and

''(iii) transforming biological systems into useful processes and products.

''(C) APPLICABLE TECHNOLOGIES.—The term 'applicable technologies' means recombinant DNA techniques, biochemistry, molecular and cellular biology, genetics and genetic engineering, biological cell fusion techniques, and other bioprocesses which use living organisms, or parts of such organisms, for the purposes described in subparagraph (B).

''(4) COORDINATION WITH OTHER CREDITS.—No credit shall be determined under this subsection for any amount taken into account in determining the amount of any other credit allowable under this chapter. A taxpayer may elect which credit under this chapter shall apply to any amount.

''(5) CERTAIN PROGRESS EXPENDITURE RULES MADE APPLICABLE.—Rules similar to rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this subsection.''

(c) TECHNICAL AMENDMENTS.—

(1) 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 basis of any new biotechnology property and the cost of any used biotechnology property.''

(2) Subparagraph (E) of section 50(a)(2) is amended by striking ''section 48(a)(5)(A)'' and inserting ''section 48 (a)(5) or (c)(5)''.

(3) Paragraph (5) of section 50(a) is amended by adding at the end the following new subparagraph:

''(D) SPECIAL RULES FOR CERTAIN PROPERTY.—In the case of any biotechnology property which is 3-year property (within the meaning of section 168(e))—

''(i) the percentage set forth in clause (ii) of the table contained in paragraph (1)(B) shall be 66 percent,

''(ii) the percentage set forth in clause (iii) of such table shall be 33 percent, and

''(iii) clauses (iv) and (v) of such table shall not apply.''

(4)(A) The section heading for section 48 is amended to read as follows:

''SEC. 48. OTHER CREDITS.''

(B) The table of sections for subpart E of part IV of subchapter A of chapter 1 of such Code is amended by striking the item relating to section 48 and inserting the following:

''Sec. 48. Other Credits.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 1999.

GREGG AMENDMENTS NOS. 1393–1394

(Ordered to lie on the table.)

Mr. GREGG submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1393

On page 235, strike lines 15 through 19, and insert:

(1) IN GENERAL.—Section 2031(c)(8)(A) (defining land subject to a qualified conservation easement) is amended by striking clause (i) and by redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively.

AMENDMENT NO. 1394

On page 235, strike lines 15 through 19, and insert:

(1) IN GENERAL.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a conservation easement) is amended—

(A) by striking ''25 miles'' both places it appears and inserting ''50 miles'', and

(B) striking ''10 miles'' and inserting ''25 miles''.

SESSIONS (AND OTHERS) AMENDMENT NO. 1395

(Ordered to lie on the table.)

Mr. SESSIONS (for himself, Mr. COVERDELL, and Mr. CRAIG) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. ___. CAPITAL GAIN TREATMENT UNDER SECTION 631(b) TO APPLY WHETHER OR NOT OWNER RETAINS ECONOMIC INTEREST.

(a) IN GENERAL.—Subsection (b) of section 631 (relating to disposal of timber with a retained economic interest) is amended—

(1) by inserting ''AND OUTRIGHT SALES OF TIMBER'' after ''ECONOMIC INTEREST'' in the subsection heading, and

(2) by striking ''such owner retains an economic interest in such timber'' and inserting ''such owner either retains an economic interest in such timber or makes an outright sale of such timber''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to sales after the date of the enactment of this Act.

LEAHY AMENDMENT NO. 1396

(Ordered to lie on the table.)

Mr. LEAHY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of title XI, insert the following:

SEC. ___. DEDUCTION FOR COSTS OF MAKING COMPUTERS AND COMPUTER SOFTWARE YEAR 2000 COMPLIANT.

(a) IN GENERAL.—

(1) PROPERTY PLACED IN SERVICE IN 1999.—A taxpayer may elect to treat the cost of a business Y2K asset placed in service during the taxpayer's first taxable year beginning in 1999 as an expense which is not chargeable to capital account. The cost so treated shall be allowed as a deduction from gross income for purposes of the Internal Revenue Code of 1986.

(2) PROPERTY PLACED IN SERVICE IN 1997 OR 1998.—A taxpayer may elect to deduct from gross income an amount equal to the unrecovered basis of a business Y2K asset placed in service during the 2 taxable years preceding the first taxable year beginning in 1999 and which is otherwise subject to depreciation under such Code.

(b) LIMITATIONS.—

(1) IN GENERAL.—The aggregate amount allowed as a deduction under subsection (a) shall not exceed $40,000.

(2) APPLICATION OF BUSINESS LIMITATIONS OF SECTION 179.—Rules similar to the rules of paragraphs (2), (3), and (4) of section 179(b) of such Code shall apply for purposes of this section. For purposes of the preceding sentence, the cost of property to which the limitation in paragraph (2) of such section 179(b) applies shall be the sum of—

(A) the amounts elected under subsection (a)(1) with respect to property placed in service during the taxpayer's first taxable year beginning in 1999, and

(B) the amounts elected under subsection (a)(2) with respect to the unrecovered basis of business Y2K assets placed in service during the 2 taxable years preceding the first taxable year beginning in 1999.

(c) DEFINITIONS.—For purposes of this section—

(1) BUSINESS Y2K ASSET.—The term ''business Y2K asset'' means an asset acquired by purchase for use in the active conduct of a trade or business which is—

(A) any computer acquired to replace a computer where such replacement is necessary because of the year 2000 computer conversion problem, and

(B) any of the following items which are of a character subject to the allowance for depreciation under such Code:

(i) the modification of computer software to address the year 2000 computer conversion problem, and

(ii) computer software which is year 2000 compliant acquired to replace computer software which is not so compliant.

(2) COMPUTER.—The term ''computer'' means a computer or peripheral equipment (as defined by section 168(i)(2)(B)) of such Code.

(3) COMPUTER SOFTWARE.—The term ''computer software'' has the meaning given to such term by section 167(f) of such Code.

(4) UNRECOVERED BASIS.—The term ''unrecovered basis'' means the adjusted basis of the business Y2K asset determined as of the close of the last taxable year beginning before January 1, 1999.

(d) SPECIAL RULES.—

(1) IN GENERAL.—Rules similar to the rules of subsections (c) and (d) (other than paragraph (1) thereof) of section 179 of such Code shall apply for purposes of this section.

(2) TREATMENT AS DEDUCTION UNDER SECTION 179.—For purposes of the Internal Revenue Code of 1986, the deduction allowed under this section shall be treated in the same manner as a deduction allowed under section 179 of such Code.

(3) ORDERING RULE.—For purposes of section 179 of such Code, subsection (b)(3)(C) of such section shall be applied without regard to the deduction allowed under this section.

McCAIN AMENDMENT NO. 1397

Mr. MCCAIN proposed an amendment to the bill, S. 1429, supra; as follows:

At the appropriate place, add the following:

TITLE ___—EDUCATIONAL OPPORTUNITIES FOR DISADVANTAGED CHILDREN

Subtitle A—Educational Opportunities

SEC. ___01. PURPOSES.

The purposes of this title are—

(1) to assist States to—

(A) give children from low-income families the same choices among all elementary and secondary schools and other academic programs as children from wealthier families already have;

(B) improve schools and other academic programs by giving parents in low-income families increased consumer power to choose the schools and programs that the parents determine best fit the needs of their children; and

(C) more fully engage parents in their children's schooling; and

(2) to demonstrate, through a 3-year national grant program, the effects of a voucher program that gives parents in low-income families—

(A) choice among public, private, and religious schools for their children; and

(B) access to the same academic options as parents in wealthy families have for their children.

SEC. ___02. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to carry out this title (other than section ___10) $1,800,000,000 for each of fiscal years 2001 through 2003.

(b) EVALUATION.—There is authorized to be appropriated to carry out section ___10 $17,000,000 for fiscal years 2001 through 2004.

SEC. ___03. PROGRAM AUTHORITY.

(a) IN GENERAL.—The Secretary shall make grants to States, from allotments made under section ___04 to enable the States to carry out educational choice programs that provide scholarships, in accordance with this title.

(b) LIMIT ON FEDERAL ADMINISTRATIVE EXPENDITURES.—The Secretary may reserve not more than $1,000,000 of the amounts appropriated under section ___02(a) for a fiscal year to pay for the costs of administering this title.

SEC. ___04. ALLOTMENTS TO STATES.

(a) ALLOTMENTS.—The Secretary shall make the allotments to States in accordance with a formula specified in regulations issued in accordance with subsection (b). The formula shall provide that the Secretary shall allot to each State an amount that bears the same relationship to the amounts appropriated under section ___02(a) for a fiscal year (other than funds reserved under section ___03(b)) as the number of covered children in the State bears to the number of covered children in all such States.

(b) FORMULA.—Not later than 90 days after the date of enactment of this Act, the Secretary shall issue regulations specifying the formula referred to in subsection (a).

(c) LIMIT ON STATE ADMINISTRATIVE EXPENDITURES.—The State may reserve not more than 1 percent of the funds made available through the State allotment to pay for the costs of administering this title.

(d) DEFINITION.—In this section, the term ''covered child'' means a child who is enrolled in a public school (including a charter school) that is an elementary school or secondary school.

SEC. ___05. ELIGIBLE SCHOOLS.

(a) ELIGIBILITY.—

(1) IN GENERAL.—Schools identified by a State under paragraph (2) shall be considered to be eligible schools under this title.

(2) DETERMINATION.—Not later than 180 days after the date the Secretary issues regulations under section ___04(b), each State shall identify the public elementary schools and secondary schools in the State that are at or below the 25th percentile for academic performance of schools in the State.

(b) PERFORMANCE.—The State shall determine the academic performance of a school under this section based on such criteria as the State may consider to be appropriate.

SEC. ___06. SCHOLARSHIPS.

(a) IN GENERAL.—

(1) SCHOLARSHIP AWARDS.—With funds awarded under this title, each State awarded a grant under this title shall provide scholarships to the parents of eligible children, in accordance with subsections (b) and (c). The State shall ensure that the scholarships may be redeemed for elementary or secondary education for the children at any of a broad variety of public and private schools, including religious schools, in the State.

(2) SCHOLARSHIP AMOUNT.—The amount of each scholarship shall be $2000 per year.

(3) TAX EXEMPTION.—Scholarships awarded under this title shall not be considered income of the parents for Federal income tax purposes or for determining eligibility for any other Federal program.

(b) ELIGIBLE CHILDREN.—To be eligible to receive a scholarship under this title, a child shall be—

(1) a child who is enrolled in a public elementary school or secondary school that is an eligible school; and

(2) a member of a family with a family income that is not more than 200 percent of the poverty line.

(c) AWARD RULES.—

(1) PRIORITY.—In providing scholarships under this title, the State shall provide scholarships for eligible children through a lottery system administered for all eligible schools in the State by the State educational agency.

(2) CONTINUING ELIGIBILITY.—Each State receiving a grant under this title to carry out an educational choice program shall provide a scholarship in each year of the program to each child who received a scholarship during the previous year of the program, unless—

(A) the child no longer resides in the area served by an eligible school;

(B) the child no longer attends school;

(C) the child's family income exceeds, by 20 percent or more, 200 percent of the poverty line; or

(D) the child is expelled or convicted of a felony, including felonious drug possession, possession of a weapon on school grounds, or a violent act against an other student or a member of the school's faculty.

SEC. ___07. USES OF FUNDS.

Any scholarship awarded under this title for a year shall be used—

(1) first, for—

(A) the payment of tuition and fees at the school selected by the parents of the child for whom the scholarship was provided; and

(B) the reasonable costs of the child's transportation to the school, if the school is not the school to which the child would be assigned in the absence of a program under this title;

(2) second, if the parents so choose, to obtain supplementary academic services for the child, at a cost of not more than $500, from any provider chosen by the parents, that the State determines is capable of providing such services and has an appropriate refund policy; and

(3) finally, for educational programs that help the eligible child achieve high levels of academic excellence in the school attended by the eligible child, if the eligible child chooses to attend a public school.

SEC. ___08. STATE REQUIREMENT.

A State that receives a grant under this title shall allow lawfully operating public and private elementary schools and secondary schools, including religious schools, if any, serving the area involved to participate in the program.

SEC. ___09. EFFECT OF PROGRAMS.

(a) TITLE I.—Notwithstanding any other provision of law, if a local educational agency in the State would, in the absence of an educational choice program that is funded under this title, provide services to a participating eligible child under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.), the State shall ensure the provision of such services to such child.

(b) INDIVIDUALS WITH DISABILITIES.—Nothing in this title shall be construed to affect the requirements of part B of the Individuals with Disabilities Education Act (20 U.S.C. 1411 et seq.).

(c) AID.—

(1) IN GENERAL.—Scholarships under this title shall be considered to aid families, not institutions. For purposes of determining Federal assistance under Federal law, a parent's expenditure of scholarship funds under this title at a school or for supplementary academic services shall not constitute Federal financial aid or assistance to that school or to the provider of supplementary academic services.

(2) SUPPLEMENTARY ACADEMIC SERVICES.—

(A) IN GENERAL.—Notwithstanding paragraph (1), a school or provider of supplementary academic services that receives scholarship funds under this title shall, as a condition of participation under this title, comply with the provisions of title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794).

(B) REGULATIONS.—The Secretary shall promulgate regulations to implement the provisions of subparagraph (A), taking into account the purposes of this title and the nature, variety, and missions of schools and providers that may participate in providing services to children under this title.

(d) OTHER FEDERAL FUNDS.—No Federal, State, or local agency may, in any year, take into account Federal funds provided to a State or to the parents of any child under this title in determining whether to provide any other funds from Federal, State, or local resources, or in determining the amount of such assistance, to such State or to a school attended by such child.

(e) NO DISCRETION.—Nothing in this title shall be construed to authorize the Secretary to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school participating in a program under this title.

SEC. ___10. EVALUATION.

The Comptroller General of the United States shall conduct an evaluation of the program authorized by this title. Such evaluation shall, at a minimum—

(1) assess the implementation of educational choice programs assisted under this title and their effect on participants, schools, and communities in the school districts served, including parental involvement in, and satisfaction with, the program and their children's education;

(2) compare the educational achievement of participating eligible children with the educational achievement of similar non-participating children before, during, and after the program; and

(3) compare—

(A) the educational achievement of eligible children who use scholarships to attend schools other than the schools the children would attend in the absence of the program; with

(B) the educational achievement of children who attend the schools the children would attend in the absence of the program.

SEC. ___11. ENFORCEMENT.

(a) REGULATIONS.—The Secretary shall promulgate regulations to enforce the provisions of this title.

(b) PRIVATE CAUSE.—No provision or requirement of this title shall be enforced through a private cause of action.

SEC. ___12. DEFINITIONS.

In this title:

(1) CHARTER SCHOOL.—The term ''charter school'' has the meaning given the term in section 10310 of the Elementary and Secondary Education Act of 1965 (as redesignated in section 3(g) of Public Law 105–278; 112 Stat. 2687).

(2) ELEMENTARY SCHOOL; LOCAL EDUCATIONAL AGENCY; PARENT; SECONDARY SCHOOL; STATE EDUCATIONAL AGENCY.—The terms ''elementary school'', ''local educational agency'', ''parent'', ''secondary school'', and ''State educational agency'' have the meanings given the terms in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(3) POVERTY LINE.—The term ''poverty line'' means the poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2))) applicable to a family of the size involved.

(4) SECRETARY.—The term ''Secretary'' means the Secretary of Education.

(5) STATE.—The term ''State'' means each of the 50 States.

Subtitle B—Revenue Provisions

SEC. ___21. PHASEOUT OF OIL AND GAS EXPENSING OF DRILLING AND DEVELOPMENT COSTS.

Section 263(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentence: ''This subsection shall not apply to the applicable percentage of costs incurred in taxable years beginning after December 31, 1999. For purposes of the preceding sentence, the applicable percentage for any taxable year shall be determined in accordance with the following table:

''In the case of any taxable year beginning in—	The applicable percentage is—
2000	20
2001	40
2002	60
2003	80
After 2003	100.''

SEC. ___22. SUNSET OF ALCOHOL FUELS INCENTIVES.

(a) IN GENERAL.—The following provisions of the Internal Revenue Code of 1986 are each repealed:

(1) Section 40 (relating to alcohol used as fuel).

(2) Section 4041(b)(2) (relating to qualified methanol and ethanol).

(3) Section 4041(k) (relating to fuels containing alcohol).

(4) Section 4081(c) (relating to taxable fuels mixed with alcohol).

(5) Section 4091(c) (relating to reduced rate of tax for aviation fuel in alcohol mixture, etc.).

(6) Section 6427(f) (relating to gasoline, diesel fuel, kerosene, and aviation fuel used to produce certain alcohol fuels).

(7) The headings 9901.00.50 and 9901.00.52 of the Harmonized Tariff Schedule of the United States (19 U.S.C. 3007).

(b) EFFECTIVE DATE.—The repeals made by subsection (a) shall take effect on October 1, 1999.

SEC. ___23. REPEAL OF ENHANCED OIL RECOVERY CREDIT.

Section 43 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(f) TERMINATION.—In the case of taxable years beginning after December 31, 1999, the enhanced oil recovery credit is zero.''.

SEC. ___24. REPEAL OF UNLIMITED PASSIVE LOSS DEDUCTIONS FOR OIL AND GAS PROPERTIES.

Section 469(c)(3) of the Internal Revenue Code of 1986 (relating to working interests in oil and gas property) is amended by adding at the end the following:

''(C) TERMINATION.—This paragraph shall not apply with respect to any taxable year beginning after December 31, 1999.''

SEC. 25___. SUGAR PROGRAM.

(a) ELIMINATION OF AUTHORITY TO USE SUGAR AS COLLATERAL FOR LOANS.—Section 156 of the Agricultural Market Transition Act (7 U.S.C. 7272) is amended—

(1) in subsection (d)—

(A) by striking ''(d)'' and all that follows through ''A loan under'' and inserting ''(d) TERM OF LOANS.—A loan under'';

(B) by striking paragraph (2); and

(C) by redesignating subparagraphs (A) and (B) as paragraphs (1) and (2), respectively, and indenting appropriately;

(2) by striking subsection (g); and

(3) by redesignating subsections (h) and (i) as subsections (g) and (h), respectively.

(b) ELIMINATION OF SUGAR PRICE SUPPORT AND PRODUCTION ADJUSTMENT PROGRAMS.—

(1) IN GENERAL.—Notwithstanding any other provision of law—

(A) a processor of any of the 2003 or subsequent crops of sugarcane or sugar beets shall not be eligible for a loan under any provision of law with respect to the crop; and

(B) the Secretary of Agriculture may not make price support available, whether in the form of a loan, payment, purchase, or other operation, for any of the 2003 and subsequent crops of sugar beets and sugarcane by using the funds of the Commodity Credit Corporation or other funds available to the Secretary.

(2) TERMINATION OF MARKETING QUOTAS AND ALLOTMENTS.—

(A) IN GENERAL.—Part VII of subtitle B of title III of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359aa et seq.) is repealed.

(B) CONFORMING AMENDMENT.—Section 344(f)(2) of the Agricultural Adjustment Act

of 1938 (7 U.S.C. 1344(f)(2)) is amended by striking ''sugar cane for sugar, sugar beets for sugar,''.

(3) GENERAL POWERS.—

(A) DESIGNATED NONBASIC AGRICULTURAL COMMODITIES.—Section 201(a) of the Agricultural Act of 1949 (7 U.S.C. 1446(a)) is amended by striking ''milk, sugar beets, and sugarcane'' and inserting ''and milk''.

(B) POWERS OF COMMODITY CREDIT CORPORATION.—Section 5(a) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c(a)) is amended by inserting after ''agricultural commodities'' the following: ''(other than sugar)''.

(C) SECTION 32 ACTIVITIES.—Section 32 of the Act of August 24, 1935 (49 Stat. 774, chapter 641; 7 U.S.C. 612c), is amended in the second sentence of the first paragraph—

(i) in paragraph (1), by inserting ''(other than sugar)'' after ''commodities''; and

(ii) in paragraph (3), by inserting ''(other than sugar)'' after ''commodity''.

(4) TRANSITION PROVISIONS.—This subsection and the amendments made by this subsection shall not affect the liability of any person under any provision of law as in effect before the application of this subsection and the amendments made by this subsection.

(5) CROPS.—This subsection and the amendments made by this subsection shall apply beginning with the 2003 crop of sugar beets and sugarcane.

ABRAHAM (AND OTHERS) AMENDMENT NO. 1398

Mr. ABRAHAM (for himself, Mr. DOMENICI, Mr. ASHCROFT, Mr. CRAPO, Mr. ENZI, Mr. SANTORUM, Mr. GRAMS, Mr. ALLARD, Mr. FRIST, AND Mr. COVERDELL) proposed an amendment to the bill, S. 1429, supra; as follows:

At the end of the bill, add the following:

TITLE ____—SOCIAL SECURITY SURPLUS PRESERVATION AND DEBT REDUCTION ACT

SEC. ___01. SHORT TITLE.

This title may be cited as the ''Social Security Surplus Preservation and Debt Reduction Act''.

SEC. ___02. FINDINGS.

Congress finds that—

(1) the $69,246,000,000 unified budget surplus achieved in fiscal year 1998 was entirely due to surpluses generated by the social security trust funds and the cumulative unified budget surpluses projected for subsequent fiscal years are primarily due to surpluses generated by the social security trust funds;

(2) Congress and the President should balance the budget excluding the surpluses generated by the social security trust funds;

(3) according to the Congressional Budget Office, balancing the budget excluding the surpluses generated by the social security trust funds will reduce the debt held by the public by a total of $1,859,500,000,000 by the end of fiscal year 2009; and

(4) social security surpluses should be used for social security reform or to reduce the debt held by the public and should not be spent on other programs.

SEC. ___03. PROTECTION OF THE SOCIAL SECURITY TRUST FUNDS.

(a) PROTECTION BY CONGRESS.—

(1) REAFFIRMATION OF SUPPORT.—Congress reaffirms its support for the provisions of section 13301 of the Budget Enforcement Act of 1990 that provides that the receipts and disbursements of the social security trust funds shall not be counted for the purposes of the budget submitted by the President, the congressional budget, or the Balanced Budget and Emergency Deficit Control Act of 1985.

(2) PROTECTION OF SOCIAL SECURITY BENEFITS.—If there are sufficient balances in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, the Secretary of Treasury shall give priority to the payment of social security benefits required to be paid by law.

(b) POINTS OF ORDER.—Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

''(j) SOCIAL SECURITY POINT OF ORDER.—It shall not be in order in the Senate to consider a concurrent resolution on the budget, an amendment thereto, or a conference report thereon that violates section 13301 of the Budget Enforcement Act of 1990.

''(k) DEBT HELD BY THE PUBLIC POINT OF ORDER.—It shall not be in order in the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would—

''(1) increase the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985; or

''(2) provide additional borrowing authority that would result in the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 being exceeded.

''(l) SOCIAL SECURITY SURPLUS PROTECTION POINT OF ORDER.—

''(1) IN GENERAL.—It shall not be in order in the Senate to consider a concurrent resolution on the budget, an amendment thereto, or a conference report thereon that sets forth a deficit in any fiscal year.

''(2) EXCEPTION.—Paragraph (1) shall not apply if—

''(A) the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is suspended; or

''(B) the deficit for a fiscal year results solely from the enactment of—

''(i) social security reform legislation, as defined in section 253A(e)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985; or

''(ii) provisions of legislation that are designated as an emergency requirement pursuant to section 251(b)(2)(A) or 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985.''.

(c) SUPERMAJORITY WAIVER AND APPEAL.—Subsections (c)(1) and (d)(2) of section 904 of the Congressional Budget Act of 1974 are amended by striking ''305(b)(2),'' and inserting ''301(k), 301(l), 305(b)(2),''.

SEC. ___04. DEDICATION OF SOCIAL SECURITY SURPLUSES TO REDUCTION IN THE DEBT HELD BY THE PUBLIC.

(a) AMENDMENTS TO THE CONGRESSIONAL BUDGET ACT OF 1974.—The Congressional Budget Act of 1974 is amended—

(1) in section 3, by adding at the end the following:

''(11)(A) The term 'debt held by the public' means the outstanding face amount of all debt obligations issued by the United States Government that are held by outside investors, including individuals, corporations, State or local governments, foreign governments, and the Federal Reserve System.

''(B) For the purpose of this paragraph, the term 'face amount', for any month, of any debt obligation issued on a discount basis that is not redeemable before maturity at the option of the holder of the obligation is an amount equal to the sum of—

''(i) the original issue price of the obligation; plus

''(ii) the portion of the discount on the obligation attributable to periods before the beginning of such month.

''(12) The term 'social security surplus' means the amount for a fiscal year that receipts exceed outlays of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund.'';

(2) in section 301(a) by—

(A) redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectfully; and

(B) inserting after paragraph (5) the following:

''(6) the debt held by the public; and''; and

(3) in section 310(a) by—

(A) striking ''or'' at the end of paragraph (3);

(B) by redesignating paragraph (4) as paragraph (5); and

(C) inserting the following new paragraph;

''(4) specify the amounts by which the statutory limit on the debt held by the public is to be changed and direct the committee having jurisdiction to recommend such change; or''.

(b) AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in section 250, by striking subsection (b) and inserting the following:

''(b) GENERAL STATEMENT OF PURPOSE.—This part provides for the enforcement of—

''(1) a balanced budget excluding the receipts and disbursements of the social security trust funds; and

''(2) a limit on the debt held by the public to ensure that social security surpluses are used for social security reform or to reduce debt held by the public and are not spent on other programs.'';

(2) in section 250(c)(1), by inserting ''' debt held by the public', 'social security surplus'''' after ''outlays',''; and

(3) by inserting after section 253 the following:

''SEC. 253A. DEBT HELD BY THE PUBLIC LIMIT.

''(a) LIMIT.—The debt held by the public shall not exceed—

''(1) for the period beginning May 1, 2000 through April 30, 2001, $3,618,000,000,000;

''(2) for the period beginning May 1, 2001 through April 30, 2002, $3,488,000,000,000;

''(3) for the period beginning May 1, 2002 through April 30, 2004, $3,349,000,000,000;

''(4) for the period beginning May 1, 2004 through April 30, 2006, $3,045,000,000,000;

''(5) for the period beginning May 1, 2006 through April 30, 2008, $2,698,000,000,000; and,

''(6) for the period beginning May 1, 2008 through April 30, 2010, $2,301,000,000.

''(b) ADJUSTMENTS FOR ACTUAL SOCIAL SECURITY SURPLUS LEVELS.—

''(1) ESTIMATED LEVELS.—The estimated level of social security surpluses for the purposes of this section is—

''(A) for fiscal year 1999, $125,000,000,000;

''(B) for fiscal year 2000, $147,000,000,000;

''(C) for fiscal year 2001, $155,000,000,000;

''(D) for fiscal year 2002, $163,000,000,000;

''(E) for fiscal year 2003, $172,000,000,000;

''(F) for fiscal year 2004, $181,000,000,000;

''(G) for fiscal year 2005, $195,000,000,000;

''(H) for fiscal year 2006, $205,000,000,000;

''(I) for fiscal year 2007, $217,000,000,000;

''(J) for fiscal year 2008, $228,000,000,000; and

''(K) for fiscal year 2009, $235,000,000,000.

''(2) ADJUSTMENT TO THE LIMIT FOR ACTUAL SOCIAL SECURITY SURPLUSES.—After October 1 and no later than December 31 of each year, the Secretary shall make the following calculations and adjustments:

''(A) CALCULATION.—After the Secretary determines the actual level for the social security surplus for the current year, the Secretary shall take the estimated level of the social security surplus for that year specified in paragraph (1) and subtract that actual level.

''(B) ADJUSTMENT.—

''(i) 2000 THROUGH 2004.—With respect to the periods described in subsections (a)(1), (a)(2), and (a)(3), the Secretary shall add the

amount calculated under subparagraph (A) to—

''(I) the limit set forth in subsection (a) for the period of years that begins on May 1st of the following calendar year; and

''(II) each subsequent limit.

''(ii) 2004 THROUGH 2010.—With respect to the periods described in subsections (a)(4), (a)(5), and (a)(6), the Secretary shall add the amount calculated under subparagraph (A) to—

''(I) the limit set forth in subsection (a) for the period of years that includes May 1st of the following calendar year; and

''(II) each subsequent limit.

''(c) ADJUSTMENT TO THE LIMIT FOR EMERGENCIES.—

''(1) ESTIMATE OF LEGISLATION.—

''(A) CALCULATION.—If legislation is enacted into law that contains a provision that is designated as an emergency requirement pursuant to section 251(b)(2)(A) or 252(e), OMB shall estimate the amount the debt held by the public will change as a result of the provision's effect on the level of total outlays and receipts excluding the impact on outlays and receipts of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund.

''(B) BASELINE LEVELS.—OMB shall calculate the changes in subparagraph (A) relative to baseline levels for each fiscal year through fiscal year 2010 using current estimates.

''(C) ESTIMATE.—OMB shall include the estimate required by this paragraph in the report required under section 251(a)(7) or section 252(d), as the case may be.

''(2) ADJUSTMENT.—After January 1 and no later than May 1 of each calendar year beginning with calendar year 2000—

''(A) with respect to the periods described in subsections (a)(1), (a)(2), and (a)(3), the Secretary shall add the amounts calculated under paragraph (1)(A) for the current year included in the report referenced in paragraph (1)(C) to—

''(i) the limit set forth in subsection (a) for the period of years that begins on May 1 of that calendar year; and

''(ii) each subsequent limit; and

''(B) with respect to the periods described in subsections (a)(4), (a)(5), and (a)(6), the Secretary shall add the amounts calculated under paragraph (1)(A) for the current year included in the report referenced in paragraph (1)(C) to—

''(i) the limit set forth in subsection (a) for the period of years that includes May 1 of that calendar year; and

''(ii) each subsequent limit.

''(3) EXCEPTION.—The Secretary shall not make the adjustments pursuant to this section if the adjustments for the current year are less than the on-budget surplus for the year before the current year.

''(d) ADJUSTMENT TO THE LIMIT FOR LOW ECONOMIC GROWTH AND WAR.—

''(1) SUSPENSION OF STATUTORY LIMIT ON DEBT HELD BY THE PUBLIC.—

''(A) LOW ECONOMIC GROWTH.—If the most recent of the Department of Commerce's advance, preliminary, or final reports of actual real economic growth indicate that the rate of real economic growth (as measured by real GDP) for each of the most recently reported quarter and the immediately preceding quarter is less than 1 percent, the limit on the debt held by the public established in this section is suspended.

''(B) WAR.—If a declaration of war is in effect, the limit on the debt held by the public established in this section is suspended.

''(2) RESTORATION OF STATUTORY LIMIT ON DEBT HELD BY THE PUBLIC.—

''(A) RESTORATION OF LIMIT.—The statutory limit on debt held by the public shall be restored on May 1 following the quarter in which the level of real Gross Domestic Product in the final report from the Department of Commerce is equal to or is higher than the level of real Gross Domestic Product in the quarter preceding the first two quarters that caused the suspension of the pursuant to paragraph (1).

''(B) ADJUSTMENT.—

''(i) CALCULATION.—The Secretary shall take level of the debt held by the public on October 1 of the year preceding the date referenced in subparagraph (A) and subtract the limit in subsection (a) for the period of years that includes the date referenced in subparagraph (A).

''(ii) ADJUSTMENT.—The Secretary shall add the amount calculated under clause (i) to—

''(I) the limit in subsection (a) for the period of fiscal years that includes the date referenced in subparagraph (A); and

''(II) each subsequent limit.

''(e) ADJUSTMENT TO THE LIMIT FOR SOCIAL SECURITY REFORM PROVISIONS THAT AFFECT ON-BUDGET LEVELS.—

''(1) ESTIMATE OF LEGISLATION.—

''(A) CALCULATION.—If social security reform legislation is enacted, OMB shall estimate the amount the debt held by the public will change as a result of the legislation's effect on the level of total outlays and receipts excluding the impact on outlays and receipts of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund.

''(B) BASELINE LEVELS.—OMB shall calculate the changes in subparagraph (A) relative to baseline levels for each fiscal year through fiscal year 2010 using current estimates.

''(C) ESTIMATE.—OMB shall include the estimate required by this paragraph in the report required under section 252(d) for social security reform legislation.

''(2) ADJUSTMENT TO LIMIT ON THE DEBT HELD BY THE PUBLIC.—If social security reform legislation is enacted, the Secretary shall adjust the limit on the debt held by the public for each period of fiscal years by the amounts determined under paragraph (1)(A) for the relevant fiscal years included in the report referenced in paragraph (1)(C).

''(f) DEFINITIONS.—In this section:

''(1) SECRETARY.—The term 'Secretary' means the Secretary of the Treasury.

''(2) SOCIAL SECURITY REFORM LEGISLATION.—The term 'social security reform legislation' means legislation that—

''(A) implements structural social security reform and significantly extends the solvency of the Social Security Trust Fund; and

''(B) includes a provision stating the following: 'For purposes of the Social Security Surplus Preservation and Debt Reduction Act of 1999, this Act constitutes social security reform legislation'.

This paragraph shall apply only to the first bill or joint resolution enacted into law as described in this paragraph.''.

SEC. ___05. PRESIDENT'S BUDGET.

Section 1105(f) of title 31, United States Code, is amended by striking ''in a manner consistent'' and inserting ''in compliance''.

SEC. ___06. SENSE OF THE SENATE ON MEDICARE RESERVE FUND.

(a) FINDINGS.—The Senate finds that—

(1) the Congressional budget plan has $505,000,000,000 over ten years in unallocated budget surpluses that could be used for long-term medicare reform, other priorities, or debt reduction;

(2) the Congressional budget resolution for fiscal year 2000 already has set aside $90,000,000,000 over ten years through a reserve fund for long-term medicare reform including prescription drug coverage;

(3) the President estimates that his medicare proposal will cost $46,000,000,000 over 10 years; and

(4) thus the Congressional budget resolution provides more than adequate resources for medicare reform, including prescription drugs.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the Congressional budget resolution for fiscal year 2000 provides a sound framework for allocating resources to medicare to modernize medicare benefits, improve the solvency of the program, and improve coverage of prescription drugs.

SEC. ___07. SUNSET.

This title and the amendments made by this title shall expire on April 30, 2010.

ABRAHAM (AND WYDEN) AMENDMENT NO. 1399

(Ordered to lie on the table.)

Mr. ABRAHAM (for himself and Mr. WYDEN) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert:

SEC. ___. EXPANSION OF DEDUCTION FOR COMPUTER DONATIONS TO SCHOOLS.

(a) EXTENSION OF AGE OF ELIGIBLE COMPUTERS.—Section 170(e)(6)(B)(ii) (defining qualified elementary or secondary educational contribution) is amended—

(1) by striking ''2 years'' and inserting ''3 years'', and

(2) by inserting ''for the taxpayer's own use'' after ''constructed by the taxpayer''.

(b) REACQUIRED COMPUTERS ELIGIBLE FOR DONATION.—

(1) IN GENERAL.—Section 170(e)(6)(B)(iii) (defining qualified elementary or secondary educational contribution) is amended by inserting '', the person from whom the donor reacquires the property,'' after ''the donor''.

(2) CONFORMING AMENDMENT.—Section 170(e)(6)(B)(ii) is amended by inserting ''or reaquired'' after ''acquired''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years ending after the date of the enactment of this Act.

SEC. ___. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by this Act, is amended by adding at the end the following:

''SEC. 45E. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS.

''(a) GENERAL RULE.—For purposes of section 38, the school computer donation credit determined under this section is an amount equal to 30 percent of the qualified elementary or secondary educational contributions made by the taxpayer during the taxable year.

''(b) QUALIFIED ELEMENTARY OR SECONDARY EDUCATIONAL CONTRIBUTION.—For purposes of this section, the term 'qualified elementary or secondary educational contribution' has the meaning given such term by section 170(e)(6)(B), except that such term shall include the contribution of a computer (as defined in section 168(i)(2)(B)(ii)) only if computer software (as defined in section 197(e)(3)(B)) that serves as a computer operating system has been lawfully installed in such computer.

''(c) INCREASED PERCENTAGE FOR CONTRIBUTIONS TO SCHOOLS IN EMPOWERMENT ZONES, ENTERPRISE COMMUNITIES, AND INDIAN RESERVATIONS.—In the case of a qualified elementary or secondary educational contribution to an educational organization or entity located in an empowerment zone or enterprise community designated under section

1391 or an Indian reservation (as defined in section 168(j)(6)), subsection (a) shall be applied by substituting '50 percent' for '30 percent'.

''(d) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) of section 41(f), and section 170(e)(6)(A), shall apply.

''(e) TERMINATION.—This section shall not apply to taxable years beginning on or after the date which is 3 years after the date of the enactment of the Taxpayer Refund Act of 1999.''

(b) CURRENT YEAR BUSINESS CREDIT CALCULATION.—Section 38(b) (relating to current year business credit), as amended by this Act, is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following:

''(14) the school computer donation credit determined under section 45E(a).''

(c) DISALLOWANCE OF DEDUCTION BY AMOUNT OF CREDIT.—Section 280C (relating to certain expenses for which credits are allowable) is amended by adding at the end the following:

''(d) CREDIT FOR SCHOOL COMPUTER DONATIONS.—No deduction shall be allowed for that portion of the qualified elementary or secondary educational contributions (as defined in section 45E(b)) made during the taxable year that is equal to the amount of credit determined for the taxable year under section 45E(a). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.''

(d) LIMITATION ON CARRYBACK.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

''(9) NO CARRYBACK OF SCHOOL COMPUTER DONATION CREDIT BEFORE EFFECTIVE DATE.—No amount of unused business credit available under section 45E may be carried back to a taxable year beginning on or before the date of the enactment of this paragraph.''

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 45D the following:

''Sec. 45E. Credit for computer donations to schools.''

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions made in taxable years beginning after the date of the enactment of this Act.

(2) CERTAIN CONTRIBUTIONS.—The amendments made by this section shall apply to contributions made to an organization or entity not described in section 45E(c) of the Internal Revenue Code of 1986, as added by subsection (a), in taxable years beginning after the date that is one year after the date of the enactment of this Act.

KERRY AMENDMENT NO. 1400

(Ordered to be lie on the table.)

Mr. KERRY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of title XI, add the following:

SEC. ___. LOANS USED TO ACQUIRE PRINCIPAL RESIDENCES FOR FIRST-TIME HOMEBUYERS.

(a) LOANS USED TO ACQUIRE PRINCIPAL RESIDENCES FOR FIRST-TIME HOMEBUYERS.—

(1) INDIVIDUAL RETIREMENT PLANS.—Section 408(e) (relating to tax treatment of accounts and annuities) is amended by adding at the end thereof the following new paragraph:

''(7) LOANS USED TO PURCHASE A HOME FOR FIRST-TIME HOMEBUYERS.—

''(A) IN GENERAL.—Paragraph (3) shall not apply to any qualified home purchase loan made by an individual retirement plan.

''(B) QUALIFIED HOME PURCHASE LOAN.—For purposes of this paragraph, the term 'qualified home purchase loan' means a loan—

''(i) made by the trustee of an individual retirement plan at the direction of the individual on whose behalf such plan is established,

''(ii) the proceeds of which are used for the acquisition of a dwelling unit which within a reasonable period of time (determined at the time the loan is made) is to be used as the principal residence for a first-time homebuyer,

''(iii) which by its terms requires interest on the loan to be paid not less frequently than monthly,

''(iv) which by its terms requires repayment in full not later than the earlier of—

''(I) the date which is 15 years after the date of acquisition of the dwelling unit, or

''(II) the date of the sale or other transfer of the dwelling unit,

''(v) which by its terms treats—

''(I) any amount required to be paid under clause (iii) during any taxable year which is not paid at the time required to be paid, and

''(II) any amount remaining unpaid as of the beginning of the taxable year beginning after the period described in clause (iv),

as distributed during such taxable year to the individual on whose behalf such plan is established and subject to section 72(t)(1), and

''(vi) which bears interest from the date of the loan at a rate not less than 2 percentage points below, and not more than 2 percentage points above, the rate for comparable United States Treasury obligations on such date.

Nothing in this paragraph shall be construed to require such a loan to be secured by the dwelling unit.

''(C) LIMITATION ON AMOUNT OF LOANS.—The amount of borrowings to which paragraph (3) does not apply by reason of this paragraph shall not exceed $10,000.

''(D) DENIAL OF INTEREST DEDUCTION.—No deduction shall be allowed under this chapter for interest on any qualified home purchase loan.

''(E) DEFINITIONS.—For purposes of this paragraph—

''(i) FIRST-TIME HOMEBUYER.—The term 'first-time homebuyer' has the meaning given such term by section 4975(h)(3)(B).

''(ii) ACQUISITION.—The term 'acquisition' has the meaning given such term by section 4975(h)(3)(D)(i).

''(iii) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121.

''(iv) DATE OF ACQUISITION.—The term 'date of acquisition' means the date—

''(I) on which a binding contract to acquire the principal residence to which subparagraph (B) applies is entered into, or

''(II) on which construction, reconstruction, or improvement of such a principal residence is commenced.''.

(2) PROHIBITED TRANSACTION.—Section 4975(d) (relating to exemptions from tax on prohibited transactions) is amended by striking ''or'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting ''; or'', and by inserting after paragraph (15) the following new paragraph:

''(16) any loan that is a qualified home purchase loan (as defined in section 408(e)(7)(B)).''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to loans made in years after 2001.

(b) OFFSET.—Notwithstanding section 701(c) of this Act, the effective date of the amendments made by section 701 shall be adjusted by the Secretary of the Treasury as necessary to offset the decrease in revenues to the Treasury resulting from the amendments made by subsection (a).

ROBB (AND OTHERS) AMENDMENT NO. 1401

Mr. ROBB (for himself, Mr. GRAHAM, Mr. ROCKEFELLER, Ms. MIKULSKI, Mrs. MURRAY, and Mr. BRYAN) proposed an amendment to the bill, S. 1429, supra; as follows:

At the end add the following:

TITLE XVI—DELAY IN EFFECTIVE DATE

Notwithstanding any other provision of, or amendment made by, this Act, no such provision or amendment shall take effect until legislation has been enacted that extends the solvency of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund under section 201 of the Social Security Act through 2075 and the Federal Hospital Insurance Trust Fund under part A of title XVIII of such Act through 2027.

KERRY AMENDMENT NO. 1402

(Ordered to be lie on the table.)

Mr. KERRY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 1122. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.

Section 6103(d)(5) of the Internal Revenue Code of 1986 is amended to read as follows:

''(5) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission a combined Federal and State employment tax reporting program approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.''

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on Wednesday, July 28, 1999, to conduct a hearing on the monetary policy report to Congress pursuant to the Full Employment and Balanced Growth Act of 1978.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Mr. GRAMS. Mr. President, I ask unanimous consent that the Senate Committee on Commerce, Science, and Transportation be authorized to meet on Wednesday, July 28, 1999, at 2:15 p.m. on fraud against seniors.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be granted permission to meet during the session of the Senate on Wednesday, July 28, for purposes of conducting a Full Committee business meeting which is scheduled to begin at 9:30 a.m. The purpose of this business meeting is to consider pending calendar business.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Wednesday, July 28, 1999 at 11:00 a.m. to hold a business meeting.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Health, Education, Labor, and Pensions be authorized to meet in executive session during the session of the Senate on Wednesday, July 28, 1999, at 9:30 a.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON INDIAN AFFAIRS

Mr. GRAMS. Mr. President, I ask unanimous consent that the Senate Committee on Indian Affairs be authorized to meet during the session of the Senate on Wednesday, July 28, 1999 at 9:30 a.m. to conduct a hearing on S. 979, Tribal Self-Governance Amendments of 1999. The hearing will be held in room 485, Russell Senate Office Building.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON THE JUDICIARY

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet for a hearing re Combating Methamphetamine Proliferation in America, during the session of the Senate on Wednesday, July 28, 1999, at 10 a.m., in SD–628.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON RULES AND ADMINISTRATION

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Rules and Administration be authorized to meet during the session of the Senate on Wednesday, July 28, 1999 at 9:30 a.m. to receive testimony on the operations of the Smithsonian Institution.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. GRAMS. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Wednesday, July 28, 1999 at 2 p.m. to hold a closed hearing on intelligence matters.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON WATER AND POWER

Mr. GRAMS. Mr. President, I ask unanimous consent that the Subcommittee on Water and Power of the Committee on Energy and Natural Resources be granted permission to meet during the session of the Senate on Wednesday, July 28, for purposes of conducting a Water and Power Subcommittee hearing which is scheduled to begin at 2:30 p.m. The purpose of this hearing is to receive testimony on S. 624, a bill to authorize construction of the Fort Peck Reservation Rural Water System in the State of Montana, and for other purposes; S. 986, a bill to direct the Secretary of the Interior to convey the Griffith Project to the Southern Nevada Water Authority; S. 1211, a bill to amend the Colorado River Basin Salinity Control Act to authorize additional measures to carry out the control of salinity upstream of Imperial Dam in a cost-effective manner; S. 1275, a bill to authorize the Secretary of the Interior to produce and sell products and to sell publications relating to the Hoover Dam, and to deposit revenues generated from the sales to the Colorado River Dam fund; and S. 1236, a bill to extend the deadline under the Federal Power Act for commencement of the construction of the Arrowrock Dam Hydroelectric Project in the State of Idaho; and S. 1377, a bill to amend the Central Utah Project Completion Act regarding the use of funds for water development for the Bonneville Unit, and for other purposes.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY, EXPORT AND TRADE PROMOTION

Mr. GRAMS. Mr. President, I ask unanimous consent that the Subcommittee on International Economic Policy, Export and Trade Promotion be authorized to meet during the session of the Senate on Wednesday, July 28, 1999 at 2 p.m. to hold a hearing.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

RETIREMENT OF COLONEL STEPHEN McCARTNEY, LIEUTENANT COLONEL JACK McMAHON, AND FIRST SERGEANT THOMAS SCALAVINO

● Mr. CHAFEE. Mr. President, on July 31, friends and colleagues will gather at the U.S. Naval War College to honor Colonel Stephen McCartney, Lieutenant Colonel Jack McMahon, and First Sergeant Thomas Scalavino who are retiring from Marine Corps Reserves. Accordingly, I want to pay tribute to these three distinguished gentlemen from Rhode Island as they embark on the next phase of their private lives.

As many know, I had the privilege of commanding a marine rifle company in Korea in the fall of 1951 and winter of 1952. During that time, I came away with tremendous respect for each officer and enlisted man. They were courageous and displayed extraordinary endurance. I have never forgotten the confidence they had in themselves, and their willingness to go into harm's way. If there was dangerous work to be done, they were willing to do it. Colonel McCartney, Lieutenant Colonel McMahon, and First Sergeant Scalavino have displayed that same commitment and valor to our country.

After graduating from the Marine Corps Platoon Leader's Course in 1968, Stephen McCartney was commissioned a Second Lieutenant in the Marine Corps in 1969 and assigned as an infantry officer. In this capacity, he served with the 1st Marine Division in the Republic of Vietnam and participated in three major combat operations against Viet Cong and North Vietnamese army units until 1971. In 1973, Colonel McCartney left active duty but remained involved in the Marine Corps Reserve, serving with the 25th Marines. However, his tour did no end there.

During Operations Desert Shield and Desert Storm, then Lieutenant Colonel McCartney and his battalion were activated and assigned to the 1st Marine Division. There he participated in direct combat operations against Iraqi forces in Saudi Arabia and Kuwait. In 1992, McCartney was promoted to his present rank. In his nearly thirty years of active and reserve service, Colonel McCartney has served in a variety of other important Marine Corps billets with consistent and meritorious service. Indeed, Colonel McCartney's services have ranged from infantry officer to the Providence Police Department where he retired with the rank of Major, to his most recent appointment as Chief of Police for the Warwick Police Department.

Lieutenant Colonel Jack McMahon is retiring from the Marine Corps Reserve after serving our country for over twenty years. During these years, Lieutenant Colonel McMahon's reserve and active duty experience included service as a judge advocate, as well as a commanding officer of Rhode Island's Marine Corps Reserve transportation unit in Fields Point and at the u.S. Naval War College.

Throughout his career, Lieutenant Colonel McMahon has been the recipient of numerous commentary letters and awards, including the ''Junior Officer of the Year'' award in 1979. He has been recommended for the Navy Achievement, two Navy Commendations, a Meritorious Service Medal, and

the Navy-Marine Corps Medal. Finally, Lieutenant Colonel McMahon has served as a prosecutor in the Rhode Island Attorney General's office for the past nineteen years.

A native of Sicily, First Sergeant Thomas Scalavino came to the United States in 1960 and enlisted in the Marine Corps in 1965. Without much time to spare, First Sergeant Scalavino participated in eighteen operations in the Republic of Vietnam from 1966 to 1967 as a rifleman in such military actions as Operations Big Horn and Operation Coyote.

In 1971, First Sergeant Scalavino was honorably discharged, but could not stay away for long. He reenlisted in 1981 at Transport Company in Providence, Rhode Island at the rank of Corporal. His responsibilities included: Administrative Chief, Platoon Sergeant, Platoon Commander, and Company First Sergeant. Later, First Sergeant Scalavino was sent to Southwest Asia where he participated in Operation Desert Shield, Operation Desert Storm, and Operation Cease Fire. First Sergeant Scalavino also has received the ''Navy Achievement Medal'' for his efforts as Motor Transport Officer in Ocean Venture 93.

Mr. President, I join with all Rhode Islanders in extending to Colonel McCartney, Lieutenant Colonel McMahon, and First Sergeant Scalavino our best wishes. Their contributions certainly will be remembered for generations to come.●

140TH ANNIVERSARY OF THE GALENA POST OFFICE

● Mr. DURBIN. Mr. President, I rise today to recognize a historic institution in the State of Illinois and the nation. On July 30, 1999, the Galena Post Office will celebrate its 140th anniversary making it the longest continuously owned and operated post office in America.

When the post office was founded, Galena was a thriving mining and port community in northwestern Illinois. The streets were bustling with miners, traders, dock workers, and trappers. Though a great deal has changed since then, many of the original buildings remain standing in Galena's historic downtown district. Among these structures is the post office.

The idea of the Galena Post Office was initiated by Congressman Elitu B. Washburne, a pre-Civil War era politician from Illinois. The funds for the facility were authorized and appropriated by Congress on August 18, 1856. Construction of the building began in 1857, when the first limestone shipments for the edifice arrived via tow-boat. Upon the completion of the building's structure on August 3, 1859, the Weekly Northwestern Gazette predicted, ''it will last 1,000 years with only two forces capable of destroying it, one being an earthquake and the other a mob.'' This newspaper was prophetic. The Galena Post Office has outlived every other United States post office. It continues to thrive today with a delivery area of more than 2800.

One hundred and forty years later, the Galena Post Office stands proudly in the center of town in the same condition as it was in 1859. Its 5947 square foot interior was the grand vision of architect Arni B. Young. The two-story building is highlighted by an impressive limestone exterior. Mr. Young's plans included a civic meeting place with a grand cast-iron stairwell, mahogany interior, and arched windows to complement the lobby area.

The Galena Post Office served as not only a post office and a social center but also as a vital part of the community. The Smithsonian National Postal Museum has bestowed Galena's post office with yet another honor, The Great American Post Office Award. This month the museum will host an exhibit commemorating Galena's Post Office for its outstanding architectural features, historical significance to the community, and outstanding record of service.

Mr. President, on Friday I will have the honor to share in the celebration of the 140th anniversary of the Galena Post Office. It is truly a remarkable accomplishment.●

TRIBUTE TO THE HONORABLE ALAN KARCHER

● Mr. LAUTENBERG. Mr. President, I rise today to celebrate a man who was a good friend and an extraordinary political mentor. I will miss the opportunity to consult with him on matters important to governing. His contribution to me was a valuable one and it is deep in my thought and functioning as a U.S. Senator. He was a superb role model for public service and I followed his judgement often. I am honored to offer this tribute to former New Jersey Assembly Speaker Alan Karcher, his indomitable spirit, his unshakeable conviction, his widespread talents, his love for politics in the widest sense, and his devotion to the people of New Jersey.

Alan's death on July 27 at too young an age, was not totally unexpected—he had been battling cancer for several years—but the reality of it shocks all of us who knew him. And there are a lot of us who fought in the trenches of New Jersey politics alongside him, as well as those who fought in opposition. Alan used his considerable wit, intellect and spirit to master New Jersey politics, and all of us respected him as the consummate politician. Alan was political in the most classical sense of that word, with all of its ties to the Greek concepts of the body politic, the people and citizenship, and he was political in the most modern sense of the word—sagacious, prudent, shrewd, and artful.

Alan saw elected office as public service and an honored and honorable family tradition. Both his father, Joseph Karcher, and a great-uncle, John Quaid, also served in the New Jersey Assembly. When Alan followed them in 1974, he honed the practice of legislating to a fine art, serving as both Assembly Majority Leader and as Speaker during his sixteen-year career. He was a master of strategy in the service of the principal of the common good. He was articulate, passionate, and so often right, that more times than not he was able to convince both natural allies and skeptics alike.

Alan was a fiercely proud Democrat who believed wholeheartedly that ''government'' and ''the people'' were virtually synonymous concepts. He knew how to keep his ''eye on the prize,'' and he understood that ''the prize'' was responsive, responsible government. Alan did nothing by halves and when he believed in something it was with total engagement. His interests and his talents spanned an extraordinary range. This most political of men was also a sensitive and accomplished musician, a cellist and an opera-lover who could sing Italian arias perhaps not as well as Pavarotti, but certainly as energetically. He was also, of course, a compelling lawyer nationally known for his insight into Constitutional issues and a respected author who examined controversial matters with perception and conviction.

He has left a splendid legacy for us and for those he loved most, his wife Peggy, children Timothy, Elizabeth and Ellen, and his five grandchildren, who have his mark and his stature as enduring memories. We will miss him, but not his spirit, for that will continue to guide us. We will miss him, but not his idealism, for that will continue to inspire us. We will miss him, but not his passion, for that will continue to make us strive.●

MUHAMMAD ALI BOXING REFORM ACT

On July 27, 1999, the Senate passed S. 305. The text follows:

S. 305

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 ''Muhammad Ali Boxing Reform Act''.

SEC. 2. FINDINGS.

The Congress makes the following findings:

(1) Professional boxing differs from other major, interstate professional sports industries in the United States in that it operates without any private sector association, league, or centralized industry organization to establish uniform and appropriate business practices and ethical standards. This has led to repeated occurrences of disreputable and coercive business practices in the boxing industry, to the detriment of professional boxers nationwide.

(2) Professional boxers are vulnerable to exploitative business practices engaged in by certain promoters and sanctioning bodies which dominate the sport. Boxers do not have an established representative group to advocate for their interests and rights in the industry.

(3) State officials are the proper regulators of professional boxing events, and must protect the welfare of professional boxers and serve the public interest by closely supervising boxing activity in their jurisdiction. State boxing commissions do not currently receive adequate information to determine whether boxers competing in their jurisdiction are being subjected to contract terms and business practices which may be violative of State regulations, or are onerous and confiscatory.

(4) Promoters who engage in illegal, coercive, or unethical business practices can take advantage of the lack of equitable business standards in the sport by holding boxing events in states with weaker regulatory oversight.

(5) The sanctioning organizations which have proliferated in the boxing industry have not established credible and objective criteria to rate professional boxers, and operate with virtually no industry or public oversight. Their ratings are susceptible to manipulation, have deprived boxers of fair opportunities for advancement, and have undermined public confidence in the integrity of the sport.

(6) Open competition in the professional boxing industry has been significantly interfered with by restrictive and anti-competitive business practices of certain promoters and sanctioning bodies, to the detriment of the athletes and the ticket-buying public. Common practices of promoters and sanctioning organizations represent restraints of interstate trade in the United States.

(7) It is necessary and appropriate to establish national contracting reforms to protect professional boxers and prevent exploitative business practices, and to require enhanced financial disclosures to State athletic commissions to improve the public oversight of the sport.

(8) Whereas the Congress seeks to improve the integrity and ensure fair practices of the professional boxing industry on a nationwide basis, it deems it appropriate to name this reform in honor of Muhammad Ali, whose career achievements and personal contributions to the sport, and positive impact on our society, are unsurpassed in the history of boxing.

SEC. 3. PURPOSES.

The purposes of this Act are—

(1) to protect the rights and welfare of professional boxers by preventing certain exploitative, oppressive, and unethical business practices they may be subject to on an interstate basis;

(2) to assist State boxing commissions in their efforts to provide more effective public oversight of the sport; and

(3) to promoting honorable competition in professional boxing and enhance the overall integrity of the industry.

SEC 4. PROTECTING BOXERS FROM EXPLOITATION.

(a) IN GENERAL.—The Professional Boxing Safety Act of 1996 (15 U.S.C. 6301 et seq.) is amended by—

(1) redesignating section 15 as 16; and

(2) inserting after section 14 the following:

"SEC. 15. PROTECTION FROM EXPLOITATION.

''(a) CONTRACT REQUIREMENTS.—

''(1) IN GENERAL.—Any contract between a boxer and a promoter or manager shall—

''(A) include mutual obligations between the parties;

''(B) specify a minimum number of professional boxing matches per year for the boxer; and

''(C) set forth a specific period of time during which the contract will be in effect, including any provision for extension of that period due to the boxer's temporary inability to compete because of an injury or other cause.

''(2) 1-YEAR LIMIT ON COERCIVE PROMOTIONAL RIGHTS.—

''(A) The period of time for which promotional rights to promote a boxer may be granted under a contract between the boxer and a promoter, or between promoters with respect to a boxer, may not be greater than 12 months in length if the boxer is required to grant such rights, or a boxer's promoter is required to grant such rights with respect to a boxer, as a condition precedent to the boxer's participation in a professional boxing match against another boxer who is under contract to the promoter.

''(B) A promoter exercising promotional rights with respect to such boxer during the 12-month period beginning on the day after the last day of the promotional right period described in subparagraph (A) may not secure exclusive promotional rights from the boxer's opponents as a condition of participating in a professional boxing match against the boxer during that period, and any contract to the contrary—

''(i) shall be considered to be in restraint of trade and contrary to public policy; and

''(ii) unenforceable.

''(C) Nothing in this paragraph shall be construed as pre-empting any State law concerning interference with contracts.

''(3) PROMOTIONAL RIGHTS UNDER MANDATORY BOUT CONTRACTS.—Neither a promoter nor a sanctioning organization may require a boxer, in a contract arising from a professional boxing match that is a mandatory bout under the rules of the sanctioning organization, to grant promotional rights to any promoter for a future professional boxing match.

''(b) EMPLOYMENT AS CONDITION OF PROMOTING, ETC.—No person who is a licensee, manager, matchmaker, or promoter may require a boxer to employ, retain, or provide compensation to any individual or business enterprise (whether operating in corporate form or not) recommended or designated by that person as a condition of—

''(1) such person's working with the boxer as a licensee, manager, matchmaker, or promoter;

''(2) such person's arranging for the boxer to participate in a professional boxing match; or

''(3) such boxer's participation in a professional boxing match.

''(c) ENFORCEMENT.—

''(1) PROMOTION AGREEMENT.—A provision in a contract between a promoter and a boxer, or between promoters with respect to a boxer, that violates subsection (a) is contrary to public policy and unenforceable at law.

''(2) EMPLOYMENT AGREEMENT.—In any action brought against a boxer to recover money (whether as damages or as money owed) for acting as a licensee, manager, matchmaker, or promoter for the boxer, the court, arbitrator, or administrative body before which the action is brought may deny recovery in whole or in part under the contract as contrary to public policy if the employment, retention, or compensation that is the subject of the action was obtained in violation of subsection (b).''.

(b) CONFLICTS OF INTEREST.—Section 9 of such Act (15 U.S.C. 6308) is amended by—

(1) striking ''No member'' and inserting ''(a) REGULATORY PERSONNEL.—No member''; and

(2) adding at the end thereof the following:

''(b) FIREWALL BETWEEN PROMOTERS AND MANAGERS.—

''(1) IN GENERAL.—It is unlawful for—

''(A) a boxer's promoter (or a promoter who is required to be licensed under State law) to have a direct or indirect financial interest in that boxer's licensed manager or management company; or

''(B) a licensed manager or management company (or a manager or management company that, under State law, is required to be licensed)—

''(i) to have a direct or indirect financial interest in the promotion of a boxer; or

''(ii) to be employed by or receive compensation or other benefits from a promoter, except for amounts received as consideration under the manager's contract with the boxer.

''(2) EXCEPTION FOR SELF-PROMOTION AND MANAGEMENT.—Paragraph (1) does not prohibit a boxer from acting as his own promoter or manager.''.

(c) EFFECTIVE DATE.—The amendments made by subsection (a) apply to contracts executed after the date of enactment of this Act.

SEC. 5. SANCTIONING ORGANIZATION INTEGRITY REFORMS.

(a) IN GENERAL.—The Professional Boxing Safety Act of 1996 (15 U.S.C. 6301 et seq.), as amended by section 4 of this Act, is amended by—

(1) redesignating section 16, as redesignated by section 4 of this Act, as section 17; and

(2) inserting after section 15 the following:

"SEC. 16. SANCTIONING ORGANIZATIONS.

''(a) OBJECTIVE CRITERIA.—A sanctioning organization shall establish objective and consistent written criteria for the ratings of professional boxers.

''(b) APPEALS PROCESS.—A sanctioning organization shall establish and publish an appeals procedure that affords a boxer rated by that organization a reasonable opportunity, without the payment of any fee, to submit information to contest its rating of the boxer. Under the procedure, the sanctioning organization shall, within 14 days after receiving a request from a boxer questioning that organization's rating of the boxer—

''(1) provide to the boxer a written explanation of the organization's criteria, its rating of the boxer, and the rationale or basis for its rating (including any response to any specific questions submitted by the boxer); and

''(2) submit a copy of its explanation to the President of the Association of Boxing Commissions of the United States and to the boxing commission of the boxer's domiciliary State.

''(c) NOTIFICATION OF CHANGE IN RATING.—If a sanctioning organization changes its rating of a boxer who is included, before the change, in the top 10 boxers rated by that organization, or who, as a result of the change is included in the top 10 boxers rated by that organization, then, after changing the boxer's rating, the organization shall—

''(1) within 5 business days mail notice of the change and a written explanation of the reasons for its change in that boxer's rating to the boxer at the boxer's last known address;

''(2) immediately post a copy of the notice and the explanation on its Internet website or homepage, if any, for a period of not less than 30 days; and

''(3) mail a copy of the notice and the explanation to the President of the Association of Boxing Commissions if the organization does not have an address for the boxer or does not have an Internet website or homepage.

''(d) PUBLIC DISCLOSURE.—

''(1) FTC FILING.—Not later than January 31 of each year, a sanctioning organization shall submit to the Federal Trade Commission—

''(A) a complete description of the organization's ratings criteria, policies, and general sanctioning fee schedule;

''(B) the bylaws of the organization;

''(C) the appeals procedure of the organization; and

''(D) a list and business address of the organization's officials who vote on the ratings of boxers.

''(2) FORMAT; UPDATES.—A sanctioning organization shall—

''(A) provide the information required under paragraph (1) in writing, and, for any document greater than 2 pages in length, also in electronic form; and

''(B) promptly notify the Federal Trade Commission of any material change in the information submitted.

''(3) FTC TO MAKE INFORMATION AVAILABLE TO PUBLIC.—The Federal Trade Commission shall make information received under this subsection available to the public. The Commission may assess sanctioning organizations a fee to offset the costs it incurs in processing the information and making it available to the public.

''(4) INTERNET POSTING.—In addition to submitting the information required by paragraph (1) to the Federal Trade Commission, a sanctioning organization shall provide the information to the public by maintaining a website on the Internet that—

''(A) is readily accessible by the general public using generally available search engines and does not require a password or payment of a fee for full access to all the information;

''(B) contains all the information required to be submitted to the Federal Trade Commission by paragraph (1) in an easy to search and use format; and

''(C) is updated whenever there is a material change in the information.''.

(b) CONFLICT OF INTEREST.—Section 9 of such Act (15 U.S.C. 6308), as amended by section 4 of this Act, is amended by adding at the end thereof the following:

''(c) SANCTIONING ORGANIZATIONS.—

''(1) PROHIBITION ON RECEIPTS.—Except as provided in paragraph (2), no officer or employee of a sanctioning organization may receive any compensation, gift, or benefit directly or indirectly from a promoter, boxer, or manager.

''(2) EXCEPTIONS.—Paragraph (1) does not apply to—

''(A) the receipt of payment by a promoter, boxer, or manager of a sanctioning organization's published fee for sanctioning a professional boxing match or reasonable expenses in connection therewith if the payment is reported to the responsible boxing commission under section 17; or

''(B) the receipt of a gift or benefit of de minimis value.''.

(c) SANCTIONING ORGANIZATION DEFINED.—Section 2 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6301) is amended by adding at the end thereof the following:

''(11) SANCTIONING ORGANIZATION.—The term 'sanctioning organization' means an organization that ranks boxers or sanctions professional boxing matches in the United States—

''(A) between boxers who are residents of different States; or

''(B) that are advertised, otherwise promoted, or broadcast (including closed circuit television) in interstate commerce.''.

SEC. 6. PUBLIC INTEREST DISCLOSURES TO STATE BOXING COMMISSIONS.

The Professional Boxing Safety Act of 1996 (15 U.S.C. 6301 et seq.), as amended by section 5 of this Act, is amended by—

(1) redesignating section 17, as redesignated by section 5 of this Act, as section 18; and

(2) inserting after section 16 the following:

''SEC. 17. REQUIRED DISCLOSURES TO STATE BOXING COMMISSIONS.

''(a) SANCTIONING ORGANIZATIONS.—Before sanctioning or authorizing a professional boxing match in a State, a sanctioning organization shall provide to the boxing commission of, or responsible for regulating matches in, that State a written statement of—

''(1) all charges, fees, and costs the organization will assess any boxer participating in that match;

''(2) all payments, benefits, complimentary benefits, and fees the organization will receive for its affiliation with the event, from the promoter, host of the event, and all other sources; and

''(3) such additional information as the commission may require.

A sanctioning organization that receives compensation from any source to refrain from exercising its authority or jurisdiction over, or withholding its sanction of, a professional boxing match in any State shall provide the information required by paragraphs (2) and (3) to the boxing commission of that State.

''(b) PROMOTERS.—Before a professional boxing match organized, promoted, or produced by a promoter is held in a State, the promoter shall provide to the boxing commission of, or responsible for regulating matches in, that State—

''(1) a copy of any agreement in writing to which the promoter is a party with any boxer participating in the match;

''(2) a statement in writing made under penalty of perjury that there are no other agreements, written or oral, between the promoter and the boxer with respect to that match; and

''(3) a statement in writing of—

''(A) all fees, charges, and expenses that will be assessed by or through the promoter on the boxer pertaining to the event, including any portion of the boxer's purse that the promoter will receive, and training expenses;

''(B) all payments, gift, or benefits the promoter is providing to any sanctioning organization affiliated with the event; and

''(C) any reduction in the amount or percentage of a boxer's purse after—

''(i) a previous agreement concerning the amount or percentage of that purse has been reached between the promoter and the boxer; or

''(ii) a purse bid held for the event.

''(c) JUDGES.—Before participating in a professional boxing match as a judge in any State, an individual shall provide to the boxing commission of, or responsible for regulating matches in, that State a statement in writing of all payments, including reimbursement for expenses, and any other benefits that individual will receive from any source for judging that match.

''(d) INFORMATION TO BE AVAILABLE TO STATE ATTORNEY GENERAL.—A promoter shall make information received under this section available to the chief law enforcement officer of the State in which the match is to be held upon request.

''(e) EXCEPTION.—The requirements of this section do not apply in connection with a professional boxing match scheduled to last less than 10 rounds.

''(f) CONFIDENTIALITY OF AGREEMENTS.—Neither a boxing commission nor an Attorney General may disclose to the public any matter furnished by a promoter under subsection (b)(1) or subsection (d) except to the extent required in public legal, administrative, or judicial proceedings brought against that promoter under State law.''.

SEC. 7. ENFORCEMENT.

Section 10 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6309) is amended by—

(1) inserting a comma and ''other than section 9(b), 15, 16, 17,'' after ''this Act'' in subsection (b)(1);

(2) redesignating paragraphs (2) and (3) of subsection (b) as paragraphs (3) and (4), respectively, and inserting after paragraph (1) the following:

''(2) VIOLATION OF ANTI-EXPLOITATION, SANCTIONING ORGANIZATION, OR DISCLOSURE PROVISIONS.—Any person who knowingly violates any provision of section 9(b), 9(c), 15, 16, 17, or 18 of this Act shall, upon conviction, be imprisoned for not more than 1 year or fined not more than—

''(A) $100,000; and

''(B) if a violation occurs in connection with a professional boxing match the gross revenues for which exceed $2,000,000, an additional amount which bears the same ratio to $100,000 as the amount of the gross revenues in excess of $2,000,000 bears to $2,000,000,

or both.'';

(3) striking in ''section 9'' in paragraph (3), as redesignated, and inserting ''section 9(a)''; and

(4) adding at the end thereof the following:

''(c) ACTIONS BY STATES.—Whenever the chief law enforcement officer of any State has reason to believe that a person or organization is engaging in practices which violate any requirement of this Act, the State, as parens patriae, may bring a civil action on behalf of its residents in an appropriate district court of the United States—

''(1) to enjoin the holding of any professional boxing match that involves such practices;

''(2) to enforce compliance with this Act;

''(3) to obtain the fines provided under subsection (b) or appropriate restitution; or

''(4) to obtain such other relief as the court may deem appropriate.

''(d) PRIVATE RIGHT OF ACTION.—Any boxer who suffers economic injury as a result of a violation of any provision of this Act may bring an action in the appropriate Federal or State court and recover the damages suffered, court costs, and reasonable attorneys fees and expenses.

''(e) ENFORCEMENT AGAINST FEDERAL TRADE COMMISSION, STATE ATTORNEYS GENERAL, ETC.—Nothing in this Act authorizes the enforcement of—

''(1) any provision of this Act against the Federal Trade Commission, the United States Attorney General, the chief legal officer of any State for acting or failing to act in an official capacity;

''(2) subsection (d) of this section against a State or political subdivision of a State, or any agency or instrumentality thereof; or

''(3) section 15 against a boxer acting in his capacity as a boxer.''.

SEC. 8. PROFESSIONAL BOXING SAFETY ACT AMENDMENTS.

(a) DEFINITIONS.—Section 2 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6301), as amended by section 5(c) of this Act, is amended by adding at the end thereof the following:

''(12) SUSPENSION.—The term 'suspension' includes within its meaning the revocation of a boxing license.''.

(b) RENEWAL PERIOD FOR IDENTIFICATION CARDS.—Section 6(b)(2) of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6305(b)(2)) is amended by striking ''2 years.'' and inserting ''4 years.''.

(c) STATE BOXING COMMISSION PROCEDURES.—Section 7(a)(2) of such Act (15 U.S.C. 6306(a)(2)) is amended by—

(1) striking ''or'' in subparagraph (C);

(2) striking ''documents.'' at the end of subparagraph (D) and inserting ''documents; or''; and

(3) adding at the end thereof the following:

''(E) unsportsmanlike conduct or other inappropriate behavior inconsistent with generally accepted methods of competition in a professional boxing match.''.

(d) STANDARDIZED PHYSICAL EXAMINATIONS.—Section 5(1) of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6304(1)) is

amended by inserting after ''examination'' the following: '', based on guidelines endorsed by the American Medical Association, including a circulo-respiratory check and a neurological examination,''.

(e) CAT SCANS.—Section 6(b)(2) of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6305(b)(2)) is amended by inserting before the period the following: ''and, with respect to such renewal, present proof from a physician that such boxer has taken a computerized axial tomography (CAT) scan within the 30-day period preceding that date on which the renewal application is submitted and that no brain damage from boxing has been detected.

SEC. 9. REQUIREMENTS FOR CONTRACTS BETWEEN BOXERS AND BROADCASTING COMPANIES.

(a) IN GENERAL.—The Professional Boxing Safety Act of 1996 (15 U.S.C. 6301 et seq.), as amended by section 6, is amended—

(1) by redesignating section 18, as redesignated by section 6 of this Act, as section 19; and

(2) by inserting after section 17 the following:

''SEC. 18. CONTRACTS BETWEEN BOXERS AND BROADCASTING COMPANIES.

''(a) CONTRACT REQUIREMENTS.—Any contract between a boxer and a broadcaster for the broadcast of a boxing match in which that boxer is competing shall—

''(1) include mutual obligations between the parties; and

''(2) specify either—

''(A) the number of bouts to be broadcast; or

''(B) the duration of the contract.

''(b) PROHIBITIONS.—A broadcaster may not—

''(1) require a boxer to employ a relative or associate of the broadcaster in any capacity as a condition of entering into a contract with the broadcaster;

''(2) have a direct or indirect financial interest in the boxer's manager or management company; or

''(3) make a payment, or provide other consideration (other than of a de minimus amount or value) to a sanctioning organization or any officer or employee of such an organization in connection with any boxer with whom the broadcaster has a contract, or against whom a boxer with whom a broadcaster has a contract is competing.

''(c) NOTIFICATION OF REDUCTION IN AGREED AMOUNT.—If a broadcaster has a contract with a boxer to broadcast a match in which that boxer is competing, and the broadcaster reduces the amount it agreed to pay the boxer under that contract (whether unilaterally or by mutual agreement), the broadcaster shall notify, in writing within 48 hours after the reduction, the supervising State commission for that match of the reduction.

''(d) ENFORCEMENT.—

''(1) CONTRACT.—A provision in a contract between a broadcaster and a boxer that violates subsection (a) is contrary to public policy and unenforceable at law.

''(2) PROHIBITIONS; NOTIFICATION.—For enforcement of subsections (b) and (c), see section 10.''.

(b) BROADCASTER DEFINED.—Section 2 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6301), as amended by section 8 of this Act, is amended by adding at the end thereof the following:

''(13) BROADCASTER.—The term 'broadcaster' means any person who is a licensee as that term is defined in section 3(24) of the Communications Act of 1934 (47 U.S.C. 153(24)).''.

PAYING A GRATUITY TO MARY LYDA NANCE

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate now proceed to the immediate consideration of S. Res. 168 submitted earlier by Senators HELMS and BIDEN.

The PRESIDING OFFICER. The clerk will report the resolution by title.

The legislative clerk read as follows:

A resolution (S. Res. 168) paying a gratuity to Mary Lyda Nance.

There being no objection, the Senate proceeded to consider the resolution.

Mr. ROTH. Mr. President, I ask unanimous consent that the resolution be agreed to and the motion to reconsider be laid upon the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

The resolution (S. Res. 168) was agreed to, as follows:

S. RES. 168

Resolved, That the Secretary of the Senate is authorized and directed to pay, from the contingent fund of the Senate, to Mary Lyda Nance, widow of Admiral James W. Nance, an employee of the Senate at the time of his death, the sum of $200,000, that sum to be considered inclusive of funeral expenses and all other allowances.

WATER RESOURCES DEVELOPMENT ACT OF 1999

Mr. ROTH. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on S. 507.

The Presiding Officer laid before the Senate S. 507, an Act to provide for the conservation and development of water and related resources, to authorize the Secretary of the Army to construct various projects for improvements to rivers and harbors of the United States, and for other purposes, as follows:

Resolved, That the bill from the Senate (S. 507) entitled ''An Act to provide for the conservation and development of water and related resources, to authorize the Secretary of the Army to construct various projects for improvements to rivers and harbors of the United States, and for other purposes'', do pass with the following amendments:

Strike out all after the enacting clause and insert:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Water Resources Development Act of 1999''.

(b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.
Sec. 2. Secretary defined.

TITLE I—WATER RESOURCES PROJECTS

Sec. 101. Project authorizations.
Sec. 102. Small flood control projects.
Sec. 103. Small bank stabilization projects.
Sec. 104. Small navigation projects.
Sec. 105. Small projects for improvement of the environment.
Sec. 106. Small aquatic ecosystem restoration projects.

TITLE II—GENERAL PROVISIONS

Sec. 201. Small flood control authority.
Sec. 202. Use of non-Federal funds for compiling and disseminating information on floods and flood damages.
Sec. 203. Contributions by States and political subdivisions.
Sec. 204. Sediment decontamination technology.
Sec. 205. Control of aquatic plants.
Sec. 206. Use of continuing contracts required for construction of certain projects.
Sec. 207. Support of Army civil works program.
Sec. 208. Water resources development studies for the Pacific region.
Sec. 209. Everglades and south Florida ecosystem restoration.
Sec. 210. Beneficial uses of dredged material.
Sec. 211. Harbor cost sharing.
Sec. 212. Aquatic ecosystem restoration.
Sec. 213. Watershed management, restoration, and development.
Sec. 214. Flood mitigation and riverine restoration pilot program.
Sec. 215. Shoreline management program.
Sec. 216. Assistance for remediation, restoration, and reuse.
Sec. 217. Shore damage mitigation.
Sec. 218. Shore protection.
Sec. 219. Flood prevention coordination.
Sec. 220. Annual passes for recreation.
Sec. 221. Cooperative agreements for environmental and recreational measures.
Sec. 222. Nonstructural flood control projects.
Sec. 223. Lakes program.
Sec. 224. Construction of flood control projects by non-Federal interests.
Sec. 225. Enhancement of fish and wildlife resources.
Sec. 226. Sense of Congress; requirement regarding notice.
Sec. 227. Periodic beach nourishment.
Sec. 228. Environmental dredging.
Sec. 229. Wetlands mitigation.

TITLE III—PROJECT-RELATED PROVISIONS

Sec. 301. Missouri River Levee System.
Sec. 302. Ouzinkie Harbor, Alaska.
Sec. 303. Greers Ferry Lake, Arkansas.
Sec. 304. Ten- and Fifteen-Mile Bayous, Arkansas.
Sec. 305. Loggy Bayou, Red River below Denison Dam, Arkansas, Louisiana, Oklahoma, and Texas.
Sec. 306. Sacramento River, Glenn-Colusa, California.
Sec. 307. San Lorenzo River, California.
Sec. 308. Terminus Dam, Kaweah River, California.
Sec. 309. Delaware River mainstem and channel deepening, Delaware, New Jersey, and Pennsylvania.
Sec. 310. Potomac River, Washington, District of Columbia.
Sec. 311. Brevard County, Florida.
Sec. 312. Broward County and Hillsboro Inlet, Florida.
Sec. 313. Fort Pierce, Florida.
Sec. 314. Nassau County, Florida.
Sec. 315. Miami Harbor Channel, Florida.
Sec. 316. Lake Michigan, Illinois.
Sec. 317. Springfield, Illinois.
Sec. 318. Little Calumet River, Indiana.
Sec. 319. Ogden Dunes, Indiana.
Sec. 320. Saint Joseph River, South Bend, Indiana.
Sec. 321. White River, Indiana.
Sec. 322. Lake Pontchartrain, Louisiana.
Sec. 323. Larose to Golden Meadow, Louisiana.
Sec. 324. Louisiana State Penitentiary Levee, Louisiana.
Sec. 325. Twelve-mile Bayou, Caddo Parish, Louisiana.
Sec. 326. West Bank of the Mississippi River (East of Harvey Canal), Louisiana.
Sec. 327. Tolchester Channel, Baltimore Harbor and channels, Chesapeake Bay, Kent County, Maryland.
Sec. 328. Sault Sainte Marie, Chippewa County, Michigan.
Sec. 329. Jackson County, Mississippi.
Sec. 330. Tunica Lake, Mississippi.
Sec. 331. Bois Brule Drainage and Levee District, Missouri.

Sec. 332. Meramec River Basin, Valley Park Levee, Missouri.
Sec. 333. Missouri River mitigation project, Missouri, Kansas, Iowa, and Nebraska.
Sec. 334. Wood River, Grand Island, Nebraska.
Sec. 335. Absecon Island, New Jersey.
Sec. 336. New York Harbor and Adjacent Channels, Port Jersey, New Jersey
Sec. 337. Passaic River, New Jersey.
Sec. 338. Sandy Hook to Barnegat Inlet, New Jersey.
Sec. 339. Arthur Kill, New York and New Jersey.
Sec. 340. New York City watershed.
Sec. 341. New York State Canal System.
Sec. 342. Fire Island Inlet to Montauk Point, New york.
Sec. 343. Broken Bow Lake, Red River Basin, Oklahoma.
Sec. 344. Willamette River temperature control, Mckenzie Subbasin, Oregon.
Sec. 345. Aylesworth Creek Reservoir, Pennsylvania.
Sec. 346. Curwensville Lake, Pennsylvania.
Sec. 347. Delaware River, Pennsylvania and Delaware.
Sec. 348. Mussers Dam, Pennsylvania.
Sec. 349. Nine-Mile Run, Allegheny County, Pennsylvania.
Sec. 350. Raystown Lake, Pennsylvania.
Sec. 351. South Central Pennsylvania.
Sec. 352. Cooper River, Charleston Harbor, South Carolina.
Sec. 353. Bowie County Levee, Texas.
Sec. 354. Clear Creek, Texas.
Sec. 355. Cypress Creek, Texas.
Sec. 356. Dallas Floodway Extension, Dallas, Texas.
Sec. 357. Upper Jordan River, Utah.
Sec. 358. Elizabeth River, Chesapeake, Virginia.
Sec. 359. Bluestone Lake, Ohio River Basin, West Virginia.
Sec. 360. Greenbrier Basin, West Virginia.
Sec. 361. Moorefield, West Virginia.
Sec. 362. West Virginia and Pennsylvania Flood Control.
Sec. 363. Project reauthorizations.
Sec. 364. Project deauthorizations.
Sec. 365. American and Sacramento Rivers, California.
Sec. 366. Martin, Kentucky.
Sec. 367. Southern West Virginia pilot program.
Sec. 368. Black Warrior and Tombigbee Rivers, Jackson, Alabama.
Sec. 369. Tropicana Wash and Flamingo Wash, Nevada.
Sec. 370. Comite River, Louisiana.
Sec. 371. St. Mary's River, Michigan.
Sec. 372. City of Charlxvoix: reimbursement, Michigan.

TITLE IV—STUDIES

Sec. 401. Upper Mississippi and Illinois Rivers levees and streambanks protection.
Sec. 402. Upper Mississippi River comprehensive plan.
Sec. 403. El Dorado, Union County, Arkansas.
Sec. 404. Sweetwater Reservoir, San Diego County, California.
Sec. 405. Whitewater River Basin, California.
Sec. 406. Little Econlackhatchee River Basin, Florida.
Sec. 407. Port Everglades Inlet, Florida.
Sec. 408. Upper Des Plaines River and tributaries, Illinois and Wisconsin.
Sec. 409. Cameron Parish west of Calcasieu River, Louisiana.
Sec. 410. Grand Isle and vicinity, Louisiana.
Sec. 411. Lake Pontchartrain seawall, Louisiana.
Sec. 412. Westport, Massachusetts.
Sec. 413. Southwest Valley, Albuquerque, New Mexico.
Sec. 414. Cayuga Creek, New York.
Sec. 415. Arcola Creek Watershed, Madison, Ohio.
Sec. 416. Western Lake Erie Basin, Ohio, Indiana, and Michigan.
Sec. 417. Schuylkill River, Norristown, Pennsylvania.
Sec. 418. Lakes Marion and Moultrie, South Carolina.
Sec. 419. Day County, South Dakota.
Sec. 420. Corpus Christi, Texas.
Sec. 421. Mitchell's Cut Channel (Caney Fork Cut), Texas.
Sec. 422. Mouth of Colorado River, Texas.
Sec. 423. Kanawha River, Fayette County, West Virginia.
Sec. 424. West Virginia ports.
Sec. 425. Great Lakes region comprehensive study.
Sec. 426. Nutrient loading resulting from dredged material disposal.
Sec. 427. Santee Delta focus area, South Carolina.
Sec. 428. Del Norte County, California.
Sec. 429. St. Clair River and Lake St. Clair, Michigan.
Sec. 430. Cumberland County, Tennessee.

TITLE V—MISCELLANEOUS PROVISIONS

Sec. 501. Corps assumption of NRCS projects.
Sec. 502. Construction assistance.
Sec. 503. Contaminated sediment dredging technology.
Sec. 504. Dam safety.
Sec. 505. Great Lakes remedial action plans.
Sec. 506. Sea Lamprey control measures in the Great Lakes.
Sec. 507. Maintenance of navigation channels.
Sec. 508. Measurement of Lake Michigan diversions.
Sec. 509. Upper Mississippi River environmental management program.
Sec. 510. Atlantic Coast of New York monitoring.
Sec. 511. Water control management.
Sec. 512. Beneficial use of dredged material.
Sec. 513. Design and construction assistance.
Sec. 514. Lower Missouri River aquatic restoration projects.
Sec. 515. Aquatic resources restoration in the Northwest.
Sec. 516. Innovative technologies for watershed restoration.
Sec. 517. Environmental restoration.
Sec. 518. Expedited consideration of certain projects.
Sec. 519. Dog River, Alabama.
Sec. 520. Elba, Alabama.
Sec. 521. Geneva, Alabama.
Sec. 522. Navajo Reservation, Arizona, New Mexico, and Utah.
Sec. 523. Augusta and Devalls Bluff, Arkansas.
Sec. 524. Beaver Lake, Arkansas.
Sec. 525. Beaver Lake trout production facility, Arkansas.
Sec. 526. Chino Dairy Preserve, California.
Sec. 527. Novato, California.
Sec. 528. Orange and San Diego Counties, California.
Sec. 529. Salton Sea, California.
Sec. 530. Santa Cruz Harbor, California.
Sec. 531. Point Beach, Milford, Connecticut.
Sec. 532. Lower St. Johns River Basin, Florida.
Sec. 533. Shoreline protection and environmental restoration, Lake Allatoona, Georgia.
Sec. 534. Mayo's Bar Lock and Dam, Coosa River, Rome, Georgia.
Sec. 535. Comprehensive flood impact response modeling system, Coralville Reservoir and Iowa River Watershed, Iowa.
Sec. 536. Additional construction assistance in Illinois.
Sec. 537. Kanopolis Lake, Kansas.
Sec. 538. Southern and Eastern Kentucky.
Sec. 539. Southeast Louisiana.
Sec. 540. Snug Harbor, Maryland.
Sec. 541. Welch Point, Elk River, Cecil County, and Chesapeake City, Maryland.
Sec. 542. West View Shores, Cecil County, Maryland.
Sec. 543. Restoration projects for Maryland, Pennsylvania, and West Virginia.
Sec. 544. Cape Cod Canal Railroad Bridge, Buzzards Bay, Massachusetts.
Sec. 545. St. Louis, Missouri.
Sec. 546. Beaver Branch of Big Timber Creek, New Jersey.
Sec. 547. Lake Ontario and St. Lawrence River water levels, New York.
Sec. 548. New York-New Jersey Harbor, New York and New Jersey.
Sec. 549. Sea Gate Reach, Coney Island, New York, New York.
Sec. 550. Woodlawn, New York.
Sec. 551. Floodplain mapping, New York.
Sec. 552. White Oak River, North Carolina.
Sec. 553. Toussaint River, Carroll Township, Ottawa County, Ohio.
Sec. 554. Sardis Reservoir, Oklahoma.
Sec. 555. Waurika Lake, Oklahoma, water conveyance facilities.
Sec. 556. Skinner Butte Park, Eugene, Oregon.
Sec. 557. Willamette River basin, Oregon.
Sec. 558. Bradford and Sullivan Counties, Pennsylvania.
Sec. 559. Erie Harbor, Pennsylvania.
Sec. 560. Point Marion Lock And Dam, Pennsylvania.
Sec. 561. Seven Points' Harbor, Pennsylvania.
Sec. 562. Southeastern Pennsylvania.
Sec. 563. Upper Susquehanna-Lackawanna watershed restoration initiative.
Sec. 564. Aguadilla Harbor, Puerto Rico.
Sec. 565. Oahe Dam to Lake Sharpe, South Dakota, study.
Sec. 566. Integrated water management planning, Texas.
Sec. 567. Bolivar Peninsula, Jefferson, Chambers, and Galveston Counties, Texas.
Sec. 568. Galveston Beach, Galveston County, Texas.
Sec. 569. Packery Channel, Corpus Christi, Texas.
Sec. 570. Northern West Virginia.
Sec. 571. Urbanized peak flood management research.
Sec. 572. Mississippi River Commission.
Sec. 573. Coastal aquatic habitat management.
Sec. 574. West Baton Rouge Parish, Louisiana.
Sec. 575. Abandoned and inactive noncoal mine restoration.
Sec. 576. Beneficial use of waste tire rubber.
Sec. 577. Site designation.
Sec. 578. Land conveyances.
Sec. 579. Namings.
Sec. 580. Folsom Dam and Reservoir additional storage and additional flood control studies.
Sec. 581. Wallops Island, Virginia.
Sec. 582. Detroit River, Detroit, Michigan.
Sec. 583. Northeastern Minnesota.
Sec. 584. Alaska.
Sec. 585. Central West Virginia.
Sec. 586. Sacramento Metropolitan area watershed restoration, California.
Sec. 587. Onondaga Lake.
Sec. 588. East Lynn Lake, West Virginia.
Sec. 589. Eel River, California.
Sec. 590. North Little Rock, Arkansas.
Sec. 591. Upper Mississippi River, Mississippi Place, St. Paul, Minnesota.

SEC. 2. SECRETARY DEFINED.

In this Act, the term ''Secretary'' means the Secretary of the Army.

TITLE I—WATER RESOURCES PROJECTS

SEC. 101. PROJECT AUTHORIZATIONS.

(a) PROJECTS WITH CHIEF'S REPORTS.—The following projects for water resources development and conservation and other purposes are authorized to be carried out by the Secretary substantially in accordance with the plans, and subject to the conditions, described in the respective reports designated in this subsection:

(1) SAND POINT HARBOR, ALASKA.—The project for navigation, Sand Point Harbor, Alaska: Report of the Chief of Engineers dated October 13,

1998, at a total cost of $11,760,000, with an estimated Federal cost of $6,964,000 and an estimated non-Federal cost of $4,796,000.

(2) RIO SALADO, SALT RIVER, PHOENIX AND TEMPE, ARIZONA.—The project for flood control and environmental restoration, Rio Salado, Salt River, Phoenix and Tempe, Arizona: Report of the Chief of Engineers dated August 20, 1998, at a total cost of $88,048,000, with an estimated Federal cost of $56,355,000 and an estimated non-Federal cost of $31,693,000.

(3) TUCSON DRAINAGE AREA, ARIZONA.—The project for flood control, Tucson drainage area, Arizona: Report of the Chief of Engineers, dated May 20, 1998, at a total cost of $29,900,000, with an estimated Federal cost of $16,768,000 and an estimated non-Federal cost of $13,132,000.

(4) AMERICAN RIVER WATERSHED, CALIFORNIA.—

(A) IN GENERAL.—The Folsom Dam Modification portion of the Folsom Modification Plan described in the United States Army Corps of Engineers Supplemental Information Report for the American River Watershed Project, California, dated March 1996, as modified by the report entitled ''Folsom Dam Modification Report, New Outlets Plan,'' dated March 1998, prepared by the Sacramento Area Flood Control Agency, at an estimated cost of $150,000,000, with an estimated Federal cost of $97,500,000 and an estimated non-Federal cost of $52,500,000. The Secretary shall coordinate with the Secretary of the Interior with respect to the design and construction of modifications at Folsom Dam authorized by this paragraph.

(B) REOPERATION MEASURES.—Upon completion of the improvements to Folsom Dam authorized by subparagraph (A), the variable space allocated to flood control within the Reservoir shall be reduced from the current operating range of 400,000-670,000 acre-feet to 400,000-600,000 acre-feet.

(C) MAKEUP OF WATER SHORTAGES CAUSED BY FLOOD CONTROL OPERATION.—The Secretary of the Interior shall enter into, or modify, such agreements with the Sacramento Area Flood Control Agency regarding the operation of Folsom Dam and reservoir as may be necessary in order that, notwithstanding any prior agreement or provision of law, 100 percent of the water needed to make up for any water shortage caused by variable flood control operation during any year at Folsom Dam and resulting in a significant impact on recreation at Folsom Reservoir shall be replaced, to the extent the water is available for purchase, by the Secretary of the Interior.

(D) SIGNIFICANT IMPACT ON RECREATION.—For the purposes of this paragraph, a significant impact on recreation is defined as any impact that results in a lake elevation at Folsom Reservoir below 435 feet above sea level starting on May 15 and ending on September 15 of any given year.

(5) OAKLAND HARBOR, CALIFORNIA.—The project for navigation, Oakland Harbor, California: Report of the Chief of Engineers dated April 21, 1999, at a total cost of $252,290,000, with an estimated Federal cost of $128,081,000 and an estimated non-Federal cost of $124,209,000.

(6) SOUTH SACRAMENTO COUNTY STREAMS, CALIFORNIA.—The project for flood control, environmental restoration and recreation, South Sacramento County streams, California: Report of the Chief of Engineers dated October 6, 1998, at a total cost of $65,500,000, with an estimated Federal cost of $41,200,000 and an estimated non-Federal cost of $24,300,000.

(7) UPPER GUADALUPE RIVER, CALIFORNIA.—The project for flood control and recreation, Upper Guadalupe River, California: Locally Preferred Plan (known as the ''Bypass Channel Plan''), Report of the Chief of Engineers dated August 19, 1998, at a total cost of $140,328,000, with an estimated Federal cost of $70,164,000 and an estimated non-Federal cost of $70,164,000.

(8) YUBA RIVER BASIN, CALIFORNIA.—The project for flood control, Yuba River Basin, California: Report of the Chief of Engineers dated November 25, 1998, at a total cost of $26,600,000, with an estimated Federal cost of $17,350,000 and an estimated non-Federal cost of $9,250,000.

(9) DELAWARE BAY COASTLINE, DELAWARE AND NEW JERSEY-BROADKILL BEACH, DELAWARE.—The project for hurricane and storm damage reduction, Delaware Bay coastline, Delaware and New Jersey-Broadkill Beach, Delaware: Report of the Chief of Engineers dated August 17, 1998, at a total cost of $9,049,000, with an estimated Federal cost of $5,674,000 and an estimated non-Federal cost of $3,375,000, and at an estimated average annual cost of $538,200 for periodic nourishment over the 50-year life of the project, with an estimated annual Federal cost of $349,800 and an estimated annual non-Federal cost of $188,400.

(10) DELAWARE BAY COASTLINE, DELAWARE AND NEW JERSEY-PORT MAHON, DELAWARE.—The project for ecosystem restoration, Delaware Bay coastline, Delaware and New Jersey-Port Mahon, Delaware: Report of the Chief of Engineers dated September 28, 1998, at a total cost of $7,644,000, with an estimated Federal cost of $4,969,000 and an estimated non-Federal cost of $2,675,000, and at an estimated average annual cost of $234,000 for periodic nourishment over the 50-year life of the project, with an estimated annual Federal cost of $152,000 and an estimated annual non-Federal cost of $82,000.

(11) DELAWARE BAY COASTLINE, DELAWARE AND NEW JERSEY-ROOSEVELT INLET-LEWES BEACH, DELAWARE.—The project for navigation mitigation and hurricane and storm damage reduction, Delaware Bay coastline, Delaware and New Jersey-Roosevelt Inlet-Lewes Beach, Delaware: Report of the Chief of Engineers dated February 3, 1999, at a total cost of $3,393,000, with an estimated Federal cost of $2,620,000 and an estimated non-Federal cost of $773,000, and at an estimated average annual cost of $196,000 for periodic nourishment over the 50-year life of the project, with an estimated annual Federal cost of $152,000 and an estimated annual non-Federal cost of $44,000.

(12) DELAWARE BAY COASTLINE, DELAWARE AND NEW JERSEY-VILLAS AND VICINITY, NEW JERSEY.—The project for shore protection and ecosystem restoration, Delaware Bay coastline, Delaware and New Jersey-Villas and vicinity, New Jersey: Report of the Chief of Engineers dated April 21, 1999, at a total cost of $7,520,000, with an estimated Federal cost of $4,888,000 and an estimated non-Federal cost of $2,632,000.

(13) DELAWARE COAST FROM CAPE HENELOPEN TO FENWICK ISLAND, BETHANY BEACH/SOUTH BETHANY BEACH, DELAWARE.—The project for hurricane and storm damage reduction, Delaware Coast from Cape Henelopen to Fenwick Island, Bethany Beach/South Bethany Beach, Delaware: Report of the Chief of Engineers dated April 21, 1999, at a total cost of $22,205,000, with an estimated Federal cost of $14,433,000 and an estimated non-Federal cost of $7,772,000, and at an estimated average annual cost of $1,584,000 for periodic nourishment over the 50-year life of the project, with an estimated annual Federal cost of $1,030,000 and an estimated annual non-Federal cost of $554,000.

(14) JACKSONVILLE HARBOR, FLORIDA.—

(A) IN GENERAL.—The project for navigation, Jacksonville Harbor, Florida: Report of the Chief of Engineers April 21, 1999, at a total cost of $26,116,000, with an estimated Federal cost of $9,129,000 and an estimated non-Federal cost of $16,987,000.

(B) SPECIAL RULE.—Notwithstanding subparagraph (A), the Secretary may construct the project to a depth of 40 feet if the non-Federal interest agrees to pay any additional costs above those for the recommended plan.

(15) TAMPA HARBOR-BIG BEND CHANNEL, FLORIDA.—The project for navigation, Tampa Harbor-Big Bend Channel, Florida: Report of the Chief of Engineers dated October 13, 1998, at a total cost of $9,356,000, with an estimated Federal cost of $6,235,000 and an estimated non-Federal cost of $3,121,000.

(16) BRUNSWICK HARBOR, GEORGIA.—The project for navigation, Brunswick Harbor, Georgia: Report of the Chief of Engineers dated October 6, 1998, at a total cost of $50,717,000, with an estimate Federal cost of $32,966,000 and an estimated non-Federal cost of $17,751,000.

(17) BEARGRASS CREEK, KENTUCKY.—The project for flood control, Beargrass Creek, Kentucky: Report of the Chief of Engineers, dated May 12, 1998, at a total cost of $11,171,300, with an estimated Federal cost of $7,261,500 and an estimated non-Federal cost of $3,909,800.

(18) AMITE RIVER AND TRIBUTARIES, LOUISIANA.—The project for flood control, Amite River and tributaries, Louisiana: Report of the Chief of Engineers dated December 23, 1996, at a total cost of $112,900,000, with an estimated Federal cost of $84,675,000 and an estimated non-Federal cost of $28,225,000. Cost sharing for the project shall be determined in accordance with section 103(a) of the Water Resources Development Act of 1986 (33 U.S.C. 2213), as in effect on October 11, 1996.

(19) BALTIMORE HARBOR ANCHORAGES AND CHANNELS, MARYLAND AND VIRGINIA.—The project for navigation, Baltimore harbor anchorages and channels, Maryland and Virginia: Report of the Chief of Engineers, dated June 8, 1998, at a total cost of $28,430,000, with an estimated Federal cost of $19,000,000 and an estimated non-Federal cost of $9,430,000.

(20) RED RIVER LAKE AT CROOKSTON, MINNESOTA.—The project for flood control, Red River Lake at Crookston, Minnesota: Report of the Chief of Engineers, dated April 20, 1998, at a total cost of $8,950,000, with an estimated Federal cost of $5,720,000 and an estimated non-Federal cost of $3,230,000.

(21) TURKEY CREEK BASIN, KANSAS CITY, MISSOURI, AND KANSAS CITY, KANSAS.—The project for flood damage reduction, Turkey Creek Basin, Kansas City, Missouri, and Kansas City, Kansas: Report of the Chief of Engineers dated April 21, 1999, at a total cost of $42,875,000, with an estimated Federal cost of $25,596,000 and an estimated non-Federal cost of $17,279,000.

(22) LOWER CAPE MAY MEADOWS, CAPE MAY POINT, NEW JERSEY.—The project for navigation mitigation, ecosystem restoration, and hurricane and storm damage reduction, Lower Cape May Meadows, Cape May Point, New Jersey: Report of the Chief of Engineers dated April 5, 1999, at a total cost of $15,952,000, with an estimated Federal cost of $12,118,000 and an estimated non-Federal cost of $3,834,000, and at an estimated average annual cost of $1,114,000 for periodic nourishment over the 50-year life of the project, with an estimated annual Federal cost of $897,000 and an estimated annual non-Federal cost of $217,000.

(23) NEW JERSEY SHORE PROTECTION: TOWNSENDS INLET TO CAPE MAY INLET, NEW JERSEY.—The project for hurricane and storm damage reduction and ecosystem restoration, New Jersey Shore Protection: Townsends Inlet to Cape May Inlet, New Jersey: Report of the Chief of Engineers dated September 28, 1998, at a total cost of $56,503,000, with an estimated Federal cost of $36,727,000 and an estimated non-Federal cost of $19,776,000, and at an estimated average annual cost of $2,000,000 for periodic nourishment over the 50-year life of the project, with an estimated annual Federal cost of $1,300,000 and an estimated annual non-Federal cost of $700,000.

(24) GUANAJIBO RIVER, PUERTO RICO.—The project for flood control, Guanajibo River, Puerto Rico: Report of the Chief of Engineers, dated February 27, 1996, at a total cost of $27,031,000, with an estimated Federal cost of $20,273,250 and an estimated non-Federal cost of $6,757,750. Cost sharing for the project shall be determined in accordance with section 103(a) of the Water Resources Development Act 1986 (33 U.S.C. 2213) as in effect on October 11, 1986.

(25) RIO GRANDE DE MANATI, BARCELONETA, PUERTO RICO.—The project for flood control, Rio

Grande De Manati, Barceloneta, Puerto Rico: Report of the Chief of Engineers, dated January 22, 1999, at a total cost of $13,491,000, with an estimated Federal cost of $8,785,000 and an estimated non-Federal cost of $4,706,000.

(26) RIO NIGUA AT SALINAS, PUERTO RICO.—The project for flood control, Rio Nigua at Salinas, Puerto Rico: Report of the Chief of Engineers, dated April 15, 1997, at a total cost of $13,702,000, with an estimated Federal cost of $7,645,000 and an estimated non-Federal cost of $6,057,000.

(27) SALT CREEK, GRAHAM, TEXAS.—The project for flood control, environmental restoration and recreation, Salt Creek, Graham, Texas: Report of the Chief of Engineers dated October 6, 1998, at a total cost of $10,080,000, with an estimated Federal cost of $6,560,000 and an estimated non-Federal cost of $3,520,000.

(b) PROJECTS SUBJECT TO REPORT.—The following projects for water resources development and conservation and other purposes are authorized to be carried out by the Secretary substantially in accordance with the plans, and subject to the conditions, recommended in a final report of the Corps of Engineers, if the report is completed not later than September 30, 1999.

(1) NOME, ALASKA.—The project for navigation, Nome, Alaska, at a total cost of $24,608,000, with an estimated Federal cost of $19,660,000 and an estimated non-Federal cost of $4,948,000.

(2) SEWARD HARBOR, ALASKA.—The project for navigation, Seward Harbor, Alaska, at a total cost of $12,240,000, with an estimated Federal cost of $4,364,000 and an estimated non-Federal cost of $7,876,000.

(3) HAMILTON AIRFIELD, CALIFORNIA.—The project for wetlands restoration, Hamilton Airfield, California, at a total cost of $55,200,000, with an estimated Federal cost of $41,400,000 and an estimated non-Federal cost of $13,800,000.

(4) DELAWARE BAY COASTLINE, DELAWARE AND NEW JERSEY: OAKWOOD BEACH, NEW JERSEY.—The project for shore protection, Delaware Bay Coastline, Delaware and New Jersey: Oakwood Beach, New Jersey, at a total cost of $3,360,000, with an estimated Federal cost of $2,184,000 and an estimated non-Federal cost of $1,176,000.

(5) DELAWARE BAY COASTLINE, DELAWARE AND NEW JERSEY: REEDS BEACH AND PIERCES POINT, NEW JERSEY.—The project for shore protection and ecosystem restoration, Delaware Bay Coastline, Delaware and New Jersey: Reeds Beach and Pierces Point, New Jersey, at a total cost of $4,057,000, with an estimated Federal cost of $2,637,000 and an estimated non-Federal cost of $1,420,000.

(6) LITTLE TALBOT ISLAND, DUVAL COUNTY, FLORIDA.—The project for hurricane and storm damage prevention, Little Talbot Island, Duval County, Florida, at a total cost of $5,915,000, with an estimated Federal cost of $3,839,000 and an estimated non-Federal cost of $2,076,000.

(7) PONCE DE LEON INLET, FLORIDA.—The project for navigation and related purposes, Ponce de Leon Inlet, Volusia County, Florida, at a total cost of $5,454,000, with an estimated Federal cost of $2,988,000 and an estimated non-Federal cost of $2,466,000.

(8) SAVANNAH HARBOR EXPANSION, GEORGIA.—

(A) IN GENERAL.—Subject to subparagraph (B), the project for navigation, Savannah Harbor expansion, Georgia, including implementation of the mitigation plan, with such modifications as the Secretary deems appropriate, at a total cost of $230,174,000 (of which amount a portion is authorized for implementation of the mitigation plan), with an estimated Federal cost of $145,160,000 and an estimated non-Federal cost of $85,014,000.

(B) CONDITIONS.—The project authorized by subparagraph (A) may be carried out only after—

(i) the Secretary, in consultation with affected Federal, State of Georgia, State of South Carolina, regional, and local entities, has reviewed and approved an environmental impact statement for the project that includes—

(I) an analysis of the impacts of project depth alternatives ranging from 42 feet through 48 feet; and

(II) a selected plan for navigation and an associated mitigation plan as required by section 906(a) of the Water Resources Development Act of 1986 (33 U.S.C. 2283); and

(ii) the Secretary of the Interior, the Secretary of Commerce, the Administrator of the Environmental Protection Agency, and the Secretary have approved the selected plan and have determined that the mitigation plan adequately addresses the potential environmental impacts of the project.

(C) MITIGATION REQUIREMENTS.—The mitigation plan shall be implemented in advance of or concurrently with construction of the project.

(9) DES PLAINES RIVER, ILLINOIS.—The project for flood control, Des Plaines River, Illinois, at a total cost of $44,300,000 with an estimated Federal cost of $28,800,000 and an estimated non-Federal cost of $15,500,000.

(10) NEW JERSEY SHORE PROTECTION, BRIGANTINE INLET TO GREAT EGG HARBOR, BRIGANTINE ISLAND, NEW JERSEY.—The project for hurricane and storm damage reduction, New Jersey shore protection, Brigantine Inlet to Great Egg Harbor, Brigantine Island, New Jersey, at a total cost of $4,970,000, with an estimated Federal cost of $3,230,000 and an estimated non-Federal cost of $1,740,000, and at an estimated average annual cost of $465,000 for periodic nourishment over the 50-year life of the project, with an estimated annual Federal cost of $302,000 and an estimated annual non-Federal cost of $163,000.

(11) COLUMBIA RIVER CHANNEL, OREGON AND WASHINGTON.—The project for navigation, Columbia River Channel, Oregon and Washington, at a total cost of $183,623,000 with an estimated Federal cost $106,132,000 and an estimated non-Federal cost of $77,491,000.

(12) JOHNSON CREEK, ARLINGTON, TEXAS.—The locally preferred project for flood control, Johnson Creek, Arlington, Texas, at a total cost of $20,300,000, with an estimated Federal cost of $12,000,000 and an estimated non-Federal cost of $8,300,000.

(13) HOWARD HANSON DAM, WASHINGTON.—The project for water supply and ecosystem restoration, Howard Hanson Dam, Washington, at a total cost of $75,600,000, with an estimated Federal cost of $36,900,000 and an estimated non-Federal cost of $38,700,000.

SEC. 102. SMALL FLOOD CONTROL PROJECTS.

(a) IN GENERAL.—The Secretary shall conduct a study for each of the following projects and, after completion of such study, shall carry out the project under section 205 of the Flood Control Act of 1948 (33 U.S.C. 701s):

(1) LANCASTER, CALIFORNIA.—Project for flood control, Lancaster, California, westside stormwater retention facility.

(2) GATEWAY TRIANGLE AREA, FLORIDA.—Project for flood control, Gateway Triangle area, Collier County, Florida.

(3) PLANT CITY, FLORIDA.—Project for flood control, Plant City, Florida.

(4) STONE ISLAND, LAKE MONROE, FLORIDA.—Project for flood control, Stone Island, Lake Monroe, Florida.

(5) OHIO RIVER, ILLINOIS.—Project for flood control, Ohio River, Illinois.

(6) REPAUPO CREEK, NEW JERSEY.—Project for flood control, Repaupo Creek, New Jersey.

(7) OWASCO LAKE SEAWALL, NEW YORK.—Project for flood control, Owasco Lake seawall, New York.

(8) PORT CLINTON, OHIO.—Project for flood control, Port Clinton, Ohio.

(9) NORTH CANADIAN RIVER, OKLAHOMA.—Project for flood control, North Canadian River, Oklahoma.

(10) ABINGTON TOWNSHIP, PENNSYLVANIA.—Project for flood control, Baeder and Wanamaker Roads, Abington Township, Pennsylvania.

(11) PORT INDIAN, WEST NORRITON TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA.—Project for flood control, Port Indian, West Norriton Township, Montgomery County, Pennsylvania.

(12) PORT PROVIDENCE, UPPER PROVIDENCE TOWNSHIP, PENNSYLVANIA.—Project for flood control, Port Providence, Upper Providence Township, Pennsylvania.

(13) SPRINGFIELD TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA.—Project for flood control, Springfield Township, Montgomery County, Pennsylvania.

(14) FIRST CREEK, KNOXVILLE, TENNESSEE.—Project for flood control, First Creek, Knoxville, Tennessee.

(15) METRO CENTER LEVEE, CUMBERLAND RIVER, NASHVILLE, TENNESSEE.—Project for flood control, Metro Center Levee, Cumberland River, Nashville, Tennessee.

(b) FESTUS AND CRYSTAL CITY, MISSOURI.—

(1) MAXIMUM FEDERAL EXPENDITURE.—The maximum amount of Federal funds that may be expended for the project for flood control, Festus and Crystal City, Missouri, shall be $10,000,000.

(2) REVISION OF PROJECT COOPERATION AGREEMENT.—The Secretary shall revise the project cooperation agreement for the project referred to in paragraph (1) to take into account the change in the Federal participation in such project pursuant to paragraph (1).

(3) COST SHARING.—Nothing in this section shall be construed to affect any cost-sharing requirement applicable to the project referred to in paragraph (1) under the Water Resources Development Act of 1986.

SEC. 103. SMALL BANK STABILIZATION PROJECTS.

The Secretary shall conduct a study for each of the following projects and, after completion of such study, shall carry out the project under section 14 of the Flood Control Act of 1946 (33 U.S.C. 701r):

(1) SAINT JOSEPH RIVER, INDIANA.—Project for streambank erosion control, Saint Joseph River, Indiana.

(2) SAGINAW RIVER, BAY CITY, MICHIGAN.—Project for streambank erosion control, Saginaw River, Bay City, Michigan.

(3) BIG TIMBER CREEK, NEW JERSEY.—Project for streambank erosion control, Big Timber Creek, New Jersey.

(4) LAKE SHORE ROAD, ATHOL SPRINGS, NEW YORK.—Project for streambank erosion control, Lake Shore Road, Athol Springs, New York.

(5) MARIST COLLEGE, POUGHKEEPSIE, NEW YORK.—Project for streambank erosion control, Marist College, Poughkeepsie, New York.

(6) MONROE COUNTY, OHIO.—Project for streambank erosion control, Monroe County, Ohio.

(7) GREEN VALLEY, WEST VIRGINIA.—Project for streambank erosion control, Green Valley, West Virginia.

SEC. 104. SMALL NAVIGATION PROJECTS.

The Secretary shall conduct a study for each of the following projects and, after completion of such study, shall carry out the project under section 107 of the River and Harbor Act of 1960 (33 U.S.C. 577):

(1) GRAND MARAIS, ARKANSAS.—Project for navigation, Grand Marais, Arkansas.

(2) FIELDS LANDING CHANNEL, HUMBOLDT HARBOR, CALIFORNIA.—Project for navigation, Fields Landing Channel, Humboldt Harbor, California.

(3) SAN MATEO (PILLAR POINT HARBOR), CALIFORNIA.—Project for navigation San Mateo (Pillar Point Harbor), California.

(4) AGANA MARINA, GUAM.—Project for navigation, Agana Marina, Guam.

(5) AGAT MARINA, GUAM.—Project for navigation, Agat Marina, Guam.

(6) APRA HARBOR FUEL PIERS, GUAM.—Project for navigation, Apra Harbor Fuel Piers, Guam.

(7) APRA HARBOR PIER F–6, GUAM.—Project for navigation, Apra Harbor Pier F–6, Guam.

(8) APRA HARBOR SEAWALL, GUAM.—Project for navigation including a seawall, Apra Harbor, Guam.

(9) GUAM HARBOR, GUAM.—Project for navigation, Guam Harbor, Guam.

(10) ILLINOIS RIVER NEAR CHAUTAUQUA PARK, ILLINOIS.—Project for navigation, Illinois River near Chautauqua Park, Illinois.

(11) WHITING SHORELINE WATERFRONT, WHITING, INDIANA.—Project for navigation, Whiting Shoreline Waterfront, Whiting, Indiana.

(12) NARAGUAGUS RIVER, MACHIAS, MAINE.—Project for navigation, Naraguagus River, Machias, Maine.

(13) UNION RIVER, ELLSWORTH, MAINE.—Project for navigation, Union River, Ellsworth, Maine.

(14) DETROIT WATERFRONT, MICHIGAN.—Project for navigation, Detroit River, Michigan, including dredging and removal of a reef.

(15) FORTESCUE INLET, DELAWARE BAY, NEW JERSEY.—Project for navigation for Fortescue Inlet, Delaware Bay, New Jersey.

(16) BUFFALO AND LASALLE PARK, NEW YORK.—Project for navigation, Buffalo and LaSalle Park, New York.

(17) STURGEON POINT, NEW YORK.—Project for navigation, Sturgeon Point, New York.

(18) FAIRPORT HARBOR, OHIO.—Project for navigation, Fairport Harbor, Ohio, including a recreation channel.

SEC. 105. SMALL PROJECTS FOR IMPROVEMENT OF THE ENVIRONMENT.

(a) IN GENERAL.—The Secretary shall conduct a study for each of the following projects and, after completion of such study, shall carry out the project under section 1135 of the Water Resources Development Act of 1986 (33 U.S.C. 2309a):

(1) ILLINOIS RIVER IN THE VICINITY OF HAVANA, ILLINOIS.—Project for the improvement of the environment, Illinois River in the vicinity of Havana, Illinois.

(2) KNITTING MILL CREEK, VIRGINIA.—Project for the improvement of the environment, Knitting Mill Creek, Virginia.

(b) PINE FLAT DAM, KINGS RIVER, CALIFORNIA.—The Secretary shall carry out under section 1135(a) of the Water Resources Development Act of 1986 (33 U.S.C. 2309a(a)) a project to construct a turbine bypass at Pine Flat Dam, Kings River, California, in accordance with the Project Modification Report and Environmental Assessment dated September 1996.

SEC. 106. SMALL AQUATIC ECOSYSTEM RESTORATION PROJECTS.

The Secretary shall conduct a study for each of the following projects and, after completion of such study, shall carry out the project under section 206 of the Water Resources Development Act of 1996 (33 U.S.C. 2330):

(1) CONTRA COSTA COUNTY, BAY DELTA, CALIFORNIA.—Project for aquatic ecosystem restoration, Contra Costa County, Bay Delta, California.

(2) INDIAN RIVER, FLORIDA.—Project for aquatic ecosystem restoration and lagoon restoration, Indian River, Florida.

(3) LITTLE WEKIVA RIVER, FLORIDA.—Project for aquatic ecosystem restoration and erosion control, Little Wekiva River, Florida.

(4) COOK COUNTY, ILLINOIS.—Project for aquatic ecosystem restoration and lagoon restoration and protection, Cook County, Illinois.

(5) GRAND BATTURE ISLAND, MISSISSIPPI.—Project for aquatic ecosystem restoration, Grand Batture Island, Mississippi.

(6) HANCOCK, HARRISON, AND JACKSON COUNTIES, MISSISSIPPI.—Project for aquatic ecosystem restoration and reef restoration along the Gulf Coast, Hancock, Harrison, and Jackson Counties, Mississippi.

(7) MISSISSIPPI RIVER AND RIVER DES PERES, ST. LOUIS, MISSOURI.—Project for aquatic ecosystem restoration and recreation, Mississippi River and River Des Peres, St. Louis, Missouri.

(8) HUDSON RIVER, NEW YORK.—Project for aquatic ecosystem restoration, Hudson River, New York.

(9) ONEIDA LAKE, NEW YORK.—Project for aquatic ecosystem restoration, Oneida Lake, Oneida County, New York.

(10) OTSEGO LAKE, NEW YORK.—Project for aquatic ecosystem restoration, Otsego Lake, Otsego County, New York.

(11) NORTH FORK OF YELLOW CREEK, OHIO.—Project for aquatic ecosystem restoration, North Fork of Yellow Creek, Ohio.

(12) WHEELING CREEK WATERSHED, OHIO.—Project for aquatic ecosystem restoration, Wheeling Creek watershed, Ohio.

(13) SPRINGFIELD MILLRACE, OREGON.—Project for aquatic ecosystem restoration, Springfield Millrace, Oregon.

(14) UPPER AMAZON CREEK, OREGON.—Project for aquatic ecosystem restoration, Upper Amazon Creek, Oregon.

(15) LAKE ONTELAUNEE RESERVOIR, BERKS COUNTY, PENNSYLVANIA.—Project for aquatic ecosystem restoration and distilling pond facilities, Lake Ontelaunee Reservoir, Berks County, Pennsylvania.

(16) BLACKSTONE RIVER BASIN, RHODE ISLAND AND MASSACHUSETTS.—Project for aquatic ecosystem restoration and fish passage facilities, Blackstone River Basin, Rhode Island and Massachusetts.

TITLE II—GENERAL PROVISIONS

SEC. 201. SMALL FLOOD CONTROL AUTHORITY.

Section 205 of the Flood Control Act of 1948 (33 U.S.C. 701s) is amended—

(1) by striking ''construction of small projects'' and inserting ''implementation of small structural and nonstructural projects''; and

(2) by striking ''$5,000,000'' and inserting ''$7,000,000''.

SEC. 202. USE OF NON-FEDERAL FUNDS FOR COMPILING AND DISSEMINATING INFORMATION ON FLOODS AND FLOOD DAMAGES.

The last sentence of section 206(b) of the Flood Control Act of 1960 (33 U.S.C. 709a(b)) is amended by inserting before the period the following: ''; except that this limitation on fees shall not apply to funds voluntarily contributed by such entities for the purpose of expanding the scope of the services requested by such entities''.

SEC. 203. CONTRIBUTIONS BY STATES AND POLITICAL SUBDIVISIONS.

Section 5 of the Flood Control Act of June 22, 1936 (33 U.S.C. 701h), is amended by inserting ''or environmental restoration'' after ''flood control''.

SEC. 204. SEDIMENT DECONTAMINATION TECHNOLOGY.

Section 405 of the Water Resources Development Act of 1992 (33 U.S.C. 2239 note; 106 Stat. 4863) is amended—

(1) by adding at the end of subsection (a) the following:

''(4) PRACTICAL END-USE PRODUCTS.—Technologies selected for demonstration at the pilot scale shall be intended to result in practical end-use products.

''(5) ASSISTANCE BY THE SECRETARY.—The Secretary shall assist the project to ensure expeditious completion by providing sufficient quantities of contaminated dredged material to conduct the full-scale demonstrations to stated capacity.'';

(2) in subsection (c) by striking the first sentence and inserting the following: ''There is authorized to be appropriated to carry out this section $22,000,000 to complete technology testing, technology commercialization, and the development of full scale processing facilities within the New York/New Jersey Harbor.''; and

(3) by adding at the end the following:

''(e) SUPPORT.—In carrying out the program under this section, the Secretary is encouraged to utilize contracts, cooperative agreements, and grants with colleges and universities and other non-Federal entities.''.

SEC. 205. CONTROL OF AQUATIC PLANTS.

Section 104 of the River and Harbor Act of 1958 (33 U.S.C. 610) is amended—

(1) in subsection (a) by inserting ''arundo,'' after ''milfoil,'';

(2) in subsection (b) by striking ''$12,000,000'' and inserting ''$15,000,000.''; and

(3) by adding at the end the following:

''(c) SUPPORT.—In carrying out this program, the Secretary is encouraged to utilize contracts, cooperative agreements, and grants with colleges and universities and other non-Federal entities.''.

SEC. 206. USE OF CONTINUING CONTRACTS REQUIRED FOR CONSTRUCTION OF CERTAIN PROJECTS.

(a) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall not implement a fully allocated funding policy with respect to a water resources project if initiation of construction has occurred but sufficient funds are not available to complete the project. The Secretary shall enter into continuing contracts for such project.

(b) INITIATION OF CONSTRUCTION CLARIFIED.—For the purposes of this section, initiation of construction for a project occurs on the date of the enactment of an Act that appropriates funds for the project from one of the following appropriation accounts:

(1) Construction, General.

(2) Operation and Maintenance, General.

(3) Flood Control, Mississippi River and Tributaries.

SEC. 207. SUPPORT OF ARMY CIVIL WORKS PROGRAM.

The requirements of section 2361 of title 10, United States Code, shall not apply to any contract, cooperative research and development agreement, cooperative agreement, or grant entered into under section 229 of the Water Resources Development Act of 1996 (110 Stat. 3703) between the Secretary and Marshall University or entered into under section 350 of this Act between the Secretary and Juniata College.

SEC. 208. WATER RESOURCES DEVELOPMENT STUDIES FOR THE PACIFIC REGION.

Section 444 of the Water Resources Development Act of 1996 (110 Stat. 3747) is amended by striking ''interest of navigation'' and inserting ''interests of water resources development, including navigation, flood damage reduction, and environmental restoration''.

SEC. 209. EVERGLADES AND SOUTH FLORIDA ECOSYSTEM RESTORATION.

(a) PROGRAM EXTENSION.—Section 528(b)(3) of the Water Resources Development Act of 1996 (110 Stat. 3769) is amended—

(1) in subparagraph (B) by striking ''1999'' and inserting ''2000''; and

(2) in subparagraph (C)(i) by striking ''1999'' and inserting ''2003''.

(b) CREDIT.—Section 528(b)(3) of such Act is amended by adding at the end the following:

''(D) CREDIT OF PAST AND FUTURE ACTIVITIES.—The Secretary may provide a credit to the non-Federal interests toward the non-Federal share of a project implemented under subparagraph (A). The credit shall be for reasonable costs of work performed by the non-Federal interests if the Secretary determines that the work substantially expedited completion of the project and is compatible with and an integral part of the project, and the credit is provided pursuant to a specific project cooperation agreement.''.

(c) CALOOSAHATCHEE RIVER BASIN, FLORIDA.—Section 528(e)(4) of such Act is amended by inserting before the period at the end of the first sentence the following: ''if the Secretary determines that such land acquisition is compatible with and an integral component of the Everglades and South Florida ecosystem restoration, including potential land acquisition in the Caloosahatchee River basin or other areas''.

SEC. 210. BENEFICIAL USES OF DREDGED MATERIAL.

Section 204 of the Water Resources Development Act of 1992 (106 Stat. 4826–4827) is amended—

(1) in subsection (c) by striking ''cooperative agreement in accordance with the requirements

of section 221 of the Flood Control Act of 1970'' and inserting ''binding agreement with the Secretary''; and

(2) by adding at the end the following:

''(g) NON-FEDERAL INTERESTS.—Notwithstanding section 221(b) of the Flood Control Act of 1968 (42 U.S.C. 1962d–5b(b)), the Secretary, after coordination with the appropriate State and local government officials having jurisdiction over an area in which a project under this section will be carried out, may allow a nonprofit entity to serve as the non-Federal interest for the project.''.

SEC. 211. HARBOR COST SHARING.

(a) IN GENERAL.—Sections 101 and 214 of the Water Resources Development Act of 1986 (33 U.S.C. 2211 and 2241; Public Law 99–662) are amended by striking ''45 feet'' each place it appears and inserting ''53 feet''.

(b) APPLICABILITY.—The amendments made by subsection (a) shall only apply to a project, or separable element thereof, on which a contract for physical construction has not been awarded before the date of the enactment of this Act.

SEC. 212. AQUATIC ECOSYSTEM RESTORATION.

Section 206 of the Water Resources Development Act of 1996 (110 Stat. 3679–3680) is amended—

(1) by adding at the end of subsection (b) the following: ''Before October 1, 2003, the Federal share may be provided in the form of grants or reimbursements of project costs.''; and

(2) by adding at the end of subsection (c) the following: ''Notwithstanding section 221(b) of the Flood Control Act of 1970 (42 U.S.C. 1962d–5b(b)), the Secretary, after coordination with the appropriate State and local government officials having jurisdiction over an area in which a project under this section will be carried out, may allow a nonprofit entity to serve as the non-Federal interest for the project.''.

SEC. 213. WATERSHED MANAGEMENT, RESTORATION, AND DEVELOPMENT.

(a) NONPROFIT ENTITY AS NON-FEDERAL INTEREST.—Section 503(a) of the Water Resources Development Act of 1996 (110 Stat. 3756) is amended by adding at the end the following: ''Notwithstanding section 221(b) of the Flood Control Act of 1970 (42 U.S.C. 1962d–5b(b)), the Secretary, after coordination with the appropriate State and local government officials having jurisdiction over an area in which a project under this section will be carried out, may allow a nonprofit entity to serve as the non-Federal interest for the project.''.

(b) PROJECT LOCATIONS.—Section 503(d) of such Act is amended—

(1) in paragraph (7) by inserting before the period at the end '', including Clear Lake''; and

(2) by adding at the end the following:

''(14) Fresno Slough watershed, California.

''(15) Hayward Marsh, Southern San Francisco Bay watershed, California.

''(16) Kaweah River watershed, California.

''(17) Malibu Creek watershed, California.

''(18) Illinois River watershed, Illinois.

''(19) Catawba River watershed, North Carolina.

''(20) Cabin Creek basin, West Virginia.

''(21) Lower St. Johns River basin, Florida.''.

SEC. 214. FLOOD MITIGATION AND RIVERINE RESTORATION PILOT PROGRAM.

(a) IN GENERAL.—The Secretary may undertake a program for the purpose of conducting projects that reduce flood hazards and restore the natural functions and values of rivers throughout the United States.

(b) STUDIES AND PROJECTS.—

(1) AUTHORITY.—In carrying out the program, the Secretary may conduct studies to identify appropriate flood damage reduction, conservation, and restoration measures and may design and implement projects described in subsection (a).

(2) CONSULTATION AND COORDINATION.—The studies and projects carried out under this section shall be conducted, to the maximum extent practicable, in consultation and coordination with the Federal Emergency Management Agency and other appropriate Federal agencies, and in consultation and coordination with appropriate State, tribal, and local agencies.

(3) NONSTRUCTURAL APPROACHES.—The studies and projects shall emphasize, to the maximum extent practicable and appropriate, nonstructural approaches to preventing or reducing flood damages.

(4) USE OF STATE, TRIBAL, AND LOCAL STUDIES AND PROJECTS.—The studies and projects shall include consideration of and coordination with any State, tribal, and local flood damage reduction or riverine and wetland restoration studies and projects that conserve, restore, and manage hydrologic and hydraulic regimes and restore the natural functions and values of floodplains.

(c) COST-SHARING REQUIREMENTS.—

(1) STUDIES.—Studies conducted under this section shall be subject to cost sharing in accordance with section 105 of the Water Resources Development Act of 1986 (33 U.S.C. 2215).

(2) ENVIRONMENTAL RESTORATION AND NONSTRUCTURAL FLOOD CONTROL PROJECTS.—The non-Federal interests shall pay 35 percent of the cost of any environmental restoration or nonstructural flood control project carried out under this section. The non-Federal interests shall provide all land, easements, rights-of-way, dredged material disposal areas, and relocations necessary for such projects. The value of such land, easements, rights-of-way, dredged material disposal areas, and relocations shall be credited toward the payment required under this paragraph.

(3) STRUCTURAL FLOOD CONTROL PROJECTS.—Any structural flood control measures carried out under this section shall be subject to cost sharing in accordance with section 103(a) of the Water Resources Development Act of 1986 (33 U.S.C. 2213(a)).

(4) OPERATION AND MAINTENANCE.—The non-Federal interests shall be responsible for all costs associated with operating, maintaining, replacing, repairing, and rehabilitating all projects carried out under this section.

(d) PROJECT JUSTIFICATION.—

(1) IN GENERAL.—Notwithstanding any other provision of law or requirement for economic justification established pursuant to section 209 of the Flood Control Act of 1970 (42 U.S.C. 1962–2), the Secretary may implement a project under this section if the Secretary determines that the project—

(A) will significantly reduce potential flood damages;

(B) will improve the quality of the environment; and

(C) is justified considering all costs and beneficial outputs of the project.

(2) ESTABLISHMENT OF SELECTION AND RATING CRITERIA AND POLICIES.—Not later than 180 days after the date of the enactment of this section, the Secretary, in cooperation with State, tribal, and local agencies, shall develop, and transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate, criteria for selecting and rating projects to be carried out under this section and shall establish policies and procedures for carrying out the studies and projects undertaken under this section. Such criteria shall include, as a priority, the extent to which the appropriate State government supports the project.

(e) PRIORITY AREAS.—In carrying out this section, the Secretary shall examine the potential for flood damage reductions at appropriate locations, including the following:

(1) Upper Delaware River, New York.

(2) Willamette River floodplain, Oregon.

(3) Pima County, Arizona, at Paseo De Las Iglesias and Rillito River.

(4) Los Angeles and San Gabriel Rivers, California.

(5) Murrieta Creek, California.

(6) Napa County, California, at Yountville, St. Helena, Calistoga, and American Canyon.

(7) Santa Clara basin, California, at Upper Guadalupe River and tributaries, San Francisquito Creek, and Upper Penitencia Creek.

(8) Pine Mount Creek, New Jersey.

(9) Chagrin River, Ohio.

(10) Blair County, Pennsylvania, at Altoona and Frankstown Township.

(11) Lincoln Creek, Wisconsin.

(f) PROGRAM REVIEW.—

(1) IN GENERAL.—The program established under this section shall be subject to an independent review to evaluate the efficacy of the program in achieving the dual goals of flood hazard mitigation and riverine restoration.

(2) REPORT.—Not later than April 15, 2003, the Secretary shall transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the findings of the review conducted under this subsection with any recommendations concerning continuation of the program.

(g) COST LIMITATIONS.—

(1) MAXIMUM FEDERAL COST PER PROJECT.—No more than $30,000,000 may be expended by the United States on any single project under this section.

(2) COMMITTEE RESOLUTION PROCEDURE.—

(A) LIMITATION ON APPROPRIATIONS.—No appropriation shall be made to construct any project under this section the total Federal cost of construction of which exceeds $15,000,000 if the project has not been approved by resolutions adopted by the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate.

(B) REPORT.—For the purpose of securing consideration of approval under this paragraph, the Secretary shall transmit a report on the proposed project, including all relevant data and information on all costs.

(h) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section—

(1) $25,000,000 for fiscal year 2000;

(2) $25,000,000 for fiscal year 2001 if $12,500,000 or more is appropriated to carry out subsection (e) for fiscal year 2000;

(3) $25,000,000 for fiscal year 2002 if $12,500,000 or more is appropriated to carry out subsection (e) for fiscal year 2001; and

(4) $25,000,000 for fiscal year 2003 if $12,500,000 or more is appropriated to carry out subsection (e) for fiscal year 2002.

SEC. 215. SHORELINE MANAGEMENT PROGRAM.

(a) REVIEW.—The Secretary shall review the implementation of the Corps of Engineers' shoreline management program, with particular attention to inconsistencies in implementation among the divisions and districts of the Corps of Engineers and complaints by or potential inequities regarding property owners in the Savannah District including an accounting of the number and disposition of complaints over the last 5 years in the District.

(b) REPORT.—As expeditiously as practicable after the date of the enactment of this Act, the Secretary shall transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report describing the results of the review conducted under subsection (a).

SEC. 216. ASSISTANCE FOR REMEDIATION, RESTORATION, AND REUSE.

(a) IN GENERAL.—The Secretary may provide to State and local governments assessment, planning, and design assistance for remediation, environmental restoration, or reuse of areas located within the boundaries of such State or local governments where such remediation, environmental restoration, or reuse will contribute to the conservation of water and related resources of drainage basins and watersheds within the United States.

(b) BENEFICIAL USE OF DREDGED MATERIAL.—In providing assistance under subsection (a), the Secretary shall encourage the beneficial use of dredged material, consistent with the findings of the Secretary under section 204 of the Water Resources Development Act of 1992 (33 U.S.C. 2326).

(c) NON-FEDERAL SHARE.—The non-Federal share of the cost of assistance provided under subsection (a) shall be 50 percent.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $3,000,000 for each of fiscal years 2000 through 2004.

SEC. 217. SHORE DAMAGE MITIGATION.

(a) IN GENERAL.—Section 111 of the River and Harbor Act of 1968 (33 U.S.C. 426i; 100 Stat. 4199) is amended by inserting after ''navigation works'' the following: ''and shore damages attributable to the Atlantic Intracoastal Waterway and the Gulf Intracoastal Waterway''.

(b) PALM BEACH COUNTY, FLORIDA.—The project for navigation, Palm Beach County, Florida, authorized by section 2 of the River and Harbor Act of March 2, 1945 (59 Stat. 11), is modified to authorize the Secretary to undertake beach nourishment as a dredged material disposal option under the project.

(c) GALVESTON COUNTY, TEXAS.—The Secretary may place dredged material from the Gulf Intracoastal Waterway on the beaches along Rollover Pass, Galveston County, Texas, to stabilize beach erosion.

SEC. 218. SHORE PROTECTION.

(a) NON-FEDERAL SHARE OF PERIODIC NOURISHMENT.—Section 103(d) of the Water Resources Development Act of 1986 (100 Stat. 4085–5086) is amended—

(1) by inserting ''(1) CONSTRUCTION.—'' before ''Costs of constructing'';

(2) by inserting at the end the following:

''(2) PERIODIC NOURISHMENT.—

''(A) IN GENERAL.—Subject to subparagraph (B), the non-Federal share of costs of periodic nourishment measures for shore protection or beach erosion control that are carried out—

''(i) after January 1, 2001, shall be 40 percent;

''(ii) after January 1, 2002, shall be 45 percent; and

''(iii) after January 1, 2003, shall be 50 percent;

''(B) BENEFITS TO PRIVATELY OWNED SHORES.—All costs assigned to benefits of periodic nourishment measures to privately owned shores (where use of such shores is limited to private interests) or to prevention of losses of private lands shall be borne by the non-Federal interest and all costs assigned to the protection of federally owned shores for such measures shall be borne by the United States.''; and

(C) by indenting paragraph (1) (as designated by subparagraph (A) of this paragraph) and aligning such paragraph with paragraph (2) (as added by subparagraph (B) of this paragraph).

(b) UTILIZATION OF SAND FROM OUTER CONTINENTAL SHELF.—Section 8(k)(2)(B) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(k)(2)(B)) is amended by striking ''an agency of the Federal Government'' and inserting ''a Federal, State, or local government agency''.

(c) REPORT ON NATION'S SHORELINES.—

(1) IN GENERAL.—Not later than 3 years after the date of the enactment of this Act, the Secretary shall report to Congress on the state of the Nation's shorelines.

(2) CONTENTS.—The report shall include—

(A) a description of the extent of, and economic and environmental effects caused by, erosion and accretion along the Nation's shores and the causes thereof;

(B) a description of resources committed by local, State, and Federal governments to restore and renourish shorelines;

(C) a description of the systematic movement of sand along the Nation's shores; and

(D) recommendations regarding (i) appropriate levels of Federal and non-Federal participation in shoreline protection, and (ii) utilization of a systems approach to sand management.

(3) UTILIZATION OF SPECIFIC LOCATION DATA.—In developing the report, the Secretary shall utilize data from specific locations on the Atlantic, Pacific, Great Lakes, and Gulf of Mexico coasts.

(d) NATIONAL COASTAL DATA BANK.—

(1) ESTABLISHMENT OF DATA BANK.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall establish a national coastal data bank containing data on the geophysical and climatological characteristics of the Nation's shorelines.

(2) CONTENT.—To the extent practical, the national coastal data bank shall include data regarding current and predicted shoreline positions, information on federally-authorized shore protection projects, and data on the movement of sand along the Nation's shores, including impediments to such movement caused by natural and manmade features.

(3) ACCESS.—The national coastal data bank shall be made readily accessible to the public.

SEC. 219. FLOOD PREVENTION COORDINATION.

Section 206 of the Flood Control Act of 1960 (33 U.S.C. 709a) is amended—

(1) by redesignating subsections (b) and (c) as subsections (c) and (d), respectively; and

(2) by inserting after subsection (a) the following:

''(b) FLOOD PREVENTION COORDINATION.—The Secretary shall coordinate with the Director of the Federal Emergency Management Agency and the heads of other Federal agencies to ensure that flood control projects and plans are complementary and integrated to the extent practicable and appropriate.''.

SEC. 220. ANNUAL PASSES FOR RECREATION.

Section 208(c)(4) of the Water Resources Development Act of 1996 (16 U.S.C. 460d note; 110 Stat. 3680) is amended by striking ''1999, or the date of transmittal of the report under paragraph (3)'' and inserting ''2003''.

SEC. 221. COOPERATIVE AGREEMENTS FOR ENVIRONMENTAL AND RECREATIONAL MEASURES.

(a) IN GENERAL.—The Secretary is authorized to enter into cooperative agreements with non-Federal public bodies and non-profit entities for the purpose of facilitating collaborative efforts involving environmental protection and restoration, natural resources conservation, and recreation in connection with the development, operation, and management of water resources projects under the jurisdiction of the Department of the Army.

(b) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary shall transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report that includes—

(1) a listing and general description of the cooperative agreements entered into by the Secretary with non-Federal public bodies and entities under subsection (a);

(2) a determination of whether such agreements are facilitating collaborative efforts; and

(3) a recommendation on whether such agreements should be further encouraged.

SEC. 222. NONSTRUCTURAL FLOOD CONTROL PROJECTS.

(a) ANALYSIS OF BENEFITS.—Section 308 of the Water Resources Development Act of 1990 (33 U.S.C. 2318; 104 Stat. 4638) is amended—

(1) in the heading to subsection (a) by inserting ''ELEMENTS EXCLUDED FROM'' before ''BENEFIT-COST'';

(2) by redesignating subsections (b) through (e) as subsections (c) through (f), respectively; and

(3) by inserting after subsection (a) the following:

''(b) FLOOD DAMAGE REDUCTION BENEFITS.—In calculating the benefits of a proposed project for nonstructural flood damage reduction, the Secretary shall calculate benefits of nonstructural projects using methods similar to structural projects, including similar treatment in calculating the benefits from losses avoided from both structural and nonstructural alternatives. In carrying out this subsection, the Secretary should avoid double counting of benefits.''.

(b) REEVALUATION OF FLOOD CONTROL PROJECTS.—At the request of a non-Federal interest for a flood control project, the Secretary shall conduct a reevaluation of a previously authorized project to consider nonstructural alternatives in light of the amendments made by subsection (a).

(c) COST SHARING.—Section 103(b) of the Water Resources Development Act of 1986 (33 U.S.C. 2213(b)) is amended by adding at the end the following: ''At any time during construction of the project, where the Secretary determines that the costs of lands, easements, rights-of-way, dredged material disposal areas, and relocations in combination with other costs contributed by the non-Federal interests will exceed 35 percent, any additional costs for the project, but not to exceed 65 percent of the total costs of the project, shall be a Federal responsibility and shall be contributed during construction as part of the Federal share.''.

SEC. 223. LAKES PROGRAM.

Section 602(a) of the Water Resources Development Act of 1986 (110 Stat. 3758) is amended—

(1) by striking ''and'' at the end of paragraph (15);

(2) by striking the period at the end of paragraph (16) and inserting a semicolon; and

(3) by adding at the end the following:

''(17) Clear Lake, Lake County, California, removal of silt and aquatic growth and measures to address excessive sedimentation and high nutrient concentration;

''(18) Osgood Pond, Milford, Hillsborough County, New Hampshire, removal of silt and aquatic growth and measures to address excessive sedimentation; and

''(19) Flints Pond, Hollis, Hillsborough County, New Hampshire, removal of silt and aquatic growth and measures to address excessive sedimentation.''.

SEC. 224. CONSTRUCTION OF FLOOD CONTROL PROJECTS BY NON-FEDERAL INTERESTS.

(a) CONSTRUCTION BY NON-FEDERAL INTERESTS.—Section 211(d)(1) of the Water Resources Development Act of 1996 (33 U.S.C. 701b–13(d)(1)) is amended—

(1) by striking ''(b) or'';

(2) by striking ''Any non-Federal'' and inserting the following:

''(A) STUDIES AND DESIGN ACTIVITIES UNDER SUBSECTION (b).—A non-Federal interest may only carry out construction for which studies and design documents are prepared under subsection (b) if the Secretary approves such construction. The Secretary shall approve such construction unless the Secretary determines, in writing, that the design documents do not meet standard practices for design methodologies or that the project is not economically justified or environmentally acceptable or does not meet the requirements for obtaining the appropriate permits required under the Secretary's authority. The Secretary shall not unreasonably withhold approval. Nothing in this subparagraph may be construed to affect any regulatory authority of the Secretary.

''(B) STUDIES AND DESIGN ACTIVITIES UNDER SUBSECTION (c).—Any non-Federal''; and

(3) by aligning the remainder of subparagraph (B) (as designated by paragraph (2) of this subsection) with subparagraph (A) (as inserted by paragraph (2) of this subsection).

(b) CONFORMING AMENDMENT.—Section 211(d)(2) of such Act is amended by inserting ''(other than paragraph (1)(A))'' after ''this subsection''.

(c) REIMBURSEMENT.—

(1) IN GENERAL.—Section 211(e)(1) of such Act is amended—

(A) in the matter preceding subparagraph (1) by inserting after ''constructed pursuant to this section'' the following: ''and provide credit for the non-Federal share of the project'';

(B) by striking ''and'' at the end of subparagraph (A);

(C) by striking the period at the end of subparagraph (B) and inserting ''; and''; and

(D) by adding at the end the following:

''(C) if the construction work is reasonably equivalent to Federal construction work.''.

(2) SPECIAL RULES.—Section 211(e)(2)(A) of such Act is amended—

(A) by striking ''subject to amounts being made available in advance in appropriations Acts'' and inserting ''subject to appropriations''; and

(B) by inserting after ''the cost of such work'' the following: '', or provide credit (depending on the request of the non-Federal interest) for the non-Federal share of such work,''.

(3) SCHEDULE AND MANNER OF REIMBURSEMENTS.—Section 211(e) of such Act (33 U.S.C. 701b–13(e)) is amended by adding at the end the following:

''(6) SCHEDULE AND MANNER OF REIMBURSEMENT.—

''(A) BUDGETING.—The Secretary shall budget and request appropriations for reimbursements under this section on a schedule that is consistent with a Federal construction schedule.

''(B) COMMENCEMENT OF REIMBURSEMENTS.—Reimbursements under this section may commence upon approval of a project by the Secretary.

''(C) CREDIT.—At the request of a non-Federal interest, the Secretary may reimburse the non-Federal interest by providing credit toward future non-Federal costs of the project.

''(D) SCHEDULING.—Nothing in this paragraph shall affect the President's discretion to schedule new construction starts.''.

SEC. 225. ENHANCEMENT OF FISH AND WILDLIFE RESOURCES.

Section 906(e) of the Water Resources Development Act of 1986 (33 U.S.C. 2283(e)) is amended by inserting after the second sentence the following: ''Not more than 80 percent of the non-Federal share of such first costs may be satisfied through in-kind contributions, including facilities, supplies, and services that are necessary to carry out the enhancement project.''.

SEC. 226. SENSE OF CONGRESS; REQUIREMENT REGARDING NOTICE.

(a) PURCHASE OF AMERICAN-MADE EQUIPMENT AND PRODUCTS.—It is the sense of Congress that, to the greatest extent practicable, all equipment and products purchased with funds made available under this Act should be American made.

(b) NOTICE TO RECIPIENTS OF ASSISTANCE.—In providing financial assistance under this Act, the Secretary, to the greatest extent practicable, shall provide to each recipient of the assistance a notice describing the statement made in subsection (a).

SEC. 227. PERIODIC BEACH NOURISHMENT.

(a) IN GENERAL.—Section 506(a) of the Water Resources Development Act of 1996 (110 Stat. 3757) is amended by adding at the end the following:

''(5) LEE COUNTY, FLORIDA.—Project for shoreline protection, Lee County, Captiva Island segment, Florida.''.

(b) PROJECTS.—Section 506(b)(3) of such Act (110 Stat. 3758) is amended by striking subparagraph (A) and redesignating subparagraphs (B) through (D) as subparagraphs (A) through (C), respectively.

SEC. 228. ENVIRONMENTAL DREDGING.

Section 312 of the Water Resources Development Act of 1990 (104 Stat. 4639–4640) is amended—

(1) in subsection (b)(1) by striking ''50'' and inserting ''35''; and

(2) in subsection (d) by striking ''non-Federal responsibility'' and inserting ''shared as a cost of construction''.

SEC. 229. WETLANDS MITIGATION.

In carrying out a water resources project that involves wetlands mitigation and that has an impact that occurs within the service area of a mitigation bank, the Secretary, to the maximum extent practicable and where appropriate, shall give preference to the use of the mitigation bank if the bank contains sufficient available credits to offset the impact and the bank is approved in accordance with the Federal Guidance for the Establishment, Use and Operation of Mitigation Banks (60 Fed. Reg. 58605 (November 28, 1995)) or other applicable Federal law (including regulations).

TITLE III—PROJECT-RELATED PROVISIONS

SEC. 301. MISSOURI RIVER LEVEE SYSTEM.

The project for flood control, Missouri River Levee System, authorized by section 10 of the Act entitled ''An Act authorizing the construction of certain public works on rivers and harbors for flood control, and other purposes'', approved December 22, 1944 (58 Stat. 897), is modified to provide that project costs totaling $2,616,000 expended on Units L–15, L–246, and L–385 out of the Construction, General account of the Corps of Engineers before the date of the enactment of the Water Resources Development Act of 1986 (33 U.S.C. 2201 note) shall not be treated as part of total project costs.

SEC. 302. OUZINKIE HARBOR, ALASKA.

(a) MAXIMUM FEDERAL EXPENDITURE.—The maximum amount of Federal funds that may be expended for the project for navigation, Ouzinkie Harbor, Alaska, shall be $8,500,000.

(b) REVISION OF PROJECT COOPERATION AGREEMENT.—The Secretary shall revise the project cooperation agreement for the project referred to in subsection (a) to take into account the change in the Federal participation in such project pursuant to subsection (a).

(c) COST SHARING.—Nothing in this section shall be construed to affect any cost-sharing requirement applicable to the project referred to in subsection (a) under the Water Resources Development Act of 1986.

SEC. 303. GREERS FERRY LAKE, ARKANSAS.

The project for flood control, Greers Ferry Lake, Arkansas, authorized by the Act entitled ''An Act authorizing the construction of certain public works on rivers and harbors for flood control, and other purposes'', approved June 28, 1938 (52 Stat. 1218), is modified to authorize the Secretary to construct water intake facilities for the benefit of Lonoke and White Counties, Arkansas.

SEC. 304. TEN- AND FIFTEEN-MILE BAYOUS, ARKANSAS.

The project for flood control, St. Francis River Basin, Missouri and Arkansas, authorized by section 204 of the Flood Control Act of 1950 (64 Stat. 172), is modified to expand the project boundaries to include Ten- and Fifteen-Mile Bayous near West Memphis, Arkansas. Notwithstanding section 103(f) of the Water Resources Development Act of 1986 (100 Stat. 4086), the flood control work at Ten- and Fifteen-Mile Bayous shall not be considered separable elements of the St. Francis River Basin project.

SEC. 305. LOGGY BAYOU, RED RIVER BELOW DENISON DAM, ARKANSAS, LOUISIANA, OKLAHOMA, AND TEXAS.

The project for flood control on the Red River Below Denison Dam, Arkansas, Louisiana, Oklahoma, and Texas, authorized by section 10 of the Flood Control Act of 1946 (60 Stat. 647), is modified to direct the Secretary to conduct a study to determine the feasibility of expanding the project to include mile 0.0 to mile 7.8 of Loggy Bayou between the Red River and Flat River. If the Secretary determines as a result of the study that the project should be expanded, the Secretary may assume responsibility for operation and maintenance of the expanded project.

SEC. 306. SACRAMENTO RIVER, GLENN-COLUSA, CALIFORNIA.

(a) IN GENERAL.—The project for flood control, Sacramento River, California, authorized by section 2 of the Act entitled ''An Act to provide for the control of the floods of the Mississippi River and of the Sacramento River, California, and for other purposes'', approved March 1, 1917 (39 Stat. 949), and modified by section 102 of the Energy and Water Development Appropriations Act, 1990 (103 Stat. 649), section 301(b)(3) of the Water Resources Development Act of 1996 (110 Stat. 3110), and title I of the Energy and Water Development Appropriations Act, 1999 (112 Stat. 1841), is further modified to authorize the Secretary—

(1) to carry out the portion of the project at Glenn-Colusa, California, at a total cost of $26,000,000, with an estimated Federal cost of $20,000,000 and an estimated non-Federal cost of $6,000,000; and

(2) to carry out bank stabilization work in the vicinity of the riverbed gradient facility, particularly in the vicinity of River Mile 208.

(b) CREDIT.—The Secretary shall provide the non-Federal interests for the project referred to in subsection (a) a credit of up to $4,000,000 toward the non-Federal share of the project costs for the direct and indirect costs incurred by the non-Federal sponsor in carrying out activities associated with environmental compliance for the project. Such credit may be in the form of reimbursements for costs which were incurred by the non-Federal interests prior to an agreement with the Corps of Engineers, to include the value of lands, easements, rights-of-way, relocations, or dredged material disposal areas.

SEC. 307. SAN LORENZO RIVER, CALIFORNIA.

The project for flood control and habitat restoration, San Lorenzo River, California, authorized by section 101(a)(5) of the Water Resources Development Act of 1996 (110 Stat. 3663), is modified to authorize the Secretary to expand the boundaries of the project to include bank stabilization for a 1,000-foot portion of the San Lorenzo River.

SEC. 308. TERMINUS DAM, KAWEAH RIVER, CALIFORNIA.

(a) TRANSFER OF TITLE TO ADDITIONAL LAND.—If the non-Federal interests for the project for flood control and water supply, Terminus Dam, Kaweah River, California, authorized by section 101(b)(5) of the Water Resources Development Act of 1996 (110 Stat. 3667), transfers to the Secretary without consideration title to perimeter lands acquired for the project by the non-Federal interests, the Secretary may accept the transfer of such title.

(b) LANDS, EASEMENT, AND RIGHTS-OF-WAY.—Nothing in this section shall be construed to change, modify, or otherwise affect the responsibility of the non-Federal interests to provide lands, easements, rights-of-way, relocations, and dredged material disposal areas necessary for the Terminus Dam project and to perform operation and maintenance for the project.

(c) OPERATION AND MAINTENANCE.—Upon request by the non-Federal interests, the Secretary shall carry out operation, maintenance, repair, replacement, and rehabilitation of the project if the non-Federal interests enter into a binding agreement with the Secretary to reimburse the Secretary for 100 percent of the costs of such operation, maintenance, repair, replacement, and rehabilitation.

(d) HOLD HARMLESS.—The non-Federal interests shall hold the United States harmless for ownership, operation, and maintenance of lands and facilities of the Terminus Dam project title to which is transferred to the Secretary under this section.

SEC. 309. DELAWARE RIVER MAINSTEM AND CHANNEL DEEPENING, DELAWARE, NEW JERSEY, AND PENNSYLVANIA.

The project for navigation, Delaware River Mainstem and Channel Deepening, Delaware,

New Jersey and Pennsylvania, authorized by section 101(6) of the Water Resources Development Act of 1992 (106 Stat. 4802), is modified as follows:

(1) The Secretary is authorized to provide non-Federal interests credit toward cash contributions required for construction and subsequent to construction for engineering and design and construction management work that is performed by non-Federal interests and that the Secretary determines is necessary to implement the project. Any such credits extended shall reduce the Philadelphia District's private sector performance goals for engineering work by a like amount.

(2) The Secretary is authorized to provide to non-Federal interests credit toward cash contributions required during construction and subsequent to construction for the costs of construction carried out by the non-Federal interest on behalf of the Secretary and that the Secretary determines is necessary to implement the project.

(3) The Secretary is authorized to enter into an agreement with a non-Federal interest for the payment of disposal or tipping fees for dredged material from a Federal project other than for the construction or operation and maintenance of the new deepening project as described in the Limited Reevaluation Report of May 1997, where the non-Federal interest has supplied the corresponding disposal capacity.

(4) The Secretary is authorized to enter into an agreement with a non-Federal interest that will provide that the non-Federal interest may carry out or cause to have carried out, on behalf of the Secretary, a disposal area management program for dredged material disposal areas necessary to construct, operate, and maintain the project and to authorize the Secretary to reimburse the non-Federal interest for the costs of the disposal area management program activities carried out by the non-Federal interest.

SEC. 310. POTOMAC RIVER, WASHINGTON, DISTRICT OF COLUMBIA.

The project for flood control, Potomac River, Washington, District of Columbia, authorized by section 5 of the Flood Control Act of June 22, 1936 (69 Stat. 1574), and modified by section 301(a)(4) of the Water Resources Development Act of 1996 (110 Stat. 3707), is further modified to authorize the Secretary to construct the project at a Federal cost of $6,129,000.

SEC. 311. BREVARD COUNTY, FLORIDA.

(a) STUDY.—The Secretary, in cooperation with the non-Federal interest, shall conduct a study of any damage to the project for shoreline protection, Brevard County, Florida, authorized by section 101(b)(7) of the Water Resources Development Act of 1996 (110 Stat. 3667), to determine whether the damage is the result of a Federal navigation project.

(b) CONDITIONS.—In conducting the study, the Secretary shall utilize the services of an independent coastal expert who shall consider all relevant studies completed by the Corps of Engineers and the project's local sponsor. The study shall be completed within 120 days of the date of the enactment of this Act.

(c) MITIGATION OF DAMAGES.—After completion of the study, the Secretary shall mitigate any damage to the shoreline protection project that is the result of a Federal navigation project. The costs of the mitigation shall be allocated to the Federal navigation project as operation and maintenance.

SEC. 312. BROWARD COUNTY AND HILLSBORO INLET, FLORIDA.

The project for shoreline protection, Broward County and Hillsboro Inlet, Florida, authorized by section 301 of the River and Harbor Act of 1965 (79 Stat. 1090), is modified to authorize the Secretary to reimburse the non-Federal interest for the Federal share of the cost of preconstruction planning and design for the project upon execution of a contract to construct the project if the Secretary determines such work is compatible with and integral to the project.

SEC. 313. FORT PIERCE, FLORIDA.

(a) IN GENERAL.—The project for shore protection and harbor mitigation, Fort Pierce, Florida, authorized by section 301 of the River and Harbor Act of 1965 (79 Stat. 1092) and section 506(a)(2) of the Water Resources Development Act of 1996 (110 Stat. 3757), is modified to incorporate an additional 1 mile into the project in accordance with a final approved General Reevaluation Report, at a total cost for initial nourishment for the entire project of $9,128,000, with an estimated Federal cost of $7,073,500 and an estimated non-Federal cost of $2,054,500.

(b) PERIOD NOURISHMENT.—Periodic nourishment is authorized for the project in accordance with section 506(a)(2) of Water Resources Development Act of 1996 (110 Stat. 3757).

(c) REVISION OF THE PROJECT COOPERATION AGREEMENT.—The Secretary shall revise the project cooperation agreement for the project referred to in subsection (a) to take into account the change in Federal participation in the project pursuant to subsection (a).

SEC. 314. NASSAU COUNTY, FLORIDA.

The project for beach erosion control, Nassau County (Amelia Island), Florida, authorized by section 3(a)(3) of the Water Resources Development Act of 1988 (102 Stat. 4013), is modified to authorize the Secretary to construct the project at a total cost of $17,000,000, with an estimated Federal cost of $13,300,000 and an estimated non-Federal cost of $3,700,000.

SEC. 315. MIAMI HARBOR CHANNEL, FLORIDA.

The project for navigation, Miami Harbor Channel, Florida, authorized by section 101(a)(9) of the Water Resources Development Act of 1990 (104 Stat. 4606), is modified to include construction of artificial reefs and related environmental mitigation required by Federal, State, and local environmental permitting agencies for the project.

SEC. 316. LAKE MICHIGAN, ILLINOIS.

The project for storm damage reduction and shoreline erosion protection, Lake Michigan, Illinois, from Wilmette, Illinois, to the Illinois-Indiana State line, authorized by section 101(a)(12) of the Water Resources Development Act of 1996 (110 Stat. 3664), is modified to authorize the Secretary to provide a credit against the non-Federal share of the cost of the project for costs incurred by the non-Federal interest—

(1) in constructing Reach 2D and Segment 8 of Reach 4 of the project; and

(2) in reconstructing Solidarity Drive in Chicago, Illinois, prior to entry into a project cooperation agreement with the Secretary.

SEC. 317. SPRINGFIELD, ILLINOIS.

Section 417 of the Water Resources Development Act of 1996 (110 Stat. 3743) is amended—

(1) by inserting ''(a) IN GENERAL.—'' before ''The Secretary''; and

(2) by adding at the end the following:

''(b) COST SHARING.—The non-Federal share of assistance provided under this section before, on, or after the date of the enactment of this subsection shall be 50 percent.''.

SEC. 318. LITTLE CALUMET RIVER, INDIANA.

The project for flood control, Little Calumet River, Indiana, authorized by section 401(a) of the Water Resources Development Act of 1986 (100 Stat. 4115), is modified to authorize the Secretary to construct the project substantially in accordance with the report of the Corps of Engineers, at a total cost of $167,000,000, with an estimated Federal cost of $122,000,000 and an estimated non-Federal cost of $45,000,000.

SEC. 319. OGDEN DUNES, INDIANA.

(a) STUDY.—The Secretary shall conduct a study of beach erosion in and around the town of Ogden Dunes, Indiana, to determine whether the damage is the result of a Federal navigation project.

(b) MITIGATION OF DAMAGES.—After completion of the study, the Secretary shall mitigate any damage to the beach and shoreline that is the result of a Federal navigation project. The cost of the mitigation shall be allocated to the Federal navigation project as operation and maintenance.

SEC. 320. SAINT JOSEPH RIVER, SOUTH BEND, INDIANA.

(a) MAXIMUM TOTAL EXPENDITURE.—The maximum total expenditure for the project for streambank erosion, recreation, and pedestrian access features, Saint Joseph River, South Bend, Indiana, shall be $7,800,000.

(b) REVISION OF PROJECT COOPERATION AGREEMENT.—The Secretary shall revise the project cooperation agreement for the project referred to in subsection (a) to take into account the change in the Federal participation in such project pursuant to subsection (a).

(c) COST SHARING.—Nothing in this section shall be construed to affect any cost-sharing requirement applicable to the project referred to in subsection (a) under title I of the Water Resources Development Act of 1986 (33 U.S.C. 2211 et seq.).

SEC. 321. WHITE RIVER, INDIANA.

The project for flood control, Indianapolis on West Fork of the White River, Indiana, authorized by section 5 of the Act entitled ''An Act authorizing the construction of certain public works on rivers and harbors for flood control, and other purposes'', approved June 22, 1936 (49 Stat. 1586), and modified by section 323 of the Water Resources Development Act of 1996 (110 Stat. 3716), is further modified to authorize the Secretary to undertake riverfront alterations as described in the Central Indianapolis Waterfront Concept Master Plan, dated February 1994, at a total cost of $110,975,000, with an estimated Federal cost of $52,475,000 and an estimated non-Federal cost of $58,500,000.

SEC. 322. LAKE PONTCHARTRAIN, LOUISIANA.

The project for hurricane-flood protection, Lake Pontchartrain, Louisiana, authorized by section 204 of the Flood Control Act of 1965 (79 Stat. 1077), is modified—

(1) to direct the Secretary to conduct a study to determine the feasibility of constructing a pump adjacent to each of the 4 proposed drainage structures for the Saint Charles Parish feature of the project; and

(2) to authorize the Secretary to construct such pumps upon completion of the study.

SEC. 323. LAROSE TO GOLDEN MEADOW, LOUISIANA.

The project for hurricane protection Larose to Golden Meadow, Louisiana, authorized by section 204 of the Flood Control Act of 1965 (79 Stat. 1077), is modified to direct the Secretary to convert the Golden Meadow floodgate into a navigation lock if the Secretary determines that the conversion is feasible.

SEC. 324. LOUISIANA STATE PENITENTIARY LEVEE, LOUISIANA.

The Louisiana State Penitentiary Levee project, Louisiana, authorized by section 401(a) of the Water Resources Development Act of 1986 (100 Stat. 4117), is modified to direct the Secretary to provide credit to the non-Federal interest toward the non-Federal share of the cost of the project. The credit shall be for cost of work performed by the non-Federal interest prior to the execution of a project cooperation agreement as determined by the Secretary to be compatible with and an integral part of the project.

SEC. 325. TWELVE-MILE BAYOU, CADDO PARISH, LOUISIANA.

The Secretary shall be responsible for maintenance of the levee along Twelve-Mile Bayou from its junction with the existing Red River Below Denison Dam Levee approximately 26 miles upstream to its terminus at high ground in the vicinity of Black Bayou, Caddo Parish, Louisiana, if the Secretary determines that such maintenance is economically justified and environmentally acceptable and that the levee was constructed in accordance with appropriate design and engineering standards.

SEC. 326. WEST BANK OF THE MISSISSIPPI RIVER (EAST OF HARVEY CANAL), LOUISIANA.

(a) IN GENERAL.—The project for flood control and storm damage reduction, West Bank of the Mississippi River (East of Harvey Canal), Louisiana, authorized by section 401(b) of the Water Resources Development Act of 1986 (100 Stat. 4128) and section 101(a)(17) of the Water Resources Development Act of 1996 (110 Stat. 3665), is modified—

(1) to provide that any liability under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601 et seq.) from the construction of the project is a Federal responsibility; and

(2) to authorize the Secretary to carry out operation and maintenance of that portion of the project included in the report of the Chief of Engineers, dated May 1, 1995, referred to as ''Algiers Channel'', if the non-Federal sponsor reimburses the Secretary for the amount of such operation and maintenance included in the report of the Chief of Engineers.

(b) COMBINATION OF PROJECTS.—The Secretary shall carry out work authorized as part of the Westwego to Harvey Canal project, the East of Harvey Canal project, and the Lake Cataouatche modifications as a single project, to be known as the West Bank and vicinity, New Orleans, Louisiana, hurricane protection project, with a combined total cost of $280,300,000.

SEC. 327. TOLCHESTER CHANNEL, BALTIMORE HARBOR AND CHANNELS, CHESAPEAKE BAY, KENT COUNTY, MARYLAND.

The project for navigation, Tolchester Channel, Baltimore Harbor and Channels, Chesapeake Bay, Kent County, Maryland, authorized by section 101 of the River and Harbor Act of 1958 (72 Stat. 297), is modified to authorize the Secretary to straighten the navigation channel in accordance with the District Engineer's Navigation Assessment Report and Environmental Assessment, dated April 30, 1997. This modification shall be carried out in order to improve navigation safety.

SEC. 328. SAULT SAINTE MARIE, CHIPPEWA COUNTY, MICHIGAN.

The project for navigation Sault Sainte Marie, Chippewa County, Michigan, authorized by section 1149 of the Water Resources Development Act of 1986 (100 Stat. 4254–4255) and modified by section 330 of the Water Resources Development Act of 1996 (110 Stat. 3717–3718), is further modified to provide that the amount to be paid by non-Federal interests pursuant to section 101(a) of the Water Resources Development Act of 1986 (33 U.S.C. 2211(a)) and subsection (a) of such section 330 shall not include any interest payments.

SEC. 329. JACKSON COUNTY, MISSISSIPPI.

The project for environmental infrastructure, Jackson County, Mississippi, authorized by section 219(c)(5) of the Water Resources Development Act of 1992 (106 Stat. 4835) and modified by section 504 of the Water Resources Development Act of 1996 (110 Stat. 3757), is further modified to direct the Secretary to provide a credit, not to exceed $5,000,000, against the non-Federal share of the cost of the project for the costs incurred by the Jackson County Board of Supervisors since February 8, 1994, in constructing the project if the Secretary determines that such costs are for work that the Secretary determines is compatible with and integral to the project.

SEC. 330. TUNICA LAKE, MISSISSIPPI.

The project for flood control, Mississippi River Channel Improvement Project, Tunica Lake, Mississippi, authorized by the Act entitled: ''An Act for the control of floods on the Mississippi River and its tributaries, and for other purposes'', approved May 15, 1928 (45 Stat. 534–538), is modified to include construction of a weir at the Tunica Cutoff, Mississippi.

SEC. 331. BOIS BRULE DRAINAGE AND LEVEE DISTRICT, MISSOURI.

(a) MAXIMUM FEDERAL EXPENDITURE.—The maximum amount of Federal funds that may be allocated for the project for flood control, Bois Brule Drainage and Levee District, Missouri, authorized pursuant to section 205 of the Flood Control Act of 1948 (33 U.S.C. 701s), shall be $15,000,000.

(b) REVISION OF THE PROJECT COOPERATION AGREEMENT.—The Secretary shall revise the project cooperation agreement for the project referred to in subsection (a) to take into account the change in Federal participation in the project pursuant to subsection (a).

(c) COST SHARING.—Nothing in this section shall be construed to affect any cost-sharing requirement applicable to the project referred to in subsection (a) under title I of the Water Resources Development Act of 1986 (33 U.S.C. 2211 et seq.).

SEC. 332. MERAMEC RIVER BASIN, VALLEY PARK LEVEE, MISSOURI.

The project for flood control, Meramec River Basin, Valley Park Levee, Missouri, authorized by section 2(h) of an Act entitled ''An Act to deauthorize several projects within the jurisdiction of the Army Corps of Engineers'' (95 Stat. 1682–1683) and modified by section 1128 of the Water Resources Development Act of 1986, (100 Stat. 4246), is further modified to authorize the Secretary to construct the project at a maximum Federal expenditure of $35,000,000.

SEC. 333. MISSOURI RIVER MITIGATION PROJECT, MISSOURI, KANSAS, IOWA, AND NEBRASKA.

(a) IN GENERAL.—The project for mitigation of fish and wildlife losses, Missouri River Bank Stabilization and Navigation Project, Missouri, Kansas, Iowa, and Nebraska, authorized by section 601 of the Water Resources Development Act of 1986 (100 Stat. 4143), is modified to increase by 118,650 acres the lands and interests in lands to be acquired for the project.

(b) STUDY.—

(1) IN GENERAL.—The Secretary, in conjunction with the States of Nebraska, Iowa, Kansas, and Missouri, shall conduct a study to determine the cost of restoring, under the authority of the Missouri River fish and wildlife mitigation project, a total of 118,650 acres of lost Missouri River habitat.

(2) REPORT.—The Secretary shall report to Congress on the results of the study not later than 6 months after the date of the enactment of this Act.

SEC. 334. WOOD RIVER, GRAND ISLAND, NEBRASKA.

The project for flood control, Wood River, Grand Island, Nebraska, authorized by section 101(a)(19) of the Water Resources Development Act of 1996 (110 Stat. 3665), is modified to authorize the Secretary to construct the project substantially in accordance with the report of the Corps of Engineers dated June 29, 1998, at a total cost of $17,039,000, with an estimated Federal cost of $9,730,000 and an estimated non-Federal cost of $7,309,000.

SEC. 335. ABSECON ISLAND, NEW JERSEY.

The project for storm damage reduction and shoreline protection, Brigantine Inlet to Great Egg Harbor Inlet, Absecon Island, New Jersey, authorized by section 101(b)(13) of the Water Resources Development Act of 1996 (110 Stat. 3668), is modified to provide that, if, after October 12, 1996, the non-Federal interests carry out any work associated with the project that is later recommended by the Chief of Engineers and approved by the Secretary, the Secretary may credit the non-Federal interests toward the non-Federal share of the cost of the project an amount equal to the Federal share of the cost of such work, without interest.

SEC. 336. NEW YORK HARBOR AND ADJACENT CHANNELS, PORT JERSEY, NEW JERSEY

The project for navigation, New York Harbor and Adjacent Channels, New York and New Jersey, authorized by section 202(b) of the Water Resources Development Act of 1986 (100 Stat. 4098), is modified to authorize the Secretary to construct that portion of the project that is located between Military Ocean Terminal Bayonne and Global Terminal in Bayonne, New Jersey, substantially in accordance with the report of the Corps of Engineers, at a total cost of $103,267,000, with an estimated Federal cost of $76,909,000 and an estimated non-Federal cost of $26,358,000.

SEC. 337. PASSAIC RIVER, NEW JERSEY.

Section 101(a)(18)(B) of the Water Resources Development Act of 1990 (104 Stat. 4608–4609) is amended by inserting '', including an esplanade for safe pedestrian access with an overall width of 600 feet'' after ''public access to Route 21''.

SEC. 338. SANDY HOOK TO BARNEGAT INLET, NEW JERSEY.

The project for shoreline protection, Sandy Hook to Barnegat Inlet, New Jersey, authorized by section 101 of the River and Harbor Act of 1958 (72 Stat. 299), is modified—

(1) to include the demolition of Long Branch pier and extension of Ocean Grove pier; and

(2) to authorize the Secretary to reimburse the non-Federal sponsor for the Federal share of costs associated with the demolition of Long Branch pier and the construction of the Ocean Grove pier.

SEC. 339. ARTHUR KILL, NEW YORK AND NEW JERSEY.

The project for navigation, Arthur Kill, New York and New Jersey, authorized by section 202(b) of the Water Resources Development Act of 1986 (100 Stat. 4098) and modified by section 301(b)(11) of the Water Resources Development Act of 1996 (110 Stat. 3711), is further modified to authorize the Secretary to construct the portion of the project at Howland Hook Marine Terminal substantially in accordance with the report of the Corps of Engineers, dated September 30, 1998, at a total cost of $315,700,000, with an estimated Federal cost of $183,200,000 and an estimated non-Federal cost of $132,500,000.

SEC. 340. NEW YORK CITY WATERSHED.

Section 552(i) of the Water Resources Development Act of 1996 (110 Stat. 3781) is amended by striking ''$22,500,000'' and inserting ''$42,500,000''.

SEC. 341. NEW YORK STATE CANAL SYSTEM.

Section 553(e) of the Water Resources Development Act of 1996 (110 Stat. 3781) is amended by striking ''$8,000,000'' and inserting ''$18,000,000''.

SEC. 342. FIRE ISLAND INLET TO MONTAUK POINT, NEW YORK.

The project for combined beach erosion control and hurricane protection, Fire Island Inlet to Montauk Point, Long Island, New York, authorized by the River and Harbor Act of 1960 (74 Stat. 483) and modified by the River and Harbor Act of 1962, the Water Resources Development Act of 1974, and the Water Resources Development Act of 1986, is further modified to direct the Secretary, in coordination with the heads of other Federal departments and agencies, to complete all procedures and reviews expeditiously and to adopt and transmit to Congress not later than June 30, 1999, a mutually acceptable shore erosion plan for the Fire Island Inlet to Moriches Inlet reach of the project.

SEC. 343. BROKEN BOW LAKE, RED RIVER BASIN, OKLAHOMA.

The project for flood control and water supply, Broken Bow Lake, Red River Basin, Oklahoma, authorized by section 203 of the Flood Control Act of 1958 (72 Stat. 309) and modified by section 203 of the Flood Control Act of 1962 (76 Stat. 1187), section 102(v) of the Water Resources Development Act of 1992 (106 Stat. 4808), and section 338 of the Water Resources Development Act of 1996 (110 Stat. 3720), is further modified to require the Secretary to make seasonal adjustments to the top of the conservation pool

at the project as follows (if the Secretary determines that the adjustments will be undertaken at no cost to the United States and will adequately protect impacted water and related resources):

(1) Maintain an elevation of 599.5 from November 1 through March 31.

(2) Increase elevation gradually from 599.5 to 602.5 during April and May.

(3) Maintain an elevation of 602.5 from June 1 to September 30.

(4) Decrease elevation gradually from 602.5 to 599.5 during October.

SEC. 344. WILLAMETTE RIVER TEMPERATURE CONTROL, MCKENZIE SUBBASIN, OREGON.

(a) IN GENERAL.—The project for environmental restoration, Willamette River Temperature Control, McKenzie Subbasin, Oregon, authorized by section 101(a)(25) of the Water Resources Development Act of 1996 (110 Stat. 3665), is modified to authorize the Secretary to construct the project substantially in accordance with the Feature Memorandum dated July 31, 1998, at a total cost of $64,741,000.

(b) REPORT.—Not later than 90 days after the date of the enactment of this Act, the Secretary shall report to Congress on the reasons for the cost growth of the Willamette River project and outline the steps the Corps of Engineers is taking to control project costs, including the application of value engineering and other appropriate measures. In the report, the Secretary shall also include a cost estimate for, and recommendations on the advisability of, adding fish screens to the project.

SEC. 345. AYLESWORTH CREEK RESERVOIR, PENNSYLVANIA.

The project for flood control, Aylesworth Creek Reservoir, Pennsylvania, authorized by section 203 of the Flood Control Act of 1962 (76 Stat. 1182), is modified to authorize the Secretary to transfer, in each of fiscal years 1999 and 2000, $50,000 to the Aylesworth Creek Reservoir Park Authority for recreational facilities.

SEC. 346. CURWENSVILLE LAKE, PENNSYLVANIA.

Section 562 of the Water Resources Development Act of 1996 (110 Stat. 3784) is amended by adding at the end the following: ''The Secretary shall provide design and construction assistance for recreational facilities at Curwensville Lake and, when appropriate, may require the non-Federal interest to provide not more than 25 percent of the cost of designing and constructing such facilities. The Secretary may transfer, in each of fiscal years 1999 through 2003, $100,000 to the Clearfield County Municipal Services and Recreation Authority for recreational facilities.''.

SEC. 347. DELAWARE RIVER, PENNSYLVANIA AND DELAWARE.

The project for navigation, Delaware River, Philadelphia to Wilmington, Pennsylvania and Delaware, authorized by section 3(a)(12) of the Water Resources Development Act of 1988 (102 Stat. 4014), is modified to authorize the Secretary to extend the channel of the Delaware River at Camden, New Jersey, to within 150 feet of the existing bulkhead and to relocate the 40-foot deep Federal navigation channel, eastward within Philadelphia Harbor, from the Ben Franklin Bridge to the Walt Whitman Bridge, into deep water.

SEC. 348. MUSSERS DAM, PENNSYLVANIA.

Section 209 of the Water Resources Development Act of 1992 (106 Stat. 4830) is amended by striking subsection (e) and redesignating subsection (f) as subsection (e).

SEC. 349. NINE-MILE RUN, ALLEGHENY COUNTY, PENNSYLVANIA.

The Nine-Mile Run project, Allegheny County, Pennsylvania, carried out pursuant to section 206 of the Water Resources Development Act of 1996 (33 U.S.C. 2330; 110 Stat. 3679–3680), is modified to authorize the Secretary to provide a credit toward the non-Federal share of the project for costs incurred by the non-Federal interest in preparing environmental and feasibility documentation for the project before entering into an agreement with the Corps of Engineers with respect to the project if the Secretary determines such costs are for work that is compatible with and integral to the project.

SEC. 350. RAYSTOWN LAKE, PENNSYLVANIA.

(a) RECREATION PARTNERSHIP INITIATIVE.—Section 519(b) of the Water Resources Development Act of 1996 (110 Stat. 3765) is amended—

(1) by redesignating paragraph (3) as paragraph (4); and

(2) by inserting after paragraph (2) the following:

''(3) ENGINEERING AND DESIGN SERVICES.—The Secretary may perform, at full Federal expense, engineering and design services for project infrastructure expected to be associated with the development of the site at Raystown Lake, Hesston, Pennsylvania.''.

(b) CONSTRUCTION ASSISTANCE.—

(1) IN GENERAL.—Consistent with the master plan described in section 318 of the Water Resources Development Act of 1992 (106 Stat. 4848), the Secretary may provide a grant to Juniata College for the construction of facilities and structures at Raystown Lake, Pennsylvania, to interpret and understand environmental conditions and trends. As a condition of the receipt of such financial assistance, officials at Juniata College shall coordinate with the Baltimore District of the Army Corps of Engineers.

(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $5,000,000 for fiscal years beginning after September 30, 1998, to carry out this subsection.

SEC. 351. SOUTH CENTRAL PENNSYLVANIA.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 313(g)(1) of the Water Resources Development Act of 1992 (106 Stat. 4846) is amended by striking ''$80,000,000'' and inserting ''$180,000,000''.

(b) CORPS OF ENGINEERS EXPENSES.—Section 313(g) of such Act (106 Stat. 4846) is amended by adding at the end the following:

''(4) CORPS OF ENGINEERS EXPENSES.—10 percent of the amounts appropriated to carry out this section for each of fiscal years 2000 through 2002 may be used by the Corps of Engineers district offices to administer and implement projects under this section at 100 percent Federal expense.''.

SEC. 352. COOPER RIVER, CHARLESTON HARBOR, SOUTH CAROLINA.

The project for rediversion, Cooper River, Charleston Harbor, South Carolina, authorized by section 101 of the River and Harbor Act of 1968 (82 Stat. 731) and modified by title I of the Energy and Water Development Appropriations Act, 1992 (105 Stat. 516), is further modified to authorize the Secretary to pay to the State of South Carolina not more than $3,750,000 if the Secretary and the State enter into a binding agreement for the State to perform all future operation of, including associated studies to assess the efficacy of, the St. Stephen, South Carolina, fish lift. The agreement must specify the terms and conditions under which payment will be made and the rights of, and remedies available to, the Federal Government to recover all or a portion of such payment in the event the State suspends or terminates operation of the fish lift or fails to operate the fish lift in a manner satisfactory to the Secretary. Maintenance of the fish lift shall remain a Federal responsibility.

SEC. 353. BOWIE COUNTY LEVEE, TEXAS.

The project for flood control, Red River Below Denison Dam, Texas and Oklahoma, authorized by section 10 of the Flood Control Act of 1946 (60 Stat. 647), is modified to direct the Secretary to implement the Bowie County Levee feature of the project in accordance with the plan defined as Alternative B in the draft document entitled ''Bowie County Local Flood Protection, Red River, Texas Project Design Memorandum No. 1, Bowie County Levee'', dated April 1997. In evaluating and implementing this modification, the Secretary shall allow the non-Federal interest to participate in the financing of the project in accordance with section 903(c) of the Water Resources Development Act of 1986 (100 Stat. 4184) to the extent that the Secretary's evaluation indicates that applying such section is necessary to implement the project.

SEC. 354. CLEAR CREEK, TEXAS.

Section 575 of the Water Resources Development Act of 1996 (110 Stat. 3789) is amended—

(1) in subsection (a)—

(A) by inserting ''or nonstructural (buyout) actions'' after ''flood control works constructed''; and

(B) by inserting ''or nonstructural (buyout) actions'' after ''construction of the project''; and

(2) in subsection (b)—

(A) by striking ''and'' at the end of paragraph (3);

(B) by striking the period at the end of paragraph (3) and inserting ''; and''; and

(C) by adding at the end the following:

''(4) the project for flood control, Clear Creek, Texas, authorized by section 203 of the Flood Control Act of 1968 (82 Stat. 742).''.

SEC. 355. CYPRESS CREEK, TEXAS.

(a) IN GENERAL.—The project for flood control, Cypress Creek, Texas, authorized by section 3(a)(13) of the Water Resources Development Act of 1988 (102 Stat. 4014), is modified to authorize the Secretary to carry out a nonstructural flood control project at a total cost of $5,000,000.

(b) REIMBURSEMENT FOR WORK.—The Secretary may reimburse the non-Federal interest for the Cypress Creek project for work done by the non-Federal interest on the nonstructural flood control project in an amount equal to the estimate of the Federal share, without interest, of the cost of such work—

(1) if, after authorization and before initiation of construction of such nonstructural project, the Secretary approves the plans for construction of such nonstructural project by the non-Federal interest; and

(2) if the Secretary finds, after a review of studies and design documents prepared to carry out such nonstructural project, that construction of such nonstructural project is economically justified and environmentally acceptable.

SEC. 356. DALLAS FLOODWAY EXTENSION, DALLAS, TEXAS.

The project for flood control, Dallas Floodway Extension, Dallas, Texas, authorized by section 301 of the River and Harbor Act of 1965 (79 Stat. 1091) and modified by section 351 of the Water Resources Development Act of 1996 (110 Stat. 3724), is further modified to add environmental restoration and recreation as project purposes.

SEC. 357. UPPER JORDAN RIVER, UTAH.

The project for flood control, Upper Jordan River, Utah, authorized by section 101(a)(23) of the Water Resources Development Act of 1990 (104 Stat. 4610) and modified by section 301(a)(14) of the Water Resources Development Act of 1996 (110 Stat. 3709), is further modified to direct the Secretary to carry out the locally preferred project, entitled ''Upper Jordan River Flood Control Project, Salt Lake County, Utah—Supplemental Information'' and identified in the document of Salt Lake County, Utah, dated July 30, 1998, at a total cost of $12,870,000, with an estimated Federal cost of $8,580,000 and an estimated non-Federal cost of $4,290,000.

SEC. 358. ELIZABETH RIVER, CHESAPEAKE, VIRGINIA.

Notwithstanding any other provision of law, after September 30, 1999, the City of Chesapeake, Virginia, shall not be obligated to make the annual cash contribution required under paragraph 1(9) of the Local Cooperation Agreement dated December 12, 1978, between the Government and the city for the project for navigation, southern branch of Elizabeth River, Chesapeake, Virginia.

SEC. 359. BLUESTONE LAKE, OHIO RIVER BASIN, WEST VIRGINIA.

Section 102(ff) of the Water Resources Development Act of 1992 (106 Stat. 4810) is amended by striking ''take such measures as are technologically feasible'' and inserting ''implement Plan C/G, as defined in the Evaluation Report of the District Engineer, dated December 1996,''.

SEC. 360. GREENBRIER BASIN, WEST VIRGINIA.

Section 579(c) of the Water Resources Development Act of 1996 (110 Stat. 3790) is amended by striking ''$12,000,000'' and inserting ''$73,000,000''.

SEC. 361. MOOREFIELD, WEST VIRGINIA.

Effective October 1, 1999, the project for flood control, Moorefield, West Virginia, authorized by section 101(a)(25) of the Water Resources Development Act of 1990 (104 Stat. 4610-4611), is modified to provide that the non-Federal interest shall not be required to pay the unpaid balance, including interest, of the non-Federal share of the cost of the project.

SEC. 362. WEST VIRGINIA AND PENNSYLVANIA FLOOD CONTROL.

Section 581(a) of the Water Resources Development Act of 1996 (110 Stat. 3790) is amended to read as follows:

''(a) IN GENERAL.—The Secretary may design and construct—

''(1) flood control measures in the Cheat and Tygart River basins, West Virginia, at a level of protection that is sufficient to prevent any future losses to these communities from flooding such as occurred in January 1996 but no less than a 100-year level of protection; and

''(2) structural and nonstructural flood control, streambank protection, stormwater management, and channel clearing and modification measures in the Lower Allegheny, Lower Monongahela, West Branch Susquehanna, and Juniata River basins, Pennsylvania, at a level of protection that is sufficient to prevent any future losses to communities in these basins from flooding such as occurred in January 1996, but no less than a 100-year level of flood protection with respect to those measures that incorporate levees or floodwalls.''.

SEC. 363. PROJECT REAUTHORIZATIONS.

(a) LEE CREEK, ARKANSAS AND OKLAHOMA.—The project for flood protection on Lee Creek, Arkansas and Oklahoma, authorized by section 204 of the Flood Control Act of 1965 (79 Stat. 1078) and deauthorized pursuant to section 1001(b)(1) of the Water Resources Development Act of 1986 (33 U.S.C. 579a(b)(1)), is authorized to be carried out by the Secretary.

(b) INDIAN RIVER COUNTY, FLORIDA.—The project for shore protection, Indian River County, Florida, authorized by section 501 of the Water Resources and Development Act of 1986 (100 Stat. 4134) and deauthorized pursuant to section 1001(b)(1) of the Water Resources Development Act of 1986 (33 U.S.C. 579a(b)(1)), is authorized to be carried out by the Secretary.

(c) LIDO KEY, FLORIDA.—The project for shore protection, Lido Key, Florida, authorized by section 101 of the River and Harbor Act of 1970 (84 Stat. 1819) and deauthorized pursuant to section 1001(b)(2) of the Water Resources Development Act of 1986 (33 U.S.C 579a(b)(2)), is authorized to be carried out by the Secretary.

(d) ST. AUGUSTINE, ST. JOHNS COUNTY, FLORIDA.—

(1) IN GENERAL.—The project for shore protection and storm damage reduction, St. Augustine, St. Johns County, Florida, authorized by section 501 of the Water Resources Development Act of 1986 and deauthorized pursuant to section 1001(a) of such Act (33 U.S.C. 579a(a)), is authorized to include navigation mitigation as a project purpose and to be carried out by the Secretary substantially in accordance with the General Reevaluation Report dated November 18, 1998, at a total cost of $16,086,000, with an estimated Federal cost of $12,949,000 and an estimated non-Federal cost of $3,137,000.

(2) PERIODIC NOURISHMENT.—The Secretary is authorized to carry out periodic nourishment for the project for a 50-year period at an estimated average annual cost of $1,251,000, with an estimated annual Federal cost of $1,007,000 and an estimated annual non-Federal cost of $244,000.

(e) CASS RIVER, MICHIGAN (VASSAR).—The project for flood protection, Cass River, Michigan (Vassar), authorized by section 203 of the Flood Control Act of 1958 (72 Stat. 311) and deauthorized pursuant to section 1001(b)(2) of the Water Resources Development Act of 1986 (33 U.S.C. 579a(b)(2)), is authorized to be carried out by the Secretary.

(f) SAGINAW RIVER, MICHIGAN (SHIAWASSEE FLATS).—The project for flood control, Saginaw River, Michigan (Shiawassee Flats), authorized by section 203 of the Flood Control Act of 1958 (72 Stat. 311) and deauthorized pursuant to section 1001(b)(2) of the Water Resources Development Act of 1986 (33 U.S.C. 579a(b)(2)), is authorized to be carried out by the Secretary.

(g) PARK RIVER, GRAFTON, NORTH DAKOTA.—The project for flood control, Park River, Grafton, North Dakota, authorized by section 401(a) of the Water Resources Development Act of 1986 (100 Stat. 4121) and deauthorized pursuant to section 1001(a) of such Act (33 U.S.C. 579a(a)), is authorized to be carried out by the Secretary.

(h) MEMPHIS HARBOR, MEMPHIS, TENNESSEE.—The project for navigation, Memphis Harbor, Memphis, Tennessee, authorized by section 601(a) of the Water Resources Development Act of 1986 (100 Stat. 4145) and deauthorized pursuant to 1001(a) of such Act (33 U.S.C 579a(a)), is authorized to be carried out by the Secretary.

SEC. 364. PROJECT DEAUTHORIZATIONS.

(a) IN GENERAL.—The following projects or portions of projects are not authorized after the date of the enactment of this Act:

(1) BRIDGEPORT HARBOR, CONNECTICUT.—That portion of the project for navigation, Bridgeport Harbor, Connecticut, authorized by section 101 of the River and Harbor Act of 1958 (72 Stat. 297), consisting of a 2.4-acre anchorage area, 9 feet deep, and an adjacent 0.6-acre anchorage, 6 feet deep, located on the west side of Johnsons River.

(2) CLINTON HARBOR, CONNECTICUT.—That portion of the project for navigation, Clinton Harbor, Connecticut, authorized by the Rivers and Harbors Act of 1945, House Document 240, 76th Congress, 1st Session, lying upstream of a line designated by the 2 points N158,592.12, E660,193.92 and N158,444.58, E660,220.95.

(3) BASS HARBOR, MAINE.—The following portions of the project for navigation, Bass Harbor, Maine, authorized on May 7, 1962, under section 107 of the River and Harbor Act of 1960 (33 U.S.C. 577):

(A) Beginning at a bend in the project, N149040.00, E538505.00, thence running easterly about 50.00 feet along the northern limit of the project to a point N149061.55, E538550.11, thence running southerly about 642.08 feet to a point, N14877.64, E538817.18, thence running southwesterly about 156.27 feet to a point on the westerly limit of the project, N148348.50, E538737.02, thence running northerly about 149.00 feet along the westerly limit of the project to a bend in the project, N148489.22, E538768.09, thence running northwesterly about 610.39 feet along the westerly limit of the project to the point of origin.

(B) Beginning at a point on the westerly limit of the project, N148118.55, E538689.05, thence running southeasterly about 91.92 feet to a point, N148041.43, E538739.07, thence running southerly about 65.00 feet to a point, N147977.86, E538725.51, thence running southwesterly about 91.92 feet to a point on the westerly limit of the project, N147927.84, E538648.39, thence running northerly about 195.00 feet along the westerly limit of the project to the point of origin.

(4) BOOTHBAY HARBOR, MAINE.—The project for navigation, Boothbay Harbor, Maine, authorized by the River and Harbor Act of 1912 (37 Stat. 201).

(5) BUCKSPORT HARBOR, MAINE.—That portion of the project for navigation, Bucksport Harbor, Maine, authorized by the River and Harbor Act of 1902, consisting of a 16-foot deep channel beginning at a point N268.748.16, E423.390.76, thence running north 47 degrees 02 minutes 23 seconds east 51.76 feet to a point N268.783.44, E423.428.64, thence running north 67 degrees 54 minutes 32 seconds west 1513.94 feet to a point N269.352.81, E422.025.84, thence running south 47 degrees 02 minutes 23 seconds west 126.15 feet to a point N269.266.84, E421.933.52, thence running south 70 degrees 24 minutes 28 seconds east 1546.79 feet to the point of origin.

(6) CARVERS HARBOR, VINALHAVEN, MAINE.—That portion of the project for navigation, Carvers Harbor, Vinalhaven, Maine, authorized by the Act of June 3, 1896 (commonly known as the ''River and Harbor Appropriations Act of 1896'') (29 Stat. 202, chapter 314), consisting of the 16-foot anchorage beginning at a point with coordinates N137,502.04, E895,156.83, thence running south 6 degrees 34 minutes 57.6 seconds west 277.660 feet to a point N137,226.21, E895,125.00, thence running north 53 degrees, 5 minutes 42.4 seconds west 127.746 feet to a point N137,302.92, E895022.85, thence running north 33 degrees 56 minutes 9.8 seconds east 239.999 feet to the point of origin.

(7) EAST BOOTHBAY HARBOR, MAINE.—The project for navigation, East Boothbay Harbor, Maine, authorized by the first section of the Act entitled, ''An Act making appropriations for the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes'', approved June 25, 1910 (36 Stat. 631).

(8) SEARSPORT HARBOR, SEARSPORT, MAINE.—That portion of the project for navigation, Searsport Harbor, Searsport, Maine, authorized by section 101 of the River and Harbor Act of 1962 (76 Stat. 1173), consisting of the 35-foot turning basin beginning at a point with coordinates N225,008.38, E395,464.26, thence running north 43 degrees 49 minutes 53.4 seconds east 362.001 feet to a point N225,269.52, E395,714.96, thence running south 71 degrees 27 minutes 33.0 seconds east 1,309.201 feet to a point N224,853.22, E396,956.21, thence running north 84 degrees 3 minutes 45.7 seconds west 1,499.997 feet to the point of origin.

(9) WELLS HARBOR, MAINE.—The following portions of the project for navigation, Wells Harbor, Maine, authorized by section 101 of the River and Harbor Act of 1960 (74 Stat. 480):

(A) The portion of the 6-foot channel the boundaries of which begin at a point with coordinates N177,992.00, E394,831.00, thence running south 83 degrees 58 minutes 14.8 seconds west 10.38 feet to a point N177,990.91, E394,820.68, thence running south 11 degrees 46 minutes 47.7 seconds west 991.76 feet to a point N177,020.04, E394,618.21, thence running south 78 degrees 13 minutes 45.7 seconds east 10.00 feet to a point N177,018.00, E394,628.00, thence running north 11 degrees 46 minutes 22.8 seconds east 994.93 feet to the point of origin.

(B) The portion of the 6-foot anchorage the boundaries of which begin at a point with coordinates N177,778.07, E394,336.96, thence running south 51 degrees 58 minutes 32.7 seconds west 15.49 feet to a point N177,768.53, E394,324.76, thence running south 11 degrees 46 minutes 26.5 seconds west 672.87 feet to a point N177,109.82, E394,187.46, thence running south 78 degrees 13 minutes 45.7 seconds east 10.00 feet to a point N177,107.78, E394,197.25, thence running north 11 degrees 46 minutes 25.4 seconds east 684.70 feet to the point of origin.

(C) The portion of the 10-foot settling basin the boundaries of which begin at a point with coordinates N177,107.78, E394,197.25, thence running north 78 degrees 13 minutes 45.7 seconds west 10.00 feet to a point N177,109.82, E394,187.46, thence running south 11 degrees 46 minutes 15.7 seconds west 300.00 feet to a point N176,816.13, E394,126.26, thence running south 78 degrees 12 minutes 21.4 seconds east 9.98 feet

to a point N176,814.09, E394,136.03, thence running north 11 degrees 46 minutes 29.1 seconds east 300.00 feet to the point of origin.

(D) The portion of the 10-foot settling basin the boundaries of which begin at a point with coordinates N177,018.00, E394,628.00, thence running north 78 degrees 13 minutes 45.7 seconds west 10.00 feet to a point N177,020.04, E394,618.21, thence running south 11 degrees 46 minutes 44.0 seconds west 300.00 feet to a point N176,726.36, E394,556.97, thence running south 78 degrees 12 minutes 30.3 seconds east 10.03 feet to a point N176,724.31, E394,566.79, thence running north 11 degrees 46 minutes 22.4 seconds east 300.00 feet to the point of origin.

(10) FALMOUTH HARBOR, MASSACHUSETTS.—That portion of the project for navigation, Falmouth Harbor, Massachusetts, authorized by section 101 of the River and Harbor Act of 1948 lying southeasterly of a line commencing at a point N199,286.41, E844,394.91, thence running north 66 degrees 52 minutes 3.31 seconds east 472.95 feet to a point N199,472.21, E844,829.83, thence running north 43 degrees 9 minutes 28.3 seconds east 262.64 feet to a point N199,633.80, E845,009.48, thence running north 21 degrees 40 minutes 11.26 seconds east 808.38 feet to a point N200,415.05, E845,307.98, thence running north 32 degrees 25 minutes 29.01 seconds east 160.76 feet to a point N200,550.75, E845,394.18, thence running north 24 degrees 56 minutes 42.29 seconds east 1,410.29 feet to a point N201,829.48, E845,988.97.

(11) GREEN HARBOR, MASSACHUSETTS.—That portion of the project for navigation, Green Harbor, Massachusetts, undertaken pursuant to section 107 of the River and Harbor Act of 1960 (33 U.S.C. 577), consisting of the 6-foot deep channel beginning at a point along the west limit of the existing project, North 395990.43, East 831079.16, thence running northwesterly about 752.85 feet to a point, North 396722.80, East 830904.76, thence running northwesterly about 222.79 feet to a point along the west limit of the existing project, North 396844.34, East 830718.04, thence running southwesterly about 33.72 feet along the west limit of the existing project to a point, North 396810.80, East 830714.57, thence running southeasterly about 195.42 feet along the west limit of the existing project to a point, North 396704.19, East 830878.35, thence running about 544.66 feet along the west limit of the existing project to a point, North 396174.35, East 831004.52, thence running southeasterly about 198.49 feet along the west limit of the existing project to the point of beginning.

(12) NEW BEDFORD AND FAIRHAVEN HARBOR, MASSACHUSETTS.—The following portions of the project for navigation, New Bedford and Fairhaven Harbor, Massachusetts:

(A) A portion of the 25-foot spur channel leading to the west of Fish Island, authorized by the River and Harbor Act of 3 March 1909, beginning at a point with coordinates N232,173.77, E758,791.32, thence running south 27 degrees 36 minutes 52.8 seconds west 38.2 feet to a point N232,139.91, E758,773.61, thence running south 87 degrees 35 minutes 31.6 seconds west 196.84 feet to a point N232,131.64, E758,576.94, thence running north 47 degrees 47 minutes 48.4 seconds west 502.72 feet to a point N232,469.35, E758,204.54, thence running north 10 degrees 10 minutes 20.3 seconds west 438.88 feet to a point N232,901.33, E758,127.03, thence running north 79 degrees 49 minutes 43.1 seconds east 121.69 feet to a point N232,922.82, E758,246.81, thence running south 04 degrees 29 minutes 17.6 seconds east 52.52 feet to a point N232,870.46, E758,250.92, thence running south 23 degrees 56 minutes 11.2 seconds east 49.15 feet to a point N323,825.54, E758,270.86, thence running south 79 degrees 49 minutes 27.0 seconds west 88.19 feet to a point N232,809.96, E758,184.06, thence running south 10 degrees 10 minutes 25.7 seconds east 314.83 feet to a point N232,500.08, E758,239.67, thence running south 56 degrees 33 minutes 56.1 seconds east 583.07 feet to a point N232,178.82, E758,726.25, thence running south 85 degrees 33 minutes 16.0 seconds east to the point of origin.

(B) A portion of the 30-foot west maneuvering basin, authorized by the River and Harbor Act of 3 July 1930, beginning at a point with coordinates N232,139.91, E758,773.61, thence running north 81 degrees 49 minutes 30.1 seconds east 160.76 feet to a point N232,162.77, E758.932.74, thence running north 85 degrees 33 minutes 16.0 seconds west 141.85 feet to a point N232,173.77, E758,791.32, thence running south 27 degrees 36 minutes 52.8 seconds west to the point of origin.

(b) ANCHORAGE AREA, CLINTON HARBOR, CONNECTICUT.—That portion of the Clinton Harbor, Connecticut, navigation project referred to in subsection (a)(2) beginning at a point beginning: N158,444.58, E660,220.95, thence running north 79 degrees 37 minutes 14 seconds east 833.31 feet to a point N158,594.72, E661,040.67, thence running south 80 degrees 51 minutes 53 seconds east 181.21 feet to a point N158,565.95, E661,219.58, thence running north 57 degrees 38 minutes 04 seconds west 126.02 feet to a point N158,633.41, E660,113.14, thence running south 79 degrees 37 minutes 14 seconds west 911.61 feet to a point N158,469.17, E660,216.44, thence running south 10 degrees 22 minutes 46 seconds east 25 feet returning to a point N158,444.58, E660,220.95 is redesignated as an anchorage area.

(c) WELLS HARBOR, MAINE.—

(1) PROJECT MODIFICATION.—The Wells Harbor, Maine, navigation project referred to in subsection (a)(9) is modified to authorize the Secretary to realign the channel and anchorage areas based on a harbor design capacity of 150 craft.

(2) REDESIGNATIONS.—

(A) 6-FOOT ANCHORAGE.—The following portions of the Wells Harbor, Maine, navigation project referred to in subsection (a)(9) shall be redesignated as part of the 6-foot anchorage:

(i) The portion of the 6-foot channel the boundaries of which begin at a point with coordinates N177,990.91, E394,820.68, thence running south 83 degrees 58 minutes 40.8 seconds west 94.65 feet to a point N177,980.98, E394,726.55, thence running south 11 degrees 46 minutes 22.4 seconds west 962.83 feet to a point N177,038.40, E394,530.10, thence running south 78 degrees 13 minutes 45.7 seconds east 90.00 feet to a point N177,020.04, E394,618.21, thence running north 11 degrees 46 minutes 47.7 seconds east 991.76 feet to the point of origin.

(ii) The portion of the 10-foot inner harbor settling basin the boundaries of which begin at a point with coordinates N177,020.04, E394,618.21, thence running north 78 degrees 13 minutes 30.5 seconds west 160.00 feet to a point N177,052.69, E394,461.58, thence running south 11 degrees 46 minutes 45.4 seconds west 299.99 feet to a point N176,759.02, E394,400.34, thence running south 78 degrees 13 minutes 17.9 seconds east 160 feet to a point N176,726.36, E394,556.97, thence running north 11 degrees 46 minutes 44.0 seconds east 300.00 feet to the point of origin.

(B) 6-FOOT CHANNEL.—The following portion of the Wells Harbor, Maine, navigation project referred to in subsection (a)(9) shall be redesignated as part of the 6-foot channel: the portion of the 6-foot anchorage the boundaries of which begin at a point with coordinates N178,102.26, E394,751.83, thence running south 51 degrees 59 minutes 42.1 seconds west 526.51 feet to a point N177,778.07, E394,336.96, thence running south 11 degrees 46 minutes 26.6 seconds west 511.83 feet to a point N177,277.01, E394,232.52, thence running south 78 degrees 13 minutes 17.9 seconds east 80.00 feet to a point N177,260.68, E394,310.84, thence running north 11 degrees 46 minutes 24.8 seconds east 482.54 feet to a point N177,733.07, E394,409.30, thence running north 51 degrees 59 minutes 41.0 seconds east 402.63 feet to a point N177,980.98, E394,726.55, thence running north 11 degrees 46 minutes 27.6 seconds east 123.89 feet to the point of origin.

(3) REALIGNMENT.—The 6-foot anchorage area described in paragraph (2)(B) shall be realigned to include the area located south of the inner harbor settling basin in existence on the date of the enactment of this Act beginning at a point with coordinates N176,726.36, E394,556.97, thence running north 78 degrees 13 minutes 17.9 seconds west 160.00 feet to a point N176,759.02, E394,400.34, thence running south 11 degrees 47 minutes 03.8 seconds west 45 feet to a point N176,714.97, E394,391.15, thence running south 78 degrees 13 minutes 17.9 seconds 160.00 feet to a point N176,682.31, E394,547.78, thence running north 11 degrees 47 minutes 03.8 seconds east 45 feet to the point of origin.

(4) RELOCATION.—The Secretary may relocate the settling basin feature of the Wells Harbor, Maine, navigation project referred to in subsection (a)(9) to the outer harbor between the jetties.

(5) ADDITIONAL ACTIONS.—In carrying out the operation and the maintenance of the Wells Harbor, Maine, navigation project referred to in subsection (a)(9), the Secretary shall undertake each of the actions of the Corps of Engineers specified in section IV(B) of the memorandum of agreement relating to the project dated January 20, 1998, including those actions specified in such section IV(B) that the parties agreed to ask the Corps of Engineers to undertake.

(d) ANCHORAGE AREA, GREEN HARBOR, MASSACHUSETTS.—The portion of the Green Harbor, Massachusetts, navigation project referred to in subsection (a)(11) consisting of a 6-foot deep channel that lies northerly of a line whose coordinates are North 394825.00, East 831660.00 and North 394779.28, East 831570.64 is redesignated as an anchorage area.

SEC. 365. AMERICAN AND SACRAMENTO RIVERS, CALIFORNIA.

(a) IN GENERAL.—The project for flood damage reduction, American and Sacramento Rivers, California, authorized by section 101(a)(1) of the Water Resources Development Act of 1996 (110 Stat. 3662–3663), is modified to direct the Secretary to include the following improvements as part of the overall project:

(1) Raising the left bank of the non-Federal levee upstream of the Mayhew Drain for a distance of 4,500 feet by an average of 2.5 feet.

(2) Raising the right bank of the American River levee from 1,500 feet upstream to 4,000 feet downstream of the Howe Avenue bridge by an average of 1 feet.

(3) Modifying the south levee of the Natomas Cross Canal for a distance of 5 miles to ensure that the south levee is consistent with the level of protection provided by the authorized levee along the east bank of the Sacramento River.

(4) Modifying the north levee of the Natomas Cross Canal for a distance of 5 miles to ensure that the height of the levee is equivalent to the height of the south levee as authorized by paragraph (3).

(5) Installing gates to the existing Mayhew Drain culvert and pumps to prevent backup of floodwater on the Folsom Boulevard side of the gates.

(6) Installation of a slurry wall in the north levee of the American River from the east levee of the Natomas east Main Drain upstream for a distance of approximately 1.2 miles.

(7) Installation of a slurry wall in the north levee of the American River from 300 feet west of Jacob Lane north for a distance of approximately 1 mile to the end of the existing levee.

(b) COST LIMITATIONS.—Section 101(a)(1)(A) of the Water Resources Development Act of 1996 (110 Stat. 3662) is amended by striking ''at a total cost of'' and all that follows through ''$14,225,000,'' and inserting the following: ''at a total cost of $91,900,000, with an estimated Federal cost of $68,925,000 and an estimated non-Federal cost of $22,975,000,''.

(c) COST SHARING.—For purposes of section 103 of the Water Resources Development Act of 1986 (33 U.S.C. 2213), the modifications authorized by this section shall be subject to the same cost sharing in effect for the project for flood damage reduction, American and Sacramento

Rivers, California, authorized by section 101(a)(1) of the Water Resources Development Act of 1996 (110 Stat. 3662).

SEC. 366. MARTIN, KENTUCKY.

The project for flood control, Martin, Kentucky, authorized by section 202(a) of the Energy and Water Development Appropriations Act, 1981 (94 Stat. 1339) is modified to authorize the Secretary to take all necessary measures to prevent future losses that would occur from a flood equal in magnitude to a 100-year frequency event.

SEC. 367. SOUTHERN WEST VIRGINIA PILOT PROGRAM.

Section 340(g) of the Water Resources Development Act of 1992 (106 Stat. 4856) is amended to read as follows:

''(g) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out the pilot program under this section $40,000,000 for fiscal years beginning after September 30, 1992. Such sums shall remain available until expended.''.

SEC. 368. BLACK WARRIOR AND TOMBIGBEE RIVERS, JACKSON, ALABAMA.

The project for navigation, Black Warrior and Tombigbee Rivers, vicinity of Jackson, Alabama, as authorized by section 106 of the Energy and Water Development Appropriations Act, 1987 (100 Stat. 3341–199), is modified to authorize the Secretary to acquire lands for mitigation of the habitat losses attributable to the project, including the navigation channel, dredged material disposal areas, and other areas directly impacted by construction of the project. Notwithstanding section 906 of the Water Resources Development Act of 1986 (33 U.S.C. 2283), the Secretary may construct the project prior to acquisition of the mitigation lands if the Secretary takes such actions as may be necessary to ensure that any required mitigation lands will be acquired not later than 2 years after initiation of construction of the new channel and such acquisition will fully mitigate any adverse environmental impacts resulting from the project.

SEC. 369. TROPICANA WASH AND FLAMINGO WASH, NEVADA.

Any Federal costs associated with the Tropicana and Flamingo Washes, Nevada, authorized by section 101(13) of the Water Resources Development Act of 1992 (106 Stat. 4803), incurred by the non-Federal interest to accelerate or modify construction of the project, in cooperation with the Corps of Engineers, shall be considered to be eligible for reimbursement by the Secretary.

SEC. 370. COMITE RIVER, LOUISIANA.

The Comite River Diversion Project for flood control, authorized as part of the project for flood control, Amite River and Tributaries, Louisiana, by section 101(11) of the Water Resources Development Act of 1992 (106 Stat. 4802–4803) and modified by section 301(b)(5) of the Water Resources Development Act of 1996 (110 Stat. 3709–3710), is further modified to authorize the Secretary to include the costs of highway relocations to be cost shared as a project construction feature if the Secretary determines that such treatment of costs is necessary to facilitate construction of the project.

SEC. 371. ST. MARY'S RIVER, MICHIGAN.

The project for navigation, St. Mary's River, Michigan, is modified to direct the Secretary to provide an additional foot of overdraft between Point Louise Turn and the Locks and Sault Saint Marie, Michigan, consistent with the channels upstream of Point Louise Turn. The modification shall be carried out as operation and maintenance to improve navigation safety.

SEC. 372. CITY OF CHARLXVOIX: REIMBURSEMENT, MICHIGAN.

The Secretary, shall review and, if consistent with authorized project Purposes, reimburse the City of Charlevoix, Michigan, for the Federal share of costs associated with construction of the new revetment to the Federal navigation project at Charlevoix Harbor, Michigan.

TITLE IV—STUDIES

SEC. 401. UPPER MISSISSIPPI AND ILLINOIS RIVERS LEVEES AND STREAMBANKS PROTECTION.

The Secretary shall conduct a study of erosion damage to levees and infrastructure on the upper Mississippi and Illinois Rivers and the impact of increased barge and pleasure craft traffic on deterioration of levees and other flood control structures on such rivers.

SEC. 402. UPPER MISSISSIPPI RIVER COMPREHENSIVE PLAN.

(a) DEVELOPMENT.—The Secretary shall develop a plan to address water and related land resources problems and opportunities in the Upper Mississippi and Illinois River Basins, extending from Cairo, Illinois, to the headwaters of the Mississippi River, in the interest of systemic flood damage reduction by means of a mixture of structural and nonstructural flood control and floodplain management strategies, continued maintenance of the navigation project, management of bank caving and erosion, watershed nutrient and sediment management, habitat management, recreation needs, and other related purposes.

(b) CONTENTS.—The plan shall contain recommendations on future management plans and actions to be carried out by the responsible Federal and non-Federal entities and shall specifically address recommendations to authorize construction of a systemic flood control project in accordance with a plan for the Upper Mississippi River. The plan shall include recommendations for Federal action where appropriate and recommendations for follow-on studies for problem areas for which data or current technology does not allow immediate solutions.

(c) CONSULTATION AND USE OF EXISTING DATA.—The Secretary shall consult with appropriate State and Federal agencies and shall make maximum use of existing data and ongoing programs and efforts of States and Federal agencies in developing the plan.

(d) COST SHARING.—Development of the plan under this section shall be at Federal expense. Feasibility studies resulting from development of such plan shall be subject to cost sharing under section 105 of the Water Resources Development Act of 1986 (33 U.S.C. 2215).

(e) REPORT.—The Secretary shall submit a report that includes the comprehensive plan to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate not later than 3 years after the date of the enactment of this Act.

SEC. 403. EL DORADO, UNION COUNTY, ARKANSAS.

The Secretary shall conduct a study to determine the feasibility of improvements to regional water supplies for El Dorado, Union County, Arkansas.

SEC. 404. SWEETWATER RESERVOIR, SAN DIEGO COUNTY, CALIFORNIA.

The Secretary shall conduct a study of the potential water quality problems and pollution abatement measures in the watershed in and around Sweetwater Reservoir, San Diego County, California.

SEC. 405. WHITEWATER RIVER BASIN, CALIFORNIA.

The Secretary shall undertake and complete a feasibility study for flood damage reduction in the Whitewater River basin, California, and, based upon the results of such study, give priority consideration to including the recommended project, including the Salton Sea wetlands restoration project, in the flood mitigation and riverine restoration pilot program authorized in section 214 of this Act.

SEC. 406. LITTLE ECONLACKHATCHEE RIVER BASIN, FLORIDA.

The Secretary shall conduct a study of pollution abatement measures in the Little Econlackhatchee River basin, Florida.

SEC. 407. PORT EVERGLADES INLET, FLORIDA.

The Secretary shall conduct a study to determine the feasibility of carrying out a sand bypass project at Port Everglades Inlet, Florida.

SEC. 408. UPPER DES PLAINES RIVER AND TRIBUTARIES, ILLINOIS AND WISCONSIN.

(a) IN GENERAL.—The Secretary is directed to conduct a study of the upper Des Plaines River and tributaries, Illinois and Wisconsin, upstream of the confluence with Salt Creek at Riverside, Illinois, to determine the feasibility of improvements in the interests of flood damage reduction, environmental restoration and protection, water quality, recreation, and related purposes.

(b) SPECIAL RULE.—In conducting the study, the Secretary may not exclude from consideration and evaluation flood damage reduction measures based on restrictive policies regarding the frequency of flooding, drainage area, and amount of runoff.

(c) CONSULTATION AND USE OF EXISTING DATA.—The Secretary shall consult with appropriate State and Federal agencies and shall make maximum use of existing data and ongoing programs and efforts of States and Federal agencies in conducting the study.

SEC. 409. CAMERON PARISH WEST OF CALCASIEU RIVER, LOUISIANA.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for storm damage reduction and environmental restoration, Cameron Parish west of Calcasieu River, Louisiana.

SEC. 410. GRAND ISLE AND VICINITY, LOUISIANA.

In carrying out a study of the storm damage reduction benefits to Grand Isle and vicinity, Louisiana, the Secretary shall include benefits that a storm damage reduction project for Grand Isle and vicinity, Louisiana, may have on the mainland coast of Louisiana as project benefits attributable to the Grand Isle project.

SEC. 411. LAKE PONTCHARTRAIN SEAWALL, LOUISIANA.

(a) IN GENERAL.—The Secretary shall complete a post-authorization change report on the project for hurricane-flood protection, Lake Pontchartrain, Louisiana, and vicinity, authorized by section 204 of the Flood Control Act of 1965 (79 Stat. 1077), to incorporate and accomplish structural modifications to the seawall fronting protection along the south shore of Lake Pontchartrain from the New Basin Canal on the west to the Inner harbor Navigation Canal on the east.

(b) REPORT.—The Secretary shall ensure expeditious completion of the post-authorization change report required by subsection (a) not later than 180 days after the date of the enactment of this section.

SEC. 412. WESTPORT, MASSACHUSETTS.

The Secretary shall conduct a study to determine the feasibility of carrying out a navigation project for the town of Westport, Massachusetts, and the possible beneficial uses of dredged material for shoreline protection and storm damage reduction in the area. In determining the benefits of the project, the Secretary shall include the benefits derived from using dredged material for shoreline protection and storm damage reduction.

SEC. 413. SOUTHWEST VALLEY, ALBUQUERQUE, NEW MEXICO.

The Secretary shall undertake and complete a feasibility study for flood damage reduction in the Southwest Valley, Albuquerque, New Mexico, and, based upon the results of such study, give priority consideration to including the recommended project in the flood mitigation and riverine restoration pilot program authorized in section 214 of this Act.

SEC. 414. CAYUGA CREEK, NEW YORK.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for flood control for Cayuga Creek, New York.

SEC. 415. ARCOLA CREEK WATERSHED, MADISON, OHIO.

The Secretary shall conduct a study to determine the feasibility of a project to provide environmental restoration and protection for the Arcola Creek watershed, Madison, Ohio.

SEC. 416. WESTERN LAKE ERIE BASIN, OHIO, INDIANA, AND MICHIGAN.

(a) IN GENERAL.—The Secretary shall conduct a study to develop measures to improve flood control, navigation, water quality, recreation, and fish and wildlife habitat in a comprehensive manner in the western Lake Erie basin, Ohio, Indiana, and Michigan, including watersheds of the Maumee, Ottawa, and Portage Rivers.

(b) COOPERATION.—In carrying out the study, the Secretary shall cooperate with interested Federal, State, and local agencies and nongovernmental organizations and consider all relevant programs of such agencies.

(c) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit to Congress a report on the results of the study, including findings and recommendations.

SEC. 417. SCHUYLKILL RIVER, NORRISTOWN, PENNSYLVANIA.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for flood control for Schuylkill River, Norristown, Pennsylvania, including improvement to existing stormwater drainage systems.

SEC. 418. LAKES MARION AND MOULTRIE, SOUTH CAROLINA.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for Lakes Marion and Moultrie to provide water supply, treatment, and distribution to Calhoun, Clarendon, Colleton, Dorchester, Orangeburg, and Sumter Counties, South Carolina.

SEC. 419. DAY COUNTY, SOUTH DAKOTA.

The Secretary shall conduct an investigation of flooding and other water resources problems between the James River and Big Sioux watersheds in South Dakota and an assessment of flood damage reduction needs of the area.

SEC. 420. CORPUS CHRISTI, TEXAS.

The Secretary shall include, as part of the study authorized in a resolution of the Committee on Public Works and Transportation of the House of Representatives, dated August 1, 1990, a review of two 175-foot-wide barge shelves on either side of the navigation channel at the Port of Corpus Christi, Texas.

SEC. 421. MITCHELL'S CUT CHANNEL (CANEY FORK CUT), TEXAS.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for navigation, Mitchell's Cut Channel (Caney Fork Cut), Texas.

SEC. 422. MOUTH OF COLORADO RIVER, TEXAS.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for navigation at the mouth of the Colorado River, Texas, to provide a minimum draft navigation channel extending from the Colorado River through Parkers Cut (also known as ''Tiger Island Cut''), or an acceptable alternative, to Matagorda Bay.

SEC. 423. KANAWHA RIVER, FAYETTE COUNTY, WEST VIRGINIA.

The Secretary shall conduct a study to determine the feasibility of developing a public port along the Kanawha River in Fayette County, West Virginia, at a site known as ''Longacre''.

SEC. 424. WEST VIRGINIA PORTS.

The Secretary shall conduct a study to determine the feasibility of expanding public port development in West Virginia along the Ohio River and navigable portion of the Kanawha River from its mouth to river mile 91.0

SEC. 425. GREAT LAKES REGION COMPREHENSIVE STUDY.

(a) STUDY.—The Secretary shall conduct a comprehensive study of the Great Lakes region to ensure the future use, management, and protection of water and related resources of the Great Lakes basin.

(b) REPORT.—Not later than 4 years after the date of the enactment of this Act, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report that includes the strategic plan for Corps of Engineers programs in the Great Lakes basin and details of proposed Corps of Engineers environmental, navigation, and flood damage reduction projects in the region.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $1,000,000 for fiscal years 2000 through 2003.

SEC. 426. NUTRIENT LOADING RESULTING FROM DREDGED MATERIAL DISPOSAL.

(a) STUDY.—The Secretary shall conduct a study of nutrient loading that occurs as a result of discharges of dredged material into open-water sites in the Chesapeake Bay.

(b) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary shall transmit to Congress a report on the results of the study.

SEC. 427. SANTEE DELTA FOCUS AREA, SOUTH CAROLINA.

The Secretary shall conduct a study of the Santee Delta focus area, South Carolina, to determine the feasibility of carrying out a project for enhancing wetlands values and public recreational opportunities in the area.

SEC. 428. DEL NORTE COUNTY, CALIFORNIA.

The Secretary shall undertake and complete a feasibility study for designating a permanent disposal site for dredged materials from Federal navigation projects in Del Norte County, California.

SEC. 429. ST. CLAIR RIVER AND LAKE ST. CLAIR, MICHIGAN.

(a) PLAN.—The Secretary, in coordination with State and local governments and appropriate Federal and provincial authorities of Canada, shall develop a comprehensive management plan for St. Clair River and Lake St. Clair. Such plan shall include the following elements:

(1) The causes and sources of environmental degradation.

(2) Continuous monitoring of organic, biological, metallic, and chemical contamination levels.

(3) Timely dissemination of information of such contamination levels to public authorities, other interested parties, and the public.

(b) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall transmit to Congress a report that includes the plan developed under subsection (a), together with recommendations of potential restoration measures.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $400,000.

SEC. 430. CUMBERLAND COUNTY, TENNESSEE.

The Secretary shall conduct a study to determine the feasibility of improvements to regional water supplies for Cumberland County, Tennessee.

TITLE V—MISCELLANEOUS PROVISIONS

SEC. 501. CORPS ASSUMPTION OF NRCS PROJECTS.

(a) LLAGAS CREEK, CALIFORNIA.—The Secretary is authorized to complete the remaining reaches of the Natural Resources Conservation Service's flood control project at Llagas Creek, California, undertaken pursuant to section 5 of the Watershed Protection and Flood Prevention Act (16 U.S.C. 1005), substantially in accordance with the Natural Resources Conservation Service watershed plan for Llagas Creek, Department of Agriculture, and in accordance with the requirements of local cooperation as specified in section 4 of such Act, at a total cost of $45,000,000, with an estimated Federal cost of $21,800,000 and an estimated non-Federal cost of $23,200,000.

(b) THORNTON RESERVOIR, COOK COUNTY, ILLINOIS.—

(1) IN GENERAL.—The Thornton Reservoir project, an element of the project for flood control, Chicagoland Underflow Plan, Illinois, authorized by section 3(a)(5) of the Water Resources Development Act of 1988 (102 Stat. 4013), is modified to authorize the Secretary to include additional permanent flood control storage attributable to the Natural Resources Conservation Service Thornton Reservoir (Structure 84), Little Calumet River Watershed, Illinois, approved under the Watershed Protection and Flood Prevention Act (16 U.S.C. 1001 et seq.).

(2) COST SHARING.—Costs for the Thornton Reservoir project shall be shared in accordance with section 103 of the Water Resources Development Act of 1986 (33 U.S.C. 2213).

(3) TRANSITIONAL STORAGE.—The Secretary of Agriculture may cooperate with non-Federal interests to provide, on a transitional basis, flood control storage for the Natural Resources Conservation Service Thornton Reservoir (Structure 84) in the west lobe of the Thornton quarry in advance of Corps' construction.

(4) CREDITING.—The Secretary may credit against the non-Federal share of the Thornton Reservoir project all design, lands, easements, rights-of-way (as of the date of authorization), and construction costs incurred by the non-Federal interests before the signing of the project cooperation agreement.

(5) REEVALUATION REPORT.—The Secretary shall determine the credits authorized by paragraph (4) that are integral to the Thornton Reservoir project and the current total project costs based on a limited reevaluation report.

SEC. 502. CONSTRUCTION ASSISTANCE.

Section 219(e) of the Water Resources Development Act of 1992 (106 Stat. 4836–4837) is amended by striking paragraphs (5) and (6) and inserting the following:

''(5) $25,000,000 for the project described in subsection (c)(2);

''(6) $20,000,000 for the project described in subsection (c)(9);

''(7) $30,000,000 for the project described in subsection (c)(16);

''(8) $30,000,000 for the project described in subsection (c)(17);

''(9) $20,000,000 for the project described in subsection (c)(19);

''(10) $15,000,000 for the project described in subsection (c)(20);

''(11) $11,000,000 for the project described in subsection (c)(21);

''(12) $2,000,000 for the project described in subsection (c)(22);

''(13) $3,000,000 for the project described in subsection (c)(23);

''(14) $1,500,000 for the project described in subsection (c)(24);

''(15) $2,000,000 for the project described in subsection (c)(25);

''(16) $8,000,000 for the project described in subsection (c)(26);

''(17) $8,000,000 for the project described in subsection (c)(27), of which $3,000,000 shall be available only for providing assistance for the Montoursville Regional Sewer Authority, Lycoming County;

''(18) $10,000,000 for the project described in subsection (c)(28); and

''(19) $1,000,000 for the project described in subsection (c)(29).''.

SEC. 503. CONTAMINATED SEDIMENT DREDGING TECHNOLOGY.

(a) CONTAMINATED SEDIMENT DREDGING PROJECT.—

(1) REVIEW.—The Secretary shall conduct a review of innovative dredging technologies designed to minimize or eliminate contamination of a water column upon removal of contaminated sediments. The Secretary shall complete such review by June 1, 2001.

(2) TESTING.—After completion of the review under paragraph (1), the Secretary shall select

the technology of those reviewed that the Secretary determines will increase the effectiveness of removing contaminated sediments and significantly reduce contamination of the water column. Not later than December 31, 2001, the Secretary shall enter into an agreement with a public or private entity to test such technology in the vicinity of Peoria Lakes, Illinois.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $2,000,000.

SEC. 504. DAM SAFETY.

(a) ASSISTANCE.—The Secretary is authorized to provide assistance to enhance dam safety at the following locations:

(1) Healdsburg Veteran's Memorial Dam, California.

(2) Felix Dam, Pennsylvania.

(3) Kehly Run Dam, Pennsylvania.

(4) Owl Creek Reservoir, Pennsylvania.

(5) Sweet Arrow Lake Dam, Pennsylvania.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $6,000,000 to carry out this section.

SEC. 505. GREAT LAKES REMEDIAL ACTION PLANS.

Section 401(a)(2) of the Water Resources Development Act of 1990 (110 Stat. 3763) is amended by adding at the end the following: ''Nonprofit public or private entities may contribute all or a portion of the non-Federal share.''.

SEC. 506. SEA LAMPREY CONTROL MEASURES IN THE GREAT LAKES.

(a) IN GENERAL.—In conjunction with the Great Lakes Fishery Commission, the Secretary is authorized to undertake a program for the control of sea lampreys in and around waters of the Great Lakes. The program undertaken pursuant to this section may include projects which consist of either structural or nonstructural measures or a combination thereof.

(b) COST SHARING.—Projects carried out under this section on lands owned by the United States shall be carried out at full Federal expense. The non-Federal share of the cost of any such project undertaken on lands not in Federal ownership shall be 35 percent.

(c) NON-FEDERAL INTERESTS.—Notwithstanding section 221(b) of the Flood Control Act of 1970 (42 U.S.C. 1962d–5b(b)), the Secretary, after coordination with the appropriate State and local government officials having jurisdiction over an area in which a project under this section will be carried out, may allow a nonprofit entity to serve as the non-Federal interest for the project.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $2,000,000 for each of fiscal years 2000 through 2005.

SEC. 507. MAINTENANCE OF NAVIGATION CHANNELS.

Section 509(a) of the Water Resources Development Act of 1996 (110 Stat. 3759) is amended by adding at the end the following:

''(12) Acadiana Navigation Channel, Louisiana.

''(13) Contraband Bayou, Louisiana, as part of the Calcasieu River and Pass Ship Channel.

''(14) Lake Wallula Navigation Channel, Washington.

''(15) Wadley Pass (also known as McGriff Pass), Suwanee River, Florida.''.

SEC. 508. MEASUREMENT OF LAKE MICHIGAN DIVERSIONS.

Section 1142(b) of the Water Resources Development Act of 1986 (42 U.S.C. 1962d–20 note; 100 Stat. 4253) is amended by striking ''$250,000'' and inserting ''$1,250,000''.

SEC. 509. UPPER MISSISSIPPI RIVER ENVIRONMENTAL MANAGEMENT PROGRAM.

(a) AUTHORIZED ACTIVITIES.—Section 1103(e)(1) of the Water Resources Development Act of 1986 (33 U.S.C. 652(e)(1)) is amended—

(1) by inserting ''and'' at the end of subparagraph (A);

(2) in subparagraph (B) by striking ''long-term resource monitoring program; and'' and inserting ''long-term resource monitoring, computerized data inventory and analysis, and applied research program.''; and

(3) by striking subparagraph (C) and inserting the following:

''In carrying out subparagraph (A), the Secretary shall establish an independent technical advisory committee to review projects, monitoring plans, and habitat and natural resource needs assessments.''.

(b) REPORTS.—Section 1103(e)(2) of such Act (33 U.S.C. 652(e)(2)) is amended to read as follows:

''(2) REPORTS.—Not later than December 31, 2004, and not later than December 31st of every sixth year thereafter, the Secretary, in consultation with the Secretary of the Interior and the States of Illinois, Iowa, Minnesota, Missouri, and Wisconsin, shall transmit to Congress a report that—

''(A) contains an evaluation of the programs described in paragraph (1);

''(B) describes the accomplishments of each of such programs;

''(C) provides updates of a systemic habitat needs assessment; and

''(D) identifies any needed adjustments in the authorization.''.

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 1103(e) of such Act (33 U.S.C. 652(e)) is amended—

(1) in paragraph (3) by striking ''not to exceed'' and all that follows before the period at the end and inserting ''$22,750,000 for fiscal year 1999 and each fiscal year thereafter'';

(2) in paragraph (4) by striking ''not to exceed'' and all that follows before the period at the end and inserting ''$10,420,000 for fiscal year 1999 and each fiscal year thereafter''; and

(3) by striking paragraph (5) and inserting the following:

''(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out paragraph (1)(A) $350,000 for each of fiscal years 1999 through 2009.''.

(d) TRANSFER OF AMOUNTS.—Section 1103(e)(6) of such Act is amended to read as follows:

''(6) TRANSFER OF AMOUNTS.—For fiscal year 1999, and each fiscal year thereafter, the Secretary, in consultation with the Secretary of the Interior and the States of Illinois, Iowa, Minnesota, Missouri, and Wisconsin, may transfer not to exceed 20 percent of the amounts appropriated to carry out subparagraph (A) or (B) of paragraph (1) to the amounts appropriated to carry out the other of such subparagraphs.''.

(e) HABITAT NEEDS ASSESSMENT.—Section 1103(h)(2) of such Act (33 U.S.C. 652(h)(2)) is amended by adding at the end the following: ''The Secretary shall complete the on-going habitat needs assessment conducted under this paragraph not later than September 30, 2000, and shall include in each report required by subsection (e)(2) the most recent habitat needs assessment conducted under this paragraph.''.

(f) CONFORMING AMENDMENTS.—Section 1103 of such Act (33 U.S.C. 652) is amended—

(1) in subsection (e)(7) by striking ''paragraphs (1)(B) and (1)(C)'' and inserting ''paragraph (1)(B)''; and

(2) in subsection (f)(2)—

(A) by striking ''(2)(A)'' and inserting ''(2)''; and

(B) by striking subparagraph (B).

SEC. 510. ATLANTIC COAST OF NEW YORK MONITORING.

Section 404(c) of the Water Resources Development Act of 1992 (106 Stat. 4863) is amended by striking ''1993, 1994, 1995, 1996, and 1997'' and inserting ''1993 through 2003''.

SEC. 511. WATER CONTROL MANAGEMENT.

(a) IN GENERAL.—In evaluating potential improvements for water control management activities and consolidation of water control management centers, the Secretary may consider a regionalized water control management plan but may not implement such a plan until the date on which a report is transmitted under subsection (b).

(b) REPORT.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall transmit to the Committee on Transportation and Infrastructure and the Committee on Appropriations of the House of Representatives and the Committee on Environment and Public Works and the Committee on Appropriations of the Senate a report containing the following:

(1) A description of the primary objectives of streamlining water control management activities.

(2) A description of the benefits provided by streamlining water control management activities through consolidation of centers for such activities.

(3) A determination of whether or not benefits to users of regional water control management centers will be retained in each district office of the Corps of Engineers that does not have a regional center.

(4) A determination of whether or not users of such regional centers will receive a higher level of benefits from streamlining water management control management activities.

(5) A list of the Members of Congress who represent a district that currently includes a water control management center that is to be eliminated under a proposed regionalized plan.

SEC. 512. BENEFICIAL USE OF DREDGED MATERIAL.

The Secretary is authorized to carry out the following projects under section 204 of the Water Resources Development Act of 1992 (33 U.S.C. 2326):

(1) BODEGA BAY, CALIFORNIA.—A project to make beneficial use of dredged materials from a Federal navigation project in Bodega Bay, California.

(2) SABINE REFUGE, LOUISIANA.—A project to make beneficial use of dredged materials from Federal navigation projects in the vicinity of Sabine Refuge, Louisiana.

(3) HANCOCK, HARRISON, AND JACKSON COUNTIES, MISSISSIPPI.—A project to make beneficial use of dredged material from a Federal navigation project in Hancock, Harrison, and Jackson Counties, Mississippi.

(4) ROSE CITY MARSH, ORANGE COUNTY, TEXAS.—A project to make beneficial use of dredged material from a Federal navigation project in Rose City Marsh, Orange County, Texas.

(5) BESSIE HEIGHTS MARSH, ORANGE COUNTY, TEXAS.—A project to make beneficial use of dredged material from a Federal navigation project in Bessie Heights Marsh, Orange County, Texas.

SEC. 513. DESIGN AND CONSTRUCTION ASSISTANCE.

Section 507(2) of the Water Resources Development Act of 1996 (110 Stat. 3758) is amended to read as follows:

''(2) Expansion and improvement of Long Pine Run Dam and associated water infrastructure in accordance with the requirements of subsections (b) through (e) of section 313 of the Water Resources Development Act of 1992 (106 Stat. 4845) at a total cost of $20,000,000.''.

SEC. 514. LOWER MISSOURI RIVER AQUATIC RESTORATION PROJECTS.

(a) IN GENERAL.—Not later than 1 year after funds are made available for such purposes, the Secretary shall complete a comprehensive report—

(1) identifying a general implementation strategy and overall plan for environmental restoration and protection along the Lower Missouri River between Gavins Point Dam and the confluence of the Missouri and Mississippi Rivers; and

(2) recommending individual environmental restoration projects that can be considered by the Secretary for implementation under section 206 of the Water Resources Development Act of 1996 (33 U.S.C. 2330; 110 Stat. 3679–3680).

(b) SCOPE OF PROJECTS.—Any environmental restoration projects recommended under subsection (a) shall provide for such activities and measures as the Secretary determines to be necessary to protect and restore fish and wildlife habitat without adversely affecting private property rights or water related needs of the region surrounding the Missouri River, including flood control, navigation, and enhancement of water supply, and shall include some or all of the following components:

(1) Modification and improvement of navigation training structures to protect and restore fish and wildlife habitat.

(2) Modification and creation of side channels to protect and restore fish and wildlife habitat.

(3) Restoration and creation of fish and wildlife habitat.

(4) Physical and biological monitoring for evaluating the success of the projects.

(c) COORDINATION.—To the maximum extent practicable, the Secretary shall integrate projects carried out in accordance with this section with other Federal, tribal, and State restoration activities.

(d) COST SHARING.—The report under subsection (a) shall be undertaken at full Federal expense.

SEC. 515. AQUATIC RESOURCES RESTORATION IN THE NORTHWEST.

(a) IN GENERAL.—In cooperation with other Federal agencies, the Secretary is authorized to develop and implement projects for fish screens, fish passage devices, and other similar measures agreed to by non-Federal interests and relevant Federal agencies to mitigate adverse impacts associated with irrigation system water diversions by local governmental entities in the States of Oregon, Washington, Montana, and Idaho.

(b) PROCEDURE AND PARTICIPATION.—

(1) CONSULTATION REQUIREMENT; USE OF EXISTING DATA.—In providing assistance under subsection (a), the Secretary shall consult with other Federal, State, and local agencies and make maximum use of data and studies in existence on the date of the enactment of this Act.

(2) PARTICIPATION BY NON-FEDERAL INTERESTS.—Participation by non-Federal interests in projects under this section shall be voluntary. The Secretary shall not take any action under this section that will result in a non-Federal interest being held financially responsible for an action under a project unless the non-Federal interest has voluntarily agreed to participate in the project.

(c) COST SHARING.—Projects carried out under this section on lands owned by the United States shall be carried out at full Federal expense. The non-Federal share of the cost of any such project undertaken on lands not in Federal ownership shall be 35 percent.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for fiscal years beginning after September 30, 1999.

SEC. 516. INNOVATIVE TECHNOLOGIES FOR WATERSHED RESTORATION.

The Secretary shall use, and encourage the use of, innovative treatment technologies, including membrane technologies, for watershed and environmental restoration and protection projects involving water quality.

SEC. 517. ENVIRONMENTAL RESTORATION.

(a) ATLANTA, GEORGIA.—Section 219(c)(2) of the Water Resources Development Act of 1992 (106 Stat. 4835) is amended by inserting before the period ''and watershed restoration and development in the regional Atlanta watershed, including Big Creek and Rock Creek''.

(b) PATERSON AND PASSAIC VALLEY, NEW JERSEY.—Section 219(c)(9) of such Act (106 Stat. 4836) is amended to read as follows:

''(9) PATERSON, PASSAIC COUNTY, AND PASSAIC VALLEY, NEW JERSEY.—Drainage facilities to alleviate flooding problems on Getty Avenue in the vicinity of St. Joseph's Hospital for the City of Paterson, New Jersey, and Passaic County, New Jersey, and innovative facilities to manage and treat additional flows in the Passaic Valley, Passaic River basin, New Jersey.''.

(c) NASHUA, NEW HAMPSHIRE.—Section 219(c) of such Act is amended by adding at the end the following:

''(19) NASHUA, NEW HAMPSHIRE.—A sewer and drainage system separation and rehabiliation program for Nashua, New Hampshire.''.

(d) FALL RIVER AND NEW BEDFORD, MASSACHUSETTS.—Section 219(c) of such Act is further amended by adding at the end the following:

''(20) FALL RIVER AND NEW BEDFORD, MASSACHUSETTS.—Elimination or control of combined sewer overflows in the cities of Fall River and New Bedford, Massachusetts.''.

(e) ADDITIONAL PROJECT DESCRIPTIONS.—Section 219(c) of such Act is further amended by adding at the end the following:

''(21) FINDLAY TOWNSHIP, PENNSYLVANIA.—Water and sewer lines in Findlay Township, Allegheny County, Pennsylvania.

''(22) DILLSBURG BOROUGH AUTHORITY, PENNSYLVANIA.—Water and sewer systems in Franklin Township, York County, Pennsylvania.

''(23) HAMPTON TOWNSHIP, PENNSYLVANIA.—Water, sewer, and stormsewer improvements in Hampton Township, Cumberland County, Pennsylvania.

''(24) TOWAMENCIN TOWNSHIP, PENNSYLVANIA.—Sanitary sewer and water lines in Towamencin Township, Montgomery County, Pennsylvania.

''(25) DAUPHIN COUNTY, PENNSYLVANIA.—Combined sewer and water system rehabilitation for the City of Harrisburg, Dauphin County, Pennsylvania.

''(26) LEE, NORTON, WISE, AND SCOTT COUNTIES, VIRGINIA.—Water supply and wastewater treatment in Lee, Norton, Wise, and Scott Counties, Virginia.

''(27) NORTHEAST PENNSYLVANIA.—Water-related infrastructure in Lackawanna, Lycoming, Susquehanna, Wyoming, Pike, and Monroe Counties, Pennsylvania, including assistance for the Montoursville Regional Sewer Authority, Lycoming County.

''(28) CALUMET REGION, INDIANA.—Water-related infrastructure in Lake and Porter Counties, Indiana.

''(29) CLINTON COUNTY, PENNSYLVANIA.—Water-related infrastructure in Clinton County, Pennsylvania.''.

SEC. 518. EXPEDITED CONSIDERATION OF CERTAIN PROJECTS.

The Secretary shall expedite completion of the reports for the following projects and proceed directly to project planning, engineering, and design:

(1) Arroyo Pasajero, San Joaquin River basin, California, project for flood control.

(2) Success Dam, Tule River, California, project for flood control and water supply.

(3) Alafia Channel, Tampa Harbor, Florida, project for navigation.

(4) Columbia Slough, Portland, Oregon, project for ecosystem restoration.

(5) Ohio River Greenway, Indiana, project for environmental restoration and recreation.

SEC. 519. DOG RIVER, ALABAMA.

(a) IN GENERAL.—The Secretary is authorized to establish, in cooperation with non-Federal interests, a pilot project to restore natural water depths in the Dog River, Alabama, between its mouth and the Interstate Route 10 crossing, and in the downstream portion of its principal tributaries.

(b) FORM OF ASSISTANCE.—Assistance provided under subsection (a) shall be in the form of design and construction of water-related resource protection and development projects affecting the Dog River, including environmental restoration and recreational navigation.

(c) NON-FEDERAL SHARE.—The non-Federal share of the cost of the project carried out with assistance under this section shall be 90 percent.

(d) LANDS, EASEMENTS, AND RIGHTS-OF-WAY.—The non-Federal sponsor provide all lands, easements, rights of way, relocations, and dredged material disposal areas including retaining dikes required for the project.

(e) OPERATION MAINTENANCE.—The non-Federal share of the cost of operation, maintenance, repair, replacement, or rehabilitation of the project carried out with assistance under this section shall be 100 percent.

(f) CREDIT TOWARD NON-FEDERAL SHARE.—The value of the lands, easements, rights of way, relocations, and dredged material disposal areas, including retaining dikes, provided by the non-Federal sponsor shall be credited toward the non-Federal share.

SEC. 520. ELBA, ALABAMA.

The Secretary is authorized to repair and rehabilitate a levee in the City of Elba, Alabama at a total cost of $12,900,000.

SEC. 521. GENEVA, ALABAMA.

The Secretary is authorized to repair and rehabilitate a levee in the City of Geneva, Alabama at a total cost of $16,600,000.

SEC. 522. NAVAJO RESERVATION, ARIZONA, NEW MEXICO, AND UTAH.

(a) IN GENERAL.—In cooperation with other appropriate Federal and local agencies, the Secretary shall undertake a survey of, and provide technical, planning, and design assistance for, watershed management, restoration, and development on the Navajo Indian Reservation, Arizona, New Mexico, and Utah.

(b) COST SHARING.—The Federal share of the cost of activities carried out under this section shall be 75 percent. Funds made available under the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.) may be used by the Navajo Nation in meeting the non-Federal share of the cost of such activities.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $12,000,000 for fiscal years beginning after September 30, 1999.

SEC. 523. AUGUSTA AND DEVALLS BLUFF, ARKANSAS.

(a) IN GENERAL.—The Secretary is authorized to perform operations, maintenance, and rehabilitation on 37 miles of levees in and around Augusta and Devalls Bluff, Arkansas.

(b) REIMBURSEMENT.—After performing the operations, maintenance, and rehabilitation under subsection (a), the Secretary may seek reimbursement from the Secretary of the Interior of an amount equal to the costs allocated to benefits to a Federal wildlife refuge of such operations, maintenance, and rehabilitation.

SEC. 524. BEAVER LAKE, ARKANSAS.

(a) WATER SUPPLY STORAGE REALLOCATION.—The Secretary shall reallocate approximately 31,000 additional acre-feet at Beaver Lake, Arkansas, to water supply storage at no additional cost to the Beaver Water District or the Carroll-Boone Water District above the amount that has already been contracted for. At no time may the bottom of the conservation pool be at an elevation that is less than 1,076 feet NGVD.

(b) CONTRACT PRICING.—The contract price for additional storage for the Carroll-Boone Water District beyond that which is provided for in subsection (a) shall be based on the original construction cost of Beaver Lake and adjusted to the 1998 price level net of inflation between the date of initiation of construction and the date of the enactment of this Act.

SEC. 525. BEAVER LAKE TROUT PRODUCTION FACILITY, ARKANSAS.

(a) EXPEDITED CONSTRUCTION.—The Secretary shall construct, under the authority of section 105 of the Water Resources Development Act of 1976 (90 Stat. 2921) and section 1135 of the Water Resources Development Act of 1986 (100 Stat. 4251–4252), the Beaver Lake trout hatchery as expeditiously as possible, but in no event later than September 30, 2002.

(b) MITIGATION PLAN.—Not later than 2 years after the date of the enactment of this Act, the Secretary, in conjunction with the State of Arkansas, shall prepare a plan for the mitigation

of effects of the Beaver Dam project on Beaver Lake. Such plan shall provide for construction of the Beaver Lake trout production facility and related facilities.

SEC. 526. CHINO DAIRY PRESERVE, CALIFORNIA.

(a) TECHNICAL ASSISTANCE.—The Secretary, in coordination with the heads of other Federal agencies, shall provide technical assistance to State and local agencies in the study, design, and implementation of measures for flood damage reduction and environmental restoration and protection in the Santa Ana River watershed, California, with particular emphasis on structural and nonstructural measures in the vicinity of the Chino Dairy Preserve.

(b) COMPREHENSIVE STUDY.—The Secretary shall conduct a feasibility study to determine the most cost-effective plan for flood damage reduction and environmental restoration and protection in the vicinity of the Chino Dairy Preserve, Santa Ana River watershed, Orange County and San Bernardino County, California.

SEC. 527. NOVATO, CALIFORNIA.

The Secretary shall carry out a project for flood control under section 205 of the Flood Control Act of 1948 (33 U.S.C. 701s) at Rush Creek, Novato, California.

SEC. 528. ORANGE AND SAN DIEGO COUNTIES, CALIFORNIA.

The Secretary, in cooperation with local governments, may prepare special area management plans in Orange and San Diego Counties, California, to demonstrate the effectiveness of using such plans to provide information regarding aquatic resources. The Secretary may use such plans in making regulatory decisions and issue permits consistent with such plans.

SEC. 529. SALTON SEA, CALIFORNIA.

(a) TECHNICAL ASSISTANCE.—The Secretary, in coordination with other Federal agencies, shall provide technical assistance to Federal, State, and local agencies in the study, design, and implementation of measures for the environmental restoration and protection of the Salton Sea, California.

(b) STUDY.—The Secretary, in coordination with other Federal, State, and local agencies, shall conduct a study to determine the most effective plan for the Corps of Engineers to assist in the environmental restoration and protection of the Salton Sea, California.

SEC. 530. SANTA CRUZ HARBOR, CALIFORNIA.

The Secretary is authorized to modify the cooperative agreement with the Santa Cruz Port District, California, to reflect unanticipated additional dredging effort and to extend such agreement for 10 years.

SEC. 531. POINT BEACH, MILFORD, CONNECTICUT.

(a) MAXIMUM FEDERAL EXPENDITURE.—The maximum amount of Federal funds that may be expended for the project for hurricane and storm damage reduction, Point Beach, Milford, Connecticut, shall be $3,000,000.

(b) REVISION OF PROJECT COOPERATION AGREEMENT.—The Secretary shall revise the project cooperation agreement for the project referred to in subsection (a) to take into account the change in the Federal participation in such project.

(c) COST SHARING.—Nothing in this section shall be construed to affect any cost-sharing requirement applicable to the project referred to in subsection (a) under section 101 of the Water Resources Development Act of 1986 (31 U.S.C. 2211).

SEC. 532. LOWER ST. JOHNS RIVER BASIN, FLORIDA.

(a) COMPUTER MODEL.—

(1) IN GENERAL.—The Secretary may apply the computer model developed under the St. Johns River basin feasibility study to assist non-Federal interests in developing strategies for improving water quality in the Lower St. Johns River basin, Florida.

(2) COST SHARING.—The non-Federal share of the cost of assistance provided under this subsection shall be 50 percent.

(b) TOPOGRAPHIC SURVEY.—The Secretary is authorized to provide 1-foot contour topographic survey maps of the Lower St. Johns River basin, Florida, to non-Federal interests for analyzing environmental data and establishing benchmarks for subbasins.

SEC. 533. SHORELINE PROTECTION AND ENVIRONMENTAL RESTORATION, LAKE ALLATOONA, GEORGIA.

(a) IN GENERAL.—The Secretary, in cooperation with the Administrator of the Environmental Protection Agency, is authorized to carry out the following water-related environmental restoration and resource protection activities to restore Lake Allatoona and the Etowah River in Georgia:

(1) LAKE ALLATOONA/ETOWAH RIVER SHORELINE RESTORATION DESIGN.—Develop pre-construction design measures to alleviate shoreline erosion and sedimentation problems.

(2) LITTLE RIVER ENVIRONMENTAL RESTORATION.—Conduct a feasibility study to evaluate environmental problems and recommend environmental infrastructure restoration measures for the Little River within Lake Allatoona, Georgia.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for fiscal years beginning after September 30, 1999—

(1) $850,000 to carry out subsection (a)(1); and

(2) $250,000 to carry out subsection (a)(2).

SEC. 534. MAYO'S BAR LOCK AND DAM, COOSA RIVER, ROME, GEORGIA.

The Secretary is authorized to provide technical assistance, including planning, engineering, and design assistance, for the reconstruction of the Mayo's Bar Lock and Dam, Coosa River, Rome, Georgia. The non-Federal share of assistance under this section shall be 50 percent.

SEC. 535. COMPREHENSIVE FLOOD IMPACT RESPONSE MODELING SYSTEM, CORALVILLE RESERVOIR AND IOWA RIVER WATERSHED, IOWA.

(a) IN GENERAL.—The Secretary, in cooperation with the University of Iowa, shall conduct a study and develop a Comprehensive Flood Impact Response Modeling System for Coralville Reservoir and the Iowa River watershed, Iowa.

(b) CONTENTS OF STUDY.—The study shall include—

(1) an evaluation of the combined hydrologic, geomorphic, environmental, economic, social, and recreational impacts of operating strategies within the Iowa River watershed;

(2) development of an integrated, dynamic flood impact model; and

(3) development of a rapid response system to be used during flood and other emergency situations.

(c) REPORT TO CONGRESS.—Not later than 5 years after the date of the enactment of this Act, the Secretary shall transmit to Congress a report containing the results of the study and modeling system together with such recommendations as the Secretary determines to be appropriate.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $900,000 for each of fiscal years 2000 through 2004.

SEC. 536. ADDITIONAL CONSTRUCTION ASSISTANCE IN ILLINOIS.

The Secretary may carry out the project for Georgetown, Illinois, and the project for Olney, Illinois, referred to in House Report Number 104–741, accompanying Public Law 104–182.

SEC. 537. KANOPOLIS LAKE, KANSAS.

(a) WATER STORAGE.—The Secretary shall offer to the State of Kansas the right to purchase water storage in Kanopolis Lake, Kansas, at a price calculated in accordance with and in a manner consistent with the terms of the memorandum of understanding entitled ''Memorandum of Understanding Between the State of Kansas and the U.S. Department of the Army Concerning the Purchase of Municipal and Industrial Water Supply Storage'', dated December 11, 1985.

(b) EFFECTIVE DATE.—For the purposes of this section, the effective date of that memorandum of understanding shall be deemed to be the date of the enactment of this Act.

SEC. 538. SOUTHERN AND EASTERN KENTUCKY.

Section 531(h) of the Water Resources Development Act of 1996 (110 Stat. 3774) is amended by striking ''$10,000,000'' and inserting ''$25,000,000''.

SEC. 539. SOUTHEAST LOUISIANA.

Section 533(c) of the Water Resources Development Act of 1996 (110 Stat. 3775) is amended by striking ''$100,000,000'' and inserting ''$200,000,000''.

SEC. 540. SNUG HARBOR, MARYLAND.

(a) IN GENERAL.—The Secretary, in coordination with the Director of the Federal Emergency Management Agency, is authorized—

(1) to provide technical assistance to the residents of Snug Harbor, in the vicinity of Berlin, Maryland, for purposes of flood damage reduction;

(2) to conduct a study of a project for nonstructural measures for flood damage reduction in the vicinity of Snug Harbor, Maryland, taking into account the relationship of both the Ocean City Inlet and Assateague Island to the flooding; and

(3) after completion of the study, to carry out the project under the authority of section 205 of the Flood Control Act of 1948 (33 U.S.C. 701s).

(b) FEMA ASSISTANCE.—The Director, in coordination with the Secretary and under the authorities of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 note), may provide technical assistance and nonstructural measures for flood damage mitigation in the vicinity of Snug Harbor, Maryland.

(c) FEDERAL SHARE.—The Federal share of the cost of assistance under this section shall not exceed $3,000,000. The non-Federal share of such cost shall be determined in accordance with the Water Resources Development Act of 1986 or the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as appropriate.

SEC. 541. WELCH POINT, ELK RIVER, CECIL COUNTY, AND CHESAPEAKE CITY, MARYLAND.

(a) SPILLAGE OF DREDGED MATERIALS.—The Secretary shall carry out a study to determine if the spillage of dredged materials that were removed as part of the project for navigation, Inland Waterway from Delaware River to Chesapeake Bay, Delaware and Maryland, authorized by the first section of the Act of August 30, 1935 (49 Stat. 1030), is a significant impediment to vessels transiting the Elk River near Welch Point, Maryland. If the Secretary determines that the spillage is an impediment to navigation, the Secretary may conduct such dredging as may be required to permit navigation on the river.

(b) DAMAGE TO WATER SUPPLY.—The Secretary shall carry out a study to determine if additional compensation is required to fully compensate the City of Chesapeake, Maryland, for damage to the city's water supply resulting from dredging of the Chesapeake and Delaware Canal project. If the Secretary determines that such additional compensation is required, the Secretary may provide the compensation to the City of Chesapeake.

SEC. 542. WEST VIEW SHORES, CECIL COUNTY, MARYLAND.

Not later than 1 year after the date of the enactment of this Act, the Secretary shall carry out an investigation of the contamination of the well system in West View Shores, Cecil County, Maryland. If the Secretary determines that the disposal site from any Federal navigation project has contributed to the contamination of the wells, the Secretary may provide alternative water supplies, including replacement of wells, at full Federal expense.

SEC. 543. RESTORATION PROJECTS FOR MARYLAND, PENNSYLVANIA, AND WEST VIRGINIA.

Section 539 of the Water Resources Development Act of 1996 (110 Stat. 3776–3777) is amended—

(1) in subsection (a)(1) by striking ''technical'';

(2) in subsection (a)(1) by inserting ''(or in the case of projects located on lands owned by the United States, to Federal interests)'' after ''interests'';

(3) in subsection (a)(3) by inserting ''or in conjunction'' after ''consultation''; and

(4) by inserting at the end of subsection (d) the following: ''Funds authorized to be appropriated to carry out section 340 of the Water Resources Development Act of 1992 (106 Stat. 4856) are authorized for projects undertaken under subsection (a)(1)(B).''.

SEC. 544. CAPE COD CANAL RAILROAD BRIDGE, BUZZARDS BAY, MASSACHUSETTS.

(a) ALTERNATIVE TRANSPORTATION.—The Secretary is authorized to provide up to $300,000 for alternative transportation that may arise as a result of the operation, maintenance, repair, and rehabilitation of the Cape Cod Canal Railroad Bridge.

(b) OPERATION AND MAINTENANCE CONTRACT RENEGOTIATION.—Not later than 60 days after the date of the enactment of this Act, the Secretary shall enter into negotiation with the owner of the railroad right-of-way for the Cape Cod Canal Railroad Bridge for the purpose of establishing the rights and responsibities for the operation and maintenance of the Bridge. The Secretary is authorized to include in any new contract the termination of the prior contract numbered ER–W175–ENG–1.

SEC. 545. ST. LOUIS, MISSOURI.

(a) DEMONSTRATION PROJECT.—The Secretary, in consultation with local officials, shall conduct a demonstration project to improve water quality in the vicinity of St. Louis, Missouri.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $1,700,000 to carry out this section.

SEC. 546. BEAVER BRANCH OF BIG TIMBER CREEK, NEW JERSEY.

Upon request of the State of New Jersey or a political subdivision thereof, the Secretary may compile and disseminate information on floods and flood damages, including identification of areas subject to inundation by floods, and provide technical assistance regarding floodplain management for Beaver Branch of Big Timber Creek, New Jersey.

SEC. 547. LAKE ONTARIO AND ST. LAWRENCE RIVER WATER LEVELS, NEW YORK.

Upon request, the Secretary shall provide technical assistance to the International Joint Commission and the St. Lawrence River Board of Control in undertaking studies on the effects of fluctuating water levels on the natural environment, recreational boating, property flooding, and erosion along the shorelines of Lake Ontario and the St. Lawrence River in New York. The Commission and Board are encouraged to conduct such studies in a comprehensive and thorough manner before implementing any change to water regulation Plan 1958–D.

SEC. 548. NEW YORK-NEW JERSEY HARBOR, NEW YORK AND NEW JERSEY.

The Secretary may enter into cooperative agreements with non-Federal interests to investigate, develop, and support measures for sediment management and reduction of contaminant sources which affect navigation in the Port of New York-New Jersey and the environmental conditions of the New York-New Jersey Harbor estuary. Such investigation shall include an analysis of the economic and environmental benefits and costs of potential sediment management and contaminant reduction measures.

SEC. 549. SEA GATE REACH, CONEY ISLAND, NEW YORK, NEW YORK.

The Secretary is authorized to construct a project for shoreline protection which includes a beachfill with revetment and T-groin for the Sea Gate Reach on Coney Island, New York, as identified in the March 1998 report prepared for the Corps of Engineers, New York District, entitled ''Field Data Gathering, Project Performance Analysis and Design Alternative Solutions to Improve Sandfill Retention'', at a total cost of $9,000,000, with an estimated Federal cost of $5,850,000 and an estimated non-Federal cost of $3,150,000.

SEC. 550. WOODLAWN, NEW YORK.

(a) IN GENERAL.—The Secretary shall provide planning, design, and other technical assistance to non-Federal interests for identifying and mitigating sources of contamination at Woodlawn Beach in Woodlawn, New York.

(b) COST SHARING.—The non-Federal share of the cost of assistance provided under this section shall be 50 percent.

SEC. 551. FLOODPLAIN MAPPING, NEW YORK.

(a) IN GENERAL.—The Secretary shall provide assistance for a project to develop maps identifying 100- and 500-year flood inundation areas in the State of New York.

(b) REQUIREMENTS.—Maps developed under the project shall include hydrologic and hydraulic information and shall accurately show the flood inundation of each property by flood risk in the floodplain. The maps shall be produced in a high resolution format and shall be made available to all flood prone areas in the State of New York in an electronic format.

(c) PARTICIPATION OF FEMA.—The Secretary and the non-Federal sponsor of the project shall work with the Director of the Federal Emergency Management Agency to ensure the validity of the maps developed under the project for flood insurance purposes.

(d) FORMS OF ASSISTANCE.—In carrying out the project, the Secretary may enter into contracts or cooperative agreements with the non-Federal sponsor or provide reimbursements of project costs.

(e) FEDERAL SHARE.—The Federal share of the cost of the project shall be 75 percent.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $12,000,000 for fiscal years beginning after September 30, 1998.

SEC. 552. WHITE OAK RIVER, NORTH CAROLINA.

The Secretary shall conduct a study to determine if water quality deterioration and sedimentation of the White Oak River, North Carolina, are the result of the Atlantic Intracoastal Waterway navigation project. If the Secretary determines that the water quality deterioration and sedimentation are the result of the project, the Secretary shall take appropriate measures to mitigate the deterioration and sedimentation.

SEC. 553. TOUSSAINT RIVER, CARROLL TOWNSHIP, OTTAWA COUNTY, OHIO.

The Secretary is authorized to provide technical assistance for the removal of military ordnance from the Toussaint River, Carroll Township, Ottawa County, Ohio.

SEC. 554. SARDIS RESERVOIR, OKLAHOMA.

(a) IN GENERAL.—The Secretary shall accept from the State of Oklahoma or an agent of the State an amount, as determined under subsection (b), as prepayment of 100 percent of the water supply cost obligation of the State under Contract No. DACW56–74–JC–0314 for water supply storage at Sardis Reservoir, Oklahoma.

(b) DETERMINATION OF AMOUNT.—The amount to be paid by the State of Oklahoma under subsection (a) shall be subject to adjustment in accordance with accepted discount purchase methods for Federal Government properties as determined by an independent accounting firm designated by the Director of the Office of Management and Budget. The cost of such determination shall be paid for by the State of Oklahoma or an agent of the State.

(c) EFFECT.—Nothing in this section affects any of the rights or obligations of the parties to the contract referred to in subsection (a).

SEC. 555. WAURIKA LAKE, OKLAHOMA, WATER CONVEYANCE FACILITIES.

For the project for construction of the water conveyances authorized by the first section of Public Law 88–253 (77 Stat. 841), the requirement for the Waurika Project Master Conservancy District to repay the $2,900,000 in costs (including interest) resulting from the October 1991 settlement of the claim before the United States Claims Court, and the payment of $1,190,451 of the final cost representing the difference between the 1978 estimate of cost and the actual cost determined after completion of such project in 1991, are waived.

SEC. 556. SKINNER BUTTE PARK, EUGENE, OREGON.

(a) STUDY.—The Secretary shall conduct a study of the south bank of the Willamette River, in the area of Skinner Butte Park from Ferry Street Bridge to the Valley River footbridge, to determine the feasibility of carrying out a project to stabilize the river bank, and to restore and enhance riverine habitat, using a combination of structural and bioengineering techniques.

(b) CONSTRUCTION.—If, upon completion of the study, the Secretary determines that the project is feasible, the Secretary shall participate with non-Federal interests in the construction of the project.

(c) COST SHARE.—The non-Federal share of the cost of the project shall be 35 percent.

(d) LANDS, EASEMENTS, AND RIGHTS-OF-WAY.—The non-Federal interest shall provide lands, easements, rights-of-way, relocations, and dredged material disposal areas necessary for construction of the project. The value of such items shall be credited toward the non-Federal share of the cost of the project.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $1,000,000 for fiscal years beginning after September 30, 1999.

SEC. 557. WILLAMETTE RIVER BASIN, OREGON.

The Secretary, Director of the Federal Emergency Management Agency, Administrator of the Environmental Protection Agency, and heads of other appropriate Federal agencies shall, using existing authorities, assist the State of Oregon in developing and implementing a comprehensive basin-wide strategy in the Willamette River basin of Oregon for coordinated and integrated management of land and water resources to improve water quality, reduce flood hazards, ensure sustainable economic activity, and restore habitat for native fish and wildlife. The heads of such Federal agencies may provide technical assistance, staff and financial support for development of the basin-wide management strategy. The heads of Federal agencies shall seek to exercise flexibility in administrative actions and allocation of funding to reduce barriers to efficient and effective implementing of the strategy.

SEC. 558. BRADFORD AND SULLIVAN COUNTIES, PENNSYLVANIA.

The Secretary is authorized to provide assistance for water-related environmental infrastructure and resource protection and development projects in Bradford and Sullivan Counties, Pennsylvania, using the funds and authorities provided in title I of the Energy and Water Development Appropriations Act, 1999 (Public Law 105–245) under the heading ''CONSTRUCTION, GENERAL'' (112 Stat. 1840) for similar projects in Lackawanna, Lycoming, Susquehanna, Wyoming, Pike, and Monroe Counties, Pennsylvania.

SEC. 559. ERIE HARBOR, PENNSYLVANIA.

The Secretary may reimburse the appropriate non-Federal interest not more than $78,366 for architect and engineering costs incurred in connection with the Erie Harbor basin navigation project, Pennsylvania.

SEC. 560. POINT MARION LOCK AND DAM, PENNSYLVANIA.

The project for navigation, Point Marion Lock and Dam, Borough of Point Marion, Pennsylvania, as authorized by section 301(a) of the Water Resources Development Act of 1986 (100 Stat. 4110), is modified to direct the Secretary, in the operation and maintenance of the project, to mitigate damages to the shoreline, at a total cost of $2,000,000. The cost of the mitigation shall be allocated as an operation and maintenance cost of a Federal navigation project.

SEC. 561. SEVEN POINTS' HARBOR, PENNSYLVANIA.

(a) IN GENERAL.—The Secretary is authorized, at full Federal expense, to construct a breakwater-dock combination at the entrance to Seven Points' Harbor, Pennsylvania.

(b) OPERATION AND MAINTENANCE COSTS.—All operation and maintenance costs associated with the facility constructed under this section shall be the responsibility of the lessee of the marina complex at Seven Points' Harbor.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $850,000 to carry out this section.

SEC. 562. SOUTHEASTERN PENNSYLVANIA.

Section 566(b) of the Water Resources Development Act of 1996 (110 Stat. 3786) is amended by inserting ''environmental restoration,'' after ''water supply and related facilities,''.

SEC. 563. UPPER SUSQUEHANNA-LACKAWANNA WATERSHED RESTORATION INITIATIVE.

(a) IN GENERAL.—The Secretary, in cooperation with appropriate Federal, State, and local agencies and nongovernmental institutions, is authorized to prepare a watershed plan for the Upper Susquehanna-Lackawanna Watershed (USGS Cataloguing Unit 02050107). The plan shall utilize geographic information system and shall include a comprehensive environmental assessment of the watershed's ecosystem, a comprehensive flood plain management plan, a flood plain protection plan, water resource and environmental restoration projects, water quality improvement, and other appropriate infrastructure and measures.

(b) NON-FEDERAL SHARE.—The non-Federal share of the cost of preparation of the plan under this section shall be 50 percent. Services and materials instead of cash may be credited toward the non-Federal share of the cost of the plan.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000 for fiscal years beginning after September 30, 1999.

SEC. 564. AGUADILLA HARBOR, PUERTO RICO.

The Secretary shall conduct a study to determine if erosion and additional storm damage risks that exist in the vicinity of Aguadilla Harbor, Puerto Rico, are the result of a Federal navigation project. If the Secretary determines that such erosion and additional storm damage risks are the result of the project, the Secretary shall take appropriate measures to mitigate the erosion and storm damage.

SEC. 565. OAHE DAM TO LAKE SHARPE, SOUTH DAKOTA, STUDY.

Section 441 of the Water Resources Development Act of 1996 (110 Stat. 3747) is amended—

(1) by inserting ''(a) INVESTIGATION.—'' before ''The Secretary''; and

(2) by adding at the end the following:

''(b) REPORT.—Not later than September 30, 1999, the Secretary shall transmit to Congress a report on the results of the investigation under this section. The report shall include the examination of financing options for regular maintenance and preservation of the lake. The report shall be prepared in coordination and cooperation with the Natural Resources Conservation Service, other Federal agencies, and State and local officials.''.

SEC. 566. INTEGRATED WATER MANAGEMENT PLANNING, TEXAS.

(a) IN GENERAL.—The Secretary, in cooperation with other Federal agencies and the State of Texas, shall provide technical, planning, and design assistance to non-Federal interests in developing integrated water management plans and projects that will serve the cities, counties, water agencies, and participating planning regions under the jurisdiction of the State of Texas.

(b) PURPOSES OF ASSISTANCE.—Assistance provided under subsection (a) shall be in support of non-Federal planning and projects for the following purposes:

(1) Plan and develop integrated, near- and long-term water management plans that address the planning region's water supply, water conservation, and water quality needs.

(2) Study and develop strategies and plans that restore, preserve, and protect the State's and planning region's natural ecosystems.

(3) Facilitate public communication and participation.

(4) Integrate such activities with other ongoing Federal and State projects and activities associated with the State of Texas water plan and the State of Texas legislation.

(c) COST SHARING.—The non-Federal share of the cost of assistance provided under subsection (a) shall be 50 percent, of which up to ½ of the non-Federal share may be provided as in kind services.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section, $10,000,000 for the fiscal years beginning after September 30, 1999.

SEC. 567. BOLIVAR PENINSULA, JEFFERSON, CHAMBERS, AND GALVESTON COUNTIES, TEXAS.

(a) SHORE PROTECTION PROJECT.—The Secretary is authorized to design and construct a shore protection project between the south jetty of the Sabine Pass Channel and the north jetty of the Galveston Harbor Entrance Channel in Jefferson, Chambers, and Galveston Counties, Texas, including beneficial use of dredged material from Federal navigation projects.

(b) APPLICABILITY OF BENEFIT-COST RATIO WAIVER AUTHORITY.—In evaluating and implementing the project, the Secretary shall allow the non-Federal interest to participate in the financing of the project in accordance with section 903(c) of the Water Resources Development Act of 1986 (100 Stat. 4184), notwithstanding any limitation on the purpose of projects to which such section applies, to the extent that the Secretary's evaluation indicates that applying such section is necessary to implement the project.

SEC. 568. GALVESTON BEACH, GALVESTON COUNTY, TEXAS.

The Secretary is authorized to design and construct a shore protection project between the Galveston South Jetty and San Luis Pass, Galveston County, Texas, using innovative nourishment techniques, including beneficial use of dredged material from Federal navigation projects.

SEC. 569. PACKERY CHANNEL, CORPUS CHRISTI, TEXAS.

(a) IN GENERAL.—The Secretary shall construct a navigation and storm protection project at Packery Channel, Mustang Island, Texas, consisting of construction of a channel and a channel jetty and placement of sand along the length of the seawall.

(b) ECOLOGICAL AND RECREATIONAL BENEFITS.—In evaluating the project, the Secretary shall include the ecological and recreational benefits of reopening the Packery Channel.

(c) APPLICABILITY OF BENEFIT-COST RATIO WAIVER AUTHORITY.—In evaluating and implementing the project, the Secretary shall allow the non-Federal interest to participate in the financing of the project in accordance with section 903(c) of the Water Resources Development Act of 1986 (100 Stat. 4184), notwithstanding any limitation on the purpose of projects to which such section applies, to the extent that the Secretary's evaluation indicates that applying such section is necessary to implement the project.

SEC. 570. NORTHERN WEST VIRGINIA.

The projects described in the following reports are authorized to be carried out by the Secretary substantially in accordance with the plans, and subject to the conditions, recommended in such reports:

(1) PARKERSBURG, WEST VIRGINIA.—Report of the Corps of Engineers entitled ''Parkersburg/Vienna Riverfront Park Feasibility Study'', dated June 1998, at a total cost of $8,400,000, with an estimated Federal cost of $4,200,000, and an estimated non-Federal cost of $4,200,000.

(2) WEIRTON, WEST VIRGINIA.—Report of the Corps of Engineers entitled ''Feasibility Master Plan for Weirton Port and Industrial Center, West Virginia Public Port Authority'', dated December 1997, at a total cost of $18,000,000, with an estimated Federal cost of $9,000,000, and an estimated non-Federal cost of $9,000,000.

(3) ERICKSON/WOOD COUNTY, WEST VIRGINIA.—Report of the Corps of Engineers entitled ''Feasibility Master Plan for Erickson/Wood County Port District, West Virginia Public Port Authority'', dated July 7, 1997, at a total cost of $28,000,000, with an estimated Federal cost of $14,000,000, and an estimated non-Federal cost of $14,000,000.

(4) MONONGAHELA RIVER, WEST VIRGINIA.—Monongahela River, West Virginia, Comprehensive Study Reconnaissance Report, dated September 1995, consisting of the following elements:

(A) Morgantown Riverfront Park, Morgantown, West Virginia, at a total cost of $1,600,000, with an estimated Federal cost of $800,000 and an estimated non-Federal cost of $800,000.

(B) Caperton Rail to Trail, Monongahela County, West Virginia, at a total cost of $4,425,000, with an estimated Federal cost of $2,212,500 and an estimated non-Federal cost of $2,212,500.

(C) Palatine Park, Fairmont, West Virginia, at a total cost of $1,750,000, with an estimated Federal cost of $875,000 and an estimated non-Federal cost of $875,000.

SEC. 571. URBANIZED PEAK FLOOD MANAGEMENT RESEARCH.

(a) IN GENERAL.—The Secretary shall develop and implement a research program to evaluate opportunities to manage peak flood flows in urbanized watersheds located in the State of New Jersey.

(b) SCOPE OF RESEARCH.—The research program authorized by subsection (a) shall be accomplished through the New York District. The research shall specifically include the following:

(1) Identification of key factors in urbanized watersheds that are under development and impact peak flows in the watersheds and downsteam of the watersheds.

(2) Development of peak flow management models for 4 to 6 watersheds in urbanized areas located with widely differing geology, areas, shapes, and soil types that can be used to determine optimal flow reduction factors for individual watersheds.

(3) Utilization of such management models to determine relationships between flow and reduction factors and change in imperviousness, soil types, shape of the drainage basin, and other pertinent parameters from existing to ultimate conditions in watersheds under consideration for development.

(4) Development and validation of an inexpensive accurate model to establish flood reduction factors based on runoff curve numbers, change in imperviousness, the shape of the basin, and other pertinent factors.

(c) REPORT TO CONGRESS.—The Secretary shall evaluate policy changes in the planning process for flood control projects based on the results of the research authorized by this section and transmit to Congress a report not later than 3 years after the date of the enactment of this Act.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry-out this section $3,000,000 for fiscal years beginning after September 30, 1999.

(e) FLOW REDUCTION FACTORS DEFINED.—In this section, the term ''flow reduction factors'' means the ratio of estimated allowable peak flows of stormwater after projected development when compared to pre-existing conditions.

SEC. 572. MISSISSIPPI RIVER COMMISSION.

Section 8 of the Flood Control Act of May 15, 1928 (Public Law 391, 70th Congress), is amended by striking ''$7,500'' and inserting ''$21,500''.

SEC. 573. COASTAL AQUATIC HABITAT MANAGEMENT.

(a) IN GENERAL.—The Secretary may cooperate with the Secretaries of Agriculture and the Interior, the Administrators of the Environmental Protection Agency and the National Oceanic and Atmospheric Administration, other appropriate Federal, State, and local agencies, and affected private entities, in the development of a management strategy to address problems associated with toxic microorganisms and the resulting degradation of ecosystems in the tidal and nontidal wetlands and waters of the United States for the States along the Atlantic Ocean. As part of such management strategy, the Secretary may provide planning, design, and other technical assistance to each participating State in the development and implementation of nonregulatory measures to mitigate environmental problems and restore aquatic resources.

(b) COST SHARING.—The Federal share of the cost of measures undertaken under this section shall not exceed 65 percent.

(c) OPERATION AND MAINTENANCE.—The non-Federal share of operation and maintenance costs for projects constructed with assistance provided under this section shall be 100 percent.

(d) AUTHORIZATION OF APPROPRIATION.—There is authorized to be appropriated to carry out this section $7,000,000 for fiscal years beginning after September 30, 1999.

SEC. 574. WEST BATON ROUGE PARISH, LOUISIANA.

The Secretary shall expedite completion of the report for the West Baton Rouge Parish, Louisiana, project for waterfront and riverine preservation, restoration, and enhancement modifications along the Mississippi River.

SEC. 575. ABANDONED AND INACTIVE NONCOAL MINE RESTORATION.

(a) IN GENERAL.—The Secretary is authorized to provide technical, planning, and design assistance to Federal and non-Federal interests for carrying out projects to address water quality problems caused by drainage and related activities from abandoned and inactive noncoal mines.

(b) SPECIFIC MEASURES.—Assistance provided under subsection (a) may be in support of projects for the following purposes:

(1) Management of drainage from abandoned and inactive noncoal mines.

(2) Restoration and protection of streams, rivers, wetlands, other waterbodies, and riparian areas degraded by drainage from abandoned and inactive noncoal mines.

(3) Demonstration of management practices and innovative and alternative treatment technologies to minimize or eliminate adverse environmental effects associated with drainage from abandoned and inactive noncoal mines.

(c) NON-FEDERAL SHARE.—The non-Federal share of the cost of assistance under subsection (a) shall be 50 percent; except that the Federal share with respect to projects located on lands owned by the United States shall be 100 percent.

(d) EFFECT ON AUTHORITY OF THE SECRETARY OF THE INTERIOR.—Nothing in this section shall be construed as affecting the authority of the Secretary of the Interior under title IV of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1231 et seq.).

(e) TECHNOLOGY DATABASE FOR RECLAMATION OF ABANDONED MINES.—The Secretary is authorized to provide assistance to non-Federal and non-profit entities to develop, manage, and maintain a database of conventional and innovative, cost-effective technologies for reclamation of abandoned and inactive noncoal mine sites. Such assistance shall be provided through the rehabilitation of abandoned mine sites program, managed by the Sacramento District Office of the Corps of Engineers.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000.

SEC. 576. BENEFICIAL USE OF WASTE TIRE RUBBER.

(a) IN GENERAL.—The Secretary is authorized to conduct pilot projects to encourage the beneficial use of waste tire rubber, including crumb rubber, recycled from tires. Such beneficial use may include marine pilings, underwater framing, floating docks with built-in flotation, utility poles, and other uses associated with transportation and infrastructure projects receiving Federal funds. The Secretary shall, when appropriate, encourage the use of waste tire rubber, including crumb rubber, in such federally funded projects.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000 for fiscal years beginning after September 30, 1998.

SEC. 577. SITE DESIGNATION.

Section 102(c)(4) of the Marine Protection, Research, and Sanctuaries Act of 1972 (33 U.S.C. 1412(c)(4)) is amended by striking ''January 1, 2000'' and inserting ''January 1, 2005''.

SEC. 578. LAND CONVEYANCES.

(a) EXCHANGE OF LAND IN PIKE COUNTY, MISSOURI.—

(1) EXCHANGE OF LAND.—Subject to paragraphs (3) and (4), at such time as Holnam Inc. conveys all right, title, and interest in and to the land described in paragraph (2)(A) to the United States, the Secretary shall convey all right, title, and interest in the land described in paragraph (2)(B) to Holnam Inc.

(2) DESCRIPTION OF LANDS.—The lands referred to in paragraph (1) are the following:

(A) NON-FEDERAL LAND.—152.45 acres with existing flowage easements situated in Pike County, Missouri, described a portion of Government Tract Number FM–9 and all of Government Tract Numbers FM–11, FM–10, FM–12, FM–13, and FM–16, owned and administered by the Holnam Inc.

(B) FEDERAL LAND.—152.61 acres situated in Pike County, Missouri, known as Government Tract Numbers FM–17 and a portion of FM–18, administered by the Corps of Engineers.

(3) CONDITIONS OF EXCHANGE.—The exchange of land authorized by paragraph (1) shall be subject to the following conditions:

(A) DEEDS.—

(i) FEDERAL LAND.—The instrument of conveyance used to convey the land described in paragraph (2)(B) to Holnam Inc. shall contain such reservations, terms, and conditions as the Secretary considers necessary to allow the United States to operate and maintain the Mississippi River 9-Foot Navigation Project.

(ii) NON-FEDERAL LAND.—The conveyance of the land described in paragraph (2)(A) to the Secretary shall be by a warranty deed acceptable to the Secretary.

(B) REMOVAL OF IMPROVEMENTS.—Holnam Inc. may remove any improvements on the land described in paragraph (2)(A). The Secretary may require Holnam Inc. to remove any improvements on the land described in paragraph (2)(A). In either case, Holnam Inc. shall hold the United States harmless from liability, and the United States shall not incur cost associated with the removal or relocation of any such improvements.

(C) TIME LIMIT FOR EXCHANGE.—The land exchange authorized by paragraph (1) shall be completed not later than 2 years after the date of the enactment of this Act.

(D) LEGAL DESCRIPTION.—The Secretary shall provide the legal description of the land described in paragraph (2). The legal description shall be used in the instruments of conveyance of the land.

(E) ADMINISTRATIVE COSTS.—The Secretary shall require Holnam Inc. to pay reasonable administrative costs associated with the exchange.

(4) VALUE OF PROPERTIES.—If the appraised fair market value, as determined by the Secretary, of the land conveyed to Holnam Inc. by the Secretary under paragraph (1) exceeds the appraised fair market value, as determined by the Secretary, of the land conveyed to the United States by Holnam Inc. under paragraph (1), Holnam Inc. shall make a payment equal to the excess in cash or a cash equivalent to the United States.

(b) CANDY LAKE PROJECT, OSAGE COUNTY, OKLAHOMA.—

(1) DEFINITIONS.—In this subsection, the following definitions apply:

(A) FAIR MARKET VALUE.—The term ''fair market value'' means the amount for which a willing buyer would purchase and a willing seller would sell a parcel of land, as determined by a qualified, independent land appraiser.

(B) PREVIOUS OWNER OF LAND.—The term ''previous owner of land'' means a person (including a corporation) that conveyed, or a descendant of a deceased individual who conveyed, land to the Corps of Engineers for use in the Candy Lake project in Osage County, Oklahoma.

(2) LAND CONVEYANCES.—

(A) IN GENERAL.—The Secretary shall convey, in accordance with this subsection, all right, title, and interest of the United States in and to the land acquired by the United States for the Candy Lake project in Osage County, Oklahoma.

(B) PREVIOUS OWNERS OF LAND.—

(i) IN GENERAL.—The Secretary shall give a previous owner of land the first option to purchase the land described in subparagraph (A).

(ii) APPLICATION.—

(I) IN GENERAL.—A previous owner of land that desires to purchase the land described in subparagraph (A) that was owned by the previous owner of land, or by the individual from whom the previous owner of land is descended, shall file an application to purchase the land with the Secretary not later than 180 days after the official date of notice to the previous owner of land under paragraph (3).

(II) FIRST TO FILE HAS FIRST OPTION.—If more than 1 application is filed to purchase a parcel of land described in subparagraph (A), the first option to purchase the parcel of land shall be determined in the order in which applications for the parcel of land were filed.

(iii) IDENTIFICATION OF PREVIOUS OWNERS OF LAND.—As soon as practicable after the date of the enactment of this Act, the Secretary shall, to the extent practicable, identify each previous owner of land.

(iv) CONSIDERATION.—Consideration for land conveyed under this paragraph shall be the fair market value of the land.

(C) DISPOSAL.—Any land described in subparagraph (A) for which an application to purchase the land has not been filed under subparagraph (B)(ii) within the applicable time period shall be disposed of in accordance with law.

(D) EXTINGUISHMENT OF EASEMENTS.—All flowage easements acquired by the United States for use in the Candy Lake project in Osage County, Oklahoma, are extinguished.

(3) NOTICE.—

(A) IN GENERAL.—The Secretary shall notify—

(i) each person identified as a previous owner of land under paragraph (2)(B)(iii), not later than 90 days after identification, by United States mail; and

(ii) the general public, not later than 90 days after the date of the enactment of this Act, by publication in the Federal Register.

(B) CONTENTS OF NOTICE.—Notice under this paragraph shall include—

(i) a copy of this subsection;

(ii) information sufficient to separately identify each parcel of land subject to this subsection; and

(iii) specification of the fair market value of each parcel of land subject to this subsection.

(C) OFFICIAL DATE OF NOTICE.—The official date of notice under this paragraph shall be the later of—

(i) the date on which actual notice is mailed; or

(ii) the date of publication of the notice in the Federal Register.

(c) LAKE HUGO, OKLAHOMA, AREA LAND CONVEYANCE.—

(1) IN GENERAL.—As soon as practicable after the date of the enactment of this Act, the Secretary shall convey at fair market value to Choctaw County Industrial Authority, Oklahoma, the property described in paragraph (2).

(2) DESCRIPTION.—The property to be conveyed under paragraph (1) is—

(A) that portion of land at Lake Hugo, Oklahoma, above elevation 445.2 located in the N½ of the NW¼ of Section 24, R 18 E, T 6 S, and the S½ of the SW¼ of Section 13, R 18 E, T 6 S bounded to the south by a line 50 north on the centerline of Road B of Sawyer Bluff Public Use Area and to the north by the ½ quarter section line forming the south boundary of Wilson Point Public Use Area; and

(B) a parcel of property at Lake Hugo, Oklahoma, commencing at the NE corner of the SE¼ SW¼ of Section 13, R 18 E, T 6 S, 100 feet north, then east approximately ½ mile to the county line road between Section 13, R 18 E, T 6 S, and Section 18, R 19 E, T 6 S.

(3) TERMS AND CONDITIONS.—The conveyances under this subsection shall be subject to such terms and conditions, including payment of reasonable administrative costs and compliance with applicable Federal floodplain management and flood insurance programs, as the Secretary considers necessary and appropriate to protect the interests of the United States.

(d) CONVEYANCE OF PROPERTY IN MARSHALL COUNTY, OKLAHOMA.—

(1) IN GENERAL.—The Secretary shall convey to the State of Oklahoma all right, title, and interest of the United States to real property located in Marshall County, Oklahoma, and included in the Lake Texoma (Denison Dam), Oklahoma and Texas, project consisting of approximately 1,580 acres and leased to the State of Oklahoma for public park and recreation purposes.

(2) CONSIDERATION.—Consideration for the conveyance under paragraph (1) shall be the fair market value of the real property, as determined by the Secretary. All costs associated with the conveyance under paragraph (1) shall be paid by the State of Oklahoma.

(3) DESCRIPTION.—The exact acreage and legal description of the real property to be conveyed under paragraph (1) shall be determined by a survey satisfactory to the Secretary. The cost of the survey shall be paid by the State of Oklahoma.

(4) ENVIRONMENTAL COMPLIANCE.—Before making the conveyance under paragraph (1), the Secretary shall—

(A) conduct an environmental baseline survey to determine if there are levels of contamination for which the United States would be responsible under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601 et seq.); and

(B) ensure that the conveyance complies with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

(5) OTHER TERMS AND CONDITIONS.—The conveyance under paragraph (1) shall be subject to such other terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States, including reservation by the United States of a flowage easement over all portions of the real property to be conveyed that are at or below elevation 645.0 NGVD.

(e) SUMMERFIELD CEMETERY ASSOCIATION, OKLAHOMA, LAND CONVEYANCE.—

(1) IN GENERAL.—As soon as practicable after the date of the enactment of this Act, the Secretary shall transfer to the Summerfield Cemetery Association, Oklahoma, all right, title, and interest of the United State in and to the land described in paragraph (3) for use as a cemetery.

(2) REVERSION.—If the land to be transferred under this subsection ever cease to be used as a not-for-profit cemetery or for other public purposes the land shall revert to the United States.

(3) DESCRIPTION.—The land to be conveyed under this subsection is the approximately 10 acres of land located in Leflore County, Oklahoma, and described as follows:

INDIAN BASIN MERIDIAN

Section 23, Township 5 North, Range 23 East

SW SE SW NW
NW NE NW SW
N½ SW SW NW.

(4) CONSIDERATION.—The conveyance under this subsection shall be without consideration. All costs associated with the conveyance shall be paid by the Summerfield Cemetery Association, Oklahoma.

(5) OTHER TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such other terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(f) DEXTER, OREGON.—

(1) IN GENERAL.—The Secretary shall convey to the Dexter Sanitary District all right, title, and interest of the United States in and to a parcel of land consisting of approximately 5 acres located at Dexter Lake, Oregon, under lease to the Dexter Sanitary District.

(2) CONSIDERATION.—Land to be conveyed under this section shall be conveyed without consideration. If the land is no longer held in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(3) TERMS AND CONDITIONS.—The conveyance by the United States shall be subject to such terms and conditions as the Secretary considers appropriate to protect the interests of the United States.

(4) DESCRIPTION.—The exact acreage and description of the land to be conveyed under paragraph (1) shall be determined by such surveys as the Secretary considers necessary. The cost of the surveys shall be borne by the Dexter Sanitary District.

(g) RICHARD B. RUSSELL DAM AND LAKE, SOUTH CAROLINA.—

(1) IN GENERAL.—Upon execution of an agreement under paragraph (4) and subject to the requirements of this subsection, the Secretary shall convey, without consideration, to the State of South Carolina all right, title, and interest of the United States to the lands described in paragraph (2) that are managed, as of the date of the enactment of this Act, by the South Carolina Department of Natural Resources for fish and wildlife mitigation purposes in connection with the Richard B. Russell Dam and Lake, South Carolina, project.

(2) DESCRIPTION.—

(A) IN GENERAL.—Subject to subparagraph (B), the lands to be conveyed under paragraph (1) are described in Exhibits A, F, and H of Army Lease Number DACW21–1–93–0910 and associated Supplemental Agreements or are designated in red in Exhibit A of Army License Number DACW21–3–85–1904; except that all designated lands in the license that are below elevation 346 feet mean sea level or that are less than 300 feet measured horizontally from the top of the power pool are excluded from the conveyance. Management of the excluded lands shall continue in accordance with the terms of Army License Number DACW21–3–85–1904 until the Secretary and the State enter into an agreement under paragraph (4).

(B) SURVEY.—The exact acreage and legal description of the lands to be conveyed under paragraph (1) shall be determined by a survey satisfactory to the Secretary, with the cost of the survey to be paid by the State. The State shall be responsible for all other costs, including real estate transaction and environmental compliance costs, associated with the conveyance.

(3) TERMS AND CONDITIONS.—

(A) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership and shall be managed in perpetuity for fish and wildlife mitigation purposes in accordance with a plan approved by the Secretary. If the lands are not managed for such purposes in accordance with the plan, title to the lands shall revert to the United States. If the lands revert to the United States under this subparagraph, the Secretary shall manage the lands for such purposes.

(B) TERMS AND CONDITIONS.—The Secretary may require such additional terms and conditions in connection with the conveyance as the Secretary considers appropriate to protect the interests of the United States.

(4) PAYMENTS.—

(A) AGREEMENTS.—The Secretary is authorized to pay to the State of South Carolina not more than $4,850,000 if the Secretary and the State enter into a binding agreement for the State to manage for fish and wildlife mitigation purposes, in perpetuity, the lands conveyed under this subsection and the lands not covered by the conveyance that are designated in red in Exhibit A of Army License Number DACW21–3–85–1904.

(B) TERMS AND CONDITIONS.—The agreement shall specify the terms and conditions under which the payment will be made and the rights of, and remedies available to, the Federal Government to recover all or a portion of the payment in the event the State fails to manage the lands in a manner satisfactory to the Secretary.

(h) CHARLESTON, SOUTH CAROLINA.—The Secretary is authorized to convey the property of the Corps of Engineers known as the ''Equipment and Storage Yard'', located on Meeting Street in Charleston, South Carolina, in as-is condition for fair-market value with all proceeds from the conveyance to be applied by the Corps of Engineers, Charleston District, to offset a portion of the costs of moving or leasing (or both) an office facility in the City of Charleston.

(i) CLARKSTON, WASHINGTON.—

(1) IN GENERAL.—The Secretary shall convey to the Port of Clarkston, Washington, all right, title, and interest of the United States in and to a portion of the land described in Army Lease Number DACW68–1–97–22, consisting of approximately 31 acres, the exact boundaries of which shall be determined by the Secretary and the Port of Clarkston.

(2) ADDITIONAL LAND.—The Secretary may convey to the Port of Clarkston, Washington, at fair market value as determined by the Secretary, such additional land located in the vicinity of Clarkston, Washington, as the Secretary determines to be excess to the needs of the Columbia River Project and appropriate for conveyance.

(3) TERMS AND CONDITIONS.—The conveyances made under paragraphs (1) and (2) shall be subject to such terms and conditions as the Secretary determines to be necessary to protect the interests of the United States, including a requirement that the Port of Clarkston pay all administrative costs associated with the conveyances (including the cost of land surveys and appraisals and costs associated with compliance with applicable environmental laws, including regulations).

(4) USE OF LAND.—The Port of Clarkston shall be required to pay the fair market value, as determined by the Secretary, of any land conveyed pursuant to paragraph (1) that is not retained in public ownership or is used for other than public park or recreation purposes, except that the Secretary shall have a right of reverter to reclaim possession and title to any such land.

(j) LAND CONVEYANCE TO MATEWAN, WEST VIRGINIA.—

(1) IN GENERAL.—The United States shall convey by quit claim deed to the Town of Matewan,

West Virginia, all right, title, and interest of the United States in and to four parcels of land deemed excess by the Secretary of the Army, acting through the Chief of the U.S. Army Corps of Engineers, to the structural project for flood control constructed by the Corps of Engineers along the Tug Fork River pursuant to section 202 of Public Law 96–367.

(2) PROPERTY DESCRIPTION.—The parcels of land referred to in paragraph (1) are as follows:

(A) A certain parcel of land in the State of West Virginia, Mingo County, Town of Matewan, and being more particularly bounded and described as follows:

Beginning at a point on the southerly right-of-way line of a 40-foot-wide street right-of-way (known as McCoy Alley), having an approximate coordinate value of N228,695, E1,662,397, in the line common to the land designated as U.S.A. Tract No. 834, and the land designated as U.S.A. Tract No. 837, said point being South 51°52′ East 81.8 feet from an iron pin and cap marked M–12 on the boundary of the Matewan Area Structural Project, on the north right-of-way line of said street, at a corner common to designated U.S.A. Tracts Nos. 834 and 836; thence, leaving the right-of-way of said street, with the line common to the land of said Tract No. 834, and the land of said Tract No. 837.

South 14°37′ West 46 feet to the corner common to the land of said Tract No. 834, and the land of said Tract No. 837; thence, leaving the land of said Tract No. 837, severing the lands of said Project.

South 14°37′ West 46 feet.

South 68°07′ East 239 feet.

North 26°05′ East 95 feet to a point on the southerly right-of-way line of said street; thence, with the right-of-way of said street, continuing to sever the lands of said Project.

South 63°55′ East 206 feet; thence, leaving the right-of-way of said street, continuing to sever the lands of said Project.

South 26°16′ West 63 feet; thence, with a curve to the left having a radius of 70 feet, a delta of 33°58′, an arc length of 41 feet, the chord bearing.

South 09°17′ West 41 feet; thence, leaving said curve, continuing to sever the lands of said Project.

South 07°42′ East 31 feet to a point on the right-of-way line of the floodwall; thence, with the right-of-way of said floodwall, continuing to sever the lands of said Project.

South 77°04′ West 71 feet.

North 77°10′ West 46 feet.

North 67°07′ West 254 feet.

North 67°54′ West 507 feet.

North 57°49′ West 66 feet to the intersection of the right-of-way line of said floodwall with the southerly right-of-way line of said street; thence, leaving the right-of-way of said floodwall and with the southerly right-of-way of said street, continuing to sever the lands of said Project.

North 83°01′ East 171 feet.

North 89°42′ East 74 feet.

South 83°39′ East 168 feet.

South 83°38′ East 41 feet.

South 77°26′ East 28 feet to the point of beginning, containing 2.59 acres, more or less. The bearings and coordinate used herein are referenced to the West Virginia State Plane Coordinate System, South Zone.

(B) A certain parcel of land in the State of West Virginia, Mingo County, Town of Matewan, and being more particularly bounded and described as follows:

Beginning at an iron pin and cap designated Corner No. M2–2 on the southerly right-of-way line of the Norfolk and Western Railroad, having an approximate coordinate value of N228,755 E1,661,242, and being at the intersection of the right-of-way line of the floodwall with the boundary of the Matewan Area Structural Project; thence, leaving the right-of-way of said floodwall and with said Project boundary, and the southerly right-of-way of said Railroad.

North 59°45′ East 34 feet.

North 69°50′ East 44 feet.

North 58°11′ East 79 feet.

North 66°13′ East 102 feet.

North 69°43′ East 98 feet.

North 77°39′ East 18 feet.

North 72°39′ East 13 feet to a point at the intersection of said Project boundary, and the southerly right-of-way of said Railroad, with the westerly right-of-way line of State Route 49/10; thence, leaving said Project boundary, and the southerly right-of-way of said Railroad, and with the westerly right-of-way of said road.

South 03°21′ East 100 feet to a point at the intersection of the westerly right-of-way of said road with the right-of-way of said floodwall; thence, leaving the right-of-way of said road, and with the right-of-way line of said floodwall.

South 79°30′ West 69 feet.

South 78°28′ West 222 feet.

South 80°11′ West 65 feet.

North 38°40′ West 14 feet to the point of beginning, containing 0.53 acre, more or less. The bearings and coordinate used herein are referenced to the West Virginia State Plane Coordinate System, South Zone.

(C) A certain parcel of land in the State of West Virginia, Mingo County, Town of Matewan, and being more particularly bounded and described as follows:

Beginning at a point on the southerly right-of-way line of the Norfolk and Western Railroad, having an approximate coordinate value of N228,936 E1,661,672, and being at the intersection of the easterly right-of-way line of State Route 49/10 with the boundary of the Matewan Area Structural Project; thence, leaving the right-of-way of said road, and with said Project boundary, and the southerly right-of-way of said Railroad.

North 77°49′ East 89 feet to an iron pin and cap designated as U.S.A. Corner No. M–4.

North 79°30′ East 74 feet to an iron pin and cap designated as U.S.A. Corner No. M–5–1; thence, leaving the southerly right-of-way of said Railroad, and continuing with the boundary of said Project.

South 06°33′ East 102 to an iron pipe and cap designated U.S.A. Corner No. M–6–1 on the northerly right-of-way line of State Route 49/28; thence, leaving the boundary of said Project, and with the right-of-way of said road, severing the lands of said Project.

North 80°59′ West 171 feet to a point at the intersection of the Northerly right-of-way line of said State Route 49/28 with the easterly right-of-way line of said State Route 49/10; thence, leaving the right-of-way of said State Route 49/28 and with the right-of-way of said State Route 49/10.

North 03°21′ West 42 feet to the point of beginning, containing 0.27 acre, more or less. The bearings and coordinate used herein are referenced to the West Virginia State Plane Coordinate System, South Zone.

(D) A certain parcel of land in the State of West Virginia, Mingo County, Town of Matewan, and being more particularly bounded and described as follows:

Beginning at a point at the intersection of the easterly right-of-way line of State Route 49/10 with the right-of-way line of the floodwall, having an approximate coordinate value of N228,826 E1,661,679; thence, leaving the right-of-way of said floodwall, and with the right-of-way of said State Route 49/10.

North 03°21′ West 23 feet to a point at the intersection of the easterly right-of-way line of said State Route 49/10 with the southerly right-of-way line of State Route 49/28; thence, leaving the right-of-way of said State Route 49/10 and with the right-of-way of said State Route 49/28.

South 80°59′ East 168 feet.

North 82°28′ East 45 feet to an iron pin and cap designated as U.S.A. Corner No. M–8–1 on the boundary of the Western Area Structural Project; thence, leaving the right-of-way of said State Route 49/28, and with said Project boundary.

South 08°28′ East 88 feet to an iron pin and cap designated as U.S.A. Corner No. M–9–1 point on the northerly right-of-way line of a street (known as McCoy Alley); thence, leaving said Project boundary and with the northerly right-of-way of said street.

South 83°01′ West 38 feet to a point on the right-of-way line of said floodwall; thence, leaving the right-of-way of said street, and with the right-of-way of said floodwall.

North 57°49′ West 180 feet.

South 79°30′ West 34 feet to a point of beginning, containing 0.24 acre, more or less. The bearings and coordinate used herein are referenced to the West Virginia State Plane Coordinate System, South Zone.

(k) MERRISACH LAKE, ARKANSAS COUNTY, ARKANSAS.—

(1) LAND CONVEYANCE.—Notwithstanding any other provision of law, the Secretary shall convey to eligible private property owners at fair market value, as determined by the Secretary, all right, title, and interest of the United States in and to certain lands acquired for Navigation Pool No. 2, McClellan-Kerr Arkansas River Navigation System, Merrisach Lake Project, Arkansas County, Arkansas.

(2) PROPERTY DESCRIPTION.—The lands to be conveyed under paragraph (1) include those lands lying between elevation 163, National Geodetic Vertical Datum of 1929, and the Federal Government boundary line for Tract Numbers 102, 129, 132–1, 132–2, 132–3, 134, 135, 136–1, 136–2, 138, 139, 140, 141, 142, 143, 144, and 145, located in sections 18, 19, 29, 30, 31, and 32, Township 7 South, Range 2 West, and the SE¼ of Section 36, Township 7 South, Range 3 West, Fifth Principal Meridian, with the exception of any land designated for public park purposes.

(3) TERMS AND CONDITIONS.—Any lands conveyed under paragraph (1) shall be subject to—

(A) a perpetual flowage easement prohibiting human habitation and restricting construction activities;

(B) the reservation of timber rights by the United States; and

(C) such additional terms and conditions as the Secretary considers appropriate to protect the interests of the United States.

(4) ELIGIBLE PROPERTY OWNER DEFINED.—In this subsection, the term ''eligible private property owner'' means the owner of record of land contiguous to lands owned by the United States in connection with the project referred to in paragraph (1).

SEC. 579. NAMINGS.

(a) FRANCIS BLAND FLOODWAY DITCH, ARKANSAS.—

(1) DESIGNATION.—8-Mile Creek in Paragould, Arkansas, shall be known and designated as the ''Francis Bland Floodway Ditch''.

(2) LEGAL REFERENCE.—Any reference in a law, map, regulation, document, paper, or other record of the United States to the creek referred to in paragraph (1) shall be deemed to be a reference to the ''Francis Bland Floodway Ditch''.

(b) LAWRENCE BLACKWELL MEMORIAL BRIDGE, ARKANSAS.—

(1) DESIGNATION.—The bridge over lock and dam numbered 4 on the Arkansas River, Arkansas, constructed as part of the project for navigation on the Arkansas River and tributaries, shall be known and designated as the ''Lawrence Blackwell Memorial Bridge''.

(2) LEGAL REFERENCE.—Any reference in a law, map, regulation, document, paper, or other record of the United States to the bridge referred to in paragraph (1) shall be deemed to be a reference to the ''Lawrence Blackwell Memorial Bridge''.

SEC. 580. FOLSOM DAM AND RESERVOIR ADDITIONAL STORAGE AND ADDITIONAL FLOOD CONTROL STUDIES.

(a) FOLSOM FLOOD CONTROL STUDIES.—

(1) IN GENERAL.—The Secretary, in consultation with the State of California and local water resources agencies, shall undertake a study of

increasing surcharge flood control storage at the Folsom Dam and Reservoir.

(2) LIMITATIONS.—The study of the Folsom Dam and Reservoir undertaken under paragraph (1) shall assume that there is to be no increase in conservation storage at the Folsom Reservoir.

(3) REPORT.—Not later than March 1, 2000, the Secretary shall transmit to Congress a report on the results of the study under this subsection.

(b) AMERICAN AND SACRAMENTO RIVERS FLOOD CONTROL STUDY.—

(1) IN GENERAL.—The Secretary shall undertake a study of all levees on the American River and on the Sacramento River downstream and immediately upstream of the confluence of such Rivers to access opportunities to increase potential flood protection through levee modifications.

(2) DEADLINE FOR COMPLETION.—Not later than March 1, 2000, the Secretary shall transmit to Congress a report on the results of the study undertaken under this subsection.

SEC. 581. WALLOPS ISLAND, VIRGINIA.

(a) EMERGENCY ACTION.—The Secretary shall take emergency action to protect Wallops Island, Virginia, from damaging coastal storms, by improving and extending the existing seawall, replenishing and renourishing the beach, and constructing protective dunes.

(b) REIMBURSEMENT.—The Secretary may seek reimbursement from other Federal agencies whose resources are protected by the emergency action taken under subsection (a).

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $8,000,000.

SEC. 582. DETROIT RIVER, DETROIT, MICHIGAN.

(a) IN GENERAL.—The Secretary is authorized to repair and rehabilitate the seawalls on the Detroit River in Detroit, Michigan.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for fiscal years beginning after September 30, 1999, $1,000,000 to carry out this section.

SEC. 583. NORTHEASTERN MINNESOTA.

(a) ESTABLISHMENT OF PROGRAM.—The Secretary may establish a pilot program for providing environmental assistance to non-Federal interests in northeastern Minnesota.

(b) FORM OF ASSISTANCE.—Assistance under this section may be in the form of design and construction assistance for water-related environmental infrastructure and resource protection and development projects in northeastern Minnesota, including projects for wastewater treatment and related facilities, water supply and related facilities, environmental restoration, and surface water resource protection and development.

(c) PUBLIC OWNERSHIP REQUIREMENT.—The Secretary may provide assistance for a project under this section only if the project is publicly owned.

(d) LOCAL COOPERATION AGREEMENT.—

(1) IN GENERAL.—Before providing assistance under this section, the Secretary shall enter into a local cooperation agreement with a non-Federal interest to provide for design and construction of the project to be carried out with the assistance.

(2) REQUIREMENTS.—Each local cooperation agreement entered into under this subsection shall provide for the following:

(A) PLAN.—Development by the Secretary, in consultation with appropriate Federal and State officials, of a facilities or resource protection and development plan, including appropriate engineering plans and specifications.

(B) LEGAL AND INSTITUTIONAL STRUCTURES.—Establishment of such legal and institutional structures as are necessary to ensure the effective long-term operation of the project by the non-Federal interest.

(3) COST SHARING.—

(A) IN GENERAL.—The Federal share of project costs under each local cooperation agreement entered into under this subsection shall be 75 percent. The Federal share may be in the form of grants or reimbursements of project costs.

(B) CREDIT FOR DESIGN WORK.—The non-Federal interest shall receive credit for the reasonable costs of design work completed by the non-Federal interest prior to entering into a local cooperation agreement with the Secretary for a project. The credit for the design work shall not exceed 6 percent of the total construction costs of the project.

(C) CREDIT FOR INTEREST.—In the event of a delay in the funding of the non-Federal share of a project that is the subject of an agreement under this section, the non-Federal interest shall receive credit for reasonable interest incurred in providing the non-Federal share of a project's cost.

(D) LAND, EASEMENTS, AND RIGHTS-OF-WAY CREDIT.—The non-Federal interest shall receive credit for land, easements, rights-of-way, and relocations toward its share of project costs (including all reasonable costs associated with obtaining permits necessary for the construction, operation, and maintenance of the project on publicly owned or controlled land), but not to exceed 25 percent of total project costs.

(E) OPERATION AND MAINTENANCE.—The non-Federal share of operation and maintenance costs for projects constructed with assistance provided under this section shall be 100 percent.

(e) APPLICABILITY OF OTHER FEDERAL AND STATE LAWS.—Nothing in this section shall be construed as waiving, limiting, or otherwise affecting the applicability of any provision of Federal or State law that would otherwise apply to a project to be carried out with assistance provided under this section.

(f) REPORT.—Not later than December 31, 2001, the Secretary shall transmit to Congress a report on the results of the pilot program carried out under this section, together with recommendations concerning whether or not such program should be implemented on a national basis.

(g) NORTHEASTERN MINNESOTA DEFINED.—In this section, the term ''northeastern Minnesota'' means the counties of Cook, Lake, St. Louis, Koochiching, Itasca, Cass, Crow Wing, Aitkin, Carlton, Pine, Kanabec, Mille Lacs, Morrison, Benton, Sherburne, Isanti, and Chisago, Minnesota.

(h) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $40,000,000 for fiscal years beginning after September 30, 1999. Such sums shall remain available until expended.

SEC. 584. ALASKA.

(a) ESTABLISHMENT OF PROGRAM.—The Secretary may establish a pilot program for providing environmental assistance to non-Federal interests in Alaska.

(b) FORM OF ASSISTANCE.—Assistance under this section may be in the form of design and construction assistance for water-related environmental infrastructure and resource protection and development projects in Alaska, including projects for wastewater treatment and related facilities, water supply and related facilities, and surface water resource protection and development.

(c) OWNERSHIP REQUIREMENTS.—The Secretary may provide assistance for a project under this section only if the project is publicly owned or is owned by a native corporation as defined by section 1602 of title 43, United States Code.

(d) LOCAL COOPERATION AGREEMENTS.—

(1) IN GENERAL.—Before providing assistance under this section, the Secretary shall enter into a local cooperation agreement with a non-Federal interest to provide for design and construction of the project to be carried out with the assistance.

(2) REQUIREMENTS.—Each local cooperation agreement entered into under this subsection shall provide for the following:

(A) PLAN.—Development by the Secretary, in consultation with appropriate Federal and State officials, of a facilities or resource protection and development plan, including appropriate engineering plans and specifications.

(B) LEGAL AND INSTITUTIONAL STRUCTURES.—Establishment of such legal and institutional structures as are necessary to ensure the effective long-term operation of the project by the non-Federal interest.

(3) COST SHARING.—

(A) IN GENERAL.—The Federal share of the project costs under each local cooperation agreement entered into under this subsection shall be 75 percent. The Federal share may be in the form of grants or reimbursements of project costs.

(B) CREDIT FOR DESIGN WORK.—The non-Federal interest shall receive credit for the reasonable costs of design work completed by the non-Federal interest prior to entering into a local cooperation agreement with the Secretary for a project. The credit for the design work shall not exceed 6 percent of the total construction costs of the project.

(C) CREDIT FOR INTEREST.—In the event of a delay in the funding of the non-Federal share of a project that is the subject of an agreement under this section, the non-Federal interest shall receive credit for reasonable interest incurred in providing the non-Federal share of a project's cost.

(D) LAND, EASEMENTS, AND RIGHTS-OF-WAY CREDIT.—The non-Federal interest shall receive credit for land, easements, rights-of-way, and relocations toward its share of project costs (including all reasonable costs associated with obtaining permits necessary for the construction, operation, and maintenance of the project on publicly owned or controlled land), but not to exceed 25 percent of total project costs.

(E) OPERATION AND MAINTENANCE.—The non-Federal share of operation and maintenance costs for projects constructed with assistance provided under this section shall be 100 percent.

(e) APPLICABILITY OF OTHER FEDERAL AND STATE LAWS.—Nothing in this section shall be construed as waiving, limiting, or otherwise affecting the applicability of any provision of Federal or State law that would otherwise apply to a project to be carried out with assistance provided under this section.

(f) REPORT.—Not later than December 31, 2001, the Secretary shall transmit to Congress a report on the results of the pilot program carried out under this section, together with recommendations concerning whether or not such program should be implemented on a national basis.

(g) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $25,000,000 for fiscal years beginning after September 30, 1999. Such sums shall remain available until expended.

SEC. 585. CENTRAL WEST VIRGINIA.

(a) ESTABLISHMENT OF PROGRAM.—The Secretary may establish a pilot program for providing environmental assistance to non-Federal interests in central West Virginia.

(b) FORM OF ASSISTANCE.—Assistance under this section may be in the form of design and construction assistance for water-related environmental infrastructure and resource protection and development projects in central West Virginia, including projects for wastewater treatment and related facilities, water supply and related facilities, and surface water resource protection and development.

(c) PUBLIC OWNERSHIP REQUIREMENT.—The Secretary may provide assistance for a project under this section only if the project is publicly owned.

(d) LOCAL COOPERATION AGREEMENTS.—

(1) IN GENERAL.—Before providing assistance under this section, the Secretary shall enter into a local cooperation agreement with a non-Federal interest to provide for design and construction of the project to be carried out with the assistance.

(2) REQUIREMENTS.—Each local cooperation agreement entered into under this subsection shall provide for the following:

(A) PLAN.—Development by the Secretary, in consultation with appropriate Federal and State officials, of a facilities or resource protection and development plan, including appropriate engineering plans and specifications.

(B) LEGAL AND INSTITUTIONAL STRUCTURES.—Establishment of such legal and institutional structures as are necessary to ensure the effective long-term operation of the project by the non-Federal interest.

(3) COST SHARING.—

(A) IN GENERAL.—The Federal share of the project costs under each local cooperation agreement entered into under this subsection shall be 75 percent. The Federal share may be in the form of grants or reimbursements of project costs.

(B) CREDIT FOR DESIGN WORK.—The non-Federal interest shall receive credit for the reasonable costs of design work completed by the non-Federal interest prior to entering into a local cooperation agreement with the Secretary for a project. The credit for the design work shall not exceed 6 percent of the total construction costs of the project.

(C) CREDIT FOR INTEREST.—In the event of a delay in the funding of the non-Federal share of a project that is the subject of an agreement under this section, the non-Federal interest shall receive credit for reasonable interest incurred in providing the non-Federal share of a project's cost.

(D) LAND, EASEMENTS, AND RIGHTS-OF-WAY CREDIT.—The non-Federal interest shall receive credit for land, easements, rights-of-way, and relocations toward its share of project costs (including all reasonable costs associated with obtaining permits necessary for the construction, operation, and maintenance of the project on publicly owned or controlled land), but not to exceed 25 percent of total project costs.

(E) OPERATION AND MAINTENANCE.—The non-Federal share of operation and maintenance costs for projects constructed with assistance provided under this section shall be 100 percent.

(e) APPLICABILITY OF OTHER FEDERAL AND STATE LAWS.—Nothing in this section shall be construed as waiving, limiting, or otherwise affecting the applicability of any provision of Federal or State law that would otherwise apply to a project to be carried out with assistance provided under this section.

(f) REPORT.—Not later than December 31, 2001, the Secretary shall transmit to Congress a report on the results of the pilot program carried out under this section, together with recommendations concerning whether or not such program should be implemented on a national basis.

(g) CENTRAL WEST VIRGINIA DEFINED.—In this section, the term ''central West Virginia'' means the counties of Mason, Jackson, Putnam, Kanawha, Roane, Wirt, Calhoun, Clay, Nicholas, Braxton, Gilmer, Lewis, Upshur, Randolph, Pendleton, Hardy, Hampshire, Morgan, Berkeley, and Jefferson, West Virginia.

(h) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for fiscal years beginning after September 30, 1999. Such sums shall remain available until expended.

SEC. 586. SACRAMENTO METROPOLITAN AREA WATERSHED RESTORATION, CALIFORNIA.

(a) IN GENERAL.—The Secretary is authorized to undertake environmental restoration activities included in the Sacramento Metropolitan Water Authority's ''Watershed Management Plan''. These activities shall be limited to cleanup of contaminated groundwater resulting directly from the acts of any Federal agency or Department of the Federal Government at or in the vicinity of McClellan Air Force Base, California; Mather Air Force Base, California; Sacramento Army Depot, California; or any location within the watershed where the Federal Government would be a responsible party under any Federal environmental law.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000 for fiscal years beginning after September 30, 1999.

SEC. 587. ONONDAGA LAKE.

(a) IN GENERAL.—The Secretary is authorized to plan, design, and construct projects for the environmental restoration, conservation, and management of Onondaga Lake, New York, and to provide, in coordination with the Administrator of the Environmental Protection Agency, financial assistance to the State of New York and political subdivisions thereof for the development and implementation of projects to restore, conserve, and manage Onondaga Lake.

(b) PARTNERSHIP.—In carrying out this section, the Secretary shall establish a partnership with appropriate Federal agencies (including the Environmental Protection Agency) and the State of New York and political subdivisions thereof for the purpose of project development and implementation. Such partnership shall be dissolved not later than 15 years after the date of the enactment of this Act.

(c) COST SHARING.—The non-Federal share of the cost of a project constructed under subsection (a) shall be not less than 30 percent of the total cost of the project and may be provided through in-kind services.

(d) EFFECT ON LIABILITY.—Financial assistance provided under this section shall not relieve from liability any person who would otherwise be liable under Federal or State law for damages, response costs, natural resource damages, restitution, equitable relief, or any other relief.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $10,000,000 to carry out the purposes of this section.

(f) REPEAL.—Section 401 of the Great Lakes Critical Programs Act of 1990 (104 Stat. 3010) and section 411 of the Water Resources Development Act of 1990 (104 Stat. 4648) are repealed as of the date of the enactment of this Act.

SEC. 588. EAST LYNN LAKE, WEST VIRGINIA.

The Secretary shall defer any decision relating to the leasing of mineral resources underlying East Lynn Lake, West Virginia, project lands to the Federal entity vested with such leasing authority.

SEC. 589. EEL RIVER, CALIFORNIA.

The Secretary shall conduct a study to determine if flooding in the City of Ferndale, California, is the result of a Federal flood control project on the Eel River. If the Secretary determines that the flooding is the result of the project, the Secretary shall take appropriate measures (including dredging of the Salt River and construction of sediment ponds at the confluence of Francis, Reas, and Williams Creeks) to mitigate the flooding.

SEC. 590. NORTH LITTLE ROCK, ARKANSAS.

(a) IN GENERAL.—The Secretary shall review a report prepared by the non-Federal interest concerning flood protection for the Dark Hollow area of North Little Rock, Arkansas. If the Secretary determines that the report meets the evaluation and design standards of the Corps of Engineers and that the project is economically justified, technically sound, and environmentally acceptable, the Secretary shall carry out the project.

(b) TREATMENT OF DESIGN AND PLAN PREPARATION COSTS.—The costs of design and preparation of plans and specifications shall be included as project costs and paid during construction.

SEC. 591. UPPER MISSISSIPPI RIVER, MISSISSIPPI PLACE, ST. PAUL, MINNESOTA.

(a) IN GENERAL.—The Secretary may enter into a cooperative agreement to participate in a project for the planning, design, and construction of infrastructure and other improvements at Mississippi Place, St. Paul, Minnesota.

(b) COST SHARING.—

(1) IN GENERAL.—The Federal share of the cost of the project shall be 50 percent. The Federal share may be provided in the form of grants or reimbursements of project costs.

(2) CREDIT FOR NON-FEDERAL WORK.—The non-Federal interest shall receive credit toward the non-Federal share of the cost of the project for reasonable costs incurred by the non-Federal interests as a result of participation in the planning, design, and construction of the project.

(3) LAND, EASEMENTS, AND RIGHTS-OF-WAY CREDIT.—The non-Federal interest shall receive credit toward the non-Federal share of the cost of the project for land, easements, rights-of-way, and relocations provided by the non-Federal interest with respect to the project.

(4) OPERATION AND MAINTENANCE.—The non-Federal share of operation and maintenance costs for the project shall be 100 percent.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $3,000,000 to carry out this section.

Amend the title so as to read ''An Act to provide for the conservation and development of water and related resources, to authorize the United States Army Corps of Engineers to construct various projects for improvements to rivers and harbors of the United States, and for other purposes.''.

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate insist on its amendment, agree to the request of the House for a conference, and the Chair be authorized to appoint conferees on the part of the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Presiding Officer (Mr. ENZI) appointed Mr. CHAFEE, Mr. WARNER, Mr. SMITH of New Hampshire, Mr. VOINOVICH, Mr. BAUCUS, Mr. MOYNIHAN, and Mrs. BOXER conferees on the part of the Senate.

ORDERS FOR THURSDAY, JULY 29, 1999

Mr. ROTH. Mr. President, I can unanimous consent that when the Senate completes its business today, it adjourn until the hour of 9:30 a.m. on Thursday, July 29. I further ask consent that on Thursday, immediately following the prayer, the Journal of proceedings be approved to date, the morning hour be deemed to have expired, and the time for the two leaders be reserved for their use later in the day.

The PRESIDING OFFICER. Without objection, it is so ordered.

PROGRAM

Mr. ROTH. For the information of all Senators, the Senate will reconvene tomorrow morning at 9:30. By previous order, the Senate will immediately begin a stacked series of votes on the Abraham Social Security lockbox amendment, the Baucus motion to recommit, and the Graham amendment regarding effective dates of the provisions in the Taxpayer Refund Act of 1999. Following the votes, Senator GRAMM of Texas will be recognized to offer an amendment regarding across-the-board tax cuts, estate taxes, and capital gains taxes. By previous consent, there will be 10 hours of debate

time remaining on the bill tomorrow. Therefore, it is hoped that the Senate can continue to make significant progress on the bill and that the Senate action can be completed no later than Friday.

ENERGY AND WATER DEVELOPMENT APPROPRIATIONS ACT, 2000

The PRESIDING OFFICER. Under the order of the Senate of June 14, 1999, having received H.R. 2605, the Senate will proceed to the bill, all after the enacting clause is stricken, and the text of S. 1186 is inserted. H.R. 2605, as amended, is read a third time and passed. The Senate insists on its amendment, requests a conference with the House, and the Chair appoints. Mr. DOMENICI, Mr. COCHRAN, Mr. GORTON, Mr. MCCONNELL, Mr. BENNETT, Mr. BURNS, Mr. CRAIG, Mr. STEVENS, Mr. REID, Mr. BYRD, Mr. HOLLINGS, Mrs. MURRAY, Mr. KOHL, Mr. DORGAN, and Mr. INOUYE conferees on the part of the Senate.

ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

Mr. ROTH. If there is no further business to come before the Senate, I now ask unanimous consent that the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 10:43 p.m., adjourned until Thursday, July 29, 1999, at 9:30 a.m.

NOMINATIONS

Executive nominations received by the Senate July 28, 1999:

EXPORT-IMPORT BANK OF THE UNITED STATES

DORIAN VANESSA WEAVER, OF ARKANSAS, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK OF THE UNITED STATES FOR A TERM EXPIRING JANUARY 20, 2003, VICE MARIA LUISA MABILAGAN HALEY, RESIGNED.

EXECUTIVE OFFICE OF THE PRESIDENT

MARTIN NEIL BAILY, OF MARYLAND, TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS, VICE JANET L. YELLEN.

SOCIAL SECURITY ADMINISTRATION

JAMES G. HUSE, JR., OF MARYLAND, TO BE INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION, VICE DAVID C. WILLIAMS, RESIGNED.